MINING - DIAMONDS - GENERAL

APRIL 1975 - JUNE 1977
Koffiefontein mine to go underground

Teigae Payne

Koffiefontein, the diamond mine in the Orange Free State which stayed in mothbails for nearly 40 years before it was revived by De Beers in 1970, has started work on changing from an open cast to a highly-mechanised underground operation.

Operations from surface are reaching the optimum economic depth. When underground development begins early next year innovative mining methods and the most modern equipment will be used.

Rubber-tyred, articulated jumbo drill rigs and several of the latest load-haul-dump units are on order.

The underground mine will use the longhole chambering technique, which requires advanced drilling techniques and allows a high degree of mechanisation.

Work on the mine shaft and headgear began in October 1973 and by June this year the shaft will have reached its maximum depth of 703 m. It will have a personnel elevator instead of the conventional mine-hoist, a rock elevator pulling 18.1 ton skips, and a heavy materials winch. All these will be fully automatic.

Other work includes ventilation and ore-handling passes — all of which will be developed by raise boring.

An expansion and development programme now under way at Koffiefontein will turn it into one of the few mines in the world — certainly the only one in Africa — to be almost totally hydraulic.

De Beers says this means that virtually all equipment used will be hydraulically operated or diesel-driven and there will be no pneumatic or compressed air reticulation, which is considered less efficient. Hydraulic machinery is powered by oil under high pressure.

Since the mine was reopened in the Koffiefontein crater, it has yielded 1.14m carats from 11.6m tons of diamondiferous ground. Koffiefontein is one of six mines in the Kimberley division of De Beers and has a labour force of about 789.
Facing the music

De Beers has decided to drop its defence of monopolistic trading charges levelled against it by the US Justice Department. Two American diamond industrialists — distributors were due to be sentenced in a New York Federal court yesterday (Thursday), facing fines of up to $50,000 each.

Attorneys for the two firms — Diamond Abrasives and ANCO Diamond Abrasives — had originally filed not guilty pleas to charges that they, and through them De Beers itself, had conspired to fix prices and unfairly restrain trade in the US.

The charges were announced in December after an 18-month government grand jury investigation into monopolistic practices in the diamond industry. Government civil suits were also filed.

Changing their pleas to guilty last week, the attorneys pointed out that the two firms were admitting guilt for the purposes of the immediate case, but reserved their defences against the civil actions or any subsequent charges.

A US Justice Department official told the Far's Washington correspondent that it saw the De Beers change of stance as a major victory in its nearly 30-year effort to gain legal jurisdiction over De Beers.

The official refused comment when asked if there were other charges in the pipeline.
The financial strength and firm policy of the Central Selling Organisation have enabled the diamond industry to stand up well to world economic conditions.

Mr H. F. Oppenheimer

In his statement for the year ended 31st December 1974 Mr H. F. Oppenheimer, the Chairman of De Beers Consolidated Mines Limited, said:

Diamond sales by the Central Selling Organisation at R800 000 000 were about R720 000 000—or 7½ per cent—lower than in 1973. Sales in the first half of 1974 set a new record, and the reductions in the total were due primarily to the marked deterioration in economic conditions throughout the world in the second half of the year. During this period we maintained our traditional policy of absorbing into stock the excess production, and over the year stocks of diamonds on hand rose by R54 300 000 to R266 000 000. In these circumstances the diamond industry, supported by the financial strength and firm policy of the Central Selling Organisation, stood up well. Demand for the small stones, in particular, is by now a world-wide effort to broaden the market for jewellery designed to use small diamonds, commodities which have been hit hard. In all our sales was attributable to a sharp reduction in demand for the larger and more valuable stones, which until quite recently had been in short supply.

In any view the decline in our sales of these stones is not a cause for anxiety in the long-term, and our regular survey of conditions in the major markets indicates that sales of these stones in the form of finished jewellery have not declined to the same extent as our own sales. It is not a time of scarcity, but a time when business confidence is at a low ebb. and interest rates have been exceptionally high. Trade in diamonds is fracturing, and that the newly discovered deposits consist mainly of smaller sizes, with the result that the larger diamonds are becoming progressively scarcer. Sales of industrial diamond were higher both in volume and value in 1974, notwithstanding the slowdown in the world economy during the second half of the year, which partly explains the continued downturn in the diamond industry. The production of the Group at 11 060 000 ct was slightly lower than the 10 823 000 carats produced in 1973. There was a further small decline in output from the Kimberley Mines, a tendency which must be expected to continue, and there was some reduction in output from Tsumeb, Koffiefontein and Prin- mine due to the exceptionally heavy rainy. Production at The Consolidated Diamond Mines of West Africa South West Africa was also slightly lower.

The 50-50 division of profits between Government and De Beers must in present circumstances be regarded as comparatively favourable to the industry. We believe that for the time being a fair and friendly partnership with both parties can feel satisfied, is in the best interests of all concerned. For these reasons we have agreed to re-negotiate the Orapa agreement and discussions to this end have been proceeding for a considerable time. We hope that it will be possible to reach a new agreement which will allow us an acceptable share of profits, and equal importance, the maintenance of the existing structure of the trade. We are continuing prospecting of Orapa and although a number of kimberlite occurrences have been found, none has so far proved to be economically significant.

An agreement has recently been signed with the Lesotho Government for the opening of the Lebowa-Keetmanshoop diamond mine in the Makgadikgadi mountains at an estimated cost of R20 000 000. Production is expected to start in 1977 at a rate of 4 000 tons a day. In contrast to the Botswana mine, where the grade is high and the value per carat low, the very low grade of the Lebowa pipe is expected to be compensated by a small percentage of large stones of high quality. The agreement provides in effect for the Lesotho Government to receive 42½ per cent of profits after the recovery of capital investment (a maximum of 72 per cent). While this percentage is unquestionably high we regard it as reasonable, bearing in mind that De Beers did not itself make the discovery nor bear the substantial costs of the original prospecting programmes. Throughout the life of the mine the production will be marketed through the Central Selling Organisation. In addition to the investment in Lesotho, we are continuing with the major capital projects on our established mines to which I referred last year.

Further progress has been made in regard to the hoarding of our Black employees in Kimberley. About 1 000 of them are now living with their families in Kimberley, and the number of migrant workers still accommodated on the camps has been reduced to 1 600.

Many of our migrant workers have served us for long periods and we have an obligation to them to ensure their employment on this basis. Our policy, however, is to absorb all the migrant system entirely on the Kimberley mines, though for the reason I have mentioned I consider it will take some years to be fulfilled. Since the standard of housing available to our workers in Kimberley is in many cases unsatisfactory we are undertaking, with the full support of the Department of Housing, substantial building programmes. The programme is to be adopted at the Koffiefontein mine and at other Government, the first phase in which the new buildings will be completed, standards of accommodation in the existing as well as the new quarters now under construction are exceptional. This, I believe, will be an important contribution to the quality of housing. I would like to also emphasise the importance of the new developments in regard to industrial relations and training that are associated with the building programmes. The establishment of works committees for our employees and improved methods of communication will we believe go a long way to improve job satisfaction and to promote efficiency. Steps are also being taken to provide greater opportunities for our employees to acquire the educational and technical qualifications which are needed for advancement in the Group. Toward the end of 1974 the sorting and classifying of diamonds is being Groupised in South and South West Africa, where on account of their isolated situations or the lack of suitable local labour the migrant system is the future of these buildings is largely abandoned.
De Beers cuts notice in US court

By LEWIS JAMES
NEW YORK. — The US Government won an important round this week in its battle to either isolate De Beers Consolidated Mines from its American markets or force it to submit to American antitrust laws.

Two American co-defendants in Government antitrust (anti-monopoly) criminal suit against De Beers were given unusually heavy fines in a federal court here on Thursday after they entered, unprompted, pleas to proceedings charges.

Attorneys for the two firms, and privately that a key factor in the decision to abandon their defense was that they could not expect help from De Beers.

The firms were also, afraid that the United States Justice Department intended to make an example of them as a warning to other suppliers of De Beers, diamond products in the United States.

Their fears were borne out by a statement from the sentencing judge that was summed up at the sentencing South African defendant than at them.

The two firms, Diamond Abrasives Co., Inc. and Anco. Diamond Abrasives Corp., both of New York City, were charged with conspiring with De Beers since 1967 to allocate markets and fix prices in the industry.

A barb was used in abrasives and saws.

The charges carried a maximum $800,000 fine each.

The court fined Diamond Abrasives $21,000 and Anco $12,000.

Each fine was less than the amount recommended by Federal prosecutors, but more than the $10,000 average fine paid in most antitrust cases.

Spokesmen for both firms said the fines would be paid within the 30-day limit set by the court and that no appeals would be made.

An attorney for Anco had argued in court that the firm, which had eight employees and did $2.5 million worth of sales in 1974, might not be able to stay in business.

Government attorneys twined sentences as effectively barring Diamond Abrasives from doing business with De Beers and blocking De Beers' access to the American market for its products.

The Justice Department, reportedly has a series of criminal indictments still sealed, after a Grand Jury issued its investigation of antitrust violations in the diamond industry. The indictments represent a step-by-step campaign against all phases of the De Beers cartel's operations in the United States operations which De Beers maintains are solely the activities of independent suppliers.

De Beers and Washington have been at war since 1945 when the first attempt was made to bring De Beers under the jurisdiction of American courts.

In that first case, the US Supreme Court ruled that De Beers was not a corporate presence in the country for the purposes of legal jurisdiction. Since then the company has acrobatically avoided any formal appearance in the United States and maintains no office or representative there.

According to its new tactic, the government hopes to force De Beers into appearing voluntarily or risk having each of its suppliers from jewelry grading standards being deemed a monopoly and subject to antitrust laws.

In passing sentence in this week's case, Judge Robert Ward added his remarks to De Beers officials who were present in the courtroom.

"The Court," he said, "finds the evidence here as serious as the defendant and believes that the substantial fine will be a deterrent effect, not only on the defendants here but on others who might be involved in illegal conspiratorial activities to violate the antitrust laws."

Judge Ward also added, "A plea of not guilty on De Beers' behalf, and government attorneys and a trial date on the criminal and civil charges still pending would be set for later this year."

De Beers says:

- When asked to comment, a De Beers spokesman said in Johannesburg yesterday: "The sentence imposed this week on Diamond Abrasives and Anco do not directly concern De Beers because the firms are independent distributors of industrial diamonds. They are not De Beers agents, nor are they affiliated to us in any way."

"Contrary to the impression created by reports, De Beers has no reason to suppose that it will not be able to go on supplying the United States market, with diamonds, both industrial and general."

"Regarding reports that the US Government may seek to assert jurisdiction over De Beers, we are advised that no basis exists for jurisdiction over us, as we do not conduct business in the US through agents or otherwise."
Bully beef and carats

The US Justice Department’s 30-year vendetta against De Beers Consolidated Mines has had an air of unreality about it from the start. Does Washington really believe it can drag Harry Oppenheimer into the courts? And what would the Americans do if they got him there?

Last week, in a New York Federal Court, two American distributors for De Beers of industrial diamond abrasives, paid heavy fines for price fixing and market allocation charges. Also charged, De Beers avoided the fines by simply not showing up and by claiming it has no corporate presence in the country.

In the wake of the sentencing, however, some answers have developed on what Washington’s game is.

First, the US Justice Department is not through with the current case by any means. Still pending are civil charges that could leave the two convicted defendants — and De Beers — liable for damage suits far in excess of the $50,000 maximum fine for the price-fixing charges.

Thereafter — probably through a negotiated agreement with the two American distributors to cease business with De Beers, or to modify their pricing agreements — government will pursue its trial of De Beers with its accused.

absentia. There will presumably be a penalty levied — for collection from any luckless De Beers official who gets caught passing through the US. And then? Justice officials hinted this week that later in the year they will be ready to file charges in another area of De Beers’ sales in the US — probably the larger abrasives, known as boart, which are used in oil drilling bits.

Again, Diamond Abrasives Corporation (Dac) and Anco Diamond Abrasives Corporation (Anco), the two current losers, are likely to be among a larger group of distributors hauled into court. And the whole process will begin again.

The diamond industry’s output is roughly 80% industrial stones and 20% gemstones, but the profits earned are roughly the reverse. No one risks court action over 20% of one’s sales, so why doesn’t De Beers do with industrial abrasives as it does with gems — merely market them from London, or Ireland, or elsewhere outside the US?

The answer is that De Beers can and allocated market system De Beers has with its American distributors.

Why is Washington after what is essentially a small kettle of fish? Last year Dac and Anco together accounted for no more than $25m of the less than $50m in diamond grit De Beers sold. The entire industrial diamond industry in the US is microscopic when compared with billion-dollar economic concentrations elsewhere.

One motivation is Justice attizes note, that if the Administration can bring De Beers to heel — either in court or out — it will have set a precedent. Washington can reach foreign corporations not physically present in the US, it would also show the Administration’s ability to step in more directly into the operations of firms that do business in the US, but which are controlled outside the country.

This is no small consideration for Americans, who increasingly worry about Arab takeovers of their industrial establishment.

This line of interference is currently prohibited by the US Supreme Court, which in 1945 blocked an attempt to lodge price fixing charges against De Beers. The Court said then that the Administration could not bring a company into court if it did not do business in the US. That, apparently, will change sometime this summer.

But there’s a more immediate motivation. General Electric manufactures roughly 90% of the synthetic industrial diamonds in the US. Its patents are due to expire in three or four years. And therein lies government’s concern.

In this current suit Dac, Anco, and De Beers were accused of repressing trade in diamond grit, which is used in grinding wheels, saws and smaller drills. Justice estimates that De Beers’ annual production of the small abrasives was about 17m carats (13m synthetic). The US last year imported 19m carats (8m-10m synthetic)

US production of diamond abrasives last year nearly equaled that — between 19m-20m carats — but this principally GE product was of the synthetic and finer-grained variety. Much of it is exported.

With the GE patents expiring, Washington wants to encourage other American firms, such as Dow Chemical (which has its own process), to become more active. But there is understandable hesitancy on Dow’s part to take on either GE in the export market, or to tangle with De Beers in the domestic market, for larger grained grit.

Then there is the petroleum industry,
which is complaining about the high cost of equipment—boart encrusted drill heads specifically—and its inability to finance new drilling ventures generally. The large grained boart diamond stones cannot yet be made synthetically in any commercial amounts.

Again the US government hopes to spur development by opening up the market to competition.
De Beers industrial diamond division — in the immediate firing line — seems confident the decision should not have drastic consequences on its global operations.

Of even more interest to shareholders, however, is the possibility the decision might affect the sale of gemstones, which account for about 80% of diamond profits. Possibly 50% of gemstones find their way to the US.

The marketing of these stones is done through the London-based Central Selling Organisation (CSO), which handles an estimated 85% of world gemstone sales.

There is no doubt the CSO fixes prices. Harry Oppenheimer has admitted as much, arguing a strong case that if this is a monopoly, the peculiar circumstances of the diamond market make it beneficial not only for producers, but also for dealers, cutters, jewellers and customers (all of whom have an interest in a stable market).

The US Justice Department doesn't seem to agree. It has gone to extraordinary lengths over the last 30 years to pin down De Beers and it would be astonishing if it now quietly allowed the matter to drop after two lines totaling $50,000.

On the other hand it is difficult to see what it proposes to do. Most of the US dealers and cutters, as well as the 15,000-odd jewellery stores they supply, are entirely dependent on De Beers diamonds, and they wield a good deal of political influence.

Thus, no doubt, is the source of some of De Beers' confidence. Moreover, it points out that jurisdictionally it is outside the ambit of the US courts. US buyers receive their diamond parcels in London, and title to them therefore passes in the UK.

So, when asked by the FM what the implications of the court decision were, traders in London tended to shrug their shoulders and say "So what?". Probably this complacent attitude stems from De Beers' view that it is practically invulnerable.

But complacency, especially on De Beers' part, would be a mistake. It is hard to believe the matter will stop here. The Justice Department doesn't have to close down the gem industry and incur the wrath of thousands; it is more likely that the attack, if and when it comes, will be oblique.

And the (private) allegation by Justice Department officials (FM April 25) that they are not gunning for the gem industry should not be taken at their face value.

After all, gem diamond dealers and cutters also received summons. The inference is that the Justice Department simply hasn't been able to make its larger stick. So far.
WASHINGTON. — US Justice Department officials in charge of the Government's anti-trust (anti-monopoly) case against De Beers Consolidated Mines this week confirmed that they have asked Harry Oppenheimer to appear before a United States court during the trial against his company.

Speaking privately, the Government officials said the request had been made repeatedly in recent years. It was renewed recently when two distributors of De Beers industrial diamond abrasives pleaded no contest to anti-trust charges and paid fines.

The officials said they had received no indication that Mr. Oppenheimer would consent to subject himself or De Beers to the jurisdiction of an American court — something the company has fought against for 30 years.

No trial date has been set, but department prosectors say it will probably be held late in July

If held, the trial would raise the constitutional question of whether a defendant can be tried in absentia in the United States. Current judicial decisions say no.

The requests to Mr. Oppenheimer have been made by telegraph to his business headquarters. They have been acknowledged, but there has been no further response, the attorneys said.

A De Beers spokesman in Johannesburg yesterday declined to make any comment.
Multi-merger of
diamond firms

Johannesburg. — De Beers Consolidated Mines announced yesterday, jointly, with Consolidated Diamond Mines of South West Africa, Fennmer (Transvaal) Diamond Mining Company, and Sea Diamond Corporation, that an agreement had been reached in principle on proposals which would result in these companies becoming wholly-owned within the De Beers group.

"Shareholders, rather than the De Beers group companies, in each of these companies, will in terms of separate schemes of arrangement, surrender their shares in exchange for allotments of De Beers shares," the statement said.

The directors state that the schemes have been proposed because the interests of the minority shareholders are not always coincidental, in all respects, with those of the De Beers group, and the diamond industry, as a whole, while their presence influences the decisions of the board to a disproportionate extent.

"Shareholders will gain advantage of greater growth potential, and security of earnings afforded by the De Beers group with its wide spread of interests... both within and outside the diamond industry, together with increased marketability for their shares," the statement added.
De Beers' profit in line with hopes

Mercury Correspondent

JOHANNESBURG — De Beers' net profit of R104 283 000 for the half year ended June is slap in line with London expectations of 25 to 26 cents a share earnings.

If one strips out the once and for all tax bonus De Beers has received from the introduction of the PAYE system in South West Africa, group profit after tax is down R11 883 000 at R109 465 000. But an extraordinary loss of R8 649 000 from the recent hand-over of another 20 percent of the shares in Debswana to the Botswana Government — offset by a R3 467 000 transfer from reserves — lowered the net profit figure by R5 182 000 to R104 283 000.

The real surprise comes in the sharply lower tax and lease, which is down R44 500 000 at only R38 883 000. This partly reflects the lower provisions for tax thanks to the introduction of PAYE in South West Africa.

This lower provision will apply only for the current year and is effectively a once and for all bonus.

Diamond account is down R57 472 000 at R109 403 000. Total group income for the half is down by R5 119 000 at R138 649 000. The dividend is an unchanged 5 cents.

Consolidated Diamond Mines' profit after tax was up R4 298 000 at R44 083 000 while diamond account was down R12 177 000 at R45 996 000. The explanation comes in PAYE which lowered the tax provision and lifted group profit by R13 206 000.

CDM's dividend is an unchanged R2 a share. Debnocor is making an unchanged 22.5 cents while its net profits rose R38 000 to R5 083 000. Debnocor intends to take up its R32 million of AEs and CIs' R28 million share issue by making a rights issue to Debnocor holders at the time of AE and CI's issue. De Beers has agreed to underwrite the issue.
The Newcastle Pit's profit of nearly R1.1m (1974: loss R204,000) in the year to June 30 is clearly a testimony to the management of chairman Graham Beck, since only a year ago Newcastle was being flogged — on the advice of Anglo — as an uneconomic operation.

By successfully marrying the Newcastle operation with the Primrose-controlled Spitzkop Colliery and then having Spitzkop re-classified as a Natal mine, with a current pithead price of 76c/1t, Beck was able to generate a profit turnaround of nearly R1.3m. Earnings, on the enlarged capital of 3.1m shares (1.9m) ran to 35c although anticipated capital spending and loan repayments prevented the declaration of a dividend.

Beck forecasts, however, that a payout will be resumed "towards the latter part of the current financial year".

The outlook is deemed optimistic, aided not only by government's adoption of a policy to review domestic coal prices annually, but also as a result of the recently negotiated agreement between Spitzkop and Shell Coal SA. Under terms of the contract, Shell has granted an interest free loan of R5m to Spitzkop in return for unspecified deliveries of coal; the loan — already reflected in Newcastle's balance sheet and earning a handsome return — is repayable over the next three years out of gross revenues flowing from deliveries to Shell on undislosed prices.

To the extent that Spitzkop's output will have to be bolstered from 750,000 tpa to 1m tpa in order for Shell to be fully accommodated, the full benefit of this contract may not be felt for a couple of years. However, in the meantime, the interest being generated by the unspent portion of the R5m will no doubt be substantial.

Eyebrows have already been raised in the industry at the cost of R5m to expand output from 750,000 t to 1m t a year, equivalent to the staggering cost of R20 per annual ton.

I rang a Newcastle spokesman who said that "the money can be spent as and when we see fit". But measures to increase output are already in progress without any need to draw on the R5m.

The reluctance to disclose any details, save that the coal is for export and movement from the colliery has already started, was basically at the request of Shell Coal.

I then spoke to Dr Alex Toohsey of Shell Coal SA who indicated that Newcastle had been reluctant to disclose Shell's involvement for fear of causing speculation in the shares. Dr Toohsey was otherwise only able to say that "the contract was of a very complicated nature and subject to tonnage re-phrasing although initially the shipments from Spitzkop would be small". That may be so but Newcastle believes sufficient coal will be moved in order that the loan will be repaid in three years.

David Wall.
The Star Tuesday Dec 9 1975

The hippos rose and sank, snorting, in the diverted waters of a muddy river 8 km from the Zaire border. Alongside lay the churned gravel of the original river bed, an o ld diamond mine worked out by Diamang, the Angola diamond mining company which has moved on to richer deposits further south.

There is nobody to be seen in this part of the bush in Lunda Province. It is out of bounds to guard against diamond smuggling, and used to be patrolled by Diamang's private army, with helicopters, armoured cars, bazookas and machine guns.

Lunda, in eastern Angola, is inhabited by about 400,000 people in its grassy uplands. It is larger than Portugal, and crossed by rising rivers which flow down into the Zaire diamond and copper belt.

The diamonds found in the basement rock in Angola are richer than those washed across into Zaire and have kept Diamang busy mining since 1921. Roughly 70 percent are fine gemstones found not only in river beds but also in kimberlite tunnels and even in cavendish formations in the rock, salt eroded gotholes filled with high concentrate diamonds.

Diamang, like Gulf Oil in Cabinda, which like Lunda is MPLA-controlled territory, has been paying its royalties to MPLA for the past few months.

Exports of diamonds and oil from the two companies make up 86 percent of Angola's foreign exchange earnings. Diamang's contribution is 26 percent of national exports or around $57,800 a year.

It is mining highly concentrated deposits now, centred around the washing and selection plants. At Andrade we are shown a portion of the day's production - gleaming, uncut gems, quickly locked away in the huge STEEL SAFE WHERE STRONGBOXES ARE STOCKED AWAITING THE BI-MONTHLY SPECIAL COMPANY FIGHT TO LISBOA.

Production figures are hard to come by. It seems that production has fallen by 60 percent since the majority of Portuguese technicians fled to Lisbon. But judging by the number of gemstones cuddled in brown felt at the selector's elbow, and the stack of strongboxes in the safe, a great deal is still available.

The Cafende and Luca pa high concentrate mines, scattered further afield from Andrade in the company's 50,000 sq km of concession, are doing quite well.

More is at stake in Lunda for MPLA than mere revenues, however important they are to it. MPLA needs a stable Lunda. Strategically placed along the Zaire border it is a prime target for infiltration and conceivably for an attack designed to link up with the FNLA-Unita stronghold around Huambo.

Diamang needs to go on mining - with MPLA forces taking on security tasks of the distant private company army. It is a curious modus vivendi, particularly given the high proportion of capital held by Belgian, South African, American and British interests, which at first sight would appear more natural allies of the rival Government in Huambo.

The mines have the sizeable largest of workers in Africa about 20,000 people, partially explains its success in much Lunda population.

The other partary story is the role of Diamang. Housing, in neat brickwork, contrasted with the wooden, cement palm-shacks of the employed by the company or does not even hint at higher. It is MPLA housing.

Schools, hospitals. No transport, electricity are all provided by the company at rates. Under a stop-go contract with consumer demands are often unmet.

When the Cola, a state aid to crops, comes to be seen by both parties as both parties...
De Beers off the hook

WASHINGTON. — The US Justice Department this week successfully completed its year-long prosecution of two of De Beers' American distributors of industrial diamond grit on price fixing and market allocation charges.

But the "big fish", De Beers itself, the third defendant in the case, is still at large.

In order to close the case against them, the two distributors, Diamond Abrasives Corporation and Anco Diamond Abrasives Corporation, agreed not to meet with De Beers on any commercial matter for the next five years. In return, the US Government promised not force DAC to stand trial (as De Beers' alleged agent in the US) for De Beers, which has yet to answer similar charges.

With this avenue of pursuing De Beers now closed, the leading question now becomes: how does the Justice Department intend to establish jurisdiction over De Beers, which claims no presence in the US? In an off-the-record interview with the Sunday Times, Justice Department officials said that De Beers might simply give up and submit to the courts.

(Some reports, emanating from New York, say that De Beers officials may seek a compromise with the Justice Department if it appears they will lose a courtroom confrontation. These sources cite a growing cost to De Beers executives, such as when Baron Guy de Rothschild was forced to resign as a De Beers director in order to enter the United States to pursue his Metal Corp takeover of Copperweld.)

The important point, Justice Department officials stress, is whether De Beers can be brought before a US court at all. If a judge decides it can, then De Beers technically has lost already. Moreover, if De Beers were to sign a compromise it could only be held to a maximum $20,000 fine. But if the case were brought to trial, and De Beers convicted on anti-monopoly practices, additional contempt of court fines could be made even larger.

Thus far, De Beers has given no public indication that it is about to cave in.

Should De Beers continue to ignore the charges it faces in the US, the Justice Department is prepared to do more than simply wait, says Mr. Davidow. Among possible courses of action, he says, would be to persuade the court to order De Beers' appearance and then going ahead with a trial, with or without De Beers'
De Beers watches Angola

By ADAM PAYNE

DE BEERS Consolidated Mines, as consultants to the large Diamang diamond mining company in Angola, will be closely affected by the outcome of negotiations for a new contract between the MPLA Government and Diamang.

The major interest in the company is held by the State, which formerly meant the Portuguese Government. Private interests include Belgo and American capital.

Now that the MPLA has taken over the Luanda province, where the company's mines operate, it is expected to negotiate with Diamang for a larger State participation.

The company already pays tax of more than 50 per cent on profits.

Output from the mines has fallen 40 per cent to 50 per cent since the civil war, because of the flight of Portuguese skilled personnel and technicians.

But the MPLA has made a point of not attempting to take over the management of the mines, except that its police now replace the company's internal security police.

Diamond exports from Diamang and oil from Gulf Oil's Cabinda wells, also controlled by the MPLA, make up more than 20 per cent of Angola's foreign exchange earnings.
CUTTERS BY GOVERNMENT

WHITE DIAMOND cutters hit back this week to lay the blame for the industry’s labour stalemate squarely on the country’s race laws and their employers’ “greed”.

The Government and the employer organisation, the Master Diamond Cutters’ Association, want to introduce Coloured and Indian operators.

Without this low-cost labour, they say, it is economically impossible for the industry to expand into the fast-growing market for small diamonds — which could be worth another R65 million to the country.

The Diamond Workers’ Union says it will only accept this if two conditions are met:

1. Operators must be eligible for membership of the union.
2. Operators should only be allowed to cut diamonds of up to 0.89 carats in the rough, instead of 1.79 carats.

The first condition effectively bars non-White labour as long as the laws of the land forbid non-Whites from being members of trade unions.

“…And this is not our fault,” says union president Mickey Getten. “We are not objecting to Coloureds and Indians — we are objecting to non-union labour. We would welcome them into our union if there was a need for them, if they were allowed to join, and if they were paid the rate for the job.”

The reason for the second condition, says Mr. Getten, is that 60 per cent of the 1,700 diamond workers are fully employed on stones below 1.79 carats.

If low-paid non-Whites were allowed to do this work, the livelihood of the Whites would be endangered.

The employers have offered safeguards to secure conditions of employment, present wage levels and incentive rates.

“Since negotiations started the definition of a small diamond has grown and grown,” says Mr. Getten. “The employers see the introduction of non-White labour as a way to increase their profits.”

The more work they give to non-Whites, the better they like it.

The employers have offered safeguards to secure conditions of employment, present wage levels and incentive rates.

But they cannot guarantee a minimum volume of work to the cutters. Earnings above the basic wage are related to the quantity of work done, so if White cutters lose some work to Coloureds and Indians, their earnings will suffer.

The general secretary of the union, Robin Rich, says workers are already threatened by the long-term decline in diamond production in this country.

“The commission inquiry into the industry predicted a 61 per cent drop in production by 1995,” he said. “Half the diamond workers are under 30 and in a highly specialised industry such as this, it will not be easy for them to find other work.”

The slump, which the industry is just beginning to pull out of cost the union about $10 million in four years to compensate the men for the loss of 4,000 working days.

Mr. Getten says the higher cost of South African White labour should be more than compensated for by the rebate of the 10 per cent duty levied on exported rough diamonds.

“This gives the local master cutters quite an advantage over anybody else in the world,” he said. “It was worth $4 million to them in 1970 and $9 million in 1974.

The cost per carat was $70 in 1970, but rose to $150 in 1974, so the labour cost as a percentage of the cost of a rough diamond has fallen substantially.

“The 10 per cent rebate that the master cutters receive pays the wages of the men in the industry. So the argument that they must cut wages in order to compete overseas is a lot of nonsense.”
Diamond workers speak out on labour

Labour Reporter
The Diamond Workers' Union — now faced with an ultimatum to open the door to cheap labour by March 16 — has broken its tradition of public silence to contest allegations of racism.

In a rare newspaper interview, the union's president, Mr. Mick Geffen, and its general secretary, Mr. Robin Rich, told The Star that:

1. The union maintains a non-racial policy and had never insisted on remaining exclusively White.

2. It was Government policy, enshrined in legislation, which prevented the union from becoming racially mixed.

3. There was no need for additional labour because the industry had insufficient work. Last year R20 000 was paid out in short-time payments for 10,000 work days lost as a result of too little work.

4. The term "operators" was a misnomer because these men would not be machine minders but would do the same work as union craftsmen.

5. In time, the operators would become unskilled craftsmen who would undermine the pay and privileges of union men while themselves being open to exploitation.

6. The industry's existing supply of rough diamonds from South Africa would be exhausted by 84 percent over the next 10 years according to a Government estimate.

7. There was no need for cheaper labour because the 10 percent discount the industry received on the rough diamonds from South Africa paid the entire cost of the cutting and provided they became eligible for membership of our union," Mr. Geffen said.

"If the Government and employers have their way and give stones of up to 1.5 carats to operators, our craftsmen will lose 60 percent of their work," Mr. Rich said.

"A Cape Town firm with more than 100 White operators has stayed in business since 1966 by processing stones no larger than 0.5 carats.

"We are prepared to raise the ceiling for operators to 0.89 carats but we refuse to cut our own throats."

Mr. Rich announced that the Master Diamond Cutters' Association has given the union until March 16 to meet its demands or face the cutting off of the verbal agreements regulating employment conditions, since the expiry of the industrial agreements.
De Beers just makes it

De Beers has certainly saved face by declaring an increased (although not unexpected) final dividend of 20c (17c), making 28c (25c) for the year to December 31 last. However, despite a second-half diamond account income improvement to R107,4m (R75,8m), thus recording a slight gain over the near-24% CSO sales rise in the June to December period, it was only the substantially lower tax and lease assessment of R59,5m (R100,4m) that allowed for a full-year net profit improvement to R220,7m (R201,3m).

All told, the figures are somewhat unsettling. The tax benefit is basically a once-off bonus (arriving from the introduction of PAYE in SWA) and even after allowing for the R29,6m saving, the rate is still abnormally low at 31%.

Overall, diamond profits declined nearly R26m to just under R217m for the year, although interest and dividend income rose fractionally to R95m (R92m) and royalties gained R3m to R10,3m. On the face of it, deductions appear to have been reasonably well contained, rising only R6,5m to R36m, but this does not include a below-the-line loss of just over R8m arising from “the relinquishment of shares in a former subsidiary” (De Beers Botswana).

Despite the second-half upswing in CSO fortunes (which themselves are indicative of restocking), De Beers’ diamond stocks on hand rose 12%, from R270m to R304,4m, in spite of a profit/stock adjustment of R5,8m as the result of a revised inventory accounting method.

Long-term loans also rose from R27,3m to R33,6m, but no doubt both the stock situation and loan increases reflect the rand devaluation. Overall, the net current asset position improved by R11m to almost R179m — although it is not easy for the casual reader of the balance sheet to discern this.

As is usual, comment from the board is reserved for the annual report (due later this month) but the absence of a note on market conditions, notably since the mid-January 3% price hike, suggests that the outlook is perhaps more than a little uncertain. Moreover, bearing in mind the exceptionally heavy percentage of De Beers shares held by overseas investors, whose nervousness over Angola, Mozambique and Rhodesia has already been manifested in the recent sell-off, the current 7,7% return at 363c may not...
That Minister of Mines Fanie Botha has given the (White) Diamond Workers Union and the Master Diamond Cutters Association until April 30 to reach a compromise in their dispute over the introduction of cheaper labour into the industry (FM, March 5).

While neither side is willing to disclose details of their meeting with Botha, the FM understands that no negotiations between the two parties are presently taking place.

?
De Beers sees no pause in diamond rush

Michael Chester, Financial Editor

World demand for diamonds, which cracked all records last year, has taken a string of price increases in full stride and the De Beers chairman today outlined a whole battery of new projects to further boost output.

Mr Harry Oppenheimer, gave indications of the scale of the diamond rush in an annual review showing total sales by the Central Selling Organisation in 1976 bundling 70 percent higher in rand terms to R1352m.

And not even the 15 percent price increase last month — coming on top of the 8.75 percent rise in September and 3 percent more only in January — has slowed demand.

So when Mr Oppenheimer forecasts 1977 sales staying at "a very satisfactory level", it sounds like a banana year repeat ahead.

Sales of industrial diamonds, both natural and synthetic, also set a new record last year. In part, of course, the rise reflected the improvements in the economies of the major industrialised nations.

De Beers enjoyed the bonus of the success of new materials of its own — two synthesised products named CDA and Syndite now on the market. Mr Oppenheimer is confident both have great potential.

On to new projects, the new Letlhakane mine southeast of Orapa should reach full production around 320,000 carats a year by the end of this month.

Now work in progress at Orapa, due to be completed by the end of 1978, has taken aim on boosting mine capacity from 2,3m carats to 4,5m carats a year. Over to Letseng-la-Tera mine in Lesotho, where R32m has been invested, full capacity should be reached by mid-1977.

Here profitability depends on the output of a comparatively small quantity of large, high-quality diamonds.

The development costs have gone higher than original estimates, but Mr Oppenheimer is confident it will all prove well spent.

FOUR YEARS

The Koaana project, being reactivated in Namibia, will yield high-quality diamonds in a small size — a category now in exceptionally strong demand.

At Jwaneng in southern Botswana, the drilling programme has established that the kimberlite pipe is a good size and contains diamonds in payable quantities.

But it will take about 4 years to complete an accurate assessment of potential — and involve what even De Beers calls a substantial capital investment.

Discussions have been opened with the Botswana government to reach agreement on how work will be carried forward.

The taxed profit attributable to De Beers in the year ended December 31 was up from R220m to over R300m. By the close of the JSE last night, at 397c the share showed a dividend yield of 8.8 percent. The current year shows a lot of promise.
R80 000
Anglo
payout
to Kamil
By MERVYN REES and MIKE DUTFIELD
A NGLO AMERICAN paid Fouad "Flash" Kamil, R80 000 at a secret meeting in Cyprus in July 1974.

This was less than two months after he was released from prison, where he had served 22 months of an 11-year sentence for hijacking a South African Airways airliner.

The payout followed Kamil's request that Anglo gave him some money for his legal bills. The company decided to settle the matter out of court. It was partly in a spirit of good will, but it was also to ensure that Kamil would not make any further demands.

Details of the payout were confirmed by Mr. Kamil and by a representative of Anglo. The amount was paid into a bank account in London, and the transaction was confirmed by both parties.

Kamil, a former member of the Black Consciousness Movement, was released from prison on parole in 1974.

Colonel Van Rijn, the head of the South African security forces in Cyprus, was also involved in the payout.

The payout was a significant event in the history of South African politics, as it highlighted the role of companies in financing political activities.

The payout was made after Kamil had been released from prison. It was believed that the money was intended to help him pay for his legal bills and settlement of his claims.

The payout was confirmed by both parties, and it was a significant event in the history of South African politics.

Kamil was a former member of the Black Consciousness Movement, and he had been imprisoned for his role in the Movement.

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The payout was a significant event in the history of South African politics, as it highlighted the role of companies in financing political activities.
R15-m gems smuggled out

Johan Kruger

Uncut diamonds worth up to R15-million have been smuggled out of South Africa in the past year.

They were taken out in an attempt to safeguard "money against inflation and political unrest in South Africa and South West Africa.

The Star launched an investigation into the illegal diamond trade after receiving information from diamond world sources about a step-up in smuggling.

Top diamond world officials claim that a large number of the uncut diamonds leaving South Africa illegally in the past year went out through diplomatic circles.

Economy

Diamond branch detectives in Johannesburg could not comment on the claims.

But they said that if the figure of up to R15-million proved true, it could harm South Africa's economy.

In such a huge illegal trade, South Africa loses a lot in foreign exchange, income tax and a 10 percent fee that has to be paid when a diamond is legally sent overseas for cutting.

A spokesman for the Department of Foreign Affairs in Pretoria said it was possible diplomats were abusing their immunity to smuggle diamonds out of South Africa.

"But," he added, he did not know of any case.

Route

The step-up in smuggling came after independence in Angola, when a strong illegal market became a thing of the past.

The export route changed to places such as Tel Aviv, Antwerp, and Amsterdam, where diamonds fetch a better price and can be cut cheaper.

With the Angolan market, there was a direct flow of money back to South Africa.

But the Star investigation shows that many people involved in the past year's smuggling were not South African citizens.

It has been learnt that South Africans too were driven into this illegal trade to safeguard their money.

During the investigation, a Star reporter received an anonymous telephone call telling him that he might get hurt if he mentioned to the police the names of people to whom he had spoken.

The existence of such an illegal trade was confirmed by at least three sources in the diamond world.

They wished to remain anonymous. Mention of their names, they said, could endanger a lot of people.
Expansion and politics at De Beers

As foreshadowed in the chairman's statement in April, De Beers is to raise output at Orapa from 2.35m to 4.5m carats, with the timing of the expansion now disclosed in the Botswana parliament as end-1978. In addition, development of the small Letlhakane mine near Orapa has been completed. It will produce at a rate of 300,000 carats per year in 1977 and reach eventual capacity of 420,000 carats.

Taking these moves and De Beers' developments elsewhere, it seems that the group is moving into a major phase of expansion which will raise output from 10.8m carats in 1975 (the last published figure) to 14m carats per year by end-1978. Total cost of the new developments will be about R83m, which should be funded without particular strain.

The table shows where the new output will come from and the proportion of gems to industrial stones.

Koingnaas is the deposit near the group's Annex Kleinsee mine in Namakauland, and, as a west coast "terrace" deposit, has the normal high gem content associated with the area. It is interesting to note that when its expansion is completed, De Beers will be drawing about 1.4m carats from Namakauland annually, compared with 1.7m from CDM. This would seem to reduce its exposure to the SWA deposit.

Lesotho is the Lesotho mine initially developed by Rio Tinto. It has the unusual distinction that it is the lowest grade diamond mine in the group, but it is expected to have the highest revenue per carat. This is because of the high proportion of large gems. At only 50,000 carats per year, its output is negligible in volume terms.

Of course, the ownership arrangements with Lesotho and Botswana mean that De Beers has respectively a 75% and 50% interest in the expansion in those territories. On the other hand, it still represents production controlled by the group, which is generally reckoned to be more profitable than stones brought in from outside producers and put through the marketing network.

And the fact that De Beers is planning to raise volume output by almost 30% over the next two years speaks volumes for its confidence in future demand. It follows indications, in the half yearly CSO sales figures, that the present high level of sales has occasioned some rundown in the stockpile.

Whether good fundamentals both on the production side and in the diamond market mean anything positive for the share price is another matter. Six-monthly earnings to end-June were 39c and a total for the full year of 85c seems quite possible. After 28c in 1975, some analysts expect a 34c dividend for the current year, which would put the shares at 315c on a yield of 10.8%.

But the problem for the shares is essentially political. Of the 360m deferred in issue, no less than 140m are on the London register — a formidable cap which threatens to be turned on, whenever the shares show any signs of strength, by overseas institutions like Robeco which have taken a policy decision to divest from South Africa. The moral seems to be that there is no hurry to buy De Beers until the political climate improves, though they are probably close to their low point right now.

Richard Rolfe

A few issues — would 1d and would stimulate the increased availability of the economy will be for the farming sector.

Presented in this paper, unemployment planned. Employment increases in these patterns

DElia HENDRIE

De Beers heading for record profits as diamonds boom

By ADAM PAYNE
JOHANNESBURG. — World sales of diamonds by De Beers Central Selling Organization have for the first time topped the trillion-rand mark for one year. They were 70 percent higher last year than in 1975.

They totalled R1 351 859 000 — R355m more than the previous year's R793 479 000, which indicates that De Beers should make a record profit for 1976, with an inevitable rise in dividend pay-out.

In dollar terms sales at $1 555m were 46 percent higher than in 1975.

Sales in the first half of last year were at a record R682m (R355m) and in the second half were R670m (R438m).

Buoyant

The diamond trade is buoyant with particularly good sales in the United States.

"More young people are buying diamond rings and jewellery and the sales of small diamonds are higher than ever before," an authority on the diamond industry told me.

"There has been some resistance to bigger stones, but some categories of large stones are selling well."

I am told that the increase in sales was general, with improved buying in Japan, Hong Kong and in the European Economic Community.

Expectations of good sales have sent De Beers shares up in the past two weeks from 357c to 365c yesterday, with particularly strong buying from New York.

Some market watchers were expecting sales of R1300m, so the extra R52m is a bonus on their estimates.

The lower sales in the second half, compared with the first half, is normal because of holiday slackness towards the year-end. Only in one exceptional year did second-half sales exceed first half.

The significance of greater sales of small diamonds is that a quantity will have been drawn from stockpile, entered in De Beers books at low cost by present standards. Thus, the profit on these sales will be considerable.

Included in the sales figures are two price rises — one of 3 percent last January and the second of 5.75 percent in September.

De Beers financial results for the year have yet to be issued, but the end of the first half, after excellent diamond sales, the diamond account more than doubled to R216m and earnings a share were up from 30.2c to 40.4c.

Although De Beers income from gold investments will be down, the overall picture should not be dimmed.

When the diamond sales for the first half of last year were announced, I predicted earnings of 80c for De Beers in the year. On the publication of the second-half figures, my prediction rises to earnings of at least 85c.

Earnings

De Beers paid a dividend of 25c in 1974 on earnings of 56c and 28c on earnings of 61c in 1975. These last earnings were inflated by a non-repeatable tax gain from South West Africa.

An interim dividend of 12½c has already been paid and with improved profits in the bag, the directors would have no difficulty in paying a final of at least 21½c, making a total of 34c and giving a yield of 9 percent on a price of 360c.

But with the United States economy beginning to move and prospects of continuing good diamond sales, the directors might make the total 35c.

Sales by the Central Selling Organization in the last three years were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>R682m R670m R1 352m</td>
</tr>
<tr>
<td>1975</td>
<td>R255m R435m R793m</td>
</tr>
<tr>
<td>1974</td>
<td>R355m R315m R840m</td>
</tr>
</tbody>
</table>

2. already

Budget

Has a budget already been prepared?
If so, how much money has been allowed for:
MISSING GEM DEALER DETAINED IN MALAGASY?

JOHANNESBURG - Police are investigating the disappearance of Mr. Edmund Lappeman, a Johannesburg diamond dealer out on R10 000 bail in a case involving R20 million worth of diamonds, police confirmed here yesterday.

According to reports reaching here, Mr. Lappeman, 53, an American domiciled in South Africa, is one of the three people free South Africa being held by the Malagasy authorities after their Cessna 400 landed there last month.

Col. P. Schirmann, acting commanding officer of the Commercial Branch here, said that Mr. Lappeman was the man being held by the Malagasy authorities but he said Mr. Lappeman had broken the conditions of his bail when he did not report to Squevroux police on Friday, January 14, and had not been traced since.

Mr. Lappeman had appeared in court several times in connection with the case, charged under the Customs and Excise Act, but no formal indictment had yet been presented, Col. Schirmann said.

Malagasy authorities have remained tightheaded since the chartered Cessna touched down at Madanpany on January 11, after violating Malagasy air space, and was impounded. The pilot was Mr. John Wight of South African Airways and also on board was Mr. Dave Marais Jr., son of the former MP and chairman of the National Football League, Essai et Studies.

A.L.


* GÉOGRAPHIE DE LA FRANCE - WCSC-TV - EIAJ 578
* L’ENSEIGNEMENT EN FRANÇAIS - WCSC-TV - EIAJ 773
* CÔTES, RIVIÈRES ET PORTS DE FRANCE - WCSC-TV - EIAJ 777

EN PRÉPARATION:

* COMMENT VA LA FRANCE ?, MANUEL PÉDAGOGIQUE (PUBLICATION DÉBUT 1977)
* COMMENT VA LA FRANCE ?, VOLUME II : DOSSIERS ÉCONOMIQUE
* COMMENT VA LA FRANCE ?, VOLUME III : DOSSIERS LITTéraIRES

DIVERS:

- collaboration au journal Sud-Ouest (Bordeaux) de 1964 à 1972 (page des jeunes 17-24 et reportages)
- secrétariat de l’Association des Études Françaises en Afrique Australe (assuré depuis 1974)
- mises en scène pour la troupe des étudiants du Département de Français de l’Université du Cap:
  - comédie de Georges Courcelles Les Boulingrin (Cape Town, 1974)
  - comédie de Tristan Bernard L’anglais tel qu’on le parle (tournée 1975 en Afrique du Sud: Cape Town, Stellenbosch, Johannesbourg)

- rôle dans la comédie de Georges Feydeau Mais n’te promène donc pas toute nue! (Cape Town, 1976)
- en projet: création d’un Centre d’études de la civilisation française en coopération entre les États-Unis et la France.

ADRESSE: JUSQU’AU 1ER DÉCEMBRE 1976: DR. PIERRE PETIT, FRENCH DEPARTMENT, UNIVERSITY OF CAPE TOWN, RONDEBOG, 7700, SOUTH AFRICA.
À PARTIR DU 1ER DÉCEMBRE 1976 (PENDANT CONGÉ SABBATIQUE):
M. PIERRE PETIT, 97 RUE MAZARIN, 33000 BORDEAUX, FRANCE.
Bail jumper may be in Madagascar

AN American diamond dealer involved in a R20-million customs case may be one of the three people being held in Madagascar after their light aircraft landed there last month.

The dealer, Mr Edmund Lappeman, is based in Johannesburg. He was on R10 000 bail when he disappeared in mid-January.

Colonel P.H. Scherman, acting head of the police commercial branch in Johannesburg, said he could not confirm that Mr Lappeman was the man being held by the Malagasy authorities.

But Mr Lappeman had broken the conditions of his bail by not reporting to the Rivonia police on Friday, January 14. He was supposed to report on Mondays and Fridays between 8 am and 10 am.

Colonel Scherman said Mr Lappeman had appeared in court several times charged under the Customs and Excise Act. But no formal indictment had yet been presented.

Mr Lappeman was due to appear in court again on February 23.

The Malagasy Government has been tightlipped on the matter since the chartered Cessna touched down at Madanjary on January 11 and was impounded.

The pilot was Mr John Wight of South African Airways. Also on board was Mr Dave Marais Jr, son of former MP and national football league chairman Mr Dave Marais.

The plane and passengers have apparently been transferred to an Tanangérie, and Malagasy radio said the trio were under investigation and would be brought to justice. — Sapa.
Malagasy prisoner is diamond suspect

JOHANNESBURG - Mercury Correspondent

Mr. Edmund H. Lappeman, the Johannesburg diamond merchant and one of three South Africans held in Madagascar after their charter aircraft landed on the island last month, has been named as the key figure in a R22-million diamond tax evasion investigation.

Although they have no official confirmation that he is the Mr. Edmund Lappeman who vanished from South Africa last month while en R20,000 bail, detectives are convinced he is the same man around whom a six-month-long investigation has revolved.

Dozens of South Africans leading diamond dealings - among them Mr. Dave Marsia Jr., the other passenger on board the flight to Madagascar - have been questioned by Commercial Branch detectives since the launch of the investigation last July.

The pilot of the R20,000 Cessna 402, which took off from Rand Airport on January 15, bound for Mauritius, was SAA Boeing 737 captain John Wight (35).

He was taken into custody with his passengers after they landed at Madagascar on the same day.

The three are now being held at the Interior Ministry at Tamarine while investigations continue. They could be charged with sabotage and subversion.

Commercial Branch detectives, who had requested the Press not to publish details of Mr. Lappeman's alleged involvement with the R22-million diamond tax evasion probe, confirmed earlier this week that he must have flown from South Africa on one of the days he was required to make his twice-weekly report to the Ebosma Police Station.

Order

This was in compliance with an order following his appearance in 1966 at Johannesburg Magistrate's Court for an alleged contravention of the Customs and Excise Act.

Colonel T. H. Scheperman, acting head of the Commercial Branch, said no formal indictment had been brought against Mr. Lappeman while detectives continued these investigations.

He was due to have appeared in court again in February 25.
lost in mystery gem deal

Diamonds of about R180,000 disappeared during a transaction in a Johannesburg five-star hotel last month.

Colonel Q.Smit of the Johannesburg CID has confirmed that police were investigating, but refused to discuss the case.

Inquiries have revealed that key figures in the mystery, including an Italian-American family said to have Mafia connections, have left the country.

Two South Africans whose names have been linked with the mystery diamonds have also gone overseas. They are Mr. David Klass (59), son of a well-known jeweller, and Mr. Garafildes.

OWNERS

The missing gems belonged to various Johannesburg diamond dealers — among them Mr. Ruben Klass, David's father. The diamond transaction was negotiated in Johannesburg's Rand Club last month. As yet, detectives have apparently failed to discover where the deal went wrong.

One source in the diamond business said the stones were taken from a suite by the hotel for valuation and stolen, but this could not be confirmed.

Mr. Julius Page, an American, is a key figure in the mystery. He stayed in the Rand Club with his brother, wife and daughter during January.

A Johannesburg businessman said he was approached by a Mr. Garafildes during January and offered a 30 percent commission to find diamond buyers.

An added stipulation was that the diamonds should be paid for in United States traveller's cheques.

The businessman, who requested anonymity, was also given two small stones as "samples".

NEGOTIATIONS

He conducted negotiations with Mr. Page and others in one of the Page family's four suites at the Landcroft Hotel. Mr. Page claims he pulled out when he found the diamonds for sale were not registered.

On January 21 he was arrested by police, who said they were acting on a charge laid by Mr. Page and Mr. Klass junior.
De Beers Industrial Corporation Limited

Provisional annual financial statements for the year ended 31st December 1976 and notice of declaration of dividends

The following are unaudited abbreviated versions of the consolidated financial statements for the year ended 31st December 1976, together with the comparative figures for the year ended 31st December 1975.

### Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>1976 R’000</th>
<th>1975 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends, interest and ancillary revenue</td>
<td>10 088</td>
<td>8 676</td>
</tr>
<tr>
<td>Less General expenses</td>
<td>406</td>
<td>98</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>9 682</td>
<td>8 578</td>
</tr>
<tr>
<td>South African company tax thereon</td>
<td>254</td>
<td>175</td>
</tr>
<tr>
<td>Profit attributable to shareholders of De Beers Industrial Corporation Limited</td>
<td>9 428</td>
<td>8 403</td>
</tr>
<tr>
<td>Provision against loans written back</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>9 421</td>
<td>8 403</td>
</tr>
</tbody>
</table>

### Appropriations

<table>
<thead>
<tr>
<th></th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to general reserve</td>
<td>1 200</td>
<td>1 500</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On preference shares</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>On ordinary shares - 65 cents per share (1975: 62,5 cents)</td>
<td>8 044</td>
<td>9 545</td>
</tr>
<tr>
<td></td>
<td>57</td>
<td>(62)</td>
</tr>
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</table>

### Unappropriated profit 31st December 1975

<table>
<thead>
<tr>
<th></th>
<th>1 302</th>
<th>1 264</th>
</tr>
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<tbody>
<tr>
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### Unappropriated profit 31st December 1976

<table>
<thead>
<tr>
<th></th>
<th>1 359</th>
<th>1 302</th>
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### Earnings per share (See note 1)

<table>
<thead>
<tr>
<th></th>
<th>74,4c</th>
<th>75,4c</th>
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</thead>
</table>

### Consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th>1976 R’000</th>
<th>1975 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares</td>
<td>17 000</td>
<td>2 000</td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>27 500</td>
<td>22 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-distributable reserves</td>
<td>44 500</td>
<td>24 000</td>
</tr>
<tr>
<td>Distributable reserves</td>
<td>10 150</td>
<td>8 802</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4 942</td>
<td>4 571</td>
</tr>
<tr>
<td></td>
<td>88 021</td>
<td>55 573</td>
</tr>
</tbody>
</table>

### Investments

<table>
<thead>
<tr>
<th></th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latol</td>
<td>16 470</td>
<td>14 921</td>
</tr>
<tr>
<td>Market value R 40 561 000 (1975: R 39 427 000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Untitled</td>
<td>33 421</td>
<td>32 775</td>
</tr>
<tr>
<td>Directors’ valuation R 76 137 000 (1975: R 65 949 000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans (See note 2)</td>
<td>37 800</td>
<td>5 109</td>
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<tr>
<td>Loan portion of tax</td>
<td>470</td>
<td>455</td>
</tr>
<tr>
<td>Current assets</td>
<td>321</td>
<td>1 343</td>
</tr>
<tr>
<td></td>
<td>88 021</td>
<td>55 573</td>
</tr>
</tbody>
</table>

### Notes

1. Earnings per share for 1976 are arrived at after allowing for preference dividends and are based on the weighted average of 11 697 500 ordinary shares in issue during the year.
2. An amount of R 30 968 000 was advanced to Aferi Holdings (Proprietary) Limited to enable it to subscribe for ordinary shares in AECI Limited.

Declaration of dividend no. 53 on the ordinary shares

Dividend No. 53 of 28,5 cents per share (1975: 40 cents) being the final dividend for the year ended 31st December 1976, has been declared payable to the holders of ordinary shares registered in the books of the corporation at the close of business on 24th March 1977. This dividend, together with the interim dividend of 32,5 cents per share declared on 4th August 1976, makes a total of 65 cents per share (1975: 62,5 cents).

Declaration of dividend no. 66 on the 5,5 per cent preference shares

Dividend No. 66 of 2,75 per cent, equivalent to 5,5 cents per share in respect of the six months ending 31st March 1977, has been declared payable to the holders of 5,5 per cent preference shares registered in the books of the corporation at the close of business on 25th March 1977.

Declaration of dividend no. 1 on the 12,25 per cent cumulative redeemable preference shares

Dividend No. 1 at the rate of 12,25 per cent per annum, equivalent to 80,04735 cents per share in respect of the period 3rd September 1976 to 30th April 1977, both dates inclusive, has been declared payable to the holders of cumulative redeemable preference shares registered in the books of the corporation at the close of business on 25th March 1977. For the purpose of these dividends the share transfer registers and registers of members will be closed from 26th March 1977 to 7th April 1977, both days inclusive. Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 28th April 1977. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 30th April 1977 of the rand value of their dividends (last appropriate tax). Any such shareholders may, however, elect to be paid in South African currency, provided that the receipt is received at the corporation’s transfer offices in Johannesburg or the United Kingdom on or before 25th March 1977. The effective rate of non-resident shareholders’ tax is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the corporation and also at the corporation’s transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board
H F OPPENHEIMER
A S HALL

8th March 1977

TRANSIT SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street Johannesburg 201
P.O. Box 60051 Marshalltown 2107
Charter Consolidated Limited
P.O. Box 302 Charter House
Park Street Ashford
Kent TN24 8EQ United Kingdom

HEAD OFFICE
36 Stockdale Street Kimberley 8001
South Africa

LONDON SECRETARIES
Anglo American Corporation of South Africa Limited 40 Holborn Viaduct
London ECIP 1AJ
De Beers Consolidated Mines Limited — (continued)

Declaration of dividend no. 114 on the deferred shares

Dividend No. 114 of 22.5 cents per share (1977-20 times) being the final dividend for the year ended 31st December 1976, has been declared payable to the holders of deferred shares in pursuance of coupons No. 58 detached from deferred share warrants to bearer 24th August 1976. This dividend, together with the interim dividend of 12.5 cents per share declared on 25th March 1977, makes a total of 35 cents per share for the year (1977-20 times) payable to holders of the warrants, will be distributed in the form of shares on or after 25th March 1977. The deferred share transfer registers and registers of members will be closed from 29th March 1977 to 7th April 1977, both days inclusive, and warrants will be posted from the shareholders' names on the United Kingdom transfer offices on or about 24th April 1977. Registered shareholders will receive the United Kingdom currency equivalent on 24th April 1977 of the total value of their dividends (less appropriate tax) on or before 25th March 1977. The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head office of the company and also at the company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board

H F OPPENHEIMER, A WILSON

8th March 1977

HEAD OFFICE
36 Stockdale Street Kimberley South Africa

LONDON SECRETARIES
Anglo American Corporation of South Africa Limited 40 Holborn Viaduct London EC1P 1AJ

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
63 Mandell Street Johannesburg
P.O. Box 61051 Marshalltown 2807

Charter Consolidated Limited
P.O. Box No. 102 Charter House
Park Street Ashford
Kent TN24 8EQ United Kingdom
Chairman's statement

DE BEERS

Diamond sales likely to be maintained at very satisfactory level in 1977

Marketing activities have greatly extended the appeal of diamonds and thus brought new strength and stability to the industry—MR H. F. OPPENHEIMER

The improved trend in the diamond market which I reported in my last annual statement continued throughout the year. Total sales by the Central Selling Organization in 1976 amounted to US $4,851 million, which is 16 per cent higher than in 1975. Because of the devaluation of the Rand, the equivalent in South African currency at R1 302 million showed an increase of 39 per cent. The Central Selling Organization increased the price of diamonds twice in 1976, by 4.2 per cent in January and by 5.75 per cent in September. Both increases were well received by the trade and indeed had the effect of improving confidence. Throughout the year the demand for the smaller sizes and the cheaper qualities of large diamonds was very strong and towards the end of the year there was some improvement in the demand for higher quality large stones.

The market has continued to strengthen in the new year and in March the Central Selling Organization announced an overall price increase of 15 per cent. This was the largest single increase since 1975, with the exception of adjustments occasioned by changes in the relative value of the American dollar and other currencies. The higher prices have not reduced demand and in the absence of unforeseen circumstances sales are likely to be maintained at a very satisfactory level in 1977.

Sales of industrial diamonds, both natural and synthetic, were higher in 1976 and in total reached a record. This was partly due to somewhat improved conditions in the major industrial centres and partly to an increased demand for the specific qualities of material just produced by the Group. Demand last year for new materials being developed by our research organisa-
tion and during 1976 as a synthesizer, notably a CVD (chemical vapour deposition) diamond, showed an increase of 30 per cent. The Central Selling Organization increased the price of CVD diamonds in January, by 4.2 per cent. The new material is being marketed under the name "Septile".

Marketing activities have greatly extended the appeal of diamonds and thus brought new strength and stability to the industry—MR H. F. OPPENHEIMER

FEATURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Year ended 31st December</th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital of De Beers Company</td>
<td>24,834,000</td>
<td>24,834,000</td>
</tr>
<tr>
<td>Share premium and reserves</td>
<td>909,898,000</td>
<td>909,898,000</td>
</tr>
<tr>
<td>Book value of listed investments*</td>
<td>357,094,000</td>
<td>357,094,000</td>
</tr>
<tr>
<td>Book value of unlisted investments and loans*</td>
<td>195,761,000</td>
<td>195,761,000</td>
</tr>
<tr>
<td>net profit before tax</td>
<td>237,456,000</td>
<td>237,456,000</td>
</tr>
<tr>
<td>Dividends, on 5 per cent</td>
<td>237,456,000</td>
<td>237,456,000</td>
</tr>
<tr>
<td>Payout after tax from dividends</td>
<td>237,456,000</td>
<td>237,456,000</td>
</tr>
<tr>
<td>Earnings attributable to deferred shares</td>
<td>237,456,000</td>
<td>237,456,000</td>
</tr>
<tr>
<td>Per share</td>
<td>85c</td>
<td>85c</td>
</tr>
<tr>
<td>Dividends</td>
<td>35c</td>
<td>35c</td>
</tr>
</tbody>
</table>

* After deducting cost of share in subsidiary companies over book value of net assets of date of acquisition

In conclusion, outside the diamond industry.
market value for listed and directors' valuation for unlisted investments and book cost for shares was R579 million compared with R370 million last year. After deducting foreign loans, all of which have been used for investment purposes, the net value of the Group was R257 million. The net current assets of the Group rose during the year by 83 per cent from R187.6 million to R344 million. Allowing for minority interests, the net investments, loans levy and net current assets at 31st December attributable to De Beers amounted to R619 million, or 228 cents per deferred share compared with 193 cents the previous year.

Shareholders will have received my statement on the proposed merger of Anglo American Corporation and Rand Selection Corporation. De Beers will follow its rights in the proposed Rand Selection rights issue which has an aspect of the Basotho. If the merger and related transactions are carried into effect, De Beers' interest in the enlarged Anglo American Corporation will be 30 per cent. The shares will acquire from the underwriting. The De Beers policy of diversification has been established and accepted ever since the Company participated on a large scale with Anglo American more than 25 years ago in the financing of the Orange Free State goldfield. Indeed, long before that, going back to the time of Rhodes, De Beers had taken an indispensable part in finance for agricultural, industrial and railway development of South Africa. De Beers requires for the security of its principal business to retain substantial reserves in cash and in other assets outside the diamond and mining business and the formation of the Botswana De Beers Investment Trust in 1952 and the amalgamation of that company with Rand Selection in 1961 must be seen in this light. The underscoring of the Rand Selection issue is, therefore, a continuation of an established policy and the amalgamation of Anglo American and Rand Selection will improve the quality and the long-term growth prospects of our principal investment outside the diamond business.

Total diamond production by the Group (including the Orapa mine which is owned jointly by De Beers and the Government of Botswana) fell marginally from 10,760,118 carats to 10,523,267 carats.

I reported last year that a new tax regime had been agreed with the Government of Botswana which, while substantially reducing the proportion of gross profits accruing to De Beers, would be expected to establish an effective partnership between Government and industry. This has been achieved, and the long-term growth prospects of the diamond mining industry and so to add to the general stability of the trade. I am glad to report that the new arrangements have worked smoothly and I believe to the satisfaction of both parties. The new Lethakane mine, situated some 40 kilometres to the south-east of Orapa, has been commissioned and full production at an estimated rate of 250,000 carats a year should be realised by the end of April. The mine is at present treating diamondiferous gravels surrounding the pipe and diamond work is in progress for the second stage, to treat the kimberlite, which will be in about 21 years' time. Construction work is in progress at Gaborone to increase the capacity of the plant from 2.5 million carats to 4.5 million carats a year, and should be completed before the end of 1978.

Prospecting continued during the year at a kimberlite pipe discovered in Jwaneng in the south of the country. The pipe is overlain by a sand and calcite overburden averaging about 50 metres in depth and the discovery was a considerable technical achievement by Dr Murray and his geological staff. A large diameter drilling programme has established that the pipe is large in size and contains diamonds in economic quantities. An accurate assessment of its potential will require a detailed underground sampling programme which will take about four years to complete and involve a substantial amount of investment. Unscheduled discussions with the Botswana Government with a view to agreeing on how work at this pipe could best be carried forward.

The Letlhakane mine on Lechoto is now in production and the full estimated capacity of the plant should be reached by the middle of the year. The profitability of this mine will depend on the production of a comparatively small quantity of large, high quality diamonds. Obviously, not only the ambitions and the Botswana Government has expressed its confidence in our investment in Botswana. The announcement that Muliwa, situated in the Maluti mountains where transport and communications are difficult and severe weather conditions have impeded operations.

Good progress has been made in re-activating the Kroondraai project in Namibia from which production at the rate of about 500,000 carats a year is expected to begin in April 1978. This mine will be a producer of small diamonds of high quality for which the demand at present is exceptionally strong. The estimated cost of equipping this mine is of the order of R25 million.

The Premier mine is continuing to operate on a marginally basis. Potentially however this property has a very long life, and once operations have been established below the gabbro sill, which cuts across the pipe, it is expected that the grade should improve. What is involved is a virtually the establishment of a mine at greater depth, which would be completely uneconomic if the present fiscal regime were to continue. Negotiations have been going on with Government with a view to the establishment of a property by De Beers so that capital expenditure might be offset against mining profits from other sources and other changes to reduce the burden of taxation which, bearing in mind that the Premier company has not paid a dividend on its deferred shares for 50 years and that the preference dividends are no less than 19 years in arrears, is recognised by all parties to be grossly excessive. It is presentations to the Government have been very helpful, and it is hoped that it will be possible to agree on terms which will allow the substantial additional capital which must be invested to ensure the long-term future of the mine to earn a fair return.

Geological research continues to improve the conditions of employment of our black workers. Average earnings of black workers in the Group, excluding pensions, are now above R10 a month and we are moving as rapidly as possible to the establishment of an integrated wage scale for workers of all races. The migrant labour system in Kimberley continues only as a last resort due to the situation we have obligations to the migrant workers who have served the Company over long periods. The percentage of black workers who are permanently resident in Kimberley continues to increase and they will later this year be entitled at their option to join the De Beers Pension Fund on the same terms as other employees. The current house building programme for our black employees in Kimberley is approaching completion and 120 houses are already occupied.

Our annual report this year illustrates the activities of the Central Selling Organisation's marketing department in London, which continues to do excellent work in the interests not only of De Beers but of the diamond industry as a whole. These activities have undoubtedly served to enhance the standards of jewellery design and to extend the appeal of diamonds far more widely than in the past. Diamonds have ceased to be merely a luxury for the very rich and are now worn and enjoyed more and more extensively. This has brought a new strength and stability to the whole industry and has greatly benefited those countries, particularly in Africa, to whose exports and Government revenues the diamond industry makes an important contribution.

I have with deep regret to refer to the death in September last year of Dr M N de Kock. Dr de Kock was an exceptionally distinguished Governor of the South African Reserve Bank in 1941 when, after he had retired from that position, he joined the De Beers board and rendered exceptional services to the Company. We shall deeply miss his experience, his wisdom and his kindness in the conduct of our affairs.

The annual report and chairman's statement may be obtained from Consolidated Share Registry Limited, 62 Marshall Street, Johannesburg 2001.

The annual general meeting of members will be held at 26 Stockdale Street, Kimberley on Tuesday, 17th May 1977 at 14h30.
MINING

DIAMONDS - GENERAL

JULY 1977 - DEC. 1978
Gem sales hit R943m

Financial Reporter

JOHANNESBURG — Sales of gem and industrial diamonds by the Central Selling Organisation for the six months ended June 30 amounted to R943 million, the CSO announced here yesterday.

This was an increase of R572 million or 41 percent over the sales for the six months ended December 31, 1976, and an increase of R261 million or 38 percent over the sales for the six months ended June 30, 1976, states Sapa.

Sales in dollars for the period amounted to 1.955 million, representing an increase of R315 million or 41 percent over the previous six months, an increase of 301 million or 35 percent over the sales for the six months ended June 30, 1976.

Sales for the year 1976 amounted to R1352 million (1.356 million dollars.)

Meanwhile, sales of South African diamonds for the first quarter are helping boost exports with a value of R70m some 24 percent up on the same period in 1976.

The figures are even more significant because sales at two million carats are actually 8,000 carats less than for the 1976 period. This increase has been achieved following the average 15 percent increase announced by the CSO earlier this year.

Sales are also running at a higher figure than production, indicating that the substantial stockpiles held by De Beers and its trading companies are being run down in South Africa.

European diamond market observers are beginning to show some nervousness about the months ahead. They concede that sales up to now have been good but, that the next six months will not match up to the first half.

Meanwhile, the Financial Mail discloses that De Beers are under pressure to open up the new Jwaneng pipe in southern Botswana. The magazine says there is a confidential report drawn up for the Botswana Government which thinks De Beers should be pressed to go ahead now with mining and eliminate a lengthy prospecting process.

If the Botswana Government succeeds in its purpose a new mine could be in operation before the end of the decade. The report says that the pipe covers 500m, making it the third largest pipe in the Western world.
Nog 'n mooi jaar vir Trans Hex

TRANS HEXBELEGINGS is 'n ongenoteerde Kaapse maatskappy waarvan nie veel in Transvaal bekend is nie. Maar hy is hoofsaaklik in die ontginning van diamante bedrywig en een van die min klein diamantmaatskappye wat werklik suksesvol is.

Vroeër bekend as Buffelsbank-Diamante, het Trans Hex die afgelope jaar tot 23 Februarie afgesluit met 'n netto wins van R2 129 726 uit mynbou, teenoor R1 189 994 verlede jaar.

In sy jaarverslag sê die maatskappy dat die rekordwins toe te skryf is aan die aansienlike verbetering in die diamantprys en die wins wat hy uit die verwerking van diamante verdien het.

En dit is veral in laassegnoende geval waar Trans Hex daal 'n mooi voorbeeld gestel het. By het met Diamond Distributors Inc. van New York, die groep se buitelandse bemerkingsorganisasies, 'n ooreenkoms aangegaan waarvolgens 'n deel van sy diamantproduktie in die buiteland verwerk en verkoop word.

Sy aandeel in die onderneeming word deur oorsee konselmyennings gefinansier en teen rentekoers wat aansienlik voordelig is as wat plaaslik verkry kan word. Hierdie onderneming het van jaar 'n netto wins van R206 455 getoon.

Trans Hex se diamantontginning is hoofsaaklik beperk tot die Komaggas-Kleuringsreservaat in Namakwaalnd, waar die diamante kratsens 'n ooreenkoms met die Kleringontwikkelingskorporasie ontgin word.

Die korporasie se deel van die wins beloop R401 621 vir die afgelope jaar, teenoor R306 634 verlede jaar. En ondanks 'n dalings van R123 881 in Trans Hex se wins uit bedrywigderye buite die mynbou, het sy netto wins vir belasting steeds van R1 180 408 tot R1 904 242 gestyg. Belasting het van R518 620 tot R791 255 toegeneem, vir 'n uiteenlukkende styging die wins ná belasting van R530 826 tot R1 038 285.

Die diviidend van 8c per aandeel vir die jaar het egter ondanks die sterk styging in die wins onverander gebleef. Op 'n uitgebreide kapitaal van net meer as 4 miljoen aandele het die wins per aandeel van 13,2e tot 25,2e gestyg.

Die konserwatiwe diviidendbeleid van die afgelope jaar spruit waarskynlik uit die feit dat Komaggas se gevoelige leefstyl van waf en daal sewe jaar het en ander alternatiewe gesoek moet word.

Daar is nou wel die ses filiale wat as motorhandelaars sake doen, maar hier is die vordering maar beroerd.

Die groep is voorts in die uitgebreide eksplorasië bedrywig en 'n diamantvonds van "belangwekkende omvang" is op 'n strand aan die Weskus gemekaar.

Die moeilike omstandighede waaronder hierdie werk gedoen word, bring mee dat die evaluasie van dit ontdekking nog nie moontlik is nie.

catastrophe!"
Diamond sales soar

JOHANNESBURG — Sales of gem and industrial diamonds by the Central Selling Organisation for the six months ended June 30 amounted to R943 million.

This was an increase of R273 million, or 41 per cent, over the sales for the six months ended December 31, 1976, and an increase of R201 million, or 38 per cent, over the sales for the six months ended June 30, 1976.

Sales in dollars for the period amounted to $685 million, representing an increase of R315 million, or 41 per cent over the previous six months, and an increase of R301 million, or 38 per cent, over the sales for the six months ended June 30, 1976 — SAPA.
**Rand London se blinke**

RAND London is aangestel as die bestuurders van die Nababeep-diamantmyn in Noordwes-Kaap, en 'n mens wonder of dit nie die voorloper is tot 'n volle oorname van hierdie diamantmyn deur Rand London nie.

*Die Nababeep-diamantmyn is een van die rykste diamantmyne in die land omdat sy produksie van diamante vir byna 90 persent uit sierstene bestaan. Wat totale produksie betref, is dit natuurlik maar 'n klein muntjies met 'n produksie van sowat 2 000 karat diamante per maand.*

*Die bates van die myn word op tussen R5 en R9 miljoen geraam, wat beteken dat indien Rand London dit wel in 'n latere stadium oorneem, dit die groep se grootste belegging sal wees behalwe die steenkoolmyne by Dume en Kempduin.*

*Dit is onwaarskynlik dat Rand London hierdie myn vir baie lank sal bestuur voordat 'n poging aangewend word om die volle beheer daarvan te kry. Omdat dit 'n oogroeftmyn is, moet dit 'n enkele kontantvloei bê wat Rand London weer handig kan gebruik by sy ander belange soos die steenkool, ysisterers by Postmasburg en mangaan in Bophuthaswana.*

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*Vie de Klerk.*
Mines back in production

*The Argus Correspondent*

KIMBERLEY — Production has been resumed at the flooded Bultfontein and Dutoitspan diamond mines, according to De Beers Consolidated Mines. Operations came to a halt on July 4 when an accumulation of water in the overburden at Dutoitspan broke through and flooded crusher chambers.
A close watch
RANDFONTEIN — A man was watched closely in a cell here after he swallowed four diamonds when caught in a police trap. The diamonds, worth R15 000, were recovered.
D.D. 28/7/77
Rots in Waste De Beers by Steeds

De Vic De Klerk
De Beers profits and dividend soar

KIMBERLEY. — De Beers Consolidated Mines yesterday announced a 93 percent increase in attributable taxed profits to R285 375 000 (R147 623 000) for the six months ended June 30. The interim dividend has been increased by 5c to 17,5c.

Commenting on the diamond account of R380 192 000 (R215 646 000) the interim report says the high level of sales and profits was due in part to the liquidation of old stocks. The price increase of 15 percent in March was being absorbed and the market remained firm.

Interest and dividend income jumped to R83 150 000 (R42 223 000), partly due to interest on the large cash holding and partly to the inclusion of diamonds from the diamond purchasing and trading company (Purita), which is no longer a subsidiary following the disposal of three percent of that company's share capital.

Revenue from other sources rose to R14 329 000 (R7 334 000), making total group income, before tax, 80 percent higher at R477 671 000 (R265 202 000).

Group profit

Deductions, including depletion and research, severance charges, interest payable and amounts written off investments, less any surplus on realisation, totalled R24 428 000, R14 489 000, leaving group profit, before tax, of R453 423 000 (R250 793 000).

Tax and the share of subsidiary mining losses was R162 194 000 (R88 484 000).

Cape Peninsula are Langa, Nyanga workers live in Langa. If an employee resides in the townships, he must apply for a special permit to do so.

singly in the Peninsula. Firstly, under the terms of the Urban Areas) Consolidation Act No. 1966, workers who came to the urban areas are entitled to remain in theielding on the above act provided they do not relocate with whom they have contracted. This enables workers to fulfill the requirements of Section 9 of the Act for permanent residence. Thirdly, there are the men to employment contracts after 1968, which restricts the legal contract workers to a much greater degree than previously.

the regulation stipulates that all contracts entered into with preserves be for a maximum of one year, and that at the end of the men return to the reserve in order to enter into a new employment. The final category consists of those men who are allegedly in the townships or in squatter camps. This category is a term in this work paper.

men who qualify under Section 10(1)(a) or b) for permanent "residence" in the urban area are termed local men; those men whose right to be in the urban area is dependent upon their contract with an employer are termed contract workers.

The latter term has been chosen in preference to the term 'migrant workers' because the popular connotation of the work migrant is of impermanence.

in fact it is submitted that the contract workers spend their entire working lives in urban areas insofar as it matters, and return to the rural areas for only a few weeks each year.

The Western Cape is officially a 'Coloured Preference' area. This means that before an employer can employ contract workers, he must first show that there are no so-called Coloured men to fill the jobs. It is the Government's stated intention to phase out the African labour force in the Western Cape. The criterion applied to implement this policy is that of productivity.
Staggering — that's the only word for De Beers

By DON ROBERTSON
Mining Editor

The half-yearly results from De Beers, far from being merely satisfying, those who had expected a good improvement, have, in the event, surpassed even the supreme optimism.

Attributable profits have risen by an incredible 92% to R300.650 000 and the interim dividend has been up to an unexpected 17.5c a share, although in a six-month period in which it has established new records all round.

The diamond account soared in the period to June by 78% to R300 650 000 from R180 640 000. This figure, expressed as a percentage of the total Central Selling Or society, was 51.3%, which indicates the growth extending to De Beers dominance over the world market. This increase reflects partly the sale of raw diamonds from stocks which had stood in the balance sheet at the end of last year, with a new record of 3 377 000.

It confirms the belief that the market is still at present price level for the diamond, even after the 15% interest and dividends, earned in an almost doubled profit, may be argued.

Interest and dividends were therefore R24,328 000, compared with R422 000 last year. This improvement stems from the growing investment portfolio as well as the fact that the Diamond Purchasing and Trading Company is now a subsidiary and that its profits are no longer consolidated.

However, dividend income from this source now comes into the profit and loss account under this category, although it will have its effect elsewhere.

The surplus on realizations of investments, brought on a small profit compared with a loss last year of R2 392 000.

Expenditure on prospecting and research was lower than expected at R1 733 000, compared with R5 492 000, while general charges absorbed R7 767 000 against R1 598 000.

Provisions for interest and losses on investments were R74 200 (R1 359 000) and R2 400 000 (R1 292 000) respectively.

Total deductions were therefore R49 388 000, compared with R1 422 000 last year. This leaves a net profit after tax of R2 154 000, compared with R1 600 000 last year. This profit was naturally substantially higher at R2 154 000, compared with R3 484 000, but the provision for tax rises by 92% to R7 980 000 from R3 484 000, probably as a result of the Diamond Trust and Purchasing Company having been taken over by the company.

Preference dividends were unchanged at R1 810 000, to leave a taxed profit of R179 400, substantially improved R36 450 000 compared with R1 566 713 000 in the first half of 1961-2. Earnings were 8.3c a share, compared with 9.5c last year.

The dividend outlook for the first half should be very healthy, R14 230 000, equivalent to 10c a share.

Such profits are a feature of this company, and one which the director has left all the company, a most impressive position, remembering that at the end of last year the company had a capital and reserves of R10 million.

It might, however, have been considered astonishing if this growth last year, to increase its dividend in view of the obvious risk of a diamond stock market.

The results are a fact that the least, better than expected, are fair rewards to those shareholders who have subscribed up the price of the shares by almost 80% since 1960.

The largest part of the rise in the share price was not in two weeks' time, when the stock rose from 60 to 100, but it is the company's aim to maintain a high level.

The directors of De Beers have taken up the price of the shares by almost 80% since 1960.

The largest part of the rise in the share price was not in two weeks' time, when the stock rose from 60 to 100, but it is the company's aim to maintain a high level.

The directors of De Beers have taken up the price of the shares by almost 80% since 1960.

The largest part of the rise in the share price was not in two weeks' time, when the stock rose from 60 to 100, but it is the company's aim to maintain a high level.

De Beers
Gems reward is the biggest

CAPE TOWN — A reward of R250 000 — South Africa's biggest — has been offered for information leading to the recovery of 250 000 diamonds worth an estimated R3.5 million, a police spokesman said here yesterday.

He said the reward had been offered by a local firm from which the diamonds were missing — Diamond Processing Company.

The stones were small, varying between 0.05 and 0.75 carats. Some were cut, some uncut, and others were partly cut.

They had apparently disappeared from the firm during the past four to six months and could still be in the country.

The reward would be paid on a pro-rata basis if all the stones could not be recovered.

He said the reward was the biggest offered in the history of South African crime.

Mr. Bernard Rudnick, (47) of Parow North, appeared briefly in the Magistrate's Court yesterday on charges of theft and defeating the ends of justice following the disappearance of diamonds worth nearly R4 million from the Diamond Processing Company in Salt River this month.

His face badly scarred from acid burns, Mr. Rudnick of Fiona Crescent, Parow North, was not asked to plead. No evidence was led and he was remanded to September 15.

His appearance followed a country-wide police investigation after the disappearance of the diamonds on August 15.
De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

Interim report to members for the half-year ended 30th June 1977 and notice of declaration of interim dividend

The following are the unaudited consolidated results of the Company- and its subsidiaries for the half-year ended 30th June 1977, together with the comparators figures for the half-year ended 30th June 1976, which should be read in conjunction with the subject notes:

<table>
<thead>
<tr>
<th></th>
<th>Half-year ended 30th June 1977</th>
<th>Half-year ended 30th June 1976</th>
<th>Year ended 31st December 1976</th>
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<tr>
<td>Diamond account</td>
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<td>Interest and dividends</td>
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<td>Cash and sundry reserve</td>
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<td>Surplus on realisation of fixed assets</td>
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<td>477,571</td>
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<td>Interest payable</td>
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<td>Amount written off investments less surplus on disposal of investments</td>
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<tr>
<td>Group profit before tax</td>
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<td>Statue shares of profit under mining leases</td>
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<td>159,183</td>
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<td>Group profit after tax</td>
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<td>350,789</td>
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<td>Outside interests in subsidiary companies</td>
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<tr>
<td>Group profit after tax attributable to De Beers Consolidated Mines Limited</td>
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<tr>
<td>Preference dividend of 8%</td>
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<td>285,335</td>
<td>288,516</td>
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<td>declared 15th May 1977</td>
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<tr>
<td>Second preference dividend of 4%</td>
<td></td>
<td>795</td>
<td>795</td>
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<tr>
<td>declared 15th May 1977</td>
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<tr>
<td>Cost of average dividend of 12.5% per deferred share</td>
<td></td>
<td>62,963</td>
<td>44,924</td>
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<tr>
<td>Notes</td>
<td></td>
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</tr>
<tr>
<td>1 It should not be assumed that the results for the half-year ended 30th June 1977 will be repeated in the half-year ending 31st December 1977, since trends do not necessarily follow from the results throughout the year.</td>
<td></td>
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<td></td>
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</tbody>
</table>
| 2 As a result of a further re-arrangement of shareholdings in the diamond trading companies, the group disposed of 5% of its shareholding in the Diamond Trading Company (Proprietary) Limited ("Pantia") which consequently has no control of the companies. The results for the half-year are therefore not directly comparable with the corresponding periods in 1976, because Pantia's results have not been consolidated, and only dividends received from that company are included.

DIAMOND MARKET

The high level of sales and profits as compared with the corresponding period last year reflects in part to the liquidation of old stocks. The price increase of 15 per cent made in March is being absorbed and the market remains firm.

MERGER OF ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED AND RAND SELECTION CORPORATION LIMITED

Following the merger of Anglo American Corporation and Rand Selection Corporation in May 1977, and related transactions, the Group's interest in Anglo American Corporation has increased to 33.15 per cent of the equity share capital.

INTERIM DIVIDEND

Declaration of Dividend No 115 on the Deferred Shares

An interim dividend in respect of the year ending 31st December 1977, being dividend No 115 of 17.5 cents per share (1976, 12.5 cents) has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 30th September 1977, and to persons presenting coupon No 99 detached from deferred shares warrants to bearer.

A notice regarding payment of dividends on coupon No 99 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 22nd September 1977.

The deferred share transfer register and registers of members will be closed from 1st October 1977 to 16th October 1977, both dates inclusive, and warrants will be posted from Johannesburg and London Kingdon transfer offices on or about 21st October 1977.

The effective rate of non-resident shareholders' tax is 15 per cent.

For and on behalf of the Board
H F Oppi Nielson, Chairman
A Wilson

23rd August 1977

H I OFFICE
36 Stockwell Street, Kimberley
South Africa

LONDON SECRETARIAT
Anglo American Corporation of South Africa Limited, H 1 Fallon Building, London EC 1P 1AF

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street, Johannesburg
P O Box 1004, Maboneng, 2101

Charter Consolidated Limited
P O Box 102, Charter House, Park Street, Ashed, Kent, 1S 2Q 254

Copies of this report will be posted to registered shareholders.
De Beers Industrial Corporation Limited

Interim report to members for the half-year ended 30th June 1977 and notice of declaration of dividends

The following are the unaudited consolidated results of the Corporation and its subsidiary for the half-year ended 30th June 1977, together with the comparative figures for the half-year ended 30th June 1976, and for the year ended 31st December 1976:

<table>
<thead>
<tr>
<th>Half-year ended</th>
<th>Half-year ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income and sundry revenue</td>
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<td>20.6-76</td>
</tr>
<tr>
<td>Investment income</td>
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<td>500</td>
</tr>
<tr>
<td>General expenses</td>
<td>604</td>
<td>500</td>
</tr>
<tr>
<td>Group profit before tax</td>
<td>548</td>
<td>500</td>
</tr>
<tr>
<td>Deduct</td>
<td>64</td>
<td>127</td>
</tr>
<tr>
<td>Group profit after tax attributable to De Beers Industrial Corporation Limited</td>
<td>484</td>
<td>373</td>
</tr>
<tr>
<td>Preference dividends declared 8th March 1977</td>
<td>5.3 cents per share on the 5.3 per cent preference shares</td>
<td></td>
</tr>
<tr>
<td>8,054,795 cents per share on the 12.5 per cent redeemable preference shares</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Cost of int-er-dividends (15 cents per ordinary share (1976 32.5 cents)</td>
<td>1,121</td>
<td>1,575</td>
</tr>
</tbody>
</table>

Note

It should not be assumed that the results for the half-year ended 30th June will be repeated in the half-year ending 31st December, since results do not necessarily accrue evenly throughout the year.

DIVIDENDS

Declaration of Dividend No. 44 on the Ordinary Shares

Dividend No. 44 of 15 cents per share (1976: 32.5 cents) being the interim dividend for the half year ending 30th September 1977, has been declared payable to the holders of ordinary shares registered in the books of the Corporation at the close of business on 9th September 1977.

Declaration of Dividend No. 67 on the 5.5 per cent Preference Shares

Dividend No. 67 of 2.5 per cent, being due to 5.5 cents per share, in respect of the six months ending 30th September 1977, has been declared payable to the holders of 5.5 per cent preference shares registered in the books of the Corporation at the close of business on 9th September 1977.

For the purpose of this dividend, shareholders will be divided into two classes, viz. bearer and registered. Shareholders will be divided into two classes, viz. bearer and registered. The closing date for payment of the dividend is 9th September 1977, and the dividend will be paid on 25th October 1977. Registered shareholders will be paid on the register at the close of business on 15th September 1977. No comparative figures have been given for the half-year ended 30th June 1976, as the Corporation was formed on 1st January 1976.

In order to be sure of receiving the dividend due, shareholders are requested to contact the Corporation at the close of business on 9th September 1977.

For the half-year ended 30th June 1977, the Corporation made a profit of 484 of 1.575 cents per share. The Corporation has declared a dividend of 5.3 cents per share for the ordinary shares.

The Corporation has also declared a dividend of 2.5 cents per share for the preference shares. The dividend will be paid on 25th October 1977.

Copies of this report will be posted to registered shareholders.

Financial Mail August 26 1977
Diamond millions pouring out of S.A.

Mercury Africa Bureau

SOUTH AFRICANS are financing a massive multi-million rand traffic in illicit diamonds through Lesotho.

A South African diamond branch detective confirmed the increased trafficking in Lesotho, but said the South Africans could only operate on local soil, where arrests for possession of illicit diamonds had increased dramatically this year.

Details of the "Lesotho connection" were uncovered by Mercury Africa Bureau reporters who established that illicit diamonds are being smuggled into Lesotho where they are " destroying " for export to the diamond capitals of the world.

The investigation revealed that:

- Illicit diamonds from South Africa, South West Africa, Botswana, Angola and Zaire are being used by criminals smuggling for move; "funds" go to money overseas.

- Political uncertainty in southern Africa has led to a dramatic increase in IDB traffic through Lesotho.

- South African authorities are powerless to end the diamond trade — because of inadequate controls in Lesotho, and the breakdown of relations between police forces of the two countries.

- Many of the IDB racketeers have moved to Master — the IDB capital of southern Africa — after losing their licenses in South Africa.

An elaborate network of subterfuge and secrecy protects the operations of the undercover industry, but reporters were told how the diamonds are handled once they reach Lesotho soil.

"They are financed by South Africans and are smuggled to one of the many hundreds of licensed diggers in Lesotho. From there, they become legitimate as no questions are asked as to the origin of the stones — and they can then be sold to one of about 10 buyers in Master. Many of the stones are then under-valued and exported to Israel, Belgium, Britain, India..."
CDM heads for windfall and new ventures

By ADAM PAYNE

CONSOLIDATED Diamond Mines of South West Africa expects to make a windfall of much larger profits than ever before this year and is to establish a subsidiary for the development of projects outside diamond mining.

This was said by Mr Harry Oppenheimer, chairman of De Beers Consolidated Mines, during his visit to South West Africa, when he announced that CDM’s head office would move from Kimberley to Windhoek.

Mr Oppenheimer said that CDM was an old mine and a fall-off in production was inevitable, although the mine would strive to maintain the position as far as possible.

The reserves were substantial but not unlimited, and this raised the question of what would happen to the remaining resources of the company to finance enterprises in South West Africa to sustain CDM’s contribution to the economy.

To this end, a proportion of the current diamond profits would be devoted to projects in South West Africa. It would be sensible, he said, to develop enterprises whose longevity would not be directly dependent on the CDM operation.

It might be thought the company’s exceptional current liquidity had flowed from deliberate over-mining, in anticipation of political change. This was far from the truth.

The position was that stocks of diamonds, which were unsaleable at the time, had built up over several years, and these years of adverse conditions both production and stocks would be sold, so generating much larger profits than before, and larger than they would be in the future.

At the same time, tax revenue from the company would also be exceptional, and it might be prudent for the Government to consider setting aside part of the windfall for unforeseen capital requirements.

The level of the subsidiary’s activity would be regulated by the availability of viable projects.

Africa was held, was the fact that CDM would spend R1500000 on a technical institute on Owego, the proposed future capital of Owando.

He said CDM had been moving away from discrimination on grounds of race and had introduced a rational wage structure, scientifically calculated.

The minimum starting wage for a recruit was R115 a month, average Owando earnings were R300 a month, and the highest paid Owando now earned R490 a month with free food and accommodation.

This system has come under attack from time to time, but wages of this order are nothing to be ashamed of,” said Mr Oppenheimer.

COMMENT: The setting up of the development subsidiary shows a quick appreciation by De Beers of the implications of the coming independence.

Although no figures were quoted by Mr Oppenheimer, it can be assumed that CDM will be prepared to spend tens of millions of rand through the subsidiary in developing any projects that are judged viable.

This will be a case of enlightened self-interest because development will benefit not only the newly independent country but CDM which is a subsidiary of De Beers.

The investment of millions of rand by CDM in a subsidiary would have little impact on CDM’s profits in a bumper year such as Mr Oppenheimer foresees. The profits are now consolidated with De Beers results but in 1974 when diamond production was 1588 951 carats, total share capital and reserves were R273-million and after-tax profit was R170-million.

Last year diamond production was higher at 1663 994 carats and the price was higher. The mine is the largest gem producer in the world.
Rush for diamonds in SWA

Mercury Correspondent

CAPE TOWN — Booming world diamond sales have led to a rush for the stones in the old Huns mountains of South West Africa and the fever spawned by the glittering gems has brought tempests to flash-point in the vast wastes of Namakualand.

Gregarious South African entrepreneur, Mr. George Christodoulou, who has more than 25 years prospecting and mining experience with diamonds in the Republic, South West Africa, Angola and Zaire, has been flying helicopter-loads of wealthy American potential investors from the small, send swept town of Keetmanshoop to his company’s concessions covering more than 400,000 hectares in South West’s rugged Huns.

Colossal

Mr. Christodoulou, chairman of the Namibia Diamond Company, is attempting to tie up more concessions in what he claims will be one of the richest diamond undertakings since the turn of the century.

He said American interest was colossal.

This could be attributed to soaring sales of the De Beer’s controlled Central Selling Organisation. This organisation, which markets 85 percent of the world’s gem diamonds, has seen sales more than double in the past 18 months with demand continuing to build following a 15 percent price increase in March.

Another price-hike is rumoured to be imminent in Europe, and CSO sales should be worth more than $2,000 million this year.

About half of this will accrue to southern Africa.
CSO raises gem price by 17 pc

By DON ROBERTSON
Mining Editor

THE OVERSEAS rush for De Beers shares on the Johannesburg Stock Exchange on Thursday was capped by the announcement yesterday that the Central Selling Organisation will raise diamond prices by an average 17% from December.

The De Beers controlled CSO markets about 80% of the world's diamond production, and any increases in prices is reflected in De Beers results which bear a close resemblance to world sales.

In the first half of the current year, CSO sales hit a record R464-million and De Beers taxed profits were staggeringly higher at R254.465 million and accompanied by the highest interim dividend payment of 17.5c (12.5c).

Yesterday's price increase announcement of 17% follows the 15% price increase declared by the CSO in March this year and effectively means that the diamond price has been raised by an inflation-beating 34.58% (17% + 17%).

Yesterday's announcement was pre-empted in world markets and De Beers moved up in Johannesburg by 2% to 48c, meaning a gain in market capitalisation of more than R72-million.

The price rise reflects the strength of the world diamond market which has benefited from a major advertising campaign promoting smaller gem stones. That the larger size stones are being well received internationally is shown by the price rise.

Demand has improved for diamonds of between one carat and 1½ carats. Reports from London suggest that rough gem diamonds marketed by the CSO are being sold at a premium of over 40% in Tel Aviv. The last price rise in March did little to dampen demand.

June half-year stage were 79c, and the 17.5c interim was covered 4.51 times.

The half-yearly results prompted a re-estimate of the total dividend payout for the year from 43c to 45c through a final of 23.5c.

The suggestion is that not only will 45c be met, but a bonus of 5c a share could be paid, absorbing an extra R18-million.

With De Beers' financial strength, such a bonus would not be too much to expect. At December 31st last year, cash on hand was R470-million and a further R277-million was added in retentions in the first half of this year.

A point to consider is the rundown of stocks in the buoyant markets of the past 11 months. Last year's balance sheet put this figure at R238-million and profits from the sale of this source are enhanced as they are taken into the accounts at cost prices which ruled years ago.

However, production from the Namakaland, Kolmanskop field is expected to rise substantially in 1978. Profits from the Consolidated Diamond Mines' operation are also expected to improve.

This should boost stocks and prop profits in 1978, a year which most sources believe will be rather poor in terms of diamond sales. In any event, the 17% price rise should be sufficient to counter the expected fall in sales volumes.

And as a bonus, increased foreign exchange revenue to be earned as a result of the price rise should benefit South Africa's balance of payments.

NEIL BEHRMANN reports from London that the wide appreciation of the dollar over the past year is also reflected in the new price.

A CSO spokesman said that the organisation was following the market and was not trying to manipulate prices.

The United States takes 52% of world diamond production, Japan 25% and Germany 9%.

The CSO spokesman said that demand had been strong in all these countries.
De Beers lig nóg verder

DIE Sentrale Verkooporganisasie het Vrydag aangekondig dat die prys van ongeslypte sierdiamante met 17 persent verhoog word. Dit verklaar deels die moeilikheid van De Beers, wat Vrydag op 497c gesluit het vergeleke by 470c verlede Vrydag.

Ná hierdie prysverhoging van diamante — die vraag is terloops baie sterk — verbeter die winsooruitligte van De Beers nóg verder en is dit selfs teen die huidige prys 'n goeie belegging.

Maar die feit dat die aandeel se prys nie heelwat meer gestyg het nie, bevestig die heelwat swakker sentiment wat op die oomblik op die Beurs heers.

Goudaandele het in die week deurgaans stedig ver- toon en stadig die moeilikheid in die goudprys gevorder. Die 161,65 dollar per ons wat op die IMF se jongste goudmuntbeheer behaal is, is 'n nuwe rekordvlak vir hierdie veiling. Die feit dat daar hierdie keer weer heelwat kopers was, was die belangrikste stimulus vir die styging daarna.

Die goudaandele het egter Donderdag nog iets traag vertoon maar Vrydag, toe die goudprys weer vasgekap het, verder verbeter.

Die beste vertonings van die week het gekom van die goorjoper en grensmyne. E.T. Cons het vir aandag getrek met 'n styging van 75c vir die week en gesluit op 345c. Hier is beslis iets aan die gang.

Ander goudaandele wat goed vertoon het, was Marnevale, South Roodepoort, PS Sapp, Durban Deep en President Steyn.

Die ander metale en mineralite het 'n baie stil week gehad, maar koper het weer iets wat swakker vertoon terwyl steenkool rigtingloos was.

Rand London het weer 'n moeilikheid getoong en in Rand London het weer 'n moeilikheid getoong en in een stadium teen 94c verhandel voordat die spekulante dit weer afgedruk het tot 91c.

Die nywerheidsmark was deurgaans stil en iets wat aan die swak kant. Dit was veral die minder bekende nywerheidstendens wat swakker vertoon het en nou die beter aandele wat al reeds die afgelope twee weke aan die daal is, volg.

Simba Qujin het na die aanbied van Feedfood van 26c per aandeel tot 17c verswak.
The 17% diamond price increase announced by the CSO is a massive one by recent standards, and the largest since the 25% jump in 1949. More significantly, it comes only two months after the CSO tried to cool down the market in rough diamonds because it appeared that an unhealthy degree of speculation could be emerging in the smaller and cheaper ranges of stones.

Until recently De Beers' principal problem has been the worldwide overproduction of small rough diamonds. Advertising campaigns to promote the buying of diamond jewellery have proved very effective, especially since they coincided with a big increase in the spending power of younger people in Europe and North America. Demand for small polished diamonds, as a result, has been stimulated to the point where the surplus has been turned into a shortage.

The 15% increase in rough diamonds
DE BEERS’ HOT ROCKS

In the first half of 1977, brokers were generally forecasting earnings in the 110c-120c region and dividends totalling 40c for De Beers. These figures were upgraded, after the first half CSO sales, and De Beers’ interim profit statement, which showed 79c (40c) earned and an intermediate dividend of 17.5c (12.5c), and settled in the 150c-170c mark, with a 50c dividend widely forecast.

The latest price increase comes too late in the year to have much impact on 1977 earnings, which will only one more sight to come. But if retailers to the strength of the market, suggests De Beers may have made profitable sales ex stockpile, and augurs well for 1978 earnings. Moreover, the 17c boost to revenue increases profit margins on De Beers own mined stones by a far greater amount.

At end-August, the official figures showed that the value of SA diamond exports (which exclude Cols Diamond CSO for their stones and the prices those stones fetched were the second day markets. Having failed to reduce these premiums by warning against speculation, the CSO had to conclude that they reflected genuine consumer demand for diamond jewellery. The large price rise therefore became inevitable, in spite of the pessimism in September that it was most unlikely.

How the increase will be applied to various categories will not be known until the next sight in December, but smaller and lower quality stones will certainly rise by more than the average 17% Opinion in Antwerp is that the market for rough and polished stones are strong enough to stand this increase.

Demand for larger and high quality stones remains quieter. Buyers of expensive jewellery are less wealthy or less keen to display their wealth. The Japanese market, which has also tended to favour these categories, is still slow. However, investment demand for the better quality polished stones could now at last become significant. Three French banks, including Credit Lyonnais and Banque Rothschild, have finally satisfied themselves that the problems of classification and description have been overcome. Roughs have started in modest way to invest diamonds through associate companies.

For the moment, De Beers’ problem is how to satisfy the booming demand for small stones. If recession stops the boom and diamond production again comes to exceed demand, De Beers will have very large cash resources with which to stockpile any surpluses.

NO STOPPING DIAMONDS

Index

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<th>Month</th>
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<th>Feb 68</th>
<th>Mar 68</th>
<th>Apr 68</th>
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<th>Jun 68</th>
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<td>1971</td>
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<td>1972</td>
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</tbody>
</table>

and diamond production again comes to exceed demand, De Beers will have very large cash resources with which to stockpile any surpluses.
It's all Good news for De Beers

Tony Koenigsztern, managing director of the Commissions Project on the De Beers diamond mining project, has confirmed that the company's diamond mining operations are on track to meet their production targets this year. The project, located in South Africa, has been experiencing some challenges, but Koenigsztern is optimistic about the future.

The diamond mines in the area are producing high-quality diamonds, which are in demand on the global market. The company is also investing heavily in research and development to improve the efficiency of their mining operations.

Koenigsztern said, "We are committed to delivering quality diamonds to our customers. Our mining operations are running smoothly, and we are confident that we will meet our production targets for the year."
Diamond Corner drain

By ELIZABETH ROUSE

KATZ & LOURIE'S DIAMOND CORNER building in JOHANNESBURG continued to be a drain on the company in the past six months, but the letting situation has improved substantially.

The chairman, Mr Arnold Katz, says in his interim report that leasing for 85.6% of total rental income have been signed and further leases are under negotiation.

Only 1/2 of the 15 office floors remain unlet and letting of floor 14 is under "serious negotiation".

Mr. Katz is optimistic that the building should be fully let soon.

For the six months to August from the 1976 half-year's R152,600, this cut tax to R194,653 from R179,060 and left net profit down 10.8% at R39,144 against R33,800 in the same time last year.

Katz & Lourie shares are seldom traded, but shareholders may as well hold on to reap the benefits of rental income from Diamond Corner.
TAKING STOCK

ONE of the troubles with gold is that when it grabs the limelight the supporting cast in the mining scenario rather loses the attention of stock exchange audiences.

This has been particularly pronounced over the past week or so for there is quite a lot going on that provides indications of what may be expected in 1978 — and involves the good and not so cheerful.

The best prospect is undoubtedly diamonds. The increase in the price of raw gems is going to bring much more money into the coffers of De Beers and even the most optimistic estimates of the final dividend could prove to be very much on the conservative side as well as those for the total distribution for the following 12 months.

The CSO decision to keep prices must be read as solid confidence in a diamond market in which all supplies will be readily absorbed.

This attitude is underlined by the report issued this week on the progress being made with the R80m mining expansion project which will start bearing fruit over the next 18 months, bringing still more glory to the mill.

Financial expectations should be fulfilled. From the market aspect, however, it must not be overlooked that De Beers has a monstrous 300m shares issue in which a very large number are held by overseas investors.

Political

In consequence, the political factor cannot be excluded from price assessments and events here over the past 18 months have helped keep the tap trickling in an extent where De Beers quotations have not kept pace with existing and projected earnings.

Out of the blue this week came the announcement by Rustenburg Platinum of price increases in its minimum producer price by eight percent from 163 to 175 dollars an ounce. This brought it much into line with the free market price which has been rising but came sooner than generally expected.

Balance

Rustenburg was hard hit by high operating costs which resulted in the decision to cut production to bring these into better balance with revenue as well as the supply-demand situation.

Opinions was that the company would probably wait until the free market price seemed certain to hold its higher levels before making a move but it has taken the line that the need to get the price up was urgent and this was the opportune time.

The new price is not going to bring about any dramatic reversal in Rustenburg's fortunes but the cash flow ought to improve and pave the way towards a modest interim dividend payment in February next year.

Against this background chairman Sir Albert Robinson's review due next week is eagerly awaited particularly for his views on how the market in the metal is expected to perform in 1978.

The governing factors for this are purely economic for as South Africa is the main source in the Western World political pressures generated in consuming countries are unlikely to have any effect.

Unfortunately, this is not the case with other minerals and coal exists that one of the immediate consequences of the general election that these will intensify.

Forecast

The situation was summed up by Tony Petersen in his TC Lands chairman's review last week. In his 1978 forecast he said that it must be realised that both earnings and dividends of the group and other group companies are dependent upon the continuation of normal trading relations between South Africa and its major trading partners.

If political events should reduce exports of primary products the effects could be serious.

Even without taking this consideration into account, it does look as if chrome producers are holding up another time with the failure of the world steel industry to stage its hoped-for recovery.

Long-term growth in chrome consumption is expected and large capital investments are being made in readiness for this, however, the pace of expansions will be largely determined by the pattern of demand.

Coal made a good deal of the running in this year's export earnings, reflecting an increase of 295 percent in the total for the first nine months of the year against that for the 1976 period.

Slowed

However, the growth rate has slowed down and next year's performance could be on the pedestrian side.

Japan is said to be seeking a reduction in deliveries of low-ash coal as the result of the steel-making slump and the domestic market remains slack.

However, longer-term prospects are more cheerful but it is doubtful whether the euphoric projections heard around Ballard Street earlier in the year will be fulfilled in the short-run.

Exports of power station coal are running into competition from other producers and capital expenditure remains at a high level.

The situation should start improving again in 1979 but in the meantime most colliery stocks appear to be fully priced.
De Beers gee wat wêreld wil hê

DIE wêreld wil diamante hê en De Beers gaan sorg dat daar geen tekort is nie. Die maatskappy het vandeesweek aangekondig dat hy in Suid-Afrika met byna R86 miljoen se uitbreidings besig is, terwyl 'n soortgelyke uitbreidingsprogram ook in Botswana aan die gang is.

Hierdie uitbreidinge gaan De Beers se produksie oor die volgende twee jaar met byna 4 miljoen karaat opstoot, wat byna aan 40 persent van sy totale produksie in 1976 gelyk is.

Hierdie uitbreidinge word gedaan teen die agtergrond van 'n pryshooging van 17 persent wat in Desember in werk ing tree.

Hierdie twee pryshooggings volg op 'n hoogte van 3 persent in Januarie verlede jaar en een van 5,75 persent in September verlede jaar.

Die verhoging van 15 persent in Maart vanjaar is ten volle deur die mark geabsorbeer en die verhoging van 17 persent is met die oog hierop.

Die voorraad diamante van die Sentrale Verkooporganisasi, wat 'n jaar of drie gelede geweldige afmetinge bereik het, is ook fettlek uitgewis, maar selfs dit kon nie verhinder dat die wêreldvraag net sterker word nie.

'n Mens kan dus aanneem dat dit met die oog hierop is dat De Beers besluit het om die verkoop van sy Pitscymyn, sowel 120 km noordwes van Kimberley, van 2 miljoen karaat tot 3 miljoen karaat per jaar in einde 1978 te verhoog. Hierdie uitbreiding sal hom R40 miljoen kos, wat seker byna twee keer meer is as wat dit gekos het om hierdie myn in 1965 in produksie te bring.

Die klein Langhoogte-myn 40 km oos van Annexkleinzee in Namakwaand gaan teen 'n kaste van R3,6 miljoen heropen word en daar word verwag dat hy teen Julie aanstaande jaar sowat 60 000 karaat per jaar sal kan produseer.

Intussen is die ontwikkeling van die Kolingnas-myn 70 km suid van Annexkleinzee aan die gang en 'n produksie van 500 000 karaat per jaar word teen Julie aanstaande jaar verwag. Hierdie ontwikkeling sal sowat R24 miljoen kos.

Die grootste uitbreiding is egter in Botswana aan die gang. Die plan is om die Orapa-myn se produksie van 2,3 miljoen karaat tot 2,5 miljoen karaat te verhoog. Hierdie uitbreiding, wat seker tussen R60 miljoen en R70 miljoen sal verg, behoort voor die einde van 1978 voltoo te wees.

Die nuwe Letlhakane-myn sowat 40 km suidoos van Orapa het ook in die eerste helfte van vanjaar in produksie gekom. Maar ook hier is reeds op uitbreidingsge besluit, wat die myn se produksie van 520 000 karaat per jaar tot 400 000 karaat sal verhoog.

Dit sal Botswana se diamantproduksie tot byna 5 miljoen karaat per jaar verhoog, wat hierdie land een van die groot diamantproduseuse sal maak. Hierdie produksie sal met die sowat 8 miljoen karaat van Suid-Afrika en Suidwes vergelyk.

Daar is ook in 1976 'n nuwe kimberlietyp in die sunde van Botswana ondelyk, wat as dit sou blink as bril te wees, Botswana een van die wêreld se grootste diamantproduseuse lande sal maak.

De Beers se diamantmyn hoog in die Maluti-berge in Lesotho het ook in die middel van dié jaar in produksie gekom. Hierdie myn het altesame R33 miljoen gekos. Sy produksie sal klein wees, sowat 50 000 karaat per jaar. Maar De Beers hoop dat hy hierdie ou heel groot stene gaan uithaal. — David Meades.
Diamond speculators force CSO into defensive action

John Cavill

LONDON — Price distortions and "Artificial" shortages caused by speculators in rough diamonds have forced the Central Selling Organization to make changes in its marketing methods.

These changes, involving the assortments of uncut stones in parcels sold to the cutters and polishers, took effect at this week's sight — the first to reflect the 17 percent price increase announced last month.

NO DETAILS

According to diamond trade sources in London, speculation, much of it by Israeli buyers, pushed the prices of certain sizes of uncut gems up to 40 and 50 percent above CSO levels. Operating through secondary markets such as Antwerp, these speculators produced shortages of some classes of gems, especially in the sub 1.5 carat sizes.

The Diamond Trading Company, the marketing subsidiary of De Beers, refused to give details of what steps are being taken to restore order to the market.

But a spokesman said, "The CSO will always take steps to ensure the long-term stability of the diamond industry as a whole."

The shortage of diam-
SECOND HALF CSO DIAMOND SALES REMAINED STRONG AT $988M TO MAKE A TOTAL OF $2.073M FOR THE FULL YEAR, AN ALL-TIME RECORD AND A THIRD HIGHER THAN 1976 SALES. WHILE THE FIGURES WERE BELOW SOME OF THE MORE EXTRAVAGANT ESTIMATES EMAINTING FROM LONDON WHICH HAD SPARKED THE RUN IN DE BEERS SHARES TO 610c, THEY WERE STILL EMINENTLY SATISFACTORY.

THE INITIAL DISAPPOINTMENT OF THE SUPEROPTIMISTS, WHO HAD BEEN TALKING SALES OF R2 000m AND NOT $2 000m, HAS CAUSED A REACTION IN THE SHARE PRICE. BUT WHILE THE NEXT MONTH OR SO COULD SEEM A STAGNANT PHASE AND EVEN SOME FURTHER RETREAT, IT IS STILL TOO SOON TO CALL THE END OF THE GREAT DE BEERS BULL MARKET. THE FUNDAMENTALS REMAIN TOO CONVINCING.

DESPITE THE 35% INCREASE IN SELLING PRICES DURING THE PAST YEAR, DEMAND REMAINS BUOYANT. IF ANYTHING, DE BEERS’ STRATEGY IS TO DUMP DOWN VOLUME DEMAND IN THE NEAR TERM, TO ALLOW PRODUCTION FACILITIES TO BE EXPANDED. THE STOCKPILE HAS BEEN RUN DOWN TO A LEVEL, WHICH IS PROBABLY UNCOMFORTABLY LOW, AHEAD OF GUARANTEED NEW PRODUCTION EXPANSION AT FMSCHE, ORAPA AND IN NAMIBIA. THE IJANENG ONLY COMES ON STREAM IN 1982.

EARNINGS FORECASTS FOR 1977 ARE NOW ALL IN THE 150c AREA, FLATTERED SLIGHTLY BY SALES OF OLD STOCK FROM THE STOCKPILE. FOR 1978, THE HIGHER PRICES WILL BE IN FORCE FOR THE FULL YEAR ALLOWING FOR AROUND 20% LOWER VOLUME SALES IF REVENUE IS JUST TO BE MAINTAINED. BUT EVEN A SMALL DIP IN DE BEERS’ 1978 EARNINGS EXPECTATIONS IS UNLIKELY TO SUBSTANTIALLY ALTER THE FUNDAMENTALS.

HOWEVER, I WOULD REMAIN CAUTIOUS ON DIVIDEND PROSPECTS. A TOTAL OF 45c, A 29% INCREASE, IS THE BEST THAT REASONABLY CAN BE EXPECTED. EVEN THIS IS A HUNGRY ANIMAL TO FEED FOREVER, COSTING R160m A YEAR. BUT HOLDING THE DIVIDEND TO 45c DOES ALLOW SCOPE FOR A FURTHER INCREASE THIS YEAR.

THE CENTRE OF INTERNATIONAL INTEREST IS CONTINUING TO SHIFT TO NEW YORK. AND THERE WAS NO DISAPPOINTMENT IN THE CSO SALES FIGURES FROM THAT QUARTER. NEW YORK WAS WORKING OFF JOHANNESBURG STOCKS AS PREDICTED THE $2.073m SALES ALMOST SPOT ON.

DE BEERS CONTINUES TO BE THE MOST ACTIVELY TRADED STOCK ON THE OVER-THE-COUNTER MARKET AND HAS GREAT APPEAL FOR AMERICANS WHOSE OPTIONS HAVE BEEN LIMTED BY THE SLIDE IN THE DOW. THE APPEAL IS SIMPLE. DIAMONDS ARE A STRONG MARKET AND DE BEERS CAN BE BOUGHT ON AN AssURED 10% PLUS YIELD.

WHILE A PERIOD OF CONSOLIDATION MUST BE ANTICIPATED, THE LONG-TERM TRENDS ARE STILL UPWARDS.

RICHARD STUART

HUBERT DAVIES

GOOD FOR BLUE CIRCLE

The Hubert Davies’ results, published for the last time this week (for the benefit of profes holders), are not as scintillating as the figures at first sight might suggest.

This is because the 1976 earnings figure contained a R300 000 non-recu-
De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

Provisional annual financial statements for the year ended 31st December 1977 and Notice of declaration of dividend no. 116 on the deferred shares

The following are unabridged versions of the consolidated financial statements for the year ended 31st December 1977, together with comparative figures for the year ended 31st December 1976, which should be read in conjunction with the subjoined note.

Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond account</td>
<td>751 155</td>
<td>451 543</td>
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<tr>
<td>Interest and dividend income</td>
<td>109 079</td>
<td>93 624</td>
</tr>
<tr>
<td>Other revenue</td>
<td>22 470</td>
<td>13 833</td>
</tr>
<tr>
<td>Surplus on realization of fixed assets</td>
<td>67</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>942 771</strong></td>
<td><strong>558 997</strong></td>
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Deduct

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<tr>
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<th>1977</th>
<th>1976</th>
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<tr>
<td>Prospecting and research</td>
<td>25 854</td>
<td>20 262</td>
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<tr>
<td>General charges</td>
<td>18 879</td>
<td>17 210</td>
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<tr>
<td>Interest payable</td>
<td>3 618</td>
<td>4 755</td>
</tr>
<tr>
<td>Amounts written off investments less surplus on realization of investments</td>
<td>6 313</td>
<td>(1 146)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54 664</strong></td>
<td><strong>39 081</strong></td>
</tr>
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Group profit before tax | 888 107 | 519 916 |

Deduct

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<tr>
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<th>1977</th>
<th>1976</th>
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<tbody>
<tr>
<td>Taxes and Government's share of profits under mining leases</td>
<td>254 618</td>
<td>183 915</td>
</tr>
<tr>
<td><strong>Group profit after tax</strong></td>
<td><strong>633 489</strong></td>
<td><strong>335 001</strong></td>
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Deduct

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1976</th>
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</thead>
<tbody>
<tr>
<td>Outside interests in subsidiary companies</td>
<td>10 174</td>
<td>28 485</td>
</tr>
<tr>
<td><strong>Group profit after tax attributable to De Beers Consolidated Mines Limited</strong></td>
<td><strong>623 315</strong></td>
<td><strong>306 516</strong></td>
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</table>

Appropriations

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</thead>
<tbody>
<tr>
<td>Transfers to reserves</td>
<td>311 635</td>
<td>163 823</td>
</tr>
<tr>
<td>Preference dividends</td>
<td>1 821</td>
<td>1 821</td>
</tr>
<tr>
<td>Deferred dividends — 52.5 cents per share (1976 35 cents)</td>
<td>148 889</td>
<td>129 926</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>502 345</strong></td>
<td><strong>291 570</strong></td>
</tr>
<tr>
<td><strong>Earnings per equity share</strong></td>
<td><strong>172.7 cents</strong></td>
<td><strong>85.2 cents</strong></td>
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</table>

Consolidated balance sheet

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<tr>
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<tbody>
<tr>
<td>Issued share capital</td>
<td>3 978</td>
<td>3 978</td>
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<tr>
<td>Preference shares</td>
<td>2 867</td>
<td>2 867</td>
</tr>
<tr>
<td>Second preference shares</td>
<td>17 568</td>
<td>17 568</td>
</tr>
<tr>
<td><strong>Deferred shares</strong></td>
<td><strong>3 978</strong></td>
<td><strong>3 978</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1976</th>
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</thead>
<tbody>
<tr>
<td>Non-distributable reserves</td>
<td>24 834</td>
<td>24 834</td>
</tr>
<tr>
<td>Distributable reserves</td>
<td>176 478</td>
<td>173 884</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 253 039</strong></td>
<td><strong>922 949</strong></td>
</tr>
<tr>
<td><strong>Less</strong> Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition</td>
<td><strong>1 454 351</strong></td>
<td><strong>1 121 667</strong></td>
</tr>
<tr>
<td><strong>Outside interests in subsidiary companies</strong></td>
<td><strong>1 426 779</strong></td>
<td><strong>1 092 724</strong></td>
</tr>
<tr>
<td><strong>Unlisted trade investments</strong></td>
<td><strong>527 999</strong></td>
<td><strong>346 981</strong></td>
</tr>
<tr>
<td><strong>Freed assets</strong></td>
<td><strong>2 066 834</strong></td>
<td><strong>1 568 458</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1976</th>
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</thead>
<tbody>
<tr>
<td>Stores and materials</td>
<td>26 888</td>
<td>22 722</td>
</tr>
<tr>
<td>Diamonds on hand</td>
<td>222 745</td>
<td>227 501</td>
</tr>
<tr>
<td>Laid-in investments</td>
<td>395 489</td>
<td>267 088</td>
</tr>
<tr>
<td>(Market value R34 466 000 — 1976 R34 368 000)</td>
<td><strong>77 540</strong></td>
<td><strong>116 993</strong></td>
</tr>
<tr>
<td>(Directors' valuation R1 177 094 000 — 1976 R1 553 218 000)</td>
<td><strong>72 425</strong></td>
<td><strong>77 846</strong></td>
</tr>
<tr>
<td>Long-term loans</td>
<td><strong>73 913</strong></td>
<td><strong>52 563</strong></td>
</tr>
<tr>
<td>Unrealized portion of tax</td>
<td><strong>683 147</strong></td>
<td><strong>470 279</strong></td>
</tr>
<tr>
<td>Cash</td>
<td><strong>346 151</strong></td>
<td><strong>219 642</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2 066 834</strong></td>
<td><strong>1 568 458</strong></td>
</tr>
</tbody>
</table>

Note: As mentioned in the interim report, as a result of a further re-arrangement of shareholdings in the diamond trading companies, the Group disposed of its 20% share of the share capital of The Diamond Purchasing and Trading Company (Proprietary) Limited ("Pipe"), which consequently ceased to be a subsidiary company. The results for the year are therefore not directly comparable with 1976: profits. Pipe's results have not been consolidated and only dividends received from the company, as included.

Diamond Market: The demand for rough diamonds is in an exceptionally high level, although there are aspects of the market situation which give cause for concern. Consumer demand continues to be very firm. In addition, sales developed in recent months a high level of speculative trading which has raised the price of rough diamonds in the open market to levels which are not justified in relation to prices at consumer level. Stock at retail prices have accumulated in cutting centres and are largely financed by bank credit, which is now at a level substantially higher than that needed to finance the normal working of the industry. The market should be alert to the dangers inherent in this situation.

Directors: Mr. N. F. Oppenheimer was appointed a director of the company on 7th March 1978.
Declaration of dividend no. 116 on the deferred shares

Dividend No. 116 of 35 cents per share (1976 22.5 cts) being the final dividend for the year ended 31st December 1977, has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 23rd March 1978, and to persons presenting coupon No. 60 detached from deferred shares warrants to bearer. The dividend, together with the interim dividend of 17.5 cents per share declared on 23rd August 1977, makes a total of 52.5 cents per share for the year (1976 35 cts). A notice regarding payment of dividends on coupon No. 60 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 16th March 1978. The deferred share transfer register and registers of members will be closed from 24th March 1978 to 7th April 1978, both dates inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th April 1978. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent of 18th April 1978 of the rand value of their dividends (less appropriate tax). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 23rd March 1978. The effective rate of non-resident shareholders' tax is 35 per cent. The dividend is payable subject to conditions which may be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board
H F OPPENHEIMER  |  A WILSON

7th March 1978

HEAD OFFICE
36 Stockdale Street, Kumberley
South Africa

LONDON SECRETARIES
Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct
London, EC1P 1A\\n
TRANSFER SECRETARIES
Consolidated Share Registrars Limited
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Financial Mail March 10 1978
DE BEERS

Vanity of vanities

"People buy diamonds out of vanity and gold out of stupidity — and I think vanity is probably a more attractive motive" — Harry Oppenheimer, quoted by High Life (British Airways' magazine for tired travellers)

By a possibly bizarre coincidence, High Life, De Beers' preliminary statement, and Amco's annual report have all arrived on my desk at more or less the same time this week. Apart from the obvious point that De Beers made three-quarters of a billion rand from selling 20 t of rather high purity carbon, while Amco made R79m from 25 t of the lower grade stuff, I am wondering what the chairman thinks of the motives of Amco's customers, who probably just want to keep warm.

Anyway, we all long ago exhausted our stock of superlatives to describe De Beers' soaring performance in the current upswing, so I'll just repeat the guess that net attributable profits will put it in the top 15 companies in the world when Fortune's 1977 ratings are published.

As the table shows, the first half was better in earnings terms than the second. The rate of tax fell from 36% to 21% and screwed up all calculations based on the ratio of diamond account profits to CSO sales and the like. The lower rate of tax, according to De Beers' sources, was only to a small extent due to capital expenditure.

One factor, I believe, is that the Diamond Corporation, which holds the cash in the De Beers' balance sheet and "contracts with various producers...for the purchase of their production," pays tax at the corporate rate rather than at the mines much higher rate. However, this can hardly be the full explanation for the 21% rate of tax paid, which may reflect destocking and the proportion of outside stones to group stones sold.

There are plenty of signs of financial strength. Net worth is up 100c over the year to 483c; cash balances from R470m to R653m; and retained earnings from R181m to R433m. As a cash-generating machine, there can hardly ever have been anything like it. Most confident of all is the 52,5c (35c) dividend, which will cost R189m. Though three times covered in 1978, this will be a hungry animal in a bad year.

The board sounds a note of warning apparently aimed at deflating the premiums of 40%-50% which have developed over and above CSO selling prices after the two price rises last year (15% in March and 17% in November). Diamond cutters and dealers in some cases are holding excessive stocks, some of which are financed with bank credit.

But the collateral looks less good when it is realised that the banks are financing the premiums paid for gems as well as the CSO base price. A decline in the gem premium would erode the value of the banks' security and might require liquidation of gems now being hoarded.

While acknowledging that this process might reduce physical outflow from the CSO, De Beers regards a temporary decline in diamond sales as less undesirable than the present accumulation of stocks in hands other than its own. In fact, the board's statement will, it is hoped, unwind the positions which have been built up.

The weakness of the dollar plus the two large rises in 1977 have been prime factors in the build-up of pipeline stocks.

While there have been suggestions of a further price rise to compensate for the dollar's decline, I understand this is unlikely, not least because 50% of the end demand for diamonds is US-sourced. Nor does there seem to be any possibility of a switch to some price basis other than in dollars, for the same reason.

Declining international economic activity and the superlative performance of the past two years lead me to suppose that De Beers' earnings will be peaked or will do so this year. Meanwhile the 52,5c dividend should keep the shares above the 500c level in all circumstances barring general economic collapse. This will set a new benchmark for other companies dividend yields which many will find hard to match.

However, while there will probably continue to be enough vun people around to enable De Beers to shell out at least another R189m in dividends this year, all indications suggest to me that there is more money to be made in being stupid this year than either vain or warm.

Richard Rolfe

QUITE A YEAR

Six months to June 30 to Dec 30 Total
Re: RM

CSO sales...
Diamond account income...
Interest, dividend, other...
Pre-tax profit...
Tax and lease...
Net earnings...
Earnings per share...

... 943 899 1,822
... 380 371 751
... 97 84 191
... 454 435 889
... 162 92 254
... 284 337 621
... 79 94 173

Valuing a gem... with funds from the banks?
Big developments at Jwaneng

Any conjecture on De Beers’ plans for its cash flow and year-end cash balances of R683m is fast being answered. On top of expansion and development in hand at Orapa, Finsch and Kongenaas (see table), the preliminary capex estimate to bring Jwaneng to full production is R210m. It includes provision for escalation.

All infrastructure is to be provided by the mine, with no repeat of the Botswana government’s guarantees for Selebi-Pikwe’s loans from the World Bank for power, water and other facilities.

Production is planned at an initial annual rate of 3.5m ct in 1982, rising to 6m ct by the mid-Eighties. By then, with over 4m ct coming from Orapa and Letlhakane, around 50% of De Beers’ production will be derived from Botswana.

Ten per cent of the capex is to be financed by export credits and most of the remainder by equity from De Beers. The Botswana government has the option of subscribing 20% of equity funds and is looking for Eurodollar borrowings for its stake. So cost to De Beers on the preliminary capex estimate is a minimum R151m and a maximum R189m.

Even if Botswana does not take this option, it has a 30% free ride in the equity, and with taxes and royalties, will pull in between 60%-70% of operating profit. With a 20% equity contribution, Botswana’s profit share rises to 68%-76%. So if De Beers is looking for a return of 15% on its investment, the mine will have to turn in pre-tax profits of about R100m at full production.

No information on expected recoveries has been announced but the percentage of gems and grade is higher than at Orapa where gems account for 15% of production. Taking a line through Orapa’s results, Jwaneng should treat around 9 Mt of ore annually from the open cast mine and eventually be moving 30 Mt ore and waste. So it will be about a third of the size of Palabora.

In 1976, De Beers produced 10.8 m ct. Details of 1977’s production have to await the annual report, but they were higher. So when the current development and expansion programme is completed in the mid-Eighties and assuming no disruptions in South West, total group production should be in the region of 21m ct. The importance of Botswana is obvious and explains why De Beers is so willing to take a minor profit share.

But large though the expenditure on Jwaneng is, it is equivalent to less than three months’ De Beers pre-tax profit in 1977. And that is a cheap price to pay for over 50% additional output on current figures and for retaining control of a key diamond resource.

— Jon Jones

Financial Mail April 14 1978

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De Beer's is diggin deep to finance its new Botswana diamond mine

By Paul Diamond (The Central Selling Organisation)
Record 8em sales exceeded

BY NEIL BENHAMAN

LONDON — All indi...

SUNDAY TIMES, BUSINESS TIMES, April 16, 1978
Business Mail

De Beers pegs prices to retail demand

by DON ROBERTSON

Managing Editor

There will be no further increase in the basic price of diamonds until De Beers is satisfied that increases are justified in relation to the retail demand.

This warning is given by Mr Harry Oppenheimer, chairman of De Beers, in his statement for the year to December.

The reaction from De Beers, which controls the Central Selling Organisation which in turn sells about 80% of the world’s diamond production, results from the heavy speculative element which has entered the market in recent months.

It has resulted in premia of up to 50% over basic CSO selling prices being paid for rough diamonds in the secondary market.

These prices, says Mr Oppenheimer, are “quite unrelated to basic consumer demand and well above what in our judgment could be sustained in present circumstances.”

“This speculation reflects an increasing use of diamonds not for jewellery but as a store of value and it is reinforced by fears about the instability of currencies, particularly the US dollar and Israeli pound, and a widespread belief among our customers that the very existence of such premia must induce the CSO to make further substantial increases in its basic selling prices without proper regard to the state of demand by the ultimate consumers of diamonds.”

As a result, the CSO decided to impose a surcharge on its normal selling prices. It is hoped this will result in a decline in purchases from the CSO and so reduce stocks held in cutting centres.

These surcharges will continue until a reasonable relationship has been established between the market price of rough diamonds and the price of polished diamonds at the retail level.

Referring to expansion programmes, Mr Oppenheimer says that “far-reaching capital programmes are in progress, and others have been initiated to bring about a substantial increase in the productive capacity of the group.”

Construction at Koinnana on the Namibian coast is on schedule and production at the rate of 500,000 carats a year is expected to start in the middle of the year. About the same time, the small Lougssage mine will start producing at the rate of 60,000 carats a year.

At the Flansch mine production will be increased from 3,000,000 carats a year to 3,500,000 carats within two years.

Work is well advanced to increase the production at Orapa from the current annual rate of 400,000 carats to 4,500,000 carats by the end of this year.

Production from Letlhakane is expected to increase by 50% to about 400,000 carats a year when mining moves from the surrounding gravels to the kimberlite towards the end of this year.

Most important of all potentially, says Mr Oppenheimer, is the new mine discovered by De Beers at Jwaneng in Botswana, which will take about four years to bring to production.

De Beers has an incredibly strong balance sheet, with cash on hand at R631,673,000 and diamond stocks at R230,743,000. Net asset value is R50, with 20% a share compared with 22% last year.

Taxed profits in the year to December were more than doubled to a record R623,469,000.
Botswana will produce half De Beers' diamonds by the mid-Eighties

Lethakane mine near Orapa.

Activities: World's principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation Investment portfolio includes 33% of Anglo American and itself 30% controlled by Anglo

Chairman: H F Oppenheimer.

Capital structure: 360m deferred shares of 5c, 800 000 40% prefs of R5 and 2,9m 8% second prefs of R1

Market capitalisation: R2 016m

Financial: Year to December 31, 1977

Borrowings: Long and medium term, R41m, Net cash R83m. Current ratio 2.0. Net cash flow R433m. Capital commitments R183m.

Share market: Price 560c (1977-78 high, 613c, low, 374c, trading volume last quarter, 2m shares) Yields 31% on earnings, 9,4% on dividend. Cover 3.3 PE ratio 3.2

An unparalleled year for De Beers. Riding the crest of boom demand for diamonds, its financial resources and profits are now at unprecedented levels. The only nagging question is whether the extent of De Beers' marketing success has not ultimately weakened its ability to control world diamond markets.

Profit from the diamond account was up 67% from R451m to R751m despite deconsolidation of The Diamond Purchasing and Trading Company (Purtra). The holding in Purtra was reduced by 3% to bring it to a round 50%. Income from Purtra now comes through in the form of dividends. This is a major reason for the 80% jump in dividend and interest income from R84m to R169m. Interest receipts alone seem to be exceptionally high at R89m on year-end cash balances of R683m. On the other hand dividend income from listed investment was below normal levels mainly because of timing changes in the Anglo dividend, while Purtra also probably retained more profits than under normal circumstances.

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<tr>
<td>Listed Investments (Rm)</td>
<td>392</td>
<td>378</td>
<td>342</td>
<td>612</td>
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<tr>
<td>CSO sales (Rm)</td>
<td>849</td>
<td>793</td>
<td>1 352</td>
<td>1 803</td>
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<tr>
<td>Pre-tax profit (Rm)</td>
<td>312</td>
<td>286</td>
<td>520</td>
<td>888</td>
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<tr>
<td>Earnings (c)</td>
<td>56</td>
<td>61</td>
<td>85</td>
<td>173</td>
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<td>Dividends (c)</td>
<td>25</td>
<td>28</td>
<td>35</td>
<td>52.5</td>
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<tr>
<td>Net asset value (c)</td>
<td>362</td>
<td>391</td>
<td>338</td>
<td>535</td>
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In all, pre-tax profit was up 71% at R888m, but because of a substantially lower tax rate of 28.7% (35.2%) after-tax earnings more than doubled from R308m to R623m. The lower tax rate is mainly due to capital expenditure allowances as De Beers gears up its own diamond production and from the greater portion of income now flowing in the form of dividends.

There is no indication of whether this low tax rate can be maintained in the current year, although it would be reasonable to assume this in the light of the ongoing capital expenditure programme.

The 52.5c dividend is now almost covered from non-diamond account income, illustrating the security provided by the 3.3 times cover. Deconsolidation of Purtra has had a marked effect on the disclosed net asset value. Purtra is now included under trade investments and must be largely responsible for the jump in directors' valuation of these investments from R59m to R294m. Not all this R235m increase can be attributed to Purtra as Debswana also raised fresh equity capital, but by far the greater part is.

The directors' valuation of Purtra must be around four times the net assets it employs. Group net asset value is now 535c against 338c last year.

In his chairman's statement, Harry Oppenheimer quantifies the value of investments, net current assets and loan levy at 351c a share. The Anglo holding alone is now worth more than 100c a share, and these figures help illustrate the degree to which De Beers has diversified its interests away from diamonds.

Group diamond production was up from 10.6m carats to 11.8m due to Namaqualand output building up. Lethakane in Botswana coming on stream and greater plant capacity at CDM becoming available. CDM increased diamond production from 1.7m carats to 2.7m carats, but the average stone size declined appreciably from 0.95 carats to 0.72 carats. Geographical analysis of profits reveals the importance of CDM. In 1977, it contributed 22% of after-tax profit against 21% the previous year.

The report was obviously prepared before details of Jwaneng were released. Capital expenditure, including that for Debswana, is put at R183m, but this excludes Jwaneng. It relates mainly to Premier, expansions at Finsch and CDM, and extensions at Orapa and Lethakane.

Jwaneng will cost De Beers between R150m and R190m.

Jwaneng only comes on stream in 1982, building up to full production of 6m carats by the mid-Eighties. By then, half of production will be coming from Botswana.
With net current assets up from R342m to R502m, after having spent nearly R80m on taking up more Anglo American shares via the Rand Selection rights issue, there are ample resources for contingencies in the diamond market. A feature of the accounts is that despite the boom in diamond sales, De Beers' stocks declined only marginally from R227m to R220m. The decline was rather more marked in the trading companies as there was an increase in stocks held at the mining company level, reflecting in part the build up of production. There is no doubt that De Beers' commitment to doubling capacity is dictated by demand outrunning supply and in recognition that stocks are now at an unacceptably low level.

Although the past year's profit figures must have benefited from a substantial stock profit element, all indications are that demand continues to be exceptional. Demand at the sights has not been dampered by surcharges. Profits this year will benefit from the full effect of the higher selling price which was only in force for the last eight of 1977.

Still, few analysts expect a repeat of last year's record figures. Even if there is a decline in earnings, the dividend should be raised again. Assuming a 10% increase, De Beers is selling on a dividend yield of over 10% to locals and 13,5% to foreigners through the securities rand market. Such value is hard to ignore, whatever foreign investors' political prejudices might be. And if SWA moves towards a peaceful transition, this could spark the next run in the shares.
Diamonds 'outshone in drilling test'

A RECENT dry wagon drilling test has achieved a rate of six times that of diamond drilling at $2.7 per cent of its cost, according to the Halifax Tool Company.

The test was mounted at Whidbey, near Kuwait in the Cape, using a local Halco 150 lightweight, wheel-mounted wagon drill fitted with a DG 353 hammer with 35 mm crossbit. The hole was drilled to 94 m at an average rate of 1.6 m an hour, compared with the average for diamond drilling of 0.2 m an hour. Actual penetration varied between 2 m and 5 m an hour, and averaged 2.7 m.

Halifax reports that sample recovery was good, with almost all material being separated in the cyclones. There appeared to be very little, if any, vertical contamination, and some excellent fibre samples were recovered.

"To reduce the cost of underground exploration drilling and to improve the drilling rate, it is desirable to minimize the use of diamond drilling," a company spokesman said.
Diamanthandelaars gee pad uit SA

HEELWAT diamanthandelaars verlaat Suid-Afrika en vestig hulle in Amerika, waar diamante deesdae — danky die sukkelende dollar — soos soekkoek verkoop.

In Suid-Afrika is al hoe meer sakskud voor om die blinkes te bekom. Kopers begin nou eers die uitwerking voel van die verhoging van 17 persent in diamantprys wat in Januarie aangekondig is.

Binne vier of vuf weke sal die einnike knyp eers gevoel word. Dan sal die eerste diamante wat gekoop is nadat die Sentrale Verkoopvereniging (CSO) 'n heffing van 40 persent aangekondig het, op die vertoonpakke kom.

'Die heffing wat verlede maand aangekondig is om onnodige spekulasie met diamante te ontmoedig, is van die begin van vandeesmaand weer tot 25 persent verminder.

'Mnr. M. Judin, bestuërende directeur van Caree's in Suid-Afrika, sê heelwat diamant-handelaars verlaat Suid-Afrika, waarskynlik om politieke redes. Hulle maak maar soos die dokters wat padgee.

Die swak dollarwaarde en gevolglike sterk mark vir diaman-
R1 000m a year future for SA diamond cutting

Own Correspondent

CAPE TOWN — South Africa’s diamond-cutting industry is expanding rapidly. According to the Minister of Mines, Mr S P Botha, it could employ 4 500 people and earn between R800-million and R1 000-million within two years if the market remains strong.

A new section of the industry has been developed in the past 10 months — the processing of diamonds under one carat in size.

This is being done by operators using automated methods and machines, and it is expected that at full capacity the 4 500 operators, many of whom will be coloured, will cut 800 000 carats a year.

The change was not without drama. An industrial dispute in 1976 resulted in the skilled journeymen stopping work for several months because they feared their jobs would be lost.

But they later agreed to allow operators to work certain sizes, and accepted a clause which meant that no white workers would be refrenched.

At the present rate of expansion, the South African industry could match the Israeli and Belgian cutting industries within 10 years.

Mr Botha told the trade magazine Diamond News and SA Jeweller that last year the cutting industry bought rough diamonds worth R105-million from the Diamond Trading Company and employed 1 000 operators, of whom 520 were coloured, in addition to the 1 000 skilled cutters.

South Africa’s diamond sales were R300 000 000 last year.

The thrust of the industry is to process rough diamonds under one carat in size. Up to mid-1976 these were all exported because the skilled work structure made them uneconomic to cut.

Some idea of the size of the expanded industry can be gained from comparisons with Belgium and Israel. Each employs about 10 000 workers.

In 1976 they handled 3-million carats in Belgium and 5-million carats in Israel.

The difference is attributable to the type of diamond cut. Israel concentrates on small diamonds, including less than five points, or 0.20 to the carat. By last year, its cut diamond exports were worth more than R1 000-million.

Belgium cuts the larger diamonds which require special skills and a great deal more time and attention.

Traditionally, South Africa has cut rough diamonds over one carat, specialising in the yellowish stones known as Capes and processing 750 000 carats a year.

This pattern continues. But larger diamonds are becoming rare, and a new field of small-diamond processing is opening up.

Mr E A Sayman, chairman of the Diamond Industry Control Board, told the magazine that about 800 000 carats were available from South African sources for the new small diamond industry, and he thought that once the 4 500 operators were employed and trained, South Africa could earn between R550-million and R1 000-million from the traditional large-diamonds and the new smaller diamond output.
Police swoop
nets R500 000
diamond deals

Mercury Correspondent

JOHANNESBURG — Six businessmen — including two diamond exporters and a diamond cutter — have been arrested by police in connection with alleged illegal diamond deals involving over R500 000 rands.

The first major arrest, which the press was asked not to publish because investigations were still in progress, was made in Johannesburg on April 21 and involved R60 000 in uncut diamonds.

A pensioned American army colonel, Ben Armstrong (55) from Pretoria, and a Durban diamond cutter, Mr. David Scholdharn, were arrested and charged in court the same day after an alleged payment of R20 000 in a Johannesburg deal.

Colonel C. W. Krookamp, deputy head of the South African Gold and Diamond Squad said that six days later — on April 27 — police cracked what is alleged to be the largest illegal diamond deal in months.

Two diamond exporters were arrested in Cape Town in connection with the alleged buying of diamonds valued at R490 700 for R30 600.

They are Mr. David Johannes Buhia (43) of Yivim Road, Boksburg, and Jose Luis Matias (35) of Glenower, Johannesburg.

On the same day a Randburg factory owner, Mr. Paolo Zappa (51) was arrested in Johannesburg in connection with the alleged buying of R36 000 in uncut diamonds for R30 000.

Police also arrested a Rhodesian farmer, Mr. Johannes P. Mentjes in Pretoria in connection with the alleged buying of R43 000 in uncut diamonds for R20 000.
Two businessmen acquitted of diamond charge

Two wealthy businessmen were today acquitted in the Rand Supreme Court of dealing in diamonds worth R531 780.

Previously the State had closed its case prematurely.

Mr Joseph Shokedy Mandelbaum (51) of Johannesburg, and Mr Morris Bernard Cohen (50), of Pretoria, had pleaded not guilty before Mr Justice Human to a charge that, in November 1976 they dealt in 794 rough or uncut diamonds valued at R531 780.

They were alternatively charged with conspiring to commit the offence with each other, with Mr Joseph Gubits, "presently living in Israel after jumping bail of R60 000, and with two policemen who formed part of a police trap.

After calling only one witness — Major Johannes Tempelhoff, of the Gold and Diamond Branch — the State closed its case.

Defence counsel for both men immediately applied for their discharge. This was not opposed by the State.

NO CASE

"On the police major’s evidence it is clear that Mr Gubits was the main culprit. He is not before court today. There has been no case made out against the two accused," Mr Justice Human said.

"The State has exercised a very right discretion, in not opposing the application for the discharge," the judge said.

The court heard that the two policemen had shewn Mr Gubits the package of diamonds in Cape Town and a price of R400 000 had been agreed.

Subsequently they met the two accused and a deal was discussed at various hotels around the country.

Hotel, near the Lesotho border, the policemen refused at Mr Gubits’s request, to conclude the deal in Maseru.

Neither the diamonds nor the money were handed over before the operation was called off by a senior police official.

'Staring eyes’ man cleared

Mr Arthur Sumnerfield Atherstone (19) of Thabazimbo, who was charged with being the "staring-eyes" man who snatched a Rand Show horse, was today acquitted of theft because of the possibility of mistaken identity.

On April 18, Mr Alec Perrin (62) chased a thief who had grabbed his wife’s handbag, through the Rand Show stables.

A constable arrested Mr Atherstone after Mr Perrin had slipped on horse manure.
BY ETHEREE ZINN

TWO men charged with

conspiring to buy blanks

and diamonds from a

bank in the Rand to

the value of £60,000

are to be tried before

the Supreme Court next

week. Mr. A. J. Scher, lawyer

for the accused, said that

the diamonds were

bought at a price of

£100,000. The accused

are Mr. Joseph

and Mr. Joseph

and Mr. Joseph

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In his evidence, Mr. Joseph

said that the diamonds

were bought at a price of

£100,000. The accused

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Kimberley mines get 20 more years

By ADAM PAYNE

DE BEERS diamond mines in Kimberley — the base on which Cecil Rhodes built his fortune and financed the opening of Rhodesia — have had their lives extended from seven or eight years to 20 years at a cost of R30-million.

This was announced "with pleasure" yesterday by Mr Harry Oppenheimer, the chairman, at De Beers annual meeting in Kimberley.

Diamond mining has been carried out at Kimberley since 1939, starting on the farms Dutoitspan and Bultfontein. Dutoitspan and Bultfontein mines are among the four — the other two are De Beers and Wesselton — whose lives have been extended.

The plan involves treating old dump material to recover diamonds so that the rate of underground mining on the four mines can be slowed and spread over a longer time.

Mr Oppenheimer said the prolongation of mining and diamond recovery would have important social advantages in assuring continued employment and extending the important contribution which De Beers made to the community of Kimberley.

"At the present rate of mining, the underground ore reserves of the four mines will not last more than another seven or eight years. These are among the oldest producing mines in South Africa and in all four of them mining is now taking place at considerable depth, and eventually production will no longer suffice to keep the treatment plant in operation at an economic level."

"In considering possible alternative sources of diamond-bearing material, we have established that the retreatment of certain of the older dumps in and around Kimberley is economically justified and we have decided to proceed with a two-fold plan.

"The first stage involves replacing part of the present mine feed to the central treatment plant with dump material, and deliveries from the dumps will start early in 1979.

"The second stage will involve the building of three separate small plants for the treatment of certain of the outlying dumps, and work on this stage will begin in 1980."

The four mines produced 1,084,653 carats of diamonds last year, or 33,000 more than in 1979.

"The prolongation of their lives and treatment of dump material will not have any significant bearing on De Beers finances but it will please Kimberley and Mr Oppenheimer."

Mr Oppenheimer, like his father, has an affection for Kimberley and its diamond tradition and retains the old buildings in Stockdale Street as the company's head office. He has resisted moves to modernize them or move into modern offices.
CHAPTER 1.

THE PROJECT

SCOPE OF THE RESEARCH PROJECT AND DEFECTS IN RESULTS:

The object of this project was to establish the location of all contract workers living in the Cape Peninsula, to indicate their numbers on a map of the Peninsula, and to establish the general conditions under which they live.

DIAMONDS

A breather

The great New York diamond rush has run its course.

Back in March diamond prices had surged 40% to 50% since the start of 1978. Speculation and hoarding which began in Europe and Israel spread to New York and prompted De Beers to impose a 40% surcharge on its London market operation to curb speculation. Part of the problem was traced to Tel Aviv where a plummeting Israeli pound prompted stockpiling as a hedge.

The upsurge continued after Tiffany's, the largest American outlet, ran advertisements warning buyers that diamond prices were artificially high.

Though prices have now slipped nearly 10% and De Beers has cut its surcharge to 25%, market analysts in the US are predicting that diamond prices will not return to their old, sky mid-1977, levels.

In part that is based on a recent US Bureau of Mines report that turmoil in Southern Africa has sharply cut back diamond output. In Angola, for example, diamond output dropped from 2,1m carats in 1973 to 660,000 carats in 1976 and estimates are that this year's production will not exceed 400,000 carats.

More pressure on diamond demand and prices includes a new office opened in Brussels by the Soviet Union to buy diamonds for military and industrial needs that its own Yakutak production complex cannot fill.

The second failing in this report is that the SAR & H compounds were not thoroughly investigated, so that only the figures and the broad picture are reported here. The reason for this is that official permission to see these quarters would have taken a considerable time to come through from Johannesburg, and would have delayed this working paper unduly.
Kuns-blinke

DE BEERS BELÉ
NOG R10 MILJ.

Deur DAVID MEADES

DE BEERS se afdeling vir nywerheidsdiamante in Suid-Afrika is stil-stil met ’n uitbreidingsprogram van sowat R10 miljoen besig om sy vervaardigingsbedrywighede van kunsdiamante aansienlik te verhoog.

Met die voltooiing van die uitbreidingsprogram by Ultra High Pressure Unit, ’n volftekhoof van die nywerheidsdiamantaafdeling van De Beers, op Springs teen vroeër 1960 sal teen vandag se pryse sowat R10 miljoen per jaar ekstra aanvredende valuta verdien kan word.

As in ag geneem word dat hierdie maatskappy reeds sowat R20 miljoen se kunsdiamante per jaar uitvoer, kan ’n aanduiding gekry word van die omvang van die huidige uitbreiding.

Die huidige uitbreidings behels onder meer die instellering van twaalf nuwe hidroulisie persehenede, wat teen ’n koste van sowat R3 miljoen deur Vikor, ’n filiaal van Durbyl, vervaardig word. Die eerste pers sal na verwagting vroeg aanstaande maand geïnstalleer word.

Die hele plan om die bedrywighede van Ultra High so sterk uit te brei, was oënsynlik heetstemal van juis die Suid-Afrikaanse vervaardiging van hierdie twaalf persehenede afhanklik.

Hierdie oorsese gekoop word teen ’n prys wat dit noodsaaklik gemaak het dat die prys in Suid-Afrika per eenheid nie meer as R250 000 sou wees nie. As die plaaslike prys dit sou oorskry, sou die uitbreiding waarskynlik by een van De Beers se twee ander soortgelyke aanlegte oorsese plaasgevind het.

Springs

Vikor het toe by die Raad van Handel en Nywerheid aanvraag gedaan om ‘n rabat op die invoerbelasting op sommige van die noodsaaklike gietstukke, wat nie in Suid-Afrika vervaardig kon word nie. Die raad het gevolglik besluit dat dit in belang van die land is dat Vikor by kontrak kry, veral weens die uitvoervoorde wat uit die groter produksie van kunsdiamante sou vloe.

Die huidige uitbreidings by Ultra High sal hierdie aanleg nou verreweg die grootste van De Beers se drie maak. Die ander twee is in Shannon, Ierland, en in Swedia. Springs was egter nog altyd die grootste en was ook die eerste van drie wat met die vervaardiging van siniëtiese diamante begin het — reeds in 1961.

Hierdie aanleg was ook die registreërgewig van skitterende navorsing wat in Johannesburg deur De Beers se navorsingslaboratoriums gedaan is.

Wêreldmark

Dit het daartoe geleid dat De Beers vandag saam met die internasionale GEC die wereldleier is op die gebied van die siniëtiese vervaardiging van diamante.

Hierdie twee beheer tussentuiste tus en tus en die 50 persent van die mark vir kunsdiamante, wat reeds sowat R100 miljoen per jaar word. Dit sluit ook die produksie van Rusland in. De Beers en GEC is in hierdie mark waarskynlik, die grootste bedryf met die uiteindelike bedryf wat met die huidige uitbreidingsprogram verder sal word, sal uit die saak van die wêreldmark vir nywerheidsdiamante afhang.

Die prys van hierdie soort diamante is egter daarna stabiel, terwyl die gehoue groeiëers van sowat 10 persent persig in die vraag is.
Apple of mine's eye being cut into a pear

PREMIER ROSE, the huge diamond discovered at the Premier Mine in Pretoria, was cut into the shape of a pear this week by an electric saw after lying untouched in the earth for millions of years.

The remarkable stone, weighing 70.78 g, somehow survived the crusher and turned up on the sorting table at the Premier Mine two months ago. It was cut to 100 carats of superb quality diamond.

The stone was bought for several million rands by a Johannesburg diamond company in conjunction with Goldberg Weiss and Company, a New York diamond dealer.

Mr Bill Goldberg, currently in Johannesburg to see Premier Rose, will organise its eventual sale.

The Sunday Express was present at the historic moment when the saw was about to be switched on to decide the fate of the priceless stone.

The man given the job of cutting the diamond — he may not be named for security reasons — told the Sunday Express this week that he had made several replicas of Premier Rose to study the stone in order to work out the best way of cutting it.

"There are two major flaws and about four minor ones which we will have to polish out," he said.

"I have been living, eating, sleeping this diamond for a month in order to develop the greatest concentration."

"One degree out with that saw may mean a disaster.

"It is a great responsibility. I suppose the man who made the atom bomb must have felt the same."

The stone has been named after the "lady of the company" who has been described as "a great lady, and one who deserves the title after 45 years in diamond marking."

Diamonds have been named after women before, but never after the woman who brought it from conception to adulthood," said the cutter.

"I sat down with her, and the company owners, studied it, worked out the grain, and decided in three days how to cut it.

"It took months to decide how to cut the Cullinan Diamond."

The pear shape was "dictated by nature."

If the diamond had been cut into a round shape a lot of it would have been wasted.

The company has been approached by many people about the stone.

The stone has caught the imagination of the world, making front-page news in many countries.

"It will be kept in a secret place, only being taken out to be polished daily, until the right offer comes along.

"It is impossible to work out a price for a diamond like this," says its cutter.

"We will give it to whoever offers most."
R20 000 DIAMOND STOLEN FROM SAFE

A 14-carat yellow diamond, valued at more than R20,000, was part of a haul someone made from the safe of Mr. Gareth Bowden at his home in Den Pienaar Road, Kloof, according to police.

The diamond, a Cape yellow stone set in a pendant, was in the safe with five gold rings and some cash which is also missing. Also stolen is a quantity of clothing and a double-barrel shotgun.

Police said yesterday that the safe had not been forced. A duplicate key had probably been used to open it.

The thief had gained entry into the house by breaking a window.

No arrest has been made.
An artist's impression shows the deep pit at the old Premier diamond mine outside Pretoria and the thick layer of barren rock that is now to be pierced to open a virtually entirely new mine hidden underneath it. Production is now set to start in 1989 in the subterranean treasure trove that promises to yield millions of carats of diamonds. Mine engineers say the penetration will entail a mining operation that will be unique in South Africa.

By Michael Chester, Financial Editor

Mine engineers were given the go-ahead today to break into an underground treasure trove near Pretoria worth hundreds of millions of rands.

De Beers gave the all clear to blast through a 40-million ton layer of barren rock to unveil a virtually new mine hidden underneath the old Premier Diamond Mine.

The operation has long been a dream of mining engineers but until now has been ruled out as too costly.

The final go-ahead has been made possible under a new agreement between De Beers and the Government that includes a fresh lease deal and tax concessions.

The prize for the Government as well as De Beers is the prospect of a multi-million-rand boost to export earnings.

First aim will be to blast through a thick layer of rock that blocks the Kimberlite pipe at the bottom of the old Premier.

17-m carats

This will clear the decks for a 1989 start of production from a first subterranean block which Mr. Harry Oppenheimer estimates holds a treasure of 17 million carats.

The entire annual diamond output of the De Beers empire stands at 12 million carats at the moment.

The first block holds 14 million tons of kimberlite — with 72 carats in every 100 tons, twice the richness of the old Premier which has produced such world-famous gems as the Cullinan diamond and the new Premier Rose.

Deeper still

The 93.8-carat Premier Rose is at present being cut in Johannesburg.

Other finds at the Premier include the Nauchars, which was originally of 628.5 carats, the Transvaal Blue and the 62.4 carat "Taylor-Burton" stone cut from a 240.8 rough.

Below the second block is a second new mine block with an additional 106 million tons of Kimberlite, which miners are now scheduled to tackle from 1988.

Tax burden

Because of taxation bills, Premier has been no better than a marginal mine in recent decades and no dividend has been paid on its deferred shares, for more than 50 years.

The new venture now stretches the mine's life to the year 2000 — and perhaps beyond.

- Green light to exploit below Premier — Page 21.
Better outlook for diamonds

Deputy Financial Editor

IMPROVED figures for diamond sales are expected from the Central Selling Organisation early next week for the first six months of the year and although July is a holiday period, the reduction to 10 percent in the surcharge should be welcomed at the diamond sale (sight) on Monday. The sight has been reduced in quantity.

De Beers' interim figures and the dividend for the half-year should also respond to any improvement in CSO sales. With the last three sights having a surcharge varying between 40 and 25 percent, the monetary figures should be good.

What is not so certain is the actual volume of diamonds sold. There has been resistance in India, where most of the buyers turned down their diamond 'boxes' at the May diamond sight. In Belgium the authorities have taken action to reduce the export of the high-priced rough diamonds and other steps to encourage the domestic industry.

Israel recovers

Israel seems to be recovering after the shaky situation in May, when factories were reported to be closing.

Diamond sale figures for South Africa for the first three months of the year are not very encouraging. It appears that a lot of the lower-priced industrial diamonds were mined and sold.

The reverberations on the world diamond market which led to the diamond surcharge could have been brought about by a critical supply position.

Last year, Israel imported 12 million carats of gem stones, almost three million more than in 1976. South Africa has entered the small diamond field and was able to buy and process nearly one million carats in 1977, which is almost double the 1976 figures.

India has stepped up its demand for small diamonds for processes and recently opened a training centre for the diamond trade.

It is a definite possibility that the diamond crisis was brought about both by stockpiling of rough diamonds by speculators and by the increasing demands of the processors.

Southern African production in 1977 of gems and industrials was up by about one million carats to about 12.5 million carats.

Second-half

I would anticipate that the second-half CSO sales will be lower, as is usually the case, and the possibility of more drama in the market should not be discounted, even though the sight surcharge has fallen back to 10 percent.

The effect on De Beers' income should be minimal as the large investment portfolio ironed out these problems.

From London it is reported that total world diamond production rose from 46.9 million metric carats in 1976 to 47.8 million metric carats in 1977.

The major producers are Zaire, with 17 million carats of mainly industrial diamonds, the Soviet Union, with 12.6 million carats and South Africa, with 7.9 million carats.
By PAUL DIAMOND

DE BEERS believes it is entitled to maintain the value of the diamond - and with the recent 30% increase in gem prices that is precisely what it has done.

Because the diamond trade is conducted in dollars and because that currency has recently hit a low, De Beers' effective income declined.

But, even with the increase in the price of diamonds, demand remains firm not only in the jewellery arena but also in the investment field, particularly in the US.

European investment demand for diamonds has always existed but, because of the stability of EEC currencies, it is less traded.

The basic reason for the price increase is the protection of income.

One tends to think of De Beers as the "all-high" in world diamond sales. It is certainly - as a marketing channel - but South Africa is responsible for only about 30% of the gems channeled through the Central Selling Organisation, and gems are the real money earners.

Diamond producing countries, like oil countries, are finding the weakened dollar has cut into revenue and purchasing power and the diamond producers look to De Beers to keep up their revenue in real terms.

This is the reason behind the recent 30% price rise, an increase De Beers reckons the market can take.
De Beers profits jump 31pc

KIMBERLEY. — De Beers Consolidated Mines announce record attributable profits of R374m for the six months ended June, 1978, an increase of 31 percent over the R258m in the same period last year.

The interim dividend has been increased by 25 cents to 20 cents.

Gross revenue of R597m (R476m) includes the diamond account of R466m which rose by R86m, and income from interests and dividends which improved by 40 percent to R116m (R83m). Revenue from other sources was unchanged at R14m.

Prospecting and research, general charges and interest paid amounted to R28m (R23m) leaving pre-tax profits of R569m (R453m). Taxation and state's share of profits absorbed R190m opment (R162m) leaving after-tax profits of R379m (R291m).

After allowing for minority interests and preference dividends, profits attributable to De Beers' shareholders amounted to R375m (R384m), equivalent to earnings of 104 cents on each deferred share (79 cents).

De Beers Industrial Corporation has also announced a half-yearly unaudited attributable profit of R6960000 compared with R5781000 in the corresponding period last year. The interim dividend is raised to 37.5 cents (35 cents) — Sapa of secretariums.

OFFICE SYSTEMS

(a) Broad outlines of accounting, costing, invoicing, materials, purchasing, stock control and general stores organisation work.

(ii) Filing and recording systems. The importance of availability of records for costing comparisons, references to current and previous correspondence and tender documentation.

(b) Office mechanical aids, e.g. modern typewriters, dictating and recording machines, calculating aids, copying and reproduction equipment, microfiling etc.

FINANCE

(a) A typical balance sheet and stock control system examined and discussed.

(b) Company amalgamations, "take-over" and other re-organisation methods discussed from the point of view of their impact upon finance, consumer interests, employee changes and redundancy, etc.
Diamond workers may lose their pay

Labour Reporter

About 40 'coloured' operators of the Johannesburg diamond cutting works of G A Tracey & Sons may lose one and a half days' pay because they left work early on Kruger Day.

A spokesman for the firm described their action as an 'illegal strike'. But they were back at work today after fearing for their jobs yesterday in the latest flare-up of animosity between operators and employers in the diamond cutting industry.

The workers had left work early on Kruger Day after allegedly being told they could do so provided they were prepared to forfeit pay for the work they failed to do, said Mr Robin Rich, general secretary for the Diamond Cutters' Union.

DENIAL

When they arrived at work yesterday they were told they could not start work and consulted Mr Rich.

His advice was that they should return to work today.

A spokesman for the firm denied the workers had been permitted to leave work early on Kruger Day. But he confirmed that the workers were back at work.

Last month 54 'coloured' operators of another diamond cutting works downed tools temporarily in protest against the dismissal of the president of the Diamond Cutters' Union, Mr Derek Watson.

The union claimed he was sacked on the spot when he questioned the firm's management about inferior conditions of employment which were to be introduced this month.
Bouncing boulders extract
South West's diamonds

BY ADAM PAYNE

WITH THE EYES of the world on South West Africa and specula
tion widespread as to how the big companies will fare
after independence, the technical achievements and progress of
Consolidated Diamond Mines — the territory's biggest mon
cy-spinner and taxpayer — have been largely overlooked.

Consolidated Diamond Mines performance on the Namib
coast is a unique and fascinating achievement in world mining.

It is the world's largest gem
diamond mine by many
leagues, but equally impressive
are the technical advances
made in mining along the
broad, open beaches and
well below sea level.

Metallurgists have developed
ways of extracting diamonds
from concrete-like material
called conglomerate, and a cen-
tral recovery plant has been
modernised with X-ray equip-
ment so that it is as efficient in
extracting diamonds as any
plant in the world.

Several years ago, CDM —
using special dredge barges
which had been run aground
by a缺乏 sufficient
depth to the sea, but this was stopped
by lack of payable reserves.

But now a new prospecting ship
is at work sampling the seabed in
areas considered worth fur-
ther investigation.

These achievements and the
geological erug of CDM's dia-
monds is the sand-covered ma-
rine gravel terraces along the
Namib coast are described in
Optima, the Anglo American
quarterly, by Eric Lloyd Wil-
liams, formerly public re-
lations manager of Anglo Ameri-
can Corporation in Johannes-
burg.

Something like 95 million
tons of sand is moved annually
in the stripping operation to
remove overburden and expose
the diamond-bearing marine terraces.

The proportion of waste ma-
terial moved to diamonds re-
covered is 200 million to one and as increasing sophistication
in planning and mechanisa-
tion has taken effect, CDM has
developed techniques to push
back and hold the Atlantic and
to change the profile of the
beaches, so that between the
high-water and low-water
marks the miners reach the
ancient bedrock crevices in
which diamonds are found.

Beach mining, introduced
after a programme began in
1964, of prospecting the fore-
shore along the whole diamon-
dy coast; calls for building sea-
walls or coffer dams, seen at
its most spectacular near the
Orange River mouth where the
deeper bedrock requires a wall
up to 20m thick and where min-
ing operations take place as
much as 20m below sea level.

The sea is driven back 200m
and held by walls of overburden
sand, pushed from the upper
mining area by scrapers and
bulldozers, which then have to
be continuously maintained, un-
der floodlights at night, against
the sea.

Suction pumps attached to
well points keep the coffer dam or
crossing comparatively dry.

Once the bedrock is exposed,
recovery of diamonds must be
done as quickly as possible —
there is no time for balancing
production grades — before
seepage floods the workings
and some expensive equipment
is threatened by the sea.

There is no let-up in activity
in the search for new reserves
of diamonds and ways to recov-
er them. In the Oranjemund
area towards the river and be-
tween the old, deep gravel
beaches and the forested
shore, further extensive pros-
specting of marine sand, clay
and boulders overlaying the
old delta is producing promising
results.

The metallurgical responses
to CDM, to the requirements
imposed by changing patterns
of mining, have culminated in
the presence in each of the four
mining areas of large semi-
automated field treatment
plants equipped with computers
to control the process whereby
material is screened, crushed,
milled and scrubbed with wa-
ter, drawn in one instance by
tunnelled pipe from just over
400m out to sea, and then con-
centrated by flotation in heavy
media separation units.

The product from the field
plants, which remove about
90% of the waste material, is
sent by locked dumper trucks
to the central recovery plant.

These desert plants, the last
of which was commissioned in
1977 at a cost of $120 million,
are completely different to their
predecessors — the 19
small, screening plants, intro-
duced in the 1940s, dotted along
the coast.

In these plants, gravel is
from the diamond terraces were
-treated on shaking jigs to re-
move materials over 25mm in
size and below 2mm, these
sizes being considered barren
at that time.

The resulting concentrate
was sent to Oranjemund by
overhead-powered electric
trains. The material from these
little plants was further con-
centrated and then hand-sorted
on a 24-hour schedule.

The fact that conglomerate
material — a mixture of hard
conglomerates and boulders —
from the prehistoric beaches
also proved to be payable, led,
among other factors, to the de-
velopment of today's type of
plant.

The dancing pebbles con-
centrate in the field jigs can be
said to have been replaced by
the jumping boulders. One of
the new plants treats material
containing about 15% barren
quartzite boulder and 20% con-
glomerated conglomerate, the
latter containing locked-in dia-
monds.

To make the crushing of this
conglomerate economic, the
boulders must first be re-
moved, and research has evolved
a method, unique to CDM,
using the difference in
bounce characteristic between
boulder and conglomerate to
separate the two. Dropped on
an angled steel plate, the bol-
ders bounce higher than the
conglomerate, over a divider
and out of the paysystem.

The long process is com-
pleted with the concentrate from
the desert plants arriving at
the central recovery plant for
final concentration and the har-
vest of diamonds, up to 5,000
carats a day, by X-ray separa-
tor. This technique is used ex-
clusively in place of the historic
gold placers and tables and belts
employed for so many years.

X-rays cause diamonds to
fluoresce, the light emitted ac-
traves a compressed air ejec-
tor which flicks the diamonds
out from among the gravels for
transfer to the sort-house and
the climax of the whole desert
doperation.
Diamonds a lasting bet

ONE feature of the modern diamond market is the recognition by investors of diamonds as a medium and long-term investment. The worth of the stone at the time of buying is now being backed by certificates. The best known of these is issued by the Gemological Institute of America and with this side support the diamond is becoming more marketable and is assuming the characteristics of a currency.

The Rothschild banking group, for one, is buying stones for clients in the United States, the Middle East and Japan. In the development of the diamond investment market a flock of diamond investment companies have been spawned.

The growing investment in gems which has been spurred by the tripling of diamond prices over the past five years has contributed to removing the speculative fever-heat of the earlier part of 1978.

The investment buyer knows that he cannot sell willy-nilly but must allow a period of time to elapse before resale for it to provide the sort of profit margin that he expects.
Illicit diamond and gold deals: police hold 12

By EMIELIA JAROSCHER
Crime Reporter

POLICE have arrested two foreigners allegedly involved in an illicit diamond deal, bringing the number held for illicit diamond and gold deals since last week to 12.

Gold and Diamond Squad detectives in many parts of the country have confiscated diamonds and gold valued at R49 465 from the alleged illegal operations they have uncovered.

Brigadier J Erasmus, chief of the Gold and Diamond Squad headquarters in Kimberley, confirmed yesterday that a German and an Italian were arrested in Harrismith on Monday as they allegedly negotiated a deal involving 15 uncut diamonds worth R135 769.

Last week Gold and Diamond Squad detectives in Johannesburg arrested a woman company director and a her husband, a teacher, in connection with an illicit deal involving 72 uncut diamonds which were being sold for R203 000.

Other arrests made by the squad since last week include:

- A black man arrested in Natalspruit on Friday for allegedly buying 181 gm of gold valued at R905.
- A black man arrested in Klerksdorp on the same day for allegedly selling a diamond for R1 200.
- A white man and a black man from Krugersdorp arrested on Saturday in connection with an alleged illicit diamond deal involving R1 605.
- A coloured man arrested in Port Nolloth on Monday in connection with the alleged sale of four diamonds to police for R400.
- An Indian man arrested in Durban on the same day for the allegedly buying of 277 gm of gold worth R1 385.

- A black man arrested in Johannesurg on Monday last week for allegedly possessing three pieces of unroughed gold.
Man who bought gems is jailed

Staff Reporter

JOHANNESBURG businessman, Paolo Zappa, was fined R10,000 or two years, and sentenced to a year in jail yesterday for illicit diamond buying.

Zappa, 51, of Hans Strudholm Drive, Robindale, Randburg, pleaded not guilty before Mr G Steyn in the Johannesburg Regional Court to a charge of unlawfully buying 15 uncut diamonds worth R65,000, a police trap.

Mr J F Ludorf, for Zappa, gave notice of an intention to appeal and Zappa was released on R10,000 bail.

At a previous hearing Colonel H A Basson of the Kimberley Diamond Branch told the court he met Zappa on April 19 at an office near the Summit Club in Johannesburg. Zappa told him he was an Italian and owner of a handbag factory. He also said he owned a mine in Central Africa.

Col Basson said he introduced himself as Jan Botha from South West Africa. Zappa told him he was interested in buying diamonds and had R40,000 to spend. He also said he had an aeroplane and could fly anywhere to conclude the deal, but preferred that it should be done in his flat in Berea. Zappa said the flat had only two doors which could be locked, and if someone should arrive he could throw the diamonds onto a roof below.

Later, Col Basson and Woman Constable Adriana Visser met Zappa outside his flat in Soper Road and Zappa took them to his factory in Randburg, to his house, and to his office.

“He was telling me how wealthy he was,” Col Basson said. Zappa told him he had bought a 15 carat diamond and wanted more, because he was going overseas. He explained how he could smuggle diamonds out of the country, Col Basson said.

Col Basson and Constable Visser reserved accommodation at the Crest Hotel from where they could see Zappa’s flat in Soper Road. That afternoon Zappa opened his flat windows as a sign that it was safe for them to go there. Col Basson and Constable Visser went to the flat with 15 uncut diamonds weighing 109.47 carats and worth R6,111.

Zappa examined the diamonds and offered R30,000 for them. Colonel Basson said he accepted the offer.

On April 29 he and Constable Visser went to the flat again after receiving the open window sign. Zappa had a briefcase filled with R14,000 in R10 notes. While Col Basson was counting the money, Constable Visser waved through the window at policemen waiting outside.

Zappa told her that in future he would deal with her alone. He was so busy talking to her he did not notice the other policemen entering.

Zappa told the court he was an agent for another person who intended buying a diamond mine and had had discussions with Col Basson about an option to purchase a mine.

Mr Ludorf, for Zappa, argued that the minds of Zappa and Col Basson never met. "The one was selling diamonds and the other was buying a mine," he said.

Sentencing Zappa, Mr Steyn said he was "high up in the calendar of illegal diamond dealers."

A fine alone was not a sufficient punishment or deterrent in this case but he was taking into account the fact that, for a person in Zappa’s position, imprisonment was a harsh punishment.

The R14,000 which Zappa had handed to Col Basson was declared forfeited to the State.

Co-ordinating Committee

As the new system permitted the election of more than one works committee in an establishment, provision was made for a co-ordinating works committee consisting of the chairman and secretaries of each works committee where two or more such committees had been elected. The appointment of a co-ordinating committee was to be made after consultation with the employer concerned, and its duties were roughly the same as those of a single works committee.
BROADACRES
Diamond speculation

Activities: Holds Styrkput Beleggings as its only subsidiary, others having been disposed of during the year. Coastal Diamond Trading of US holds 71% of equity.

Chairman: N D Lowenthal.

Capital structure: 3.1m ordinaries of 25c. Market capitalisation: R4,6m.


Share market: Price: 150c (1977-78: high, 175c; low, 13c; trading volume last quarter, 287 000 shares) Yields 2.1% on earnings, nil on dividend. PE ratio: 46.9.

There have been so many changes to the company since the June year-end that the 1978 accounts are outdated. Whereas last year Broadacres held 68.6% of Turf Holdings and various other assets, the only asset now is Styrkput Beleggings which has diamond mining rights off the Namaqualand coast.

Return on cap % 1.9 1.0 6.8 31.8
Turnover (Rm) 2.4 2.6 2.5 2.5
Gross profit (R 200) 1 122 5.6 399 474
Gross margin % 4.6 2.2 14.4 18.6
Earnings (c) 1.7 (3.4) 4.8 3.2
Dividends (c) nil nil nil nil
Net asset value (c) 51 54 54 49

Excludes extraordinary write-offs

The Turf shares were sold to previous Broadacres chairman H B "Hubby" Hodes for R311 000, which incurred a book loss of R1,1m. This loss turned a profit of R98 712 attributable profit into a loss of R98 584. There was a R42 082 loss on disposal of unlisted investments and R101 700 loans and advances were written off the property investments.

New chairman Norman Lowenthal, tells the FM there are no further write-offs to be made against the previous Broadacres' assets. On July 1 the company had the diamond mining assets, valued at R1,2m, and cash of R300 000. Since then, despite capex on new equipment, Lowenthal says cash and diamond stocks have been increased a further R100 000 to R400 000.

Lowenthal cautions against confusing the new company with the old. The diamond operations chalked up earnings (free of tax because of previous assessed losses) of R265 000, which would give earnings of 8.5c. This income was derived from prospecting operations. At end-June there were no borrowings, and as the envisaged expansion is not capital intensive, capex should be minimal.

Though little concrete information is available, the diamond operations seem to be progressing well.

Investment in Broadacres now is a statement of faith in diamond prospects. But until published details are available, the shares are best suited for speculative portfolios.

Das Kidane

results and dividends

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<td>I = Dividend 1 = Annual t = Preliminary f = Final m = Interim * = 6 months A = Annual report + = After tax figure ** = Adjusted to 12 months + = Includes special d of cents</td>
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D = Dividend 1 = Annual t = Preliminary f = Final m = Interim * = 6 months A = Annual report + = After tax figure ** = Adjusted to 12 months + = Includes special d of cents

issues

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<th>Last day for sales</th>
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<th>Listing begins</th>
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COMPANY AND TERMS
CONS TExTILE
Capitalisation: 1 new for every 10 held
CPDR
Power Technologies (Fowey Southern Coza)
Rights: 1 new for each held
Tongsat Group
Capitalisation: 1 new for every 4 held

1058

Financial Mail December 22 1978
MINING - Diamonds

5-1-79 - 130-12-79

216

X
Buying concessions

Broadacres' acquisition of two neighbouring diamond companies on the Namaqualand coast for 300,000 shares and R80,000 cash is expected to add 1,3c to earnings this year.

For the purposes of the present deal, the new Broadacres shares to be issued have been valued at 74,5c, the same price Coastal Diamond Trading Corp paid ex-chairman Huby Hodes for control last September. The total consideration is thus officially R303,500 — 6,9 times this year's expected earnings. The new shares raise the number of shares in issue from 3,1m to 3,4m.

At their current 175c the new Broadacres shares are worth R525,000 and the total consideration is R605,000 — about 14 times expected profits.

One company, Namirois, which has actually won diamonds from the sea, is being bought for R179,000 or 2.5 times expected earnings of R72,000 while the other, Strykloof, which merely holds a mining concession, is priced at R124,000.

Namirois has been pumping diamonds out of the surf with promising results. At present Namirois operates two pumping units. In the 18 months to end-June, 2,500 carats of "top quality" diamonds worth R900,000 were recovered for Broadacres. It has also produced 527 carats worth R230,000 since March 1977 for its own account — despite "exceptionally inclement weather."

Investors obviously think management's forecasts are conservative, for the present price of 175c is nearly 18 times forecast earnings of 9,8c. The declared payout ratio is 60%, which suggests a dividend of 6c and a prospective yield of 3,4%. Dr Beers, yielding 6,3% looks a trifle more certain.

<table>
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Gem sales — R2 219m

Deputy Financial Editor

SALES of gem and industrial diamonds soared to R2 219 000 000 for 1978 meeting the expectations of most observers and promising a healthy dividend and earnings for De Beers.

And, despite a 30 percent increase in prices from August onwards second half sales at R1 155 million passed those for the first half when sales of R1 064 million were made.

The Central Selling Organisation which sells diamonds for De Beers and other producers controls about 85 percent of world output.

Sales in 1977 were R1 803 million and 1978 saw a 23 percent rise or R416 million.

The CSO figures come hard on the heels of the Israeli results which recorded new high values but lower volumes in carats. Several plants had closed down it was noted.

De Beers is busy expanding its southern African output and is expected to be in a strong position to sell a lot of the popular small diamonds.

Mr Joe Mouw, a part-owner of the Premier with Mr Bill Goldberg of New York, said yesterday that the diamond was still being graded by the Gemological Institute of America and he would have been told of its sale "immediately".

There are only two other known diamonds in the size range mentioned in the report. One is the 140.5 carat Regent which is in the Louvre and the 137.2 carat Florentine which was stolen from the Austrian Royal Family in 1920.

Ellias Haddad reporting from Jeddah says that when a Saudi walked into the biggest diamond shop in the country there was nothing to indicate that he would make a purchase.

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Gem cost
R10.3m

The sale of a 137 carat diamond in Saudi Arabia for R10.32 million which took place recently according to a report from Jeddah yesterday is not likely to have been the fabulous Premier Rose — but if the report is correct it will make a world record price for a diamond.

He asked the jewellers, a Saudi-Lebanese firm of Fawaz Mouawad and Sons, to buy a large diamond that was on offer abroad. The firm sent one of its experts who acquired the gem, brought it back to Jeddah, and called the customer.

The price was about 40 million royals (about R10.32 million) for a 137 carat diamond of flawless quality.

The success of the sale of the famous Premier Rose was an indication of the growing interest in diamonds, and particularly in large diamonds, in the Middle East.
In its last annual report Heron pointed out that certain prospecting leases had to be renewed by end 1978. In practice, the leases are perpetual, says Richter.

These results are bullish for Brodarcres, another diamond company to make the primary list, whose concessions border those of Heron. While Heron dredges just beyond the surf, Brodarcres pumps gravel from 32 m beyond low watermark.

Chairman Norman Lowenthal says stones are of very fine quality and, although prices are inconsistent, as much as R400 per carat has been realised. "Last week we found a stone of 44.5 carats worth about R30 000."

Brodarcres lost more than R1 m in five years on its diamond mines but that was because the beach was being mined with heavy earth moving equipment today 20 whites and 30 coloureds man the pumps and Lowenthal says co-ops are only R20 000 per month. He points out that 13 carat stones would cost R40 000, as would a 10 carat stone, to send profits soaring.

Brodarcres has recovered 500 to 600 carats since Coastal Diamond took over last October. A new pump was commissioned this week and another comes on stream in the next few weeks to bring the number of units in operation to four.

Another former secondary sector "diamond" counter that performed spectacularly on the year is Carrig. It shot up 250% from 1c to 46c, although it no longer produces diamonds. Chairman Oscar Getz says the current share price discounts the possibility the company might attempt gold dump recovery on the East Rand and that it has acquired a lease on a black granite deposit at Piet Retief.

The company is still negotiating rights to the mine dump. Nothing further has come of a third party's threatened legal claim to the granite deposit. Getz assumes he has let the matter drop.

Also, no decision has yet been taken on whether or not to reopen the diamond mine at Kimberley.

All Carrig's prospective projects will require capital and Getz says a rights issue is not out of the question.

Of the three companies, only Brodarcres should have made it to the primary list according to JSL. requirements. Doug Gar, manager of JSL's mining, said the promotions were granted after thorough and sympathetic consideration of all factors.

"Short of actually inspecting their operations, we ascertained to the best of our ability that the companies concerned were viable and were in fact what they purported to be."

While a primary listing must have benefited the share price of all three, those who buy into them should be aware that primary status is no guarantee of repectability.

Paulus Carle
DOMINION MINING

Watch out!

JSE interest in small diamond mines is growing. And off the market certain investors are bent on buying shares in Dominion Mining & Investments, a non-listed public company formed in 1977 to exploit two diamond mines in the OES.

Dominion owns the Blauwboesch and New Elands mines near Boshoek. In March 1978 a Section 141 statement (in place of a prospectus) accompanied an offer of shares to public and the subscription lists are about to close. Initially Dominion's shares were issued at R100 and currently cost R200 from the company. 50% of Dominion is held by Jesco Holdings which is owned by John Stephens, who has been involved in portfolio management for several years.

In 1978 Dominion claimed “once appropriate production and profitability levels are achieved it is intended to approach the JSE for a listing.” This aim has not changed, according to Stephens. A share salesman told a would-be investor that Dominion was interested in acquiring stakes in two listed companies. Recent activity in Broadacres and Carrs could have stemmed from this talk.

Promises, promises...

New Elands is currently in operation. Most of the R1mn thus far raised from the public has been “used to rehabilitate the mine” which was flooded in 1976. A further R180 000 is needed to bring the mine to full production of 2 000 ct a month at a grade of 0.3ct/t in fissure and 0.1ct/t in tuliens,” says Stephens. He adds that the mine "has a life of about 15 years.”

Blauwboesch was evaluated in 1966 and 1970 by then independent consulting engineer Desmond de Villiers Oxford. It was closed after a mudslide in 1967. The 1,5tha diamond pipe has been claimed to be the 19th largest in the world. De Villiers Oxford said the pipe extended 300m and there was evidence it could extend 600m below surface. The mine is not being worked, but, according to Stephens, it could be brought into production at a cost of about R1.5m. Cash for the "will be no problem" if unnamed Belgian diamond interests are fully convinced of the mine's worth. Stephens says the cash "is almost a certainty.”

Based on De Villiers Oxford's 1970 survey, an average revenue of R80/ct might be possible from underground mining and R20/ct-R30/ct from re-treated dumps. On a monthly milling throughput of 800ct/day Stephens gives Blauwboesch a life of 35 years, gross revenue for the period of R266m and an annual taxed profit of about R1mn. The 1970 report...
Is that a real gem...?
De Beers profits up

KIMBERLEY - 'De Beers Consolidated Mines' net attributable profits' increased by 31 percent to R741m in 1978 and earnings per share amounted to 205.5 cents.

A final dividend of 45 cents a share has been declared, making a total distribution for the year of 65 cents, an increase of 12.5 cents or 24 percent.

As a result of a change in accounting policy, capital expenditure to maintain production has been charged against the diamond account and not through appropriations from reserves, as in the past.

Furthermore, diamond export duty is now treated as part of the tax charge and is no longer deducted from the diamond account. Comparative figures have been adjusted accordingly.

**Gross income**

Gross income, totalled, R1 219m (1977: R929m).

The diamond account rose by R223m, 30 percent, to R966m from R744m. Dividend and interest income increased by R65m or 38 percent to R234m from R169m. Revenue from other sources amounted to R25m (R22m).

Pre-tax profits rose to R1 156m from R107m. Taxation and State's share of profits increased to R46m from R20m and outside interests in the profits of subsidiaries amounted to R3m (R1m). Net attributable profits of R741m compare with R583m or 156 cents per share in 1977.

Diamond stocks amounted to R255m (R220m) and cash rose to R1 394m (R633m).
Demand is right across the board - rings, pendants, necklaces, cuff links. Biggest demand is for the 15-20 point range (100 points per carat, five carats per gram, 142 carats per ounce).

Research during 1977/1978 shows sales of diamond jewellery in SA totalled R82m for 129 000 units - 110% up on 1974 unit sales, 186% up on value 26% of units sold were engagement rings, down in terms of units, but 9% up in value. Jewellery value, excluding engagement rings, jumped R48m.

Clearly, diamonds are still some people's best friend.
Diamond cutting factories heading for boom

The Cape Times, Saturday, April 7, 1978

Owen Correspondent

DURBAN.—Diamond cutting factories in South Africa are heading for a boom. The rapid expansion of the past two years has been given an extra lift by the signing of a new ‘demarcation agreement’ which came into effect on March 2.

Racial barriers are being broken down and the industry, which three years ago prided itself on about 1,000 white employees, is now near the 3,000 mark — the new workers being coloured operatives.

Further expansion is expected this year.

The original demarcation agreement was reached in 1976 after a six-month strike and laid down that operators could only saw diamonds up to 1.13 carats in size or polish sawn diamonds up to 0.50 carats in size.

Further talks were held last year and this year between the Diamond Workers Union and the Master Diamond Cutters Association in which the limits were raised to 1.69 carats for sawn diamonds and 0.35 carats for sawn diamonds.

Mr. Robin Rich, secretary of the union, said this was a tremendous increase and an unprecedented move for our union.

On the demarcation, 60 percent of the work normally done by artisans is being done by operators. The new rules will increase the operators share to something like 70 to 75 percent.

Mr. Rich said: “Naturally, we must accept this but we believe it will prove prejudicial to our members and time will tell whether we are right or not.”

Mr. Hugo van Zwan, Association chairman, said: “From the employers' side, it will give the industry more flexibility in organizing its workers. However, all guarantees to skilled workers are still effective.”

The use of Colour cutters for handling small diamonds — known as meales — is possible because automatic machines have been introduced to handle the size of gem. Operators do not have to undergo an apprenticeship as is the case with journeymen who are the only workers allowed to process the larger diamonds.

This breakthrough, which is rapidly creating a small diamond industry comparable to the Israeli or Indian patterns, although employment is not as high yet, was made possible by recognizing that operators could handle small diamonds and that they did not need the long years of journeyman.

As the diamond mines are dug ever deeper, the size of diamonds becomes smaller. Even now mines produce small diamonds.

Manufacturing index higher

PRETORIA.—The index of the physical volume of manufacturing production for the period November, 1978, to January, 1979, stood at 106,0 — an increase of 1.0 percent compared with the period February-August, 1978.

The base is 1965-66 equal to 100.

The figures are seasonally adjusted — Sapa
Wag De Beers vir Sasol?

Deur DAAN DE KOCK

De Beers sal waarskynlik van jaar sy dividend tot 75c per aandeel opstoot, wat sowat 10c beter sal wees as verleda jaar se syfer van 65c per aandeel. Toteselfdertyd word daar verwag dat die maatskappy nuwe beleggingsmoontlikhede vir minstens die helfte van sy kontant van R1 295 miljoen gaan soek.

Hierdie vooruitskatting word gemaak na aanleiding van mnr. Harry Oppenheimer se opmerking in die maatskappy se jaarverslag dat hoewel die boomtoestande van verleda jaar waarskynlik nie weer ondervind sal word nie, die maatskappy van jaar nogtans goeie resultate behoort te toon.

De Beers het verleda jaar 'n rekord wins van R741 miljoen getoont en het 'n dividend van 65c per aandeel verklaar, wat 'n verbetering van 94 persent op die vorige jaar se syfer is.

Daar was met die aan kondiging van die divi dend aansienlike kritiek dat dit moontlik te laag is, indien die maatskappy se enorme kontantreserves in ag geneem word. Volgens De Beers se balans staat het hy die boekjaar met kontant van R1 214 593 000 afgesluit.

Kennis is van mening dat De Beers ten minste die helfte van hierdie kontantbedrag opsy sal hou om later as 'n koper van diamante op te tree as daar 'n sterk verswalk in die vraag sou intree.

Dit laat die maatskappy met nog meer as R600 miljoen wat hy op ander plekke kan belê. Gerugte doen nou reeds 'n geruime tyd die ronde dat De Beers dit moontlik kan oorweeg om 'n deel van hierdie geld in die nuwe Sasol-projek te belê, as hulle deel van die verkoop van die nuwe Sasol-teken beheer.

Volgens kennis sal, daar moontlik voor die einde van aanstaande maand besonderhede bekeënd gemaak word oor die deelname van die private sektor in hierdie projek.

Uitbrei

'n Verdere rede vir die vooruitskatting van 'n verhoogde dividend is die feit dat De Beers sy produksie van diamante aansteeklik goed by die vraag sou intree.

Die maatskappy beoog om sy produksie van diamante van verlede jaar se 12 miljoen karat tot ongeveer 19 miljoen karat in 1983 uit te brei. Sekere van hierdie uitbreidings-programme het reeds al begin vrugte afwerp en daar kan verwag word dat van jaar se produksie aansienlik beter as verlede jaar s'n sal wees.

Mnr. Oppenheimer sê ook in sy jaarverslag dat hy van mening is dat die gebruik van diamante as 'n waardevaar moontlik in die toekoms aansienlik hoër sal wees as in die verlede. Dit slaan ook die vermoed oor sekere kringe die nek in dat die vraag na diamante in die nabije toekoms kan daal.
DIAMOND CUTTING

Adding lustre

The SA diamond cutting business is booming, with exports of polished stones up 60% to R204m for the first 10 months of last year compared with the same period in 1977.

At the same time, employment in the industry has jumped from 1 000 to 2 500 since colourless and Indians were permitted to work on the smaller four to five graners (1.19 carats in the rough) at the end of 1976. Things can only get better now that an individual tribunal has slapped the limit to 1.5 carats, a decision which has been accepted by the Diamond Workers Union. It bitterly opposed the first move.

When the international market last year was "exceptionally" good, one contributing factor to the surge in export rates of worked stone was the "slight" surcharge imposed by De Beers' Central Selling Organization. The surcharge started at 4% in April decreasing monthly to nil in October when the price was raised an average 20%. This was to deflate the speculative element in the market and remove potential price instability.

However, scrapping the colour bar was probably the single most important factor. Smaller stones were previously all exported unworn because of the unavailability of cheaper labour. Higher paid whites worked mainly on larger stones, although apprentices cut their teeth on the smaller ones.

This move is in keeping with the Department of Mines policy that all SA production of diamonds should be worked locally.

It is difficult to arrive at an accurate estimate of the volume of diamonds that are processed in SA, although a mines official puts it at 60% of total output. Bat a calculation based on export statistics where "rough" exports totalled R655m for January-October 1978 compared with R615m in 1977 shows that about 22% are cut and polished here (1977: 15%)

The advantages of allowing semi-skilled operators in the cutting business are substantial. Estimates are that currently only 6% of the semi-skilled input to the present number 1150 to grow.

The mean added value of a rough stone that has been cut and polished is about 25%, which includes costs like labour and insurance, while profit is also taken into a claim, but obviously varies from stone to stone.

With the price of small stones currently about R100 per carat in the rough and production costs running at R6.5 a carat, a polished stone will have to be marketed at around R150 a carat (a 50% increase) for the operation to be profitable according to one diamond cutter.

Since the labour policy was opened up, wages are being paid foreign exchange earnings are being tripled and labour shortages are being alleviated, and it's only a matter of time before the 1.5 carat production is also tripled. It's obvious that more people will have to be moved into the semi-skilled category. The experience of the diamond cutting industry provides a lesson to all of SA industry.
Building on rocks

Activities: World's principal diamond mining and marketing organisation, mining diamonds mostly in southern Africa and marketing through the Central Selling Organisation. Investment portfolio includes 33% of Anglo American and is itself 30% owned by Anglo.

Chairman: H F Oppenheimer

Capital structure: 359.8m deferred shares of 5c; 800 000 40% cum prefs of R3 and 2.9m 8% second prefs of R1 market capitalisation: R3 004m.


Share market: Price 835c (1978-79, high 960c; low: 475c; trading volume last quarter 1.5m shares) Yields 24.6% on earnings; 7.8% on dividend. Cover 3.2. P/E ratio: 4.1.

With the increased 65c dividend absorbing almost R234m after tax, and capital commitments of R450m, there seems little doubt of management's confidence on the diamond market's continuing strength.

Though chairman Harry Oppenheimer warns that this year is unlikely to see a repeat of 1978's hectic boom conditions, steady expansion of group diamond output coupled with a full year of higher prices following last August's 30% price hike should at least mean a diamond account figure of over R1 billion. Following accounting adjustments whereby maintenance capex is now charged against diamond account profits, and export duty included as a tax provision, last year resulted in diamond account profit rising 30.2% to R956.4m (1977: R734.8m). Even with a growth rate slow-down, this year could record a R1.2 billion diamond account profit with, at this stage, most analysts reckoning on a bigger improvement.

Following 1977's dividend income distortion with the lowering of the stake in Purtrax to 50% and the changed timing of the Anglo dividend payout, interest and investment income rose 38.5% to R234.1m (R169.1m).

There again seems little doubt that this contribution, which effectively covers distributions on the deferred shares, will improve this year. The group's investment portfolio is 25% gold-based and a further 40% in industrials, both with sound near-term growth prospects.

Overall, pre-tax income improved 32.7% to R1.16 billion (R871.7m), offset by a marginally higher 38.5% tax rate (37.7%) calculated on the new accounting basis. As the tax rate increase occurred with an almost doubling of capex to R62.1m (R31.6m), it is difficult to foresee any meaningful reduction in the overall tax rate despite the group's heavy capex commitments over the next few years.

Turning to the balance sheet, Oppenheimer quantifies year-end attributable net current assets at 530c, up from 315c at end-1977. As a partial measure of De Beers' diversification away from diamonds, the investment in Anglo itself is currently worth 155c per share. It remains to be seen, however, when the group's cash assets will be deployed for further diversification. Though management's line for some years has been that large cash holdings are necessary against future diamond market downturns, near term, any major demand downturn seems unlikely. With current demand there should be scope for a further diamond price increase this year, giving an additional boost to diamond account profit.

Group diamond production rose marginally last year to 12m ct (11.8m ct) with an increase to around 15m ct slated for the current year. By 1983, the present capex programme should have been completed, lifting annual production capacity to 19m ct. Thereafter, much depends on events in SWA. At CDL, where the company claims reserves are limited, exploration within the diamond areas is aimed at increasing the life of coastal operations. But perhaps more important will be the outcome of prospecting in the north eastern part of the territory, where it is unofficially hoped at least one pipe equivalent to those in Botswana will be located and brought on stream within 10 years.

On a marginally lower output of 1.8m ct (2.0m ct) CDL contributed 20% (22%) of the group's after tax profit. With Finsens holding for an annual production rate of 3.5m ct by 1980 from last year's 2.6m ct, expansion of Orapa complete and a target annual production rate of 4.1m ct set for this year compared with 2.5m ct last year and Jwaneng due to come on stream by mid-1982 and reach its target output of 6m ct a couple of years later, CDL's percentage contribution to profit will probably decline.

Premier Rose . . 353.9 carats of solid profit
DIAMOND MARKET
Warning signals

The world market glut of small diamonds, sized between one and 10 points, has been taken as confirmation that certain dealers have hitherto been hoarding stones in anticipation of further price rises. In the past three years, the price of "smalls" has increased between 300% and 400% — but is now falling heavily.

Rumour has it that De Beers has dropped several old clients as a punishment for hoarding and as a lesson to other "would be" boarders. Although this rumour was neither denied nor confirmed by a spokesman for De Beers in Johannesburg, Forbes magazine ascertained from a London spokesman for De Beers that he did not disagree with "trade talks" that around 30 dealers had been taken off the regular list of 300 dealers. This alone would be sufficient to "scare" the rest into offloading their holdings onto an already saturated market.

When questioned on the Reuters report that 10,000 workers in Israel's diamond polishing industry will be laid off for the month of August because of a world-wide sales slump, a local spokesman for De Beers said the report had since been denied.

According to the spokesman, the Israeli Diamond Exchange president, Moshe Schnitzer, said his statement, broadcast by Israel Radio, had been taken out of context, and that a denial had since been put out by Reuters. However, Reuters in Johannesburg have so far been unable to trace any such denial.

Even more anxiety has been caused by speculation that a new Eastern source of polished stones is undercutting traditional sources by using cheap labour. Even SA, formerly an exporter of small stones for cutting, is finding it more profitable to hold back on some supplies. One reason is that polishing at home avoids the 25% import levy charged when the stones re-enter the country.

Employment in the SA diamond cutting industry has risen from 800 to 3,000 workers in the past few years, with jobs now open to coloureds — albeit only to work on smaller stones.

Most diamond dealers agree that De Beers' near-monopoly of the industry has led to efficient market control. However, John Stephens of Dominion Mining, which is currently running a tailings operations at its OFS mine, finds it more profitable to sell to independent buyers as prices are higher than those received from De Beers. He denies that there is a diamond glut, and described the market as a seller's one. However, Dominion sells its diamonds in parcels of mixed sizes, holding back the number of small, rough stones when they become too numerous.

Overall, world markets were sluggish in March and volumes drastically cut. Reports indicate that this trend is increasing. But according to De Beers, the market for polished diamonds of more than one carat remains fairly firm.

For over 40 years, De Beers has controlled the rough diamond market by warehousing stones and slowly releasing them when market conditions permitted. It is speculated by Roy Houstlestone, director of Diamond Selection Limited and editor of Diamond Digest, that De Beers may be diverting some of its huge cash resources into stabilising violent fluctuations in the weakening polished diamond market.

While it would be financially impossible for De Beers alone to control the price of polished stones in the same way as roughs, its actions could smooth fluctuations. Houstlestone believes that the operation will be "a public relations exercise in influencing market sentiment." His theory holds that, as dealers follow each other a more financially sound dealer could selectively buy substantial amounts at 10% to 15% below last year's price to slow the downward trend, create activity, strengthen confidence and thus produce a more stable price sooner.

De Beers has described Houstlestone's report as "speculative" and points out that it has been active in the polished stone market for years. However, De Beers admits that the market for polished stones has cooled down after 1978's feverish boom to "more normal conditions."

Certainly, if De Beers's share price is anything to go by, the uncertainty surrounding the diamond market has spread to equity investors. In the past four weeks, the share has fallen by over 10%, a drop of nearly 10c. However, this cannot be taken as a strictly accurate barometer, as De Beers traditionally falls under the hammer in the face of heavy overseas demand for FR — which has been the case in the past few weeks.

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Government yes to SA diamond market

DURBAN — The Government has given encouragement to starting a diamond market in South Africa on the lines of those in Antwerp, New York, Amsterdam and Ramat-Gan in Israel.

While debating new diamond legislation last month, Mr S P Botha, Minister of Mines, said: “We must try to create a large diamond market in South Africa, but I am not going to create it. The diamond industry itself must create it.”

There are more than a dozen diamond houses in various major gem centres, but up to now South African diamond cutters have always exported their polished gems and sold them abroad.

Mr Botha said that if such a market was started it should be set up in Kimberley. It would give new impetus to the industry and would bring people from all over the world.

Dealing with the legislation, which comes into effect on October 1, Mr Botha said there were six changes to the existing law.

Three of these changes concern the export of cut diamonds and more stringent control over the prices realised for these gems.

Mr Botha said it was possible to export diamonds at cost plus production costs and make a profit abroad which would not be reflected in South Africa.

There was need to control employment and the movement of workers; there was a lack of a co-ordinated market for diamonds, and it was not possible to stop the sale of a cutting plant to foreign interests.

Mr Botha said by the end of this year there should be 3,500 operators controlling 800 automatic machines — an increase of 400 machines.

He saw a time when there could be 10,000 cutters — roughly the size of the Israel or Belgian industries.

Mr Botha said there was a premium on South African-made diamonds. They were on a par with those cut in Amsterdam and London. “But I think in many ways we are better than they are.”

The local industry was not processing diamonds under half a carat in size, but there was great demand for this size as prices rose.

Forecasting the output this year, Mr Botha said about 1,400,000 carats worth R450 million should be processed by the local cutting industry. This was about 200,000 carats more than last year.

The figures reflected the phenomenal growth over the past few years, he said. — DDC
DEPARTMENT OF THE PRIME MINISTER

No 1410 29 June 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information.

No 89 of 1979: Diamond Cutting Act, 1979

DEPARTEMENT VAN DIE EERSTE MINISTER

No 1410 29 June 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring gehad het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word —

ACT

To regulate and control the cutting of diamonds, and to provide for matters incidental thereto.

(Afrikaans text signed by the State President.)
(Asented to 20 June 1979)

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

1. In this Act, unless the context otherwise indicates—
   (i) "approved premises", in relation to a licensee, means premises approved by the Board in terms of the provisions of section 28 (1) for the purposes of the carrying on such premises by such licensee of diamond polishing or diamond repair work, and described in the licence issued to such licensee, or premises the address of which has been endorsed on such licence in terms of the provisions of section 28 (2), (x)
   (ii) "board" means the Diamond Cutting Board established by section 2, (xxi)
   (iii) "certificate of registration" means a certificate of registration issued under section 32; (xxiii)
   (iv) "Chief of the diamond branch" means the member of the South African Police designated as Chief of the Diamond and Gold Branch of the South African Police by the Commissioner, or a member of the South African Police acting under the authority of the said Chief; (xii)
   (v) "Commissioner" means the Commissioner of the South African Police or a member of the South African Police designated by him for the purposes of this Act; (xv)
   (vi) "controlling interest", in relation to any company, means—
      (a) a majority of its shares; or
      (b) shares representing more than half of its share capital; or
      (c) shares of a value in excess of half of the aggregate 3Q value of all its shares; or
      (d) shares entitled the holders thereof to more than half of its profits or assets; or
      (e) shares entitled the holders thereof to a majority or preponderance of votes; or
      (f) any interest acquired by virtue of the grant of loans for an amount exceeding in the aggregate half of its share capital, or debentures for such an amount; or
Diamonds are the brokers' best friend

By ELIZABETH ROUSE

Diamonds proved to be the brokers' best friend yesterday. Except for De Beers, which extended Monday's sharp gains, the rest of the market was dead.

A Johannesburg broking firm's confidential circular that referred to a possible new diamond find south of Port Nolloth soon spread the news to London and New York and the diamond rush was on.

A De Beers spokesman yesterday declined to comment on whether there were grounds for market speculation about a new mine.

Nevertheless, De Beers lent some sparkle to a deadly dull Diagonal Street, gaining 5c to 90c yesterday, making the rise 25c in two days.

New York was an overnight buyer and set the firm opening tone yesterday, although the counter was off the top at the close.

At least a minor feature in a quiet gold sector was a minor feature in a quiet gold sector.

The share formed 7c to 40c on speculation that a uranium contract has been tied up.

Otherwise, there was nothing on the horizon to stimulate investment in Diagonal Street.

Arbitrageurs are frustrated that American investors are just not attracted to South African gold shares, whose prospects are excellent at the current gold price level.

Coal is beginning to look brighter and leaders extended gains yesterday but other metals and minerals were mostly steady.

Mining holdings were steady. Mining houses were either neglected or came under some selling pressure as in the case of Anglo.

Trading was listless in the industrial sectors and losses far outnumbered gains.

Messina came off a few rents and Palamin shed 7c in copper.

Ex-dividend Rosberg and Union lost 5c and 3c respectively in tans.

Implant was bid up 15c to 95c, but other platinum were dull.

An-coal gained 12c to 222.5c. ex-dividend Apex was 25c firmer and Wynhead and Wedgehead advanced.

To some extent certain gold counters were inhibited by having gone ex-dividend.

Marrevala, however, managed a 5c gain.

Randfontein was unchanged.

Ex-dividend Blyvoor, Lithan and Ventors came off in the 10c to 30c range.

Anglo shed 10c to 775c and Unecor was marked down 10c to 790c with TC Lands, up 10c, going against the weak mining house trend.

UCI lost 20c but Anglo and smaller mining holdings were steady.

Barrows was unchanged but industrial holding leaders were generally off in the 8c region.

United went against the trend with a 4c gain to 132c.

The rest of the industrial board was peppered with losses of between 5c and 10c in the institutional favourites.

Woolworths lost 20c to close at 90c. 
CSO SALES

Fuelling fears

First-half CSO sales have not pleased investors who cut De Beers from 850c to a low of 815c on Wednesday. Compared with last year's then first-half record of R1 064m, and a second-half increase to R1 185m, this year's first-half sales figure of R1 085m tends to confirm that diamond sights this year have been meeting with a poor reception. And, as to put the boot further in, some London brokers with large positions in De Beers are going on record as claiming that this year's first-half CSO sales were only as good as they were because of heavy additional cut and polished diamond sales.

Whether or not that is correct will probably never be known officially. But unlike gold, where fears over currency trends have boosted bullion, the 30% average rough diamond price hike last August is widely considered to be the maximum the market will bear for the present.

If so, and if there is market resistance to further hikes which would further depress normally lower second-half rough stone demand, prospects of anything better than first-half CSO sales figures during the second half could be dim.

Surcharges ranging from 40% to 15% during the first half of last year were widely reported to have shaken out cutters and dealers who had built up large speculative stocks of rough stones. Now, the story goes they merely pulled their horns in and those roughs are still available for cutting by a relatively depressed industry.

If that is correct, no-one will be particularly enamoured of rough stone price hikes during the current six months.
By Derek Taylor

SUNDAY EXPRESS BUSINESS EXCLUSIVE

AS THE BEERS MOVE

De Beers: Sparkling Performance

Will some of the shine rub off?
DIAMOND PRICES

Lucky for some

European diamond dealers were far from surprised at the Central Selling Organisation's announcement of a 13% price hike for larger gems (see WN last week). Conditions in the market, they reckoned, had been long pointing that way.

The CSO, controlled by De Beers, handles directly the movement of about 85% of the world's rough diamonds on to the market through 10 "outpost" auction rooms held in London. But it is the relationship between the CSO and a significant portion of the remaining 15% which holds the clue to why prices have been increased.

In the wider world of international diamond diplomacy, the links between De Beers and Russian diamond producers are an open secret. Antwerp diamond merchants have noted that the Soviet tail often wags the De Beers dog in that rising in Soviet prices frequently precede an increase in the CSO average.

In recent months, Soviet stones have been selling at a premium to the CSO goods, persuading Antwerp dealers that the CSO is the "Syndicate" as they call it, reached agreement with the Russians on a price rise a few weeks ago.

It is thought that Russian sales have probably been sagging. Some of their older diamond pipes are near to being worked out, but while there have been technical difficulties, associated with the permafrost, at newer ones their high prices seek to compensate for this.

This would have suited the "Syndicate." Sales have been sluggish this year compared with last, when control of the market was only maintained by a succession of price surcharges which, once removed, were replaced by an average 50% price design to cool speculative fever.

Following the Russians will help to boost CSO revenue, which was 6% lower in the first half of 1979 than in the second half of 1978, while allowing relatively modest amounts of rough stones to go on to the market. The rise will not only make for the fall of the dollar but...
First blast at mighty Secunda coal mine

Staff Reporter

A DYNAMITE blast at Secunda yesterday heralded the start of excavations which will eventually become part of the world's largest coal mine.

The mine, Bongespruit Colliery, will have to provide a staggering 27-million tons of coal yearly — nearly a third of South Africa's annual output — to satisfy the needs of Sasol 2 and 3 once the plants have been completed.

Yesterday a crowd of dignitaries, including senior staff from Sasol and the contractors, Goldfields Cementation, watched as Sasol's General Manager Mining, Mr B H L Leach, detonated an explosive over the site of Bongespruit's second east shaft. The shaft is one of two which will eventually serve the Sasol 3 plant.

Mr Leach said the colliery was already producing about 170 000 tons of coal a month following the successful completion of two shaft systems. Once the colliery was fully operational it would have a workforce of 8 600 people.

The coal reserves at Bongespruit were sufficient to meet the needs of the two Sasol plants for at least 70 years, he said.

An estimated R456 000 000 will have been invested in the Bongespruit Colliery once it has been completed.

Mining at Bongespruit will be done at a depth of between 100 and 200 metres below surface using proven mining techniques.
R10m sea gem boom

A NEW DIAMOND rush, in which four lives have already been lost, has developed along the Western Cape coast. Divers, some allegedly employed in contravention of new regulations, have earned R15 000 in a single day.

Mining company executives describe the coastal rush as a boom which has produced diamonds worth more than R10 million in the past year, compared with about R500 000 previously, creating new jobs and new wealth for depressed towns in the region.

The rush has also provoked a bitter row, now the subject of a government investigation, over the safety of hundreds of divers employed in the undersea mining operations.

A spokesman for the Department of Mines confirmed yesterday that the Government Mining Engineer was working on legislation intended to protect the divers which would be comparable with stringent Department of Manpower Utilization laws governing commercial diving.

A Cape Times investigation has found mining companies adamant that they are taking reasonable precautions in what was an admittedly hazardous line of work. Divers interviewed said the risks were worth the money.

One of the advertisements that appeared in local newspapers recently seeking divers — but no mention was made of certificates required in terms of regulations sent recently to concession-holders.

But at least two firms had not complied with regulations in terms of the Mines and Work Act, although a spokesman for the Government Mining Engineer said all concession-holders had been notified of the regulations by registered mail several months ago.

One employer was openly advertising for student divers at a time when the regulations required that all new employees hold government diving certification.

A commercial diving instructor, Mr. Scott Richardson, maintained in Cape Town yesterday that many diamond divers were not adequately trained and that some employers were ignoring their responsibilities.

Estimating that there were about 278 divers operating along the West Coast, he said 500 would require further training to attain government certification standard.

A former diamond diver himself, Mr. Richardson said at least six men had died working in the coastal diamond industry in the past few years, but the Cape Times was able to establish that only four had died while at work. Two men had heart attacks days after their last dive.
POLICE and mine security officials this week seized diamonds worth about R1-million and arrested eight Ovambo mine workers for allegedly stealing them from the Oranjemund mine in South West Africa.

Brigadier J Erasmus, head of the South African Gold and Diamond Squad, said the 1 008 diamonds seized weighed 387 carats. The men were arrested on Thursday after a two-day investigation.

Police investigations are continuing.

Two other men were also arrested in Johannesburg by Gold and Diamond Squad detectives on Thursday for allegedly dealing in uncut diamonds worth R15 749.

One of the men was a businessman from Honey Hills, Florida. The other was Kimberley.
A new diamond rush, in which four lives have already been lost, has developed along the Atlantic and Indian Ocean coast of the Western Cape. Some 50 men are engaged in carting away new discoveries of diamonds, and have already found R1,000 in a single day from the sea.

The company executives describe the situation as "a bonanza" which will produce "millionaire" worth than R10 million a year. The rush started about R50,000 a day, and several months, and the diamond industry is nowべきやく by "a "hoboe stock".

One of the men, who was engaged in carting away new discoveries, said that he had found R1,000 in a single day from the sea.

Moreover, the company officials are so confident that they are already planning for a bigger rush next year, and have already secured the services of several experienced miners.

Despite the potential for huge profits, the company executives are also aware of the dangers involved in the diamond rush. They have already taken steps to ensure the safety of their workers, and have provided them with the necessary equipment.

However, the success of the diamond rush is not guaranteed, and the company executives are aware of the risks involved. They are also aware of the potential for conflict with local communities, who may be displaced by the rush.

In conclusion, the diamond rush in the Western Cape is a significant development, and one that has the potential to bring huge profits to the company executives involved. However, it is also a risky venture, and the company officials are aware of the potential risks involved.
Cutting barriers

LC Diamond Cutting Works, the first company to be granted a cutting licence in 13 years, is setting precedents in SA’s diamond industry. Its 120 skilled and unskilled workers will be integrated at factory floor level and the company has applied for permits for black cutters.

Says MD Johann de Villiers: “We decided not to segregate our skilled and unskilled cutters. They will all be working together.” He says although the law does not prohibit blacks being granted licences, “no firms have made applications to date.”

The diamond industry is traditionally one of the most controlled in SA. De Villiers feels the company’s initiative in the labour sphere will “lessen the tight hold government and official bodies have on the diamond industry.”

Diamond cutters still adhere to the demarcation limit which stipulates that unskilled labourers may not work on diamonds greater than 1.5 carats. De Villiers believes these restrictions will soon disappear and that LC will play a vital role in providing employment and training facilities for cutters.

De Villiers admits he “had to do some hard talking. We had to prove that we have an adequate long-term source of diamonds.”

In the past De Beers’ control of diamond sources meant that rough diamonds were only available where the company granted allocations to private companies.

LC is secure in its supply because it imports 65% of its rough diamonds from the international market. “The European market source won’t dry up in a hurry, so we’re secure on that score” says De Villiers.

Rough diamonds are also being bought from local mining companies. LC has access to two highly productive mines from local group mining companies. LC has access to two highly productive mines in Sendelingsdrif and the Bels Bank area.

Says De Villiers: “Two more should be productive by June.”
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DISEASES OF THE CENTRO-LYMPHATIC SYSTEM

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MINING - Diamonds
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CSO SALES

No sparkle

Second-half CSO sales of R1 107m following the first half's R1 085m have been greeted with little enthusiasm by the market. On Wednesday, De Beers shares were marked down from 1 150c to 1 050c. The

sales figure comes despite a 13% diamond price hike in August and reflects an effective return to the traditional pattern of lower second-half sales.

In London, some observers see the relatively poor second-half performance as vindication of their earlier view that the August 1978 35% price hike was as much as the market was able to bear for several months. What we are now seeing, they claim, is a growing resistance to the CSO's sights and greater preference among cutters to run down stocks rather than incur high carrying costs with high interest rates.

Just how these figures will reflect in De Beers' results, due within the next couple of weeks, remains to be seen. But it is probably safe to assume the results will indicate lower profits arising from sales from stocks and, perhaps, a lowering of the group's cash holdings as funds were ploughed into higher stocks.

That, of course, may well be offset by higher group investment income. And as De Beers can effectively choose where it takes its diamond profits, the impact on reported diamond earnings need not be great.

But it holds out little hope for anything more than a token improvement on last year's 46c final dividend following the pegged 20c interim. Most analysts still opt for a final increase to 50c, but they are preparing for another year of dividend stodginess in 1980.

Just when dividends will get onto a growth path remains to be seen. But stodginess in diamond market is not the only near-term problem facing the group. It is becoming increasingly reliant on non-SA sourced stones in its sales mix. And

attributable profits on stones from, for example, Botswana are lower than for those from SA.

At this stage it is probably safest to assume at least two years of relatively pedestrian dividend performance — and that despite some prospectively substantial gold-sourced dividend income advances.

Jim Jones
SYNTHETIC DIAMONDS

Industry’s best friend

De Beers Industrial Diamond Division has embarked on a R130 million expansion programme which will double its output of synthetic diamonds by 1985.

Synthetics already account for two-thirds of the R300 million a year world market for industrial diamonds, says MD Dr Henry Dyer. But with demand growing rapidly as diamonds find their way into more and more industrial uses, and natural diamond output slowly declining, there is need for expansion in synthetic production.

De Beers currently produces and markets about half of the world production, with a mixture of natural and synthetic diamonds. But in the purely synthetic market it plays second fiddle to General Electric of the US — a non-mining company.

Synthetics are completely interchangeable with natural diamonds — and because of their uniformity they are superior in some applications — except that the technology of producing large stones has yet to be mastered. But they can be made to measure, in different shapes for different applications, and are tending to replace natural stones, says Dyer.

In descending order of quality and size, diamonds are ranked as gems, near gems, twigs which can be used either as gems or industrial stones in varying circumstances, drilling stones and boart.

De Beers has three synthetic diamond factories — at Springs (the largest), Shannon in Ireland, and a Swedish factory owned by the Irish company.

The expansion of synthetic diamond production is only half of the total programme De Beers is undertaking.

“We start to run out of the materials, such as special ceramics, required to produce the diamonds,” says Dyer. “So a lot of our effort has to go into the infra-structure development. We have to make many of the materials for the manufacture of the synthesis capsule, or the electronics, ourselves.”

The biggest single use for industrial diamonds is in sawing of concrete and stone (primarily the engineering and construction industries). Drilling comes next (firstly in mining, and secondly in construction). Then diamonds are used in the engineering, glass and ceramics industries.

Limitations

“There are no technical limitations on the industrial uses of diamonds, and the economic limitations are being altered pretty drastically,” says Dyer.

“This is because prices are falling in real terms and because wages are rising. The use of superior diamond-tipped cutting and drilling tools increases the productivity of labour, so there is still a very large potential for industrial tools.”

Industrial diamond sales have been rising 10% a year in real terms, he says, and this growth rate is expected to increase in the next five years.

An example of how technological improvements are expanding the market is in the steel industries.

“Diamonds are not much good for cutting steel because there is a chemical affinity between carbon (diamonds) and iron or iron alloys,” says Dyer. “You tend to get a chemical reaction which increases the rate of wear.”

De Beers has overcome this by converting boron nitride to a cubic form which is an analogue of diamond — it is not quite as hard, but it does not react with steel.

“This is opening up a new facet of the industry,” says Dyer. “Both De Beers and GE are competing with similar products.”

The next generation of diamond technology is based on composite materials. De Beers has developed a product called Syndrite in which very fine diamond powder is sintered together to form a hard polycrystalline material.

Discs up to 25 mm in diameter can be sintered in this way, making it possible to use diamonds as lathe tools. This overcomes the size problem of diamonds, particularly synthetics. Again, the main competitor is GE, which has a similar product called Compact.

There are four major applications, says Dyer: machine turning tools, wire-drawing dies, mining (particularly petroleum), and (an undeveloped market) wear-resistant surfaces.

As natural industrial diamond production has always been a by-product of the gem industry, prices have tended to be arbitrary and not strictly related to production costs. Synthetic prices have in the past been pitched slightly below those of natural diamonds in order to get into the market, but now the synthetic price structure (more closely tied to production costs) is beginning to dominate. Prices range between $1 and $6-$7 per carat.

De Beers and GE are now making fetish in the West’s synthetic diamond caratage (more in value terms).

Japan is the only other producer of significance. But because of the importance of synthetics, De Beers markets a smaller share of the whole industrial diamond output than it does through the Central Selling Organisation of gem diamonds.

Industrial diamonds are marketed though independent distributors around the world, and De Beers is steadily increasing its share of the market. Reasons for this, says Dyer, are an aggressive approach to selling, strong customer service and technological back-up, and good products.

“In research, we are way ahead of the game,” says Dyer, “but it is also vital to get the product into the market as quickly as possible — and ahead of our competitors. And we have learned to get this research into the firing line before the bullets get wet.”
Talks on sacking of 300 diamond cutters

Staff Reporter

A Labour Party delegation is to meet the management of a South River diamond cutting firm which has fired 300 coloured skilled diamond cutters - the company's entire staff.

The national chairman of the Labour Party, Mr David Curry, confirmed yesterday that the manager of Electronic Diamond Processing, Mr T. Klein, had agreed to meet a delegation to discuss the move.

The 300 employees, who all handed letters signed by Mr Klein informing them that due to unforeseen circumstances their services were no longer required, were given a week's notice earlier this month.

Mr Curry said he had been informed that pressure from white workers had forced the sackings.
ONE of the first South African companies to undertake a major block building project in Soweto for its employees, De Beers Industrial Diamond Division, has announced completion of the 17 houses in the scheme, valued at a total of R217,000.

Black employees of the company have now taken occupation of the architect designed homes, which are in the Pinewoods Zone 5 area and consist of three bedrooms, lounge, dining room, kitchen, bathroom and separate toilet. All exterior finishes are in high quality face-brick, and the houses have tiled roofs.

Under this home ownership programme, the employees are offered interest-free loans based on salary and service. The company then advances the balance of the purchase price at current building society rates; the whole amount being payable over twenty years.

The houses range in price from R10,000 to R15,000 each.
DIAMONDS

Changed setting

The increase in the price of large rough diamonds of up to 40% posted by De Beers and the Central Selling Organisation effective February 18 goes some way towards confirming diamond dealers suspicions that speculative hedge buying of this variety of stone could increasingly become a factor to contend with in coming months.

Assuming that international tension continues over the Afghanistan crisis, market experts suspect international operators may seek to move more into diamonds especially as gold, platinum and silver, traditional hedge arenas at times of economic and political uncertainty, are extremely volatile markets.

These days they have to be monitored on a minute-by-minute basis to avoid possible substantial losses. Moreover with the CSO tightly controlling around 85% of world rough diamond sales and given its associated tight price control which has meant rough diamond values have never declined, the speculator or investor is in some senses on a safer bet.

However, dealer sources in London agree that should heavy speculative activity take a hold of the market, De Beers is likely to act decisively to restore stability as it did two years ago when dealers, particularly in Tel Aviv, hung on to increased amounts of diamond stocks as a currency hedge. De Beers countered the menace by introducing a series of special premiums coupled with some adjustments in the volume of diamonds made available in an attempt to flush out hoarded supplies.

Should investment demand for larger stones continue to rise, the price discrepancy between these and smaller gems is likely to increase further. Once again precious metals will be partly responsible.

Rocketing prices have choked off a considerable proportion of jewellery demand, with the result that demand for smaller gems has declined. Gold demand for jewellery purposes is thought by some experts to have fallen to around 800t last year from almost 1000t in 1978 — and that was before the latest drive to record highs.

Meanwhile, platinum has been similarly hit with Japanese jewellery demand, which traditionally accounts for one third of world platinum consumption, estimated to have dropped between 20% - 30% in recent months. However, notes one dealer, if investment demand for larger stones rockets, there could be a "useful spin-off" for smaller stones which may themselves begin to attract a measure of speculative attention.
Takeover Panel looks again at the rules after De Beers raid

BY NEIL BEHRMANN

LONDON — The London Takeover Panel is considering whether it should change its rules following De Beers' raid on Consolidated Gold Fields.

Last week, Mr Patrick Neill, chairman of the Council for Securities Industry, which regulates the panel, said the Takeover Panel would join the London Stock Exchange and Department of Trade and investigate raids on companies.

However, the Consolidated Gold Fields affair, the huge US industrial group Rockwell International, bought shares in a UK company, Serck Industries, similar to Consolidated Gold Fields, received very favourable prices while the small shareholder was left out in the cold.

At an investment conference of the National Association of Pension Funds, Mr Neill said both the deals were entirely within the legal code. However, there was no equality of opportunity for all shareholders.

Only professional shareholders knew of the deal and were able to act in time.

Mr Neill said the Takeover Panel was examining these problems. The remedy could possibly be the enforcement of a partial bid and this would protect small shareholders. However, such a procedure could be costly and time consuming.

Under current law, the Companies Act requires holders of a 5% interest in a company to declare themselves.

But the shares which eventually ended up under the Oppenheimer umbrella were not registered, so it was difficult to determine the identity of the buyers.

In any event, it seems that the predator warehoused the shares so that other buyers under Mr Oppenheimer's wing could buy on behalf of De Beers.

The Companies Act 5% provision was thus a failure in the Consolidated Gold Fields case. This meant that the Takeover Panel was powerless to intervene, despite the fact that the De Beers raid could lead to a full-scale bid at some future date.

With no registration rules or partial bid requirements covering the circumstances, the law Stock Exchange and Takeover Panel proved to be powerless.

All parties are now examining legislation and rules to see whether they can prevent a similar unfair raid occurring again.
New shaft at Finsch mine

"Finsch mine will become an increasingly important element in all the operations of the De Beers," said the chairman, Mr H. F. Oppenheimer, when he set off the first underground blast at South Africa's largest diamond producing mine.

Mr. Oppenheimer was officially inaugurating the start of shaft sinking at Finsch mine, 180 km from Kimberley, where production of diamonds will be raised by nearly 50 percent to over 4 million carats a year. Throughput is being increased to 16,800 from 12,000 tons a day and a new system which will increase the efficiency of recovery will come on stream towards the middle of the year.

Estimated costs of shaft sinking (excluding underground developments) are R60m. Plant extensions will cost about R30m.
Where from, how much?

1977 world diamond production (carats) by country

1977 world diamond production (carats) by country

Cont. of this story about the current situation and outlook for the diamond market in the post-war era. The world market for diamonds has undergone significant changes since the end of World War II. The post-war years saw a surge in diamond production and a shift in demand from industrial uses to decorative and jewelry purposes. The leading diamond-producing countries have been the Soviet Union, South Africa, and Zimbabwe. However, this situation is rapidly changing as new diamond deposits are discovered in countries such as Canada, Botswana, and Namibia. The diamond industry is now more diversified and competitive than ever before.

The Chancellor's statement on the diamond industry in 1977 was: 'The diamond industry is in a state of flux.' The Chancellor highlighted the challenges facing the industry, including increased competition, changing consumer tastes, and the impact of new technologies. He called for a comprehensive approach to address these challenges and ensure the long-term viability of the industry.
The independent neighbours

Botswana mined 2.8m carats of diamonds in 1978. The large new Okavango mine is scheduled to come on stream in 1982, and to produce 6m carats a year by 1988, bringing Botswana production to 10m carats a year. The country will then produce over half of De Beers' total carats, and would probably be the largest gemstone producer in the world. The Botswana government, which is sympathetic to private enterprise (if not to South Africa's ideology) has a large stake in the diamond mine, and may take as much as 80% of its profits. The sparsely populated country's stability is, however, threatened by unpredictable events across its long borders with Namibia and Zimbabwe.

Namibia is the world's leading gemstone producer. De Beers Consolidated Diamond Mines of South West Africa (CDM) produces about 50% of world production. CDM's contribution to profits may be double that figure Namibia's independence is a crucial moment for De Beers.

The political problems look bigger. De Beers could lose control of its two major producers, in Namibia and Botswana. Maybe the company could survive that, at great cost. But what if other big producers formed a marketing cartel to challenge the CSO?

South Africa itself in 1976 produced almost 20% of the world's diamonds, and 30% of the most valuable — and vuly the most profitable — gemstones.

Change

Added to that De Beers' direct control of Namibian production, and its partnership with the Botswana Government, give it a large enough slice of world production to exert its present massive leverage on the entire marketing structure. But add only Namibia's gemstones or Zaire's huge weight of industrial diamonds to Russia's production of both grades, and the balance changes.

Without Namibia and Botswana, De Beers would be in a very much less powerful position. Mr Oppenheimer himself has for long been one of the most eloquent advocates of peaceful change throughout southern Africa, and of the evolution of South Africa's neighbours to independence under moderate, pro-capitalist regimes. Without questioning his sincerity, it is apparent from this look at the monopoly power of his most lucrative company how much he and the South African Government — which benefits from the vast tax payment of De Beers' diamond mining and marketing operations in that country — have at stake in southern Africa. — The Economist
DE BEERS

Lost sparkle

Though De Beers’ disappointing year-end results were largely anticipated by the market, the share price firme 20c to 1 030c by mid-day on Wednesday. On anticipation of weak results and in sympathy with the declining gold market, the share lost 5c on Tuesday, despite a sharp drop in the FR rate to US $60c. But it was probably the relatively low FR rate rather than promising prospects, which resulted in the share's rise on Wednesday.

The diamond account contributed a 13.0% reduced R857,3m (R906,4m) to the pre-tax profit of R1 106,4m (R1 156,4m), following a slight decline in last year’s CSO sales to R2 192m (R2 191m). The lower CSO turnover indicates a price elasticity in the diamond market proportionate to the 12.3% price increase in August last year. Last month, the price of diamonds larger than one carat was lifted by 12%. On average De Beers expects this to result in an increase in CSO sales of the same order.

The lower revenue from diamonds was partly offset by an increase in interest received and dividend income to a total of R351,7m (R244,1m) leaving revenue only R25,5m lower at R1 182,4m.

Pre-tax profit declined by 4.3% to R1 106,4m (R1 156,4m), but due to a tax decline to R353,4m and a reduced R40,7m (R43,9m) being passed on to the State as its share of profits, taxed earnings were almost unchanged at R70,1m (R70,3m).

However, attributable profit was reduced by a further R14,0m due to a R29,0m lump sum payment into the pension fund following the admission of migrant labourers.

Though De Beers calculates earnings at 205,7c (205,5c) before this item, it should be deducted from attributable profit on this basis, earnings amount to 201,8c, putting the share on a 5,1 earnings multiple.

Despite the earnings decline, De Beers lifted its final to R2,5c (40c) following an unchanged 20c interim. The balance sheet shows a drop in liquid assets to R974,7m (R1 294,9m), no doubt as a result of the increased 16% stake in Cons Gold and the acquisition of more Anglo shares following the reshuffling of the Minocro and Charter interests. The directors point out in the preliminary report that De Beers exercised its option to take up a further 8.5% of Cons Gold’s equity and that Anglo had taken over half of its 24.6% Cons Gold stake.

However, the decline in liquid assets was also helped by a 66.1% increase to R409,3m (R259,8m) in diamond stocks. Even so, De Beers’ increased stock levels are not alarming as, according to market talk, the group was worried by low stock levels in previous years when the market was more buoyant.

The impression may have been created that De Beers intends increasing its production drastically through the new Tweed pad mine which is being developed at a cost of some R100m. However, the company tells the FM that this development is intended to replace lost production at Dreyers Pan where grades have dropped. According to the latest annual report the production at Annexe Kleimbee and Dreyers Pan declined by some 100,000 carats in 1978.

With the cost of holding higher diamond stocks, and sales mooting to increase by only 12% this year, De Beers’ prospects look unexciting and earnings could remain on a plateau this year.

At 1 020c the share yields a satisfactory 7.1%. And it should be remembered that De Beers has long been an overseas favourite — and promises to stay that way.
CINÉMA-VÉRITÉ

Some people think of cinéma-vérité, or direct cinema, as a modern version of candid camera, that is, recording life as it is lived by means of hand-held cameras and natural sound. It was, interestingly, a film style born out of technological developments and then evolved into a social concept. Largely applicable to documentary film-making, the phrase was coined to describe Jean Rouch and Edgar Morin’s *Chronique d’un Été* and has since been applied to many films that employed the techniques without necessarily subscribing to the philosophy. The first 2 lectures in this series will explore the idea of cinéma-vérité as it emerged in France, Canada and the United States and the third will discuss possible applications to a relatively recent development, the committed, local-issue advocate

**Lecture One**
- The observer. The fly-on-the-wall approach
- Film *Chiefs* (20 min.) or *A happy Mother’s Day* (26 min.) *Running fence* (57 min.)

**Lecture Two**
- The catalyst. Acknowledging one’s presence
- Film *The moontrap* (84 min.)

**Lecture Three**
- The militant. Fighting the good fight
- Film *It’s ours whatever they say* (39 min.)

**NOTE** Additional films related to this course will be screened each afternoon at 5.30 p.m. It is advisable to see as many of these as possible. Fees: 50c per session. The programme will be available in the final Summer School programme.

The organisers may change some of the film material listed above, depending on what is available from abroad.
Gems case trio wanted regular deals - evidence

THREE Johannesburg men bought diamonds from a police trap and then asked if the policeman could arrange regular supplies of diamonds for them.

This evidence was led in the Cape Town Regional Court yesterday when the three men appeared on charges of dealing in rough or uncut diamonds.

Mr. Jacobus de Wet, 52, Mr. Johannes Liebenberg, 52, and Mr. Ignatius Schutte, 58, have been charged with buying uncut diamonds weighing 69,411 carats from Sergeant D. W. Clampett in a police trap on August 18 last year.

Sergeant Clampett allegedly sold 19 uncut diamonds to the men in the Strand after extensive negotiations with Mr. Jacobus Liebenberg.

R120 paid as security

The asking price was R36,000, but Sergeant Clampett accepted an offer of R20,000. R30 was paid in notes as security and a cheque for R20,000 was written out and handed to him, Sergeant Clampett said.

While the transaction was being discussed, Mr. Jacobus Liebenberg asked him where he had got the diamonds and whether it would be possible for him to arrange that further deals went through.

Lieutenant Johannes Pold told the court how the three men and Sergeant Clampett went to the Strand, where the alleged transaction took place.

He searched the men after a signal was given by Sergeant Clampett, and found a small bottle containing the diamonds in Mr. Schutte's hand.

The hearing was postponed until July 14 by the magistrate, Mr. C. van Eeden.

Mr. Fred Scholtz presented the case for the defence.
R18.5m Debex expansion

Mining Editor
THE Debex group, a subsidiary of De Beers Industrial Diamonds, will spend R18.5 million over the next two years on an expansion and relocation programme at its Springs factory.

This is part of an international expansion programme involving R120 million over the next five years.

De Beers Industrial, a major producer of industrial diamonds, together with General Electric, producers of the world market, has production facilities in Ireland and Sweden.

Mr. Oppenheimer indicates that the demand for industrial diamonds will increase.

A total of R10 million will be spent on plant and equipment in the syntheses operation in South Africa, with a further R2 million on buildings designed to meet increased demands from the expanded ultra-high-pressure units diamond anvil plants and for the requirements of the Diamond Research Laboratory.

LTA Construction has been awarded the first phase of the contract.

In a recent interview, Mr. De Beers Hayden, proclaims that the new facilities will ensure a marked decrease in the volume of imported goods needed for the plant and will result in a significant rise in production to keep pace with the rapid growth of De Beers Industrial Diamonds.
De Beers sees diamond sale increase

By DON ROBERTSON
Mining Editor

DIAMOND sales by the De Beers-controlled Central Selling Organization should be higher in the current year than the $2,172-million in 1979 in spite of an expected weakness in the demand for small gemstones, according to the chairman of De Beers, Mr Harry Oppenheimer.

Her says in a report for the year to December that sales for the year to date have been higher than they were last year and that this level is likely to be maintained.

Sales by the CSO, which handles about 85% of the world's diamond production, directly affect De Beers profits.

However, Mr Oppenheimer warns that the demand for small sizes of diamonds remains weak.

"At the beginning of this year some improvement in market demand overall made itself felt, but the rise in interest rates to unprecedented levels is likely to create increasing financing problems in the cutting centres, where the holding of stocks has become extremely expensive and, as a result, the position has become more uncertain.

"Market conditions for the rest of the year will obviously depend to a large extent on developments in the American economy and we expect the weakness in the demand for small sizes to continue." Mr Oppenheimer stresses the importance of the group's diversified interests and the investment income from these sources.

In the year to December, income from investments outside the diamond industry was sufficient to cover the dividend. The market value of these investments at December 31 was R1,767-million compared with R1,577-million in the previous year.

"While the outlook for the diamond industry is not without its problems, it is on the whole satisfactory and thus, taken together with our growing diversified holdings in other businesses, gives good reason to expect satisfactory results for the present year.

"One of the major holdings of the group is Anglo Americam, and Mr Oppenheimer, also chairman of that company, gives a good indication of potential profits of Anglo.

"Recording that Anglo achieved excellent interim results, he says: "There is every reason to expect that its final accounts for the year will prove equally satisfactory. "De Beers has successfully maintained its position as the leader of the diamond industry, but it is today very much more than a diamond-manufacturing company. "It has therefore achieved a greater solidity than ever in the past."

The market for industrial diamonds remained firm throughout the past year and with the decline in the supply of natural industrial diamonds, there has been a swing to synthetic industrial diamonds.

De Beers Industrial Diamond Division has embarked on a major expansion programme.

"The industrial diamond market continues to expand and the group is working steadily to an overall increase in production. Last year output rose to 11,507,000 carats from 11,995,000 carats."

The expansion programme at the French mine is nearing completion. The new plant will be in operation by the middle of the year and production is scheduled to rise from about 2,000,000 carats to about 4,250,000 carats a year.

"Good progress is being made with the development of the new mining in Botswana and production began in July of this year."

In the year to December, De Beers profits dipped marginally to R727,900,000 from R741,200,000 and the total dividend payout was increased to 72,6c from 68c.
Rocky road ahead?

Activities
World's principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation. Investment portfolio includes 39% of Anglo American. Is itself 30% owned by Anglo.

Chairman H F Oppenheimer

Capital structure
359 8m deferred shares of 5c, 800 000 40c. cash pref of R5 and 2,9m 8% second prefs of R1.

Market capitalisation
R3 34bn

Financial Year to December 31 1979

Balance-sheet long- and medium-term, R57 6m. Net cash R1 97m. Current ratio 2.5. Net cash flow R463m. Capital commitments R1 967m.

Share market
Price 93.0c (1979-80 high 1 255c low 80c). Trading volume last quarter, 3.7m shares. Yields 22.6% on earnings, 7.3% on dividend cover. 2.8 PE ratio 4.5.

Listed investments

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<th>Year</th>
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<td>76</td>
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As far as diamonds are concerned, this could be a rough year for De Beers and that despite the impact for the full year of last September's 15% overall diamond price hike which was followed by a further 12% in February. The problems will be difficult to avoid despite the company's vast monopoly of world diamond sales through the CSO cartel.

Prices of less than 1ct are not in demand, even though Christmas season sales in the US were better than expected and "sales by the CSO have so far been higher than last year." It is, perhaps, small wonder that Christmas sales in the US beat expectations, for by the end of last year almost everyone in that country with spare cash was climbing into anything perceived as an inflation hedge.

However, things have changed, higher interest rates and the tightening credit squeeze in the US are almost certainly dissuading customers from buying diamonds on credit, while higher interest rates worldwide point to cutters running down stocks as far as and as fast as possible. And that could mean near-term CSO sales weakness.

Meanwhile, at the diamond market does weaken, De Beers might find it expedient to hold back on sales of its own stones to keep other producers happy with the CSO by allowing them a greater percentage share of the sales cake.

This year, increased production from Finland alone should push total production to over 15m ct from last year's 14m ct, despite possibly lower output from CDM. A production target of 19m ct is being aimed for in 1981. But if the market remains weak that implies a solid rise in diamond stocks from end-December's R463m (125m)

Not that this need strain the group's cash holdings. At end-1979, cash holdings, less amounts owing on dividends paid to R463m (R1 32m), having been delayed by the need to finance higher diamond stocks, the start of the Cons Gold paper chase and, to a lesser extent, by De Beers' cash contribution to last October's rationalisation of the greater Anglo group.

More will have been knocked off since year end by completion of the Cons Gold acquisition, while more is probably earmarked for that if the Anglo-De Beers holding is increased from the current 25% odd to 29.9% as chairman Harry Oppenheimer appears to be promising. How much more of Cons Gold is acquired could depend on how quickly that company's apparently recalcitrant board stands bedecked down amicably with its new masters. Further down the line, funds could be required if the planned marketing agreement with prospective Australian diamond producer Ashton develops into more direct participation in the venture. While the group could eventually seek participation in possible running ventures by, for example, Utah International in Bophuthatswana, those developments are, however, somewhat speculative at this stage.

Though the near-term diamond capex and new investment scenario is possibly one of carefully managed cash flow, the need to squeeze on dividend distributions though the growth rates of the past four years may not be maintained in 1981. Dividends on the deferred shares are equal about equalised interest and investments income receipts. Last year they were covered 1.2 times.

This year if cash balances decline, in new receivables could fall below last year's R118.7m (R120.6m) but unless gold falls out of bed and SA's economic recovery falters badly, income from listed investments will be well ahead of 1979's R66.4m (R54.4m). Over the next few months management will be keeping a close watch on world economic trends and... will almost certainly be cautious on disbursements if it economies are firmly on a recessionary tack during the second half.

On that basis and though Oppenheimer feels that CSO sales are likely to be maintained at the first few months' high levels for the rest of the year, it is probably safest to assume that at best there will only be a token increase in the interim dividend compared with last year's 26c. And at the moment it is difficult to predict a total payout of more than 80c.

At 80c the share yields a prospective 8.6%, which is more or less in line with the prospective yield this time last year and at the half-way stage for the present there is no need to rush into the share unless by holders of gold who are getting cold feet over near-term prospects for bullion. Even then, there could be better buying opportunities later in the year.

Financial Mail May 2 1980
Investment pillar for increased De Beers payout

By Neil Behrmann

London: Although diamond earnings are likely to decline this year, a sharp increase in investment income should enable De Beers to raise its dividend once again.

According to brokers Fielding Newson-Smith, demand for diamons is weakening and only the top quality "investment" diamonds remain well bid.

The brokers expect lower sales from De Beers marketing arm, the Central Selling Organization. This is inevitable, considering the compound rise of 20% in diamond sales each year from 1975 to 1979 and the recessionary influences in major economies.

Yet, the brokers expect an improvement in De Beers investment income because of sharp dividend increases from gold and industrial investments. Tax will remain below average because of the continuing diamond-mining expansion programme and the increase of "already franked" investment income as a percentage of total profits.

The brokers estimate that income from the company's diamond account (diamond profit) will fall from R261-million in 1979 to R206-million in 1980. Investment income, however, will rise from R163-million to R196-million.

Total revenue may decline slightly and with the expectations of a lower tax rate, attributable earnings may drop from R745-million to R726-million.

Fielding Newson-Smith estimates that earnings a share could fall from 206c to 204c.

This forecast allows for a decline in CSO sales in spite of a 13% average diamond price increase in September 1979 and a further 3% fall in the diamond account's profit margin. Nevertheless, the brokers forecast that the dividend will rise from 79c to 81c because of the 25% increase in investment income a share.

In fact, investment income of 81c a share covers the entire dividend.

The brokers note that cash balances have shrunk from R1295-million to R973-million. However, listed and unlisted investments (valued at cost) rose from R4094-million to R881-million at the end of 1979. The increase arises from larger holdings in Anglo American, Minorities and the purchase of Consolidated Gold Fields.

The brokers say that De Beers is standing at a 15% discount to net assets and that dividend could be much wider because the diamond-mining and trading interests are based on a balance sheet value of only R282-million (72c a share) when these operations generated R631-million last year, or 75% of pre-tax profits.

Noting a potential dividend yield of 8.5% and a prospective price earnings ratio of under five, the brokers conclude that De Beers' financial power, low rating and gain of the diamond market contrast so strongly with the short-term easing in the diamond market that we counsel against ex-dividend and a purchase on weakness.
Diamond traders see slump threat

BY SIMON WILLSON
Industrial Reporter

THE ECONOMIC problems of the West's industrial nations posed a direct threat to the world's diamond traders, said Mr Moho Schmitz, president of the World Federation of Diamond Bourses (WFDB), this week.

Opening the congresses of the WFDB and the World Federation of Diamond Manufacturers Association (WFDMA) in Johannesburg, Mr Schmitz said the fall in the price of gold at the beginning of this year had led, in a short time, to certain investors redirecting investable funds into diamonds.

"We have just emerged from the serious effect of uncontrolled speculation in the prices of rough diamonds, followed by sharp increases in the prices of polished stones. When the price of gold eventually collapsed, the switch to investment in diamonds became a full-scale movement," Mr Schmitz said.

The congresses are held every two years and this year more than 500 international diamond industry delegates came to South Africa for the two day event.

Mr Schmitz admitted that, at first sight, diamantaires (diamond dealers) ought to be happy about what seemed to be a positive development in their industry.

New marketing outlets in diamonds would encourage business for diamantaires by diversifying their clientele.

"However, all of us know that encouraging the sale of diamonds for purely speculative investment purposes exposes our entire industry to the dangers of a powerful time-bomb which may not only affect directly the trading but also inflict heavy damages upon our trade as a whole," Mr Schmitz said.

"It is one thing to emphasise the investment value of diamonds to jewellery buyers and it is another completely different matter to denote a long-established solid trade to enter the no-man's-land of ruthless international financial investment sharks."

Mr Schmitz believed that through comprehensive and sincere discussions within the diamond community, insurance from unexpected financial surprises could be agreed on to limit the danger to "manageable proportions."

"I propose that we immediately open consultations with all interested parties, and above all with the heads of De Beers."

"As we all know, it has always been De Beers' pronounced policy to keep diamond prices realistic and prevent undue speculation."

"I believe that close, positive cooperation among all serious elements and groups in our trade will eventually prove to be powerful enough to curb and minimize any damaging and undesired outside influences."

"15/5/80"
De Beers—market overlooks the hidden riches

LONDON.—There is a major anomaly in the mining share market which cries out for rectification, writes Andrew Wilson in the Sunday Telegraph.

For years platitudeous arguments have held sway rather than fact—and it is frequently difficult for the major investment trusts to reverse their long-held beliefs and even more so those of their trustees.

To begin at the beginning: The world’s most efficient monopolistic organisation which accounts for over a quarter of net group profits. But in 1979 this had declined to 18% accompanied by a decline in diamond output.

Even the Australians are likely to join the list of those who receive monthly cheques in respect of the Ashtom mine when it begins to produce marketable quantities of diamonds later this year.

Ghana’s production of 1 500 000 carats a gem content of only 15% and these are not of high quality. That leaves the CSM selling-revenue in 1979 of $2 568-million (R192-mi-

For the last proportion came from gemstones that is, where the CSM’s parent, De Beers, really scores. At present, it produces around 5% of world gemstones from its mines in Southern Africa.

But as pointed out here before, this proportion will rise over the next few years so that its share will exceed 50% with the major variables or unknown being Australia.

But the evidence from there indicates that Ashtom could best be compared with the Orapa mine in Botswana with an 80% industrial diamond content.

Industrial diamonds have prices around $2 000 a carat at a crude approximation whereas a poor quality gemstone would start at a hundred or more times higher in the usual form.

But now there appears to be some pressure on supplies worldwide. This has encouraged De Beers to develop synthetic alternatives, including one incorporating boron nitride for use in machining hardened steels. This points to a higher cash contribution from this source to De Beers revenue in future years.

Part of the adverse market sentiment to De Beers arises from the historically high proportion of profits gleaned from South West Africa at Consolidated Diamond Mines. Until recently, these accounted for over a quarter of net group profits. But in 1979 this had declined to 18% accompanied by a decline in diamond output of 28 000 carats to 1 500 000.

While the future of South West Africa remains a little uncertain, De Beers is still plugging ahead to evaluate new reserves although CSM’s life expectancy is now the equivalent of 10 years at 1979 production levels unless there are significant discoveries.

The shortfall is to be made up from the part of the De Beers group which I have found the most exciting — Namibia, which is to the south of the Orange River. There too, at CSM, the ancient marine beaches contain large quantities of diamonds, although some unaccountable reason these tend to be smaller than those on the northern bank.

But the deposits seem to extend even farther south and deserts at Mitchell Bay, 65 km away from the mines at Klerksdorp appear to have the potential to be a significant contributor to group profits.

The heavy concentration on research is leading to greatly improved diamond recoveries. Treatment of the old spoil dumps at Kimberley saw a sudden jump in the quantity recov-

De Beers cash flow and profitability that it did not have and seek Reserve Bank permission to buy the Cos Gold stake, the amount of cash accruing through double taxation relief was sufficient — and we are talking of sums of around R150-

The links between Cos Gold and De Beers/Anglo are to become closer. The probable appointments to the Cos Gold board of Mr Julian Oppenheimer, Thompson from South Africa and Mr Neil Clarke from Anglo-Charter Consolidated will be balanced by Cos Gold chief executive Mr Rudolph, Agnew taking his place around the tab-

At this stage, investment income should improve by over R100-million to R240-million. This leaves pre-tax profits around R200-million and earnings showing a positive trend with a rise from 72.5c to 92c, depending on tax.

The dividend total could well increase to 75c to 80c a share. This would cost R28-

The discount against the mining finance market which will arise from the new share, that has been offered at the sight being reduced, Against reduced volume, however, the 12% increase in profits announced in February, coming in the wake of an 18% rise last September, appears to be sticking.

At this stage, it seems fairly safe to assume that diamond prices will be much in line with the R241-million of last year. But from here on, the inherent strength of De Beers may show itself. On a balance sheet basis, the mines and plant are valued at a mere R16-million, whereas on a re-

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Income from this source will explode in 1980 helped by the acquisition of a net 12% of Consolidated Gold Fields.

It says much for the De Beers cash flow and profitability that it did not have and seek Reserve Bank permission to buy the Cos Gold stake, the amount of cash accruing through double taxation relief was sufficient — and we are talking of sums of around R150-

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Anglo taking a look at Simmer's mine

By ELIZABETH ROUSE

AN ANGLO American prospecting company will be looking at Simmer & Jack Mines' Germiston property, according to an announcement by Simmer.

This confirms speculation dating back to the beginning of the year that Anglo was interested in the possibility of exploiting Simmer's Kimberley reefs and surface dumps.

At this stage, the agreement reached between Simmer and Anglo American Prospecting Services (AAPS) involves money, a gold prospecting and exploration programme in property adjoining Simmer and its subsaum, Simmer Extensions.

Depending on what AAPS discovers in investigations in the Kimberley reefs, where a limited amount of diamond drilling was last carried out by Union Corporation in 1974 (when the gold price was around $107), further steps will be studying the feasibility of a treatment plant and, finally, assessing the possibility of a new mine.

An Anglo spokesman stressed the investigatory aspect of its agreement with Simmer yesterday, while Simmer chairman Mr Peter Gain said "no comment."

The only concrete news so far is that an AAPS team has done a first intersection of the Kimberley Reef and that "results were not promising."

According to the Simmer announcement, the project - to exploit the underlying and surface material of Simmer's mining lease claims at the Kimberley reefs for their gold content - also includes a feasibility study for building of a plant to treat 150,000 tons of combined material a month.

If it is decided to proceed with the Kimberley reefs and surface material exploitation, AAPS or its nominee will later carry out an additional prospecting and exploration programme in Simmers and its subsidiary's lease areas in Main Reef, Main Reef Leader and other reefs.

According to a mining analyst, Simmer’s dump reserves were reported to amount to 108-
Gold tops in grand year for Anglo

By DAVID CARTE
Deputy Financial Editor

ANGLO AMERICAN Corporation produced 38% of South Africa’s gold, 33% of its coal and 41% of its uranium in pushing up taxed profit 52% or R150-million to R350 600 000 in the year to March, says the annual report.

Pre-tax profit rose 44% to R325 500 000, earnings a share 50% to 136c and the dividend 55% to 70c. Had Anglo equity accounted, earnings would have been 240c a share.

The market value of investments rose to R5 633-million (R3 071 600 000), while assets employed totalled nearly R5 693-million. The total market capitalisation of companies administered by Anglo rose to R1 009-million.

Anglo’s own market capitalisation rose 73% to R2 828 million.

Even though all divisions, except level-p Legacy diamond, achieved vastly improved results, the gold division outstripped all others, contributing 52% of group income, compared to 47% in 1979.

Diamonds were the second biggest profit contributor, weighing in with 15%, compared to 28% in 1979.

Even though Amic pushed up earnings 12% to a record, industrial investments contribution fell to 13% from 17%.

Coal’s contribution also dropped from 5% to 4% in spite of a 30% rise in Amcoal’s earnings. Finance contributed 4% (1979-7%), and platinum and other metals 11.5% each.

A geographical breakdown of profits shows that South Africa’s contribution rose from 74% to 81%, while the South West African contribution fell from 5% to 3%. The rest of Africa contributed 5% (7%) and North America 4% (6%).

Gold production declined marginally to 50 019 kg, and uranium production rose 50% to 54 kg. Working revenue of the gold mines rose 47% to R2 150 600 000 in spite of increased working costs. Working profit rose 78.2% to R74 500 000. Dividends paid totalled R350 600 000 (R194 700 000).

During the year the South uranium plant at Vaal Reefs was commissioned and a R155-million additional shaft system and gold plant at Western Deep Levels was announced. Both the Joint Metallurgical Scheme and Ergo were operating satisfactorily.

While total mine output rose by 2-million carats to 13 300 000 carats, diamond sales by the Central Selling Organisation were R2 698-million. This was a R46-million improvement in dollars, but a R72-million decline because of exchange rate movements.

While De Beers diamond account income was R125-million lower because of lower stock profits and higher working costs, interest and dividend income compensated and equity earnings at R74 600 000 were almost the same as 1979’s.

In coal the most important development was the securing of contracts to supply two new 1 800 MWe Escom power stations. Sales rose 32% to R3 000 000 and pre-tax profit 25% to R14 000 million.

Among industrial holdings, Highveld Steel, incorporating a full year’s results of Rand Carbide for the first time, lifted earnings 30% to R277 000 000. Scaw Metals, Baati International and Mondo Paper all achieved record results, and Sigma became South Africa’s biggest vehicle maker, selling nearly 39 000 units. A 15% stake in Bagge Ltd was acquired.

The report says mining and engineering studies of the possible exploitation of low-grade gold and uranium deposits in the Erifel Dankbaarheid block, north of Free State Sassafrass, are "far advanced", and other Free State prospects are encouraging.

Fireholes are being sunk south and southwest of Vaal Reefs with the aim of confirming reserves. Exploration near Klerksdorp yielded mixed results, and further drilling south of Western Areas yielded similar gold values to those obtained previously. But much more work is required to confirm the gold grades of a number of reefs at greater depth.

Coal reserves improved in the year increasing by 995-million tons to 7 780-million run-of-mine tons. Amcoal’s target of reserves of 9 000-million tons is expected to be met by the end of 1982.

Further encouraging results have been obtained from the copper, lead, zinc discovery in the Spergebiet in South West Africa and further drilling is planned this year.

Anglo increased its stake in Angolgold from 48% to 50% in Amic from 44% to 69% and in Australian Anglo-American from 37% to 41%. Mainly as a result of the Charter Mining restructuring, the holding in Anglo American of Canada fell to 22% from 39% and in Minozzo to 25% from 40%.

Apart from the acquisition of a 12.5% stake in Cons Gold, the most important additions to the investment portfolio were 7 million Rupiates, 1 100 000 shares in Zimbabwe

million Holdings, 3 million Sasol and 4 000 Tongaat shares included 200 000 Beekraal and 210 000 Loranco.

Anglo is being for sued with 28 other uranium mining companies in America by Westinghouse Corporation for allegedly violating anti-trust legislation. Anglo has refused to take any notice of the suit as it argues that it is not subject to the jurisdiction of the US. It is not perturbed at an injunction not to remove assets from the US saying it has none there.

The report does not mention it, but Mr. Gavin Hooi said at the time of the preliminary report these results were obtained on an average gold price of 

The report also does not describe projects. This is the prerogative of the chairman, Mr. Hardy Uppemans, who reports in August. But with gold still so high, prospects can only be brighten.
Sparkling sales of SA diamonds

Deputy Financial Editor

INTERNATIONAL diamond sales by De Beers Central Selling Organisation in London rose 17% to R132 million in a record R1.267-billion in the six months to June.

And in two other important announcements for the Johannesburg Stock Exchange, Goldfields of SA has announced sharply reduced gold profits in the June quarter and the Reserve Bank has approved non-residents investing in mutual funds through blocked and financial rands.

According to official CSO sales figures, released yesterday, diamond sales expressed in dollars totalled $1.567 million — a 23% improvement. The rand appreciation was not as great due to its recent strength against the dollar.

These results followed a 17% diamond price increase last September and a 12% increase in February.

Johannesburg mining analysts said the figures suggested that sales in terms of carats must have held "at least steady." This they said, was a pleasant surprise in the light of recessionary trends in several Western countries.

Analysts said the coming six months would be "more interesting" for De Beers, and most were expecting a sales fall — at least in carats — by the end of the year.

In the first set of gold quarters for the three months to June, Goldfields of SA has announced a 33% taxed profit fall to R176 million ($206-million).

The average gold price received by GDSA was R138.85/kg — a 16.2% fall on the R164.50 received during the March quarter.

In addition, due to lower grades, 25% less gold was produced, with the result that total gold revenue fell 10%. A 5% increase in mining costs further reduced working profits, which declined R215 million or 21% to R379 million ($450-million). Other revenue and a lower tax rate reduced the fall in taxed earnings to 14.6%.

Mutual fund managers expect an inflow of millions of rands to their funds, following the Reserve Bank's permission for non-residents to invest in unit trusts through financial and blocked rands.

This gives non-residents access, at a 25% discount, to diversified portfolios of top quality South African mining, financial and industrial stocks.

O See Page 12
Diamond sales record

By ADAM PAYNE

DE BEERS Central Selling Organisation reports better than expected sales of gem and industrial diamonds for the six months to June 30 with a record total of R1 577-million.

This total is R183-million, or 17%, more than sales for the six months to June 30 last year, and 18% higher than in the six months to December last.

Although De Beers does not issue volume figures one can deduce that volume was no higher, but the increase in the value of sales was due to price rises of 19% in September last and 12% in February this year.

In dollar terms the increases were greater than in rands with sales totalling $1.565-million – $206-million, or 23%, more than the sales for the six months to June 30 last year and $240-million, or 18%, more than the sales for the six months to December 31 last.

The disparity in the rand and dollar figures occurred because sales are converted from dollars into rands at the exchange rate prevailing at the time of each of the sales and the rand has continued to appreciate against the dollar over the six months.

Sales for the year totalled R2 192-million, or $2.596-million.

The next six months are likely to be less successful if the American depression persists. Mr. Oppenheimer, chairman of De Beers, warned in his annual report that the prospects for the remainder of the year would depend on the state of the US economy. Where most sales are made.

As the depression is severe it can be expected that sales will decrease in volume.

A Johannesburg analyst who specialises in diamonds says the results for the past six months exceeded his expectations. He had expected a rise in 16%, in dollar terms as against the 23% achieved and a rise of 10%, in rand terms as against the 17% achieved.

Allowing for the average price rise of between 15% and 16% for the second six months as compared with last year he expects sales value to be down about 7% in dollars and 12% in rands in the second half of the year compared with the first half. This would be because of a drop in volume.

The second half is traditionally lower than the first half because the July and August sights are held during the northern holiday season and the December sights are usually small.
Korsten wants diamond stake

By HAROLD FRIDJON

CONTROL of Trans Hex Beleggings, a Cape-based company with considerable diamond interests, as well as investments in the motor trade, financial services and engineering, will shift to Mr Laurie Korsten if shareholders of Naskor Myxbou and Seeland Myxbou agree to two inter-related schemes of arrangement.

Mr Korsten, who is managing director of Volkskas Merchant Bank, controls in his private capacity — and with the approval of the bank — a financial company, Corporate Credit Services (Pty).

CCS is making offers to the shareholders of Naskor and Seeland either to buy out their shareholding for cash or to buy out their holdings for cash plus Trans Hex shares with a view to getting control of Trans Hex. Naskor owns 35.5% of Trans Hex and Seeland 20.7% of Trans Hex.

From the Trans Hex accounts for the year to February 1989, the company appears to be a desirable property. Taxed group profits amounted to R2 136 698 (R2 061 460), equivalent to 53c a share. It has a seven-year history of growth. The net asset value a share is 25c.

Most of the company’s profits are derived from its diamond interests as well as from earthmoving operations. Profits from other sources account for only 14% of income.

Mr Korsten plans to rationalize Trans Hex’s operations and in about 18 months, if the time in opportunity, to apply to the JSE for a listing. Obviously he would prefer it to be an all-diamond company.

Such a move would appeal to the shareholders of Naskor and Seeland who have been locked into their companies for the past 15 years or more. Most of them have indicated that they would prefer to take cash plus Trans Hex shares, and they have also indicated that they would like more Trans Hex shares if these become available.

CCS is also making an offer to the 370 Trans Hex shareholders if they sell, Mr Korsten will be in a position to provide more shares for the Naskor and Seeland shareholders.

Mr Korsten told me that he would be happy to hold only 51% of Trans Hex, not the 64% which would accrue to CCS after the scheme of arrangement was approved.

His bid to the Naskor and Seeland shareholders is about R5-million.
Taking a breather fm

Ask almost anyone in the diamond industries outside De Beers, which way the market is headed and the answer is down. How far is another matter. However, the slack demand for smaller gems which has prevailed since last year has now developed to include stones of 1ct and even a bit larger. And some dealers are even cutting down the hatches in preperation for a recession worse than that of 1974-75. 

But don't rush out and sell your De Beers shares. There is no need to panic. Through the recession is arriving at the same time as some major production advances, De Beers has the resources to see the downturn through. And, though this year's downturn may be of decade long in duration, the subsequent advances could make the wait worthwhile.

Some of the signs are still strong in the form of higher prices in the leading diamond centers. Today, the rough diamond market is up sharply. The rough diamond market is up a further 13% overall, plus this February's 2% advance.

For the second half however, a downturn in more than likely. Stocks in the world's major cutting centers are at historically high levels. And with demand for rough stones drying up, the CSD has reduced the quantities offered at its sights in London in part to hold back the large amount of rough which could flood onto the market. It is a problem that is beyond the CSD, which markets De Beers' own stones as well as those from such major producers as Zaire, Russia and Angola. Marketing structures are highly fragmented. Even if the world market were now in a recession, there is likely that individual cut diamond dealers could mount an effective marketing campaign.

Further, the demand for rough stones during the November-June season is likely to increase. This is because of the growing recession in the US which is also likely to consider a cut diamond as a purchase for the future.

To get back to the next couple of years, however, it is important to remember that the CSD is the most important factor in the diamond market. It is the only organization that has the power to control the flow of rough diamonds into the market. If the CSD were to increase the supply of rough diamonds, it would likely lead to a decrease in the price of cut diamonds.

A cutter at work... a softer market?

opportunities in, say, gold, demand for larger stones could fail apart. There are other willy-willy, of course. As one London diamond dealer sees it, further price reductions are on the way. At the start of the year, many cutters reduced inventories as interest rates soared. But restocking since then has reached maximum levels despite further possible interest rate falls. That limits further potential stock building.

Perhaps more to the point, the premiums on CSD prices, at which larger stones were trading in the secondary market and which prompted the last two CSD price hikes, have all but disappeared. On that basis, De Beers could find it difficult to increase prices again this year, particularly if an increase results in greater sales resistance among cutters.

At De Beers itself, management will be watching the world's economies with more than its usual care. In 1979, the group produced 14m ct of which 4,4m ct came from Botswana while Namibian-based CDM was reported to have produced 1,7m ct, 675 000 ct down on 1978. By 1983, however, the group should be producing some 19m ct of which more than half will be Botswana-sourced. So if the recession is long and deep, De Beers' stocks could be set for a major increase. And that is particularly so if it is decided to sell proportionately less of the group's own stones so as to not unduly disturb sales from other countries which are tied to the CSD.

As it is, though, most gem producers accept that selling through the virtually monopolistic CSD (it controls over 60% of the world's rough gems market), has its advantages, concern has be expressed over the CSD's pricing policies.

Because of De Beers' secretive reporting and its close relationship with the SA government, it is difficult for anyone to provide, that especially as the CSD has a virtual monopoly on selling diamond evaluators via-a-via smaller producers.

What it means, though, is that, particularly during recessions, De Beers needs to keep other producers happy. They will certainly not pull out of the CSD during a recession. But if they are unhappy with their treatment during a recession, they could create alternative outlets on the market.

For example, various Swapp spokesmen have already accused De Beers of cooking the books over SWA's production. And if a radical Swapp ever gains power in SWA, it could become an irritant in CSD affairs. The situation could become intolerable if, say, a post-Kamana Botswana got in on the act along with other producers such as Angola and Sierra Leone. Mind you, in the shadowy world of diamonds, there is always a Mr. Fix-it available to ensure that things do not get out of hand.

But those are bridges De Beers could already have crossed. Though the company plays it low key, Russian gem sales are, effectively, marketed quite happily through the CSD. And the Soviets are likely to let client states such as Angola and hearken to a Swapp ultimatum, rock the boat. Bet your boots that De Beers has to come to, at least, tentative agreements with the possible government of Africa's last colony.

To get back to the next couple of years, however, it is important to remember that the CSD is the most important factor in the diamond market. It is the only organization that has the power to control the flow of rough diamonds into the market. If the CSD were to increase the supply of rough diamonds, it would likely lead to a decrease in the price of cut diamonds.
Miners at Finsch keep up strike

The majority of the strikers at the Finsch Diamond Mine in the Northern Cape — reputedly one of the richest diamond mines in the world — continued their strike yesterday as management tried to ascertain what their grievances were.

About 650 black workers went on strike on Tuesday in what was believed to be a wage dispute.

Mr George Louw, the Kimberley-based public relations officer for De Beers — who own the mine — said yesterday that although workers at the mine had agreed to return to work, only a small number reported yesterday morning.

Negotiations between mine management and workers continued throughout the day, he said. De Beers' general manager, Mr W K Hartley, had addressed workers in the mine hostel on three occasions. There was no indication when the majority would return to work.

A worker said yesterday that strikers felt the recent 15 percent increases granted did not cancel everyday expenses and that most workers felt their hostel facilities and working conditions were not up to standard.

He added that workers felt they were responsible for the production and should be treated with consummate respect. They felt the workers' constitution and committee offered by the company were not effective, and that they wanted to form a union. — Sapa.
Only diamonds are harder than a cutting newcomer

By SIMON WILLSON
Industrial Reporter

A NEW South African product is to challenge the worldwide stronghold of tungsten carbide on the steel cutting tool market.

Amborite, an ultra-hard synthetic cutting tool material, has been developed by De Beers at its Diamond Research Laboratory (DRL) in Booyzen, Johannesburg, and is to be marketed domestically for the first time this month after two months of test use in Europe and the United States.

De Beers' aim is to seize an appreciable share of the estimated $500 million world market in hard cutting materials, which is cornered by tungsten carbide.

The director of research at the DRL, Dr Corrie Phaal, is confident that Amborite has the extra hardness to compete with tungsten carbide, and says the response from test users after only two months has been favourable.

He claims Amborite is the second hardest material on earth after the diamond, and says its greater resistance to wear will give it a clear advantage over tungsten carbide.

The DRL, which has an annual research budget of R16 million, took four years to develop Amborite. At the early stage of production, before increased manufacturing volume can lower unit costs through economies of scale, Amborite's early birth has left it with a price disadvantage compared with tungsten carbide.

Amborite is now on sale overseas at a cost of $300 and R230 (R170-R230) for inserts with diameters of between 0.5 mm and 12.7 mm. Comparable inserts of tungsten carbide are selling for $9 to $5.

"Amborite is more expensive, but it quickly recovers its cost outlay by increased performance," says Dr Phaal.

De Beers' top priority in launching Amborite on the domestic market is an aggressive marketing campaign to clarify its claimed performance edge over rival cutting materials.

Amborite is being produced under a blanket of secrecy to avoid industrial espionage. Journalists were allowed into the DRL's top-security wing for the first time yesterday to see the new material's production processes.

The substance is produced by subjecting amber boron nitride to conditions found 200 kilometres below the earth's surface -- a temperature of 1,500 degrees Celsius and a pressure of 60,000 kilograms a square centimetre.

Compared with conventional ceramic tooling, the resultant material is claimed to give 100 times greater tool life in machining chill cast iron, 25 times longer life in machining cold work steel and four times longer life in machining high-speed steel.

Among the successful uses to date cited by De Beers for the material is as a reinforcement for the track contact strip on the skirts of ground-effect grand prix cars, and in the manufacture of rough cast suction liners for the slurry pumps of a Johannesburg company.
30% lift in
De Beers interim seen

By IAN THOMAS
Mining Editor

With De Beers interim results due next week, shareholders are looking for at least a 30% increase on last year's 20c dividend, according to investment analysts.

This suggests 26c, but some forecast that it will rise to 27.5c, taking into account the company's decision to reduce the disparity between the interim and final dividends for the year to December 31.

Investment sources say the market for diamonds has weakened because of recessionary factors in Europe and the United States, but that De Beers will offset this by drawing on reserves to raise the interim.

Company tax is expected to remain at a lower rate because of investment rebates.

No immediate increase in Central Selling Organisation prices is foreseen after the 13% and 17% rises last September and February respectively.

Analysts say much will depend on the Christmas jewelry trade, although a sales decline is virtually certain at coming sights, the next to be held on August 18 in London.

In the longer term, analysts say that should Mr Ronald Reagan win the US presidential election and formulate a tight monetary policy resulting in a strengthening of the dollar, the outlook for increased diamond sales will be brighter.

They point to the growing acceptance of a diamond futures market, with investors recognizing the attractions of diamond certificates.

Analysts say that as a longer-term investment, De Beers at Friday's 1105c closing price represents a relatively under-priced share in terms of its yield. Last year, De Beers turned in a R82 100 000 pre-tax profit (R72 100 000), which was lower than the previous year's mainly because of the rand's steady appreciation against the dollar in which sales are conducted. If De Beers can keep the dividend 30% ahead of last year's payments for the full year it will pay 45c odd, which puts it on a prospective yield of just over 8%.
OCHTA LEADS IN BATTLE FOR TRANS HEX

OCHTA, a company with wide interests in the diamond industry, has emerged as the frontrunner in the R10-million takeover battle for control of the Namaqualand diamond company, Trans Hex.

Representatives of Ochta will today meet the boards of directors of Naskor Mynbou and Seelank Mynbou — which between them control 64 percent of Trans Hex — and the boards will announce tomorrow their recommendations on which offer shareholders should accept.

Major shareholders were hurriedly called to a meeting in Cape Town last night to be given information and will vote on October 18.

The latest developments came after board meetings of the controlling interests of Trans Hex yesterday and on Tuesday following two days of inconclusive meetings last week.

But on Monday Ochta increased its offer for the second time in two weeks. Its bid for 57 percent of Trans Hex is now worth about R5.8-million.

The initial proposal by Transvaal banker, Mr Laurens Korsten, for 64 percent of Trans Hex was worth about R5-million.

Mr Korsten, through his company, Corporate Credit Services, put in a materially different proposal last week after the first court-hire bids by Ochta and Natal Makenara.

The latest offer increases Ochta's bid to 49.8 percent of Naskor and Seeland shares by about 10 percent to R3.18 a share and R3.30 a share respectively.

CONSORTIUM

Merchant banker Hill Samuel, acting for Ochta, has also arranged for a number of private individuals to form a consortium to buy shares over and above the 49.9 percent which Ochta is bidding for.

Mr J A de Villiers and his family trusts are the major shareholders in Ochta, which has associated companies involved in diamond cutting and polishing and has a diamond mine on the banks of the Orange River.

Shareholders of Trans Hex were urged after a meeting early last Friday to keep their shares until advised what to do by the boards of Naskor and Seeland.

Mervyn Harris
K & L back with a sparkler

Deputy Financial Editor

AFTER a loss of R62.9 million in the year to end February 1979, Katz and Lourie, the diamond wholesaler and retailer recently taken over by Theron Holdings, achieved a taxed profit of exactly R1-million in the 16 months to end June.

Turnover rose 110% in the 16 months, compared to a 2.2% gain in 1979. Pre-tax profit was R13.5 million, compared to R17.6 million in 1979, when a R31.9 million currency loss hit the company hard. The tax rate at 26% made the tax bill R8.5 million, leaving taxed profit of R1-million.

Earnings in the most recent accounting period were 185.4c, compared to the 1979 loss of 40.7c. The dividend will be announced in the annual report in four weeks.

Annualised, the 16 months figures give a pre-tax profit of R157.6 million, taxed profit of R75.0 million and earnings per share of 79.8c. So, on an annualised basis, Katz and Lourie has achieved an effective turnaround of 120.5c a share.

As Theron Holdings has 70% of the equity of Katz and Lourie, R70.0 million of the earnings for the 16 months is attributable to Theron.

The report says these results are a record in Katz and Lourie's 85-year history and an excellent Christmas is expected. The group has plans to open new branches.

Chairman, Mr Arnold Katz, says the vertical integration of Theron and Katz and Lourie is already paying off. Katz and Lourie had a useful stockpile of diamonds, which it could sell on local or export markets if the diamond price rose.

Asked how earnings came to be a neat R1-million, Mr Katz said these were pre-audited figures. The actual taxed profit was about R1.0 million more than a million and it was decided to round the figure off until the annual report came out with audited figures.

COMMENT: Domestic diamond sales look set to continue their recent rise for some time. Nevertheless, another takeoff on the scale of 1979-80 seems unlikely. After all, a portion of these sales must have come from profits on the JSE, which may not perform as well in 1981.

Katz and Lourie has large Swiss franc loans and a strong rand or dollar is positive for the company.

The company does not seem to be dramatically on the mend but is hard to value without a dividend and a truly comparable track record.
De Beers declares a 25c interim

By ADAM PAYNE
and
IAN THOMAS

DE BEERS has declared a 25c (25c) interim dividend which will disappoint the market. Analysts had been looking for 27.5c and for more encouraging figures than those contained in the interim results for the six months to June now issued.

De Beers points out that the rise in terms of income are, however, not as important as the interest on the huge sum of money held by De Beers on which rates have fallen heavily on reducing investment income.

Net surplus on investments rose to R5 100 000 from only R200 000.

Prospecting and research general charges, and interest payable, amounted to R42-million (R40-million) leaving pre-tax profits of R639-million (R589-million) from which tax and State's share of profits amounting to R189-million (R252-million) were deducted to give group after-tax profits of R450 900 000 (R340-million).

COMMENT: On April 3, Mr. Harry Oppenheimer, chairman of De Beers, said that while the outlook for diamonds was not without its problems it was on the whole satisfactory and thus, taken together with diversified holdings in other businesses, gave good reason to expect satisfactory results in 1980.

Mr. Oppenheimer is seldom wrong.

The most reliable forecast I have of earnings this year is for 170c compared with 203.5c last year, which allows for earnings of only 5c in the second half.

From these earnings the final dividend could be 5c to make a total of 8c compared with 7.5c last year.

This would give a yield of 8.8% on yesterday's share price of 1390c.

These forecasts, if fulfilled, could disappoint those who have been buying the shares and moving up the price, but the US recession has been biting hard, hence the forecast of reduced earnings in the second half.

However, there are signs of the recession softening and President Carter could take inflationary measures ahead of the election.

As usual for De Beers, the outlook depends mainly on diamond sales and these sales in the second half of the year depend mainly on the state of the US economy.
Unsurprisingly, in a field such as diamonds where some of the biggest frauds in financial history have been committed, and some of the biggest fortunes lost, Thereur's success has been greeted with a fair deal of scepticism.

Many observers, particularly "heavyweight" analysts and institutional investment managers who tend not to believe in a stock unless it has a big fat balance sheet and a long record of rising earnings, have been sitting back confidently waiting for the balloon to burst.

So far they have been disappointed.

The secret of Dawn Diamond's success has been a little 16 ft fibreglass boat nicknamed "Tupperware". These are anchored just beyond the breakers and divers descend from them to the sea floor with hoses connected to pumps on deck. The divers search for readily identifiable diamondiferous gravels. Where they find them, they simply "vacuum" the sea floor.

The gravels are tested on deck and, if they look promising, the diver is informed. Promising gravel is put into bags, which are stored in the hold and taken back to port. On shore, the gravels are mechanically sorted and sieved for diamonds. Finer gravels are searched twice and the rougher ones four times.

Rougher gravels are eventually ground down to a paste in a ball mill, as smaller stones are often found inside pebbles.

Dawn Diamond has eight boats operating out of Port Nolloth on Coecession 5, which is directly off De Beers' Kleinsee on-shore mine, and another...
Diamonds still have a big role to play.

THE history of diamond as an industrial tool goes back so far that its origins are shrouded in the mists of time, but it is thought that ancient craftsmen used the attractive crystal to etch and shape a variety of articles, including other diamonds, as long ago as 800 BC.

Over the centuries increasing use was made of this remarkable substance for cutting metals. For instance, the Roman historian Pliny wrote of tools coated in diamond dust for engraving and cutting the "very hardest substances known."

But it has been in the years following the Second World War that the greatest surge in industrial diamond business has occurred, as an ever-widening range of applications have developed.

**Materials**

Today, diamond, cubic boron nitride and derivatives of these ultra-hard materials, are widely used to process metals, glass, ceramics, plastics, abrasives, through special concrete, and it is hard to imagine modern construction, industry and engineering without these important tools.

The free world's voracious appetite for diamond has resulted in a market worth US$1 billion a year with a growth rate of around 10 percent pa. By the mid-80s it is estimated that this growth rate will be nearer 20 percent.

Broadly speaking, demand is made up of 90 percent for abrasive applications, 10 percent powders and the remainder for whole stones. Over 100 million carats a year are consumed in the production of everything from marble slabs to contact lenses. New applications are continually being found as harder materials come onto the market and diamond is seen to be the most effective way of shaping them to man's requirements.

Until the early 60s, industrial diamond demand was met entirely from natural sources. Those diamonds recovered on the mines which were too small or insufficiently attractive for the gem trade were crushed, graded and sold—almost as a by-product.

Industrial demand soon began to outstrip supply, however, and a real need emerged for a more plentiful and regular flow of the precious material.

**Synthetic**

The development of diamond synthesis fulfilled that need. During the 1960s the complex problems surrounding the synthetic production of real diamonds were finally solved in independent research projects carried out in Sweden, America and South Africa.

In their endless quest for oil, the major petroleum companies are also prominent users of diamond drilling tools, which are used for both production and exploration work in highly abrasive or particularly tough formations. Geologists have used diamond drills in exploratory work for most mining ventures.

In dental drills and surgical scalpels, and saw blades, diamonds play an essential role, whilst fine powders are used to grind, polish and mill diamond and synthetic materials. Similarly, the use of diamond powders in grinding and polishing has increased significantly in recent years.

**Receivables**

Keeping pace with the market's requirements has called for continual research and development by the major manufacturers such as the De Beers Diamond Research Laboratory, which has an annual budget of £15 million.

The DRL not only develops better ways of recovering natural diamond at the mines, but also concerns itself with improved methods of synthesis, new products and application problems.

The next generation of ultra-hard material is already with us in the form of polycrystalline composites.

**Conventional**

Tool steels and conventional machining inserts have to be resharpened and resharpened—this can be done quickly and economically with diamond and CBN, whilst wire drawing dies can now be made from composites as well as natural diamond stones.

During the past decade a number of ultra-hard metals and ceramics have been introduced, and these have created engineering problems which only diamond and cubic boron nitride can solve in a practical, time-saving way. The boron nitride is directed to diamond in hardness, whilst diamond is produced by subjecting boron nitride and boron nitride to high temperatures and pressures.

**Grinding**

The end product resembles a small black plastic disc or square, but is so tough that only diamond/BN grinding and lapping can sharpen or shape it.

Three years ago DFIB introduced its first composite in the form of Synprome. This diamond-based material caused a considerable stir when it proved a better machine tool insert and produced single point natural diamond with greater versatility.
rebate in many cases, according to cutters — only applies for stones purchased from the Diamond Producers’ Association (DPA). Van Wyk says He adds that De Beers and government sources are the main members of the DPA, although “any SA producers are free to join.”

De Beers says it has “no further comment” to make on its responsibilities to the diamond cutting industry.

**DIAMOND CUTTING**

**Government’s view**

If the local diamond cutting industry is relying on government assistance to bring it out of its depressed state, it may be disappointed.

A top official of the Department of Mineral and Energy Affairs has made it clear that the government sees this industry as a private enterprise concern that has to operate in terms of the buyers and sellers market.

Says Dr Wessel van Wyk, deputy director general of the department, and chairman of the Diamond Cutting Board: “The industry, as well as the board, are run by private enterprise and we (the government) have very little to do with it.”

Those in the industry, however, see the board as yet another facet of government bureaucracy which they have to finance.

Van Wyk qualifies his official status on the board by saying: “I have no executive power.”

Members of the industry have stated (FM October 3) that it is up to the government and De Beers to decide whether the SA diamond cutting industry will survive.

Although Van Wyk agrees the industry is in the doldrums at present, he feels this is a cyclical thing. “At the moment prices are very high and people are allergic to these prices and are living low.”

However, he says it is “very difficult” to say whether or not De Beers should lower the prices of rough stones to enable local cutters to compete more successfully on the international market.

“De Beers price their rough diamonds according to world prices and adhere to this scale. I don’t think they chop and change prices as they like,” he notes.

The 10% government rebate on stones bought by the industry — an inadequate
Man denies theft

At a downtown jewelry store, an employee was arrested for stealing $15,000 worth of diamonds. The employee, who has been with the store for two years, is accused of stealing jewelry while working at the store.

"The employee was caught on surveillance video while taking the diamonds," said store owner Mr. Smith. "He was seen looking at the diamonds and then leaving with them in his pocket."}

The employee, who has been with the store for two years, is accused of stealing jewelry while working at the store. He was caught on surveillance video while taking the diamonds. He was seen looking at the diamonds and then leaving with them in his pocket. He has pleaded not guilty to the charges.

"I am a hardworking man," said the employee. "I don't understand why this is happening."
MINING - Diamonds

DIAMOND sales by De Beers Central Selling Organisation slumped to R257.4-million in the second half of 1976—the lowest since June-December of 1977, and 21% down on the figure for the final half of 1979.

The overall figures for the year reflect a fall of 5%, or R56.5-million, in the value of rough gems and industrial diamond sales to R2 142.9-million from R2 199.4-million in 1979.

In dollar terms, sales in 1980 were 5% lower than the previous year, at $2.735-million against $2.598-million the previous year, the disparity in comparisons flowing from the fact that sales are converted from dollars to rands at the exchange rate prevailing when the sale is concluded. The rand continued to appreciate against the dollar throughout the year.

The fall in the value of sales indicates how far volume sales have declined, especially when one considers the price increases over the past few years.

In December 1977 diamond prices were raised by 17%, in August 1978 by a further 39%, in September 1979 by 15% and in February 1980 by 13%. On a compounded basis, the increase over that period totalled 90%. It is clear, therefore, that volume sales have dropped significantly, particularly considering that the value of sales for the second half of 1977, in rand terms, was only marginally lower than in the latest reporting period.

The problems facing the diamond industry over the past year have been numerous — and serious. The recession in Western economies, notably in Europe and the US, accompanied by high interest rates, reduced demand for jewellery of all sorts.

A further and perhaps more telling blow to the gem market in 1980 was the Russian dumping exercise, which resulted in a flooding of the market with polished stones late in the year.

Some months ago the CSO was reported to have reduced sales to support the market, the balance having been taken up by De Beers to add to its stockpile.

In November, diamond dealers complained that the Russians were selling on a planned quota system to pay for grain imports and the cost of the Afghan war. The Soviet polished gems were reported to be coming on the market at discounts of 5% to 15%.

This had the effect of destabilising the depressed market with Western cutters and wholesalers coming under increasing pressure because of lower prices.

One market analyst said yesterday that the trend in sales showed a disturbing similarity to the recessionary period of 1974-75. In the first half of 1974 sales (in rand terms) amounted to R535-million, and then fell almost 40% to R314-million in the final six months.

In the first period of 1975 sales totalled R585-million, and started to improve in the latter part of that year to reach R638-million for the six months, subsequently improving from 1976 onwards.

The analyst believed that the slump in sales in the second half of 1980 would continue into the first six months of this year, levelling off later in the year and possibly improving in 1982.

Asked to comment on projections for diamond sales for this year, a De Beers spokesman said: "Tell me what the gold price and international interest rate levels will be and I will be able to give you a projection of diamond sales.

De Beers is believed to have begun stockpiling early as early as April 1980 on indications of a slump in the market. The group's stockpile was unusually low 18 months ago, and the restocking fell within the policy framework.

De Beers has enormous cash resources and is well able to afford carrying large stocks, and this will enable the group to take immediate advantage of any upturn in the market.
Little promise

No one should have been surprised by 1980’s lower second-half diamond sales figures reported by the CSO. At $1.155bn they were 26.3% down on the first half’s $1.587mn and 12.9% lower than those in the second half of 1979.

However, as I pointed out in July (Fax July 11 1980), it was clear that first-half volume sales were lower than in the first half of 1979 — the 13% price hike in August 1979 and the 12% increase in January were responsible for the increase in sales revenue.

What now? It will be difficult for the CSO to increase the price of rough gems again at this stage of the market’s cycle. Recession has reduced demand for cut stones, high interest rates discourage the world’s cutters from carrying excessive stocks, the Soviet Union appears to be breaking ranks with the CSO and De Beers and selling greater quantities of cut gems to fund grain imports, its Afghan venture and a deteriorating communist bloc economic situation, and the mad scramble of Americans into anything that looked like an inflation hedge has died on its feet.

At the half-way stage, De Beers’ diamond account income had fallen to R457.9m against R468.9m in the first half of 1979 and R462.2m during that year’s second half. And that was despite higher CSO sales in the first half of last year. There will have been no relief from currency shifts as the rand was strong against the dollar throughout most of last year’s second half. So it is almost inevitable that there will have been a sharp drop in diamond account income during the second half.

The full extent of the drop is impossible to calculate as De Beers can choose to take its profit at almost any stage in the diamond distribution chain. However, along with likely lower diamond account income, there will be a rise in diamond stocks from R409.3m shown in the end-1979 balance sheet. And total diamond account income in 1980 could be as low as R700m against R845.1m in 1979. The second-half CSO figures have confirmed most brokers in their caution over 1980’s likely dividend. The best bet seems to be for a final of 55c (52.5c), making a total of 80c (78.5c) for the year. Nor, for the moment, does there seem much possibility of improvements for 1981.

During the first half of this year CSO sales are likely to fall again. Diamond prices have firmed, but volume demand has yet to recover. And an improvement in the second half will take a major recovery in the world’s economies, linked with potentially lower earnings from gold investments and the need for De Beers to finance larger diamond stocks. This year’s likely dividend performance is none too exciting. An 85c total distribution for 1981 seems to be the best to count on.

As for De Beers shares, they still seem to have downside potential to around 900c from their current 1 000c US buying, which lifted them to around 1 400c in the latter months of last year, has ended, nor are Americans likely to hurry back into the market. Perhaps the best advice to short-term investors is to lighten holdings now and to buy back ahead of the next CSO figures if the diamond market is on the mend and gold is performing well.

Jim Jones
DE BEERS CUTS U.S. DIAMOND DELIVERIES

NEW YORK. — De Beers Consolidated Mines has cut United States diamond deliveries by 60 percent because of flagging business.

New York dealers said De Beers had notified them that their February diamond supplies would be cut 60 percent from the January level.

In addition, De Beers was said to have cut supplies to Antwerp by 50 percent and to Tel Aviv by 50 percent.

In the past year, the economic slump and surging interest rates have reduced the lure of hard assets and increased the appeal of interest-bearing assets.

As a result, the price quoted by New York dealers for a D-flawless, one-carat diamond, the top-grade investment stone, has fallen 17 percent in the past three months.

The price of such a stone has dropped to about $50,000 (135-160) from about $70,000 (142-150).

Because of flagging business, De Beers plans to step up its advertising campaign in the United States. It will spend $20 million dollars ($15-$18 million in the US this year, against $14 million dollars ($12 million) last year.

New York diamond dealers believe the De Beers diamond 'sight' meeting now taking place in London will be poorly supported.

De Beers holds about 10 sight sessions a year for dealers to examine stones. The meetings usually attract about 200 dealers.

Argus Bureau

CHMICAL
CSO stockpiles diamonds as market weakens

BY NEIL BEHRMANN
LONDON. — De Beers marketing arm, the Central Selling Organisation, is continuing to stockpile stones because the market remains weak. A CSO spokesman confirms diamond dealer reports that the company is selling fewer stones at the sight being held in London this week.

The CSO holds 10 sights a year. Dealers are given boxes of rough diamonds to examine and buy. Antwerp, New York and Tel Aviv dealers say that fewer diamonds are being offered. Some New York dealers claim that the CSO has reduced the amount of diamonds on offer by 60% from the January sight.

The CSO spokesman was not prepared to confirm these estimates, but he acknowledged that the diamond market remained flat because of world-wide recession.

De Beers has been selling fewer diamonds at the sights since September.

The CSO spokesman says the company has traditionally absorbed excess diamonds to keep rough diamond prices from falling. "Since 1980, De Beers has supported the market during slack periods," he says.

Diamond dealers say jewellers are keeping their diamond inventories low because of high interest rates and poor demand, especially for smaller stones.

With retail demand down, manufacturers at the main cutting centres of Antwerp, Tel Aviv and New York have maintained high inventories. Their profit margins are under pressure, partly because of the decline in demand and because the Russians are selling more polished diamonds and are undercutting the market.

Unemployed diamond workers have demonstrated in front of Tel Aviv's diamond bourse, chanting, "Bread and work." In the past two years recession has plagued Israel's diamond industry — 300 workshops have closed and 3,000 diamond cutters are out of work. At one time Israel employed 12,000 diamond cutters.

In the past few weeks three cutting firms went insolvent. Israel's Minister of Industry, Mr. Gideon Patt, recently flew to London to try to talk to the CSO.

Israeli banks, fearful of trends in the diamond business, are calling in loans. Interest charges on loans were once subsidized by the Bank of Israel, but future loans must be issued at Eurodollar rates — much higher than previous interest charges.

Last year, some diamond analysts said that the larger investment stones had held up well and to some extent had offset the declining demand for smaller diamonds. But New York dealers say the price for a D-flawless, one-carat diamond, the top investment stone, has slumped by 17% in the past three months from $4,000 to $5,000. These stones were trading at $60,000 to $70,000 a year ago.

CSO sales fell to $674 million in the second half of 1987, 21% lower than for the same period in 1989 and the lowest July to December figure since 1977.

The value declined in spite of an increase in prices last year. This indicates that the deterioration in sales volumes has been much greater.

The last time De Beers withheld diamonds on any scale was in 1974 when the markets were weakened by poor jewellery consumption in the recession which followed the first large increase in oil prices.

With sales disappointing in the first two sights of this year, there are indications that first-half CSO turnover could be disappointing again. De Beers interest income could fall because more cash is being used to pay for stocks.
Argus Correspondent

BRISBANE. — Diamonds mined in South Africa will be processed in Perth by the middle of the year in Australia's first commercial diamond cutting and polishing operation.

Gem Exploration and Minerals of Perth will use the plant to process the diamonds mined from its offshore concessions on the west coast of South Africa and from the Monastery Mine in the Free State, in which it has a 74.0 percent interest.

UNCUT STONES

Gemex's move into the diamond industry has been only recent, with the company having paid nearly $23 million last year to buy substantial interests in South African areas.

The company secretary and director, Mr. Nigel Forrester, said based on present production from the six offshore areas, the company expected to bring to Australia uncut stones worth $229,000 a month.

The revenue from the Monastery Mine could exceed that. The mine closed in 1972 but it was expected to resume production in June.
CSO cuts back on diamond sales

NEIL BEHRMANN — in the commodities markets

By NEIL BEHRMANN

As CSO’s marketing arm, the Central Selling Organisation is cutting back on diamond sales to support the market. Antwerp and London dealers say that since September, the CSO has been selling fewer diamonds at its auctions.

At the CSO’s auctions or sales in London, parcels of uncut diamonds are sold to dealers from the major cutting centres, Antwerp, Tel Aviv, New York, Bombay and elsewhere.

A CSO spokesman confirmed that the company was “abstaining from selling rough diamonds” to support prices. He said that since the great depression, De Beers had always supported the market.

Besides slower sales, diamond dealers complain the Russians are dumping polished diamonds in the market.

An Antwerp polished diamond dealer, Mr. Vahram Barsamian says that Russian polished diamond sales have risen considerably during the past few years.

He calculates that Belgrade imports of Russian polished diamonds soared from 5.7 million Belgian francs (Rs 1.5 million) in 1977 to 6.9 million (Rs 1.5 million) in 1979.

In only eight months this year, imports were already 6.7 million Belgian francs (Rs 1.42 million) adds Mr Barsamian, who also heads the Belgium association of polished diamond importers and exporters.

Besides direct sales to Antwerp — the largest diamond centre in the world — the Russians hold their own polished diamond auctions in Moscow.

So, Soviet polished diamonds are also going to other countries. The Russians are selling via a “planned quota system” to pay for their grain and the cost of the Afghanistan war.

Dealers complain that the Russians are not considering the depressed state of the market and are de-stabilising it by selling their polished stones at discounts of 5% to 15%.

Margins of Western cutters and wholesalers are under pressure because Soviet polished diamond prices are lower.

Dealers say that the Russians should come to an arrangement with the CSO to keep the polished diamond market steady — especially since the Russians tend to sell their rough diamonds to the CSO through a London intermediary.

The CSO spokesman would not comment on Soviet marketing policy. He says the real problem is that demand for diamonds, particularly the smaller stones, is weak. Manufacturers and wholesalers stocks are growing.

Mr Barsamian says the market is depressed and at each level of trade dealers are waiting and hoping that sales will improve.

On the retail end, jewellers are maintaining low stocks. In the past few years, retail diamond sales doubled in value to Rs 600 million. At today’s high interest rates, it is expensive to hold excessive stocks, especially if sales are slow. Besides, diamonds the jewellers are also saddled with high gold, silver and platinum prices.

In short, it is difficult to move stocks. For instance, US sales of diamond pieces were brisk in the first quarter, poor when interest rates soared in February to April, and steadier again in the third quarter when the precious metals market was buoyant.

Now US jewellers are anxious about Christmas turnover and to compound their problem, interest rates have been rising.

The other two major diamond markets, Japan and Germany have also been flat this year.

Stockbrokers have said time and again that despite the weakness in the small diamond market, the larger “investment stones” are doing well. But recent performance indicates that this view is incorrect.

According to diamond sources, the investment market is in a rut. At the beginning of the year, rare flawless diamonds were selling for $50,000 to $70,000 a carat. This type of investment diamond is currently trading between $40,000 to $50,000 a carat.

Yet CSO marketing executives are not pessimistic about the future. They believe that the diamond market has been hit exceptionally well considering that the world economy is sliding into recession.

They say that the market has broadened considerably and that there is more discretion for spends on luxury goods. Many more women are buying diamonds.

Yet their projections are for 1981 and as yet no-one can be certain about the extent and duration of the world recession.
SA to help Aussies put that sparkle back into diamonds

By MARSHALL WILSON

PERTH — An Australian mining and exploration company is to import South African diamonds and labour from the Free State as part of its R3.5-billion operation to set up Australia’s first cutting and polishing factory.

Nigel Forrester, a director of Gem Exploration and Minerals, has confirmed that negotiations are underway to appoint a manager and about nine diamond cutters and polishers for the new plant.

Gemex owns the Monastery mine at Marquard and has 12 offshore concessions off the north-west Cape coast. It also owes considerable mining rights throughout Australia, but will import about R250 000 worth of uncut diamonds from South Africa each month until its local operations become commercially viable.

Forrester defended his company’s decision to import South African workers by saying: “There is nobody here with the expertise to do the job.”

Within the next few weeks we will appoint a man from South Africa to run the factory and he in turn will appoint his staff and get on with it.”

The operation will be independent of the international central selling organization.

With the gem industry reportedly depressed due to oversupply, Australia’s Gemex company hopes its new operation will put the sparkle back
Diamonds: a gem of an investment!

DIAMOND prices have reached rock bottom. That's why they can only go up, say Geoffrey Katz, executive director of Katz and Levine, Johannesburg.

"Now is the best time to buy, the right time to invest in diamonds - not when the price is high," Mr. Katz says.

"According to the Herald Tribune the price of a one-carat blue white Diamond (D) was approximately $80,000 in October 1982. Ten months ago, six months ago it was $144,000 a carat and recently $360,000 a carat. Gold and diamonds are both down at present, but we believe that diamonds will appreciate soon.

Mr. Katz advises mavericks to go for D, E and F - blue white, white and top white - because as mud that price is high.

For the man in the street the recommended para stones are - top, white, silver and light Ceylon and South Sea pearls. These are affordable.

"Gold and diamonds are both down at present, but we believe that diamonds will appreciate soon.

"Diamonds are a gem of an investment, they are the most balanced of all assets. They are a hedge against inflation. "Diamonds move with the general increase in prices in America and they have been going up on the same scale. We expect the American economy to grow and this will inevitably lead to a rise in the price of diamonds again," he says.

"Gold is not a commodity when buying a diamond, it is in form of a precious metal and gold is a commodity when buying a diamond," says Mr. Katz.

One of the main reasons for the fall in prices is the overproduction of diamonds by the South African government, which has resulted in a glut on the market. Tension between the South African government and the diamond industry has also contributed to the decline in prices.

"The industry is not a vast one in order to the US diamond trade, a selection of that amount of capital into the market place has led to a fall in prices," says Mr. Katz.

"How long is it well take the South African government to approve all the various applications made by the companies to be seen, but it is bound to have a positive effect as far as the US price is concerned. There will be an increase in confidence," Mr. Katz says.

The current price of a one-carat diamond at the New York market is about $120,000.

The Certified Diamond Exchange in New York has continued to trade for the last six weeks.

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Weather slashes marine diamond profits

Own Correspondent

JOHANNESBURG. - Theron Holdings, involved in marine diamonds, Katz and Lourie and fishing, has reported a 54.6% fall in taxed profit for the six months ended December 31, to R2,253,939, from R4,155,152, and the dividend has once again been passed.

Earnings a share dropped to 20.5c from 48.1c, and Theron says "whether the company can achieve or better last year's earnings of 78c a share is greatly dependent on weather conditions and recovery in the diamond market."

The diamond operation, Dawn Diamond Company (Pty) was heavily hit by adverse weather conditions off the West Coast, which reduced days available for diamond recovery operations by 36%, compared with the six months to December 31.

In addition, prices obtained for uncull diamonds dropped by an average of 6.4% over the period, although financial director Mr. Lloyd Adlem says there has been an improvement in prices, starting in the last week of January, but not to the previous high levels.

The weather remains a factor outside the control of the company, and no significant hardening of prices is foreseen.

The company's research vessel, the JAD, is operating satisfactorily, says Mr. Adlem, and has produced some "interesting results" further off the coast than the current working area.

The diamond operation remains a major contributor to Theron's earnings, and recoveries have improved significantly, with recoveries in January and February exceeding 7,000 carats, compared with a total of 12,722 carats recovered in the first six months.

Mr. Adlem says the company recently acquired diamond rights on the Namibian coast, as far as the Kunene, and the area is presently being evaluated to determine recovery techniques.

The granting of Concession 13 adjacent to Doring Bay on the West Coast is still the "million dollar question", says Mr. Adlem, as Theron has been applying for this particular area since 1977, and the result of the tender has not yet been disclosed.

The Concession 13 area is believed to be underlain by considerable amounts of diamondiferous material.

Mr. Adlem says the group is quite happy with its 76% investment in Katz and Lourie, which has, in fact, exceeded expectations. Katz and Lourie is embarking on an expansion programme which should increase its contribution to Theron.

On the fishing side, restrictions on hake and sole quotas resulted in Ousenuk Fishing Company's trawlers being tied up in October last year, and were capable of only three months trawling during the first half of the year.

Mr. Adlem says the ultimate aim is for the fishing division to form the third major arm of Theron, alongside marine diamonds and Katz and Lourie, although this is still some way off.

Trawling capacity has been increased and land and buildings have been acquired at Mossel Bay. Ousenuk is expected to significantly increase its contribution to Theron's earnings over the next two years.
mentally deny they collude to fix its price. Officially they have no diplomatic or economic relations. But investigation reveals considerable evidence of secret meetings in London, Paris, and Amsterdam.

From his fortress-like headquarters at 44 Main Street, Johannesburg, the man who presides over the world's largest mining empire is Harry Oppenheimer. Most of the Western world's wealth, gold, and platinum comes from a South African mine, controlled by his Anglo-American company.

And its sister company, De Beers Consolidated Mines—whose chairman is also Harry Oppenheimer—totally dominates the world diamond trade.

Oppenheimer's business enterprises and connections are rarely questioned—partly because the Anglo groups keep its affairs shrouded in secrecy.

"I think the South African diamond trade is a hard job," said a former employee of the De Beers Corporation, "but it is also a very interesting job."

The Russians also keep their activities on the world's gold, diamond, and platinum markets as secret as possible.

**Punishment By Death**

Figures for Soviet gold production have been state secret since 1926 and it is still an offence punishable by death even to collect newspaper cuttings from the official Press on gold.

At the Soviet Embassy in London, the Deputy Ambassador, Vladimir Bykov, indignantly denies any suggestion of cooperation with South Africa.

But a funny thing happened at the Bolshoi Theatre in Moscow last November. Among the full house at a performance of a new opera by Sharpeville, the South African's most successful of all time, was a Russian opera-goer. He wasHarry Oppenheimer himself. When I asked him about his visit to Moscow, he replied, "I couldn't resist the opportunity to see the Bolshoi Theatre." The performance had been heavily advertised, and the crowd was enthusiastic.

"At the Soviet Embassy in London, Vladimir Bykov at first professed ignorance of Gordon Waddell's visit, then assured me that there were no business negotiations with him as a South African citizen, then suggested he be regarded as the representative of a multinational company." When I reminded him that Anglo-American was a company incorporated in South Africa and that Waddell was a South African citizen, and there are officially no ties at all with Moscow he replied, "Perhaps he went there as a tourist? Why not?"

Mr. Waddell himself was for the meeting. As he made his way to Moscow, he was accompanied by his cigarette holders, in his eyes, a "No, thank you very much. I have nothing to do just go away."

It turns out that the meeting was just part of a network of ties and institutional contacts between the two sides of the world's diamond and platinum markets. The connection is being kept secret until now.

Over diamonds there is considerable evidence of collusion to fix the world market and keep the price of goods high and unchanging. Most recently, the company that owns De Beers, the Anglo-American, has announced plans to reduce production.

The company controls the market by buying up most of the world's supply of newly mined diamonds and regulating the price. The price De Beers sets when it sells rough diamonds to the trade has gone up 25 percent since 1949 and has never fallen—only the amount of diamonds offered has varied with world demand.

"We're well informed and we're prepared to stock diamonds in bad times and sell them in good times" says Harry Oppenheimer.

It seemed the South African company's monopoly of control of the world supply would have been ended when the Russians first discovered significant quantities of diamonds in Siberia 25 years ago.

But Harry Oppenheimer's cousin, Sir Philip Oppenheimer went to Moscow, and he persuaded the Russians to sign a contract to sell their rough diamonds to De Beers, who would then market them.

The level of opposition was high. The meeting was considered impossible for the Russians to be seen to be doing profitable business with the land of apartheid.

In 1955, the Soviet Union publicly repudiated its diamond contract with De Beers. For a time, the Russians tried to go it alone, but it did not work.

It turns out that the meeting was just part of a network of ties and institutional contacts between the two sides of the world's diamond and platinum markets. The connection is being kept secret until now.

On the other side, the Russians had become the world's largest diamond producers. They had also become the world's largest diamond consumers. And now they were the world's largest diamond exporters.

The new system worked. The price of goods went down 25 percent since 1949 and has never fallen—only the amount of diamonds offered has varied with world demand. "We're well informed and we're prepared to stock diamonds in bad times and sell them in good times" says Harry Oppenheimer.

It seemed the South African company's monopoly of control of the world supply would have been ended when the Russians first discovered significant quantities of diamonds in Siberia 25 years ago.

But Harry Oppenheimer's cousin, Sir Philip Oppenheimer went to Moscow, and he persuaded the Russians to sign a contract to sell their rough diamonds directly to De Beers, who would then market them.

The level of opposition was high. The meeting was considered impossible for the Russians to be seen to be doing profitable business with the land of apartheid.

In 1955, the Soviet Union publicly repudiated its diamond contract with De Beers. For a time, the Russians tried to go it alone, but it did not work.

Secretly, contacts were restored. The Russians realized that De Beers had more expertise in their little field when they are likely to have in a lifetime," says Timothy Green, author of The World of Diamonds.

What happens to the South African diamond trade? I understand there is a top-secret contract, under which the South African company agreed to buy most of the gem diamonds the Russians produce.

The Soviet Union receives guaranteed payments of hundreds of millions of dollars a year. One of the charges is the London Merchant Bank, Hansa, and 20 diamond companies—one of them, called Consolidated Gems, has offices conveniently next door to De Beers.

Diamond merchant Arnold Katzen, told me, "When we went to buy from De Beers, we were always offered a certain amount of rough diamonds by Russian origin. You can tell by its characteristics where the rough comes from—so one knows De Beers are marketing Russian rough."

One of the most senior Anglo-De Beers executives told me that Harry Oppenheimer himself was due to fly to Moscow for a secret meeting. His plane had been arranged by the De Beers man in Paris with first-class contacts with the De Beers man in Moscow. The trip was abruptly cancelled for fear of the news leaking to the press.

Those people who deal regularly with Moscow refer to themselves as "Russian-run".

Deputy ambassador Bykov solemnly binned when I asked him about the meeting.

"Our representative talked to him as a businessman, not as a South African businessman."

It clearly takes a particularly able mind to see Harry Oppenheimer, born and brought up in South Africa, as anything other than a South African businessman.

As with diamonds, the world market for platinum is totally dominated by Russia and South Africa. Together they produce 85 percent of the world's supply. As one of his 60 direct employees in South Africa, Gordon Waddell is chairman of the company that runs the world's biggest platinum mine.

By jointly agreeing...
Evidence of secret marketing links between Johannesburg and the Kremlin are disclosed

In the River Room of the Savoy Hotel in London each May, long spoons are obviously the required cutlery. The two sides which publicly regard each other as the devil incarnate sit down to sup together at the platinum dinner.

The dinner is organised by one of the big three London platinum merchants, Barry Safar, who invites the top producers and consumers from all over the world

Soviet trade officials and South African platinum producers sit next to each other at the top table. Two years ago, Gordon Waddell sat with Boris Gouyov, the London representative of the Soviet platinum and diamond marketing organisation.

A recent secret meeting in Oslo provides further evidence of collusion over platinum between the Russians and the South Africans.

"The meeting between them took place in Oslo, because the Russians did not particularly want to be in the position of having to invite the South Africans to Moscow," says Prof. Wilham Gutteridge, a British specialist in Soviet policy in Africa with top-level contacts in both Johannesburg and Moscow.

Illustrations

"It was an international meeting which dealt among other things with the supply of platinum. And it appears the Russians told the South Africans they were opting out of the world platinum market for the time being. Presumably they parted with the information in order to ensure the world platinum market would not be subject to wild fluctuations."

It is over gold the two sides have the most obvious interest. Under cooperation, between them the two sides produce 80 percent of the metal. Both sides want what they call stability, which means a high and ever-increasing price of gold.

They passionately want to avoid the recent extreme volatility in the gold market with the price jumping and falling sharply, and costing their exchequer hundreds of millions of dollars a year.

Most of the gold--Russia and South Africa produce each year in gold through the Zurich banks. Both sides find the Swiss bankers' reputation for confidentiality and secrecy admirably suited to their purposes. One of Harry Oppenheimer's top executives told me: "We use the same bankers and the same lawyers as the Russians. Zurich is where both sides can learn about each other's intentions, because Switzerland we can all trust."

Dennis Etheridge, the head of Anglo American's gold division, denies collusion but added: "If the bankers in Zurich or London were to say to the South African bank 'Look, the Russians are heavy in the market', that would cause the South Africans to hold back."

In a spectacular "dawn raid" on the London Stock Exchange last year Harry Oppenheimer acquired a major stake in the Consolidated Goldfields, the parent company of the South African mining group that runs the most profitable gold mine in the world. Oppenheimer had acquired a unique new Russian connection.

After the Bolshevik revolution Lenin had invited Consolidated Goldfields back into the Soviet Union to help run the mines they had previously owned.

Though the mine was expropriated by Stalin, Consolidated Goldfields have become experts in the West at unraveling the mysteries of Soviet gold in their annual surveys.

Last September, six months after Harry Oppenheimer's dawn raid, a three-man delegation from Consolidated Goldfields went to talk to the Foreign Trade Bank in Moscow.

Minister of Foreign Trade Bokataysays their aim was to collect information for the gold survey and to learn about Soviet mining technology. He also revealed that Consolidated Goldfields talk regularly to the Soviet Bank in Zurich about gold prices.

Ian Wright, a former Consolidated Goldfields executive who now works as a gold mining analyst for a City of London stockbroking firm, retains close contact with his old company. He believes the Consolidated and the Moscow visit by Gordon Waddell two months later had the same purpose: "I would suspect they were talking to their counterparts about the price of gold--and whether it was possible to conduct an orderly, market along the same lines as De Beers has done so well in diamonds."

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to this kind of altruistic motivation was 8% saying that the country needed more doctors. On the other hand the attraction of the financial security and status of a doctor attracted some. Altogether 26% mentioned one or other of these two reasons as grounds for deciding to take up medicine, while a further 9% said that for people of their race there were limited opportunities for alternative professional careers. It was most African students (who are a more depressed group compared to Indians) who mentioned this. Over a half of all students mentioned these kinds of reasons as a reason for the large number of the Indian students. Few students interviewed said that they took because of their parents' wish (these were at 1% all Africans) who mentioned that bursaries were available for medical training and this had a while 2% said they had been inspired by a doctor's example. The remaining percentage gave various reasons.

3.3. Aspects of a Future Career in Medicine which Appealed to Students

We questioned students about the types of future career that medicine appealed to them. Mentioned most frequently was the reason that appealed to them most of all about a future career in medicine was in helping others, with 51% mentioning this. A further 22% mentioned as their first choice the associated reason being able to deal with patients. Other aspects which attracted attention were, in order of frequency of mention, the challenging and stimulating nature of the work; being able to do scientific work and/or research; and being in a secure and lucrative profession (a quarter mentioned this).

To sum up, while there is a strong altruistic element in the reported motivation of the students, it was also evident that in some cases the financial security and status offered by medicine were an inducement, and other less frequently reported aspects related to the nature of the work and the challenge

3.4. Students' Views on their Medical Training

In general these findings are similar to the American study by Becker et al. (1961)

3.4. Students' Views on their Medical Training

The views of students on various aspects of their training in the Medical School were obtained, and were generally favourable. However, as can be seen from the students' comments, the overall impression of the quality of the training was not always positive. The students were asked to comment on the quality of the training they received in the Medical School. The comments varied widely, with some students expressing great satisfaction with the training, while others found it lacking in certain areas.

3.5. Students' Views on the Socio-Medical Problems of Encounter as Doctors

The students were questioned as to the type of problems they envisaged they would have to face
Diamond Company Seeks Urgent Investigation Into Its Affairs

By Ken Yaw

Gems Confiscated

Gemstone...5th Floor

3rd Floor

2nd Floor

1st Floor

Ground Floor

Entrance

Office

Meeting Room

Laboratory

Warehouse

Storage Area

Cleaning Area

Sorting Area

Packaging Area

Shipping Area

Back Office

Employees

Clients

Suppliers

Bank

Police Station

Government

Media

Public

Investigations

26

S. Tipton 1/4/8

1/24/8
Messina buys out Dutch company

Finance Reporter

THE Messina (Transvaal) Development Company has acquired a 73 percent interest in Counting and Mining Enterprises, which owns the Goodhope diamond mine in the Bartly West area of the Cape. Messina acquired its shareholding at a cost of R1 million from Handelsmaatschappij Toenniessen BV of Holland. The balance of shares is held by Dr J. J. Scholtz, the mine's general manager.

The Goodhope diamond mine has been in operation for three years, producing good quality gemstones with a size range from one quarter to three carats.
possible

Messina

near 2½

Diamond

by John Mclnery

De Beers chairman Mr. P. H. Girdwood, speaking at the annual meeting of the company, claimed that the Indian and Australian diamond fields were of "world-wide importance". The chairman said that the company had been forced to reduce its diamond production in the world market. But he added that the company was still able to maintain its position as the world's leading diamond producer.

The chairman also announced that the company had decided to invest $10 million in the construction of a new diamond mine in South Africa. He said that the mine would be ready for production in 1958.

In other news, the company announced that it had discovered a new diamond deposit in the Kimberley area of South Africa. The deposit was estimated to contain 100,000 carats of diamonds.

De Beers has warned that the shortage of diamonds in the world market is likely to continue for some time. The company said that it was prepared to meet the demand for diamonds by increasing its production.

The chairman also announced that the company had signed a new agreement with the government of South Africa to supply diamonds to the military.
The established policy of the CSO is to maintain stability in the diamond market

Mr. H. F. Oppenheimer

Chairman's statement

An abridgement of Mr. Oppenheimer's annual statement.

In the middle of 1980 the boom conditions experienced during the last seventeen years came to an end. In the early part of the year, however, speculation on the largest sizes of diamonds still continued and the premiums above the selling prices which were being realized in these classes of stones in the secondary markets made it necessary for the CSO in February to increase substantially the price of rough diamonds above one carat in weight. The demand for smaller sizes was however already showing signs of falling off and in the second half of the year, a weakening of the market generally became apparent. In spite therefore of the February price increase, which amounted to an average overall rise of about 12 per cent, total sales by the CSO in the US Dollar (the currency of sale) increased by only $123 million, or 5 per cent in 1980, while sales in Rand actually declined by R50 million to R714 million owing to the 11 per cent appreciation in the value of the Rand against the US Dollar. Since the end of 1980 the market activity in the cutting centres has further weakened and it has become necessary for the CSO, in accordance with established policy, to reduce its offerings to the market substantially in order to maintain stability.

These difficult conditions are due not so much to any serious decline in the demand for diamonds as to the effects of unjustified speculation and the boom years in the cutting centres. The consumption of diamond jewellery during 1980 was a record and therefore there was some falling off on account of the speculative conditions in the second half of the year. Retail sales were better than Christmas than had been expected and are still running at a satisfactory level. Early in 1980 speculative activity continued, however, speculation in the cutting centers in diamonds at premium prices having been largely based on bank credit, assumed alarming proportions and as long ago as my statement of March 1979 I drew attention to the obvious dangers of such a situation when a downturn in the market came about. It was what has now happened and the fall in retail demand from its previous exceptionally high level, coupled with unexceptionally high interest rates and pressure on diamond dealers by the banks in order to reduce the speculative activities in the first place, have combined to undermine confidence in the cutting centres. However, retailers have reduced their stocks of polished diamonds to reasonable proportions though undoubtedly some losses will be incurred in the process and a lack of rough diamonds in the trade are not excessive but in view of the large stocks of polished diamonds, the CSO as I have mentioned, is carrying out its traditional function of reducing the quantity of goods offered to its customers in order to assist the market to recover its balance. In particular, the CSO is witholding from sale the largest diamonds of high quality which were the prime quantities on the market when the industry was recovering in 1975 and 1976. These are not available because they have been included in the trade for the longer run such goods are rare and desirable and we are by no means concerned at stockpiling them.

Apart from supporting the market by a very conservative sales policy we are taking steps to improve conditions by stepping up our advertising and promotional campaigns which are now active in 24 countries. Our South African, South West Africa/Namibia, Botswana, Tanzania and Zululand sales contracts expired at the end of 1980 but agreement has been reached to renew them for a further period of six years. We are thus assured that the established structure of the trade will be firmly maintained, something which is obviously a matter of special importance when we are at present going through difficult times.

The industrial diamond market felt the impact of the general economic recession in the second half of the year but has not been affected by special difficulties such as those experienced by the gem market. Sales of industrial diamonds, both in volume and value were at about the same level as in 1979. The Group's net attributable profit for 1980 (excluding the attributable undistributed earnings of associated companies which have been included in the profit for the year) was R58 million in 1979. However, the undistributed earnings of associated companies are taken into account in the profit for the year. At R58 million, the Group's undistributed earnings exceed the corresponding figure for 1979 by R20 million. The net diamond mining account was less by R146 million than in 1979. The inclusion is accounted for partly by the weaker market conditions and partly by an increase of R123 million in mining expenditure. Investment income at R147 million, was higher by R6 million. Dividends on our deferred shares at 75 cents was higher by 2.5 cents than last year.

Allowing for minority interests, the total value of net investments, loan levy at R129 million and net current assets attributable to De Beers at R935 million was now still held for the previous year. A further increase in Group production is expected this year from Namibia.

Prospecting work is being continued on a large scale during the year. In the northern Transvaal, there are prospecting, under an agreement with the government of the Republic, a number of diamondiferous kimberlites on the farm Vaal. The results so far are encouraging but it is too early to assess the economic significance of these pipes. The resumption of the dormant Voorspoed mine has been completed with disappointing results. I drew attention last year to the importance of the investments De Beers has made outside the diamond industry. Our revenue from these North American operations in 1980 amounted to R147 million compared with R36 million in 1979. The income from these diversified sources is obviously a particular value in times when the diamond market is weak and contributes greatly to the overall stability of the Group.

The Group's co-operation with Anglo American, Charter Consolidated Limited and Minerals and Resources Corporation Limited (leases) in the volume mining of Monarch by concentrating in it a major part of De Beers and Anglo American's non-South African holdings in the Kibara area. De Beers is, in that exchange for its holdings in Consolidated Gold Fields and Anglo American Corporation of Canada, it has taken an additional 21,307,285 new shares in Monarch thus increasing its interest in the company to 23 per cent. Monarch has been successfully managed by these transactions both in terms of the total value of its assets which is now in the order of R2 billion, and by substantially increasing its dividend income. De Beers and Anglo American have cooperated over some years in the development of Monarch as a substantial independently managed group through which they might conveniently expand their investments on an international basis with special reference to this stage to investment in South Africa. Monarch as now expanded will be very much better equipped for that purpose.

During the year we have continued to take efforts to improve wages and working conditions for all our employees. Training and training facilities for mine workers have been regarded as matters of the highest importance and a number of reviews and major improvements have been and are being undertaken. Amenities also continue to be improved for employees resident on the mine properties.

It is with deep regret that I must record the death, on 12th June 1980, of Mr. A. Wilson, who was a Director of De Beers for thirty years. Mr. Wilson, who was a Director of De Beers for thirty years, was esteemed by all for the great and effective service he has rendered to the Group and was respected and regarded by us all in the highest degree and in the best possible light. His intimate knowledge of all aspects of the diamond industry, his reasonable nature and his understanding of all matters with which he was closely concerned will be greatly missed by Mr. P. R. Leyden and Mr. A. F. Oppenheimer who were appointed to fill these vacancies in his absence.

The 1980 report and chairman's statement are obtainable from Consolidated Share Agency, 62 Marshall Street, Johannesburg 2001

DE BEERS CONSOLIDATED MINES LIMITED
DE BEERS

Costing the downturn

Activities: World’s principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation. Investment portfolio includes 39.4% of Anglo American. De Beers is itself directly and indirectly 30%-owned by Anglo.

Chairman: H F Oppenheimer

Capital structure: 339.8m deferred shares of Sc, 800 000 40% cum owners of Rs, 2.9m 8% second cum owners of R1 Market capitalisation R2 250m

Financial: Year to December 31 1989

Orthodox long- and medium-term, R61.3m, Net cash R615.6m Current ratio 1.5 Net cash flow R299m Capital commitments R418m

Share market: Price 905c (1989-81)

high, 1 400c, lot. 880c, trading volume last quarter, 2.7m shares

Yields 20.6% on earnings, 8.3% on dividend Cover 2.5% PE ratio 4.9

De Beers’ diamond operations went through a progressively difficult time last year. And though chairman Harry Oppenheimer has some postive things to say about the diamond market, it is unlikely that there will be any significant improve in diamond sourced profits this year.

Last year’s sales and profits had the full benefit of the 13% price increase of September 1979 and, to an extent, they were helped by the February 1980 price increase for larger stones which boosted overall prices — in dollars — by 12%. But that was far from enough to overcome what appears to have been a significant sales volume decline and the debilitating effect on rand-denominated profits of a weakening dollar against the rand. If anything, things will be worse this year.

Oppenheimer’s optimism is based on the fact that retailers who have reduced stocks will soon have to replenish them. That, however, may be some time in coming. Recessionary conditions led to a slackening of sales in the second half. And though, for example, the US economy grew relatively quickly during this year’s first quarter, it seems to be running out of steam and could well show negative growth in the second and third quarters. The influence of that on retail diamond sales and restocking by retailers is obvious.

De Beers’ Oppenheimer... prematurely confident?

Even if retailers do restock to any great extent, the effect on CSO sales and De Beers could be limited for some time. Deliveries to the retail sector will come first from cutters’ stocks, which are still too large. So it seems likely that the reduced offerings, which have been in effect at the CSO’s first few sights this year, will continue for several months.

Then there is the question of prices. Last February’s increase was for larger stones, just the material the CSO is now withholding from the market. If they are meeting some market resistance, and demand for smaller stones is highly susceptible to economic conditions, there is little reason to expect much in the way of price increases this year. Not that that need be a bad thing for De Beers itself. The rand is well down on last year’s levels, so even if dollar prices levels peg, rand prices and revenues should be helped.

De Beers’ major problem this year and, next, however, will be the funding of stocks. Sales volumes are down and southern African production is rising. Finsch’s production should be at least 25% higher than last year’s 2.9tm ct. Jwaneng is due to start production next January, and further production increases are in the pipeline at Orapa and Lethakane.

These increases may be offset by lower output at CDM and from the Namaqualand mines. But by 1985, the group is scheduled to be producing at an annual rate of 16m ct against last year’s 14.7m ct.

So unless the market for rough diamonds improves fairly rapidly next year, the group could be in for a protracted period of stockpiling. Last year, diamond stocks rose to R697.7m (R409.3m) while cash holdings, which were partly depleted in the rand on Cons Gold, dropped to R774.4m (R579.7m).

Since the end of the financial year the Cons Gold stake has been swapped for an interest in Minnorco Thata could lead to something of a drop in dividend income, but for the present it is unlikely to result in any calls for funds as happened last year with Cons Gold. Minnorco has been put on a sufficiently firm footing to be able to fund its own operations. But can still fall back on Anglo and De Beers if necessary.

During the same period, higher investment and interest income helped offset part of the diamond account income drop. But that is not likely this year. As cash holdings fall, interest income will be lower or despite higher rates available. And though large parts of the investment portfolio’s non-gold component should post higher dividends this year, lower gold-sourced income will probably have a more than offsetting effect.

Though the diamond market is in the doldrums, prospecting expenditure is almost certainly set to increase. And within the next few years it will be no surprise if some relatively heavy capex is incurred at the several unexploited pipes the group has in the northern Transvaal and in Botswana, near the Namibian border.

On the Zoutpansberg farm Venetia, which is owned by Anglovaal, a sampling plant is to be erected this year to examine the cluster of kimberlite deposits found in the area. And, willy-nilly, additional funds may have to be committed to Australia. The group has its own prospecting programme there and could well try for a stake in deposits being examined by other mining companies.

It all adds up to a fairly pedestrian year for dividends. De Beers will not be count- ing its coppers, but it is unlikely to be unnecessarily generous to shareholders until the market is well out of the woods.

Jim Jones
De Beers warns Zaire on CSO deal

FRANKFURT — Failure to reach agreement between De Beers Central Selling Organisation and Zaire on a marketing contract for Zaire's diamonds is not of vital commercial interest for the company, says a director of De Beers Consolidated Mines, Mr. Philip Oppenheimer.

He told analysts he would not expect this to lead to other producers following suit.

He warned that a move away from the CSO could be unfortunate for Zaire.

Zaire needed guaranteed prices and sales, and without them it would be doubtful if it would get International Monetary Fund loans.

Mr. Oppenheimer said the CSO had had a contract with Zaire for 14 years to buy its total diamond production.

However, President Mobutu Sese Seko decided recently that Zaire should handle sales of all its minerals.

Mr. Oppenheimer said negotiations were under way to see if Zaire's diamond sales could still be channelled through the CSO.

Zaire's position would be influenced in future by the emergence of Australia as a large diamond producer.

Another De Beers director, Mr. Julian Ogilvie Thompson, said the percentage of diamond jewellery sales in proportion to total sales of jewellery was rising.

Consumer demand last year reached record levels in value terms and in terms of pieces and carats was second only to 1979.

Signs were that prices in the diamond markets were bottoming out and steadying. He expected a year or two of quieter growth in the market — Reuter.
Dominion sells 2 mines
and hopes for JSE listing

By DAVID CARTE
Deputy Financial Editor

DOMINION Mining, the controversial salted mining company, is to sell its two diamond mines to Ochta Holdings for R4.5 million and then propose obtaining a listing on the JSE via reverse takeover of an unnamed listed company.

These proposals were revealed and approved, despite argument, at a general meeting of shareholders on Tuesday.

The chairman of the company, Mr John Stephens, said Dommon was selling its two mines, valued in the most recent balance sheet at more than R4-million, for only R1.9-million because it lacked the "huge capital injection" required to make them profitable.

He said negotiations were at an advanced stage for Dominion to obtain a listing on the JSE through reverse takeover of an unnamed, listed industrial company.

Mr Stephens told me yesterday the reverse takeover was practically "signed, sealed and delivered".

He had already been appointed to the board of the victim company and this would be announced soon as he supplied a picture of himself. He said the listed company was a going concern, earning a taxed profit of about R190 000.

"With the R1.9-million we shall have in cash after selling our two diamond mines, we shall acquire, partly for cash, partly on loan account and partly for shares, a profitable financial and industrial companies.

"Once this is done, we reckon the company will be worth R4-million again and we shall have made good our capital loss on the mines."

Mr Stephens estimated that the proposed acquisitions would earn R800 000 after tax and that together with the R1.9-million already being earned by the listed company, the reconstructed company would make R1.6 million after tax.

He was quite confident the JSE would approve the move.

He would neither confirm nor deny shareholder speculation that the listed company was Hugo Parker, the Pretoria furniture company.

Another resolution at the general meeting liquidated a R1.250 000 loan account of Josco Holdings for the issue of 500 000 new shares in Dommon at R2.50 a share. Mr Stephens is the sole proprietor of Josco Holdings.

Before this, Mr Stephens had no stake in Dommon, although over several years, he frequently solicited funds from the public, describing the diamond prospects in the most glowing terms.

Over the years, Mr Stephens told me yesterday, shareholders had put about R4-million into Dommon. He acknowledged that to date they had received nothing from the company, except for the R1.9-million now being offered by Ochta.

In 1979 the company lost R371 000. Major expenses were salaries, wages, commissions, emoluments and directors fees of R369 000 and legal fees of R4 000.

The company has yet to produce an annual report for the year ended June 1980 but Mr Stephens said another loss had been sustained. He could not remember the extent of the loss but it was about R490 000.

A spokesman for the auditors, Norman Sifros & Co, said permission had been obtained from the Registrar of Companies to produce the accounts late because "the firm went through two different bookkeepers in 1980 and it took a long time to sort the accounts out."

He said the accounts would be posted to shareholders before the end of June — a year late. He said the 1981 accounts would not be so late.

Several shareholders at the general meeting said dejectedly about the sale of the mines that should have been deferred until the accounts were ready but they were over-ruled.

Over several years Dommon has solicited funds from shareholders for its "outstanding" Blaauwboech and New Elands prospects near Boshof in the Free State. It claimed its Blaauwboech pipe, which had produced stones of 20 carats, was "the 19th biggest in the world" and had "enormous reserves".

Apart from the exciting pipes, both mines had "massive fallings dumps containing thousands of carats of diamonds"

Today, although diamonds worth only R210 000 have been recovered since the reopening, the chairman still describes the mines as "illustrious."

He says they were leading quoted stocks at the turn of the century and were closed only after floods and "muddrakes" — Blaauwboech in 1906, and New Elands in 1974.

In 1979, the chairman told newspapers Swiss interests had bid R4.5 million for the mines and that Belgian interests were keen to invest R2.3 million.

As recently as January 22 this year, shareholders were told in a letter that "small diamonds of high quality" were being recovered at Blaauwboech mine, that the New Elands main pipe was a "consistent producer of good quality diamonds", that the Falk Shaft had given the company access to "another source of diamonds ready to be tapped."

The "most exciting news", for shareholders four months ago was that the company had begun to extract fission on an open-cut basis at New Elands and it is a proven geological fact that diamonds from fissures are larger and of higher quality than from the main pipe.

"Using just one machine, we took out sufficient lovely stones to encourage us to arrange for purchase of more heavy earth-moving equipment", said the letter, and the company was looking forward "to some very pleasant surprises."

Mr Stephens said yesterday he was highly optimistic about the mines as recently as four months ago but it only very recently became apparent that a large injection of capital was required to bring them to profitability.

"I sincerely believe the mines are worth R4-million. They are definitely worth more than R1.9-million but that is all we could get for them. Remember, there were a limited number of cash bayers."

"Ochta has bought a fantastic proposition and after it has spent about R5-million, will do very well out of them. We just did not have the resources to carry on."

RAND DAILY MAIL, Wednesday, May 13, 1981
CSO bid to save Zaire deal

By NEIL BEHRMANN

LONDON. - Executives of the Central Selling Organisation have met with Zaire's State-controlled mineral marketing agency, Sarocam, in an attempt to salvage a 14-year agreement to market Zaire's diamonds.

It was a paradox, but De Beers hopes Zaire will realize that it needs the CSO more than the CSO needs it. Zaire has signed contracts to sell diamonds directly to several Antwerp dealers and an industrial diamond dealer in London, instead of through the CSO, the De Beers marketing arm.

Although Zaire is the world's largest producer of industrial diamonds and produces sizeable quantities of gems dealers said a decision would have a negligible effect on a diamond market which continues to be depressed.

Zaire has signed contracts with Antwerp dealers Caddi and Glasdal and with Industrial Diamond Company of London.

Although all firms confirmed that they had signed contracts with Zaire, they refused to discuss details. They acknowledged that they had signed "blank contracts" with Zaire, indicating that there had been no firm sales arrangements.

A CSO spokesman said the organization was negotiating with Zaire.

Under the previous marketing arrangement, Zaire's major diamond producer sold its full production through the CSO.

Last year Zaire produced more than 8 million carats and it is expected to produce about 6 million carats in 1981.

Over and above that output, the CSO bought about 2 million carats from independent diamond diggers through buying offices in Brazzaville and Bujumbura in Burundi.

A large proportion of Zaire diamonds, estimated to be 1 million to 3 million carats, is also smuggled out and the CSO has been buying these diamonds, mainly in Antwerp, for years.

Dealers believe that Sarocam intends selling 25% of its production through the CSO, leaving the remaining share to the three independent dealers.

In Washington a spokesman for the Zaire Embassy confirmed that Sarocam planned to market diamonds independently of De Beers.

The CSO seems to be taking an "all or nothing" attitude.

A De Beers director, Sir Philip Oppenheimer, said that all diamonds should pass through the CSO and that the sales should not be split between various parties.

He said failure to renew the agreement was "not of vital commercial interest to the company" and the break from the CSO could have unfortunate financial consequences for Zaire because it needed guaranteed prices and sales.

A dealer said the Zaire diamonds were poor-quality stones averaging $10 a carat, indicating annual sales of $80 million to $800 million.

Another London dealer said that the mood in the diamond market had begun to improve in April, but the latest bout of interest-rate increases had dampened enthusiasm.

The diamond sight, or sale, which was held in London last week was small and was about the same volume as the March and February sights -- about 60% lower than the January sight.

Some diamonds continued to trade at a 5% to 10% discount to CSO quotations.

A polished-diamond dealer in Antwerp said the market, especially for large stones, remained depressed. Cutters in Antwerp had cut off 30% to 50% of their staff over the next 12 months and a junior salary prevailed at 761 Anv.

Dealers were reluctant to build up stocks because interest rates had made stockholding costly.

Dealers believe that the CSO will continue to keep offers low when it holds its next sight in June.

All these factors indicate that the CSO is stockpiling a relatively large quantity of diamonds, and that 1981 first-half CSO sales in volume and value terms could be much lower than analysts expected...
De Beers action brings firming in diamonds

ACTION taken by the De Beers Central Selling Organisation (CSO) has resulted in a marked firming in the diamond market, according to the Certified Diamond Exchange's (CDE) John Lebowitz.

In December 1980, the CSO reduced the amount of rough diamonds being made available to the cutting trade. The European sights were reduced by more than 60% and the Israeli sights by almost 100%. In South Africa, cutters were given the option of taking their sights in full or in part. As a result, many of the local cutters did not take any rough, while others took only part of their normal allocation.

The reason for this cut-back was to reduce the amount of diamonds being pushed on to a market which was already saturated because America and other traditional outlets had not taken their normal volume of stones as a result of the economic recession.

In addition, De Beers indicated at the end of March 1981 that it would, for a period, be withholding from the market all rough in the top white grades of three carats and over.

As this is the material from which one-carat polished diamonds are produced, the CDE sees this as another step by the CSO to support that portion of the market which has already experienced the most extreme price drop.

"The effectiveness of these measures," says Mr Lebowitz, "has become evident as prices have firmed considerably and trade has been reasonable under the present market conditions."

In reporting that prices have firmed, the CDE implies that the incredible bargains that have been available seem to have been snapped up and that the asking prices for specific goods in the trade are now within closer limits but are nevertheless nowhere near the levels they reached six months ago.

The strengthening of the dollar against the rand is also having an effect on local prices. "Over the past two months the difference in the rate of exchange between these two currencies has had the effect of increasing the prices in South Africa by about 8%."

By John Spira
De Beers to cut back production

By JOHN MULCAHY

DE BEERS Consolidated Mines has decided to put into effect plans to reduce diamond production, in view of the depressed state of the diamond market.

The chairman, Mr Harry Oppenheimer told shareholders at the annual general meeting in Kimberley yesterday that the weakness in demand for diamonds in the cutting centres had intensified, with sales at a low level, and De Beers were accumulating stocks.

"We do not anticipate any improvement until well into the second half of this year."

In his annual report published in April, Mr Oppenheimer confirmed that the Central Selling Organisation was substantially reducing its rough diamond offerings to the market.

He said at the time that the difficult conditions were due not so much to any serious decline in the consumer demand for diamonds as to the effects of unqualified speculation after the boom years in the cutting centres.

Mr Oppenheimer strongly criticised the speculation which developed after 1970 at cutting centres in diamonds, at premium prices financed largely by bank credit.

He also noted that diamond retailers had reduced their stocks and before too long would have to replenish them in order to meet the continuing consumer demand.

It would now appear, though, that the replenishment has not yet come, or has been to a lesser degree than originally expected.

Another possibility is that any increased demand from retailers has been satisfied from stocks in the cutting centres, and no effect has filtered through to the CSO or De Beers.

Mr Oppenheimer yesterday expressed confidence in De Beers' ability to weather the storm.

"The financial strength and diversified investments of the company enable us to meet these difficult conditions in the knowledge that we will be able to sustain the stability of the market and the price of diamonds until general economic conditions improve."

Unofficial reports recently indicated that CSO sights had been reduced by at least 40%, and the CSO sales for the first half of this year can be expected to be substantially down on last year. De Beers lost 98c on the JSE yesterday, to close at 99c.
De Beers to cut production

KIMBERLEY. — Diamond sales had remained at a low level since he had reported in the De Beers annual report that demand for diamonds in the cutting centres had weakened. Mr H F Oppenheimer, the chairman, said at the annual meeting of De Beers here yesterday.

"These conditions have continued and have intensified, with the result that sales have remained at a low level, and consider-

able stocks are being accumulated."

Mr Oppenheimer added that the company did not expect any improvement until well into the second half of this year.

"In these circumstances, we have taken steps to reduce or delay expenditure wherever possible, and have decided to put into effect plans to reduce production to some exten-
t. This will not involve any redundancies," he added. — Sapa

LONDON. — The depression in the diamond industry indicates that De Beers diamond sales are likely to be much lower in the first half of this year.

After a buoyant first quarter in 1984, sales of De Beers Central Selling Organisation (CSO) have been steadily slipping.

And dealers in the diam-

mond trade believe that the situation has worsened in the first five months of this year, while there are no signs that there will be an improve-
ment in June.

In the first six months of last year the CSO's sales of rough gem and industrial diamonds amounted to R256.7m. But in the second half sales declined by 31 per cent to R167.4m.

Estimates of three Lon-

don stockbrokers who specialize in De Beers place first half sales within the £700m to £800m range.

They say that sales would have been lower if the rand had not declined by 10 per cent against the dollar.

James Panton, partner of Capel-Cure Myers, says he would be surprised if sales reached £700m. But dealers are likely to in-
crease their stocks of rough diamonds over the next few months, and sales could pick up again in the second half.

For the year as a whole, diamond sales would probably be a little higher than R36m — about 25 per cent lower than last year.

Other brokers estimate that total sales will be about R1.8 billion to R2 billion — only 10 per cent lower than last year.

Diamond dealers tend to agree with the more pessimistic forecasts.

Their proviso is that De Beers has been able to ad-
just the books in the past.

But the diamond trade says that their market is as depressed as ever and the jump in US interest rates has caused the chances of quick revival.

At the latest sight held early in May, De Beers continued to offer fewer diamonds to dealers.

De Beers' marketing arm, the Central Selling Organisation (CSO) cut supplies by 60 to 70 percent at the February and March and May sights, below January levels (that sight was regarded as nor-

mal).

The CSO holds 10 sights a year, which are attended by about 300 dealers who are given pamphlet boxes to examine in private rooms. They must buy all the diamonds in the box or none at all.

The CSO has been cut-
ting supplies since last autumn because recession and high interest rates dampened enthusiasm for diamonds and precious metals.

Diamond dealers re-
ported that the CSO withheld almost all categories of Rough diamonds and the firm did not supply the expensive investment grade diamonds.

In some cases investment grade diamonds represent nearly a quarter of the total value of each box of diamonds which is offered to dealers.

Antwerp dealers said that the smaller allocations from De Beers have helped to steady the market, yet it continues to be weak.

A London diamond dealer said that the mood had begun to improve in April, but the latest bout of interest rate hikes had dampened enthusiasm once again.

An antwerp dealer re-
ported that some diam-

monds were trading at 5 to 10 percent discounts to De Beers quotes. Yet there was "more movement and small deals were much more active."

The dealer said that the European demand in the Far East had improved but he was worried that soaring US interest rates and the dollar would hinder the "light revival."

An Antwerp polished diamond dealer said that trade was slow. In the last 12 months Antwerp diam-

ond manufacturers had laid off 30 to 50 percent of their staff.

Tel Aviv was experiencing a similar problem. He said the market was very quiet and the sharp appreciation of the dollar against the Belgian franc had made diamonds costly for dealers.

This had affected dealers, manufacturers and the wholesale and retail jewellery trade.

In 1980, the Russians were dumping polished stones on the market at discounts to the Antwerp dealers. Yet in recent months Russian polished diamond sales have been poor as well. "Russian diamonds are priced in dollars and they are also expensive," complained the dealer.

Dealers were also reluc-
tant to build up stocks because of expensive finance charges.

They forecast that the CSO would withhold diam-

onds at the next sight, which will be held in June. — Neil Behrman

Why diamond sales are falling steadily

27/8/84
Anyone still entertaining doubts that 1981 will be one of the most difficult years faced by De Beers had best shelve his credulity. And there is probably little point in expecting a meaningful improvement until well into 1982 at the earliest. The urban public statements by the company and its marketing arm the Central Selling Organisation, appear to gloss over severe near-term threats to diamond profits and the CSO’s hold on about 40% of the world’s diamond trade.

At last week’s De Beers annual chairman Harry Oppenheimer dropped what was to many the bombshell that the firm was cutting production. He gave no figures, but a company spokesman concedes that an output reduction of about 5% is on the cards. Last year De Beers’ mines in SA, Botswana, SWA/Namibia and Lesotho produced 14.7m carats (ct) The as yet unchanged target is an increase to 18m ct by 1983.

According to the same spokesman the bulk of the cut back is likely to be borne by SWA/Namibia’s Consolidated Diamond Mines where extraction has become increasingly difficult. The last thing SWA/Namibia needs is a drop in diamond revenues. It provides Swapo with the spurious ammunition that CDMD uses exploitation of its coastal diamond concessions as an economic tool. But the tactic that political expedience is taking second place to economic necessity at this stage of the territory’s emergence from South African tutelage merely underlines the diamond market’s problems.

Those difficulties have become increasingly apparent during the past few months. Firstly there was the announcement that the CSO was reducing the number of rough gems offered to cutters at its monthly sights in London. Again no precise figures have been disclosed but European cutters mention reductions of up to 40% and almost total elimination of the larger investment gems on offer. They were the small percentage of stones whose prices were increased in January 1980 boosting the average price of all the roughs sold by the CSO by 12%.

The market has simply fallen away though Oppenheimer — in his latest chairman’s statement — was optimistic that retail sales of cut diamonds remain satisfactory following a better-than-expected Christmas. The combination of sharply higher stock financing costs and an advancing dollar — the currency in which CSO sales are denominated — and large inventories at the hands of cutters had an irresistible economic logic.

Judging by SA’s diamond sales figures there was some relatively heavy re-stocking by cutters in January. We exported 1.4m ct worth R110 4m. But by February our exports were 496.659 ct worth R118 8m while in March exports were only marginally lower at 495 739 ct. And that was at a time when the rand was progressively weakening against the dollar. In contrast SA’s monthly sales averaged R45.5m last year, while the gold-fuelled rand was rising against the greenback.

Now compounding De Beers’ problems, Zare — a relatively minor gem producer, but an important factor in the industrial diamond market has apparently decided to break its links with the CSO and entrust the marketing of its output to two dealers in Antwerp and another in London.

De Beers’ executives are playing Mr Cool and minimising the effect of Zare’s withdrawal on the CSO. Last year it produced only 5% of Zare’s 8m ct output. Production of Zare’s 20% near-gems and the rest industrials and boulders. But it is not enough to make a small crack in the CSO’s monolithic marketing edifice. And it is enough, according to some continental diamond dealers who almost perpetually complain about the CSO, for De Beers to bring out its heavy artillery. Reports cannot be confirmed but it seems, De Beers has already pressedurised the three dealers with threats of cutting them out from further CSO offerings. And it has apparently been made clear that if necessary De Beers could flood the industrial diamond market with synthetic products from its plants in SA, Sweden and Ireland.

The near-monopolistic diamond market is no place for pussies. Just when even the smallest threat to market hegemony could lead other producers to follow suit. Maintaining the CSO’s position is central to De Beers’ strategy.

Of course De Beers has been through all this before. Sierra Leone broke with the CSO 10 years ago with no visible impact on De Beers. So even if Zare cannot be lured or pressured back into the fold the CSO need not lose its market grip.

Perhaps more to the point there is no compelling reason for longer-term investors to ditch De Beers shares or for several operators to be doing this in the current price bottom.

The company can call on tremendous cash resources to ride out the present downturn and will almost certainly emerge stronger than before. Diamonds supplied now should eventually be converted into spectacular bottom-line figures.
CDM budgets R27m this year for SWA prospecting

Johannesburg — De Beers Consolidated Mines, through its wholly-owned subsidiary CDM (Pty), is spending R27-million on prospecting throughout South West Africa this year compared with a total of R51-million spent over the past three years.

CDM's resident director in Windhoek Mr Douglas Haffie, in a recent address to the Namibian Chamber of Commerce and Industries, said the tempo and scope of CDM's prospecting activities reached record levels.

The London Mining Journal notes that CDM is the world's largest individual producer of gem diamonds, with output of 1 600 000 carats in 1980, of which 98% were gem quality.

While CDM's current mining lease expires only in 2021, present reserves of alluvial stones along the coastal strip north of Orange River have an expected life of ten to 15 years.

Mr Haffie said exploration activities included a major search for further diamond reserves in the area south of the present workings and along the Orange River, as well as northwards along the Atlantic coast in diamond Areas Nos 1 and 2.

Outside the diamond areas, CDM Prospecting (Pty) is conducting a diamond survey of the whole country north of the Tropic of Capricorn, which bisects SWA about 100km south of Windhoek.

In the coastal waters, CDM's marine division has three vessels operating at an annual cost of R4 600 000, engaged in reconnaissance prospecting.

Elsewhere in SWA, says the Journal, CDM, together with Anglo American Corporation, is searching for base metals and other minerals, over an area of about 20 000km², including the eastern part of Diamond Area No 2.

CDM is also conducting a five-year geological and economic mineral survey, which was initiated in 1977, at a total cost of R5-million. The survey covers 104 000km² in lesser-known parts of the country, including the remote Kaokoveld in the northwest, which is thought to contain significant iron ore deposits.

These areas have been considered prime prospecting regions because of the nature of the surface geology and the expense involved — as results come to hand they are being placed on open file by CDM at the regional office of the Geological Survey Department in Windhoek.

A major discovery already made as a result of the CDM survey is the location of a coal deposit near Aranos in the south-east between the Nossob River and the border with Botswana. CDM has acquired a concession area covering 9 000km².

Although much drilling work remains to be done to ascertain whether the deposit will be economically viable, it is already known that the coal present in two-metre-wide seams at an average depth of 300m is of power station quality.

It is believed that exploitation of the deposit could transform SWA's prospects for industrial development. At the moment no coal is mined in SWA and all its power needs are provided by coal and oil imported from South Africa, and the limited amount of power available from the Kunene Falls station on the Kunene River.

To meet the demand for power, particularly from the mining industry, a link to the SA grid at Aggeneys is now under construction.

The Journal says CDM is the biggest taxpayer in SWA, accounting for about 40% of the direct taxation in 1980. Although the Rio Tinto's Rossing uranium mine will soon become another top taxpayer, as a large proportion of its development costs have been paid off, CDM is the biggest source of income for De Beers, accounting for 17% of taxed profit last year, while contributing about 16% of group output.

Despite political uncertainties existing mining operations are generally expanding investment in plant and equipment. Gross domestic fixed investment in the mining sector rose by 114% to R118-million in 1979, reversing the previous year's declining trend.

However, growth in mining's GDP contribution was sluggish, reflecting weak prices for most of the base metals exported from SWA. Mining's contribution to GDP increased by 8% to R259-million last year. About 53% of the total GDP at R1.2-billion.

Mr De Beer's chairman Mr Harry Oppenheimer said the weakness in demand for diamonds at the cutting centres had intensified, with sales at a low level, and De Beers was accumulating stocks.

In his annual report in April the chairman confirmed that the Central Selling Organization was substantially reducing its rough diamond offerings to the market.
The man who dares to fight the De Beers 'syndicate'

JACK Lanzer is a man who puts great store in independence.

Fifteen years ago his London-based Industrial Diamond Co broke with De Beer's Central Selling Organisation after a long association that stretched back to his grandfather's day with the syndicate.

This month the 55-year-old gem trader was instrumental in luring Zaire away from De Beers.

Although he plays down the significance of Zaire's break, Lanzer is delighted with his role in the diamond rebellion. "Colonial methods just don't work any more," he says.

"The minerals of Africa belong to the people of Africa, and they should sell them as they see fit. In Zaire they finally said 'Enough is enough' -- they are ready to be masters of their own destiny."

That is certainly Zaire's intention. Under the new agreement, the output of its Miba mine -- worth about $100-million annually -- will be marketed by Lanzer's IDC and two Antwerp firms, Cadic and Glasol.

But for the African nation, the direct sale cuts down on costs and commission enough to allow 30% higher profits. "They are certainly getting more money than they did," says Lanzer "And they are getting it a damn sight faster too."

For his part, Lanzer has won access to an important source of supply that used to be sold entirely through the CSO. But he is quick to point out that his company is not a threat to De Beers' near-monopoly of the world diamond market. "Other companies do not have the financial muscle to take over operations in major producing countries such as Namibia or Botswana," he said last week. "What has taken place in Zaire might have hurt De Beers' feelings, but while other companies can be annoying they certainly cannot jeopardise De Beers' position."

Some diamond dealers question the wisdom of Zaire's move -- and Lanzer's readiness to thumb his nose at De Beers.

They point out that most of Zaire's diamonds are industrial and may not find a ready market when the current slump ends. And demand for higher-quality diamonds does not pick up.

But Lanzer defends Zaire's -- and his own -- right to assert its independence. "When you go to the greengrocer you like to pick your own head of lettuce," he says.

"It is essential to have a choice, and I urge the right of the African nations to do so as well."
No decision yet
on diamond mine

Southern Sphere Mining and Development, a subsidiary of American mining giant Utah International, will decide early next year whether to start operations on a diamond mine in Bophuthatswana.

Southern Sphere's managing director, Mr Ken Barnard, said that the company has excavated 13 trenches across the Kimberlite pipe and has so far sampled 76 000 tons. But he says it is too early to comment on the viability of the area as a large cross-section of diamonds is required in order to be able to determine quantity and quality.

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David Bramber.
De Beers to close Tweepad treatment plant

By John Mulcahy

In line with its plans to reduce diamond production, De Beers Consolidated Mines has decided to close the Tweepad treatment plant in the Namaqualand area of the north-western Cape.

Commissioning at Tweepad began during May last year and production was built up to 217 000 tons a month by the end of 1986, with the intention of achieving designed capacity of 270 000 tons a month during this year.

Tweepad's production last year, of 1 360 000 tons, yielded 144 349 carats at a grade of 11.83 carats/100 tons, representing a little over 10% of the Namaqualand mines' total output in 1986, which was 1 436 365 carats.

The staff employed at Tweepad will be absorbed into other existing operations in the area, and there will be no redundancies.

De Beers announced last month that it had closed one of the four conglomerate treatment plants at Consolidated Diamond Mines in South West Africa, as well as a sample plant and two small screening plants.

The chairman, Mr Harry Oppenheimer, said at the time the cutback of tonnage of ore mined and treated was intended to reduce costs and ameliorate the substantial loss of revenue to De Beers resulting from lower diamond sales.

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(cont)
Rand London buys small diamond mine

RAND London Corporation has acquired Southern Fissures which operates the Una mine, a small underground diamond mine 30km north of Kimberley, for R350 000 in cash.

The mine, which has been operating for the past 10 years, was acquired from Trud Holdings, a Johannesburg-based company. Current production is around 60 tons of ore daily.

"The acquisition represents a first entry by our group into diamond mining," said Mr Bernard Holtzhausen, managing director of Rand London Corporation.

"We do not intend to increase production immediately, but the mine's diamondiferous fissures and pipes will be subjected to a detailed geological investigation in the near future."

Mr James McArdle has been appointed acting manager of the mine which currently employs a total staff of 60.

The name of the company is to be changed from Southern Fissures (pty) to Rand London Diamond Mines Limited.

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Quantity
Kimberley diamond mine sold

Rand London Corporation has acquired Southern Fissures which operates the Una Mine, a small underground diamond mine 30 km north of Kimberley, for K960,000 in cash.

The mine, which has been operating for the past 10 years, was acquired from Triad Holdings, a Johannesburg-based company. Current production is about 60 tons of ore a day.

The acquisition represents a first entrance by our group into diamond mining," said Mr. Bernard Holkhouse, managing director of Rand London Corporation.

"We do not intend to increase production immediately but the mine's diamondiferous fissures and pipes will be subjected to a detailed geological investigation in the near future."

Mr James McArdle has been appointed acting manager of the mine which currently employs a staff of 50.

The name of the company is to be changed from Southern Fissures to Rand London Diamond Mines SA.

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(Continued)
De Beers cuts diamond output again

By JOHN MULCAHY

JOHANNESBURG — In line with its plans to reduce diamond production, De Beers Consolidated Mines has decided to close the Twee Pad treatment plant in the Namaqualand area of the northwestern Cape.

Commissioning at Twee Pad began in May last year and production was built up to 217,000 tons a month by the end of 1980, with the intention of achieving designed capacity of 270,000 tons a month during this year.

Twee Pad’s production last year of 1,309,000 tons yielded 344,348 carats at a grade of 11.03 carats/100 tons, representing a little over 10% of the Namaqualand mines’ total output in 1980, which was 1,404,208 carats.

The staff employed at Twee Pad will be absorbed into other existing operations in the area, and there will be no redundancies.

De Beers announced last month that it had closed one of the four conglomerate treatment plants at Consolidated Diamond Mines in South West Africa, as well as a sample plant and two small screening plants.

The chairman, Mr Harry Oppenheimer, said at the time the cutback of tonnage of ore mined and treated was intended to reduce costs and ameliorate the substantial loss of revenue to De Beers resulting from lower diamond sales.

Meanwhile Reuters reports that South African analysts are forecasting a sharp fall in first half CSO diamond sales.

Diamond sales by the Central Selling Organisation in the first half of this year, to be announced later this week, are expected to total only R770m to R750m against R854m in the second half of 1980, analysts said.

Demand for large gems has fallen considerably since the third quarter last year, with investors attracted more to financial instruments, particularly US interest rates.

This has left dealers with substantial stocks of diamonds, which has put additional pressure on prices already depressed by the fall in gold.

This trend is expected to continue in the second half of the year, though total 1981 sales should not be much below R1.4-billion after R2.14-billion last year.
CSO gem sales drop 40%
De Beers diamond sales drop 40% in half-year

By JOHN MULCAHY

JOHANNESBURG — As expected, De Beers Central Selling Organisation has reported a substantial — 40% — drop in sales of gem and industrial diamonds for the six months to June 30, while the figure of R748-million is 13% lower than the sales for the second half of 1980.

In the period to June last year, sales amounted to a record R1.268-million and for the final six months of 1980 sales were R267-million, indicating that the crack in the market was already evident late last year.

In fact, it is common knowledge that the CSO has reduced its supplies to the market since the last quarter of last year, while the February and March sights were 80% to 70% lower than the January sight.

De Beers does not publish volume figures, but these must be proportionately down, as the CSO does not reduce its prices, and has certainly not been in a position to raise prices over the past six months.

The market had been expecting sales of R700-million to R750-million, so the actual figure will not surprise, but only confirm the gloomy expectations.

Expressed in dollar terms, the currency of the sales, the total for the six months is S$460-million, which is S$277-million, or 40% down on the previous year and 19% lower than the sales for the six months to December last year.

The disparity in comparisons flows from the fact that sales are converted from dollars into rands at the time of each sale.

De Beers says in a statement that the reduced sales figure reflects only the implementation of the CSO’s established policy of offering a lower diamond for a lower price.

In the second half of 1981, “it adds that prices at the retail level continue at a satisfactory level, with an increase in value in the first quarter of 1981 over the corresponding period last year.

The combination of reduced rough sales to the cutting centres and continued healthy retail jewellery demand has had the effect of improving the balance of stock in the cutting centres, and a return to more normal trading conditions can be anticipated when general economic conditions improve, and the level of US interest rates declines.

Dealers in the US and Europe this week reported that jewellery demand was continuing at a high level, with a concomitant increase in demand for diamonds.

There is negative news on demand for investment-grade diamonds, which are in the one-carat and above category, and where the CSO has at recent sights cut supplies of almost all categories, it has supplied none of the expensive investment grades.

Sales are traditionally low in the second half of the year, and on present indications this year will be no different, in spite of good retail demand.

There is still no sign of improved demand from the cutting centres, as they have built up large stocks, while the July and August sights are held during the northern holiday and the December sight is traditionally small.

In addition, US interest rates have not shown any inclination to come down, while the recession in Europe is by all accounts far from over.

The effects of the lower sales on De Beers’ share price should not be as drastic as the sales figure suggests, as a significant sector of the market had expected the lower figures, and the price has already discounted a fair proportion of the bad news.

Downward pressure could, however, result from the combination of the CSO figures and the ever-falling gold price, which could have a psychological effect on turning overseas investors against South African mining investments.

A stabilizing factor for the De Beers price is that there is no prospect of a dividend reduction, although earnings figures are likely to be pounded by the sales, as well as by the cost to De Beers of holding huge stocks of diamonds.

De Beers has traditionally regarded the dividend as sacrosanct, and has never reduced its payment from year to year.

At December 31 last year De Beers’ stocks of unsold diamonds stood at an unprecedented R686-million, and with demand falling off even more since then, the stocks have been growing.

Chairman Mr Harry Oppenheimer has repeatedly warned of the unfavourable situation in the diamond market, starting with his confirmation in the annual report that the CSO had reduced supplies to the market, while the stunning news came in his announcement at the annual meeting in May that production was to be reduced.

He said at the time that the weakness in demand for diamonds in the cutting centres had intensified, with sales at a low level, and De Beers was accumulating stocks.

“We do not anticipate any improvement until well into the second half of this year,” he added.

De Beers has been falling steadily on the JSE for some time now, on speculation of the CSO sales figures, and last night closed at 850c, exactly 16c down on the price ruling when Mr Oppenheimer announced the planned production cut.
Sales of rough gem and industrial diamonds by the Central Selling Organization for the six months ended June 30, 1980 amounted to R1748 million which is 1320 million, or 41 percent lower than the sales for the six months ended June 30, 1980. The disparity in the comparisons flows from the fact that sales are converted from dollars into rand at the exchange rate prevailing at the time. The reduced sales figures for the first half of 1981 reflect the implementation of the CSO’s policy of stocking diamonds not in immediate demand so as to stabilize the rough diamond market.

The overall level of sales has consequently been reduced significantly and this policy will be continued into the second half of 1981. Sales at the retail jewellery level, however, continue at a satisfactory level with an increase in value in the first quarter of 1981 over the corresponding period in 1980.

The combination of reduced rough sales to the cutting centres and continued healthy retail jewellery demand, has had the effect of improving the balance of stock in the cutting centres. A return to more normal trading conditions can be anticipated when general economic conditions improve and the level of interest rates declines.

Sapa
Methods of economic analysis generate questions which may at present be unanswered: the techniques may be inapplicable due to lack of data. That the approach of health economics which stimulates the collection of information in the form required for policy making, and which seeks to define the real nature of health problems, may be a more valuable contribution than specific techniques, at this stage in the history of the health systems of Southern Africa.

APPENDIX I

INDICATORS OF HEALTH STATUS

Different measures of 'health' are appropriate for different purposes. Some of the functions which indicators can serve are:

a) to measure changes in public health status over time or difference between regions;

b) following from the above, to estimate the impact of health services over time and in different areas;

c) to provide an overall measure of health for public discussion and debate;

d) to provide a measure for the evaluation of specific expenditures according to the results each is expected to produce.

A single indicator obviously has advantages of convenience for all of these but more than one indicator could be used. Only for the last function, evaluation of health expenditure, is there a fundamental need for a single indicator.

The use of a health measure to indicate relative need for health programmes in different areas is an important related issue, but measures of 'need' normally depend on other factors.
Lower diamond sales will have impact on De Beers cash

By JOHN MULCAHY
Mining Editor

DE Beers Consolidated Mines earnings for the first six months to June this year, due to be published next month, are expected to be about 25% lower than for the comparable period last year, but the interim dividend should be maintained.

A Johannesburg analyst estimates earnings at 65c to 70c a share, compared with 85c last year, while the half-time dividend should be unchanged at 5c.

Income from investments is likely to rise significantly, at least in the first half, due to the higher dividend from Anglo American. However, the diminution in interest earnings resulting from the fall-off in cash holdings will probably at least offset the higher investment income.

For the first time this year, De Beers will include attributable earnings from associated companies in terms of the equity method of accounting, and this may distort comparisons, but the above earnings projection is based on the method used last year.

The Central Selling Organization sales figures for the six months to June, announced this week, fell by 47% to R448-million, and it is clear that De Beers has built up its stockpile of diamonds to an enormous level.

In fact, one analyst believes the value of diamond stocks may reach R1,000 m by the end of the year, which compares with R866 m at the end of December last year.

This will impact heavily on De Beers' cash holdings, which stood at R770,000,000, but analysts believe the company has strong enough resources to withstand the difficult period without resorting to extraordinary borrowings, at least until next year.

De Beers has a R250 m revolving credit facility, which may well be exercised to assist in purchases from the CSO.

The CSO undertakes to purchase the entire output from member producers, but the contracts are phrased somewhat differently.

The contract states a specific quantity of stones to be produced, and purchased by the CSO — say 50,000 carats a month — and in good times, when demand is high, the organization may take as much as 70,000 carats from the producer.

However, when the market becomes tight, as it is at the moment, the CSO can revert to the express terms of the contracts, so forcing producers to hold their own stockpiles.

It is believed that this quota system is in force at the moment.

This does to an extent alleviate the pressure on De Beers, which is committed to buying the surplus production.

At present De Beers accounts for about 35% of the CSO's total output, although this proportion is expected to increase as De Beers' planned expansion comes on stream.

The whole stockpile position does have serious implications for De Beers short-term performance, but in the longer term, when the diamond market does turn around, and demand improves across the board, the profits to De Beers in selling directly from its stockpile will be astronomical.

CSO sales for the rest of the year are expected to fall further in volume and dollar terms, but in view of the stronger dollar the rand value of sales should be higher, with estimates running at around R800-million.

This does not mean that De Beers profit will rise proportionately, as the weakness in demand for bigger, investment grade diamonds in favour of smaller stones for jewellery has been squeezing margins, and this is likely to continue.

The big stones, of one carat and above, have far higher mark-ups than the smaller diamonds, and have not recently been offered by the CSO.

Some analysts feel that while the market had to a large degree discounted the lower CSO sales figures in the price before the announcement, the rise in the share price over the last two days of last week has been a psychological movement on the back of the gold price, and that there could still be significant downside potential in the price.

The price rose from R50c on Wednesday to R80c by Friday, and held at this price last night.
World's richest gems deposit—to be opened up off Cape

Argus Correspondent

JOHANNESBURG — The Government is about to create 45 alluvial diamond mining concessions off the West Coast, said to be the richest known gem deposit in the world.

A Department of Mineral and Energy Affairs source has confirmed that the announcement, to be made in the Government Gazette and newspapers, is being delayed only by a final scrutiny of the language bureau.

In terms of the Government decision, 12 existing concession areas comprising 32 km slices from the low-water mark to the continental shelf are to be divided into three areas each — a surf, middle and deep sea area.

STARTED IN 1979

In addition, a further four similarly sized areas are to be added, also subdivided into three each.

The entire area involved stretches from the Orange River in the north to Cape Columbine in the south.

Successful alluvial mining operations began in the area as recently as 1979, after it had been said that no alluvial diamonds would be found south of the Orange River.

It has been found that the most economical method of recovering diamonds from the seabed is to send a diver down to find diamond-bearing gravel which is then dredged and sorted.

The method was pioneered by a Cape Town company which holds mining contracts for three concession areas. Many of other contractors and sub-contractors have since copied the system.

Diamonds-from-the-sea operators said the most sought-after concessions would be the surf areas, where wave action exposes the diamond-bearing gravel.

It is understood that surf area concessions will be granted on a preference basis to existing concession holders and that other concessions will be granted to applicants who qualify by virtue of expertise in the recovery of alluvial diamonds.

WORLD'S RICHEST

The prize concession — said to be the richest single alluvial diamond deposit in the world — is off Klerksdorp.

A Cape Town firm recovered 10,400 carats of mostly gem diamonds from the Klerksdorp and two other concessions in August 1979.

It is learnt that the Government has decided to grant all three of the new concession areas adjoining the Orange River and the surf areas of two other concessions, known as No 3 and No 4, to its own State alluvial diggings.

CREATING PRECEDENT

The decision was strongly opposed by existing operators, who claim that since the Government owns land-based concessions opposite two of the three concessions to be granted to itself, it was creating a precedent favouring other land-based mining companies — among them De Beers.
Diamonds from the sea

Gem diamonds worth millions of rand are being taken from the sea off the Western Cape coast, in an area said to be the richest find in the world.

The Dawn Diamond Company attributes its success to the ability to find and bring to the surface, diamond-bearing gravel washed down by the Orange and Buffels Rivers over a period of millions of years.

Income ranges from R500 000 in a poor month to R14 million in a good month.

More than 100 000 carats have been recovered since January 1979 from the sea-bed, "and we have worked only 6 percent of the area we have under contract," said Mr. Lloyd Adlem, financial director of the holding company. The record month was August 1979 when 10 000 carats were recovered.

Mr. Adlem said the major recovery area was off Klemzee, near the mouth of the Buffels River, and now recognized as the richest known deposit of gem-diamonds in the world.

As recently as 1969 it was said that diamonds from the sea would not be found south of the Orange River, Mr. Adlem said. The company's chief geologist, Mr. An Cornew, said in the 1960s a diamonds-from-the-sea operation was set up by the American millionaire Mr. Sam Collins. That was after Mr. John Vivier's had found diamonds in a few bucketfuls of gravel he had dredged from the seabed to the north of the Orange River.

Mr. Vivier had discussed the find with members of Cape Town's Bloomerg Family, who had brought Mr. Collins into the picture.

Mr. Collins used dredgers to suck up tons of gravel and sand from the sea-bed. Mr. Cornew said, "but the operation proved to be uneconomical because of the large volume of material involved."

Mr. Collins had concessions to the south of the Orange River as well, but he allowed these to lapse in 1979 and in 1979 a firm called Terra Marine, founded by Michael Lavranos of Cape Town, obtained 12 concessions areas given out by the South African Government.

The concession areas comprised the sea-bed between the Orange and Buffels rivers to the edge of the continental shelf in 2 km deep.

Terra Marine did not attempt to mine the area, however, but kept paying the annual fee of R100 per concession to the Government.

In 1978, Mr. Hugo Richter of Cape Town, chairman of Therien Holdings, decided to take another look at diamonds-from-the-sea.

Mr. Richter obtained sole and exclusive contract rights from Terra Marine for three of its concessions, including the Klemzee area.

"What gave us the edge over previous efforts was that Mr. Richter decided to put a dredger down to find exploitable gravel instead of pumping up tons of worthless sand," Mr. Adlem said.

"We began recovering diamonds on a regular basis from January 1979 and in August of that year we brought up 19,000 carats."

The company had three boats operating from Port Nolloth, converted trawlers which proved to be inadequate for the job.

"We lost seven vessels, Mr. Adlem said, 'before we changed to boats designed for us by Mr. Michael Lavranos of Cape Town.'

The new boats soon proved their worth and the operation became increasingly profitable, especially after Mr. Piet Verkuijl had been appointed manager of the Port Nolloth operation.

By the beginning of this year, the company had 35 boats and 72 divers working off the Cape West Coast from both Port Nolloth and Doringkraal, but it hadn't managed to solve all problems.

We can operate only when underwater visibility allows and in winter that may be only for five or six days a month," Mr. Adlem said.

In May no diamonds were recovered because of bad weather and in June, by operating only six days, diamonds worth R500 000 were brought to the surface.

The operation involved sucking up the gravel in a vacuum-cleaner-like action and sifting by hand and machine at Port Nolloth and Doringkraal.

A possible solution to the poor visibility problem in the form of a research vessel was launched in a low-profile operation earlier this month.

And a tugger-like device from Back Fosger's constant atmosphere device to enable divers to go deeper and remain on the job for longer periods was also being looked at.

A further problem was disputes with land-based operators.

"Diamonds-from-the-sea concessions start at 31.7 metres measured horizontally from the low-water mark," Mr. Adlem said. "but the exact line can be disputed."

He said there had been occasions when his men had found land-based operators in an area which Dawn Diamonds considered to be theirs and his men had also been moved from places which the land-based miners disputed.

Despite rumours to the contrary, however, neither land-based nor seabed operators were willing to admit to The Star that there had been open clashes.

"We have come to an agreement that where there is a dispute we will come together and physically measure the distance from low-water," Mr. Adlem said.
The Premier, which basically means the all time mine under the Kimberley, is adjusting to the changing market conditions that are occurring in the industry. The company has made provision for the future, with plans to expand and develop new areas of the mine. Despite the challenges, the Premier remains committed to maintaining its position as a leader in the mining industry.

In contrast, the Kimberley is facing difficulties due to the downturn in the diamond market. The company has been exploring new avenues to diversify its operations and reduce its reliance on diamond mining. However, the future of the Kimberley remains uncertain as the market continues to fluctuate.

The situation at the two mines is a reflection of the broader challenges facing the mining industry. With changes in market conditions and increased competition, companies are forced to adapt and innovate in order to stay competitive.

In summary, the Premier and the Kimberley are both facing unique challenges, but both are taking action to ensure their long-term viability in the competitive mining landscape.
at diamond mines

One flow improved

The need to replace maintenance, improve efficiency, and extend the life of existing systems has led to the development of new and innovative designs. The De Beers mine in Kimberley is an example of this approach. To address issues such as blockage, wear, and maintenance, a new design was developed to improve the performance of the existing systems. This design eliminates the use of high-pressure pumps and allows for easier maintenance and repair. The new system is expected to significantly reduce downtime and improve overall efficiency.

In addition, the design incorporates a new control system that allows for real-time monitoring and control of the diamond mining process. This system can detect and respond to changes in the diamond concentration in real-time, allowing for more efficient and effective extraction. The new control system is also expected to reduce energy consumption and improve overall sustainability.

Overall, the improved flow system represents a significant step forward in diamond mining technology and is expected to have a significant impact on the industry.
Abuzz with excitement over new diamond find

By Dirk Nel
Northern Transvaal Bureau

ALLDAYS — A diamond strike in the northern Transvaal may result in a dramatic boost for the region’s economic development. Geologists are trying to determine whether the new find is a viable mining proposition.

Since the announcement of a diamond discovery on Veneta farm near Alldays over eight months ago the area has been buzzing with excitement, with several farmers claiming their land has become “hot property.”

In his chairman’s report, published by De Beers earlier this year, Mr. Harry Oppenhower referred to the company’s prospecting near Alldays, describing the results as “very encouraging.”

A spokesman for the group told The Star this week it was too early to predict whether the new find could be economically mined. He expected it would take at least another twelve months of research before any decision could be made.

In Pietersburg Mr. Jack Bosie, chairman of the Northern Transvaal Regional Planning Advisory Council, was optimistic about the prospects of diamond mining in the area. He said there was keen interest in the project as it might have considerable influence on the economic development of the northern Transvaal.

“Mining is already playing a major role in the north as a variety of minerals are found here and diamonds would add a great new dimension to the industry,” he said.

Per and gold are among the minerals at present. Chrome, asbestos, copper are mined in the region.

Mr. Botes said a sharp increase in mining activity could help to solve the Star’s serious unemployment problem.

Geologist Lee Harrison and his colleagues follow a hard, daily routine as they excavate and analyse the remote site, about 40 kilometres from Alldays. Several of the men are accompanied by their wives and they say this has helped to brighten their stay in the bush.

Prefabricated buildings provide accommodation and offices for those involved in the preliminary work.

Finding the site turned out to be a sort of “treasure hunt.” For The Star, and the farm road leading to the “treasure” is best negotiated by four wheel drive vehicles.

There are no signboards and visitors must sign in and out at the gate. Company officials use light aircraft which land on an airstrip near the site.
De Beers falls 39%, 25c interim same

The continuing slump in the diamond market has been translated into a 39.3% drop in De Beers taxed profit for the six months to June, but the interim dividend has been left at 25c.

The gravity of the decline in demand for gems is shown in the 55.3% fall in income on the diamond account -R200 700 000 from R449 200 000. Taxed profit was R212 400 000 compared with R349 900 000 in the six months to June last year.

The profit attributable to outside shareholders rose to R70 000 000 from R54 600 000, and net profit after these items amounted to R244 400 000 compared with R115 600 000 last year.

The drop in diamond account profit indicates that margins have been squeezed even further than expected. Reports that larger, investment quality stones had been excluded from the regular sightings are confirmed.

In a time of slack demand, fixed costs play a more important role, and although the group has reduced production by an average of about 5%, overheads remain high.

Profit margins on smaller diamonds are substantially narrower than on the larger stones, and it is likely De Beers has built up a large stockpile of better-grade gems.

Interest payable more than doubled to R12 400 000 from R6 200 000, reflecting the sharp rise in De Beers overdraft - at December 31 last year the overdraft was R160 800 000 compared with R135 400 000, and indications are that the overdraft was raised substantially in the second half of last year. The group has a $25-million revolving credit facility, and this appears to have been used.

The share price has been moving up steadily over the past few days, but this reflects generally improved market sentiment and not expectation of good results. The price moved down from 980c to 850c ahead of the CSO figures, and when they were announced the market absorbed the bad news and immediately sent the price on an upward trend to 870c yesterday.

By JOHN MULCAHY

In the longer term, assuming the diamond market turns around in 1985, the company will start selling gems from its stockpile, production costs of which are already accounted for, and margins should rocket.
Diamond slump "false"

Finance Reporter

MANY large international dealers believe that "so-called" recession in the diamond industry is artificial.

This astounding claim is made by Certified Diamond Exchange of Johannesburg, which says the recession has been caused by dealers who wished to reduce their inventories because of high interest rates, particularly in Europe and America.

Although sales in volume to manufacturing jewellers and retailers have remained constant, "most dealers were, in fact, honest enough to admit that during the boom years prior to mid-1980, they had become overstocked, value-wise without taking sufficient cognizance of the impact of the interest factor which was then at a very much lower level."

Most of the large dealers have indicated the level of their own inventories has declined and they are holding a well-balanced stock of goods of a total value which they now feel is in line with normal business trading practices.

"CDB says the consensus from all levels of the trade seems to be that the overstock situation has now virtually ended and the diamond industry can look forward to many years of well-adjusted, consistent trading."

Commenting on De Beers last diamond sales in Johannesburg, CDB notes that amount of stones available to diamond cutters in South Africa was greatly reduced.

In spite of this there were several cutters who refrained from purchasing.

But CDB says the action taken by De Beers and the central selling organization together with the fact that cutters are taking less than their reduced quotas are factors which are going to strengthen the international diamond market.

"A further note of optimism is that in retail, jewellers traditionally build up diamond stock levels in order to supply the Christmas demand and it is therefore likely that a strengthening in the market will be seen from next month."

The graph shows the long term diamond market index for 1989 to 1991.

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The secret to this new delight is the wizardry of the computing service whose secretaries pick up your letters and dictate. Obo I keep departmental documents such as manuals, reports and letters, do I keep departmental documents. But what is word processing?
De Beers could do without diamonds

By JOHN MULCANY

DE BEERS share price has shown remarkable resilience in the face of a 40% drop in Central Selling Organisation figures and the shock announcement of a 35% fall in diamond account income.

It is believed that a large part of the profit fall was already reflected in the share price, but that there is still some downside potential in the actual figures.

There is a significant cushion in De Beers non-diamond interests that the pretax earnings from investment and interest will only cover the dividend of 7/8c this year. Net asset value of De Beers without diamonds covers the share price.

One analyst estimates that net asset value in 56c excluding all diamond interests and assuming that R280-million was used to support the diamond market in the first half of this year. In effect, at a price of 56c, De Beers diamond assets are free to the investor, an attractive proposition to institutions looking for assets.

It seems that this downside was offset by improved stock-market sentiment, but the market could still be holding De Beers up artificially, and institutions are not convinced that the bottom has arrived.

There has been constant selling of De Beers from New York and London, but the stock has been well taken up in SA, although without aggressive buying.

Down to a low of 56c before the CSO sales figures in July, the share price promptly moved up to 80c in front of the profit announcement, and the additional bad news in the diamond account figure took the price down to 56c.

The weakness in the gold market has knocked stock-market sentiment, and with it De Beers, which has fallen to 56c. But it is still well above the level many observers believe is the bottom.

With the gold and industrial markets advancing strongly, De Beers traded in a narrow range, with no desperate attempts to sell or buy. But brokers say that in a strong market, De Beers was at best dull, and was certainly not sought after.

The fear (hope in some quarters) is that if the steam runs out of the rest of the market, there may be a big sell-out of

De Beers, possibly to below 50c.

Indications are that institutions are waiting in the wings for a shake-out before buying for growth next year and in 1983.

There is little logic in buying De Beers now for short-term returns or growth as there are yields far better than 5c available on the JRE, and no expectations of a turnaround in the diamond market before the end of the year.

An improvement is expected next year, but any forecast will not come before 1983, and the trend in the share price in 1982 is likely to remain dull until there is positive news on the diamond market.

There seems little likelihood of any significant improvement in the US economy in the current and fourth quarters of this year, and the US gemstone market being the most important individual contributor to De Beers diamond account profits, there will probably be no major recovery in diamond demand until late 1982.

There is however, enough optimism at the retail and end of the diamond market to indicate that CSO sales could be maintained at the first half level in dollar terms, and the devalued rand could lead to improved diamond account profits for the second six months.

Assuming interest and investment income again reaches R135-million, earnings from this source alone (before tax and expenses) at 1276-million will account for the annual 5c dividend, which will cost 1269-million.

One analyst said the trick would be in reading the turnaround in the market, which would come before the turnaround in De Beers fortunes as it was different to reading the market's expectations.

It is just about impossible to estimate accurately how far ahead the market is reading De Beers," said a broker.
Australians against De Beers interference

CANBERRA — The Australian Government is coming under strong pressure to take action to ensure that the South African diamond giant De Beers does not get a stranglehold on the rich Argyle mine in north-western Australia.

Public pressure is being applied by the opposition Labour Party and it is also believed that there has been private pressure from some Australian companies for State action.

Latest estimates of the size of the Argyle prospect and the value of the diamonds in it indicate that it has the potential to be the biggest diamond mine.

Potential production is estimated at 56-million carats a year, as much as current world production.

The mine is being developed by the Ashton joint venture which is 58.2 percent owned by Ashton Mining, owned by De Beers and the Malaysian Mining Company. The remaining 41.8 percent is held by Conzinc Rio Tinto Australia, in turn 38 percent owned by the foreign giant BHP.

Labor's minerals and energy spokesman, Mr. Paul Keating, told Parliament that it was likely that the Oppenheimer group, which controlled De Beers, would be most unhappy about the emergence of a large low-cost producer outside their sphere of influence.

Mr. Keating said that the Australian Government's attitude to the development of Argyle was that it should be left to market forces to determine what happens.

However, this meant that the development of Argyle and the marketing of its product had been left to the whim of individual companies and "the caprice of De Beers Central Selling Organisation."

Without State supervision of negotiations to develop the mine, Australia would be at a complete loss to resist a joint-venture contractual marketing proposal and arrangements that were disadvantageous to Australia.
De Beers accused of exploiting Aussies

PERTH — The South African De Beers diamond group's involvement in the Ashton joint diamond venture — according to some unconfirmed reports the world's richest — would mean that Western Australia was "being grossly exploited," the state parliament was told last night.

The opposition Labour spokesman on mining matters, Mr. John Harman, said a report recently leaked to the Press had said that the Oppenheimer family was interested in buying all diamonds produced by the venture. This would cause a drop in the value of diamonds from the project and in the royalties paid to the state because the gems would not be processed in Western Australia.

The state Minister for Mines, Mr. Peter Jones, said he would have a clause inserted in the agreement between the state and the joint venturers providing for a certain amount of Ashton gems to be processed in Western Australia — Sapa-AP.
New diamond investment firm

Shares are being issued in a new float which its general manager, Mr. J. L. Huntingford, claims is the first public company for investment in diamonds in South Africa — and possibly the world.

The company is called Diamond Growth Company (DGC) and 499,993 R1 shares are being offered to the public at par. The offer closes on August 31.

Mr. Huntingford said the object of the company was to get the small investor into diamonds and to help him avoid what he saw as pitfalls in diamond investment — the chief one being a lack of knowledge about diamonds and the diamond market.

“I have yet to meet anyone in South Africa who feels he has had a good buy in diamonds,” he declared.

“A person has to rely entirely on the advice of the diamond dealer for value. You can go to an unscrupulous dealer who could give you a piece of glass.”

He said he believed the diamond-buying public should be advised that gems should be taken to an independent certification laboratory, and the current trade price lists be examined, before people part with their cash.

“The trade would hate this,” he said. “And they won’t like my company much for recommending it.”

Mr. Huntingford described the current method of diamond grading and classification by dealers — in which among other things, they compare a stone’s colour against a set of masterstones — as subjective.

**TOP**

“The top diamond in the colour range (the one-carat flawless) is currently worth 22,000 US dollars. If you go down just one letter it’s 19,000 dollars.

“And in this thing it’s very much your own eyes that determine price and the boys (dealers) think their eyes are superb — which they are, 69 times out of 100.”

The idea behind DGC, which began “germinating” in Mr. Huntingford’s mind 12 months ago, is that the firm (based in Export House, Bree Street) will use its share capital to buy a portfolio of investment diamonds from the diamond trade at below wholesale prices “as and when suitable purchases present themselves.”

The portfolio will then be sold in the overseas retail diamond market in three to five years “when conditions are favourable and beneficial” and the proceeds distributed to shareholders.

Barclays Bank will act as custodian for DGC and the diamonds will be locked in its vaults — and the auditors are Coopers and Lybrand. The issue is not being underwritten.

**ADVANTAGES**

Among the advantages Mr. Huntingford lists for small investors:

- DGC is exempt from the 25 percent ad valorem excise duty (and the four percent General Sales Tax) which is included in retail prices paid by buyers.
De Beers pulls out of Zaire as contract ends

From The Financial Times

LONDON — The South African diamond giant De Beers has finally pulled out of Zaire after having had exclusive rights to the marketing of the country’s important diamond production for the past 14 years.

The move follows Zaire’s decision this year to break away from De Beers Central Selling Organisation (CSO) and sell its industrial-grade diamonds at “higher” prices on the open market.

Sales have been handled by the country’s Société Générale, which now holds the marketing monopoly.

Sales have been made to independent diamond dealers — the firms of Chidi and Gislet of Antwerp and Mr Jack Lunsden’s industrial-diamond company of London.

Based in Hatton Garden, Mr Lunsden specializes in industrial diamonds, the usually small, dirty material which sells for about 10 dollars a carat compared with prices of thousands of dollars for the good-quality gem stones, which are often bought for investment.

Because of its lower costs, Mr Lunsden and the other independent dealers can offer better prices for the material to Zaire and, at the same time, sell to customers at a profit.

Zaire is the leading producer of industrial diamonds and total output last year amounted to about 14 million carats (there are 142 carats to the ounce) of which it is thought about 4 million carats were smuggled out of the country.

Total world production of gem and industrial diamonds last year amounted to 47.2 million carats. The CSO, which markets more than four-fifths of world production of rough (uncut) diamonds, is having to carry huge stocks of unsold diamonds because of depressed demand.

These stocks, worth about 745 million dollars at the end of last year, are now below the CSO policy of buying a guaranteed minimum quantity of mine production and regulating supplies to match market demand.

Zaire’s breakaway from the CSO will have loosened its grip on the market to some extent and raises the possibility that other producers might follow suit.

However, the lure of higher prices may be tempered by the fear of the dangers inherent in an uncontrolled market at a time of rising production capacity and poor demand.

3.

For a detailed account of the introduction of the Labour Party’s 14 May 1960 Area and National Unit, see the next page.
LONDON. — De Beers Consolidated Mines has finally bowed to competitive pressures and has pulled out of Zaire. The marketing monopoly for Zaire’s important diamond production has been taken over by the State-controlled Sozaacom marketing agency.

De Beers Central Selling Organisation, which handles the pricing and marketing of over 60% of world production of rough diamonds, now sees the end of its 14-year exclusive purchasing concession for Zaire diamonds. All CSO rights and concessions there have been withdrawn.

The departure of De Beers was foreshadowed earlier this year when, seeking better terms for its sales, Zaire broke away from the CSO and began to sell a part of its diamond production on the open market.

Sales were arranged with independent diamond dealers, Caddick & Glasow of Antwerp and Mr. Jack Lutzer’s Industrial Diamond Company of London’s Hatton Garden.

So far four sales have been made, bypassing the CSO. The most recent was last Friday when 504,500 carats from the Meno mine of Bakwanga Mining were sold to la Banque Commerciale Zairoise for $4,600,000.

Zaire’s diamond production is mainly of industrial-grade material which fetches around $10 a carat compared with prices reckoned in thousands of dollars a carat for quality gems.

But the total value of Zaire’s production is considerable. It is the world’s leading producer of industrial diamonds and its output last year was estimated at 14 million carats — of which about 4 million carats were re-exported to have been smuggled out — compared with world production of gem and industrial diamonds amounting to 47,500,000 carats.

De Beers, whose mines produced 14,700,000 carats last year and which is cutting output by about 5%, now has to stomach the first major breakaway from the CSO since that of Ghana in the late 1950s.

It has not yet been decided how the production of the Ashton joint venture in Western Australia will be marketed.

This will be in the form of industrial stones and an annual capacity of 22 million carats is expected after full production starts in 1995.

Whether the market will be able to absorb this new production remains to be seen. It has been assumed that, for practical reasons alone, the sales will be made through the CSO which undertakes to buy a guaranteed minimum quantity of mine production, stockpiling if necessary to regulate the flow of diamonds to match demand.

But resentment has been expressed in Australia at the prospect of the potential diamond production being controlled by South Africans.

The Australian opposition party’s shadow Minister for Minerals and Energy, Mr. Paul Keating, has criticized the Government for leaving the marketing of diamonds to the whim of individual companies and the “caprice” of De Beers and has called for export controls on diamonds.

Perhaps a solution to Australia’s nationalistic desires might be found in a pattern established elsewhere. This would mean setting up an Australian Government marketing agency which would fall in line with the CSO selling policies but not be dominated by them.

While the Zaire breakaway has to some extent loosened the CSO’s iron grip on the market, the selling organization’s main fear is that other producers might be tempted to follow suit as a quest for better prices.

Such a move however, might lead to an uncontrolled market developing against the background of depressed demand for diamonds and rising world production capacity. In the long run this would seriously harm the higher cost producers.

Financial Times
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**VACATION**

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**EXAM**

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**N.B.** THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THE QUESTIONS ARE UPDATED BY ONE YEAR.
Rise in gold production

Financial Reporter

SOUTH African gold production rose slightly in August to 1,755,600 ounces from 1,763,100 in July, but was down from the 1,818,214 oz produced in August last year. Chamber of Mines figures show that output was down to 14,116,421 oz in the eight months to August from 14,849,976 oz in the same period last year.
Ronald Winston, the president of New York’s largest gemstone dealing firm, Harry Winston Inc, was in SA last week to show a collection of gems at two charity dinners for the African Children’s Feeding Scheme. The FM asked him his views on the international diamond market.

FM: What do you see as the main developments in the cut diamond market in the past 10 years or so?

Winston: Diamonds went through a slow evolution in value for many years. In the past decade or so, however, appreciation has been explosive or stellar. Thus, to a large extent, was due to elimination of many uncertainties surrounding the quality of individual gems by the development of reproducible valuation standards.

My company, for example, has developed its own grading system which allows retailers to buy stones of a particular type at a fixed price. That has developed into the certification of individual stones, removing many of the problems which arose when the retail jeweller was the general arbiter of a stone’s value. Certification has made possible the growth of the auction business. That, in turn, has created a type of sales theatre which has resulted in a greater awareness of the value of diamonds. And it has led to the development of the so-called investment business with a group of entrepreneurs dealing in paper.

How do you view the present downturn in the diamond market?

Though the diamond business has advanced rapidly in the past decade, no one has repealed the basic laws of supply and demand. Diamonds are essentially a commodity like everything else, but their prices have not fluctuated as widely as, for example, gold.

A disproportionate advance in prices had taken place in gems of “D” flawless 1 ct, in large part because buyers had developed the idea that this size of stone is of investment significance. Thus the price differential between 1 ct and “D” flawless 10 ct stones narrowed to a 20% gap. But 10 ct stones are 100 times rarer, and what we have seen is a readjustment of the price of 1 ct diamonds to more realistically reflect their relative rarity in nature. The dramatic drop was in 1 ct stones which resulted in some views that the whole diamond market was in decline.

How long is demand slackness likely to last?

At the wholesale level, business is quite strong, though retailers are tending to concentrate their purchases towards the end of the stocktaking season because of high stock-holding costs. There is, I believe, a lot of repressed demand which should be released when the US economy improves. But, in the meantime, large new markets have developed in oil-producing areas such as Mexico, which has followed the Middle East. I do not foresee a dramatic recovery in the market. That should mean that offerings at De Beers’ diamond sales sights will continue at their current lower levels for some months.

Do you believe that De Beers will or can increase the price of its rough stones in the near future?

Most of De Beers’ profits derive from its bread and butter business — sales of stones between 0.5 ct and 2 ct. An increase in the price of cheaper stones would be of great help to marketing in America. As I have said, the price margin between smaller and larger stones has narrowed significantly and an increase in the price of smaller gems would turn buyers’ attention to the merits of larger gems. I am as much in the dark as any outsider on the timing, or extent, of De Beers’ next price increase.

Do you believe that the defection of Zaïre from the Central Selling Organisation (CSO) is a forerunner of problems for De Beers’ marketing arm?

Not really. We are always likely to see defections from and re-integrations with the CSO and, in this case, Zaïre is not a significant producer of gems. For some years we took over the marketing of stones from Sierra Leone from the CSO, and we are associated with prospecting in several parts of the world — Sierra Leone, Guinea and Venezuela, for example. But that does not imply that De Beers’ control of the rough gem market is in any way threatened.

I haven’t seen any of the production from the potential Ashton mine in Australia. But even if its stones are marketed independently of the CSO, it should have little effect on the stability of a roughs market which is currently some 50m ct/year.

Apart from diamonds, which gemstones offer the best prospect of price improvement?

That depends on quality. But as a general point, the most certain are those stones which are no longer mined — Burmese rubies, for example.
Oppenheimer not worried by Zaire defection

LONDON — "I think you will find over the period ahead that people who look at the thing carefully may come to the conclusion that the Zaire experience should be looked upon as a warning rather than an example."

Thus Mr Harry Oppenheimer last week delivered his verdict on the defection of Zaire from the Central Selling Organization.

Would it lead to the organization's breakup, he was asked in a long interview? He smiled disarmingly. "Our contracts have a good long time to run in most cases," he said.

"I can't pretend that we are pleased that anybody breaks away. It's a bad example.

"The worst thing is the loss of prestige perhaps which is involved rather than the actual material which is about two percent of the CSO intake, largely in extremely low quality diamonds."

COMPETITION

He pointed out that the kind of diamond produced in Zaire was going to come under tremendous competition from the £315-million Ashton joint venture in Australia when the latter reaches full production in 1993 with an annual capacity of some 22.5-million carats.

Would other black African diamond-producing countries consider leaving the CSO?

"You do run risks with some of these African countries," Mr Oppenheimer admitted, "because for political reasons they are prepared sometimes to cut off their noses to spite their faces and of course no

Kenneth Martson of the Financial Times interviewed the chairman of Anglo American.

The Ashton Consortium leader, the Rio Tinto-Zinc group's CRA, was composed of "highly sophisticated people."

"They have had long and friendly talks with us and they've also quite rightly talked to a great many other people. What they will finally decide I don't know."

"Was the growth in the size of the CSO stockpile of rough diamonds near the limit of what might reasonably be financed?"

"We are a good long way from that level," said Mr Oppenheimer, but he confirmed that borrowings would be made if necessary to finance the stocks.

Mr Oppenheimer did not envisage any reduction being made by the CSO in its purchases from mines outside those in the De Beers group "We can handle this all right."

There was no question of the CSO lowering its selling prices which are currently above those being fetched in Antwerp for smuggled stones.

He pointed out that the market in the larger, high-priced "investment" diamonds "is particularly bad."

But the importance of this area of the market had been "a little but overdone because it was the area where the prices were pushed up by speculation to levels which really had no relation to any reality."

Mr Oppenheimer was concerned at the high level of retail price mark-ups, "it is one of the major difficulties of this trade."

One of the problems of the investment diamond scene was that during the boom "people sold diamonds for investment purposes at quite absurd mark-ups."

"SOPHISTICATED"

 Asked about the political objections raised in Australia about the possibility that the South African Organization will market Ashton diamonds, Mr Oppenheimer replied that it was natural that there would be a prejudice against South Africa and a fear that the Australians had something important that they would lose by dealing with the CSO.

"All we can do is do our best to show to the Ashton people that by selling to us they are going to do better than selling to other people."

"26/6"
Aussies stand off from De Beers

The Australian company with the second largest interest in the large Argyle diamond pipe finds in Western Australia has denied that De Beers or Anglo American Corporation have any control over the venture.

The problem has accounted for available financial statements of the incurred by the room for many can be seen

Assume that the company and Method. In the construction of interest it whereas A has expense. The Argyle deposits 120 km south of Kununurra in the Kimberley region of Western Australia's far north. With other exploration projects underway in the area, could assume an importance comparable to the world's largest diamond fields.

In its annual report, one of the minority partners in the Ashton Joint Venture, Northern Mining, held 5%, refers to a figure of 25 million to 25 million carats a year as the eventual output possible from Argyle.

Northern's minor holding in the project is believed to be the main reason behind a bid for Northern Mining by Australian mining maverick, Mr Alan Board. The Argyle diamonds would be mostly industrial, but with such a large output would be a major flow of gem stones in spots of the low percentage of gems in the total.

By comparison, De Beers total production last year was 14,000,000 carats, but this total included 25 million, which has a high proportion of high-quality gems. The construction of a mine and large-scale treatment plant at Argyle to process the Kimberley would involve an investment of about $400 million.

The statement follows a row in the Australian Parliament when the Opposition spokesman on minerals and energy, Mr Paul Keating, claimed that Ashton Mining was dominated by the Malaysian Government and De Beers.

According to Ashton, De Beers and Anglo hold only 2.1% of Ashton Mining through Malaysian Mining and Tanke Consolidated and therefore only 1.1% of the total Ashton Joint Venture. Ashton Mining holds 92.2% of Ashton Joint Venture and CRA holds 59.5%.

Anglo American Corporation has a small indirect interest in CRA through Charter Consolidated's 4.5% interest in R27. Charter is Anglo American's associate company in London. Ashton Mining directors said in Melbourne that De Beers and Anglo could not exercise influence over the company with their small interest and had not tried to do so.

"The directors of Ashton Mining never asserted that either policy or the operations of the company are in any way controlled by these groups," they said.

Ashton said that Charter Consolidated held 23.7% of Malaysian Mining Corporation, which was Ashton's major shareholder. But after a merger, due to take place next month between Malaysia Mining and Malaysian Tanke Dredging, Charter Consolidated's interest would be almost halved to 14.4%.

"As a result, the De Beers and Anglo group's present small indirect interests in Ashton Mining and the Ashton Joint Venture will become even less significant," said the directors.

Malaysian Mining owns 50.1% of Ashton Mining and has two representatives on the company's six-man board.

By ADAM PAYNE

The associate company, equity to finance. The R140 000 by I, ore shows no profits by capitalising be eliminated full of the percentage associate's

R140 000 should be the interest before calculating earnings. The views of two reporting firms, and with which I concur, is that...
Yes, diamonds ARE forever

By KENNETH MARSTON

“I THINK that you will find over the period ahead that people who look at the thing carefully may come to the conclusion that the Zaire experience should be looked upon as a warning rather than as an example.”

Thus Mr Harry Oppenheimer, 72, head of the giant Anglo-American Corporation of South Africa and its sister company De Beers Consolidated Mines, last week delivered his verdict on the defection of Zaire from the Central Selling Organisation.

Would it lead to the organisation’s breakup, he was asked in a long interview. He smiled disarmingly. “Our contracts have a good long time to run in most cases,” he said.

“I can’t pretend that we are pleased that anybody breaks away. It’s a bad example. The worst thing is the loss of prestige, perhaps, which is involved, rather than the actual material which is about 2% of the CSO intake, largely in extremely low quality diamonds.”

Ashton

He pointed out that the kind of diamond produced in Zaire was going to come under “tremendous competition” from the 450-million-Ri (R150-million) Ashton joint venture in Australia when the latter reaches full pro-
duction in 1985 with an annual capacity of some 25 million carats.

Would other black African diamond producing countries consider leaving the CSO? “You do run risks with some of these second countries,” Mr Oppenheimer admitted, “because for political reasons they are prepared sometimes to cut off their heads to spite their face and, of course, we run these risks.”

Market

“Mind you, when they do decide, if they do decide, and I must say there has been a lot of talk — on the contrary it’s been really quite good, it is rather difficult areas too — but you know, at a pinch, we don’t go out of business and they’ve got all the diamonds.”

Asked about the political objections raised in Australia about the possibility that the CSO might go out of business, Mr Oppenheimer replied that it was not within the CSO’s power to prevent that. “There are other pressures against South Africa and a fear that we shall have something very important, but that they should be left to decide in the CSO.”

“All I’ll say is don’t be too optimistic.”

Harry O:
It’s been a down but we’ll make money yet

HARRY OPPENHEIMER

Zaire’s CSO defection won’t lead to break-up

Deal of competition with other people

When the growth in the size of the CSO stockpile of rough diamonds near the limit as to what might reasonably be financed. “We are a good long way” from that level, said Mr Oppenheimer, but he confirmed that borrowings would be made, if necessary, to finance the stocks.

“We’ve always had bank facilities so far haven’t had to use but we would certainly do this.”

Curtailing

The group has huge assets to borrow against, but borrowings would not necessarily be made on the international market.

De Beers was not slowing down its current capacity expansion — that was considered at this stage any further cut-back in its mine production last year the group defined 14.7 million carats out of a world total of 47.2 million and is currently curtailing output by about 5%.

Mr Oppenheimer did not elaborate on any reduction being made by the CSO in its purchases from mines outside those in the De Beers group. “We can handle this all right.”

There was no question of the CSO lowering its selling prices which are currently above those being fetched in Antwerp for smuggled stones.

Everything depended on the world economy and the course of interest rates, “I would say that if the stocks (at the cutting centre) are reduced, and they are falling, this must make the position better independently of what happens in the general economic sense.”

“You are not going to get real good times if you have interest rates at 20%. I would hope at the end of the year one may see something somewhat better.”

“The market is gloomy now because people are tired of this thing and a perfect one carat stone sold at $600 and now sells at $25 (R25 50). To my mind $35 600 is a pretty good price.”

Mr Oppenheimer was concerned at the high level of retail price mark-ups “It is one of the major difficulties of this trade.”

One of the problems of the investment scene, he said was that during the boom “people said diamonds for investment purposes at quite absurd mark-ups.”

“I’ve always liked the diamond business better than any of the other businesses we’re concerned in. One goes up and down and this has been a disagreeable down. We might follow all this for a long time,” he added.

“But I’m not frightened by it. I like the diamond industry and you will find that with the stocks we have accumulated we will make a great deal of money out of it.”

KEEPING THE CATS UNDER CONTROL

The diamond world’s Central Selling Organisation, sometimes referred to as the “syndicate”, is under pressure as never before in recent past.

Set up by Sir Ernest Oppenheimer in the 1920s and now headed in London by Anglo American chairman Mr Harry Oppenheimer’s cousin, Sir Philip Oppenheimer, the CSO dominates the world diamond industry which generates real jewellery sales alone last year of some R16 000-million. More than 80% of total world diamond production is marketed under the CSO’s auspices.

Retail sales have held up remarkably well so far this year, but the recession and high interest rates have dealt a crushing blow to the diamond cutting and polishing industry. And Zaire’s decision to pull out of the CSO has raised fears that other countries could follow and seriously undermine CSO market dominance.

For the industry, meanwhile, it is the worst crisis for a decade.

In Antwerp, the world’s major cutting centre which deals with the highest quality gems priced in many thousands of dollars per carat, there are stories of disastrous losses and impending bankruptcies.

The result is that in South Africa the CSO is having to finance a record level of unsold stocks of rough (uncut) diamonds. This is because of the organisation’s policy of buying a guaranteed minimum of diamonds from De Beers and other producers.

The supply of diamonds to the market is limited in line with demand. At times such as these the CSO withholds stones from the market. It also fixes the prices for the roughs and these prices have never been reduced.

The role of the CSO is thus rather unique, that of broker and buyer.

There is always the fear that if one of its member-producer “cats” should get out of control other might follow and the act could degenerate into the kind of chaos that was seen in the diamond industry before the CSO was formed.
Australian company seeks to turn tables on De Beers

In a neat turnaround of circumstances, an Australian company has slipped into diamond prospecting in South Africa while the hoo-ha rages "down under" about De Beers' intrusion on the diamond prospecting scene in that country.

Carrs Corporation, the West Australian jewellery chain which is 50 percent owned by Western Continental Corporation, has the controlling interest in Kosovo Exploration — a company involved in diamond prospecting in the northern Transvaal and Kimberley areas.

Kosovo managing director, Mr. Richard Jules-Macquet, confirmed that a quoted South African mining holding company had started a geological survey in the northern Transvaal.

This included the collection of stream sediment samples which would be tested for kimberlite indicator minerals.

The prospecting will be conducted in terms of a joint venture agreement and Kosovo's partner will finance all exploration costs.

Kosovo is entitled to subscribe for 30 percent of the share capital of any company formed to mine discoveries which may result from the prospecting programme.

However, this is not where Kosovo's activities end. It has obtained prospecting rights on six farms in the Barkly West district near Kimberley and on one farm southwest of the diamond city.

EXCITEMENT

Perhaps the farm creating the most immediate excitement is Nielson where underground development is currently under way.

Attacking the mine from an existing water, Kosovo has dewatered the shaft and has sunk to the 30.5m level. A 5000 ton bulk sample for confirmation of grade and quality of diamonds will be extracted from the Kimberlite dyke at this level.

The material will be treated by a 26-ton-an-hour heavy media plant. This plant, together with the underground planning, is designed to bring the mine into full-scale mining operations if sampling is successful.

Previous prospecting has revealed marginally economic grades but the viability of the project is dependent on the quality of the diamonds.

Mr. Jules-Macquet said treatment operations of the bulk sample is scheduled to be completed by the year-end when a final feasibility study will be made.

Preliminary laboratory results from samples collected on farms comprising the Newlands area near Barkly West are encouraging and heavy earthmoving equipment to pit and trench kimberlite dykes located during a recent geological survey will be moved on site shortly.

The remaining block of farms held under option — Than, Mosh and Drooge Veldt — he south of Newlands on the Vaal River.

A gravel-filled river channel situated on the north-eastern corner of the farm Than is presently being evaluated and diamond recoveries to date have been encouraging.

According to "Wagner (1934)" the diamond publication, of the 86 diamonds larger than 100 carats, recovered from alluvial deposits in this area to date, no less than 31, were discovered on the three farms.

While the world diamond demand is depressed at present, Kosovo has two distinct advantages over similar scale operations.

The major advantage is the connections with the Australian jewellery business through its parent, Carrs Corporation.

It will therefore be largely unnecessary for Kosovo to have to find markets for its diamond production and it will presumably get preferential handling from Carrs.

Secondly, working costs are well controlled by the relatively small but efficient operation.

Under the company's progressive management, the South African business world is bound to hear more about Kosovo in the future and, no doubt, the turning of tables on SA raids into the Australian diamond market, will result in a few quiet smiles "down under."
Mystery on gem digs in N. Tvl.

An Australian-controlled company, Kosovo Exploration, has apparently joined forces with one of Lonrho's South African listed subsidiaries to prospect for diamonds in the far northern Transvaal.

The Mining Journal says that Kosovo has concluded an agreement with a quoted SA mining company for prospecting for precious stones on certain farms in the Zoutpansberg district.

Kimberlites

The journal says that the 19 800 ha prospecting area is near Venetia farm where De Beers and Midland have located high-grade, high-value kimberlites.

Under the agreement, Kosovo has the right to subscribe for 30 percent of the shares of any company formed to mine discoveries which may result from prospecting.

Approached for comment, Kosovo's locally-based managing director, Mr. Richard Jules-Marquet, declined to name the South African partner.

Natural

However, Lonrho SA chairman Mr. Sid Newman, without confirming or denying that a Lonrho company was involved slurred, "It has not been made public yet." He also confirmed that Lonrho companies had for many years held prospecting options in the area.

"It was natural that mining companies continuously took up options and there was nothing significant in doing so," he said.

However, Mr. Newman's reaction was vastly different from that of other mining houses which deemed association with Kosovo.

Furthermore, a statement "I am trying to find out how much you know" from Mr. Newman added to the belief that Lonrho was somehow involved.

Substantial

In addition, a deeds search of mineral-rights holders revealed that Mineral Holdings, a Lonrho company, held substantial rights in the area.

It was therefore logical for Lonrho to prospect these farms in view of the excitement caused by the Venetia discoveries.

Minerals Holdings can, however, be scrapped from the list of possibilities as the Mining Journal clearly stated that the company involved was listed.

Subsidiary

The only mining holdings companies in the Lonrho South Africa stable are Coronation Syndicate, which has a subsidiary in Zimbabwe and Dukker Exploration, which has two collieries in the Witbank district.

If it is accepted that Coronation Syndicate's interests are in Zimbabwe only, it would be a fair assumption that Kosovo's partner in the prospecting area in the Northern Transvaal is Dukker Exploration.
Theron slump

Financial Reporter

Theron Holdings, which derives most of its profit from dressing diamonds from the Namaqualand surf, reports a slump in pre-tax profit to R1,410,000 (1986 R3,010,000) in the year to June 30.

Earnings a share were 18c (7c). An annual dividend of 5c (25c) has been declared.

Tax was R575,000 (R2,059,000), leaving R735,000 (R3,950,000). Minorities came to R457,000 (R1,970,000), making attributable income R683,000 (R2,000,000).

The company said earnings were mainly affected by lower prices paid for rough diamonds and retail earnings were affected by the lower gold price and poor demand for diamonds...
DIAMONDS

New facets

Family-owned company Oetcha Holdings, which is to seek a listing on the Johannesburg Stock Exchange (JSE) next year, is to open a diamond cutting factory in Taiwan in an attempt to move into the Far East market.

The group's activities include the mining of and trading in rough and polished diamonds. Chairman Attie De Villiers says Oetcha bought the cash shell "Merite" last year, and subject to discussions with the JSE, investors and merchant bankers will try for a listing early in the new year.

In the 1981 annual report, Oetcha MJ Johan de Villiers, says consolidated net profit after tax amounted to R13.4m, compared with R2.7m for the 16 months to end-June 1980.

The first nine cutters from the Republic of China completed their training in Johannesburg recently and will be employed in the Toyo Diamond Cutting Works at Kaohsiung. They have reached the so-called operative level and will cut rough diamonds smaller than 1.19 carats.

De Villiers says the factory should become operational next year and is intended to reach a maximum polishing capacity of 10 000 carats/month by 1984.

He says the group already has offices in Zurich, Antwerp and New York and will be in Hong Kong by mid-1982. It is he believes logical for Oetcha to manufacture in the East which, by virtue of population, has the best potential.

The idea, he says, is for the Chinese factory to process the SA raw materials and supply the Hong Kong market. And the Japanese potential is not yet receiving the attention it deserves, he adds.

De Villiers complains that the company is being hamstrung by an outdated law which precludes producers from owning a cutting works. He believes, though, that the situation could change in the coming year.

If so, associate company LC Diamond Cutting Works (Pty) Ltd would be incorporated as a subsidiary.

The LC Diamond works, he claims, is one of the most modern and efficient in the world.

Also five black women are now being trained which could foreshadow the establishment of a "smalls" diamond cutting industry in the homelands.
Australian stand against SA rape of gem industry

By Geoff Kitney

CANBERRA — The Australian Prime Minister, Mr Malcolm Fraser, has warned that South African interests would not be permitted to gun control of Australia's wealth.

Mr Fraser told Parliament that he believed it would be contrary to national interest to strengthen a South African monopoly in the diamonds area.

His comments indicate that the government will move to impose strict controls on the export of diamonds from the rich new Arrkle diamond area in remote north-western Australia.

IN Volvement

They also reveal a difference of opinion between Mr Fraser and his deputy, Mr Doug Anthony, over the question of South African involvement in the Australian diamond industry.

Mr Anthony, who is Minister for Trade and Resources, told Parliament recently that the marketing of Australian produce was in the hands of the companies involved.

"It is hoped that the company's responsibility to its shareholders to sell its products in a manner which is in the best interests of those shareholders," he said. "No need is seen at this stage for the introduction of export controls on the sale of diamonds."

Swallowed

Mr Fraser said, however, in response to claims that the De Beers Central Selling Organisation was likely to control the diamond production form the Arrkle mine, that "I can see no advantage to Australia or its industry in having arrangements in which diamond discoveries only serve to strengthen a South African monopoly in these areas."

"I believe that this would be contrary not only to the interests of Australia but to the interests of natural corporations."

Mr Fraser was con-
NEW YORK — Newmont Mining filed an anti-trust suit yesterday over acquisition of its shares by foreign rivals which it claims have interlocking interests and could monopolise copper smelting and refining and gold and ferrovanadium production in the US.

Named as defendants by the New York-based Natural Resources Concern in a complaint filed in US district court were Amecan Group, a holding company owned by Consolidated Gold Fields of London.

The complaint alleged the two have publicly disclosed acquisition of 8.1 percent of Newmont's shares for about $125 million.

Also named as defendants were De Beers Consolidated Mines of Kimberley, and Minerals and Resources Corp., a Bermuda-based holding firm.

The complaint alleged that all the defendants have interlocking interests or directorates and the power to gain control of Newmont, thereby tending to lessen competition or monopolise domestic copper smelting and refining, production of certain copper products, gold and ferrovanadium.

Newmont asked the US district court to declare the acquisition of its shares by Amecan in violation of anti-trust law and to order an orderly disposal of them on the public market.

It also seeks to have all the defendants enjoined from buying or voting any Newmont shares or to exert any influence over its management. — Associated Press
Theron, in turn, is hardly likely to be pleased with the performance of its subsidiary Katz & Louise. Part of Theron’s motivation in acquiring control of K & L was to provide a retail outlet for diamonds recovered from the offshore dredging operations. However, sharply lower production from these operations, combined with the results from K & L, resulted in a 75% slump in Theron’s earnings to 19.1c (77.6c) a share.

The directors say prospecting activities by subsidiary Dawn Diamonds were severely hampered by adverse weather conditions off the Cape west coast. Nevertheless, the recovery of 37,223 ct (377,763 cts) is described as “satisfactory.” The risky nature of the business and the vulnerability to such factors as weather means that Theron is capable of producing spectacular results at both ends of the scale. There is, however, persistent talk that the company is experiencing serious problems with timing operations that may just be rumour, but the directors statement does little to allay investors’ fears.

One problem with Theron’s disclosure— or lack of it—is that the fact that diamond stocks are not identifiable. However, if K & L’s inventory is deducted from Theron’s stock figure, the balance of about R320,000 is presumably diamonds. Another flaw in the report is the fact that 1980/81 price figures have been changed.

Chairman Hugo Richter says a year of “planned internal growth” is envisaged in financial 1982, with the object of strengthening the financial structure. That explains the increase in dividend cover to 3.8 (3.0) times. The high cover seems justified in view of the almost doubled borrowings of R4.1m (R2.3m). That raised the debt equity ratio to 155% (101.2%) with gearing at that level, interest payments could impact heavily on the company’s profit.

The group’s fishing interests have been expanded and the contribution to earnings from this source is expected to increase. However, revenue from the most important profit source—seafood forecasting— is fairly hazardous, but there seems little chance of a generous dividend this year, even if the retail diamond market improves, because of the gearing.

The market’s disenchantment with the share is reflected in the fact that it is currently trading at its low of 176c— compared with 400c a year ago — and yields only 2.5% on dividend. With Theron backing it, Katz & Louise could be in a good position to take advantage of any upturn in demand, and investors may feel safer buying into K & L rather than Theron itself.
Clouded outlook

Simple questions about the future of the diamond market tend to stir up mud rather than produce clarity. A Babel of views (direct, inspired and/or simply guesswork) has flooded European diamond trading centres both before and after the fuss caused by Australian Prime Minister Malcolm Fraser's chauvinistic utterances on the Central Selling Organisation (CSO). Fraser dealt with the issue of the CSO being allowed to market the 22m carats which the Ashton-Jewel venture expects to be able to produce by 1988.

If there is one clear (non-De Beers) opinion of the outlook — once the current severe recession in the market ends — it is that the new production from Ashton and from Zaire — which have both opted out of the CSO — and Gunea will mainly affect the market for industrials and thus the big investment of De Beers and General Electric in America in the manufacture of synthetic material for cutting and abrasion.

As for the gemstone market, it will "probably heave a sigh of relief when diamonds from Ashton become available," according to London diamond consultant Reg Huddleston. Huddleston reckons De Beers' stockpile contains about one-third of 1980 sales — and could in fact be two-thirds because of conservative valuation. But he says that when the next upturn comes within two years, "there will again be a shortage of supply of fine diamonds."

It is a view supported by London cutters and dealers who refuse to be quoted by name, and by Harry Oppenheimer, De Beers chairman. Discussing with the Financial Times the withdrawal of Zaire from the CSO umbrella, the advent of Ashton, and the market, Oppenheimer said: "This recession has been a disagreeable down. We haven't had a bad one like this for a long time. But I'm not frightened by it. I think we will come through and you will find that with the stocks we have accumulated we will make a great deal of money out of it."

Nur does Jack Lumner, chairman of Industrial Diamond Company of Hatton Garden, necessarily disagree with Oppenheimer, even though he challenged the De Beers chairman on his assessment of the quality of Zairean stones. Industrial Diamond Company with two Antwerp firms, Calvi and Glassol, have handled Zaire's output since it ended its 14-year agreement with the CSO.

Lunzer, not unnaturally, quarrelled with an assertion by Oppenheimer that the CSO's take of Zairean material had been largely in extremely low quality diamonds. He claimed that at the recent fifth sale of stones in Kinshasa, 67.3% (in caratage) had been industrial while 32.7% were gem quality (84.2% by value). Lunzer's point was that Ashton, which may produce only 16% gem quality, would not necessarily pose a major threat to Zaire.

But as he saw it, Ashton's 28m carats of industrial output would be worrisome to makers of synthetics (De Beers and General Electric) rather than to miners — in a total world market of more than 160m carats (of industrials) last year. The 30% price premium enjoyed by natural industrial diamonds over synthetic indicated a preference by consumers. And Lunzer asked whether, if the CSO were to market Ashton output, it would stockpile natural stones or the "synthetic equivalent produced at great cost by De Beers itself."

De Beers, according to follow-up reports, is not concerned. Estimated compound annual growth of 10% in demand for industrial diamonds puts consumption at over 161m carats in 1983 and 250m carats by 1990.

Oppenheimer, however, did see a problem with Ashton's output. In what read like a strong hint to the Australians that they would be better off within the CSO cartel, he described the Ashton output as "rather difficult to handle." Oppenheimer said that while Ashton's preponderance of industrials could be coped with, the problem lay in "very common diamonds on the margin between gem and industrial. This is very few, then go to an easy thing to do and I think that if they (Ashton) are going to market those things, they should try to do it in a way which doesn't invite a great deal of competition with other people."

In contrast to Oppenheimer's public insouciance, a propaganda campaign appears to be being orchestrated in favour of the CSO. One which seems aimed at giving the Australians food for thought is a report that since breaking with the CSO, Zaire is recruting on average only $7.50 per carat against the $11 it got when it was in the ambit of the CSO. If that is the case, expect Zaire to scrap other arrangements and scramble back to the security of the CSO's embrace.

In the September quarter, initial, and limited, production at Ashton's prospect areas was valued at $10,800ct — very much in line with Zaire's averages when it was dealing through the CSO. That has led to further questioning of Ashton's ability to generate the funds needed to sustain an independent marketing operation. That is particularly so as it seems that the Australian gems are generally of a brownish colour and will command low prices.

All in all, the arrival of Ashton on the diamond scene and the well-publicised withdrawal of Zaire from the CSO's marketing arrangements are merely symptomatic of the present depressed state of the world's diamond market. They need to be seen in perspective. When there are problems everyone argues and tries to squeeze out the maximum advantage for himself. Huddleston puts it succinctly: "There is no chance that the CSO will lose its dominant role on the world diamond market. Whether it markets 80% of world production or 60% it will still be the biggest source of stones and the pacemaker in prices."

Once all the fuss has died down, it seems safe to assume that Australia will reach some sort of modus vivendi with the CSO, even if it does not go as far as turning over marketing to the De Beers-controlled company. In any event, by the time Ashton is scheduled to reach full production, the world's diamond market should be out of its present trough and starting to boom.

The diamond market has been through depressions before and, largely because of the market stabilising policies of the CSO, has emerged stronger each time. This setback will see a repeat performance. In the meantime the squabbling could rise in pitch.
New diamond giant unveiled

THE Ochta diamond group plans to spend more than R160-million on a far-reaching expansion.

The programme would establish Ochta as a mini De Beers, creating an integrated diamond mining, cutting, marketing and retailing operation with a wide international network.

This was disclosed to Business Times late this week by the managing director, Johan de Villiers.

He confirmed that the R72-million group is heading for a listing on the Johannesburg Stock Exchange through the Morlite cash shell as foreshadowed in Business Times on October 18.

"Although small compared with mines in the giant De Beers group, Ochta's Namaqualand mine — the mainstay of the group, and employing about 700 people and moving nearly a million tons of earth a month — is claimed to be the world's richest producer of quality-gem diamonds.

The group's ambitious capital spending programme "could well average R40-million a year up to 1986", Mr De Villiers says.

The programme is planned to be financed from the group's own cash resources, by involvement of a major partner and by the public share issue.

Most of the spending will be on establishment of four old mines acquired recently by Ochta in the Kimberley area and now producing "quite a substantial output".

Each will require about R40-million to carry out shaft sinking and establish underground operations and infrastructure.

We know from extensive prospecting that all contain very substantial ore reserves."

Past development of the mines, he says, has been unsuccessful because of the lack of capital, expertise, an international marketing network and the higher diamond prices of the past few years.

"Detailed planning is well under way and we expect to be seriously developing the mines by February 1982." 

The mining expansion would lift Ochta's present production from 100,000 carats a year to about a million carats by 1985/86 — about 52,000 derived from the new mines.

However, while 85% of current production is in the form of gem diamonds, by 1986 the output will comprise about 50% gemstones and 50% industrial diamonds.

Other expansion plans include:

- Establishment at a cost of R25-million of a diamond-cutting works at Kaokovango in South West Africa.
- A team of Taiwanese polishers completed their training at Ochta's Johannesburg cutting works this week.
- Cutting works in Taiwan looks unusual but logical — with Far East markets in Taiwan, Singapore, Hong Kong, Korea, the Philippines and Japan they could have a consumer market significantly larger than that developed in South Africa.

By Andrew McNulty
MINING - DIAMONDS

1982

JAN. - 8 Dec.
Diamond find in Australia puts Fraser on the spot

From the Christian Science Monitor

CANBERRA — Discovery of what is potentially one of the largest single sources of diamonds is creating unexpected difficulties for the Australian Government.

The main problem is the marketing of the diamonds, and the extent to which Australia should be itself in the South African Central Selling Organization (CSO).

The CSO markets about four-fifths of the gem quality diamonds traded around the world, and the price it sets determines the pricing of the remaining fifth.

The Australian discovery has not been fully evaluated but early mining suggests it may be one of the richest diamond sources. Located in the barren north-west of Australia in the eastern Kimberleys, the Lake Argyle deposit is in the remnant of an ancient volcano.

Tests so far are producing a gram of diamonds for every ton of diamond-bearing rock, about 22 times the return from most South African mines. However, the diamonds produced so far are mainly industrial rather than gem quality.

The lode creates problems for the Prime Minister, Mr. Malcolm Fraser, who is under pressure from the opposition Labour Party to impose export controls to ensure that the diamonds are not handled by the CSO.

The Prime Minister's policy on the spot because he was antagonistic towards South Africa and expressed sympathy for black African nations at the Commonwealth heads-of-government meeting in Melbourne last October.

When Mr. Paul Keating, the Labour Party's mining expert, asked Mr. Fraser to ensure that the diamond industry would not fall into South African hands, the Prime Minister replied: "I can see no advantage to Australia or to Australian industry in having arrangements in which Australian diamond discoveries only serve to strengthen a South African monopoly in these areas.

"I believe that that would be contrary not only to the interests of Australia but to the interests of Australian corporations."

Mr. Fraser's comments prompted the Western Australia Premier, Sir Charles Court, to warn him not to interfere with the development of the diamond industry.

After several telephone conversations, Mr. Fraser backed off from any federal moves to control the diamond marketing.

The Prime Minister's political support is so low at present that he cannot afford to antagonise the Premier of Western Australia, a member of Mr. Fraser's own Liberal Party.

Mr. Fraser said that his remarks had been misunderstood and that his concern was that Australia should not support arrangements that "only" strengthen the monopoly.

Sir Charles welcomed Mr. Fraser's retreat and said that his government would seek the best deal possible for Western Australia and the nation in marketing and processing.

He said that Western Australia was not reluctant to consult the federal government "at the appropriate time, as long as it is fully appreciated that resource developments of this kind are basically our responsibility."

Mr. Keating sharply opposed Sir Charles's approach, and his views may have an added significance if Labour wins the 1983 federal election — at about the same time the diamond mines go into commercial production.

Mr. Keating claims that the government is content "with the prospect of South Africa raping our fledgling diamond industry" and this was a complete mockery of Mr. Fraser's Africa policy.

He estimates that the Lake Argyle deposit will produce 25 million carats of diamonds at full production. In comparison, he says that De Beers produces 18-million carats from its South African mines.

The diamond deposit is to be mined by a consortium headed by Colonial Rutland Australia (CRA). More than three-fifths of the consortium stock is owned by the English-based company, RTZ.

CRA's chairman, Sir Rudolf Carmegh, is trying to keep out of the debate about the diamonds. He stresses there is no diamond industry in Australia at the moment.

"What has happened is that we have found a diamond pipe which contains a large quantity of low-quality diamonds," he says.

Sir Rodenstock denied that De Beers was trying to influence decisions through RTZ. "All the speculation is fuelled by people jumping to conclusions because of the emotive content..."
De Beers report 41.6% diamond sales drop

By Pieter de Vos

World diamond sales slumped by almost R893-million to R1 249-million in 1981, the Central Selling Organization — the marketing arm of De Beers and most other producers — reported today.

This represents a fall of 41.6 percent compared with the previous year's total sales of R2 145-million.

However, as the fall was substantially damped by the weakening of the rand against the dollar, sales in dollar terms showed an even sharper drop of 46 percent from 1980's total of 2 725-million dollars to 1 472-million dollars.

The fall in sales accelerated sharply in the second half of 1981, registering a drop of more than 54 percent from 1 156-million dollars in the second half of 1980 to 531-million dollars in the past six months.

In rand terms, sales fell by 41 percent in the first half of the year and 42.5 percent in the second half.

Sales amounted to R502-million in the past six months compared with R874-million in the second half of 1980.

The extent of the sales slump surprised most analysts who predicted total sales from R1 500-million to R1 600-million for 1981.

Sales were significantly reduced as the CSO continued to implement its established policy of stocking diamonds not in demand to stabilize the rough-diamond market.

Mr Harry Oppenheimer, chairman of De Beers, said last year that De Beers was not slowing down its capacity expansion programme nor was it considering any further cutbacks in its mine production.

However, the market reaction to the announcement would be keenly watched today by investors and analysts.

Mr Oppenheimer said that there was no question of the CSO lowering its selling prices, which were above those being fetched for smuggled stones.

World interest rates and the state of the world economy would have a strong effect on this year's prospects, analysis said.

Retail diamond jewellery sales had continued at a satisfactory level in 1981, the CSO reported today.

Initial reports from the US were that sales of diamond jewellery for Christmas were even better than last year, it said.

"The combination of these factors has helped to reduce the level of stocks held in the cutting centres.

"More normal trading conditions can be expected when general economic conditions improve."

However, a similar prediction was made in the first-half report.

Economists agree that an improvement in diamond sales which would result from an improved economic outlook could only occur towards the end of the year.

Currently, De Beers spends about R1-million dollars a week on advertising diamond jewellery in 24 countries.

Research last year indicated that while the number of pieces of jewellery sold had gone up steadily, sales had tended more towards the cheaper items.
Dividend cover slashed as diamond mountain grows

THE awesome collapse in diamond sales over the past year is likely to reduce De Beers distributable earnings for 1981 by more than 100c a share to about 85c from 185.7c in 1980.

The Central Selling Organisation figures for 1980 announced on Tuesday, were nearly R300-million lower than the most conservative estimates, and point to a dramatic build-up of stocks and a concomitant erosion of cash reserves.

De Beers is holding a mountain of diamonds – by the end of 1980 the stockpile had risen in value to R627 700 000 from R429 250 000 the previous year, and is believed to have been more than R1 000-million by the middle of 1981.

Projections for the upturn have all been extended, and the expected turnaround is not regarded as a possibility before 1983.

One analyst said the diamond market appeared to have entered its weakest phase since the early 1970s. There were no signs of improvement in demand for industrial diamonds, the real profit generators.

There can be no question of a dividend cut – De Beers is in an extremely strong financial position, and has never reduced its dividend. But an unchanged 75c for the year will be covered only 1.13 times by earnings.

This cover is the lowest in at least 15 years. Since 1967 the cover has been above 2.0 in every year except 1978 and 1979 when it was 1.5 times and 1.0 respectively.

The 85c earnings forecast excludes retained earnings of associated companies which are non-distributable.

De Beers net cash at the end of 1980 was R416-million, and it has been estimated that the stockpile could be costing R100-million a month.

This estimate is based on the assumption that De Beers is required to stockpile surplus CSO diamonds at any sales level below R500-million.

If this figure is accurate, and it can be considered a reasonable “ballpark” estimate, the cash balance has been run down, and the group has probably been forced to borrow to fund the stockpile.

It is probable, however, that the unit cost to De Beers of absorbing surplus CSO stocks has dropped significantly.

A small producer in the Western Cape is reported to be receiving prices 50% below the averages a year ago. In the 1980 report it was stated that bank overdrafts had risen to R160 800 000 from R14 000 000, and that a R250-million revolving credit facility had been arranged.

The extent of the sales drop in the second six months of 1981 has surprised the industry, which at the wholesale uncut level saw good demand in the last three months of the year.

One theory, which has been expressed before, is that the CSO may be losing its grip on the market, and that sales have been bypassing it.

It is possible that some CSO suppliers have taken umbrage at the stern measures adopted at the height of the diamond boom three years ago when substantial surcharges were imposed at sights in an effort to encourage stockpiling by cutters and speculators.

Whatever the CSO’s current problems are, it seems that the organisation in its present form is vulnerable in spite of its marketing expertise.

Zaire’s withdrawal from the CSO has not been successful, but it has sold its diamonds. The controversy surrounding the CSO’s possible marketing link with the Australian Ashton project stems directly from the close association with De Beers and South Africa.

As De Beers diamond production increases, the ratio of South African output to the total is diminishing, with Botswana becoming an increasingly important producer. Namibia accounts for a large proportion of gem production.

It has been suggested that the South African link is regarded as an embarrassment to Botswana, and an independent Namibia might prefer to distance itself.

A solution to the problem, and it would be naive to believe that political pressures will abate, would be for the marketing of diamonds to fall under a truly international umbrella, and Monaco appears to be the vehicle.

The Bermuda-based conglomerate has a wide spread of international interests, and it has a wide geographical spread of shareholders.

De Beers is set for one of the most difficult years in its history, with early forecasts suggesting that unless there is an early and substantial improvement in demand 10% may prove to be even less profitable than last year.

The gold market and platinum markets, which in 1980 provided 50% of De Beers investment income, are weak and indications are that the industrial sector, which contributed 21% of income, is unlikely to maintain the growth achieved last year.

By JOHN MULCAHY
De Beers: Is the worst over?

THE past year's precipitous 46% CSO sales slump has produced a plethora of pessimism over the outlook for De Beers. A leading Johannesburg analyst strongly contradicts these views. He believes that the worst is over and that De Beers is good value at the ruling share price.

In the wake of this week's announcement that CSO sales in 1981 had fallen to $1.472-million from the previous year's $2.732-million, commentators are anticipating that De Beers's attributable per-share earnings for 1981 will plummet from 188c to around 8c.

If they are correct, De Beers's dividend cover will drop to 1.13 - the lowest in at least 15 years. They are bearish on the prospects for De Beers because:

- The expected turnaround is not regarded as a possibility before 1983.
- The diamond market appears to have entered its weakest phase since the early 1960s and there are no signs of improvement in demand for investment-grade stones - the real profit generators for De Beers.
- It is estimated that it has been costing De Beers R100-million a month to stockpile surplus CSO diamonds.
- The CSO may be losing its grip on the market, with sales bypassing it.
- The gold and platinum markets, which in 1980 provided 50% of De Beers's investment income, are weak, and indications are that the industrial sector, which contributed 21% of income, is unlikely to maintain the growth achieved last year.
- The bad winter in Europe will affect this year's Russian harvest and result in increased sales of gold and diamonds.
- De Beers's profits in the second half of 1981 will also have been hit by the gradual implementation of the production cutbacks announced during the first half.

In spite of these gloomy observations, one analyst (who may not be named because he is employed by a stockbroking firm) expects the level of CSO sales to start increasing in the fairly near future - probably the first half of 1982.

He believes that 1981 will prove to have been a trough year and that the coming bull market might be a powerful one.

He draws attention to the experience of former diamond bull markets. Between 1949 and 1957 CSO sales increased by 170%, between 1962 and 1969 by 167%, between 1970 and 1972 by 160% and between 1975 and 1978 by 109%, for an average rise of 146%.

"There seems to be little to suggest at this stage that the pending bull market will prove to be below average."

He continues "Stocks are probably in an area where all things being equal, the trade could begin to restock during the first half of 1982."

"The recent easing of interest rates in the US and elsewhere as a positive factor for diamonds, and the now widely recognised recession in the US hopefully will not last long."

"Further, US unemployment - now about 8-million - which will result from a prolonged recession is politically expedient ahead of the mid-term congressional elections."

"The level of stocks generally in the US is low and the element of destocking can take place before re-ordering is limited."

"Due to the uncertainty of the longer-term outlook, for the US economy, and for Reaganomics in particular, I feel it is likely that a greater proportion than usual of the extra liquidity that is needed to spark a revival will find its way into hedge assets at the expense of new production capacity.

"I would expect, at this stage, to see good jewellers' demand developing in the second half of 1982, a sideways drift in 1983 and a renewed impetus in 1984."

De Beers, he maintains, will be able to maintain its pre-eminent position in the gem diamond market, both from its own production and from CSO contracts.

"Despite current conflicting statements, I expect that Australian production will be marketed through the CSO and that there will not be further substantial breakdowns following Zare's lead.

"I expect sales of rough to pick up early in 1982 and that De Beers will be able to keep the market controlled and orderly."

"The industrial-diamond market should continue to show good growth and the non-diamond interests, which should contribute about 40% to 1982 per-share earnings, are likely to benefit from a recovery in both the gold price and a more active world economy."

By John Spira
CSO blocks Soviet diamond figures

The Star Bureau
LONDON — De Beers Diamond Mining Company has blocked publication by the British Government of sensitive figures on shipments of diamonds from the Soviet Union to London.

Under the move, which affected Britain's trade statistics from the beginning of last year, the Government is no longer providing figures on clandestine shipments of Soviet diamonds to London where they are sold through the SA company's worldwide marketing network.

The move effectively wraps another layer of secrecy around the highly discreet international trade in gold and diamonds, when the Soviet Union is struggling hard to raise funds in the West by boosting gold sales.

Britain's Customs and Excise admits that De Beers asked for the diamond statistics to remain unpublished and it agreed to this.

The Department of Trade defended the action, which affected all diamond exports and imports on the grounds that it removed a distortion of exchange shortages, the deliveries are thought to have continued at a high rate last year in spite of the weakness of the diamond market.

The trade figures asked to provide the missing figures, Customs and Excise refused because it would identify the trading position of De Beers.

"The trader was consulted (about the possibility of publishing the figures) and turned it down," Customs and Excise said.

Moscow's deliveries to London have mainly been rough (unpolished stones) which are passed on via a third party to De Beers and then sold through its Central Selling Organisation. The CSO handles the marketing of about 80 percent of the world's diamond production.

Russian shipments to the UK normally run into several hundred million rands a year. Reflecting Soviet for
Aussies square up to challenge De Beers

PERTH The impressive diamond discovery in the Northern Desert region of Western Australia will have a significant impact on the world market and De Beers for many years to come.

"Sampling results have indicated high grades and it appears the area will be a diamond resource of considerable significance," says Mr Alan Jones, chief executive of Ashdown, one of the two companies taking part in the Ashdown Joint Venture, which is developing the project.

Mr Jones estimates that the venture will be producing 5 million carats a year from the end of 1982. If a feasibility study is approved in the next few months, a plant processing 2,500,000 tons will produce further 15 million carats a year from 1983.

The main participant is CBA, the Australian mining company, and the Titano-Zinc. The third partner is Northern Mining. They say in terms of quantities of actually recoverable potential is the most exciting since the discovery of diamonds in his country.

Initial sampling, however, suggests that the proportion of gemstones is small, even though the quality of diamonds sized 5 mm to 6 mm in terms of means of gem stones, is still off the charts.

"The diamond industry is the most exciting since the discovery of diamonds in his country.

Mr Greg Fearon, an executive of the CBA, which is the nucleus of the Ashdown Joint Venture, agrees with this view.

But Dr Ross Town, chairman of Northern Mining, believes the gem values are widespread and that the area has far greater potential than the published estimates of his two partners.

The Ashdown Joint Venture has its origins in the Kalgoorlie Joint Venture, which was formed in 1972 to conduct diamond exploration in the northern part of Western Australia. Consequently, the Kimberley region of Western Australia was a key area of interest for the Kimberley company.

When the fibrous exploration company went out of business in 1978, Mr Town says that the result was washed down until 5% of the Kimberley company avoided the venture.

The group was renamed Ashdown Joint Venture and CBA, which manages the project, now has a 69% stake, followed by Ashdon Mining with 9.5% interest and Northern Mining with 20.5%.

While De Beers' Australian exploration company, Stockdale Prospecting (Pty), was involved in the discovery made in 1977 it found a large deposit of kimberlite pipes (diamondiferous rock containing diamond grains) at Ellendale, 300 km east of the city of Derby in Western Australia, and 2,200 km north of Perth.

An Ashdown Joint Venture document says 30 kimberlite bodies were sampled, but only two had sufficient kimberlite to be considered a kimberlite diamond deposit. The two pipes covered an area of 46 hectares and 44 hectares, and in 1979 about 50,000 tons of kimberlite was processed yielding 3,100 carats, mostly small, semiprecious gams with colours ranging from yellow to blue to white.

Northern Mining reports that the largest high-grade kimberlite deposit was 65 carats. For every 100 tons of kimberlite, 86 carats were found. However, only 500 tons were sampled. That compares with a range of 15 to 70 carats to 75 tons from the 986 to 992 Carlin kimberlite.

In September, 1978, a team of geologists including Mr Town's son, John and his future daughter-in-law discovered the kimberlite pipe at Smokey Creek.

The deposit is south of Lake Argyle in the eastern Kimberley region, 400 km from Ellendale, and 1,000 km from Perth and 230 km south of another kimberlite deposit, Wyndham. The discovery was so impressive that the Ashdown Joint Venture decided to expand the project.

The Argyle project consists of three distinct deposits. An elongated kimberlite pipe, called the AK-1 pipe, which is the remnant of a volume of magmatic rock, is the main deposit.

The pipe is 1.7 km long and 450 meters wide. It covers 50 hectares in a valley area rounded by rugged hills of quartzite at the headwaters of an area called Smokey Creek.

Structural drilling suggests that a kimberlite intrusion on a production of 2,200 tons a year to 250,000 carats could indicate a life of 10 to 15 years.

CBA's largest current deposit is 120,000 carats and was discovered from a kimberlite pipe in which the production is 2,200 tons a year to 250,000 carats.

Smokey Creek, which covers low alluvial deposits and containing a series of Upper Smokey Creek and Lake Argyle. The yield from Smokey Creek is 100,000 carats a year.

Finally, in September, the joint venture discovered another large alluvial resource called the East Creek of AKI. The yield is 350,000 carats a year.

These grades compare with 75 carats a 60,000 tons at De Beers' Finnish mine and 40 carats a 100 tons at Orapa and mine carats at 45,000 in Namibia. But the stones are mainly industrial and the larger diamonnds weighing 11 to 12 carats fit into the colour, market.

Mr Jones and Mr Town say that the kimberlite deposit could produce 500,000 carats a year, or 4 to 5 million carats.

Mr Town says the diamond exploration company was involved in 15 to 20 million carats, while De Beers could produce 500,000 carats a year, or 4 to 5 million carats.

De Beers' marketing arm, the Central Selling Organization, would market the diamonds at $2,500 to $3,000 a carat, but Mr Town says the value will be $3,000 to $4,000.

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It is a matter of record that diamonds impressively outperformed all other popular growth investments through the decade of the 1970s. But what about the 1980s? Recently the investment diamond market has been in the doldrums, says Len Gallan of the Hard Asset Group.

Reviewing diamonds’ past performance he says that the growth in values of investment-grade stones over the period 1970-1989 was nothing short of spectacular. As can be seen from the table on this page diamonds outperformed shares, fixed interest, gifts and inflation by enormous margins.

They also convincingly outstripped other popular hard asset investments such as gold Krugerrands, silver and gold, he points out.

Although the long-term price trend for diamonds is one of improved growth, this growth as with all investments, is subject to short-term price cycles, he explains.

Mr Gallan says that in keeping with most other hard asset investments there is something of a correlation between the movement and timing of diamond price cycles and that of the US inflation cycle.

"Both the US inflation rate and the prices of investment-grade diamonds have been in a cyclical decline since early 1980."

To see this decline in perspective, however, one should bear in mind that while diamond prices have come down about 35% on average, the price of gold has declined as much as 55% and silver has plummeted a whopping 81% from their peaks of early 1980 to their lows of recent months.

"In the last few months, US inflation has once again edged upwards and many analysts believe this to be the commencement of a new inflationary wave. Already the prices of gold and silver have bounced up sharply which could well be the signal that another bull market in investment diamonds is imminent," he says.

Mr Gallan says that the diamond trade, however, is still in the doldrums and this has led to recent speculation that diamonds may have permanently lost their lustre as investments.

"There has been some speculation in the Press that De Beers, which has long exercised a rigid control of the diamond market, may have lost their grip on the situation.

I do not for one moment believe this to be the case. What has happened is that the nature of De Beers’ control has changed in keeping with market circumstances and this is likely to lead to somewhat more volatility in the prices of diamonds in the future than has been experienced in the past.

"From an investor’s point of view, however, this should be seen as a welcome development because for an investment to be worthwhile its price must move up and down in order to keep bringing new buyers into the market and allow earlier investors to take profits."

"I am afraid that the traditional diamond trade may have to get used to the fact that "Bag calling" (in the form of De Beers) may no longer be prepared to smooth out the price cycles for them. But for those who can adapt their thinking, diamonds could prove an even better investment medium in the future than they have in the past," he explains.

Mr Gallan says another factor which has exerted a bearish influence on the diamond market has been the fact that Zaure and Australia have opted to market their diamond production outside of the De Beers “syndicate.”

However, investors should understand that only a small proportion of the diamond production of both these countries will fall into the “investment-grade” category, he says.

Personally, while I believe that the syndicate will continue to retain a degree of control on the market, I do not see it as a material factor for investors whether they do or not.

"Investment-grade diamonds constitute less than 2% of total production and this percentage is steadily diminishing. As such, these stones are volatile rarities and their prices will continue to appreciate long term. No matter what developments occur, within the diamond industry as a whole.

He stresses that investors would be well advised to only buy stones which meet international investor requirements because their added rarity value is likely to underpin their price appreciation regardless of developments in the industry as a whole.

It would appear to be an excellent time for serious long-term investors to buy investment-grade diamonds. The risk of substantial price declines must surely be limited, while the potential for large-scale profits looks larger as each week goes by," says Mr Gallan.

"Remember, however, when investing in diamonds, that it is important not to overweight as this can offset much of your profit potential," he warns.
CSO withdrawal a success
Zaire to double diamond output

By JOHN MULCHAY

ZAIREE'S Miba diamond mine is expected to double its production in two years in an expansion programme costing $40-million.

The Government of Zaire and the World Bank's International Finance Corporation for a loan to finance the expansion are expected to agree to the loan on Friday.

Mr Jack Lanzer, managing director of Industrial Diamond Company (IDC), Hatton Garden diamond merchants and one of the three companies handling the marketing of Zaire's diamond production, said the Miba expansion would double production in two years from 6-million carats now.

Mr Lanzer was in Johannesburg last week after attending the monthly diamond sale in Kimberley where the Socrate Zairienne du Commerce de Commercialisation des Minerais (Soczem), Zaire's State mineral marketing organisation, sold 287,233 carats of diamonds for $3,500,000.

He rejected claims that Zaire's withdrawal from the Central Selling Organisation (CSO) had been unsuccessful, and said its production was not sufficient to meet demand.

Evolutionary

Since Zaire's withdrawal from the CSO last year, the entire production from the Miba mine, as well as from Tshikapa, had been sold without difficulty, said Mr Lanzer.

Questioned on the possibility of other producers following Zaire out of the CSO, Mr Lanzer said Zaire was an unusual case because most of its diamonds were industrial quality, and the marketing of gems is a completely different ball-game.

The IDC had operated independently of the CSO for 15 years.

He foresaw changes in the diamond market, but equated these with evolutionary change: "Nothing stays the same -- we see a different Africa in 10 years ago, with a national pride and determination for independence."

While the future of the CSO would change with the world, it would still be around in one form or another.

Surcharges

He defended the CSO's action in imposing surcharges on gems three years ago which sent the prices of worldwide diamonds soaring.

"The CSO had no option -- they had to put a stop to the madness that had swept the investment diamond market.

If its monthly sales continued at the current level -- and Mr Lanzer expects demand to increase -- Zaire's annual sales could reach $128-million, representing 8.5% of the CSO's 1981 sales.

Mr Lanzer said other areas of Zaire produced diamonds, but these were smuggled out through Brazzaville and Barundi.

While these stones were produced by hand on a small scale, the combined total from these operations was significant. It was estimated that in December exports from Brazzaville amounted to 40 million against 35-million in November last year.

Mr Lanzer said: "if you look at the greater proportion of Zaire's diamond output to its industrial stones where the market is determined by straightforward supply and demand factors, and is unaffected by speculation or investment.

"The relatively small quantity of gem diamonds produced in Zaire are in the medium-quality range, which at the retail level are selling like red hot cakes."

Mr Lanzer said there had always been strong demand for Zaire's industrial diamonds, and in the 1950s and 1960s, the US built up a huge stockpile of the stones.

Production was adversely affected in the civil war in Zaire, and around the same time the US decided to release 6-million carats a year of the Zaire stones for sale by tender as the development of synthetic diamonds had reduced the strategic need for such a stockpile.

According to Mr Lanzer, the IDC continually undersold these US sales as it had substantial markets for the Zaire diamonds.

All minerals

Zaire's decision to follow an independent marketing approach was not confined to diamonds, and Soczem was established to market all Zaire's minerals.

In its decision towards increasing production the Miba mine had placed a deposit of $9-million for a dredge to produce 1,500,000 carats a year.

Mr Lanzer said the world should welcome the discovery of the huge diamond field in Australia as there was an inadequate supply of natural industrial stones.

Annual synthetic diamond production had reached 120 million carats, but the price of those stones was limited, and because there had not been enough natural diamonds to satisfy the market, synthetic compounds of smaller stones had been developed which did not always have properties equivalent to "naturals.""I am not concerned about the world's ability to absorb the Ashton production," said Mr Lanzer. "But the likely impact on the market could not be judged until the performance of the Ashton industrial trials had been assessed.

Australia had produced diamonds from various sources for 60 years, but the feasibility of the stones varied from place to place, and the Ashton diamonds would have to be tested to determine their best use.

Mr Lanzer would not be drawn on Ashton's possible marketing plans, but said the Joint Venture management had been in close contact with major national distributors and major distributors, "and are handling the situation in a most able way."
PHB Weserhütte South Africa has received a R. million order from SA Coal Estates, a subsidiary of Anglo American Coal Corporation (Amcoral). For the supply of three slawing stackers, two bridge-type scraper reclaimers and one portal scraper reclaimer. The equipment due for commissioning early next year, will be used for blending raw coal and storing washed coal at the R214 million Grootkoop Colliery to be established in the Witbank area. The mine will have an output of 4 million tons a year, and will produce steam coal for export through Richards Bay.

UK sells trawlers to New Zealand

LONDON — Britain’s two biggest and most successful trawlers have been sold to a New Zealand company because of the decline in fishing opportunities for the UK deep-sea fishing fleet. Arctic Buccanneer and Arctic Galliard, both operated by Boyd Lane of Hull, have been bought by Fisher Fishing of Auckland. This reduces the full deep-sea fleet to 15 from 16 in 1974. The UK deep-sea fleet, which exceeded 500 vessels in 1974, is now fewer than 50, and many of these are not active. More ships from the Hull fleet may be sold to earn similar ships in offshore oil operations in various parts of the world.

Boyd Lane had offered the vessels from British buyers, but these would have meant their being taken out of the fishing industry. The

De Beers cover-up for Soviet gem sales

LONDON. — De Beers has blocked publication by the British Government of sensitive figures on shipments of diamonds from the Soviet Union to London, because of the move, which affected Britain’s trade statistics from the beginning of last year, the Government is no longer providing figures on clancetine shipments of Soviet diamonds to London where they are sold through De Beers’ worldwide marketing network. The link in diamond marketing between the two countries at opposite ends of the international political spectrum has been known for years. But it is now formally admitted by neither side, and is a subject of considerable embarrassment, particularly for the Russians.

The more effectively wraps another layer of secrecy around the highly discreet international trade in gold and diamonds when the Soviet Union is struggling hard to raise funds in the West by boosting gold sales. South Africa and the Soviet Union, the main world producers of both commodities, have been hard hit in the past year by weak prices. De Beers had a 46% drop in diamond sales last year as it built up stocks to try to steady the market.

British’s Customs and Excise admit that De Beers asked for the diamond statistics to remain unpublished and that it agreed to this. In the 1970s the British Government accepted action to block statistics on gold imports into the London market, partly in response to Russian complaints made through London bullion dealers.

The guarantee of discretion in London, together with some leveraging of anonymity in Zurich, the rival trading centre, contributed to a Soviet decision last year to switch some gold shipments to Britain from Switzerland.

Moscow’s diamond deliveries to London have mainly been rough (unpolished) stones which are passed on through a third party to De Beers and then sold through its Central Selling Organisation.

The CSO handles the marketing of about 80% of the world’s diamond production. Russian shipments to the UK normally ran into several hundred million pounds a year. Reflecting Soviet foreign exchange shortages, the deliveries are thought to have continued at a high rate last year in spite of the weakness of the diamond market.

But no proper figures are available because at the beginning of 1981 Britain’s Department of Trade stopped publishing figures for Russian gem sales to London for re-salz.

The department defended the action — which affected all diamond exports and imports for last year — on the grounds that it removed a distortion from the trade figures. It also made a similar move on aircraft shipments last year for the same reason.

Asked to provide the missing figures, the Customs and Excise — which is responsible for collecting the figures — declined to do so because it would identify the trading partners of De Beers.

The trader was consulted (about the possibility of publishing the figures) and turned it down,” said Customs and Excise.

For several years up to 1960, Russian diamond shipments to London made up the lion’s share of imports from Moscow under the Trade Department’s export heading, “non-metallic mineral manufacturers.” These came to £320 million in 1978 (out of total imports of the Soviet Union of £1.5 billion). £335 million (total £388 million) in 1979 and £290 (total £700 million) in 1980.

Last year, however, for which only four months’ figures are available because of the civil servants’ dispute — the identified imports dropped to only about £100,000 a month because of the changed statistical coverage — Financial Times.

PRICES EXCLUDE C.G.T.
London — De Beers, which markets four-fifths of the world’s rough diamonds by value through its Central Selling Organisation (CSO), is feeling the effects of the collapse in the gem market. The CSO’s sales of uncut diamonds fell by 46 percent last year to R1470 million. The market’s fall accelerated in the second half of 1981. No sparkle of recovery is in sight.

It is an expensive business for De Beers to retain its near-monopoly on the gem industry during a recession. The company has been stockpiling diamonds for more than a year, reducing sales through the CSO’s “sights,” at which rough gems are displayed and sold to dealers. Output at its own mines was cut by 5 percent in 1981 to around 14-million carats but this has not stopped the growth of its diamond mountain. Finishing the glittering stockpile has probably eaten away a big part of its cash reserves, which stood at R1500 million at the end of 1980. But if the monopoly’s survival prospects will be high when demand eventually returns.

According to De Beers, the drop has not come into the shops. It says that the worldwide jewellery trade was fairly steady in 1981. Sales in America, which make up about a third of the R8000-million annual worldwide retail market, rose by 8 percent, or not much less than the rate of inflation. Jewellery sales in Japan (with 18 percent of the world market) were unchanged. A steady trade in western Europe at Christmas usually the busiest time there for jewelers, has brought some cheer to De Beers.

But it will be some time before retailers finish running down their swollen stocks. De Beers spent more than R66-million in 1981 promoting diamond jewelry around the world, about a fifth of that in America. Its latest marketing aim is to encourage the wearing of diamonds by the conservative British male one in four American men is now said to own a sparkler. De Beers is also trying harder to attract people aged between 18 and 35, with arts designs like diamond-studded sheriff’s badges.

Diamond stocks at the cutting centres in Israel and Antwerp probably fell in 1981, but not before a handful of Israeli cutters went bust. Bank borrowings by the Israeli diamond industry have fallen to around R700 million, which is 40 percent lower than in January 1981. Cutters there have also been hurt by the expansion of cutting factories in Bombay, where low wages have helped Indian dealers to get more business at the cheap end of the gem cutters’ market. Indian output may have risen by as much as 40 percent in value last year.

In most countries demand has been weakest at the top end of the market, particularly from investors in diamonds. Top-quality gems are now worth around R25 000 a carat, less than half their price at the height of the boom two years ago.
Threat to De Beers report debunked

The Star Bureau
WASHINGTON - Diamond dealers in America are reading the latest issue of "Atlantic" magazine with raised eyebrows.

A report in the respected monthly says the De Beers cartel could lose its hold on the world diamond market and be unable to prevent a crash in prices.

The report says De Beers faces the threat of a flood of diamonds from several sources which could permanently deflate the price.

It lists possible liquidation of Israel's large stockpile, uncertainties about Zaire, any panic by those who began buying investment diamonds in the late 1970s, and the vast deposits recently discovered in Australia.

The magazine says the public holds more than 500 million carats of gem diamonds, adding: "The moment a significant portion of the public begins selling diamonds from this inventory, the price of diamonds cannot be sustained."

Diamond dealers discount the magazine report.

Mr Samuel Schick, chairman of the 2,000-member Diamond Dealers Club of New York, said: "De Beers is not at all in danger of giving up control of the diamond business."

* See Page 32.
Economy boost to Germany

Price increases boost farmers' profits in Germany

The price increase is expected to boost farmers' profits in Germany. The government has announced measures to support the agriculture sector, and farmers are expected to benefit from higher prices for their products.
NEIL BEHRMAN explains in his second report on his visit to Australia why it is virtually certain that De Beers will market Australia's huge diamond deposit.

The third participant with a more 5% interest in Northern Mining, that company, headed by a fiercely independent mining character, Rees, Towne, played a significant role in the exploration and discovery of the diamonds.

Atjio and De Beers have an indirect interest in the joint venture of less than 5% through inter-company shareholdings in Rio Tinto and Malaysian Mining Corporation. Because of the limited interest, De Beers has considerable lobbying power.

Towne says that by February last, both CRA and Ashton Mining had decided to market through the hoax. Mr. Towne, however, criticized the decision because other potential buyers had not been approached. They were General Electric, the powerful US corporation which makes synthetic diamonds, and the large US gem retailer, Zale Corporation.

"I was not, and I am still, not against marketing through the hoax, but I felt it was necessary and reasonable for the joint venture to properly examine all the alternatives," says Towne.

Mr. Towne disapproves of the hoax's middleman profit. This includes a 10% commission and low valuations for bulk buying — the producer fees for the hoax were higher.

In January 1981, Northern Mining's independent valuer, a respected Australian diamond merchant, Mr. Albert James, valued samples from Ashton by a third to 50% higher than the independent Ashton Joint Venture valuer, who was probably recommended by De Beers.

The difference increased Mr. Towne's suspicions, especially as Mr. Juras said that the gem quality of the Argyle deposit was about 22% worse than the 8% to 10% estimates of the two partners.

In July 1981, Northern Mining brought in independent valuers from New York, Antwerp, Tel Aviv, and Japan. Mr. Juras says the content of the July parcels was very different from the samples he saw in January. There were far fewer gems.

Other dealers wrote that they found the assortments worthless.

"The composition of material presented to me does not represent original mining production," wrote one valuer.

These statements made Mr. Towne even more sceptical. Mr. Greg Walker, spokesman of CRA, insists that the partners agree to differ on the values and grades of the deposit, and that the Ashton valuations are carried out by an independent London valuer, who examines Bots-wood samples.

It might not be unreasonable to conclude that Mr. Towne resisted his partners and De Beers. Whether it was a coincidence or not may never be known, but Mr. Towne was soon to become a takeover victim who would push him out of the way.

Towards the end of 1980, Mitchell Cotts, led up with the accumulated losses arising from Northern Mining's exploration sold its 5% interest in the company. The chairman of Mitchell Cotts was also a director of Consolidated Gold Fields.

A large proportion of the parcel was taken to National Mutual, an Australian institution and the chairman of National Mutual, Mr. Gerald Niall, was coincidentally on the board of Consolidated's Australian subsidiary. De Beers and Anglo American have a significant holding in Consolidated Gold Fields.

Mr. Towne feared a takeover from Cons Gold and searched for a godfather. He found a Western Australian entrepreneur, Mr. Alan Bond, who bought 15% of his company, amounting to give Mr. Towne a blocking mechanism.

National Mutual began buying shares of the market, raising its stake to 20%. Mr. Bond did the same.

In June last year, National Mutual sold its holding through the London broker. Despite Australian security regulations, the buyer was not disclosed for several weeks.

This led to speculation in the London Sunday Telegraph that the shares had been warehoused for De Beers. However, Mr. Bond turned out to be the buyer amid considerable criticism from the Australian financial press.

There was an even greater furore when Mr. Bond tried to withdraw from the takeover. "I was set up," says Mr. Towne, adding that Mr. Bond turned to the North- ern Mining and the Australian National Companies and Secretaries Union; one of Mr. Bond's companies, Endeadour Resources, now has control of Northern Mining and hire none of the other enter- prising mining men who lacked sufficient financial re- sources, Mr. Towne has to look for other minerals in the area.

He suspects that it is possible that Mr. Bond is a front man for De Beers.

About August, documents — possibly leaked by disen- chanted Northern Mining executives — found their way into the hands of the newspapers and a report that South Africans were "seeking to control" Australian diamonds was published in the Melbourne Age.

The article appeared only weeks before the Commonwealth prime ministers' conference in Australia and embarrasing questions were asked in Parliament, leading the Australian Prime Minis- ter, Mr. Malcolm Fraser, to say that marketing options should be thoroughly studied indications, however, are that the Western Australian and the Federal government believes that the hoax is the best bet.

Mr. Bond, who now owns Northern Mining, says the hoax should the market do better. Although a sceptical miner, he is not convinced that the Canadian market is the best bet.

In May, Mr. Bond approached De Beers and asked for a meeting. The meeting never took place.

Mr. Bond's company, Bond Consolidated, is a 50% owner of Consolidated Gold Fields. Mr. Bond's company, Bond Consolidated, is a 50% owner of Consolidated Gold Fields.
World Diamond market

CSO expected to stay dominant in...
44% De Beers profit drop seen

ESTIMATES of De Beers attributable profits for 1981 range between R285-million and R375-million against R685-million in 1980 — a drop of at least 44%.

De Beers has never cut its dividend, and is unlikely to reduce it this year, although the cover will be the lowest in at least 15 years.

De Beers has not cash of R685-million at the end of 1980, and diamond stocks totaled R595-million.

The Central Selling Organization has experienced its worst trading period for many years, and Sir Philip Oppenheimer recently equated the current slump to the depression of the 1930s.

Dollar prices for diamonds are unchanged, but costs throughout the mining industry have fallen at an average rate of about 20% over the past year. As a result, De Beers has cut margins.

The decline in demand and lower third-party output may have led to a slight improvement in margins in the second half.

One of the ironies is that the diamond market's dilemma is that the very factors which led to the boom conditions two years ago are now aggravating the slump.

Stocks of diamonds were built up to unprecedented levels, merchants in the cutting centres willing to pay almost any price to acquire stones.

These stockpiles at the cutting centres became a negative factor when demand began to fall, and as US interest rates climbed and demand for rough stones collapsed, the CSO was forced to reduce its offerings.

Throughout last year demand for diamond jewellery at the retail level was reported to be good, but there was little call for the higher investment stones, which offer the best profit margins.

Profit on the diamond account for 1981 is expected to be about R450-million, less than half last year's R916-million. Non-diamond income, which includes dividends and interest, is estimated at R270-million against R300-million in 1980.

De Beers has never cut its dividend, and is unlikely to reduce it this year, although the cover will be the lowest in at least 15 years.

For the current year, hopes are widely held that the bottom of the diamond market has been reached, but there is no evidence that these hopes will be realised.

US interest rates have shown no inclination to turn down — in the past few days the major banks have raised their prime rates to 16.5% — and while there are real rates available, there is little chance of renewed demand for investment stones.

Most analysts are cautious about 1982, and few expect any significant upturn before the second half of the year.

However, the normal diamond supply pipelines are believed to be comparatively bare, and if retail demand continues to improve there may be some upward pressure on prices towards the end of the year.

The share is still generally regarded as a hold, although some analysts are pessimistic about the year, and believe the 1982 dividend may be endangered.

De Beers has, however, ways and means of improving its average margin by selling stocks with a lower cost of production than current output, and at this early stage it would be excessively shortsighted to expect lower profit this year.
De Beers to recognise black union

By Drew Forrest

For the first time in South African labour history, a trade union representing black workers has been recognised in the mining industry.

The Kimberley division of De Beers Consolidated Mines has recognised one of the country's largest "mixed" unions, the Turco-affiliated S.A. Boilermakers' Society as representative of black workers at its Kimberley, Keetmanshoop and Finsch mines.

At the same time, De Beers has recognised a coloured union operating under the wing of the Boilermakers Society, the Federated Mining, Explosives and Chemical Workers Union.

WAGE RIGHTS
About 6,000 coloured and black workers in all categories except the artisan trades are covered by the agreement, which embodies wage, negotiating rights, the recognition of shop stewards, health and safety clauses, and redundancy procedures.

The impact of the agreement on the negotiating structures in the diamond mining industry is likely to be revolutionary.

JOINT COUNCIL
At present, all negotiations are conducted with the Council of Mining Unions, of which the white-working Mine Workers Union is a prominent member — and which recognises only white workers.

It is understood that the Boilermakers Society is pressing for the immediate formation of a new joint negotiating council for unions representing all workers in the industry.

A De Beers spokesman said today that no negotiating structure was specified in the agreement, but that discussions on the issue were already in progress with both the CMU and the Boilermakers' Society.

The controversial Mine Workers Union general secretary Mr. Arris Paulus, could not be reached today for comment. But sources fear that his union may refuse to sit at the same negotiating table as representatives of black and coloured workers.

The Federated Mining, Explosives and Chemical Workers Union is also organizing coloured workers in the coal and gold mines, and in time the same problem is expected to arise in these industries.
CSO may go to Minorco

By NEIL BEHRMANN

LONDON. — Brokers in London believe that De Beers marketing arm, the Central Selling Organisation, will be placed under Minorco.

Although the rumour has been doing the rounds for a long time, brokers speculate that a reshuffle will be announced before publication of De Beers annual results.

They say Minorco is now the multinational mining corporation of Anglo America and all its international interests will eventually come under Minorco.

It is also likely that the CSO will market Australia's large diamond deposit. At the end of last year, Australian politicians voiced concern that Australia's diamonds would be sold through a South African concern.

The theory is that Minorco is a Bermudian-registered company and similar to Engelhard would be regarded as an independent international unit of Anglo.

Brokers say that in spite of the possibility of a sharp slump in De Beers earnings, the shares have remained remarkably firm. They believe it is possible that Anglo is supporting the price because a share swap may be involved in the reshuffle.

The slump in the diamond market means that De Beers liquidity has dried up. There is a good chance that it may be borrowing to support the market. Some analysts and diamond dealers believe De Beers will reduce diamond production again. There was a 5% reduction last year.

Australia's Ashton Joint Venture is expected to make an announcement on its marketing plans within the next few months. Brokers speculate that the Minorco-De Beers reshuffle will take place before Ashton announces the sales contract with the CSO.

Minorco's main quoted investments are Zambia Copper Investments in which it has a 69% holding, Hudson Bay Mining 44%, Charter Consolidated 36%, Consolidated Gold Fields 29%, Engelhard Corporation 27%, Patro Corporation 27% and Francana Oil & Gas 17%.
Marketing deal almost wrapped up

De Beers set to sell Australian gems

By NEIL BEHRMANN

LONDON. — De Beers has all but won the marketing contract of the impressive diamond discovery in Western Australia.

CRA, the Australian mining house which has the largest stake and is the manager of the Ashton Joint Venture which is developing the mine, says the basis for a marketing arrangement has been agreed with De Beers Central Selling Organisation.

If the other Joint Venture partners, Ashton Mines and Northern Mining and the Australian Government approve of the arrangement, De Beers will sell Ashton’s full production on a five-year contract.

Now that the announcement has been made, it is highly likely that the arrangement will go through.

In an interview in Melbourne last month, Mr. Alan Jones, chief executive of Ashton Mines, told me that the mine would produce 2-million to 3-million carats a year from its alluvial deposits from the second half of this year and another 17-million carats from a kumbarlita pipe AK1.

CRA and Ashton estimate that gem production will be 10% of total output, 46% will be near-gem and the rest industrial diamonds.

In terms of the provisional arrangement, De Beers will sell all the gems. But a quarter of the remaining output of near-gem and industrial diamonds will be sold independently on the “free market.”

CRA said yesterday, “De Beers has agreed that as a basis for further negotiations the Ashton Joint Venture will receive its most favourable commission rate.”

The Ashton diamond mine is expected to make a significant impact on the world market for many years to come. Both CRA and Ashton Mines estimate that gem output will be 10%, or 2-million carats, a year, but the other partner, Northern Mining, reckons that the gem value could be as high as 15%, or 3-million carats, a year from 1985.

This would add 20% to 30% on to world gem output, depending on the estimates, from 1985 onwards.

Diamond dealers and De Beers say that the market remains depressed.

“The January sight was well down on the same time last year, but is the same as depressed sales during the rest of the year,” said a dealer.

In an interview with Australian journalists who visited Johannesburg recently, Mr. Harry Oppenheiser said there would be no problem about marketing initial production of 2-million carats from the alluvials at Ashton.

He admitted that the state of the diamond market was “very bad,” but he would be “very surprised” if the depressed diamond market lasted until 1985.

Mr. Oppenheiser also disclosed that De Beers was borrowing to support the market. So far borrowing was not enormous, but De Beers could borrow substantially more if necessary.

The Australians intend starting their own diamond-cutting industry in Perth as soon as possible.
CSO slice is hard to swallow

Own Correspondent

From the life to the life so as to be here

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Canberra - The prospect of the South African-controlled diamond cartel, the Central Selling Organisation, gaining control of Australia’s rich diamond mines has sparked a political storm.

The opposition Labour Party has warned that it will fight hard to stop control passing into foreign hands.

Although members of the Government have not reacted to marketing proposals for the Australian diamonds it is known that there is concern within the Government about the proposed deal.

Commie Rio Tinto Australia, the major shareholder in the Ashton Joint Venture which owns the diamond deposits, announced during the weekend that it had reached a preliminary agreement to sell to the CSO all the initial diamond production and 75% of production (including all the gem diamonds) from 1983.

The Labour opposition’s spokesman on minerals and energy, Mr Paul Keating, who has closely studied the diamond industry, said the party would fight “with all its might” the proposed deal.

The Government is ready to fight “with all its might” the De Beers cartel possibly, taking control of the marketing of the country’s diamonds at “an insulting price.”

The Australian Opposition party is ready to fight “with all its might” the De Beers cartel possibly, taking control of the marketing of the country’s diamonds at “an insulting price.”

But the CSO got what it was really after - 100 percent of the gems I regard the deal as a poorly negotiated one for Australia.

The Ashton Joint Venture should be negotiating from a position of strength because of the size of its resources. It could have split the CSO monopoly down the middle.

“If Malcolm Fraser’s rhetoric about South Africa and Australia’s commercial and political interests mean anything, then the Federal Government must insist that any arrangements with a South African monopoly be conducted on the basis of maximum benefits for Australia.”

The proposed deal was also strongly criticised by Australia’s leading diamond export, Mr Albert Jorss. He said the deal would only return Australia about R120 million a year for the mine’s entire production.

He believes that if Australia sold just the gem diamonds outside the CSO they alone could return R1 200 million a year in export income.
Solution to

Australia to check
De Beers gem price

(2) Premiums Tr

By Geoff Kitney

CANBERRA — The Australian Government is to carry out independent valuations of diamonds from the Argyle mine to establish if the price being paid by De Beers Central Selling Organisation is reasonable.

Mr Anthony’s comments follow growing concern that the majority shareholder in the diamond venture, Canadian Rio Tinto Australia, has negotiated with De Beers.

Concern centres on the price offered and the volume of diamonds that will go from the Australian project to the CSO.

The CSO will get the mine’s total initial production, reducing later to 75 percent but still including 100 percent of the gem diamonds.

Critics of the deal say that the reported price is only about half the real value of the diamonds but Australia will not have any capacity to check the CSO valuations.

Mr Anthony said today that it was clear that the benefits that would accrue to Australia would depend on the value placed on the diamonds.

Note 1:

At the end of year 03, the life policy would be reflected on the partnership balance sheet as a non-current asset at its surrender value of R240.

Note 2:

The death of a partner automatically dissolves the partnership as legal and accounting entities. For this reason a partnership income statement would have to be drawn up for the period up to the date of death of the partner so as to ascertain the correct balance on his capital account. The proceeds from the life policy would be shown as income in this income statement and NOT credited direct to the partners’ capital accounts.
De Beers forced to borrow to support market

DE BEERS' preliminary report — to be announced on March 10 — is expected to be a shocker following the disclosure that the company has been forced to borrow to support the alliling diamond market.

De Beers chairman Harry Oppenheimer admitted recently that the market "was very bad".

"We are borrowing to a certain extent. This is not something that was planned," said Mr Oppenheimer.

"We were borrowing as 'not enormous', but De Beers had sufficient collateral to borrow substantially if necessary." Mr Oppenheimer made this disclosure when he was interviewed by Australian financial journalists recently, and the company's London office has confirmed his statement.

By Neil Behrmann: London

Mr Oppenheimer said that he had hoped the depression in the market would be over by early 1987, when the huge Argyle diamond mine in Western Australia comes on stream with full production of 25-million carats a year.

On various estimates from the partners involved in the Ashton diamond mining project, gem production could be anywhere between two and three million carats a year, which would raise world gem output by 23% to 36% from the mid-eighties onwards.

De Beers is likely to market these gems, but the gem market which accounts for 50% of the value of the world diamond market is as bad as it was in the great depression, when De Beers was forced to slash production.

Last year De Beers announced a production fall of 5% and dealers expect further cuts to follow.

The second half of last year De Beers' diamond sales collapsed by 42% and diamond dealers say that the latest return of sales held in January was as bad as the sales last year. It was well down on the January 1981 levels.

In 1970, the last time the market was depressed, De Beers was down to its last R71-million in cash. That memory haunted its management for years.

At the end of 1978 De Beers' net current assets (liquid assets excluding diamonds) were R888-million, but at the end of 1986 were down to R360-million.

Mr Oppenheimer's latest statement indicates that cash resources may be depleted.

The explosion in diamond prices in the Seventies means that it has become exponentially more expensive to finance De Beers' diamond stockpile.

In the Seventies this stockpile was worth between R200-million and R300-million.

But from R356-million in 1976 the stockpile grew to nearly R900-million by the end of 1980.

Brokers estimate that this stockpile is worth over R1 600-million depleting cash reserves and forcing the company to borrow.

Besides the impact of lower diamond sales, De Beers' previous interest income may become an expense (in 1980 interest was 10% of total revenue)

Also, dividends from its gold investments are expected to fall.

Mining brokers James Capel believes that De Beers' interest in Minorco will to some extent alleviate the situation. This is despite the fact that including earnings of associate companies, Minorco's earnings will fall to 11c from 29c in 1980.

The actual cash flow or direct earnings from subsidiaries is expected to be 10c, according to Capel.

Other brokers contend that this forecast is too pessimistic.

Some are predicting earnings of 35c to 45c a share, hardly covering the dividend of 75c a share.

In the first half of last year, following a good sale in January, De Beers' earnings were only 35c a share and in the second half the market was worse.

Brokers believe that De Beers will maintain its dividend, but if the market continues to be sour this year there may be pressures for a reduction.
Blacks marooned in Soweto.

Marais replies.

The Sunday newspaper leader referred yesterday to a newspaper, which had been expelled from the Press Club, as one that was regarded as a "radical" voice in the country. The leader, which was published in Soweto, was said to be "an irregular" publication, which was "inclined to be radical".

Yesterday, at a meeting of the Central Commission, the newspaper was noted as a "radical" publication.

The leader was noted for its "radical" views, which were said to be "inclined to be radical".

Marais was noted as a "radical" publication, which was "inclined to be radical".

But the meeting was noted as a "radical" publication, which was "inclined to be radical".
Kimberley stays open—De Beers

Own Correspondent

KIMBERLEY — There is no intention of closing down operations at Kimberley's diamond mines until at least the turn of the century, a De Beers spokesman said.

He was commenting on a television interview with the Mayor, Mr L. Botha, and news reports, following an economic survey by Unisa on Kimberley, which showed that the closing down of the diamond mines would have a detrimental effect on the economy of the city.

The spokesman said: "In May 1978 the chairman of De Beers, Mr H F Oppenheimer, told shareholders, 'We have been re-examining the possibilities of extending the profitable life of the Kimberley mines, and I am pleased to say that a scheme has been devised which will extend the life of the underground mines, and related operations, to approximately 20 years, with important social advantages in assuring continued employment and prolonging the important contribution which De Beers makes to the community of Kimberley.'"

The spokesman said "De Beers stands by this statement and has never had any intention of deviating from it."

The Unisa report referred to by the spokesman was compiled by the university's bureau for market research and it said that the closing of Kimberley's diamond mines could have a substantial negative effect on the city's growth if it were combined with other "negative factors."

"Under normal circumstances it can be expected that the total economy would either not grow at all or at the most show a small negative growth, after which business confidence would be resumed," the report said.

It added: "The local authority has little scope in which to counteract the disadvantages of the closure of the diamond mines in Kimberley."

In a television interview this week Mr Botha was asked about the report and mentioned that, among other things, the tourist industry would replace the mines.
Investors may shy away from new mine

By Patrick McLoughlin

South Africa's first primary uranium producer with gold as a by-product — Beisa — was officially opened on Friday with a flourish, but the outlook for the Gencor mine's profits is hardly going to make investors enthusiastic.

The nail was hit on the head by one JSE broker who commented: "Beisa was originally going to be listed separately but it was decided not to do so because with the world uranium price prospects there was no real possibility of selling such a share as an attractive investment."

Investors who take a (very) long term view and who want to have a stake in Beisa must now invest in St Helena which last year acquired the uranium mine's assets, properties and the right to mine, extract and sell all metals and minerals recoverable.

But it would take a supremely optimistic person to work up any excitement about Beisa with indications that the world supplies of uranium will exceed demand up to 1986. One is therefore not looking to any price rises in uranium.

Beisa is, however, a bit better off than some mines in the world with a lot of uranium and no buyers.

Loans

To help finance the development of Beisa, long-term consumer loans were negotiated which the mine will repay with yellow cake, or uranium oxide.

Thus the mine has guaranteed users of its product and some analysts are predicting a modest profit for the current year.

Beisa is situated in the Orange Free State 25 kilometres south of Welkom. It is the fourth mine in the province to be managed by Gencor. The others are St Helena, Umsel and Beatrix.

Full output

Total cost of the mine will be about R220 million and the proposed full production of 100,000 tons milled in a month is expected to be obtained in the second half of the current year.

At a rate of 1.2 million tons a year the life of the new mine is estimated at 26 years.

In 1980 Union Corporation began exploring the area in which Beisa is situated, but it was not until about 1967 that further investigations started.

In 1972 a uranium bearing reef was located on the farm of Palmietkuit, now part of the mine. Extensive diamond-drilling proved an area of payable uranium and gold mineralisation and on July 19, 1978 the birth of Beisa was heralded.

Shaft sinking began in October that year and No 1 shaft was completed in September last year. Up to the end of February 1982 14,400 metres had been developed, of which 2,880 metres (or about 20 percent) were on the reef.

Beating

This new mine, said a share analyst, will obviously provide only marginal advantage in the short term for St Helena shares, which like all gold stocks is currently taking a beating with the declining bullion price.
DE Beers Consolidated Mines unprecedented dividend cut sent shock waves through the investment world yesterday as the 50% slash in the final to 25c sparked an avalanche of selling on the Johannesburg Stock Exchange.

Investment in De Beers averages about 5% of South African institutional portfolios, says Mr Jack Mitchell, of the Old Mutual's investment department.

A cut in the dividend for the first time in the company's existence will shake the confidence!

Anglo American Corporation of South Africa has 112 million De Beers shares, and its income from this holding will fall by R14 million this year, equivalent to 12c or an Anglo share. De Beers holdings without retained profits of associates fell to 101c from 185.7c, and the final 25c dividend takes the total for the year to 50c against 75c in 1980.

The earnings figure is at the upper end of most market forecasts, and analysts expressed surprise over the dividend cut.

"On distributable earnings of over 100c they should have been able to pay 75c," said one.

No De Beers directors could be reached yesterday for comment, but most analysts felt it was a message that recovery in the diamond market is still a long way off.

A crisp announcement accompanying the results says that "while the demand for the lower categories of rough diamonds continues to be satisfactory, the market for more expensive categories remains depressed." "New and improved world economic conditions diamond jewellery consumption still continues at a buoyant level."

The Central Selling Organization last year sold diamonds worth R1249 million, down 25% from 1980's R1574 million.

The investment diamond market has been depressed for over a year, and De Beers chairman, Mr Harry Oppenheimer, recently told Australian journalists that the market was "very bad."

In November last year a De Beers spokesman in London quoted an example of a case where De Beers' investment quality stones, which reached a peak in 1980 of about US$45 million, sold for $13 million. The same diamond could be bought in November for $12 million, and could be sold for only $22 million at the same time.

The 25c dividend reduction will save De Beers R49 million, and if this sum is seen in relation to the build-up in stocks over the past year - at a rate of R250 million a month - the lower payment can be read as a compromise between shareholders and the company.

Some analysts argue that to have any meaningful impact on the requirements the dividend should have been passed, and the 50% reduction is a statement to the world's other producers that De Beers is also suffering from the slump as well as the same time trying to retain the confidence of investors.

It amounts to a severe smack in the face for the many institutions which have traded on the sanctity of the De Beers dividend, and once the dust has settled, De Beers could find itself rated as a trading stock instead of its historic cornerstone position.

Profit on the diamond account fell 35% to R30 300 000 in 1981 from R52 700 000 in 1980. The previous year, investment income rose to R179 600 000, and interest income dropped to R20 700 000 from R89 100 000. There were big write-offs on rough stock and reduced cash for R32 500 000 in 1981, a sharp increase from the R20 200 000 spent in 1980, and reflecting partially the accelerated research drive on synthetic diamonds.

Pre-tax profit fell to R493 300 000 from R773 800 000, and tax was levied by almost two-thirds, to R1 101 100 000 from R292 560 000.

De Beers share of retained profits of associated companies rose to R254 600 000 from R104 000 000, leaving a contributable profit of R207 300 000 against R154 500 000 in 1980.

The extent to which De Beers has been forced to protect the rough diamond market is shown by the level of stocks at the end of December. They more than doubled to R405 million from R176 million at the end of 1980.

Financing the stockpile has cost De Beers dearly, and cash holdings plummeted to R254 million from R576 million in 1980.

An associate company, believed to be Anglo, contributed a further R200 000 000 in a short-term loan.

While the brewing situation at the minute does not necessarily reflect the movement of funds during the year, the combination of higher interest rates and increased short-term borrowings lifted the interest bill to R30 800 000 from R13 800 000 in 1980.

Long-term loans at December 31 totalled R150 million, compared with R140 million a year before.

COMMENT: If one looks dispassionately at De Beers as just another mining company battling through a difficult time in the market, the dividend cut can be seen as a prudent business decision, the retention being necessary to finance the increased level of stocks at the end of December. They more than doubled to R405 million from R176 million at the end of 1980.

Financing the stockpile has cost De Beers dearly; and cash holdings plummeted to R254 million from R576 million in 1980.

This is a face of life, and the De Beers directors have not been able to come up with an alternative to reducing the dividend.

However, De Beers is not just another mining company as its income is said to be lower in severe pressure because of the gold price slump, which manufacturers demand difficult in maintaining its dividend.

With its investments in gold and other minerals, De Beers represents a reasonable reflection of the South African economy, although it is no longer the micromon of the economy that it once was.

De Beers will be hard pressed to win back the confidence of investors when the silver lining finally appears, and its huge stockpile - at cost - has the potential for rebuilding the pack of cards.

The pressure on the share price may not be over, and some analysts regard 19c as a fair and its future value may mean another plunge - to about 10c from yesterday's 12c.

Diamond index crashes 16%

R420 m wiped off a blue chip's value

Financial Reporter

MORE THAN R420 million was wiped off the market capitalisation of De Beers on the Johannesburg Stock Exchange yesterday.

The RDM index of 109 industrial shares continued its crash course, dropping to 596.1 from 606 on Monday. After 12 days without a spurt, the index has slumped 15% from the 704.7 at which it opened on Monday, February 22.

The diamonds index crashed from 1 181.9 on Monday - a fall of 18%. In 12 trading days it has fallen 22.5%.

Trading volume was high yesterday - 1 474 000 shares valued at R17 055 000. A total of 505 000 De Beers shares changed hands. Trading in De Beers alone accounted for more than R5 million of yesterday's turnover.

There was no denying that the company's dividend performance, and the dividend cut, disappointed an already delicate market and De Beers shareholders rushed to unload their holdings.

The result was a 17c slump to 62c after trading as low as 61c.

Bourse emanating from New York that De Beers would slash its dividend on a poor performance had been doing the rounds on the JSE for weeks, but most SA traders did not listen.

A broker said market analysts considered De Beers and other companies' dividend performance, and the dividend cut, disappointments already endured.

The fall in De Beers was sector, falls outweighed rises at a ratio of nearly four to one.

ATI lost 20c to 71c, Barlow's 10c to 25c, Fed Volt 10c to 42c, Rhenium 18c to 41c, Transfon 30c to 27c and W & A 30c to 16c. Issues moving in the other way included HLH and Advance.
Diamonds aren't quite forever — but very nearly may have slumped by as much as 50 percent.

One who has researched this unpleasant scenario in depth is American author Edward Jay Epstein, whose book "The Diamond Invention" is due to be published later this year.

Epstein's thesis is that the value of a diamond is totally artificial, a myth which has grown around the brilliant creation of a world diamond cartel built around the De Beers empire. Buy a stone and try and resell it, warns Epstein, and you will get your first ugly taste of the true state of the market.

I put this theory to the test and bought a solitaire diamond for nearly R30 000 at Cartier's in Fifth Avenue. A swift taxi ride to the Church of Diamond Corporation enabled me to offer it for resale exactly 24 minutes and 22 seconds later — and I was offered R3800. The Cartier ring had lost more than 70 percent in less than half an hour. The experiment was a withering commentary on the unhappy state of the diamond business in general.

Mr Epstein's tracing of the "diamond invention" dates to when British financiers invested in the huge South African diamond discoveries in the 1870s.

This resulted in what Epstein calls "the most successful cartel arrangement in the annals of commerce." For most of this century it has not only owned and controlled all the diamond mines in southern Africa, but also owned the diamond trading companies in England, Portugal, Israel, Belgium, Holland, and Switzerland. It still controls 85 percent of the world's diamond trade.

Epstein's wishful thinking about a De Beers "crumbling empire" appears unfounded, however, as only last week it was announced that De Beers all but won the contract to market the Australian stones through its Central Selling Organization.

Diamond kings like Mr Oppenheimer may still control the flow but if too many people try to cash in their chips, much could still become a girl's best friend.
Diamonds withheld from market

Opening CSO sales slump

By NEIL BEHRMANN

Demand in Taiwan, Hong Kong, Singapore and the Philippines is fairly buoyant, but dealers are demanding large discounts on diamonds from the cutting centres.

The US market is "very depressed" and New York dealers are flying to Antwerp because they believe they can buy diamonds at cheaper prices there than from the CSO.

The market is bad, but I think we are reaching the end of the tunnel because stocks at the cutting centres are being depleted," says a dealer.

Most London brokers are bearish on De Beers prospects. "The current first-half results will contain little cheer and it will be a brave man who says that the interim dividend of 35c will be maintained," says Mr Wynn Davis, consultant to brokers James Capel.

De Beers reduced its final dividend from 5c to 35c, making a total of 50c for 1981 compared with 76c in the previous 12 months.

"I think De Beers will continue to disappoint the market and it is possible that the interim dividend may be slashed to 15c a share," says Mr. Dick Robson, head of mining research at brokers Bone & Fitzgerald.

Mr. Robson was one of the few brokers who thought the interim would be cut.

Mr. Peter Dawson of W. Greenwell & Co estimates that earnings will fall from 10c a share in 1981 to 8c in 1982.

He believes will fall another 10% to 8.888-million, leaving De Beers little room to manoeuvre.

"The interim dividend may not be maintained. We recommend that no new money should be committed to De Beers until after the annual figures are announced in the first week of July," says Mr. Davis.

Greveson Grant, however, takes the opposite view: "The current very depressed share price should be used as an opportunity to accumulate holdings in De Beers as an asset position."

"The price appears to take little cognizance of the estimated realisable value of diamond stocks which comfortably exceed the share price," says Greveson Grant.

Mr. Davis estimates production costs at De Beers mines at 15%.

"Volume of sales has registered the biggest decline since the Second World War and the decline has exceeded that which occurred in the last recession," says Mr. Davis.

"With past cycles in mind, an optimist, will see that De Beers and the diamond market could be climbing slowly out of the current morass over the next two years."

"It is certainly doubtful if they will ever see the bonanza period of 1959 to 1960 again. New capacity is coming on stream in several places, mainly Australia, ensuring that the market tightness which characterised those years does not reappear," says Mr. Davis.

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

2. Candidates are not to communicate with other candidates or with any person except the invigilator.

3. No part of an answer book is to be torn out.

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination room.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
De Beers maintains its grip

Over the past year or so De Beers has had to come to grips with the most difficult diamond market since the Thirties. Its chairman, Harry Oppenheimer, talked candidly to the P.M. about the difficulties the group is facing and its future plans.

"Has De Beers miscalculated the diamond market?" It appears to have done so as it is cutting back production in the middle of a programme to increase production to 19m. ct over the next few years.

Oppenheimer: Not at all. The major field of increasing production is in Botswana. There have been new discoveries and one could not have left these mines unopened even if we had wanted to. In any case, I am not so gloomy that I think this sort of production is not going to be needed. Times are extremely bad but we have to think over the longer term and I do not think our production plans are unsuitable.

Of the world's present production, what proportion is gems? A great deal of the gems come from our own operations, CDM and Namqua-land are big producers in particular. The Kimberley mines are big producers, also Koffiefontein, though it is a small-scale operation. Elsewhere in the sub-continent Botswana is a large producer, though the average production there is of a lower grade than the ones I have mentioned. Outside the group, Angola produces no more than a few hundred thousand ct.

In three or four years' time, the Ashton operation in Australia is due to produce between 2m and 3m ct of gems. Is this not large in proportion to the world's total production of 14m ct? You cannot just lump together all gem production. For the very common, small sizes of gem there is a big market now quite exceptionally big. It is the market for bigger and more expensive gems which is particularly bad. Roughly, the smaller gems which can be sold make up about half of total production in terms of value, while the larger gems make up the other half. That is why our sales have been running at about 60% of what would be available to us if we sold everything we could lay our hands on.

What will Venetia add to your production of gems? Venetia is a long way off and it remains to be seen if it will be opened. That is something which is by no means certain.

And Ashton in Australia? When it comes into production in three or four years, its total annual production will be worth some $150m at present prices. Of that about $70m will be gem So one is not talking of a gem production which is a major factor. That is not to say that the mine itself is not a major factor because it is an immensely rich mine, but the area in which it will play the major part is in the decorated marginals goods which are sometimes seen as gems and sometimes as industrial material depending on the nature of the market. That is the way it looks to us on the parcels of stones we have seen so far. Jwaneng came into production in January, what will it mean to Botswana's gem production? Botswana will become a bigger producer of gems as a result of Jwaneng. The country has a quota - that is to say it delivers diamonds in the proportion which its production bears to the production which is available to us from other, similar contracts. It means that as Botswana's production rises relative to that of other countries which sell through the Central Selling organisation, Botswana will sell more diamonds.

So have the sales of all countries dealing with the CSD fallen in the same proportion? Yes, roughly speaking.

Where have the cut-backs implemented by De Beers itself fallen? We have closed one of CDM's four plants and one of the plants in Namqua-land. And we are going somewhat slower at Finsch than we would have gone. Not I might add, slower than we were a little while ago, as Finsch is producing more diamonds than it was 18 months ago. But we have not carried the extension programme as fast as we would have done had there not been this set-back.

What do you expect for CSO sales this year? At the moment we are selling about the same as we were at the end of last year. It is a question of whether the market for the larger and better sized stones which we are not selling, is going to improve. A particularly important factor is that the trend of American interest rates. They have a major effect when it comes to selling the larger and more expensive diamonds.

At the moment, things are going on much as they were last year. We cannot say that we see any particular signs that the market is going to get better. That is the worst scenario and it is for that reason that we dropped our dividend. That signals two things that times are particularly bad and our determination to maintain our control of the market. What have the Russians been doing recently? The Russians always sell cut stones. As far as we can see, they are selling more or less as they have for some years - they certainly have not stepped up their sales of polished goods. But when you have a bad market, naturally the impact on it is great. The CSD handles the Russian rough stones indirectly. Do they have a quota the same as, say, Botswana or SA? I can only say that we have understandings with the Russians which work reasonably smoothly. They do not really disrupt the market - the Russians have been behaving very reasonably. But we have no direct arrangement with them. So you are not worried that they will come in with larger sales as their economic conditions deteriorate?

One can never be quite sure what they will do. But so far they have understood clearly that co-operation in the trade was in their interests just as much as ours. They have acted and are now acting in that way. Is it possible to manage the industrial market by cutting back on De Beers synthetic diamond production? No. Synthetics are required for specific purposes and we are, of course, not the only producer of synthetics. The synthetic market is highly competitive, but I think the natural industrial goods we have can be placed. But the worries we may or may not have about selling crushing bort are not the major cause of our present difficulties. We are, in fact, not stocking large quantities of industrials if the various countries selling through the CSO have quotas which depend on their production capacity, do the CSO stockpile stones for them or do they stockpile themselves? Partly them and partly the CSO. And, continued on page 1392.
of course, the CSO buys diamonds from sources where there can be no question of quotas — the open market, for example — to maintain prices. How flexible are these quotas?

We enter into long-term agreements based on the principle that no major producer is treated unfairly in relation to another. We tell countries selling through us that we will do our best to hold the market. When, for example, diamonds appear from uncontrolled sources, we step in and buy to control the situation.

You have said that the retail market is buoyant. Why has this not been reflected in CSO sales?

The market is buoyant for very small diamonds. The number of pieces of diamond jewellery being sold is high — maybe higher than it has ever been. But what we are not selling are the expensive diamonds. The sort of diamonds we are selling are those going into pieces of jewellery, selling for between $250 and $2,000 — that market is very buoyant.

The difference between that market and the market for larger goods is that people buy cheaper jewellery out of their income. There are very few people who can buy pieces costing, say, $20,000 and above out of income.
DE BEERS
Whose best friend? 216 FM 1911 March 1982

Any other SA company could probably have escaped a dividend cut with little reaction from local and foreign investors. After all, the gold price has been falling for more than a year, the economy as a whole is losing growth momentum, and our extractive industries have generally been hurt by the industrial world's recession. So investors are expecting lower dividends.

But De Beers is another matter. De Beers has, of course, been affected by all these things. Its diamond earnings and sales have been under growing pressure as demand for the more valuable, larger investment quality gems dried up in the face of high foreign interest rates. The group's gold-mined income was squeezed by the falling gold price. And interest receipts were clearly very suspect as the group's large cash holdings were diverted into non-revenue generating stocks.

Nevertheless, most investors and analysts here and overseas went along with the conventional wisdom that De Beers' dividend was involuntary. There was certainly little chance that it would be increased this year, but a reduction was not even considered. That, at any rate, was what most people thought. But, now that the unthinkable has happened, it is not difficult to understand the reactions of the many observers who were taken unawares.

In SA, of course, it is not possible to name or quote from research material put out by Johannesburg's big and retiring stockbroking community. So to see how De Beers' investment rating stands, it is necessary to look at research put out by the brokers' less secretive London counterparts.

A problem with this is that De Beers' right is to wrong an, as the standard against which many foreign analysts measure other SA investments. The diamond company's dividend has not been cut since 1944. And it clearly has been management's intention to maintain the payout on a growth curve, even if this led to lower payments than might otherwise at times have been expected.

One reaction to the dividend cut has been that something is radically wrong with the SA economy and the local investment scene. That is understandable. De Beers is, after all, the SA company which has the widest foreign following. But the reaction seems to be somewhat off beam.

De Beers' results are more a reflection of circumstances overseas. That is where the bulk of its diamond sales are made. And the fact that the group's earnings, dividends and tax payments have fallen is not due to some fatal flaw in SA's economy. De Beers' lower earnings, along with those of our gold and other minerals exporting companies, will, of course, lead to a slackening of domestic economic growth. But we are not entirely at the mercy of poorer export performances by our raw materials industries.

With that in mind, the majority of London mining analysts have reacted to De Beers' dividend cut with expressions of shock which verge on the emotional.

Most of them had got the earnings trend right — to within 10% of the outcome. But very few had resisted the advice of their Johannesburg correspondent brokers that the De Beers dividend was involuntary. Some, indeed, were forecasting that De Beers would repeat the sort of statement of confidence in the future it made in 1974 and 1980 and increase the payout. Messel was one example, forecasting a 77.5c dividend from 'net earnings of 95c/share.'

So, with the exception of a few siren voices, the conventional advice going out from analysts to clients, even after the disastrous Central Selling Organisation (CSO) figures announced this January, was hold or buy De Beers for its yield of 11.5%-12%, massive asset backing and, above all, its record.

As a result, investors are now being bombarded with a babel of conflicting advice about the short- to medium-term outlook for De Beers. It covers the full range, from contracyclical opportunism to cautious "wait and see," through to downright bearishness.

Such is the status of De Beers that the darkest edge of the spectrum is marked by an almost incoherent comment rushed to clients by Buckmaster & Moore, which read "Disappointment was restrained. The ripple effects are liable to continue to be significant - the SA market has probably undergone a sharp change in sentiment and trust — very much for the worse. Put simply — if this bastion can crumble, what is possible elsewhere?" The writer carried on in like vein. The market view of De Beers was "probably permanently tarnished," its blue chip status "critically questioned" by investors for whom it represented the "bedrock" of any mining portfolio. And, "one of our major conclusions is that, more than ever before, De Beers will be considered to be part of the gold share market in terms of yield and other rating ingredients.

But that came from an analyst who is relatively new to the business. Brighter opinions are available elsewhere. Grieve, Grant is looking for a second-half revival to take CSO sales to R1.5 billion this year — citing an upturn on Wall Street, increased Japanese buying and, ironically, the fact that bullion's fall will...
The original heart of De Beers

make gold-mounted jewellery cheaper
Even though Grierson's Eldred Halton forecasts a 14% fall in De Beers' equity accounted earnings he unequivocally rates the share as a "buy" (at $4)

But the more cautious view predominates. Derrick Fossey-Jones of Fielding Newton-Smith typifies those who are worried that the De Beers dividend reduction was made because of the future not the past. That is clearly the case as the FAI interview with Harry Oppenheimer shows. On the face of things he expects the 26% drop in consolidated earnings "would not have warranted the slashing of the final dividend." The fact that it was, "does suggest that De Beers is expecting a long wait before things start to pick up."

Greenwell's Peter Davidson bases his "wait to buy" conclusion on the belief that first-half CSO sales will be worse than the second six months of 1981. That seems a fair enough estimate in view of Oppenheimer's comments on this year's first two CSO sales sights. Davidson believes the interim dividend "may not be maintained." But his opinion is that the "impeccably timed" dividend cut (in view of the gloom in the mining sector) "suggests that, following the measures taken in the last 12 months, De Beers can now see some light at the end of the tunnel and has now completely cleared the decks so that 1982 will form a new base." No doubt this doubt on the abilities of De Beers and the diamond market to recover is the London market overlooking the attractions of non-diamond assets, which more than cover the current dollar share price before even considering a stockpile (at cost or bought in values) worth $3.77/share.

The question is: When? The answers hang on the US economy, the Russian economy and imponderables such as the alleged overhang of larger cut stones in the hands of disillusioned investment buyers. Even if markets do turn up in 1983, De Beers will need more cash to take in additional stocks this year. Richard Taylor of Simon & Coates asks the question: "Who will pay—Anglo or De Beers' shareholders via another dividend cut?"

As it is, Michael Coulsdon of Laang & Crundshank says the task of shifting the huge volume of De Beers' stockpile will at best keep the dividend stagnant for the next two years. And the need to build up cash to help De Beers through its bad patch is mainly about the possible conversion of Anglo's R200m loan into equity and the story floated by James Capel that the CSO will be hived off into Minorco. But even this theory begs the question of whether that would really benefit De Beers, apart from the argument that a more "neutral," less SA address for the CSO would pay political dividends in maintaining the cartel's position.

Until chairman Harry Oppenheimer can reassure the market, the shares of SA's most widely held international businessman will continue to be regarded with regret and suspicion. Tony Watson, a director of fund managers Touche, Remnant, summed it up: "What we need to know is what the company was expecting when it cut the dividend. We need to know what Oppenheimer believes."
Chamber of Mines on extra burden
By JOHN MULCAHY
JOHANNESBURG — Already reeling from the devastating slump in mineral markets, the gold and diamond industries have received another body blow from Finance Minister, Mr. Owen Gold.

The increase in the tax surcharge to 15% from 5% announced yesterday’s Budget will have a significant impact on all gold and diamond producers, and some mining analysts forecast a 5% to 10% softening in gold and diamond share prices on the Johannesburg Stock Exchange.

Reacting to the Budget, the president of the Chamber of Mines, Mr. Lyndon van den Bosch, said the Chamber was concerned that in these difficult times the mining sector had to do without a significant step up in fiscal support.

As a result, the Chamber called for a tax reduction to stimulate the mining industry.

The drop in the gold price in recent months is due to a heavy increase in gold-producing countries and the anticipated increase in gold prices in the future.

The gold mining industry was such a sensitive nerve in the economy that the increased tax on gold and diamond mines would have disproportionately adverse effects.

The surcharge has left producers with little cushion against future price declines, and there is a need for a sign of support from government.

The Chamber said the tax increase was not only a negative signal to foreign investors but also a blow to the South African mining industry's ability to compete on the international market.

The gold mining industry is one of the major contributors to the South African economy, and any adverse action from government could have far-reaching implications.

Mr. van den Bosch added that the Chamber was not opposed to a tax increase, but it should be introduced gradually and in conjunction with fiscal incentives to support the industry.

The Chamber also called for a review of the tax system, which was considered to be complex and burdensome, and to streamline it to make it more equitable and more conducive to growth.

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Industry

A settlement was, however, reached between the union and the association soon after the start of the hearing. The court acceded to a request that its determination be based on the terms of the settlement.

As a result, the court ruled that the regulation at issue amounted to an unfair labour practice and that the regulation should be deleted from the association's constitution. In addition, the association has to compensate the union member for the period during which he was unemployed.

It appears that there are very few other industries in SA where such severe restrictions on labour mobility have been imposed by employers. However, some observers believe that the court's finding is significant because it represents yet another step towards the court playing an important role in defining just what constitutes unfair labour practice.

As a result of a recent amendment to the Labour Relations Act, disputes about victimisation can also be taken to the court. Transferred to the court is the power, previously held by the Minister of Manpower, to order the reinstatement of workers in their jobs, or the restoration of their conditions of employment.

The ability of an employer association to restrict the free flow of labour in its particular industry has been curbed. The Industrial Court has found that such a restriction — operating in the diamond-cutting industry for many years — amounts to an unfair labour practice.

This month the court heard a case involving the SA Diamond Workers' Union and the employer body, the Master Diamond Cutters' Association. At issue was a regulation in the association's constitution dating back to 1961. The regulation required members to contact the association for all their labour needs.

The union claimed that the regulation had been used by employers to block the employment of certain workers and "freeze" labour mobility. The union took up the case of an employee who claimed he was unemployed for two weeks last year because the association refused to allow him to be employed. The claim was in spite of the fact that a member of the association was willing to employ him.

The union complained that there had been many similar cases in the past, but that employers had refused to discuss them at meetings of the industrial council for the
More cuts in De Beers diamonds

By Patrick McLoughlin

De Beers has confirmed that it is cutting back in production in two more of its mines — Koffiefontein and Finisch Mines — because of the international depression in diamond sales.

The pruning of production is one of the latest moves by De Beers and its London-based marketing arm, the Central Selling Organization, to stabilize the depressed diamond market.

Finisch, which produced 2,8 million carats in 1980, is one of the biggest of De Beers' nine mines; Koffiefontein, which mined 431,480 carats in that period, is one of the smallest.

Last year there were cutbacks from the Namibian mines and CDH in Namibia.

The De Beers spokesman, confirming the cutbacks, said the reason was "obvious" in the sense that diamond sales had fallen and the group had two basic options — to stop the diamonds above or below the ground.

Last month De Beers announced a 50 percent cut in final dividend — its first dividend cut since World War II because of whopping fall in diamond sales in 1981 and costs incurred through stockpiling.

The move sent shockwaves throughout the world's stock markets and caused the blue chip's share price to tumble.

Recently released Minerals Bureau minerals production and sales figures for 1981 showed that while production of diamonds in South Africa increased from 8,52 million carats in 1980 to 9,53 million carats, the value of export sales plunged 38 percent, from R533 million to R340 million.

The spokesman said there was nothing "really dramatic" about the production cutbacks which were following the market situation.
DIAMONDS

Hard times

Diamond dealers believe the 5% hike in ad
valorem duties on luxury goods announced
in last week's budget will be counter-pro-
ductive. Says one: "It's like kicking a dying
horse cheaply abroad. Even tourists, who form a
substantial percentage of Schwarz's clien-
tele, are being frightened away by over-
priced Sa diamond jewellery.

Schwarz expects turnover to drop a fur-
ther 30% this year, and he believes that
government has little chance of reaping its
expected R28m from excise on luxury
goods. Says he: "These crippling taxes are
counter-productive."

Gerhard Bindeman, secretary of the Dia-
mond Cutting Board, agrees. Although the
Sa cutting industry exports its diamonds to
markets like the US, he says, SA is never-
theless regarded as a supportive market,
particularly in view of the worldwide
slump in diamond sales. The cutting indus-
try, which already has problems of its own,
will also be hit by the increase in duties.

"Exports are down 50% over the last two
years," says Bindeman. "Export sales of
polished stones were down 37% in value
and 36% in caratage in 1981 compared to
1980. Exports totalled R301,6m in 1980,
R188,3m in 1981." Nor does he expect ex-
ports to improve in the foreseeable future.

But one cutter, 90% of his business is ex-
port-oriented and therefore not affected by
the new ad valorem duty, says his exports
have slumped because of the US recession
and high interest rates.

"High interest rates resulted in investors
moving out of commodities like diamonds
Demand is right down," he says. He doesn't

With sales already 30% down on 1980, the
industry was looking for help. Instead, it
has been hit by what diamond dealers de-
scribe as "draconian" taxes which will fur-
ther depress sales.

Robert Schwarz, MD of
manufacturer/retailer Schwarz Jewellers,
says 25% duty on imported articles, plus
the present 30% ad valorem duty, plus 5%
GST, plus 50% mark on for retailers, adds up
to the sort of mark-up that will surely scare
off customers. They can buy far more

expect price and demand for diamonds to
improve until the price of gold moves up
sharply.

Hardest hit are the sales of highly priced
investment diamonds, both in export mar-
kets and locally, says Caress Jewellers MD
Mannie Judin. Stones in category D flaw-
less have dropped from $65 000/carat to
about $25 000 over the past 18 months.
 Prices of smaller commercial stones have
remained stable.

Despite the 30% ad valorem and 5%
GST, Judin expects medium-priced dia-
mond jewellery to also remain stable. "A
diamond engagement ring is no longer re-
garded as a luxury," he says.

Even the high cost of HP finance - Ca-
ress is essentially a credit operation - will
not affect sales adversely, believes Judin.
Payments over 12 months on a R745 en-
gagement ring will increase by only R4/month.
Botswana's challenge to De Beers

GABORONE — Botswana, as the Economist in its recent edition, has begun to question the workings of De Beers' Central Selling Organisation, following Zaire's successful UDI from this near-monopolist of the world diamond trade last year.

Recession has weakened demand for diamonds. So De Beers has cut the price it pays producers, and asked them to stockpile precious stones. De Beers' own stocks have doubled. In the past year as it tried to stem falling prices, Zaire, by contrast, has managed to keep prices of all its grades of diamonds above the Central Selling Organisation's prices since it broke with De Beers in 1981.

OVERTAKING Botswana, which mines 15 percent of the world's diamonds, is likely to overtake South Africa as the biggest producer by the end of the decade. Diamonds are the brightest sparkle in Botswana's economy. The decision by De Beers to cut prices and purchases from Botswana in 1981 halved Botswana's diamond revenue.

Work is still going ahead, however, on a new diamond mine, the Jwaneng, which will soon be producing 2.5 million carats a year.

GUAranTees The Botswana government has been happy until now with De Beers, its 50-50 joint venture with De Beers. De Beers owns the country's diamond mines and markets through the Central Selling Organisation. De Beers guarantees to buy a minimum amount of diamonds when times are bad, as they are now.

AGREEMENTS Mines in Namibia and Angola, bound by similar agreements to De Beers, have also had to cut production to avoid stockpiling diamonds which De Beers will not buy. Officials in Gaberone, Botswana's capital, complain that their stocks of diamonds are huge and their cash is short. "The situation in Zaire," said one official pointedly, "is certainly very interesting. We hope our sales will be back to normal next year."
De Beers to reduce production again

By NEIL BEHRMANN

LONDON. — De Beers is expected to announce further production cuts because its stockpiling policy is proving expensive in a weak diamond market.

First-quarter sales of De Beers were so low that there are rumours in the major cutting centres that De Beers might have closed some mines.

De Beers, however, denied that there were any closures, but admitted that there might have been additional production cuts.

"There may be further news of production adjustments in the company's annual report to be published at the end of April, but so far there have been no closures," said a De Beers spokesman.

The company announced production reductions a year ago.

In the diamond boom De Beers planned to raise output from 24,700,000 carats in 1980 to 18-million carats in 1983.

The depression in the market forced the company to change its plans and in March last year De Beers announced that it would close plants in the Namakalal and Consolidated Diamond Mines (Namib) divisions.

Analysts estimated that the reductions amounted to 5% of production, but diamond dealers believe additional reductions were made in recent months:

De Beers London marketing arm, the Central Selling Organisation, holds 10 sales, known as sights, a year. There have been three sights this year, the latest at the end of March. Dealers report that the three sights, especially the latest, were small.

Few stones were on offer and there were hardly any large gems in the assortment of diamonds offered to dealers.

This policy outraged the dealers because the market in small gems is far stronger than for the more expensive larger stones. But they assume that it pays De Beers to keep valuable stones in the ground and not sell them in a depressed market.

De Beers diamond stockpile increased from R140-million in 1979 to R1 400-million at the end of last year. With cash resources depleted, De Beers began borrowing funds to support the market and then cut the final dividend.

With first-quarter sales unimpressive and the cutting centres still depressed it appears that De Beers first-half diamond sales will be as low as they were in the second half of 1981. They could even be worse.

Sales for the second half of 1981 amounted to R252-milion against R748 million in the first half.

A London diamond dealer said that sales of small rough diamonds priced up to $1,000 were buoyant and there was a shortage of certain categories. Even so, the lingering world recession, high interest rates and falling inflation rates continued to hinder the diamond market, he said.

Business is so slack that dealers are taking several weeks' holiday now. Both Antwerp and Tel Aviv manufacturers continue to work on short time. Some Antwerp cutters are working a three-day week because of poor demand for their stones.

Sales of Russian polished stones have also had an adverse impact on the cutting centres.

Belgian imports of Russian polished stones fell from 300,000 carats in 1980 to 328,000 carats last year, but in the first two months of 1982 the Russians sold 97,000 carats.

As part of a general sanctions move, the European Economic Community has demanded that the Russians reduce diamond exports by 25%. But dealers are sceptical and believe the stones will enter Antwerp through other channels.

"There are few signs of improvement in today's diamond market, but plenty of hope," says a diamond dealer.
Mining for diamonds on a moonscape

One of the most isolated spots in South Africa is the Octha diamond mine — on the southern bank of the Orange River where it makes a horseshoe bend above the Richtersveld. In this “mooncape” of ancient rock and desert sand, where the summer mercury frequently climbs to 42°C, geologists have uncovered the source of what has been described as the world’s finest diamond gems.

The Octha mine, situated in the far north west Cape about 100 km from the Atlantic and just across the river from Namibia’s desert, has gathered together a community of hardy diamond people. Some live and work at Bloeddrif, one of the source mines, and the main body 40 km upstream at Sendeigedrif.

Apart from the security forced diamond settlements at the mouth of the Orange River, the nearest accessible town is Port Nolloth, nearly 200 km south west, and the closest railhead is at Bitterfontein, 300 km further south. Conditions are harsh and life is what man, with the very substantial aid of the river, has been able to make of it.

The river is the key to all at Octha, it gives and sustains life and it is responsible for the presence of the diamonds. Geologists say the Octha diamonds originated from the erosion of diamondiferous pipes in the inland areas of South Africa. Mixed with silt, sand, rock and other semi-precious stones, they were swept down the Orange River some 25 to 40 million years ago.

Many were caught in the pockets and crannies of the riverbed and some of the larger and heavier stones came to rest at Octha. Over the millennia they were covered by tons of silt, sand and rocks, forming huge terraces, which in turn forced the river to change its course and to adopt a new river bed.

These terraces are within view of the present Orange River which flows about 30 m below the terrace level. The diamonds, discovered about 15 years ago, are considered by many to be an important source of the world’s most perfect gems, roughly 90 percent of the stones being large and of high quality.

But if the river is the positive key to Octha, then isolation is the negative. Access is not easy. The desert road to the coast is rough and long and the alternative — its continuation east through the Richtersveld to Vioolstrad on the main South Africa/Namibia highway — is even more tortuous. There is an airstrip but clearly heavy goods must come by land.

That is why Octha needs the most reliable possible machinery, vehicles, service and suppliers.

The trucks that haul the diamond bearing gravel from the mines to the central recovery plant are Nissan CK 20D’s. They work six days a week, 24 hours a day. Nissans are the standard vehicle in the fleet and Octha has 12. One might call them million-dollar trucks because on average each has carried more than R1 million worth of diamonds.

Why Nissans? Kobus Nel, resident engineer at Octha for the past three years and in charge of all vehicles and machinery, summed it up simply: “Because they are fantastic trucks”, he said. “If you could see the working conditions you would not believe that they could have lasted as they have.”

He said when it came to reliability he found Nissans to be tops. The trucks have been acquired from 1973 and each was “unbelievably” economical.
Good reason for optimism. The long-range outlook, judged from the consumer market, gives

Chairman's Statement

De Beers
Where Timed

December 7, 1941

1941 at 7:59 a.m., Japanese planes attacked Pearl Harbor.

\[\text{Formula: } \text{Zeros} \times \text{Zeros} = \text{Zeros} \]

At 10:30 a.m., the United States declared war on Japan, Germany, and Italy.

\[\text{Example: } 2 + 2 = 4 \]

The United Nations, consisting of the United States, Soviet Union, United Kingdom, China, and France, declared war on the Axis powers.

\[\text{Equation: } 3x + 4y = 7 \]

The Japanese surrendered on September 2, 1945, ending World War II.

\[\text{Solution: } x = 1, y = 1 \]

Outcomes of the war included the defeat of Germany, Japan, and Italy, and the establishment of the United Nations.

\[\text{Conclusion: } \text{End of World War II} \]
r260m jwaneng at full tilt after June

Mining Editor
DE BEERS $260-million Jwaneng mine is expected to start commercial production in June and should reach its initial rated production capacity of 4,800 000 tons a year in the second half of 1982.

Mr Oppenheimer, De Beers chairman, says in his annual review that the recovery grade at Jwaneng will probably be higher than at any other mine in the group, and the diamond will be of medium quality.

"Jwaneng is probably the most important kimberlite pipe discovered anywhere in the world since the original discoveries at Kimberley more than a century ago."

The Jwaneng mine is owned by De Beers in partnership with the Botswana Government, which has exercised its option to subscribe up to 50% of the equity share capital required for the project.

Although no details of grades at the mine have been disclosed, initial production is expected to be between 3,500,000 carats and 4,000,000 carats a year, and the production start-up in January this year came ironically at a time when the other mines in the De Beers fold were trimming output.

Mr Oppenheimer makes no reference to this anomaly.

Mr Oppenheimer says De Beers has applied for prospecting rights for diamonds offshore at various locations along the Namibian coast in response to South African government inquiries.

The directors say increased activity and expenditure in Australia reflect a change in emphasis in prospecting to areas where potential may be covered more rapidly.

In Brazil, newly discovered diamond-bearing gravel deposits are being evaluated and delineated, but their potential may not prove to be large, say the directors.

Testing of kimberlite pipes found in recent years continues, and although this work has not shown any signs of being of economic importance, many discoveries remain to be sampled.

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De Beers again cuts output And stockpile likely to rise

DE BEERS Consolidated Mines is reducing production by a further 10.6% this year to 13 794 000 carats (excluding Jwaneng) from 15 438 000 carats in 1981.

Although Mr Harry Oppenheimer is mildly optimistic in his chairman's statement for 1981 — sales this year have been running higher in dollar terms than in the second half of 1981 — he warns that the stockpile is likely to increase again.

Production at De Beers mines in Namakalrand and at Consolidated Diamond Mines in Namibia was reduced last year, and total mining expenditure fell by R236-million to R213-million in 1981.

In spite of the production reduction, De Beers working costs (excluding Jwaneng) are expected to rise by 15.3% to R416-million from R353-million in 1981.

Mr Oppenheimer says a picture of gloom for the past year, described 1981 as "an exceptionally difficult one" — indeed we have not gone through such hard times since I entered the business 50 years ago during the depression of the 1930s.

De Beers diamond stocks more than doubled last year to R1 659-million at December 31 from R698-million at the end of 1980.

The prospect of higher stocks was a significant influencing factor on the decision to reduce De Beers final dividend to 29c a share from 39c, a decision which "reflects both the continuance of the world recession and our determination to carry out our traditional stabilising role in the industry."

De Beers has arranged facilities with its bankers which are ample for its requirements, he says.

The balance sheet at December 31 shows a loan from Anglo American of R250 600 000 as well as long-term liabilities totalling R64-million, and the notes to the financial statements reflect R796 000 000 in undrawn loan facilities.

In a positive note on the longer-term prospects, Mr Oppenheimer says there are strong indications that the special reasons which existed for the diamond industry's weakness "are a far cry from being overcome" and the low sales now reflect adverse economic conditions to a greater extent than circumstances peculiar to the industry.

He refers to previous statements spelling out the dangers of speculation in the buying centres at premium prices, which ultimately brought about a recession in the diamond industry sooner and deeper than the world economic recession.

This speculation was financed mainly by bank credits, which have now been substantially reduced — in some cases by up to 50% — and Mr Oppenheimer says the credits are now at a reasonable level.

The improvement in the situation peculiar to the diamond industry has not, however, removed the unfavourable economic conditions, and Mr Oppenheimer says it cannot expect prosperous conditions at a time of world depression "and in particular while interest rates remain at their present levels."

Any improvement in the world economy and especially in business conditions in the US should be reflected in the diamond industry. In November last year the Central Sells Organisation made important modifications in the manner of presentation of diamonds to the market, says Mr Oppenheimer.

The sales arrangements were altered to allow customers to bid more accurately and to individual requirements in the new market conditions.

It is essential for any trading organisation to be alive and sensitive to changing needs and conditions and we are satisfied that the new selling arrangements we have introduced will help to preserve the value of diamonds and to protect the stability of the trade.

The state of the investment diamond market is of considerable significance "mainly from a psychological point of view since they have never made up a large proportion of the world-wide trade in polished diamonds."

He says diamonds have provided good investment over the years so long as they have been bought at prices which bear a reasonable relationship to the level of though diamond prices remained and protected by the CSO.

However, diamonds bought at high premium prices in times of speculative booms are obviously not likely to prove good investments.

The current decline in demand is concentrated on the larger sizes and finer qualities, and sales of the smaller sizes have been satisfactory.

Consumption of diamond jewellery particularly, but not exclusively, at the lower end of the market has continued at a high and encouraging level, says Mr Oppenheimer.

The market for the rare and more expensive items of jewellery is adversely affected to a much greater degree by the unprecedented levels of interest rates in the US.

Mr Oppenheimer says the structure of the diamond trade built since the 1930s is standing up firmly to "this severe test."

"Our problems are not long-term difficulties but are worldwide in nature. We are well equipped to face up to what may yet remain to be faced by this time of depression and to take full advantage of better economic conditions when they return."

By JOHN MULCAHY
No quick fix

“The year has been an exceptionally difficult one — indeed, we have not gone through such hard times since I entered the business 30 years ago during the depression of the Thirties.”

Harry Oppenheimer, in his chairman’s statement, makes no bones about the problems De Beers has to contend with — problems which he says are not specific to the diamond industry but are worldwide in nature. Nevertheless, he is unperturbable optimist in adding that De Beers will see its way through this depression and emerge in a position to take full advantage of the eventual economic recovery.

There’s a pretty good chance he will be right — but that is not going to make the intervening months any less difficult. We may be nearing the end of the decline in rough diamond sales but that is far cry from the situation in which production capacity is fully employed. And until the market reaches that position, De Beers will remain hungry for cash while its shareholders remain on a relatively thin gruel of dividends.

In the meantime, the group is having to implement some very basic changes in its operations. For a start, let’s take the demand/production capacity balance. Oppenheimer says that the CSO’s dollar sales of rough diamonds have been running at a higher rate this year than in the second half of last year. Thus, at least, is one ray of light at the end of the tunnel. But full day-light is still a long way off. This year it is expected that the cut-backs in Namibia and Namaqualand will reduce output to 13.5m ct against 15.4m ct in 1981 and 14.7m ct in 1980.

Thus, however, excludes any contribution from the newly-opened Jwaneng mine in Botswana. Jwaneng, which Oppenheimer describes as “probably the most important kimberlite pipe discovered anywhere in the world since the original discoveries at Kimberley more than a century ago,” is due to reach its initial annual rated treatment capacity of 4.8Mt in the second half of this year. Its recovery grade will be higher than that of any other mine in the group. Last year, for example, recovery at Pitsone was over 92 ct/100 t, so De Beers is clearly expecting well over 100 ct/100 t from Jwaneng. And that means an output somewhere in the region of 2.5mm ct this year and 5mm ct or more in 1982. In other countries — America, Germany and Japan — what has still to be proved is that demand is sufficient to absorb the greater production increase likely to reach the market by the middle of this decade. Apart from Jwaneng and under-utilised capacity at De Beers’ other operations, there is the Ashton Joint Venture due to start producing in Western Australia later this year. When it reaches full production the mining area is expected to produce about half of the world’s total natural diamond caratage.

Though a large proportion of the Ashton diamonds will be industrial and near-gem quality, there will be many, many grams which the CSO will have to market in addition to those from existing sources.

Further ahead is the Venetia prospect in the northern Transvaal. This is still being prospected but, like Jwaneng, De Beers may not be able to delay exploitation no matter what the state of the market.

It all adds up to a quantum increase in the demand for rough diamonds and that in the pipeline will be fully exploited or if De Beers is not to spend several years adding to its diamond stocks. The company has admitted that this year will see a further increase in stocks — last year’s dividend was cut ahead of just such an eventuality. And it has arranged borrowing facilities which are expected to be adequate for its needs.

All this will not prevent this year’s income statement from looking relatively sickly. The cost of borrowings will not be negligible while interest receipts will be less or no-existent. Operating income is being provided where possible, as are capital spending projects. Marketing, on the other hand, is to receive a great deal more effort. Whereas capital spending is planned to be some R36m less than in 1981, this year’s expenditure on promotion and advertising is set to be approximately R30m even though the rough gem market is better than in the second half of 1981.

There will be no quick fix for De Beers. The structure of its market will see to that. And on that basis, perhaps the best that can be expected is a repeat of last year’s 50% total dividend. And it may not be invested hereby to expect a further reduction in the dividend.
De Beers cuts workers

DE BEERS, in line with its policy of reducing operating costs, is cutting its work force at the Premier Mine in the Northern Transvaal by 9%

Carat production, however, will remain unchanged.

De Beers confirmed yesterday that reductions in long term capital expenditure at Premier, relating mainly to developments below the sill, have made it necessary to reduce the number of employees.

This will effect 498 employees at all levels, out of the present workforce of 4,272, but every effort will be made to re-absorb affected employees within the De Beers and Anglo American group, and where this cannot be achieved compensation will be paid.

De Beers commented that as a consequence of the high level of diamond stocks and the current level of sales, group policy was to reduce operating costs and long term capital expenditure wherever possible. The resumption of development work at Premier will be reviewed from time in the light of prevailing conditions.
De Beers’ Lesotho mine to close

By JOHN MULCAHY

THE Letseng-la-Terai diamond mine in Lesotho, which is jointly owned by De Beers and the Lesotho government, is to close, and at least 700 workers will be retrenched.

Letseng mine employs 752 workers, and De Beers says they will “to the maximum possible extent be re-absorbed within the De Beers and Anglo American groups, and where this cannot be achieved, compensation will be paid as required by law.”

It is believed that about 70 of the workers are ex-patriots, and will be absorbed elsewhere, but the rest of the workforce is likely to be retrenched.

Yesterday’s announcement of the Letseng mine’s closure came hard on the heels of the decision to cut the workforce at De Beers Premier mine in the Northern Transvaal by 648 people, and highlights the continuing depression in the diamond market.

De Beers, which has a 72% interest in Letseng, says the mine has for some time been operating at a loss, because of cost inflation and the depressed state of the diamond market “particularly for the larger, high-quality stones which the Letseng mine produces.”

Letseng produced 52,921 carats last year, compared with 53,714 carats in 1980, at an average grade of 2.80 carats/100 tons, and diamonds bigger than 10 carats contributed 15% of the mine’s production.

The Letseng closure will come about “on an orderly basis over the coming months,” says De Beers, and it is believed the mine will finally close in September.

De Beers is clearly keeping its options open, however, and says “the plan to extend the mine’s life by developing the satellite pit is for the time being uneconomic.”

In the annual report published last month, De Beers said that in August last year it was decided to limit the planned depth of the satellite pit at Letseng to 100 metres, subject to the economic feasibility of mining to greater depths being kept under review.

On current plans the pit has a remaining life of about four years,” the report added, but circumstances have clearly deteriorated since then.

Mr Harry Oppenheimer, chairman of De Beers, hinted at the possibility of a mine closure in an interview with the Wall Street Journal published earlier this week.

With the exception of one small mine about which discussions were taking place, Mr Oppenheimer said “There aren’t going to be any mine closures this year, we’re going to go more slowly. We’ve got these stocks. We aren’t going to be in need of diamonds for some time.”

In further disclosures to the Wall Street Journal, Mr Oppenheimer said falling gem sales could cause De Beers to trim 1983 diamond production slightly more than the estimated drop to 15,500,000 carats from 13,860,000 carats in 1982, excluding output from Juweng in Botswana.

He said De Beers was encouraging a decline in attendance at the Central Selling Organization’s regular auctions, because “we mustn’t push more diamonds on to this very bad market than can be properly absorbed.”

On a recent visit to Israel — only the second time he has been to that country — Mr Oppenheimer told representatives of the Israeli diamond industry that “we have got to be in a position, when times are bad, to accept the fact that we are not going to sell very many diamonds, because if we try to force diamonds on to a market we will cause a disaster.”

In an obvious reference to the discouragement at CSO, Mr Oppenheimer told the Israeli cutters: “It means that we don’t sell to some of our oldest and most valued customers, and this is sad for them and very sad for us.”

In dismissing speculation that De Beers was losing control of the world’s diamond production, Mr Oppenheimer said “It is important for us, and for you, that we all at the producing end of the business control as large a proportion of the production as possible.”

The new diamond discoveries and the new sources of diamonds controlled directly by De Beers were far higher than the diamonds produced outside the group’s direct control, Mr Oppenheimer said:

“I do think it worth mentioning to you — because I think it may encourage you — that in spite of the things that have been much publicised like our no longer buying diamonds from Zaïre in spite of discoveries of diamonds in Australia the proportion of the total world production of diamonds which are directly produced within our group is very much higher than it was a few years ago, and this is largely due to increased productive capacity in South Africa and to major discoveries which we are responsible for running in Botswana.”

“Therefore, our position of control in this industry is greater — not less — than it has been for very many years, and we too will find this encouraging.”

De Beers was strong enough not to force diamonds but this has not happened in all the years since I have been in business. We have made sacrifices not to do so.”

“We have cut our dividend, but this has not happened in all the years since I have been in business. But it is about time that we all think about the financial strength to hold this industry together and it is our intention, our determination, to do so.”

“I can tell you that we have the resources to see this through and we intend to see it through.”
Hoffe denial on 'fleecing' Namibia

Mr Lang had told a visiting German cultural group that Namibia was losing millions of rand in revenue by taxing CDM, a wholly owned De Beers subsidiary, at the first stage of production only.

Replying to Mr Lang's allegations, Mr Hoffe said those disparaging remarks were based on incorrect facts. Contrary to Mr Lang's allegation that Namibia only derived revenue about R180 a carat for its diamonds, while they were sold for substantially more to the cutters, Mr Hoffe said the diamond price remained constant.

"The price for diamonds produced in Namibia is not increased to the benefit of a third party at any stage between valuation and sale to the CSO," he said.

"In other words it is quite incorrect for Mr Lang to allege that CDM sells its stones 'cheaply' and that the CSO later sells them 'expensively', to the ultimate detriment of CDM and the State."

Of Mr Lang's allegations about CDM's tax payments, Mr Hoffe said "As a diamond mining company CDM pays tax at a higher rate than any other taxpayer. "Taxes paid to the state by CDM have always exceeded by far the dividends paid to shareholders."

Mr Harry Schwarz, the FPF parliamentarian, pledged to campaign in South Africa for immediate financial and social assistance for Namibia in an address to the Namibian Chamber of Commerce and Industry.

"It was in South Africa's interests to create a climate of friendship between South Africa and Namibia before the territory attained independence. "I've got to go back to the people of South Africa and tell them that what is needed in Namibia is money and action and job creation - now," he said.

NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
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WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Finance Reporter

The closure of the Letsie III diamond mine in Lesotho, announced earlier this month, may have been averted if the Lesotho Government had agreed to a number of proposals made by De Beers, the majority shareholder in the venture.

According to a mining official, Letsie III has been losing about $80,000 a month for the past year. A high proportion of its output consists of large gems, which have been particularly hard hit by the slump in demand for investment-grade diamonds.

De Beers suggested a compromise to the Lesotho Government, which has a 25 percent stake in the mine. In return for allowing Letsie III to continue operations, De Beers asked for several concessions.

One was agreement by the government to postpone collections of a Sales Tax levied on Letsie III's diamonds. Despite its name, this tax is paid on production rather than sales.

With output of diamonds sluggish, De Beers has been paying tax on stones still lying in the Central Selling Organisation's stockpile.

The company also asked the Lesotho Government to allow it to reduce spending on non-mining items, such as training programs for local workers.

These requests were turned down by the authorities in Maseru.

Although negotiations were conducted with the country's Solicitor General and Mining Commissioner, the decision to reject De Beers' proposals was taken by the Cabinet.

None of the officials involved in the negotiations was available for comment. "We don't want to deal with any publication," an official at the Department of Mines said.

The closure of Letsie III will probably hurt Lesotho more than De Beers. With almost 800 workers, it is the country's largest private employer. It is also the largest foreign exchange earner, excluding migrant remittances.

Letsie III produced 52,900 carats last year. The grade of its pipe is by far the lowest of any De Beers' mine.

DIAMOND MINES ARE NOT FOREVER
At last: Some cheer for diamonds and economy

SOUTH Africa and the leading JSE blue chip, the R6 000-million De Beers octopus, stand to benefit at last from what looks like a surprisingly firm recovery in world imports of polished gem diamonds.

Diamonds rank among the top three foreign exchange earners on the list of SA exports.

Imports of all gemstones into the US last year were 46% up on those in 1980 and no less than 56% higher by value.

In the first quarter of this year, De Beers tells Business Times, some further improvement has been experienced.

The US accounts for 56% of all gemstone sales.

The value of Japanese imports rose some 50% in 1981 and, at more than 30%, France produced the most outstanding increase in sales last year.

World sales at retail level topped R9 000 million.

These figures were supplied to Business Times on Friday by SA delegates to the World Diamond Conference in New York.

The hard times which have battered De Beers have generated banner headlines for some months — sparked by the release of the frightening setback in the fortunes of this monumental stock.

The shock waves to the all-ready beleaguered SA economy were aggravated by the fact that there has for long been a mystique about De Beers.

It has been regarded by many as the single most important yardstick of investor expectations and stock exchange mood in SA, and even of the state of the economy at large.

The world diamond market largely managed at the first level by De Beers through the Central Selling Organisation (CSO) in London, is a complex business.

For this reason, the large leap in imports of gemstones (as opposed to industrial diamonds) into the major retail markets cannot automatically be translated into better times either for De Beers or SA exports.

The bulk of South African gems are not necessarily those currently selling best overseas.

For instance, the CSO continues to stockpile larger, finer stones, for which (as a generalisation) demand remains weak in relation to stocks.

Also some of the imports into, say, the US are re-exported.

Thus De Beers is not saying that it expects a sharp upturn in its own profits performance, especially since the cost of holding stocks is so high — if diminishing.

However, it is cautiously optimistic that an upturn in diamonds has taken root, and will bring better results some time in the coming months, with increasing stability in the gemstone market.

Revenues from SA exports of diamonds fell to R345-million last year from R500-million in 1980, and the Minerals Bureau estimate for 1982 is about the same as for last year.

However, it now seems that this estimate will almost certainly be bettered, perhaps substantially, provided the current overseas recession turns into economic recovery (or at least does not deteriorate) in the next 12 months.

There are those who, with good reason, feel that this may happen. This is based on the fact that exports of diamonds for the first nine months of 1982 are running at 10% above the corresponding period of last year.

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More cutbacks at
De Beers mines
in Free State

By David Braun

De Beers has temporarily suspended production at Koffiefontein diamond mine, Oranjemund, Free State, affecting 1,200 workers.

In the Namakwaland division, production will be transferred from the Annex Klein Zee plant area to the Twee Pad plant area, which was temporarily closed in May 1981.

The Finch diamond mine, where production has been restricted to an annual rate of 3.3 million carats since the beginning of the year, will be immediately restored to production at full plant capacity of 4.5 million carats a year.

In the last three weeks De Beers has announced cutback in Premier's workforce by 10 percent, affecting 498 workers, and the closure of Lesotho's Letseng-la-Tera mine, which will lead to the retrenchment of another 700 workers.

These developments are indicative of the recession in the diamond industry and underscore Mr. Harry Oppenheimer's rationale for staying on as chairman of De Beers "for the time being".

De Beers said in a press statement yesterday that since May 1981 it had been adjusting production on its mines periodically to bring it more closely into line with the prevailing pattern of demand in the cutting centres.

**TRADE CHANGE**

In spite of the overall decline in sales of rough diamonds a steady demand continued for the smaller and lower qualities of gem stones, resulting in some cases in a reduction of stocks.

The value of the extra production from Finch would be greater than the whole of Koffiefontein's present production, and a much larger portion of it would consist of diamonds currently in demand, so that the overall effect should be an increase in total sales.

De Beers said stocks of Koffiefontein-type diamonds were sufficient to meet a revival of demand during the few months that it would take to bring the mine back into production.

Every effort would be made to offer the Koffiefontein workforce employment on other De Beers' mines, and in the Anglo American group, and where this was not possible, compensation would be paid.
De Beers cuts staff but adds to carats

BY JOHN MULCAHY

BAD news is said to come in threes, and De Beers is confirming this belief with its third announcement of staff cutbacks in as many weeks.

In what was described as "further re-arrangements of production," De Beers yesterday released details of adjustments to output in its Namaqualand and Kimberley divisions.

The idea for De Beers' latest production changes, which will result in a marginally lower carat production, is that while the overall slump in demand for rough diamonds continues, there has been steady demand for the smaller and lower qualities of gems, in some cases resulting in a depletion in stocks.

Among other moves, the re-arrangement will result in the suspension of production at Koffiefontein mine, affecting 1,200 workers.

De Beers says every effort will be made to offer the Koffiefontein work-force employment on other mines in the group and in Anglo American, "and where this is not possible compensation will be paid."

Some of the Koffiefontein workers will be absorbed at the Finch mine, where additional labour will be needed to assist with the reversion to full capacity at Finch.

Yesterday's decision was the third from De Beers in recent weeks, the first being the cutback in Premier's workforce by 10%, affecting 498 workers -- and the subsequent decision to close the Leiseng-la-Tera mine in Lesotho, which will ultimately lead to the retrenchment of another 700 people.

After the decision to cut the workforce at Premier by 10% and the subsequent decision to close Leiseng-la-Tera mine, De Beers yesterday announced a re-arrangement of production at some of its other mines.

Production from De Beers' Namaqualand division is to be transferred to the Twepzd plant from Annex Kimberley, with carat production unchanged and employment unaffected.

The new Twepzd plant was closed down in May last year, reducing production from the Namaqualand division by 220,000 carats in 1981 to a total of 1,216,077 carats.

Preparatory work is starting on the transfer of production from the closed-down Twepzd plant, and the changeover is expected to take place during the last quarter of this year.

There is a higher proportion of smaller stones in the Twepzd area, and the new plant is also probably more cost-efficient than the old Kimberley operation.

In the Kimberley division, where production at Finsch mine has been restricted since the beginning of this year to an annual rate of 3,900,000 carats, steps are now being taken immediately to restore production to the full plant capacity of 4,500,000 carats a year.

The Finsch mine produced 4,653,044 carats in 1981, compared with 3,910,081 carats the previous year.

The increase in Finsch production is a direct result of the decision to suspend output from Koffiefontein, and De Beers said yesterday: "the value of the extra production from Finsch will be greater than the whole of Koffiefontein's present production."

In addition, a much higher proportion of Finsch production will consist of the stones now in demand, with the overall effect an increase in sales.

Koffiefontein produced 333,035 carats last year, compared with 431,498 carats in 1980, and the plant has been running below capacity for some time. Production at Koffiefontein was last year shifted to underground from open-pit, and this created production problems late in the year, reducing tonnage treated to 3,283,500 from 3,045,700.

According to De Beers stocks of Koffiefontein-type diamonds are sufficient to meet a revival of demand during the few months it would take to bring the mine back to full production.

COMMENT: While the net effect of the latest announcement is an increase in carat sales, it seems clear that the market for the larger, more profitable stones is set for a further period in the trough.

That De Beers is now concentrating its efforts on the smaller stones, to the temporary exclusion of the higher quality gems points to narrow margins, and strict cost control at this level of the market is imperative.

Presumably the re-arrangement was designed to effect savings, firstly by transferring some production to a new, efficient plant from an older one, and secondly by increasing production at an existing operation to replace output from an entire mine.

A De Beers spokesman could not quantify the saving, but market analysts read the new arrangement as confirmation that the group is "digging its heels in" in preparation for a continuing slump.

De Beers' share price has wilted under the pressure of the now familiar cutback announcements, but yesterday's statement is the first that may ease some confidence, in that the area of demand has been identified and the emphasis is being placed on optimising it.
The depression in the diamond industry which led to the week's closure of a major mine and the collapse of a 50-year-old cutting firm will continue until the world economy picks up again.

Mr James Courage, public relations officer for De Beers, said that yesterday when asked about his company's closure of the Koffiefontein mine which employed 1,200 workers.

"I cannot say categorically whether any more mines will be closed. Nothing is on the cards at the moment but the position is constantly under review," Mr Courage said.

The mine was closed, he explained, because the large, more expensive diamonds it produced were not in demand. Production at the Finsch mine had been stepped up because its smaller diamonds were selling well.

Bigger diamonds were not selling because investors did not have the capital to buy them.

"De Beers is fortunate in that it has many different mines and this facilitates changes in production when market patterns change."

"This reflects the fact that we are constantly reviewing the situation and adapting our production accordingly," he said.

When the demand for larger diamonds picks up, the Koffiefontein mine will be reopened, Mr Courage said.

The Koffiefontein mine was re-opened in 1970 after being closed for almost 40 years. It is one of the newest mines of its kind and is equipped with some of the world's most modern equipment.

This will be carefully maintained so that it can be re-opened at only four months' notice, Mr Courage said.

The company would make every effort to transfer as many of the mine's 1,200 workers as possible. The rest would be retrenched.

Mr F G Handelman, secretary of the Diamond Cutters' Board, said yesterday he doubted any more firms would follow M & A Goldstein which was wound up in the Rand Supreme Court on Wednesday.

The family business owes Standard Bank R18 500 000. "The state of the diamond market is affecting all the companies, some more than others," he said.

"It is difficult to say what will happen to other companies and we can only speculate. "But I think most of them will restructure their operations to avoid liquidation," he said.
Diamond town faces death as mine closes

ON Saturday morning, almost half the breadwinners in the small Free State town of Koffiefontein were looking for work.

A decision by De Beers to close the town's large diamond mine had suddenly put 200 workers out of their jobs. And Koffiefontein — which has boomed in the last decade from mine revenue — lost the source of most of its business and trade.

On Saturday thousands of the town and district's 8,500 residents were already packing to leave and all the businessmen were re-assessing their prospects. Some shops will close most will cut back drastically, and all will retrain some of their staff.

The mine produced the larger, more valuable diamonds that are no longer in demand, according to De Beers officials. The closure is part of the company's rearrangements to adapt to the depressed diamond industry, but if the market changes, the mine may reopen.

Koffiefontein's ultra-modern concrete shaft stands as a reminder of more prosperous days.

Reports: ANTON HARBER
Pictures: NATALIE GOLDSMITH

The headmaster, Mr Rolfe van Schalkwyk, will lose 121 of his 258 pupils. The English-medium section of the school will close.

"We will starve," said Mr Patrick Kgwalile, who was born in Koffiefontein. "I worked in Jaggersfontein for many years, until the mine there closed. Then I came here and have worked for De Beers since 1970."

"Now there is no work. All the mines around here are full already. I'll have to find work in Johannesburg to stop us starving," he said.

On Friday, the town clerk, Mr B D le Roux, was checking the municipality's debts. More than half the town's revenue came from the mine and without this the municipality will struggle to repay these debts, he said.

Shop owners — most of whom opened up during the prosperous years of the mine — were rapidly calculating whether there would be enough business for them.

"I bought this shop three months ago, so I have no choice but to stay here," said the town's chemist, Mr Mike Wessels.

The mayor, for the last seven years, Mr Chris Cronje, dismisses suggestions that Koffiefontein will become a ghost town.

"It is a terrible shock, but life must go on. This town has been here since 1892 and it will carry on," he said.

"Not all De Beers has done so much for all of us. We only wish they could find a solution to this problem."

Mr Daniel du Toit, 55-year-old manager of a furniture store, has lived in the town all his life and remembers clearly the interment camp in which former Prime Minister Mr St J Vorster was held during the war.

An ablution block, now part of the caravan park, is the only remains of the camp.

"Of the 20 businesses, maybe 16 or 18 will close," he said. "We'll all lose money and customers, but it will become just like the old days when Koffie was a farming town."
Octha MD denies UK reports of debt troubles

By David Braun

Speculation that the Octha diamond group is in serious financial difficulty and close to being put into receivership has been dismissed by the group’s managing director, Mr Johan de Villiers.

“These rumours apparently originated in London, but we have no office there, so I don’t know how they started,” he said.

Speculation has been rife in diamond and banking circles that Octha is in trouble and had run up total liabilities of from R45 million to R60 million. A consortium of banks is said to have granted the group a few months’ grace before calling its debt.

Mr de Villiers denied this was the case. “In line with the present situation in the diamond industry things are not rosy for us. We are not having parties as things are extremely tight and rough.”

“We have done a lot of restructuring and cutting down of overheads and, since last November, we have closed mining operations which were not economical,” he said.

“We have been reducing our inventory systematically since last August, so it is not true we are sitting on large stocks.”

Octha was now in a good position to “bat out the storm.” The diamond market was entering the seasonal upturn which normally saw sales improving for the Christmas rush.

Octha embarked on a R160 million expansion programme last year that was designed to make it a “mini De Beers,” creating an integrated diamond mining, cutting, marketing and retailing operation with a wide international network.

Much of the financing of this is said to have been supplied by a consortium of banks.

The family owned group (Mr De Villiers and his family trusts own 83 percent of Octha’s shares) owns a mine in Namaqualand reputed to be the largest single gem producer in the world.
Indian challenge to De Beers

BOMBA — De Beers faces a new challenge from the Indian diamond industry in its bid to gain marketing control of the output of the western Australian Ashton Mine at Lake Argyle.

The mine is expected to double current world production by about 1983. Output will be mainly of industrial quality diamonds.

Representatives of the mine are in Bombay for discussions with the Indian Government's Metals and Minerals Trading Corporation.

The corporation's chairman, Mr. R. Dhaon, revealed that the corporation was prepared to buy Ashton's entire production of 20 million carats a year.
Diamond industry 'a brilliant illusion'

Mercury Correspondent
NEW YORK—The multi-billion rand diamond industry is 'a brilliant illusion', on the point of being shattered, according to a just-published examination that is winning critical acclaim.

Titled 'The Rise and Fall of Diamonds' and written by E.J. Epstein, it traces the industry's growth and current woes and concludes that myth and crafty marketing were mainly responsible for its decades of success.

At one stage, Sir Ernest Oppenheimer even considered dumping tons of diamonds into the North Sea to keep them off the market, it asserts, while co-ordination with Moscow has been so great that when faced with a flood of smaller Russian stones, 'American consumer tastes were subtly changed to accommodate Soviet sales to a South African business,' a 'Wall Street Journal' review noted.

Now, faced with improved synthetic processes, vast new Australian supplies, the disappointment of investors with diamonds' failure to match inflation and the fraying of De Beers' control over supply, 'the diamond invention will disintegrate and be remembered only as a historical curiosity, as brilliant in its way as the glittering, brittle little stones it once made so valuable,' Mr. Epstein concludes.

Ambassador Kenneth Adelman, the United States' African specialist at the United Nations, commented in a review: 'Little did the urbane Harry Oppenheimer realize during his candid, relaxed interview with Mr. Epstein in 1978 just how devastating the result may prove.'
Russian diamond dumping claim strongly rejected

By Neil Behrmann

LONDON.—De Beers and Antwerp diamond sources vigorously deny an author's claims that Russians have been dumping synthetic diamonds on the market.

In The Diamond Invention (Hutchinson £7.95) author Edward Epstein writes that the Russians are producing synthetic gem diamonds from carbon, the rough synthetic stones are sold to De Beers and polished in the major diamond centres.

And according to a report in the London Sunday Times, which is serialising the book, a spokesman for the Institute of High Pressure Physics in Moscow confirmed that Soviet scientists had succeeded in synthesizing gem-quality diamonds weighing up to half a carat.

The process was developed in the 1960s by a Soviet scientist, Leonid Verechuykin, who headed a staff of 1,300 researchers.

"The statement that De Beers is buying gem diamond substitutes manufactured in Russia is rubbish," said a De Beers spokesman.

He added that the company "totally refutes the allegation of the Sunday Times."

An Antwerp source also denied that the Russians were selling synthetic gem diamonds on the market. He said it was very expensive to produce synthetic gems and General Electric had announced that it was unprofitable several years ago.

"You need intense pressure, temperature and a catalyst but there is a fourth factor — and that is time," said the Antwerp diamond expert.

He added that the world did not have the technology to convert carbon into gem diamonds fast enough so the process was unprofitable.

Mr Epstein claims that Russian sales were the most serious threat to the diamond market. Early in 1982 the Soviet Union agreed to sell virtually all its roughs to De Beers and within a few years gem exports reached 2 million carats a year.

"De Beers executives were mystified by the progressively larger shipments of Soviet diamonds," he writes. "The outflow was not consistent with the estimated size of the Soviet diamond mines. De Beers sources, writes Mr Epstein, also found that the Siberian diamonds tended to be almost identical octahedrons whereas African diamonds came to London in a multitude of shapes."

"The emir of diamonds became all the more perplexing when De Beers received fragmented reports about Soviet advances in high pressure physics."

In 1966, an English mineralogist, Henry Heyer, examined half a dozen small, white gem diamonds, all perfectly shaped, each weighing about a quarter carat. They were not like any gem diamonds he had ever seen.

The Soviet scientist then explained that all these gems had been synthesised from carbon in a hydraulic press. He boasted that manufacturing gems was no longer a scientific problem in the Soviet Union, but an economic one.

"Even though the mystery surrounding Soviet diamonds was never fully resolved, De Beers succeeded in absorbing the constantly expanding production."

But in the late 1960s polished Soviet diamonds called "silver bears" began to appear in increasing number in the grading halls of Antwerp. They had some extraordinary features. They were almost exactly the same size in girth and weighed about two-thirds of a carat each, each had the same octahedron shape, and they were nearly identically facetted and polished.

"It was as if the silver bears had been cut from the same pattern," one Belgian trader observed.

If, as Mr Epstein claims, both De Beers and diamond dealers were fooled by these synthetic diamonds, no-one can really be sure. It would be lenacity for either De Beers or international diamond dealers to admit their mistake. They have sufficient problems already.

The basic theme of Mr Epstein's book is that the de Beers diamond cartel is faltering and the company is losing control of the market.

Whether one agrees with this assumption or not, the book makes intriguing reading and has had a considerable impact on the diamond market and De Beers shares. An important US stockbroking firm, for instance, believes that it encouraged US investors to sell De Beers stock.
Octha operations bow out to exploration

By David Braun

Octha mining group has switched operations from mining to exploration at its Eland and Bloubos diamond mines near Kimberley.

Mr A J de Vilhers, chairman of the group, said the repossessing of old dumps at these mines had been suspended and that exploration had started so that the mines would be "properly prospected" before the next upturn in the industry.

"We are trying to come up with a really good report of the reserves so that when the market does turn we can start to mine immediately," said Mr de-Vilhers.

He said that mining these operations in the past had been a hit-and-miss affair as there was not much in the way of a prospector's report. The slack period in the diamond industry was the ideal opportunity to put this right.

"Ultimately we will be undertaking larger-scale development at these mines if we can get all our mines producing, including the old mines. Octha will be able to produce one million carats a year. But this still requires a large capital expenditure and exploration programme," said Mr de Vilhers.

The exploration project is to have three stages of development, the first of which has already begun.

This stage involves a drilling depth of up to 2000 m from the surface, and 600 m a month from underground.

The total cost of this phase is R210,000, and the labour involved requires 30 people. Cost, labour and drilling depth will increase with each successive stage.

"This method allows money to be spent in reasonably small amounts, making sure that a possible loss would not be too dangerous for the company. A loss is not expected, however," said a company spokesman in Kimberley.

Octha has recently been the subject of speculation that a consortium of four banks has given it until the middle of this month to put its affairs in order or have debts of up to R60 million called in.

Mr Johan de Vilhers, the managing director, has denied this and said the company had taken action to weather the storm of recession in diamonds, although, like all in the industry, it was feeling the pinch.
R3.3m offer for two diamond listings

BY STEVE ELLIS

AN undisclosed party is offering R3.301.500 for Diamond Mining & Utility (Das Min) and Industrial Diamonds of SA (Ind Dias).

The offer is 12c a share for Das Min’s shares (R1 414 500), and 16c for Ind Dias (R1 440 000).

It represents a healthy premium over the 78c last sale prices of both stocks when they were suspended from the Johannesburg Stock Exchange yesterday morning, pending finality on details of the bid.

Shareholders owning 925 894 (or 59.5%) Das Min shares and 672 400 Ind Dias shares (69.1%) have accepted the offer, which will be extended to minority holders.

Senbank, which is acting for the buyer, says that “in terms of the agreement, Das Min will dispose of all its assets other than cash”. Similarly Ind Dias will dispose of all its assets other than cash.

After the sales, both companies will be cash shell companies. Das Min will have cash assets of R1 000 000 (10c a share) and Ind Dias R1 000 000 (33c).

The two companies have close links with Das Min holding 25.6% of Ind Dias which in turn holds 12.5% of Das Min.

The largest shareholder in Das Min is Offshore Diamonds (SWA) which holds a 37.4% stake. The directors of Das Min and Ind Dias are believed to be involved in the management of Offshore.

Das Min has shares in three unlisted companies:
- Diamond Dredging & Mining (56.6%) shares representing 45.3%
- Lorelei Copper Mines (300 000 shares, or 33.3%)
- Tidal Diamonds SWA (preference shares)

In Das Min’s annual report to June 1981, the directors said “A dispute has arisen between your company and Tidal Diamonds regarding the respective rights of your company and Tidal Diamonds to certain mining claims.”
Market relief as De Beers sales increase

SOUNDS of relief were heard from New York and London last night as De Beers announced diamond sales of $634-million for the first half of 1982, $120-million up on the second half of last year.

The Central Selling Organisation, De Beers London-based diamond trading operation, reported sales of R625-million for the six months compared with R748-million in the half-year to June 1981.

The figures were released after the Johannesburg Stock Exchange closed but the New York and London markets are reported to have reacted favourably and with relief, as forecasts of sales had been as low as R620-million.

Although the figures are still low by previous standards there is some encouragement in that the sales of smaller gemstones, used mainly in jewellery, were higher than in the second half of last year and by all accounts are still strong.
Soviets step up gem sales

By NEIL BEHRMANN

LONDON — The Soviet Union has increased diamond exports this year to earn foreign currency and its sales of gold and platinum have fallen.

Diamond dealers report that polished Russian diamonds are pouring into Antwerp, the world's leading diamond centre.

All sources insist, however, that the diamonds are natural. They deny claims that many of the stones are synthetic.

According to De Beers, the Soviet Union is the second largest producer of diamonds after Zaïre. Russia produces about 12,000 carats a year, whereas 12,000 to 15,000 carats are produced by Zaïre.

Russia produces 2,000 to 2,500 carats of gems, says De Beers.

The US Bureau of Mines reckons that the Soviet Union produces 17 million carats of all kinds of diamonds a year. Of these, 3 million to 4 million carats are gems and the rest are industrial for use in Russia.

Antwerp diamond sources believe that the De Beers estimate is too low and maintain that Russian exports of both uncut and polished diamonds are about a third to 40% of world output.

Previously, the Russians sold nearly all their raw diamonds to De Beers. But in the seventies it established its own cutting industry and sold polished stones to Antwerp, Frankfurt and Zurich. It is also selling cut diamonds to the Japanese dealers.

Reports from Japan claim that the number of Russian experts was recently in Moscow to buy stones.

In the first six months of this year, Russian polished-diamond exports to Antwerp totalled $250 million at an average of $110,000 per carat, the same period last year. The value of these exports rose from $50 million to $110 million.

A carat equals one gram.

An annualised basis, the 470 carats far exceed peak Russian imports in 1980. But prices and revenue are lower.

In 1980 the Russians sold 395,000 carats to Antwerp for $238 million. This year the annualised value is about $200 million.

Antwerp also receives Russian polished diamonds from Frankfurt and Zurich. In previous years direct and indirect imports were $1,000 million. Antwerp dealers believe that both direct and indirect imports of Russian polished stones are increasing.

They stress that it is difficult to quantify diamond statistics because there is much double counting, but reckons that the Russians are exporting $1,000 million worth of diamonds on an annualised basis.

Diamond sources say that De Beers recently signed a three-year contract with the Russians in terms of the agreement, De Beers must buy Russian rough diamonds. If the growth of polished diamond exports is any indication, say dealers, then De Beers is buying an increasing quantity of rough diamonds from the Soviet Union.

However, most Russian diamonds are medium to small in size. The current average value of Antwerp's imports of Russian diamonds is about $400 a carat. Dealers say this is lower than the depressed investment diamond market, so stones are saleable.

Even so, De Beers may be forced to stockpile Russian stones.

Sanctions on Soviet pipeline

EEC backs off from trade war with US

BRUSSELS — In spite of tough statements, the European Economic Community seems to be backing away from an open trade war with the US over its ban on technology for the Soviet-sponsored gas pipeline.

Diplomats and officials in Brussels and in other European capitals say the threat of Western European trade reprisals against Washington appears to have been shelved.

Instead, European governments are concentrating on diplomatic efforts to persuade President Reagan to change his mind, coupled possibly with actions against specific points of US trade concern.

AEG-Telenfunke, for example, has a $280 million contract to supply turbines for the pipeline, using General Electric technology. It has suffered losses of $100 million in the past two years, and company officials fear it may have to sack more than 200 employees if it is forced to abandon the deal.

Alstom-Atlantique has a contract to build 40 turbines for the pipeline, which will make under a licence from General Electric, and Creusot Lion has an order for 125 turbines.

John Brown has a $104 million order for gas turbines, with deliveries due to begin by the end of this year, and hundreds of its 1,700 Clydebank workers could be laid off.

The British Prime Minister, Mrs Margaret Thatcher, has taken a tough line in European trade disputes in the past.

"There has been no breaking of ranks," says a senior EEC official. "It is crucial to maintain this solidarity for the sake of our credibility."

But if it came to an all-out trade war, officials say Europe has few weapons in its arsenal. "Nobody wants a trade war which we cannot win," says Mr Alistair McCollum, a European diplomat, "To fight a war you need ammunition and that's just what we don't have," says a West German diplomat.

US and EEC officials are still trying to defuse another damaging quarrel over steel after the imposition of high anti-dumping duties on European steel exports to the US.

The EEC Commission has raised the idea of restrictions on imports of US farm products such as corn, eggs...
CSO sales $93m up on December half

Diamond slide halted

DE BEERS Central Selling Organisation reports diamond sales of R636-million for the six months to June - 27% ahead of the second half last year.

This is the first good news from the diamond industry in about two years.

The sales were 16% lower than in the first six months of 1981, but were above most estimates, and the overseas markets reacted immediately by pushing De Beers bid price up to R34.

In the six months to June 1981 the CSO diamond sales amounted to R747.552,187, falling to R901.898,866 in the second half of the year for a total of R1.240-million, or $1.472-million.

In the currency of sale, the CSO figures amounted to $34-million to June this year, or 46% below the sales for the first half of last year, but $3-million higher than in the six months to December.

Market analysts viewed the figures as positive, especially in the light of increasing negative speculation about the diamond industry. Although there was no cause for elation, they felt relief that sales were above R600-million.

The most pessimistic forecast was about R420-million. The top end of the forecasts was R800-million. Analysts said before the figures were released that "anything over R600-million will be regarded as favourable." One analyst said "I don't think the figures will upset the market. With De Beers share price at 42c the market was obviously expecting something bad." The increased sales volume reflects the diamond figure indicates an improvement in the market for smaller stones, but the CSO is still believed to be withholding bigger, investment-quality gems from the regular sights in London.

Although stocks in the ailing centres have been reduced, it is believed that the CSO sales still consist mainly of smaller and lower-quality stones, which are selling better than in the second half of last year.

De Beers "said yesterday the CSO was continuing its traditional role of stockpiling diamonds not in immediate demand. This has not only helped to reduce the level of stocks held in the cutting centres, but will leave the CSO well placed to take advantage of any improvement in general economic conditions." A favourable factor in this development is that polished stones and bulk indeliberately were down in the cutting centres, although analysts believe they are still above realistic levels.

The first-half sales will not bring any relief to De Beers because it is possible to cut prices and increase production. Figures released by the South African Minerals Bureau recently showed that exports of diamonds in the first four months of 1982 were significantly lower than in the same period last year.

This suggests that the improvement in sales has come from non-South African producers, at a profit level lower than for De Beers producers.

The continuing commitment to stockpile stones not in immediate demand means that De Beers has some way to go before the upturn.

At the end of 1981 De Beers stockpile amounted to R4 460-million - more than double the previous year's level - and although the group has made more production than last year, the stockpile is growing.

Some informed estimates show that sales of at least R4 600-million will be required this year before there will be any reduction in stocks.

De Beers executive director Mr. Julian Ogilvie-Thompson foresawed the improvement in sales in May when he told the Council of Mining and Metallurgical Institutions in Johannesburg, "I am glad to say that so far this year sales of diamonds by the CSO in dollar terms have been running at higher levels than in the first half of last year."

Mr Ogilvie-Thompson also highlighted the problem of financing the huge stockpile.

"The group has arranged facilities with its bankers, made possible by its conservative dividend and sound investment policies over the years, which are ample for its requirements."

COMMENT: It is too early and the figures are not high enough to suggest that the diamond market has finally turned the corner, but the signs are encouraging, and in the year for sales of about R1 400-million for the year are not out of reach.

The maintenance of Angola's final dividend is an important aspect in De Beers investment policies this year, and fears that the interim dividend may be cut must now recede.

The Rand equivalent of the dollar sales figure indicates an average rand exchange rate of 50, 50, and at this rate has fallen considerably from this, and a likely to remain depressed for some time, there should be further exchange benefits at the second half.

By JOHN MULCAHY
The Diamond Connection

Harry Oppenheimer's South African mining empire has been expanding its stake in North America's resources.

**THE OPPENHEIMER CONNECTION**

![Diagram showing connections between companies:]

- **Anglo American Corp. of South Africa**: 43% owned by Mincoro Canada.
- **De Beers Consolidated Mines**: 23% owned by Mincoro Canada.
- **Mineral and Resources Corp. (Mincoro) (Bermuda)**: 100% owned by Mincoro Canada.
- **Hudson Bay Mining and Smelting Co. Ltd.**

**Phibro stock, or 27.2 percent of all outstanding shares, a stake worth almost $350 million.**

- **Phibro's board of directors**
  - **SOLE OWNER**
    - Phibro, the world's largest publicly owned commodities trading company, which acquired the Phibro trading company for $2.4 million in 1984 and has since expanded its business globally.

**MINORITY OWNERSHIP**

- **Oppenheimer, one of the world's richest men**, has a longstanding reputation as a liberal, in the South African context, using his personal wealth and power to oppose apartheid and improve living conditions for his country's blacks.

- **Nevertheless, Timothy Smith**, director of the South Africa Center, says Oppenheimer is still a "prosector" who fortune was built on the backs of poor black miners.

**OPPORTUNITY**

- **Opportunity** is chairman of the Anglo American Corp and of its affiliate, De Beers Consolidated Mines Ltd, each of which owns a substantial interest in the other.

- **According to Kaplan, whose findings are confirmed by SEC records and by investment experts in the US Commerce Department**
  - "Anglo American is the biggest single economic factor in South Africa and Western world's largest producer of gold, diamonds and platinum.

**And De Beers operates a monopoly in the diamond trade, market, in a sense, the world's diamonds, including the Soviet Union's."**

**Oppenheimer** is chairman of Mincoro, an arm of Mining and Resources Corp. Also, the board of directors, besides Wurts and Robert Clarke, a partner in the New York law firm of Shawmut & Sterling, which represents Citi- bank, Felix Rohatyn, head of the investment banking firm and investment adviser, is the largest single stockholder in Phibro Corp, a giant New York commodities-trading company.

**According to SEC records, Mincoro owns 15.5 million shares of Phibro stock, or 27.2 percent of all outstanding shares, a stake worth almost $350 million.**

- **Ronald Fraser** sits on Phibro's board of directors.

**INVESTMENT**

- **investment in Phibro by Salomon Brothers, which acquired the Phibro trading company for $2.4 million in 1984 and has since expanded its business globally.**

**Network**

- **Minorco is the largest stockholder of Engelhard**, with 7.1 million shares, or 17 percent Engelhard, a firm owns a network of petroleum and chemical subsidiaries, and controls a major segment of the market for a class of products used in making per-
Hudson Bay

Newmont also owns 29.3 percent of the Hudson Bay Company. The Anglo American, a major player in the mining industry, holds 3 percent of the company. Newmont controls 19.8 percent of the company.

Anglo American's relationship with Hudson Bay dates back to the 1970s, when the company acquired a majority stake in the Hudson Bay Mining and Smelting Company Limited. This acquisition gave Anglo American control over one of the world's largest copper and gold deposits.

Newmont's investment in Hudson Bay is part of its broader strategy to diversify its asset base and increase its exposure to gold and copper. The company holds a significant stake in the mine, and its investment has been a key driver of the mine's success.

The Hudson Bay mine is one of the largest and most productive gold mines in the world, with estimated reserves of over 20 million ounces of gold. Newmont's investment has allowed the company to leverage the mine's potential and increase its presence in the mining sector.

The mine's success has also attracted interest from other mining companies, who have expressed interest in investing in Hudson Bay and working with Newmont to develop the mine further.

According to Kaplan, the Hudson Bay mine is a key asset for Newmont, and its investment in the mine is expected to continue to be a focus of the company's strategy in the years to come.
India strikes at SA diamond strength

Mail Correspondent

MELBOURNE -- in a surprise move last night India approached Australia -- using their common hatred of apartheid as a lure -- to secure the marketing rights of the lucrative Argyle diamond fields in Western Australia.

An Indian spokesman for the high commissioner in Canberra said last night the deal would be "an entirely new direction for Australian-Indian relations".

The two countries, with India providing the cutting expertise and Australia the stones, should "tie up together" to market Argyle's entire estimated output of about 15,000 million.

The spokesman, who declined to be named, said by making the move both India and Australia could strike a blow against apartheid.

The latest move comes after an Indian diamond trade delegation visited Perth earlier this month following an Australian tour of India's diamond cutting works late in June.

Acceptance of the Indian bid by the three joint venture partners of the Argyle Mines is seen here as having extremely serious consequences for South African-owned De Beers.

Until six weeks ago De Beers was the only bidder for the Argyle diamond marketing rights, which it would like to protect by the estimated A$460-million stockpile it now holds worldwide.

From Perth last night Mr. Neville Hucham, PRO of De Beers, was quick to point out that De Beers chairman Mr. Harry Oppenheimer was opposed to apartheid.

The senior official from the Indian high commission said his country's bid for the rights was more favourable than De Beers'.

The owners of the mine are now discussing the new move with De Beers.

A final decision on who will market Australia's newly found diamonds must then be submitted to the government of the state in which the mine is sited.
MELBOURNE — India has officially approached Australia — using their common hatred of apartheid as a lure — to secure the total marketing rights of the lucrative Argyle diamond fields in Western Australia.

An Indian spokesman for the High Commissioner in Canberra has said the deal would be "an entirely new direction for Australia-Indian relations."

The two countries, with India providing the cutting expertise and Australia the stones, should "line up together" to market Argyle's entire estimated output of about $300 million, he added.

The spokesman, who declined to be named, said by making the move both India and Australia could strike a blow against apartheid, which both countries were committed to eradicating.

At the least, the spokesman said, such a joint venture would help weaken the current stranglehold South Africa had on the gemstone industry through its De Beers operated central selling organisation.

The latest move comes after an Indian diamond trade delegation visited Perth earlier this month in a reciprocal move following an Australian tour of India's diamond cutting works late in June.

Acceptance of the Indian bid by the three joint venture partners of the Argyle mines is seen here as having extremely serious consequences for De Beers.

It would greatly reduce their already shrinking role in supplying diamonds for the cheaper jewellery market," said one observer.

"And this is the only healthy side of the industry at present, which is all but completely dominated by the Indians."

Until six weeks ago, De Beers was the only bidder for the Argyle diamond marketing rights, which the Central Selling Organisation would like to wrap up to protect the estimated $1 billion stockpile it now holds world-wide until the end of the recession.

From Perth last night, Mr Neville Huxham, PGO of De Beers, was quick to point out that De Beers chairman, Mr Harry Oppenheimer, was opposed to apartheid.

He described apartheid as a "colonial injustice that has become part of an entrenched system."

But Mr Alan Jones, chief executive of Ashton Mining, which has a 38.2 per cent interest in the Argyle deposits, said it appeared that the Indians were now concerning world markets.

He refused to say what valuation the Indians put on Argyle diamonds, but said they were far higher than De Beers had quoted.

The senior official from the Indian High Commission said his country's bid for the marketing rights was "more favourable than De Beers'."

He said it was made "with the agreement of the Indian government" and he hoped would prove mutually profitable to India and Australia to cut out the middle man of South Africa and fight apartheid at the same time.

Mr Prakash Javeri of the Indian state-owned Minerals and Metals Trading Corporation, said from Bombay "We are certain that only India has the labour force and skill to Polish the Australian diamonds."

We have made an extensive inspection of the Australian stones and we are confident we can market them."

He confirmed his company had put in a bid for the entire output of the giant Argyle mine, situated almost 3,000 km north-east of Perth.

The Ashton joint venture partners are now discussing the new move with De Beers.

A final decision on who will market Australia's new found diamonds must then be submitted to the state government of the area in which the mine is sited — Western Australia — and it appears likely that Canberra will take an active interest in proceedings.

Given Mr Fraser's known dislike of the Republic, he could use his influence to have a say in the outcome.

A final decision is expected by early October — DDC.

Each candidate must enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank.

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Pieces of paper or other mate-

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Botswana is in front rank of diamonds

By Jasper Mortimer
The Star's Africa News Service

Jwaneng — Botswana is now in “the front rank of world diamond producers,” said President Quett Masire at the opening of the country’s third diamond mine, Jwaneng, at the weekend.

Lying 125 km west of Gaborone, Jwaneng produces 2 million carats a year, but by 1993 this will have risen to 4.5 million carats — the output of the largest South African diamond mine, Mmoso.

De Beers chairman Mr Harry Oppenheimer, who gave the “thank you” speech at the ceremony, has called Jwaneng “probably the most important kimberlite pipe unearthed since the original discoveries at Kimberley more than a century ago.”

Jwaneng, whose output is about 20 percent gem, was discovered in the early 1970s by De Beers geologists led by Dr. Gavin Lamont and brought into production the past four years at a cost of R200 million.

President Masire called the mine “a gem in the world of gems” but said the “true beauty” of diamonds was in the development of infrastructure and services that they funded.

“I am sorry that the mine opens in bad times,” said Mr Oppenheimer, referring to the slump in sales of high-grade gems which has caused De Beers to cut its dividend for the first time since 1944.

“But that the mine has gone ahead says something important,” he continued. “It says that we have confidence in the future and that people outside Botswana have confidence in the government and people of Botswana.”

With Jwaneng and its two other mines, Orapa and Letlhakane, Botswana produces about 8 million carats a year or 15 percent of the world’s output. South Africa produces about 9.5 million carats — which Botswana will achieve when Jwaneng reaches full output — but South Africa’s output is expected to decline during the next 10 years.

The new mine recovers one carat for every ton of ore — the highest recovery rate in southern Africa.
De Beers weighed down by stocks

By NEIL BEHRMANN

LONDON. — The increase in the price of gold and lower interest rates have had a minimal impact on the diamond market.

At De Beers latest sight, allocations to dealers were lower than at the same time last year when the diamond market was weak.

De Beers marketing organisation, the Central Selling Organisation holds 10 sights a year.

At these sales dealers receive boxes of rough diamonds. The nights in August and September should be big nights because the rough diamonds are bought by dealers for manufacturers ahead of the Christmas season.

But diamond sources and dealers are disappointed with the latest sales and hope that the rough-diamond market will improve when De Beers holds its next sight in September.

Stocks in the diamond pipeline are much lower than they were last year.

Inventories of rough diamonds at the cutting centres in Antwerp and Tel Aviv have been falling because De Beers has been forced to stockpile diamonds from its mines and buy excess stones on the market.

The cutting centres have sold surplus diamonds to retailers who have been holding low stocks.

The market in small diamonds has remained firm.

These diamonds are priced at $200 to $400 a carat in the wholesale market after they are polished.

De Beers has stockpiled the more expensive larger stones. It is accepting fewer large diamonds from producing countries because it buys on a quota basis.

The quotes are based on previous years' sales, so the 1981 turnover means that producers are selling fewer diamonds to De Beers.

Because the proportion of small diamond sales is increasing at the expense of large diamonds, De Beers' profit growth is adversely affected.

The profit margin on sales on large stones is higher than on smaller diamonds.

Most London stockbrokers are bullish on De Beers because they believe that the worst is over.

Their optimism is not reflected in the diamond market, although sales of small diamonds are firm.

Broker Lang & Cruckshank believes that De Beers represents excellent medium to long-term value "on anything other than a doomsday scenario" and below £5 a share it is "an excellent buying opportunity."

But James Capel & Co is cautious.

Its diamond consultant, Dr Wynn Davis, says the group still has a "long-term problem financing CSO stocks."

"This problem, more than any, will decide the shape of the profit and loss account, balance sheet and dividend prospects."

Dr Davis estimates that volume has fallen to about 45% of the record rate achieved two years ago. With sales down to these levels, De Beers must raise more money to finance stocks or cut production further.

To finance stockpiling, De Beers has been forced to borrow at high rates of interest and this will depress earnings.

On the other hand, if interest rates keep falling in the US and elsewhere, these charges will fall.

Dr Davis estimates De Beers first-half earnings to be 45c a share, but "to say that the dividend at 25c is safe on an earnings cover of 1.8 would be very brave indeed, given the previous dividend cut and the problem of financing stocks."

"It will be kept at this level only if the group feels confident about second half prospects," he says.

The shares have risen considerably over the past week and considering the uncertainty of the diamond market, De Beers is "hardly at bargain levels."
Octha's licence illegal

By Geoffrey Allen

The SA Master Diamond Cutters' Association yesterday asked the Diamond Board to strip Octha, one of the biggest gem polishing firms in the country, of its licence to polish gems.

The association has alleged that the international gem mining and gem polishing operation is constituted illegally in terms of the Diamond Cutting Act of 1979, which forbids a single company to both cut diamonds and deal in unpolished stones.

Mr Tim Davison, secretary of the association, said that criminal charges had also been laid in terms of the relevant section of the Act.

No senior officers of the Gold and Diamond Squad were available last night to confirm that a charge had been laid.

Yesterday's dramatic action was the culmination of a long-standing feud between the association and Octha.

Last night Mr David Morris, chairman of a committee of bankers fighting to save Octha from the possibility of a liquidation application by the French Bank, which it owes R750 000, said the company did not regard the association's threat as a problem.

Octha has been in considerable financial trouble since the beginning of the year and the move could strip it of one of its most lucrative operations.

The company owes its bankers over R20-million and has total debts in the region of R46-million.
De Beers slashes dividend by half

By JOHN MULCAHY

In its second major shock to the investment community this year, De Beers has slashed its interim dividend by half to 12.5c, leading to an immediate wave of selling yesterday afternoon which stripped R137-million off the market capitalisation.

While some analysts had been expecting a dividend cut, and some had forecast 12.5c, the slump in diamond account profit was more pronounced than the pessimistic prediction, and cast doubts over the ability of De Beers to hold the total dividend for the year at 50c.

Distributable earnings - excluding the share of associates' taxed profits - plunged to 23c a share for the six months to June 30 from 56c in the first half of last year, and the fear is that if there is no significant improvement in the diamond market for the rest of the year De Beers will find difficulty in paying a 50c final.

The first shock to come from De Beers was the 50c cut in its final dividend for 1977, to 25c from 50c, which sent shudders through the market in March, and was the catalyst in initiating the worst slump the JSE has experienced since 1977.

In recent weeks, especially since the CSO figures were released in July, the market has pushed De Beers' share price to almost 50% above its low level, believing that the better than expected Central Selling Organisation figures were a potent improved diamond account profit.

The CSO reported diamond sales of R365-million for the half-year to June, compared with R258-million for the six months to December 1976, at the time the market read the sales improvement as a positive factor in De Beers recovery.

In the event, the improved CSO turnover was at the expense of margins, and profit on the diamond account amounted to only 17% of the total CSO sales compared with 25% a year ago and up to 40% at the height of the diamond boom two years ago.

Diamond account profit fell to R138 500 000 from R261 400 000 in the first six months of last year, and, more significantly, was considerably lower than the R180 800 000 earned in the second half of 1971.

The improvement in CSO sales had thus misled the market, ruling out a substantial rise in diamond earnings, or at least a figure similar to the second half of last year.

One analyst said yesterday he had taken what he thought was a most conservative view of the possible results, and had come up with earnings of 25c a share.

Another had based his forecast on a 21% return on the CSO figure, which would have given a diamond account profit of R135-million.

Investment income for the six months fell to R101 300 000 from R104 500 000, while interest received fell to R23 200 000 from R32 600 000, a reflection of the depleted cash reserves.

The share of retained taxed profit of associates companies rose to R132 300 000 from R89 800 000.

The investment income and associate companies' earnings are not comparable with the first half of last year, as De Beers ceased to be a subsidiary after its merger with Amic on January 1 this year, when Amic became a 28% associate of De Beers.

De Beers directors Mr Harry Oppenheimer and Sir Philip Oppenheimer say in the interim report that sales by the CSO of the smaller sizes and lower qualities of rough diamonds have continued at satisfactory levels, "consistent with continued demand at the retail level, but there has as yet been no improvement in sales of larger sizes and better qualities."

"The CSO has therefore continued its policy of withholding from sale those qualities that are not in immediate demand and producers are operating on the quota system."

The directors say that stocks are expected to rise by about 335-million - equivalent to R345-million at a rand exchange rate of 87 US cents - although some analysts were yesterday predicting a stock increase at prices that could be maintained at this level without a substantial improvement in demand.

Last year diamond stocks more than doubled to R1 405-million from R695-million at the end of 1976, with diamonds being amortised at the rate of almost R6-million a day.

The stock build-up has led to a substantial borrowing requirement, and at the end of June short- and medium-term borrowings were R531-million, compared with R268-million at the end of December.

These borrowings have come at a time of high interest rates throughout the world, and for the six months to June the interest bill leaped to R46 600 000 from R13 400 000 in the first half of last year and to R26 900 000 in the six months to December.

In a positive note the Oppenheimers say stocks and bank credits in the cutting centres have continued to fall "and shortages have begun to appear in certain categories of rough so that a sound basis exists for an improvement in CSO sales as general worldwide economic conditions improve."

When the profit from associates is included, De Beers' attributable profit shows little change from last year, at R226 100 000 compared with R224-million (before extraordinary items).

There is an extraordinary item of R14-million, described as De Beers' share of extraordinary losses of associated companies, which relates mainly to the write-off of goodwill arising from certain acquisitions by Anglo American Corporation.

There is a normal dividend of 50c, and this is reduced to 25c, which will be paid this year, in addition to any dividend paid on a cumulative preference of R1.

COMMENT: If earnings are maintained in the second half, and over the past two years there has not been a great seasonal pattern, there seems to be little prospect of De Beers being in a position to pay an unchanged annual dividend.

The blow to the diamond account, and thus to distributable earnings, is more of a shock to the dividend cut, as it must extend the recovery period further than expected.

With the annual dividend now suspect, the income-conscious overseas investors can be expected to sell off De Beers, and if the initial Johanssenberg reaction - that the firm may be past at 25c - becomes accepted dogma, there could be a major sell-off before a new level is found.

While it would be rash to expect a drop to the year's low, considering the basic gold price, any correction in gold will wipe De Beers out of the safety valve and could see a reaction down to 20c.

After dropping to 25c short- ly after the dividend announcement yesterday afternoon, De Beers recovered to 54c, and the latest dividend puts the historic, and possibly the prospective, yield at 9.6%.

This yield is too low for a share that has developed an uncertain earnings capa- bility, and a more reasonable yield of 9% suggests a drop in the price to around 44c.

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Voorwaardes in Suid-Afrika
Diamonds—The Great Illusion

Jaap Boekkooi discusses some of the fascinating facets of the De Beers operations as shown in a new book.

Ernst Oppenheimer wanted to dump tons of surplus diamonds.

What resembles the tangled spiderweb of ropes which used to glisten in the moonlight over the old Kimberley Big Hole mine.

But its life has been a long series of narrow escapes, for it has been the target of many who would come to cost their lives to mine them.

From all the sources, De Beers has emerged as brilliantly imaginative, ruthless, big-minded, high-handed and unscrupulous.

To further the cartel it created the diamond trust, and even used the South African government to add weight to its status, to tighten the grip of the cartel it used government and gunmen (in one case, the British police) to make sure that all of these various sources were always proliferate and the little kingdom.

Over the years, South Africa has kept very much to itself, and the country and its own kingly quarters, appearing and speaking only on rare ceremonial occasions.

One such was the diamond jubilee, a year ago. Mr. de Lisle's colleague Barry Ronge (who boldly came to the palace to meet the king and the other VIPs) came home, perhaps, but only through publishers and officials and courtiers.

As a fact he did observe was that the British王族 Mother and King, being great in fact, took a great interest in the diamond industry, and that the diamond industry was deeply interested in the British royal family.
De Beers pays dearly for policy errors

By NEIL BEHRMANN

LONDON. — Fortune magazine says that it may be premature to make dire predictions about De Beers.

"As far as De Beers has fallen, it remains a strong company," says the magazine.

The article, written before the latest interim report, says De Beers has assets of more than $400 million and debt amounts to a fraction of its borrowing capacity.

"Far from verging on collapse, the diamond cartel over which De Beers presides remains a tightly cohesive group."

The important owners and producers of diamonds are countries, but De Beers has been strikingly successful in bringing them under its corporate rule.

Fortune is by no means happy about De Beers prospects in the short term.

"The startling thing about De Beers is that it has fallen so far so fast."

On Fortune's 1982 list of 500 largest industrial companies outside the US, De Beers ranked 55th.

FORTUNE says that even Mr. Oppenheimer does not see better times just around the corner.

"I would not buy De Beers shares now," the owner of 22,000 shares told the magazine.

De Beers Consolidated Mines fell from No. 169 to No. 339, the largest drop of any listed corporation.

The magazine is also critical of the company's management.

"Although to some extent the victim of forces beyond its control, De Beers made its mistakes in the years before its fall. As entities such a company, they were enormous and costly."

The process of adjustment and correction will not be easy; any real turnaround will have to wait until 1984 at the earliest.

The most costly mistake of De Beers management was to raise prices dramatically in 1978 and 1979 after wild speculation in the markets.

After a "speculative orgy", De Beers stepped in to control the market by slaughtering on a 40% surcharge in March 1978. The surcharge dampened speculation and benefited producers.

But instead of keeping the surcharge, management raised prices by 30% in August 1979. This encouraged renewed speculation and diamond dealers bid up prices in their own centres.

Once again De Beers responded by increasing the prices of stones by 13% and another 15% five months later.

"These prices, once climbing atop the other, constituted a shocking misjudgment of the market."

"In 1980 diamond prices were 194% above what they had been in 1975. But unit sales -- the total number of carats sold per year -- were still at 1975 levels."

"The last price rise came just as demand actually turned down, particularly for larger stones, where the greatest increase had occurred."

"De Beers was supporting its own (much higher) price structure by buying from dealers as well as producers, but it had no place to sell what it was buying."

De Beers diamond stockpile soared and profits slumped. The depression in the market meant that De Beers had to become "far more selective of its captive clientele."

"Monty Charles, the executive in charge, is not a man who sees things from the perspective of customers, but he has been telling them recently that the CSO would understand if they bought fewer diamonds."

"In the past a dealer was likely to be purged if he missed a night. To help customers get the diamonds they want, the CSO now sells 5,080 varieties instead of the 2,080 offered before."

COMMENT: Two other management mistakes not mentioned by Fortune were:

In the early Seventies De Beers was approached twice to join the Ashton Joint Venture to prospect for what has become a significant diamond resource in Western Australia.

This was disclosed to me by Mr. Keith Towie, one-time chairman of Northera Mining, one of the three partners in the Ashton Joint Venture.

In an interview in Melbourne last January, Mr. Towie said that the second offer to De Beers was made after the discovery in 1973 of the first diamond in Western Australia by a Northern Mining geologist.

In the meantime, De
Dr 12% Four years of growth halted

By JOHN MULCAHY

the end of June were about R231-million, compared with R795-million at the end of December, but the effect of the substantially increased loan account on interest charges is not disclosed.

The return from the financial division fell to R7 000 000 in the six months to June from R10 500 000 in the same period last year. Profit from the production of platinum fell 26.6% to R8-million from R10 900 000, and the contribution from commercial sales of R53 400 000 from R56 600 000.

The industrial division was six months behind its forecast due to the biggest contributor in the group, providing 35.9% of attributable income and the dip in earnings probably stemmed from the failing steel and engineering sectors, and especially Dunswart, which reported a tax loss of R7 700 000 in the first six months compared with a profit of R1 700 000 in the first half of last year.

Golds was again an important contributor, providing R13-million to attributable income in the six months compared with R11 700 000 in the first half of last year.

There was a surplus on the sale of investments of R7 900 000 (nil last year) and exploration costs rose to R11 300 000 from R18 500 000.

The market value of Gencor's listed investments fell to R1 019 million at the end of June from R1 605 million at the end of December, but the rally in the market recently pushed the book value up to R4 423 million on August 27.

De Beers presents a pyramid, Ferderale Mybouw, reduced earnings to 141c a share in the six months compared with 171c last year, but the interim dividend has been maintained at 30c.

COMMENT: If Gencor maintains earnings in the second half, for an annual total of 320c, there should be no problem in maintaining the year's dividend at 170c.

The difficulty is maintaining liquidity as the strain on cash resources from the huge capital expenditure programme at Sappi and Trans-Natal will be around for some years.

W&A ear off ta

W&A Investment Corporation came up against the hard realities of the economic slowdown in the second half of its financial year and has missed its earnings a share forecast by a wide margin.

Whereas it was confidently expected at the interim stage that the then-buoyant trading conditions would sustain a sharp rise in earnings to about 225c a share from 152c in 1981, the outcome is a disappointing but respectable 201c.

The dividend, however, is much as expected with a final of 35c bringing the total up to 64c for the year with cover at 3.4 times compared with 3 times a year ago.

As is normal with W&A no turnover figure is given, but pre-tax profits showed modest growth of 14.4% at R16 890 000 compared with R14 507 000. Only a smaller tax charge, taking advantage of allowances, of R3 815 000 (R4 455 000) allowed attributable profits to put on a more encouraging show, with a 25% increase to R9 671 000 against R7 325 000. With this performance there cannot compare with the 78% leap in the interim figures.

The directors comment that "the general conditions which the economic cycle during the six month period, pressure on sales and gross margins, high interest rates and increase in the rate of taxation have all had a negative impact on earnings."

The increase in the tax rate caused an additional deferred tax of R551 000 for years in World Furnishers and Bradleys Stores, both of which are W&A subsidiaries. The porton attributable to W&A of R600 000 has been charged on a deferred income at June 30, 1981.

The directors say that the present economic climate makes it difficult to forecast earnings with accuracy, but they are budgeting to at least maintain current earnings and dividends in the coming year.

UK cap outflow

Pavitt's post

MR TED Pavitt's appointment as author of General Motors was ratified by the group's board yesterday. The choice for industrial companies is likely to deteriorate before it improves, and the group relies on large steel and engineering sectors, and especially Dunswart, which reported a tax loss of R7 700 000 in the first six months compared with a profit of R1 700 000 in the first half of last year.

The rally in the market recently pushed the book value up to R4 423 million on August 27.

The difficulty is maintaining liquidity as the strain on cash resources from the huge capital expenditure programme at Sappi and Trans-Natal will be around for some years.

De Beers lifts price of small stones

By NEIL BEHRMANN

LONDON - De Beers will raise the prices of its low-quality gold diamonds by an average of 2.5% at its sight on September 27.

The previous price increase, which was announced in January 1980, had a sharp rise in earnings to about 225c a share from 152c in 1981.

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UK cap outflow

Private investment overseas rose about £2 000 000 for the fourth year running to a record £6 200 000. This was mainly accounted for by non-oil private companies.

The figures include two major British takeovers of US companies. Intercontinental Hotels by Grand Metropolitan and Crocker Bank by Midland Bank.

Another major factor ac-

ATTACK on MFA

GENEVA - Third world textile exporters plan to go to the World Bank with the General Agreement on Tariffs and Trade for an end to the international pact limiting their sales to industrialised countries, say third world diplomats in Geneva.

Reserves up

LONDON - Britain's gold and foreign currency reserves rose to £179 million in August from £180 116 million in July. There was a £400-million rise in July to £17 949 million. The reserves were lower than expected as new borrowing and repurchases, showed an increase of £199 million compared with a £159-million rise in July.
**Rumours of Minorco, Rembrandt buying De Beers shares move up 80%**

*By JOHN MULCAHY*

**DE BEERS Consolidated Mines**, the pariah of the investment community only months ago when it took the unforgivable step of cutting its dividend, closed on the Johannesburg Stock Exchange yesterday at more than 80% above the year's low.

"Why?" is the R1 138-million question — for that is the amount by which the market capitalisation has risen since mid-June, when the price fell below 400c briefly.

Permanent buying from unidentified New York and London sources has fuelled rumours that there is a major deal in the offing, but there are no behind-the-scenes theories as there are brokers on Diagonal Street.

The only indisputable fact is the share price, which at 715c suggests either that someone knows something of which most diamond market observers are unaware, or the donum principle is operating in reverse.

While De Beers has been a strong market for some time — it has moved from 330c in a month — the appearance in New York on Wednesday night of a firm buyer of large parcels of shares sparked the advance yesterday.

Yesterday's predominant theories, in order of popularity, were:

- The buying is in-house, and forms part of a grand scheme to shift portion of De Beers' assets offshore, the suggested buyer being Minerals and Resources (Minorco).

- Rembrandt Group, with its much-publicised R500-million in cash resources, and its stated ambition to expand its interests in the mining sphere, is said to have been buying De Beers for some past few months, which could add substance to speculation of Rembrandt's involvement.

- South African institutions, frustrated by their comparative aloofness from recent market activity, are trying to get money into equities, with price a secondary consideration.

- Desperate short-covering.

- Someone has simply taken the view that asset considerations De Beers is a worthwhile buy for the longer term.

The first theory, which has been rejected by De Beers spokesmen in Johannesburg and London, first surfaced some months ago, when there was strong speculation that De Beers' diamond trading companies might be moved into the Minorco fold.

The logic was that the continued control of the world's diamond markets could be better orchestrated if it were to be structurally out of the hands of a South African company.

What this restructurization of the diamond trading companies has to do with De Beers share price is not immediately clear, but brokers supporting this proposition point to the parallel strength of Minorco over the past few days.

If Rembrandt is seriously mounting a raid on De Beers, it is doing so on extremely small volumes — with all the attendant. said, "The whole market is phoney — this euphoria is going to come to a sad end at some point."

He added that after possibly ignoring De Beers' assets — over the past few years the De Beers share price has consistently been covered by non-diamond assets — the market now seemed to be ignoring the yields.

"I believe a reasonable price for De Beers now is between 450c and 500c, and there is no justification for this madness."

Ironically, only weeks ago most analysts would have regarded 700c as a very good price to unload De Beers, but in the true spirit of any market, the temptation to sell is in conflict with the nagging possibility that whoever is buying may just be right.

Whatever emerges as the buyer, and whether it is part of some grand plan, the surge in De Beers' price is contrary to the investment advice of someone who definitely is in the know.

In an interview with Fortune magazine late last month De Beers' chairman, Mr Harry Oppenheimer, said, "I would not buy De Beers shares now."

NEIL BEERMANN reports that there were also rumours in London that either Rembrandt or Minorco was buying De Beers shares, but a De Beers spokesman in London denied knowledge of such transactions.

"In these markets rumours feed on rumours" said the spokesman.

US brokers said volume in New York was around 300 000 but although above average the trading was "not unusual.

London and US brokers believe the Rembrandt takeover rumour is nonsense because of the size of De Beers and the fact that they don't laugh off the suggestion that Anglo American companies might be reviving their stake or increasing their holdings.

So far these theories are unconfirmed, but US brokers report that there has been a persistent buyer for many weeks and the buying has been operating through several brokers.
in diamonds

Jwaneng - On the day of the production of the world's largest diamond, Almonte, the number of diamonds sold was more than 500 million. This is a record for the company and its shareholders. The diamonds were sold for a record price of $1.5 billion, which is 200% higher than the previous record. The president of Almonte, Mr. Oppenheimer, said that this is an important milestone for the company and its employees. He also thanked his team for their hard work and dedication.

The Jwaneng mine is located in Botswana and is the third largest diamond mine in the world. It has been in operation since 1998 and has produced over 100 million carats of diamonds. The mine is owned by the government of Botswana and the London-based Gemfields.

Speculators, such as Mr. Oppenheimer, have made significant profits from the diamond market. In early 2009, the price of diamonds was $400 per carat. By early 2010, the price had risen to $900 per carat. This has led to speculation in the diamond market and has made it a popular investment for many people.

The critical pieces of paper or other material are to be put in the examination room under the supervision of an invigilator before leaving the invigilator in the examination room. No communication or other arrangement must be made with any person except the invigilator before leaving the examination room.
Major SA diamond firm loses licence

By GEOFFREY ALLEN

the SA Diamond Board has withdrawn a cutting and polishing licence from one of the country’s biggest mining concerns because it was allegedly operating illegally.

But the company, LC Diamond Cutting Works (Pty), a subsidiary of the giant Octa Holdings mining house, has asked the Witwatersrand Supreme Court to decide whether it or the board is right.

According to the board, LC Diamonds had operated illegally since October 16 when it was discovered that a major transfer of ownership had taken place without reference to the board.

Yesterday the board chairman, Dr Wessel van Wyk, confirmed he had written to both the company and the police saying control of the company and the diamond cutting licence had been transferred without reference to his board.

In terms of Section 23 of the Diamond Cutting Act anyone transferring control of a diamond cutting works is required to seek the board’s permission to also transfer the cutting licence.

Mr Stephen Berwaardt, a senior director of Octa, said yesterday the company had “no comment whatsoever” to make.

For the past 18 months Octa has been controlled by a committee of bankers to whom it allegedly owes R150-million.

Mr David Morris, chairman of the controlling banking consortium, has refused to accept or answer any phone calls for the past 48 hours.

Dr Van Wyk said “The licence had lapsed and at a meeting of the board we discovered that LC Diamonds had contravened the Act.

“You cannot transfer a licence without getting board permission.

“A letter was addressed to the company informing them of this and at the same time a copy was sent to the SA Police.

“As I understand it the company can continue to operate until the Supreme Court gives a ruling.”

Mr Tim Davidson, secretary of the Master Diamond Cutters Association which initially pointed out that LC Diamonds might be operating in contravention of the law, said “The Master Diamond Cutters instituted an action in terms of the Diamond Cutting Act, but we found that the LC Diamond’s licence had lapsed.”
MIGHTY DE BEERS LOSES ITS SPARKLE

THE hold of the giant De Beers group on the world's diamond market is slipping.

Within the next few weeks De Beers will negotiate an agreement with an Australian mining company which will break the group's monopoly in the international diamond trade.

Australia is due to break into the big-time in diamonds following the opening of a new mine at Argyle, near Darwin.

According to an Australian geologist, De Beers missed a major opportunity when their geologists failed to read the exploration areas' geology correctly — leaving the area open for exploitation by locals who seized the opportunity.

However, because De Beers have such a large say in the international diamond market, the Australians — their company is known as Ashton Joint Venture — will be in partnership with De Beers.

A condition of the De Beers-Ashton agreement, however, is that the Australians will be able to market part of their own production. This marketing coup is seen as a major indication that De Beers grip on the diamond market is not what it used to be.

De Beers could have availed the Australian challenge to its selling organization if it had not misread the signs, according to the correspondent in the London Observer.

The newspaper quoted an Australian geologist who said De Beers men had walked over the Argyle deposit in Western Australia "looking for signs that said this way to the diamond mine".

Some years after De Beers had fixed and failed to locate the deposit, the Ashton group's chief geologist started following the same trail which had led the De Beers men astray — and the Aussies had better luck.

As the value of De Beers shares has dropped from $23 to $18.50 the share had crossed the counter in the United States, the group's chairman, Harry Oppenheimer, has told the respected magazine For-
Gem monopoly not to break up

JOHANNESBURG—De Beers chairman Mr Harry Oppenheimer said he is confident that diamond producing nations will not try to break away from the Central Selling Organisation (CSO) to sell diamonds unilaterally.

Asked by Reuters if some poorer countries, heavily dependent on diamond income may be tempted to break away from the CSO, he said that on the contrary, countries like Botswana have to very careful 'not to rock the boat' when the market was in its present state.

'I think our relationships in this regard with Botswana are very, very good', he said.

Mr Oppenheimer returns at the end of the month as chairman of Anglo American but will carry on at the helm of De Beers for the time being because of the poor state of the diamond market.

He noted that the proportion of the world diamond supply which comes from De Beers-administered or controlled mines was considerably higher 20 years ago than it has been for many years.

This will continue even when production from Australia's Ashton Joint Venture is in full flow.

Mr Oppenheimer said he is quite certain there will be a lasting recovery in the diamond industry.

At the moment the diamond business is a little bit better and people are coming for a wider variety of stones than a few months ago, Mr Oppenheimer said, but added he was not sure if this was the start of a real improvement or just temporary.

He thought this improvement came about mostly because the demand for diamonds has largely been tackled, 'though we're not going to get a really prosperous diamond business until we get an end to recession in America'.

Problems

These problems, which arose from speculative buying of diamonds at inflated prices during the last boom, had been met by withholding supplies from the market, Mr Oppenheimer said.

Although a recession in the market had been foreseen, Mr Oppenheimer said De Beers did not gauge how deep the downturn would be or how high interest rates on finance for the stockpile would rise.

'Every drop in the rate of interest is a major factor for De Beers, both in making the recovery of the trade more probable and for our internal financial problems,' he said.

Asked about Anglo's recent announcement that it had raised its direct holding in De Beers, Mr Oppenheimer said he did not think the two group's cross holdings would rise in the future.

He said the purchases were made because in the long run they were thought to be a good investment. Anglo now holds almost $4 percent of De Beers directly and indirectly while De Beers controls 38 percent of Anglo.

Asked if the move was to fend off a possible rival stake in the diamond group he replied 'I think one would be rather brave to want to take over De Beers'.

On the group's overseas holding arm Minerals and Resources Corp (Minanco), Mr Oppenheimer said he hoped it would play a bigger role in Anglo earnings in future, though he noted Minanco's major U.S interests are in companies with low dividend policies.

He said Minanco's partnership with Hudson Bay Mining and Smelting (Hudson Bay Plateau Holdings Inc) will have to be looked at, as the holding of U.S interests through a Canadian company present tax disadvantages in the long term.

Minanco had no major new plans 'although if we can expand in America we would be very pleased to do so,' Mr Oppenheimer said Minanco will persevere with its loss-making interests in Inspiration Consolidated Copper and Hudbay and feels confident that the price of copper will recover.

Unions

Asked about future developments in the South African gold mining industry, he said he welcomed the recent growth of black trade unions on the mines, although he realised they may create enormous difficulties for companies like Anglo, because they enable black miners to voice grievances which have often led to riots in the past.

He added he is confident job reservation on the mines for white workers will end and that an agreement to this effect will be reached between the Government and white trade unions.

(Reuters)
De Beers faces Aussie gem glut

DE BEERS has won marketing control of most of the production from what will be the world's largest diamond mine at Argyle in Western Australia.

It must now face up to the problems of selling its share of the estimated 20-million carat mine which will produce from 1984.

CRA and Ashton Mining, which together hold 95% of the Argyle Diamond Mines Joint Venture, announced yesterday they had concluded an agreement with De Beers marketing arm, the Central Selling Organisation, with the approval of the Western Australian Government.

The deal, which was provisionally announced in January, this year, is a coup for De Beers and one of the most important developments in the mining industry's history.

De Beers had to get control of the Argyle production if it was to maintain its monopoly on the international diamond market.

However, market analysts believe the group faces a mammoth task to accommodate the new production on top of the stockpiles built up by the CSO in the past two years of the worst diamond market depression in its history.

The problems lies with the 50% of 10-million carats of industrial diamonds which the mine will produce annually at full output.

In addition a further 8-million carats will be cheap gem or near industrial stones which could be chauvinistic of the price of the market.

According to De Beers chairman, Mr Harry Oppenheimer, there will be difficult stones to market.

The combined marketing arrangements will have to be approved by the Western Australian Government.

The estimated 4.750 million carats of industrial and near industrial stones which CRA-Ashton will market independently from 1984 are another market imperator.

NEIL BEHRMANN reports from London that a spokesman for CRA says production from the alluvial deposits will start next month.

The mine will start producing at 5-million carats a year, rising to 10-million carats a year from mid-1983.

The average value of the alluvial diamonds is US $11 a carat.

From mid-1985, however, the alluvial diamond deposit will be depleted and the value of the alluvial deposit will be industrial diamonds from the kimberlite pipe, which is estimated to produce between 200-million and 250-million carats a year.

An Antwerp report says Argyle's gems represent 19% of the 8-million carats of industrial diamonds which will come from the pipe from the AR1 kimberlite pipe is estimated to be at 5% of the 250-million carats a year.

World gem production is 6.5-million carats a year, so the alluvial deposit will provide supplies by about 12%.

A De Beers spokesman said the market for the Argyle production was a problem which the group was addressing.

He declined to give details of marketing strategies.

He also declined to give details of any quota arrangements between the CSO and CRA-Ashton which might be enforced if depressed market conditions meant the mine's output could not be sold.

The increased amounts of industrial diamonds to be placed on the market from 1984 may cause problems for the synthetic industrial diamond market.
MINING — DIAMONDS.
1983 - 1984
De Beers Consolidated may maintain next dividend

CSO diamond sales rise 14%

By Trevor Walker
Assistant Financial Editor

De Beers Consolidated Mines may maintain the next dividend, the first time in three declarations, following yesterday’s announcement that CSO diamond sales for the second half of last year rose 14 percent to R724 million over the first half.

Total sales for 1982 were R1.355.7 million, against R1.249.4 million in 1981, with the dollar price, the currency in which the sales are made, totalling 1.256.6 million for 1982 (1.472.7 million)

But when compared with sales for 1980 of R2.141.6 million and 2.723.0 million dollars it is obvious the diamond market has not yet recovered.

Most stock market analysts were expecting second half Central Selling Organisation sales of about R750 million.

But all agree the market has now bottomed out and should begin to firm slowly this year.

One analyst says it is a fallacy that CSO sales are generally better in the second half.

He says sales tend to reflect economic cycles and the latest figures underline the fact the market is in a recovery cycle.

De Beers share price has risen strongly on the market ahead of the figures and analysts are now fully discounting the present situation, particularly if the current improvement in the diamond market is likely to be slow.

The share closed 50c higher at R30c yesterday and over the past 12 months has touched a high of R90c and a low of 35c.

Analysts note that De Beers for the first time in its history halved its 1981 final dividend to 25c and then followed this with a further 50 percent reduction of the next interim to 12.5c.

But not two months later Anglo American told a closed meeting of stock brokers in London that it had bought 10 million De Beers shares in the market.

It still rankles analysts that almost immediately following a policy decision by De Beers to cut its interim dividend — albeit to show the market that diamond sales were still falling — Anglo must have acquired the shares at an average of some 550c to 600c and thus in the space of a year could well show a profit of R50 million to R60 million.

A spokesman for De Beers says stocks of rough diamonds at the cutting centres have eased and a wider range of sales are expected in 1983.

He also says the CSO has been allowed to open an office in Zaire and this could indicate that country may be considering selling some of its output through the CSO. Zaire sells its diamond output through a consortium in Belgium.
Aid for project

WASHINGTON — The West African Republic of Guinea and a group of Western countries are co-operating on a big diamond mine, says the World Bank.

The bank's International Finance Corporation, which invests instead of lending, will help with the $95.7 million venture.

The mine is expected to produce 175,000 carats of diamonds a year, mostly high-quality gems, beginning in April 1994. It will provide about 550 jobs, access roads and basic health services in the undeveloped Banankoro region of Guinea.

The Government of President Sekou Toure owns half of the Societe Mixte Artdor-Guinea, the company which runs the project.
De Beers buys in Zaire

IN an attempt to counteract smuggling Zaire has partially lifted the ban on De Beers and is allowing the company to buy stones in Kasansha, NEIL BEHRMANN reports.

Most of the output from the Miba mine will continue to be sold through Zaire's agents - Industrial Diamond Company in London and Cash and Character both of Antwerp.

In 1983, the Central Selling Organization lost its agency to sell Zaire's diamonds to the three London and Antwerp dealers but in the past two years, report diamond dealers, smuggling has increased and De Beers bought Zaire diamonds in Beausville, Berendi and Antwerp. The rest of the official production was sold by Zaire's minerals marketing organization, Soconam, to its agents.

Mr. Pramst Rieper, a director of Industrial Diamonds, says Miba is producing about 5 million carats a year. De Beers and seven licensed dealers can now buy diamonds, mined from alluvial diggings at other sites in Zaire.

He believes the Zaire Government has made a good decision because between 3 million and 5 million carats now can be sold legally within Zaire. But Zaire now gains foreign currency from these sales as the diamonds are not smuggled out.

Israeli gem industry over worst

By NEIL BEHRMANN

LONDON - Israeli diamond dealers and manufacturers are mildly optimistic about prospects this year, but do not believe that there will be a surge in sales.

Traders in Tel Aviv, the second-largest diamond market after Antwerp, told the second-largest diamond market after Antwerp, that Israeli diamond exports fell from $1,070 million in 1981 to $905 million in 1982, but sales rose in the fourth quarter.

"Sales of small polished diamonds priced under $300 a carat remained firm and there was renewed interest in medium-sized stones priced between $300 to $600 a carat," said Mr. Benjamin Lieberman, general manager and economic adviser to the Israel Diamond Manufacturers Association.

Although the market in flawless investment diamonds had bottomed out about $2,000 a carat from more than $8,000 a carat in 1980, there were few orders.

The Israeli diamond industry has gone through traumatic times and its misfortune played a major part in the collapse of the diamond market in the past few years.

In 1979 Israeli dealers speculated wildly in diamonds and paid up to 100% more than De Beers price for stones. They used borrowed money, and were soon caught by falling demand and prices and huge debts and interest payments.

Many firms went under from 1979 to 1982, and the Israeli diamond industry laid off 4,000 workers.

However, the Tel Aviv market is recovering.

"Following years of stress, our industry is much healthier," said Mr. Mordechay Noam, president of the Israel Diamond Manufacturers Association. At the beginning of 1981, Israeli diamond dealers and manufacturers owed banks $1,200 million for their huge diamond stockpile. Since then they have whittled down their debt to $470 million.

The normal debt of the Israeli diamond industry, used for stock financing, should be $350 million to $400 million, said Mr. Noam.

Mr. Noam said that although the market is still not good, "interest rates have fallen, but the weak international economy remains the main problem and is the key to any revival in the diamond market," said Mr. Lieberman, the economist at the association.

Stockbroker James Capel & Co. says that in recession and the early part of 1983, the broker believed that diamond sales will remain at an approximate level. But in 1983, the broker believes that diamond sales will rise only moderately.

"De Beers share price has outperformed the sales record and is discounting a substantial improvement in sales," said the Central Selling Organization.

Sales of the Central Selling Organization rose from $506 million in the first half of 1982 to $794 million in the second six months.

But although sales for the year were $1,550 million, compared with $1,048 million in 1981, turnover was less than half that of 1980.

James Capel says that although De Beers "is through the worst, it is still far from healthy. In 1978, De Beers had $1,800 million in cash and net current assets of $500 million. By 1982, the cash had declined to just $200 million with net current assets of $700 million. Meanwhile, long-term loans had increased from $60 million to $237 million."...

"In 1981 alone, De Beers had a negative cash flow of $200 million. The position at the end of 1982 will have worsened."

"De Beers must accumulate cash as soon as possible. As a result, it cannot be generous to shareholders."

For an international investor, net of withholding tax De Beers' dividend yield is less than 4% and Capel believes the shares are too expensive.
Mine upsets diamond market

By MARSHALL WILSON

MELBOURNE — Israeli experts believe the South African De Beers-controlled Central Selling Organization will never be the same once diamonds from the Argyle mine in Western Australia come on the market.

For the first time in 50 years De Beers has lost the exclusive right to market diamonds after it won an agreement to handle 75% of the production of Argyle — the richest diamond mine in the world.

The mine has already yielded 10 million carats, conservatively valued at $1.5 billion.

The experts believe the CSO will now become a member of an international club with Australia, the Soviet Union and Zaire (which withdrew from the CSO but is considering an invitation to rejoin — being dominant partners in worldwide production and marketing.

Diamond sorters seconded from London office of the CSO arrive in Perth next month to evaluate the huge stockpile of gems from the mine.

A recent large-scale testing programme has already yielded 500,000 carats of diamonds from the Kimberley pipe and the rich alluvial deposits now being mined in South Africa.

With stones mined last week when commercial production begins, 200 tonnes will be flown to Perth, where a campaign is already under way to recruit and train sorters to join the experienced CSO team.

Wanderers' traffic

Those who find that their care have been lowered away will have to walk to their vehicles. Culprits can find out whereabouts of their cars by asking any traffic officer.

They want the public to cooperate and patience, Inspector De Boer said.

The special buses of the Johannesburg Transport Department will start running from 8:30 tomorrow morning.

The fare is 70c.

The route begins at the southern end of the stadium in De Villiers Street and then goes via Loveday, Plein, Twelfth, Eden and Avenue Victoria and Oxford streets and Corlett Drive to the Wanderers.

A transport department spokesman said all buses would be clearly marked and would start at all bus stops.

Close of play, the busses would be waiting outside the grounds.

Fans have also been asked not to make arrangements to be picked up outside the Wanderers after the game.

"Rather catch a bus to the Fans or the Mall and make arrangements to be picked up there. Otherwise there will be massive traffic jams among people stopping to make their pick-ups," he said.

Heart ops still suspect

BY RICHARD WALKER

NEW YORK — Dr Chris Barnard's success over artificial hearts may be vindicated, doctors treating Dr Barney Clark of the world's first artificial heart recipient, have conceded.

"The procedure is still very much in question," Dr Chase Peterson said in Salt Lake City, Utah, where he is attending the 65-year-old dentists who received a plastic heart on December 2.

In the gloomier comments yet to come from the pioneering team, Dr Peterson said Dr Clark had made only "un-dramatic progress" and remained "very weak".

It was too early to say whether the surgery had been a success and too soon to declare on further artificial heart implants he said.

He also said Dr Clark's "condition has not developed as the muscle strength that would permit him to test life and his test is yet to come. His doctors had hope to release Dr Clark from hospital this month but now say they do not know if he will be able to leave. He has had three operations since the implant — one to stop a persistent infection — and case walk six to eight steps.

"He had movements of the neck and mouth of the face," said Dr Peterson.

Artificial heart op are still suspect
Thundering herd sparks De Beers stampede

MERRILL Lynch, the New York stockbroking firm known as the Thundering Herd, was responsible for the stampede into De Beers shares this week.

The firm's salesmen throughout the world received advice from the research department that the rating of the diamond colossus had moved from a hold to a buy, prompting an avalanche of buying yesterday that sent the price to its highest on the Johannesburg Stock Exchange in more than a year.

After trading up to R10.49 at one stage in the morning, the price of the shares up out of De Beers, and it closed at R10.60 on the day and 112c higher than last Friday's close.

Led by De Beers, the JSE continued to march upwards The Rand Daily Mail index of industrial shares climbed to a record 93.8, and the RDM golds index gained more than 12 points to 1,079.5.

De Beers volume on Wednesday reached almost 175,000 shares, or more than 151,000 yesterday, considerably higher than its daily average of 50,000, and rivalling the heavy trading conditions experienced last September which culminated in the shock announcement that Anglo American had bought another 10 million De Beers shares.

De Beers watchers were at a loss to explain the share's move earlier this week, but when Merrill Lynch emerged as the bullish blockade, scrip moved out of Johannesburg at a rapid rate.

The buying spree came after Merrill Lynch's London-based precious metals specialist Mr. David Patitz started a six-page report on Tuesday changing his intermediate opinion of normal to buy.

Mr. Fitzpatrick said the report was written last week and he remained bullish. He thought it "quite conceivable that US investors could build up their stake to around 25% in line with their interest in many gold shares."

He estimated that US ownership of De Beers was now between 22% and 14%.

A deal at Merrill Lynch said that although the firm's clients had acted on the De Beers report, none of the activities encouraged speculative buying in Johannesburg, London and New York.

He referred to a similarly bullish report on platinum shares issued by the firm about three months ago, which also prompted speculation and price increases.

The dealer stressed that the buy signal was one of many Merrill Lynch share recommendations. "Whether this happens, the rates and prices get in and quite frankly, I don't like it." Such speculation was dangerous, he said.

Mr. Fitzpatrick thought that US investors could be attracted to a lower-priced share such as De Beers because of high-quality gold shares were $100 or higher De Beers traded at $75 on London yesterday.

The Lynch report is unabashedly bullish, even though many other stockbroking analysts in London believe the revival in De Beers more than discount an expected revival in the diamond market this year.

A Johannesburg analyst said that the logic in buying a share purely because the price was substantially lower than its generally ruling in a totally different sector was superficial. Even if the gold price remained buoyant for the rest of the year, enhancement of De Beers' investment earning potential, the spectre of unreasonableness in the huge diamond stake was an important issue.

De Beers was unlikely to pay a 25% annual dividend before 1985, and this could be delayed until 1986.

Mr. Fitzpatrick is far more optimistic, believing that improved earnings and declining capital expenditure should rebuild De Beers cash balances, and "significant dividend increases are likely in 1983 and 1984."

The argument that De Beers' been trading at a discount to its net asset value is not new. At one stage last year the share price was less than 40% of a year.

One cynical view of Merrill Lynch's unexpectedly positive report is that the New York broker could have sold its own holdings at $50 before the report to the market to satisfy its many followers.

The author of the report was, however, still confident about De Beers yesterday in spite of the gushing price, saying "The diamond market is recovering after good Christmas sales.

He also referred to the gold-price recovery, which would help De Beers earnings. He said precious metal shares were bupursing the gold price and continued to be considerable US interest in De Beers."

The Fitzpatrick, one of the most respected De Beers earnings of $2 a share if associate company earnings were consolidated, and profits "are in an improving trend in 1983."

Earnings would be boosted by a reviving diamond market, and Mr. Fitzpatrick expected sales to return to $10 million to $10 million in 1984 and 1985.

Healthy sales of diamond jewellery during the 1982 Christmas sales bode well for prospects over the next 12 months."

This assessment of Christmas sales is not, however, shared by everyone in the diamond market, and dealers in Antwerp and Tel Aviv describe sales as satisfactory but not that good.

Mr. Fitzpatrick said gold was "in a major market which could last well into 1986. This could directly help the dividend increase (De Beers' 36% stake in Anglo American Corporation, and also the income..."
CSO sells Zaire diamonds again

By ADAM PAYNE

DE BEERS Central Selling Organisation, which handles 80% of world diamond production, has won a major coup by reaching agreement with Zaire to resume marketing of most of its diamond production.

The Government of Zaire, through its Sonazom State mineral marketing organisation, has signed a two-year contract with the CSO for the exclusive sale of rough diamond output from the Miba mine.

This mine is the main producer in Zaire with an output of more than 6 million carats a year.

The announcement is a second victory for De Beers, following the decision two months ago of Argyle Diamond Mines in Australia to market through the CSO after much pressure was applied on the mining company and the West Australian Government for marketing arrangements to be made outside the CSO.

Zaire withdrew from the CSO in May 1981, after having dealt through that organisation for 14 years. The move drew comments that the CSO was disintegrating and even the publication of a widely-quoted book by Edward Jay Epstein saying that De Beers was losing control of an overstocked and overproduced diamond industry.

Of the Miba mine's production last year between 60% and 70% was industrial quality. About 5% were high-quality gems and the balance were in the cheaper gem category.

An estimated 3 million carats, produced by alluvial miners, was smuggled out of the country and neighbouring Brazzaville, which has no diamond mines, sold diamonds among its principal exploiters.

The value of Zaire's official diamond output runs at about 2% and 3% of the CSO's annual intake.

According to a CSO spokesman in London, De Beers and Sonazom will review ways of improving the Miba mine's production.

Argyle is the only major diamond mining company in Australia and in this competition, which has indicated that uranium and diamond mining in an independent Namibia could be nationalized in which case the government might think of dodging contact with De Beers.

Swapo will obviously be less inclined to adopt such a course following Zaire's experience.

Although Botswana has close links with De Beers, it might also be tempted at some time by political pressure to move away from the CSO but Zaire's experience would not be overlooked.

Zaire has evidently found the grass a lot greener on the other side of the fence. It has encountered wide fluctuations in industrial diamond prices which have upset Sonazom's budgeting and it can be assumed that De Beers has no desire to pay a guaranteed stable price to Sonazom for industrial and gem stones.

When Zaire left the CSO it signed agreements with independent buyers - two in Belgium and one in London. Presumably these buyers have not been able to match the buying services available from the CSO.

The Argyle decision to market through the CSO was embodied in an agreement allowing Argyle to withhold a small proportion of the output for the establishment of a local diamond cutting industry. A total of 75% of the remaining production - mostly industrial - will be contracted to the CSO and 25% will be marketed by Argyle Mines, possibly to India.

COMMENT: The announcement from Zaire is a bull point for De Beers whose preliminary figures and dividend announcement will be issued next week.

As a rough rule of thumb, one expects De Beers share price to move up with the Dow Jones Average which has risen strongly. This is because De Beers' man market is in the US.

Although the share price has been pushed high to 600c because of heavy buying last year, this price is well below the De Beers' net asset value. With a recovery in the US economy, my guess is that De Beers diamond sales will improve and the company will turn the corner after a hard spell of lower sales and high-cost stockpiling.
Diamond sale record of 33m pieces

By NEIL BEHRMANN

LONDON. — De Beers marketing research division estimates that world sales of diamond jewellery rose to a record 33-million pieces in 1982 from 32-million pieces in 1981.

But the sales value of record diamond jewellery pieces was slightly higher than in 1981, mainly because retailers reduced prices to attract customers.

Mr Derek Palmer, a De Beers market research executive, said in an interview that Christmas turnover was “better that expected.”

Comparing last year’s Christmas turnover with 1981’s, Mr Palmer said sales were higher in the US, Japan, West Germany, France, Britain, Spain, Austria, Canada, and Denmark. Sales were flat in Italy and South Africa and down in Australia.

De Beers promotion consultants surveyed more than 100 independent jewellers in the US.

“The market is weaker than the buoyant times in 1980, but many jewellers say that sales of more expensive and larger diamond jewellery pieces, priced at $5,000 or more, are improving,” he said.

Most retailers, especially in the biggest market, the US, were optimistic about prospects in 1983.

Falling stocks at jewellery shops have boosted sales at the main cutting centres of Antwerp, Tel Aviv, and Bombay.

In the three months to October 1982 compared with the same period in 1981, US jewellers increased the volume of imports from polishing centres by 15%. Japanese imports of polished diamonds rose by 14%, Japanese diamond imports by 15%. In Hong Kong, the distribution centre for the Far East, soared by 41%.

West German demand, however, dropped by 16% in terms of volume and West German diamond jewellery consumption was flat because of the deepening recession, and the weak currency increased the cost of diamonds.

A large proportion of cheap diamonds are being imported from Bombay.

The Antwerp Diamond High Council says sales of medium-quality diamonds are beginning to improve.

“The market in medium and expensive stones is more active,” says Mr Jacques Zucker, a director at Lauchowsky-Zucker P&VA, Antwerp diamond dealers. He says flawless brilliant diamond pieces have increased from about $7,500 a carat in June to $9,000. Prices of other diamonds have increased by 5% to 10%.

Another Antwerp diamond dealer said De Beers was buying all available stones at the cutting centres to keep tight control of the market.

A London diamond dealer said that contrary to expectations De Beers sold a smaller quantity of diamonds at the January sight than in the previous year.

Supplies of smaller diamonds, priced when polished at $120 to $600 a carat were in very short supply, and half-carat diamonds were difficult to find. He predicted that De Beers would raise prices this year.


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WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2. Candidates are not to communicate with other candidates or with any person except the invigilator

3. No part of an answer book is to be torn out

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination

All render the candidate liable to disqualification and to possible exclusion from the University.

PSI/PI UCT

Vreeland in Suid Afrika
Legal dispute feared over Zaire switch to De Beers

BY NEIL BEHRMANN

LONDON — An international legal dispute is likely if Zaire abandons its previous agents, and markets its diamonds through De Beers marketing arm, the Central Selling Organization.

The previous agents insist that they have valid contracts with Zaire's minerals and diamond marketing agency, Sozacon, and that these contracts are only due to expire in three years' time.

Earlier this week, the Zaire authorities announced that "henceforth all direct production from Miba marketed by Sozacon, will be exclusively sold to the Central Selling Organization".

"Miba is Zaire's main diamond mine which, according to De Beers' estimates, produces six million carats a year," De Beers said that a further six million carats are produced in alluvial workings elsewhere in Zaire.

Two-year contract

"We have signed a two-year contract with Zaire, exclusively to sell the diamond production of Miba, Zaire's biggest diamond mine," said a spokesman of De Beers in London.

But the news has astounded Industrial Diamond Company in London and Caddil and Glascor in Antwerp. The three agents which have been selling Miba's stones independently since May 1963.

"I maintain that our contract is a legally binding agreement which we scrupulously honoured," said Mr Jack Lanzer, managing director of Industrial Diamond Company.

"I am certain that the government of Zaire has acted without due consideration of the facts.

"We have a contract, during the past 22 months we have sold Zaire's diamonds and honoured our obligations," said Mr David Susskind, managing director of Caddil. He threatened to go to the Belgian government to defend himself.

Not informed

"We don't know what is happening - we have not been informed," said a spokesman of Glascor.

The contract with Industrial Diamond Company, dated April 23, 1963, states: "The present contract is concluded for a period of five years, renewable by tacit agreement."

"However, each party can terminate it, notice of six months being given to the other party by registered letter with acknowledgement of receipt from the post office before the expiry of the current five-year period."

All three agents insist that they were not given such notice.

"Any objection arising between the parties regarding the interpretation or execution of the present contract will be settled amicably as far as possible. If the difference still persists, it will be decided once and for all according to the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators chosen according to these rules."

The diamond agents believe that these provisions give them a very strong legal case.

Mr Lanzer maintained that the "force majeure" clause also covered his firm.

That clause states: "In the event of measures taken by government, war, fire, strike, lock-out, accident or plant outside the control of the parties, the present contract will be suspended throughout the duration of the said hold-up which will be speedily remedied."

"If this hold-up lasts longer than six months, each party can terminate the present contract without prior notice and without any remedy,"

It is believed that all three contracts with Sozacon are similar.

In response to the firm's statements a De Beers spokesman said: "We have a contract to market the Miba production."

Besides diamonds, Sozacon markets copper, cobalt and other minerals.

Executive of metals dealers believe that any reneging of the initial contract with the three diamond traders could have much wider international implications.

At least one of the firms has been approached by metals companies for details of the contract.

Intrigue and mystery

As normal in international diamond dealings, there is intrigue and mystery surrounding De Beers' dramatic move to regain Zaire's contract.

"There is much more to it than meets the eye," said a diamond dealer.

In July 1963, the director general of Sozacon, Mr Muengula Lukusa, complained bitterly that from 1957 to 1970, De Beers' marketing costs amounted to 25 percent. From 1973 to March 1961, the costs were 20 percent.

At the time De Beers did not refute Mr Lukusa's public statement.
Hazards in Progress

By John Mickle

Harmony up 66%

Legal Dispute Threatens

On Zaire Switch to CSO

By Neil Schnarr
CSO holds talks with Thailand

Financial Editor

PRELIMINARY talks have begun between the Central Selling Organisation and the Government of Thailand with the aim of expanding the diamond-cutting industry in that country.

A De Beers spokesman confirmed that two CSO executives, Mr E M Charles and Mr M Grantham, were in Thailand recently to hold discussions.

Trade talk is that the two current cutting firms with about 700 cutters will be expanded (it exports about $10m of cut diamonds a year now). The country will export about $400m in cut gems this year — or double the 1982 figure.

The Thai Embassy in London has confirmed the talks, saying that De Beers was seeking out possible partners for future expansion, and if it reached agreement would guarantee a regular supply of rough diamonds. Such a move will put Thailand into the big league.
De Beers well below expectations

By BRENDAN RYAN
JOHANNESBURG, - De Beers has maintained its final dividend at 25c a share for the year ended December 31, 1982 for a total payout of 27.5c compared with the previous year's 50c.

Earnings for the year are sharply down at 56.3c a share compared with 101.4c a share and are well below most analysts' expectations of around 70c a share.

De Beers' earnings were hit by a higher-than-estimated tax rate in the second half of the 1982 fiscal year and by a R14 900 000 share of extraordinary losses which troubled to R22 500 000 from R39 700 000 previously because of the issue by De Beers subsidiaries of R200m redeemable preference shares.

Troubled market

Dividends of 67m were cut to 50m in anticipation of the decline in the diamond market over the previous year.

The net increase in preference shares long-term and net current liabilities over the year was R2 700 000.

Another company's interests in subsidiary companies was R10 850 000 in the first half of 1983.

De Beers feels this trend will continue and is a bullish stand and the company's comments reinforce this.

"Stocks in the cutting centres have been reduced to realistic levels and the decrease in the year confidence has markedly improved," a De Beers statement said.

"C50 sales are running at a considerably higher level than in the previous six months and demand has expanded to some extent into higher categories.

However, the market for the larger and better qualities remains restricted.

"Consumer demand for diamond jewellery in 1983 was only 5% below the record level of 1981 which must be regarded as satisfactory in a year of recession."

"Christmas sales were better than expected and the retail trade is in a more optimistic mood than for some time," De Beers commented.

Diamond account income for 1982 totalled R28 700 000 (1981 - R36 000 000), investment income amounted to R149 million (R179 600 000), and other interest was R135 600 000 (R23 700 000).

The share of after-tax retained profits of associated companies was R37 500 000, while the surplus on realisation of investments and fixed assets amounted to R11 800 000 (R2 000 000).

Expenses jumped to R17 170 000 from R11 500 000 previously of which the major contributor was a more-than-doubled interest payable charge of R49 800 000 (R23 300 000).

Pre-tax profit was 25% down at R5 651 000 (R7 531 000) and with tax dropping to R2 99 million (R3 11 million), tax paid was 27% lower at R5 771 100 000 (R5 552 700 000).

COMMENT: The maintained final dividend is in line with expectations by analysts provided De Beers could see justification for its increased earnings as the company sells more stones from its stockpiles.

This, however, is no immediate cause for joy to shareholders as De Beers' initial concern will be to repay the debt run up by its stockpiling operations and to rebuild its cash sources and levels seen in 1979 before the depression started.

At that time it had a cash holding of R1 285m and some analysts feel De Beers could rebuild this to R2 000m in preparation for the next downturn in the diamond market.
De Beers back on top of the diamond pile

By NEIL BEHRMANN
LONDON. — De Beers has reassured its control over the world diamond market after the worst diamond depression since the 1930s.

Two diamond price increases in only seven months show that De Beers is marketing the Central Selling Organization, which has pulled the market into balance.

The Syndicate, as the CSO is called in the trade, has regained authority over Zaire diamond sales, which are important marketing contracts of the Australian Argyle mine and is thought to be prepared to persuade the Russians to place fewer polished stones on the market.

Throughout the two-year diamond depression and intermittent crises, De Beers waited patiently, isolated its opponents, and then picked up the pieces.

As soon as the diamond market began its decline in 1986, the CSO began to support the market by withholding diamonds from dealers.

The aim was to reduce stockpiles in Antwerp, Tel Aviv and other cutting centers.

But the process was slow and at several stages—sales plunged, De Beers was forced to withhold up to 60% of diamonds from dealers.

But high interest rates and falling demand continued to depress the market, and De Beers reduced production on a selective basis.

In 1981 it cut output of expensive slow-selling diamonds at its own mines and reduced quotas of producing nations which sold to the CSO.

It stepped up sales of the existing low-quality gems which continued to be in demand. This market is so buoyant that the increased prices imposed by De Beers last September and in March this year affect mainly small diamonds.

In the midst of the diamond depression, De Beers experienced two upsets:

Mr. Jack Luszer, industrial diamond company in London and two Antwerp firms, Caddo and Golom, switched the CSO's contract to sell Zaire's diamonds. Although most of Zaire's stones are industrial, Zaire's bankruptcy could not have happened at a more inopportune moment.

At the time, the Ashtab Joint Venture, comprising CRA, Ashtab Mining and Northern Mining, was still debating who should sell Australia's diamond production, projected at 20 million carats a year from the mid-1980s.

But through indirect shareholdings and the "old boy network" De Beers persuaded CRA and Ashtab to come into its fold.

But the CSO was faced by a dissident.

Mr. Ron Towe, who headed Northern Mining, wanted the Ashtab Joint Venture to study other sales outlets.

His case was strengthened by Zaire's decision to sell its diamonds independently. Mr. Towe led a protest movement pleading that Australian diamonds should not fall into the hands of a South African concern.

In controversial circumstances, Northern Mining was taken over, and Mr. Towe was pushed into the mining wilderness.

Mr. Towe believes that De Beers was connected with his downfall, but this has not been proved.

Whether it was a coincidence or not, Mr. Towe was convinced out of the way, and towards the end of last year, the CSO gained the contract to sell most Australian diamonds.

The regaining of the Zaire contract is equally intriguing. According to De Beers executives, Zaire approached the CSO and asked it to sell its diamonds once again. De Beers executives say Zaire gave no reasons, but they speculate that Zaire was unsuccessful at future Australian sales and needed De Beers protection.

Prices of Zaire's stones fell from an average of $5.50 to 1980 to an average of $7.50 in 1982.

Mr. Luszer of Industrial Diamond Company and Mr. David Susskind, managing director of Caddo, insist that Zaire's mineral marketing agency, Zosacom, was happy with their sales arrangement. Prices of Zaire stones were falling before they took over the De Beers contract.

Mr. Luszer was quoted as saying that De Beers charged extortionate commissions and expenses of more than 20%.

While the three companies were selling Zaire's diamonds, De Beers was dumping surplus low-quality hoard stones on the market. The price of these hoard stones, which account for about 70% of Zaire's Miba mine output, collapsed from $2.50 a carat in 1981 to under 90 cents a carat in March this year.

At the latest sale De Beers paid $8.50 a carat for Miba's output against the average of $7.50 received in 1982. Sales revenue of the mine was $90 million in 1982 and it is expected to increase this year.

Diamond dealers believe that this collapse helped De Beers to negotiate a favorable contract with the Australians because the Argyle Mine will also be a big producer of hoard stones.

Possibly, De Beers promised the Australians that it would renew its control over Zaire to underpin the hoard market.

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.

Made in South Africa  R.A. LTD.  Vervuwing in Suid Afrika
BIG Alf Weege was a bored and lonely man in Port Nolloth, the beer was beginning to give him heartburn and the 'spinklers' were being their elusive selves.

Also, there was no woman in his life. So Big Alf Weege bought a magazine with a lonely hearts club page in it. He avoided the eager faces and found a lady from Salisbury. "I wrote to her, and she took the train.

All the way from the wooded mountains of the Eastern Transvaal through the dragon deserts of Namakaland to a railroad siding called Bitterfontein.

"I went to fetch her at Bitterfontein, my mate," says this geminal diamond diver and ship's cook, this gem of a man in the last frontier.

"She was 16 years older than her lonely hearts picture. I was a little disappointed until something clinked in her luggage."

Alfie discovered his new friend from Salisbury had come well supplied - with two bottles of mampouer.

"They spent a glorious weekend together. He showed her the western sea sunsets, the crude diamond boats and they shared some devil's tipples."

"On the Monday I took her back to Bitterfontein with a sore head."

That's Alfie Weege, mayor of the divers and polish extraordinaires.

"At 47, he's living hard in a young man's world of spinklers and treacherous depths."

"Spinklers?" Sure, those little diamonds that can make a young adventurer proud and rich overnight - or add them to the hell-raising deserts that is Port Nolloth.

Port Nolloth lies near the officially protected diamond strip on the north-west coast of the Cape, leading up to South West Africa.

"Everything revolves round the small diving community that waits for those 40 calm days each year when they can manoeuvre their little boats through deadly reefs and fetch up the spinklers.

"Remember those tales from a century ago that came from Pilgrim's Rest, the gold boom town where they used to make robbers dig their own graves?"

"Where the sandang girls trekked in wagon trains to entertain the bearded paniners and perhaps make a nugget or two in the deal?"

"That is just now, and this is Port Nolloth."

"A place where you'll find former lawyers and drifters living side by side in converted buses, with the desert sands for spacious gardens."

"Sure, we've had schoolteachers, lawyers and gangsters out here at some time or other," says Alfie. "We even had a friend on Police File one night."

At Port Nolloth you'll perhaps find a long-time n-sea school buddy at the bar, talking about everything but what's closest to his heart - the undersea diamonds.

"Sometimes the girls arrive from Cape Town or Johannesburg. There's something attractive about the divers, and the men appreciate the attention."

We met Jeff down by the loading dock. To avoid the reefs about Port Nolloth, they've set lines of red drums out to sea. It was chilliwand, and we watched the chuggers poking their way through the drum saloon to the dock.

"We all seem to be in debt out here," the leanly Jeff volunteered. "I was lucky to be on the bottom of the log last year - I was only ten grand down."

The devil-may-care laugh comes, and you know it's not the end of the world.

A friend strolls by, shakes a promising-sounding little box at Jeff. "Good day, eh?"

"Sure, now it's off to Cape Town, my buddy." Alfie confirms this. Some of the young bloods get a little crazy out there after a few months of Port Nolloth. So, when they get good stones and that commission, he'll be the bakkie and off to Cape Town.

Not to visit mother, mind you. Oh, the venue is often too distant. One can just imagine wild-eyed divers dragging their gear back to the tweesty and pencil-line moustached doormen and the like.

For a week of high times and good company, to put this all quite mildly:

"They come back broke - and full of good stories."

Out to sea long before dawn on a calm day, the diver's job is to snake and guide the suction pipes down to various levels. He's basically the go-between for the men in the boats and the depths below.

They stake claims - just like the Pilgrim's panners did - using marker buoys. For a 100m radius that section of sea belongs to a specific crew on duty.

The local police and the divers have a healthy respect for each other. Big Alf holds his own kind of justice - a 3m-long sjambok he calls On Willems.

"I once told a trouble maker so hard with Willem he jumped out of his lumberjack's leathers.

With the good times and the parties, tragedy also sometimes makes an appearance.

"Old Billy died the other day. All the divers chipped in to give him a funeral. We don't throw each other away out here."

On Sundays - no matter how glassy calm the sea is - no divers are allowed out to look for spinklers.

So they catch a little kreef (crayfish), they're in late with their kockers (lady friends or wives) and meet later that day for a bran in someone's backyard.

All who need to know all
Eastern Transvaal through the dragon deserts of Namaqualand to a railroad siding called Bitterfontein.

"I went to fetch her at Bitterfontein, my mate," says the genial diamond diver and ship's cook, the gem of a man in the last frontier.

She was 15 years older than her lonely hearts picture. I was a little disappo...
Former valuator's charge

De Beers costly blunder in Zaire

DE BEERS refused to lend $2-million to Zaire in 1981 to improve the Miba mine, but may now be providing more than this after Zaire's return to the Central Selling Organisation fold, according to Mr Jacques Graubart, the former official diamond valuator to the Zaire Government.

Mr Trevor Tarring, managing director of the Metal Bulletin, read a paper by Mr Graubart to the Southern African metals and minerals conference in Johannesburg.

Mr Graubart wrote that he believed the commission terms for the CSO under the new deal were radically different from the 25% of the old deal.

"In 1981, if my information is in any way correct, the CSO has agreed to invest in the Miba mine to the extent necessary to restore its production to the 1974 level of 12 million carats over the next two years. I leave it to you to guess how much money the CSO will have to mobilise for that purpose."

Mr Graubart was asked not to attend the conference by Sozacon, the Zaire minerals marketing agency, because alongside the new deal with the CSO, Zaire has set up its own organisation for diamond valuation.

Mr Tarring said the new national body to serve as valuator does yet legally exist. "This puts the situation somewhat in limbo and, I believe, the principal reason Sozacon asked Mr Graubart not to come here." Mr Graubart wrote that the Zaire Government had asked for financial help to save the mine, but after many meetings, for many months, the negotiations broke off.

"The London and did not give in as they were certain that Zaire would not be able to commercialise the Miba mine without them."

"The demands of Zaire could have been satisfied and De Beers had the means to do so."

"The loss of Zaire proved to be disastrous for the negotiations with other producers, notably Australian, where for the first time De Beers had to modify its terms and sales rights covering less than total production exclusivity," Mr Graubart wrote.

"I must say there demands were logical and could have easily been fulfilled by the Diamond Trading Company. The psychological damage to the prestige of De Beers caused by this loss was severe."

Mr Graubart also alleged that De Beers threw huge quantities of industrial diamonds on the market to punish Zaire for not having renewed the marketing agreement.

Mr Tarring commented, "When Zaire broke away, a big fish was seen to escape the CSO's net. To an extent, that fish has now been recaptured, but there remain some more significant exceptions to the rule than before."

"That, as Jacques Graubart has highlighted, underlines stability in the market and is to be regretted."

Asked to comment on a De Beers spokesman said "Mr Graubart says that keeping the world diamond production under control is a very difficult task."

"He says that 'luckily' De Beers is around to stockpile and maintain stability during the bad times."

"He also says the situation would have been much worse without the CSO."

"If any further comment is necessary, the fact that Zaire has recently been rejoin the CSO speaks for itself."

By BRENDAN RYAN
Mining Editor
Frelimo congress will focus on internal problems

Machel accepts winds of change

The Star's Foreign News Service

MAPUTO — Frelimo's leaders meet this week to plan Mozambique's course for the coming five years and although no dramatic shifts are expected, there will be significant changes.

The meeting is Frelimo's fourth party congress. Hundreds of delegates from throughout the country will elect a new central committee and politburo and debate and approve new policy directives for both the party and the country.

Frelimo's third congress was held in 1977 in the flush of victory over the Portuguese, and it approved ambitious development plans.

But bringing socialism to one of the world's poorest and least developed countries has proved far more difficult than was believed in 1977. Two wars, the world economic crisis, catastrophic drought, and Frelimo's own mistakes have made a mockery of many of those earlier plans.

The congress follows six months of meetings throughout the country, many of which involved outspoken and angry debate.

Observers in Maputo say few Mozambicans question the country's basic socialist orientation, and Frelimo still retains much popular support. The nationalisation and expansion of health and education are seen as major victories of the revolution.

But at the meetings there was heavy criticism of economic policy and management, and of the centralisation and bureaucratisation of both the government and the Frelimo party itself.

President Samora Machel and the group closest to him, which has changed little in 15 years, remain popular and their positions are not at risk. But some members and central committee members, and probably one or two members of the 10-man politburo, will lose their jobs during the congress.

The issues under discussion this week are largely internal ones and it would be unwise to interpret the congress in East-West terms, or to look for trends involving more or less socialism.

Two factors have pushed these questions off the agenda at least for this congress.

First is the continuing war with the Mozambique National Resistance (MNR).

Frelimo claims the MNR is a South African "puppet" and that South Africa is waging an "undeclared war" against Mozambique. Thus South Africa is seen as the primary enemy and Frelimo looks from help from both East and West against it.

The second factor is the largely negative impact of selling off many state-run shops and businesses to private owners two years ago. The explosive growth of the black market since then has created such public bitterness and anger that any further suggestion of "privatisation" would be bowled down by congress delegates.

At the 1977 congress, there was immense optimism — anything seemed possible and it was believed Mozambique could overcome five centuries of colonialism in just a few years.

But the world recession means less foreign investment and lower prices for its exports than Mozambique expected, making a nonsense of ambitious development plans. Attacks, first by Rhodesia and now by the MNR, have further slowed many big projects.

Frelimo clearly underestimated the problems caused by the lack of technicians, itself a heritage of Portuguese colonialism which left independent Mozambique with one of the lowest adult literacy rates in the world — under 15 percent.

Frelimo's biggest mistake was to consider the "moderate" factor despite these problems, which meant less attention to family farmers and peasant co-operatives.

Tractors were imported instead of peasant hoes, resources went to state farms and new development projects instead of to basic consumer goods like soap and cloth. One of the biggest complaints at rural meetings has been empty shops — the peasants have made clear they are not prepared to wait for cloth until Mozambique's giant new textile mills began operating in five years.

Speaking at the parliament session, President Machel was highly critical of the national planning commission and of Mr Mario Machungo, Planning Minister and politburo member.

Hoping that changes would be made, President Machel said planning was being done in offices in ignorance of what was going on in rural areas, and that serious errors were being made.

The congress delegates include not only national and local leaders but many workers, peasants, and ex-guerrilla fighters elected by paring meetings throughout the country.

But when the delegates meet this week, it will not be simply to discuss the inevitable mistakes made by a very young party and state. Rather, it will be to chart a new course to socialism in a world that has become much more hostile since the last congress.
A very testing time. The diamond industry has come successfully through 

Chairman's Statement

April 28, 1983

The Cape Times, Thursday
Angolan pilots held for diamond smuggling

Mercury Correspondent

LISBON—Four pilots of the national Angolan airlines had been detained in Luanda and accused of smuggling diamonds out of the country, the Angolan news agency, Angop, reported here yesterday.

One of those detained is the personal pilot of President Jose Eduardo dos Santos. Only three of the four were identified.

The agency said that the contraband trade in diamonds between Luanda and Lisbon had reached epidemic levels and was now estimated to be worth more than $120 million a year.

This is practically equal to the annual production of the national diamond mining corporation, Diamang, and represents a massive loss of revenue to the Marxist government which is fighting a costly guerrilla war against an opposition movement, Unita.

The volume of smuggled diamonds, as revealed by Angop, placed Angola fourth in the ranks of the world's illicit diamond traders.

Angop said Angola's chances of putting a stop to the trade were hampered by lack of legislation in Portugal where the State diamond processing factory was authorised to buy contraband diamonds.

Portuguese authorities have repeatedly promised to tighten up the loopholes but so far nothing has been done in spite of pressure from the De Beers diamond-sealing organisation responsible for marketing Angola's stones.

De Beers also runs the Diamang concession in Luanda province.

The situation is further complicated by the alleged existence in Lisbon of a 'diamond club' which acts as a pressure group on anyone attempting to halt the illegal trade and by repeated reports that leading figures in Angola and Portugal have monetary stakes in the trade.
De Beers look for diamonds in Northern Natal

Mercury Reporter

DE BEERS are looking for diamonds in Northern Natal.

The company's local geologist, Mr A W Robertson, said: 'There is no other justifiable reason to look other than that there is no reason why diamonds should not occur in the area.'

He said that the company was prospecting westwards in an attempt to cover the area from Kimberley to Northern Natal. Other similar explorations were going on in the Cape, Transvaal and the Free State. In the past two years exploration in KwaZulu had been unsuccessful.

One problem is that we have to rely on the goodwill of farmers and ask permission to go on to their property to do tests. So the greater the cooperation from them, the easier the problem is.

'No money has been involved as yet, but farmers are offered a good deal,' he added.

Mr I F Foster, of the geology department at Natal University, said there were no kimberlite pipes recorded in the area, but added: 'You find them when you find them.'
Venetia looks for a major find for De Beers

By BRENDAN RYAN
Mining Editor

EXTENSIVE development at the Venetia diamond prospect in the Northern Transvaal and intensive prospecting activity indicate De Beers is probably on to a major find.

- De Beers has refused to comment on any matter relating to the Venetia prospect. A request by Business Mail to visit the site was turned down because "exploration has reached a stage where any attention by the media would be inappropriate".

However, an aerial survey of the farm shows extensive sampling of the diamond-bearing pipes is being carried out and a large waste dump is growing next to a heavy media separation plant.

Material is being mined from a close patterned series of trenches in the pipes.

Since De Beers came on site some two years ago an airstrip has been bulldozed out of the bush on the farm and a small mining community has taken up residence.

A village of 12 houses with a communal swimming pool has been built for junior employees and there is a large temporary hostel for other workers.

Little patches of green lawn around the houses stand in contrast to the grey, drought-stricken bushveld.

De Beers geological teams have been scouring the veld around the farm from a separate base on the neighbouring farm Kroone 104 MS.

De Beers has taken up mineral rights on farms on watercourses flowing from Venetia to Limpopo River 30 km to the north.

According to geologists from competing mining companies, this move is essential to search for any alluvial diamond deposits downstream of the diamond pipes.

However, the search for other kumberlite pipes which may have "blown out" in the region has covered a much broader area west, south and east of the farm.

De Beers is prospecting on farms in the region to which the Transvaal Consolidated Land & Exploration, the mining firm of the arm of Barlow Rand, holds the mineral rights.

Its exploration activities have caused considerable irritation among several farmers as this is the third major survey of the region.

It has been prospected for copper and coal. The western section of the Soutpansberg catchment includes several farms east and north-east of Venetia.

One of the farms under option and for which the details have been announced is Lettie 93 MS, south-west of Venetia.

De Beers is working on a prospect in the farm's 837ha area if it takes up the option. Mineral rights holder Waverley is also entitled to 5% of the initial working capital, free of consideration, of any company formed to work the lease area.

It also has the right to subscribe for 7.5% of any share issues of the company.

Mineral rights to Venetia are held by Saturn Mining and Development Shareholders in Saturn are Anglovaal (21.9%), Middle Watertond (45.6%) and Industrial & Commercial Holdings (12.5%).

Saturn entered into a prospecting agreement with De Beers for the farm. If a mine is set up on Venetia, De Beers will provide the capital and expertise and pay 60% of net profits to Saturn once it has recovered capex.

The role of De Beers is to carry out sampling by means of shafts continued on Venetia, but "considerably more evaluation work in the form of drilling and sampling is required before their potential can be fully assessed."

This has been challenged by exploration staff of other mining companies who believe development work is much more advanced than this. These say the work has shown the find is probably the second richest diamond mine after Lucaps in Botswana.

De Beers 1981 report said the main kumbereite on the prospect "is of complex form and a considerable amount of sampling and drilling will be required to evaluate it and the adjacent smaller satellite pipes."

Exploration staff of other mining companies say the kimberlite found at Venetia is harder than elsewhere and could be a problem in designing an extraction process to recover diamonds.

Thus, they say, could be a cause of De Beers caution in announcing a mine.

A mining executive says: "They have been operating a large-scale sampling plant there for nearly two years. How much longer do they need to make up their minds on the pipe?"

In the absence of information from either De Beers or the mineral rights holders there has been considerable speculation on the grade of the find.

Many analysts and mining staff believe the discovery is of a high-grade gem diamond pipe with a good proportion of large stones. A grade of 70 carats a 100 tons has been suggested.

They feel the depressed state of the market for large diamonds could be another reason for De Beers holding back on development of Venetia.

If correct, this would put the find in the same league as Jwaneng which last year announced a grade of 76 carats a 100 tons. It was the second richest diamond mine after Lucaps whose grade was 89 carats a 100 tons.

Should De Beers decide to go ahead with a mine, it will be the easiest diamond mine it has had to develop in recent years.

Broad tarred roads run to within 15 km of the farm in contrast to Jwaneng which is nearly 200 km from Gaborone in Botswana, and the distant Lettie in Teres in the Makalani Mountains in Lesotho.

The find is also within 30 km of the Botswana border in an area where the Government is trying to develop industry and increase the white population.

The nearest town is the village of Alldays, about 30 km south-west, which is the home of housing for a mine's white staff.

Given the border security situation, De Beers should be able to negotiate considerable incentives from the Government if it decides to go ahead with a mine.

EXAMINATION ANSWER

1. Comprehension

- The article discusses the exploration activities at the Venetia diamond prospect.
- De Beers is reportedly on to a major find, but has refused to comment on any matter relating to the prospect.
- The farm has been extensively surveyed, and a large waste dump has been created.
- Material is being mined from a close patterned series of trenches in the pipes.
- The village of 12 houses has been built for junior employees and there is a large temporary hostel for other workers.
- A small mining community has taken up residence on the farm.
- The farm is being prospect for copper and coal, as well as diamond.
- The Western section of the Soutpansberg catchment includes several farms east and north-east of Venetia.
- De Beers is working on a prospect in the farm's 837ha area if it takes up the option.
- Mineral rights to Venetia are held by Saturn Mining and Development Shareholders.
- The farm is being evaluated for its mineral potential.
- The find is believed to be of high grade with a good proportion of large stones.
- The article discusses the geopolitical considerations for developing the mine and the potential incentives for De Beers.

2. Critical Thinking

- The article highlights the exploration activities at Venetia and the potential for a major find.
- The geopolitical factors, such as the border security situation, are discussed.
- The article mentions the potential for a large-scale mine with high-grade diamonds.
- The article discusses the potential incentives for De Beers to develop the mine.

3. Writing Skills

- The article is written in a clear and concise manner.
- The article effectively communicates the exploration activities and potential of the Venetia prospect.
- The article provides a comprehensive overview of the geological and economic factors relevant to the potential development of the mine.

4. Analytical Reasoning

- The article provides a detailed overview of the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

5. Information Retrieval

- The article provides a comprehensive overview of the Venetia prospect, including the exploration activities, geological and economic factors, and potential incentives for development.
- The article effectively communicates the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

6. Synthesis

- The article synthesizes the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

7. Evaluation

- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

8. Application

- The article provides a comprehensive overview of the Venetia prospect, including the exploration activities, geological and economic factors, and potential incentives for development.
- The article effectively communicates the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

9. Communication

- The article is written in a clear and concise manner.
- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

10. Test-taking Strategies

- The article provides a comprehensive overview of the Venetia prospect, including the exploration activities, geological and economic factors, and potential incentives for development.
- The article effectively communicates the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

11. Reading Skills

- The article is written in a clear and concise manner.
- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

12. Vocabulary

- The article uses a wide range of vocabulary to effectively communicate the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

13. Writing Quality

- The article is written in a clear and concise manner.
- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

14. Grammar

- The article is grammatically correct.
- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.

15. Formatting

- The article is formatted correctly.
- The article effectively communicates the exploration activities at Venetia, including the geological and economic factors.
- The article discusses the potential for a major find and the geopolitical factors that may influence the development of the mine.
- The article provides a comprehensive analysis of the potential incentives for De Beers to develop the mine.
Botswana Government ‘ripping off De Beers’

The Botswana Government’s taking 75 percent of the profits of the diamond mines discovered by De Beers is preposterous, says Professor Theo Beukes of RAU’s mineral economics department.

Asked why he thought De Beers agreed to it, the professor said “De Beers are locked in.”

The image of the quiet Gaborone Government exploiting the world diamond monopoly seems absurd. Yet the professor points out that Botswana’s policies differ radically from South Africa’s.

There the government, admittedly much greater resources, provides the infrastructure for a mine, allows the mining company to own the mineral rights (except with gold), and demands no free equity in the company.

In 1969 De Beers formed the Debswana company to mine Orapa, the first pipe found in Botswana. The government received 15 percent of the equity without payment.

In his second article on Botswana and the importance of its mining industry, JASPER MORTIMER of The Star’s Foreign News Service discusses Botswana’s large share of De Beers’ profits.

To develop the mine De Beers had to provide the infrastructure — a township, a power station, a 50-km water supply line — and by the time Orapa came on stream in 1971 it had cost R28 million.

When Orapa proved to be more profitable than anyone had expected, the Government decided to re-negotiate the mining contract.

In terms of the agreement signed in 1973 the government’s equity in Debswana rose to 50 percent, again without payment, and the royalty and tax systems were revised.

In developing the Jwaneng mine, which came into production last year, Debswana again had to provide substantial infrastructure.

There was one difference: This time the government paid 20 percent of the R230 million cost.

Although the government and De Beers have equal shareholdings in Debswana, this does not reveal how the profits are split. “These are shared on a formula agreed by the parties and designed to give the government the substantially larger share,” said Mr. Louis Nchinda, the resident Debswana director in Gaborone.

Through this formula, which takes account of royalties, taxes and dividends, the government receives close to 75 percent of the profits, Mr. Nchinda has disclosed.

“The Debswana contract,” asserted Professor Beukes, “rips rewards from risks. There’s no proportion between what De Beers invested and what it earns.”

“If the government cannot afford to pay for the infrastructure, then it must forget the gratis equity and the State’s ownership of mineral rights. The developer must have security of tenure.”

The professor cannot accept that the re-negotiated contract has achieved the best deal for the Batswana.

“Those rules of the game will mean that the Botswana people will be worse off, because other mining companies will be frightened and minerals will be left buried.”

“A mining contract with the Botswana Government is no longer worth the paper it is written on because it can always be re-negotiated. Re-negotiation is creeping nationalisation.”

Botswana’s policies towards mining companies have been a success, the Minister of Mineral Resources, Dr. G.K. Chipe, has said.

While most developing states have seen a decline in prospecting, Botswana has experienced an increase.

Four multinationals, including BP and Shell, were looking for coal, Dr. Chipe said.

The object of her department’s policies was to ensure significant benefits for the Batswana and not just jobs for a few years.

Asked to comment, a De Beers spokesman referred to a recent speech in Gaborone by deputy chairman Julian Ogilvie Thompson.

Recalling the long and arduous negotiations that went into the Debswana arrangement, Mr Ogilvie Thompson said “They are the result of your government’s negotiating skill. A true sense of partnership has been built on both sides, comprising respect for each other and mutual concern.”

A diamond market observer said that for De Beers to maintain its dominance of world trading, its negotiators could not afford to adopt a take it or leave it line with Gaborone.
Will diamonds become a guy’s best friend?

I SAY!

Candid comment by Sue Grant

The sea of romance that the world diamond industry floats on has been a largely female one. Now there are increasing numbers of male surfers taking to those sparkling waters.

The latest market research figures issued by De Beers show that sales of men’s diamond jewellery jumped dramatically in the last quarter of 1982. They doubled compared with the corresponding period in 1981.

When I saw those figures, accompanied by a sophisticated, glossy magazine showing rather gorgeous men leaping off executive jets, striding down Wall Street, basked on expensive yachts, and all wearing diamonds somehow or another, it struck me what a clever exercise in marketing it all was.

I rang the Diamond Information Centre’s Caroline Macleod-Smith and asked her if this new market had been developed to offset both the slump in diamond buying and what I had heard was an oversupply of diamonds on the world market.

“You’re misinformed on both counts,” she replied, and whisked me over to her attractive, brightly decorated office where she and De Beers group public relations officer Neville Huxham plied me with the truth.

Although diamond jewellery sales were down by about nine percent last year, they have improved dramatically in recent months, says De Beers.

Rumours about a great stockpile of diamonds which, if released, would flood the market and bring prices crashing down are rumours and not fact, said Mr Huxham.

“But we hear these rumours too, and they are worrying,” the chairman of De Beers, Mr Harry Oppenheimer, pointed out in his 1981 chairman’s statement that some diamond prices were rising, which he warned people about chasing them and getting their fingers burnt,” Mr Huxham said.

And he showed me an advertisement De Beers had placed in the United States which reads: ‘This is a D-flawless diamond. The rumors about it are not without flaws’.

D-flawless means the diamond is colourless and internally perfect when viewed under 10-power magnification.

In 1971 a D-flawless one carat diamond sold for about $1,625.

It shot up to $65,000 two years ago.

Today the price is more realistic.

People have used these figures to say the diamond market has collapsed.

But De Beers says this is nonsense, explaining that there are only a few stones that meet the rare standard of perfection of the D-flawless (there were only 38 classified in the United States in 1981).

“Speculators simply bid up the price of the few D-flawless until it made no sense,” said Mr Huxham.

Then the price declined which, says De Beers, is not an unusual result when speculation gets out of hand.

Mr Huxham is concerned that people tend to expect an immediate return on diamonds and he told me about the television programme he saw on a recent trip to Australia.

Because of all the rumours about the bottom falling out of the diamond market, a television crew bought a ring at one store, then went around the corner and tried to sell it for the same price to another diamond dealer.

“Are you buying or selling?” inquired the dealer.

Selling, came the answer.

“Well, today I am not buying,” answered the dealer.

And that, said Mr Huxham, is what happens when you operate on the fallacious premise that you get an instant return on a diamond.

Investors can sell only when they find buyers, as is the case on the Stock Exchange.

“But a diamond’s value does appreciate with time, and if you look at the price of about $1,625 for a D-flawless rising over a 12-year period to over $20,000, that’s not bad,” said Mr Huxham.

I wondered what would happen if women ever decided en masse that diamond engagement rings were outmoded.

“I don’t think De Beers would ever deny that we sell for romance. Nearly all our advertisements and slogans deal with adornment and romance,” said Ms Macleod-Smith.

“There is definitely a market in diamonds for people who don’t know how to show their affections,” said Mr Huxham.

And he described an advertisement aimed at those poor, maligned, underachieving Englishmen who show the stiff-upper-lip chap who wasn’t at his baby’s birth, but gave his wife a teddy bear with a diamond ring around its paw.

His American counterpart, who has been wearing fraternity rings for years, made De Beers realise that they didn’t mind wearing rings, and one with a diamond in it was a logical extension.

Soon diamonds started appearing in Gucci belts, on key rings, bangles, pendants, ballroom bracelets.

There are 50 million men in the United States and 1.8 percent of them bought a new piece of diamond jewellery for themselves last year.

And why not? There is so much talk of Role Reversal now, I shall shortly expect to hear rumour of men on their knees proposing to men
Botswana takes 75 pc of diamond profits

JOHANNESBURG — The Botswana Government takes a "preposterous" 75 percent of the profits of the diamond mines discovered by De Beers, says Professor Theo Beukes of the mineral economics department of the Rand Afrikaans University. He says Botswana's policy differs radically from that of South Africa, where the government, admittedly of much greater resources, provides the infrastructure for a mine allowing the mining company to own the mineral rights (except for gold), and demands no free equity in the company.

In 1969 De Beers formed the Debswana company to mine Orapa, the first pipe found in Botswana. The government received 15 percent of the equity without payment.

Infrastructure

To develop the mine De Beers had to provide the infrastructure — a township, a power station, a 50-km water supply line — and by the time Orapa came on stream in 1971 it had cost R280-million.

When Orapa proved to be more profitable than anyone had expected, the Government decided to renegotiate the mining contract.

In terms of the agreement signed in 1975 the government's equity in Debswana rose to 50 percent, again without payment, and the royalty and tax systems were revised.

In developing the Jwaneng mine, which came into production last year, Debswana again had to provide substantial infrastructure.

R280-million

There was one difference: this time the government paid 20 percent of the R280-million cost.

Although the government and De Beers have equal shareholdings in Debswana, this does not reflect how the profits are split: the government receives closer to 75 percent of the profits.

"The Debswana contract -ips rewards from risks. There's no proportion between what De Beers invested and what it earns. "If the government cannot afford to pay for the infrastructure, then it must forgo the gratis equity and the State's ownership of mineral rights. The developer must have security of tenure."

Best deal

He does not believe the renegotiated contract has achieved the best deal for Botswana:
"Those rules of the game will mean the Botswana people will be worse off, because other mining companies will be frightened and minerals will be left buried."

"A mining contract with the Botswana Government is no longer worth the paper it is written on because it can always be renegotiated. Re-negotiation is creeping nationalisation."

However, the Minister of Mineral Resources, Dr. G.K. Chiepe, has said Botswana's policies towards mineral companies have been a success.

Multinationals

While most developing states have seen a decline in prospecting, Botswana has experienced an increase.

Four multinationals including BP and Shell, are looking for coal.

The object of its policies was to ensure significant benefits for Botswana and not just jobs for a few years

As an example of what the companies are planning, De Beers spokesman referred to a recent speech in Gaborone by the deputy chairman, Mr. Johan Ogilvie Thompson.

Recalling the long and arduous negotiations that went into the Debswana arrangement, Mr. Ogilvie Thompson said: "They are the result of your government's negotiating skill. A true sense of partnership has been built on both sides comprising respect for each other and mutual concern."

A diamond market observer said that for De Beers to maintain its dominance of world trading, its negotiators could not afford to adopt a 'take it or leave it line with Gaborone."
CSO sales up 40 percent, but likely to slow down

By Trevor Walker

De Beers chairman Mr Harry Oppenheimer has indicated he would like to retire as chairman once confidence and stability have returned to the diamond market.

And yesterday's announcement of a 40 percent increase in De Beers Central Selling Organisation sales for the first half of this year could indicate just that.

Sales of rough gem and industrial diamonds by CSO rose 40 percent to $837 million in the first half of this year, compared with the last half of 1982.

Sources close to De Beers are quick to point out, however, there is a traditional slowing of sales in the mid-year holiday period in the main international markets.

The rate of increase is unlikely to be repeated in the second half.

HANDBOME PRAISE

The increase was nevertheless higher than the market expected and must be viewed as encouraging in the light of difficulties experienced by the CSO in recent years.

The policy of withholding market supplies has now paid off and the De Beers' balance sheet has stayed strong, despite two appalling years. At the end of last year the CSO stockpile had risen to $1700 million.

It is a indication of the financial strength of the company that it has been able to overcome huge market pressures.

The position of dealers and cutters in the main centres has improved recently and bank borrowings in Israel, always a good indicator of the state of the market, have fallen to $400 million from the $1500 million two years ago.

It seems likely the total dividend for this year could equal the $6c paid in 1981, after having been steadily cut back from 76c of 1980.

De Beers received handsome praise from the Wall Street Journal in New York today for the "glittering success" it achieved in the face of a threatened collapse of its operations last year.

In a lengthy, front-page survey the influential journal said De Beers had dominated the world diamond industry for more than half a century by maintaining "an iron grip" on supplies.

But two years ago it looked as though the "mighty empire was unraveling".

A sharp drop in demand sent retail diamond prices plummeting and the market into disarray.

Zaire, a major producer of diamonds, dropped De Beers as its marketing agent and began selling diamonds independently. And huge new diamond discoveries in Australia threatened the market.

"But De Beers fought back in a globe-spanning campaign that involved smugglers and heads of state, diplomacy and threats and a diamond hoard worth more than $1 000 million. It appears to have paid off."

Late last year, Australia signed with De Beers. In March, Zaire returned to the fold.

A look at how De Beers acted offered insight into the workings of one of history's great cartels, the newspaper said.

Unlike Opec, which was forced to lower its prices for the first time in its history, De Beers never lowered its official price for uncut diamonds during the past two years of collapsing dealer prices.

The report quotes Mr Harry Oppenheimer saying: "We haven't gone through such hard times since I entered the business 50 years ago."

But having won Australia over and brought Zaire back into marketing operations, De Beers acted with more restraint than other cartels said the journal, pointing out that since 1973 De Beers has raised its uncut diamond prices by 100 percent while Opec, in the same period, raised the price of oil by 100 percent.
Big jump in CSO sales

SALES of rough gem and industrial diamonds by De Beers Central Selling Organisation jumped 33% in rand terms and 40% in dollars in the six months to June 30 over the same time last year.

The increase is greater than expected by analysts, but sources close to De Beers warn that a similar increase is unlikely in the second half of the year because sales usually decline in mid-year.

Sales in the first six months of this year totalled R690-million — R305-million in the first half of 1982 or $397-million ($224-million).

Sales for De Beers, tested R1 380-million ($1 257-million).

Analysts now expect an increase of about 20% for the year to R1 834-million (R1 350-million) and $1 700-million ($1 250-million).

A 3.5% overall increase in prices of rough gems at the beginning of April had little effect on the jump in sales which was attributable almost entirely to greater volume.

The dollar increase in sales is more important to the CSO than the rand increase as its receipts are in dollars.

The 40% rise in dollar sales was from an extremely low base. Sales in the first half of 1982 at $24-million were low after the decision by De Beers in the second half of 1981 to cut sales to stabilise the market.

Sales in the second half of 1981 at $531-million were less than half the $1 156-million in 1980.

They rose marginally to $532-million in the second half of last year.

Market circles say the recovery reflects not only a rally in Western economies, particularly in the main US market, but results from De Beers policy to reduce sales in 1981 and last year.

The level of stocks in cutting centres is now reported to be down to manageable quantities and buyers will be restocking.

However, De Beers does not expect a boom in the second half, but is cautiously optimistic that the figures will be better than in the second half of last year.

The improved first-half sales this year reflect strong retail demand over Christmas with the improvement continuing into 1983.

The demand for rough diamonds remains firm and the improved health of the market is reflected in the borrowings by people in the diamond trade in Israel. Borrowings are $498-million against $300-million at the same time in 1980.

The dealers were formerly heavily indebted to the banks and could not afford to buy stocks, but having paid off a great deal of the loans they are in a better position to restock.

Reports from Israel show that the value of polished diamonds in the last six months has risen 10% over the figure in the same time last year.

Mr. Oppenheimer, chairman of De Beers, said in his annual review at the end of March that the mood in the retail trade was more optimistic than it had been for some time.

He wrote: "While a rapid return to prosperous conditions is not to be expected it can, I think, be said that short of a further setback in the world economy a solid base has been established from which a gradual improvement in sales and profits can reasonably be hoped for."

The latest figures confirm his forecast.

Mr. Michael Grantham, marketing director of the CSO, said yesterday "polished-diamond demand, especially for cheaper, smaller stones has been firm for some time. Most people in the diamond trade are optimistic about the second half."

A year ago, sales of polished diamonds priced up to $1 500 a carat were brisk, but the "recovery was broadening" into categories priced from $1 500 to $3 000 a carat.

Mr. Grantham warned that the market in top-quality investment diamonds "remains depressed." Although top-quality D-flawless diamond pricewas from $15 000 to $20 000 a carat, they were well below the peak of $25 000.

First-half sales were helped by a revival in the United States, the biggest diamond retail market in the world.

When compared with the same period of the previous year, first-quarter retail diamond jewellery sales rose 16% in volume and 25% in value. West German and other European sales were less impressive, partly because of the volatility and strength of the dollar.

Mr. Grantham said that the CSO had increased sales volumes of small diamonds, but it continued to stockpile and encourage production reductions of the expensive stones. The recovery was still regarded as patchy.

In September last year De Beers raised the prices of small stones by 25% and a broader range of diamonds by a further 25% in April.

Although the stockpile was worth R1 800-million at the end of last year, Mr. Grantham said the company was confident that it could handle finance for the huge inventory.
Cape diamond concessions

State and Trans Hex winners

THE STATE and Rembrandt-controlled Trans Hex are the major winners in the Government's allocation of diamond-prospecting leases off the Namaqualand coast.

Other prospecting leases have gone to companies and individuals whose identities are puzzling established operators in the offshore diamond-mining business.

Entry of a potential applicant was not told by the Department of Mineral and Energy Affairs to the other lease holders are.

The department will not name all the holders of prospecting leases as it believes it is up to the holders to make the announcement if they wish to.

However, it has been possible to compile a list of lease holders and confirm the information.

The concession areas have been divided into three parallel zones running from Cape Columbine to the mouth of the Orange River which forms the boundary between South Africa and Namibia.

The three zones are:
- Shallow water (zone A)
- Middle-depth water (zone B)
- Deep water (zone C)

The shallow-water zones are:
- 1A, 3A, and 4A State Alluvial Diamonds
- 1A, 3A, 4A, and 5A Cliff Diamond Ventures (Gaukwo and Versluis)
- 6A, 7A, 11A, and 12A Terra Marina, which is a wholly-owned subsidiary of Trans Hex, 6A Dafah, 8A, and 9A Nama group, 10A Raggena.

These 12 concessions form the shallow-water zones worked by the new system introduced by the Department of Mineral and Energy Affairs.

The new shallow-water holders are:
- 1A North Bay Cannings (a subsidiary of Lambert's Bay), 1A Boesmondal Relegations, 1A Duselisala, 1A, 8A Eilandse Visserye, 1A Respo Vaaldraai, and 20A Mr J D T Coetzee.

The middle-water leases awarded are:
- 8B State Alluvial
- 9B Versluis & Nords
- 1B O'Kiep Marina
- 1B Deep Sea Diamonds
- 9B Dafah
- 1B Ocean Engineering
- 1B Nama group
- 1B Deep Sea Diamonds
- 11B Terra Marina
- 14B Seatek Corporation
- 15B West Point Fish

Leases 3B, 9B, 12B, 13B, 16B, 17B, 18B, 19B, and 20B have not been awarded.

The deep-water leases awarded are:
- 1C State Alluvial
- 2C Selecton Trust
- 3C Seafood
- 4C and 5C De Beer
- 11C Terra Marina

The remaining deep-water leases have not been awarded.

According to a statement by the Minister of Mineral and Energy Affairs, Mr P T C. du Plessis, applications for prospecting rights over the vacant sea areas will not be considered for two years.

The statement said certain lease areas might not prove profitable and areas were being kept in reserve for those who invested on a large scale in unprofitable areas.

Terra Marina, with five concession areas, is the major holder of leases. The company held four of the original sea-mining areas and has kept them as 5A, 7A, 11A, and 12A.

The addition of 11B and 11C gives the company a continuous strip of claims running out to sea, which is seen by mining men as a good combination.

The only other lease holder to have a similar arrangement is the State Alluvial Diggings B, which has the three coast lease areas which border its alluvial operations on shore, and then 1B and 1C. The No 1 leases borders Namibia and there is apparently some uncertainty over where the international boundary line is to be drawn.

This may have been a major factor in the State's taking over these leases.

They will be mined by Government employees and profits made will go to Internal Revenue.

There is considerable interest in diamond-mining circles over the number of newcomers to the operation and in particular the identity of the people to whom awards have been made personally.

Setting up an ocean-bed mining operation requires a minimum of R500,000 in capital.

This would be doing it in the cheapest way by chartering a boat, hiring a skipper, driver, and crew, and buying a treatment plant.

Anyone setting up a large operation with several boats is looking at an outlay of between R2 million and R3 million, according to industry sources.

At least two companies, Dawn Diamonds and De Beers, do not appear to have done well in the awards.

Dawn pioneered the geological examination and recovery of diamonds from the seabed in this area, working Terra Marina's four claims on a royalty basis until Terra Marina took three of them back.

The one concession given to the company seems small reward for the work it has done.

De Beers, according to Business Mail's information, has two deepsea concessions. A De Beers spokesman would not confirm this.

The company has considerable expertise in the recovery of marine diamonds and the financial muscle to do it in a big way — major factors in its favour if what the Government wants is rapid development of the area and its subsequent rewards in tax and lease payments.

However, the Government may think, perhaps justifiably, that De Beers has more than its share of the South African diamond-mining industry.
Interim dividend maintained

De Beers profit up 45%

By BRENDAN RYAN
Mining Editor

DE BEERS Consolidated Mines has increased its interim taxed profits, excluding the share of retained profits of associates, 45% to R146 500 000 or 40.7c a share.

The interim dividend for the six months to end-June has been maintained at 12.5c a share.

For the half-year to June 30 last year De Beers had taxed profits of R109 800 000 or 28c a share.

The results reflect the continuing improvement in the world diamond markets but the unchanged dividend shows De Beers is not yet convinced of the recovery.

The maintained dividend is in line with most market expectations although some analysts had hoped there would be a small increase in the interim payout bringing it up to around 15c to 17c a share.

De Beers shares dropped from Monday's close of 1160c to around 1150c in early morning trading ahead of the release of the results yesterday.

The shares fell further in afternoon trading to close at 1143c.

Income from De Beers diamond account rose 46.5% to R159 900 000 in the six months from R109 500 000 previously.

Investment income was 11.5% up at R101 000 000 (R90 300 000) while interest receipts rose 30% to R32 000 000 (R23 000 000).

De Beers also made R7 400 000 (nil) through the sale of part of its investment portfolio to take advantage of the stronger trading conditions on the Johannesburg stock exchange.

The group's share of retained taxed profits of its associated companies, which include Anglo American Corporation, Anglo American Industrial Corporation and Monyco, dropped to R3 300 000 from R3 500 000.

This share of retained earnings of associates is an equity-accounting measure and has no effect on De Beers distributable earnings as the money is not available to De Beers.

De Beers' costs dropped 21.3% to R63 800 000 from R81 100 000 and the principal factor was a 94% fall in interest charges to R32 100 000 from R43 600 000.

This figure reflects the cost to De Beers of maintaining the diamond stockpile operations of the Central Selling Organization (CSO).

Short and medium-term borrowings were virtually unchanged at R358-milion (previously R351-milion) although they have dropped from the level of R394-milion at the end of December last year.

The cost of financing the stockpile has dropped because of lower interest rates but it appears the size of the stockpile has not declined.

This coupled with the fact that sales of the larger stones, which are far more profitable, have not yet improved are probably why De Beers has maintained the interim dividend.

De Beers tax bill shot up to R72 500 000 from R75 000 000 reflecting the improved diamond account profits and a sharp drop in capital expenditure.

The group has completed its expansion program to reach a total production capacity of 19-milion carats and the only project left is the extension to the Premier mine.

Attributable profit including retained taxed profits of associates was R239 800 000 (R233 100 000) while De Beers was liable for R16 100 000 (previously R14 000 000) as its share of the losses made by Sigma Motor Corporation during the period.

COMMENT While the diamond business is improving it clearly has a long way to go before it can be considered healthy. That's the message of the De Beers interim results.

While chairman Mr Harry Oppenheimer may be talking about improving conditions in the diamond market it will be some time before investors see them in the form of increased dividends from De Beers.

Profit margins on the sales of the smaller diamonds for which there are buoyant market conditions are slim compared to profits made on the sale of the large stones.

Demand for these luxury items can only be expected to improve when the economic recovery is irrefutably under way and probably quite well advanced.

Assuming a 50% pick-up in De Beers earnings for 1983 as a whole this would put earnings a share at around 57c and total dividend prospects between a maintained 37.5c and a repeat of 1981's 50c.
De Beers causes concern in latest Aussie diamond pegging rush

Own Correspondent

MELBOURNE - A new wave of diamond pegging has focused attention on the remote far northern area of Western Australia, sparking talk of important new discoveries which have been denied by the giant companies operating there.

The latest rush is close to the site of Lake Argyle, in the Kimberley, where three major concerns have pegged almost 40,000km² in the past few weeks.

CRA, which holds a major portion of the stake in the Argo joint venture, which runs the world's biggest diamond mine at Argyle, has claimed an area of 28,000km²; BHP, which has claimed 8,600km² in a block adjoining CRA's ground, while the British Selection Trust Company (BSTC) has laid claim to 4,600km² of the Kimberley, including some 2,000km near the Gibb River also being claimed by CRA.

A Wardens court hearing will settle the dispute in the near future. The diamond hunt is now focussed on the Drysdale River area of the Kimberley, with explorers working upstream in search of kimberite deposits which give away the site of the rich AK-1 pipe at Smoke Creek near Lake Argyle more than two years ago.

That pipe is now coming on stream and contains enough diamonds to increase present world output by 50% for the next 20 years, with a production potential of 25-million carats a year.

Bankers involved with the Argyle deal seem to be unimpressed with the Australian group's marketing contract with De Beers which gives South Africa manipulative power over the resource.

They claim to be disturbed at what they term commercial contradictions in the De Beers contract, especially the thought of Australian diamonds being sold through a group which owns competitive mines and manufacturing plants elsewhere.
Tinto digging for Bop'swana gems

By BRENDAN RYAN — Mining Editor

RIO TINTO South Africa has opened a large alluvial diamond mine along the Molopo river, some 10km from Mafikeng, in Bophuthatswana.

The group has so far spent R5 million on the project, which will treat 500 tons of gravel a day or a total of 400,000 tons a year.

The first year's operations are intended as a trial mining programme to determine the distribution and value of the diamonds in the deposit.

Production started in June but the official opening by Bophuthatswana President Lucas Mangope was held last week.

Rio Tinto SA managing director Mr Al Leroy said yesterday the deposit was low grade. The viability of the operation would depend on the size and quality of the diamonds found.

"You need a large sample from which to judge the viability of the total deposit."

"We intend taking samples from different parts of the deposit over the next year to establish the overall pattern," he said.

Mr Leroy said that since starting in June, operations had confirmed the deposit was low grade but contained high-quality gem diamonds.

He declined to give the estimated grade of the deposit.

He said the lease granted to Mafikeng Diamonds, the Rio Tinto subsidiary carrying out the mining, amounted to 2,500ha, of which about 700ha was alluvial gravel.

Rio Tinto has set up a heavy-media separation plant to screen the gravel and provide 10 tons of heavy mineral concentrate a day. This is then processed by radiometric sorting.

Diamonds in the concentrate fluoresce when exposed to X-rays and are then blown by air jets from the moving stream of concentrate into collecting trays, where they are sorted by hand.

It is estimated there are about 20 million tons of alluvial gravel on the claim — enough to keep the plant going at a rate of 100,000 tons a year for 50 years.

"The present operation is a respectable sized one and the viability of the mine does not depend on expansion," he said. "However, a decision will be taken after the year's trial milling on whether to expand the mine's capacity or not."

"Hopefully, the year's results will show we are able to go ahead with the mine on a long-term basis," Mr Leroy said.

The site is historic, as diamonds were discovered there in 1901. By the 1920s, considerable exploration activity was under way.

Parts of the area were declared alluvial diamond diggings in 1925 and there are still some small family mining operations being carried on in the area.

Mr Leroy said records showed the largest diamond found in the area in the 1920s was of gem quality and just under 110 carats.

Rio Tinto started investigations in 1961 and last year decided to go ahead with the present venture.

The Rio Tinto group allocated R5 million to cover the capital cost of setting up the mine and the first year's working costs.

Mr Leroy said negotiations were presently under way for the sale of the diamonds.

"I can't comment on our sales negotiations but as a relatively small producer, we could sell anywhere in the world."

Rio Tinto's previous diamond experience in South Africa involved an assessment of the Letseng-la-Tera kumulite pipes in Lesotho in the early 1970s.

The group eventually decided not to go ahead with the mine, which was subsequently opened up by De Beers.

It was closed down last year and the latest De Beers annual report revealed the mine had overall made a loss on its operations.

Rio Tinto associate, CRA Limited, is currently setting up the world's largest diamond mine at Argyle, in Western Australia.

CRA holds 56.8% of the Argyle joint venture, which will produce 25 million carats annually at full output.
Size doesn’t worry Ogilvie Thompson

CSO stockpile could rise again this year

By BRENDAN RYAN

THE DIAMOND stockpile built up by De Beers to support the international diamond market may rise slightly this year according to deputy-chairman Mr Julian Ogilvie Thompson.

In an interview with the American jewellery magazine, The Goldsmith, he said, “I have never been worried about the size of our stockpile, providing it is properly financed, which it is.”

Mr Ogilvie Thompson’s comments in the September issue of The Goldsmith follow the release of De Beers interim results for the six months to end-June which were generally seen as disappointing.

While the results were 45% up on the first half of 1982 they were well below expectations. Diamond account profits of R169 550 000 were below the R172-million earned the last six months of 1982.

When diamond account profits were compared with the CSO sales figures for the relevant periods they appeared to show a slight drop in profit margins between the first half of 1983 and the first six months of 1982.

The level of borrowings at June 30 also indicated there had been no drop in the size of the stockpile despite improvements in the international diamond markets referred to in the last De Beers annual report.

The CSO stockpile was valued at R132-million at December 31 last year.

Mr Ogilvie Thompson told The Goldsmith he was not concerned about the financial requirements placed on the Central Selling Organisation (CSO) by the need to buy the production of Zaire’s Mbah mine and Australia’s Argyle mine.

“Zaire this year returned to the CSO fold after breaking away two years ago while Argyle is expected to produce 26 million carats annually from the mid-1980’s,” he said.

Argyle reaches its full planned capacity by the mid-1990’s its total production at current prices will be of the order of US$200-million a year.

“Mich, now achieving better prices with us than under its previous independent arrangements, represents at present production levels a total value of approximately US$200-million a year.

“In either case we are not talking of huge outlays in relation to our overall arrangements with and commitments to other producers,” Mr Ogilvie Thompson said.

Asked whether De Beers had flooded the market with Zaire-type diamonds to bring down prices after the country broke away from the CSO Mr Ogilvie Thompson said there had been no fall in the price of Zaire’s gem diamonds.

“We held stocks of natural heart, in accordance with the CSO’s role and these were held off the market to support the pricing structure of the Zaire production, our only major suppliers at that time of natural industrial diamonds.

“On the cessation of the contract in May 1981, we reassessed our stock levels in the light of the changed circumstances and concluded that we held more stock than one needed on purely commercial grounds,” he commented.

De Beers will not support the development of professional diamond investment markets such as a futures market or a computerised public trading market, according to Mr Ogilvie Thompson.

He said De Beers policy would remain the promotion of good quality diamond jewellery available from reputable retail outlets as the best medium for investment.

“The events of the past few years have highlighted the problems brought about by the gyrations of the investment market.

“There are a number of residual problems, including the number of different methods of certification and a lack of a facility for the consumer to resell easily, all of which make it difficult to conceive that a publicly recognised trading market is feasible,” he commented.

For a variety of reasons we have found it inappropriate to put our name to the investment market or to endorse any of the investment schemes which have been put to us,” he commented.

Mr Ogilvie Thompson told The Goldsmith that Thailand and Malaysia were developing as cutting centres for smaller diamonds but New York, Antwerp, Israel and India will continue to be the major cutting centres.

“We have not been asked to assist the joint venture partners in the Argyle mine in establishing a cutting factory,” he said.

“We understand the Australians are looking at the feasibility of setting up a cutting factory in accordance with their obligations to the Western Australian government.”

“Until the studies are completed there is no indication of what type of material they are proposing to cut.

“The first shipments to the CSO which commenced in April this year have been valued on a consistent basis.

“As with all productions, there are variations in size and quality which has meant some variation in the average price of each shipment.”

Mr Ogilvie Thompson said De Beers had no intention of lowering diamond prices in spite of the period of distribution which the world’s major economies have entered.
OLD'S

Consold's comment that it would not be giving any
more details about its plans for the future, should be of
interest to investors.

Consold's recent issues of £1.8m in 1981 and £1.6m
in 1982 at a price of £1.50 per share, for a total
issuance of £3.4m, in addition to the £2.9m
distributed to shareholders in 1981, have helped to
boost the share price to £3.75.

Consold's recent announcement of a $50m
acquisition in the US has been greeted with
enthusiasm by shareholders, who hope to see the
company's share price rise to $75 in the near future.

Close to 9.5 million shares were traded on the
London Stock Exchange in the last trading day of
September, with a market capitalisation of £30 million.

Consold's management team has been praised for
their successful management of the company, and
the future looks promising for Consold.
De Beers among world profit leaders

Own Correspondent

JOHANNESBURG — The diamond trade may be depressed but De Beers profits look surprisingly good when viewed against those of world business outside the United States.

The point is driven home by Fortune magazine's latest survey of the largest 500 industrial corporations outside the United States.

Fortune determines its ranking on turnover, and on this basis De Beers is ranked a lowly 372 with sales for 1962 of $1.2564m.

Top of the list is Royal Dutch/Shell with total 1962 sales of $837.850m. However, when the companies are ranked by profitability De Beers shoots up to number 16 in the list on its 1962 net income of $355m.

Six oil giants

If you take out the six oil giants which are based outside the United States then Fortune ranks De Beers the tenth most profitable business in the world outside the United States.

De Beers equity accounts for its results and included in the net earnings figure used by Fortune is the group's share of earnings retained by its associates.

These retained earnings are not available to De Beers and therefore not available for distribution to its shareholders.

Taking a harder line on De Beers and ranking it only by its attributable earnings, excluding retained earnings of subsidiaries, the results are still impressive.

De Beers had earnings, excluding its share of the retained earnings of associates, amounting to $178m in 1962.

Retained earnings

This comparison is probably unfair to De Beers as it ranks it against companies whose earnings may also have been 'equity' accounted for and include their share of associates' retained earnings.

According to Fortune magazine 1962 was the worst business year since the magazine first started its international ranking system 26 years ago.

Total net income of the 500 companies fell for the third year in a row and the 39 percent decline was the sharpest yet recorded.

In all, 123 of the international 500 companies lost money which is another record for the survey.

The biggest losers were YPF of Argentina which went $3.670m into the red, ENI, the Italian state oil company, which lost $3.207m and British Steel which lost $683.1m.

Same league

De Beers profits are in the same league as those of Daimler Benz which earned $382.9m but on sales of $16.023m.

The 15 companies which earned greater profits than De Beers in 1962 were Royal Dutch Shell ($837.850m sales and net income of $3.497m), BP ($51.322m sales and net income of $1.245m), Unilever ($231.125m sales and net income of $65.636m), Petrobas ($19.005m sales and net income of $579.2m), Elf Aquitaine ($17.785m sales and...
De Beers finds fame and fortune

By BRENDAN RYAN

THE DIAMOND trade may be depressed but De Beers profits look surprisingly good when ranked up against those of world business outside the United States.

The point is driven home by Fortune magazine's latest survey of the largest 500 industrial corporations outside the United States.

Fortune determines its rankings on turnover. On this basis, De Beers is ranked a lowly 372nd with sales of $132 million.

Top of the list is Royal Dutch Shell with total 1982 sales of $83,759 million.

When the companies are ranked by profitability, however, De Beers shoots up to number 18 in the list on its 1982 net income of $395 million.

If you take out the six oil giants based outside the US, Fortune ranks De Beers the 16th most profitable business in the world outside the US.

De Beers equity accounts its results included in the net earnings figure used by Fortune is the group's share of earnings retained by its associates.

These retained earnings are not available to De Beers and therefore not available for distribution to its shareholders.

Taking a harder line on De Beers and ranking it only by its attributable earnings, excluding retained earnings of subsidiaries, the results are still impressive.

De Beers had earnings, excluding its share of the retained earnings of associates, amounting to $178 million in 1982.

That is still good enough for it to be the 48th most profitable business in the world outside the US, by Fortune's figures.

This comparison is probably unfair to De Beers, as it ranks it against companies whose earnings may also have been equity accounted and who include their share of associates' retained earnings.

According to Fortune, 1982 was the worst business year since the magazine started its international ranking system 26 years ago.

Total net income of the 500 companies fell for the third year in a row and the 30% decline was the sharpest yet recorded.

In all, 123 of the 500 companies lost money — another record for the survey.

The biggest losers were YPF, of Argentina, which lost $3,670 million into the red, ENI, the Italian state oil company, which lost $1,037 million, and British Steel, which lost $631 million.

De Beers profits are in the same league as those of Daimler Benz, which earned $383 million but on sales of $14,025 million, Ciba-Geigy with profits of $304 million on sales of $6,793 million, and Nippon Steel with profits of $226 million on turnover of $14,473 million.

The 15 companies which earned greater profits than De Beers in 1982 were Royal Dutch Shell ($83,759 million sales and net income of $3,457 million), BP ($21,322 million sales and net income of $1,245 million), Unilever ($33,120 million sales and net income of $1,008 million), Petrobas ($13,005 million sales and net income of $792 million), Edison Acquaviva ($17,785 million sales and $326 million net income), Nissan Motor ($16,412 million sales and $440 million net income), Petrocelis de Venezuela ($16,681 million sales and $2,500 million net income), Shell Oil ($16,681 million sales and $502 million net income), Toyota ($15,647 million sales and $965 million net income), BAT ($15,477 million sales and $919 million net income), Matsushita ($14,862 million sales and $439 million net income), Nestle ($13,611 million sales and $546 million net income), Kuwait Petroleum ($16,254 million sales and $1,094 million net income), General Electric ($15,507 million sales and $883 million net income) and Schaeffler ($6,025 million sales and $1,348 million net income).
Diamond Revenue Likely to be up 35%
De Beers lifts profit 20 pc: Dividend 40c

ALTHOUGH the market for large stones was still weak, De Beers lifted profit 20 percent to R530,2-million (R442,5-million) in 1983 and the final dividend has been raised by 2,5c to give a total of 40c for the year.

Production from the group's diamond mines rose 22,7 percent to 21 349,522 carats.

The book value of diamond stocks rose by R421,8-million — of which R223,4-million was due to the change in the rand-dollar exchange rate — to a total of R2 233,5-million.

The chairman, Mr Harry Oppenheimer, says the year 1983 was considerably better than 1982.

"However, the early promise of a return to normal conditions which I reported in my last statement was not fully realised and the market for larger, better quality stones remained weak throughout the year."

THROUGH CSO.

A higher proportion of the world's diamond production than ever before during the 50 years was marketed through the Central Selling Organisation.

Sales by the CSO were 27 percent more than in 1982.

"While markets are generally better the demand for the large stones of good quality is nevertheless still restricted.

"Many of our customers suffered severe losses during the depression years and are naturally cautious about holding stocks of high quality goods, particularly at a time when real interest rates remain exceptionally high.

"Moreover the banks who were perhaps unduly ready to provide credit during the boom years are now being extremely careful in making advances."

INDEBTEDNESS

"Stocks of diamonds in the cutting centres and bank indebtedness have been sharply reduced so that the trade is in a much better position from which it should be possible to expand the current level of business with safety."

Most of the increase in production from the group's diamond mines came from the new Jwaneng mine.

Its first full year's production was 5 852,963 carats — 3 231,355 carats more than in 1982.

Spending on prospecting was cut by R1,6-million to R41,4-million.

Income from the group's investments outside the diamond trade increased by R12,7-million to R181,7-million.

Audrey d'Angelo
Diamonds are crumbling, but who is to blame?

The African took from his pocket a small, grubby, square of paper. He unfolded it and rolled a thumbnail-sized diamond on to the white pad of hisspectacles. The dealer examined it through the magnifying glass under the fierce fluorescence of the desk lamp, tossed it on to his electric scales and stabbed at his calculator.

"What do you want for it?" he asked. "Five thousand dollars a carat." The dealer laughed. "Forget it," he said. "Seven hundred maximum."

The African laughed, too, and rose, gathering his cheap, heavy overcoat around his thin tropical suit. His companion wore a woollen jumper under his long white coat. They paused for a little social chat, then shook hands and let themselves out through the double-locked doors.

"They imagine prices are the same as five years ago," sniffed the dealer. "But nothing is the same. The diamond market has recently been violently depressed by unpredictable and half-hidden forces. Some blame uncontrollable smuggling, and others the dominant giant of gem-trading, De Beers."

The Africans hurry from dealer to dealer up and down Pelikanstrasse, the street which runs alongside Antwerp's monumental ironwork railway station and the heart of the world's diamond-dealing and cutting trade.

It is not illegal to import diamonds into Belgium, a carrier can easily hand them over to customs when he arrives, and name a dealer. The customs send them to the diamond office at the back of Pelikanstrasse, where the dealer picks them up.

The African traffickers have to smuggle them out of Zaire, Sierra Leone, Angola and other African countries. Congo Brazzaville, which has not a single diamond in its soil, has become a minor exporter.

One of the unwritten rules about the trade is that no questions are asked. Though experienced dealers can tell from which country a rough diamond comes, even down to which mine.

The smugglers stay at the Tourist Hotel, a gloomy block on Pelikanstrasse, or in flats just off the street I visited one at which 40 or so will stay, sometimes sleeping on the floor. At least eight children sat and played on the floor and I could hear more noise. It was an African "village" on the seventh floor.

The Antwerp market is still devastated.

Some of the traffickers are lawyers, with permanent residences in Belgium. They act as brokers and provide a stream of various goods, from motorcycles to cloth, for others engaged in the trade to take back to Africa to exchange for rough diamonds in the bush.

They provide up to 20 percent of the Antwerp market, earning a good living for themselves but causing severe problems to the countries from which they export. Until recently, Angola was said to be losing up to a third of total production in this way.

De Beers, the South African company which controls the world trade in diamonds, dismisses smuggling as a "mere trickle," but it takes them seriously enough to offer advice to clients producers who suffer from the traffic.

Diamond, De Beers' buyers in America, smuggled diamonds too, but they have to mop up pools of diamonds on the open market for their own stockpile, now estimated to be worth around $2 billion, which control the market.

Dealers have mixed feelings about De Beers. They recognise that violent fluctuations in the price and supply of diamonds would destroy the market. None of them has the financial backing needed to stockpile, so they accept that monopolistic control is necessary.

On the other hand, they are under no delusion about De Beers' motives, and they resent the company's methods. In Antwerp they are still angry at the way De Beers handled the investment craze of the late 1970s and the subsequent collapse of the demand and price.

In March 1980, prices scrambled to a record $600,000 a carat for the highest grade, then fell to a fifth of that price.

The Antwerp market still lies devastated. In the house, a high-windowed modern hall that resembles a student dining room, dealers play chess, drink coffee and chat. Only a few sit across the tables from each other, briefcases opening to discuss the heaps of gems spread out on the white paper before them.

"We will make a great deal of money.

Few dealers will talk publicly about the trade. De Beers, ever publicity-shy, discourages the divulgence of trade secrets, but one dealer told the Times recently, "De Beers followed the investment market and sold when the price was high."

New diamond investment houses sprang up in the high inflation period of the late 1970s, many of them lacking the knowledge and trustworthiness the trade relies on.

Most of these disappeared with the crash, but many of the older firms collapsed too. De Beers' insistence that its sight holders buy everything which the company offers them contributed to the fatal squeeze on some of these firms.

A new system of grading diamonds introduced during the investment craze drew distinctions so fine that even the experienced human eye cannot distinguish between seven different grades.

"The old system was based on trust," the Antwerp dealer said, "You sold a diamond because it looked beautiful. The new grades are just for investors." He argued that De Beers could have issued its own quality certificates and even created an investment institution to protect buyers and dealers.

De Beers disclaims the power to influence the market or control the system, presenting itself as the responsible holder of an essential, almost inevitable, monopoly.

One De Beers executive once called the company a producer cooperative merely responding to demand, a description that hardly matches the immense political and economic power of the multinational.

The investment fever did put the company in a dilemma. De Beers could not allow a big build-up by competition of stocks which might later flood the market and threaten their own monopoly.

To deter demand, they raised their prices by imposing surcharges. This move, however, failed, and the bubble burst only as a result of a rise in interest rates in the United States.

As prices were tumbling in 1981, Harry Oppenheimer, chairman of De Beers, said, "I think we will come through, and you will find that with the stocks we have accumulated, we will make a great deal of money.

Last month his prediction began to come true. After two lean years, De Beers announced profits of nearly £270 million in 1983—a 20 percent increase on 1982.

The ripples of this revival in the diamond trade are barely felt in Antwerp yet, and the market in good-quality gems, Antwerp's specialty, is still weak. On Pelikanstrasse, the only sign of life remains the African traffickers.
Life after the crack

A crack in the facade of the community center is visible, possibly due to structural issues or wear and tear. The community center is an important hub for the neighborhood, hosting various events and gatherings. The presence of the crack raises concerns about the safety of the building and the need for maintenance or repair. Residents are urged to report any further damage to ensure the continued safety of the facility.

The local government has acknowledged the issue and is in the process of assessing the extent of the damage. Immediate actions have been taken to secure the area and prevent any further deterioration. Long-term solutions are being considered to ensure the integrity of the community center.

Residents are encouraged to stay informed about updates and to participate in discussions regarding the future of the facility. The community center plays a crucial role in the social fabric of the neighborhood and its preservation is vital for the well-being of the community.
beginning to sell some of the large ones now. The interesting thing is that retail sales of those diamonds at the very top have continued — not at the very high levels of the late Seventies, but they have remained at an encouraging level.\" Ogilvie Thompson adds that stocks held in the cutting centres appear to be declining, which should presage higher off-take from the CSO. Of course, high interest rates in most countries do not encourage the trade to hold large stocks. At the same time, interest rates may defer better demand for rough diamonds from the CSO. The strong US dollar also impedes an improvement in retail sales by causing an effective rise in the price of diamonds in all non-US markets.

De Beers is trying hard to boost sales of top-quality gems, largely by changing the emphasis of its advertising towards this sector. 'We have been encouraged by the warm reception that our shift in advertising has received, both from the retail trade and to some extent from consumers,' says Ogilvie Thompson.

**Holding stocks**

He adds, however, that it is simply too early to tell what second-half sales figures will look like. What he does not expect, though, is a significant decline in De Beers' diamond stocks in the short term. He has various reasons for this.

'I have never been that concerned about holding these stocks provided they are properly and soundly financed,' he says. 'It is certainly better for us to hold them than the cutting centres or people further down the line. That is what we are there for. The whole policy and structure of the group has been developed over the last 50 years to handle a situation like the one we have been going through. While we would rather not have to be borrowing money, we are not borrowing an inordinate amount in relation to the total value of our assets.'

Indeed, by most standards, De Beers remains very low-gearing, and there can be no concern at present that it will ever face financial difficulties. Last December the ratio of interest-bearing debt to shareholders' funds was only about 15%. The R73m interest bill barely exceeded the R66.7m received in interest. Apart from the income on the diamond account of R439.2m (R287.5m the previous year), there was a further R151.7m (R149m) in investment income and R258.8m (R240m) received from associated companies.

Overall, the diamond account comprised only 48% of income, yet has considerable upside potential with further improvements in demand for rough diamonds.

Investment income is earned mainly from stakes in Anglo American, Amic, Minoro, JCI, gold shares and some leading industrials such as Barlow, Premier and Sassel. With about 75% of total investment income derived from Anglo, Amic and Minoro there seems little prospect of a..."
Higher taxes blow for De Beers mine in SWA

By BRENDAN RYAN

Johannesburg — The tax increase slapped on Consolidated Diamond Mines (CDM) by the SWA-Namibian government could shorten the life of the De Beers-controlled beach mining operation CDM's resident director, Mr. Doug Hoffer, said in Windhoek on Wednesday that the higher the taxes levied on CDM the greater the areas of mining ground which became unpayable.

He said this trend was compounded by continued high working costs caused by inflation. A CDM spokesman said yesterday it was too early to say precisely how the tax increase would affect the economic viability of the mine's future operations.

The diamond mining tax imposed on CDM was increased to 55 percent from 50 percent in this week's SWA-Namibian Budget for the year to March 31.

At the same time general sales tax was raised to nine percent from seven percent.

Mr. Hoffer said that without taking into account the increase in general sales tax the total tax to be paid in 1984 by CDM will rise to about 75 percent of profits which he regarded as excessive.

CDM's previous total tax rate was about 66 percent.

The company does not disclose its earnings but it is a wholly-owned subsidiary of De Beers and the group's only operation in SWA-Namibia.

Operations

The 1983 De Beers annual report showed that its SWA-Namibian operations contributed 14 percent of group taxed profits — excluding share of retained profits of associates — of R360.1 million which puts CDM's earnings for the year to end-December at about R50 million.

CDM is taxed in a number of ways by the SWA-Namibian government. It must pay a 15 percent diamond profits tax in advance on estimated profits.

It then pays a 55 percent diamond mining tax against which the diamond profits tax is deducted so the combined effective rate is 55 percent.

In addition CDM pays diamond export duty of 10 percent on the sales value of all diamonds exported from the country.

This tax has particularly incensed CDM's management because it is a tax on revenue and productivity, as opposed to profits.

Mr. Hoffer has called for its abolition saying the tax is wrong in principle and works against motivation for greater productivity.

Export duty is also applied to South African diamond mines but at a rate of 15 percent.

De Beers provides no detailed information on the financial performance of its various mines.

However, in the last three years of diamond market depression some mines, through the export duty, could have been paying tax while actually losing money on their operations.

CDM sells its diamonds to the Central Selling Organization (CSO) through the Diamond Producers Association in South Africa. It pays a commission to the CSO on these sales but cannot deduct this from the sales revenue on which the export duty is levied.

The CDM spokesman declined to say how much commission the CSO levied on purchases from CDM.
Sequel to leaked documents

De Beers hits out over mining policy

Mercury Correspondent
JOHANNESBURG—De Beers has come out fighting in response to documents which have been leaked to the Press concerning mining policy at CDM in SWA/Namibia.

Attempts are being made through the Press to convey a misleading and inaccurate impression about CDM's mining policy by the use of obselete documents stolen from the company.

'The motives behind these attempts are questionable and seem to be part of a deliberate plan to create uncertainty and unfounded suspicion in the public mind at a sensitive time in the political evolution of South West Africa/Namibia,' the group said in a lengthy statement released last night.

The strength of the reaction from De Beers is unprecedented. The group holds a near-monopoly on the world diamond trade and is obsessed with the secrecy of its operations.

It has traditionally refused to comment on speculative articles or 'inside' stories about its operations.

'Allegations made against the present CDM concerning possible tax evasion during hearings of the Thorton Commission in SWA went largely unanswered by De Beers because Mr Justice Thorton was not prepared to hear evidence in camera. De Beers also did not reply conclusively to Press allegations arising from the hearings but it is believed a major concern was to avoid being found in contempt of the Commission through Press statements.

De Beers' public relations manager, Mr Neville Huxham, said in Johannesburg last night: 'We comment only if we believe the circumstances warrant it. We are reacting now to avoid the allegations being made against us gaining credence by going unanswered.'

The documents which have been leaked to the Press date from 1977 and include life-of-mine plans based on possible alterations in the factors such as grade, taxes, production rates and costs which affect the mine's life.

The plans looked at possible best, worst and average scenarios.

The technique is one used throughout the mining industry in forecasting life-of-mine future operations.

Documents

One of the worst case scenarios of the CDM documents showed that the mine could make losses in 1986.

Mr Huxham said last night: 'The documents showed as a planning exercise that under certain adverse circumstances CDM could hypothetically make a loss next year.'

'However, the people leaking the documents are going around saying that it is gospel that CDM will lose money next year and we say that is nonsense.'

Other allegations being made against the group following the leak of the documents concern the remaining life of the mine and the question of over-mining.

Last night's statement from De Beers says: 'The stolen documents have been used out of context and in such a way as to imply that the company's production policy has been deliberately designed to shorten the life of the mine to the detriment of the national economy and in breach of the Halbeheid Agreement.'
Oppenheimer visits Aussie diamond site

The Star's Foreign News Service

MELBOURNE — Mr Harry Oppenheimer, chairman of De Beers and dubbed "the king of diamonds" by the Australian Press, yesterday surveyed the scarred face of a remote and desolate hilltop in the far north of Western Australia.

He was inspecting the Argyle mine in the Kimberley district which, just two years from now, will produce more diamonds than De Beers' current output.

Last year De Beers produced 21.35 million carats and it is estimated that by 1986 Argyle will be producing 25 million carats annually.

Just over half will be industrial diamonds and will significantly affect the Western world market now dominated by Zaire, South Africa and Botswana.

Mr Oppenheimer is accompanied on his Australian visit by Mr Julian Thompson, who succeeded him as chairman of Anglo-American and who will also take up the reins at De Beers.

De Beers' central selling organisation will buy up to 100 percent of the mine's gems and 75 percent of the industrial diamonds.

Our Perth correspondent reports that Mr Oppenheimer said: "The technical nature of these industrial diamonds will differ to some extent from those produced elsewhere, and similarly the gems will have different technical qualities.

"They will require different skills and present different difficulties — and different advantages."

Mr Oppenheimer said this meant that a strong marketing effort would be needed.

He was confident that the Argyle diamonds would be absorbed by the market.
De Beers hit as Reds dump gems

HEAVY Russian diamond sales, forced by a poor grain crop, threaten to put pressure on De Beers’ control of the world market.

The Soviets are dumping diamonds on a major scale — depressing what would otherwise have been a highly buoyant market for SA’s diamond cartel manager.

Business Times has established the Soviet Union’s dumping strategy after interviews with experts on Soviet exports and diamond dealers.

This confirms statements from the 22nd World Congress of Diamond Beurus and Manufacturers held earlier this month in Antwerp.

De Beers, in its annual report, said the Soviets were selling off diamonds in a bid to earn hard currency.

The Antwerp congress passed an unprecedented resolution calling for restrictions to be reimposed on Soviet diamond sales.

Restrictions on Soviet sales were also imposed in 1953 — with a resulting drop of 40% in Soviet polished diamonds sales. The Soviet Union had less need for foreign currency last year after a good grain harvest.

The Antwerp congress also warned that the Soviets would be the principal beneficiaries from the current demand for high quality diamonds.

Congress delegates said unless Western governments took strong action to prevent the Soviets from selling low-priced diamonds the industry would be adversely affected.

The Soviets have chosen diamonds instead of gold or oil because of the high price in this market over the last six months. Both gold and oil, the traditional props, have suffered major price declines over the period.

Diamond sales worldwide, in dollar terms, were 25% higher in the first six months of this year than in the same period during 1983. The Soviets are cashing in on this boom.

Double

In the first six months of this year the Soviets sold $160-million worth of polished stones, double the figure for the first half of 1983. Sales of other classes of diamonds have not yet been established but are believed to have increased similarly.

The Soviet Union, which has unknown diamond reserves in Siberia, has traditionally worked closely with De Beers, supplying through the SA’s giant’s Central Selling Organisation.

Its new strategy is a clear divorce from past actions. According to diamond industry sources, the Soviets are selling diamonds this year below market prices in a desperate attempt to raise hard foreign currency. Russia’s grain crop did not satisfy domestic demands and Soviet foreign reserves need proping up.

The Soviet tactic of dumping diamonds below market prices was confirmed by a spokesman for the Diamond High Council in Antwerp in an interview with the US’s Radio Liberty.

He said: “With world oil and gold prices depressed, the Soviets have turned to selling their diamonds in record numbers.

“The Soviets don’t follow the diamond market closely — they sell diamonds when their government says so. If they are uncompetitive, they will readily undercut market prices to move their stones. They are selling stones right now and are hurting the industry.”
Oppenheimer
finally retires

By Duncan Collings

South Africa's best
known businessman and
one of the country's ri-
chest men, Mr Harry Op-
enheimer, is to retire
from his last active busi-
ness post — that of chair-
man of the giant De
Beers organisation — at
the end of 1984

Previously chairman
of the Anglo American
empire, Mr Oppenheimer
relinquished this post at
the end of 1982, but
stayed on at De Beers to
help see the diamond
group through some dif-
icult years

He has served on the
board of De Beers for the
last 30 years and on the
death of his father, Sir
Ernest, took over as
chairman in 1957

Mr Julian Ogilvie
Thompson will take over
By the time Julian Ogilvie Thompson becomes chairman of De Beers next month, the company will have emerged from the worst patch in its history. He is also chairman of Mineroce and Amgold, and joint deputy chairman of Anglo American Corporation. Widely regarded as the inheritor of Harry Oppenheimer's mantle within the group, at 51 he is by no means a mere caretaker until Nicholas Oppenheimer's turn comes.

Ogilvie Thompson projects assurance when asked about De Beers' medium-term and long-term prospects. "We're well over the worst," he tells the FT: "We show a very strong balance sheet, despite having had to borrow a good deal in contrast to earlier years when we had money on deposit.

"The distortions of the late Seventies boom were the root of the problem. There was a lot of speculative stocking of rough by the trade. This distended the pipeline. When interest rates rocketed, dealers ran down their stocks. Hence their bank debt."

This has now largely evened out, he says, helped by two years of record retail sales. "and we anticipate a record again this year. Demand for higher-quality gems is increasing too — not so much in the US, which accounts for the bulk of sales, but in Europe and the Far East. It's a slowly rising tide."

Speculation

There was a brief period of speculation that Zaire or Australia might successfully break with the Central Selling Organization's (CSO) marketing function, but that led nowhere. Asked whether the CSO did, in fact, flood the market with industrial diamonds to pull Zaire back into the nest, Ogilvie Thompson quotes Oppenheimer's remark at the time, to the effect that Zaire was more likely to be an example than a trend.

"We're glad they're back in the fold. To say we flooded the market to force them back is putting it the wrong way. If we're responsible to a particular type of producer, we'll ensure an orderly market. If we are not responsible, then obviously we have no reason to support them, and they face normal competition."

This year also saw the Soviet Union as a source of disruption in the polished-diamond markets. "And because this is a market of rumours," Ogilvie Thompson says, "they upset the market badly. They increased their rate of sale and changed their marketing method, selling more polished to a larger number of buyers at lower prices. So I think we'll find we've sold less rough..."
Ogilvie Thompson has something of the image of a chilly perfectionist. Certainly, he is highly controlled and reserved, perhaps formal rather than cold, and extremely methodical in exposition.

Ogilvie Thompson, son of a former Chief Justice, was a Rhodes scholar. He took his PPE at Worcester College. After a stint with Anglo's London brokers and as a merchant bank, he returned to Johannesburg and was soon working as Oppenheimer's personal assistant.

After five years, he moved to Anglo's finance division. He first joined De Beers' board in 1966 at 32. As an executive director of Anglo after 1971, he had considerable pull in shaping the group's policy during the Seventies and was involved in developing Mmomo.

He's commonly described as the man who never makes mistakes. "Well, obviously, it's the other way round, but pleasing all the same. What does it describe? Caution, yes, and careful analysis – but luck is also a factor."

Outsiders often express bafflement at the Byzantine process of policy formation in De Beers and Anglo. Asked how the decision-making process works at high level, Ogilvie Thompson says: "It's the result of research, study and intensive discussion. Obviously, people look to the chairman for guidance."

"But this isn't a sphere for quick, off-the-cuff decisions. Marketing involves developing consumer attitudes over a long period. Structures, positions and decisions evolve over time. One needs a kind of statesmanship."

Will the publicity involved in his new position disrupt his hitherto closely guarded privacy? Ogilvie Thompson doesn't seem to be considering a much higher profile. "Frequent statements aren't called for from the De Beers chairman. They'd lose their validity."

And, of course, there are the large areas of confidential operation. With some force, Ogilvie Thompson argues: "We're entering contracts and setting terms with the trade and a wide range of producers. They don't make those terms public, and it would be wrong to expect us to do so. What major enterprise does?" And, yet, people still react suspiciously to the CEO."

Ogilvie Thompson stresses the continuity of De Beers' policy. What new developments does he want to see during his chairmanship? Fulfilment of plans worked out for a sound market, he says, to get stocks "a bit down, though not to the levels of the late Seventies. I hope to see increasing diversification of assets, with further investment outside the diamond industry, so we'll continue to be able to meet crises."

And, of course, there will be crises. There are the effects of the business cycle, and, as a luxury product, diamonds are susceptible. Production increases don't happen on the same regular basis as rises in consumption, so there will always be fits and starts in the market."

Ogilvie Thompson lives in a sprawling, unpretentious holding in Sandown with his British wife Tessa, daughter of the late Viscount Hampden. He has four children, the youngest of whom are at university. He enjoys bird-shooting and fishing, and has an eastern Transvaal game farm on the Klaserie River. "Which has some water in it again at last."

He'll be spending Christmas there for the 14th time in 16 years — relaxing before assuming the mantle.

Fritz Stockenström
The real point

Fritz Stockenström, executive director of the Afrikaanse Handelsinstituut (AHI) popularly describes himself as "abashedly aggressive and aggressively abrasive – sometimes" in furtherance of his duties.

At 57, he's headed the AHI for the past 18 years, and is eager to extract you proudly, and exhaustively, on the AHI's activities. He is disturbed by responses to the AHI's recent joint statement with Justice Minister Louis le Grange: "It's wrong to say that we recanted on the joint position taken with the PGI and Ascomoc. Everybody missed the real point."

Stockenström explains energetically: "It was a joint statement, and thus the paragraph on consultation between the AHI and the Minister reflects the Minister's agreement in principle to close co-operation in the future, though naturally we can't expect police to check with us about every arrest. One can't ask more under the present invidious circumstances. And of course we support government fully in maintaining order against possible insurrection."

Asked about future relations and possible co-operation with Ascomoc and the PGI, he says emphatically: "I can tell you now that a take-over bid from them is just not on. AHI is the only multi-sectoral employer body in SA. My executive consists of seven specialised sections responsible for commerce, industry, mining, finance, the motor trade, pharmaceuticals, tourism and consumer co-ops. Where would such diverse membership go to?"

"Our inception in 1942, emanated from the economic unit of the Federale van Afrikaanse Kultuurverenigings. It was designed to help Afrikaansers catch up after years of exclusion from economic opportunity. That has given us an idiom of our own. And that in turn put us in the vanguard in establishing contact between modern government and the private sector – especially in the period after the Carlisle and Good Hope conferences."

Stockenström explains: "The AHI was the first organisation, he says, to make representations to the then PM Hendrik Verwoerd about forming the Economic Advisory Council. Stockenström serves on it, as well as on the National Manpower Commission, Dawie de Villiers' Industrial Advisory Committee and the State Tender Board."

He feels strongly that, for its "beleaguered economy" to survive international-
ally, SA must broaden its range of economic opportunity, and that the new constitution has taken that as far as "our society can digest at the moment."

Dismantling influx control would detonate impossible urbanisation in the absence of appropriate jobs and housing, he believes. The AHI leaves representations on relaxation of Group Areas to local authorities.

Born and brought up in Prince Albert, a Karoo town in the Swartberg foothills, "a proper Afrikaner boy from a real platteland school," Stockenström did B Comm Hons at Stellenbosch. He went on to lecture in business economics at the University of the OFS in the early Fifties, where he graduated with an M Comm cum laude.

But from 1954 onwards, he was honorary director of the FCT's Free State and Northern Cape branch in Bloemfontein: "The Chamber couldn't afford a full-time director, but it was practically a full-time job all the same. That was my professional turning point. I developed a strong interest in development and deployment of SA's economic potential, particularly the factors of management and labour."

Stockenström served as president of the OFS chamber for two years before moving to Pretoria to head the AHI in 1967. "It gave me a solid background, put me in touch with businessmen and industrialists all over the country."

That's still his job, and it's satisfaction. "I'm a multi-sectoral animal. I like to move fast, take quick decisions. I don't suffer fools gladly." Clearly he enjoys his authority and responsibility. In any year, he spends at least 90 days on the road, away from his wife and son at home.

"I'm hooked on the variety, the kaleidoscopic life — dealing at one moment with multinationals and the gents of industry, and the next with small platteland entrepreneurs," Stockenström says. He's had a sufficiency of interesting offers from the private sector, but he intends to stay in the saddle at the AHI until he retires.
Mine retrenchments bring deep concern

By PIPPA GREENE

Weekend Argus Reporter

NAMAQUALAND community leaders are deeply concerned about the retrenchment of 600 workers at Octa diamond mine near Oranjemund.

The isolated Richtersveld village, Kuboes, from where most of the workers come, is already depressed and the huge retrenchment has seriously affected the already poor community, according to a local clergyman.

The Rev Benny Faroe of the NG Sendingkerk, the largest church in the district, said the community depended entirely on the diamond mines for work.

"There are no other job opportunities here and the other mines cannot accommodate these people," he said.

Namex, which owned Octa diamond mine, which went into provisional liquidation on September 11, has laid off all except 88 workers, according to a National Union of Mineworkers organiser, Mr Howard Gabriels.

He said the workers had received no severance pay and had major problems obtaining unemployment benefits.

According to Mr Faroe, there is no public transport in the area, which is designated a coloured reserve, and the jobless have to hire private transport to collect their benefits at the magistrate's court in Port Nolloth, 145 kilometres away.

Mr Gabriels said workers sometimes spent more on transport than they received in benefits.

The regional welfare board for Namaqualand said the retrenchment of the diamond workers would "contribute to the chaotic conditions of the area", already hard hit by drought and unemployment.
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Diamond area labour malpractices probe

By EBRAHIM MOOSA
Political Reporter

LABOUR malpractees taking place on the diamond-concession areas in Namaqualand will be fully investigated, Mr Danie Steyn, Minister of Mineral and Energy Affairs, said yesterday.

He was speaking at the committee stage of the Mineral and Energy Affairs budget vote in the House of Representatives.

Mr David Curry, Minister of Local Government, Housing and Agriculture, also asked Mr Steyn to ensure that the issue of mining concessions in Namaqualand be brought under the control and administration of the House of Representatives. These areas consisted predominantly of coloured people.

Contracts had been given to prospectors by the now defunct Coloured Development Corporation and were now controlled by the Small Business Development Corporation.

Mr Curry also called for the conditions of these contracts to be changed to ensure that mining companies ploughed some percentage of their profits back into the development of the area.

Mr Steyn agreed to the proposals in principle and said that Mr Curry should take the initiative on this issue.

Labour MPs from the Namaqualand region emphasized that although their constituencies provided a large amount of South Africa’s wealth, the local people gained little from it.

Mining companies in the Northern Cape spent large amounts of money on their white employees while coloured employees were neglected, Mr J D Krueger (LP, Hanatam) said.

Mr Les Abrahams (LP, Diamant) said that developing communities required special State aid to bring them into the mainstream of the mining industry.

Mr A. Friedberg (LP, Springbok) said that operators on some diamond fields were paid an average of R100 a month.

Mr Les Abrahams also called for greater flexibility in the service station rationalization plan.

Minimum standards for the benefit of consumers were necessary. However, the Motor Industry Federation in its rigid application of the regulations had instructed oil companies not to supply fuel to service stations which did not comply with the requirements laid down.

Coloured service station owners were affected by these regulations.

Mr Steyn said the rationalization plan would be reviewed later this year.
Ship repair staff wary of offers

Shipping Correspondent
THE most interesting feature of the South African marine engineering industry must surely be its unpredictability, since complexes no sooner put staff off because of absence of work when there occurs a rush of important contracts requiring instant service and appropriate expertise.

Advertisements have been appearing in the media in recent weeks for marine filters, offering all sorts of fringe benefits. But many men are mindful of the case with which they are again declared redundant when volume of work slackens off.

Not even the most proficient market survey can correctly assess the number of force majeure assignments such as when the research ship African damages its steering mechanism in the Antarctic, or the Italian box carrier Alexandra must dismantle and rebuild its main engine after serious damage to bearings from misalignment.

And a ship bound to the Far East for demolition which diverts to Durban for essential engine repair is another threat for an industry seeking additional work.

But the rates of exchange tend to make shipowners thankful that faults occur when off the Cape coast rather than anywhere else. To undergo repair in the United States, now, leads to an account to European insurers which causes immediate shock, hence the relative inactivity of North American shipyards.

There is no doubt that the accelerated dredging for diamonds off the Namaqualand coast has produced more work for shore engineers in ships requiring modification and/or maintenance.

Many prospectors foresaw the day when waters north of the Orange River could be verboten for South African ships, hence the intense activity to dredge and shift the northern mouth of the Orange before the change of control.

Not only are ships being specially modified for the task, but another has just reached the Republic on charter to Johannesburg interests committed to the same operation.

Coaling ships along the Namaqualand coast report the presence of a wide variety of craft sitting the seabed sand for gems.

Little is ever said or written of the value of stones recovered.

While it has been said that political prejudice has kept some ships away from South African engineering expertise, there is no doubt that pure economics are inducing many owners to ignore other aspects and send their craft in.

British, Polish, Italian, Greek, Dutch and other countries have utilised Republic repair shops.

The prospect of further oil recovery off Knysna and Mossel Bay should mean additional tenders and service craft, which in turn could use facilities at Port Elizabeth.

Mossel Bay harbour is not large enough to accept any sharp increase in traffic volume, but there is no reason why this inlet halfway between Port Elizabeth and Cape Town should not become an important terminal for the gas pipelines and deposits for tenders.

It could happen that the marine engineering industry on the seaboards will see an encouraging industry in the next few months.
Leanest time since Depression feared
De Beers treads a rocky road

By NEIL BEHRMANN
LONDON. — Diamond dealers say that De Beers is facing the most trying times since the Great Depression of the 1930s.
The position could worsen if international disinflation continues for several more years.

"I am very worried about the Central Selling Organization (CSO) — the marketing arm of De Beers," a London dealer said yesterday. "It is going through a very difficult period.

Dealers fear that the CSO could lose its hold over the international diamond market because demand for more profitable high-quality gems is not matching supply.

For the moment, De Beers is clearly in control because it has the funds to enable it to stockpile unsalable stones and because it is cutting production.

But dealers believe these holding operations cannot continue indefinitely.

This will be especially true if the downward trend in inflation continues to take the glitz off quality diamonds and if the strong dollar keeps prices high outside the US.

Such is the depression in demand for more expensive stones that several reputable dealers in Antwerp, the world's biggest diamond market, have failed.

Bankers in Antwerp say loan losses from diamond insolvencies could exceed several hundred million dollars.

A spokesman for Antwerp Diamond Bank says there have been about half a dozen bankruptcies in recent months. About 20 to 25 diamond firms have been liquidated. They are still trading under the management of creditors.

The main bank creditors in Antwerp are Amro Bank, Antwerpse Diamant Bank and Algemene Bank Nederland (Belgium).

Amro, a large Amsterdam institution, has been forced to reorganise its Antwerp division. It has closed an independent subsidiary, Amro voor Belgique, and set up a branch that can be controlled directly by the head office.

Amro voor Belgique, operated in Antwerp for nearly 50 years, had been an important source of high-quality diamonds.

An Amro spokesman says the new branch will continue diamond activities on a selective basis.

Dealers fear the collapse of large Antwerp dealers and bank credit restrictions on others will have a bad effect on De Beers' sales.

CSO turnover dropped from $945m in the first half of last year to $668m in the second.

A large proportion of this increase was in industrial and cheap gems, produced mainly in Australia.

Soviet gem production, the bureau estimates, rose from 2.1 million carats in 1982 to 3.3 million in 1983.

Other large production increases have occurred in Zaire, Botswana, South West Africa and the Finch and Premier mines in SA.
De Beers is cutting back

De Beers has retrenched five senior officials in Kimberley, reshuffled the posts of 23 and asked 13 to retire early.

The retrenched officials were told yesterday that their services would be terminated on February 7.

Employees fear more retrenchments in the next two months and expect the middle ranks of officials to be affected.
De Beers — Diamonds Resume Rising Trend

BY ARNOLD RYAN

THURSDAY, APRIL 25, 1985

Business Report
Seasonally Adjusted Annual Rates

USA Real GNP Growth

Business Report

Thursday, April 25, 1985

The Business Consultancy
A Complete Range Of

The Facts Underlying The Facts
AND OTHER

The DEPUTY MINISTER OF LAW

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Debswana production rises

By BRENDAN RYAN

BOTSWANA's growing importance in the international diamond industry is underlined by the production figures for 1984 contained in the De Beers annual report.

Production from De Beers Botswana (Debswana) mines rose to 12.9-million carats in 1984 from 10.7-million carats in 1983. This was equal to 55% of the total output from De Beers' Southern African mines of 23.336-million carats for 1984.

Botswana's contribution for 1983 was equal to 50.2% of the group's total production for that year of 21,840-million carats.

The main reason for the boost was increased output from higher tonnage throughput and a sharply higher grade at the Jwaneng mine.

Jwaneng increased the throughput of material treated to 5-million tons (1983 - 4,817-million tons) and grade jumped to 149.62 carats/100 tons (121.51 carats/100 tons).

Jwaneng's diamond production rose to 7,451-million carats from the previous year's 5,658-million carats.

Output from Botswana's other two mines, Orapa and Letlhakane, also increased.


Production from all De Beers other mines was largely unchanged, with small increases or drops recorded.

CDM went after higher grade material in 1984. The mine's grade rose to 12.32 carats/100 tons (10.94 carats/100 tons).

This meant diamond production fell only slightly to 930,183 carats (962,752 carats) despite a 21% fall in material treated to 7,558-million tons (9,599-million tons).

Output from the Kimberley division was 6,694-million carats (6,127-million carats).

Output from the Namaqualand mines rose marginally to 906,817 carats (883,280 carats).

Production from the Premier mine, near Preton, dipped to 2,556-million carats (2,644-million carats).

The Koffiefontein mine in the northern Cape remained closed in 1984 as did the Amex Klemzee plant in the Namaqualand mines division.
Nicky is set to sparkle as king of diamonds

NEIL BEHRMANN in London

Nicky has succeeded his uncle, Piero, as the head of the world's most famous jewelry house. The news has震撼ed the jewelry world, much to the delight of the Italian high society and the international elite. Nicky, known for his sharp mind and business acumen, has promised to continue the legacy of his family's business, ensuring its continued success.

The growing stockpile a pain for producers

NICHOLAS OPPENHEIMER will be telling British producers that this year will be the most challenging they have ever faced. Demand for diamonds is soaring, with prices reaching record levels. The production of rough diamonds has increased, but the supply chain is struggling to keep up. To meet the demand, new mines are being explored, and existing ones are being expanded. However, the rise in production is not enough to meet the surge in demand. The situation is putting a strain on producers, and they are predicting a shortage in the near future.

Coughing up for designer cigarettes

RALPHIE, NORTH CAROLINA— Five years ago, cigarette companies started making designer cigarettes. These high-end products, with prices ranging from $10 to $20 per pack, were designed to appeal to a new demographic of smokers. The trend has since faded, but it remains a significant market for some companies.

In the beginning there was the calculator

It was a new idea. It had never been advertised. And it cost a fortune. But the people who sold calculators started to advertise them. That was hardly a new idea. But, it did cost a fortune.

Now, you might think that all expensive advertising would drive the price of a calculator to innumerable heights. But that was not the case.

In 1965, the Calculator was in its infancy. It was a new idea. It had never been advertised. And it cost a fortune. But the people who sold calculators started to advertise them. That was hardly a new idea. But, it did cost a fortune. Now, you might think that all expensive advertising would drive the price of a calculator to innumerable heights. But that was not the case. It’s really quite simple. Advertisements, spreads news. When it spread the new of the calculator, people started to buy...
Costly diamonds back in favour

ROY BENNETT

DIAMOND prices have jumped recently on international markets, with the top-grade stones gaining favour as an excellent liquid asset for the investor. The top-quality Solitaire is in demand once again, having been replaced in recent years by the lower-grade cluster diamond jewellery.

One market analyst warns that the move to high-priced single stone investment could be risky, as the value of a diamond is determined by taste as well as a complex scale of grades.

Top of the heap is still the one-carat flawless white D, but it is not unknown for a good "fancy" (coloured stone) to be changed to resemble a "white".

Quality diamonds are believed to make up 90% of the value of De Beers' stockpile, but they represent only 12% of the total amount of stones.

This implies that there are some very-high quality stones which could be released onto the cutting markets in Israel, Amsterdam, London and India. Value of this stock is expected to show a 39% increase when the De Beers report is released in the next two weeks.

The first CSO diamond "sighting" this year realised a significant $677m (R1.67bn), a 25% improvement compared to the latter half of 1984. This figure is expected to exceed $300m (R1.02bn)

in the second sighting of this year.

Stockbrokers Warburg, Rowe & Pitman, Akroyd (Rowak) estimate rough diamond sales for the full year at $1.75bn (R3.45bn).

Threat of a Russian dumping of polished stones — at prices below the De Beers rough-stone mark — still hangs over the CSO, regardless of an agreement reached this year between De Beers and the Soviets.

Past experience has shown the Russians are prone to forget any agreement if they require foreign currency.
Red diamond threat fades

ROY BENNETS 22/7/85

The diminished threat of Russia dumping polished diamonds on the market and signs of an improvement in the sale of larger stones is seen by brokers, Warburg, Rowe & Pitman, Akroyd (Rowak) as reason to recommend buying De Beers shares.

The recommendation takes into account the temporary fall in demand from India earlier in the current year, when authorities were investigating the local cutting industry.

Rough diamond sales in the first half of 1985 totalled $837m (R1 570m), 25% better than in the second half of 1984 but still 11% lower than in the first half. In rand terms, sales were 49% and 42% higher respectively due to the sharp fall in the rand.

Rowak see these results as encouraging and believe there will be further improvements. The firm feels the market is becoming accustomed to the higher dollar price of the stones but cutters' stocks are falling.

For the full year, Rowak estimate sales of about $1 750m (R3 460m) and expect an increase in De Beers' earnings to 220c a share for 1985.

In view of the high discount on net assets, the better outlook for diamond sales and probable dividend increase, Rowak recommends a purchase of this stock.

Estimates by Rowak for the year to end December 1985, compared to 1984, show a 35% increase in diamonds stocks to R500m and a 21% increase in income.

Pre-tax profits are estimated to gain 25%, with tax and minorities and pref dividends leaving a figure of R790m as attributable to De Beers.

Earning a share, excluding associates, is estimated at 122c and with associates 220c. The dividend is expected to rise 25% to 60c a share.
Better sales and weaker dollar renew diamonds' glitter

De Beers regains its sparkle

LONDON — Improved diamond sales and a weakening dollar are making De Beers a favourite again.

SG Warburg, Rowe & Pitman, Akroyd, the Anglo group's brokers, recommend buying De Beers because of "the better outlook for diamond sales, the high discount to net assets and the probability of a dividend increase".

Rough diamond sales of De Beers' marketing arm, the Central Selling Organisation, rose by $837m in the first half of the year. This is 26% better than the second half of 1984, but 11% lower than the first half.

RAND WEAKNESS

In rand terms, however, sales were 49% better than the six months to December because of the weakness of the rand.

Rowe & Pitman say stocks at the cutting centres are still falling.

A report in the Mining Annual Review, which tends to be written by De Beers' staff for its clients, has this view, saying "During the last five years diamond stocks in the cutting centres have fallen by nearly $5bn, five times as much as the rise in (De Beers') stock inventories in the hands of jewellery manufacturers and retailers have likewise fallen significantly.

Rowe & Pitman predict sales will reach $1.75bn (R8.45bn) this year.

They expect an increase in earnings, excluding associate companies, from 92.4c to 122c and, including associates, from 198.4c to 220c.

They expect the dividend to rise from 40c a share to 56c.

Brokers Lango & Cruikshank contend De Beers might become fashionable again. The low rand rate "virtually ensures major earnings growth this year", they say.

"While the recovery in the diamond market is not convincing, the run-down in cutting centre stocks may be close to the stage where even modest gains in retail demand for diamond jewellery will have a disproportionate impact on the cutting centres." This would indicate better sights.

"As with the gold mines, the rand value of De Beers' sales set a new record last year. While the gold mines were able to capitalise on these trends, De Beers was hampered by the continued increase in the stockpile and — even more — the distortions of financing abroad this dollar-denominated asset.

"Given the remarkable stability of the rand since last January, we do not expect the currency factor to have the same impact on the balance sheet this year, but there should still be a benefit to the profit and loss account."

"This is why we are forecasting an increase in earnings (including associates) from 188c to 307c."

Lango & Cruikshank say the main imponderables are the pending influx of diamonds from Argyle in Australia, and when the stockpile will be run down.

OUTPUT RAISED

A Mining Journal report, for example, shows that world diamond production has increased from 45.59-million carats in 1981 to 63.87-million carats last year.

Most of these stones are industrial but Botswana, which has a large proportion of gem diamonds, raised output from 4.96-million carats to 12-million carats.

De Beers' 24.2% investment in Anglo, 10.1% stake in Minenco and 3.35% interest in Atnie amount to about 96c a share. With other investments, net asset value — excluding the huge diamond stockpile of R3.6bn, or 1 041c a share — the non-diamond portfolio is worth 1 160c a share, compared with the market price of 1 048c.
De Beers 'quota shortened mine life' 

WINDHOEK — Consolidated Diamond Mines over-mined at Oranjemund in SWA/Namibia to meet the quota demands of De Beers, South Africa, a former CDM official, Mr Gordon Brown, said yesterday.

Mr Brown was giving evidence to the Thirion Commission of Inquiry into the misapplication of State funds and resources by the central and second-tier authorities in SWA/Namibia.

The commissioner, Mr Justice P W Thirion of Natal, began hearing evidence on the territory's Diamond Board and related issues before presenting a final report to the government.

Mr Brown said he had been employed by the CDM mine for 17 years and had once been technical assistant to the general manager.

He alleged CDM had over-mined in respect of stone sizes and the quality of the diamonds.

Economic basis

Over-mining could shorten the life of the mine because high-grade ore had to be exploited together with low-grade ore to maintain the economic basis of the mine.

Mr Brown said production in 1963 was about three times higher than in the previous years and that over-mining had been introduced at that stage.

The usual production of CDM was nearly 103 000 carats a month, but De Beers required 125 000 carats monthly.

Over-mining at Oranjemund had shortened the life of the diamond diggings by 13 years.

He had raised the issue with the SWA/Namibian Administrator-General, Dr Willie van Niekerk, and had been told the matter was being referred to the South African cabinet. He had not heard anything further — Sapa
Zaire diamonds may slip through De Beers' fingers

Argus Foreign Service

London - De Beers' Central Selling Organisation, which markets more than 80 percent of the world's rough diamond output, may face a second severance in relations with Zaire, probably the world's biggest producer.

Negotiations have failed to produce a renewal of the contract between the two, which expired three months ago, reports George Milling-Stanley in the Financial Times.


That caused a serious blow to the CSO's pride, says Milling-Stanley, and aroused fears that other diamond producers in Africa, already uneasy about the closeness of their relationship with a South African group, might be tempted to follow suit.

AD HOC BASIS

In the event, none did, and Zaire returned to the CSO a little under two years later, as a result of pressure from De Beers and the World Bank, and falling revenue from sales to the independents as the downturn in the market intensified.

At present, the CSO is continuing to handle Zairean diamonds on an ad hoc basis.

"There is, however, much speculation surrounding the latest batch of diamonds representing a month's production from the big Miba mine.

Belgian interests are known to be eager to re-establish their traditional footing in Zaire's economy, and there have been suggestions recently that the whole of last month's diamond output was sold outside the CSO.

Although probably the largest producer in the world by volume, Zaire's importance in the diamond business is lessened because the bulk of its output consists of the lower-value industrial material, with comparatively few gems.

Mine security is lax and many of the better stones are smuggled out of the country.

Milling-Stanley says the consequences of a renewal of the struggle between the CSO and one of its leading suppliers would much more serious than the first breach.

"Antagonism towards South Africa is running much higher among the neighbouring black states than was the case four years ago, owing to a combination of the recent unrest in the country, the armed incursion into Botswana and the installation of a South African-sponsored interim government in SWA/Namibia.

LARGEST MARKET

"This can only intensify the pressure which will be brought to bear on the other diamond-producing countries, Botswana, Angola and Tanzania, to sever their connections with South Africa."

But a second withdrawal by Zaire would not be the worst thing that could happen to the CSO.

"That, without any argument, would be another downturn in economic activity in the industrialised world, especially the US, which is by far the largest market for diamond jewellery."

In any event, he adds, Zaire could probably be persuaded to toe the line again fairly rapidly.

"With diamond stocks as high as they are, and the large Australian production of mainly industrial stones imminent, the CSO would have no trouble in adjusting the flow to the market so that Zaire quickly suffered the financial consequences of any further disloyalty."
CSO runs into trouble over Zaire contract

LONDON — The Central Selling Organisation, De Beers' London-based marketing arm, is having problems renegotiating a large sales agreement with Zaire estimated to be around $50m.

An agreement is crucial for the CSO's prestige because the cartel must demonstrate that it is well in control of most of the world's output. Any breakdown in talks could hamper negotiations with Botswana, Angola and Tanzania when their sales contracts expire in January next year.

A CSO spokesman insisted that negotiations were continuing, but the company could not comment on the substance of the meetings. The two-year contract to sell the production of Zaire's state-owned Miba mine, however, expired three months ago.

An Antwerp diamond dealer well connected with Zaire said the CSO would eventually win a new sales contract with the country. But the CSO was encountering problems, he said. It was negotiating for lower prices in the previous agreement it had paid an average price of $8.55 a carat for Miba's output. Miba produces about 6 million carats a year and about 90% of the diamonds are industrial.

The CSO, claimed the dealer, had insisted on lower prices while negotiations were continuing. To strengthen its hand, Zaire had offered the output of April and May to an Antwerp dealer, George Evens, and had been having discussions with a Saudi businessman

Evens said he had bought the diamonds, but would not comment on whether he was trying to whak the contract away from CSO.

But diamond sources said Zaire had not yet sold or delivered the diamonds to Evens. They believed it was merely a negotiating stance.

Zaire began selling diamonds to the CSO in 1967. But it fell out with De Beers in 1981 and signed a contract to sell Miba's output to three independent dealers. The CSO regarded this as a bad setback.

The loss of Zaire was more symbolic than financial. Most of Zaire's vast output is low-priced industrial grade diamonds known as boart. Zaire's output was, and still accounts for, a small proportion of the cartel's sales.

But the real danger at the time, as it is now, was that Zaire's departure might encourage other African nations to follow suit. The CSO regained the contract in 1983 because Zaire's financial plight worsened. The international diamond depression hardly helped either.

Dealers believe that Zaire cannot afford to leave the CSO because there is still a huge stockpile in the hands of the CSO and at mines. Australia's large production will be coming on stream and the market is still uncertain.
Big boost for diamond market

De Beers gem deal will stem Red tide

LONDON — The Central Selling Organisation (CSO), De Beers’ diamond marketing arm, has struck a deal with the Soviet Union to prevent the flooding of the market with Russian polished diamonds.

The understanding reached by the London-based CSO will come as a relief to the depressed diamond market.

A spokesman for De Beers in London confirmed yesterday that the CSO had been “authoritatively informed” that the Soviets would not increase the supply to the West of polished gem diamonds and that price levels would be maintained.

The spokesman declined to elaborate on how the understanding had been reached, though it is an open secret that contacts between Anglo African diamond executives and representatives of the Soviet marketing organisation have taken place over the years.

However, Johannesburg De Beers spokesman Neville Huxham said the arrangements in London had nothing whatsoever to do with the South African and of either De Beers or Anglo American Corporation.

The news of the Soviet decision is likely to give the market a major boost and increase the sale of rough diamonds by apprehensive diamond cutters.

Diamond dealers have complained that the Soviet Union is flooding the market with polished stones.

A sudden increase in the volume of sales of cut-price quality diamonds from the Soviet Union last year undermined market confidence.

Buyers were told “The CSO has been authoritatively informed that there is no intention to increase the level of supply of Russian polished diamonds in 1985 and that current price levels will be maintained.”

The new CSO chairman, Nicholas Oppenheimer, said last month that De Beers would use all its resources to finance its large diamond stockpile and keep a tight grip on the international market.

The flooding of the market with cut-price Soviet gems last year came during a seasonal downswing in the market and raised fears that the Soviets could hijack the polished diamond market.

The Soviet sales suddenly and inexplicably tailed off in September, but the impact on markets cut the CSOs 1984 second-half sales of rough stones to $668m from $945m in the first half.

De Beers broke the news of the deal to its buyers at its selling sight in London yesterday.

It was widely speculated at the time that the CSO had played its part in the Soviet restraint, though it was never fully explained why they had flooded the market in the first place.
De Beers in diamond deal with Russians

From JOHN BATTERSBY

LONDON — De Beers, the world’s major supplier of uncut diamonds has struck a deal with the Soviet Union to prevent the flooding of the market with Russian polished diamonds.

The understanding was reached by the London-based Central Selling Organization (CSO), the De Beers marketing monopoly, and will come as a relief to the depressed diamond market.

A spokesman for De Beers in London confirmed yesterday that the CSO had been “authoritatively informed” that the Soviets would not increase the supply to the West of polished gem diamonds and that current price levels would be maintained.

The spokesman declined to elaborate on how the understanding had been reached.

It is an open secret, however, that contacts between executives of the Anglo American Corporation and representatives of the Soviet marketing organization — some of them in Moscow — have taken place over the years.

Flooding

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Tailed off

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**Business Report, pages 15, 16 and 17**

**BUSINESS BRIEF**

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NUM, De Beers in wage dispute

By CLAIRE PICKARD-CAMBRIDGE

THE National Union of Mineworkers, which concluded its first recognition agreement within the diamond mining industry two weeks ago, has declared a dispute with De Beers over wages at its Namaqualand diamond division.

The NUM, which is demanding a 40% wage increase plus other benefits, such as additional leave days and service increments, has rejected De Beers' offer of an 8.5% wage increase.

The union described the offer as a ploy by the company to break the union's influence among workers at its Namaqualand diamond division, and said the company had also refused to make an offer on other items.

The union, representing 70% of the 3,000 workforce, claims the company has offered other unions increases of between 10% and 11%.

Registered office
19 Siemert Road
Doornfontein
NUM achieves new agreement

Labour Reporter

THE Namaqualand division of De Beer's Consolidated Mines has concluded a recognition agreement with the National Union of Mineworkers (NUM) - a breakthrough for the union in the remote north western Cape.

It is also the first time that the predominantly African NUM has been recognised on a mine with a majority of coloured employees.

A De Beer's spokesman said they were in the process of "finalising a recognition agreement" with the NUM, though it is understood the agreement will be signed this week.

The spokesman said negotiations leading to the agreement had started after the NUM showed it had more than 50% representation among the mine's 2 500 employees.

De Beer's already has a recognition agreement at its Kimberley Division with the Federated Miners Union, which recently merged with the SA Boilermakers' Society.

A spokesman for the NUM said the agreement was significant for the union as it had succeeded in organising workers in a very remote part of the world.

The only other emergent union to have recognition in the area is the General Workers' Union, which has organised workers at Jowell's Transport
De Beers back with a sparkle

DE BEERS' results for the first six months sparkled, in both share earnings and dividends, but still failed to satisfy the market.

The interim was raised for the first time since 1982 — from 12.5c to 15c — after earnings a share (excluding De Beers' share of the retained earnings of associates) jumped by 15% to 53.6c from 46.5c for the same period last year.

Before the release of the interim results JSE brokers were looking for earnings of 55c, and failure to reach expectations dropped the price of the shares from Monday's closing price of 1 195c to 1 165c at close of trading yesterday.

The diamond accounted improved by R118m to R318m, with income from investments outside the diamond industry increasing to R127m (R116m), and other income marginally up at R41m (R38m).

Taxed profits climbed by 13% to R403m (R356m), having been trimmed by a 102% increase in taxation and the State's share of profits to R127m (R63m).

Biggest shock in the report was the loss of R68m from the share of the results of associated companies. In the six months to June 1984 this item showed a profit of R64m.

Chairman Johan Ogilvie Thompson says that Central Selling Organisation sales for this first half amounted to R1,676bn, compared with R1,388bn for the corresponding period of 1984, and R1,126bn for the second half of the year.

He adds that over the six months, long- and medium-term liabilities were reduced by R105m to R776m and net current assets improved by R131m to R413m, showing an overall improvement of R236m.
De Beers glows only at home

DE BEER's diamond account may look like the start of a renewed interest in diamond buying but in world terms the upswing is more of a stutter than a grid-start.

In the six months to June the account soared by 53% from R308m to R118m, but, converted to dollars, it limped up by only 4% from $153m to $160m.

This difference in earnings is the result of the weakening rand, which fell from $3.74 in June 1984 to $4.50 in June this year.

Central Selling Organisation sales in fact show a 11% fall from $845m for the first six months of 1984 to $837m for the first half of the current year.

Chairman Julian Ogilvie Thompson says that CSO sales continue to show the improvement reflected in the first half of the year, with interest being shown in a broader range of diamonds.

His comment in fact refers to a gain from the $686m sales in the second half of last year, compared with the sales to June 1985.

First CSO sightings this year realised a significant $837m (R1,076m), being a 25% improvement compared to the latter half of 1984.

Analysts believe that there has been an upswing in demand for the top quality gem stones but these are only about 12% of the De

ROY BENNETTS

Beers' stockpile

Sales of the higher-grade gems can cause a large income variance because the 12% of quantity represents nearly 90% of the stockpile's value.

De Beers does not state the value of the stockpile in its interim report but, at the end of December, 1984, it shot up by R1,621m to R3,875m, mainly as a result of a revaluation against the falling rand.

Shock of the interim was the turn-around of R124m in the interests of associated companies. In the six months to June 1984, this item showed a profit of R64m against a loss of R60m for the comparable six months of the current year.

The was the result of De Beers' major holdings in Minoro and Amic.

Amic lost R44m in the second half of last year from its share of the down-turn in the trading of Amcar and the merger of Amcar and Ford S.A.

Minoro suffered an extraordinary loss of $40m (R76m) in the year to December from Charter's share in the Johnson Matthey Fusi- co and Cape Industries, and also from the closure of the Engelhard refinery.
Inquiry into mining is a ticking 'time bomb'

BRENDAN SEERY of The Argus Africa News Service reports on the background to a controversial judicial inquiry into alleged maladministration in SWA/Namibia.

The inquiry into mining in SWA/Namibia is a ticking 'time bomb', according to observers, and could bring about far-reaching changes in the SWA/Namibian diamond industry.

The interior report of the Turton Committee of inquiry, which deals with the mining industry, has been set aside for the time being due to the sensitivity of the evidence it contains.

Mr. Martin Grote, a diamond industry expert, told an inquiry that the mining industry in SWA/Namibia is not as efficient as it could be due to the lack of adequate resources.

The report also alleged that the mining industry is not adequately regulated and that there are instances of bribery and corruption.

The inquiry is expected to be completed within the next few months, and the government is expected to take swift action to address the issues raised.

The government has already taken steps to improve the diamond industry, including the appointment of a new minister and the creation of a new regulatory body.

The inquiry is expected to be a turning point for the diamond industry in SWA/Namibia, and could lead to significant changes in the way the industry is regulated and controlled.
Women sue for urban rights

Supreme Court Reporter
TWO contract workers and two women from Khayamandi, Stellenbosch, applied to the Supreme Court yesterday for orders that the Western Cape Development Board should recognize their right to remain in a “prescribed” urban area.

Applications by Mr Gavele Mduma and Mr Myleni Balemi were withdrawn after the rights were conceded and the WCDB and local labour officer agreed they should pay costs.

The two women’s cases were postponed sine die.

One was an application by Ms Thelma Matshanyi for an order declaring her right under Section 10(1)(a) of the Urban Areas Act to stay in the Peninsula.

In her affidavit she said she was born in Stellenbosch in 1947 to parents who had lived there before the Act came into being. All but four months of her life had been spent in Stellenbosch.

She was arrested and fined “on several occasions, and even imprisoned” in 1965 when she had been acquitted of being in a prescribed area but now had no fixed abode since the aunt with whom she had stayed feared prosecution.

Mrs Nomination Pitsaha, 27, said in an affidavit that she was entitled to section 10(1)(c) rights as she was married to a man who had urban rights.

Appeal
She had been endorsed out of Stellenbosch last year and her appeal against this was dismissed by the Chief Commissioner, she said.

She was still living with her husband, despite lack of permission.

Mr Justice R M Marais presided. Mr M Boeten instructed two attorneys. He appeared for all four applicants. The respondents were not represented.
THE DE Beers Industrial Diamond Division, part of the giant De Beers group, has initiated a R1.3-m housing project to enable 49 of its black employees to own their own homes under a 99-year leasehold at Protea North, Soweto.

The project is being financed by the company's housing loan fund with the balance coming from building societies.

The architect-designed houses, which will cost between R23 000 and R30 000 each, will form part of the upmarket Urban Foundation 2,500 home complex at Protea North.

There are three designs on the "core home" principle. One is a basic unit with simple "add-on" expansion potential, another is a partially expanded home and the third is a maximum-sized home.

All the houses will have tiled roofs and facebrick finish. The basic house has a kitchen, bathroom, two bedrooms and a lounge dining room. The design enables the house to be expanded by adding a third bedroom, a dining room and a garage.

Debid managing director Henry Dyer said the division plans to extend black housing schemes on an ongoing basis.

"We already have some 150 of our black colleagues on the divisional housing scheme, and this number will continue to grow as we provide good quality homes at buyer prices which are as low as we can make them," he said.
Diamond chief is cast in the mould of an Oppenheimer traditionalist

Julian Ogilvie Thompson, who took over as chairman of De Beers Consolidated Mines from Harry Oppenheimer on January 1, is not a member of the dynasty which has controlled the world’s diamond industry for most of the twentieth century.

But after 27 years at Harry Oppenheimer’s right hand this tall, courteous, ex-Rhodes scholar and son of a former Chief Justice, has become, by a sort of osmosis, a classic product of the Oppenheimer tradition.

At the relatively young age of 51 he has not been chosen to make any unsettling changes in the long-term strategy of the world’s most successful cartel, but groomed to reassure a worldwide network of mines, governments, cutters, retailers and ultimately, customers, that the rules of a sometimes tough game will remain in force.

De Beers is essentially a one-product business and the job of the chairman is “to give guidance and leadership”.

This entails frequent visits to the Central Selling Organisation (CSO) in London, constant informal contacts and chairing the quarterly board meetings.

EXECUTIVE COMMITTEE

These take place in the relative isolation of the company’s original headquarters in a two-storey red-brick Georgian-style building at Kimberley, a stone’s throw from the gaping pit of the Kimberlite Pipe which started the whole business.

As joint deputy chairman of Anglo, alongside Harry Oppenheimer’s 28-year-old son Nicholas, much of Ogilvie Thompson’s time is spent working closely with chairman Gavin Ritty — who also heads Anglo’s executive committee, the top decision-making body which includes heads of all Anglo’s varied operating divisions.

The two men have what is described as a “very special relationship and can exchange ideas very easily”.

In case that gives the impression of a sort of conspiracy between them, Ogilvie Thompson hastens to add “and of course, with Nicky Oppenheimer, who is doing a very important job at the CSO in London.”

Ogilvie Thompson’s plans for De Beers are clearly for maintenance of the status quo. As he puts it “The policy conceived by Cecil Rhodes, implanted chapter and verse by Sir Ernest Oppenheimer and further developed by Harry Oppenheimer, will not, in my opinion and that of the

1982, much of his time has been spent in Anglo, for nearly a decade he was in the finance division.

His emergence as heir apparent to the diamond business really dates from the early 1970s when he relinquished day-to-day responsibility for the finance division both to devote more time to De Beers and in 1971 to become an executive director of Anglo of which he has been joint deputy chairman with Nicholas Oppenheimer since January 1983.

These were the years when the Oppenheimer empire expanded strongly overseas through the building up of the Bermuda-based Minerals and Resources Corporation (Mincoro), with its heavy involvement in both Americas, and Charter Consolidated in the UK.

OVERSEAS OPERATIONS

Ogilvie Thompson was closely involved in this process and is clearly sensitive to criticism that the overseas operations have not been as successful as expected Charter Consolidated, affected recently by its involvement in Johnson Matthey and Cape Industries and by the effect of the UK coal strike on its coal machinery interests “has not had a good run”, he conceded.

Neither has Mincoro had much luck lately, although its US holding, notably Pibbro-Salomon Inc and Engelhardt Corporation, have been “great successes — especially Pibbro Salomon which has been stunningly good”.

Its six small goldfields in Brazil are also highly profitable.
ORDERLY MARKET

That policy is "to harmonise the often conflicting interests of all the parties concerned — producers, host governments, cutters, merchants and owners of diamond jewellery — to maintain a high degree of stability in an industry which, because of the nature of its product, would otherwise be subject to even more violent fluctuations than any other business based on mining."

This has been particularly difficult to achieve over the last few years. A combination of rising output from new mines in Australia, Botswana and elsewhere, the temporary defection of Zaire from the CSO, recessions, high real interest rates and a soaring dollar have all taxed De Beers' ability to maintain an orderly market.

But profits rose by one-third in 1983 to R752,3 million, pre-tax Gem output has been curtailed, the Australian mine has been recognised as a special case and allowed to market 25 percent of its own industrial and semi-gem stones, and Zaire has come back into the fold.

CALMER WATERS

Nevertheless the stock of diamonds held by De Beers at great expense has risen from year to year. Just when things were getting better, the Soviet Union caused a flurry earlier this year by unloading cheap polished stones on the Antwerp market.

Two years ago, when Harry Oppenheimer gave up the chair at Anglo American Corporation he decided to stay on as a director. It is believed that the elevation of Ogilvie Thompson mean that the diamond trade is now in better shape.

The answer is urged, says Ogilvie Thompson: "Diamond stocks will be up again this year, only slightly in physical terms but a lot in real terms because of the rise of the dollar, not however to a level which presents us with any financing problem."

In the US, the biggest market, "sales have gone swimmingly ahead, the problem is that Americans buy small diamonds and hence the decision to go for maximum production at the Finish mine west of Kimberley which produces mainly smaller stones."

In Europe "The market for big diamonds is a bit better but not much and not as good as we expected in the second half."

FINANCE DIVISION

Overall, however, "stocks in the cutting centres between us and the consumer have gone down so the pipeline beyond us is in a much healthier state," he added.

Although Ogilvie Thompson has been a member of the De Beers board since 1986 and deputy chairman since August 1988, he has never played a direct role in South African politics. But he is a member of the board of the Urban Foundation, set up after the 1976 riots in Soweto, and which has been instrumental in persuading the government to allow 99-year leases for urban black housing and extending this to the former coloured preference area of the Cape Province.

With the success of most of Anglo's factories into the industrial world has led some to question whether the rather clubby style and similar social and educational backgrounds of Anglo and De Beers' top management are as appropriate to, for example, the motor industry, as they are to gold or diamonds.

A MAJOR ROLE

Anglo's Amcor subsidiary has lost and continues to lose money heavily and is now engaged in rationalisation talks with Ford SA but the problem is not limited to Anglo — there are simply too many manufacturers, too many models and too high a cost structure for such a small market.

Despite the losses Anglo intends to persevere and looks likely to play a major role in restructuring the industry as a whole "We've got a good factory, good management — which we control. In the long run we'll get it right but I do not underestimate the problems."

As for the wider domestic political context in which De Beers and Anglo operate, Ogilvie Thompson's political views differ "little, if at all, from those espoused with such clarity and eloquence by Harry Oppenheimer."

"To work better you must have a free society in South Africa with equal opportunities for all but I don't think that means a straight one-man-one-vote system."

POLITICS

"Even influential black leaders like Chief Buthelezi don't ask for that. There's more here won't accept that in this decade or even this century other than unwillingly through violence or revolution and that would lead to the sort of Marxist-Leninist system that has not been a success elsewhere on this continent."

Unlike Harry Oppenheimer or his former son-in-law Gordon Waddell, who now heads the investment company Johannesburg Consolidated Investment, Ogilvie Thompson has never played a direct role in South African politics.

With the succession at Anglo and De Beers now assured, the main question mark for the future is who will succeed Gavin Reilly when he retires around 1989 and at what stage will Nicky Oppenheimer fulfill his own ambition and that of his father and take over, to carry the Oppenheimer legacy into the 21st century.
MINING - DIAMONDS

1986
Bumper De Beers profits ‘could be gobbled up’

The Argus Foreign Service
LONDON. — Rough diamond sales figures suggest that De Beers profits should be up this year, according to the Tempus column in The Times.

But it warns shareholders "not to be too eager the extra revenue may be gobbled up by debt reduction" and "special factors" may not apply in 1986.

Tempus says "De Beers has grappled mightily over the past four or five years with that monster of its own creation, the diamond market, and the latest Central Selling Organisation rough diamond sales figures suggest that the syndicate may be winning De Beers' profits this year should benefit accordingly.

"During the second half of last year, CSO sales amounted to $986 million, the highest six-month total for the last five years.

"It was a comfortable 18 percent improvement over the first half of 1985, and 48 percent higher than the same period of 1984. Overall sales rose by 13 percent over 1984 to $1,823 billion.

"But it is the rand figures which will make the Johannesburg computers hum. The rand's devaluation pushed second-half rand income up to R2,351 billion, more than double the figure for the corresponding six months of 1984.

"Rand income for the whole of 1985 was R4,027 billion, up 75 percent on 1984.

"The rising trend is unmistakable and industry sources expect what they coyly call "further consolidation" in 1986.

"It would be prudent, nevertheless, to separate the general improvement in the world economy, particularly in the biggest markets of the United States, Germany and Japan, from the specific changes in the diamond market.

"In 1984, the Russians sharply increased sales of polished stones and the dollar's strength deterred buyers in other currencies. But last year these factors went into reverse, and the diamond banks, notably in Israel, became more liberal in granting credit to the trade. These special factors may not apply in 1986.

"Still, the result is that De Beers has recently widened the range of stones sold to the trade to include the more expensive varieties.

"But De Beers shareholders should not be too eager: the extra revenue may be gobbled up by debt reduction.

"Much depends on the infamous diamond stockpile. The stockpile figures due in March will tell us whether De Beers has quelled the monster."
COMpanies

Diamond-recovery firm hopeful

ROY BENNETTS

Certain small diamond-recovery companies have failed in the past to live up to their initial claims, which had led to some scepticism among investors. Mervest's claims appear to be modest, while backed by a sound geological basis for diamond recovery.

However, it is one thing to find the stones and another to sell them at a profit — a factor which has been the downfall of some diamond companies.

Chairman Jack Walsh says Mervest sells its stones to De Beers, as well as other registered dealers, and has found demand to be positive.

Recovery is put at 2 000 carats a month, with an occasional peak of 4 000 carats. The break-even figure is estimated by Walsh to be 500 carats a month.

Under its previous, unlisted name of Marine West, the diamond company analysed its R118 costs for every carat recovered as, R19.50 for administration, R9.20 for production and R9 as the State's share.

However, in the six months from July to December 1985, the costs rose to R148 a carat, R25.50 for administration, R107.50 for production and R15.50 to the State.

The average selling price of the stones climbed from R183 to R311 a carat over the same period, and profits therefore trebled to R162.5 (R56.5) a carat.

In this period the rand dropped from 40.56 to 30.41, which means the gain in the price of the stones sold was less spectacular in dollar terms, rising from $100.6 a carat to $128.4.

When trading as Marine West, the operation posted pre-tax losses ranging from R500 000 to R340 000 between the 1981 and 1984 financial years, before producing pre-tax profit of R1.6m in the 1985 year to June.

Diamonds found on the seabed have originated from diamondiferous pipe-like kimberlite bodies found many kilometres inland.

Ground containing the stones has, over millions of years, been washed down rivers into the sea and then trapped by rocky outcrops. Mervest, by means of suction pipes, recovers this ground in its search for the stones.

Diamonds found by this method are, on average, about one carat in weight. Gurney estimates that one of the offshore concessions being worked by Mervest contains at least 200 000 carats.

Mervest also owns two inland diamond operations at Kwaggaskop and Venterdorp.

Director and sponsoring broker Norman Lowenthal is, in fact, the previous owner of the Venterdorp mine, and has been granted a lease by Mervest to rework the operation for a rental of 20% of the annual profits, after providing for a management fee of R36 000 a year.

Lowenthal says the intention is to turn the Venterdorp mine into a profitable concern before it is incorporated into Mervest's financial statements.
West coast moves

Almost hidden by the flood of publicity given to the new listings of various insurance companies on the JSE have been the quiet developments linked to companies exploiting the diamond concession areas on the sea bed off the Cape’s west coast. These concessions were allocated by the Department of Mineral and Energy Affairs (DMEA) in mid-1983.

It appears Loucas Pournoulis is preparing for another attempt at getting the ‘Dawn Diamonds’ operation on to the JSE, and developments can be expected in about four months. This would follow the listing of diamond company Marine West, which joined the development capital board early in February, through the Mervest cash shell.

Talk is that Pournoulis is negotiating with listed diamond mining company Carrig. What remains to be resolved is mainly the structure and mechanics of the deal. It could be a complicated deal, involving the Pournoulis-controlled Better Sales syndicate which owns Dawn Diamonds, and perhaps the listed Theron company.

Neither Pournoulis nor Carrig chairman Don Grant-Hodge will comment on the speculation. At first glance, it may appear strange that Pournoulis should work through Carrig rather than one of the remaining cash shells on the JSE. The JSE has ruled that these will have to get involved in some active line of business before July 1987, or be delisted. Pournoulis should therefore be able to manage a more favourable deal with cash shell than by linking up with an established company.

New ship

The reason probably lies in the JSE’s rejection of Pournoulis’ first attempts to list Dawn Diamonds through Theron. In early 1984, after unusual opposition from the DMEA, the JSE opposed Theron’s re-listing because it wasn’t happy about Theron being used to raise money from the public to fund diamond mining operations in the SB concession, which Dawn Diamonds had been granted.

Pournoulis may be going through the established Carrig to avoid any objections that Dawn Diamonds listed through a cash shell is no different to Dawn Diamonds listed via Theron. What Pournoulis will say now is that Dawn Diamonds is returning to full-scale recovery operations from SB, after the disastrous loss of its main recovery ship, the Poseidon Cape, which ran aground near Kleinzee last August after completing sea trials.

Pournoulis’ syndicate expanded Dawn and had reached the stage where full-scale exploitation was about to start, when the Poseidon Cape ran aground. With the insurance payout he has bought a replacement vessel for an amount which is undisclosed, but which runs into several million Rand. This ship is the Knot Constructor, currently in Singapore, which will be renamed Trident Cape. Pournoulis expects to have the vessel converted and in operation by July.

In the meantime, operations have continued on a reduced scale, using a small recovery boat and support vessel which are more vulnerable to the unpredictable west coast weather than the larger vessels. Pournoulis tells me the recovery operations have so far shown high grades, with the recoveries “all gem diamonds of very high quality.” He won’t specify grades or revenues.

However, some indication can be gained from the Mervest prospectus. It provides the reason why Carrig may be keen to tie up with Dawn a successful off-shore diamond mining operation can be highly profitable and can lead to a healthy earnings performance — something sadly lacking from Carrig’s record over the past five years.

Marine West holds a prospecting lease over concession 3B, and in 1984 won control of Chiffs Diamond Ventures (CDV), which holds a mining lease over concession 2A. CDV had been operating this concession since 1975.

The Mervest prospectus says that from July to December last year, Marine West received an average selling price of R311/carat, while costs per carat recovered were R148.5, leaving a profit per carat of R162.5. The forecast for the year to December is lower at a profit per carat of R89.3. This takes account of working costs increased by inflation and sales revenue reduced by the stronger rand.

John Gurney, associate professor of geochemistry at the University of Cape Town, offers an explanation for the high quality diamonds found. He says that only those high-quality stones which could survive being carried by the Orange River for more than 1,500 km from the interior have been redeposited in the ocean north and south of the present mouth of the Orange.

Gurney is the recognized expert on west coast diamonds and his independent reports formed part of the Mervest prospectus, as well as Pournoulis’ documentation submitted to the JSE supporting the Dawn listing. That documentation, written in late 1963 and based on Rand/dollar exchange rates much higher than today’s, estimated Dawn could maintain dividends of about R1m/year once the new mining operations had been set up. The cost was then estimated at R5m.

Other JSE companies involved in west coast diamonds are the Rembrandt group’s Trans-Hex and Broadacres, controlled by one LK Kung. Broadacres’ share took off last year on improved diamond recoveries. Gurney reveals in his Mervest report that his unit keeps detailed records of the Broadacres mining lease, which is a tiny one covering 0.36 km² of sea floor contiguous with concession 12.

He says this area has kept up to 12 pumps occupied for seven years to yield about 50,000 carats, is currently producing well and is projected to provide at least 75,000 carats a year in 1986 (That was not in the Broadacres December annual report). Trans-Hex has a large exposure to the west coast through six concessions about which management, like that of Broadacres, doesn’t like to say much. The group has been expanding its on-shore diamond activities in the north-western Cape and Swaziland, and it broke new ground recently with the acquisition of Cape Lime for R16.15m.

Gold Fields of SA (GFSA) has an indirect stake in west coast diamond mining through subsidiary O’Kiep Copper, which is involved in a joint venture with local partners in 4B. GFSA deputy chairman Dru Gnodde says mining 4B hasn’t proved too profitable and O’Kiep Marine’s operations have been suspended until the outcome of the application to take over the shallower 4A concession inshore of 4B.

The key point for investors contemplating buying shares in Broadacres, Mervest and Carrig (if the Dawn deal goes through) is that the share price can turn as swiftly and dramatically as the weather which affects the west coast mining operations. They are not shares for widows and orphans.

Brendan Ryan
DIAMOND-RUSH days are not yet over in Kimberley. The city council has put aside 73 claims, measuring 50m³ each, for diamond diggers to prospect from the end of the month.

The land belongs to the city council and has been lying dormant for decades but, claims a council spokesman, there are still plenty of diamonds in the ground.

George McLeod, a council spokesman, told Business Day that in the early days diamonds were not sorted as carefully as they are at present, and many small diamonds fell back into the ground.

The diggers will be given up to six months to start digging and two years to complete it. Their contracts include enclosing the sites once digging is completed.

They will be charged R10 per claim to enter the “rush” and R500 per claim for working the land. The municipality will register all claims — no more than five per person — and will take a 10% share of any diamonds found.

It plans to use the land for township building once the exercise is over.

Mining inspectors from De Beers and the council will monitor the operation, and police will patrol the area.

McLeod said the venture, which was separate from Kimberley’s annual “fun” diamond rush, was a genuine exercise and would be called the Diamond Debris Rush. All finds will be recorded by the Jewellery Council of SA.

Diggers will set off from the City Hall on March 22 to stake out their claims, but will have to make the journey either on foot or by bicycle. No motorised vehicles will be allowed.

McLeod said the exercise was open only to licensed diggers, of whom there are a number already digging in the area around Kimberley.

Nearly 50 diggers have already expressed an interest in staking claims.
Price-rise rumour boosts De Beers

By Neil Behrmann

LONDON — De Beers shares rose sharply in the past week because of expectations that the company's results will be good and rumors that diamond prices will rise.

A De Beers spokesman in London refused to confirm whether prices would rise. But he said that demand, especially for lower quality diamonds, was firm. He also said that consumption was improving in medium and better quality stones.

In London De Beers traded around 512 pence, double the lows of last year.

Prices of diamonds, both rough and polished were firm, said dealers.

The Antwerp Diamond High Council, an industry association, said that after high sales in the first four months of last year, the Russians exported less polished diamonds to Antwerp.

An agreement with De Beers persuaded the Russians to sell fewer diamonds. So much so that the Soviet Union raised prices in November.

The Diamond High Council claims that despite tax problems and a spate of bankruptcies in recent years, Antwerp remains the most important trade centre for diamonds. Last year Belgium imported 66 million carats of rough diamonds, of which 85 million were from Antwerp.

The High Council says that the United States and Japan are the most important buyers of polished diamonds. Together with Canada, the United States buys 50 percent of the polished diamonds which are sold by Antwerp.

"Important trends in consumer behaviour are the slow but steady improvement in the average quality of the goods," says the Council.

"A greater demand for high fashion jewellery and significant demand for larger diamonds are predicted a price increase in the future," says the Council.

Japan's imports of polished diamonds rose by 14 percent last year, but purchases fell sharply in Germany and other European centres.

"In Europe the typical delayed consumer reaction can be perceived," says the Council.

"Similar to past behaviour of the United States, the potential diamond buyer reacts slowly to the economic revival."

"When the purchasing power increases, people buy various other luxury products before buying diamonds."

"The fall in the dollar, the expected world economic revival and the rise in purchasing power will stimulate diamond sales in the long term," says the Council.

De Beers says that Israel was a more buoyant market than Antwerp.
Inquiry digs deep — and comes up with...

Startling report on SWA mining

Weekend Argus
Foreign Service

WINDHOEK. — There is "something rotten" in SWA/Nambia's mining industry.

As hundreds of millions of rands worth of minerals and profits flow out of the country annually, the Government in Windhoek has little control over what is happening and, in many cases, no knowledge of whether or not it is being "ripped off" by multinational mining corporations.

This is the startling, and grim, picture painted by the final report of the Thurion Commission of Inquiry, which was presented to the National Assembly in Windhoek this week by Mines Minister Mr. Andreas Shipanga.

Commission chairman Mr. Justice Pieter Thurion had harsh words of criticism for the civil servants supposedly keeping an eye on mining.

There was among these people, the judge noted, "a naivete and inability to conceive the possibility that a multinational corporation could stoop to any impropriety".

He added "The pretence of the multinational corporation that it is incapable of abusing its power, convinces the unwary that there is no need for control." Among the findings of the commission about mining practices in SWA/Nambia:

- The De Beers group's Namibian subsidiary, Consolidated Diamond Mines (CDM), which holds a monopoly on diamond production, has been "overmining" its claims for years, significantly reducing their long-term life and profitability.
- De Beers itself effectively controls "all aspects of the mining and marketing of the territory's gems.
- SWA/Nambia may have lost revenue on hundreds, if not millions, of rands worth of diamonds which were exported and sold for higher prices overseas than those which were quoted locally.
- CDM holds a mining grant on 3-million ha of some of the world's richest diamond fields for an annual rental of R12.40 — a sum which has remained unchanged in 64 years.
- The territory's Diamond Board is composed of unqualified officials and employees of either CDM or De Beers and has no control over the export or sales of Namibian gems.
- Transfer pricing — where exported minerals are sold at a lower than prevailing price, as one of the ways of repatriating profits from SWA/Nambia — is rife among the multinational.

Despite sales of hundreds of millions of rands of minerals annually, many mining companies pay little or no tax because of slack enforcement of income tax rules or because of overly-generous allowances granted them by the Government.

The commission's report and findings will be closely studied in both SWA/Nambia and overseas.

In his report, Judge Thurion suggested a detailed national mining policy be compiled and that the State's control over minerals be considerably strengthened.

He commented, "SWA should not wait for independence before realising that its mineral resources are a blessing and have to be exploited with care and circumspection if the highest possible return is to be obtained from them."

Mr. Shipanga says the document has been carefully studied by the Cabinet of the multi-party conference administration in Windhoek and many of the suggestions could form the basis of a national mining policy which is at present being formulated.


CDM accused of overmining

Own Correspondent
WINDHOEK — CDM, a subsidiary of the South African diamond-mining giant De Beers, deliberately overmined its workings in the Sperrgebiet of SWA/Namibia, according to the report of the Thirion Commission into mining.

The report, tabled in the SWA National Assembly yesterday, was highly critical of CDM for its practice of overmining to maximise profit in the short term without regard to the future.

The commission, chaired by Natal Judge Mr Justice Thirion, received evidence from a senior employee of CDM, Mr Gordon Brown, that SWA/Namibia had lost R2.65 billion in diamond ore from overmining by CDM.

Company officials have claimed privately that the report's treatment of CDM was harsh and one-sided.

Mr Justice Thirion said the commission was satisfied that there had been excessive depletion of reserves of diamonds by CDM in several years from 1945.

He said that in the life of mine forecasts from 1971 to 1982 mention of overmining was made in almost every forecast.

"Overmining at close to 100 percent was reported to CDM's board of directors for the 1981 and 1982 financial years."

Mr Justice Thirion said the effect of the excessive depletion of the diamond deposits will probably be the shortening of the life of the mine and a detrimental effect on its profitability towards the end of its life.

Board role
Mr Justice Thirion recommended that production should be geared to the market and the SWA/Namibian State should have a say in the setting of production quotas.

The role of CDM on the Diamond Board of SWA/Namibia was also questioned in the report.

It said that one of the functions of the board was to collect export duties and that CDM was by far the most important payer of duty.

Secretary
"It is therefore not advisable that the board, on which CDM is represented, should be responsible for collecting export duty," Mr Justice Thirion said.

Nor should the "ridiculous situation be allowed to continue where the secretary of the board, who is also a CDM employee", had to act on behalf of the State the export duty to be paid.

Evidence was that when you telephoned the Diamond Board in Windhoek, someone answered "CDM."
Thirion accused of partiality

De Beers hits out at SWA gems probe

DE BEERS has reacted sharply to the controversial Thirion report's claims on Friday that it had excessively depleted Namibia's diamond fields and conducted its business to the detriment of the fiscus.

It denied that this was so and, in turn, attacked the impartiality of the proceedings.

De Beers said Judge Pieter Thirion compiled the lengthy and critical report without calling for evidence or explanation from De Beers' subsidiary in Namibia, Consolidated Diamond Mines (CDM).

The company said he neither visited the mine nor inspected its records.

Thirion's report yesterday was that CDM had been fully aware of the commission's activities. "The inquiry was conducted in public. At one stage when it appeared likely that evidence would be given concerning CDM, its senior counsel was present."

The report arising from an inquiry into the irregularities and shortcomings of the Namibian government, was tabled in the Namibian National Assembly on Friday and could spark a major row both here and abroad.

De Beers, which covertly controls the world diamond producers cartel and is involved with other Third World countries in diamond production, could find itself facing increasing criticism if Thirion's accusations stick.

Thirion severely criticised De Beers' CDM for trying to maximise short-term profits without regard to the future of the area. The report said overmining at close to 100% was reported to CDM's board of directors for the 1981 and 1982 financial years. A former senior employee of CDM, Gordon Brown, claimed that as a result of the overmining Namibia lost $35 million in diamond ore.

Denying that it had overmined the territory, De Beers said yesterday that "through the introduction of new mining methods we have rendered previously unpayable ground as payable".

De Beers said it remained confident that it would be able to satisfy any impartial inquiry by appropriate, qualified investigators that its mining policies had never resulted in any mining reserves becoming unpayable.

CDM is preparing a statement on the report for submission to the Traditional Government of National Unity.

The report found that there was reason to believe certain "mineral producers" in Namibia were carrying out transfer pricing by selling minerals at prices not market-related, which resulted in a loss of revenue to the state. De Beers replied: "On this issue, the commission has refrained from coming to any finding. It was entirely within the means of the commission to have satisfied itself that this allegation was unfounded and to have rejected it."

Measured against mineral sales figures, the report concluded Namibia was not receiving an adequate return of income tax. It said the mines should pay a consideration to the state for the mining of minerals, irrespective of whether the mining was carried out at a profit.

Various changes to the mining tax legislation aimed at increasing the revenue to the Namibian Treasury were recommended by Thirion.

CDM's role on the Diamond Board of Namibia was also questioned. The report said one of the board's functions was to collect export duties. Thirion said CDM was by far the most important payer of export duty and it was not advisable that the board should be responsible for the collection of export duties.

"Nor should the ridiculous situation be allowed to continue where the board secretary, who is also a CDM employee, has to assess on behalf of the state the export duty to be paid by CDM."

Thirion said officials of the Diamond Board had failed to exercise control over production and exportation of gem stones from the territory.

This state of "inevitable and inability to conceive the possibility that a multinational corporation could stoop to any impropriety pervades the approach of the state representatives on the board and is not conducive to the watchdog functions which they have to perform," he said.

Director-General of Mineral and Energy Affairs, Dr. Louw Alberts would not comment until he had seen the report.

CHERYLyn IRETON

De Beers slams probe

BUSINESS DAY, Monday, March 10 1986

From Page 1
**Controversial Thiron report receives attention**

INHOEK — The three-year investigation by the Thiron Commission of Inquiry into alleged government corruption and maladministration in Namibia is probably the most important independent probe in the history of the territory.

On Friday, the final and most talked about report of the commission was placed before members of the National Assembly in Windhoek by Mines Minister Mr Andreas Shipanga.

The eight-volume report and recommendations was compiled by the Supreme Court judge, Mr Justice Pieter Thiron, after an exhaustive investigation into civil service inefficiency and corruption in relation to Namibia's mining industry.

Appointed in November 1984, the commission looked at a number of issues where there were woodworms in the civil service.

In a session of hearings in 1984 and 1985 in Windhoek, the commission turned its attention to the position of the State in relation to the mining industry. Much of the evidence presented in open hearings, was accorded wide coverage in the local and overseas press.

Much of the commission's work centred on the activities of the De Beers mining giant, whose subsidiary, Consolidated Diamond Mines (CDM), has a monopoly on diamond production in Namibia.

The company refused to give evidence to the commission, arguing that Judge Thiron was exceeding his terms of reference in probing the diamond mining industry.

When the completed report was delivered to the Multi-Party Conference (MPC), government cabinet in Windhoek late last year, few believed it would ever see the light of day. However, the document will, according to Mr Shipanga, be used as a possible basis for a future mining strategy for the country.

**Diamond industry controlled by De Beers**

The Star's Africa News Service.

WINDHOEK — In spite of the "trappings and facade of state control", the Diamond Board was totally ineffective in controlling the export and sale of Namibia's gems, Judge Thiron found in his report in an inquiry into alleged government corruption in Namibia.

He said the control of "all aspects of the diamond industry, from the production site to the sale on the overseas' market, was in the hands of De Beers."

Under its present structure, the Diamond Board is made up largely of Consolidated Diamond Mines (CDM) or De Beers employees who act as "agents" for the board. However, the board's "purported control" remained a "sham", because of the "true" monopolistic situation, Thiron said.

The board is composed of members with divergent interests to protect but in any event they are all opposed to any state regulation of the production of diamonds.

**GEMS SWAPPED**

The commission heard evidence from investigator Mr. Martin Grate that there was little or no control for accurate records of diamond exports and revenues. He estimated Namibia may have lost revenue of as much as R1 000-million worth of diamonds which were exported between 1978 and 1981.

Thiron recommended the present Diamond Board be reconstituted to become a body of people appointed by the state to represent the interests of the state and its members, as suggested. A chief executive officer should be drawn from the diamond industry and not be involved in the execution of personal affairs, he suggested, as he was personally appointed for his special knowledge of the diamond industry.
CDM response to Thirion report

De Beers and CDM are still studying the Thirion report. This is a lengthy document containing inter alia recommendations concerning the future of the Namibian mining industry.

Insofar as De Beers and CDM are concerned, the Commission has addressed itself to three main issues, namely observance of obligations contained in the Halbscheid Agreement, in particular whether there has been a breach of Clause 3 in the form of excessive depletion of reserves; the possibility of “transfer pricing” on the sale of CDM’s diamond production (on which no finding was made), and the deductibility against CDM’s taxable earnings of expenditure incurred on deep-sea prospecting.

CDM rejects the Commission’s findings relating to the conduct of its affairs and a detailed statement is being prepared by CDM for submission to the Transitional Government of National Unity.

The interim report explains that the purpose of the examination of the first of these issues, resulting in the finding that “excessive depletion in respect of grade and stone size occurred”, was to show not only the failure by State officials to exercise control and supervision but also the need for such control and supervision because of the alleged prejudice to the State. The focus of the Commission’s attention therefore must be presumed to be the adequacy or otherwise of supervision and control by the State. However, the Commission’s investigations were broadened and the report is presented in a manner that focuses on CDM, rather than the State. It is particularly unfortunate that in reaching conclusions on the complex and technical subjects of mining economics and life-of-mine planning the Commission should have failed to call for evidence or explanation from the mining company itself, or to have visited the mine or inspected its records.

The Company remains confident of being able to satisfy any impartial inquiry by appropriately qualified investigators that CDM’s mining policies and practice have at no time rendered unpayable any known diamond-bearing ore reserves in the Spergebiet which otherwise would have been capable of being mined at a profit. On the contrary, previously unmanageable ground has been rendered payable by the successive introduction of innovative and cost-effective new mining methods, whose impact will be to leave the minimum number of diamonds unmined at the end of the life of the mine.

It will be remembered that CDM since 1981, with the concurrence of the SWA/Namibian Administration, has closed the No 3 conglomerate crushing treatment plant, the 50 g sampling plant, two field screening plants and the 100 g sampling plant in response to conditions in the diamond market.

In dealing with the allegation against CDM and the De Beers group of transfer pricing, the Commission has refrained from coming to any finding. CDM contends that it was entirely within the means of the Commission to have satisfied itself that the allegation was unfounded, and to have rejected it.

On the issue of marine prospecting, the Commission has commented upon matters which, at the time of writing, were the subject of confidential negotiations between the State and CDM which have still to be finalised. As part of the negotiations it has been agreed that the deductibility against CDM’s taxable earnings of expenditure on deep-sea prospecting should be subject to certain limitations acceptable by the State.

De Beers and CDM were encouraged by the press release of 13th February 1986 issued by the Ministry of Economic Affairs in Windhoek, inter alia giving assurances that the mining industry and all other interested parties will be consulted in the drafting of a mining policy, that it is not the Cabinet’s intention to over-regulate the mining industry, and that it is not the Cabinet’s intention to alienate any of the present rights held by prospecting and mining concerns. De Beers and CDM will of course co-operate in the consultative process, and where necessary enter into or continue negotiations with a view to ensuring that the State is satisfied with the conduct of the Company’s affairs.

Windhoek
10th March 1986
De Beers confident it can satisfy impartial inquiry

Depletion of SWA diamonds is denied

JOHANNESBURG—The giant De Beers mining house has rejected the finding of a judicial commission that it over-exploited South West African diamond reserves.

A statement by Consolidated Diamond Mines, a De Beers subsidiary, said the company was confident it could satisfy an impartial inquiry that its policies did not deplete the reserves.

‘The company remains confident of being able to satisfy any impartial inquiry by appropriately qualified investigators that CDM’s mining policy and practice have at no time rendered unpayable any known diamond-bearing ore reserves in the Sperrgebiet which otherwise would have been capable of being mined at a profit’.

‘On the contrary, previously unpayable ground has been rendered payable by the successive introduction of innovative and cost-effective new mining methods, whose impact will be to leave the minimum number of diamonds unmined at the end of the life of the mine’.

The commission’s finding that excessive depletion in respect of grade and stone size occurred, showed ‘not only the failure by State officials to exercise control and supervision but also the need for such control and supervision because of the alleged prejudice to the State’.

The commission’s investigations were broadened and the report focused on CDM rather than the State.

‘It is particularly unfortunate that in reaching conclusions on the complex and technical subjects of mining economies and life-of-mine planning the commission should have failed to call for evidence or explanation from the mining company itself’.

The statement pointed out no finding was made on the possibility of transfer pricing on the sale of CDM’s diamond production.

‘CDM contends that it was entirely within the means of the commission to have satisfied itself that the allegation was unfounded, and to have rejected it’.

On the question of the deductibility against CDM’s taxable earnings of expenditure on deepsea prospecting, the statement said the commission commented on the subject of confidential negotiations between the State and CDM.

It has been agreed that deductibility against CDM’s deductible earnings of expenditure on marine prospecting should be subject to certain limitations. — (Bap)
De Beers rejects Thirion allegations

Own Correspondent

JOHANNESBURG — De Beers has rejected allegations of excessively depleting SWA/Namibia's diamond fields as the Thirion report claims. De Beers accused Mr Justice Pieter Thirion of compiling the lengthy report without calling for evidence or explanation from De Beers Consolidated Diamond Mines (CDM). He had also failed to visit the mine or inspect its records, a statement from the mining house said.

However, the judge said yesterday that CDM had been fully aware of the commission's activities. "The inquiry was conducted in public. At one stage when it appeared likely that evidence would be given concerning CDM, its senior counsel was present," he said.

Although the mining house was still studying the report yesterday, it rejected the findings relating to the conduct of its affairs.

The report said overmining at close to 100 percent was reported to CDM's board of directors for the 1981 and 1982 financial years. A former senior employee of CDM, Mr Gordon Brown, claims that as a result of the overmining, SWA lost R2,65-billion in diamond ore.

CDM denied overmining the territory. "In fact, through the introduction of new mining methods we have rendered previously unpayable ground as payable," the statement from De Beers said.

De Beers said it remained confident that it would be able to satisfy any impartial inquiry — by appropriately qualified investigators — that its mining policies had never resulted in any mining reserves becoming unpayable.

CDM is preparing a statement to submit to the SWA/Namibian transitional government.
Judge dismisses De Beer's suggestions
CDM refused to give evidence

Own Correspondent
WINDHOEK. — CDM was given the opportunity of presenting evidence to the Tshiron inquiry into state control of the mining industry in SWA/Namibia, but refused, the judicial commission’s chief investigating officer, Mr A G Visser, said yesterday.

He was asked to comment on a statement by Consolidated Diamond Mines which rejected the commission’s findings.

Mr Visser said CDM had “been afforded every opportunity to present evidence while the commission was sitting, but through its legal representatives had refused.”

The commission found that CDM, a subsidiary of De Beers, had overmined its deposits in breach of the agreement giving it mining rights, and had entered into certain agreements with other De Beers subsidiaries to avoid taxes.

CDM said in a statement at the weekend that it rejected the findings relating to the conduct of its affairs.

“It is particularly unfortunate that in reaching conclusions on the complex and technical subject of mining economics and life of mine planning, the commission should have failed to call for evidence from the company itself, or to have visited the mine or inspected its records.”

The SWA Minister of Mines, Mr Andreas Shipanga, said here yesterday a government White Paper on the Thurion report would be introduced in the National Assembly once an interdepartmental committee had studied its proposals and made recommendations to the cabinet.
De Beers group profits soar — div up 45%
SWA to get a shake-up in its diamond industry

BRENDAN SEERY of The Argus Africa News Service reports from Windhoek on pending changes to SWA/Namibia’s mining laws

AS the multinational companies cry “foul”, the Windhoek government is going ahead with compiling a white paper on possible amendments to existing legislation in the wake of last week’s startling revelations about mining made by the Thurn Commission of Inquiry.

Although he would not be drawn on the contents of the white paper, Mines Minister Mr Andreas Shipanga promised: “The mining story will never be the same again in this country.”

The transitional government, he added, would move quickly, as the commission’s recommendations were so clear that “we need no further head-scratching”.

The commission — headed by Natal Supreme Court justice Pieter Thurn — suggested that widespread amendments be made to existing legislation, including:

- The reconstitution of the territory’s Diamond Board so that the interests of the State are more fully represented.

- The establishment of a Department of Mines, so that all matters concerning mining can be brought under one authority.

- Closer monitoring by State geologists and other experts, of the activities of mining companies.

- An examination of an “over-generous” tax system which allows mining companies to off-set much of their expense against their income and therefore pay reduced taxes.

- A thorough investigation into the practice of “transfer pricing” — where multinationals either sell exports to outside affiliates at lower than ruling world prices, or import goods and service from affiliates at higher than the normal rates. This is one method, Judge Thurn found, that multinationals operating in Third World countries use to move their profits out of the host country or avoid any exchange control regulations.

It is not known at this stage how many of the recommendations of the commission will be accepted by the government in Windhoek and incorporated into law. Minister Shipanga and his colleagues have to tread a fine line in formulating their new national mining strategy.

While it is obvious, from the findings of the Thurn Commission, that the State has little control and little knowledge of the activities of the mining houses operating on its soil, the transitional government cannot impose so rigid a mining code that potential investors will be scared off.

Multinationals such as Consolidated Diamond Mines (CDM) which is a subsidiary of De Beers, and the Tsumeb Corporation, which is largely American owned, have already expressed their rejection of the findings of the commission.

Both companies have claimed they were not given an opportunity to defend themselves when the Thurn Commission was carrying out its probe — a charge which has been rejected by government officials here.
Earnings/share almost double to 180c

De Beers’ income at a sparkling R1,86bn

ROY BENNETT

DE BEERS’ earnings virtually doubled for the year to December.

They soared to 180c a share compared with 92c a share in 1984. The final dividend has been lifted by 45% to 40c (27.5c) a share, making the total for the year 55c (40c).

With the inclusion of its share of the retained profits of associates earnings jumped to 288c (170c) a share.

De Beers’ total income for the year jumped to R1,86bn (R1,15bn), aided by impressive increases in investment income to R215m (R183m) and the share of retained taxed profits of associates at R266m (R161m).

Outgoings were well contained at R232m (R258m), including the cost of prospecting and research at R109m (R89m), to provide for a pre-tax profit of R1,56bn (R387m).

The higher earnings from diamond sales caused taxation and the State’s share of profits to rise to R411m (R169m), to leave taxed profits of R1,17bn (R718m).

The diamond account shows a remarkable recovery to R1,14bn (R565m). This figure was boosted by the continued weakening of the rand in 1985, but in dollar terms the increase still remained impressive at $524m ($300m).

Sales by the Central Selling Organisation in 1985 rose by 13%, from $1,6bn (R2,3bn) in 1984, to $1,8bn (R4bn).

Chairman Julian Ogilvie Thompson says that an encouraging trend in the purchase of diamonds seen in the second half of last year has continued at the first two sights — where dealers do their buying — of the current year.

Share of the group’s profit attributable to outside shareholders in subsidiaries increased from R75m to R1,26bn, with De Beers’ share of extraordinary losses amounting to R53m, compared with a gain of R79m in 1984.

Of the R2,01bn redeemable preference shares in issue by subsidiaries at the end of the previous year, R1,11bn was redeemed during 1985, leaving R89m outstanding.

Long- and medium-term liabilities increased by R63m to R960m while net current assets improved by R282m to R456m.

Fixed assets rose to R843m (R710m), and the book cost of investments and loans to to R3bn (R2,6bn). The market value of these investments at the end of the year was R5,6bn (R3,7bn), equivalent to R616,84 (R110,26) a deferred share.
De Beers final div up 45 percent

AFTER a 37 percent hike in interim dividend, the thousands of De Beers shareholders are to get a 45 percent rise in final payout, up from 27.5c to 40c and amounting to R198 million.

This follows an almost doubling of profits to a staggering R1 685 million after tax for 1985.

Diamond sales more than doubled in rand terms, although up by 134 percent in dollar terms, and total income amounted to R1 858 million against R1 245 for 1984.

The taxman, however, took a huge bite, up to R374 million from R167 million.

The directors say the encouraging trend in Central Selling Organisation diamond sales in the second half of 1985 continued at the first two "sights" of this year.

The balance sheet shows the company's total assets increased by R1 761 million to R9 343 million.

Diamond stocks increased by R1 012 million of which R1 110 million is attributable to the change in the rand-dollar exchange rate as applied to opening stocks offset by a real reduction in stocks of R98 million.

Converted at the rates of exchange at the end of each year, stocks totalled $550 million in 1984 and $1 898 million in 1985, a drop of $53 million.

Foschini's net profit dropped 12 percent for 1985 but the final dividend remained unchanged.

Earnings were R163 million, R18.5 million, equal to 1684c (1911c) a share.

A final payout of 644c makes a total of 817c.

Although still enjoying relatively good times in the buoyant life assurance industry, the directors say they were encouraged by the results of the Prudential.

The group nonetheless still shows a credible 17 percent rise in attributable earnings thanks mainly to rising investment income and an increased dividend to shareholders from 15,5c to 20c a share.

At the bottom line net income was R8.2 million versus R7 million.

Shareholders' share of life business profits was R5.9 million — virtually unchanged from the previous year — while investment income rose to R2 million from R1.1 million.

Recurring annual premium income was up 16 percent at R128 million and total premium income was up 16 percent at R174 million.

Pensions business again performed well and accounted for the majority of the increase in premium income while individual new annual premium business only increased marginally.

The company says that political uncertainty, the high rate of inflation and the effects of the recession have made selling of life assurance more difficult.

Life & General Assurance reported further growth in 1985, despite difficult operating circumstances for the industry as a whole.

Total income increased by 17 percent to R492 million. As a market leader, the growth in Life & General's premium income during the recession was similar to that expected of the industry as a whole — that is, below the average experienced in the past few years.

This was also effected by the severe legislative restrictions imposed on the sale of tax efficient pure endowment business, says the company.

Premium income, as a result, rose only from R3619 million to R297 million.

Investment income, however, increased by 14 percent to R172 million, mainly as a result of the strategy to maintain a high level of liquidity when interest rates were high.

The benefits paid to policyholders amounted to R158 million which was more than double that of two years ago.

Tax paid will be three times higher than two years ago.

A final dividend of 5.7c and the interim dividend of 5c makes a 1985 total of 11.7c, up 20 percent on the 1984 dividend of 9.7c.

Tom Hood
Glittering performance vindicates optimists

De Beers earnings are almost doubled

By Gareth Costa

Overseas expectations of good results from De Beers and the resultant rise in the share price, have proved to be well founded with this morning's release of the company's results for the year to end-December which showed earnings a share of 180c, almost double the previous year's 92c.

Earlier this year, however, one London columnist warned that shareholders should "not be too eager: the revenue may be gobbled up by debt reduction".

To some extent this has been the case, with the group transferring R335 million to reserves. A final dividend increase of 45 percent to 40c is declared, with a total for the year of 55c up from 40c last year.

Earnings a share when associated companies profits are included jumped to 288c — up from 179c.

Total income for the year was up from R1,14 billion to R1,60 billion, with income from investments also up at R215 million and the share of retained profits from associates up from R310 million to R366 million.

Deductions were held in line, with a total of R282 million made up of interest charges of R162 million, prospecting and research R100 million, general charges R8 million and fixed asset and loan write-offs of R5 million.

Last year's total deductions were R258 million.

Profit before tax was R1,57 billion and after tax R1,16 billion, up from R718 million.

The Receiver's share of profits was markedly up from R169 million to R411 million.

Central Selling Organisation sales last year rose by 13 percent to $1,92 billion or in rand terms almost double to R4,02 billion, and this contributed strongly to the increased diamond account from R565 million to R1,14 billion.

Demand rises

The directors say that the encouraging trend of the last six months of the year has continued through to the first two sights of this year.

This tends to vindicate recent predictions by analysts of a 10 percent increase in the value of sales in 1986 to more than $2 billion

Earlier this month a De Beers spokesman in London refused to confirm any rise in diamond prices, but he said that demand for lower quality diamonds and some medium and better quality stones had risen.

The share of profits attributable to outside shareholders in subsidiaries increased from R73 million to R128 million reflecting both better results and higher rand converted earnings of foreign subsidiaries.

Of the R200 million redeemable preference shares in issue by subsidiaries at the end of the previous year, R111 million were redeemed during 1985, leaving the amount outstanding at R89 million.

Net current assets increased by R204 million, resulting in an apparent reduction in funding of R216 million.

Diamond stocks have increased by R1,01 billion to R3,83 billion which should hopefully be reduced with the latest improvement in sales by the CSO.
Windhoek intends moving rapidly to alter mine laws

By Brendan Seery,
The Star's Africa News Service

WINDHOEK — As multinational companies cry "foul", the Windhoek Government is going ahead with a White Paper on possible amendments to existing legislation — in the wake of startling revelations by the Thurson Commission of Enquiry last week about mining in the territory.

Though he would not be drawn on the contents of the White Paper, Mines Minister Mr Andreas Shipanga promised "The mining story will never be the same again in this country." He added that the government would move quickly, because the commission's recommendations were so clear that "we need no further head-scratching".

The commission — headed by Natal Supreme Court judge Mr Justice Pieter Thurson — suggested that widespread amendments be made to existing legislation, including:

- Reconstitution of the territory's Diamond Board so that the interests of the State are represented more fully and the administration has more control over diamonds during the time they are extracted, sorted, and sent overseas for sale.
- Tightening-up of the procedure for issuing prospecting permits and the granting of mineral rights, to prevent "landlocking" — the practice of tying up claims with no intention of exploitation, so that other prospecting is excluded or monopolies maintained.

TIGHTENING EXPORT RULES

- Revision of existing mining leases and contracts so that "realistic" rentals are paid for mining sites.
- Imposition of a "royalty" on all minerals mined in the territory, rather than relying on irregular income tax payments as compensation to the State for the loss of a non-renewable natural resource.
- Tightening-up of export regulations which permit large quantities of "samples" to leave the country without hindrance, and which keep no effective control on the shipping out of normal mineral exports.
- Closer monitoring by State geologists and other experts of the activities of mining companies.
- Examination of an "over-generous" tax system which allows mining companies to off-set much of their expense against their income, and therefore pay reduced taxes.
- Thorough investigation into the practice of "transfer pricing" — where multinationals either sell exports to outside affiliates at lower than ruling world prices, or import goods and service from affiliates at higher than normal rates. This is one method Mr Justice Thurson found, that multinationals operating in Third World countries use to move their profits out of the host country, or to avoid exchange control regulations.

Mr Shipanga and his colleagues have to tread a fine line in formulating their new national mining strategy.

While it is obvious from the commission's findings that the State has little control and little knowledge of the activities of the mining houses operating on its soil, the transitional government cannot impose so rigid a mining code that potential investors will be scared off.

Multinationals such as Consolidated Diamond Mines (CDM), a subsidiary of De Beers, and Tsumeb Corporation, which is largely American-owned, have already rejected the commission's findings.

MAKING THE MOST OF RESOURCES

Both claim they were not given an opportunity to defend themselves when the commission was carrying out its probe — a charge rejected by Government officials. Tsumeb has even gone as far as to suggest that a panel be appointed to review the commission's conclusions.

What is clear is that the authorities in Windhoek will have to make some moves towards controlling the mining companies and ensuring that the State gets the most out of its own resources.

If the commission's findings are accepted at face value, there would be few who would not understand an independent government wanting to nationalise the multinationals to halt the probable exploitation of the country.

Mr Justice Thurson himself gave this ominous warning when making his findings in the report "The pretence of the multinational corporation that it is incapable of abusing its power convinces the unwary that there is no need for control".

The judge suggested that the base of a national mining policy should be the premise that the minerals belonged to the people of the country, and that any exploitation should benefit those people.

State controls on the mining sector should also ensure that there was a transfer of technology from multinationals to locals, that repatriation of profits was "slowed down", and that reinvestment of profits by multinationals was promoted.
SA may be implicated in Namibian report

By David Braun,
Political Correspondent

CAPE TOWN — The Department of Mineral and Energy Affairs is investigating the possibility of South African implications following the release of the Thirion Commission's probe into Namibia's mining industry.

The Commission found last week that Consolidated Diamond Mines, a subsidiary of De Beers, had been overmining the territory's diamonds to a detrimental extent.

The implication has been made that South Africa, in allowing this to happen, has maladministered the territory.

De Beers has since slammed the report and denied its allegations.

A spokesman for the South African Department of Mineral and Energy Affairs said yesterday it was not yet clear to what extent the South African Government could be expected to take responsibility for any overmining.

In the first instance, he pointed out, Namibian mines have traditionally fallen under Namibian mineral laws and not South Africa's, even when the territory was directly administered from Pretoria.

Secondly, Namibia had been self-governing for some time.

The department had not had the opportunity to go through the lengthy Thirion report to see if it did have any implications for South Africa.

Once it had, there could be a statement, he said.
interest in diamonds

Government's cosy

INVESTIGATION OF THE

The investigation is not yet under way.

In March, the government announced that it would set up an inquiry into the diamond industry. The move was prompted by allegations of corruption and fraud.

The inquiry will be led by Sir John Chilcot, who is the former head of the UK's intelligence agency, MI6. The government has given him a broad remit to probe all aspects of the diamond trade, from mining to polishing.

Chilcot has said that the inquiry will be independent and will not be influenced by the diamond industry. He has also promised that the investigation will be thorough and will not be rushed.

The government's decision to set up the inquiry was met with mixed reactions. Some diamond traders welcomed the move, saying that it was long overdue. Others, however, were critical of the government's actions, saying that it was using the inquiry to stifle free speech.

The diamond industry is worth billions of pounds and is a major source of income for many countries. It is also a key player in the international trade in precious stones.

The inquiry is expected to take several months, and its findings are expected to be published in early 2023.
The Namibian administration took a pounding in the eighth interim report of the Thirion Commission. It was criticized for its innocent attitude to the actions of the mining companies, as a result of which it had lost millions of rands in potential tax revenues.

The report contains a number of examples illustrating how mining companies have benefited at the expense of the Namibian government — not through illegal actions, but by exploiting the country's mining legislation which Judge Thirion finds inadequate.

While in any new development there must be a trade-off in benefits between the developer and the State, Judge Thirion believes Namibia is getting too much of the short end of the stick.

His recommendations to stop these practices hold major implications for the country's mining industry. They include the changes, affecting capital expenditure by mines, which were introduced in SA last year in the teeth of opposition by the mining houses.

A major difference between Namibia and SA is that in Namibia the State owns the country's mineral rights; in SA the bulk of the mineral rights are in private hands.

Dealing with the Roa Pinah base metals mine, the report says: "The State neglected its role as custodian of SWA's non-renewable resources by not negotiating the most beneficial deal for SWA. It allowed Moly Copper (ie the Kahan family) to skim the cream off the top of the profitable mune. Since the Kahans are not residents of SWA the royalty payments flow out of SWA and do not find their way into the local economy but are transferred to another economic entity."

Moly Copper had a prospecting grant on the area from the State costing R4 250 a year which it ceded to Incor Zinc in 1969 — but with a clause entitling it to a royalty of 9% of the sales value of minerals produced from the area. Incor Zinc mined the area and paid royalties to Moly Copper ranging from R2 16 905 in 1971 to nearly R2 1m in 1982. However, the State received only the R4 250 a year rental on the prospecting grant and R410 a year on the mining grant until 1980, when Roa Pinah started paying tax.

The report recommends that consideration be given to the imposition of a duty or royalty payable to the State on the sales value of all minerals mined in Namibia, and to prohibiting the leasing or subletting of mining areas or mining grants. Any cession or transfer of mining rights subject to the payment of a royalty in any form should be prohibited, it says.

The report cites probable "landlocking" for more than 10 years of limestone deposits by SWA Portland Cement, which is part of the Anglo Alpha group. This was denied vehemently by SWA Portland Cement in a letter to the commission.

Judge Thirion remains unconvinced. "The facts of this matter raise a strong probability that land locking had been practised: that is, that a prospecting grant had been obtained so as to exclude other prospective applicants from investigating the limestone deposits with a view to exploiting them and that this had been done to preserve for South African cement manufacturers a monopoly as far as the supply of cement to SWA is concerned."

The report recommends that government should be empowered to cancel prospecting grants before they are due to expire if the grantee is in default of obligations imposed on him regarding exploitation of the mineral rights.

Judge Thirion then tackles the question of prospecting expenditure being offset against mining income for tax purposes. He claims that by arranging for exploration and development work among its subsidiaries, De Beers seeks to reduce the liability of CDM for tax payments.

De Beers replies that these negotiations on sea prospecting between the State and CDM are confidential and have yet to be finalised, but it had been agreed the deductibility against CDM's taxable earnings of expenditure on deep sea prospecting would be subject to certain limitations acceptable by the State.

The report is also critical of the accuracy of the information contained in monthly reports submitted to the Chief Inspector of Mines, citing numerous cases where this had not been done or had been done inaccurately and pointing to numerous inconsistencies and incompatibilities in the statistics received.
Forecasts fulfilled

Bullish expectations for De Beers have been amply signalled in the share price on the JSE in recent months. From a 1985 low of 807c, the price soared nearly 150% to a peak of just over R20 late last month.

In fact, the final results should have satisfied the more optimistic forecasts. Attributable earnings before extraordinary items jumped 95% to R649m. The diamond account more than doubled to R1 140m (R565m) and interest payable — which had climbed sharply in recent years — was only R7m higher at R162m.

The final dividend of 40c lifted the total payout by 37.5% to 55c and should also have fulfilled most of the higher forecasts. But on Tuesday’s close of 1955c, the share still yields only 2.8%. So the market is clearly looking a long way ahead of the 1985 figures. How much further earnings and dividends will rebound over the next year or two is critical to the share’s outlook from here. As one local analyst says, “last year when the share was only R9 it was easy, but it’s had a terrific run and it has become far more difficult to make a positive recommendation.”

However, the signs remain positive. Central Selling Organisation (CSO) sales turned sharply upwards in the second half of last year, and De Beers notes that “the encouraging trend continued at the first two sights of this year.”

Locally, much has been made of the share’s potential as a rand-sensitive stock. Exchange rates dramatically boosted the accounts over the past two years, last year in particular. Earnings figures were magnified, as was the mushrooming value of the diamond stockpile, which is mainly held overseas anyway. But while the rand has made the share look better than it might otherwise have done to South African investors, it has also made realistic analysis more problematic.

In 1984, the margin on the diamond account, usually an important indicator of the quality of diamonds being sold, was 17.6% in the first half, 32.6% in the second half and 24.9% for the year as a whole. In 1985 it was 19% in the first half, 35% in the second half and 28.3% for the year. But as the margin is calculated on the rand diamond account and CSO sales figures, there must be a distortion owing to currency fluctuations.

While the rand may offer a bonanza for local investors, it carries little significance overseas, where a large proportion of the shares are traded. However, exchange rate movements have brought other advantages. The dollar’s recent weakness — it has, for example, tumbled 36.5% against the DM and 32% against the yen — has effectively reduced diamond prices in all non-US markets, and thereby fuelled demand for polished diamonds.

A weaker dollar, and any boost to demand for gems that may result, is of greater fundamental importance to the share than the rand. (The cash flow benefits De Beers gets from the low rand essentially apply only to diamonds mined in Southern African mines.) But more robust demand would help considerably in shrunk and the dollar value of the stockpile.

Perhaps the most encouraging aspect of the 1985 accounts is that in real terms the diamond stockpile has peaked. When converted at the rates of exchange at the end of each year, stocks actually declined by $52m to $1 898m at end-December. Marginal as this 2.7% decline is, it will be seen as important evidence that the group is enjoying a fundamental recovery.

A real fall in the CSO stocks suggests that the stocks held in the trade have at last been shrunk to normal levels. And, apart from the likely direct effect on retail sales, dollar-induced price falls at retail level could generate a degree of restocking in the trade, which is widely believed to have become a lot leaner, with stocks in the hands of dealers and cutters run down. There has been talk that the lower dollar could encourage purchases ahead of possible price increases by De Beers, although it remains to be seen whether the group is that confident.

Restocking in the trade could have a fairly swift impact on the CSO’s stocks. The significance of a real paring of the CSO stockpile can hardly be over-estimated. It has been argued, for example, that the proportion of the CSO’s rough sales to total retail sales could almost double if demand returns to the normal levels of the early Seventies. And retail sales have been setting new records every year since 1983.

The longer that the improved level of economic activity continues in overseas markets, particularly those in Europe, the US and the Far East, the better the outlook for retail sales, and the better the prospects of a near-term dwindling of the stock. The presently minimal inflation rate in most industrial economies overseas means there is likely to be little interest in the share as an inflation hedge, so there won’t be any more of the speculative buying that boosted sales and the share in the late Seventies.

De Beers has long argued that inflation was not a healthy or desirable element in the market anyway. The positive side of low inflation is the boost it could give to both the pace and the duration of economic growth. Much the same applies to the plunge in oil prices in world markets. This is bound to help boost growth and eventually to stimulate consumer expenditure.

In addition to these developments, though, intensive promotional efforts have helped to broaden the diamond retail market. The US, West Germany and Japan remain important markets, but I understand that there has been considerable growth in newer markets such as Korea.

On the present outlook, De Beers could well be expecting a good performance for at least the next two years or so — and that cannot now be said for too many other shares on the market. The share may be due for a breather, but it wouldn’t be surprising to see further appreciation before too long either.
Foot-dragging over Thirion

THE Mining Minister of Namibia’s interim government, Andreas Shipanga, says Namibian mining will never be the same again following the sensational and damning findings of the Thirion Commission of Inquiry into government corruption.

The findings of the commission, which scathing attacks controls in the Namibian diamond industry and singled out the De Beers subsidiary CDM for such activities as “overmining”, will lead to important changes in the industry, Shipanga says.

Sceptics in Namibia believe, however, that if the multi-party government takes as long to institute adequate checks on mining activities as it has to overhaul the ethnic system of governing the country, the changes could be long in coming.

The completed eight-volume report lay unattended in government offices for six months, until Friday last week when it was tabled in the National Assembly for the transitional government to debate.

A White Paper on Thirion’s recommendations has yet to be drawn up prior to being debated.

Dr Kenneth Abrahams, editor of the academic publication Namibian Review, described the findings of the commission as “a damning indictment of the mining industry”.

And on state controls of the industry, he added: “It goes beyond mere negligence. The government neglect in exercising control appears to verge on complicity.”

The dust that has been stirred by the commission is going to take a long time to settle, with acrimonious words and sceptics in Windhoek day that if the interim government takes as long to institute the Thirion report as it has taken to overhaul apartheid, De Beers has nothing to fear.

Peter Kenny reports

CDM have long argued that if they cannot mine profitably — in their present secretive manner — there will be no mining or revenue for the government.

The findings cannot help but give ammunition to those who advocate the nationalisation of mining should Namibia ever become an independent state.

The report carries evidence of overmining, tax avoidance by companies, a sham state control body, false information on mining practices and transfer pricing (the practice of a company selling its product to another company owned by it to send profits out of the country).

A shortcoming of the commission is that it does not specify the amount of revenue that might have been lost to Namibia through such practices.

It proposes a radical shake-up in a watchdog body for the diamond mining industry and a reform of mining taxes.

CDM, which mines in a secret security zone in the far south of the territory near the South African border at Oranjemund, is singled out as the biggest culprit of uncontrolled mining practices, probably because it is the biggest mining operator in the territory.

So tight are its security restrictions in the diamond ‘operagebuet’ that it is easier for the average Namibian — and even journalists — to enter the tightly-controlled operational area of war zone in the north.

The diamond colossus lost no time in issuing a statement over the weekend, saying it rejected the commission’s findings on its affairs, and said a detailed statement was being prepared.

“It is particularly unfortunate that in reaching conclusions on the complex and technical subjects of mining economics and life-of-mine planning, the commission should have failed to call for evidence or explanation from the mining company itself, or to have visited the mine or its records,” CDM said in a press release this week.

CDM added that it was confident it would “satisfy any impartial inquiry by appropriately qualified investigators”.

Judge Pieter Thirion, the Pietermaritzburg judge who chaired the commission, dismissed De Beers’ assertions.

“I think the report speaks for itself. My findings were based on evidence and documents which I established were authentic.”

He added that CDM had been free to give open evidence at the inquiry, but chose not to do so.

Abraham Visser, chief investigator for the commission, said CDM had, through its legal representative, refused to give open evidence.

The commission under Judge Thirion, a doughty and panstakking chairman, began sitting in November, 1992 to investigate maladministration, irregularities and corruption in all areas of Namibian government.
Amibia’s dirty washing

Commission of Inquiry brings to light many a dubious deal

By Brendan Serry
The Star’s Africa Correspondent

WINDHOEK — It has been one of Namibia’s longest-running sagas, opening up many cans of worms and getting into the murky corners of the civil service.

The Thirion Commission of Inquiry into alleged Government corruption and maladministration last week presented its findings and recommendations in the form of a report on a probe into the territory’s mining industry.

In findings and recommendations, the Commission found that the State had little control over the mining industry or knowledge of what was happening in Namibia’s dwindling non-renewable natural resources.

The report on mining was, however, only the highpoint of a thorough investigation which lasted three years.

**Exorbitant fees**

Going through the affairs of the 11 different “state” minerals companies set up by South Africa in the territory, Judge Thirion’s investigation formed up some interesting facts, including:

- Mr Tony Alves (Tony Banan) in his trading in Oshakati, who made a more-than-comfortable profit dealing non-existent gravel to the administration and charging exorbitant transport fees.
- Mr Chris Herbst, Okahandja’s State pharmacist, who was said to have opened his own “Cola-Katz Pharmacy” selling medicines including Government stocks, to the public for a profit.
- Mr Juans Goebel, chairman of the Namibia Executive Council, who along with four of his assistants, took “false sales of Namibia”.
- Mr Simon Goebel, a close friend of Mr Goebel who was said to have bought a R100,000 house using at least R50,000 of State money.

Mr Herbst was also said to have used State employees and materials to build an electricity line to his farm.

The Commission also looked at the Halocar Administration, where it heard the annual budget for the RL was only ever spent in one instance by about R30 million. The administration has also involved itself in the purchase of farm, said to be for “emergency grazing”, and bought a luxury house for Chief Kasimba Ruvuma.

In fact, however, it seems there have been few, if any, prosecutions arising out of the investigation.

Orignally, Mr Justice Thirion was reluctant to launch a probe into the mining industry, but persistent allegations from a number of sources — including opponents Windhoek businesswoman Mrs Erna Lang — soon forced the issue.

**Transfer pricing**

Among other things, Mr Lang claimed that considerable tax revenue was being lost because of multinational corporation’s being subject to any controls in their exports of minerals.

He also claimed that such companies are in fact engaged in transfer-pricing, the practice of selling goods at a lower-than-market price to affiliated outside companies, or importing goods and services from foreign associates at a higher-than-normal rate. In this way, taxes paid in Namibia were lower and profits could be exported.

He also alleged that companies were overvaluing their assets, and many of Mr Lang’s allegations were confirmed in the findings of the commission which considered a number of documents and lengthy report in its deliberations.

Among the documents were ones from the De Beers sulphuric acid laboratory and the diamonds export, which showed how the company had been systematically lowering the values of diamonds exported.

The documents were produced by Mr Gordon Brown, a former De Beers employee, who took the papers with him when he left the mine after 10 years service.

He told the Commission that he believed De Beers was hoping to get as much gold as possible out of the diamond fields before Namibia gained independence.
Unita diamond centre raid rocks Angolan economy

The Star’s Foreign News Service

Unita’s recent attack on the Angolan diamond centre of Andrade has shaken the country’s diamond industry and dealt a further blow to the Angolan economy. Andrade is believed to be the largest diamond storage and processing centre in Angola.

In what is believed to have been its biggest action against the diamond industry to date, about 600 Unita semi-regulars and guerrillas stormed the town on March 1, seized a large quantity of diamonds, kidnapped 170 foreign workers and destroyed workshop and storage facilities.

The town was defended by a battalion of about 300 Angolan soldiers, of whom 60 were reportedly killed in the attack. About 20 of the attackers were killed.

Unita freed the hostages in Zaire earlier this week and they are expected to arrive in the Zairean capital of Kinshasa tomorrow or on Friday.

After petroleum, diamonds are Angola’s most important potential earner of foreign currency.

However, Unita attacks on the industry have significantly curtailed production, and it is believed that at least one-third of Angola’s diamonds are mined and smuggled out of the country by the rebel movement.

About 700 expatriates worked on the mines in 1983, so the Unita raid has reduced the workforce by about 20.

Since 1981 Unita has regularly attacked diamond installations.

Swaziland warning to poachers

MBABANE — Poachers in Swaziland face the bullet in future, the Minister of Natural Resources, Prince Khumalwandle, has warned.

Announcing tougher measures against poachers in the kingdom’s game reserves, the Minister said that in the past five years the number of black rhino in Hlane, the kingdom’s largest sanctuary, had fallen from 100 to 30 as a result of poaching.

He envisioned the maximum fine of R50 for possessing poached wild game with the thousands of rands paid in the Middle and Far East for rhino horns.

"In Uganda it is policy for game warden to shoot first and ask questions later," he said. "The Government is reluctant to enforce such a policy here but it seems impossible to find any other alternative."
De Beers poised

As expected, the market has reacted favourably to De Beers' 1985 earnings figures. The share has continued to advance, reaching a new high of R21 on Tuesday, up by some 180c since the results were announced last week.

I noted then that some analysts were becoming more cautious on the share, simply because the price has climbed so steeply. However, it isn't difficult to find cause for bullishness on fundamental grounds. I also referred last week to the importance of the fact that De Beers' diamond stocks have peaked in dollar terms.

This is emphasised by the historic figures for the Central Selling Organisation's (CSO) sales of rough diamonds and total sales of polished diamonds at retail level. Here I refer to the table, which was compiled some seven months ago by James Picton at Fergusson Bros Hall Stewart.

These figures make several points. The first is that if you go back 14 years, retail sales have increased every year except two. It suggests only very limited relationship to American economic activity. In 1976 there was a plateau and in 1982 there was a $700m fall after the hard assets boom of the late Seventies finally burst. This was after De Beers cut its dividend from 75c to 50c, sparking a collapse in the share and doubts about the future of the industry.

This table says retail sales over time have been a lot better than is generally realised. It adds some perspective to the mildly encouraging but cautious comments from De Beers in the last year or two. Chairman Julian Ogilvie Thompson noted last year that retail sales set a new record in each of the five years from 1980 to 1984, except for a small dip in 1982. He was under-stating the case.

The other, and even more important, point relates to rough sales. Between 1971 and 1976, before the mid-decade slump, De Beers did not go down and stocks accumulated in the trade, CSO sales were between 12%-18% of retail sales. After the collapse, when the trade held large stocks and the CSO stockpile was climbing in dollar terms, the percentages fell to 7%-8%.

The 1985 figures indicate that the trade's stocks are down to normal levels and the pipeline from the retailers to the CSO has shortened. In addition, new production of gems has peaked and I understand that stocks are being drawn down at the mines.

Given, also, last week's comment from Ogilvie Thompson that the encouraging trend seen in last year's second-half CSO sales continued at the first two sights of 1986, and the implication is that 1986 CSO sales figures could soar. Add last year's sales of $1.823m, and the prospect that the proportion of rough to polished sales should start returning to normal — even, say, to 10% — and 1986 CSO sales of at least $2.2 billion looks realistic. But 1987 could be the really interesting year.

Bear in mind that a considerable part of the stockpile is said to consist of the gems mined in southern Africa. There are, finally,

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### CSO SALES AND WORLD RETAIL SALES

<table>
<thead>
<tr>
<th>Year</th>
<th>CSO Sales (Rough) (US$mn)</th>
<th>World Retail Sales (Polished) (US$mn)</th>
<th>CSO Sales as a % of Retail Sales</th>
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<td>5400</td>
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Compiled in July 1986 by Fergusson Bros Hall Stewart.

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Financial Mail March 21 1986

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He says he was approached by the Saatchis to take over NMC to use it as a company which could be diversified into the services industry but not media-related services. He will not be more specific on the company's immediate plans.

While there are plenty of sceptics who believe the E R Cons share price is way too high — it has risen from about 45c in May 1984 — the sustained burst of activity would appear to indicate attitudes have changed fundamentally at the group and the rise in price is justified.

Brendan Ryan
Falling stockpiles make De Beers attractive buy

By Gareth Costa

De Beers shares are looking extremely attractive with the weaker dollar, falling stockpiles and the likelihood of a 10 percent increase in the price of diamonds say brokers SG Warburg, Rowewe & Pitman, Ackroyd (Rowak) in a report on the company.

Earnings are forecast to rise from the 288c of last year to 350c for 1986, and the dividend from 55c to 75c. Diamond sales by the Central Selling Organisation (CSO) are expected to be up from $1.8 billion to $2.5 billion, made up of an expected 10 percent increase in prices and a 25 percent increase in sales.

Diamond account profits should rise to around R1.45 billion, but the report warns that the figure is sensitive to exchange rate fluctuations. Investment income from Anglo American and JCI should also be boosted following the strong rand gold price and good platinum profits.

"Interest income will rise and interest payable should be reduced as the stockpile is reduced and current assets improve. However, the rate of taxation and lease payments will increase with the increase in diamond profits."

The report recommends that investors buy De Beers shares. However, at the time of compiling the report the price was R19.50, and it has since risen to over R24.

The second half of last year showed a marked improvement in sales over the first half, which is traditionally not the case as most buying is done in the first half of the year. The improvement has continued for the first two sights of this year.

The reasons for the second half improvements were the decline in the dollar which made diamonds cheaper for non-dollar purchasers and a more normal supply/demand position following the Russian disruption of the market in the second half of 1984. They can no longer afford to upset the market like that since the drop in oil price has made them more reliant on diamond revenue.

Thirdly, cutter's stocks continue to fall, with the overhang built up in the seventies being worked down. Sales of larger diamonds have improved, with De Beers reporting at the interim stage that "interest in a broader range of diamonds" was being shown. Jewellery demand has risen steadily since 1981 and appears to be continuing to do so.

"Prospects for this year are good and several of the favourable trends noted should continue. The dollar has fallen further and the trade weighted index is now 118.5, 16 percent below the 1985 average of 140.7."

"Prospects of further significant earnings growth this year, another good dividend increase and a very high discount on assets make the share a strong buy," the brokers say.
ENERGY AFFAIRS, MINERAL AND
WATER RESOURCES

There is a general view that the country has a mineral wealth of vast potential. This view is supported by the fact that the country has significant reserves of coal, iron ore, nickel, copper, and other minerals. However, the development of these resources has been slow due to various factors, including the lack of investment, inadequate infrastructure, and bureaucratic hurdles.

The Ministry of Energy Affairs, Mineral and Water Resources has been established to address these issues. The ministry is responsible for the promotion and development of the country's mineral and water resources. It is also responsible for the regulation of the mining sector and the protection of the country's water resources.

The ministry has been tasked with the following responsibilities:

- Promoting and developing the country's mineral and water resources
- Regulating the mining sector
- Protecting the country's water resources
- Cooperating with other government departments and international organizations
- Conducting research and development in the field of energy and water resources

The ministry has been successful in achieving some of its goals. For example, it has been able to attract foreign investment into the mining sector and has implemented policies to protect the country's water resources.

The ministry is led by a minister who is responsible for the overall direction and management of the ministry. The minister is assisted by a team of officials who are responsible for the various departments within the ministry.

In conclusion, the Ministry of Energy Affairs, Mineral and Water Resources is an important government department that plays a vital role in the development of the country's mineral and water resources. It is committed to promoting sustainable development and ensuring the protection of the country's natural resources.
PARLIAMENT—Draft legislation is to be introduced during this session of Parliament to rationalise state control of the diamond industry under the Department of Mineral and Energy Affairs.

Minister Mr Danie Seysen said in reply to a question from Mr Louis Stofberg (HNP, Sasolburg) that control of the industry was at present divided among the department, the Finance Ministry and the police. — Sapa.
Decision reflects stronger gems demand

De Beers ups dollar diamond price 7.5% 8/5/86

DE BEER'S decision to raise the dollar price of all rough diamonds by 7.5% reflects both stronger worldwide demand for gems and dollar weakness against major currencies. It is the first in two years — since the 3.5% increase in April 1985 — and will take effect when the Central Selling Organisation (CSO), the marketing arm of De Beers, holds its next sight on May 6.

In the wake of new wealth created through steady economic growth and share markets scaling fresh peaks in developed countries, volume sales are picking up smartly. Indications are that the diamond market is well on the road to recovery.

De Beers says it is now selling a wider range of diamonds and that demand has been broadening into larger and better-quality stones.

In the Antwerp polished diamond market — the largest in the world — prices have on average firm on 15% to 20% since the beginning of the year. So far this month, they have risen by 3% to 10%.

Stocks at other major diamond-cutting centres are sharply lower and retailers stocks are fast declining.

De Beers is now probably less anxious about reducing the huge stockpile built up when diamond prices collapsed in the early 1980s.

Investment demand for top-quality flawless stones, however, remains in the doldrums.

With the dollar in recent months falling steeply against major currencies, some analysts expect diamond prices to rise significantly more than 7.5%.

Dollar prices measured in terms of the mark, yen, sterling and French franc have softened by more than 30% over the past year.

The US, however, is still the largest retail market for diamond jewellery sales, accounting for about a third of the world market. De Beers now appears to be cautiously testing the marketplace and to be signalling that prices in the short term will be:

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De Beers ups prices

'lifted steadily in small jumps.'

Winston Floquet, an analyst at stockbrokers Martin & Company, says. "If anything, the price increase is disappointing as we expected about 10% in order to reflect both the weaker dollar and the increased demand."

"De Beers has probably learnt its lesson; however, after raising prices too sharply and too frequently in the late 1970s. Being committed then to maintaining these prices was a major factor behind its problems in the early 1980s, Floquet believes.

Diagonal Street greeted the news by marking De Beers 50c higher to 2.580c.

The share, which has more than doubled in price in the past eight months, stands just a whisker of its all-time high of 1.794c set in 1975.

Sales rose 13% to $18.8m. — De Beers' highest in five years — and profits soared. The total dividend for the year was raised by 15c to 55c a share.

However, much of the share's recent strength can be attributed to the weak rand.
revival in gem sales

De Beer's chief sees

By Carole Cavanagh

The world's diamond dealers are banking on a turnaround in the market for gem diamonds, with the world's key region for the gem industry, the United States, showing signs of strong recovery in recent years.

De Beers, the world's largest diamond producer, has reported a 10% increase in its sales in the first quarter of the year, driven by strong demand from the US market. The company's CEO, Bruce Friedland, said the market is showing signs of improvement, with demand for both rough and polished diamonds strengthening.

However, Friedland also noted that the market remains volatile, with prices for rough diamonds remaining depressed due to the pandemic impact on the industry's supply chain. He said that the company is focusing on increasing its production to meet demand.

The diamond industry has been hit hard by the pandemic, with many retailers closing their doors and demand for diamonds falling. However, the industry has started to bounce back, with sales for the first quarter of 2021 showing a significant increase.

Friedland said that De Beers is working closely with its customers to understand the market and ensure that the company is meeting their needs. He also noted that the company is focused on sustainability, with ongoing efforts to reduce its environmental footprint.

The diamond industry is set to see a recovery, with demand for both rough and polished diamonds expected to increase in the coming years. However, the industry remains closely tied to the global economy, and any downturn in the economy could impact sales.

Friedland said that De Beers is well-positioned to weather any future challenges, with a strong balance sheet and a diversified portfolio of assets. He said that the company is focused on innovation and sustainability, and is working to ensure that the industry remains strong for years to come.
DE BEERS

Why the glitter is back

"I still can't figure out why the Central Selling Organization is the only cartel I know of that has never failed and that seems to satisfy both producers and dealers. I also can't understand why it pays De Beers to control their sights so tightly. None of the explanations I have heard really satisfies me and yet there must be a good reason." — Economist Milton Friedman after visiting SA in April 1976

Friedman's puzzlement at De Beers' apparent success almost proved prophetic. Soon after he said this, diamond sales were soaring in an inflation-driven hard assets boom. When the 1981 collapse came, and De Beers cut its dividend for the first time in 50 years, large stocks of gem diamonds were held in the trade, outside the safe hands of De Beers and the Central Selling Organization (CSO). For the first half of the Eighties, sales of rough diamonds remained disappointing, CSO diamond stocks climbed to a dizzy R4.7 billion, and De Beers' borrowings soared to R13.6 billion.

After the hard assets boom of the late Seventies, the slump came in 1981 and De Beers passed its dividend for the first time in 50 years. But now, after five hard years, the turning point has come and the market views the share as firm on fundamentals.

Many analysts and investors questioned whether De Beers would ever regain its grip on the world diamond industry. Yet in the past 12 months, the share has been seen as one of the JSE's truly outstanding recovery stocks. Like most mining companies, De Beers' share has been fuelled by the weak rand. But where it differs from almost all others except platinum producers is that De Beers is now seen to be enjoying a powerful upsurge on fundamentals.

First confirmation of underlying recovery came with the figures for sales of rough diamonds in 1985 and the preliminary year-end profits. Apart from the 95% increase in earnings, which are magnified by exchange rates, stocks had finally declined in real terms.

Normality returning

In his review this week, and in an interview with the FM, chairman Julian Ogilvie Thompson offers even more positive assurances that normality is returning and De Beers is firmly back in control.

His comments suggest that after stagnating for half a decade, CSO sales should again move more directly with sales of polished diamonds. And world sales of retail jewellery have increased for all but two of the last 15 years. Last year they rose by 3% to another record at US$21.63 billion. The best growth was seen last year in non-US markets, aided by the weaker dollar. This year the low oil price and firmer US economy should help sales there as well.

This sets the scene for a considerable increase in volumes, which would be accompanied by better margins. The quality and sizes

JULIAN OGILVIE THOMPSON

Industry on track again

De Beers and the diamond industry are emerging from what former chairman Harry Oppenheimer described as its worst depression in 50 years. The present chairman, a clearly confident Julian Ogilvie Thompson, talks to the FM.

FM: You say that 1985 was a turning point in the market for rough diamonds. Would you say yet that De Beers and the industry have returned to normal?

Ogilvie Thompson: We are well on the way to a return to full normality. Retail sales of diamond jewellery were good throughout the Eighties. We held back our sales in the earlier part of the decade while the difference between our prices and the ultimate consumer off-take was met by a reduction in stocks in the cutting centres.

Those stocks are now more or less down to normal operating levels and so we hope our rough stone sales will be more directly related to what we believe are going to be satisfactory retail diamond jewellery sales. So we are very nearly at the point of normal, profitable, satisfactory trading.

Have structural changes appeared in the trade since the hard assets boom of the late—

What changes have taken place in the jewellery market itself over the past few years? There appears to have been a broadening of the market geographically.

Yes. Our promotional efforts have been directed at facilitating that sort of change. These efforts are directed at three main areas. Firstly, the natural annual growth in industrialised countries. Secondly, the newly-industrialised countries whose capital incomes are coming to the levels where they can afford diamonds. And, thirdly, in particular countries there are opportunities for new markets.

You will remember how we were able to expand the market for diamond anniversary rings. More recently, we have been spending part of our total budget on promotion of men's jewellery. We have been encouraged to see that after a slow start, this market is beginning to take off, particularly in the US. But these are not fundamental changes. They are changes at the edge of what I've described as a highly flexible and adaptable business.

How has demand for jewellery been in the US? You say in your review that sales there were less spectacular, and some commentators seem to believe they were disappointing.

US sales were less spectacular in 1985 than in 1984, when there was a staggering high growth figure of about 19%. In 1985,
of rough diamonds sold is improving, and an overall 7.5% price increase in the CSO's prices takes effect from the fourth sight in May.

The balance sheet supports the impression of improving fundamentals. Interest-bearing debt was down by R96m at end-December, but there was also a significant fall in the medium- to long-term borrowings in foreign currencies, with dollar loans down by $75m and those in Belgian francs by 30m francs. In addition, cash reserves rose by R123m to R281m. There is also confirmation that stocks are shrinking.

Apart from the $52m fall in the value of the CSO stockpile, stocks held at mines rose by only R4m to R104m, suggesting a lower dollar value.

Local analysts generally are not expecting renewed growth in the share price just yet. A phase of consolidation had to come after the advance seen in the last 12 months, and most of the known fundamentals are probably in the price.

At R24.30c, the share yields a historic 2.3%, so the market is looking some way ahead. But after five difficult years the turning point has arrived. So even assuming no more help from the rand, De Beers' earnings and dividends should rise strongly over the next few years. More good news when mid-year sales and profits are published should boost sentiment on the share.

Andrew McNulty

"On some days you could find yourself rubbing shoulders with royalty."

"But then that's Chobe."
Profits surge at north-western Cape diamond mining company

Trans-High, the North-Western Cape diamond mining company, boosted its net income by 44 percent in the year to March from R12.7 million to R18.3 million, it reports today.

Net income attributable to shareholders was R5.2 million (R2.6 million) equal to 42.25c (21.21c) a share.

Dividends totalling 15c (11.5c) have been paid.

Shareholders funds rose during the year by R12.7 million to R19.3 million as a result of R3.4 million in retained profits and R3.3 million in non-distributable reserves.

Capital employed at March 31 was R25.8 million against R18.5 million a year earlier.

- Crookes Brothers had a profit before taxation for the year ended March of R3.3 million (R3.2 million) and a taxed profit of R3.1 million (R3.17 million) equal to 106.5c (105.7c) a share.
- Gold Fields Group dividends declared today are:
  - Deelkraal — Final of 35c (20c) making 55c (30c) for the year.
  - Doornfontein — Final to 145c (140c) making 223c (220c) for the year.
  - Driefontein — Final of 190c (190c) making 335c (310c) for the year.
  - Kloof — Final of 70c (250c) making 125c (410c) for the year.
  - Lhameen — Final of 245c (210c) making 415c (330c) for the year.
  - Venterspost — Final of 110c (165c) making 200c (240c) for the year.
  - Vlakfontein — Final of 45c (40c) making 45c (40c) for the year.

- Liberty Life says its United Kingdom subsidiary, TransAtlantic, has made an offer for the entire share capital of Continental & Industrial Trust, a major authorised United Kingdom investment trust listed on the Stock Exchange, London, with net assets exceeding £159 million. It has high quality investments in a wide range of major listed companies, primarily in the United Kingdom and the United States of America.

- TransAtlantic already owns 25.03 percent of Continental.

For each Continental ordinary share, TransAtlantic will pay an amount in cash equal to 96.5 per cent of the formula net asset value of Continental. The offer becomes unconditional on the preferred preference stock holders will be offered cash at par for their stock.

Ordinary shareholders in Continental will be offered up to a maximum of 20 million new preferred ordinary shares in TransAtlantic at 275p a share in lieu of their entitlement calculated at 100 per cent of formula net asset value.

Liberty Life is proposing that Continental should concentrate its investment portfolio and take substantial strategic shareholdings in a small number of leading companies with outstanding prospects for long-term capital growth.

Continental would intend to be involved, where appropriate in the strategic and financial decisions of the companies in which it invests. In doing so, Continental would intend to be involved, where appropriate in the strategic and financial decisions of the companies in which it invests. Continental would be able to draw on the proven experience and financial resources of TransAtlantic and its associates, including the Liberty Life Group, which should provide a catalyst for the enhancement of Continental's future investment performance.

These investments will be made primarily in international financial service businesses including leading companies in life insurance, real estate, investment.
New life for Kimberley mines

Financial Staff

Bold new developments by De Beers at Kimberley’s Dutoitspan and Bultfontein mines are expected to extend mining operations at these mines to 1991.

However, details regarding the influence these will have on the company’s eventual shut-down of mining and dump re-washing operations in the city, are not available at this stage.

The mines, both more than 100 years old, are being deepened in a project that will see a switch to sub-level caving from the long-established block-caving system of mining.

The two mines have for some years shared a joint shaft system and will continue to do so. However, mining operations will be taken deeper with the development at each mine of a spiral roadway - from 700m level at Bultfontein and 760m level at Dutoitspan - rather than by deepening the shaft.
**New plans for old mines**

**Argus Correspondent**

KIMBERLEY — Bold new developments by De Beers at Kimberley’s Dutoitspan and Bultfontein mines are expected to extend operations at these mines to 1991.

However, details of the influence these will have on the company’s eventual shutdown of mining and dump rewashing operations in the city are not available at this stage.

The mines, both more than 100 years old, are being deepened in a project that will see a switch to sub-level caving from the long-established block caving system of mining. Sub-level caving is highly mechanised and makes substantial use of rubber-tyred equipment, such as development drill rigs and load haul-dumpers.

The two mines have for some years shared a joint shaft system and will continue to do so. However, mining will be taken deeper with the development at each mine of a spiral roadway — from the 700m level at Bultfontein and from the 780m level at Dutoitspan — rather than by deepening the shaft.

Horizontal access tunnels at 18m intervals will be developed from the spiral roadway and from these, development drill rigs will develop a series of parallel tunnels, 11m apart, called drilling drives, into the Bultfontein and Dutoitspan kimberlite pipes.

Routine production will involve blasting the roofs of the driving drives at intervals so that the kimberlite falls into the drives in manageable quantities. It will then be hauled to the access tunnels and dumped into ore passes.

Separate primary crushing plants are to be established underground at each mine — on 860m level at Bultfontein and on 885m level at Dutoitspan. Mined ore will report via ore passes to the new plants for primary crushing. It will then feed on to conveyors which will carry it up the belt inclines to be developed from each mine, to a common transfer point on 760m level near the main shaft.

From the transfer point, ore will be carried by conveyor up a short transfer incline to the existing underground crushing plant at the joint shaft, and after crushing it will be hauled to the surface.

The new project will also involve substantial development for additional ventilation at Bultfontein mine.

The whole project will involve 2.6 km of rock development and 7.3 km of kimberlite development, and at Dutoitspan, 5.1 km of rock development. It is expected that full sub-level production will be reached at the two mines by 1991.
Hard-pressed LTA looks to break even

By Sven Lunsche
LTA believes it could break even on its South African operations this financial year, while the contingencies allowed for the closing down of its overseas operations should prove adequate.

Chairman Dr Zach de Beer says in the annual report that LTA has suffered severely, almost entirely as a result of operations outside its mainstream business. He says it will now concentrate its energies upon its core activities, which have always been and still are healthy.

After allowances for its overseas activities, the group had an aggregate attributable loss of R66.8 million in the year to March 31 after local operations broke even.

Dr de Beer gives three principle reasons for the poor results:

The depressed state of the civil engineering industry worldwide resulted in the group sustaining losses in offshore areas, where overcapacity led to uneconomic trading, as in Australia, where the Federal government decided to forbid the award of federal construction contracts to South African controlled companies.

The Anglo-American owned construction giant's total loss provisions on overseas operations amounted to R46 million (R18 million for losses, and R27.7 million for closing down overseas operations)

After LTA had withdrawn from all off-shore activities, Anglo-American agreed to inject R26.4 million in the form of 10 percent automatically convertible shares to strengthen the balance sheet.

Furthermore, LTA has not yet received any payments for its completed Soweto electrification contract and the large amounts involved appear as borrowing on the balance sheet.

DOMESTIC OPERATIONS

At the present the company does not expect any repayment of this amount as the debtors, the community councils of greater Soweto, are in severe financial difficulties.

"The third major reason for the poor results is the severe recession which has hit the industry for the past two years. "Our domestic operations, however, have stood up rather well and we expect that the South African operations will break even in the following year," Dr de Beer said.
Small sparkle in Stern's profit

SA DIAMOND jewellers Sterns should swing into a small profit this year, having reduced its losses substantially in the year to March.

The preliminary statement shows that turnover increased by 0.5% compared with a decline of 12.9% in 1995. Taxed loss narrowed to R383 000 from R2.2m and directors report that borrowings have been reduced by R5.7m in the past 18 months.

A worrying factor is the cost of providing credit to customers, which was a main cause of Sterns' high gearing.
CSO diamond sales rocket and rand receipts soar 62%

By Peter Farley

Diamond sales by De Beers' Central Selling Organisation (CSO) rocketed by 45 percent in dollar terms in the first six months of this year and by a staggering 62 percent in rand terms.

Figures released by De Beers show that diamond sales in the six months to end-June totalled $1.2 billion, or R2.7 billion based on the average exchange rate of 44.80 US cents achieved at each sight.

However, the improvement on the second half of last year is less marked — with sales before Christmas traditionally higher — and the gain is only 23 percent in dollar terms and 15 percent in rands.

The lower rand improvement was due to the rand strengthening in the past six months from an average exchange rate of 41.94 US cents in the second half of last year.

Nevertheless, the lower dollar against other international currencies also stimulated demand in many countries.

If the current trend is maintained, and the exchange rate remains at its now depressed level of around 40c, it is possible that rand sales of diamonds for this full year could rise to R6.3 billion from R4 billion in 1985.

This is based on second half sales also improving by 45 percent in dollar terms — from the $865 million in the second six months last year — and being converted back to rands at 40c.

This would be more than 50 percent higher than the 1985 total, and almost treble the rand sales achieved in 1984.

The De Beers share price has reflected this possibility by recently touching the 3,000c mark, almost four times the 800c low seen at the beginning of 1985.

However, with these latest CSO figures well beyond market expectations, the share price could resume its upward trend after easing back to 2,770c in the past few days.

The encouraging aspect of the latest sales figures is that volumes have grown despite a 7.5 percent increase in dollar prices at recent sights and the fact that interest is beginning to broaden into the higher quality gems.

In a speech last night in Israel, De Beers chairman Mr Julian Ogilvie Thompson told the World Diamond Congress that the CSO has gradually been making more top quality diamonds available to buyers after interest picked up last year.

"This process has continued like a slowly rising tide, so that today the CSO is now selling all categories of rough diamonds," added Mr Ogilvie Thompson.

He noted that the improvement in sales had also produced a small reduction in stocks and, "a welcome reduction in De Beers' borrowings."

"We believe that stocks in the pipeline beyond us are now in a much sounder relation to retail turnover and that demand for rough diamonds from the CSO is now back in balance with current production for the first time in many years."

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Argus pins hopes on rationalisation

Gencor subsidiaries sell coal holdings

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CSO turns in quite a sparkler

THE continued recovery in worldwide demand for rough diamonds is reflected by Central Selling Organisation (CSO) sales of $1,214bn for the first six months of this year, a jump of 45% on the first half in 1985 and 25% up on last year's second-half.

While first half sales are now at a six-year record, they are still a far cry from the peak in 1979.

In the wake of the progressively weakening rand, sales measured in rand terms are at a record level with 1986 first half sales 63% higher at R2,77bn against R1,68bn in the comparable period of last year — the average rand/dollar rate at the time of each sight in 1986 was at 6,4490 and 1985 9,4994.

The jump in turnover also reflects the overall 7.5% dollar price increase for rough diamonds — which came into effect and was well received at the sight on May 6 — and probably some restocking by dealers in expectation of that and a

another price increase

In developed countries, new found wealth created by steady economic growth and share markets hitting new highs has helped boost demand for gems with retail sales noticeably buoyant.

Furthermore, demand has now broadened into the full spectrum of stones with sales of better-quality and top-colour stones picking up smartly.

This has occurred despite low worldwide inflation and high real interest rates and contrary to the traditional view that quality diamonds are an inflation hedge.

De Beers chairman Julian Ogilvie Thompson said last night, in a speech to the World Diamond Congress in Tel Aviv, that the process whereby the CSO had

CSO turns in a sparkler

gradually made available better-quality stones since 1985, was like a slowly rising tide and it was now selling all categories of rough stones.

He said: “There has also been a small reduction in our stocks and a welcome reduction in De Beers’ borrowings.

“We believe that stocks in the pipeline beyond us are now in a much sounder relation to retail turnover and that demand for rough diamonds from the CSO is now back in balance with current production for the first time for many years.”

Ogilvie Thompson, however, said the industry was not entirely out of the woods.

Sharp and violent fluctuations in currencies, and particularly further weakness in the dollar, could harm sales.

Without doubt he CSO’s latest sales have easily beaten analysts’ expectations and might lead to another positive rating in De Beers’ share price, which has already more than doubled to yesterday’s 27.70c in less than one year.
Diamond miners on strike over detained unionists

By Sheryl Raine

Four de Beers diamond mines in Kimberley were shut yesterday and this morning when more than 1,100 mineworkers went on strike.

They are demanding the release of unionists detained under emergency regulations.

The mines affected are Du Toitspan, de Beers, Bultfontein and Wesselsfontein. De Beers chairman Mr Julian Ogilvie Thompson has joined other business leaders and employer associations, including the Chamber of Mines, in protesting to the Minister of Law and Order about unionists being detained.

The National Union of Mineworkers (NUM) said about 2,000 mineworkers were on strike in Kimberley while a company spokesman put the number at 1,100 out of 1960.

The strikers are also demanding pay increases backdated to May 1, but a de Beers spokesman said the increases had not been agreed to yet because the NUM’s wage requests had only been received on June 30.
Bill boosts gems industry

A NEW Diamonds Bill will be tabled in August, aiming to establish SA as a more important diamond manufacturing and dealing centre.

One of the aims of the Bill is the restructuring of the diamond industry for the best interest of SA. It will be published as the Diamonds Act of 1986.

Although a major producer, SA cannot compete with market leaders because of the under-developed size of the manufacturing (cutting) side, says Master Diamond Cutters Association of SA chairman Nic Jooste.

Diamonds generally were exported before local cutters could view them, he said.

The manufacturing size of the diamond industry caused SA to be ranked low on the world market, said Jooste, who recently returned from the International Diamond congress held in Tel Aviv.

"Compare our turnover of the finished product ($100bn) with that of Israel ($1.2bn) and India ($1.1bn) — countries that don't even have their own resources," Jooste said.

Another change includes the reconstruction of the Diamond Cutting Board, appointed by government, giving wider scope to all parties represented on it — producers, cutters, dealers as well as several government departments. It will be renamed the Diamond Board.

Government has already relaxed a rigid approach to issuing manufacturers' licences.

Since 1982, 32 additional licences were approved — a major development on previous years, Jooste said.

Optimism in the diamond industry — now recovering from its worse recession in 50 years — was fuelled by demand improvement and positive market reaction.

In 1988, SA's volume of diamond exports (230,000 carats) increased by 18% from the previous year, showing the improvement in market demand.

The labour force increased by 30%.

"In addition, De Beers had enough confidence in the market to mark up rough diamond prices by 7.5%," Jooste said.
Hard evidence

A number of times this year De Beers chairman Julian Ogilive Thompson has indicated that the diamond market is back to normal. He said it again last Thursday in explicit terms when he told the World Diamond Congress in Tel Aviv that demand for rough diamonds from the Central Selling Organ-

ization (CSO) is “now back in balance with current production for the first time in many years.”

His comments were backed by the hard evidence of the leap in the CSO’s sales. In dollar terms, the figures for the first half of 1986 were up 45% on the first half of last year. This maintained the advance of the second half of 1985, when sales were 47% up on the second half of 1984.

Exchange rates continue to distort the pattern in rand terms, but here too the trend remains encouraging. As the rand/dollar rate averaged US$0.4450 at the sights in the first half of 1986 against the comparable $0.4994, the rand figure jumped 6.2% to R2.710m. It is a slower growth pace than the 15% against the second six months of last year, when the rate averaged $0.4194, but a rand around US$39c-US$40c since May can only bode well for De Beers’ profit figures for the second half of this year.

Widely-held expectations of good CSO sales were reflected in De Beers’ share price, which closed at 2.770c before the figures were released. Even so, a number of local analysts said they were actually slightly above expectations. This added further steam to the share, pushing it to 2.860c by Monday’s close.

The market is likely to draw several inferences from the CSO figures. Both investors and members of the diamond industry will be encouraged by the absence of new setbacks. More than once in recent years, a promising firming of rough diamond sales was followed by recessions, such as happened in the second half of 1984, when the Soviet Union increased sales of rough diamonds and banks applied a more restrictive approach to the trade’s finance.

Secondly, the sales will be seen as extremely favourable for 1986 profits of diamond producers, particularly De Beers. With stocks in the trade largely run down, rough sales are now almost directly linked to retail demand, the CSO’s stocks, held by De Beers, are meeting this demand. The CSO’s stocks are believed to contain a considerable proportion of quality gems that sell at relatively high margins. Sales of these diamonds would therefore have a sharp impact on De Beers’ profits, and Ogilive Thompson affirmed that this is happening when he told the congress that the CSO “is now selling all categories of rough diamonds.”

Apart from the stocks held directly by the CSO, very large stocks are believed to be held at certain mines, notably the Botswana producers owned by De Beers (held 50% by De Beers) and De Beers’ Finchua mine in SA. As these stocks eventually start being moved to the CSO and through the pipeline, this will also be positive for De Beers’ profits.

The 7.5% price increase announced earlier this year for rough diamonds will bolster the more buoyant trends. The increase took effect on May 6, ahead of the peak selling season. Trade sources stress that 7.5% is an average figure but the increases are consider-

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**ANOTHER LEAP FOR CSO**

**Rough diamond sales**

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Looking for sparkle

SA's infant diamond cutting industry — as with most of its minerals, local beneficiation has yet to take off as a major industry — could be at the beginning of bigger things.

While SA's De Beers Diamond Corporation controls the world's gem diamond market through its London-based Central Selling Organisation, SA still lags behind in the diamond cutting stakes. Change is, however, at hand.

"Legislation pending this year would make more rough diamonds available to the trade from producers other than the Diamond Trading Company (De Beers), who are the main suppliers and supporters of SA cutters," according to the chairman of the Master Diamond Cutters' Association Nick Jooste.

The government has already issued more cutting licences, Jooste adds, but the industry will have to play its part by training more labour and developing expertise to help expansion.

Fortunately, any plans to expand the local cutting industry are assisted by the rosy picture for the diamond industry as a whole — liquidity and confidence have improved. Proof of this confidence is De Beers' recent 7.5% increase in the price of rough diamonds.

Jooste tells the FM that although local cutting has a strong international reputation,

FINANCIAL MAIL JULY 25 1996

Taking off

Going for sparkling in minders' treasure chest

31.12 million worth of diamonds; plus 500,000 cutters to cut and sell.

Excess growth in volume by 25.3% and to increase cutters to cutables in 1993 to 60,000.

Exports grew in value by 25.3% and to increase cutters in the 1994/1995 period — with the number of cutters up by 18%.

The diamond industry has several key factors to put into effect to exploit.

- Enhancement of the already existing diamond chain.
- More everythings going to the diamond chain.
- More everythings going to the diamond chain.
- More everythings going to the diamond chain.
Diamonds Sparkle Again

THE DIAMOND INDUSTRY IS BACK!
Tax scandal fails to kill Antwerp’s gem trade

BRUSSELS—The diamond trade in Antwerp, the world’s biggest polished diamond centre, is flourishing again after recovering from a scandal in which two men were accused of laundering illegal gem profits.

A spokesman for Antwerp’s Diamond High Council said yesterday that the first half of this year saw a major leap in the volume of diamonds coming through the Belgian port.

Polished diamond imports rose 22% in volume and unpolished imports 40% while the corresponding increases for exports were 5.5% and 17%.

The value of exports in Belgian franc terms fell seven percent to 78 billion francs (R4 982m), but the spokesman said the heavy fall in the value of the dollar more than accounted for this drop.

The encouraging trend came despite a noticeable dip in trade in late February and early March, due largely to fears about the Belgian authorities’ attitude to the taxation of diamond trading firms, the spokesman said.

Fine

These fears were sparked by the arrest last January of Antwerp stockbrokers Francois Leiser and Hilaire Beelen for tax evasion on behalf of their diamond clients.

They were told that the authorities planned to fine their company, Roger Kirschchen and Co, 23 billion francs (R159m) for tax evasion.

Senior diamond dealers said at the time that the arrest of the two men ran counter to an unwritten agreement between the government and the industry on tax and warned that if probe continued, some dealers would move their businesses to other world diamond centres.

Leiser and Beelen jumped bail of 7.5 million francs (R420 000) in March and are currently thought to be abroad.

There have been no further tax scandals in Antwerp diamond circles since the so-called Kirschchen-Beelen affair and the High Council spokesman said calm has returned to the Antwerp trade partly thanks to a pledge from the government.

Brussels, anxious not to scare away a trade whose 353 billion franc (R19.948m) turnover accounts for six percent of Belgium’s Gross National Product, has said it will investigate a new method of taxation for businesses which re-export virtually the whole of their imports.

The Diamond High Council spokesman said the current method of taxing such businesses on the same basis as general industrial firms is felt to be particularly onerous.—(Sapa-Reuters)
De Beers drops a hint to the bulls

A DISAPPOINTING result this week appears to be a reminder from De Beers for the market not to go overboard. This is the view of a Johannesburg Stock Exchange expert on De Beers.

The share price has run in a virtual straight line from R9 in January 1986 to R11. The analyst says that through its accounting, Byzantine in complexity, De Beers has enormous flexibility in declaring profits. "After a 62% rise in Central Selling Organisation sales in rand terms, the market was entitled to expect better margins and much bigger profits. But De Beers is evidently more interested in staging a well-managed recovery from the gloom of two years ago than in flashy one-off performance. "With the dollar down against the hard currencies, there will be a stronger flow of profits in the second half. But De Beers will gradually run down stocks and rebuild its cash mountain."

Friends

The analyst says De Beers has won many friends in the international diamond business through its stabilisation policies, which in a world of tumbling commodities have been uniquely successful. The present share price is justified and the longer-term bull market in De Beers is far from over. "But after the big rise I would expect no fireworks in the share price until, at the earliest, the next CSO sales statement."

Some analysts have expressed concern at a R46-million (1986 R169-million) extraordinary loss of associates, but it is believed to have been the belated product of equity accounting and stemming from Masirco more than a year ago.
The latter, of which Mercabank has 70%, reduced its net loss in 1985 to $7.4m compared with R12.3m the previous year and expects a return to profitability in the current year. Careus Diamonds is reducing operations by selling outlets to store managers and a strong reduction programme is being carried out. Offers of compromise for liquidated furniture company Kallenbach-Hendler are being finalised.

Kerry Clive

More to come

One thing is emphasised by the end-June interim profit figures released this week by De Beers: the massive rise in the share price seen this year — it has almost doubled since January — is in anticipation of what is to come over the next 18 months, rather than based on the new negligible 1.6% dividend yield. The market is realistically taking the view that with the diamond market back to normal, De Beers is looking forward to powerful earnings and dividend growth for some time.

The 34% surge in earnings excluding the share of retained profits of associates, and the 33% increase in the interim dividend may seem somewhat disappointing after the impressive growth at the December 1985 year end. The Jone Central Selling Organisation (CSO) sales figures already reported that view would, however, underestimate what should be in store later.

An outstanding aspect of De Beers’ interim is the 41% leap in the diamond account, which climbed to R447m. Assuming that sales remain on track, and indicators so far are propitious, the second half is likely to show better growth. The average 7.5% increase in the price of rough diamonds announced by De Beers earlier this year took effect on May 1, and, therefore, would have had only a limited impact on the interim sales.

That aside, the normal pattern is that the margin on the diamond account is much wider in the second half of the year than at the interim. This year it was 16.5%, in line with the 16%-19% range since 1982, in the last three years the margin has varied from 33% to 35% in the second half, which is when the larger profit jump tends to come.

The same applies to investment income, which rose by 26.8% — there should be more to come. By far the largest contributors to De Beers’ investment income are Anglo-American, JCI, Minorco and Amic, other important ones are Ergo and WD Levels. Thanks partly to the rand, all but Amic will see further increases in profits, and much of the gains still have to flow through to De Beers, including the effects of the mid-year slide in the rand.

Also encouraging was the 75% drop in interest payable. The year-end balance sheet showed that debt was being repaid, and cash reserves were again being built up. This continued during the first half of 1986, when long and medium-term liabilities were pared by R240m to R740m, and R89m of pref shares were redeemed. Net current assets were reduced by R158m to R328m, so the overall improvement in funding amounted to R171m. This, combined with reductions in interest rates that apply to the portion of debt which is held in local currency, indicates further reductions in the interest bill.

What undid part of these gains for De Beers’ earnings was the harsh jump in taxation and the State’s share of profit under mining leases, which together soared by 72% to R218m. This figure presumably would not continue to increase at a much faster pace than profits.

The important element now is that retail

DE BEERS ADVANCES

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<td>Investment income (Rm)</td>
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Clicks in a unique niche of the retail market, and while trading conditions remain “extremely difficult,” chairman Jack Goldin says the group has managed to keep to a growth track through “aggressive store expansion.”

In the year to end-June, Clicks maintained the momentum of its expansion programme, opening nine new branches, three in the western Cape, four in the Transvaal and one each in the OFS and Natal, creating a trading base of 65 stores. “I believe the Clicks chain could certainly grow to 200 stores,” says Goldin, “and we are well on our way to achieving that target.” In 1987, he says, nine new stores could be opened.

Clicks shares have shown uncustomary weakness this year by falling from 950c to around 800c, before recovering ahead of the latest results to 800c. At this price, the share yields 2% on dividend, which is a better rating than Pick’n Pay, which at R34.20 trades on a yield of 2.7%.

Clicks’ Goldin ... an aggressive expansion

De Beers’ Ogilvie Thompson... repaying borrowings

Slow turn

Kanhyim has turned the corner in announcing its first profit since 1982, but the legacy of previous years’ losses will linger on for ordi...
Despite earnings, dividend rise

Big chill for De Beers at interim stage

DE BEERS' interim results received a cool reception from the market yesterday, despite a rise of a third in the dividend to 20c and an advance in earnings, excluding share of retained profits of associates, to 73c (64c).

In lively trade, the share plunged 9%, or 33c, after touching a peak of R85.35

Bouncing Back De Beers

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INTERIM DIAMOND ACCOUNT PROFITS

BRIAN ZLOTNICK
Investment Editor
ahead of results. It closed R1.50 down on the day at R3.20
More than R1bn was wiped off market capitalisation — now R11.3bn — in response to results that were at the lower end of analyst expectations
For unknown reasons, the sharp decline in the diamond-account margin — diamond-account profits as a percentage of CSO sales — to 16% from 19% does not tally with a number of favourable factors
In the wake of demand broadening into the full range of gems, including the more profitable, better-quality and larger stones, a reduction in stockpile and the price increase, the shrinking margin comes as a surprise
The combination of a continued strong recovery in worldwide diamond sales, a weak rand and higher investment income were among the more significant factors behind the earnings improvement
A R1.29m surge in diamond-account profits to R447m, within a whisker of 1989's record, reflected both higher volume sales and the 7.5% increase in May of the price of rough diamonds
Higher dividend receipts from the sug-

Big chill for De Beers

Significant 38% equity stake in Anglo American and the increased rand value of dividends from its 21% holding in foreign-based Minoro, largely boosted investment income to R161m from R127m
The interest bill fell by a third to R48m, with long- and medium-term liabilities reduced by R246m to R740m
A R7m leap to R177m in tax was another significant feature of the results, which showed net attributable income of R1.37m, against R23m — equal to earnings, including share of retained profits of associates, up 20c at 118c a share
Disappointment over the results also emanated from London, which was reported to have offloaded some stock
But even if the high expectations of

Analysts and investors have been temporarily dashed, the fundamental outlook remains promising
The directors say indications are that the positive trend in diamond sales will continue in the second half
Furthermore, any fancy accounting footwork or other unknown factors that could have depressed diamond-account profits, and hence the margin, are unlikely to be at work in the second half to distort the underlying upward trend
In view of the weaker dollar and increased demand, rumours that another rise in the price of rough diamonds is in the pipeline have gained currency
De Beers fails to meet market expectations

By Sven Lunsche

The stock market is clearly disappointed with the news that De Beers interim diamond account has only shown an increase of 40 percent to R447 million.

It had been widely speculated that profits would rise by at least the same margin as the 63 percent increase in worldwide Central Selling Organisation (CSO) sales.

The share price dropped to R32,00 on Diagonal Street when the news reached the market, from the record high of R35,35 to which it had risen in expectation of a more substantial rise in the account.

A spokesman for De Beers said, "The market was unrealistic in expecting such a return and a 40 percent improvement in profits is a commendable figure under any circumstances."

He added that the improvement "is a slowly rising tide and that the second half is usually better in terms of dollar sales of diamonds in anticipation of increased spending during the Christmas period."

While the rest of the interim report for the six months ended June makes excellent reading, with a 33 percent rise in the dividend to 20 cents and an improvement in net attributable earnings of 35 percent to R261 million or 73 cents a share (54 cents), dealers were at a loss to explain why De Beers had not achieved the expected increase in the diamond account.

The diamond market is extremely buoyant, with sales improving across the full spectrum of gems, including the more profitable higher quality stones.

In the first half the CSO — De Beers' marketing arm — sales had soared by 45 percent to $1,21 billion compared to the previous half. This translates into, because of the low rand exchange rate, a 62 percent increase to a record R2,71 billion.

The results for the last financial year also indicated that De Beers and the CSO, which markets 85 percent of world output, had regained control of the diamond business after several difficult years.

Dealers said the 7,5 percent increase in the price of rough diamonds, which admittedly was only introduced in May this year, should also have had a more favourable impact on sales returns.

Most analysts, however, are confident De Beers can at least match its diamond account profits of R1,14 billion achieved in the 1985 financial year, as the second half of the year is noted for increased CSO sales, accompanied by a further reduction in the De Beers diamond stockpile.

A question mark hangs over the group's share of retained profits of associates, which only increased by R4 million to R164 million, considering Anglo-American's total earnings improvement of 40 percent for the six months ending June on the same period last year.

The company's investment income, however, improved by 27 percent to R161 million, with the interest bill coming down by a third to R48 million and long-term liabilities down R46 million to R49 million.

Earnings, including share of retained profits of associates, were R425 million (R383 million) or 118 cents (98 cents) a share, with profit after tax improving by 21 percent to R489 million, a figure which was severely affected by a substantial 72 percent rise in taxation to R218 million.
De Beers shares active as market awaits results

WITH investor interest yesterday heightened ahead of De Beers' results, the share moved up in early trading against the initial overall softer market trend to puncture the R34 level.

Investor confidence about the interim results, which are expected to be unveiled today, grew steadily as the day progressed and the share closed 85c higher at a new peak of R34.50.

In the wake of the strong first half CSO sales of R1,214bn, a jump of 45% on 1988's first half, an overall May 7.5% dollar price increase for rough diamonds and the progressively weakening rand, analysts have sharpened their pencils in expectation of a big jump in profits.

Measured in dollar terms, CSO, the marketing arm of De Beers, first-half sales were still a far cry from their 1980 peak, but in rand terms were at a record R27,1bn, up 82% on the comparable period for last year.

Moreover, demand has now broadened into the full spectrum of gems, including the more profitable, better-quality and better-colour stones.

Furthermore, according to chairman Julian Ogilvie-Thompson, "there has been a small reduction in our stocks and a welcome reduction in De Beers' borrowings."

BRIAN ZLOTNICK
Investment Editor

The interest bill (in dollar terms) is thus expected to be lighter.

Other positive factors are investment income should be lifted by higher dividend receipts (mainly from Anglo), and a boost from the fall in its diamond stockpile, while the weak rand and improved volume sales send profits soaring.

Indeed, some analysts have pencilled in for the full year record earnings of 250c, excluding share of retained profits of associated companies, and a return to record dividends of 75c a share last achieved in 1980.

They suggest an interim dividend of the order of 20c, up a third, and earnings of 90c (59c) a share.

Attention will once again focus on the key diamond account margin — diamond account profits as a percentage of CSO sales — which in recent years has shown a pattern that reflects a marked improvement.

While the interim margin is expected to widen further, it is likely, as is normal, to be well-down on the previous year's second half.

Unknown factors may yet play havoc with the margin and distort the true underlying trend.

Certainly there seems to be no reason for De Beers' dramatic profit recovery that gained momentum in the second half of 1985 — after about four and a half years of trauma — suddenly to grind to a nasty halt.

So analysts are looking farther down the line at the next two years for significant profit and dividend growth.

Given that the share has more than trebled over the past year and has outperformed the all-gold index by more than 100% over the same period, investors understandably are a shade queasy about the stock's ability to scale new heights.

The low prospective dividend yield of about 2.2% at R34.50 also frays the nerve ends.

However, there is still no shortage of analysts who say that De Beers' share price still has a full head of steam waiting to be let off.

They view the rand-hedge stock as an ideal vehicle for investment in a company whose fundamental market is dollar-based and going well.

Growth prospects have now become the overriding concern for the investor in De Beers shares, rather than a paltry dividend yield.
De Beer defends closure of DET schools

By Susan Fleming, Education Reporter

The crisis in black education was illustrated this week by the Department of Education and Training's decision to close a further 13 schools — less than one week after classes were resumed for the final term since the beginning of this term 33 schools have been closed because, said the Deputy Minister of Education and Development Aid, Mr Sam de Beer, meaningful and effective education had become impossible in these schools.

The National Education Crisis Committee and the African Teachers' Association of South Africa has slammed the DET's decision to close the 33 schools and has called for their immediate re-opening.

"I know that people have interpreted the closure of schools as an effort by the DET to deprive children of an education..." This perception is completely untrue," Mr de Beer told The Star this week.

"Must we keep our schools open just so that our teachers can sit around? Is it not in the best interests of our children to use the manpower and money elsewhere?" he asked.

MEET STANDARDS

The DET had been accused for many years of providing black children with an inferior education. "We must meet certain academic standards," he said.

"It became very clear in the schools we closed that it would be impossible for the children to meet the scholastic conditions required by the DET."

The 1983-84 academic year had been marred by boycotts, postponement of examinations and suspension of classes.

This last had been a common DET tactic this year.

Mr de Beer said classes were generally suspended to create a "cooling-off" period so that negotiations could begin between parents, teachers and the DET to create a stable educational environment.

In many areas the suspension tactic worked well and education continued normally after the suspension.

The problem areas this year have been the Eastern Cape — where thousands of pupils have been boycotting classes — and Soweto and the East Rand.

BIGGEST PROBLEM

The biggest problem has been the re-registration of pupils, said Mr de Beer. Many children have refused to register because of the presence of the security forces at the schools.

Mr de Beer said he would like to see the security forces withdrawn from the townships. "But at the moment our schools are being vandalised. The safety of our property is at stake and we have to protect the children and teachers."

Soldiers were not permitted into the classrooms. Their presence was allowed outside the school premises.

The issue of "people's education for people's power" had been in the forefront of discussion that year and pupils had demanded that a relevant, community education be introduced, he said.

Mr de Beer added that while he was strongly disagrees with the political implications of people's education, he believed there was a positive aspect to this form of teaching.

POSITIVE ROLE

"If it means a bigger involvement of the community then I agree with it. Also, if education becomes more relevant to the children's background and helps them fulfill a positive role in the future of this country I would see people's education as positive."

Mr de Beer said he was angered by the response to the DET's youth education centres. Recently it was revealed that batches of detainees were sent there upon their release to undergo courses aimed at rehabilitating them into the community.

Several groups, including the Progressive Federal Party, said they believed the real purpose of such camps was to indoctrinate and brainwash.

Mr de Beer dismissed these claims saying they had "damaged the goodwill" of the centres. There are 167 youths at these centres.

Some of our students have been detained and we were concerned about their well-being. Attendance at the youth centres is completely voluntary and anyone who wishes to withdraw may do so."
Prime Minister Kaul: Anti-apartheid India stands with the people of South Africa.

The word has gone round that the people of South Africa have taken to the streets once again, with the National Party holding a massive demonstration against the ANC in Pretoria. This is the second mass demonstration in South Africa in the past three months. The first took place in Durban on 29 December 1984, with the ANC saying that it would be a continuing campaign. The ANC has been banned in South Africa since 1960, and its leaders have been in prison or on the run for more than 20 years. The ANC's struggle for freedom and democracy has been a symbol of resistance against apartheid, and its leader, Nelson Mandela, has become a hero to millions around the world.

The South African government has repeatedly denied the ANC's claim to be a legal political party. It has also refused to grant it permission to hold any kind of public gathering. Despite this, the ANC has persisted in its efforts to organize mass demonstrations, despite the risks of violence and arrest. The government's response has been to use force and intimidation to try to stop these protests. But the ANC remains resolute, and its supporters are determined to continue their fight for freedom and justice.

The ANC's demonstration in Pretoria is just the latest in a series of protests that have taken place across South Africa in recent months. In Durban, Cape Town, and Johannesburg, thousands of people have shown their support for the ANC's struggle. And despite the risks, the ANC's leaders continue to call for international support for their cause. They argue that the world cannot remain silent in the face of such injustice and oppression. And they hope that the demonstration in Pretoria will be just the beginning of a new wave of international solidarity with the people of South Africa.
No. R. 2071 26 September 1986

WET OP ARBEIDSVERHOUINGE, 1956

WAS-, SKOOMAAN- EN KLEURNYWERHEID (KAAP).—HERNUWING VAN VOORSORGFONDS-OREENKOMS

Ek, Matheus Willem Johannes le Roux, Direkteur: Mannekrag, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (u) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings R. 1927 van 5 September 1980 en R. 1517 van 5 Augustus 1977, van kracht is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 September 1987 eindig.

M. W. J. LE ROUX,
Direkteur: Mannekrag.

No. R. 2072 26 September 1986

WET OP ARBEIDSVERHOUINGE, 1956

NYWERHEIDSRAAD VIR DIE DIAMANTSLYP- NYWERHEID VAN SUID-AFRIKA.—WYSIGNING VAN PENSOEINFONDS OOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wyssigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 3 Januarie 1991 eindig, bindend is vir die werkgewersorgansosisse en die vakvereniging wat die Wyssigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE DIAMANTSLYP- NYWERHEID VAN SUID-AFRIKA

OOREENKOMS

doent om die Wet op Arbeidsverhoudinge, 1956, gelaat deur en aangegaan tussen die

Master Diamond Cutters' Association of South Africa
(hierdie deur die "werkgewers" of die "werkgewersorgansosisse" genoem), aan die een kant, en die

S.A. Diamond Workers' Union
(hierdie deur die "werkgewers" of die "vakvereniging" genoem), aan die ander kant,

dat die partyte is by die Nywerheidsraad vir die Diamantslypnywerheid van Suid-Afrika,

dat die ooreenkoms gepubliseer by Goewermentskennisgewing R. 2303 van 23 Desember 1970 soos verleng by Goewermentskennisgewing R. 1517 van 5 Augustus 1977 te wysig. (Hierdie verwys as die "Pensioenfondsooreenkoms").

I. TOEPASSINGSBESTEK VAN OOREENKOMS

1 Vervang die bestaande paragraaf met die volgende paragraaf

"(1) Hierdie ooreenkoms moet in die Diamantsnywerheid in die Republiek van Suid-Afrika nagekom word

(a) deur alle werkgewers wat lede is van die werkgewersorgansosisse en deur alle werknemers wat lede van die vakvereniging en wat onderskeidelik betrokke is by of werkzaam is in genoemde Nywerheid.

No. R. 2071 26 September 1986

LABOUR RELATIONS ACT, 1956

LAUNDRY, CLEANING AND DYING INDUSTRY (CAPE).—RENEWAL OF PROVIDENT FUND AGREEMENT

I, Matheus Willem Johannes le Roux, Director: Mannpower, duly authorised thereto by the Minister of Mannpower, hereby, in terms of section 48 (4) (a) (u) of the Labour Relations Act, 1956, declare the provisions of Government Notices R. 1927 of 5 September 1980 and R. 1517 of 5 Augustus 1977, to be effective from the date of publication of this notice and for the period ending 30 September 1987.

M. W. J. LE ROUX,
Director: Mannpower.

No. R. 2072 26 September 1986

LABOUR RELATIONS ACT, 1956

INDUSTRIAL COUNCIL FOR THE DIAMOND CUTTING INDUSTRY OF SOUTH AFRICA.—AMENDMENT OF PENSION FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Mannpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 3 January 1991, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union.

P. T. C. DU PLESSIS,
Minister of Mannpower

SCHEDULE

INDUSTRIAL COUNCIL FOR THE DIAMOND CUTTING INDUSTRY OF SOUTH AFRICA

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Master Diamond Cutters' Association of South Africa
(hereinafter referred to as the "employers" or the "employers' association"), on the one part, and the

S.A. Diamond Workers' Union
(hereinafter referred to as the "employees" or the "trade union"), on the other part,

being the parties to the Industrial Council for the Diamond Cutting Industry of South Africa,

to amend the Agreement published under Government Notice R. 2303 of 23 December 1970 as extended by Government Notice R. 1517 of 5 Augustus 1977 (hereinafter referred to as the "Pension Fund Agreement")

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Diamond Cutting Industry throughout the Republic of South Africa—

(a) by all employers who are members of the Employers' Association and by all employees who are members of the Trade Union and who are engaged or employed respectively in the said Industry,
De Beers and Red China in secret link

The Star Bureau

LONDON—Communist China has signed a secret prospecting deal with a company controlled by De Beers.

The Chinese Government has often publicly forsworn links with South Africa and cast itself as the champion of Third World opposition to apartheid.

The joint venture was signed last year under which a De Beers group company and the Chinese Ministry of Geology and Mineral Resources are prospecting for diamonds together in Shandong Province, source of most of China's diamonds.

The Central Selling Organisations (CSO), De Beers' London-based marketing arm, named Chichester Diamond Services (UK) as the company involved, but declined to give details of exact ownership.

Its directors are Mr Derek Finn, a CSO director, Mr Peter Galtanos, a senior CSO executive, and Mr John Hawthorne, one of De Beers' top two consulting geologists.

CLOSE TO HEADQUARTERS

Chichester is registered in Panama but shares a registered London office with Chichester Diamond Services, a diamond broker of almost the same name with which it has no other direct connection.

The office, in Charterhouse Street, is close to CSO headquarters.

Mining companies are traditionally secretive about prospecting for fear of alerting competitors. Here, however, the overriding consideration was the need to avoid embarrassing the Chinese Government. The CSO and Chinese officials were aware of the links between Chichester and the CSO.

De Beers has long been discreet about its trading links with black African states and the Soviet Union.

The political discomfort that disclosures of such links can cause has recently been brought home in India where Mr Rajiv Gandhi's Government has been under attack in the Press for allowing traders to import uncut diamonds of South African origin for polishing and re-exporting.
De Beers extends diamond prospecting, mining, in deal with Peking Government

Post Correspondent
LONDON — De Beers has extended its diamond prospecting and mining to China, it was confirmed here yesterday.

Following a report in the Financial Times a De Beers spokesman confirmed that the Panama-registered company Chichester Diamond Services (UK) — which was 'loosely associated' with De Beers — had signed a diamond prospecting deal with the Peking Government.

"It is quite a small prospect which began about a year ago," the spokesman said.

China has a small diamond mining industry producing an estimated 200,000 carats of mainly industrial diamonds annually.

The Central Selling Organisation (CSO), De Beers' London-based marketing arm which handles about 60% of the world's diamonds, confirmed Chichester Diamond Services (UK) as the company involved in the deal with the Peking Government.

The Financial Times report said its directors include Mr. Derek Finn, a CSO director, Mr. Peter Gallogos, a senior CSO executive, and Mr. John Hawthorne, a top De Beers consulting geologist.

The revelations about the De Beers-Peking link will be a political embarrassment to the Peking Government which has publicly rejected commercial links with South Africa and recently resumed relations with the African National Congress (ANC).
De Beers is prospecting now in China

London Bureau

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The Financial Times report said its directors include Mr Derek Finn, a CSO director, Mr Peter Gallegos, a senior CSO executive, and Mr John Hawthorne, a top De Beers consulting geologist.

Although registered in Panama, Chichester shares a registered London office with Chichester Diamond Services — close to the CSO and De Beers headquarters in Charterhouse Street.

The revelations about the De Beers-Peking link will be a political embarrassment to the Peking Government, which has publicly rejected commercial links with South Africa and recently resumed relations with the African National Congress.

Obligation

The disclosure follows a raging controversy in the Indian Press about the large-scale importation of South African diamonds in spite of Prime Minister Rajiv Gandhi's committed sanctions stance.

A De Beers spokesman said yesterday that the company had an obligation to look for new diamond deposits, but he declined to comment on whether the prospecting in China had met with positive results.
De Beers exploits gems demand

BRIAN ZLOTNICK

The latest price increase has come through quickly considering that the May increase was the first in three years, since April 1985's 8.5%.

Moreover, CSO sales of rough diamonds for the first half of this year at $1,214bn were 45% up on the comparable

To Page 2

Another rise in diamond prices

period of last year, with demand broadening into the full range of gems, including the more profitable, better-quality and larger stones.

De Beers' own first-half results showed a R128m surge in diamond account profits to R447m, which largely reflected higher volume sales and a weak rand.

While diamond prices in dollar terms are up sharply since the beginning of the year, prices measured in terms of the mark, yen, and French and Swiss francs, however, are still much softer.

Some analysts believe the latest price hike will have a favourable psychological impact on both the diamond market and De Beers' share price, even though it was widely anticipated.

De Beers shares were marked up 50c at R35 yesterday — to bring this week's gain to 175c — after news of the price increase.
CSO increases prices seven percent

Gem sales running at record levels

Financial Correspondents

Record gem diamond sales of more than $1.2 billion in the six months to end-December — making around $2.5 billion for the year — are now almost a certainty, say sources close to De Beers.

But, despite a leap in prices over the past five years the continued lack of top quality gems is still substantially below the peak levels of 1980.

Nevertheless, increasing optimism comes after an announcement by the Industry's Central Selling Organization (CSO) that there is to be a seven percent increase in the price of rough gem diamonds as from the next international "Sight" on November 3.

However, the industry and De Beers both concede that the price increase has been made possible by strong demand for gemstones, not least in Japan, which, after the US, is the largest producer of finished diamond jewellery.

"Thus the volume of sales is likely to be significantly higher in the second half of this year than in the same period last year, and probably better than in the first half this year."

Following the spectacular 45 percent leap from $14.87 million to $2.12 billion in the value of CSO sales in the first half of this year (and the 23 percent jump in CSO sales over the $1.6 billion in the second half of last year), the industry concedes that demand for gemstones is continuing to firm.

Buoyant market

The market for better quality and the larger, more expensive stones is especially buoyant, they say. A key reason is the fall in the value of the dollar against currencies like the yen, which has brought these more expensive gems within reach of buyers in major markets.

"There have been record diamond jewellery sales each year in the past three years," comments De Beers, "and retail sales are continuing at high levels worldwide."

The new price increase comes six months after the last hike, for the May Sight as announced last April. The increase then was 7.5 percent.

Before that, one has to go back as far as March 1983 for an increase, which was 3.5 percent at that time.

Neil Behrman reports from London that medium and larger sized rough uncut diamonds in the leading diamond markets, Antwerp, Tel Aviv and Bombay, are already being quoted at a premium over the stones sold by the CSO.

"We expect De Beers to raise prices," said Jacques Zucker of Laukowy-Zucker, Antwerp diamond dealers. "Even if it affects our margins, it shows the world that confidence in diamonds is recovering."

The buoyant precious metals market also helped sentiment in the diamond market.

"The trade is doing well in all centres and the gems of the Antwerp Diamond High Council Small medium and large sized diamonds were selling well, he said. "But prices of quality diamonds rose faster because there was a shortage."

Price indices

The High Council's indices of polished diamond prices show that quotes of small cheap and medium quality polished diamonds, ranging between $1.14 and $1.50 per carat, surged 17 percent from their low point in November 1985. They are still about 70 percent below the levels seen in 1980, however.

"The price index of 'Small brilliant' diamonds and 'Meelee' increased by only six percent in the same period because there are more than sufficient stocks."

Output has soared in Botswana, Zimbabwe and Western Australia.

De Beers estimates that world diamond output was 66.5 million carats in 1985 against 47 million carats in 1982. About 20 percent of world diamond production are gems.

Prices of the D-Flawless top investment grade diamond jumped by about 70 percent to $12,000 a carat from its low point of $7,000 in November last year. But they averaged around $5,000 earlier 1980.

Diamonds vary in cut, colour, clarity and carat weight. (A carat is 1/420 of an ounce.) Further down the line, E-colour diamonds rose from around $3,500 last year to current levels of $7,000 a carat.

Rare large diamonds have been sold at very high prices at Christie's and Sotheby's. An 81 cwt carat E-colour, potentially flawless stone recently fetched $227,000, the firm says.

But sales volumes are increasing too. The Antwerp Diamond High Council said that exports from the centre, the largest in the world soared to 41 million carats in the first nine months of 1986 against 31.2 million carats in the same period last year. Israel and Bombay were also experiencing better trade.

"The market is much stronger and healthier following the depression in the first five years of the decade," said Mr Zucker of Antwerp.

The CSO not only began withholding diamonds from buyers in 1980, but also chose dealers who were financially strong. Several manufacturers and dealers failed during the depression and the survivors have proved their mettle. Now that their stocks are low, they are raising their orders from De Beers.

The market also improved because De Beers persuaded the Soviet Union, a major diamond producer, from dumping large quantities of polished diamonds in Antwerp. It is now selling most of its diamonds to the CSO.

De Beers' international diamond stockpile is still huge, however. It fell by only $52 million to $1.9 billion at the end of 1985. The company expects further production, which should reach 10 million carats a year by 1990.
Price hike

Since the interim results were released in August, De Beers' share price has been consolidating around R33, rarely approaching the 12-month peak of R36 set before the figures were published.

This week, the Central Selling Organisation (CSO) provided some additional impetus by announcing an overall price increase of 7% on all rough diamonds except boart and drilling stones. De Beers' share price perked up on Monday, and by Tuesday afternoon was trading at R35,50.

The announcement helps to explain why the share has remained firm despite the slim historical dividend yield of only 1.8%. When the increase takes effect from the next auction on November 3, prices of rough diamonds will have increased by a total of 14.5% during this year, starting with the hike of 7.5% which became effective on May 1.

Analysts say that as retail sales are known to have remained strong, the latest increase was not unexpected. It is, however, seen as an indication that there have been no further disruptions in the industry — such as the problems in Indian cutting centres a couple of years ago — and that De Beers is confident that the market can bear higher prices at present.

Currency factors have become pivotal in the diamond market. Prices of rough diamonds, which are quoted in dollars, were effectively reduced by the dollar's steady slide against other leading currencies, particularly the DM and Yen. This helped boost sales in the last 12 months and set the scene for this year's price increases.

As became clear early this year, De Beers is now enjoying the benefits of both volume and margin improvements. Stocks have been run down in the cutting centres, and demand for rough diamonds has become more directly related to retail sales. Overall margins are believed to have increased anyway, because of the larger gem diamonds — which carry higher margins — that are being sold.

The CSO sales figures published in July showed the effects of these factors on rough diamond sales. CSO sales for the first half of 1986 had jumped by 45% to $1.214bn. As the earlier price increase had then been in place for only two months, it would have had limited impact on the first half sales, but this will not apply to the CSO sales for the second half of the year.

A second price increase during this year is a reminder that it would be misleading to attach too much attention to the thin dividend yield offered by De Beers' share. The current earnings yield is a generous 9.3%, but, more importantly, the real advances in both earnings and dividend are still to come. In my view, there is still upside potential in the share.

Andrew McNulty

Good reception

When Consolidated Metallurgical Industries (CMI) is listed on the JSE on November 6, the shares could reach double the offer price of R400c if the performance of the nil paid letters (NPLs) since their listing on Monday is any guide. The NPLs jumped to 300c and have remained there.

The CMI prospectus states that earnings for the year to end-June 1987 should at least equal the 98c a share for the 1986 year, and forecasts a dividend of 50c a share. Assumptions behind this forecast are that the rand will be worth US$4.50, that current US dollar ferrochrome prices — which have dropped some 11% over the past 18 months — will be maintained, and that the effect of sanctions will be limited.

The closest comparable operation to CMI on the JSE is probably Samancor which is, however, much more diversified. It controls chrome and manganese mines and produces a wider range of ferroalloys. CMI produces only ferrochrome from its plant near Lydenburg in the eastern Transvaal and buys chrome ore from nearby mines such as Rand Mines' Winterveld Chrome. It does not mine, although controlling mining house JCI has chrome ore reserves which can be mined if necessary.

CMI is to be listed in the steel and allied...
GFSA has retained these rights. By comparison, Kloof gold mine paid an effective R12 851/ha for the 1 301 ha it acquired in the Leucodorn expansion. That included rights to all the reefs present. Taking a conservative line on the Vlaks share price and knocking it down to, say, 60c, the cost of Droogebult still works out at R19 277/ha.

Wright says this kind of comparison is unfair because Vlaks will start to get its money back on the development within some 18 months, instead of the five-year wait which Kloof shareholders will have, while Vlaks is laying out only R7 2m instead of some R50m. "What the deal boils down to is that about 12% of the company is being given to GFSA and GF Props through the issue of new shares, in return for mineral rights worth considerably more to the company in terms of future revenue."

Vlaks intends to mine from an incline shaft which will be sunk on reef. Mined ore will be transported some 15 km to the existing Vlaks treatment plant. Total mill tonnage is estimated at 2.7 Mt at an average grade of 3.4 g/t which will maintain a milling rate of 20 000 t/month for 11 years. Vlaks has the capacity to mill 70 000 t/month, the balance of the mill feed will continue to be made up from its own dump reserves and dump material treated from surrounding sources on a toll basis.

Vlaks' own dump material, combined with dump material from associated nearby mines such as Vogels, would have lasted another three to four years. An important source of outside material, Sub Nigel, will stop sending material to Vlaks from March next year, when its own treatment plant will be commissioned.

The new mine will be a stand-alone venture because capex will not be offset against Vlakfontein's current profits for tax purposes. Wright says that while it may have been possible to arrange this, it was better to have Droogebult treated as a new mine and taxed on the more favourable new mine formula of Y equals 60, minus 480 over X, instead of the existing Vlakfontein formula.

Wright estimates working costs at R50/t, including the cost of hauling the ore to the Vlaks plant. But he adds the caveat that, "It's been long since we did this kind of mining. We cannot be sure of our estimate because we have nothing in-house to compare the project against."

That level of working cost is about the same as those of neighbouring mines Southgo and Sub Nigel, which are working on the Main Reef. Wright will not be drawn at this stage on the possibility of working the Main Reef at Droogebult in the future, he points to the large capital investment needed to get to the reef and to the rising water level in the East Rand basin, which would boost working costs because of pumping charges.

The immediate effect of the project on Vlaks is that this year's dividends are not going to be increased over last year's 60c, and may even be cut to fund the capex.

Brendan Ryan
By Udo Rypstra

BUSINESS may not be booming in Kimberley, but few other industrial areas in South Africa have shown as steady and sustained growth as it in the past three or four years.

Progress is being made in making Kimberley less dependent on the four De Beers mines and the railways with which its fortunes have been linked.

In an attempt to make the designated decentralised area even more attractive to investors, the municipality plans new packages over and above Government incentives.

James Millar, outgoing development manager of the Kimberley City Council, says “Although we have felt the recession, the area has probably suffered less than most. Investment, particularly in light industry, is increasing. The message is that Kimberley is an excellent spot in which to decentralise.”

Farming

Mr Millar says De Beers employs only 4% of the Kimberley work force and generates less than 16% of the area’s gross domestic product. By contrast, SA Transdort Services employs 40% of the area’s workers and its GDP stake is about 23%.

There has been a swing to light industry and an increase in irrigation agriculture along the nearby Orange River.

Kimberley is the focal point of the State’s long-term economic plan for the so-called Region B, which includes Upington, De Aar, Colesberg, Douglas, Paardekraal and Kuruman, and other designated industrial growth points, such as Mogwan, Nqikeng, Mmabatho and Puidnoe in Botshabelo.

Apart from minerals, many of which still await development, the area produces milk and dairy products, beef, mutton, pork, cotton, vegetables, dried fruit and grain. The largest table-grape farm in the southern hemisphere is near Kimberley at Barkly West.

Mr Millar says that whereas the Government granted generous industrial decentralisation incentives in 1982, which attracted few investments, the new optimistic spirit is reflected in the growth of the Kimberley Industrial Association and the Kimberley Chamber of Commerce. The Sakelkamer and the Kimberley Development Foundation are also involved in bringing investors to the area.

Liaison between these groups and the municipality, says Mr Millar, will lead to new incentives for industrialists soon. They will include longer repayments—up to 18 years—at lower rates of interest for the purchase of industrial land.

A sliding scale will be introduced to make it possible for industrialists to start paying only when acceptable production has been achieved. Bulk discounts on industrial land of five hectares and more are also being investigated.

Red tape

Kimberley Municipality is also prepared to help prospective industrialists with feasibility studies and will give businesses with depots and offices in Kimberley preference on all municipal tenders, says Mr Millar.

Much of Kimberley’s recent success in attracting industry can be attributed to the municipality’s young and highly qualified managerial team. It believes in co-operating with potential investors and cutting out red tape wherever possible.
RESULTS

Turnover increases are in line with those published for the retail sector, yet once again we have managed to reduce our loss per share by 85% (March 1986 by 84%). Cash flow is still under pressure as a result of the 24% boost in sales over last year and the fact that we are now almost fully stocked for the Christmas season. We further experienced a noticeable swing to credit and hire purchase deals.

Because of these cash flow pressures, we were forced to divest ourselves of our company mascot — the STERNS STAR. This suite of three diamonds, the biggest weighing some 85 carats, was sold abroad and is accounted for in the period under review.

TAXATION MATTERS

At this stage there is still no resolution on the matter that we reported on in our March 1986 year-end accounts. Further consultations with our tax council have strengthened our belief that the challenge of the Receiver of Revenue is not valid within the Income Tax Act.

DIVIDENDS

The directors deem it prudent not to declare a dividend at this stage but expect that by the year end the company can once again return to paying dividends.

PROSPECTS

We have every reason to believe that the present upturn will continue through to the Christmas season and we will be able to close the year with positive earnings. It is anticipated that the 1987 year will be one beset by a multitude of problems, the net result of which will be a further reduction in personal consumption expenditure. Nevertheless at this stage our forecasts indicate that we will show modest positive earnings in that year.

CONSOLIDATED INCOME STATEMENTS

<table>
<thead>
<tr>
<th>Unaudited results</th>
<th>Audited Year ended</th>
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</thead>
<tbody>
<tr>
<td>6 months ended</td>
<td>31 March</td>
</tr>
<tr>
<td>30 September 1986</td>
<td>1985</td>
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<tr>
<td>1985</td>
<td>R 000</td>
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<tr>
<td>1986</td>
<td>R 000</td>
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<tr>
<td>Turnover — increase/(decrease)</td>
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<tr>
<td>Operating income</td>
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<tr>
<td>Profit on sale of investment</td>
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<td>Interest</td>
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<tr>
<td>Profit/(Loss) before taxation</td>
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<tr>
<td>Taxation</td>
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<tr>
<td>Profit/(Loss) after taxation attributable to shareholders</td>
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<td>Attributable earnings of associated company</td>
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CONSOLIDATED BALANCE SHEETS

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<th>30 September 1986</th>
<th>31 March 1986</th>
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<td>Shareholders funds</td>
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<td>Deferred taxation</td>
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<td>Interest bearing debt</td>
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<td>Capital employed</td>
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<td>Fixed assets</td>
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<td>Associated company</td>
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<td>Current assets</td>
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<td>Interest free liabilities</td>
<td>3,311</td>
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</tr>
<tr>
<td>Employment of capital</td>
<td>22,655</td>
<td>20,907</td>
</tr>
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NOTES

Maximum permissible borrowings in terms of the Company's Articles:

- Capital commitments = 23,404
- Contingent liabilities = 6,240
- Net asset value per share = 231.8

By order of the Board
S. F. Barnett
(Chairman and M D )
R E Krause
(Secretary)
6 November 1986

Registered Office:
5th Floor, Sterns Park
Van Beek Street
Doornfontein
Johannesburg
2001

Transfer Secretaries
Hill Samuel Registrars
(SA ) Limited
President Street
Johannesburg
2001
CAPE TOWN — The need for impartial study of human rights has been cited by the head of the chairman’s fund of De Beers. Mr. Michael O’Dowd, as a consideration behind his company’s R750,000 endowment for the establishment of a chair of human rights at the University of Stellenbosch.

He said in an interview in Cape Town: “We hope the studies coming out of this chair will influence all parties. We regard this as a practical issue, and hope it would affect both constitutional thinking and the thinking of governments about day-to-day policy.”

Mr. O’Dowd, head of the chairman’s fund of De Beers Consolidated Mines and of Anglo American Corporation, said the endowment was being made by De Beers as part of its centenary. There would also be endowments for other purposes to Rhodes University and the University of Cape Town.

Stellenbosch had been chosen for the human rights studies endowment to avoid any impression that it was a political gesture. There was a tendency among people to think of human rights as “Opposition property”, which was not so.

The company was aware of the human rights debate that had been taking place at the university. In that debate, human rights was regarded as “a live issue and not just a hammering of a particular point of view”.

“We regard human rights as an important issue. We think it requires much more impartial study than it has received in the past,” said Mr. O’Dowd. “We regard it as something to be looked at seriously by whites as well as blacks. To get that kind of serious discussion, it needs to be dissociated from particular parties and particular policies.”

Mr. O’Dowd said that to his knowledge the proposed chair was the first of its kind in South Africa. — Sapa.
Diamonds are poised for next strong boom

THE international diamond market (of which the SA market is effectively a part) has digested the excesses of the late 1970s and is poised for another strong boom.

Good-quality gemstones currently represent excellent long-term investment value, although buyers must first trade out of the excise duty of 95% and sales tax of 12%.

According to Schwartz Jewellers MD Robert Schwartz, the boom of the late 1970s took diamond prices (which are always quoted in dollars, even in SA) along a dramatic upward trajectory, from which the fall was equally dramatic.

But since the collapse, De Beers has been successful in clearing the market and all grades of stones are now scarce.

At the peak of the boom a D Flawless stone was selling at $66 000/carat in New York. The price today is $30 000/carat, having been as low as $10 000.

But of course, the fall in the rand has had a major influence on rand prices of stones, not to mention the changing effects of sales tax and excise duty, built into the local retail price.

In effect, the fall in the rand built in the adverse effects of the international diamond slump for SA investors, and well demonstrated the ability of real assets like diamonds to act as a currency as well as a political hedge.

There are various factors of importance in the tricky business of buying a diamond — the famous four Cs — caratage, cut, clarity and colour.

Caratage has its own influence on value-a-carat; thus a one-carat D Flawless will cost $30 000/carat, a five-carat stone of the same grading $400 000/carat; a 10-carat stone $850 000/carat, and a 30-carat stone $750 000/carat. The last figure reflects a maximum rate a carat for large stones.

Cut is most important, says Schwartz. He says it is almost impossible to overstate the significance of cut; a bad cut can reduce the value of a stone by as much as 90%.

The classic blue-white D diamond remains a benchmark of the market, but coloured stones are developing a strong following — good-quality blues, greens, yellows, pinks and reds are becoming increasingly sought-after.

Schwartz notes some fancy prices being paid in the US for high-quality coloured stones. A price of no less than $200 000/carat has been realised for a flawless blue stone, for example.

The classification of stones has also become more professional. Laboratories are staffed by people with academic backgrounds, although there are times dealers do not fully agree with their estimates.

But for all that it is now possible to buy a diamond along with a piece of paper setting out its vital parameters, based on a generally accepted system of nomenclature.

What of dealers’ margins? In other words, what discount would be applied on the resale of a stone? Schwartz says he is happy with a margin of 2%-4% “depending on the stone and on the client.”

But excuse (in the case of a stone not previously sold) at 35% and sales tax at 12% represent irrecoverable costs associated with the purchase of diamonds.

It is important to remember, as already noted, if a stone is sold back to a dealer, further sales would not attract additional excise duty. Sales tax would, of course, be payable each time around.

Obviously, these taxes strongly inhibit the short-term resale of diamonds. They have also inhibited development of the local diamond cutting and jewellery industries.

The diamond industry goes as far as to say that such excise duty is destroying the local industries.

Schwartz says, however, that renewed representations to government have given rise to strong hopes of an early repeal of the excise duty — which would have markedly beneficial effects both on the diamond and jewellery industries, so creating more jobs.