MINING — GOLD

1992

SEPT. — DEC.
Union support needed

MATTHEW CURTIN

The survival of the struggling Harmony gold mine, and the future of the Free State town of Virgina, were precarious and only the labour unions could decide their fate, MD Karl Eick said yesterday.

Virgina town clerk Christo Jonck said in a statement: "Closure would be disastrous for Virgina."

Of the R25m which Harmony paid its workers every month, at least 50% was spent in Virgina and its immediate environs. Payment by the gold mine to Virgina municipality was almost R1m a month.

A Rand Mines spokesman said the "ripple effect clearly extends beyond Virgina." Harmony's Eskom bill totalled R6m a month. More than R17m a month was spent on stores and materials — a large percentage of it on the Free State gold fields. The monthly bill of the Free State Water Board was R500 000.

Eick said unless the unions pitched their full support behind a management move to apply to government for a seven-day work week, the mine faced almost certain closure.

Mineral and Energy Affairs Minister George Bartlett, who could allow Harmony to work a seven-day week if he deemed it to be in the national interest, was unavailable for comment yesterday.

The unions involved — the NUM and the Council of Mining Unions — were still discussing management's proposals yesterday.
Harmony shares dive as rescue bid talks begin

SHARES in Rand Mines' struggling Harmony gold mine plunged 23% or 300c to R10 on the JSE yesterday as workers and management began discussions about a new rescue plan designed to stave off the mine's closure.

Industry spokesmen said they backed, in principle, changes to regulations to allow a seven-day-working week on the gold mines, vital for Harmony's survival plan to work.

A Rand Mines spokesman said if the plan was implemented, it would increase Harmony's average grade by 15% and prolong the mine's life by two years at current gold prices.

In terms of Section 9 of the Mines and Works Act No 27, 1956 — the only section to survive the repeal of the Act last year — no work is allowed on Sundays and public holidays, unless it involves pumping, ventilation, policing, vital surface work, "chemical, metallurgical or smelting process", and "the running of stamp mills or other machinery used for crushing ore" erected before December 1, 1911. The section effectively outlaws underground mining on a Sunday.

However, the penultimate clause states that such work is allowed if declared to be "in the national interest" by the Mineral and Energy Affairs Minister Harmony MD Karl Eck has said Harmony's survival was in the regional and national interest. Harmony employed thousands of workers, and the economic life of the town of Virginia depended on the mine. Mineral and Energy Affairs Minister George Bartlett was not available for comment yesterday.

Chamber of Mines safety and technical services GM Johan Greef said the main disadvantage of the Sunday work ban was the "under-utilisation of capital" it represented. It made sense to maximise the use of assets, given the multimillion-rand capital costs associated with gold mining.

"The chamber supports any means which will improve the viability of the industry," he added.

Gengold MD Gary Mauje said gold mines should have the flexibility to work seven-day weeks if it was appropriate. It made particular sense on mines which did not have enough payable ore to put through their mills. Sunday work would allow such a mine to mine more high grade material, but at a more efficient high-grade mine a six-day week could be adequate.

Mauje said "times have never been more appropriate in the past 30 years" for a change in working practices on the gold mines.

Gold Fields chairman Robin Plumbridge said "It is untenable that in any fortnightly working cycle, the mines only seek to operate 11 fully productive shifts. If we wish to be competitive then our mines must operate 24 hours a day, seven days a week.

An Anglovaal gold division spokesman said the group supported the idea in principle, and would consider implementing it at its marginal Lonmin mine if it was appropriate.

The Rand Mines spokesman said a seven-day working week would enable Harmony to increase gold production by 270kg a month at no extra cost.

The mine was currently missing 10% with an average grade of 3.2g/t across all stoping panels, but 20% of those had a grade of less than 2g/t. By converting those panels, the grade could be increased to 4.74g/t.

Sunday working would allow Harmony to blast 30 days a month against 24, and with milled throughput remaining unchanged, 500 000 tons a month, gold output would increase. No workers would work extra shifts or lose their jobs.

It would take time for the plan to take effect, with the average grade only reaching 3.74g/t in October, from 3.2g/t in September, 3.4g/t in August and 3.6g/t in July.
Randfontein nets gold award for turnaround

JCI's Randfontein Estates gold mine has won a gold award in the 1992 National Productivity Awards competition for successfully turning around a slide in profits.

In the year to January, profit increased threefold to R21.5m, and the cost a kilogram decreased by 14.7% to R25.475.

The seriousness of Randfontein's fall in profits became evident in 1990 and the mine informed its 14,000 employees an improvement plan was needed.

A cost-containment bonus scheme was introduced. A 4% wage increase linked to this bonus was negotiated last year.

Since January 1991, labour force turnover and absenteeism had both been less than 1%.
Harmony gold mine's fate in hands of unions

The survival of Harmony gold mine, and the future of the Free State town of Vryburg — where the mine is situated — are precariously poised and only labour unions can decide their fate at this stage, says Harmony MD Karl Eick.

Mr Eick said yesterday that unless the unions gave their full support to a management move to apply to the Government for a seven-day work week, the mine faced almost certain closure.

"The unions thus have an awesome responsibility on their shoulders right now," he added.

He said blasting on Sundays, currently forbidden in terms of existing legislation, was a vital element in a revised mining plan that could result in a R73 million turnaround at Harmony from a forecast working loss for the year of R42 million to a working profit of R21 million.

"What is more, the plan, if supported by the unions and approved by the Government and implemented, would secure Harmony's future for at least two years at current gold prices.

"It would also secure the jobs of the mine's 15,000-strong labour force and prevent any need for salary cuts," said Mr Eick.

Another important point was that the plan made no demands on employees to work extra shifts. Everybody would continue to work 24 9-hour shifts (with six days off) per month.

The success of the plan, he said, hinged on around-grade. "At present, Harmony is producing 500,000 tons per month at an average grade of 3.2 g/t.

"Twenty percent of our current mining operations are in stoping panels where grade is less than 2 g/t.

"Sixty percent of our stopes are yielding an average of 3 g/t, while the remaining 20 percent are at 6 g/t.

"The intention is to pull workers out of the musils 2 g/t stopes and redeploy them as relief workers on the higher grade panels. An existing production crew of eight would thus rise to 10.

"The tonnage shortfall caused by the abandonment of the low-grade stopes would be compensated for by Sunday work, which should enable the mine to blast 30 times a month instead of 24.

"The net result would be a 65% g/t increase in average grade from 3.2 g/t to 3.7 g/t which, 25% maintained tonnage of 500,000 tons a month, would yield an additional 270kg of gold a month — at no additional cost." — Sapa
Mining firm liquidated
KLERKSDORP gold mining company New Machavie Gold Mine (Klerksdorp) Ltd, which owes R1m to a bankrupt creditor, was wound up provisionally in the Rand Supreme Court yesterday.
Profit-sharing deal is holding up agreement

DIFERENCES over the proposed profit-sharing deal on gold mines are holding up the signing of this year’s agreement between the Chamber of Mines and the NUM.

The NUM has proposed that 20% of a “profit pool” be shared with workers every month and that this be negotiated at mining house level.

Although Anglo American, Gemmies and Rand Mines have agreed in principle, the NUM is reluctant to sign the agreement until finality has been reached on how the profit-sharing will work.

An NUM spokesman said the union did not want a repeat of last year’s situation where differences arose at mining house level on implementation of a performance bonus scheme finalised at chamber level.

He said Gemmies’s profit-sharing offer had been rejected as it was so low that only two Gemmin mines would pay anything in the first three months of its implementation. Also, Gemmin wanted to share profits only where they were greater than last year and once the mine had achieved at least a 5% profit increase.

Anglo American had not yet made an offer, but the parties were due to meet tomorrow.

Although the agreement had not yet been signed, gold mines had already implemented this year’s increases, he said.

The proposed agreement is similar, except for wages and profit-sharing, to last week’s coal agreement. The chamber could not be reached for comment last night.
Sun gold mine on hold

Own Correspondent

JOHANNESBURG. -- Political uncertainty and inadequate gold prices have persuaded Anglovaal to put its Sun gold mining project on hold after spending R250m on exploratory drilling and buying mineral rights over 11 years.

An Anglovaal spokesman said yesterday that geological results from the drilling programme were promising, and had the potential to support the development of a new gold mine. But he added the rider: "Non-geological factors, such as the gold price, escalating costs, exchange rates and political developments, are too uncertain to justify further major capital spending at present."

The group publishes drilling results today from its exploration programmes on the southern Sun and Target prospects in the northern Free State.

The group has given no indication of gold price ranges which could make the venture commercially attractive.

Analysts said yesterday the capital cost of establishing a new mine could exceed R2.5bn, given the depth — more than 4,600m below surface in some cases — at which drilling had intersected reefs on the Sun prospect.

They said Anglovaal's decision demonstrated the extent to which pressure from low gold prices and political uncertainty in SA was working against the establishment of new gold mines.
New deal obviates uranium glut

A DEAL struck by the US and Russian governments has allayed fears that a vast additional supply of uranium would be released from military stockpiles after the sudden end to the Cold War and the collapse of the Soviet Union.

The Financial Times reported yesterday that the governments had installed an agreement for the conversion of highly-enriched uranium from dismantled Soviet nuclear weapons to low-enriched uranium for use as commercial nuclear fuel.

The agreement specifically mentioned that there would be no adverse impact on US consumers or Western world producers who had been hit by tumbling prices associated with a large oversupply.

Spokesmen for SA’s Nuclear Fuels Corporation (NuFitron) were unavailable for comment yesterday, but an uranium industry source said the agreement was a favourable development.

However, he said, threats that a sudden influx of converted weapons-grade fuel would worsen the already substantial glut on the uranium market had been exaggerated.

SA currently produces about 6% of world uranium output, but production had fallen away steadily in the 80s. Demand slackened with the curtailment of nuclear power programmes and supplies grew with the release of material from large US and then Russian stockpiles.

Uranium output from SA’s gold mines fell 38% in 1991 to 1 886.6 tons from 3 097 tons in 1990.

The FT reported: “A uranium institute director-general David Kay had said the agreement ‘ensures that not all the weapons-grade fuel will be entering the market at once, but will be released over many years’.

“The arrangement seems guaranteed to have zero impact on the market by ensuring there is no vast new capacity’.

He said early estimates that dismantling nuclear weapons would provide about 100 000 tons of uranium — or about two and a half times last year’s Western world sales of 20 000 tons — were proving wide of the mark.”
Political uncertainty a damper

Anglovaal shelves Sun gold project

MATTHEW CURTIN

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They said Anglovaal's decision demonstrated the extent to which pressure from low gold prices and political uncertainty in SA was working against the establishment of new gold mines.

One said "Concern about weak commodity prices, unstable exchange rates, and political uncertainty must be shared by anyone planning to develop a mineral-based capital project in SA today."

Financing of Genold's new R1,5bn Oryx mine has become increasingly difficult, because weak gold prices have hit the profits of St Helena, against which management planned to offset Oryx's capital expenditure Anglo American gave the go-ahead to its R1,7bn Moab mine earlier this year, but analysts say there may be increasing pressure on the group to re-evalu-

From Page 1

Anglovaal has put the project in the light of the sustained weakness in gold prices.

In contrast, results from Target project area, between the southern Sun prospect area and Anglovaal's Lorane gold mine, were more encouraging.

The Anglovaal spokesman said drilling results were good enough for Target Exploration Company Limited to continue to evaluate the project. Target has spent R37m on exploration so far. But, again, mining analysts questioned whether it could be developed as an independent operation or whether visibility would depend on the use of Lorane's facilities or any joint-venture tax breaks.

Mineralogical and metallurgical studies would be undertaken to establish Target's next course of action. That is likely to be a feasibility study, after which Anglovaal would decide whether to go ahead with mining development. Financing of the new mine will again be a major problem, unless gold prices increase dramatically, because Target would not be able to meet capital expenditure against profits at Lorane, which is struggling to survive.
Mine could still be Harmonious

MANAGEMENT of Harmony gold mine and employees' delegates are continuing with their investigations of work practices with a view to ensuring the mine's future.

And in a statement yesterday, it was said previous reports on these discussions wrongly indicated the mine's life could only be extended by another two years — Sapa.
NUM appeal
for members

DINK HARTFORD

NUM president James Mol-
latsa has appealed to min-
ers to join the union "to en-
sure they receive the
benefits to which they are
entitled from employers."

He told a rally at Harte-
beestonam gold mine yest-
eryear that "thousands" of
miners were unaware of
benefits resulting from
cases of death, accident,
dismal and retrenchment

"Year after year un-
claimed money goes into the
coffers of the apartheid
state, whereas the benefi-
ciaries should be
mineworkers' families," he
said.

He said the NUM took
legal action against Gen-
min after 172 workers were
killed at the Kuswa disas-
ter in 1986, only 93 of whom
were NUM members Al-
though "a considerable
amount of money was won"
the union could only trace
40 families because of their
ignorance about the de-
eceased' rights.

He appealed to miners —
especially those from
Lesotho, Transkei and
Mozambique — to join the
union. He described non-
union members as "para-
sites" who benefited from
the NUM’s struggles.
Govt aid to Harmony could total R60m

POSSIBLE government assistance to keep Harmony gold mine afloat could consist of financial aid or soft loans of about R60m a year, analysts say.

Mineral and Energy Affairs director-general Piet Hugo said yesterday that while assistance was being considered, no final decision had been taken.

Harmony and the NUM made joint appeals for financial aid from government, but union representative Martin Nicol said last week these had been rejected.

Harmony reported a R35m after-tax and after-capex loss in the June quarter. It turned in an R10m profit in the year ended June 1992, after a R39m loss in 1991.

Analysts said government could not be thinking of tax concessions or pumping assistance for Harmony because it was a loss-making mine without any underground water problems.

Harmony MD Karl Eick has argued the mine deserves support because it employs 13,000 workers and provides the economic livelihood for Virginia. Last year, Gazankulu Gold received R8.5m in long-term loans because of its importance as an employer.
Minorco buys stake in Aussie gold mine

LONDON - Minorco, the Anglo American/De Beers international offshoot, is set to buy British Petroleum's 49% stake in the Olympic Dam copper, gold and uranium mine in South Australia.

Last year, after it had spent $1bn on mines and quarrying interests in the US and Europe, chairman Julian Ogilvy Thompson said: "The climate for acquisitions are acceptable prices is excellent."

Australian sources suggest Minorco will buy Olympic Dam at a price of under US$300m.

It is thought to be in BP's books at US$600m, suggesting a further US$300m write-down following the Diri2bn interim figures purge last month.

Olympic Dam has sat strangely in BP since the sale of its base metals and mineral mining subsidiary to RTZ in 1989.

It could not sell Olympic Dam then, because the mine operator, Western Mining of Australia, with 51%, had pre-emption rights.

In normal times, Western Mining might be expected to buy the stake. But that fact that BP is talking to Australia's Foreign Investment Review Board, suggests Western Mining will not move.

Minorco has $1.3bn of net cash and has been on the bid trail since its take-over of Consolidated Gold Fields, was thwarted three years ago and sold out to Hanson.

According to the Mining Annual Review, Olympic Dam has invested $65m on increasing production. During the last financial year it produced 48,260t of copper (set to rise to 60,000t), 32,000oz of gold (up 76% on the previous year) and 1,262t of uranium oxide.
Gold industry pins hopes on jewellery

LONDON — The future of the gold industry lay in increased demand for jewellery and in bringing down margins in the industry, Anglo American gold and uranium division chairman Clem Sunter said here yesterday.

He told the Association of Miners Analysts that physical demand for gold grew by 700 tons in the 1960s but, unless the gold price firmed, this would not be matched in the 1990s.

"It is impossible to say how much of the rapid increase in gold fabrication demand in the 1980s to its present level of 80% of total demand is due to the low gold price.

"We have no idea what the effect of a gold price of over $400/oz or $500 would be," Sunter admitted.

Margins in gold jewellery were extremely high and varied widely between the Far East and Europe.

Margins

In Europe, jewellery manufacturers were producing at between three and six times bullion’s value, about $1 000 profit per ounce, to five or six times bullion’s value, or $2 000 profit an ounce.

By contrast, in the Far East gold jewellery margins were 10% to 20%.

"In the 1980s, when the gold price fell, the price of gold jewellery in Japan dropped but went up in France.

Sunter said gold would best be promoted through a larger-volume, lower-margin jewellery industry.

Of about 119,000 oz of gold produced "since the beginning of history", Sunter said, SA had produced 43,000 oz or 37%.

On the consumption side, 20% or 46,000 had been taken up by the jewellery industry and 30,000 oz or 33% by the "official sector", representing banks and government reserves.

"The official sector is one of the great variables in our lives over the next five to ten years.

"If industrial demand is 200t or 300t above supply by the mid-1990s, Anglo hopes central banks will see gold as an asset worth keeping.

Sunter said SA's gold reserves were estimated at about 42,000 oz, a large proportion of which was not worth mining at the current gold price.

At a price of more than 500, SA gold production would rise but at its present level production would drop below 200t a year.

In 1993 if the gold price continued to fall, "we will have to start rationalising like everyone else", Sunter said.

However, Anglo forecast the gold price would rise. The group would not close shafts that it might later have to reopen.

Moab's $300m gold venture under development in the eastern Transvaal, would produce about 134 of gold a year at a grade of about 11g/t.

At the present gold price of under R30 000/Kg, Anglo would have to slow production at Moab because its capital expenditure was currently included within Vaal Reefs' tax shield.

As a result, Anglo would not earn enough revenue from Vaal Reefs to cover the cost of development at Moab.

Sunter forecast a short transitional phase of interim government in SA followed by a properly functioning multiparty democracy — V&D
Krugerrand tender fully subscribed

JONO WATERS

THE Chamber of Mines' weekly Krugerrand tender of 6 000 ounces was fully subscribed for the first time since February this year. (J)

Investors have shown a great deal of interest in the Krugerrands in recent weeks. (22)

On the two previous Fridays, 5 600oz and 4 650oz were successfully tendered for. (8)

Chamber of Mines senior GM Daniel Pollnow said investors were concerned about the depreciation of the rand. This pushed people to hard assets like Krugerrands.

SA Gold Coin Exchange chairman Elie Levine said people were getting "nervous" and were looking for tangible assets which they could use as an insurance policy against uncertainties.

Investec dealer Tubby Goodwin said the market for Krugerrands was "very active". (17)

He said that because of the increased demand for the coins, the premium over the rand gold price was now above 3%.
Gold mines brace for more job losses

SA's gold mines are bracing themselves for another bout of retrenchments as pressure mounts on government to allow the mines to work a seven-day week in a bid to save thousands of jobs.

Gengold MD Gary Maude said yesterday management was considering laying off several hundred workers from Free State producer St Helena, which shed 1,500 jobs in April this year.

The mine, which employs 5,000, was having difficulty reaching its planned gold output. Low rand gold prices had led to a sudden reduction in payable face last month, he said.

The Financial Times reported yesterday that Anglo American gold and uranium division chairman Clem Senter had said that the group's gold mines had only four months to go at current rand gold prices before cutbacks in its marginal capacity became inevitable.

Analysts said although Anglo's Freegold had borne the brunt of production cutbacks and retrenchments in the past two years, the focus would now be on loss-making shafts at Vaal Reefs and Western Deep Levels, particularly its western section.

A task group involving mining house representatives and unions is meeting today in Johannesburg to discuss state assistance to marginal gold mines. The group, formed last year after this mining summit, is likely to have the issue of a seven-day week at the top of its agenda.

Gold mines and will make recommendations on this to the summit's steering committee.

Rand gold prices have fallen 6% in the past month to R30.15/kg, their lowest levels since early last year. Falling dollar gold prices have combined with the rand's strength against the US currency to hit the gold mines' revenue.

Maude said St Helena management had met unions in the past two weeks and told them that job losses or a move to a seven-day week were necessary to revive the mine's fortunes. The mine was considering asking government for exemption from mining regulations which allow blasting underground only six days a week.

"Retrenchments are virtually continuous at Gengold at the moment," Maude said. As soon as gold prices fell and stopes faces became uneconomic to mine, management had to cut production and costs, which inevitably entailed job losses.

However, a seven-day week would add six shifts to the 24 manned a month, a 25% improvement in working time, Maude said. "It could lead to a meaningful saving of jobs and employment of more workers in some cases.

Maude said managers at all Gengold's mines were re-evaluating their operations in the light of the poor rand gold price. Buffelsfontein was under particular pressure, and retrenchments were likely there and at the group's other "borderline mines."

Rand Mines' Harmony gold mine has already approached unions with a plan based on a seven-day week.

Yesterday, gold shares were pulled sharply lower on the JSE by foreign offloading across the board in the wake of the Bush shootings.

 Dealers said negative sentiment on the back of talk that a major foreign fund was liquidating its gold portfolio flowed through to the rest of the market.

"With US markets closed on Monday, this was really the first opportunity for US investors to offload shares after the Casket shootings. Once a major seller is seen liquidating scrip, it produces selling from other sources," a dealer said.

Gold shares bore the brunt of the selloff despite the metal having $6.75 to a London close of $62.75.

Free State Consolidated Gold Mines, one of the best performing mines, led the decline of heavyweight golds, falling 8.7% or 225c to R23.50 but a foreign purchase was noted at that price. Vaal Reefs fell 5.3% or 70c to a new year low of R123.

Among lightweights, Lucrude Reefs slumped 59c (10¢) to 18c. Windekbais Mines tumbled 33% or 60c to R2.00 and Harmony Gold Mining Company fell 21.6% or 200c to 7.25c.
Gold Fields links up with Trade Net

Gold Fields of SA has put its entire purchasing operation into Trade Net's electronic trading system—a move that will immediately influence the mining house's 3,000 suppliers into also going electronic.

Gold Fields purchasing manager Dick van Wijk said the benefits of the system were such that the company was eager to see all its suppliers communicating through Trade Net.

Trade Net MD Joe Brady said the development had become possible because of the recent installation of a new AS400 computer system which had resulted in a massive increase (of about 30 times) in the electronic trading giant's processing capacity.

Trade Net has about 3,000 supplying organisations and 4,000 buyers on its system. Major companies like Loncor and Exkom and the major mining companies use the trade information network but, Brady said, Gold Fields was the first major organisation to do all its buying through Trade Net.

He said the advantages of electronic trading included the speed of order execution, a dramatic reduction in inventory levels and holding costs, and the virtual elimination of personal bias in buying and selling decisions.

For suppliers, the system opened up new business areas by generating enquiries from throughout the country. It also increased the productivity of a company's sales force and enabled the smallest supplier to connect with the most sophisticated buying organisations.
End of road for Village Main?

By Derek Tommer

Village Main Reef, the gold mine in the centre of Johannesburg, gave notice of closure in 1961.

Now, more than 30 years later, it might have to start carrying out the process unless there is a marked increase in the rand gold price, says chairman R.A. Wilson.

For several years the company has survived by recovering gold from sand in old dumps.

But rising costs are making the treatment of certain dumps and underground operations uneconomical, says Mr. Wilson.

Lower gold production and higher costs in the year to June reduced pre-tax profit to R13.5 million from R41.8 million in the previous year.

The dividend is down from 29c to 20c a share.

Investigations into treating the Robson Deep dump and negotiations for the sale of the freehold title to the Meyer and Charlton North property are at an advanced stage.
SA can live without gold, says U.S. Treasury

Mining shares cut losses, trade cautiously

Closing gold prices

AVI beats slump

HAZARD - says the Australian economy is on the verge of a recession, with the Reserve Bank of Australia expected to cut interest rates again. The unprecedented drop in mineral prices is the biggest shock to the mining industry since the 1970s. The government has introduced emergency measures to stimulate the economy, including a 5% tax cut for businesses and a 2% increase in the minimum wage. However, experts warn that the recovery may be slow and that the industry needs to diversify into other sectors.
Harties to raise throughput

Anglovaal's major gold producer, Hartebeestfontein (Harties), plans to increase mill throughput from underground sources by 100 000 tons during the current financial year.

The decision follows the resumption of mining lower-grade sections in the western area of the mine, chairman Basil Herson says in his review for the year to June.

A complete re-assessment of mining in this area has been made and, because it is almost fully developed and the mine has excess hoisting and milling capacity, it has become possible to mine the area at a profit.

The area will also make a positive contribution to mine overheads, although the average recovery grade will drop slightly to 8.7 g/t.

There were slight decreases in the year's gold production and average rand gold prices received.

But because of higher operating costs and lower non-mining income, pre-tax profit was reduced to R232 million (1991 R279.4 million).

The lower recovery grade reduced gold production from underground sources to 26 689 kg (27 603 kg), even though mill throughput was increased by 20 000 tons.

"Total operating costs," Mr Herson says, "rose by 5.7 percent to R25 595 per kilogram produced (R24 225 per kilogram).

"This low increase, compared with the current inflation rate, is gratifying. It results from deliberate management interventions which will be continued in the coming year," he says.

Zandpan Gold Mining Company — Anglovaal's investment company which holds 19.5 percent of Hartebeestfontein's equity — received dividends totalling R20.9 million from these shares during the year to June, compared with R22 million in the previous financial year.

The profit for the year (no taxation) declined to R20.2 million (R21.8 million).

This was equivalent to earnings of 15.5c per share (16.5c).

The company therefore reduced its dividend payment to 15.25c per share (16.5c).
Harties plans to step up ore production

HARTEBEESTFONTEIN, Anglovaal’s top gold producer, plans to increase underground production by 100 000 tons to more than 31-million tons of ore in the current financial year, says chairman Basil Hersov.

Hersov said in his yearly review that Harties had restarted mining lower-grade sections in the western area of the mine. Management had reassessed mining in this area because it was “almost fully developed”, with excess hosting and milling capacity, it was possible to mine the area at a profit.

The move would also make a “positive contribution” to existing mine overheads, he said.

Harties’ ore production was almost unchanged at 30.2-million tons in the year ending June 1992 compared with 1991, but down from 32.2-million tons in 1989, with gold production falling steadily from 1988 in line with declining grades. Harties gold output was 27 tons at a yield 9.6g/t in 1992, compared with 31 tons at a yield of 9.8g/t in 1988.

Hersov said the planned increase in production would lead to a further fall in yield to 8.7g/t.

He added that the mine was involved with “a diverse programme of community investment in the surrounding Stijfffontein area in an attempt to improve the socio-economic conditions prevailing there.”

The region has been hit by the closure of Gengold’s Stijfffontein mine, with the loss of hundreds of jobs.

Hersov said “A programme has also been embarked upon to identify and meet the mine’s responsibilities with regard to the environment.”

Harties reported an after-tax and after-capped profit of R106m in 1992, down from R125m in 1991. It declared a dividend of 95c (100c) a share.

Zandpan, Anglovaal’s mining investment company which has a 19.6% stake in Harties, received dividends of R21m in the year, compared with R22m in 1991. Other interest income fell sharply to R86 000 from R179 000. Zandpan’s dividend fell to 15.25c from 16.5c a share.
Unisel slumps on bad grades

JONO WATERS

SHARES in Gengold's Unisel gold mine have more than halved in value this year because of the Free State producer's disappointing performance and the metal's generally poor performance.

From a high of R11.25 in February, the share closed at R3.00 on Friday after touching a low of R3.25 earlier in the week.

Analysts said investors had become disappointed with the mine's performance largely as a result of lower-than-expected grades. However, they believed the grade had now levelled off at around 6.4g/t.

Unisel started operations in October 1972, forecasting recovery grades of 12.9g/t with a life of 16 years at a milling rate of 39 000 tons a month. Recovery grade never exceeded 7.2g/t a quarter.

Edey Rogers analyst Dean Cunningham said all expectations pointed to the mine maintaining grades at current levels, which he said were substantially down on prospects at the conception of the project.

"The market has been sitting back waiting for an improvement in the grade which has not materialised, so the share price has come under pressure," he said.

Kaplan & Stewart consultant John Handley, who conducted the initial borehole tests at Unisel, said the mine was given the go-ahead on the basis of relatively few boreholes, results from which were promising. Unfortunately, drilling results turned out not to be representative of the ore body as a whole.

Unisel had milled more tons than expected largely from the lower-grade Leader and Middle reefs, as a result of the high gold price in the early 1980s.

Handley said there was still "a great deal of ore" in the mine, and at a price of R35 000/ton and milling rate of 65 000 tons a month, the mine would have a life of 18 years, with reserves of about 26-million tons. However, if the gold price remained at around R30,000/kg, inflation would push up costs and the mine would have life of under ten years.

Operations were now concentrated on the higher grade Basal reef. The Jurgenhof area in the south, Tarka in the west and Winnie in the east, are presently being mined.

Handley said the development results in the Jurgenhof and Tarka areas, on the Basal reef, had been disappointing, but only 10% of the area had been looked at so far.

Unisel consultant engineer Peter Robinson said management had had problems in the Jurgenhof area because the Basal reef punched out.

He said grades fell along the Basal reef, which extended from St Helena in the north through Unisel in the south. The reef was eliminated by erosion by the time it reached Oryx and Beatrix in the lower part of the Free State goldfields.
Union presents plan to save Harmony

LONGER working hours and more shifts to prevent the closure of the Harmony gold mine near Virginia were proposed yesterday by the Mineworkers' Union.

The proposals were tabled at a meeting between the union and mine owner Rand Mines, a union statement said.

The whites-only union expressed concern about management proposals that miners work seven days a week to save the mine. If implemented, the practice could spill over to other mines, with "grave consequences" for miners' health, security and family lives.

It proposed that employees work 36 shifts from Monday to Saturday, instead of management's proposed 24 shifts, to increase production.

The union and Harmony would jointly call on Eskom, the Free State Water Board and the Virginia Town Council to take cost-saving measures.

An appeal for financial aid had also been made to government, the union said.

It dismissed reports that it would rather have the mine shut down than reach an agreement with management. — Sapa.
Mining revenue to state coffers drops

Government's tax receipts from the gold mines as a proportion of total revenue fell to another record low in 1991, the Chamber of Mines said yesterday in its yearly statistical review of the mining industry.

The total contribution of the mining sector to government revenue also fell to a record low, albeit less precipitously.

The figures reflect the further marginalisation of the industry within the SA economy as the mines faced another year of low commodity prices. The chamber said average rand gold prices in 1991 were almost unchanged for the third year running at R1938 an ounce.

Tax paid by the industry fell last year to the lowest level in nominal terms since 1979.

The chamber calculated that in the year-ended December the gold mines paid R537m in tax. That compared with R637m paid by the industry in the year-ended March 1991, which was the lowest sum contributed to state coffers since the amount of tax paid doubled from R44m to R65m between 1978 and 1979.

Government received only a little more than 1% of its total revenue from gold mines in 1991, compared with 2.2% in 1990, 4.5% in 1989, 10% in 1988 and 26% in 1981.

Overall revenue from mining fell to 4.1% of total revenue in 1991, down from 4.6% the year before.

Government revenue from the gold mines is likely to fall further still in the current financial year, thanks to the rewriting of the mining tax formula in the gold mines' favour in the 1992 Budget and the sustained weakness in gold prices.

Chamber figures showed that in 1991 SA's gold mines produced 559.2 tons of gold (1989: 603 tons), after treating 39-million tons (102-million) of ore.

Uranium production fell by a third to 1,974 tons (2,913 tons), the lowest level since 1954, a reflection of the slump in uranium prices because of a glut of the material on world markets.

The chamber said the average number of employees on the gold mines fell to 424,250 from 473,250 in 1990, the lowest figure since 1977.

The chamber's safety statistics showed that the number of mineworkers who died on the gold mines fell sharply to 443, against 520 fatalities in 1990. The fatality rate per thousand workers fell to 1.18 from 1.24, although the reportable injury rate rose to 19.7 from 19.2.

Nearly 5,000 workers have died on the gold mines from 1953 to 1991.
West Driefontein fire still burning

A FIRE burning at Gold Fields' West Driefontein gold mine was likely to keep a section of the mine normally responsible for a third of production out of action for at least a month, a gold division official said yesterday.

The fire, which started 2 200m below the surface at the No 5 tertiary shaft west a week ago, was still burning yesterday.

West Driefontein, one of SA's most profitable gold producers, mines more than 240 000 tons of ore and produces 2.75 tons of gold a month. The official said output had increased from the mine's other sections to make up for shortfalls caused by the fire.

Management was sealing off the burning area to starve the fire of oxygen in the hope that it would burn itself out. Once the fire died, the area would have to be left to cool down.

Meanwhile, fires are burning at the west mine at Anglo American's Western Deep Levels and at one of Impala Platinum's mines.

Spokesmen for the companies said yesterday that both fires were in old sections of the mines, which had been sealed off. No one had been injured and the fires were not affecting production.

Manager of the Chamber of Mines rescue training service Rowley Hooper said yesterday the causes of 40% of fires on deep-level mines were unknown. Unless the fires were detected quickly, evidence of their origins was destroyed quickly as timber supports ignited. Otherwise, fires were mostly caused by electrical faults, blasting or cutting and welding, and in some cases arson.

If fire teams could not extinguish fires at once, water barriers could be installed to contain the spread of the fires, or the affected area could be sealed off. Management would build brick walls to stop fresh air fueling the flames.

Hooper said the problem was that any seal was less than 100% effective as air could filter through cracks in the rock face. Once a fire was contained, it could take a long time before the area was reopened.

The heat and emission of gases were monitored to establish whether the fire was out. Fresh air would be bled in slowly to flush out gases, the most common of which were carbon monoxide and carbon dioxide.
NUM backs Harmony rescue plan

THE NUM has accepted the rescue plan put forward by management to save Harmony gold mine, a Rand Mines spokesman said last night.

The union's decision follows that of the Underground Officials Association and SA Technical Officials Association to support the plan, based on a seven-day working week and the rearrangement of underground working shifts. More than 90% of Harmony's 13,000 strong workforce have now given the thumbs-up to the proposal.

However, the whites-only Mineworkers' Union and other members of the Council of Mining Unions have rejected the idea of working on Sundays. They proposed at the weekend that workers should increase the number of shifts worked in a six-day week.

The Rand Mines spokesman said mine management, CMU officials and the Government Mining Engineer would meet today in Pretoria to discuss alternative options to the seven-day-week rescue plan.

Harmony management is to approach the Department of Mineral and Energy Affairs for permission to work underground and blast on Sundays if it receives enough support from workers at the mine.

The spokesman said Harmony management was also meeting Eskom officials in Pretoria today, and municipal and local water board representatives in Virginia, where union officials would attend.

NUM and CMU officials were unavailable for comment last night.
The National Union of Mineworkers (NUM) has given its official backing to a rescue plan to save marginal Harmony gold mine from closing.

The NUM said yesterday its National Executive Committee had taken a decision to support one of the three options to stave off Harmony's closure.

The option included the introduction of blasting twice a day, with the night shift clearing in some areas, while Sundays would be confined to some cleaning, tramming and hosting.

There would be no change in the 11-shift fortnight, while labour is to be moved from low-grade areas to high-grade areas.

— Sapa
NUM supports Harmony rescue plan

The NUM has agreed to Rand Mines’ rescue plan for its ailing Harmony gold mine on the basis that it involves no wage cuts, retrenchments or increases in working hours. Union spokesman Jerry Mapitla said yesterday the NUM’s national executive committee had also given its support on the basis that the plan was a temporary one “for this crisis period” if the plan was not successful by October 19, workers and management would meet again.

He said mine management had agreed to join the NUM’s campaign to change government policy on marginal mines and to allow union participation in planning meetings, which represents skilled workers at Harmony, has rejected plans for a seven-day week.

The NUM believes the closure of the mine, which had shed 6,000 workers this year, would have “serious socio-economic implications for the entire community of Virginia.”

Mapitla said NUM members had undertaken to work the normal night shift fortnight, with workers moved from low-grade to high-grade areas.

Government mining engineer Jan Raad met Harmony management and the Council of Mining Unions in Pretoria yesterday to discuss the problems at Harmony. The CMU, which represents skilled workers at Harmony, has rejected plans for a seven-day week.
Second fire at Western Deep

A SECOND fire broke out at Anglo American's Western Deep Levels gold mine on Monday, gold and uranium division spokesman James Duncan said yesterday.

He said six fire-fighting teams were trying to bring the blaze under control. "There have been no injuries. Production has been affected but it is not possible to assess yet to what extent," Duncan said.

The fire was discovered mid-afternoon in a worked-out area of the south mine, at 79 level, 2206m below the surface. It followed the outbreak of a fire last month at 113 level of the west mine, another worked-out area which had been sealed off.

Duncan said the cause of the most recent fire was not known.

The fires come at a time when the mine, which has been hit by a spate of underground accidents in which more than 50 have died, more than 10% of deaths in the gold mining industry last year.

After a poor June quarter in which working costs rose significantly, the mine's shares have fallen dramatically, underperforming most other gold counters.

However, analysts said yesterday that in the long run fires did not put gold mines under financial pressure because they took out extensive insurance policies.

They noted that there was a strong correlation between outbreaks of fires, and suspected arson, at times of political uncertainty and industrial unrest.
Rand Mines considers plan to restructure

JONO WATERS

RAND Mines yesterday cautioned shareholders that a restructuring of the group was being considered.

The announcement, issued simultaneously in London and Johannesburg, follows hard on the heels of an earlier disclosure that the group was to vacate its historical Corner House headquarters in downtown Johannesburg.

The move will see coal division Randcoal moving to Illovo, north of the city, while the gold division will move to Ormonde in the south.

Analysts said yesterday the cautionary could be a prelude to the unbundling of the group or a major financial restructuring in the wake of the splitting of the divisions.

Rand Mines chairman John Hall said last night that a full statement on the proposed restructuring would be issued by the middle of next week, but he would not comment further.

"I obviously cannot say anything ahead of shareholders being informed," he said.

Rand Mines's largest investment is in Randcoal. An analyst said the net asset value of the Rand Mines share was R60, of which Randcoal accounted for R42 and coal mineral rights about R11, while the balance was made up of interests in Harmony, Blyvooruitzicht, Durban Deep, ERPM and Barplats.

He said it looked as if the 100-year-old mining house could soon be disbanded, adding that shareholders stood to be offered 4.88 Randcoal shares for each Rand Mines share at the current value.

In an interview conducted before the release of the cautionary, gold division CEO John Turner said Rand Mines' debt-laden East Rand Proprietary Mines (ERPM) could repay its loans before 2002, the date set down by the Melanet commission.

Turner said he was "optimistic" about ERPM's future and said with reasonable projections in the gold price a "very feasible scenario" could work out.

On the outlook for Rand Mines' other gold mines, Turner said the mines were efficient but suffered from low grades.
Union accepts plan to rescue gold mine

By Thabo Leshole
Labour Reporter

The National Union of Mine-workers (NUM) has decided to accept part of the plan proposed by Rand Mines to save the ailing Harmony gold mine in Virginia from closure.

In terms of the proposal, labour would be moved from lower-grade areas to higher-grade areas, increasing the existing production crew.

Also, a new system of blasting twice a day would be introduced, with night shift cleaning in some areas.

There would be no change to the 24-day shift month, said NUM spokesman Jerry Majatladi. He said work on Sundays would be confined to some cleaning, tramming and hostage work.

The plan, Mr Majatladi said, would have a trial run until October 19.

He said that in terms of the proposals, management would guarantee that there would be no wage cuts, no retrenchments and no increase in hours worked per month.

Recently, Harmony managing director Karl Eick pointed out that the mine's survival was in the balance and that only the trade unions could save it.

The rescue plan has been accepted by the Underground Officials' Association and the SA Technical Officials' Association.

A vital element of the plan is that the mine gets permission to blast on Sundays, which is currently prohibited.

According to management, the plan would secure Harmony's future for at least two years at the current gold price and secure the jobs of the remaining 13 000 workforce.

Some 6 000 miners were retrenched this year.

Closure of the mine would be disastrous for Virginia and have a ripple effect beyond the small Free State town.

Harmony's monthly salary bill is currently R25 million, half of which is spent in the town and its surroundings. The company buys electricity with R6 million from Eskom and pays R1 million to the local municipality a month.
JOHANNESBURG. — Doornfontein Gold Mining said it was continuing to make operating losses, but it had arranged unsecured short-term lending finance from its bankers while still assessing its options.

Chairman Mike Tagg said in the company's annual report that the results of the current studies would dictate the future of the company, which made a working loss of R12m for the financial year to June 30, 1992.

"The company has arranged unsecured lending finance from its bankers and despite continuing losses, the company continues to operate within such facilities," he said.

Shareholders would be informed of the outcome of the evaluations, he said.

Doornfontein, part of Gold Fields of SA, said in its June quarterly results report that urgent remedial action was needed.

Tagg said one option was to significantly reduce the rate of underground production in a bid to materially increase the yield.

The rate of dump treatment would then be increased to keep the treatment plant operating at capacity.

Another alternative was to cease underground operations soon and to treat dump material only.

He said long-term borrowings to fund on-going losses had been ruled out at this stage. — Reuter
Gold Fields plans to cut production

MATTHEW CURTIN

GOLD Fields plans to stop underground production from its struggling Doornfontein gold mine, or reduce underground output severely, in an attempt to keep the mine in business.

Either option would involve the loss of several thousand jobs from the marginal West Wits mine which employed 6350 workers at its year-end in June.

Chairman Mike Tagg said in his yearly review of the mine's operations that until a final decision was made, Doornfontein had arranged "unsecured short-term lending finance, from its bankers and despite continuing losses, the company continues to operate within such facilities." He said Doornfontein's alternatives were "to reduce significantly the rate of production from underground in an effort to increase the yield materially; or to stop underground operations soon and treat only surface dump material. Management would not take out long-term loans to save Doornfontein at this stage, he said.

Late last year Doornfontein was hit by wildcat strikes by the NUM, which led to dismissal of thousands of workers, and a deterioration in its financial position, made worse by low gold prices. It reported a R14m after-tax loss in the year, as working costs rose above average rand gold prices, and gold output fell to 5.8 tons (7.5 tonnes), about 1% of annual SA production.

The news confirms the plight of SA's
Gold Fields' (20%) marginal mines and the prospect of significant further job losses in the sector this year Gold Fields found a solution for its other floundering marginal mines, Lebanon and Venterspost, by merging them with neighbouring Kloof this year.

In contrast to Deonfontein, Gold Fields' Deelkraal turned in a sharply improved performance in the year, with after-tax profit up 54% to R81m (R58m) Chairman Colin Fenton said in his review that with a slight increase in gold revenue and the success of concerted managerial action to reduce the unit cost of gold production" the mine had made good progress in reversing the sharp decline in profits and dividends declared in 1990 and 1991.

He said Deelkraal's mining flexibility underground would improve this year as new longwalls became better established, but any increase in yield was unlikely to offset the effect of stagnant gold prices. Earnings and dividends would not improve unless gold prices rose in real terms.
Weekly Mail Reporter

THE embattled Harmony gold mine may get a new lease of life, after the National Union of Mineworkers' (NUM) tacit acceptance this week of a management salvage plan.

The NUM accepted Rand Mines' proposal that production continue 24 hours a day, seven days a week to keep the mine going. Government has also accepted the idea of blasting on Sunday, a practice barred by the Minerals Act. The white Mineworkers' Union has, however, rejected the plan, calling the precedent it would set for other mines.

Harmony has shed 6,000 jobs in the past year and the remaining 14,000 workers face unemployment if the mine closes down. The rescue plan will be reviewed on October 19.

According to the proposal, workers will be moved from low-grade to high-grade areas. Blasting will take place twice a day and in some areas there will be night-shift cleaning. Sunday work will only involve cleaning, tramming and hoisting.

Mine management also agreed there would be no further wage cuts or retrenchments if the plan works. It has also promised full disclosure of information about the functioning of the plan. Both sides will be approaching the government to push for union representation on planning meetings concerning marginal mines.
Gold rises as sterling takes a pounding

By REG RUMNEY

CHAOS in the world currency markets gave the gold mining industry an immediate double fillip this week.

Overnight the rand price of gold jumped around R17 to more than R184, on a dollar rise of only $3,10 to $349 at the London afternoon fix compared to the previous fix. Gold settled at $351,50 at the Thursday morning fix, down almost $2 from the opening price of $353,50.

A higher rand gold price could spell a return from the brink for some marginal gold mines. It remains to be seen whether the gold surge will continue. Should disinvestment with the world currency markets continue, gold will be a beneficiary, but any return to higher levels could well be ephemeral.

Overshadowing the market are any number of "stale bulls" waiting for the right level to offload gold investments whose performance has been less than extraordinary.

The cause of the upturn in the rand price of gold this week was a stronger dollar and a rise in the gold price. Usually a higher gold price means a weaker dollar, so what South Africa gains in dollars from gold revenue, it loses on third currencies like the pound.

This time uncertainty about what will happen to European currencies caused a flight into gold and the dollar, both regarded as a store of value. The dollar strengthened against the rand and European currencies.

The uncertainty came after Britain and Italy temporarily withdrew from the European exchange rate mechanism, which is designed to keep exchange rates stable within the European community. The pound fell to 5,1859 midweek, and by yesterday morning was trading around 4,90 with the prospect of further falls, certainly until Europe's political and central bankers re-establish calm within the system.

Bank chief economist Edward Ollern points out most of South Africa's exports, as with gold, are dollar-denominated and so recent developments are positive for South Africa. Around 70 percent of our exports are dollar-denominated, and around 45 percent of our imports.

The European currency system has run aground because of conflicting economic interests within the community (See Guardian Weekly).
Gold mines sidestepped further

The contribution of gold mines to the South African government's total tax take fell to a new low last year, reflecting the declining importance of gold mining to the South African economy.

The latest Chamber of Mines statistical review shows government got 1.2 percent of its total revenue from gold mines in 1991, compared with 2.2 percent in 1990, 4.5 percent in 1989, 10.2 percent in 1985 and 26.4 percent in 1981. Tax revenue from mining overall also fell from 4.6 percent in 1990 to 4.1 percent last year.
Driefontein pressured by rising costs

Own Correspondent

Johannesburg — Cost increases and capital spending demands will put pressure on Gold Fields' money-spinning Driefontein gold mine to maintain its dividends in 1992/93 if gold prices do not improve, says chairman Colin Fenton.

In his yearly review, Fenton said: "In order to increase the dividend, the gold price will need to improve to compensate for the increase in expenditure that is bound to occur despite efforts to restrain it."

Higher capital spending at Driefontein would "need to be curtailed where possible if the dividend is to be maintained in the event that the gold price does not improve."

Driefontein paid a 165c dividend in the year-ended June 1992, 10c up from the year before but well below the R200c paid in 1988 and 1989. Driefontein reported an after-tax profit of R551m (R502m) in the year.
Harmony rescue crawls ahead

MANAGEMENT at Rand Mines' Harmony gold mine, fighting for its life because of poor gold prices and low grade ore reserves, was to continue talks with representatives of the Council of Mining Unions (CMU) today.

The parties met last week to discuss a rescue plan, based on a seven-day-week and accepted by most workers, but it was understood progress had been slow.

The CMU, which mostly represents skilled white mineworkers, has opposed blasting underground on Sundays, a key feature of management's rescue plan.

Rand Mines gold division human resources manager Richard de Villiers said that in talks with management last week, the unions had "misstated Sunday blasting not be undertaken".

De Villiers said "Management regrets the stance adopted by the CMU and believes that agreement to blast on Sundays would provide Harmony with the flexibility it needs to ensure that it can withstand gold price fluctuations and the low grade nature of its ore reserves."

Management would be prepared to accept the stance taken by the CMU for the time-being, but the position would be reviewed before the end of next month.

He said the NUM, the Underground Officials Association, the SA Technical Officials Association, and Mine Surface Officials Association, representing the vast majority of Harmony's 10 000-strong workforce, agreed to introduce a flexible shift system which would enable high grade stopes to be mined more frequently.

The NUM and the associations also agreed to "voluntary Sunday blasting work on an ad-hoc basis". Harmony management would continue to press the government mining engineer and government for exemption from the regulations which currently prohibited Sunday work and others which conflicted with the rescue plan.

However, analysts said that a seven-day-week would win only a temporary reprieve for Harmony unless gold prices improved significantly. The mine would depend on financial assistance from government in the long run if it was to survive.
Costs put Driefontein’s dividend under pressure

COST increases and capital spending demands will put pressure on Gold Fields’ money-spinning Driefontein gold mine to maintain its dividends in 1992/93 if gold prices do not improve, says chairman Colin Fenton.

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Higher capital spending at Driefontein would “need to be curtailed where possible if the dividend is to be maintained in the event that the gold price does not improve”.

Driefontein paid a 165c dividend in the year-ended June 1992, 10c up from the year before but well below the 200c paid in 1988 and 1989. Driefontein reported an after-tax profit of R151m (R162m) in the year.

Fenton said that on balance fundamental market conditions pointed to higher gold prices in the current year. “The performance of the major economies will influence the timing of this, but forward selling by producers may cap any strong recovery in the price,” he said.

The threat of renewed selling on a large scale from the CIS was “much reduced”, and its gold output would fall in the short to medium term, raising the prospect of flat, if not lower, new mine supply worldwide. Far Eastern markets were growing strongly and had the potential to add significantly to demand.

While jewellery demand proved healthy in the year under review, gold prices were hit by some central bank selling of gold holdings. In particular, distress selling from the former Soviet Union increased supplies and knocked market sentiment.

There was also “substantial net divestment in gold” because of the generally deflationary environment worldwide.

Fenton said milling throughput at the East Driefontein mine would not return to 240,000 tons a month and would remain at 225,000 tons. Progress was made during the year in alleviating the shortage of mining face and problems in the No 4 sub-vertical shaft E area, but there was still more work to be done.

He said “a small increase in yield might be expected but this will depend on achieving better results in the aforementioned area.” The mine planned R182m capital expenditure.

West Driefontein made progress in addressing production difficulties in the second half of the year, and the target milling rate stayed at 240,000 tons a month, with capital spending projected at R126m. Gold output from reclamation work would fall because work was starting on lower grade slimes dams.

In the past two weeks the mine has been hit by a fire which has interrupted production from an area of the mine which normally contributes 20% of West Driefontein’s output.
Mine rescue scheme on rocks

PLANS to rescue Harmony gold mine from poor gold prices and low grades are on the rocks.

Rand Mines has declared a dispute with the Council of Mining Unions on the grounds that the council reneged on an agreement to do Sunday cleaning work.

Gold division human resources manager Richard de Villiers said last night the council supported Sunday cleaning work in discussions last week, but yesterday rejected the idea.

Its decision “is regarded by management as bad faith in the extreme and management has no alternative but to attempt to resolve the matter through the dispute resolution procedures contained in the Labour Relations Act”, De Villiers said.

However, Piet Ungerer, general secretary of the whites-only Mine Workers' Union — the Council of Mining Unions' main affiliate — the Council of Mining Unions' main affiliate — said yesterday he was unaware of a dispute.

"If anyone was at fault it was management because after talks on Friday both parties signed a draft agreement in which there was no mention of cleaning work on Sundays.

Ungerer said a precedent had been set in 1976 when the government mining engineer allowed underground cleaning work on Sundays, which Harmony management had not taken advantage of so far.

He said the council and its members were prepared to do trimming work on Sundays and had presented management with a "B" plan, involving extra shift work six days a week, which would allow Harmony to mine more than the extra 300,000 kg of gold a month which management said the mine needed to produce to survive.

In any case, Harmony did not have the capacity to blast and mine continuously, he said.

Ungerer said his union's members had made enough sacrifices at Harmony, in accepting below-inflation wage increases and through willingness to work extra shifts.

The union opposed any plan which, in addition, deprived workers of Sundays as a day off rest.

The NUM and several other staff associations agreed to management's rescue plan last week, including the proposal to work underground on Sundays, prohibited by existing regulations.

De Villiers said "Management does not believe that 759 Council of Mining Unions members out of a total workforce of 14,400 should be permitted to determine the fate of the mine and of the region of Virginia — not to mention the fate of the balance of the workforce".

MD Karl Eck has said unless a continuous mining plan was put into action — with workers' support and dependent on Harmony winning government exemption for Sunday work — workers would have to take pay cuts, or the mine would have to close.
Anglovaal seeking new investments

ANGLOVAAL is increasing earnings despite tough trading conditions. Analysts expect the company to report an increase in earnings a share for the year to June 30 of between 6.5% to 8.5% or between 40c and 51c from 47c in the previous period.

"We're budgeting for slightly higher profile than last year but there are so many unknowns," says deputy chairman Clive Menell.

The unknowns include SA's emergence from four years of recession, commodity price movements, political developments, and the state of the major world economies, he says.

While Anglovaal has no major business changes planned, it is "ready to take advantage of investments in select companies struggling to survive the recession," says Menell.

Anglovaal's liquidity comes primarily from Anglovaal Industries, which reported earlier this month a 10% increase in earnings a share to 90c from 82c a year earlier, moving to a net cash position of R649,6m at the end of 1992 from a net borrowing position of R271,6m.

The company sold its stake in Cadbury Schweppes for R177,1m and raised R124m from a rights issue in the year.

Despite improved profits, Anglovaal management maintains its conservative approach. "The bottom line was 10% up but we're not happy with the result," says Menell.

Its mining interests also performed well. Middle Witwatersrand, which has interests in gold, coal, manganese, ferrochrome and diamonds, reported a 16% increase in earnings to 16.3 cents a share from 14.5 cents a year earlier.

However, the low gold price and uncertainties led Anglovaal to postpone development of a major gold mine. The company, which spent R250m on exploratory drilling and purchasing mineral rights, says the Sun gold mining project was too risky in the current climate, given the uncertainty about actual reserves and grades.

"We think it's down there and also the right grade but we can't be certain," says Menell.

Analysts agree the postponement was a good decision, saying the gold price, which is below $350 an ounce, would have to exceed $400 to make the estimated R250m development worthwhile.

"One could buy a top quality mine on the market now for less than it would cost to develop Sun," says Davis, Berkum, Hare mining analyst Trudy Ingram.

Anglovaal prosers from its role in De Beers' R1.1bn Venetia diamond mine.

The group's Saturn Mining is entitled to 12.5% of Venetia's net profit until the mine's full capital costs have been recovered. When the capital expenditure, to which Anglovaal makes no contribution, is recovered, Anglovaal will receive 50% of net profit.

Venetia contributed R7m to Midwits' earnings in 1992. The mine is expected to reach full production of 5.9-million carats a year by the end of 1995 and recover capital by the end of 1994.

Analysts say current troubles in the diamond market, which resulted in De Beers announcing a significant cut in dividends for the year ending December 1992, are expected to have improved by the time Venetia reaches full production.

"Anglovaal's exposure to Venetia gives it potential for major growth," says Simpson, Mckee mining analyst Mike Wirth.

AP-DJ
VENTERSPOST INVESTORS AT END OF ROAD

Bullish investors who took up options and deferred shares in Gold Fields' Venterpost gold mine in January 1990 have reached the end of the road as far as their investment is concerned.

Option holders are entitled to subscribe during November for six Kloof shares at R12.50 for every 100 options held, but their fortunes do not look bright, with Kloof stock trading at only R29.50.

New Kloof options, replacing Venterster options in terms of the Kloof merger deal which cleared its last obstacle after its sanction by the Rand Supreme Court, were listed yesterday.

A Gold Fields spokesman said yesterday the options had to be exercised between November 1 and November 30, or they would lapse.

The options were originally offered with deferred shares to raise money for Venterster's No 4 shaft project.

The company raised R160m, with a further R50m capex expected to be raised through the options, which gave the holders the right to take up shares at 650c each, first in November 1990, then postponed to a year later, and again to this November.

However, Venterster's ordinary shares dropped below 650c shortly after the new paper was issued, never to recover.

New Kloof shares were issued to Venterster and Lebanon shareholders yesterday, with Lebanon shareholders receiving nine Kloof shares for every 100 Lebanon shares held, and Venterster shareholders receiving six.

The merger did not require the approval of Kloof shareholders, but an analyst said the company would now be under pressure to maintain its dividend as a demonstration of good faith. Ordinary shareholders had benefited by being given Kloof shares.
Rand Mines to take on a radical new look

By Stephen Cranston

Rand Mines will cease to exist as a classical mining house once it has been restructured into four self-standing business units.

At a press conference at Barlow Park yesterday, the mining house's controlling shareholder, Barlow Rand announced that each Rand Mines shareholder would receive 63 Rand Mines Properties shares for every 100 Rand Mines shares held.

Shareholders will also receive 200 shares in a new company Rand Gold and Exploration (Goldco), which will hold the group's gold mining interests and mineral rights other than coal and platinum.

Distribution

Barlow Rand intends to reduce its interest in Goldco to 30 percent by a distribution to its own shareholders.

Rand Mines platinum interests, which primarily consist of a 45 percent holding in Barplats, which controls the Crocodile mine, will be listed as Platco, on the basis of one share for every Rand Mines share held.

Rand Mines will dispose of its remaining coal interests, such as T & DB, and its mineral rights to Randcoal for the issue of 26.5 million new Randcoal shares, valued at R225 million at current market prices.

Ideally, Rand Mines would have distributed its interest in Randcoal, but this would not have proved tax-efficient.

Barlow Rand vice-chairman Derek Cooper said yesterday the restructuring placed the different businesses in self-standing companies that could be evaluated on their merits without cross-subsidisation.

The gold exploration budget will be reduced from more than R20 million to less than R5 million.

"Rand Mines used to represent a polyglot of investments. We found that cross-subsidisation, which has worked in some of our other businesses, was not working to the benefit of shareholders."

"Often good dividends from coal would be diverted into gold exploration. Now the investor can focus his investment on coal, gold, platinum or property," Mr Cooper said.

He said that management would be able to focus on their businesses without the distraction of other, often unrelated, activities.

Debt

Goldco and Platco will be listed without debt because Rand Mines will raise R110 million in redeemable preference shares.

Of this, R38 million will be accounted for by a loan to ERPM.

Barlow Rand has agreed to follow its rights in any future Barplats rights issue, which will take place once Barlows and Genmin, which has management control, agree that prospects for the platinum industry have improved.

Barlow Rand's portion of the issue is worth about R160 million.

Rand Mines chairman John Hall said a great deal of energy would be unlocked by the divestment.

He said Rand Mines aimed to be a low-cost producer and no longer had the grandiose visions of a few years ago.

Problems

It had re-evaluated projects such as its vanadium and chrome interests, found that the businesses had problems and removed them from the portfolio.

But he said Rand Mines still had 500,000 hectares of mineral rights, including 270,000 in the promising Limpopo area.

Rand Mines is moving out of Corner House, Johannesburg, which will soon be sold.

The coal division is moving to Ilovo and the gold division to Ormonde. Some 200 people are being retrenched.

The divisions will form part of Barlow Rand Mineral Resources, which will also include Pretoria Portland Cement.
Decades of slow decline catch up with Rand Mines

MADDEN COLE

The Corner House and The Golden Age traces the history of this once illustrious mining house.

When John Martin was appointed chairman in 1936, the Corner House's position was the biggest and best mining financial house in the world remained unchallenged. But soon afterwards the company's fortunes tumbled downwards. The fall was started by what Cartwright described as "the lost chance" and the "dropped option".

In the 30s, the company which was then controlled from London by the Central Mining and Investment Corporation (which had incorporated the interests of Weir, Halt & Co and H Hekstein & Co) started to decline. Almost inevitably at first its 25 gold mines had dropped to 11, and during that period it had failed to gain control of a single new gold-bearing mine.

The last chance related to Rand Mines Central Mining turning down an offer in 1938 for New Consolidated Gold Fields to participate in the exploration of the West Wits Line. Prospecting in the area had started at the turn of the century by the Pullinger brothers. By 1932, a company West Wits Warden Areas, was formed to drill a number of boreholes on farms which included Venetia and Libanon. Early offers of participation had also been turned down.

Martin regarded the venture as "a prospecting gamble" and decided that it was "advisable to leave it alone". Which was a pity, for if of the boreholes sunk by West Wits Warden Areas struck what was described as "a highly payable reef".

Cartwright notes that Rand Mines then looked around for any crumbs from Gold Fields’ "souring" table. The company managed to secure 274,000 shares in Byvooruitzicht, in the centre of the 4,000 mine held by West Wits Warden Areas.

There was another named opportunity Cartwright recorded that after Sir Abe Bailey died in 1940, Martin was appointed one of the executors of his estate. Included in the estate was the company Western Holdings, the first company to strike gold in the Free State goldfields. He was also a director of the Thornybush Mining Company, which was later merged with Rand Mines.

The second Corner House, in front of which Johannesburg's first stock exchange began trading.

With hindsight, analysts believe the decline in group fortunes began because Rand Mines did not invest in the 1930s, 1940s and 50s and made a huge mistake in the 1960s. They blame poor management decisions and a lack of forward planning.

There is a difference of opinion between analysts on what caused Rand Mines' downfall. Some believe it was over-expansion, while others point to management decisions. Still others say it was a lack of investment in new mining projects.

The decline began in the late 1950s, when the company's mines started to lose money. The company's management was unable to find new projects to replace those that were declining.

Rand Mines was finally forced into liquidation in 1981, and its assets were sold off to various parties. The company's legacy lives on in the form of the Rand-McNally Building, which houses the Rand Afrikane newspaper.
JCI sends warning signals

STAR 24/1/92
By Derek Tummers

Johannesburg Consolidated Investment (JCI) is expecting a difficult year and that it will not be possible to maintain last year's level of earnings, says chairman Pat Retief.

"While there may be a recovery in the global economy in the first half of next year, it is doubtful whether it will improve the outlook for JCI's export-oriented interests.

But given relatively stable political conditions and a recovery by the agricultural sector, the economy may well emerge from recession next year, with benefits for non-mining interests.

Mr. Retief says the gold deposit at the South Deep project is thought to be the largest unexplored reserve in the world.

It is estimated to contain 116 million tons of ore at an in situ grade of 9 grams a ton.

"A most thorough and painstaking evaluation of the geological and technical parameters is being conducted, but a satisfactory trend in the gold price is essential before the project can be turned to account," he says.

Mr. Retief says the growth of South Africa requires potential within reach, but only if "we fashion our society according to the political and economic institutions that have proved to be successful elsewhere".
H J Joel wants to increase production

PRODUCTION at JCI’s H J Joel gold mine should be profitable in the short to medium term but more capital would be required for another ventilation shaft within four years, chairman Kenneth Maxwell said in the company’s annual report.

He said Joel would like to increase its production rate to 130 000 tons a month from 94 000 tons in order “to optimise its cost of mining”. However, this would rely on the availability of financing, he said.

Joel was indebted to JCI in terms of its preference shareholding of R150m plus the outstanding cumulative dividend of R24,1m. It owed a further R32,2m.

Joel was heavily dependent upon a recovery in the gold price and it was pleasing to note the demand for gold investment jewellery was on the increase in China, South East Asia, India and the Middle East, he said.

As the economies of the developed world recovered and production declined in the next few years, Maxwell hoped there would be a resurgence of interest in gold.

“The fear of central bank off-loading is, to my mind, overplayed,” he said. While the supply-demand fundamentals for gold were favourably changing it would be “foolhardy” for central banks to overly depress the price.

In the year to end June 1992, Joel increased its gold production by 44% to 5,91 tons (4,1 tons) as a result of a 35% improvement in grade to 5,9g/t (4,3g/t)

Working costs decreased by nearly 20% to R30 507 (R38 000) and the average price received for a kilogram rose 3,4% to R33 459 from R32 336 in the same period last year. Capex totalled R24,4m (R33,5m) over the year.
Randex cutbacks go on

RANDEX had little choice but to cut back even further on exploration and acquisition until macroeconomic factors improved considerably, chairman Tom de Beer said in the company's annual report.

He said the mining industry continued to experience extreme difficulties, with the gold industry being in its "most precarious position" in more than 50 years. As a result, he said, the exploration sector of the business had become even more inactive.

De Beer said major mining houses had cut back substantially on gold exploration in the Witwatersrand basin, where the greater majority of Randex's assets were situated. Geisbein has a 64% stake in Randex.

Randex's market value fell from R113m to about R45m during the past financial year and now stood at R27m. Randex shares closed on the JSE yesterday at 30c.

The company's cash balances remained virtually unchanged at R21.5m in the 1992 financial year even though the company spent R6.5m. De Beer said the idea was to maintain cash resources at similar levels.
SA ‘needs new policy to give it competitive edge’

SA's mining industry and economy are largely uncompetitive to those of the emerging nations, a sad state of affairs for a country which once had some of the most far-sighted mining policies, says Gold Fields chairman Robin Plumbridge.

In his yearly review he said, "There is an urgent need for all concerned to recognize that SA needs to establish, not only in the mining sphere but in industry generally, a set of policies which will make it competitive with the fast-emerging developing nations around the world." SA's competitive edge would have to be measured against the developing world even though industry should strive to remain competitive with the developed world.

It was crucial for a mining house that "the thrust to develop new business should be sustained if not increased during periods when the operating environment is under pressure", he said.

After rival JCI yesterday said it had set up a new business strategy division, Plumbridge said Gold Fields' new business activities had "assumed a completely new dimension." The biggest breakthrough in the group's international diversification programme came in Latin America, where Gold Fields had set up a regional office.

Gold Fields International, with local partners, had acquired exploration rights for a total of 34,000ha in Venezuela and Ecuador. The areas had significant potential for gold mining. Gold Fields Nambia was investigating important new copper discoveries at Tschudi near Tsumeb and next to its Otjihase copper mine near Windhoek.

Prospects that the group's Kuman gold mining project in Zaire — put on hold a year ago because of the political situation in that country — would get off the ground were improving.

Exploration

Plumbridge said that since June there had been progress towards the appointment of a transitional government. The implications of reviving the project were being discussed with the International Finance Corporation, the private-sector arm of the World Bank, which was in part responsible for financing the venture. Gold Fields had yet to spend money on Kuman, but its Belgian partners had restarted mining operations.

Gold Fields International was currently negotiating exploration rights for extensive gold-bearing areas — about 32,000ha — in a "highly prospective part of West Africa." Gold Fields was reassessing its exploration activities in SA as "intellectual power" was focused on generating new exploration targets.

Economic stagnation in the US, faltering growth in Japan, recession in Britain and Germany's underestimation of the cost of reunification had had a "profound negative" effect on commodity prices in the year ended June 1992. Plumbridge said the international mining industry was hit, and "paradoxically the unstable economic conditions have not exerted a positive impact on gold, which is the ultimate store of value."

He said the outlook for gold re-named favourite Gold Fields was overwhelmingly tied to its gold mining interests, especially as weak coal and base metal prices had knocked its non-gold mining operations. Subsidiary Northam Platinum would start metal sales only in 1993.

At June 30, 65% of the group's assets and 57% of its income derived from gold and platinum. The market value of cash generator Driefontein Consolidated (R2.8bn) accounted for more than 40% of the value of the mining house's listed investments (R7bn). They included a 5.9% stake in Standard Bank Investment Corporation, a 2.3% stake in Sasol, a 2.9% interest in Liberty Life, and a 50% interest in mining exploration investment company New Wits.

Gold Fields reported attributable earnings of R302m compared with R216m in 1991.
Goldco looks to a low yearend rand

JOHN Turner, chairman of Goldco, Rand Mines' soon-to-be-separated gold division, says the gold market must dictate strategy for the four gold mines the company manages.

The quartet comprises Harmony, Durban Deep, East Rand Proprietary Mines and Blyvooruitzicht. A common thread links them—high operating costs in rand and a kilogram Harmony and Durban Deep have low grades and limited flexibility.

Yet in rands a ton, the four mines shape up better. Harmony is the cheapest—but the product remains gold, not tons of rock milled.

Mr. Turner succeeded Clive Koobha at the helm of SA's least-envious gold division in mid-1991 after a long career in Rand Mines' coal division.

He says: "Gold is ultimately a commodity. But the gold market is more complex than that for any other commodity."

He mentions four points: central bank sales, disinvestment, forward sales and the numerous paper markets.

Although Rand Mines does hedge certain gold sales, it is no different to any other SA mining house—ie, hedging is not gentlemanly, not quite nice, not cricket.

His view reflects the mindset of the SA gold industry—hedging lowers the metal's price, significant if we are to achieve changes in working practice. Issues such as redundancy, blight on Sundays and genuine profit-sharing by employees are discussed by management and union representatives.

"Their lives are linked to the welfare of the organisation."

Productivity can still be improved and technological advances can do more—but not overnight.

Harmony has plenty of low-grade reserves. Given greater productivity and a slow increase in the gold price, the mine has a long-term future.

ERPM says Mr. Turner, is much-maligned, yet he has met all the conditions set by the Melanet inquiry—grade, productivity and profitability. It operates efficiently, but has been hurt by factors beyond its control, such as high interest rates.

Its prospects depend on reaching the central policy goal of the new Far East vertical shaft by early next year. Mr. Turner believes this will happen towards the end of the year as the dollar improves after the American election.

Efforts are being made to cut costs through improved productivity.

In the past few years, productivity at Rand's managed mines has improved substantially. Take Harmony—tonnage mined a man has jumped from 267 to 387 since 1982 and the grade has increased from 3 g/t to 3.45 g/t. The target is 3.65 g/t in 1993.

Mr. Turner says: "We emphasise productivity through participation as being very important for the company's growth."

Finally, Blyvooruitzicht is coming to the end of its reserves and is seeking ways of prolonging its future. There is no reef to its north and it is bound by Western Deep, Doornfontein and Driefontein.

Although concerned, Mr. Turner is not fazed by recent analytical reports that central banks will offload gold and upset the supply side as new-mine production tails off.

"Central banks don't give away their strategies so-called precious metals analysts. They would be mad to knock the bottom out of the market and in so doing, devalue the balance of their gold holdings."

Goldco is moving to the premises occupied by Rand Registrars in Ormonde, south of the Johannesburg city centre. The group will leave Corner House because of its unhandsome members. Rand Mines will receive a dividend in specie $53 Rand Mine Properties shares, two Goldco and one Plateo for every 100.

Goldco will have a net asset value of R100 million. It and Plateo will be listed.
World Bank seeking to link cities

By KEVIN DAVIE: Washington

This is much higher than cities such as Stockholm ($225), Munich ($427), Hong Kong ($697), Melbourne ($335) and Singapore ($336).

Data for blacks, in contrast, suggests that more than 50% of them in urban areas are informally housed. About 40% of the land within a 10km radius of SA city centres—the focus of employment—is vacant.

This leads to real economic costs. It increases transport, depresses the housing sector and labour market and contributes to the growing fiscal deficit. It causes inefficient investments in bulk infrastructure.

Urban transport subsidies are projected to cost R3.3 billion next year. Black households will still spend more this year on transport than on housing, the paper says.

The average distance travelled by urban commuters has grown from 26km 10 years ago to 34km.

The paper says housing has been depressed by apartheid. Housing investment at about 2.5% of GDP is much lower than the 4% to 9% in other countries at similar levels of income per capita.

The paper says three policy archetypes typify the housing debate: huge government intervention in the provision of housing, enabling strategies which require the government to play the role of facilitator of largely private-sector and community-based efforts to deliver houses, and enabling strategies accompanied by a targeted programme of subsidies for the most disadvantaged members of society.

The paper says that international experience has shown that the first option does not work. In the US, for instance, it has been found that publicly funded housing schemes lead to a decrease of privately funded ones. There is little net increase in the overall housing stock.

Demand

It suggests that the Government will need to intervene nonetheless to ensure the success of enabling strategies.

"On the demand side there will need to be active intervention to increase the availability of housing finance, improve security of tenure and design effective subsidies."

"On the supply side, government will have to ensure adequate infrastructure supply (including electricity, water, sanitation, drainage and water facilities), rationalise the legal and regulatory framework and foster a competitive building and construction industry."
St Helena slashes 2,700 jobs

NEW retrenchments at Free State gold producer St Helena have brought total job losses at the mine to nearly 5,200 in the past three years.

The retrenchment of 2,700 workers, announced at the weekend, is the third major job shedding at the mine and has reduced it to 3,000 workers.

Gengold MD Gary Maude said yesterday this did not mean the mine would soon close down, as it still had six years of payable ore reserves at the current gold price with the revised monthly tonnage of 50,000 tons.

The rationalisation will entail reducing ore production by about 50% and gold production by 250kg to 600kg a month.

"What has been happening at St Helena is a direct effect of the low gold price," Maude said.

He said Gengold had considered the whole "gamut of alternatives," but blasting on seven days a week depended on the ore reserves, and the majority of St Helena ore reserves were close to the pay limit.

Maude said to keep St Helena profitable, certain areas of the mine had to be closed down.

Some of the workers could be placed elsewhere, he said.

While St Helena had a "small direct connection" to Unisel and Oryx, the retrenchments would not affect the ore-processing operations carried out by St Helena, said Maude.

The excess capacity resulting from the reduced tonnage had forced St Helena to close its carbon-in-pulp plant in April.

Maude said the traditional filter plant could adequately handle St Helena's and Unisel's ore.

Retrenchment costs of R8m worked out to about R3,000 to R4,000 a worker.

Maude said costs were relatively high as the workers being laid off had been at the mine for several years.
Barnex to expand beyond SA as joint venture partner of JCI

JCI's Barnato Exploration (Barnex) intends to expand its exploration interests outside of SA, chairman Kennedy Maxwell said in the company's annual report.

He said Barnex had agreed, in principle, to become a joint venture partner with JCI in two non-SA prospects Barnex director Vaughan Bray said it was too early to disclose what they were.

Maxwell said the venture was in line with JCI's intentions not to confine its activities geographically. While the company's focus was on gold exploration, this would not stop it looking at other minerals.

In off-shore projects, Barnex would contribute 50% of all exploration expenditure in JCI's gold-related exploration.

Maxwell said it was significant that the fundamental annual supply/demand balance for gold was changing for the first time in more than a decade.

"The current rapid growth in the demand for gold jewellery in Taiwan, South East Asia, India and the Middle East, coupled with the levelling off of newly mined gold and, indeed, a decline in supplies from Russia, is giving rise to a deficit in supplies which could persist for many years."

Maxwell said expansion in the company's field of interests and the prospect of a sustainable rise in the gold price put Barnex in a strong position.

Free State Development and Investment (Fredev) chairman Vaughan Bray said in the company's annual report that remained optimistic the gold price would improve as a result of increased demand which should come about when the major world economies emerged from recession.

He said Fredev remained in a strong position and could participate in several new mining developments in the short and the longer term. It was gratifying to see the Moab Prospect, in which Fredev had a 6.6% participation interest, was going ahead.

"Fredev should be seen largely as a mineral rights holding company rather than one involved in active exploration." As a result, the economic downturn had a limited effect on the company as many of the assets had been explored and proved economically viable.
Customs must return gold

BLOEMFONTEIN — The Customs and Excise Commis-
sioner has been ordered by the Appeal Court in Bloem-
fontein to return packages of unwrought gold to Frans
Teber of Victory Park, Johannesburg.

The gold, with a total mass of 38,115g and worth more
than R1,14m at present prices, was seized at Jan Smuts
Airport on March 7 1989. Criminal charges against
Teber were, however, withdrawn on October 20 1989.

Teber contended that he and his girlfriend had agreed
to transport the gold for a consortium from Zimbabwe
via Jan Smuts to Zurich. The suitcases with the gold had
been booked through to Zurich from Botswana.

Teber said that as the gold had been booked through to
Zurich, it was in transit and he did not have to declare it.

In the Transvaal Supreme Court on October 19 1990,
Judge W J Hartzenberg found that Teber had caused the
gold to be landed at Jan Smuts. He was therefore deemed
to have imported it into SA. He had failed to prove that
the gold was lawfully in transit.

Yesterday Judge Richard Goldstone held that goods in
transit were not imported into SA. Teber did not thus
import the gold and could not have contravened any
provision of the Act that related to the import of goods.
Consequently, he held, the commissioner was not enti-
tled to seize the gold. — Sapa
Gengold plans to boost mine values

MATTHEW CURTIN

GENGOLD is planning to enhance the market value of four of its key mines in what amounts to a mini-unbundling inside the Gencor group's gold division. The group wants to establish its Beatrix and Oryx gold mines as self-standing companies to improve their market rating.

MD Gary Maude said yesterday that the complexity of the arrangements involving the two mines to Buffelsfontein and St Helena was "causing their shares to be underrated."

Beatrix and Oryx have underperformed the all gold share index and Free State gold index this year, which may reflect their ties to their struggling sister mines.

"We have reached no conclusions as yet, but after canvassing stockbrokers, mining analysts and Genbel, we believe in the principle that the market would prefer the companies to be self-standing," Maude said. Final decisions are likely within a year.

Beatrix gold mining company is effectively a mining investment vehicle, having traded its mining assets and mining lease to Buffels in exchange for preference shares, entitling it to 84% of the Beatrix mine's distributable profit. Beatrix mine, a low-cost high-grade producer, and the increasingly marginal Buffelsfontein mine.

□ To Page 2

Gengold is the two operating divisions of the Buffelsfontein mining company.

Beatrix also receives royalties from Buffelsfontein equivalent to 15% of its mine's gross yearly income from gold and other metal sales.

Oryx, Gengold's R1.5bn developing mine, is a division of St Helena, and the new mine was developed on the assumption that its capital cost could be largely offset against the St Helena mine's profits.

Those profits have proved inadequate because of low gold prices which led St Helena to announce more restructurings at the weekend. Oryx has depended on interest-free loans from its major shareholders to fund its development work.

Oryx, 97% owned by Gencor, Genbel, Sanlam and Anglo Americas, is scheduled to pay 15% of its distributable profit from its Bessa section to St Helena, plus 2.25% of the profit from the Ventures section.

Maude said Gengold was looking at establishing Beatrix and Oryx as self-standing companies, a move which would involve the compensation of Buffelsfontein and St Helena shareholders for the loss of their rights in the mines.

Genbel MD Anton Botha said the complexity of the structures, particularly the Beatrix/Buffelsfontein arrangement, was confusing those trying to assess the mines' real value.

It was likely that Oryx, tightly held by its major shareholders at the moment, would want to make its stock more marketable once development work was finished.

□ From Page 1
Gold output steady despite job cuts

Johannesburg — The number of workers employed on SA’s gold mines fell 10% in the first seven months of this year, but this did not reduce output or push up the gold price.

Simpson McKee analyst Rodney Yaldwyn said numerous mine closures and cutbacks had had little effect on total SA gold output because the mines affected had been scaling down operations for some time or were small producers. Gold output this year was 404 tons at end August, marginally higher than the 400 tons in the same period in 1991. Yaldwyn said that until a major producer went under, market sentiment would be unfazed by the depressed state of the industry.

That has dashed hopes that a sharp fall in SA gold production would boost market sentiment and lift prices. Gold fell further below the $350 mark yesterday, closing in London yesterday at $348.50/$48.70. In New York, gold ended at $348.40/$48.80.

Latest Chamber of Mines figures show that total employment on the gold mines at July 31 was 383,917 — the lowest level since 1975.
Fewer gold miners but output steady

Matthew Curtin

The number of workers employed on SA’s gold mines fell 16% in the first seven months of this year, but this did not reduce output or push up the gold price.

Simpson McKie analyst Rodney Yaldwyn said numerous mine closures and cutbacks had had little effect on total SA gold output because the mines affected had been scaling down operations for some time or were small producers. Gold output this year was 404 tons at end-August, marginally higher than the 400 tons in the same period in 1991. Yaldwyn said that until a major producer went under, market sentiment would be unfazed by the depressed state of the industry.

That has dashed hopes that a sharp fall in SA gold production would boost market sentiment and lift prices. Gold fell further below the $350 mark yesterday, fixed in London yesterday afternoon at $347.50.

Latest Chamber of Mines figures show that total employment on the gold mines at July 31 was 383,917 — the lowest level since 1975 — compared with an average of 424,250 workers in 1991. The number of miners and workers in the lower eight job categories fell 10% to 332,510 at June 30, compared with an average of 383,917 last year.

Chamber economist Francois Viruly said yesterday that the profile of miners in the industry was changing, although miners and workers had lost jobs since July. He forecast a further retrenchment before year-end, as cutbacks continued at mines like Gengold’s St Helena and Gold Fields’ Doornfontein.

Viruly said that there had been a sharp drop in the retrenchment rate in the past 12 months. Whereas 60,000 workers lost their

Gold

Jobs between May 1991 and May 1990, only 24,000 jobs had gone in the year to end-May 1991. He attributed the change to the success of many restructuring programmes at marginal mines and the willingness of workers to accept below-inflation wage increases. Mines had absorbed inflation — unable to pass higher costs on to the end-user — and kept the increase in industry working costs to only 1.7% in 1991.

However, production cutbacks associated with job losses at many mines have barely dented overall gold output.

Viruly said, “The key issue is how long the mines can keep cost containment up, as inflation begins to overtake them again, with the prospect of more rationalisation programmes and job cuts.”

In the past two years a large number of mines have stopped production or curtailed operations significantly, namely Barbrook, Esterling, Modder B, Nigel, Orey, Rand Leases, Stilfontein, Sub-Nigel, West Rand Consolidated and Wil-Nigel.

In addition, output is likely to fall sharply from Doornfontein, Lebana, St Helena and Venterspost, while a mine like Loraine is hanging on for dear life. However, these mines produce a small proportion of SA’s gold and, as pay limits have risen, mines have moved into higher grade areas, offsetting the impact of lower tonnages.

In addition, production has been building up at other mines, such as H J Joel, Kloof’s Louredo and section, and ERPM’s Far East Vertical shaft operation.

Harmony’s rescue plan depends on the mine being able to mine more than three extra tons of gold a year, while new projects at Freegold and Vaal Reefs are likely to keep gold output steady. Small increases in grade at SA’s major producers like Doornfontein and Vaal Reefs have translated into significant increases in gold output.

Yaldwyn noted that on a world scale, the small falls in SA, Australian and US production were more than offset by increasing output elsewhere in Africa, such as Ghana, and Papua New Guinea.
Mines limit capex to essential projects

CAPITAL spending at Engold’s Buffelsfontein and Beatrix mines was confined to essential projects in the year ended June 1992 as the mines tried to manage their way out of the depressed conditions in the industry, chairman Naas Steenkamp said in his yearly review.

“The profit margin squeeze in our business has created a vicious circle of higher ore reserve pay limits, reduced ore reserve tonnage, capacity under-utilisation, higher unit costs and consequently still higher pay limits,” he said.

He said management efforts to reduce working costs and pay limits would be “relentless”, but the medium-term future of the mines was “heavily dependent” on higher rand gold prices.

The local industry faces aggressive international competition.

“Structural changes in the world gold market have rendered SA reserves less competitive internationally than historically was the case,” he added.

Both mines reduced total working costs in 1992. Buffelsfontein shed 935 jobs in the year, with 8 803 workers employed at year-end.

Tremors

Engold consulting engineer John Cockburn said although Buffelsfontein’s safety record was improving, the severity of earth tremors was increasing, with possibilities that ventilation seals could be ruptured.

All underground employees had been provided with self-rescue breathing apparatus in case noxious gases were released from the ventilation system.

Buffelsfontein had 1,37-million tons of available ore reserves at June 30, against total reserves of 4,21-million tons.

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Pals Holdings shareholders’ interest cut

CAPE TOWN — Clothing manufacturer Pals Holdings increased earnings a share 5,6% to 7,5c (7,1c) in the year to end-June.

Declaring a final dividend of 1,3c it maintained its total dividend at 3,3c.

Turnover rose 10%, but slashed margins saw operating income tumble 8% to R1,6m (R1,7m), a reversal counteracted by lower finance and tax charges.

“Shareholders’ interest was cut to R7,3m (R8,2m) as a result of the write-off of a premium paid on acquisition of subsidiaries after group rationalisation,” Net tangible asset value was unaffected.

Siltek looks to offshore arms

SILTEK, SA’s second largest computer group, is confident its growing offshore companies will boost its profits significantly in the medium term.

In its 1992 annual review chairman Jack Smit said the group’s offshore companies were open a important pipeline for group products into international markets.

Hi-Performance Systems (HPS), recently appointed Hewlett Packard distributor for the subcontinent, had expanded to the UK. HPS UK would serve as a platform for expansion into Europe. Siltek recently reported a 30% increase in attributable income to R36,5m on a 15% increase in turnover to nearly R1bn for the year to June.

In the report, MD Mike McGrath said the company had entered the current year with significant orders on hand.

Siltek’s results were the brightest spot in holding company Grinker Holdings’ “most disappointing in a decade” Grinker Holdings has a stake of 67% in Grinker, which in turn has 96% of Siltek.

Siltek: Turnover

Electronics and 65% of Siltek.

Grisper, in its annual review, disclosed that Grinker Construction, which reported a loss of R17,2m for the year to June, had created a special projects division to investigate opportunities in the housing, health and education sectors.
Simmers cuts built-up loss to R26.2m

The disposal of property and dumps in the Germiston area helped independent gold producer Simmer and Jack (Simmers) to reduce its accumulated loss to R26.2m (R30.1m) in the year to end June 1992.

Simmers was paid R6.5m by Knights A divident in specie of R5.2m distributed the majority of the revenue from the sale.

Turnover increased marginally to R9.3m (R8.5m), but the operating loss increased four-fold to R4.52 from R1.03m in the comparable period last year.

Chairman Chris Mumba said the increase in turnover was due to improved production from eastern Transvaal gold mines, but the low gold price and poor grade at Makonywa gold mine added to the higher operating loss.

He said the continued operation of the eastern Transvaal gold mines looked doubtful as a result.
JCI gold division confident

THE three gold mines in the Johannesburg Consolidated Investment stable can look forward to a year of good operating results, but their financial fortunes remain closely tied to gold prices, says gold division MD Bill Nairn.

He said JCI was confident that the fundamental market conditions were turning in gold's favour, especially with demand for investment gold jewellery in southern Asia and the Far East.

At a news conference in Johannesburg yesterday at which the division's results in the year ended June 1992 were reviewed, Nairn said work at the South Deep project was going ahead on schedule and its back-fill plant would be commissioned in February 1993. Back-fill was needed to support ground as work on the shaft-piller area on the Venterdorp Contact Reef got under way in May 1993. Reef production would average 25 000 tons a month by May 1994.

Nairn said the major task facing Western Areas was to find replacement gold tonnage for its current uranium production which would stop when the mine's sales contract ran out at the start of 1995. Progress was being made towards opening up high-grade areas at the mine's North Shaft.

Randfontein Estates was ahead of schedule in its efforts to build up a R25m cash reserve, and had retained R78m so far. Nairn said the focus at Randfontein in the current year would be developing high-grade parts of the Kimberley reef from the Doornkop shaft and extending development down to the South Reef.

Developing Free State mine HJ Joel had resolved problems associated with high-costs of its trackless mining system by buying new equipment and commissioning a vertical ore pass system in July, which cut out trucking ore uphill from underground.

Nairn said the mine would reach its production target of 100 000 tons a month in 1993, and would focus on building up output, grade control and cost cutting in the current year. Joel was indebted to JCI in terms of its preference shareholding of R150m and an outstanding cumulative dividend of R34m, with other debts of R88m.
Gengold pays out R2.6m for Kinross victims

RAY HARTLEY

GENGOLD has agreed to pay R2.6m in compensation to families of 172 workers killed by gas from burning polyurethane in its Kinross mine in September 1996. NUM president James Motlatu announced yesterday.

NUM spokesman Jerry Majatlhe said the money would go into two separate trust funds - R1.4m to a fund for 40 families already identified and another R1m to a fund for the remaining families.

He said NUM had been unable to trace the families of 132 of the workers because Gengold and the labour ministries of neighbouring countries had not co-operated with the union.

Both sets of families will be entitled to claim lump sum payments from the funds, which are to be administered jointly by management and the NUM. The union was paid R200 000 of the settlement to cover its legal costs.

Families of five white workers who died in the accident had been paid out in a separate agreement with the company as they were not NUM members, he said.

Majatlhe said 1997 had been set as a deadline for claims, after which a portion of the unclaimed money would go towards a NUM accident fund.

Action against the companies that manufactured the polyurethane used in the mine and those which produced faulty gas cylinders, which led to the fire, was still being investigated.

Gengold MD Gary Maude said the payment would have no effect on the financial status of Kinross or Gengold as provision had been made for it at the time of the accident.

He said the settlement had taken six years to finalise because it involved negotiations with insurers and separate negotiations for each of the 177 deaths.

Maude said the Kinross accident had led to greatly improved safety standards in mines.

Motlatu said NUM and SACP officials, including Chris Ham, would address a series of rallies on mining safety in the Transvaal and OFS on Sunday.
Harmony rescue plan in full swing

MATTHEW CURTIS (214)

HARMONY gold mine has put its controversial rescue plan into action, although management and the Council of Mining Unions (CMU) have not resolved their dispute over Sunday mining.

A Harmony spokesman said last night that after Mineral and Energy Affairs Minister George Bartlett gave the go-ahead for Sunday work last week, mining teams worked through the weekend at the Free State mine.

NUM and other staff associations have given their blessing to the plan, which depends on a seven-day working week, but the spokesman said workers were joined by volunteers from the CMU on Sunday. The CMU represents several hundred skilled white mineworkers at Harmony, who make up a small fraction of the mine’s 14 000-strong workforce.

The spokesman said management and the CMU would attend a conciliation board meeting on Monday to resolve the dispute. The CMU has said it was not willing to work on Sundays for religious reasons, arguing that its proposal for a six-day week mining plan could achieve the same ends as management’s plan, adding that workers had sacrificed enough already in terms of below-inflation wage increases to keep Harmony in business.

Management’s plan is for Harmony, one of SA’s most efficient mines but burdened with large, low-grade ore reserves, to produce an extra 300kg of gold a year at no extra cost.

Harmony shares have jumped more than 60c, since plummeting to 30c after the announcement in early September that the mine was on the verge of closure. The shares closed 25c higher at 193c on the JSE yesterday.
Gold profit-sharing scheme

ANGLO AMERICAN and the National Union of Mineworkers this week finalised the gold mine profit-sharing scheme agreed to in this year's wage negotiations.

In terms of the scheme workers will get five percent of after-capital expenditure profits as long as it does not exceed July 1991 to June 1992 average quarterly profit. Should profit exceed that average, workers will get 20 percent of the additional profit. The lump sum payments, which will be made on quarterly basis, began this month. Mines affected are Elandrand, Freegold, Vaal Reef, and Western Deep Levels.
Leeudoorn banks on working profit

JON WATERS (2.14)

KLOOF's Leeudoorn division expected to generate working profit in the current year, even if the average gold price received was no higher than in 1991/92, chairman Alan Munro said in the company's annual report.

Leeudoorn's total losses for the year amounted to R27m, but Munro expects the division's planned milling rate of 180 000 tons a month to be achieved on a sustainable basis before the end of 1992. The milling rate was increased to 80 000 tons a month from 55 000 tons a month in the year ended June 1992.

Gold production at Kloof was expected to increase from the milling of 180 000 tons of ore a month from higher grade areas, where stoping was to be concentrated.

Although Kloof did not reach its tonnage target during the past financial year, gold production rose by 1.5 tons.

"Improved production performances from both divisions, expected in the ensuing year, should translate as an improvement in the overall financial performance of the company," Munro said.

However, he did not expect an immediate recovery in dividend payments unless the average gold price received was higher in real terms.

Integration of the operations of the Lebanon and Venterspost companies was not expected to significantly affect dividends, he said.
Disharmony in town over rescue plan

CAPE TOWN — An intensely dramatic scenario is unfolding in a small Free State town.

According to shareholders’ association chairman Isy Goldberg, the lives of more than 70 000 people may well be affected by a dispute at Rand Mines’ Harmony gold mine in the small town of Virginia which, if it is not resolved, could put the mine out of business and close the town.

Harmony, which until three years ago employed over 30 000 people, has had its workforce reduced by half. Of these, about 1 500 were white miners. The weak gold price and the escalation in mining costs have created losses for the mine of over R40 million a year.

Goldberg says closure and liquidation of the mine is imminent unless dramatic steps are taken to grapple with the problem. However, a solution that has been put forward, and which has found widespread favour, is being thwarted by biblical lore.

Harmony managing director Karl Eick has devised a formula which he claims can turn the losses into profits of about R20 million a year. The essentials of his plan are that for the next two years or so, mining must be concentrated on the richer areas of the mine (about 4 g/t) to generate the required throughput of ore to the mill, seven days a week, and that hoisting would be essential.

Everybody, unions included, agrees with his plan, except the Council of Mining Unions — a largely white union grouping with 760 members in the area. Their reason? The sanctity of the Sabbath.

They apparently indicated that they were prepared to see the closure of the mine and loss of jobs rather than contravene the biblical injunction against working on the Sabbath.

Goldberg claims to have researched the opinions of several experts who claim great reverence for the Sabbath and, without exception, say that if they were faced with the choice of Harmony being faced with, they would sanction work on Sunday days to get relief for the vast number of people affected.

Survival

In his opinion, if the miners agreed to work on Sundays they could well “invoke the smiles of heaven”. Goldberg indicated that Harmony produces about 210 tons of gold a year (more than 4 percent of South Africa’s gold production) and earns more than R750 million a year in foreign currency.

“Thus Harmony is the main survival pillar of Virginia — paying wages of about R30 million a month and owning 32 percent of the houses in Virginia, which sees the local council receive over R1 million a year in rates.”
PROSPECTS for JCI's trio of gold mines look fair, although the gold price will obviously influence their ultimate fortunes, says gold and uranium division managing director Bill Nann.

Mr Nann presented the annual reports of Randfontein Estates, Western Areas and HJ Joel, as well as South Deep Exploration Company, at JCI's head office last week.

Randfontein had an extremely good year to June 1992, says Mr Nann.

Seeking of a sub-vertical prospect shaft to the South Reef, 900 metres below the Kimberley, has begun. "We should reach the South Reef in November 1993," says Mr Nann, "and we believe it to be more reliable than the Kimberley has been."

Randfontein's management is setting towards a "rainy-day" chest of R59-million retained income to shield the mine against any possible sustained fall in the gold price.

Seven mine Western Areas is aiming for R59-million, but has reached only R23-million. It had a poor first half-year because of flooding and other disruptions, but it made a profit of R21-million.

Mr Nann says Western Areas and the Rand Water Board have agreed to try to settle their differences over a R17-million claim outside the courts.

The Joel mine in the southern Free State made an operating profit of R14-million against the previous year's loss of R27-million. But after capital expenditure of R20-million, Joel's loans increased to R272-million.

Over and above the usual amounts spent on safety, another R6-million was spent on self-rescuer equipment, which have saved lives.

"The money is carefully spent," says Mr Nann.

Randfontein, one of the foreigners' favourites, added 30c to R11.45 after the presentation.
Cost cutting
saves 64,000

COST containment
programmes by gold mines
earned a reprieve for an esti-
mated 64,650 workers, says
the Chamber of Mines in its
newsletter.

Seven mines, employing
18% of the gold-mining work-
force, are operating at a loss
more than 285,000 mine
workers would have found
themselves on unpredictable
or marginal mines had costs
continued to rise at the rate
of inflation, says the cham-
ber.

Had gold-mining working
costs risen at the rate of in-
flation since 1987, 19 mines
would either be closed or op-
erating at a loss, placing
more than 285,000 jobs at
risk, says the chamber.

Because of stringent cost
containment programmes,
only seven gold mines are
working at a loss.

A study by the chamber
shows that the real rand
price of gold is unchanged
from its 1988 level when it
was fixed at $35 an ounce.

Working-cost increases far
exceeded inflation in the
mid- to late-1980s, resulting
in a profit squeeze.

Gold mines wrestled cost
increases down from a high
of 28% (against a producer
price index of 13.6%) in 1987
to 1.7% (ppi 8.7%) in 1991.

After a 0.2% reduction in the
first quarter of 1992, working
costs increased by 3% in the
second

Cost containment was
achieved to some degree by
deferring capital spending,
says chamber economist
Francois Vuruly.

"The mines will not be able
to delay capital expenditure
programmes for too long,
suggesting that costs may be
forced up as capital spending
resumes."
**NEWS IN BRIEF**

5/10/97

Harmony improving

HARMONY gold mine's seven-day mining plan, approved by government, is already bearing fruit, says MD Karl Eck.

"Eck said in a statement at the weekend that in the first 10 days of the new production month, September 19 to 29, during which the first Sunday blasting was carried out and double-blasting took place, Harmony produced 20,000 tons of ore over budget."

'However, he said there was no increase in grade, which would ultimately tell whether the mine could survive low gold prices.'
Rise in lease costs spurs gold demand

THE cost of leasing gold has shot up in the past few days, tempting speculators into buying the metal.

A source at a SA gold mining industry source said yesterday that short-term lease rates in the gold market had risen steeply since last week. A possible cause was the successful re-purchase of gold by a leading central bank which unexpectedly dried up liquidity in the London gold market. He said the situation was "potentially very exciting", although the tighter rates at this stage appeared to be the product of coinciding short-term factors rather than a longer-term trend.

Gold fixed in London on Friday afternoon at $548 as the market continued to yo-yo near the $550 mark.

The Financial Times reported last week that "something strange is going on in the gold market, but as usual in that secretive business, no one is admitting responsibility."

The report noted that central banks and other financial institutions lent gold to the market in order to earn a very modest return on an asset that otherwise would yield no interest. They swapped gold (a sale with a commitment to buy it back again at an agreed price and date) with commercial banks and other intermediaries who took a commission before passing it on to clients such as gold producers and jewellers. The system eased forward selling by gold producers, which some analysts suggested put a cap on any price rise.

The SA source said that a growing mismatch between short-term and long-term lease rates would discourage producers from forward selling and encourage higher gold prices. He said there were two other possible reasons for the tighter rates: location swaps as gold was moved from London to other financial centres, and the effect of the September year end, when some institutions might take gold back on to their books before re-lending it.

Reuters reported that one central bank might have taken 44 tons of gold off the market suddenly.

The Financial Times said the last time something similar happened to the leasing rate it emerged that Portugal's central bank had lost 286,000 oz of gold, worth $160m, which had been lent to Drexel Burnham Lambert, the financial services group which went bust in 1990.
Unions decide on Harmony

WELKOM. — The Council of Mining Unions (CMU) is to decide at a Conciliatory Board (CB) meeting here today whether or not the struggling Harmony gold mine can continue with its rescue plan involving legal mining on Sunday.

"Naturally we hope that agreement on Sunday mining will be reached at the CB so that the mine can tackle the tough time that lies ahead in the full knowledge that the entire workforce is behind its effort to stay afloat," Harmony MD Karl Eick said in a statement today.

"If agreement is not reached at the Welkom meeting, Harmony will carry on implementing its survival plan without the help of the CMU but, obviously, management would prefer cooperation rather than confrontation." Eick said

The government-approved seven-day mining plan was already bearing fruit. In the first 10 days (September 19 to 28) of the new production month, during which the first Sunday mining operations were carried out and double blasting went into effect, Harmony had produced 29 000 tons more than budgeted for.

"However, there was no corresponding increase in grade — it is grade that will ultimately have to improve to be the saviour of Harmony. But the mine will only be able to push the grade up meaningfully if it implements the rescue plan in full — with the cooperation of all workers," Eick said.

The Department of Mineral and Energy Affairs formally told Harmony last week that "the performance on Sundays of all work necessary for and incidental to the normal production of gold at the mine is necessary in the national interest".

"I hope the CMU will also act in the national interest, as well as in the interest of its own membership," Eick said. — Sapa
Sunday mining impasse holds.

THE Council of Mining Unions (CMU) and Harmony mine management, at a conciliation board meeting in Welkom yesterday, failed to resolve an impasse over Sunday mining.

A mine spokesman said management would now consider its options. CMU spokesmen were unavailable for comment.

The low-grade Free State mine, battling to survive low gold prices, last month started a rescue mining plan which involved continuous mining operations. The CMU, representing several hundred skilled white miners, refused for religious reasons to accept the plan, which depended on blasting on Sundays.

"Harmony workers — most of whom have accepted the new work schedule — have now worked two Sundays as part of the new mining plan, using CMU volunteers to blast. Unless management and the CMU agree to accept arbitration or mediation to resolve the dispute, the CMU may ballot for a strike, while management can lock out CMU members."
Gold mine quarterly results expected to be non-event

JONQ WATERS

RESULTS from SA’s gold mines in the September quarter should produce few surprises while the industry struggled to keep costs down and maintain grades in the face of flat gold prices, analysts said yesterday.

Gold Fields announces the first batch of quarterly results today. Most analysts felt earnings would be slightly down on the last quarter. Overall earnings fell 24% to R303m in the June quarter, and average gold prices had been static on quarter, at just over R960 an ounce.

Edey Rogers analyst Dean Cunningham said overall tons milled would be down while there would be an increase in grade as cutbacks had continued during the quarter. Gold production was slightly above 143 tons in the last quarter.

He expected further retreatments from marginal producers, even though many would have contained costs in the quarter.

"We expect capex increases across the board as most capital projects have been put on hold for the past 24 months," Cunningham said. The mines had done the bare minimum of development work, to conserve cash, but without relief from higher gold prices and rising pay limits, the flexibility of their underground operations had suffered Capex in the last quarter rose 17% to R303m.

Cunningham said the quarter's results could show the squeeze on working costs at some of the larger gold producers, with possible closure of more marginal high-cost shafts.

He added earnings might suffer as mines put more money away to meet tougher rehabilitation and closure requirements of the new Minerals Act.

Frankel Max Polish Vanderine analyst Adrian Finch said Anglo American might announce that spending on its R1.7bn Moab project at Vaal Reefs would be scaled down.

Vaal Reefs could not afford to go ahead with planned rates of expenditure given existing low gold prices.

Other announcements that could be expected were the imminent separation of St Helena and Otixo and a strong possibility that Doornfontein (Doorns) might close soon, Finch said.

The fire at Doornfontein would not cut earnings as the mine was insured, but the downside was that its insurance premiums would rise, he said.

E W Balderston analyst Nick Noodman said Doorns might place its underground operations on a care and maintenance basis, but carry on working the dumps.

Goodwin said he did not expect much change from the last quarter except that earnings would be slightly lower as the gold price had almost been static. "The mines are still fighting for survival," he said.

Simpson McKee analyst Rodney Yaldwyn said he expected the quarterly to be "a non-event."

"The results are likely to be pretty standard in terms of cost and output as the mines appear to be able to sustain previous levels of production."

Yaldwyn said Gengold might elaborate on the possible separation of Buffelsfontein and Beatrice, and of St Helena and Otixo.
Gold Fields shrugs off poor gold price

GOLD Fields'  streamlined gold division shrugged off another quarter of weak prices thanks to sharp increases in grade at its Kloof and Leinboon mines. The group's overall earnings after tax and capital expenditure jumped nearly 20% to R102m in the September quarter from R83m. The increase in average grade to 5.1g/t from 3.6g/t more than offset both a fall in the amount of ore milled and poorer gold prices, which fell to R30 865/kg from R31 685/kg. Gold output rose to 31,4 tons from 30,6 tons, lifting gold revenue to R866m from R830m.

The mines continued their successful cost containment of recent months, with total costs up only 4% quarter on quarter, at R576m against R553m. Unit working costs rose a paltry 1% to R21 535/kg.

Executive director Alan Munro said at a news conference yesterday that Kloof was the group's "star performer".

The company, merged with the faltering Lebason and Venterspost operations in mid-year, paid no tax and reported a pre-capex profit of R118m, compared with R85m in the previous quarter.
R60m slide in CEPA project
Leeuwdoorn
Kloof grades up

RESULTS from Kloof and Leeuwdoorn, the two high-grade divisions of Gold Fields' new-look Kloof gold mining company, stood out in the GCSA group's gold results in the September quarter, as the mine's grades began to live up to expectations.

In contrast, the group's last-remaining marginal mine, Deelkraal, has been closed down by the operator, South African Consolidated, as the company's board has decided to concentrate on the profitable mines at Leeuwdoorn and Kloof.

Deelkraal's performance in the quarter was disappointing, with the mine producing only 3,000 tons of gold at an average grade of 7.5 g/t. This was a significant reduction from the previous quarter, where the mine produced 5,000 tons of gold at a grade of 8.7 g/t.

The performance of Leeuwdoorn and Kloof, however, was impressive. Leeuwdoorn's gold production increased by 30% to 40,000 tons at an average grade of 12 g/t, while Kloof's gold production increased by 20% to 50,000 tons at an average grade of 15 g/t.

The increase in grades and production at both mines is expected to continue, as the company plans to expand its operations and improve its mining techniques. This is expected to result in a significant increase in gold production in the coming quarters.

The new Leeuwdoorn division consists of the Leeuwdoorn and Venters mining lease areas and the mined-out north-western section of Kloof.

Gold Fields has announced its intention to increase its gold production by 20% in the coming year, with the new Leeuwdoorn division expected to contribute significantly to this target. The company is also planning to invest in new mining technology and equipment to further increase its production capacity.

Matthew Curtin

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### GOLD FIELDS OF SA September Quarter

<table>
<thead>
<tr>
<th>Division</th>
<th>Tons milled (000s)</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton</th>
<th>Costs per kg gold</th>
<th>Price received R/kg</th>
<th>Profit after capex costs R000s</th>
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<tbody>
<tr>
<td>East Driefontein</td>
<td>705</td>
<td>9.4</td>
<td>6,621.8</td>
<td>173.8</td>
<td>18,505</td>
<td>30,852</td>
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<td>June</td>
<td>705</td>
<td>9.4</td>
<td>6,627.1</td>
<td>167.41</td>
<td>17,907</td>
<td>31,212</td>
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<td>200.0</td>
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<td>30,817</td>
<td>115,745</td>
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<tr>
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<td>705</td>
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<td>191.7</td>
<td>16,824</td>
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<td>255.6</td>
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<td>5.9</td>
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<td>224.7</td>
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<td>30,872</td>
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<td>5.0</td>
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<td>163.3</td>
<td>32,645</td>
<td>31,010</td>
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<td>Deelkraal</td>
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<td>5.9</td>
<td>2,376.0</td>
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<td>149.6</td>
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<td>179.5</td>
<td>34,992</td>
<td>31,227</td>
<td>(4,916)</td>
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* Combined results for Driefontein and Kloof mining companies
Lindum Reefs results give reason for optimism

Jono Waters

LINDUM Reefs' initial results from its opencast trial mining operation indicated the gold reserve could be profitably exploited, a company spokesman said yesterday at the release of its quarterly results.

Lindum was formed to mine the old workings at JCI's Randfontein Estates in 1998.

It started opencast operations in September after its sand and slimes operation was closed in mid-August as a result of the high losses incurred.

The opencast operation milled 30,704 tons at an average grade of 3.08g/t in September. This produced 123kg of gold and a working profit of R799,000.

However, the proven reserves on the Black Reef were limited at the present opencast site and additional exploration was needed to supplement the existing reserves.

In its sand and slimes operation, the ore milled was halved to 69,287 tons and grade fell sharply to 0.49g/t from 0.61g/t in the September quarter. As a result, gold production fell to 33.8kg (116kg) and the section reported a working loss of R756,000 (R119,000 loss).

The combined operations produced a working profit of R43,000; and a net revenue of R660,000 (R550,000) and pushed its net profit to R693,000 (R420,000).

Capex for the period amounted to R79,000.
Higher production lifts Amgold earnings

By Sven Lüsche

Amgold, the holding company of Anglo American's gold mines, reports a satisfactory 22 percent rise in earnings per share to 607c (497c) in the six months to end-September.

It says the rise was achieved as a small increase in tons milled by the mines and an improvement in the average grade resulted in marginally higher gold production.

"Higher production levels and the continuing ability of the mines to contain costs resulted in an improvement in earnings," the directors say. Investment income, reflecting the mines' dividend payments, rose by 16.4 percent to R127.2 million (R105.3 million), while interest earnings rose 20.4 percent to R40.8 million (R33.9 million).

Net income was up to R146.6 million (R119.9 million) and the interim dividend was raised by 50c to 52.5c.

Amgold says the results for the second half of the year will depend on the prevailing rand gold price and the extent to which costs can be contained.
Amgold announces 11% dividend growth

AMGOLD, Anglo American's investment company with gold interests, yesterday announced an 11% increase in its interim dividend to 65c.

Chairman Nicky Oppenheimer said at the release of the results for the half-year today that cost containment and higher production at the companies in which Amgold was invested made the higher dividend possible.

In the six months to end September 1992, investment income rose by 15.4% to R127m, compared with R109m in the same period last year. The increase was attributed to higher dividends received from gold mines in which the company was invested.

Oppenheimer said interest earned and other income rose 20.4% to R40.4m (R33.9m) — which included a surplus on the rationalisation of investments. However, interest received was marginally lower during the half year under review.

Income before administration and prospecting costs accordingly increased to R108m (R103m).

Oppenheimer said the company did not pay tax as it had a substantial computed tax loss.

Net income rose by 22.3% to R147m (R120m), which translated into earnings a share of 69c, up 25% on the previous earnings of 46c.

Net asset value a share fell to 18.26c (22.71c) as a result of a fall in the value of the company's listed investments to R3.76bn (R4.65bn).

Oppenheimer expected the results for the second half of the financial year would depend on the prevailing rand gold price and the extent to which costs could be contained in the companies in which Amgold was invested. Amgold has gold interests in SA, the US, Australia and in the Far East.

The dollar gold price averaged $345/oz in the first six months of 1992, which was 5.7% lower than the average price received for the corresponding period last year, Oppenheimer said. However, the rand price declined by only 0.6%.

Notwithstanding shaft and mine closures within the industry, a small increase in tons milled and an improvement in the average grade mined resulted in marginally higher gold production in the half year to June 30.

Oppenheimer said that although the gold price remained virtually static, cost containment and increased production levels produced a rise in earnings in many of the companies in which Amgold had a stake.
Mystery fires at GFSA

GOLD Fields' quarterly figures look strange with only four gold mines to report on because of the merger of Kloof, Loban and Venterspost. Other than that, it is more of the same from the predominantly gold-reliant mining house. Costs rose and gold revenue did not, maintaining the trend of five quarters in which the price of gold production increased by 840%, thanks largely to better grades from the Kloof section.

Gold division head Alan Munro says it is not known what was behind two fires - at Loban and West Drifton. Normally, a fire's cause can be isolated when it cannot, suspicion arises. Insurance claims are being processed.

Mr Munro says Loban's mining team is experienced at cleaning up and taking out remnants which were uneconomic at the time when they were left behind in the richer Kloof mine. The merger allows Loban to tidy up the crumbs while Kloof presses ahead. Operations at Venterspost, which was relying on giving birth to a section, while the mother was still alive, are being run down.

More than R180-million was spent on Venters' development, now mothballed. "The mother is dead, but there is now a foster mother and the baby is on ice," says Mr Munro.

Money has not been thrown away - "speculate what a new shaft will cost in five years' time".

If the new Kloof was the star, then Doornfontein was the dog. Expected to turn around in the quarter, Doornfontein quadrupled the June loss to R17-million, pushing short-term borrowings beyond the June year-end figure of R26-million.

Mr Munro says the group is considering every avenue to prevent cessation of mining activity at Doornfontein, which employs 6,500.

I asked him if there was to be a deal with Rand Mines-managed Blyvooruitzicht - also looking for salvation.

"You tell me," was his cryptic response.

In common with the rest of our mining houses, Gold Fields remains confident about the medium- to long-term future of gold, if not the short. The quarter's working profit was R255-million - an amount that puts the magnitude of the industry into perspective. Few industrial companies can boast those earnings.

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Antimony market 'still oversupplied'

DEPRESSED antimony and gold prices and continuing high domestic inflation made it unlikely that Consolidated Murchison's (Cons Murch's) profit level over the past year would be maintained, chairman Mike Hawarden said in the company's annual report.

Hawarden said the antimony market continued to be oversupplied as a result of price discounting by Chinese producers. Cons Murch is the world's largest antimony producer in SA and the sole producer of antimony concentrate stocks at 2,560 tons (2,945) in the year to end June 1992, as its sales of the concentrate declined by 16.5% to 2,950 tons. Gold production increased by 41% to 1,016 tons as a result of a 19% increase in grade and an improvement in gold recoveries.
Holders of
ASA shares
get a hiding

US investors who have been put-
ting their faith in gold shares
have been losing hand over fast in
recent years.
The latest quarterly report of
blue chip ASA, which was creat-
ed to enable Americans to put
money into SA gold mines, makes
depressing reading.
Without the cushion afforded
South African investors of a de-
clining rand-dollar exchange rate
and a firmer financial rand, the
net asset value of ASA shares has
been hard hit in the past few
years.
At the end of November 1987,
an ASA share had a net asset
value of R22.84. A year later this
had fallen to R34.44. Although the
value recovered to R70.01 at the
end of November 1988, it had fall-
en to R49.54 at the end of Novem-
ber 1990, to R44.71 at the end of
November 1991 and to R36.01 last
August.
Dividends have followed a sim-
ilar downward trend. They
amounted to $4.50 a share in 1987,
$3.50 in 1988, 1989 and 1990, $3 in
1991 and $1.50 for the first nine
months of the 1992 financial year.
Investors cannot blame the
drop in share value and dividends
on ASA's investment advisers.
Money has been invested in the
best gold shares available.
At August 31, its biggest in-
vestment was R240 million in
Driefontein, while its second-big-
gest was R134.5 million in Kloof.
It has a further R50 million in
Vaal Reefs and R58 million in
Southvaal. Other golds in its port-
folio are Western Deep, Hartes,
Zandplan, Winkelhaak, Beatrix
and Kuroos.
It has R72 million invested in
Rustenburg Platinum, R67 mil-
lion in De Beers/Centenary and
about R30 million each in Anglo
American and Amcoal.
**GOLD FIELDS**

**A longer plateau**

While JCI is facing the prospect of maintaining its dividend for the fourth consecutive year (see separate report), Gold Fields has been on an even longer plateau — it is likely to peg its payout for the fifth year in financial 1993.

On the face of it, the fortunes of the two houses should not be so similar. JCI holds a diversified portfolio of mining and industrial investments, Gold Fields continues to depend heavily on gold, which contributed 57% to group income in the 1992 year. Largest contributor to JCI's earnings was its industrial portfolio, which provided 42.2%, while its

**COMPANIES**

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

Control: 43% held by Gold Fields Holdings in which Rembrandt and Asteroid each hold 40% Asteroid is controlled by GFSA and Dnee Cams Chairman and CEO: R A Plumbridge

Capital structure: 98.3m ords Market capitalisation: R8bn

Share market: Price 6.250c: Yield 3.2% on dividend, 5.0% on earnings, p/e ratio, 19.9, cover, 1.67 12-month high, 8.800c, low, 5.700c: Trading volume last quarter, 500,000 shares

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<th>'90</th>
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<td>303</td>
<td>286</td>
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<td>Other income(Rm)</td>
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<td>212</td>
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<td>Dividends (c)</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
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<tr>
<td>Net worth (c)</td>
<td>7,600</td>
<td>9,362</td>
<td>9,227</td>
<td>9,038</td>
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</table>

platinum interests accounted for 21%

All things being equal, Gold Fields should have performed worse than it has. But the house has been saved by the quality of its gold mines, its conservative financial policies and success in restraining cost increases on its mines. Gold Fields runs the two best gold mines in the industry — Driefontein and Kloof — while it has long followed a conservative dividend policy of holding back earnings in good years to be able to maintain dividends in the bad.

Despite four grim years for the gold industry, Gold Fields has maintained its expenditure on exploration to find new projects which are considered the second life of the house. Prospecting expenditure rose to R42m in the 1993 year (1991: R37m), whereas JCI reduced its exploration spending from R41m to R25m over the same period.

But Gold Fields and JCI have similar ideas on where that exploration money should be spent. Gold Fields chairman Robin Plumbridge, like JCI chairman Pat Retief, is looking elsewhere in Africa and Latin America for new mining ventures. That's a major shift in policy for a house which a few years ago believed its natural areas of business should be restricted to SA, Namibia and Botswana.

Gold Fields is looking at a gold project in Zambia, also negotiating exploration rights over 32,000 ha in West Africa and has secured rights over 34,000 ha in Venezuela and Ecuador.

Says Plumbridge: "In the light of the encouragement which we have had in the international arena, it is intended to consolidate our exploration activities in those areas where we are already established or are in the process of being established, while at the same time reviewing opportunities in the Pacific Basin where international attitudes towards mining are changing rapidly."

"It is a sad commentary on the state of SA's economic policies that the country, which once had some of the most far-sighted mining policies, is now largely uncompetitive with the emerging nations."

**Wrong picture**

An incorrect picture appeared with our article on SouthWits last week. It was a picture of Nic Statllakas, Satour's director of new markets, Africa and incentives, instead of SouthWits' executive chairman Nick Stavrakis. We regret the error.


depend. Unless you are a gold bull, there seems little reason to buy the share because more diversified houses like Anglo or JCI seem better investments at present.
Gengold rides out hard times

MOST of Gengold's mines would survive another two years of weak gold prices after which fundamental market conditions would see the price take off, Gengold MD Gary Maude yesterday.

Reporting on the group's results in the September quarter, he said possible new casualties were Leslie, Grootvlei and St Helena.

Maude said St Helena was "a hospital case in this quarter", but although the loss of 2,780 jobs was tragic, it was better than the mine making losses and being forced to close.

The estimated retrenchment costs were R8,5m and the mine was forecast to make a loss of R3m in the next quarter.

Maude said the St Helena/Oryx and Buffelsfontein/Beatrix relationship was complicated structures as they made it difficult for mining analysis to rate the shares. Gengold had given a great deal of thought to de-linking them, and if it would improve the share price, Gengold would investigate the option thoroughly.

At Oryx, they had adopted a "wait and see" approach. The shaft-sinking was complete and the shaft would be commissioned in March.

Baffels was "looking more healthy". Selective mining had increased the yield from underground and as a result working costs had decreased.

Maude said Unisel was "one of the best prospects for the future". The Basal reef was providing 98% of the tonnage and good results had been achieved from the sub-incline area in the eastern region of the mine.

Leslie had done "remarkably well" in lowering its costs to R128,065, while Stiffontein showed a working profit for the first time in several quarters.

Its surface operations could continue to operate profitably for six months to a year, depending on gold prices.

After-tax profit at Grootvlei was halved and negotiations were continuing with the Water Affairs Department and the Mineral and Energy Affairs Department for pumping assistance. Pumping at the defunct Sallies operation had kept the level of the East Rand water basin down, but it was now rising and would flood Grootvlei in about 18 months' time.
Overall income goes up

ANGLO American's gold exploration and investment company New Central Witwatersrand (NCW) declared an interim dividend of 72c a share for the six months ended September 1992.

Investment income from dividends rose 4.7% to R1.46m and R97,000 was received from investments sold. Overall income increased to R1.54m (R1.38m).

Net profit rose 5.8% to R1.38m (R1.3m), which translated into earnings of 77.9c (73.6c) a share. Net asset value a share declined to 3.403c (4.204c).

Gold exploration on the Gerhardmunsbron farm in the Potchefstroom district has been suspended.
SUCCESSFUL cost control in the September quarter at the majority of the 11 mines in the Gengold stable lifted the group's overall after-tax profit by more than 3% in spite of weak gold prices.

Working costs decreased 1.5% to R467m from R468m in the June quarter, and by 0.4% from the September quarter 1991. Income after tax rose to R72.9m (R70.6m), but was down 14.6% on the comparable quarter last year.

MD Gary Maude said the group's performance should be seen against the backdrop of lower average gold prices, nearly R700 less than in the June quarter. However, five mines increased income after tax and seven cut costs.

Winkelhaak declared its first dividend in 18 months of 50c a share. Other mines that declared final dividends were Kinross at 120c (120c) a share, Bracken at 30c (15c), while Leslie paid an unchanged 15c and Umsel declared at 10c a share. Maude added that for the last five quarters, Buffelsfontein, Leslie and Umsel had increased their gold production.

Wage increases would add another R20m, he said. The group made a profit of R7.9m on its hedging operations.

See Page 6
SOUTH DEEP EXPLORATION

Buying time

Activities: Exploration company controlling the potential South Deep gold mine adjacent to Western Areas on the West Rand

Control: JCI 41%

Chairman: K W Maxwell

Capital structure: 39.4m ards Market capitalisation R118.2m

Share market: Price 300c Yield 14.7% on earnings, p/e ratio 6.0, cover 12-month high, 660c, low, 300c Trading volume last quarter, 45,000 shares

Year to Jun 30 '91 '92
Income (Rm)
13.7 16.5
Taxed profit (Rm)
11.9 15.0
Short-term investments (Rm)
172.0 132.4
Earnings (c)
46.8 38.0

"A farmer makes a plan" runs a well-known adage. So, it appears, do miners faced with bringing a promising gold deposit into production in the teeth of adverse gold prices and stock market conditions. South Deep (Soudex) owns the richest and most promising large gold deposit left to be developed in SA but, as the Americans say, "don't mean squat" given that nobody at this stage is prepared to risk R2.2bn.

The solution found by JCI, which controls Soudex, is to make a start by coming in from the neighbouring Western Areas with a twin haulage system to mune out the area through which the Soudex main shaft systems must eventually be sunk from surface.

Management wants to make the R230m raised in the 1990 rights offer last until at least December 1995 in hope that by then gold and stock market conditions will improve sufficiently to allow Soudex to raise the rest of the money it needs.

The rock around a shaft in a deep-level mine is known as the shaft pillar. Normally, no mining operations on reef are carried out within it until the end of the mine's life, to protect the shaft against seismic movements.

Instead, Soudex will mine out the reef in the pillar and replace it with backfill before the shafts are sunk. Profits from this will maintain cash reserves and the pillar will be stabilised. It's planned to start stoping in May and build up to production of 25,000 t/month of ore by May 1994.

The South Deep orebody is aptly named, lying 2 450 m-3 500 m below the surface and is remarkable for the thickness of its reefs.

The prospectus estimated ore reserves at 115.9 Mt at average in situ grade of 9 g/t, which Simpson McKie analyst Peter Bahnmann calls "probably the largest accumulation of gold per hectare in the world".

But depth is critical in terms of capital and time required — about six years — before the first returns are earned. Factor in four years of declining gold prices in real terms and you have the reasons why JCI is so wary.

A year ago, JCI estimated working cost at around R18 000/kg gold. Bahnmann then put it at roughly R20 250/kg with recovery of 7.9 g/t. Lourens now estimates working cost to be about R22 000/kg.

One other factor may play a part: government's attitude to "ringfencing" for tax purposes. South Deep is now a stand-alone project, but government opposition to mergers may be easing, judging by the recent Kloof/Libanon/Venterspost deal. An amalgamation of Soudex, Randfontein Estates and Western Areas into one mega-mine may still be possible — if Randfontein/Western Areas can generate enough of a tax shield.

Soudex could use the same argument on pumping costs as was put forward by Kloof over Lebanon, because South Deep lies downhill of Western Areas and will depend heavily on its continued pumping operations.

The share price has been on a steady slide since the listing and is at an all-time low. Fact remains this is the richest and largest known remaining gold deposit in SA and Soudex rates a buy from investors who still believe in the future of gold.

Brendan Ryan
Temporary respite

Anglo American Gold Investment (Amgold)’s interim results reflect two dominant trends in SA gold mining: mine profits are improving temporarily, but share prices continue to slide on negative market sentiment.

Investment income rose 16.4% to R127.2m (previous comparable six months, R109.3m) because of higher dividends from a number of the top quality gold mines in which it has significant stakes, such as Vaal Reefs (16.8%), Hartebeestfontein (15.5%) and Driefontein (11.5%).

Chairman Nicky Oppenheimer says gold mines generally improved earnings through holding down costs and raising grades, while those in which Amgold is invested did better than the industry average.

However, these measures merely provide a temporary breathing space, as Oppenheimer pointed out in his annual review earlier this year: “Such cost-cutting cannot continue indefinitely. Producers have to rely ultimately on a healthy market to ensure their longer-term survival.”

That’s the reason for negative investor sentiment, as the metal stubbornly refuses to perform. The JSE all-gold index has sunk lower and lower to a seven-year low around 817. Amgold’s net worth reflects this, 19% down at end-September from end-March.

Second-half earnings could improve further, if only because the rand is starting to slide against the dollar while gold is static in dollar terms. The rand gold price averaged R978/oz in the six months to September but has since moved above R1,000.

That should stop the slide in share price, which is down to R160 from R187 at end-March, but the share will continue to suffer from negative investor sentiment against gold and SA.

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**HOLDING UP**

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<td>Net worth (c)</td>
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</table>
Small profit for Rand Leases

JONO WATERS

REVERE Resources' Rand Leases gold mine turned in a small profit for the September quarter, but was still suffering the effects of April's seismic event which damaged the mine and halted production for a month.

Chairman Glenn Leing said normal production was expected to resume in the second half of the financial year to end June 1993.

Ore milled at Rand Leases for the quarter nearly doubled to 43,866 tons (24,330 tons) and gold production was higher at 29,112 kg (1090kg) after a slightly improved grade of 4.35g/t (4.45g/t).

Rand Leases' average gold price received increased slightly to R30,751/kg (R30,657/kg).

The company's total revenue amounted to R6,362m (R3,621m) and had working costs of R5,511m (R4,311m), which produced a small operating profit of R432,000 compared to a loss of R693,000 in the previous quarter.

Interest bill on borrowings of R4,568m was R223,000 and the rental provision of R169,000 reduced Rand Leases' net profit to R29,000 (R707,000 loss).

Capex for the period was higher at R524,000 (R226,000) as it was needed to access the lower level of the shaft pillar through the 6A incline.

Leing said this became necessary as a result of damage to the lower levels of the vertical shaft caused by the seismic event.
Duiker gets a 41% boost from Eastern

AFTER-tax income at Lonrho's Duiker Exploration jumped 41% to R22.1m (R15.7m) for the year-ended September 1992, largely as a result of improved returns from its stake in Eastern Gold Holdings.

Earnings a share rose to 103.7c (102.2c) and the company declared a final dividend of 32c a share, bringing the total dividend for the year to 50c (35c).

Mining income for the year fell by 19.1% to R19m due to significantly lower sales to the oversupplied inland and export coal markets.

Other income rose to R7.5m (R1.8m) and the company received R4.75m in payment for royalties for the exploitation of anthracite rights. Associate interests brought in R9.97m, bringing pre-tax income to R41.5m. Tax and the state's share of profits amounted to R19.2m.

Capex for the period nearly tripled to R20.3m (R7.67m), largely as a result of costs incurred on the expansion of the group's coal beneficiation facilities.
PRIFITTS of the two operating gold mines in the South East Rand Gold Holdings (Southgo) stable were almost static in the September quarter.

After-tax profit at West Witwatersrand (West Wits) was marginally lower at R2,71m (R2,83m), while Benoni slightly increased its after-tax profit to R1,57m (R1,55m). West Wits declared an interim dividend of 2c a share.

Southgo, a division of independent producer Consolidated Mining Corporation, operated an underground and open-cut operation at West Wits, dump-retreatment at Benoni and was cleaning-up operations at Witwatersrand (Wit Nigel).

Total tons treated at West Wits rose to 599 085 tons (515 540 tons), mainly as a result of an increase in the heap-leach operations, but the grade fell to 1,38g/ton (1,46g/ton). Gold production was higher at 715kg (745kg) and the gold price received rose marginally to R31 438/kg (R31 421/kg). Capex for the period amounted to R842 000 (R840 000).

Slimes and sand treated at Benoni also increased to 618 669 tons (570 913 tons), but the grade also fell to 0,66g/ton (0,66g/ton). Gold production fell by 7kg to 378kg and Benoni received a lower gold price of R32 205/kg (R32 002/kg). Capex for the quarter doubled to R884 000 (R440 000).

Cleaning operations continued at Wit Nigel, which produced a net loss of R144 000, but capital recoupment amounted to R225 000.
World recession offers
Minorco opportunities

JON WATERS

The difficult economic conditions in the European construction materials sector provided opportunities for Minorco to make acquisitions at attractive prices in the short to medium term, chairman Julian Ogilvie Thompson said in the group's annual report.

Minorco spent £38m on acquisitions in the past financial year, of which £253m was in the industrial minerals sector, and Ogilvie Thompson said the group's balance sheet remained strong with total cash at June 30 amounting to £1.5bn, while debt was £225m.

He said the short-term economic outlook was uncertain. However, in the medium to long term, the achievement of the restructuring of the world economy without widespread economic and political disruption should create conditions for sustainable economic expansion "by a greater family of developed nations".

"Given this scenario, it is not possible to forecast with certainty the prospects for Minorco's earnings in the short term, although it should be recognised that continuing weaknesses in US dollar interest rates and the gold price would have negative impact."

Joint MDs Tony Loa and Roger Phillimore said Minorco's central purpose was to acquire and develop, within its chosen fields, high quality natural resource assets with large reserves, low costs and proven management at fair prices.

"Our strict adherence to carefully defined criteria has meant that the pace of acquisition has been steady rather than dramatic," they said.

While market conditions had been poor, Minorco had used the time to invest "substantial money and effort" in developing strong management structures, systems and databases with the capacity both to enhance management of existing operations and to accomplish strategic acquisitions, they said.

Acquisitions over the past year by Minorco's industrial minerals division included Lautzter Grauwacke GmbH — the largest hardstone quarry in the former East Germany — in November last year and ICT's lime products business which Minorco paid £115m for in December last year and renamed Buxton Lime Industries.

Buxton was the largest supplier of lime products in the UK with a capacity of about 6-million tons, and plans were afoot to increase this to 10-million tons.

Minorco's principal investments are a 36% stake in Charter Consolidated, a 24% interest in Eastern Investments, a 22% stake in Normandy Poseidon and a 21% holding in Anglo American South America.
Gold heavyweights ‘badly undervalued’

Matthew Curtin

The heavyweight gold shares which make up the JSE’s all gold index are badly undervalued at present prices and may be at their cheapest levels for more than 10 years, says E W Balderson analyst Nick Goodwin.

Goodwin said yesterday that it was “crazy” for the all gold index to be as low as 793 points.

The index, made up principally of heavyweight gold stocks like Driefontein, Vaal Reefs, Kloof, Freegold and Randfontein Estates, was not reflective of the mines’ performance. They remained highly profitable, low-cost or high-grade producers even at poor ruling gold prices.

In contrast, outlook for shares in marginal mines — which had little influence on the index — was more gloomy with poor short-term prospects for gold prices.

Goodwin said that although there was “good physical demand for gold, such demand tended to shore up prices rather than drive them higher”. Speculators seemed to be controlling the market at the moment, and it would take a further deterioration in world economies, and the US in particular, to boost prices significantly.

In the past year gold prices have traded at an average of $349 an ounce, in a narrow band between $340 and $37. Gold prices slipped again on Friday, with the London afternoon fix down 10c to $341.75.

Goodwin said “an interesting empirical tool” for examining the value of gold shares was the ratio between the index and the rand gold price in ounces (see graph).

When the ratio fell below 1:1 it suggested that shares were undervalued as the inspired investor would have found to his benefit in the first half of 1982, when he started to buy gold shares. In contrast, he would have been left behind in 1985 or early 1987 on the grounds that a ratio of more than 2:1 showed the shares were expensive, he would have bought the late 1937 and late 1969 gold board crashes.

Goodwin said that with the ratio presently down to a record low of 0.81, the question was whether the market had “any more downside potential”. Investors tended to overvalue when gold prices fell, and over-react when they soared, suggesting that with the index as low as it was, this was a good time to buy gold mining stock.

“Analysts are in the business of avoiding bianderous, anxious to sell near the top and buy near the bottom. Buying and selling once prices have hit the bottom or the top invariably means you have missed the boat, because the gold market moves so quickly,” he said.
Govt agrees to guarantee Harmony loan

GOVERNMENT has agreed to guarantee a loan of R30m to Harmony gold mines should it need the assistance, chairman John Turner announced yesterday.

He said the Cabinet-approved assistance would be in the form of a government-guaranteed commercial bank loan.

Turner said Harmony’s ability to call upon state assistance if necessary, coupled with the expected increase in productivity as a result of changes in working practices negotiated with employee representatives “should ensure the survival of the mine”.

He was referring to twice-daily blasting at the mine and the conducting of Sunday operations.

Mineral and Energy Affairs director-general Piet Hugo said yesterday the tripartite agreement between the state, a commercial bank and Harmony had been signed.

He said the agreement had not yet been signed as government’s legal advisers were still examining the draft, but said once it had been approved a bond would be registered on six of Harmony’s properties.

Hugo said he did not know when the agreement would be signed.

Randgold and Exploration (formerly Rand Mines gold division) human resources director Richard de Villiers said no interest subsidy had been discussed. The group’s ERFM receives an interest subsidy of 19% a year from the government on its debt of nearly R500m.

De Villiers said that if the gold price dropped further Harmony would “just have to do something else”.

The issue at the moment was the grade and blasting, but he believed Harmony would pull through.

Harmony

De Villiers said the NUM had been very “sensitive” throughout the wage and productivity deals as it was worried about more of its members becoming unemployed.

In the September quarter, the four gold mines managed by Randgold and Exploration made a combined after-tax loss of R6.5m compared to a loss of R46.5m in the previous quarter, said Turner.

Underground tonnage dropped to 2.5 million tons compared to 2.8 million tons in the June quarter and surface material of just over 1 million tons was virtually unchanged from the last quarter. Gold production declined from 11.2 tons to 10.4 tons.

To Page 2
Durban Deep, Blyvoor mines back in the black

There was a return to profitability after capex at two of the four gold mines in the new-look Rand Mines gold division — Rand Gold and Exploration — for the September quarter.

The two mines to turn in small profits were Durban Deep and Blyvooruitzicht.

None of the mines made a profit after capex in the June quarter.

Chairman John Turner said the changes in work practices at Harmony of two blasts a day and Sunday operations came too late during the latest quarter to have any real effect on production.

Although Harmony was expected to return to profitability in the quarter under review after R56m was paid out in retrenchment packages, difficulties in achieving the projected grade prevented this from happening.

The underground grade fell slightly to 3.15g/t (3.25g/t in June).

However, Turner said tonnage at the mine was ahead of schedule, and that the planned recovery grade should be achieved in the current quarter. Capex for the December period was projected at R399 930.

Blyvoor managed a return to profitability largely because of a marginal increase in grade.

Treatment of rock from the waste dumps had been suspended as grades were declining. Material from tailings dams was being treated instead.

Sunday revenue of R1.65m was net of R500 000 (R1.1m) due to Driefontein for its share of profits in terms of a tribute agreement.

Turner said in the company's annual report that Blyvoor was looking at a new tribute agreement to extend the life of the mine, which was scheduled to close in 1994.

Durban Deep turned in a profit after capex in the period and increased gold production from both surface and underground operations.

State pumping assistance for the quarter amounted to R2.1m, compared to R2.3m in the previous quarter. Capex for the next quarter was budgeted at R159 000.

East Rand Proprietary Mines increased its working profit, helped by an increase in its underground grade to 5.04g/t. The grade was expected to increase as tonnages of comparatively richer ores becomes available from the development in the Far East Vertical shaft.

However, the working profit was wiped out by an interest bill of R11.8m (R12.7m) on borrowings, which had risen to R492m (R478m).

Pumping assistance amounted to R1.7m compared to R1.8m in the previous quarter.

<table>
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<th>Rand Minesa</th>
<th>June Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/t</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
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<td>(6 068)</td>
<td>(9 986)</td>
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* Operating results from underground operations only.
Mine's workers share R1,5m bonus

MATTHEW CURTIN

Workers at Western Areas gold mine received their first productivity bonus in the September quarter — a R1.5m payout — more than a year after a productivity scheme came into effect.

At a news conference yesterday, Johannesburg Consolidated Investment gold division chairman Kennedy Maxwell said workers at Randfontein Estates earned a R2m bonus, after winning similar quarterly bonuses the previous year. Workers had received below inflation wage increases of about 5% in the past two years.

Gold division MD Bill Nairn said productivity schemes were a good example of the new measures the gold mining industry had adopted — and would have to continue to find — if it was to survive weak gold prices in the short to medium term.

The industry would have to consider changes such as altering job allocations, increasing multi-skilling on mines, and a seven-day working week, he said.

In the quarter, the group's mines turned in good overall results, bolstered by a 3% increase in average gold prices received, to R33 708/kg from R32 833/kg.

Overall after-tax profit fell 20% to R562m from R700m.

In contrast, the four mines in the Anglo-van group had a difficult quarter. A spokesman said "Generally well contained unit costs failed to offset lower milled tonnages, grades and gold prices."

The mines' total after-tax profit fell 42% to R236m from R404m.

The group's marginal Lorraine gold mine failed to return to profitability in spite of implementation of a drastic restructuring programme during the quarter.

See Page 7
Anglo boss starts Moab with a blast

ANGLO American chairman Julian Ogilvie Thompson officially started the group’s R1.7bn Moab gold mining venture yesterday by triggering the blast to mark the start of shaft-sinking at the northwestern Free State site.

The ceremony was attended by former Anglo chairman Harry Oppenheimer, deputy chairman Nicky Oppenheimer, gold and uranium chairman Clem Suter, gold and uranium MD Lionel Hewitt, former chairman Gavin Kelly and Anglo American Industrial Corporation deputy chairman Les Boyd.

Ogilvie Thompson said that while some might question the decision to go ahead with a gold mining project on Moab’s scale, especially in the current economic climate, they had perhaps forgotten Anglo’s successful record in tackling large developments.

He said new projects and capex were among the first expenses to be cut in bad times, but this was a “short-sighted and foolish approach”.

He said that while such projects needed to be reviewed carefully and prudently, an opportunity such as that presented by Moab had to be taken.

The mine was expected to produce about 1.5m tons of gold a year when it reached full production in 2004.

Anglo still intended to list Moab as Eastvaal on the Johannesburg and London stock exchanges, but due to the depressed state of the world equity markets, would not seek such listings now, he said.

In terms of an agreement between the holders of the mineral rights, Eastvaal Gold Holdings and Vael Reefs, Eastvaal had undertaken to fund after-tax costs of capex necessary to mine the area.

In turn, Eastvaal — in which Vael Reefs had been allocated a 30% holding — would be entitled to a royalty and the right to receive dividends equivalent to the after-tax profit, net of ongoing capex.

Eastvaal would raise funds by rights issues and would pass these to Vael Reefs by subscribing for redeemable preference shares in Vael Reefs.

Ogilvie Thompson said while there were advantages in delaying the Eastvaal rights issue, Vael Reefs had agreed to provide interim funding on the basis of a firm commitment from Eastvaal to recompense Vael Reefs for the after-tax costs of the capital and interest.

At a presentation to journalists later, project manager Willie Smart said Moab would mine 25-million tons of ore at between 2.600m to 3.700m below surface at a monthly milling rate of 110 000 tons. Gold production would amount to 294 tons at a grade of 11.5g/t over the mine’s 25-year lifespan.

Senior regional manager Nap Mayer said Moab had already saved R122m on budgeted expenditure through cost-cutting methods, but he did not want revise the expenditure figure as all kinds of problems could be encountered. He said Vael Reefs’ tax shield was big enough to cover Moab unless the gold price dropped below $380 an ounce.
Weak gold prices hit future plans for Oryx

POOR gold prices are taking their toll on future plans at Oryx, Gengold's developing Free State gold mine.

Oryx shares, which react sharply to low volume trade because only 3% of them are outside the hands of the project's four main shareholders, have fallen more than 15% in the past month, and 49% from a high this year of 65c. The stock closed at 25c on the JSE yesterday.

Some analysts said the major shareholders — Gemmin, Sanlam, Genbel and Anglo American — might be putting pressure on Gengold to convert its multimillion-rand borrowings into equity in spite of the depressed market conditions in the sector.

They noted that financing of the R1,5bn phase 1 development at Oryx was originally planned on the basis that the new project would exploit the tax shield at nearby St Helena. Oryx was set up as a division of St Helena for this purpose but St Helena had not reported sufficient profits, and the mine was fighting for its own survival at current gold prices.

The analysts said that at the same time, the bearish outlook for gold prices was such that Gengold would continue to defer phase 2 of Oryx's development.

However, Gengold deputy MD Tom Dale said yesterday, "There is no pressure from Oryx's major shareholders to have a rights issue in unfavourable market circumstances."

Dale said Oryx was designed in two phases and on the basis that the second phase would have "to coincide with favourable gold prices."

Matheson and Hollidge analyst Rob Gillan said Oryx's shareholders could be anxious "to unlock their loans" to the mine with a rights issue Oryx's original R200m in equity and R560m in bank loans ran out in May last year, and Gemmin, Sanlam, Genbel and Anglo committed themselves to providing another R560m in interest-free bridging finance for the completion of phase 1.

The mine's No 1 shaft is scheduled to be complete by mid-1994, with production of 160,000 tons a month rising to 120,000 tons a month.

Gillan said it was likely that average grades at Oryx would be slightly disappointing, with unofficial estimates of 5.5 to 6.0 grammes a ton, against the forecast 7.5g/t.

He and other analysts agreed Oryx remained a technically sound venture, likely to be one of the Free States' lower cost producers.

One said Oryx had a unique risk profile in contrast with other gold mining counters. The company should really be rated between purely exploration stock — currently at rock bottom — and other development projects such as South Deep, developing mines already in production like H J Joel and those mines in full production.
Anglo's gold mines pay out bonuses

The mines are relying on the support of all workers in return for job security and profit bonuses," he said.

An announcement was "imminent" regarding an impending deal between Western Deep and Blyvooruitzicht, believed to involve a tribute mining agreement which would prolong Blyvoor's life.

Gold division chairman Clem Sunter said strong demand for jewellery and gold bars developing in gold markets in the Far East was putting a floor to gold prices.

However, it would take renewed investor confidence to lift prices significantly.

* See Page 7
Hedging and cost control add shine to Anglo's gold

SHREWD hedging and stringent cost control have again underpinned results from Anglo American's gold division.

The group's five gold producers reported a more than 10% overall increase in after-tax and after-capped profit at R153m (R139m) in the September quarter. Freegold and Ergo declared unchanged interim dividends of 10c and 30c a share.

Gold division chairman Clem Sunter said a combination of "savvy hedging" and increased gold output were responsible for the good results.

The miners' gold revenue rose to R33 031/kg compared with R32 708/kg in the previous quarter. Gold output increased more than 2% to 65,1 tons from 63,6 tons.

In addition, Sunter said the mines were still on track to meet long-term cost containment targets, in line with the strategy adopted in 1990 when Anglo said it planned to keep cost increases down to zero for two years.

Sunter said the mines planned to continue the strategy for a third year.

Average working costs fell nearly 1% to R26 671/kg (R26 968/kg). Total working costs rose only 1,5% in a quarter in which the mines absorbed 5% wage increases, to R1,7bn (R1,7bn).

MD Lionel Hewitt said the participation of all mine workers was the key aspect in the division's successful cost control. There had been a significant "mental shift" among workers in the past two years and they were increasingly aware of the importance of cost containment.

Hewitt said Freegold pulled through a difficult July and August, after a poor June quarter, and turned in a much stronger performance in September. Only four of the mine's 24 shafts were not covering full costs, compared with more than 12 when gold prices fell sharply last year.

Underground production increased but the fall in yield was offset by a higher grade from the surface operations which mined less material. Average grade rose to 4,29g/ton (4,15g/ton) and gold output rose marginally to 28,3 tons.

Unit costs were well contained, but Freegold's marginal status was highlighted by the fact that an increase in revenue to R371m (R319m) was wiped out by the increase in total working costs to R842m (R810m). Working profit fell to R96m (R168m).

Sunter said the importance of hedging to an operation like Freegold was shown by the fact that capital spending effectively added R1 000/kg to its working costs, a critical amount in a quarter when annual average gold prices fell below R30 000/kg.

Freegold's working costs stood at R29 946/kg in the September quarter. Hewitt said Vaal Reefs was gearing up its operations so that it could finance successfully finance the first stages of the R1,7bn Moab project.

Western Deep Levels turned around from a poor June quarter due to higher underground production, improved grades and adequate cost control. The mine reported an after-tax profit of R74m (R68m).

Hewitt said there was still room for improvement, and the mine planned to produce 41 tons of gold in the year. Gold output so far this year stood at 28 tons, nearly 10 tons coming in the September quarter, 18% higher than in the previous period.

He said Edendale had performed better than expected and turned in record gold production in the quarter, up at 4,6 tons from 4,6 tons.

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<th>ANGLO AMERICAN</th>
<th>September Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton R</th>
<th>Costs kg gold R</th>
<th>Price received R/kg</th>
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OAHANESBURG — Shrewd hedging and stringent cost control have again underpinned results from Anglo American’s gold division.

The group’s five gold producers reported a more than 10% overall increase in after-tax and after-capex profit at R165m (R130m) in the September quarter. Freegold and Ergo declared unchanged interim dividends of 0.3c and 20c a share.

Gold division chairman Clem Sunter said a combination of “savvy hedging” and increased gold output were responsible for the good results.

The mines’ gold revenue rose to R206 031 a kilogram compared with R202 786/kg in the previous quarter. Gold output increased more than 2% to 56,1 tons from 63,9 tons.

In addition, Sunter said the mines were still on track to meet long-term cost containment targets, in line with the strategy adopted in 1990 when Anglo said it planned to keep cost increases down to zero for two years. Sunter said the mines planned to continue the plan for a third year.

Average working costs fell nearly 1% to R26 671 a kilogram (R26 886/kg). Total working costs rose only 1,6%, in a quarter in which the mines absorbed 5% wage increases, to R1,74bn (R1,71bn).

MD Lionel Hewitt said the participation of all mineworkers was the key aspect in the division’s successful cost control.

There had been a significant “mental shift” among workers A lower tax provision and static capital spending led to only a small drop in available profit at R60m (R82m).

Sunter said the importance of hedging to an operation like Freegold was shown by the fact that capital spending effectively added R1 000/kg to its working costs, a critical amount in a quarter when nominal average gold prices fell below R20 000/kg. Freegold’s working costs stood at R29 945/kg in the September quarter.

Hewitt said Vaal Reefs was gearing up its existing operations so that it could finance successfully the first stages of the R1,7bn Moab project. Vaal Reefs has agreed to provide interim funding for Moab on the basis that Eastvaal Gold Holdings, which planned to finance the scheme through a rights issue and in which Vaal Reefs has a 30% stake, would recompense Vaal Reefs for the after-tax costs of capital and interest.

Western Deep Levels turned around from a poor June quarter due to higher underground production, improved grades and adequate cost control. The mine reported an after-tax profit of R74m (R58m).

Hewitt said Eldorado turned in record gold production, up at 4.8 tons (4.8 tons). The mine’s mill throughput fell to 502 000 tons from 526 000 tons, pushing the grade up smartly to 8.61g/t from 8.61g/t.

A drop in unit working costs to R29 156/kg from R29 075/kg was achieved.
NUM blames Gengold for wage deal delay

The NUM has accused Gengold of holding up a wage agreement with the Chamber of Mines by sticking to a racial pattern of wage settlements. Gengold offered non-NUM unions and staff associations, who mainly organise white workers, an extra 1.5% on the 5% wage agreement with the NUM, provided they did not participate in the profit-sharing scheme. Gengold said NUM could receive an extra 1.5% wage increase in line of a profit-sharing scheme.
Cons Murch profit dives

AFTER-tax profit at gold and antimony producer Consolidated Murchison (Cons Murch) was nearly halved in the September quarter largely as a result of a 23% drop in antimony revenue.

After-tax profit fell to R866 000 compared with R1,68m in the June quarter as antimony sales decreased to R5,19m (R4,68m). However, gold revenue increased slightly to R9,29m (R9,16m).

Chairman Mike Hawarden said the fall in antimony revenue resulted from poor demand and a less favourable rand/dollar exchange rate. The 9% increase in gold sales to 301kg (373kg) was negated by the lower average rand a kilogram gold price of R30 074 (R33 176/kg).

Operating income fell to R911 000 (R1,48m), but it was higher than the quarterly average for the 1992 financial year, Hawarden said.

Capex for the quarter was lower at R270 000 (R1,04m), but was expected to escalate over the next three quarters as R2m had been budgeted for underground exploration development and drilling to maintain ore reserves. Cons Murch is the world’s largest and SA’s only supplier of antimony, and the market is oversupplied.
Gengold mine to forgo mining rights

GENGOLD'S West Rand Consolidated (WRC) would forgo its rights to mine for four years and dispose of a major portion of its assets to a consortium for R32.5m, Gengold MD Gary Maude said yesterday.

In terms of the agreement, First Westgold Mining, First Westgold Properties and the Westgold Joint Venture, which comprised Fraser Alexander, Aurora Exploration and Time Mining, would buy WRC's surface assets and all but 160ha of land. The agreement still had to be approved by shareholders and would leave WRC as a cash shell with mineral rights.

Maude said the consortium would be granted a mineral lease for surface deposits and the right to mine underground for a minimum of four years, after which WRC would be entitled to resume underground operations should it wish to do so.

The consortium would also assume all rehabilitation obligations on WRC's properties unless WRC decided to mine the area again. There was R1m in WRC's rehabilitation fund, he said.

The 300 mine employees would be retrenched by Gengold, but the joint venture partners would employ about 80% of them.

Consortium spokesman and Fraser
Knights, the listed gold mining company that recently merged with Waverley and Simmer & Jack, is back in the news, this time as the quarry of Canadian conglomerate Dundee Bancorp (Dundee). An unusual offer last week asks Knights shareholders to exchange their holding in the SA company for an equal number of shares in Dundee International, which Dundee intends to list on the London Stock Exchange (LSE) with a secondary listing in Johannesburg.

That seems to contravene exchange control regulations, but Dundee has constructed the deal so that SA shareholders will receive a Dundee International depository receipt freely tradeable here but not on the LSE. Dundee International will hold, before its listing on the LSE, either US$9m in cash or 600,000 shares in Homestake Mining, one of the largest US gold mining companies, whichever is worth more.

Dundee now holds about 26% of Knights' issued equity. A few months ago it sold its 26% stake in International Corona, the North American (mainly Canadian) gold mining company it effectively controlled, to Homestake in exchange for shares. According to director Bob Buchan, Dundee turned Corona into a large company and wants to repeat the exercise with Knights.

Some Knights shareholders have criticised the deal for not being underpinned by a cash offer. Buchan says the deal was constructed after exhaustive discussions with investors and advisers. "We didn't put it together in isolation," he says. "We were advised not to offer a cash underpin. Now we're being told different. Well, you can't please everyone."

Asked to enlarge on Dundee's plans for Knights' ultimate future, Buchan said he couldn't comment until the formal offer document became available, around mid-November.

The options for Knights shareholders are to persist with the company as they know it, or to exchange this for partial ownership in a foreign company with the potential, perhaps, of sharing in offshore earnings at some indeterminate date. Which will turn out more profitable is the dilemma.

David Gleason
Throving a lifeline

Blyvooruitzicht's tributing deal with neighbour Western Deep Levels means the struggling marginal producer has secured five years of extra life, but shareholders cannot expect much in the way of dividends.

The deal essentially buys time for Blyvoor in the hope that the gold price might recover by the year 2000 to the point where some of the mine's lower grade reserves will pay once more. Failing that, all that has been achieved is a stay of execution — though that will still be greatly appreciated by employees.

The static gold price and rising working costs forced Blyvoor to go for higher grade ore to remain profitable but, as chairman John Turner pointed out last month, that cut the forecast life of the mine to just two years.

This deal adds another five years, as Blyvoor will exploit Carbon Leader Reef in a corner of the Western Deep lease which it can get to far more easily. Average in situ grade is 1.500 g/t and production from the area should start in 1994.

The capital cost of gaining access to the area, which is deep at between 2,500 m and 2,630 m, will be R50m. This will be funded 55% by Western Deep and 45% by Blyvoor. They will split working profits from the area in the same percentages.

Despite its marginal status, Blyvoor will have no problems funding its share of the capex. The mine has been setting aside money over the past few years through heavy retentions, probably in preparation for the high closure costs, which involve retrenchment payments and rehabilitation work. At end-August, Blyvoor had R53.7m in short-term deposits and investments and net current assets of R37.8m.

Brendan Ryan
RMP profit dented by recovery operations

PETER GALLI

A SLIDE into the red by Rand Mines Properties’ (RMP’s) gold recovery operations saw its attributable profit plunge 30% to R13.11m in the year to end-September from R18.76m in the comparable period last year.

Turnover rose 5% to R189.49m (R180.6m) as large township land sales to major institutions and increased rental income pushed property operating profits up 28% to R22.65m (R16.63m).

"However, these benefits were offset by a turnaround in our gold recovery operations from an operating profit of R3.3m to a loss of R3.9m, further exacerbated by a 54% or R6m drop in net interest to R5.2m," MD Colin Steyn said.

The lower interest bill was due to the almost halving of cash resources to R26.5m at the year-end from R53m previously following last year’s special dividend payment of 100c and lower interest rates.

Dividends were declared 29% lower at 85c a share (120c) on the back of a 20% fall in earnings to 168c a share (181c).

The downturn in the gold division was largely due to low rand gold prices received by the Crown Mines and City Deep recovery plants and an increased amortisation charge to them of R10.7m from R3m previously, he said.

"Gold recovery operations now focus on the processing of those economically viable reserves and the release of land reserves that do not fall into this category have at present been abandoned for processing purposes and will be reviewed on an ongoing basis," Steyn said.

As a result, the book value of the recovery plants at Crown Mines and City Deep has been written down by R53.3m from October 1.
Consortium gives new life to old mine

AGEING gold mine West Rand Cons will derive from the usual path of planned closure by Gengold after a R32-million deal with the Westgold joint venture consortium led by Fraser Alexander.

For several years, tight control at the Gengold-managed mine enabled it to more or less break even. But in the past year, costs have jumped as the mine’s flexibility petered out. In the nine months to September, West Rand Cons lost R93-million.

Gengold chief Gary Maude says that mining houses are good at starting and operating mines. But he believes Fraser Alexander will do a better job of cleaning up and rehabilitating an old mine because it does not carry “head-office baggage”.

In terms of the deal, West Rand Cons will sell its surface assets, all but 100 hectares of land, and its current assets and liabilities. It retains its underground mining and mineral rights. It grants the consortium the right to mine for at least four years from underground and to treat surface dumps.

Mr Maude says that a much higher gold price would be necessary before

Gengold could go back into West Rand Cons on a year’s notice.

The consortium, comprising Fraser Alexander, Rand Merchant Bank, Aurora Exploration & Development and Time Mining & Industrial Services, will assume all rehabilitation liabilities.

**France**

West Rand Cons directors believe it is in the best interests of shareholders to strike this deal now. The price is a premium to market value.

Mr Maude says it is too soon to know what the company will do with its cash and mineral rights.

“More than 27% of its shareholders are in France. Obviously, we will take their interests into consideration, but members must be offered the choice of taking the cash or going with any new assets the company might buy.”

Nothing will be distributed before February 1993, and only up to half the cash may be distributed before August.

The deal is effective from August 25, 1992, and is subject to certain conditions.

Most of the mine’s staff has been retrenched, and the remaining 300 will be dealt with by Gengold on identical terms. The consortium has offered employment to 80% of those remaining.

Incorporated in 1903 as West Rand Cons, the original operations were established in 1887. Forty years ago it became the first SA mine to produce uranium and did so for 39 years.

Fraser Alexander’s Peter Flack says his group has proved it is good at small-scale mining. This move could open up a new area of business.

Although there will be no material effect on earnings and asset value yet, he expects the benefit to come through in the next few years.
Lesions from the Ruhr for SA Gold

Bobby Godsell and James Motzafi

ON OCTOBER 22, 1974, a joint operation and exploration team from the Ruhr extracted a large quantity of gold. The extraction was conducted in a joint operation with the Ruhr, which is known for its rich reserves of gold. The extraction was successful and the team reported a significant increase in the amount of gold extracted. The results were encouraging and the team plans to continue with similar operations in the future.
A hedge in time

GOLD QUARTERLY FM

Graham Graham-Parker calculates industry profitability rose 22% despite the essentially unchanged revenue received of R32 376/kg of gold produced.

This average revenue figure indicates the importance of hedging in the fortunes of a number of mines run by Anglo, Gencor and JCI Gold Fields' mines, which still do not sell gold forward, reported average gold revenue of R30 865/kg compared with R31 086/kg in June.

If Freegold had received the Gold Fields average price and not the R33 144/kg it reported then the mine's working profit on gold would have been slashed to R26m from the actual R90,4m. Some analysts comment the extent of hedging -- which on Anglo and JCI mines is unknown because management will not reveal it -- can be more important in assessing a mine's financial performance than the fundamentals of grade, production and costs.

There were some good cost performances with Anglo American Corp's mines dropping average unit costs 0.7%, while Geogold's mines managed a 1.5% drop and Gold Fields reported a mere 0.9% rise in average unit costs. In all, not a bad quarter given the circumstances which remain, as ever, poor.

tho, while West Rand Cons is being sold to a consortium including Fraser Alexander (see Companies) Maude says Leslie, St Helens and Grooveley "may or may not" survive another two years of continued pressure.

Bracken, it should be noted, is dying in style. The grade has soared to 15.2 g/t (previous quarter -- 12.5 g/t) as the last high-grade pillars are removed and the mine paid dividends of 40c in the year to September.

One mine which does not look like lasting another six months, let alone another two years, is Gold Fields' Doornfontein, but Gold Fields executive director Alan Munro deems it "too early" to spell out precisely what's been done to its future. The options look limited.

Anglovaal's Karonie remains another strong closure candidate, reporting losses of R3.4m (R3.44m), and it has sold forward 57% of its expected gold production this year at an average minimum price of R33 000/kg.

Trouble is, working costs were R36 503/kg and R37 750/kg respectively for the past two quarters.

Rand Mines' Harmony was supposed to return to profitability in the September quarter after the heavy rationalisation programme, but failed to do so because of grade problems. It now has a State-guaranteed loan of R30m and its prospects do not look good, despite the hopes being pinned on the scheme to raise productivity through working a seven-day week.

At the other end of the scale there were some impressive performances from the quality mines Ed Hern, Rudolph analyst

Gengold's Maude fundamentals are favourable

The gold industry proved its mettle yet again in the September quarter, holding up well in the face of the generally falling trend. The JSE All Gold Index fell 1.8%, from 107 to 102, in the quarter and has continued to fall seven-year lows around 79.

A strong dollar has also had its impact on the gold market, with the spot gold price sitting at $300 to $305 an ounce.

Some relief has come in the form of a renewed slight in the value of the rand, which is down to R2.95 from the average R2.75 last year. This has helped to boost the gold producers.

At the same time, the gold price remains at R33 000/kg and holds firm against the declining price of bullion.

Analysts are seeing value in certain gold stocks but are also calling for a downturn in the price of gold to be kept in mind. The general air of uncertainty also surrounds the possibility of a recession in the US.
BARNATO EXPLORATION

Well funded

Activities: Exploration company funding part of JCI’s prospecting programme

Control: JCI 36.1%
Chairman: K W Maxwell
Capital structure: 24.4m ord Market capitalisation R15.9m

Share market: Price 65c 12-month high, 80c, low, 55c Trading volume last quarter, 43 000 shares

Year to Jun 30

<table>
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<tr>
<th>'89</th>
<th>'90</th>
<th>'91</th>
<th>'92</th>
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<td>Income (Rm)</td>
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<td>5.8</td>
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<tr>
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<td>Cash reserves (Rm)</td>
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<td>11.4</td>
<td>8.1</td>
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<td>Dividends kd</td>
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Exploration shares — in particular those heavily exposed to gold — have been pounded in recent years due to the depressed mining business. Share prices have collapsed to the point where some are bargains, if you believe mining in SA has a long-term future, and Barnato Exploration (Barnex) is arguably the biggest bargain of all.

The share price at 65c is a 65% discount to cash deposits and short-term investments, worth R45.6m at end-June — 186c a share.

Exploration companies are not "normal" corporate entities and net asset value considerations do not apply. It is impossible to put

FINANCIAL MAIL • NOVEMBER 6 • 1992 • 103

an accurate value on the various exploration ventures while cash on hand is not destined to be distributed to shareholders. The cash will be used to fund exploration joint ventures.

However, the point is that Barnex's finances are rock-solid, especially as all the money it kicks into exploration is stretched as far as possible through the use of Randfontein Estates' tax shield. Until now, Barnex has provided loans to fund Randfontein's share of exploration joint ventures with parent mining house JCI. In return, Barnex gets 80% of Randfontein's rights in the joint ventures.

Latest development is that JCI is extending exploration activities outside of SA — initially into Zambia and Ghana — and Barnex is going along for the ride. It also intends to prospect for minerals other than gold.

JCI now proposes that Randfontein/Barnex will become entitled to contribute up to 50% of exploration expenditure in all its gold-related exploration prospects. For projects outside of SA, this entitlement will be for Barnex only. Chairman Ken Maxwell says Barnex has so far agreed in principle to become a direct joint venture partner with JCI in two non-SA projects.

So far so good, but the downside, and one reason perhaps for the serious weakness of the share price, is the veil of secrecy thrown over the exploration projects by JCI, which refuses to accept the more open policies of other explorers such as Randex and Target.

Shareholders, in effect, are asked to put their faith blindly in JCI because the house has provided no information in the way of drilling results and detailed geological assessments. Given the competitive nature of the exploration game, that's understandable in situations where a scramble for mineral rights is still under way, but the worst example concerns the Doornrivier Project.

This is a key portfolio holding. JCI has bought all the mineral rights required and fully evaluated the geology. With the mineral rights secure, there is no valid reason for it to hold back borehole results.
CORRUGATED cardboard coffins and paper houses are two innovations from Nampak, the diversified packaging blue chip in the Barloways stable.

Not only does the group lead in SA, it is the 15th largest in the world, according to figures given by Nampak chairman Brian Connellan in a presentation to the Investment Analysts Society in Johannesburg this week.

Mr Connellan and his team described the activities of Nampak and the issues facing it in its drive to maintain world-class status.

"Virtually everything is packaged," said Mr Connellan, adding that packaging is sandwiched between big suppliers and large customers.

In SA the business represents an immodestly large slice of gross domestic product — about 2.5% compared with 1.8% for other countries. Worldwide, packaging output is worth $350 billion to $380 billion a year.

Nampak is the most diversified package, no single division accounting for more than 20% of its sales.

Mr Connellan says Nampak will benefit when SA's GDP grows.

In the past five years the group has spent R1.2-billion on expansion and aims to spend another R1-billion in the next five years. By that time, managing director Trevor Evans expects Nampak's turnover to be R1.2-billion, of which 90% will come from existing businesses, 3% from SA and regional acquisitions and the rest from international trade.

Nampak's capacity to borrow is strong — only 27% geared at the moment. Five years from now, even after another R2-billion of capex, Nampak could take on another R600-million of debt and stay below its self-imposed 30% gearing.

Turnover in the year to September 1992 was R4.4-billion. Existing business covers the entire packaging spectrum — glass bottles, metal cans, blow-moulding, cardboard boxes, paper, paper sacks, plastic and more.

Mr Evans outlines four key issues facing Nampak: bev erages, asset performance, productivity and exports.

He says the paper and glass divisions are underperformers and efforts are being made to correct their short termings. He expects the market share of glass bottles to shrink.

Focus on productivity has been increased. Most plants are running about 20% below capacity because of the economic downturn, but reorganisation is expected to boost organa growth.

On export opportunities, Mr Evans says Nampak is improving the packaging of goods. Toalistic alliances with foreign packaging leaders are being strengthened.

Since 1987 Nampak's share price has climbed from a pre-crash R30 to R81, a price 2.5 times the industrial index.

Highly rated by analysts — the price-earnings ratio is 15 — the group looks to be in experienced hands.

DIAGONAL STREET

by JULIE WALKER

SCHARRIGOUSHAN has bought 55% of three Truvestran operations undertaken by Cape-based Norman Mining for not more than R18.5-million.

Norman has earthworks and soil-stripping contracts with Trans-National's Optimum Colliery and Rand Coal's Middelburg.

SCHARRIGOUSHAN has bought 55% of three Truvestran operations undertaken by Cape-based Norman Mining for not more than R18.5-million.

Norman has earthworks and soil-stripping contracts with Trans-National's Optimum Colliery and Rand Coal's Middelburg.

Hope lingers on for gold

FIVE international investment houses represented by the Mining Journal's Gold Mining newsletter believe that the worst is over for gold.

SG Strauss Turnbull is encouraged by gold's hirt of displaying safe-haven characteristics amid Europe's currency turmoil.

In dollar terms, gold has been relatively tranquil. Although Turnbull concludes that charts do not provide clear evidence of a reversal in the long-term downtrend, it believes the worst has passed.

William de Broe agrees that gold was a safe haven in currency turmoil — the first occasion since the Persian Gulf war when the relative performance of the gold market's ability to absorb producer selling pressure.

It expects the dollar price to consolidate at the short term at the current level, then to test $300/oz — a figure unlikely to be breached.

William de Broe reiterates its view that gold has bottomed because jewelry demand is still strong and European investors are starting to look at it again.

Manon Placements Canada says gold is a commodity and the short-term price swings reflect a sophisticated trading arbitrage market. It says that although a well-defined trading range has been established, gold's uptrend is still intact. Once gold breaches $365, it will rally upwards.

Carr Rutcat & Aitken says that technically, gold's recovery since August has produced an important double bottom, although recovery will be slow.

Credit Lyonnaise Laung reminds investors that a year ago the fundamentals were still encouraging and gold rose to $730 by the end of November.

What stopped the price from rising was the belief that governments were still firmly in charge of their destinies and that their aim of curbing inflation by keeping interest rates high was achievable.

However, the last few months have been devastating and Laung says unemployment and the lengthening recession have replaced inflation as the main problem.

When the economic turmoil is over, Laung believes interest rates will generally fall to stimulate recovery in economic growth and that inflation will be allowed to rise. Gold might then recover some of its popularity.

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BE YOUR OWN BOSS

Limited franchises available Successful range of quality food to be supplied. Primes rate to be negotiable. More details on request.
NUM, Gengold mines in dispute

The NUM has declared a dispute with Gengold mines where its 25,000 members are recognised, after failing to reach agreement over a profit-sharing scheme.

The union is planning a march through Johannesburg on Saturday in support of its demand for a 1.5% basic wage increase—similar to that given to white workers—before the profit shares are calculated.

NUM assistant general secretary Marcel Golding said the NUM had hoped for a common approach to dealing with the problem. "But Gengold's racist and dictatorial attitudes leave us with no option but to take the matter to a conciliation board."

The dispute arose because Gengold offered a 1.5% additional increase to the unions organising white workers when negotiations with these unions deadlocked on profit-sharing.

Gengold says the NUM—like the white unions—is welcome to the extra 1.5% increase. However, this would have to be in lieu of the profit-sharing scheme.

The NUM argues that combining the profit share with low basic wage increases is the best short-term response to the crisis in the industry.

But the extra 1.5% to white workers—who generally earn much more than NUM members—affects costs and reduces the amount of profit available for sharing with black workers, says the NUM, which wants to "level the playing field" by insisting on the extra 1.5% wage increase and the profit-sharing arrangement.

The union says the increase for white workers represents between R60 and R70 a worker a month. But for NUM members it means between R7 and R8 a month.

The union also objects to Gengold's refusal to agree to monthly meetings at mine level to monitor any agreement on profit sharing.

The NUM has successfully negotiated profit-sharing arrangements—in line with an agreement reached during negotiations with the Chamber of Mines—at Anglo American and Rand Mines.
Gold gains to seven-year low after 17% fall on world markets.
JOHANNESBURG — South African gold producers have been cushioned from the slump in the world gold price, with the recent higher rand more than offsetting the decline in the dollar price of the metal, analysts said.

In fact, analysts expect sharply higher earnings for the gold industry in the current quarter to end-December, and said many gold shares were now at “bargain basement” prices with yields of 10% or more.

“The mines have been protected by the depreciating rand against the dollar over the past few weeks,” Duncan Ingram of stockbrokers Irish and Menell Rosenberg said.

The price of gold slid to $330 an ounce on Tuesday, its lowest level since 1986, on heavy selling on short-covering overseas before rebounding slightly yesterday.

But, analysts said even in the unlikely event of the world gold price continuing at these lower levels for the next six months, most of the country’s 20-plus marginal mines would survive.

“It’s not going to give us any more problems than the ones we are used to, but with physical demand for gold high, we’re keeping our fingers crossed that the price does recover,” Ingram said.

E W Balderson’s Nick Goodman predicts a 30% rise in total gold industry earnings after tax and capital expenditure to R450m in the quarter to December 31, 1992, from the preceding quarter’s R361m, on the back of the higher rand gold price and hedging costs would be virtually unchanged, he said.

- Silver recovered ground yesterday to near the $570c level as a clearer picture emerged of the metal’s sharp losses this week.
- Platinum closed down $4 at $348.50/$349.50 after shedding early short covering gains in Europe ahead of the Nymex opening that had pushed the metal above $350 — Reuters.
CONS MURCH
Tail wagging the dog


Share market: Price 115c. Yields 13% on dividend, 46.8% on earnings; p/e ratio, 2.1; cover, 3.6; 12-month high, 160c; low, 85c.

Trading volume last quarter, 500,000 shares.

Year to June 30 89 90 91 92
Antimony concentrate
produced (t) 8,838 8,113 7,833 6,466
Gold produced (kg) 902 531 722 1,010
Turnover (Rm) 54,6 24,3 33,2 48,3
Pre-tax profit (Rm) 11,1 (6,4) (6,2) 3,3
Attributable profit (Rm) 4,7 (10,6) (0,1) 3,4
Earnings (c) 75 (170) (2) 55
Dividends (c) — — — 10

Consolidated Murchison was set up as an antimony producer with some gold as a byproduct but management has turned the company into a gold producer with antimony as a byproduct. That action speaks volumes for the antimony business.

Chairman Michael Hawarden points out that dollar prices for antimony have dropped for three consecutive years and the trend remains unbroken, as shown by the results for the September quarter. The reason is the oversupply of antimony in all its forms, caused by heavy sales from China at discounted prices. Cons Murch’s antimony production dropped 27% from 1989 to 1992, while sales volumes are down 41%. The balance has been stockpiled.

The group lost heavily in the 1990 year and returned to profitability solely by concentrating mining operations on sections of the orebody with higher gold values. Gold production jumped 40.7% to 1,016 kg in the year to June (1991 722 kg) but at the cost of a sharp drop in antimony recovery. Management hopes to improve antimony recovery efficiencies this year by changing the plant’s pumping system and installing additional flotation capacity.

The 15c final dividend was not expected by the market and sent the share price rocketing from the year’s low of 85c in May to a 160c high in August. It has since retreated to current levels as the home truths have sunk in. The first is that, after spending little on capital expenditure for two years, Cons Murch has to start shelling out on drilling and development to maintain ore reserves.

Money is also being spent on research to improve gold recoveries and on biological oxidation, which could allow gold to be recovered from arsenopyrite ores. This reserve has not yet been mined because antimony customers will not accept the resulting residues of arsenic in the antimony concentrates. The capex estimate for this year is R2m.

A second factor, which is clear from the September quarter results, is that gold revenues were boosted by hedging last year. The mine average revenue for the September quarter was R30 874/kg, compared with R33 178/kg in the June quarter. Gold Fields, which does not sell gold forward on behalf of its mines, reported an average revenue figure of R30 865/kg for the quarter, compared with R31 086/kg in the June quarter.

There was clearly no hedging done in the September quarter but Hawarden says modest benefits from resumed hedging should come through in the remainder of the financial year. Cons Murch’s gold production continues to rise, up 9% to 301 kg (June quarter 276 kg) which, if maintained, indicates annualised gold output for the 1993 year of 1,204 kg.

The company is going to need all the yellow metal it can produce because the depression in the antimony market has continued. Given forecast lower antimony and gold revenues, and higher capital expenditure, profits and distributable income will...
Gengold profit sharing falters

By FERIAL HAFFAJEE

THE National Union of Mineworkers this week declared a dispute with Gengold on 11 mines threatening to jeopardise the industry's fledgling profit-sharing scheme.

The union charges that Gengold's racial wage policy is eating into the pool of profits available for sharing and threatens the new scheme which is one of the key features in the joint union/employer restructuring of the mining industry.

The dispute was declared because Gengold paid an additional 1.5 percent increase to skilled white workers rather than including them in the profit-sharing scheme. At Anglo-American and Rand Mines, all workers and managers are part of the profit-sharing scheme.

Gengold has refused to give 25,000 NUM members the same increase in order to "level the playing field" before sharing the profits. The company says it is willing to pay the increase in lieu of the profit-sharing. The company also refuses to agree to monthly evaluations of the schemes at all mines. This is a key demand for the success of the scheme. Earlier this year, NUM abandoned profit sharing when miners became alienated from the highly technical plans they had no access to information about.

The union accused the company of "not being serious about exploring the broader potential of the profit-sharing agreement".

In July, NUM agreed to low basic wage increases of five percent and profit sharing as the best short-term response to the crisis in the gold-mining industry.

NUM was "flummoxed" by Gengold's move to grant additional increases to skilled white workers. "The additional cost of the whites' 1.5 percent base wage increase will raise the mines' working costs and reduce the profit available for sharing," the union said this week.

The increase represents an average R60 to R70 improvement for skilled workers and, if granted to NUM members, will represent an increase of between R7 and R21. The union agrees that when a profit is paid, the 1.5 percent is an increase can be deducted from the profit share.

"NUM's demand for a guaranteed 1.5 percent basic increase, in line with the white workers, is needed to complement the profit-sharing scheme to make the 1992 settlement fair to all workers, black and white," believes the union.

In earlier negotiations, the Underground Officials Association, the Mine Surface Officials Association, the South African Technical Officials Association and the Council of Mining Unions opted for 1.5 percent increases instead of profit-sharing at the mining house.

The dispute will be taken to a conciliation board in the next month and Gengold refrained from further comment until then.
Gold production dips 1.9% during October

GOLD production in October fell 1.9% to 90.7 tons from 91.7 tons in September, the Chamber of Mines said yesterday.

The figure was 1.5% down on October's production last year, but the progressive total for the year was 1.5% higher at 597 tons compared with last year's cumulative total of 499 tons to October.

However, the gold price, now riding above R1 000 an ounce as a result of the weak commercial rand, could produce an increase in dividends from several mines.

Gold was fixed at $355.40 (R1 000) in London yesterday afternoon, down $0.60 from the morning fix.

The average gold price received in the rest quarter was R983 an ounce and the average price for the quarter to date is R977/oz.

EW Balderson analyst Nick Goodwin said the increase in the rand gold price made "quite a difference".

Goodwin said if the price was maintained at R1 000/oz, total earnings in the industry could increase more than 20% to about R440m from R362m in the September quarter.

Most analysts agree that gold shares at the moment are extremely cheap and trading at huge discounts.

Ferguson Brothers analyst Trevor Pearson said the gold index would be 30% higher if investors were not looking at gold in dollar terms.

"The gold price will help to maintain revenues and some mines could quite comfortably increase their dividends."

However, he expected "no fireworks" in the gold price before the end of the year.

He said the recent gold price drop to below $330 was a result of investors taking positions before the American elections and he believed the price could easily go below $330 before the end of the year as there remained factors in the markets putting downward pressure on the price.
Lower gold production augurs well for market

SA gold production was expected to decrease to about 470 tons by the year 2000 from current levels of about 690 tons, Genegold MD Gary Maude said yesterday.

Speaking at the 1992 Canadian Mineral Outlook Conference in Ottawa, he said the market would respond favourably to the sharp decline in gold production, an increase in demand from the jewellery industry and the psychological effect of closure of world-famous marginal mines.

"At the current gold price, the development of the new deep-level mines remain effectively stymied and will continue to be put on hold until the risk/reward ratio improves," he said.

He said it had to be remembered that new deep-level ventures cost about $1bn and took anything from seven to 12 years for production to start or returns to be realised.

However, SA mining houses remained optimistic that, in the medium term, a combination of factors would favour a moderate and sustained increase in the gold price, he said.

Exploration had been cut back significantly over the past two years as a result of weak commodity prices and capital expenditure had fallen over three years in real terms by 50% to $675m last year.

Some 51 000 employees in the gold mines had lost their jobs over the last 18 months, despite a rigorous effort to contain costs. But, it was estimated that a further 60 000 jobs would have been lost if the mines had not successfully cut costs, he added.

Maude said there must be an end to violence and negotiations must be back on track if SA was to regain investor confidence, optimise its ample resources and fulfil its potential as the economic and industrial giant of sub-Saharan Africa, he said.

The SA mining industry had been hit by financial and corporate isolation, but this was being reversed as politically-inspired international barriers and restrictions were being phased out, especially in Africa, he said.

The mining houses were best placed to assist neighbouring African states in exploiting their resources and had the financial muscle to do so even though much of the capital needs would probably be drawn from the countries concerned and organisations like the World Bank.

Exploration

Countries under consideration included Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaire, Kenya, Ghana and the Ivory Coast.

Most of the exploration work in these countries had been done by SA-based companies and international investors should keep this in mind when expanding their investment portfolios into Africa.

Mineral resources were only one aspect of an investment decision and potential investors in SA would also consider exchange rate fluctuations, repatriation of profits and whether mining ventures were likely to be nationalised.

"Investors want to be assured of the rules of the game in which they will operate and whether the government of the day will abide by those rules."
Little joy for investors

It's a perennial question where's the gold price going? For once, there's almost unanimity in analysts' responses nowhere fast.

At the FM investment conference, chief consultant to Gold Fields Mineral Services, Timothy Green, believed a price of US$340-$350 is "well sustained by physical offtake," but then told mine managers they should operate "on the assumption that there will be no increase in real terms perhaps even for the rest of this century."

If that flattens hopes for a rapid and sustained increase in the metal price, Deutsche Bank senior vice-president Fritz Plass, who is responsible for its precious metals division, told the SA investment community last week he expects gold to fluctuate between $315-$360 for the next 18-24 months.

Green says the extraordinary news for 1992 is the substantial increase in physical demand for jewellery. "Last year, jewellery fabrication alone passed the 2 000 t barrier, to 2 100 t. This year it will be at least 2 000 t, probably significantly more."

Green admits the worrying feature is the possibility of steady rising sales by central banks. Belgium has already sold 200 t in an attempt to align government debt relative to GNP with EC requirements. Canada has embarked on a 12-year sales strategy, selling 100 t this year. He estimates total central bank sales will top 400 t for 1992.

Plass says the Bundesbank is under mounting pressure to sell some of Germany's colossal reserves of 3 700 t to satisfy the increasing demands of re-industrialisation of former East Germany. London stockbroker Smith New Court senior mining analyst Steve Oke expects German economic growth next year to be negative or at best zero. "The Bundesbank may be forced to sell some gold," he says.

"The Germans' options are to raise taxes, secure foreign loans, arrange gold swaps or do a deal with the IMF. But if they do sell gold, it's worth remembering they're very conservative central bankers. The last thing they'll do is flood the market — they don't want to shoot themselves in the foot."

In international investment terms, Oke says the JSE All Gold Index is again in buying territory. "It's been an unmitigated disaster for people who invested in June/July last year. In dollar terms, the index was 450 then. Now it's 160, a level last seen in 1978."

Oke adds that the international perspective on gold and gold shares is clouded by general lack of confidence in the metal and "a distinct lack of enthusiasm for the SA
‘Tourism could help small gold mines’

SMALL gold mine operators could benefit from the expected tourist boom by selling gold to tourists as souvenirs, Mintek president Aidan Edwards said yesterday.

At a conference on the viability of small gold mines, held at Mintek, he said a large number of small operations were located in areas of great scenic beauty and historical interest, such as the eastern Transvaal.

“Gold could be sold to tourists in the form of nuggets, either natural or cast, and suitably mounted.”

Producers could earn an attractive premium on the gold price and no refining would be necessary, he said. The small operator would reap an enhanced return on revenue through the value-added sale of a finished product.

Edwards said Mintek could also assist operators in obtaining refining licences to extract base metals from crude gold and produce the required alloy for the manufacture of jewellery.

“Furthermore, I cannot see why small mining operators could not integrate their interests vertically by operating with a jewellery manufacturer in an ancillary operation.” There appeared to be no legislation preventing this.

An operator could also receive export incentives through transforming gold into ethnic jewellery sought by tourists, or into standard products suitable for export.

WHO TRAVELS FOR PLEASURE AND BUSINESS COMBINED?
Democrats good for gold

SINCE 1929, the average four-year gain in the Dow-Jones industrial index has been 39.6% under a Democratic administration and only 25% under a Republican one.

International Gold Mining Newsletter also points out that the election of the last Democrat to presidential office in 1976 marked the start of a long bull run for gold, culminating in 1980's peak of $850 an ounce.

The newsletter does not forecast a repeat of that, but gives potential outlooks for metals under Bill Clinton, if he can get the American economy moving as promised.

Gold should benefit in the medium term from renewed inflationary fears. Except for the past 10 years, gold has been a consistent inflation hedge and the relationship has not been completely undermined.

Platinum should benefit from more stringent environmental legislation and aluminum producers could win from the new US administration's aim to reduce fuel consumption through lighter vehicles.

This might hurt steel, but demand should otherwise benefit it. Base metals and construction materials of the economy revives.

Although hard to assess how the policies shape, with Federal stimulus the American economy is expected to expand by 3% in 1993. This would probably trigger higher interest rates and inflation.

More cynical commentators believe that America will continue to deteriorate in spite of Mr Clinton and that Federal debt will become the overriding concern, leading to an economic crisis.

This could precipitate a rush by investors into gold, says the newsletter.
NUM calls for govt subsidies

KLERKSDORP
Calls for government subsidies for SA’s gold-mining industry were made yesterday by the National Union of Mineworkers. NUM vice-president Elijah Barayi, speaking at a rally at the President Steyn Gold Mine near Welkom, welcomed said subsidies were necessary to prevent further retrenchments in the industry. Finance should be provided jointly by the government and mining houses, with trade union participation in programmes to retrain retrenched miners and establish social security and job creation schemes.

- Development of a mining policy should be a priority for the ANC if, as a possible future government, it wanted to enjoy stability, Barayi added.
Reserve Bank puts
paid to Dundee offer
for Knights shares

By Derek Tommey

The Reserve Bank has refused permission for the Bermuda-based Dundee International to go ahead with its plan to form a company holding shares in Knights and the American Homestake gold mine and list it on the Johannesburg and London stock exchanges.

The plan involved Knights shareholders resident in the South African monetary area receiving depository receipts representing an indirect interest in the equivalent Dundee International shares.

Dundee International president Robert Buchan said last night that the Reserve Bank's decision came as a complete surprise. As a result, Dundee International has withdrawn its offer for all the shares of Knights Gold Mining which it does not hold.

Dundee International is a subsidiary of Canadian firm Dundee Bancorp. In a statement last night it said that it had become clear from discussions with the Reserve Bank that the proposed bid would not be permitted under current control guidelines.

The Reserve Bank also told Dundee International that it no longer permitted new listings of non-South African companies on the Johannesburg Stock Exchange.

Dundee Bancorp acquired 26 percent of Knights' outstanding shares earlier this year following the merger of Waverley Gold Mine and Simmer and Jack Mine into Knights.
Mostly down in the dumps for mining

By JULIE WALKER

Gold’s reluctance to rise meant another tough year for a South African mining industry reluctant to sell its production forward for better prices. Instead, it continued to focus on the cost side of the profitability equation — with some success.

The year was one of cooperation between industry players. Mourners settled for affordable pay rises with profit-sharing incentives built in. Industrial relations improved from a solid base because of participative management.

Western Deep Levels gave Blyvoor a new lease of life by allowing it to mine part of its title area on a tribute basis.

Another innovation is the path to be followed by ageing West Rand Cons, of which control and management will pass to a consortium led by chief executive officer Fraser Alexander. Gencor believes Fraser Alexander will do a better job of taking the last remnants out of the mine and rehabilitating it.

Anglo American went ahead with sinking a R1.6-billion shaft in the Miami area to the south of Vaal Reefs. It believes gold’s future is sound because of growing jewellery demand.

The platinum industry hit harder times than previously. Although the platinum price fell, its decline was not as harmful as that of rhodium’s.

Two main producers, Rustenburg and Impala, both struggled under industrial action. Lebowa continued to battle on production targets and

TRIBUTE

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Northam fell behind its schedule in need of more money. How it will be funded is still being examined by Gold Fields of SA.

Good reports came from Potgietjiesreest Platinum. Its directors say it will come into production under budget and at a cheaper level than originally expected.

This year it was the turn of the diamond industry to take a knock as the world refused to emerge from recession and hampered discretionary spending on luxuries such as beautiful stones.

Low demand alone would have been manageable, but a torrent of diamonds were sold outside the Central Selling Organisation’s area of influence, many from Angola and the former Soviet Union.

News of a big Canadian find did little to boost confidence.

SURPLUS

De Beers was obliged to lay off employees at several SA operations. All CSO member mines and countries were asked either to cut back on production or to stockpile 25% of their production for a while.

All in all it was not the ideal time for De Beers to bring on-stream a rich producer of its own, but that is what took place.

The R1.1-billion Venetia mine in the North-western Transvaal was officially opened in August. It will ultimately replace the production from SA’s ageing mines — some a century old. But for the time being, its output is surplus to requirements.

Samancor, the world’s largest ferrochrome company, took the unusual step of closing all its ferrochrome production capacity for several weeks early in the year in a bid to reduce stocks, cut costs and boost prices.

But continuing recession, large stocks and low demand for steel and particularly stainless steel, meant trouble for the world’s iron and steel business.

Some ferrochrome contracts were signed at $22.50 US/lb, but the market dictated otherwise — a large supplier outside SA willing to accept 48c led to lower prices.

Coal continued on an even keel, but prices did not climb. Three mid-European winters in a row have allowed buyers to accumulate surplus stocks — as reflected by the relatively low oil price.
1987 are gold-mining companies worst-performing shares since

No fewer than 27 out of the 50

ABANDONED

poor

DETECTOR

ONLY 100

SUNDAY TIMES

BY VIVI WALKER

FEEL FROM
HIGH-FLYERS THAT
Gold mines dash investor hopes for drop in supply

NEW YORK — Miners are hailing gold above ground as fast as ever, spurring investor hopes for a drop in supply that could bolster the metal's sagging price.

Spot gold has fallen steadily in 1991-92, hitting a six-year low of $336/oz last month, and cutting deeply into the profits of gold mining companies.

As prices have fallen over the past two years, gold promoters have argued repeatedly that tighter mine supply is just around the corner and is bound to rouse the yellow metal's slumping price soon.

But a streamlined industry is proving them wrong, prolonging gold's low prices by cutting costs instead of closing shafts.

Total world mine supply in 1992 is now expected to equal or be slightly higher than last year's record 1.782 tons.

The streamlining is especially dramatic in SA, where the first major shaft shutdowns were expected because mining costs are the highest in the world.

Faced with the prospect of mine closures, the NUM has been forced to make major concessions to company managers.

As SA mines trim their costs and keep gold output high, investors have become more disillusioned with their gold holdings, adding to the downward pressure on the precious metal's price.

Slackened investor interest has left gold stagnating in thin trade, sliding to an average $346/oz in the first nine months of 1992 from $390 in 1991.

Gold prices are already well below the cost of production at a handful of SA's highest-cost mines, where operating costs exceeded $370/oz of gold produced in 1991, says London-based research group Gold Fields Mineral Services (GFMS).

The average cash cost in SA was $295, 14% higher than the worldwide average of $259.

"People have been surprised with how resilient the SA industry has been," says GFMS's senior supply analyst Tony Settoe-Pratt. "They had not realised how much fat there was in the system, and how much flexibility the mines have got to mine high-grade ore."

The Chamber of Mines now expects gold output to expand nearly 1% to 685t in 1992 from 1991's 601t.

Analysts say this year's growth in output was possible thanks only to dramatic cost cutting at the mines, and since labour accounts for about 35% of SA mining costs, the quickest way to lower expenses has been to lay off workers.

Over the two years to June 1992, more than 90,000 mine workers were laid off, says Chamber of Mines senior economist F M Virgin. As a result, industry-wide employment fell 19% to 392,748 workers by mid-1992 from 482,968 two years earlier.

And the union may be forced to accept more job cuts. Chief NUM negotiator Martin Nicol says his union "appreciates that the gold industry is in a downphasing stage at present", and accepts that job cuts and lower real wages are "a necessary way of slowing down the contraction" — AP-DJ
Gengold NUM end dispute

By Thabo Leshuo
Labour Reporter

The dispute between Gengold and the National Union of Mineworkers ended on Tuesday after they agreed on the profit-sharing scheme motivated in principle at the Chamber of Mines earlier this year, the company said yesterday.

In terms of the agreement, two of Gengold’s mines, Grootvlei and St Helena, will pay an additional 1.5 percent on top of their basic wage increases, while Gengold’s other mines will implement the agreement on profit sharing.

NUM last month declared a dispute with Gengold on behalf of 25,000 members employed by the company for allegedly blocking an industry settlement on wages and working conditions on gold mines.

The union has successfully negotiated profit-sharing schemes with Anglo American Corporation and Rand Mines.

NUM has come up with a draft central “retrenchment agreement” for De Beers mines in a bid to protect its members.

This document comes after De Beers announced that more than 4,000 miners would be laid off in a cost-cutting move.

The Miners’ International Federation (MIF) presidium will meet for the first time in South Africa in Johannesburg tomorrow and again on Saturday.
Agreement on profit-sharing

WILSON ZWANE 10/12/92

The agreement between the NUM and Gengold on a profit-sharing scheme would pave the way for a "comprehensive agreement" on wages and basic conditions of employment, union official Jerry Majatladi said yesterday.

The union and Gengold reached the agreement on Tuesday, ending a dispute which arose last month.

In terms of the agreement, two of the mining house's mines — Greatvlei and St Helena — will pay NUM members an additional 1.5% on top of their base wage increases while other mines will implement the agreement on profit-sharing.
Oryx hopes for low-cost mining

JONO WATERS

FREE State gold mine Oryx would become a low-cost producer by international standards once the mine had achieved a reasonable ore reserve in about 1993, chairman Gary Maude said in the company's annual report.

Until the ore reserve had been established, forecasts of early gold output were risky in a developing gold mine, he said.

Sinking of the main subvertical shaft had been completed and extensive development through mid-shaft loading facilities achieved. Trial stoping on the Kalkoekraans Reef had commenced and initial values had been encouraging, though erratic, he said.
NUM accepts low increases

AFTER nine months of protracted negotiations, the National Union of Mineworkers and the Chamber of Mines signed their 1992/3 agreement on wages and working conditions.

The agreement, announced at a joint media conference in Johannesburg, affects 358,000 employees on 20 gold mines, 180,000 of whom are NUM members. It comes at a time when the gold mining industry is facing unprecedented pressure.

A key element of the agreement is the acceptance by the NUM of low wage increases, between 5% and 6%, in return for an innovative profit-sharing agreement on 14 mines.

NUM secretary-general Marcel Golding says the agreement to keep base wage increases low for the second successive year was an attempt to deal with the crisis in the gold mining industry.

Mr Golding says “Small wage increases are the only way to save jobs when the gold price is low.”

He says the profit-sharing agreement would help mines which were truly under pressure, as they would not be burdened with an inflexible wage bill and could therefore delay retrenchments.

However, profitable mines would have to share some of their wealth with employees, depending on gold price and productivity.

Chamber of Mines labour representative Bill Nann says the modest wage increases would contribute to the containment of costs in gold mines.

He welcomed the profit-sharing schemes as an innovative form of remuneration.

Mr Nann says 1992 promised to be tougher than 1991 and praised the NUM for being able to work with the chamber in “managing adversity” in the industry.

Mr Golding says this year’s agreement also contained important advances in the areas of health and safety, furthering the guarantees on working conditions and union rights which formed the main part of the path-breaking industry agreement of 1991.
NUM gets profit slice for members

By Thabo Leshilo
Labour Reporter

The Chamber of Mines and the National Union of Mineworkers (NUM) announced on Friday they had reached agreement on wages and conditions of employment for gold mines falling under the Chamber, after seven months of tough, often heated, negotiations.

The document affects 380,000 workers, 180,000 of them NUM members, at 20 companies.

Chamber labour portfolio holder Bill Nair said the agreement was an important accommodation between management and organised labour. The modest wage increases — ranging between 5 and 6 percent — would contribute significantly to the containment of costs.

NUM assistant general secretary Marcel Golding said the agreement’s most innovative aspect was the provision for profit-sharing. Though basic wage rises were low because of the poor gold price, 14 mines had agreed to share profits with workers.

The deal was delayed by insistence that it include details of profit-sharing schemes at certain mines, that had to be negotiated at different forums.

Golding said that despite the low wage rises the union had made many gains:
- Anglo American had agreed to begin talks to make non-NUM members, who benefit from its bargaining power, subsidise the union’s costs.
- Dismissals of sick or injured workers now required consultation with the union.
- The Chamber had agreed to discuss provision of health care for black workers’ families.
- All the gold mining houses, except Blyvooruitzicht, had agreed to increase their contribution to the provident fund from 5 to 6 percent. Goldfields had agreed to increase its contribution by 0.5 percent if workers agreed to do the same.
- Goldfields would increase workers’ holiday-leave allowance by 5 percent.
- The NUM would get representation on the board of directors of the Rand Mutual Assurance Company, which pays compensation to miners.
- A new, more favourable agreement for workers with occupational diseases would be applied.
Miners’ share could reach 20%

A GROUND-BREAKING 70-page wage agreement between the Chamber of Mines and the NUM, which includes profit-sharing on certain gold mines, was signed at the weekend.

The chamber said the agreement included wage increases ranging from between 5% and 6% and an in-principle agreement on a profit-sharing scheme at certain gold mines owned by Anglo American, Gemlin and Rand Mines.

"These principles provide for the sharing with employees of up to 20% of the profit available for distribution." The profit pool available for distribution to employees — negotiated at mining group level — differed across the industry.

"These agreements are seen as a creative response to the particular circumstances facing the industry today," the chamber said in a statement.

The agreement included undertakings on security of employment, health and safety, and employee participation.

The NUM said in a statement the length and complexity of the agreement reflected "the extraordinarily difficult circumstances of the gold industry at present and the efforts of the NUM to preserve jobs and protect standards.

"Although basic wage increases are low, because of the poor gold price, 14 mines have agreed that when they make profits, these will be shared with their workers.

"On some mines, the initial share of profit is tiny — only 5c in the rand — but 20c in the rand is shared after a trigger level has been reached," the union said.

JCI gold division MD Bill Nairn described the agreement as "an important accommodation between management and organised labour in addressing the circumstances in our industry.

"The modest wage increases afforded will contribute substantially to the containment of costs," he said in a statement.

The tying of remuneration to company performance was positive, Nairn added.
Loraine asks for seven-day week

JONO WATERS

IN A bid to stave off closure, Loraine gold mine had applied to Mineral and Energy Affairs Minister George Bartlett to operate the mine seven days a week, chairman Rob Wilson said in the company's annual report.

He said if Loraine was allowed to operate on this basis, and if the support of the relevant unions and employees was obtained, the company's position would improve significantly.

Free State producer Harmony was granted permission to operate a seven-day week by Bartlett in late September.

Loraine might have to proceed with a phased closure — and abandon the R1bn project to access a high grade block area of the Basal Reef in SC shaft area — if the mine was not allowed to work a seven-day week, he said.

"The company may face unacceptable net losses during the current financial year, unlikely to be recouped by the SC development project," said Wilson.

The block was estimated to contain 2 million tons of ore at an average grade of 9.5g/t, which would contribute an average of 40 000 tons a month for milling over a period of three to four years.

He said that in view of the uncertain outlook for the rand price of gold, the company had sold forward 3 110kg of gold at an average price of about R33 700/kg. A phased closure would enable the mine to produce sufficient gold to meet all outstanding sales commitments.
Life still left in old dog Loraine

By Derek Tomney

Loraine, Anglovaal's venerable marginal Free State gold mine, may be down, but it is not yet out.

Chairman RAD Wilson said yesterday that even under current conditions Loraine could continue operating for another three to four years and could even show a profit if it were allowed to work a seven-day week.

Wilson said that in October and November the mine had a net loss of R5.5 million because only a few forward sales were transacted.

The mine's ability to break even would improve — even at currently obtainable forward rand gold prices — if it could work a seven-day week and the unions and employees supported the move.

Potential

However, if seven-day working were not introduced, the mine might face unacceptable net losses and would have to start a phased closure.

Wilson said that Loraine, which employs about 6,000 people, would be most unhappy to do this because it had found a relatively high grade block of Basal Reef with the potential for low-cost extraction.

It is estimated that the block contains about 2 million tons of ore with an average grade of 9.5 grams a ton — worth about R20 million at present prices — and would be capable of contributing an average of 40,000 tons a month to production over a period of three to four years.

Some R10 million would be needed to access the area. However, stoping operations could not start before next December at the earliest.

But profits from the block should provide an adequate return on all funds invested in the interim, including capital expenditure and near-term operating losses.

Wilson said the mine had sold forward 3,110 kg of gold, equal to roughly 70 percent of production, at an average price of R33.700 a kilogram.

It had started work to access the Basal Reef and had applied to the Government for authority to operate the mine seven days a week.

South Africa's 4 million unemployed will be watching developments at Loraine with considerable interest.
Gengold dispute ends

The National Union of Mineworkers (NUM) and Gengold have ended their dispute on profit-sharing. The union accepted an additional 1.5 percent increase at two mines and opted for profit-sharing with no guaranteed additional increase at nine Gengold mines.

White miners at the company opted for additional increases instead of profit-sharing at Gengold. The NUM criticised the two-pronged wage policy alleging that the additional increases ate into the profits available for sharing.

BRIEFS

16/12 - 22/12/1972
For from being at a deep discount, Northam's R350m rights issue is in line with analysts' expectations and Gold Fields' corporate policy. The only questions concern which parties, on limited volumes, drove up the share from R15.75 when Northam announced its intention to hold a rights issue to R17 a week later when details were disclosed. It has since dropped to R16.25.

Northam will issue 42 shares per 100 held at R14.75 a share. Chairman Alan Wright says the 13.2% discount on the market is in keeping with Gold Fields' policy of pitching rights at a discount of 10%-15%.

The actual numbers are less important than the decision to go for a rights issue rather than fund the balance of Northam's requirements through debt.

Northam is tightly held, Gold Fields owning 65% and three major institutions — Sanlam, Liberty and Alan Gray Investment Advisors — about another 19%.

If these had agreed to follow their rights, fewer shares could have been issued at a higher price and the offer would still have succeeded. But the discount favours any minorities who want out, as there will be more of a market in the nil-paid letters (NPLs).

The decision to go for more equity means Northam should still pay a maiden dividend in 1994. Had the company borrowed the R350m, dividends would have been delayed and reduced by the need to repay the loans. In the extreme case of management deciding to repay the loans fully before declaring a dividend then the maiden dividend payment could have been delayed until 1997.

Capital expenditure to end-June totalled R1.3bn. The mine has run a year behind schedule because of delays in shaft sinking and underground development. The delays pushed Northam over budget and forced it into this final rights issue to finance the mine till operations become self-funding.

But Wright says Northam is on target to sell its first refined platinum group metals (PGM) in January and reach mill throughput of 150 000 t/month by July.

Analysts' valuations of the NPLs vary from 70c-170c. General feeling is that the worst is behind Northam and the share should start to recover once PGM sales flow and the market accepts the risk is out of the operation.

Brendan Ryan
Struggling gold mines have received a small Christmas present. In a surprise development, the gold price jumped more than $3 on Wall Street late on Wednesday and rose 40c yesterday to reach $359.85 — its highest dollar price since November 2.

With the rand trading at R2.9975 to the dollar, the move lifted the local gold price some R3 to R1 013.50 an ounce — which is about the highest it has been since the middle of last year.

This brings the increase in the local gold price to 9%, or about 9 percent, since the beginning of September.

The spurt in the dollar gold price is attributed to developments in Russia, which could lead to that country withholding gold from the market.

One suggestion going the rounds in the London bullion market is that Russia wants to build up its gold holdings in order to facilitate raising loans abroad.

This talk has been confirmed to some extent by Russia's success in rescheduling its $11.2 billion of German debt and Germany's commitment to supporting Russia in a bid to reschedule its European debts.

The Financial Times reports that Russia and Germany settled their most important financial dispute on Wednesday, clearing the way for a debt rescheduling package for Russia in the Paris Club this week.

A series of agreements came after two days of talks between Chancellor Helmut Kohl of Germany and Russia's President Boris Yeltsin.

They included a deal to defer for eight years repayment of the Dm17.8 billion ($11.2 billion) owed by Russia in transferable rouble debts to the former East Germany.

For his part, Mr Yeltsin announced all claims to massive compensation for Soviet military installations in East Germany.

These signs of a healthier Russian foreign financial situation next year suggest that Russia may be able to cut back on its gold sales and start rebuilding its reserves.

As yet there have been no signs of this happening.

But any significant reduction in the supply of gold to the market could give the price a needed boost.
Milestone accord for gold mines

By FERIAL HAFJEE

The longest and most sophisticated wage and working conditions agreement ever was clinched in the gold industry last week, ushering in a new industrial relations order in the sector.

Concluded after seven months of hard bargaining against the backdrop of a tumbling gold price, the agreement is remarkable for its degree of give and take.

The union has settled for low increases of between five and nine percent and a share of the profits in return for wide-ranging social rights for its members. These include increased trade union rights, improved compensation for injured and disabled workers and participation in decision-making.

The Chamber of Mines and the National Union of Mineworkers (NUM) will make joint representations to the government on new compensation legislation and for the first time, the union will be represented on the Rand Mutual Assurance Company which pays benefits to injured miners and their families.

The mines will also increase provident fund contributions and will no longer charge unions an administration fee on subscriptions. The chamber will recommend that its member mines pay the cost of full-time shaft stewards and also pay stewards for lost shifts spent in negotiations.

NUM assistant general secretary Marcel Golding calls the profit-sharing agreement "a creative and innovative" solution to the crisis in the gold mining industry. "It secures a basic wage increase but where profits are made, workers gain in the upswings on the mines."

Profit sharing is restricted for now because profits will only be shared when trigger levels are reached and these levels differ from mine to mine.

To prevent a rehash of the problems faced by last year's productivity schemes, the mines have agreed to full disclosure of information to enable the NUM to keep its members informed.

The NUM says: "There will be training courses to allow workers to participate in monitoring mine results and monthly meetings will be held on all mines to review progress."

The agreement includes a resolution by the mines to discuss the agency shop — a type of closed shop to deal with "free riders", a term given to miners who do not join the union but benefit from bargaining.

In terms of an agreement at Harmony mine, all non-NUM members pay one percent of their wages into a Collective Bargaining Fund and half of the money goes to the NUM. The union hopes to extend this agreement to the entire industry.

The medical repatriation of disabled workers will be subject to arbitration and the NUM will be allowed to bring in independent doctors to examine workers. The chamber has agreed to study rehabilitation programmes for injured, sick or disabled workers.

The agreement marks a new strategy on the part of the union. According to Golding, it "opens up a new terrain of struggle giving miners greater control at the workplace by giving them a role in the efficiency of mines and other enterprises."
Activities: Reprocesses gold dumps and markets, develops and administers property.
Control: Barlow Rand 56% from early 1993
Chairman: J C Hall, MD: C G Steyn
Capital structure: 12.4mords Market capitalisation R74.4m
Share markets: Price 600c Yields 14.2% on dividend, 17.7% on earnings, p/e ratio, 5.7, cover 1.2 12-month high, 1.350c low, 600c.
Trading volume last quarter, 72 000 shares
Year to Sep 30 '89 '90 '91 '92
Gold produced (kg) 3 937 3 856 4 185 4 282
Turnover (Rm) 165.7 172.2 180.6 188.6
Operating profit (Rm) 26.3 4.4 3.3 3.9
Property (Rm) 0.6 17.7 11.6 22.5
Taxed profit 25.7 21.0 18.9 13.6
Earnings (c) 206 189 161 108
Dividends (c) 140 140 120 85

to examine our cost structures on an ongoing basis.
Despite that working profit fell by 52% to R5.8m and amortisation charges of R10.7m tipped the gold recovery operations into a net loss of R4.9m for the year. The continued decline in the gold price has brought something more ominous in its wake as costs rise and revenues fail to compensate accordingly, so more of the reserves of sand dumps and slimes dams become uneconomic.
RMP says it now has abandoned reserves totalling 38 Mt. It has written R53.3m off the value of its recovery plants in consequence. Steyn says that, at R32 000/kg, remaining viable reserves have diminished to the point at which the continuance of RMP's operations must be seen as extending for not more than five to seven years. Of course, if the gold price rises to a meaningful extent, then the reserves available for economic treatment will again expand and the life of the company will lengthen.
RMP's white knight continues to be, surprisingly in a time of acute recession and socio-political unhappiness, its property operations. Its core business in this area is the conversion of mining land to property which can be utilised in other businesses.
The bulk of its land is close to the Johannesburg CBD and has easy access to motorways. "We were fortunate," says Steyn, "to get some industrialists to locate in our areas during 1992. Another feature was the extent to which some institutions were prepared to bank in land for the future." Steyn agrees that the immediate future remains gloomy. However, he says RMP is benefiting from changes which have followed naturally in the wake of the removal of the Group Areas Act. "A community bank has purchased 86 ha in the Ormonde area where it's considering establishing about 550 free-standing homes and 350 cluster-type dwellings." In addition, land necessary for schools, shopping centres and community-centred activities is readily available. "We are focusing," says Steyn, "on delivering land for a variety of projects scheduled for 1993. These are concentrated on the provision of housing facilities, as such, the land will need to be "affordable."
So, in the absence of a positive improvement in underlying economic conditions, RMP's immediate prospects are for more of the same uncertain gold recovery operations, bailed out by unexciting property transactions. This is not a stock for the faint of heart.

David Gleave
Randgold forecasts profit of R4.6m

RANDGOLD, which is to be listed on February 1, was forecast to show an after-tax profit of R4.6m on a turnover of R55m for the year to end-September 1993, according to its proposed pre-listing statement released yesterday.

PGM Investments' statement forecast that it would show an after-tax profit of R1m for the year to end-September.

Randgold, formed after the recent splitting up of Rand Mines, with Harmony, Blyvooruitzicht, Durban Deep and ERPM in its stable, would retain sufficient income to fund future exploration, forecast at R5.5m, and to take advantage of any opportunities that arose.

At the current gold price, no dividends were expected to be declared in 1993.

Randgold and PGM, now part of the new mineral resources division of Barlow Rand, would be debt-free as they were to be capitalised via a R110m Rand Mines redeemable preference share issue. This would enable them to meet existing liabilities and short-term commitments, the statement said. The mineral resources division of Rand Mines had assets of about R1bn and the ability to generate profit of more than R400m a year.

Randcoal shareholders would be asked to approve the acquisition by the company of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines. This would place the group's coal interests under Randcoal's control.
any existing increases. The public is also informed that the rate of increase will be greater than the rate of inflation. However, by the end of 1975, the rate of increase will be reduced to 20%. This is due to the fact that the government has taken steps to control inflation and stabilize the economy. If the rate of increase is maintained at its current level, the value of the dollar will continue to decline, which would have serious implications for the country's economy.

The government has introduced a new policy to control inflation. The policy includes measures such as increasing interest rates, controlling the money supply, and implementing structural reforms to improve economic efficiency. These measures are expected to reduce the rate of inflation in the long run. The government has also announced that it will continue to monitor the economy closely and adjust its policies as necessary to maintain price stability.

The government has set a target of reducing the rate of inflation to 5% by the end of 1975. If this target is achieved, it will be a significant step towards stabilizing the economy and restoring confidence in the currency. The government's commitment to controlling inflation is seen as a positive development for the country's economic prospects.

The government's policy on inflation is expected to have a positive impact on the country's economy in the long run. By controlling inflation, the government can create a stable economic environment that is conducive to growth and development. The country's economy is expected to grow at a rate of 4% per annum, which is supported by the government's fiscal and monetary policies.

In conclusion, the government's policy on inflation is expected to have a positive impact on the country's economy. By controlling inflation, the government can create a stable economic environment that is conducive to growth and development. The country's economy is expected to grow at a rate of 4% per annum, which is supported by the government's fiscal and monetary policies.

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**Year ahead for gold mines**

Analysts forecast-tough
Start-up sum
for Doornkop

RANDFONTEIN Estates
Gold Mining Co Witwaters-
rand Ltd is budgeting R65m
for the first phase of its
Doornkop subvertical shaft
project, including 400m of
development on-the reef
intersection. (2/4)

The first blast of the
shaft to explore the South
Reef values at the com-
pany's Doornkop section
was triggered last Monday.
The subvertical ventilation
prospect shaft is being de-
veloped to evaluate the
South Reef ore body 1 857m
below surface and 690m be-
low the kimberley reef,
currently being mined.
Intersection of the south
reef is scheduled for July
1993, and the company ex-
pects it to yield 8-10g/ton of
gold - Reuter.
A testing time ahead for gold

By Neil Behrmann

LONDON — Gold could encounter a tricky period in the first quarter of next year, with producers who postponed sales in November and December for tax reasons expected to be sellers.

In the closing months of this year, gold was helped by buoyant Far Eastern demand, ahead of the Chinese New Year.

The World Gold Council estimates that China's gold demand is running at 250 tons a year, 50 percent up on 1991.

But this demand has not succeeded in lifting the price because the Chinese tend to buy when the price is depressed.

The Chinese New Year will be over at the end of January and the subsequent weeks may prove to be a testing time.

The key next year will be the action of central banks.

Clearly central bankers want to mobilize more of their huge stockpiles, but they are fearful they will unsettle the market.

Gold will thus be a topic at a key central bank conference at the end of January.

About 450 tons of central bank gold was sold this year, according to Gold Fields Minerals Services.

The sales placed a ceiling on the market and central banks are concerned that their actions will be self-defeating.

There is little point in selling an asset if the sales depress its price unduly.

This is the dilemma of the Bundesbank, the German central bank.

It is under political pressure to sell or lend a portion of its huge gold reserves to help finance costs of unification.

The Bundesbank has sole control over Germany's gold and foreign exchange reserves.

Yet with costs mounting on the reconstruction of the East, members of the ruling Christian Democratic Party, opposition party politicians and trade unions are calling for sales of at least a fifth of its gold.

The Bundesbank holds around 3,700 tons of gold, including 700 tons set aside to back the European Exchange Rate Mechanism.

The 3,000 tons in its possession is currently valued at Dm450/kg, according to Die Welt, a German newspaper.

Market value

This is about a quarter of the market value.

So, in theory, substantial profits can be made if the gold is sold. In practice, it is another matter.

Die Welt recommends two ways to mobilize the gold reserves.

Sales can be made either directly to central banks or on the market.

According to a German bullion dealer, such sales can be made without having a major impact on the price.

He cites the recent 200-ton sale by the Belguim central bank as an example.

That view may be a trifle optimistic. If the market gets wind of an impending Bundesbank sale or detects large amounts of gold offered at the London fix, it will become suspicious.

Other gold holders will be anxious to sell, buyers will withdraw and the price could tumble.

The second alternative, suggested by Die Welt, is for Germany to issue gold-backed bonds.

The advantage of these bonds would be a lower interest rate and parts of the borrowings could be repaid in bullion.

The disadvantage of gold bonds, however, is the risk of a price increase some time in the future.

France, for example floated the Giscard gold bond when the price was depressed and was forced to repay the gold when quotes were surging.

Nevertheless, even though gold's leading role in international currency and monetary markets has been over for two decades, says Die Welt, the large gold reserves are still viewed by most politicians as sacrosanct.

German bullion dealers contend that this view may well be changing and future sales by the Bundesbank cannot be ruled out.
Rough road ahead for SA gold mines

JOHANNESBURG — An analysis of third-quarter results from gold mines continued to highlight the extremely difficult conditions being experienced by the industry, the Chamber of Mines said yesterday.

In its latest Quarterly Bulletin, the chamber said despite a strong increase in gold jewellery demand, the gold price could not be expected to recover until investor sentiment towards gold improved.

The chamber said the "precipitous" decline in prices was of "great concern" to the industry.

The metal had fallen from a 12-month high of over $370 in December 1991 to a seven-year low of less than $330 in early November 1992.

"While the quantity of ore being milled remains little changed, the industry continues to mine higher grade ore selectively in an attempt to sustain the more marginal operations. The quantity of gold produced has risen slightly."

The chamber said the industry had managed to contain the rise in working costs successfully, with 1992 third quarter costs per kilogram 0.16% lower than last year.

Referring to a recent statement by chamber CE Tom Main, the Bulletin quoted him as saying it was essential that labour-intensive industries were not driven to mechanise by unrealistic wage demands which would make them uncompetitive.

Main warned that failure to remain competitive internationally could force severe currency depreciation which was "a slippery slope with potentially disastrous consequences, including inevitably high general inflation rates."

- With the London market closed yesterday, gold opened in Zurich at $334.15/65. The metal lost early gains on speculative selling in quiet European business to close at $334.25. In Hong Kong, the metal rose by $1.09 to close at $334.25. The metal opened in New York at $334.30 and closed at $333.35.
Results highlight difficult conditions in gold mining

MICK COLLINS

AN ANALYSIS of third-quarter results from gold mines continued to highlight the extremely difficult conditions being experienced by the industry, the Chamber of Mines said yesterday.

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Max warned that failure to remain competitive internationally could force severe currency depreciation which was "a slippery slope with potentially disastrous consequences, including inevitably high general inflation rates."

"In the face of these pressures there is an overriding need for progress toward achieving pragmatic and equitable working relationships between employers and labour."

For the mining industry, Max said, this process centred on the establishment of more productive collective bargaining approaches and the creation of new sustainable partnerships for the future.

He said these aspects were being pursued by the industry through tripartite negotiations which were continuing between employers, labour and government within the forum of the Mining Industry Summit.

With the London market closed yesterday, gold opened in Zurich at $33,415/00. However, the metal lost early gains on speculative selling in otherwise quiet European business to close at $33,35/00. In Hong Kong, the metal rose by $1.80 to close at $334,30. The metal opened in New York at $334,30.
MINERAL and Energy Affairs Minister George Bartlett has delayed a decision on whether to permit Sunday work at Anglovaal’s Lorraine gold mine, sending management and the whites-only Mineworkers’ Union (MWU) back to the negotiating table.

The MWU opposed the application by the marginal Lorraine for an exemption from the relevant sections of the Mines and Works Act.

Another of SA’s most marginal gold mines, Rand Gold’s Harmony, was earlier granted the exemption for an initial six-month period from October, against MWU objections. It is understood that new arrangements have returned Harmony to profitability.

Organising secretary Krappies Cronje said the MWU proposed a compromise last week that certain mining processes — notably scraping, tramming, hoisting and crushing — but excluding blasting — be permitted on Sundays. Sunday work should be voluntary.

Anglovaal mining executive director and Lorraine chairman Rob Wilson confirmed yesterday that the company had considered the proposal and would be communicating its views to the MWU and Bartlett. He declined to disclose Lorraine’s attitude to the proposal, but said he was looking for a quick resolution.

“Unless the matter is speedily resolved we may have to close the mine,” he said.

The MWU proposal would shelter the bulk of its mining industry membership — the blasting certificate holders — from Sunday work, although the services of certain smaller groups of MWU members would be required.

A mining expert said that under normal mining conditions the MWU proposal would not assist much in improving operational efficiency because the key function of blasting would not be carried out.

Lorraine had already rejected as inadequate an initial MWU proposal for six-day-a-week operations. In addition, many black workers were opposed to regular, full-day Saturday work.

The norm in the mining industry is an 11-shift fortnight.

Sunday, barring underground blasting, Cronje said the union feared Sunday work would spread throughout the industry. The MWU’s objections to Sunday work were based primarily on religious grounds.

Deputy government mining engineer John Edens confirmed yesterday that Bartlett was awaiting new submissions from Lorraine and the MWU, which he would probably study next week.
Cuts in production could lift gold price

South African mining houses are optimistic about the outlook for the gold mining industry, if not in the short term then certainly in the medium term, because we expect that a combination of factors will favour a moderate and sustained increase in the gold price.

All our mines have cut costs to the bone and many marginal mines, with no flesh left to cut, may have to close down, unless rescued by a gold price surge.

Production, as a consequence, is expected to decrease from the current 680 tons a year to about 470 tons by the year 2000.

We expect that market reaction to a sharp decline in gold production, the psychological effect of the closure of world-famous marginal mines and an increase in demand from the jewellery industry, already greater than the annual new gold mined, will soon start having a favourable impact on the market.

While the picture in the gold mining industry is certainly not as rosy as we would have liked it to be, other sectors of the minerals industry are in a less critical situation.

Coal
The coal industry's future is characterised by two issues.

The first is the slowdown in the rate of power generation by Eskom, South Africa's electricity utility, because of a surplus generating capacity of some 4,700 megaWatts.

Power stations generating some 5,000 megaWatts have been mothballed. Factors which might reverse this situation include:
- Increased demands from electricity-intensive mineral beneficiation projects, such as Alusaf and Columbus;
- Plans to electrify three million more South African homes by 1996;
- Eskom's ambitions to establish a Southern African power grid;
- A $4.4 billion plan to rehabilitate the power plant in Mozambique.

The export potential of the coal mining industry will receive a major boost from the additions to the export loading capacity at Richards Bay, but intense competition from Australia, Indonesia, Colombia, times, would result in an oversupply, thus depressing prices.

Exploration

Exploration expenditure by South Africa's six major mining houses has been more than $135 million a year since 1989.

It is probably fair to conclude that exploration spending has been cut back significantly over the past year or so because of weak commodity prices.

Substantial additional exploration expenditure will, of course, depend on a revival in commodity prices and a strong economic recovery in the industrialised nations.

New look

In general, the mining industry has also been hit by financial and corporate isolation, a trend that is in the process of being reversed rather rapidly as the dawn of the new South Africa unfolds and politically-inspired international barriers and restrictions are being phased out, particularly in neighbouring African states.

As a result, South African mining houses and companies are taking a new look at the rest of Africa.

South African mining houses and companies are best placed to help neighbouring African states to exploit their mineral resources.

I say this with some authority since we have the technical and financial expertise, know-how and experience to operate in and under Africa's unique conditions, certainly more so than any other mining company or concern in the world.

We are not only the largest producer of gold, but also of platinum and ferro-alloy metals, a world leader in diamond mining and the fifth-sixth, if Russia is included—largest producer of coal.

We also possess the financial muscle to do so, although much of the capital needs for these developments will probably be drawn from the concerned countries themselves, the World Bank, the International Finance Corporation and other international capital markets and sources.

The countries under consideration include Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaire, Kenya and in West Africa, in particular Ghana and Ivory Coast.

Outlook '93

Venezuela and the United States in the world markets will curb prices and opportunities for

Platinum

The market for platinum group metals has been confounded by a weak global industrial demand, falling jewellery consumption and persistent rumours of the discovery of substitutes for PGM metals in catalytic converters.

Platinum prices have reacted accordingly, but the expansion programmes of the industry have, however, remained at a high level, pressuring better market conditions ahead.

Diamonds

The diamond industry, of course, dominated by De Beers Consolidated Mines in South Africa.

Expansion projects have focused on the conversion of the Pitsch mine to underground production and the establishment of a new mine at Venezuela in the Northern Transvaal.

Substantial capital is required by the Central Selling Organisation to ensure that they are able to buy stocks of diamonds available from producers around the world, which, if brought on to the market at inappropriate prices, would result in an oversupply, thus depressing prices.
MINING — GOLD

1993

JAN. — JUNE
GOLD SHARES

Signs of value returning

The dollar gold price entered the new year on a sour note, hitting a seven-year low, but the outlook for gold shares appears more promising. The rand gold price is rising and the industry continues to keep costs under control.

Some JSE analysts are putting out cautious buy recommendations, given the outlook for sustained or slightly improved dividends which — coupled with the fall in share prices as reflected by the decline in the JSE All Gold Index — has restored some value to the sector.

The dividends announced in December underline the necessity for investors to be selective. Randfontein increased its interim to 35c/share (previous interim — 25c) and Kloof to 45c (40c), but Deelkraal dropped its payout to 5c (15c) while Driefontein managed a 60c (65c) distribution.

Davis Borkum Hare analyst David Giese comments: "The dividend yield on the All Gold index has increased to 6.5% and that means gold shares can be considered to be in cheap territory. The dividend yield has reached this level twice before in the past five years and each time there was a correction in the form of rising share prices."

Ed Hern, Rudolph analyst Graham Graham-Parker says the trend in the All Gold index is finally coming back into line with the trend shown by the industry’s distributable earnings. This is after a four-year period in which the index ran away ahead of industry profitability. His buy recommendations are Driefontein, Kloof, Randfontein and Beatrix.

The rand gold price in the December quarter averaged about R1 000/oz, compared with R962/oz in the September quarter. In early January it remained above the Decem-

ber quarter average, reaching R1 016/oz at the beginning of the week.

The industry’s cost performance has been excellent over the past year. According to Giese, the cost of producing 1 kg of gold has risen by just 0.85% in the year to September, while the cost of milling a ton of ore increased by 3.3% over the same period.

Simpson McKie analyst Rodney Yaldwyn expects costs to continue to be well contained during 1993. He says a number of gold shares offer value, especially when compared with industrial shares. "Kiram and Beatrix are on 9% and 10% historical dividend yields respectively and I expect these mines to maintain their dividends," he says.

As a rule, investors should stay with the quality gold shares such as Vaal Reefs, Kloof and Driefontein. There are, however, a number of mines which have underperformed the index for no apparent reason other than negative investor sentiment. These could be reasonable recovery buys. Giese puts Elandsrand and Ergo in this bracket; Graham-Parker recommends Eastern Transvaal Consolidated.

JSE analysts are generally cautious on prospects for the dollar gold price, pointing to the lack of investment interest, the threat of central bank sales and renewed forecasts of sales by producers whenever the price shows any strength (see Economy).

They also do not expect the mines to distribute fully to shareholders any windfall profits earned. Instead, they will retain money to fund essential capital expenditure that is running behind schedule. That’s one reason for the low interim from Deelkraal, while Randfontein continues to sell away funds as it builds up its strategic cash reserve towards the stated target of R90m by June.

Improvements in profitability are all very well. But, to produce a sustained recovery in the investment attractions of gold shares, there will have to be fundamental changes — such as a markedly more bullish trend in the dollar gold price and, preferably, a continuing decline in the inflation rate.

In London, James Capel analyst John Taylor is taking a more sanguine view than most. He forecasts a price of US$370/oz by the end of this year. He calculates current all-in costs for the SA industry at R910/oz of gold produced which, set against a gold price of R1 005/oz, gives a profit margin of R95/oz.

Assuming gold reaches $370/oz by end-1993, industry costs rise by 12% this year and the rand holds a value of US$0,30, then Taylor says the gold price would be R1 233/oz and costs R1 020/oz. That would give a margin of R213/oz which would more than double gold industry profits. Here’s hoping he’s right! — Brendan Ryan

45 • FINANCIAL MAIL • JANUARY 8 • 1993

$2.14

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Lindum Reefs lifts earnings

Finance Staff

Lindum Reefs' switch to open cast mining in September last year more than tripled its taxed earnings in the December quarter to R2,05 million from R650,000 in the previous quarter.

Lindum discontinued its treatment of sand and slime dumps, but lifted open cast production from 31 tons to 77 tons during the quarter (2/4).

Higher production levels were further boosted by a strong recovery in the grade to 3,3 g/t (1.56 g/t), lifting gold production to 284 kg (196 kg).

Working costs rose to R8,6 million (R4,8 million).
Doornfontein running down its underground operations

By Derek Tommey

The Gold Fields Group gold mine, Doornfontein, which was one of the major post-war successes on the Far West Rand, is to run down underground production.

Heavy debts — the mine owes about R30 million — and continuing operating losses are behind the decision.

However, two other Gold Fields mines, Driefontein and Kloof, report significantly higher profits in the December quarter and another gold producer Deilkraal, also increased its earnings.

Fire

And all three would have done even better had operations at these mines not been affected by fire.

Doornfontein has been operating at a loss for some time, but was able to reduce the loss to R8,5 million in the December quarter from R15,9 million in the September quarter.

However, it further increased the mine's net liabilities to over R50 million.

Alan Munro, head of the Gold Fields Group's gold division, said yesterday that following a reassessment of the underground tonnage and the financial situation of the company, it had decided to start selling the company's assets.

"Underground mining will continue in the short term to enable the company to maximise the return on the recovery of its underground assets," he said.

Analysts point out that this does not mean that the mine will cease production completely because it has about 16 million tons on low-grade surface dump averaging about one g/t.

Munro warned at the end of the September quarter that Doornfontein might have to close.

But at the same time he pointed out that this did not necessarily mean that the mine's 6,000 workers would have to be retrenched because efforts would be made to place them in other mines belonging to the group.

It was an outstanding quarter for Kloof which increased its pre-tax profit to R150,4 million from R116,4 million.

Tax took R5,2 million (R11,1 million).

The increased profit was achieved in spite of a fire which reduced underground production by 24,000 tons and a R7,5 million loss in the Lateen division.

Factors responsible for the higher profit included an increase in working profit at the Leeduorn division from R28,8 million to R32,1 million, a higher gold price and well-contained costs.

Driefontein increased its pre-tax profit to R286,6 million from R159,9 million in the September quarter.

A drop in tax paid from R50,2 million to R65,9 million resulted in taxed profit rising from R130,7 million to R137,4 million.

Increase

Dries was also helped by a decrease in the gold price received.

The East Dries division had a working profit of R65,2 million (September, R81,8 million), the West Dries division a working profit of R106,0 million (R99,3 million) and the West Dries reclamation plant a working profit of R2,4 million (R16,6 million).

Deilkraal earned R14,6 million (R13,5 million) before tax and R13,7 million (R12,6 million) after tax. A fire cut production by 7,000 tons.

Northam Platinum stipping move pays off

By Derek Tommey

The decision by the Northam Platinum to go for a 120cm stopping width instead of the 100cm initially proposed appears to be paying off by producing more ore with a high platinum content.

Development figures for the six months to December show that despite the 20 percent increase in the stopping width and tonnage mined, the grade of ore mined dropped by only 8.6 percent.

In the six months to December, Northam mined 301,612 stope tons at an average grade of 8.5 grams over 120cm.

In the same period, 1,400 metres was developed on reef with an average m-situ grade of 9.3 grams over 100cm.

Concentrator rates were better than expected. However, because of the high proportion of reef development tonnage milled, the 337,050 tons of ore milled in the six months period averaged 5.9 g/t.

The smelter and base metal removal plant have been commissioned and are operating well. The first product was shipped for refining last October and the first sale of metal took place this month.

The company says a steady build-up of stopping square metres is taking place and every effort is being made to meet the planned milling rate of 200,000 tons a month by the end of the current financial year.

At December 31, Northam had net current liabilities of R201,8 million. This will be financed by the rights issue which will raise R50 million and which closes on Friday.
Doornfontein earmarked for closure

GOLD Fields of SA (GFSA) said yesterday the faltering Doornfontein (Doorns) mine was likely to close in a year's time.

Announcing higher after-tax and capital expenditure earnings for its gold mines in the December quarter, executive director Alan Munro said Doorns was to dispose of its assets, but underground mining would continue in the "short term". The mine has debts in excess of R286m.

Group after-tax and capex earnings rose 20% to R123m from R102m in the September quarter. This was largely as a result of the lower tax and lease payments of R74m (R81m) and higher net sundry revenue of R43m (R15m) which offset the 18% increase in capex to R147m.

Tonnage milled by the group fell to 5.42-million tons from 5.45-million tons because of the "unusually" large number of fires at the mines. Gold production fell to 30.7 tons (31.4 tons) as result of a marginal drop in overall grade to 9g/t from 9.1g/t.

Production costs were virtually unchanged at R680m (R676m), but the fall in gold production resulted in a 3% increase in working costs a kilogram to R2317 (R2158/kg).

GFSA's average gold price received was R31 685/kg from R30 865/kg the previous quarter.

See Page 7
Ailing Doornfontein destined for closure

GOLD FIELDS of SA's Doornfontein gold mine's closure date had not been decided, but the mine was not expected to be operating a year from now, gold division executive director Alan Munro said yesterday.

Presenting the group's December quarter results in Johannesburg, Munro said Doornfontein's performance in the quarter was a vast improvement on the September quarter, but losses of R6,6m were "in tolerable". GFS's was not reluctant to say when the mine would close, it just "did not know". There was no intention to re-train the 6,000 employees and the group would "do its damnedest" to find employment for the mine's workforce.

On the possibility of other options for Doorns such as selling the mine, Munro said the door was open to reasonable bidders. He would neither confirm nor deny rumours that GFS would be approached by Rand Gold. Management fees were negligible and there was no possibility of dispensing the mine to outside contractors to do the rehabilitation, as had happened with Gengold's West Rand.

**JONO WATERS**

Consolidated

Among the options were a tribute agreement with Western Deep Levels, and Sunday blasting which had been discussed with the Government Mining Engineer.

GFSA believed the fires at the group's mines were "abnormal", and management was not "complacent" about trying to get to the source of every fire. "The fires are not normal under ground mining problems."

**Capex**

The drop in ore milled at East Driefontein as a result of fires had spelt the good run the division had over the last year. It was not a bad quarter for both divisions of Driefontein, but the improvement in the rand gold price had not yet flowed through.

The increase in capex to R65,7m (R47,3m) was from ongoing requirements for the No 5 shaft at East Driefontein and the No 9 shaft w at West Driefontein. The latter was expected to come into production just before the end of the century with a grade slightly lower than West Drie's average.

Asked if capex requirements might result in a cut in Drie Con's dividend, Munro said it would be held at its current level for as long as possible.

Kloof remained the group's lowest cost producer for the second quarter in a row and continued to mill at the planned rate. The mine's Leeduorn section, in its second quarter of profitability, had started to increase its monthly milling rate to the 100,000 target from the present 80,000t and the yield seemed to be "holding-up".

Kloof's Lebanon division would have shown a better result were it not for a fire. The objective remained to make the division profitable.

The milling rate at Deelkras, where fire broke out yesterday, was slightly down, but management had reduced the working cost.

The mine was continuing with its capital programme to gain access to deeper, richer ore bodies by the end of the century. "This would obviously place dividends under pressure and we will continue to review the project as the year progresses" Operations would be concentrated in higher paying areas.

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<tr>
<th><strong>GOLD FIELDS</strong></th>
<th><strong>Dec</strong></th>
<th><strong>Tons milled</strong></th>
<th><strong>Yield</strong></th>
<th><strong>Gold produced</strong></th>
<th><strong>Costs per ton</strong></th>
<th><strong>Costs per kg gold</strong></th>
<th><strong>Price received</strong></th>
<th><strong>Net</strong></th>
<th><strong>Profit after</strong></th>
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<td><strong>OF SA</strong></td>
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<td>39,539</td>
<td>31,747</td>
<td>(6,051)</td>
<td>(5,196)</td>
<td>(13)</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>300</td>
<td>3.6</td>
<td>1,305.0</td>
<td>175.6</td>
<td>44,411</td>
<td>31,112</td>
<td>(16,915)</td>
<td>(17,065)</td>
<td>(43)</td>
</tr>
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</table>

* Combined results for Driefontein and Kloof Mining Companies
GFSA division’s results ‘poor’

WEAK commodity prices were responsible for poor results from Gold Fields of SA’s (GFSA’s) coal and base metal division, executive director John Hopwood said yesterday.

Unlisted lead and zinc producer Black Mountain had had the “worst quarter ever” financially, reporting an after-tax loss of R7.5m compared to a profit of R7.12m in the September quarter. Production of copper, lead, silver and zinc concentrates was higher than the previous quarter, but sales were all lower except for copper. After-tax profit at Gold Fields Coal fell to R5.01m (R6.98m), which Hopwood attributed to local and export coal market conditions.

However, company performance was underpinned by the stable contribution from its 50% interest in the low-cost producing Matla colliery. The current year was expected to be even tougher for coal.

Coal and base metal division GM Richard Robinson said the fall in the Roonberg tin production was because of metallurgical problems. The company produced an after-tax loss of R680,000 (R466,000 profit).

Zinc Corporation remained in the black with an increase in sales to 25.3 tons of zinc compared with 19.2 in the September quarter.

Gold Fields of Namibia experienced metallurgical problems, and Robinson said the turnaround in the company’s operating profit to a loss of R4.58m was worrying, but GFSA would pay out a 15c a share dividend.

Northam chairman Alan Wright said he was confident this would be the company’s last report in the pre-production stage.
Rand Mines shareholders back restructuring

THE restructuring of the Rand Mines group was approved by 99.3% of shareholders at a special general meeting in Johannesburg yesterday.

At a separate meeting, 98% of Randcoal shareholders voted in favour of the acquisition of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines.

A spokesman for the group said the final step in the Rand Mines restructuring process would be the listing of Randgold & Exploration and PGM Investments on the JSE on February 1.

"Randgold and PGM Investments, together with Randcoal, Rand Mines Properties and PPC, are the key components of the new mineral resources division of Barlow Rand, which has assets of around R3bn and the capacity to generate profits of over R400m," he added.
Weaker rand to dollar brightens prospects for marginal mines

THE future for marginal mines was "optimistic" following the fall in the rand to around R3.07 to the dollar, analysts said yesterday.

Gold was fixed in London yesterday afternoon at $329.20 (R1 069), up $0.70 on the morning fix of $328.50.

Depreciation of the rand would enable mines to find sanction in a higher rand gold price as other methods of survival, such as cost control and improvements in grade, had left little scope for more profitability.

A senior industry source said the fall in the rand would not affect forward positions some mining houses had taken out.

"We are not uncomfortable or regretful about any positions we have taken out as we have not lost any money," he said.

He expected the rand to average about R3.15 this year, which would extend the life of some marginals if they could keep costs down.

Mining houses, notably Anglo American, JCI and Gencor, hedge certain amounts of their gold production, but the figure is not usually over 20%.

Independent marginals hedge larger amounts.

Fergusson Brothers analyst Trevor Pearton said economists expected the rand to depreciate and some mining houses could have lost money.

"Gengold's average price received for gold in the September quarter was higher than revenue received for gold, which could be as a result of taking out positions and then having to square them up."

The weaker rand would further reduce the possibility of casualties among producers.

EW Balderson analyst Nick Goodwin expected a rand/dollar exchange rate of between R3.13 and R3.20 and an average rand gold price of about R1 060.

Doubted

But Davie Berkum Hare analyst David Giese said while the improved rand gold price was likely to increase mine earnings, a more substantial increase of about 50% would be needed to save the marginals.

Giese doubted if an increase in the rand/dollar exchange rate to R3.10 would make marginals profitable.

"Mines such as Lorraine, Western Areas, Doornfontein and St Helena would still be in trouble if the rand fell further to R3.10."
Three major gold mines yesterday reported higher earnings and profits for the December quarter, despite a steady drop in the dollar gold price — and several other gold mines are also expected to announce better results in coming weeks.

This happy improvement in the state of the troubled gold mining industry is the result of the rand's quiet devaluation in the past six months.

It has lifted the rand price of many key exports by around 10 percent — and should lead to an upturn in industrial activity in coming months, if it has not done so already.

Appreciated

Since the end of June the exchange rate of the rand has fallen by around 10 percent against the US dollar and by a similar amount against the Japanese yen.

However, the rand has appreciated fractionally against the German mark and gained around 10 percent against the British pound.

The rise against sterling was not the result of action by South Africa, but stemmed from Britain's decision to devalue its currency by 18 percent.

The area where the rand's devaluation against the dollar has shown up most clearly is in the gold price.

Although the dollar price of gold dropped from $343.40 at the end of June to $333.25 at the end of December, the rand price climbed from R951.83 to R1015.61.

The devaluation of the rand has obviously benefited the gold mining industry and should also help producers of other minerals.

Export prices of coal, platinum, palladium, diamonds, copper, manganese, ferro-alloys, and products such as plastics, paper and packaging materials, chemicals and timber products have all risen by about 10 percent.

The benefits should soon start showing up in increased business activity and in the profits of these producers.

Brokers say platinum producers Impala and Rustenburg, chemical manufacturers Sasol, AECI and Sentrachem, and paper and pulp producers Mondi and Sappi should see some better results this year.

As the main recipients of the higher earnings from these products are the large mining houses such as Anglo American, JCI, Genoor, and Anglovaal which have substantial shareholdings in these producers, brokers are also forecasting that it should be a good year for their shares as well.

However, there is nothing free in this world and South Africans must expect to pay for the increase in economic activity from the devaluation in lower living standards.

For example, petrol and other dollar-denominated imports will cost more, as will Japanese electronic goods and anything imported from the US.

The Reserve Bank can be expected to keep a tight rein on the economy to stop inflation taking off.

In fact, only if the devaluation results in increased exports and the generation of greater wealth will it be worthwhile in the long run.
Forward selling helps West Wits’ profits

Benson Gold benefited from both higher production at 407 kg (370 kg) and a higher gold price received to offset rising royalty payments of R1.74 million (R713,000) and boost taxed profits to R1.81 million (R1.58 million).

Clean-up operations at Wit Nigel continued in the December quarter and the net loss was reduced by R17,000 to R127,000.

The two mines in the Golden Dumps group reported mixed results during the quarter.

Cass Modder boosted its earnings from R517,000 to R2.2 million, based mainly on a rise in gold production to 427.1 kg (382.9 kg). While the yield was down at 4.84 g/t (5.33 g/t), working costs were contained at R28.16/kg (R28.59/kg).

Losses at South Roopepoort fell to R1.24 million (R1.6 million) but high working costs continued to offset better production results.
GF Property slashes payout

Gold Fields Property reported sharply reduced earnings per share of 51c (151c) in financial 1992, leading to a substantial cut in the dividend from 23c to 5c a share.

GF Prop’s results were hard hit by a lower surplus of R1.4 million (1991 R8.9 million) on the realisation of investments and assets, while interest earned on gold royalties and interest income dropped from R3.4 million to R1.2 million.

Only income from rent and sale of profits was up at R8 million (R7.9 million), leaving total revenue Ro million lower at R11.9 million.

Taxed profits thus fell sharply to R5.2 million (R15.4 million)

GFSA’s mining financial group New Wits reports a fall in earnings per share from 32c to 23c in the six months to end-December.

However, New Wits, whose investments cover mainly mining shares in GFSA stable, has maintained its interim dividend at 17c. S744P 1511/3.

Investment income fell R9.75 million to R7.88 million (R2.75 million)
GOLD QUARTERLIES

Another closure looms

December quarterly results from Gold Fields underline the shaky state of the industry's marginal producers and also that the need to fund essential capital expenditure is going to take priority over dividend payouts on some mines.

Marginal mine Doornfontein is now heading for closure of its underground operations within the next 12 months, though chairman Alan Munro remains coy about the exact status of the operation. Munro says Doorns' continuing losses are "intolerable" and the mine is selling equipment such as hoists, but he says a final decision to close has not yet been taken.

He says Gold Fields is negotiating with interested parties over bids for the mine but won't name them. The obvious candidate is Randgold marginal gold producer Blyvooruitzicht, which shares a common boundary with Doorns and can access parts of the mine from its shaft systems.

Blyvoor, having largely exhausted its own ore reserves, is keen to extend its life through negotiating tributing agreements over portions of its neighbours' ore bodies. Such a deal was struck with Western Deep Levels last year. Randgold MD John Turner declines to comment on whether Blyvoor is negotiating with Doorns.

Analysts say that even if such a deal is struck, it will not save Doorns, which has huge financial liabilities. At end-June it had net current liabilities of R30m and distributable reserves of R700 000. Since then, the mine has lost another R23m. Then there's the rehabilitation costs, which will easily exceed R10m, and against which Doorns appears to have made no provision.

Munro says the sale of assets will cover the mine's losses while profits from retrenchment of surface dumps - to continue after closure of the underground mine - will help pay for rehabilitation.

Deelkraal cut its interim dividend to 5c from 15c because management is giving priority to the capital expenditure needed to ensure the mine's long-term future. Munro says the final dividend will be under pressure and could be passed, though management would strive to avoid this.

Flagship mine Driefontein trimmed its interim to 60c from 65c for the same reason, though the dividend stream from this top quality mine is much more secure. Dries could, in fact, easily have maintained the interim despite the higher capital expenditure. After providing for capex of R113m and the interim dividend of R122,4m in the six months to December, Dries still retained R17,5m in distributable earnings - equivalent to 8,5c a share.

A striking feature is the continuing number of underground fires which have plagued the group for the past three quarters. Munro believes the incidence is abnormally high for normal underground mining operations. However, he won't say whether he thinks the fires are the result of a deliberate arson campaign against the group, which is what some analysts seem to believe.

Brendan Ryan
picture is encouraging provided news of the Dutch government sale of 400 t last year does not tempt other central banks to follow suit.

Early estimates for 1992 set total demand at 2,635 t. Fabrication demand is expected to have broken the record set in 1991 when, according to Gold 1992, it reached 2,543 t, of which jewellery comprised 2,111 t. Jewellery demand alone is now running about 500 t ahead of current Western mine output, which — on past experience — is a long-term bullish indicator.

Because of gold’s past monetary role and its durable nature, stocks above ground — both in central bank and in private hands — dwarf mine output. Gold held above ground (mostly by central banks) is estimated in Gold 1992 to be about 55,000 t. However, even taking these holdings into account, supply is declining.

In 1991, total supply of 2,815 t included such items as net sales from communist countries of 226 t, official sector disposals of 105 t, supply of old gold scrap of 410 t, forward sales of 51 t, which implies sales of bullion or coin melt from the private sector of 241 t. So supply other than newly mined gold was around 1,000 t.

Western mine output in 1992 is expected to have been around 1,783 t, virtually unchanged from 1991, suggesting the supply surge, particularly from major producers in the US, Canada and Australia, over the past few years is flattening.

Eastern bloc sales are projected at 140 t, and old gold scrap 240 t. This was supplemented by central bank sales which, annualised from the nine months’ figures, would reach 359 t net for the year (see table). But the Dutch government sale would have boosted the total.

In 1993, total supply — at an estimated 2,635 t — could be lower, especially if all former Soviet gold pledged to Western banks has already filtered into the market. Mining has been disrupted by the economic crisis in the former USSR, continued price weakness has reduced prospecting in the West; and the exhaustion of easily mined surface deposits suggests 1993 output could be unchanged or lower than 1992.

An important factor in the pricing of gold is the opportunity cost of holding it instead of paper assets (now including derivatives). For a decade, developments in financial markets have detracted from gold’s investment value. At the start of the Eighties, the US Federal Reserve Board implemented a highly restrictive monetary policy, re-establishing real interest rates, strengthening the dollar and breaking the spiral of speculation that drove gold to $850/oz in January 1980.

Another factor came into play. Throughout the Eighties, the US borrowed enormous sums abroad to cover the internal budgetary and the trading account deficits. During the Reagan presidency, America shifted from being the world’s largest international creditor to being the largest debtor. Net US liabilities to the rest of the world are now estimated at roughly $600bn, growing by as much as $150bn per year.

The need to borrow and the desire to contain inflation kept the Fed’s policy restrictive and ensured American paper assets maintained significant real returns.

But this is no longer the case. The key US three-month Treasury bill rate is now 3.07%, while the inflation rate is 3.5%. Over the past year, to reduce interest rates to this level, the Fed has followed an accommodative monetary policy, staving off serious economic decline during a Presidential election year.

Though gold has been trading at price lows — of under US$330/oz — last seen seven years ago, the underlying supply-demand being the world’s largest international creditor to being the largest debtor. Net US liabilities to the rest of the world are now estimated at roughly $600bn, growing by as much as $150bn per year.

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Thus gold has been trading at price lows — of under US$330/oz — last seen seven years ago, the underlying supply-demand:

### ROUGHING OUT THE YEAR

**Gold supply in 1992**

<table>
<thead>
<tr>
<th>Demand*</th>
<th>Supply*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewellery</td>
<td>2,300 Western mine sales</td>
</tr>
<tr>
<td>Industrial</td>
<td>270 Eastern bloc sales</td>
</tr>
<tr>
<td>Coins</td>
<td>86 Old gold scrap</td>
</tr>
<tr>
<td>Official sales</td>
<td>380</td>
</tr>
<tr>
<td>Balancing item</td>
<td>113</td>
</tr>
<tr>
<td>(implied net private disinvestment)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,635</td>
</tr>
</tbody>
</table>

*Estimates based on nine months’ figures

Source: World Gold Council and Société Générale Strauss Turnbull

M1 has increased by 14.3% over the past year (as yet unmatch by a significant increase in M2).

Another factor working in gold’s favour is that the Japanese economy is still in the throes of a painful asset deflation, with GDP showing only 1.5% growth over the 12 months to December (compared with 2.2% in the US).

While the latest news from America indicates the start of a recovery, Japan appears to need a strong monetary and perhaps also a fiscal stimulus. The inflationary potential of such actions should increase the attraction of gold as a store of value.

But despite this longer-term prognosis there will be no early resurgence in the gold price. Economic growth in industrialised countries should take place without an immediate renewal of inflation. There is surplus capacity throughout the industrial world, coupled with weak commodity prices, notably oil (now trading under $18/barrel)

The Economist’s dollar commodity index (on December 1) has lost 0.9% over the past year.

Stimulus to the gold market in 1993 should come from a significant increase in fabrication demand from the industrial world and a strong Asian growth trend. A recent analysis by London stockbroker, Société Générale Strauss Turnbull, shows forward sales by producers are more than 1,000 t, a figure so large in relation to current mine output that it suggests the market is significantly oversold.
COMPANIES

Cons Modder quadruples profit

Profit at Golden Dumps' Consolidated Modderfontein (Cons Modder) increased fourfold, but South Roodepoort remained in the red in the December quarter.

After-tax and capex profit at Cons Modder rose to R22.21m (R517m000), but South Roodepoort made a loss after capital repayment of R573m000 (R11.5m).

Ore milled at Cons Modder increased to 98,324 tons (71,820 tons), but the grade dropped to 4.84g/t (5.23g/t), resulting in gold production of 427kg (533kg).

The gold price received rose to R358/kg (R309/kg) against lower working costs of R29.11/kg (R49/kg).

Revenue amounted to R14.2m (R11.5m) and after working costs of R12m (R11.5m) there was a profit of R2.2m.

Additional revenue increased operating profit to R2.36m (R1.12m) and a lower interest bill of R143m000 (R251m000) resulted in a net profit of R2.82m (R453m000).

South Roodepoort's tonnage milled dropped to 29,767 tons (33,699 tons) but the grade increased to 2.1g/t (1.8g/t), producing 33.4kg (64.2kg) of gold.

The average price received rose to R343.11/kg (R232.41/kg), but did not cover costs of R58,923/kg (R58,614/kg).

Revenue of R2.14m (R2.08m) and costs of R3.5m (R3.76m) resulted in a loss of R1.36m (R1.16m).

Additional revenue of R158m000 (R156m000) and lower interest charges of R51m000 (R58m000) reduced the net loss to R1.24m (R1.6m).
Southgo stable's quarterly report shows steady figures

THE two operating gold mines in the South East Rand Gold Holdings (Southgo) stable maintained steady profits in the December quarter.

After-tax and capex profits at West Witwatersrand (West Wits) increased to R1,94m compared with R1,87m in the September quarter; Benoni's after-tax and capex profits rose marginally to R782 000 (R720 000).

Southgo, a division of independent producer Consolidated Mining Corporation, operates an underground and open cast operation at West Wits, dump-retreatment at Benoni and clean-up operations at Witwatersrand Nigel (Wit Nigel). Total tonnage treated at West Wits fell to 530 683 tons (532 683) as a result of a fall in open cast and heap-leach operations. However, the New Reef project yielded an additional 15 000 t from underground during the quarter.

The grade increase to 1,41g/t (1,38g/t) was not enough to offset the fall in tonnage, resulting in gold production falling to 7 477kg (7 611kg).

However, the average gold price was marginally higher at R32 610/kg (R31 430/kg). Working revenue of R45,93/t (R43,34/t) set against working costs of R40,72/t (R38,36/t) produced an operating profit of R5,18/t (R4,68/t).

West Wits' working revenue amounted to R24,4m compared with R23,9m the previous quarter; working costs rose slightly to R21,6m (R21,2m). Operating profit was stable at R2,75m and after-tax profit rose to R2,76m (R2,71m).

Slimes and sands treated at Benoni dropped slightly to 601 569 (616 569), but the grade increased to 0,67g/t (0,69g/t), resulting in a 37kg increase in gold production to 407kg.

Benoni's gold price rose to R32 971/kg (R32 355/kg). Working revenue increased to R12,31/t (R10,43/t) and with working costs of R16,46/t (R15,75/t), gave an operating profit of R3,85/t (R3,67/t).

Working revenue increased to R13,4m (R12m) and working costs rose to R9,9m (R9,72m). Benoni had to pay increased royalties and toll payment on the group's larger operating profit of R3,52m (R2,36m); but after-tax profit still increased to R1,81m (R1,58m).

Clean-up operations continued at Wit Nigel and the operation produced a net loss of R127 000 (R144 000) in the quarter.
Barlow shareholders say yes

Barlow Rand shareholders have unanimously supported the distribution by way of a dividend in specie of a portion of Barlow's entitlement to 22.2 million shares in Randgold and Exploration.

The shareholders gave their backing for the distribution, which will maintain Barlow's 35 percent interest in Randgold at a general meeting in Johannesberg yesterday.

The distribution will be in the ratio of six ordinary shares in Randgold for every 100 Barlow shares held at the close of business on January 29.

Randgold is one of the companies recently created by the restructuring of the old Rand Mines group into the Barlow's Mineral Resources Division.

Its shares will be listed on the Johannesburg Stock Exchange on February 1, 1993.

At the group's annual general meeting, chairman Warren Cleowlow said trading conditions had remained difficult during the first quarter of the 1993 financial year.

"Should these persist at the current depressed levels in the second quarter, earnings for the half-year to March 31, 1993 will be below those of the corresponding period in 1992," he said. — Sapa
Gold's long-term outlook positive

THE gold price was unlikely to improve in the next six months, but the metal's outlook towards the end of the year was more positive, analysts said yesterday.

E W Balderson analyst Nick Goodwin said Italy was the only country still wanting to reduce the amount of gold it held as a percentage of its reserves.

Last year, Holland reduced its stocks by 400 tons, Belgium by 262 tons and Canada by 65 tons. Italy wanted to reduce its 3,092-ton gold stock to 45% from 49% of its reserves.

"By June this year, all the central bank sales will be out of the way which will provide positive sentiment for gold. It has been most encouraging to see the way the gold has so far been absorbed," Goodwin said.

However, Frankel Max Poliak Vinderne and Arison Finch doubted whether the Italians would go through with the rumoured reduction in their gold stocks as EC finance ministers yesterday agreed to lend Italy 8bn ecus to finance its balance of payments problems.

Pepinsson Bros, Hall Stewart and Co analyst Trevor Pearson said: "If the Italians were to reduce their reserves of gold, we probably would not know until it was over."

Goodwin said it was unlikely the French and the Germans would reduce their gold reserves. "However, the psychological impact of the central bank sales has placed a lot of negative sentiment in the market."

Pearson said the overhang of negative sentiment could do a great deal of damage to the gold price.

The gold dollar price was likely to drift quietly in the period to mid-year and the rise in the second half of the year, Goodwin said. But, the rand gold price would average R1 89 an ounce for 1993 and mines should see maintained or improved earnings.

The Clinton administration would be good for the gold price as his policies were likely to be inflationary. The Democrat Carter era had resulted in the Federal Reserve printing money and pumping it into the economy.

Finch agreed the dollar gold price was unlikely to improve the short-term because the psychological overhang of central bank selling had "put people off gold". However, he expected the metal's price to improve in the second half of the year.

AP-DJ reports the total world mine supply in 1992 was expected to be even with or slightly higher than last year's record 1,786 tons and SA's production will be about 12% up on 1991's figure of 692 tons.

Analysts said 1993's growth in output was possible only because of dramatic cost cutting at the mines, since labour accounted for about 85% of SA mining costs, the quickest way to lower expenses had been to lay off workers.

NUM chief negotiator Martin Nicol said 8,000 "appreciated that the gold industry is in a downsizing stage at present" and that job cuts and lower real wages were "a necessary way of slowing down the contraction".

Political realignments had also helped mines to cut costs, said Nicol. "It is happening in the SA gold industry today could not happen in a country where every worker has a vote," he said.

Observer said the mines could keep output up well into next year even if gold prices stayed low.
Barlow Rand earnings may drop

Barlow Rand said yesterday that if tough trading conditions persisted, earnings for the first half to end-March would be lower than those of the corresponding period in 1992.

Chairman Warren Clewlow told the annual meeting local and international trading conditions remained difficult in the first quarter of the current financial year. 'Should these persist at the current depressed levels in the second quarter, earnings for the half-year will be below those of the corresponding period in 1992.'

Clewlow's comments follow his warning last November that it would be difficult to show growth in earnings this year as a meaningful improvement in the economy was unlikely in 1993.

Barlows shareholders voted at a general meeting for a dividend in specie of a portion of Barlow Rand's entitlement to 22.2-million shares in Randgold Exploration (Randgold). Randgold is to issue 29,820,610 shares.

The distribution will be in a ratio of six ordinary shares in Randgold for every 100 Barlows shares held on January 29, and will result in Barlows' interest in Randgold being maintained at about 39%, Barlows said in a statement.

Randgold is due to be listed on the JSE on February 1 — Reuter
Anglovaal gold mines do better

Improved rand gold prices — including a small amount of hedging — and generally well-contained costs in the December quarter were the main factors leading to improved performances at all Anglovaal gold mines.

Total taxed profits of the three mines — Eastern Transvaal Consolidated (ETC), Hartebeestfontein and Village Main Reef — rose 47 percent to R38,167 million (September quarter R25,940 million, while Loraine’s loss (no tax paid) fell to R2,875 million (R3,401 million).

Hartebeestfontein: the main plant’s mill throughput was unchanged at 756,000 tons, as was the average grade at 8.6 g/t. Gold recovery totalled 8.325 percent (6.592 percent). Unit costs dropped to R238.97 (R242.42), a ton and, combined with higher gold prices received, led to revenue of R378.84 (R360.40), a ton and thus a working profit of R39.97 (R26.98) a ton and a total working profit of R30,146 million (R20,589 million).

Throughput:

ETC: there was another slight increase in mill throughput to 94,800 (94,520) tons, and the yield rose to 10.96 g/t.

Consequently, gold recovery was 21 kg higher at 946 kg.

As an improved average gold price received caused revenue to rise to R326,81 (R312,90) a ton, which more than offset the unit costs increase to R243.51 (R233.10) a ton, and resulted in a working profit of R83.30 (R78.90) a ton.

Total working profit was therefore R7,897 million (R7,487 million).

Loraine: the total tonnage milled rose to 411,000 (397,000) tons.

With the average value remaining unchanged at 3.3 g/t, gold production rose slightly to 1,338 (1,306) kg.

Revenue was fractionally better at R196.82 (R195.72) a ton, but the treatment of the low-grade ore and higher mill throughput brought costs down to R138.03 (R132.09) a ton.

This reduced the unit loss to R11.21 (R13.36) a ton, and the total working loss to R4.69 million (R5.305 million loss).
Dividend held as GFSA profit dips

Jono Waters (214)

GOLD Fields of SA’s (GFSA) after-tax profit fell 10,8% to R124m (R139m), but an unchanged interim dividend of 75c a share was declared for the six months ended December 31 1992.

‘Earnings fell 10,8% to 125c (130c) a share,” said company chief executive officer Rohan Plumbridge. “Plumbridge said the group was negotiating with Newmont Mining for the establishment of a 50-50 joint venture to build a mining concession in Ghana. He said a GFSA offshore subsidiary had been awarded exploration rights for mining concessions held by Ghana’s Frantea and Tarkwa goldfields.

A potential investigation, which included an examination of the medium-term viability of the existing mines on the property, was near completion.

In its 1993 annual report, GFSA said had seen a reduction in production from 70,000 ounces to 50,000 ounces, but that the price of gold was 12,0% lower at 130,75 (R15,40m).

Plumbridge said the group’s earnings would remain under pressure and that its earnings expressed in the chairman’s review last September remained unchanged.

“Subsequent events have done nothing to alter the view that the world economy as a whole, and hence commodity prices, will continue to be depressed in the short term.”
GFSA to embark on joint mining venture in Ghana

By Derek Tomney

Gold Fields of South Africa (GFSA) is planning to mine gold in Ghana in a joint venture with Newmont Mining of the US.

GFSA says that exploration rights in respect of mining concessions held by Prestea and Tarkwa Goldfields have been awarded to an offshore subsidiary.

"An initial due diligence investigation of these extensive properties, which includes an evaluation of the medium-term viability of the existing mines, is nearing completion."

Negotiations are in progress with Newmont for a 60-40 joint venture in respect of the concessions.

In its interim statement, GFSA says it has declared an unchanged interim dividend of 70c a share, which absorbs R67 million.

Income from investments in the six months to December dropped from R123 million to R115 million, while income from fees and other sources fell from R106 million to R104 million. However, it made R4 million (nil) on the realisation of investments.

Gross income was R223 million (231 million), while expenditure was R187 million (R177 million), producing a pre-tax profit of R126 million (R154 million) and a taxed profit of R124 million (R129 million).

The directors say they expect the world economy as a whole to continue to be depressed in the short term. As a result the group's earnings are expected to remain under pressure.

GFSA had net current assets of R508 million at the end of last December (R555 million at the end of last June and R547 million at the end of December 1991).

GFSA has large investments in gold shares, and the decline in gold shares prices last year must have been a major contributor to the drop in the market value of the group's portfolio from R7.8 billion at the end of December 1991 to R6.97 billion at the end of last June, and R6.8 billion at the end of last month.

Net asset value of GFSA shares last December was 7 706c (9 036c six months earlier and 9 784c at the end of 1991).
HJ Joel wants to blast on Sundays

JCI's struggling HJ Joel gold mine is to apply to government for permission for Sunday drilling and blasting to prevent retrenchments.

Gold division MD Bill Nairn said yesterday the mine would send some employees in certain job categories on unpaid leave for up to three months and revert to a six-day week in an attempt to contain costs.

Joel is the third mine to apply for blasting rights on Sunday. Harmony was granted rights in September and Loraine applied for Sunday rights late last year.

The mines in the JCI stable reported a 41.7% increase in after-tax profit to R25.2m (R17.5m) in the December quarter. Gold production rose 3% to 12.7 tons (12.3 tons) overall. Group working costs fell 2.1% to R28.76/kg and employees were paid R4.4m in cost-containment bonuses.

Randfontein declared a 55c (25c) interim dividend.

Anglovaal's three gold mines produced a pretax profit of R13.2m down on the September quarter figure of R20.6m.

No announcement was made by the group on the future of Loraine, which lost R6.6m (R3.47m) in the quarter.

Net profit after tax increased 47% to R19.9m (R13.9m), but Hartbeesfontein increased its capex requirement four-fold to R13.3m (R3.3m).

See Page 6
GFSA to mine gold in Ghana

Business Staff

JOHANNESBURG. — Gold Fields of South Africa (GFSA) is planning to mine gold in Ghana in a joint venture with Newmont Mining of the US.

GFSA says that exploration rights in respect of mining concessions held by Prestea and Tarkwa Goldfields have been awarded to an offshore subsidiary.

"An initial due diligence investigation of these extensive properties, which includes an evaluation or the medium-term viability of the existing mines, is nearing completion."

Negotiations are in progress with Newmont for a 60-40 joint venture in respect of the concessions.

In its interim statement, GFSA says it has declared an unchanged interim dividend of 70c a share, which absorbs R67 million.

Income from investments in the six months to December dropped from R123 million to R115 million, while income from fees and other sources fell from R108 million to R104 million.

However, it made R4 million (nil) on the realisation of investments.

Gross income was R223 million (R231 million), while expenditure was R37 million (R77 million), producing a pre-tax profit of R186 million (R154 million) and a taxed profit of R124 million (R189 million).

The directors say they expect the world economy as a whole to continue to be depressed in the short term. As a result, the group's earnings are expected to remain under pressure.

GFSA had net current assets of R608 million at the end of last December (R588 million at the end of last June and R547 million at the end of December 1991).

JCI's HJ Joel mine is in difficulties. The mine said last night that the lack of payable ore reserves had forced it to cut back the milling rate from 90,000 to 65,000 tons a month and to introduce cost-cutting measures.

It is considering the possibility of Sunday working, but has no plans to retrench.

Bill Nunn, head of JCI's gold division, said the decision to cut production at Joel was the result of disappointing development results in the past two quarters. It was unfortunate that the mine had run into unpayable ore before it had the time to build up adequate reserves.

The 23 boreholes that were sunk before the mine was bought had intersected the Kimberley Reef 93 times. The Kimberley Reef was unpredictable. Reef sampled had dropped from 1,293 metres in the September quarter to 978 metres in the December quarter, while grade fell from 816g/m to 665g/m a ton.

He said the rate of 650 tons of ore a month was likely to be maintained until payable ore reserves were available.

To strengthen its financial situation and to avoid retrenchments, the mine was negotiating to work Sundays, to reintroduce the six-day working week in place of the current 11-shift, two-week system, to contain costs as much as possible, and to ask all workers to accept two months' unpaid leave in the present calendar year.

He said it was essential to reduce the working costs to a level which would enable the mine to remain profitable, while continuing reef development.

Negotiations had already started with the unions on the introduction of Sunday working.
HJ Joel cuts its losses to lift JCI

DECLINE in H J Joel mine's losses lifted JCI gold mines' profit after tax and capex by 41.7% in the December quarter.

Gold division MD Bill Nunn said at an analyst briefing yesterday Joel would maintain its efforts to curb costs as a means of avoiding retrenchments. The mine is expected to be back on track in the second half of the year.

The mine managed to reduce its working costs a kilogram by 2.2% and paid a cost containment bonus of R780 000 to employees.

The increase in capex to R5.5m (R4.5m) was necessary for development on the South Deep level, needed to get close to South Deep.

At South Deep the excavations for the backfill and crusher plant were complete and the mechanics were being installed. Full-scale stoping production would begin in June and full production of 25 000 tons should be achieved by the end of next year.

Nunn was also bullish about the gold price this year. "We could see a small but significant increase in the next few months as there has been a great deal of short-selling by the major operators."

However, he said gold's rand price would increase as there was a general feeling the rand would go to R2.50 to the dollar by the end of the year.

Consolidated Murchison (Cons Murch) reported an increase in profit after-tax and capex to R972 000 (R616 000) in the December quarter as a result of an increase in gold revenue from a slight increase in gold production.

Chairman Mike Hawarden said the world antimony market remained "very depressed" and sales dropped by 34%. However, a 5% depreciation in the rand resulted in a 27% net decline in antimony revenue to R2.29m (R3.15m).

Gold revenue increased by 6% to R10m (R9.29m), which brought Cons Murch's total mining revenue to R12.4m (R12.5m) placed against costs of R11.1m (R11.6m).

<table>
<thead>
<tr>
<th>JCI December Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
<th>EPS after capex cents</th>
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<tbody>
<tr>
<td>Randfontein</td>
<td>2 038</td>
<td>3.65</td>
<td>6 076</td>
<td>102.77</td>
<td>26 698</td>
<td>32 213</td>
<td>48 454</td>
<td>22 766</td>
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<td>September</td>
<td>2 037</td>
<td>3.8</td>
<td>7 745</td>
<td>103.03</td>
<td>27 097</td>
<td>33 653</td>
<td>47 371</td>
<td>22 441</td>
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<tr>
<td>Western Areas</td>
<td>530</td>
<td>6.22</td>
<td>3 296</td>
<td>201.78</td>
<td>32 447</td>
<td>33 268</td>
<td>8 963</td>
<td>3 005</td>
<td>7.5</td>
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<tr>
<td>September</td>
<td>545</td>
<td>5.84</td>
<td>3 185</td>
<td>193.87</td>
<td>33 175</td>
<td>36 671</td>
<td>8 076</td>
<td>3 524</td>
<td>8.7</td>
</tr>
<tr>
<td>HJ Joel</td>
<td>214</td>
<td>6.27</td>
<td>1 342</td>
<td>201.42</td>
<td>32 119</td>
<td>33 778</td>
<td>5 165</td>
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<td>1 408</td>
<td>187.52</td>
<td>33 295</td>
<td>34 092</td>
<td>775</td>
<td>(8.192)</td>
<td>(8.3)</td>
</tr>
</tbody>
</table>
Joel gold mine runs into trouble

By Derek Tuminny

JCT's HJ Joel mine is in difficulties. The mine said last night that the lack of payable ore reserves had forced it to cut back the milling rate from 60,000 to 65,000 tons a month and to introduce cost-cutting measures.

It is considering the possibility of Sunday working, but has no plans to retrench.

Bill Nann, head of JCT's gold division, said the decision to cut production at Joel was the result of disappointing development results in the past two quarters. It was unfortunate that the mine had run into unpayable ore before it had had the time to build up adequate reserves.

The 23 boreholes that were sunk before the mine was begun had intersected the Kimberley Reef 9.5 times.

The Kimberley Reef was unpredictable.

Reef sampled had dropped from 1.255 metres in the September quarter to 0.973 metres in the December quarter, while grade fell from 816 grams of gold to 645 grams of gold at a ton.

To strengthen its financial situation and to avoid retrenchments, the mine was negotiating to work Sundays, to reintroduce the six-day working week in place of the current 11-shift, two-week system, to contain costs as much as possible, and to ask all workers to accept two months' unpaid leave in the present calendar year.

At developing mine South Deep, the 490 metres developed on the Venterdorp Contact Reef in the six months ended December had averaged 15.5 grams of gold per ton over 109 centimetres, giving 7745 kilograms or 7.7 tonnes.

Ledging was continuing while production was building up. The mine is expected to reach full production of 25,000 tons a month by the end of next year.

South Deep is being worked from a twin haulage from a Western Areas shaft. Production can increase only when a shaft is sunk.

South Deep was still cash-rich at the end of December, having net current assets of R119.5 million (R133.4 million at the end of June).

Randfontein performed well in the December quarter, increasing the milling rate from 2,037 million tons in the September quarter to 2,098 million in the December quarter, raising its yield from 3.80 to 3.85 grams of gold per ton — the highest figure since 1987 — and increasing gold production from 7745 kilograms to 8276 kilograms.

Revenue from gold increased from R260.6 million to R288.2 million, while working costs, which included a cost-containment bonus of R3.7 million (September, R2.2 million) increased from R209.9 million to R215.9 million.

Profit from gold was R52.5 million (R50.8 million) and taxed profit was R48.5 million (R47.4 million). Capital expenditure took R25.7 million (R24.9 million).

Nann said Randfontein had built up its reserve against a lower gold price to R90 million.

Western Areas's unit working costs fell for the seventh consecutive quarter and the mine reported earnings from gold of R2.7 million (R1.6 million) and profits from uranium of R8.8 million (R6.1 million).
Gold faces new threat as banks dump reserves

Kenneth Godding

Goldman Sachs has sold off its entire stockpile of gold in the past year, according to a report in the Financial Times. The move comes as banks around the world continue to dump their holdings of the precious metal, citing concerns over inflation and economic uncertainty. The selling spree has driven down the price of gold, which has fallen by more than 50% in the past year.

The sell-off has been particularly pronounced in Europe, where central banks have dumped billions of dollars worth of gold in recent months. In a sign of the shifting tide, the Bank of England recently announced that it would no longer hold gold as part of its reserve assets.

Analysts say the move is a sign of growing confidence in the dollar, as investors seek a safer haven in the world's leading currency. But some see it as a warning that the gold standard may be on the way out, as central banks shift their focus to other assets.

The recent sell-off has also had implications for the mining industry, where companies have struggled to find buyers for their gold output. Many are now considering alternative uses for their precious metal, such as jewelry or technology.

Despite the ongoing uncertainty, some believe that gold will continue to hold its value as a store of wealth, especially in times of economic turmoil. The precious metal has historically been seen as a hedge against inflation and a source of stability in the face of financial shocks.

The question now is whether the recent sell-off is a one-time event or the start of a broader trend. As banks continue to reassess their holdings, the gold market remains in a state of flux, with no clear direction in sight.
Anglovaal’s Loraine doubles losses to R6m

LORAINE gold mine’s after-tax and capex losses nearly doubled in the December quarter to R6,01m (R3,47m), with Anglovaal’s two other producers maintaining a steady performance.

At the release of the results yesterday Anglovaal did not comment on the Free State producer’s fate. The mine has reported losses since the June quarter of 1990.

Total tonnage milled increased to 411,000 tons (397,000t) resulting in a 22% rise in gold production to 1.338kg, at an unchanged average grade of 3.3g/t.

A spokesman for the group said revenue was fractionally better at R106,82/t (R106,72/t), but treatment of low-grade ore and higher mill throughput brought costs down to R118,63/t (R120,95/t).

As a result, the unit loss fell to R1,21/t (R13,36/t).

Pyrite sales increased to R797,000 (R758,000) and a gold price of R58,75/kg (R58,48/kg), could not stem the mine’s overall working loss of R4,61m (R5,31m).

Development of higher grade ore reserves at the 3C shaft pushed up capex.

Hartbeesfontein’s tonnage milled and grade was unchanged at 756,009t and 8.6g/t. Gold production rose marginally to 6,526kg. Unit costs dropped to R238,97/t (R242,42/t) and the higher gold price received generated revenue of R796,84/t (R769,46/t) with a profit of R39,87 (R26,89/t).

The mine’s low-grade gold plant treated 461,000t (467,000t). Yield was higher at 1,63g/t (1,52g/t) from the 27,760 tons of low-grade underground ore production with an average grade of 5.7g/t. Milling of the underground ore would be increased to about 84,000 tons a quarter until the end of the June quarter.

Eastern Transvaal Consolidated marginally increased its tonnage, grade and gold production, and revenue improved to R326,61/t (R312/t).

The over 50% increase in the price of gold to R243,31/t (R225,10/t) resulted in a working profit of R35,20/t (R76,90/t).

Stilte and sands operation Village Main turned in an after-tax and capital recoupment profit of R293,000 (R300,000).

The spokesman said Village had entered into an agreement to sell its freehold title to the Meyer and Charlton properties for R2,5m.

<table>
<thead>
<tr>
<th>ANGLOVAAL</th>
<th>December Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit ROOs</th>
<th>Profit after capex ROOs</th>
<th>EPS after capex cents</th>
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<td>Harties*</td>
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<td>6,526</td>
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<td>32,307</td>
<td>31,984</td>
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<td></td>
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<td>31,324</td>
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<td>ET Cons</td>
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<td>10.0</td>
<td>946</td>
<td>243,31</td>
<td>24,383</td>
<td>32,730</td>
<td>5,793</td>
<td>2,645</td>
<td>3.1</td>
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<td></td>
<td>September</td>
<td>94</td>
<td>9.6</td>
<td>925</td>
<td>233,10</td>
<td>23,819</td>
<td>31,881</td>
<td>5,053</td>
<td>2,639</td>
<td>3.1</td>
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<td>Loraine</td>
<td>September</td>
<td>411</td>
<td>3.3</td>
<td>1,338</td>
<td>118,09</td>
<td>36,256</td>
<td>32,811</td>
<td>(2,875)</td>
<td>(5,014)</td>
<td>(36.7)</td>
</tr>
</tbody>
</table>
|           | September        | 397              | 3.3         | 1,306            | 120,08                 | 36,503                      | 32,441

* Underground Production Figures Only
Gengold mines show fine flair for survival

By Derek Tommey

Some Gengold mines have declared higher-than-expected dividends, or declared dividends where none were expected, again showing the group can survive and even prosper in difficult times.

Buffelsfontein is paying a sharply higher interim of 150c a share, against 90c a year ago.

Ailing St. Helena is managing to pay a dividend of 20c a share, although this is sharply down from the 150c a year ago.

Stillfontein has resumed dividend payments after a year's break with 30c, and Grootvlei has declared an unchanged final of 25c.

But the fight continues, managing director Gary Maude said in Johannesburg yesterday.

Important

He said the group was not optimistic about a better gold price in the next six months.

Therefore it was important that the group's mines be put in a position to face a fairly extended low gold price.

However, he said he believed that the fundamentals for gold would get better.

The industry would have to live with 280 to 300 tons of official gold sales, as it had been doing in recent years.

But demand for gold in Asia was increasing. India could take 500 tons this year, and demand was also strong in China and India.

He said that production was not increasing and could decline when the low gold price led to some of the world's major producers throwing in the towel.

Ailing mines were to be found in Australia, Canada and South Africa, but not in the Gengold group.

Gengold's working costs were down by 11 percent, compared with the previous quarter, and by 20 percent, compared with a year ago.

Income after tax and capital expenditure was up 0.1 percent on the previous quarter and 115.5 percent on a year ago.

The stars of the December quarter were Unisel, Beatrix and Bracken, though Bracken was more like a shooting star, said Maude.

Unisel increased its income before tax and lease from R4.2 million to R6.8 million and its profit after tax and lease from R3.3 million to R5.8 million.

Beatrix's income before tax and lease was R18.1 million, against R11.7 million in the September quarter, while income after tax and lease was R12.7 million (R7.9 million).

Development results were good, with 2,378 metres advanced on reef and averaging 1.082 cm-gm a ton.

Bracken, in what is probably its last working quarter, reported a milling yield of 24.5 grams a ton and an income before tax and lease of R8.8 million (R7.1 million).

Production is expected to stop this quarter. Mine complement is down to 267 people.

Grootvlei earned R126 million (R106 million) after tax and lease.

Subsidy

The authorities have agreed to provide it with a pumping subsidy without imposing any restrictions on dividends.

Stillfontein, which is now working only surface dumps, earned R2.07 million in the December quarter after paying R1.67 million in retrenchment costs.

Maude said the mine could continue operating for about 18 months.

Buffelsfontein earned R9.3 million (R10.2 million) after tax and lease, helped by a R1.3 million (R952 000) dividend from Beatrix. Development results were also good.

St. Helena, which has sharply reduced operations, had taxed earnings of R5.2 million (R4.1 million) before taking into account retrenchment costs of R6.8 million.

Wokelaak earned R13.5 million (R15.6 million), Kinross earned R19.3 million (R20.2 million) and Leslie R2.4 million (R3.2 million). 
COMPANIES

West's gold output sets record

WESTERN world gold output increased by 60 tons in 1992 to reach a record high of 1,842 tons, in spite of the continued fall in the average gold price.

The International Gold Mining Newsletter reported in its January edition that the overall world supply was expected to be far smaller this year if production in the Commonwealth of Independent States declined as expected.

The largest increase in production was forecast from the US, where output increased by 27.8 tons to 328 tons. SA production was expected to increase by 12.8 tons to 614 tons and Australian output by 8.5 tons to 243 tons.

Production from Canada was forecast to fall by 13.6 tons to 183 tons, and output from Brazil to drop by eight tons to 72 tons.

Largest contributors to SA's increased supply were GP SA's Kloof (up 3.8 tons) and Doornfontein (up 1.8 tons), Anglo American's Elandsrand (up 2.5 tons) and JCI's Randfontein (up 1.9 tons). Strike action at GP SA's Doornfontein resulted in a loss of 1.8 tons, and fires and technical difficulties in a 3-ton drop at Anglo's Western Deep.

There were five significant closings in the US last year, 16 in Australia, 18 in Canada and none in SA.

The report said that in spite of having higher average operating costs, the SA industry remained "buoyant."
Gengold wins battle to cut working costs

GENGOLD has managed to cut working costs for the last four quarters and MD Gary Maude believes the group can keep this up for some time.

Reporting yesterday on the group's results for the December quarter, Maude said the "star performers" in the stable were Bracken, Beatrix and Unisel.

Operations at Bracken were likely to cease during the quarter. Extraction of the shaft pillar lifted the December quarter's grade to 24.5g/t from the September quarter's 15.2g/t, but this was a flash in the pan.

Some of the mine's 267 employees had found jobs at Leishi and Winkelhaisk (Winkels), but the rest would be retrenched.

Profits increased by R4.6m at Beatrix and working costs decreased further to R22 328/kg (R21 356/kg), making it one of the lowest cost producers in the industry.

Development continued at a high rate, grades were good and Beatrix was likely to remain profitable.

At Unisel gold production rose for the sixth consecutive quarter and profit after-tax and capex rose to R4.1m (R2.5m).

Discussions were underway with St Helena employees to mine on Sundays to lift productivity. If the employees agreed, Gengold would approach government to remove restrictions on Sunday working.

Rationalisation at the mine was starting to show the results hoped for. The mine was making a working profit, but retrenchment costs of R6.5m resulted in a bottom-line loss during the quarter.

Oryx is equipping its shaft and plans to commission it in March.

Stilfontein was "back in the black" and Maude hoped dump retrenchment operations would go on for another 18 months. Dividends resumed after a break of three years.

Tax and lease payments of R3.78m (R2.45m) "canned" Buffelsfontein (Buffels), but an increased dividend from Beatrix kept profits up.

Buffels had introduced "business units" and would use business managers instead of mining people to run the sections. If this worked out, the concept would be extended to other mines in the group.

Grootvlei remained marginal despite a drop in working costs to just under R30 000/kg.

Profit fell at Winkels as a result of a drop in Sunday income, artificially boosted in the last quarter by a R7.7m insurance payment.

The grade at Leslie rose to 6.7g/t (8.6g/t) after measures which included better dilution control and....
Gengold mines show better profit

Gengold was in a good position to face the coming year as, compared with 1991, its mines were again generating reasonable profits, MD Gary Maude said yesterday.

In the December quarter the group’s gold mines increased their total distributable profit fractionally to R58.3m from the September quarter’s R48.2m profit after tax and capital expenditure. But that was more than double the distributable profit of 1991’s December quarter.

Grootvlei declared a final dividend of 25c, the same as its interim, St Helena absorbed the cost of retrenchments and cut its final to 20c after an interim of 10c.

Stillfontein, eking out its existence by treating surface dumps, has resumed dividends with a 30c final declaration, and Buffelsfontein has declared an interim of 15c against the previous year’s 19c.

The average cost of producing each kilogram of gold was reduced again with the help of a higher average gold recovery grade. Working costs were R56 612/kg in the December quarter against R77 699 in September. The average gold recovery grade rose to 6g/t from 5.6g/t in part because of selective mining which led to a reduction in the tonnage milled to 2,92-million tons from September’s 3.20-million. As a result the quarter’s gold production fell to 17.5 tons from 16 tons.

At the individual mines, Braggan was likely to close in the present quarter and St Helena’s management was discussing working on Sundays with the mine’s employees, Maude said.
Gengold mines surprise with higher dividends

Business Staff

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The authorities have agreed to provide it with a pumping subsidy without imposing any restrictions on dividends.

Stillfontein, which is now working only surface dumps, earned R2.27 million in the December quarter after paying R1.67 million in retrenchment costs.

Mr Maude said the mine could continue operating for about 18 months.

Buffelsfontein earned R9.3 million (R10.3 million) after tax and lease, helped by a R1.3 million (R952 000) dividend from Beatrix. Development results were also good.

St Helena, which has sharply reduced operations, had taxed earnings of R5.2 million (R4.1 million) before taking into account retrenchment costs of R6.5 million.

Winkelhaak earned R13.5 million (R15.8 million), Kinross earned R13.3 million (R20.2 million) and Leslie R2.4 million (R3.2 million).
enough to get guns

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11 wax

New taxi association

welcomed as healthy

Stir 1/1973
Cost cuts boost Anglo gold profits

COST reduction, combined with a higher gold production and the cushioning provided by hedging, pushed up Anglo American's gold division's available profit by 33% for the December quarter.

Available profit increased to R203,7m (R152,8m), with gold production reflecting a 2% rise to 65,800kg (62,163kg). Average revenue for the quarter was 3% higher at R34,940/kg (R33,631/kg).

Average unit costs dropped 1% to R25,387/kg (R26,671/kg), and working costs were contained at R1,752,1m (R1,756,4m).

Capex amounted to R294,4m (R325,8m).

Gold division chairman Clem Sunter described the quarter as satisfactory and as "a good New Year's gift to SA."

MD Lionel Hewitt said Freegold had reported an improved performance across the board, with only two shafts not covering full costs.

Total gold revenue's increase to R960,5m (R958,6m) was production driven—production rose to 28,950kg (28,257kg), assisted by a 3.2% increase in revenue to R34,215/kg (R33,144/kg).

South Region's gold production of 16,380kg (14,906kg) was the highest recorded since the merging of the Freegold operations, Hewitt said.

Freegold came through the holiday season "quite well" and was back to full production. Production should be maintained for the foreseeable future.

In the past 18 months the mine had been "cutting out" marginal ore, but No 1 shaft with better grades would be coming on stream next year. Present grades did not have much "upside scope," Hewitt said.

Vaal Reefs continued to improve in the quarter and Hewitt predicted a relatively stable 1993. The quarter's results included a half-year dividend from Sentivasa Holdings and therefore were not directly comparable with the previous quarter.

Western Deep Levels was returning to normal production volumes, but Hewitt said grade was below what was expected.

Hewitt said Elandsrand's selective mining was improving the grade, and shaft sinking at the Moab project was going according to plan.

Ergo's grade had a degree of flexibility as a number of dams could be accessed.

See Page 8
Govt pressed to end Sunday mining ban

INTENSE pressure is building on government to scrap the provision of the Mines and Works Act which forbids Sunday production work.

Yesterday both the Chamber of Mines and Northam Platinum chairman Alan Wright called for the repeal of the law which permits Sunday work only by ministerial exemption if it is determined to be in the national interest.

This follows exemption applications to Mineral and Energy Affairs Minster George Bartlett by three marginal mines - Harmony, Lorraine and Joel. A six-month exemption was granted to Harmony last October, and a similar notice appears in the latest Government Gazette as regards Lorraine.

The Lorraine exemption, opposed by the white-only Mineworkers' Union (MWU), has also prompted an outcry from the NUM which says that, in contrast to the Harmony case, it was not consulted.

SAPA reports that, speaking at the opening of Northam's R1.5bn platinum mine Zondernade near Thabazimbi yesterday, Wright warned that unless the SA mining industry changed its working practices it would be starved of further large-scale investment. The industry had to remain internationally competitive. "Our competitors elsewhere in the world do this by employing 20 out of a possible 21 shifts per week, thereby achieving optimum use of the assets employed. In contrast SA mines do not work even half of those shifts."

"There is now an urgent need for the introduction of enlightened work patterns if the SA mining industry is to remain viable. Further investment on a large scale will only be made in the new mines if such changes take place."

Wright urged government to review without delay the statutory restrictions preventing the industry running 24 hours a day, seven days a week.

Chamber industrial relations GM Adrian de Plessis said the industry had, for many years, "petitioned for a seven-day work production cycle to enable optimum use of the infrastructure on mines, and to reduce unit overhead costs. The need is now aggravated by depressed commodity prices."

We believe working hours should be left to agreement between employer and employee parties directly affected."

One mining source said mining was almost the only sector where the permissibility of Sunday work was dictated by law.

NUM assistant general secretary Marcel Golding said yesterday the union was not averse to negotiating changes to legislation. The key was that any arrangements be made through negotiation. But the union was firmly opposed to the Minster's discretionary powers regarding Sunday work. "Bartlett has gone beyond a previous agreement to negotiate any alterations with us. We wrote to his department, asking to be consulted, and our letter was not replied to. His surreptitious Lorraine decision will cause confrontation."

In the Harmony case, management and the union negotiated an agreement on matters such as working hours, health and safety and wages before the NUM supported the Harmony application.

\[\text{To Page 2}\]

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Mining ban

The MWU said the decision would place "a murderous burden on workers", and hinted that it might try to prevent implementation of the plan. SAPA reports, "The decision does not mean that Sunday production may continue, because an agreement must first be reached with the union to change existing labour practices."

"Bartlett and senior departmental officials were unavailable for comment on the Lorraine matter. However, Government Mining Engineer Jan Raath confirmed government was aware of the question of Sunday work was under discussion in a committee of the mining summit - the industry's tripartite negotiation forum."

JONO WATERS reports that at the opening of the mine, Finance Minister Derek Kews said on SA could expect growth in the primary and manufacturing sectors, the economy would not achieve the high growth rates it needed. Economic growth had been low in the past decade and whatever expansion had occurred had been "suspect". Half the growth had been created by the increased use of general government and the other half through financial services and property. Even though mining grew smaller as a contributor to the economy, it was still of fundamental importance to SA. The mine will cost in excess of R1.5bn. It will employ 5,000 people and earn R60m in foreign exchange a year."

\[\text{From Page 1}\]
Gold Fields FM 22/11/93
Base metals still down

After sketing on thin ice for much of last year, base metal prices plunged in the December quarter. That left Gold Fields’ base metal producers facing another arduous year, despite the renewed weakness of the rand against the US dollar.

Gold Fields executive director John Hopwood says prices were supported in the September quarter by market manipulation and speculative buying, but the fundamentals of weak demand, oversupply and excessive stocks reasserted themselves in December.

Some analysts see little prospect of increases in dollar base metal prices over much of 1993, with leading world economies still battling to emerge from recession. Any recoveries in commodity prices look likely to be capped by additional sales from the Commonwealth of Independent States (CIS), which still seems intent on earning hard currency at the expense of profits.

Average value of the rand dropped 7% to US$1/R2.97 in the December quarter, from $1/R2.77 in the September quarter. The rand copper price received dropped 5.8% over the same period while lead was 20% down and zinc 14.7% lower.

The drop in the lead price was catastrophic for Black Mountain and Gold Fields Namibia (GF Namib), while O’Kiep Copper is reeling from the lower copper price and the damage to the mine caused by the backfill accident on November 14, when four miners were killed. The full extent of the damage has only now been revealed. The mine was effectively closed for a month and it’s going to take most of this year to get production back where it should be.

O’Kiep, not surprisingly, passed its dividend, as did Black Mountain, which shunted to a R7.5m loss in the December quarter.

from a R7.1m profit in September, it made a R500 000 profit for the year. Black Mountain’s financial results are particularly disappointing because this was an excellent production quarter for the Northern Cape mine.

GF Namib lost R4.4m (previous quarter R7.2m profit) but finished the year with profit of R10.7m. After capex of R9.75m, it had R1m available for distribution, but is paying R2.4m in dividends, which, given the grim outlook, seems unduly generous.

Cash retention is normal in these market conditions, especially for a group as conservative as Gold Fields. GF Namib director Richard Robinson says much of the dividend will be funded by a reduction in working capital.

Financial effects on Gold Fields will be limited. Group income is dominated by gold, which accounted for 57% in the year to June, with other minerals contributing only 5%. Most of that came from Zncoer and Gold Fields Coal, which in 1992 paid dividends only marginally lower than in 1991. Black Mountain and GF Namib passed their dividends in 1991.

Brendan Ryan
LYDENBURG EXPLORATION

Taking it on the chin

Activities: Mining exploration
Controls: Old Mutual 34.5%, Lydenburg Platinum 20.9%
Chairman: E P Bieber
Capital structure: 124.3m ords Market capitalisation R24.8m
Share market: Price 20c 12-month high, 60c, low 13c Trading volume last quarter, 500,000 shares

Year to Sep 30 89 90 91 92
Exploration Exp (Rm) 3.3 3.7 9.1 0.6
Cash available (Rm) 20.2 14.2 16.7 16.4
Earnings (c) 80.5 (2.0) (2.7) (2.6)
Dividends (c) — — — —

Holdings of exploration stocks have shed many a tear while watching the value of their shares dwindle over the past few years, and there is little comfort for Lydex shareholders in the latest annual report. Faced with the certainty that there will be no developments on most of its gold projects over the next five years, Lydex has written off R37m in capitalised mineral, subscription and participation rights. That represents the value of cash spent and shares issued to take up those rights.

Chairman Peter Bieber says "Given the outlook for new, deep-level gold projects, we felt it was better to take it on the chin now and make these provisions. Should there be any developments in the longer term, we would write back the value of the rights, but it's unlikely anything will happen within the next five years."

Lydex is fortunate in that its financial position is strong. It is about to start receiving earnings from Project Pluto — the treatment by East Rand Gold and Uranium (Ergo) of the slimes dams that Lydex acquired from ERPM. Bieber expects Lydex to earn about R40m over the next four years as its share of profits from the treatment of these dumps. It is already earning revenue from the 54A/8 dump being treated by Benons Gold Holdings.

These cash cows mean Lydex will be able to survive the current tough times and live to fight again once conditions improve in the gold mining industry. When that will be is anybody's guess. "Conditions in the minerals and commodities markets are the worst since 1932 and I don't know how long this is going to last. However, I believe in commodity cycles and Lydex will sit this one out until conditions improve," says Bieber.

The only other asset in Lydex's portfolio being turned to account is the rights that have gone into Anglo American Corp's Moab extension to Vaal Reefs. Lydex had a 9.375% subscription right interest in the farm Cyberfontein 163, which has been incorporated into Moab, giving Lydex a 1% interest.

Bieber points out that Anglo intends listing Moab on the Johannesburg and London stock exchanges when market sentiment is more favourable.

If Lydex sticks to its intention of passing the benefits of new ventures through to its shareholders, there should eventually be a distribution of Moab shares. Shareholders last year received eight Knights shares for every 100 Lydex held, after the sale of the Cason sand dump to Knights for 11.5m Knights shares.

The company is looking to diversify from gold into base metals but is saying little about it now. It is considering three projects, of which Bieber will only identify one. This is the Chalumna heavy mineral sands project in the Ciskei, a joint venture with Malabar Mining. Lydex has a 37.6% beneficial interest. The project has to be re-evaluated after Anglo's decision to go ahead with its Namaqua Sands heavy mineral sands project.

Lydex shares stand at 20c, up from their all-time low of 13c. The counter is in a classic recovery position, but the wait could be long. Shareholders should expect no distribution of income from Pluto because that will all be retained.

Brendan Ryan
Loraine gets government nod for Sunday working

By Derek Tomney

Struggling Free State gold mine Loraine has won government approval to introduce Sunday working.

Sunday mining could make a significant improvement in Loraine's financial situation.

It reported a working loss from gold mining of R4,6 million in the December quarter, down slightly from the R5,3 million lost in the September quarter.

Loraine wants to work on Sundays because it has found some high-grade deposits. The sooner it can develop these and get the ore to the mill, the more chance it has of operating at a profit.

December development results confirm the presence of the higher-grade deposits. Values on the Eldorado reef jumped from 8.5 g/t to 19.5 g/t, giving 1989 cm-gm/t, against 816 cm-gm/t in September.
Anglo American gold mines cut a fine dash

By Derek Tommye (24)

Anglo American's gold mines are showing the world that the yellow metal is still a growth investment.

Together they boosted their available profit by R49.2 million (33 percent) to R202.7 million in the December quarter.

Gold production boss Lionel Hewitt said yesterday the improvements were production-driven and aided by a small increase in the rand gold price. He expected these results to be maintained this year.

Anglo gold and uranium division chairman Clem Sunter is fairly optimistic about the outlook for gold and expects improved demand towards year-end.

The gold market's reaction to sale by the Dutch central bank of 400 tons in the December quarter has been encouraging. Although the volume of gold flowing to the market rose 80 percent to around 900 tons in the December quarter, the gold price has stayed around R350.

This is a sign that the market, especially the Chinese segment, is capable of absorbing fairly large tonnages.

Sunter said yesterday central banks were rational and would not want to push down the price and devalue the rest of their holdings.

He expected an improvement in the price towards the end of the year as the US economy and jewellery demand picked up.

Improved profits at the mines have resulted in several increased dividends.

Elandsrand is paying a final of 30c which, with the interim, makes a total of 60c for the year (30c last year).

Afriskander Lease is paying 17c (12c) and Vaal Reefs is paying a final of 610c, making 1110c for the year (1035c).

Southvaal is paying a final of 140c, making 235c for the year (250c).

Western Deep is paying an unchanged final of 210c after cutting its interim from to 100c from 180c a year ago to make a total payment of 510c (390c) for the year.

Shareholders are not the only ones to benefit from the improved results.

In terms of the group's profit-sharing scheme, R25 million was paid out in bonuses, representing an average increase of 4.25 percent over and above the wage and salary awards made in the middle of 1992.

A feature of the quarterlies was a marked improvement in profits at Freegold, the world's largest gold mine. It increased production to 28,593 kg from 28,227 kg in the September quarter.

Pre-tax profit rose from R106.6 million to R154.0 million, while taxed profit rose from R94.9 million to R124.2 million.

The improvement in production was spread across the board, said Hewitt. He said there was no reason to expect that production this quarter would be any different from the December quarter.

He believed the mine should be able to maintain this rate of production for the foreseeable future.

Vaal Reefs, the group's biggest Transvaal mine, had consolidated taxed profit of R163.9 million - a 22.8 percent increase on the R133.3 million earned in the September quarter.

Production rose from 18,870 kg to 18,915 kg, while working costs fell from R24,380 to R24,183 a kg. Pre-tax profit was R109.6 million (R147.3 million).

Western Deep Levels, whose operations were affected by seismic activity in the first half of the year and later by an underground fire, earned R99.7 million (R74.3 million in the September quarter).

The mine is back to normal production levels, but the grade is less than hoped. But there are encouraging signs of improvement.

Ergo, which operates a dump-retreatment plant, had a profit of R18.1 million (R11.7 million).

Southvaal reported taxed profit for the year to December of R74.4 million (R65.7 million) and Elandsrand earned R68.2 million (R59.9 million).

Elandsrand is planning to increase the capacity of its treatment plant from around 190,000 tons a month to 200,000 tons a month.
Profits surge at
Anglo gold mines

From MADDEN COLE

COST reduction, combined with a higher gold production and the cushioning provided by hedging, pushed up Anglo American's gold division's available profit by 33% for the December quarter.

Net profit increased to R202,7m (R182,3m) with gold production reflecting a 3% rise to 66,399kg (65,106kg). Average revenue for the quarter was 3% higher at R244,406 kg (R238,011kg).

Average unit costs dropped 1% to R26,367 kg (R26,671/kg), and working costs were contained at R1 702,1m (R1,736,4m).

Capes amounted to R292,4m (R293,8m).

Gold division chairman Cliff Suter described the quarter as satisfactory and as "a good New Year's gift to South Africa."

At Anglo Gold, Hewitt and Freegold had reported an improved performance across the board, with only two shafts not covering full costs.

Total gold revenue's increase to R600,5m (R596,6m) was production driven — production rose to 183,950kg (23,257kg), assisted by a 3.7% increase in revenue to R24,315 kg (R23,144/kg).

South Region's gold production of 15,380kg (14,906kg) was the highest recorded since the merging of the Freegold operations, Hewitt said.

Freegold came through the holiday season 'quite well' and was back to full production. Production should be maintained for the foreseeable future.

In the past 18 months the mine had been "cutting out" marginal ore, but No 1 shaft with better...
Worldwide gold demand on the up

From JONO WATERS
Johannesburg — Worldwide gold demand was expected to increase by 4% to 2.634 tons in 1993 from 2.521 in 1992, the World Gold Council said in the first edition of its Gold Demand Trends.

The prediction is based on figures up to September last year.

Total demand for jewellery in 1992 was 1,530 tons compared to 1,444 tons in 1991, industrial gold demand was set to rise 12.4% to 270 (247) tons and demand for gold coins fell 57% to 65 (110) tons.

Gold demand for jewellery continued to grow, with consumption up in the third quarter at 514 tons higher than the same period in 1992.

The council said gold demand for jewellery in Asia which it defined as Hong Kong, Taiwan, Singapore, South Korea, Indonesia, Malaysia, Thailand and Singapore up 306 tons to 1,304 tons.

Jewellery sales in Singapore were down 30% to 189 tons.

Taiwan is the largest market for gold in the world, with 2.585 tons in 1992, but demand for the third quarter had already surpassed the high level of 1.300 tons.

Sales in Hong Kong were up 59% to 276 tons.

Singapore was the only country in Asia where sales were down, by 30% to 260 tons.

The US remained strong and in the May to July period last year, sales reached an all-time high.

Sales of gold coins increased sharply in the third quarter to 438 tons compared to 314 tons in the same period last year.

Total sales for the first three quarters amounted to 2,114 tons at the end of 1992.

The report said the IMF placed central banks' gold reserves at about 20,000 tons at the end of August last year. Reserves had declined by 2% since the end of 1991.

But analysts are reluctant to forecast future Chinese buying because of a fluctuating gold price, persistent problems in trying to predict China's economic performance and the absence of a trade body in the country to record import-export figures.

They said China, due to rising personal incomes, had the potential to become the world's largest consumer.

Gold demand for jewellery in the developed countries, which comprised the US, Japan, France, Italy, Germany and the UK, fell to 374 compared to 386 in the first three quarters of 1992, when compared to the same period in 1991.

Japanese demand

The Japanese market was in Japan, where demand fell 17% to 752 tons, and demand in the UK dropped 9% to 25.01.

Japanese sales were level in the US, 8% in 1992, and the fall in demand was attributed to retailers' reducing stocks.

The US recorded an increase of 4% to 153 tons and demand from France grew by 4% to 257 tons.

Jewellery sales in Japan were up 5% in the third quarter.

The May to July period last year saw sales reach an all-time high in the country.

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Gold demand set to grow by 4% this year

WORLDWIDE gold demand was expected to increase by 4% to 2,635 tons in 1992 from 2,561t in 1991, according to a report by the World Gold Council and the first edition of its Gold Demand Trends.

The prediction is based on figures up to September last year.

Total gold demand for jewellery in 1992 was forecast to rise 9% to 2,300t from 2,111t in 1991, while industrial gold demand was set to rise 1% to 270t (267t) and demand for gold coins was set to fall 57% to 68t (150t).

Gold demand for jewellery continued to grow in the Far East with cumulative sales in the third quarter 344 tons higher than the same period in 1991.

The council said gold demand for jewellery in Asia, which is defined as Hong Kong, Taiwan, Thailand, Malaysia, Singapore and South Korea, rose 23% to 322t in the first three quarters of 1992, while demand in China, a category on its own, rose 58% to 154t.

Demand in Asia grew mainly in Singapore (up 79%), Thailand (up 73%) and Taiwan (up 43%).

Demand in Asia grew mainly in Singapore (up 79%), Thailand (up 73%) and Taiwan (up 43%).

Taiwan is the largest market for gold in the Asia with 119t in 1991, but gold imports to the third quarter had already surpassed this figure by one ton. Strong growth of gold imports to Taiwan, in part, reflected the lifting of the ban on gold exports on August 1.

Saga-Reuter reports demand for gold for jewellery accounts for three quarters of manufacturing buying. While gold demand in southeast Asia is flourishing, the new market unleashed in China by economic and legislative change appears to be voracious.

But analysts are reluctant to forecast future Chinese buying because of a fluctuating gold price, persistent problems in trying to predict China's economic performance and the absence of a trade body in the country to record import-export figures. They said China, due to rising personal incomes, had the potential to become the world's largest consumer.

Gold demand for jewellery in the developed countries, which comprised the US, Japan, France, Italy, Germany and the UK, fell by 3% to 398t in the first three quarters of 1992 when compared to the same period in 1991.

The largest drop was in Japan, where demand fell 17% to 75t and demand in the UK dropped 9% to 23.9t. Japanese sales were level with 1991, and the fall in demand was attributed to retailers reducing stocks.

The US recorded an increase of 5% to 153t and demand from France grew by 4% to 28.7t. Jewellery sales in the US remained strong and in the May to July period last year, sales reached an all-time high since data collection started in 1985.

Sales of gold coins increased sharply in the third quarter to 19.8t compared to 5.4t in the same period last year. Total sales for the first three quarters amounted to 41t, up 31% on the comparable period in 1991.

The report said the IMF placed central banks' gold reserves at about 29,000t at the end of August last year. Reserves had declined by 248t since the end of 1991.
Harmony turns loss into a profit

RANDGOLD and Exploration’s Harmony gold mine has turned a third quarter loss of R5.7m into a fourth quarter profit of R5.5m, thanks largely to seven-day-a-week operations.

Harmony chairman John Turner said yesterday Harmony had faced closure until Mineral and Energy Affairs Minister George Bartlett granted permission for Sunday blasting, which began in October.

"With the co-operative attitude adopted by employees and their unions to support voluntary mining, the risk of closure has diminished," he said.

He added, though, that the encouraging results did not mean the mine was out of the woods, and Sunday blasting remained an “integral part” of maintaining profitability at fourth quarter levels.

The ministerial exemption from the requirements of the Mines and Works Act, which forbids Sunday operations, expires on March 8 when it is up for review.

The mine had received the required departmental permission to carry out two-day blasting in areas where this did not affect health and safety standards.

In a presentation at the mine in Virginia yesterday, Harmony’s division GM H Rob-Jan Van Der Merwe said a new 11-shift fortnight and alternative Saturday work (mines nor-

Harmony normally work an 11-shift fortnight) produced an additional 24,4kg of gold and the twice-a-day blasting 523kg, giving a total of 563kg.

Overall tonnage, at 1,667-million tons, was only marginally higher than in the previous quarter (1,654-million tons), with the gains made by concentrating the extra operations in high grade areas. This raised average grade from 3,133g/t to 3,477. The extra 563kg of gold mined was produced at an additional marginal cost of R5.99/kg, compared with the mine’s average working costs of R3.37/kg for the quarter.

Additional savings of R500,000 to R400,000 a month were achieved through unit power costs. Jordan believed this could be raised to R500,000.

Randgold human resources director Richard de Villiers attributed the success of the Harmony survival plan to sound labour relations. He said this was achieved through full disclosure of information to workers and their representatives, negotiations of changes, and incentives such as the mine’s profit-sharing scheme.

Both the NUM and the officials’ associations had supported the change to Sunday work. While the Council of Mining Unions, which includes the Mineworkers’ Union, had not, it had not attempted to prevent members volunteering for Sunday work.

JONI WATERS reports that Harmony’s turnaround resulted in an after-tax profit of R5.7m in the December quarter for the Randgold group, compared with a loss of R5.5m in the September quarter.

The group increased gold production to 10.6 tons (10.4 tons) and combined tonnage from underground and surface operations rose marginally to 3.4-million tons.
Sunday shift swings mine into profit

Business Staff
SUNDAY working at Harmony gold mine, together with improved cost containment and a better grade, helped Randgold and Exploration — the new name for Rand Mines — to turn a R6.5 million loss in the September quarter into a R6.7 million taxed profit in the December quarter.

Harmony swung a loss of R5.7 million in the September quarter to a profit of R5.5 million in December.

Mineral and Energy Affairs Minister George Bartlett gave the mine permission last October to blast on Sundays when it was faced with closure. This permission will be reviewed in March.

Harmony chairman John Turner said yesterday Sunday mining operations were a key element in the mine's profitability and its future existence.

Gold production increased from 4,727 kg to 5,395 kg and the grade improved from 3,195 g/t to 3,572 g/t.

Working revenue increased more than R28 million to R171.7 million.

Costs were R170.8 million, leaving a working profit of R5.5 million.

Gold production at EPRM fell from 1,685 kg to 1,539 kg after a fall in grade from 6.04 g/t to 5.27 g/t, although underground tonnage milled increased.

The working profit was R261,000 (September R4,8 million).

The heavy interest burden of R11.6 million wiped out the profit and sundry revenue of R4.3 million resulted in a loss for the quarter of R7 million (R3.4 million loss previously). Durban Roodpoort Deep produced 1,922 kg (1,197 kg) of gold and earned R45 million (R47 million). Working profit was R1 million.

Profit after a larger tax bill was R923,000 (R1 million previously).

Byvooruitsig had a working profit of R3.7 million (R500,000) following a small increase in gold production.

Taxed profit rose from R1.5 million to R4.3 million.

Rambow Chickens is to report a significant loss for the year ended March 31, 1993, and no final dividend will be declared.

In a cautionary announcement to shareholders, Rambow said Hunt Leachars and Hepburn Holdings would take over the management of the poultry group with immediate effect.
Randgold soars back into profit

JOHANNESBURG. The Randgold & Le Peilhan group turned a R5m loss in the September quarter into a profit of R87m on revenue of R270m, an increase of 141% over the previous year.

The increase in profit was due largely to the group's cost containment measures taken in the December 1992 quarter.

Harmones, the group's chief executive, said that Randgold's cost containments and management measures had led to a significant improvement in the group's performance.

Harmones said that Randgold's future performance would depend on the future existence of the tax bill.

Tax bill

The tax bill is a significant concern for Randgold, as it affects the company's bottom line. The tax bill was raised to R20m, from the previous quarter's R15m.

Randgold's management is currently assessing the impact of the tax bill on the company's financial performance.

Randgold's revenue for the quarter was R270m, up from R200m in the previous quarter. The group's profit before tax was R87m, compared to a loss of R5m in the previous quarter.

Randgold's management is optimistic about the company's future, with plans to expand operations and increase production.

Randgold's shares are up 10% on the news of the company's performance.
Randgold turns scarlet into black

By Derek Tomney

Sunday working at Harmony gold mine, together with improved cost containment and a better grade, helped Randgold & Exploration — the new name for Rand Mines — to turn a R6.5 million loss in the September quarter into a R6.7 million taxed profit in the December quarter.

Harmony had a profit swing of R14 million — from a loss of R5.7 million in the September quarter to a profit of R8.5 million in December.

Minister of Mineral and Energy Affairs Barry Schabir granted the mine permission last October to blast on Sundays when it was faced with closure. This permission will be reviewed in March.

Harmony chairman John Turner said yesterday Sunday mining operations were a key element in the mine's profitability and its future existence. To remain profitable, grade and production must stay at current levels. Sunday operations beyond March 1998 were integral to this.

Gold production increased from 4727kg to 5306kg and the grade improved from 3.18g/t to 3.57g/t.

Working revenue increased more than R20 million to R177.3 million.

Costs were R170.8 million, leaving a working profit of R6.5 million.

Gold production at ERPM fell from 1685kg to 1639kg after a decline in grade from 6.84g/t to 5.27g/t, though underground tonnage milled increased.

The working profit was R261.000 million (September, R4.8 million).

The heavy interest burden of R11.6 million wiped out the profit, and sundry revenue of R4.3 million resulted in a loss for the quarter of R7.0 million (R3.4 million less previously).

Durban Roodepoort Deep produced 1363 kg (1197 kg) of gold and earned R45 million (R47 million). Working profit was R1 million.

Profit after a tax bill was R163 million (R1 million previously).

Blyvooruitzicht had a working profit of R3.7 million (R500.000) following a small increase in gold production. Total profit rose from R1.3 million to R4.3 million.
Randgold turns in mixed results

RANDGOLD’s Harmony and Blyvooruitzicht (Blyvoor) mines produced good results in the December quarter, but poor performances by Durban Deep and ERPM marred group results.

Harmony managed a turnaround to an after-tax and capex profit of R8,46m from a loss of R6,1m in the September quarter, while after-tax and capex profit at Blyvoor nearly doubled to R2,61m (R1,42m).

Durban Deep slipped back into the red, reverting its R369,000 after-tax and capex profit in the September quarter to a loss of R414,000. Losses at ERPM resulted in the mine’s total debt topping R500m.

Harmony’s yield increased to 3,57t/g (3,12t/g previously), costs a kilogram dropped to R31,899 (R36,900/kg) and revenue increased to R32,588/kg (R26,694/kg).

Chairman John Turner said the results reflected the effect of rationalisation and productivity plans. “In order to maintain profitability, grade and production must remain at current levels, and Sunday operations beyond March 1996 are an integral part of that.”

<p>| RANDGOLD*  |</p>
<table>
<thead>
<tr>
<th>December Quarter</th>
<th>Tons milled</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Price profit R1000s</th>
<th>Profit after capex R1000s</th>
<th>EPS after capex cents</th>
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<td>(6,059)</td>
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</tbody>
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* Operating results from underground operation only

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

NEW THE JOY OF SAX

SEE FOR YOURSELF
Mines have good quarter

From JONO WATERS

JOHANNESBURG — Gold mines in SA had benefited from the increased rand gold price and higher grades which led to a satisfactory December quarter, analysts said yesterday.

Fergusson Bros, Hall, Stewart and Co analyst Trevor Pearston said it had been an acceptable quarter and showed that the industry was in good shape. "This indicates that the industry is hell bent on survival."

The higher gold price saw distributable profit rise to R411m from R344m in the September quarter.

The gold price received by the industry increased 2.7% to R33 126/kg over the past quarter, but the average spot price rose 4.2% to R32 367/kg. Pearston said this showed the extent of hedging.

The 2.1% increase in grade in the industry to 5.41g/t offset a 1.2% fall in tonnage milled to 26.6 million tons. Gold production rose 0.5% to 145 tons.

Frankel Max Pollak Vinderine analyst Adrian Finch said if the rand/gold price improved during the year, there would be more good quarters for producers.

Capex at the mines had risen as expected, but some mines still came in with "fantastic results". Capex in the industry rose R659m to R805m in the December quarter.

E W Balderson analyst Nick Goodwin said the star performer had been Anglo American.

Finch regarded Gengold and Anglo as the best performers. They were managing to increase their grades and contain costs.

Pearston singled out Harmony, Harties and Bestrix as good operations in the quarter, but pointed out the results of ERPM, Deirkraal and Driefontein had suffered.
Gold mines experience good December quarter

GOLD mines in SA had benefited from the increased rand gold price and higher grades which led to a satisfactory December quarter, analysts said yesterday.

Ferguson Bros, Hall, Stewart and Co, which reported it had been an acceptable quarter and showed that the industry was in good shape. This indicates that the industry is hell bent on survival."

The higher gold price saw distributable profit rise to R411m from R404m in the Setember quarter. The gold price received by the industry increased 2.7% to R5318/kg over the past quarter, but the average spot price rose 4.2% to R5257.7/kg. Pearston said this showed the extent of hedging, adding that some of the mining houses held positions that were "running down".

The 2.1% increase in grade in the industry to 8.4g/kg boosted profits. The 1.2% fall in tonnage milled to 26.8 million tons gold production rose 6.8% to 145 tons Pearston said the industry had managed to increase grades for the past three quarters.

Frankel Max Pollak Vindemier analyst Adrian Finch said if the rand/gold price remained as it was, the industry would have more good quarters for four. The mines were increasing pay limits and this was damaging in the long run.

Gillan expected the industry would have the same as the last, except for higher capex. The outlook for the current quarter was positive, said Goodman, even with the gold price static in dollar terms as the rand was expected to weaken further.

Most analysts see the gold price averaging about R1 650 this year as the rand gold was at the weaker mining house executives, who include JCI's Bill Naun and Gengold's Gary Maude, see the rand reaching R590 to the dollar by year end.

Analysts expect GFPSA's Doornfontein to close before the end of the year and an announcement on the fate of Anglovloal's Langley mine. Randgold's debt-ridden ERPM mine would not be allowed to continue operations if it could not stem its losses, analysts said.

Sechold rises to challenge

SECHOLD reported an 18% rise in attributable earnings to R9.5m for the six months to end-December.

The holding group said its four deposit-taking institutions - Securities Investment Bank, Secfin Bank, Irish National Bank and District Securities Bank - had all improved profits under challenging conditions.

Sechold would increase its holding in District Securities Bank to 75% on Saturday Executive management would acquire the remaining 25% of the Bank. 27/11/1973.

The group's income statement showed net income after tax and internal reserves transfers of R9.5m, equivalent to 49.6c (34.4c) a share. The interim dividend rose 7% to 15.5c (14.5c) a share.

The 0.38g/t grade increase at Harmony showed how much of the gain was "Harmony can probably keep this up for the next six to nine months, but cannot go on forever."

Mackay's HoldExited analyst Rob Gillan said Harmony should not bank on making a large profit as government could stop seven-day a week operations. The mine was likely to trim profit in the current quarter and increase capital expenditure.

Capex at the mines had risen as expected, but some mines still came in with "financial results". Capex in the industry rose R65m to R55m in the December quarter.

E W Balderson analyst Nick Goodman said the star performer had been Anglo American, but generally all the mining houses had a good quarter Finch regarded Gengold and Anglo as the best performers. They were managing to increase their grades and contain costs.

Pearson singled out Harmony, Hartley and Behrtrax as good operations in the quarter, but pointed out the results of ERPM, Deekraal and Drakfontein had suffered.

He believed the rand gold price would remain flat in the current quarter with grades not increasing by as much as in the previous quarter.

We will see a lot of marginal variances in the results and there is little potential for dividend growth.

Gillan expected the current quarter to be the same as the last, except for higher capex.

The outlook for the current quarter was positive, said Goodman, even with the gold price static in dollar terms as the rand was expected to weaken further.

Most analysts see the gold price averaging about R1 650 this year as the rand gold was at the weaker mining house executives, who include JCI's Bill Naun and Gengold's Gary Maude, see the rand reaching R590 to the dollar by year end.

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JCI 'unlikely to go it alone'

JCI has been widely tipped to buy a major stake in Johnson Matthey, but SA analysts doubt that it will go it alone on a deal of that size.

To buy the 38% offered by Charter Consolidated, analysts said JCI would have to raise about R50m.

JCI's Rustenburg Platinum Holdings has a long-standing marketing contract with Johnson Matthey. Like Charter and its major stakeholder Monroe, both companies are part of the Anglo American Corp-De Beers Consolidated Mines family.

Analysts said a more likely scenario would be for JCI to take a small stake along with other parties connected to Anglo, which would be able to see the shareholding leave its controlling ambit.

"I don't see how JCI can take on that kind of additional debt, but there are a number of other permutations," said Rene Hochreiter of Anderson Wilson Partners.

Analysts said an offshore rights issue was possible, but such a large placing would be difficult to achieve.

JCI has so far declined to comment on whether it has made an offer for the Johnson Matthey stake. A spokesman said it would issue a statement this week.

Analysts said strict foreign-exchange regulations were a major stumbling block to financing the deal, as were fears of anti-trust legislation in the EC and US.

Dave Russell of stockbrokers Irish & Mauritz Rosenberg Inc. said there were no overwhelming strategic reasons for JCI or Rustenburg to buy the entire stake on offer. Most of the platinum technology and contracts developed by Johnson Matthey for Rustenburg were legally protected.

I have been told Rustenburg considers Johnson Matthey's "future stake".

"There is nothing much in that there are their intensified losing, although they were obviously want to keep the close links," Russell said.

Speculation that the Charter sale, coupled with cash flow needs in Anglo/De Beers, could mean a wider shake-up in the Anglo/De Beers shareholdings was "off track", analysts said.

Analysts said the ANC remained critical of the potential controlling and monopolistic influences of companies such as Anglo.
COMPAANIES

Absa slashes estate agents’ fees

BANKING and finance group Absa yesterday announced a large cut in membership fees for its Multi Listing Services subsidiary, intensifying the battle for estate agents’ computer listing business.

Absa deputy CEO Mike de Blanche said MLS would slash estate agents member fees by 70% from May 1, and offer members automatic access to advanced property administration software, all for R98 a month. Estate agents would also be offered the lease of a PC and printer.

De Blanche said the full computerisation of MLS had made the cut in membership fees possible. However, industry sources said the move was designed to win market share from arch-rival Comprehensive Property Services (CPS).

CPS was backed by most major financial institutions in SA, with the exception of Absa, they said. CPS MD Stefan Swanepeol said he was not concerned by the move, which was a “desperate attempt” by MLS to gain business. “This is the third or fourth cut in fees MLS has made in the past two years. All they have done is bring their fee structure in line with last year.”

Swanepeol said the MLS fee would undercut his company’s, but said CPS was “fully booked for the next six months.” He said CPS’s membership fees ranged from R150 to R250 a month, while the company leased out a range of computer hardware and software for between R200 and R400 a month.

De Blanche said MLS’s service included the electronic processing of bond applications, the earlier registration of the property in the new owner’s name, faster financial settlement to the seller and prompt payment of commission to estate agents.

Telkom joins capital market’s major league

TELKOM has emerged as the third largest player in the capital market, after government and Sascom, with turnover from its market-making activities reaching R16bn in the current year.

Telkom GM Treasury Willie Landman said yesterday most of the funding for 1993/94 had been completed.

About R1.3bn had been sold through the medium-sized TK05 and the TK07 bonds to pay for the TK02 which falls due on March 31. Less than R1bn remained to be funded.

Landman said funding was done in the medium area as this was where the demand was. The area also offered the best opportunities on the yield curve.

Telkom currently has R4.52bn issued in bonds. This was reduced from R7.7bn through buy-back operations and switching out of money market investments into its bonds. Landman said Telkom might issue two new bonds in 1993/94. One could mature between 1993 and 2003 and the other around 2015.

A dealer said Telkom could be considering a high coupon bond in order to make it more attractive to foreigners.

Telkom was also developing an options market in its stock.

Hanson gold-for-coal swap

LONDON — Anglo-American conglomerate Hanson announced yesterday it had agreed to swap the gold assets of its US unit, Gold Field Mungo Co, with the coal and quarry assets of Santa Fe Minerals Corp, which is linked to the US’s Santa Fe Pacific Corp.

Hanson said it expected no significant gain or loss from the trade, which is subject to government approvals. The Santa Fe mines and quarries have a tangible net asset value of about $131m, while the Hanson gold assets have a similar value of $165m.

Among the assets Hanson will receive are Santa Fe’s Lee Ranch coal strip-mine in New Mexico. Hanson said some of those reserves were subject to leases that generated royalty income.

EXECUTIVE SUITE
Crisis management gives harmony in a new lease on life.
CFSA, Anglovialal not on for community Fund

ON FOR COMMUNITY FUND

That's where the operational work is. The CFSA has been working on this for months, and the facility is now ready for operation. The main focus is on the bulk of equipment and the expansion of the mining company in the gold fields.
December gold output shows fall

By Derek Tomney

South Africa produced 1,596 million ounces of gold in December — 75,291 ounces below the November figure.

The decline was to be expected because of production lost over Christmas (214).

But the mines, many of which are struggling to stay alive, clearly did their best to reduce the effects of the holidays, for production was 36,067 ounces, or 2.8 percent, higher than in December 1991.

For the year as a whole, the mines produced 19,563 million ounces — an increase of 339,018 ounces on 1991.

The Chamber of Mines does not specify the value of the output.

But with gold currently selling at around R1,600 an ounce, it would seem that the mines earned an additional R36.1 million in December.
JSE gold shares soar as investors re-rate stocks

(24/11/1994)
Production of gold edges up

JOHANNESBURG.—South Africa's gold production last year gained 1.7% to 668,485 tons from 697,941 tons in 1991, the Chamber of Mines said in a statement yesterday.

However, gold output dropped 4.6% in December last year to 49,734 tons from 52,076 tons in November 1992.

Gold production in December last year was 2.3% higher than the same month in the previous year of 48,122 tons.

— Sapa CT 19/11/93
Platinum outlook poor

EARLY warnings are being sounded that the platinum price may not live up to expectations this year.

The average price of platinum in 1992 was $305/oz and hopes were fueled that it would rise to $400/oz after Johnson Matthey said demand was picking up and supplies not increasing.

Another bullish point was that all new cars in Europe had to be fitted with catalysts from the beginning of January. But most new cars were fitted by August last year and latest information indicates lower car sales in Europe.

However, supplies from SA have generally been increasing with new producers like Northam and PP Ruyst coming on stream. Now Russia's Norilsk Combine has estimated that nickel output at its mines in 1992 was 240 000t compared with 250 000t the previous year (nickel output is directly related to platinum output) that astonished Western analysts who had expected output last year to be about 20% lower.

Moreover, Japan, which consumes 50% of Western platinum demand, is not expected to start restocking until the end of the second quarter.

An indication of the ravages wrought by lower commodity prices last year is shown in the results of Lonrho's platinum producers in their recently released annual reports for the year to September 1992. Western Platinum's after tax profits fell to R81m from R149m and the dividend payment of R97,1m in 1991 was passed in 1992.

The other component of Lonrho's Eastern Platinum, increased its loss to R42m from R32m in 1991.

Implements' stake in Lonrho's platinum producers entitles it to a 27% share of Western Platinum's profits and the passing of the dividend could affect its results for the half year to December which are due to be released on 15 February. Rusplat's results will be released next Wednesday and are also expected to be hit by the lower price of the metal.

Analysts are now expecting the price of the metal to remain flat during this year.
Within the Ithaca Town Hall, the Miner's Choir, directed byBarcode Choir, delivered a powerful and soulful performance. The audience was captivated by the harmonious blend of voices, which soared through the room with a mix of traditional and contemporary songs. The choir's arrangement of classic hymns and modern compositions demonstrated their versatility and skill. Throughout the evening, the choir's members engaged the audience with their dedication and passion, creating an electrifying atmosphere that resonated with everyone present.

The event concluded with a rousing call to action, encouraging audience members to join the Miner's Choir in spreading the message of unity and harmony through music. The Closing Chorus provided a fitting conclusion to the night, echoing the theme of collaboration and collective strength that had woven throughout the performance.
A rescue plan for Joel

By CHERILYN IRETEN

The call for troubled Free State gold mine H J Joel to merge with its neighbour Beatrix has resurfaced.

This time the proposal comes from mining analyst Hilton Ashton of stockbrokers Sentinal, Mouton & Kitchoff.

Joel will be forced to close, without reaching its full potential, unless the gold price increases dramatically, Ashton warns in a research report.

Joel is owned by Johannesburg Consolidated Investment while Beatrix is the most profitable mine run by rival mining house Loncor.

"The mining industry is facing its worst financial squeeze in decades," Ashton says. "Unless the gold price increases to well above $600 an ounce and maintains that level in real terms, Joel will be forced to close and more jobs will be lost. It is in everyone's interest that Joel be merged with Beatrix as soon as possible."

Beatrix and Joel share a common boundary of almost 5km and both exploit the same reefs.

If operations are merged, output will be in the region of 18 tons a year creating a gold mine the size of K Maria.

Joel has been a gold producer since June 1995 but has struggled to reach its potential because of underground faulting, excessive dilution and an inconvertible shaft position.

The mine was initially designed for trackless mining but is now being converted to conventional methods — at great expense.

Ashton reckons the debt build-up in the changeover period will be so high it could take up to 13 years to repay.

"If the gold price remains constant in real terms then Joel is undercapitalised and under-designed to achieve enough cash flow to pay back its outstanding debt and may well have to close in a few years' time."

Shareholders should not expect any dividend before the borrowings are eliminated, says Ashton.

Aside from the reduction in overhead costs, both mines would be able to exploit deeper levels from a single shaft system if operations were merged. Beatrix has already pre-cemented the site for its No 5 shaft and is waiting for an improved gold price to complete the sinking.

An estimated two tons of gold worth around R266 million could be realised just by extending the No 3 shaft, which is already in the boundary pillar Beatrix is already mining on Joel's boundary and could assist in developing Joel's deeper levels.

Tax advantages would flow from bringing forward the use of Joel's tax loss which amounts to almost R2 billion.

At present Joel employs around 700 workers while Beatrix has over 7,000.

A JCI spokesman says there are no moves afoot to merge the two mines.
Arson suspected in Gold Fields fires

Fires at Gold Fields of SA's (GFSA's) mines in the last quarter have been described by management as abnormal, and analysts suspect arson.

However, gold division executive director Alan Munro said GFSA had not discovered any reasons for the fires. "I don't think any purpose will be served by going into the matter."

However, an analyst with sources at the mines said the positioning of the fires had shown human involvement.

"Fires have been lit in areas where no one has been working. They have been lit against dry packs where there is a great deal of ventilation."

In two cases, fires had been lit about 250m apart. "One acted as a smoke-screen for the second fire that had been lit around the same time. When they put out the first fire, they only realised much later that there were actually two fires."

Another analyst said GFSA had to flood working areas to put out the last two fires.

"The pattern indicates there is intelligence behind the fires," he added.

Analysts speculated that the reasons for the fires were as a result of GFSA's refusal to enter into profit-sharing schemes with its workers.
Declining dividend income hurts Zandpan

Zandpan posted a sharp fall in profit for the six months to December as the value of dividends received declined.

The gold investment company reported a profit of R6,2 million (R10,7 million previously).

Income from dividends tailed off sharply from R11 million to R6,6 million.

Zandpan has declared an interim dividend of 4,75c a share.

Earnings were 4,8c a share (3,2c).

Zandpan's main investment is 22 million shares in Hartbeesfontein. The market value of that holding declined from R313,5 million in 1991 to R249,5 million at the end of last year.

Sapa
Two more miners die at Western Deep Levels

ANOTHER two mine workers died and five were injured in a rockfall more than 3km underground at Anglo American's Western Deep Levels mine near Carletonville yesterday.

This brings to 10 the number of workers killed on Western Deep's mines this year.

Last year 63 miners died at Western Deep mines, compared with 33 in 1991 and 58 in 1990.

Anglo American spokesman James Duncan said yesterday's rockfall occurred at 116 level, 3,300m below the surface, after a tremor measuring 3.0 on the Richter scale.

The NUM condemned the "waste of lives" on the mines and said the sooner the independent commission into safety on the mines was established, the sooner the safety problems leading to the "tragic loss of lives" would begin to be addressed.

Duncan said Western Deep Level mines suffered the most fatalities of any mine in SA because of the depth at which mining was taking place.

The problems at Western Deep were

being addressed by providing 100%-backfill on the Carbon Leader reef on its east and west mines. The 100% target had virtually been reached.

On the shallower Ventersdorp Contact reef on its south mine, 15% backfill had been provided. This would be adjusted according to necessity, said Duncan.

In addition, the integrated seismic system had been expanded and upgraded. The computer and geophone-based intelligence gathering device already enabled mines to be alerted to potential dangers. It covered the whole mine and had increased the accuracy of the information available.

However, Duncan said, it was not yet possible to establish in advance where seismic events might occur.

A new slope support system, with hydraulic props of increased density and new lightweight headboards, was being implemented. And backfill was being moved closer to the working face as an added support system.
Zandpan hit by Harties dividend cut

EARNINGS at Anglovaal's Zandpan gold mining company fell to R6.2m in the six months ended December 31, 1992 from R10.7m during the same period last year.

The company, which derives nearly all its income from Hartbeesfontein (Harties) dividends, paid an interim dividend of 4.75c (8.25c) a share on earnings of 4.8c (8.2c) a share.

A statement from the company said earnings dropped as a result of a sharply reduced dividend from Harties.

Income amounted to R6.67m (R11.1m), of which R6.62m was from dividend payments and R48 000 (R415 000) from interest.

Expenditure amounted to R476 000 (R415 000), providing a net profit of R6.19m (R10.7m) as the company was not liable for tax.

The market value of Zandpan's Harties shares on December 31 had fallen to R150m compared with R315m on the same date in 1991.

Net asset value at December 31 was 117c a share.
Anglo considering mining gold in Mali

ANGLO American was in the final stages of a feasibility study to establish a mine in Mali in west Africa which would produce seven tons of gold a year, sources said yesterday.

However, the corporation said it had entered only into an option agreement with a Canadian partner to undertake exploration in Mali. This would result in Anglo earning a participation in any mine that might result from a successful exploration programme and feasibility study.

A spokesman said "The project is in the early stages of development and it will probably be of the order of 18 months before any decision is taken as to whether or not it will be feasible to develop a mine in the area."

The deposit had been known for hundreds of years, sources said. The mine would be open cast with reserves of about 100 tons of gold.

Sources inside the corporation said the project would be low cost and could prove to be more viable than the R1.7bn Moab project launched in October last year.
Low coal prices hit Trans-Natal

TRANSL-NATAL Coal had been hit by lower world steam coal prices despite increased sales, and was expected to report lower first-half earnings, analysts said.

Second-half prospects were poor, but analysts expected interim dividend to be maintained at 23 cents, to prepare shareholders for an expected big cut in the final dividend at the June financial year-end.

"Trans-Natal is having a torrid time," said Keith Bright of Edey, Rogers Co, despite expected increased exports to Europe and improved forward exchange rate cover.

Company exports were 5.5-million tons in the previous first half and it has been pushing hard to find new markets as sanctions against SA had fallen away.

"Managing director Mike Salamon spelt it out in the year-end results six months ago, that it would not be able to maintain earnings this year. The stark reality is that conditions are worse now than they were then."

Analysts said the rand was currently weaker against the dollar — boosting earnings — but was not expected to decline sufficiently in the second half to offset the decline in the dollar price of coal — Reuters.

GENBEL INVESTMENTS

Contrary view

This is a tale of the theory of contrary expectations. At a time when nearly all fund managers are putting as much space between their portfolios and gold shares as possible, the management of Genbel Investments have elected to increase their exposure.

Genbel picked up shares in Kloof, Kinross, Southval, Unisel and Winkelhaak along with an easily explicable exposure in Alusaf. By contrast, it got rid of shares in Engen and a colossal 750 000 shares in Malhold (which explains the higher surplus on realisation of investments of R27m (R6m)).

This is totally contrary to market sentiment, which is that while gold shares have bottomed, fundamentals remain poor. There is a recognition in the marketplace that gold sales by central banks have become a real possibility, nevertheless, the risk of wholesale dumping is heavily discounted. Still, it all adds up to a major supply overhang.

Genbel executive director Peter Cronshaw explains the company's move is related to its perceptions of gold share prices in general, these have underperformed and are now at levels which will yield historically high earnings and dividends.

Having lightened its load in this sector ahead of the last downturn, Genbel has decided to get back into gold mines before other investors recognise the same fundamentals. Cronshaw adds that Genbel's considered view, rather like Minocor's, is that the next cycle to catch will be in resource-oriented rather than industrial sectors.

Meanwhile, the results for the six months to end-December show a mere 2% (11%) growth in distributable earnings and thus, says Cronshaw, was almost entirely due to Genbel following rights in TransAtlantic and successful forward cover on TransAtlantic earnings. These gains more than offset the reductions from Impala and Samancor. Dividend income from its major income source, Unisel, was unchanged at R15m.

Distributable earnings rose to R84m from a comparable R82m in 1991. NAV fell to 591c from 693c a share. With 58% of Genbel's portfolio in commodity or precious metal exporters and little chance of significant improvement in sales volumes and prices, Genbel is expected to do little more than maintain earnings. For the year, manage-

most forecasts at least R25m dividend income from Unisel and earnings in the region of R25m-R27m from TransAtlantic

Marjorie Greg
A cut above

Politics
<table>
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<th>Year Ended</th>
<th>Track Record for Years Ended June</th>
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### 1992 Track Record for Years Ended June

- **Revenue:** [Details]
- **Expenses:** [Details]
- **Net Income:** [Details]

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*Note: The table contains financial data for the year 1992.*

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**For gold hopes??**

- **Genbetsu:** [Details]
- **Gold:** [Details]
- **Trading:** [Details]

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*Note: The content includes a reference to gold trading.*
Gazgold still in the red

INDEPENDENT producer Gazanihulu Gold (Gazgold) remained in the red, making a loss of R295 653 (R309 581) in the December quarter. Gazgold milled 20 784 tons (17 805), but at a lower grade of 2,55g/t (3,57g/t).

Revenue amounted to R33,84 (R12,73) a ton milled against costs of R55,16/t (R110,18), producing a working loss of R1,32/t (R2,55/t profit).

A company spokesman said production was hampered by the lack of available ore reserves.

The introduction of a seven-day working week encountered some problems, but the benefits of this programme should be evident in the next quarter, he added.
US buyers send gold shares soaring on JSE

By Derek Tommey

Gold share prices soared on the Johannesburg Stock Exchange yesterday following a sharp increase in American buying.

Although these shares ran into profit-taking later in the day this did not stop the gold share index closing 29 points or 11,1 per cent higher at 950.

It was one of the biggest single-day rises for several years and represents a R3,8-billion increase in the market value of JSE-listed gold shares to around R33,9 billion.

Yesterday's rise matched the entire capital gains made by gold shares since the start of the year.

However, the market value of all the gold shares still has a long way to go before recovering to the levels of even two years ago when it was R22,1 billion.

Demand was mainly for the 'blue-chip' golds although one or two marginal mines had good gains. Among these were Durban Deep which added 150c to 1300c and Grooteviet which rose 25c to 375c.

Although Stillfontein has ceased underground mining, it showed the biggest percentage gain yesterday with its shares jumping 66 percent from 165c to 275c.

Among the 'super-golds' Western Deep rose 875c to R67,75, Vaal Reefs R17 to R180, Drakes R25c to R55,50, and Kloof 25c to R26,50.

Analysts are a little chary about the upsurge in US demand. Although the world gold price has been rising steadily recently and is now R1028 an ounce (against R530 an ounce at the end of June last year) the rise is not seen as sufficient justification for the huge American buying interest.

'This rise is mainly the result of a fall in the rand's value against the dollar. While this helps producers it reduces the value of dividends paid to American investors,' said Rodney Yaldwyn, gold analyst at Simmons, Hackett.

'There has been no improvement in the dollar gold price. Unless something happens to sustain the rally this collapse, like an empty paper bag,' he said.

'However on CNN Business News yesterday,' said Deon Joubert, chief strategist with the highly respected Absa Bank, and he believed gold was now a good investment.

'This was a repeat of his comment on CNN two weeks ago that the price of gold would rise to $400 as concern over the American economy grew.

'This has not happened. But he is now arguing that the sharp decline in interest rates has reduced the cost of holding gold. This made it much easier to invest in the metal and to show a profit should the gold price improve.'

He dismissed the possibility that central banks would sell gold, arguing that if it paid the ordinary investor to hold gold it would also pay the central banks to do so as well.

With the gold price gaining $3,50 in New York yesterday and reaching 332,50 in Hong Kong this morning — its highest price this month — someone obviously has begun buying the metal.

Metz said the strength of Wall Street in recent weeks was not based on expectations of improved profits but was caused simply by the weight of money seeking investment outlets.

Brokers on the JSE in fact report that the American buying is not being confined to gold shares but is going into good quality industrial shares such as Barlow and Sasol.

American buying of JSE stocks will not bring foreign capital to South Africa as these transactions are being conducted through the financial channel.

But this buying 'is helping to strengthen the financial channel which will improve SA's image overseas,' and will make South Africans feel a little better off.

'This in itself could lead to greater economic activity.'
Gold’s spurt gives new hope to marginal mines

Derek Tommey

Rise in the London gold price to $322 an ounce will give South Africa’s struggling marginal gold mines a lease of life, industry sources said last night.

Dollar price is equivalent local gold price of just under an ounce, which is the highest industry has received in recent times since February 1993.

In August 1990 when the invaded Kuwait and in August 1991 when the Communists copped in Russia did the gold price reach these heights, it is then that these prices were not temporary. In fact, this time the industry is now certain that the current price will hold.

The gold price of R1049 an ounce means a great deal to the marginal mines in the Gengold and St. Kobus Oliver, senior engineer at Helena Grootvlei and would certainly benefit.

St. Kobus Stivens was now an operation and it would not suffer, hence it’s life and would this mining of R1049 has so far been achieved on only one day, the industry is likely to derive considerable benefits from this for some time to come. The higher gold price has triggered considerable forward selling by producers here and overseas and especially in Australia.

This will result in them being able to sell, for several months to come, a substantial portion of their output at the current price of R1040 together with a premium for selling forward. A large number of marginal mines can now look forward to a period of increased profitability and a chance of surviving for another year or so.

In the light of the heavy forward selling, bullion dealers believe the gold share rally has further to go.

If gold rises to around $337 per ounce, who sold gold “short” in the hope that prices would slump would be forced to cover, said a London bullion manager.

Speculators on Comex, the US futures exchange are beginning to buy gold as a result of platinum and palladium’s rally.

Gold fund managers in the US are like “slow reacting wildebeest”, commented Michael Spriggs of Warburg Securities. So despite the recent surge, the gold share rally could continue, he said.

Fund managers have also at last realised that chances of political settlement in SA are good, said another broker.

Gold shares on the London market were on yields of around 15 percent to 18 percent at their lows and following this week’s rise, even yields for foreign investors at 11 percent are far better value than their Australian and North American counterparts, said Mr Spriggs.

With the “double whammy” of an appreciating rand and falling sterling, the Financial Times gold share index has soared by 50 percent from its low point of 60 points in the first quarter of last year.
GOLD prices strengthened towards the upper limit of their recent trading range to touch £330 in London yesterday afternoon, up £2.15 from £329.95 on Tuesday.

The rand's weakness against the dollar thrust the rand gold price to R1 065, its highest level for more than a year and it provided welcome relief to marginal gold mines, whose shares showed the largest gains yesterday.

The rally in the all gold index slowed, but the index finished strongly, up 28 points or 2.6% higher at 1 016.

Market sources said growing optimism about the speed of the US economic recovery had increased confidence across precious metal markets.

Platinum prices hit $370.50 in London and New York yesterday for the first time since November last year.

Sources said it was increasingly clear small US investors had woken up to the value of gold shares, particularly in SA, faced as they were with over-rated, expensive US shares. In addition, local gold shares represented good value compared with industrial counters.

However, the sustainability of the upswing was still in question, although a higher rand gold price would support market confidence.
GOLD SHARES

A sea change?

All that glitters is not gold. At least, that's how the saying goes — which doesn't do much to explain what exactly has been the driving force behind the 13% increase in the All Share index to 1009 last week.

A few analysts point to Clinton's troubled honeymoon. "He lost his way before starting out on the road". Most gold bugs, however, believe it's the "well trodden story" and not a new phenomenon.

Gold shares have undergone severe derating since early 1990 and have now reached relative yield levels last seen in 1970. Though the dollar price of gold has been in a bear trend, depreciation of the rand has resulted in a dramatic divergence between share prices and the rand gold price. Added to this, a stronger dollar allows non-US producers to enter into favourable forward contracts.

So, US-based income and general funds have been buying better-quality high-yielding shares, from which they will benefit most if the finnand discount narrows. Vaal Reefs is a favourite, as are Western Deep, Free Gold, Randfontein, Dres and Angold.

But none of this explains the headlong rush after so many years of near dormancy. "The sea change had to come some time," says one analyst. Improved productivity and cost containment measures together with better than expected quarterly results (and better dividends) have helped.

"When the index is as low as 800, all it takes is one substantial buyer to move it 150 points, which will inevitably cause a bandwagon effect. It's happened before."

But fundamentals for gold remain poor. Gold sales by central banks have become a real possibility though the risk of wholesale dumping is heavily discounted on grounds that not even central bankers want to shoot themselves in the foot. Nevertheless, it adds up to a major supply overhang.

Gold shares should improve short-term. A medium-term An important buffer will be a slow and gradual increase in the dollar gold price to about US$345-$350 by year-end. That's when analysts expect the gold share rally to run out of steam. Moyeza Gregg
Little sparkle at Mid Wits

By Derek Tommey

Mid Wits may have to delay its expectations of substantial profits from its stake, through its subsidiary Saturn, in the new Venetia diamond mine. Saturn receives 12.5 percent of Venetia's profits before capital expenditure.

An interim report from Mid Wits says that Venetia, in response to a request by the Central Selling Organisation, is slowing down the build-up of production. Calculations based on Mid Wits figures show that Venetia's profits rose 67 percent to R37.6 million in the six months ended December.

Mid Wits reports attributable earnings of R33.8 million (9.9c a share) in the six months ended December, against R24.9 million (R7.7c) a year earlier.

An interim dividend of 2.2c (2c) has been declared.

Helping to boost profits were a rise in investment income, a profit on the realisation of investments, the increasing contribution from Venetia, and a drop in tax payments.
China leads upsurge in Asian demand for gold

By Neil Behrmann

LONDON — Asian gold imports surged by 40 percent to 944 tons last year, according to the World Gold Council.

The strong demand is attributed to buoyant economic conditions, a strong cultural affinity for gold jewellery and the trend towards liberalisation of the local bullion markets.

The council, which promotes gold for South African and other international producers, says "This growth in total gold demand continues to be driven by the growing appeal of Chuk Kam, or pure gold jewellery, bought for both adornment and investment purposes."

A large proportion of this gold was routed to China, where total gold demand rose by 47 percent to 226 tons.

Demand in Taiwan is estimated to have risen by 18 percent to 191 tons, South Korea by 44 percent to 74 tons and Singapore by 35 percent to 55 tons.

Domestic Hong Kong consumption (excluding sales to China) rose 27 percent to 57 tons.

However, demand fell by 8 percent to 276 tons in Thailand and by 20 percent to 23 tons in Malaysia. Pro-democracy riots hit sales in Thailand in the first half, while tax changes in Malaysia affected demand there.

Meanwhile, Dubai and Turkey's gold imports jumped 50 percent to 416 tons last year, largely because expatriate workers sent bullion back to India.

Bryan Parker, head of strategic planning at the council, says "We expect to see a continued movement of gold from West to East and steady demand this year."

Mainly as a result of Far East and Middle Eastern demand, the council estimates that worldwide jewellery demand rose by 14 percent to 2,400 tons last year.

Demand remained constant at 267 tons, while purchases of medals and coins fell to 110 tons in 1992 from 173 tons in 1991.

Total fabrication demand worldwide is thus estimated to have risen by 9 percent to 2,777 tons last year. Including bar hoarding, worldwide demand reached a record 3,087 tons.

"For the fourth year running, and despite the worldwide recession, demand for gold jewellery continues to rise," says Parker.

"The price failed to perform because supplies from producers, scrap and central banks matched the demand.""^

Despite the recession, the council estimates that trade purchases of gold in the US, Japan, France, Germany, Italy, Britain, Spain and Greece fell by only 1 percent to 645 tons last year.

Japan was down by 17 percent but demand in the US and Europe was higher, it says.
Glamour mine hits the 100 000-ton mark

By Derek Tommey

In the current troubled economic climate South Africa can boast at least one success story.

It is establishment of Leeudoorn, one of the country’s most promising new gold mines, which has reached a milling rate of 100 000 tons a month.

Dr Anton Rupert, who was guest of honour at a function yesterday to mark the event, said that the Leeudoorn mine was “a golden ray of sunshine through the dark clouds of our present economic climate.”

Leeudoorn is now planning to increase the milling rate to 120 000 tons a month.

Alan Munro, chairman of Kloof of which Leeudoorn is a division, said at the function that while employment was contracting elsewhere, Leeudoorn had created more than 7 000 new jobs, produced nearly 13 tons of gold in its build-up to its present milling rate and was doing this at a profit.

The expansion will provide jobs for a further 1 500 people in the next 18 months.

At the same function, in a reminder to the world that the Rembrandt Group is a major investor in gold, the group’s chairman, Dr Rupert, unveiled a plaque marking the achievement of the 100 000 tons-a-month milling rate.

The Rembrandt group stake in the gold mining industry follows the acquisition of 10 percent interest in Gold Fields of SA in 1987. But following the
take-over of Consolidated Gold Fields (CGF) by the Hanson Group in 1989, Rembrandt together with a number of Gold Fields of South Africa companies and Liberty Life acquired CGF’s shares in GFS.

The Rembrandt group’s stake today amounts to 17.4 percent worth over R1 billion.

When milling reaches 120 000 tons a month gold production should amount to more than 10 tons a year.

Dr Rupert revealed that he had been a gold bug since 1932 when South African “went off the gold standard” and he realised what the true value of paper money was — only a promise to give one new bank note for an old one.

People who delighted in denigrating gold seemed to forget that gold was the one object which was scarce and indestructible. It was cherished and never cast away. It never diminished except by outright loss.

Gold was a hedge against inflation, he said. But not only had it retained its value over the past 400 years but it had increased its purchasing power during depressions.

“I firmly believe that gold may prove to be the only international store of wealth which is not an IOU,”

Mining analysts say that the achievement of a milling rate of 100 000 tons a month should significantly increase Leeudoorn’s contribution to Kloof.

In the three months ended December last year, Leeudoorn milled an average of 82 000 tons a month at an average grade of 9.4 grams a ton. It produced gold worth R73.7 million in the quarter. Working costs were R61.5 million production a profit for the three months of R12.1 million.

The increased milling rate should lift gold production and revenue. As working costs are not expected to rise in line with this, unit profits and total profit should grow quite significantly.
THE Leeuwarden gold mine, a division of Gold Fields' Kloof gold mining company, celebrated its official opening yesterday as the mine reached operational profitability and a target milling rate of 100 000 tons of ore a month.

Kloof chairman Alan Munro said the mine had already sold 13 tons of gold since mining began two years ago. The mine was now running at a profit for the first time.

Leeuwarden employed more than 7 000 people. This would rise to 8 500 next year when it reached a milling plateau of 150 000 tons a month. It should yield about 101 of gold a year.
Gold gurus to gather

LOUIS BECKERLING

PERTH — Gold gurus from around the world are to meet next week to review the outlook of the industry.

The keynote address at the Australian Gold Conference will be delivered by Gold Fields of SA chairman Robin Plumbridge. Gold Corporation of Australia CEO Don Mackay-Coghill will update the case for gold investments he presented at the 1993 conference.

SA Chamber of Mines CEO Tom Mann will present one of four regional perspectives.

Attending a meeting of the World Gold Council that will coincide with the conference will be Anglo American gold and uranium division chairman Clem Suter.

Gold Corporation officials said last night that in the case for gold made in 1990, they had said the metal would re-emerge as an important financial asset, based on economic events in the US, Japan and Germany.

"Mackay-Coghill’s thesis will be that nothing much has changed. If anything, the events in Japan and Germany are worse than we forecast. And while there are signs of revival in the US, that country’s deficit and debt problems are so great that pressure will remain on the dollar. "The upshot is that hard assets will again come to the fore, particularly if you bear in mind that physical demand outstrips supply by about 1,000 tons a year."

"
HARMONY gold mine MD Karl Eck, who played a key role in talks last year which led to an emergency rescue plan being implemented at the Free State mine, has resigned

Eck, 60, will remain with Rand Gold & Exploration, concentrating on managing the group’s struggling debt-laden ERPM, until he retires from the group in August.

He will be succeeded by former Barplats Mining MD Eddie Crocker. Barplats was taken over by Impala Platinum in 1991 and mothballed.

Eck said yesterday he had always intended to retire from Randgold — formerly Rand Mines gold division — at the end of 1993. “I returned from three weeks leave on Monday, and after a meeting with chairman John Turner, it was decided I could best spend my last six months with the group concentrating on ERPM,” Eck said.

Eck was appointed Harmony MD in April 1991, in the middle of a long and difficult process of restructuring at the mine. Harmony employed 35 000 workers in 1991, 29 000 were retrenched in January 1991. The mine now employs 14 000 workers.

Eck said the mine, blighted by its low grade ore reserves and weak gold prices, was “now over the hump” and it was time for new management to be phased in.

MATTHEW CURTIN

The rescue plan has ensured that Harmony, on which the town of Vur- gams is dependent, will stay in business for perhaps as long as two years, in spite of depressed gold prices.

NUM collective bargaining organ Martin Ncol said Eck played an important and helpful role in the intensive talks last year during which management and trade unions thrashed out the rescue programme, involving productivity schemes and a seven-day working week.

Crocker said he was not yet in a position to comment on Harmony’s long-term future, but he said no changes to its current mining plan were envisaged.

The mine remained a marginal producer, and management’s objective was to look after the interests of all Harmony’s stakeholders — including shareholders and employees. Harmony’s experiences showed there was “always room for productivity improvements”, he said.

However, a market source said it was not clear yet whether Randgold and its parent Barlow Rand were committed to keeping Harmony going in the hope gold prices would recover, or whether they were intent on closing the mine down once the rescue plan had run its course during the next two years.
Lonrho/Gencor 'deal' confusion

CONFUSION surrounding the future of Western Platinum, Lonrho's debt-heavy platinum mines, intensified yesterday as the troubled international trading company demurred a report that a deal between Western Platinum and Gencor was imminent.

Reuters reports Lonrho deputy chairman Paul Speer said the report by the London Financial Times - which said Gencor might be about to increase its 27% stake in the platinum mines to 49% - was "purely speculative". He would not comment on whether talks were in progress, but dismissed suggestions, which the Financial Times said had come from a senior Lonrho source, that discussions had narrowed to three options, one involving a deal with Gencor.

Although Gencor and Lonrho spokesmen in SA remain tight-lipped, it is not the first time conflicting accounts have emerged about the future of two partners' relationship in SA. Lonrho said it had walked away from a possible merger with Gencor last year, opting for the involvement of German businessman Dieter Bock.

In contrast, Gencor has argued it was interested only in increasing its stake in Lonrho's SA platinum assets and other African mining interests, rather than any deal involving Lonrho's varied non-mining interests which range from hotels, and vehicle distribution to tomato farming.

Analysts said yesterday the irony of the situation confronting Western Platinum, Gencor and Impala Platinum was that while the depressed platinum market was putting pressure on Western Platinum to lighten its debt-burden, weak market conditions prejudiced the chances of a rights issue succeeding and Gencor/Impala's ability to pay a satisfactory price for an increased share in Western Platinum.

Frankel Pollak Vonderau analyst Peter Davey said Western Platinum was struggling to cover interest payments. The group reported sharply reduced after-tax profit of R149m in 1991/92, and passed its dividend payment, R97,1m in 1991.

Davey said doing a deal with Gencor, as opposed to trying to list the platinum mines on the JSE in their own right or via a quoted mining holding company, would be "the cheapest route out of their troubles".

However, cash-strapped Impala was unlikely to be willing to inject the finance Western Platinum would want. It could argue that investing in Western Platinum was sound in the long-term, but parent Gencor would be required to put up the necessary cash at a time when it faced multi-billion rand capital commitments in Alusaf and the Columbus Stainless Steel joint venture.

Simpson McKee analyst Roddy Yaldwyn said "Both sides are in a pickle."

Guardian earnings rocket 200% Strong demand
Mines seek Sunday work

St Helena, Hartebeesfontein, Lorraine and Harmony mines have applied for permission to blast and do other work on Sundays, Mineral and Energy Affairs Minister George Bartlett said in Parliament yesterday.
20 Joyce Edna Wrankmore—230829 0013 08 0—Hillside 12, Vansweg, Tokai—Joy Edna Mary.
21 Marietta Martin—450709 0012 08 9—Gourmand Street, Scottsville, Kraafontein—Marietta Harriet.
22 Cheryl Williams—570406 0175 08 2—Salle Street, Lentegueur, Mitchells Plain—Shafieka.
23 Sylvia Frieslar—330831 0074 08 7—Tottenham Close, London Village, Mitchells Plain—Salama.
25 Paul Robert Ryder—470212 5595 18 8—Rietfontein Road, Glen Marais, Kempton Park—Paula Rebecca.
26 Alveda Vivian Engelbrecht—670526 0168 08 1—Tempest Slot 20, Rocklands, Mitchells Plain—Inshaaf.
27 Antoinette Leigh Jappe—690506 0246 08 3—Beatrix Road, Manenberg—Aiesha.
28 Magdelena Jaftha—580502 0206 08 9—Jakaranda Avenue, Ashbury, Montagu—Cheryl Magdelene.
29 Keshore Osman—671207 5074 08 2—Flat 42, AEL Building, 15 Thomas Street, Pietermaritzburg—Thahir.
30 Mane Muthu Govender—690517 5374 08 5—P.O. Box 210, Port Shepstone—Daryll.
31 Deon Donovan Andre van Rensburg—710910 5290 08 6—Baywater Street, Sandiago, Eerstevlei—Ashwaan.
32 Andrew Finger—541006 5154 08 6—Avenue, Rushof, Strand—Andrew Anthony.
33 Christan Daniel Swanepoel—471102 5051 08 5—Hill Street, Wannenburghoogte, Germiston—Chriistaan Daniel.
34 Albert Malherbe Scholtz Uys—410116 5006 08 3—P.O. Box 614, George—Albert Malherbe Scholtz Ratings.
35 Paulus Josua Johannes Julius—550604 5065 08 4—Raven Street, Bergsig, Caledon—Paul Josua.
36 Petronella Lourentza Zurch—460202 0031 08 3—Hiddingh Avenue, Newlands, Cape Town—Ronell.

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT
No. 316 5 March 1993
DECLARATION OF A CONTROLLED MINE
AND RISK WORK
I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by
direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as Venetia Mine, on the farm Venetia 103 MS, situated in the Magisterial District of Soutpansberg, Province of the Transvaal, which at present is worked by De Beers Consolidated Mines Ltd, P.O. Box 668, Messina, 0900.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date.

Excavations Any work in underground or open workings

On the surface Any work—

(i) the moving, transfer or handling of stone, rock, ore or other minerals takes place;
(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water;
(iii) on or at waste dumps, ore dumps or slimes dams, except where the materials are being deposited in the form of slimes;
(iv) in drill-sharpening shops or at any other place where drills are sharpened,
(v) in change-houses where persons performing risk work change their clothing;
(vi) where samples of crushed ore or other minerals are graded in a dry state; and
(vii) where rock-drilling is done.

No. 317 5 March 1993

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director, Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as Potgietersrust Platinums Limited, on the farms Sandisloop 236 KR, Vaalkop 819 LR, Zwartfontein 818 LR and Overyssel 815 LR, situated in the Magisterial District of Potgietersrust, Province of the Transvaal, which at present is worked by Potgietersrust Platinums Ltd, Private Bag X2463, Potgietersrust, 0600.

I hereby in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date.

Excavations Any work in underground or open workings

On the surface Any work—

(i) the moving, transfer or handling of stone, rock, ore or other minerals takes place;

namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfesektes in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn.

Die myn bekend as Venetia Mine, op die plaas Venetia 103 MS, geleë in die landdrotsstrik Soutpansberg, provinsie Transvaal, wat tans deur De Beers Consolidated Mines Ltd, Posbus 668, Messina, 0900, ontgin word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk.

Uitgrawings Enige werk in ondergrondse of oop delfplekke.

Bogrons. Enige werk—

(i) waar die verskuwing, oorplasing of hantereng van klip, rots, erts of ander minerale plaasvnd,
(ii) waar die vergrusing, sif of klassifisering van klip, rots, erts of ander minerale plaasvnd, uitgesonderd waar dit onder water geskuwd;
(iii) op of by afvalthope, ertschappe of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;
(iv) in boorslypwerklikse of by enige ander plek waar bore skerpgerak is word,
(v) in kleedhuise waar persone wat risikowerk verkeer, hulle verkleed,
(vi) waar monsters van vergruisde erts of ander minerale in 'n droe toestand gegradeer word, en
(vii) waar rotsboorwerk gedoen word.

No. 317 5 Maart 1993

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfesektes in Myne en Bedrywe, 1973 (Wet No. 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:


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Bogrons. Enige werk—

(i) waar die verskuwing, oorplasing of hantereng van klip, rots, erts of ander minerale plaasvnd;
(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water;

(iii) where pelletising is done;

(iv) at smelt-houses;

(v) on or at waste dumps, ore dumps or slime dams, except where the materials are deposited in the form of slime;

(vi) in drill-sharpening shops or at any other place where drills are sharpened;

(vii) in change-houses where persons performing nsk work, change their clothing;

(viii) in assay laboratories, except in separately ventilated parts thereof where only wet assays are done and no treatment of dry stone, rock, ore, or other minerals takes place;

(ix) where samples of crushed ore or other minerals are graded in a dry state; and

(x) where rock-drilling is done.

(ii) waar de vergrusing, sif of klassifisering van klip, rots, erts of ander minerale plaasvind, uitgesonderd waar dit onder water geskied,

(iii) waar pelletisering plaasvind,

(iv) by smeltreplye;

(v) op of by afvalhope, erts hope of slakdamme, uitgesonderd waar die materiaal in die vorm van sliker gesterort word,

(vi) in boomslypwinkel of by enge ander plek waar bore skerp gemekaak word,

(vii) in kleedhuise waar persone wat nsk werk leedhuise waar persone wat nsk werk verrig, hulle verklei,

(viii) in essensienglaboratoriums, uitgesonderd in afsonderlik geveentelde dele daarvan waar slegs nad ess单位n uitgavoer word en geen behandeling van droë klip, rots, erts of ander minerale plaasvind nie;

(ix) waar monsters van vergrusde erts of ander minerale in 'n droë toestand gegradeer word;

(x) waar rotsboorwerk gedoen word.

No. 318
5 March 1993
DECLARATION OF A CONTROLLED MINE
AND RISK WORK

I, Pieter Jozua Aucamp, Chef Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993:

The mine known as Rietvly Silica Myn, on the farm Rietvly Portion 98 and Rietvly Portion 90, situated in the Magisterial District of Rustenburg, Province of the Transvaal, which at present is worked by Rietvly Silica Myn, P.O. Box 1211, Rustenburg, 0300

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be nsk work with effect from the same date:

Excavations: Any work in underground or open workings.

On the surface

(i) where the moving, transfer or handling of stone, rock, ore or other minerals takes place;

(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, ore dumps or slime dams, except where the materials are being deposited in the form of slime;

(iv) in drill-sharpening shops or at any other place where drills are sharpened;

(v) in change-houses where persons performing nsk work change their clothing;

(vi) where samples of crushed ore or other minerals are graded in a dry state; and

(vii) where rock-drilling is done.

No. 318
5 Maart 1993
VERKLARING TOT 'N BEHEERDE MYN
EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensese en Navoringsdienste, Departement van Nasionale Gesondheid en Bevollmachtiging, handelende in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsekte in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as Rietvly Silica Myn, op die plaas Rietvly Gedeelte 98 en Rietvly Gedeelte 90, geleë in die landroosterskors Rustenburg, provinsie Transvaal, wat tans deur Rietvly Silica Myn, Posbus 1211, Rustenburg, 0300, ontgin word.

Kragtens artikel 13 van genoome Wet verklaar ek hierby die volgende werk by genoome myn met ingang van dieselfde datum tot nsk werk:

Utgrawings: Enige werk in ondergrondse of oop delveplek.

Bogronds: Enige werk—

(i) waar die verskuwing, oorplasing of hanteering van klip, rots, erts of ander minerale plaasvind;

(ii) waar die vergrusing, sif of klassifisering van klip, rots, erts of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, erts hope of slakdamme, uitgesonderd waar die materiaal in die vorm van sliker gesterort word;

(iv) in boomslypwinkel of by enge ander plek waar bore skerp gemekaak word;

(v) in kleedhuise waar persone wat nsk werk verrig, hulle verklei;

(vi) waar monsters van vergrusde erts of ander minerale in 'n droë toestand gegradeer word, en

(vii) waar rotsboorwerk gedoen word.
No. 319 5 March 1993

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as Macalman Colliery, on the farm Macalman 15567, situated in the Magisterial District of Klip River, Province of Natal, which at present is worked by CBR Mining (Pty) Ltd, P O Box 1007, Dundee, 3000.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

Excavations: Any work in underground or open workings.

On the surface: Any work—

(i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated in the mining area,

(ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, coal dumps or slimes damps, except where the materials are being deposited in the form of slime;

(iv) in drill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing;

(vi) in coal laboratories, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place,

(vii) where samples of crushed coal or other minerals are graded in a dry state; and

(viii) where rock-drilling is done

No. 320 5 March 1993

DECLARATION OF A CONTROLLED MINE, AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as Strip Mining CC, on the farm Cheilmsford 87642, situated in the Magisterial District of Newcastle, Province of Natal, which at present is worked by Strn Mining CC, P O Box 3670, Durban, 4000.

No. 319 5 Maart 1993

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevölkingsontwikkig, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsekte in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as Macalman Colliery, op die plaas Macalman 15567, geleë in die landdrosdistrik Kliprivier, provinsie Natal, wat tans deur CBR Mining (Pty) Ltd, Posbus 1007, Dundee, 3000, ontginn word

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk:

Uitgravings: Enige werk in ondergrondse of oop delfplekke

Bogronds. Enige werk—

(i) waar die verskuwing, oorplasing of hantering van klipl, rots, steenkoel of ander minerale plaasvind, sowel as laawerk by ondergeskakte sylines wat in die myngebied geleë is,

(ii) waar die vergroting, sf of klasifisering van klipl, rots, steenkoel of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, steenkuilhope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;

(iv) in boorslywynkels of by ene ander plek waar boere skerpgemaak word,

(v) in kleedhuse waar persone wat risikowerk vermy, hulle verkleer,

(vi) in steenkoolaboratoories, uitgesonderd in afsonderlik geventileerde dele daarvan waar siegels of ontledings uitgevoer word en geen behandeling van droë klipl, rots, steenkoel of ander minerale plaasvind nie,

(vii) waar monsters van verskuide steenkoel of ander minerale in 'n droë toestand gegradeer word, en

(viii) waar rotboorwerk gedoen word.

No. 320 5 Maart 1993

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkig, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsekte in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as Strip Mining CC, op die plaas Cheilmsford 87642, geleë in die landdrosdistrik Newcastle, provinsie Natal, wat tans deur Strn Mining CC, Posbus 3670, Durban, 4000, ontgin word
I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

**Excavations** Any work in underground or open workings

- **On the surface:** Any work —
  - (i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated in the mining area;
  - (ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water;
  - (iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime,
  - (iv) in drill-sharpening shops or at any other place where drills are sharpened,
  - (v) in change-houses where persons performing risk work change their clothing,
  - (vi) in coal laboratones, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place;
  - (vii) where samples of crushed coal or other minerals are graded in a dry state; and
  - (viii) where rock-drilling is done

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**No. 321**

**5 March 1993**

**DECLARATION OF A CONTROLLED MINE AND RISK WORK**

I, Pieter Jozua Aucamp, Chef Director: Forensie and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as Klipfontein Colliery, on the farm Klipfontein 566 JR, Portion 6, situated in the Magisternal district of Witbank, Province of the Transvaal, which at present is worked by Klipfontein Colliery, P O Box 83, Kendal, 2225.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

**Excavations** Any work in underground or open workings.

- **On the surface:** Any work —
  - (i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated in the mining area,
  - (ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water.

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**Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot niskowerk**

**Ungrawings:** Enige werk in ondergrondse of op delfplekke.

**Bogrons** Enge werk —

- (i) waar die verskuwing, oorplasing of hantering van klp, rots, steenkool of ander minerale plaasvind, sowel as laawerk by ondergesikte slyne wat in die myngebied gelei is,
- (ii) waar die vergruswing, sift of klassifisering van klp, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;
- (iii) op of by afvalhope, steenkoolhope of sikkadome, uitgesonderd waar die materiaal in die vorm van sikk gestort word,
- (iv) in boorslypwinkels of by enge ander plek waar bore skerpemakaal vereig,
- (v) in kleedhuse waar persone wat niskowerk verg, hulle verklee;
- (vi) in steenkoolaboratone, uitgesonderd afsonderlik geventileerde dele daarvan waar sleps na onledings uitgevoer word en geen behandeling van droë klp, rots, steenkool of ander minerale plaasvind nie;
- (vii) waar monsters van vergnuisde steenkool of ander minerale in 'n droë toestand gegradeer word, en
- (viii) waar rotsoorwerk gedoen word.

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**No. 321**

**5 Maart 1993**

**VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK**

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsekte in Myne en Bedrywe, 1973 (Wet No. 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as Klipfontein Colliery, op die plaas Klipfontein 566 JR, Gedeelte 6, gelei in die landdrosdistrikt Witbank, provinsie Transvaal, wat tens deur Klipfontein Colliery, Posbus 83, Kendal, 2225, ontsig word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot niskowerk.

**Ungrawings:** Enge werk in ondergrondse of op delfplekke.

**Bogrons:** Enge werk —

- (i) waar die verskuwing, oorplasing of hantering van klp, rots, steenkool of ander minerale plaasvind, sowel as laawerk by ondergesikte slyne wat in die myngebied gelei is,
- (ii) waar die vergruswing, sift of klassifisering van klp, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied,
(iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime;

(iv) in chill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing,

(vi) in coal laboratones, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place,

(vii) where samples of crushed coal or other minerals are graded in a dry state, and

(viii) where rock-drilling is done.

DEPARTMENT OF REGIONAL AND LAND AFFAIRS

No. 312 5 March 1993

AMENDMENT OF THE GUIDE PLAN FOR THE CAPE METROPOLITAN AREA PAARL/ WELLINGTON

Under section 6A (19) of the Physical Planning Act, 1967 (Act No. 88 of 1967), read with section 37 (1) (d) of the Physical Planning Act, 1991 (Act No. 125 of 1991), I, Andrew Fouie, Deputy Minister for Regional Development, hereby amend the Guide Plan for the Cape Metropolitan Area Paarl/Wellington, as made known by Government Notice No. 2192 of 6 September 1991, by changing the designation of a portion of Erf 176, Wellington (Onverwacht), as indicated by approximation on the map in the accompanying Schedule, from “agriculture” to “recreation and tourism” with the emphasis on holiday development and with thorough consideration of the rural character of the environment.

A. FOURIE,
Deputy Minister for Regional Development

DEPARTMENT VAN STREEK- EN GRONDSAKE

No. 312 5 Maart 1993

WYSIGING VAN DIE GISPLAN VIR DIE KAAPSE METROPOOL: PAARL/WELLINGTON

Kragtans artikel 6A (19) van die Wet op Fisiese Beplanning, 1967 (Wet No. 88 van 1967), gelees met artikel 37 (1) (d) van die Wet op Fisiese Beplanning, 1991 (Wet No. 125 van 1991), wysig ek, Andrew Fouie, Adjunkminister vir Streekontwikkeling, herby die Gisplan vir die Kaapse Metropool Paarl/Wellington soos bekendgemaken by Goewermentskennisgewing No. 2192 van 6 September 1991, deur die gebruiksaanwyse van ‘n gedeelte van Erf 176, Wellington (Onverwacht), soos skemasies op die kaart in die bygaande Bylsee aangedui, vanaf “landbouoelendes” na “ontspanning en toerisme” te verander met die klem op vakansie-ontwikkeling en met behoorlike inagterming van die landelike karakter van die omgewing.

A. FOURIE,
Adjunkminister vir Streekontwikkeling
Tree spinach will add some muscle to agriculture

SURROUNDED by rich agricultural land, the FGF Development Centre is assuring agricultural industries to contribute more to the gross geographic product of the Free State.

With its policy of encouraging the greater development of secondary industries, the FGFDC has also made a breakthrough in the production of a new and high yielding food crop with value-added spinach.

Not only will it attract canning factories and food processing plants to the region, its new crop will benefit the subcontinent.

Following an experiment involving researchers, farmers and the FGFDC last year, a tree spinach that is more drought resistant than maize and yields a crop about 10 times greater than ordinary spinach has been introduced.

Although the plant has been popular among South African tribes it was “rediscovered” by Daan Caltz of Pretoria.

CSIR tests found it to have a much higher calcium, lysine, iron, magnesium and protein content and general nutritional value than spinach and maize.

Moreover, says FGFDC MD Dawid Vermeulen, tree spinach is suited for consumption by humans, livestock, poultry and pets and it has medicinal properties.

Last month, Dr. Des Goozen of the farm Golykvlakte harvested the first crop in an experimental project in the Bothaville and Hennenman districts.

Vermeulen says many growers and marketers, some from as far as Zaarbe, have made inquiries, while the FGFDC is investigating marketing channels.

Black businessmen, the mines and Operation Hunger have also shown interest.

Encouraged by the results and response to the first phase, the project is progressing towards establishing a processing plant.

“Tongue where we will play a crucial role and where job opportunities are created for the people in the region,” he says.

Based on the assumption that 30% of the Free State’s almost 3 million people would consume an average of 50g a day, this would create a food processing industry of R50m a year and provide 3,700 jobs in the region, says Vermeulen.

“Time is of the essence and we hope to have a processing plant by year-end.”

Investigations into processing machinery are being undertaken by food processing engineers, including academics from the Pretoria and Potchefstroom universities.

While local experts are designing the processing plant, the Italian-SA Development Corporation and the SA Embassy in Milan are furnishing the FGFDC with information on Italian technology.

FGFDC chairman Ria Vermaak says every effort will be made to establish a processing plant.

“With this phenomenal plant’s potential to solve hunger problems and to create jobs and wealth, the FGFDC will try to maximise its potential not only in favour of this region but for SA as a whole,” he says.

Democracy to be introduced to decision-making process

THE newly-formed Free State Goldfields Development Centre (FGFDC) is democratising the decision-making process involved in attracting new industries to the region.

This is the response of FGF MD Dawid Vermeulen to calls by black business wanting to be more involved in the initiative.

Hopes that new industries in the FGF region will use local black subcontractors and that subcontractors have been expressed by the Thabong Business Chamber.

Chamber chairman Jack Moloi says this is a way of getting their participation and support for broadening the FGF economic base.

He says some local black businesses are more cost competitive than larger firms.

“We can provide builders, electricians, plumbers, carpenters, metal workers and suppliers of goods, some of whom are self-employed, while others are members of syndicated businesses.”

The chamber has about 600 members in Thabong, Kuitwenong and Bronville’s coloured sector.

Members believe they should be involved in any economic expansion, including being offered the option of shares in companies they also want to be kept informed of proposed developments.

And many consider that they too should be considered for development incentives offered by the FGFDC to attract what are ostensibly new white business ventures.

Moloi says they are under the impression that all concessions apply only to white business, and without financial backing, black would be unable to start their own new ventures.

Vermeulen says the FGF will support the informal sector in establishing certain businesses and will consider applications for incentives on the same basis as all other applications.

However, certain white and black business in the tertiary sector are excluded from qualifying for incentives. These include cafés, agencies and traders.

Incentives are primarily for manufacturers, he says.

The FGF has embarked on a programme to invite black and white businesses, organisations and individuals to become FGF members to give them co-ownership of the decision-making process, says Vermeulen.

A helping hand for developing businesses

A NUMBER of local businessmen have expanded or entered into new ventures because of the Free State Goldfields Development Centre’s help in obtaining development incentives.

Since its inception in February as a Section 21 company (association not for gain), the centre has increasingly helped with the successful establishment of small enterprises in the region.

This has been mainly the result of a media advertising campaign and exhibitions at all major agricultural shows, says MD Dawid Vermeulen.

The campaign has resulted in about 150 prospective entrepreneurs showing interest in and a willingness to establish industries in the region.

Last year, five local entrepreneurs were granted five-year incentive packages — believed to be the best available.

SA Gems & Crafts’ Jan Bezuidenhout opted out of his business in the construction industry, and with the assistance of the centre and Welkom City Council established a gem processing plant.

“I am pleased I entrusted them with my problems for today I am a profitable entrepreneur creating more jobs as my business expands,” he says.

Welkom Plastics was another to benefit from the centre’s help, extending its factory and range of plastic products, and Burten Plastics, which exports money bags.

Vermeulen says existing or prospective entrepreneurs are invited to contact the centre with their proposals.”

Striving to promote the many attractions of Welkom

THE Welkom Publicity Association is striving for a more cost-effective and cost-effective publicity effort to promote the attractions and image of the city to investors, tourists and local residents.

Association vice-chairman Johan Smit says cooperation is being achieved through a series of information sessions being conducted with other leading local organisations.

These include the Goldfields Chamber of Commerce & Industries, the FGF Development Centre, and various business organisations.

Chaired by Francois Au-camp, the association’s primary aim is to enhance the image of the greater Welkom area and its inhabitants in particular, to show that it offers a sound working living and business environment.

But it also considers the bigger picture of promoting investment and tourism in the entire Orange Free State.

To capture the interest, support and participation of inhabitants and businesses in Welkom involved in projects if we are to reap the full benefits of such positive undertakings.

Projects include weekend steam train tours, underground mine tours, bus tours, outings to rich bird watching spots, farm holidays, organisations for accommodation for supporters of major rugby matches staged in Bloemfontein and the Goldfields, and paragliding competitions and organising flea markets.

“We are also looking at the possibility of staging seminars for small business people and other projects,” he says.
Strategy to develop a fifth metropolis in SA

INCENTIVES are being offered to business ventures as part of an initiative aimed at broadening the economic base of the Free State Goldfields (FGF).

At the helm is the newly-formed Free State Goldfields Development Centre (FGFDC), whose MD David Vermeulen says the determined aim is to develop this region into SA's fifth metropolis.

The development strategy follows an in-depth feasibility study by management consultants Deloitte Touche, with emphasis on attracting manufacturing industries.

Combining

The scheme is a team effort combining local authorities and community leaders representing all population groups, including business, commerce and industry, as well as Eskom, the Water Board, Telkom and Spoornet.

"The emphasis is to establish wealth creation opportunities and we offer the most comprehensive and attractive incentive schemes in the country," says Vermeulen.

Formally launched in September 1991, the programme centres around the city of Welkom and embraces 12 towns covering an area of 6 000km². Its total population is 500 000 people in urban areas, 256 000 rural people and 200 000 on the mines.

The FGFDC's mission and that of its backers is to broaden the FGF economic base through the establishment of industries that are independent of mining.

Vermeulen says this will be achieved by using a regional approach to multidimensional development and marketing the area's attractive development potential.

"We can no longer depend for our long-term economic future on gold production, regardless of higher prices for the metal. "If we are to create economic growth, job opportunities and social responsibility programmes, we have to widen our economic base.

"This not only includes a development of a sound, larger and varied secondary manufacturing sector, but also a strong informal sector," says Vermeulen.

The FGFDC also intends to encourage industries that are capable of providing goods and services that meet both national and export demands.

Success

Its board of directors are confident of ultimate success as the development region has much to offer wealth creators who invest in the FGF.

They cite its substantial but under-utilised infrastructure, surplus housing and the attractive and well-managed five-year input incentive scheme as some of the main features.

SA's fifth metropolis also boasts an abundance of manpower and highly competitive rentals and property prices.

Feature

"An additional feature is that being only 250km from Johannesburg means we are strategically placed to conduct business throughout the PRV area as well as in nearby Bloemfontein. In fact, we are also very close to the main sea ports, says Vermeulen.

"The FGF is actively aware that maximum support and participation by all population groups and their representative organisations in the region is paramount for success."

For this reason some influential organisations have been consulted and given their approval for the scheme.

DAWID VERMEULEN

He says they include black business organisations such as Nacoco and Faboco the Chamber of Mines, local Sabs-affiliated chambers of commerce and the Afrikane Sakekamer.

Other backers with representation on the FGF are the Regional Services Council and local authorities of Welkom, Vorigra, Onderbaba, Bothaville, Heenen, Allanridge, Bronville, Theunissen, Kolweni, Thabeng, Pomolen, Rietfontein, Nyakalalale, Masilo and Melonqo.

Black groups to play increasingly important role

BLACK organisations are expected to play a leading role in the ultimate success of any new business ventures being established in the Free State Goldfields.

Faboco regional representative James Lenyeheko says black backing will help to create successful ventures and social stability in the region.

Lenyeheko, an FGF Development Centre board member, says this should be an immediate and long-term guiding principle of the FGF.

"While the pace of progress in broadening the economic base depends heavily on macro-economic, political and social developments, local support by trade unions, civic and business organisations is vital."

Reliability

Describing the FGF initiative as "moral", he says sustained local black support would ensure future work force reliability, which is increasingly important when attracting industries and businesses.

"Public opinion of whether the new project may be welcome will also rest on the extent a venture will create job opportunities for blacks over and above that of ordinary unskilled and semi-skilled employees.

Lenyeheko says a continuing public relations exercise would be advisable to inform blacks about promotion and management opportunities.

"As many black organisations and the community as a whole remain unclear on prospects, new investors in the region should be advised to seriously consider the future job aspirations of blacks if they are to succeed," he says.

Development Centre MD David Vermeulen acknowledges that community involvement in the scheme is important. He has established black representation at FGF board level to inform the community of all progress.

Essential

He says many people do not yet fully understand the region's problem, which stems from its total reliance on gold mining, and how essential it is to attract secondary industry.

"However, they are being progressively consulted on the immediate need to develop a secondary sector with wealth-creating and job opportunities for all."
Town planning eradicates problems of older cities

OLDER towns and cities are synonymous with congestion and high rentals, but thanks to sound town planning these features are absent in the main centres of SA's youngest development region, particularly Welkom and Virginia.

When Sir Ernest Oppenheimer planned to develop that region into one of the world's greatest gold producers, he employed London town planner William Backhouse to design the main centre of Welkom.

What has emerged since the 1940s are two modern towns blessed with unusually wide streets and spacious access roads.

Instead of robots they are served by traffic circles, which up to now have proved to be more conducive to traffic flow.

FGF Development Centre manager (development) Karel van der Walt, a town planner by profession, says a major feature of all seven towns of varying populations (see pie chart) is space.

In these modern centres of SA's fifth metropolis no building reaches beyond six-storeys, with the average about two or three.

Another advantage is the lack of variation in rents which, notwithstanding the present office vacancy rate of 10%, says are "much cheaper" than those charged in, for example, Bloemfontein.

With Welkom comprising nine industrial areas, the furthest factory is sited no more than 6km away - or a maximum 10-minute drive from the CBD.

Factories in both towns are medium-sized or smaller, with the largest probably dancing to the Zonnewelt's energetic factory 8km outside Virginia.

However, most are engineering firms which concentrate on servicing the mines. Some of the remainder export their products.

Van der Walt says much progress has been made in other member towns of the development region.

Bothaville is well known for the huge Vetsak/Nalva factory where agricultural implements, tractors, harvesters and trailers are manufactured.

In Virginia, Vesco Plastics is a world leader in the manufacture of plastic bushes and is exporting worldwide.

In Henneman, the Brummer-Milling Company produces a famous flour brand.

In Welkom, Conloa Judges imports a special wood with which it produces huge barrels used in tanneries. These are exported to Europe and Africa.

A new industrial area, Urania, is being developed comprising 270ha with another 400ha in immediate reserve, it is ideal for attracting secondary industries to Welkom.

As part of its overall development strategy, the FGF is to conduct a survey of all factories, commercial enterprises and retailers. "We need to accurately establish their physical aspects, markets, suppliers, numbers of employees and their skills, and to what extent regional businesses support each other.

As planners and with our role to encourage the right type of secondary industry to the region, we need to know not only to what extent they buy elsewhere, but why."

Development attracts international interest

MD Dawid Vermeeulen

Since its launch, the FGF initiative has attracted growing interest, while a Parliamentary co-ordinating committee has decided to visit the area for a first-hand assessment.

To date, Namaqua and Vaal Triangle delegations have visited the region on site-finding missions.

Most encouraging is that the FGFDC has received about 150 inquiries - some from overseas industrialists and international marketing organisations.

Vermeeulen says a cornerstone of the scheme is to expand with minimal reliance on government assistance outside of provision of communication infrastructure such as roads.

Goldfields Chamber of Commerce and Industries president Ian Auret says while there is a more than adequate water supply for bulk mining on the Vaal, a better domestic water supply is required.

"We are negotiating with the authorities for water which can be diverted from the Highlands Water Scheme en route to the FWV," says Auret.

Vermeeulen says that apart from attracting new ventures, the FGF aims to encourage mining houses with local vested interests to diversify into viable and locally-based non-mining operations.

"We see this as a viable opportunity for those organisations which have continued to diversify into different industrial ventures in other parts of the country," he says.
Infrastructural basis for industrial giant

SA CANNOT afford to allow the Free State Goldfields to become a region of ghost towns as there has been far too much investment in its infrastructure.

This is the view of Naflco Central Region president Lemmy Malo, who says that apart from surpluses in infrastructure as a foundation to build an industrial giant, the area has too many other inherent strengths including

- Actively involved city and town councils,
- Labour availability,
- A politically stable environment and,
- Good land readily available for development.

He says the region has “done its homework and has exposed the fact that the broad planning of the FGF is in line with government expectations” for the region.

Local weaknesses — such as the need to re-route the N1 highway from the PWV via Welkom to Bloemfontein — have been brought to the attention of government and are receiving attention.

“The broadening of the economic base to reduce dependence on the gold mining industry is the only logical route to follow.”

The FGF Development Centre (FGFDC) will act as the facilitator to all prospective entrepreneurs.

“I believe the spirit of teamwork and co-operation in the region should be encouraged for it is the only way to future prosperity,” Malo says.
Development body a link with 80

In the Oct. 1953 "Breast Cancer," there is a report on the importance of early detection and treatment of breast cancer. The report highlights the need for increased awareness and preventive measures to reduce the incidence of this disease. It emphasizes the importance of regular mammograms and self-examinations as part of a comprehensive breast cancer screening program.

The report also discusses the role of research in advancing our understanding of breast cancer and improving treatment options. It underscores the need for continued investment in breast cancer research to find new and effective treatments.

In conclusion, the Oct. 1953 "Breast Cancer" serves as a reminder of the importance of early detection and prevention in the fight against breast cancer.
Range of tax-free incentives available for first five years

MANY good reasons exist for businesses and entrepreneurs to invest in the Free State Goldfields region, says FGF Development Centre chairman Rais Vermaak.

The Odendaalsrus-based attorney says many things make the FGF more attractive and lucrative for potential investors than other metropolitan areas:

- A broad range of tax-free incentives for the first five years. These are regulated by the revised Regional Industrial Development Programme to qualifying new industrial developments.
- The most comprehensive variety of incentive schemes available in SA.
- An open-ended approach where the needs of the individual industrialist are negotiated on merit.
- A development centre aimed at broadening the FGF's economic base through the establishment of non-mining industries is available to assist investors, manned by staff who have access to myriad resources.
- City and town councils which finance the development centre.
- Hundreds of industrial plots and unlimited additional industrial land that is readily available.

Vermaak says incentives include up to 100% subsidies for industrial property purchase.

"There is also a variety of free and subsidised municipal services, while the FGF provides financial help for projects and assistance with the establishment of industries."

**Merit**

He says applications for the relocation of manufacturing undertakings from outside the Rand Monetary Area will be considered on merit.

Approved foreign undertakings may also qualify for the reimbursement of relocation costs up to R1m per project.

Other attractive features on offer are that the FGF region has a very central location in the sub-continent.

"A high quality of life with clear, unpolluted air and short travel distances between work, home and recreation facilities add to the value of working and living in the FGF region," says Vermaak.
GENCOR DIRECTORS

Moving on board

FM 5/3/93.

Miklos Salamon is a man with a big future. That’s what Samancor MD Hans Smith believed back in 1989 when he was interviewed by the FM. Smith thought Salamon, then recently appointed to lead Trans-Natal, was enthusiastic, vigorous and grand place.

Indeed he has. Salamon (38) was appointed last week to Gencor’s main board, in addition, and in a curious irony, he was simultaneously appointed CEO of Samancor while Smith, the man who earmarked Salamon in 1989, was moved to the mining house’s new business division.

Salamon is one of three new main board appointments at Gencor, signs of a flexing of the muscles by CE Brian Gilberston. The others are Rob Angel (Engen) and Mike McMahon (Impala).

Hungarian-born, Wits University-educated mining engineer, Salamon has worked his way up the mining ladder since 1975, first with De Beers and then with Anglo American at one of its Free State gold mines. Along the way, Salamon picked up an MBA from the London Business School and then joined Shell’s coal division.

In 1985 he accepted an appointment as marketing manager for Trans-Natal, Gencor’s big coal producer and exporter, finally becoming its MD in 1989 when he was 34.

His rise has been nothing short of meteoric. “He is,” says a colleague, “entrepreneurial and highly-orientated.” That means he’s highly motivated. He is a natural manager.

And it shows in the way he has led Trans-Natal, a company which was addicted to the industry’s traditions, into a new era of modern and dynamic management.

His new position at Samancor, one of Gencor’s most important investments, puts him at the forefront of the development — in partnership with Anglo American — of the Columbia stainless steel project, itself intended to drive SA into the ranks of the world’s top producers.

Double Springbok Mike McMahon (46) MD of Impala Platinum, collected his BSc in mechanical engineering from Glasgow University in 1968 and immediately joined Roberts Construction as a site engineer.

Like all true Scots, he retains his distinctive northern accent along with a cheerful approach and an inclination to dismiss humbug.

 Asked during an FM interview when he was appointed MD of Impala Platinum to confirm his membership of the prestigious Rand Club, McMahon’s response was he understood that was reserved for those with one foot in the grave. This will not have won him friends at the main bar in Loveday Street.

McMahon’s career path has been anything but smooth. With Roberts from 1968 to 1970, he then joined Industrial Heat Engineering for little more than a year before enlisting with Gold Fields for which he worked in various positions until 1973.

Regaining Roberts, McMahon worked as a project engineer in SA before being seconded to a Roberts project in Frankfurt in 1977. McMahon moved to JCI, becoming the group’s consultant in mechanical and electrical engineer in 1981. In 1988, he was tempted into Gencor, probably because of Gilbertson’s earlier translation (though poaching at high level in the industry is, of course, a delicate matter), as the group’s CE of technical services. He was appointed MD of Impala Platinum in 1990.

McMahon is something of a water athlete, though his natural modesty leads him to dismiss his considerable achievements. Taking up rowing at Wemmer Pan, Johannesburg, McMahon’s natural ability and strength were quickly realised.

In 1970 and 1971 he represented SA in rowing fours and was a member of the team that beat the British national team in the 1970 Wyfold Cup race at, of all places, the Henley on Thames.

Transferring his attention later to watercraft powered by wind rather than muscle, McMahon was selected as a Springbok Flying Dutchman class yachtsman to represent SA in the European championships in 1982 at St Moritz. “I am afraid,” says McMahon ruefully, “we competed with no great distinction.”

He concludes the platinum industry has been through a trying time, “But I’m sure we are at the bottom of the price cycle now. Things will get better.” McMahon is confident his company, Impala, will do well — but then it would be strange if he were not.

Engen’s Rob Angel (51) is another contrast. An Australian, Angel holds an honours degree in chemical engineering from Adelaide University and began his career at Mobil’s Adelaide refinery in 1967. Later he worked in Melbourne and was transferred to Singapore in 1975.

In 1978 he became Mobil’s area co-ordinator in New York for Australasia before becoming chairman and MD of the company’s operations in Cyprus. Two years later, in 1981, he became refinery manager of the Coryton refinery in the UK, an operation described by a colleague as being in a “state of comprehensive chaos when Angel arrived to set it straight.”

After a second period with Mobil in New York, Angel took up residence in SA in 1986 and became chairman and MD of Mobil’s SA operation in 1987.

Two years later, Mobil decided to follow the route hallowed by a number of other distinguished American companies and sold its operation to Gencor.

“Angel’s vast experience,” says Engen chairman Bernard Smith, “and his comprehensive knowledge of the oil and energy industries, make him vital to Gencor’s expansion plans.”

Mobil had other ideas and Angel was tempted by offers which he shouldn’t have been able to ignore. It’s possible his decision to remain in SA — and to switch employers — has much to do with his SA wife and commitment to Western Province cricket and rugby, an affection which will be puzzling to many others. But Angel can play it rough too: he is an exponent of Australian Rules football and represented South Australia at cricket.

Between them, it seems Gencor’s trio of new directors will lend an innovative sense of urgency and space to the board’s deliberations
Gold hedging boosts Anglo

By Derek Tommey

Gold hedging by mines in the Anglo American group enabled them to obtain significantly more for their output last year, reports Clem Sunter, chairman of Vaal Reeds, Western Deep Levels and Elandrand.

He says the average spot rand price of gold for 1992 was R31 489 a kilogram, which was two percent below the average price of R32 206 in 1991. However, successful hedging contracts enabled Western Deep to achieve an average price received of R31 333, Elandrand R33 141 and Vaal Reeds R32 978 a kilogram.

Sunter says the companies will continue to sell forward a portion of their gold production.

The average fix for gold last year was $341 an ounce, compared with $362 in 1991.

"Unfortunately, the US dollar remained weak for much of 1992 and the rally in the latter half of the year came too late to compensate for the lower dollar price of gold."
COMPANIES

Mine moves to counter tremors

WESTERN Deep Levels, the Anglo American gold mine where 27 workers died in a series of earth tremors in the first quarter of 1992, has spent at least R37m on a backfilling programme designed to improve the mine’s safety record.

In his 1992 annual report, chairman Clem Suter said “Combatting of seismocities and the general improvement of safety performance at Western Deep will continue to be management’s top priority during 1993.”

In 1992, the mine’s after-tax profit fell 21% to R137m (R177m) Overall capital spending was reduced to R219m (R269m).

A set of poor quarterly reports coupled with the deaths at the mine, knocked the mine’s stock market rating in the first half of 1992. The shares have picked up in recent weeks in line with the recovery in the JSE’s gold board, and closed 125c higher at R66 on Friday.

Frankel, Pollak, Vinderne analyst Joram Pinch said the mine’s prospects were improving as it started to make headway in tackling its rock engineering problems and moved into higher grade areas in its east and west divisions, after encountering disappointing values in 1992.

Gold division spokesman James Duncan said at the weekend that 63% of main mining areas on the Carbon Leader Reef, the deep level ore body mined from Western Deeps’ Number 2 and 3 shafts, had been backfilled at a cost of R37m so far.

He said backfilling, through which underground workings were supported by reinforced bags of tightly packed waste material, was proceeding as fast as the mine was able to train staff to install the supports.

Suter said the mine expanded and upgraded its integrated seismic system to improve the identification of mining areas which needed special attention from rock engineers and mine designers.

He said although injury and fatality rates were higher in 1992 than the year before, fatality rates fell significantly after the first quarter.
Prospects brighter for ailing gold mines as rand crashes

DEREK TOMMEEY

PROSPECTS for South Africa’s struggling gold mining industry have greatly improved. This follows the slide in the value of the rand against the dollar, resulting in the industry receiving what is a near record price for its product.

The rand gold price has been rising steadily for the past six months in the wake of the slump in the rand from around R2.50 to the dollar last August to R3.103 yesterday, almost reaching R3.20 earlier in the day.

The weakness has pushed up the local gold price from around R923 an ounce last August to over R1040 an ounce this month even reaching R1060 an ounce for a while yesterday — equal to an increase of 13 percent in the local gold price in the past seven months.

The current R1040 is noteworthy because it is the first time the industry has received that price without the assistance of a major overseas political crisis.

The only two other times when gold reached such a level were in 1990 when Iraq invaded Kuwait and in 1991 when Russian communists tried to overthrow then-Soviet prime minister Mikhail Gorbachev.

However, those events gave gold only a temporary boost. This time, the high current price is expected to remain — and possibly even rise more as the year wears on.

The current average price is also noteworthy in that it should get many marginal mines out of immediate difficulties.

In the December quarter last year the average price received by the mining industry — including the benefits of forward selling — was R1021.

A continuation of the current price plus benefits from further forward selling could possibly produce an average price this month and next quarter as high as R1100.

The prospect is creating optimism among brokers Martin Lowenthal of Lowenthal and Co. said last night 1993 was going to be a great year for gold shares.

The view was shared by Nick Goodwin of EW Balderson who said the upward move was only just starting. However, he felt a spurt in the dollar gold price was needed if the market were to be set alight.

The dollar gold price reached 329.70 on Friday before falling back to 327.50 last night.

However, the decline is not a matter of concern, bullion dealers say. It probably reflects a build-up in forward sales yesterday as mines took steps to lock in the R1050 price and the forward sale premium as far ahead as possible.
Gengold job cuts

Gengold’s Winkelhask mine near Secunda announced a further downsizing affecting about 700 workers. The retrenchment exercise should be completed by the end of March.
Gold hits new lows as 'SA sells'

LONDON. — European gold fixed at its fourth successive seven-year low at $325.10 per ounce, after New York COMEX April futures fell to lifetime lows on sell stops.

But both London and COMEX gold closed at $326.45, although some analysts predicted a further fall.

Continued forward selling in the physical markets by South Africa undermined an already weak market amid perceptions that funds still favoured gold as a short play, US analysts said.

Floor analysts said sell-stop orders were triggered at $326.90 an ounce in most-active April delivery.

April gold settled off $0.30 at $326.59, up from a new nadir of $325.80 set at midmorning. June delivery also slipped $0.30 to end at $326.10 after scoring a life low of $327.10.

European gold fixed at its fourth successive seven-year low, 40c below the morning fix, at $326.10 per ounce.

Below that $320 beckons and then the psychological clash at $300, analysts said.
Gold conference hears of need to exploit new markets

IF CENTRAL banks sell considerably less gold in coming years than they did in 1992, then the only way the market can balance itself is by gold prices rising to a level at which extra supply is drawn into the market, says Gold Fields Mineral Services CE Stuart Murray.

Reuter reports that Murray, speaking at the Kalgoorlie gold conference in Australia yesterday, said jewellery demand would then be depressed by the "price-elastic effect".

"When this starts to happen, the fundamentals will start to look very important, mutually to speculators and then to investors," he said.

The conference heard that specialists estimated net gold sales by central banks and quasi-official institutions last year amounted to between 600 and 800 tons. Australia produced 600 tons of gold in 1992.

World Gold Council chief economist for the Americas, Richard Scott-Ram said he believed last year's sales were not the continuation of a trend.

It was too early to establish to what extent central bank sales last year represented a large-scale movement towards disposing of official reserves.

However, Union Bank of Switzerland precious metals analyst Andy Smith said it was a question not of whether there would be further sales, but when, how much, and by which method.

-- William Wells and James

EXECUTIVE SUITE
The mine and mineral rights were bought by Rexcor subsidiary RDC for R6.5m — R4m for the mine, R2m on development work so far and a net R500 000 for the mineral rights. RDC has sold these assets to Rexcor for R15m in Rexcor shares, more than doubling the paper value of the underlying asset. Whether that’s justified remains to be seen.

It’s worrying that there is no undertaking by the recipients of the Rexcor shares that they will not sell them for quick profits on the market. Shaff says such an undertaking was not requested because “it’s a free market and people must be able to do as they please with their assets. But these shareholders are fully aware of the underlying value of the operation and are unlikely to sell.”

This is a high-risk venture which could go either way, depending on whether the estimated reserves are there.

Brendan Ryan
Winkelhaak's shaft right on schedule

EVANDER — Gencor's Winkelhaak gold mine says its new No 2a sub-vertical shaft will be commissioned in May on schedule, with the full benefits set to flow by May 1994.

"When 2a is in full production, things will really start to improve at Winkelhaak," GM Johan Louw told Reuters.

Winkelhaak, a mature mine desperate for new payable reserves, was forced to shelf its major No 6 shaft expansion project in 1993 because of the low gold price.

"It was a major setback. Everyone's hopes were pinned on it, so we had to find a way of revitalising the mine instead to sustain production into the next century," Louw told vanguard mining analysts.

The cheaper alternative 2a project would extend the life of the mine by 11 years from now, he said.

Budgeted capital expenditure for the 1 600m-deep development was R41m, 75% of which had been spent already.

He said the expected sustainable grade of at least 9g/t in the new area was way above the average 6.5g/t for the rest of the widely-pread mine.

The new section, which would replace less cost-effective capacity elsewhere in the mine, would enable the mine to produce marginally more than the current 1 000kg of gold a month in the current financial year to end-September 1993 on increased development.

Use of a revamped system of noxious fume extraction would already allow the mine to conduct multiblasting to generate ore reserves at a higher rate, he said.

"With the new ground coming in, efficiency will obviously increase," Louw said.

Winkelhaak, which announced a further cut of 700 jobs in its 8 000-strong workforce this week, mines the Kimberly reef in the Evander goldfield.

It is situated about 140km east of Johannesburg.

Like other mines in the SA gold mining industry trying to combat rising costs and sinking revenue, Winkelhaak is vacating unpayable areas, selecting higher grade reserves and reducing tonnages. Stopping widths in the working areas have been reduced.

"The emphasis is on quality rather than quantity," said Alan Field, consulting engineer for all Gencor's Evander field gold mines.

Louw said Winkelhaak was making major cost savings in its recycling of materials and equipment. It had also introduced a multiskills training campaign to enable workers to do more than one type of job.

Estimated capital expenditure for the current year would drop to R5.7m compared with R20.4m in 1992/93 and R62.8m in 1991/92, he said. — Reuters
It's tons of golden gloom at Kalgoorlie

By JULIE WALKER

St Helena, Durban Deep, Blyvoor and the developing Joel mine are destroyed by $33/oz. Driefontein is the sole representative among the lowest-cost producers, in 10th place at $198/oz. The cheapest, Papua New Guinea's Highlands Gold, produces gold for only $22/oz.

In 1992, 270 tons of gold were produced around the world at a cost below $200/oz.

Marginal

Mr. Main noted that the grade of ore mined had decreased steadily over the last three years from 4.90g/t to 3.97g/t, whereas the number of tons milled had decreased.

The improvement in grade was necessary to counteract rising working costs and declining revenues.

"However," he warned, "the flexibility of many of our marginal mines to further improve grades is limited."

Several of SA's mines are entering a phase of planned closure, while others are merging or entering tributing arrangements with their neighbours in order to make the best of the available resources.

Stiffontein is treating only surface dumps after underground operations ceased a year ago. Control of West Rand Cons passed from Gencor to clean-up specialist Frans Alexander when Gencor could no longer mine at a profit.

Blyvoor has entered a tribute agreement with neighbouring Western Deep to extend its life, and Bracken is in the break-up category.

Mining Journal gives the life of Buffelsfontein's underground operations as about five years. Coes Modder, also a short-life marginal mine, is mining on tribute from Gencor and is expected to reap some benefit from this.

Doornfontein announced that it cannot be restored to profitability and must be closed down or sold.

Ergo stopped gold production at its Simmer and Jack division last June. Grooteveldt and Leslie have a short life, as does Harmony, where extensive cutbacks have been made. Harties and St Helena are short-term.

Absorbed

Kloof recently absorbed Lanisan and Westerport to reduce overheads and save jobs, and there is talk that Kuroos and Winnelsbank could be merged.

Mr. Main said there is as much gold still to be mined as has already been taken out of South African ground, some 44,000 tons. But the prospects of developing any of 15 new deep-level gold mines are on hold until the risk-reward ratio of gold mining improves.
Gold lacks bounce

JOHN CAVILL
IN LONDON

In the big money markets of the West, however, the precious metal is regarded with apathy by investors, apart from the professional traders. Inflation has receded as a factor in investment decisions, equity and bond markets are buoyant, and, in any case, there are shoals of financial instruments -- from swaps to options and crude oil futures -- to offer shelter from any storms. Moreover, these derivative markets are far more liquid and tradable than the precious metals.

Even in a bad period, however, other metals normally have no more than three months' consumption in stocks in the hands of producers or consumers. And weak prices see capacity being mothballed.

In the case of gold, the world's central banks alone have hoards equal to no less than 10 years of 1986's record off-take of 3.657 tons -- estimated by the World Gold Council. The central banks are increasingly looking for ways to mobilize their bullion holdings which, apart from a little interest earned on loans of the metal, represent a massive, sterile 40% of average foreign exchange reserves.

Last year's big sales of 664 tons by central banks -- most prominently Holland, which quietly off-loaded 460 tons, or a quarter of its total, to bring its bullion forex reserves ratio into line with other Europeans -- were the biggest since the 70s.

Now strong arguments are being put forward for further 'activation' by the central banks. The Economist recently pointed out that if all official gold was swapped for gilt-edged securities it would earn more than $20 billion a year.

"In Switzerland (which has 2.666 tons, or 55% of foreign reserves), for example, the 'cost' of holding gold amounts to $550 a year for every taxpayer," said The Economist, which claimed that if central banks were to start all over again they would hold little bullion because they had accumulated the biggest holdings of foreign exchange in the world, keeps just 7%.

The situation produced by history is "ludicrous", according to the Economist. While it agreed that the central banks were unlikely to sell out of their gold even when interest rates were higher than ever, it would be counterproductive in terms of maximizing their assets -- as the Economist reckoned that this was wrong.

This may be overdoing the gloom, even though "facts" on the market can confuse. For example, how much gold was absorbed last year? American Precious Metals Advisers, an offquoted authority, say 3.672 tons; the World Gold Council makes it 3.657 tons.

HOW much went to China, the world's fastest growing market? APMA put the figure at 800 tons, WGC's figure is 950 tons.

It may not matter much. Most analysts reckon China is the main factor supporting bullion and has the biggest potential market. If $500 million Chinese less than half the population, buy just three grams of gold a year which adds up to 1500 tons of bullion.

The technical picture is not promising, especially if $350s fail to prove a barrier, but many analysts are clinging to the "bull" belief that, like a piece of stretched elastic, bullion will rebound.

Not many, however, are prepared to put their heads on a block and name the price at which it will bottom or when that will be seen.
SA's gold mines showed an extraordinary degree of resilience in 1992, overcoming what had been expected to be a dismal year for the industry, Chamber of Mines senior economist Francois Viruly said in the chamber's latest newsletter.

The mines had notched up several record achievements despite difficulties and pressures on the industry. These included:
- Rising gold production, even though tonnage fell,
- An increase in grade, even though one-third of chamber members operated marginal mines providing little scope for increasing yield,
- Working cost increases limited to well below the domestic inflation rate, and
- Increased capital expenditure in nominal terms in spite of pressure on profits.

A similar performance in the future would depend on gold mines being able to contain working costs, he said.

Viruly added that gold's remarkable staying power in the face of all the negatives which had influenced the gold market in 1992, suggested a more positive outlook for gold in the medium to long term.

"Even those who tend to have reservations about gold must concede that the gold price performed relatively well under the circumstances."

Meanwhile, the newsletter also reported that 115,037 tons were sold by the Rand Refinery last year. This brought in R60.8m in revenue and the refinery earned a gross premium of R2.47m on the cons.

The most popular coin size was the one-tenth Krugerrand of which 55,440 tons were sold, accounting for 9.2% of ounces traded. Sales of the 1 oz coin amounted to 50,630, accounting for 9.1% of total ounces sold.
Production on the rise against expectations

TOTAL gold output in SA continued to rise, increasing to 81.9 tons in February from 49.8 tons a year earlier, the Chamber of Mines reported yesterday.

The improvement was attributed to a 1.8-ton increase in gold production by chamber members. Production in February 1993 increased by 2.25 tons over the amended January figure of 49.6 tons. The figure was revised as output from the chamber’s nonmembers was 1.81 tons instead of 84.4kg as reported in January.

SA’s total gold production continued to rise against analysts’ expectations that output peaked for the century in 1992.

The chamber reported that 182 tons of gold was produced in the first two months of this year compared with 90.5 tons in the same period last year.

Total gold production for SA and Botswana in 1993 was revised to 674 tons from the 668 tons reported in January. Output amounted to 598 tons in 1991.

Gold Fields Mineral Services CEO Stewart Murray said at the Australian Gold Conference in Kalgoorlie last week that although the current gold price was little changed in real terms from its level a century ago, gold production, excluding SA, had risen about tenfold.

The increase in output from the traditional producing countries flattened off in 1990 but there have been continuing increases from some of the newer producers in the ‘other’ category such as Indonesia, Papua New Guinea and Ghana.

He said demand had been increasing and if the price remained at current levels, demand would continually grow faster than supply.

To remain profitable at current prices, required either the discovery of many new low-cost deposits or the development of superior extraction technology which could be applied to some existing resources which were uneconomical.

In the longer term, he believed sentiment would again give way to the basic economics of supply and demand. This could see gold once again touching $300 an ounce, Stewart said.

The latest World Gold Council’s quarterly publication Gold Demand Trends said gold demand was expected to rise by 9% in 1992 to 3,077 tons. Jewellery demand, which made up the lion’s share of gold demand, was expected to increase by 14%.
Selective mining spurs gold output

By ARI JACOBSON

SA's gold output increased by about 4.4% in February to 51 900kg compared with January's 49 600kg as gold mines showed that selective mining lowered costs and provided more profits.

The Chamber of Mines' economist Francois Viruly said that this trend was symptomatic of SA's generally improved production performance.

He said that improved production levels had been brought on by the lower gold price which forced mining operations to mine selectively, high grade ore.

Viruly added that the increase in gold output was based on the continuous improvement in the grade of ore milled.

The minerals department said in a statement that the rise in gold output in 1992 was mainly due to an increase in the average grade to 5.4 grams per tonne compared with 5.2 grams per tonne in 1991.

However, export revenue from gold declined by 2.7% to R18.6bn in 1992.

On the fundamentals of demand and supply Viruly also said that supply was on the wane worldwide while demand was expected to rise — driven by demand in the Far East, especially in China.

Viruly mentioned that gold bullion had proved to have "remarkable" staying power in the face of numerous negative factors in 1992 and suggested a more positive outlook for gold in the medium to long term.

The resilient performance of local mines could be maintained in 1993 as long as they continued to constrain working costs, he said.

Viruly pointed out that that working costs had fallen below a 1% increase in 1992, while the inflation rate in that period was measured at about 14%.
Modest earnings rise for Minorco

MINORCO, Anglo American's cash-flush mining and minerals associate, reported a modest 3% rise in earnings before extraordinary items and increased its interim dividend by 6% in the six months ended December 31, 1992.

Earnings before extraordinary items rose to US$0.60 a share compared with US$0.58 a share in the comparable period in 1991. The dividend was increased to US$0.19 (50c) a share.

Turnover amounted to US$608m (US$558m) and Minorco reported pre-tax earnings of US$109m (US$169m). The Luxembourg-based group paid US$17.1m (US$13.9m) in tax resulting in marginally improved after-tax earnings of US$92.1m (US$91.7m).

Minority interests in subsidiary companies brought in US$3.3m (US$3.5m) in earnings before extraordinary items increased to US$101m (US$98m).

Extraordinary losses resulted from the decision to sell the remaining non-agricultural business in US-based Terra Industries, the sale of the remaining WestGold mining operation and the restructuring of the Berail tungsten mining operation in Portugal.

These were offset by extraordinary gains recorded by associates Charter Consolidated — the UK industrial group — and Anglo Earnings after extraordinary items fell marginally to US$99.6m (US$107m).

Chairman Julian Ogilvie Thompson said the company was in a strong financial position with US$1.07bn in cash and short-term deposits.

However, analysts have questioned the pace of the group's transition from an investment to natural resource-based operating company, given Minorco's huge but idle cash bundle.

Minorco and Empresa Minera de Mantos Blancos SA jointly purchased a one-third interest in the Collahuasi joint venture in Chile for US$190m in October last year.

However, the group's offer to buy BP's interest in the Australian copper and uranium mine Olympic Dam for US$456m failed as Western Mining, which had pre-emptive rights on BP's share, announced it would buy the stake.

Ogilvie Thompson said Minorco's healthy balance sheet and continuing efforts to improve the efficiency of its operations had served to protect the company during economically uncertain times which were characterised by weak commodity prices. It would benefit from an improvement in the economy.

In the year ended June 1992, turnover amounted to US$1.07bn and pre-tax earnings stood at US$253m. Earnings after tax and extraordinary items amounted to US$216m equal to US$1.22 a share. Minorco declared a final dividend of US$0.54 a share.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

Bank will still accept BAs

THE Reserve Bank said liquid bankers' acceptances (BAs) would still be discounted by the Bank, in spite of the fact that they had lost their liquid status.

Reserve Bank GM Andre Kok said in spite of notice of the scrapping of liquid BAs in the Deposit-taking Institutions Amendment Act 1993, published in the Government Gazette of March 10, the Bank would "for the time being" continue accepting BAs at the discount window.

"The Act was promulgated last week so legally speaking they (BAs) no longer qualify as liquid assets, but we have always had accommodation arrangements separate from the Act," said Kok.

He added it was likely Reserve Bank Governor Chris Stals would spell out the new accommodation procedures at a meeting with bankers next Wednesday.

The Bank proposed in a discussion document released last June that liquid BAs lose their status at the discount window.
Gold mines now given tax options

Little Room For Hotel Industry

Business welcomes new

dual company tax format

of EID to expose the debt
of the accounts in a
way.

of the accounts in a
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of the accounts in a
way.
RAND LEASES

Dividend in sight

With its January gold grade at 6.7 g/t, compared with the industry's December quarter average of 5.5 g/t, little Rand Leases gold mine has something to smile about. February's figure of 5.99 g/t leaves directors certain they will achieve an initial dividend payment in the next financial year.

The board has been strengthened with the recent appointment of former Altron financial director Neil Davies as chairman. With a predicted average grade of 6 g/t for financial 1993 rising to 6.5 g/t the following year, MD Roger Kebble says the intention is to reduce gearing to low levels ahead of resuming dividend payments.

Formerly controlled by Anglovaal, Rand Leases was taken over by the Severn group in 1986 after an intense shareholder struggle for control with the mining house. Between 1986 and 1991, the Severns managed it on the basis of a traditional underground operation supplemented by an important and novel open-cast venture.

When viable surface ores were exhausted, the company's fortunes declined and its debt burden grew. That gave new entrepreneurs an opportunity and control changed in 1991. Kebble, previously an executive with RUC, the mining contractor owned jointly by Gencor and Murray & Roberts, was appointed last year.

Current operations are predicated on shaft pillar extraction concentrated on the No 11 shaft pillar, where proven reserves are about 750 000 t grading about 8 g/t. That programme received a setback in April when a severe seismic shock extensively damaged the main producing shaft. It has taken the best part of seven months to restore profitability.

Now that has been achieved, Kebble says he is confident the mine's forecasts will be met or bettered. A payment of R1.25m from the insurers has bolstered cash resources.

At 13c (12-month high 30c, low 9c), the share reflects investor concerns with a trailing gold price and dissatisfaction with independent gold mining operations. When the FM last considered this company (Fox May 29 1992), the price was 20c and investors will want to see a few more quarters with solid results before commuting themselves any further.

David Gleeson
NO HELP FOR MINES

Keys is offering gold mining companies the opportunity of choosing to apply a new tax formula. But a senior mining analyst says, "I can't see any reason for a mine to accept, in present financial conditions, there are no real advantages."

Under the formula 49-244/x, which equates effectively to a flat rate of 40%, Keys will also expect companies to pay a 5% tax on dividend distributions that adds up to a combined rate of about 48%.

Under the existing system of formula tax only, few gold mines make large contributions to the tax; only four contribute meaningfully at present gold prices and costs. Driefontein, Kloof, and next year after the effect of the Lebannon and Venterspost takeover works its way through), Hartebeestfontein and Kinross.

An early calculation shows that applying the new tax regime to Driefontein would reduce its distribution to shareholders by 2%-4%. The negative effect declines as the gold price increases.
ERPM asks govt for help

RANDGOLD & Exploration's debt-rudded ERPM gold mine had asked government for bridging finance for two years to meet cash flow requirements, ERPM MD Kapi Eck said at the weekend.

The mine's state interest subsidy of 10% a year expired at the end of last year.

However, government undertook in 1990 to make available a maximum of R330m either as a loan, guarantee or subsidy after January 1 1993.

Eck said the mine, in talks with government since September, had applied for a further loan from government, and its proposal had been presented to Cabinet.

He said ERPM was unlikely to receive another interest subsidy.

ERPM, which owes more than R560m, has made an operating profit in the past four quarters, but this was wiped out by its interest bill of more than R18m a quarter.

The mine, which will be the only gold mine in SA to have reached a century of non-stop operation in May, has pinned its hopes on the Far East Vertical shaft (FEV), for which government had secured loans of up to R250m for its development in late 1986. However, the development eventually cost taxpayers R300m.

Eck said FEV mining operations were going "extremely well," with the recovery grade of 3.8g/ton being in line with expectations. ERPM was given until 2002 to clear its debt. Eck said it had made its first repayment of R10m and would be debt-free by the date set down.
their gold reserves
continue to increase
Central banks will
ERPM in bid for govt bridging finance

Own Correspondent
Johannesburg — Randgold & Exploration's debt-ridden ERPM gold mine had asked government for bridging finance for two years to meet cash flow requirements, ERPM MD Karl Eick said at the weekend.

The mine's state interest subsidy of 10% a year expired at the end of last year.

However, government undertook in 1990 to make available a maximum of R220m either as a loan, guarantee or subsidy after January 1 1993.

Eick said the mine, in talks with government since September, had applied for a further loan from government, and its proposal had been presented to Cabinet.

He said ERPM was unlikely to receive another interest subsidy.

ERPM, which owes more than R500m, has made an operating profit in the past four quarters, but this was wiped out by its interest bill of more than R100m a quarter.

The mine, which will be the only gold mine in SA to have reached a century of non-stop operation in May, has pinned its hopes on the Far East Vertical shaft (FEV), for which government had secured loans of up to R200m for its development in late 1996. However, the development eventually cost taxpayers R300m.

Eick said FEV mining operations were going "extremely well", with the recovery grade of 8.5g/t being in line with expectations.

ERPM was given until 2002 to clear its debt. Eick said it had made its first repayment of R10m and would be debt-free by the date set down.
SA's short term gold investors cautioned

A LEADING unit trust fund manager called for investor caution over the weekend as gold bullion looked set for the umpteenth time to test new heights.

"Short term investors should be wary of gold's sharp rally late last week," says Adrian Allardice, Old Mutual unit trust fund manager.

While gold shares have rebounded creditably on world markets, with the JSE gold board on Friday climbing 62 index points to near nine-month highs at 1,130, Allardice warns that the short-term outlook should be viewed with caution.

He points to among others cyclically depressed jewellery demand and likely gold sales that would dampen the gold price.

Allardice says that the drive for JSE-listed gold shares, prior to the weekend, came from a stronger dollar which inflates local gold revenues, while the run was sustained in New York as President Bill Clinton's economic policies came under scrutiny.

Gold was fixed in London on Friday afternoon at $331.65, up $1.40 on Thursday's fix of $330.25. In New York on Friday, gold closed at $331.65, up $1.20. On Saturday in Hong Kong, the metal closed at $331.75, up $1.08.

Gold Fields' struggling Doornfontein showed the largest gain of 28.5% to close at 90c. Anglovaal's marginal producer Loraine rose 22% to 220c.

EW Balderson analyst Nick Goodwin said the discount between gold shares and the dollar gold price had now closed. Any increase in share prices would be a result of a move in the gold price in dollar terms. "Perhaps a gold bull run is on its way."

He said since the Gold Index bottomed at 742 in November it had risen 53% and the shares could rise further if the mines reported good results in the March quarter.

Frankel, Pollak, Vundine analyst Adrian Pinch said increases in the gold price this quarter would outstrip rising costs, but he said the index was "overheated".

Ferguson Bros Hall Stewart & Co analyst Trevor Pearston said the market had now revalued the gold shares. "However, we could well see a correction in the index back to the 1,000 level." — Business Staff and Own Correspondent
Gold Fields deals close to obtaining green light

MATTHEW CURTIN

TWO MULTIMILLION-rand zinc and gold mining ventures are close to being given the go-ahead by mining house Gold Fields, says chairman Robin Plumbridge.

Plumbridge said yesterday a new gold mine in Ghana or Latin America, or the Gamsberg zinc project in the northwestern Cape, were the most likely new mining projects to which the mining house would give the green light.

He said Gold Fields policy was to have two major ventures “on the go” at any one time to ensure the group maintained “real earnings growth”.

The group had just completed a period of intensive investment, in which it had spent more than R2bn on bringing the Northam platinum mine and the Leeuwenhoek division of Kloof gold mine into production.

He said the Gamsberg mine, near the group’s Black Mountain base metal mine, was the project nearest approval. The zinc deposit was the largest of its kind in SA, but its exploitation had been hindered by the problems of treating Gamsberg ore with the existing refining process.

The final go-ahead for the mine depended on finding solutions to the few technical difficulties in the recovery process.

“Signs are that the second new mine will most likely be a non-SA operation, and could be a gold mine in Ghana or in Latin America,” Plumbridge said.

SA’s geology had been comprehensively documented and new gold mines were marginal at prevailing gold prices, whereas shallow ore bodies in West Africa and Latin America could be more viable.

Plumbridge said countries in these regions offered more attractive tax regimes for new mining ventures than in SA.

Gold Fields had offshore assets and borrowing facilities with international agencies to finance new projects outside SA, an important factor given the restrictions on the use of the financial rand for long-term overseas investment.
Durban Deep mine struggles

JOHANNESBURG — Durban Roodepoort Deep gold mine would continue to struggle in the coming year, chairman JPS Turner indicated in the 1982 annual report.

"The company remains extremely vulnerable to adverse changes in production parameters and the gold price," he said.

The expected depressed gold price would continue to maintain a narrow working profit margin, but was dependent upon improvements in productivity and yield.

The mine's profit fell last year to R376,000 from R1,4m previously, although it produced 17% more gold at 5,467kg.

The government was providing pumping assistance for extraneous water which would continue until March 1984 and no dividend would be paid in this period.

Capital expenditure is limited to R7m in the current financial year, up from last year's capex of R4m, for essential items and development. — Sapa
Solid profits seen for gold mining industry

DEREK TOMMEY
JOHANNESBURG — Gold mining industry profits this quarter should be the best for more than a year, says Nick Goodwin, gold mining analyst with E W Balderson.

Profits for the quarter after tax and capital expenditure could reach R500 million, he says.
This is about R61 million, or almost 14 percent, more than the industry earned in the December quarter.
It is also R100 million, or 25 percent, more than the R399.7 million it earned in the March quarter last year.
Mr Goodwin says that the average gold price for the March quarter this year was R25 an ounce, 11 percent higher than in the December quarter.
This makes the industry’s average gold price for the quarter, including hedging profits, around R1.60 an ounce.

As working costs an ounce are expected to show little change from last quarter’s R819 an ounce, the industry’s average working profit from an ounce of gold should be in the region of R296.
This compares with R211 an ounce in last year’s December quarter, R180 an ounce in the September quarter, R168 an ounce in the June quarter, R210 in the March quarter and R233 in the December 1991 quarter.

Working profit from gold this quarter should be around R1.15 billion — up from R1.03 billion in the December quarter.
Assuming a profit of R25 million from uranium oxide (December quarter: R571 million), other profit of R50 million (December R52 million), pre-tax profits could be in the region of R1.22 billion — up from R1.1 billion in the December quarter.

Mr Goodwin says that at the present gold price, gold shares are fairly valued.
At one time last year gold shares were standing at a discount of about 50 percent to their worth. But their subsequent rise has eliminated this gap.

The future direction of the gold share market will depend on what happens to the dollar gold price.
If this should start to ease, gold shares are likely to decline.
But if the dollar price breaks through the $334 an ounce level, then gold shares could rally strongly.

Mr Goodwin says demand for gold is strong.
But a fear that a central bank might sell gold is making both the gold market and the bullion market cautious.
However, he does not think central bank selling would depress the gold market and the gold price.

Whenever central banks have sold gold in recent times they have done so outside the market in order not to influence the gold price.

Central banks own about 33,000 tons of gold and the last thing they want to see is irresponsible selling depressing the balance sheet value of their gold holdings.
Gold Miners Forecast

Healthier Profit for

BY DEAN TROVEY

A one-year "long-term" gold
price forecast will reflect the
trend of gold prices.

The chart below illustrates the
forecasts for gold prices for the
next five years. The forecasts
are based on the assumption
that gold prices will remain
stable over the next year.

Gold prices are expected to
increase over the next year,
with a steady rise in the
demand for gold as a hedge
against inflation.

Gold prices are expected to
reach $1,200 per ounce by
2024, with a peak of $1,500
per ounce in 2025.

The gold market is expected
to remain strong, with a
steady increase in the
demand for gold as a hedge
against inflation.

Gold prices are expected to
reach $1,500 per ounce by
2026, with a peak of $1,800
per ounce in 2027.

The gold market is expected
to remain strong, with a
steady increase in the
demand for gold as a hedge
against inflation.

Gold prices are expected to
reach $1,800 per ounce by
2028, with a peak of $2,100
per ounce in 2029.

The gold market is expected
to remain strong, with a
steady increase in the
demand for gold as a hedge
against inflation.

Gold prices are expected to
reach $2,100 per ounce by
2030, with a peak of $2,500
per ounce in 2031.

The gold market is expected
to remain strong, with a
steady increase in the
demand for gold as a hedge
against inflation.
Countering gold's reduced contribution

THE declining role the gold industry was playing in the economy called for the adoption of price risk management strategies, Gengold MD Gary Maude said at the weekend.

Addressing a conference in Johannesburg on derivative markets, Maude said gold had lost its status as the country's economic mainstay.

"In 1980 gold earned about 45% of SA foreign exchange. This has declined to about 20% - an equivalent of R20bn in 1991. The central government raised more than 25% of its revenue from the gold mines in 1980. By 1991 this had fallen to below 2%." "Total direct employment in the industry, which peaked at between 500,000 and 550,000 in 1980, had declined to 400,000 by 1991. The SA market share of newly mined gold had also been eroded from 80% in 1980 to below 30% in 1991. "Because of the decline in the dollar gold price since 1980 to its current level below $330/oz, local average industry profit margins have declined from, well above 50% to levels below 25% during the past 20 years." "Maude said investment returns and survival had both become "critically sensitive" to successful" gold price risk management.

Outlining several hedging strategies, Maude said they included forward sales or futures market, put options and minimum-maximum (min-max) strategy. The min-max strategy entails selling a call option and buying a put option.

The programme is usually structured so that the sale of the call option finances the purchase of the put option and that the producer incurs no costs.

He said the foundation of a hedging strategy to be adopted had to be historical dollar gold price graphs - such as rand/dollar exchange rate and rand gold price - as the rand gold price was an important parameter for bullion producers.

He mentioned three "acid tests" to be used to evaluate performance for the producer:

"You have to compare your futures with local currency spot prices, prices received by foreign and local competitors, and do comparisons of real prices with those in other businesses' plans."
3 miners killed in cave-in

Three diamond miners were killed in a freak accident at a diamond mine at Holpan near Windsorton in the northern Cape yesterday. Willem Phil Boshoff (37) and J’s van der Westhuizen (36) were standing on the wall of a prospecting trench being dug by a mechanical shovel, when the earth collapsed under them. When three workers rushed in with shovels to free the victims, another part of the trench wall caved in, burying Boshoff and Van der Westhuizen alive as well as one of the would-be rescuers, Khetelo Giyam (31).
Boost for SA gold mines

Business Staff

The rand gold price jumped R14 to R1068 an ounce last night.

This is its highest price since mid-1991 and is the result of a rise in the London gold price and a slight easing in the rand-dollar exchange rate.

The rand gold price has risen R138, or 14.8 percent, since it hit a low of R930 last August.

Fears that gold supplies could be affected by Russia's critical political situation sparked the London gold price into rising just over $4 to $333.75, its highest since the beginning of December.

Similar fears about Russian platinum supplies led to a rise in the London price. It was quoted in London at $360.50. This is a significant recovery from the $241.85 an ounce at which platinum was trading at the beginning of the month.

Yesterday's $4 spurt in the London gold price suggests that the heavy forward sales of the past few weeks, which have tended to retard the rise in the metal price, must have eased significantly.

One possible reason is that after their recent efforts, many marginal mines have little gold left to sell.

It would not be surprising, therefore, to see the dollar gold price spurt even higher in coming weeks.

Prospects look brighter for a major expansion of coal exports through Richards Bay.

The Terminal Company (RBTC) handles all current coal exports through Richards Bay.

Managing director M B Dunn says in the company's annual report that a number of potential new coal exporters as well as existing RBTC members (the Coal Export Joint Venture, Coalex) have asked for export capacity through Richards Bay.

After discussions with Coalex, RBTC offered to carry out a feasibility study on behalf of the Joint Venturers aimed at accommodating their requirements in a greenfields terminal.

Mr Dunn says that at the time of writing, RBTC's offer had not been accepted by the Joint Venturers.

Instead, they are understood to be carrying out a study for a 10 to 12 million tons a year independent facility.

He says that coal railed to RBTC in 1992 reached a record tonnage of 48.3 million tons — up from 46.2 million tons in 1991.

Exports through the facility were also at a record, rising from 45.3 million tons in 1991 to 48.6 million tons.

A stockpile rearrangement enabled an additional 1.5 million tons of capacity to be achieved.

This re-arrangement was completed in August and the throughput capacity of RBTC has been uprated to 54.5 million tons a year without further capital expenditure.
GFSA gold mines disappoint

By Derek Tomney

Any hopes that investors might have had about the higher gold price setting mining profits soaring have been dashed by the March quarter figures of Gold Fields of SA (GFSA)

Alan Munro, head of GFSA's gold division, says the results of the group's four gold mines are disappointing, given the improvement in the gold price and the containment of working costs.

Although working profit from gold rose 10 percent from R302 million to R339.8 million, taxed profit fell almost R3 million to R287.4 million.

In previous quarters the group's activities could have been described as "battening down the hatches" in trying to curb costs.

In the March quarter the group was "trying its damndest to prevent any leaks through those hatches", he says.

However, Munro expects the current quarter's results to show an improvement, even without a further increase in the gold price.

But in view of the low gold price in the September quarter, results for the year to June are unlikely to show any improvement on the previous year's figures.

Munro says the group is exploring the prospect of working extra shifts. The intention is to arrange operations so that there are no slack periods.

The response from the workforce had been mixed, with many workers understanding the benefits arising from this move.

The group's clear objective is to utilise its capital assets to their fullest extent.

Measures have been taken to prevent a further outbreak of fires, which have hurt operations at Doornfontein, Deekraal and Libanon in recent months.

The group milled 3.33 million tons (December quarter 3.42 million), producing 30,575 kg (39,601 kg) of gold worth R114 14 million (R841.9 million). The average price received was R327.16 (R31.98) a kg and the average yield was 9.2 g/t (9.9 g/t).

Working profit was R339.8 million (R802.6 million) and tax took R77.4 million (R74.3 million).

Munro says East Driefontein is "back on track" after the problems of the December quarter.

Working profit rose from R75.2 million to R87.2 million.

West Driefontein showed an improvement, but not enough, says Munro. Working profit rose from R106 million to R113.1 million (2.6%).

Overall, the Driefontein mines reported a disappointing taxed profit of R139.7 million (R137.4 million).

After a series of losses, struggling Doornfontein reported a profit of R3.4 million (losses of R6.1 million in the December quarter and R16.9 million in the September quarter).

Munro says this profit is somewhat flattering to Doornfontein as much of the increase in earnings rose from clean-up operations in sections being closed down.

Munro says Doornfontein is still on a knife edge. However, its cash flow has been helped by the sale of assets worth R128.9 million.

Deekraal had a poor quarter, its taxed profit falling from R13.7 million to R3.45 million. Two fires affected production and the tonnage milled dropped from 398,000 tons in the December quarter to 330,000 tons.

Working profit fell from R12.1 million to R2.06 million.

The Kloof division of the Kloof mine increased its working profit from R129.1 million to R127.4 million.

The Leeksoord division's working profit dropped from R12.1 million to R7.5 million because of a reversion in the yield to a more run-of-the-mine level.

The Libanon division had a working loss of R10.5 million (loss R7.8 million). But by the end of the quarter it was back on track.

Kloof's taxed profit was R120.6 million (R123.1 million).

Total group capital expenditure for the quarter was R127.1 million (R146.9 million).
Little shine on results of Gold Fields' base, metals

LOW commodity prices led to a lacklustre performance in the three months to March for the base and metals operations owned by Gold Fields of SA. Hardest hit in the period was unlisted lead and zinc producer Black Mountain. Though copper company O'koep’s operation Rooneberg also suffered losses, Gold Fields Coal and Zinc Corporation turned in slight profit rises.

Black Mountain cut its after-tax loss to R5,6m (R7,5m) as production rose and sales costs dropped to R34,9m (R45,7m) — a pro rata fall of 21%

But a quarter-on-quarter dip of 7% in lead prices to R1, 394 a ton shaved revenues for the period. It also cost Black Mountain R5m for adjustments on previous quarter sales only finalised in March.

“The metal price,” coal and base metal division GM Richard Robinson said, “was disastrous.” Such post-sale adjustments would continue, Robinson added, as lead prices retained their downward spiral.

Black Mountain exploited other base metal price rises only through its zinc operation, where sales rose from 6,2 tons to 8,4 tons Overall sales fell 13% to R29,5m.

O’koep was recovering from the collapse of backfill at Caroldsberg, but still lost R11m after tax, against a R7,9m loss in

the three months to December.

Minung lower grade tonnage cut the grade to 1,05% copper (1,31%) Sales fell 34% to R23,1m, and O’koep’s European market was also under pressure from exporters from the CIS.

O’koep’s cost of sales fell to R34,7m (R44,2m), but on a pro rata basis costs rose 19%. The operation was “doing everything it can to contain costs”.

Difficulties: Gold Fields Coal fared better. After-tax profit was slightly ahead at R5m, as declining costs offset a 17% fall in sales to R69,8m. The results were boosted by its 50% share in the low-cost producing Matla colliery, but the company said domestic and export conditions were tightening.

Although sales fell from R43,4m to R72,7m, zinc price rises and falling sales costs enabled Zinc Corporation to raise after tax profits to R7,5m (4,4m).

Rooneberg cut its after-tax loss to R0,4m, against R5,7m last time, despite a fall in sales to 109 tons (149 tons). The tin company said plant difficulties were responsible for cutting recoveries from 112 tons to 110 tons, but the grade rose above expected levels to 0,62% tin (0,78%).

ANDY DUFFY
Doors in danger despite 'flattering' turnaround

GOLD Fields' battling Doornfontein (Doorns) gold mine was likely to cease underground operations despite recording a good March quarter, gold division executive director Alan Munro said yesterday.

Presenting the group's results for the quarter, he said the mine's after-tax profit of R3,41m (R6,65m loss) was 'flattering' because it reflected the 'one-off' benefit of an underground and surface clean-up operation. He added the mine would probably end up as a surface operation.

Doorns' profit was a welcome relief for the group, but the mine was still in danger of closure. Munro said: "Doornfontein is bailing furiously and will now trim its sails and head back to port."

Talks among at an alternative strategy to closing the mine were under way, but Munro would not elaborate. Analysts have suggested the mine might strike up a tribute agreement with Anglo American's neighbouring Western Deep Levels. The workforce had been reduced significantly at Doorns, but no one had been retrenched.

Munro said Deelkraal had a poor quarter as a result of "a hangover" from fire in the December quarter and another fire in January. The combined effect of the fires and other problems resulted in a sharp fall in tons milled.

The mine needed capex for development and, as a result, had been targeting high-grade areas. However, a rise in grade to 5,9g/t (6,9g/t) failed to make up for the unexpected loss in tonnage. The subsequent lower gold production had led to a sharp increase in unit working costs to R31 263/kg (R32 714/kg).

Deelkraal was examining Sunday mining as a way of improving productivity, but the mine was already working double shifts.

East Driefontein was "back on track" as it had achieved its target mining rates and grade. West Driefontein had shown an improvement, but the performance was "a little disappointing", with a slight fall in gold production knocking the benefit of higher gold prices.

Capex was still below budget for the year as Driefontein had been slow in getting started with its shaft-sinking programme, he said.

Kloof division experienced another good quarter, but the company had a great deal of ground to make up after its large investment in Leundersoorn and Neetoor. Leundersoorn reported "the inevitable fall in grade" as it had reached target tonnage of 100 000 tons a month in March. The division was likely to turn in a profit for the financial year ended June 1993.

The Kloof company's overall performance was marred by the Lebanon division, which Munro said had made an "unacceptable loss". However, he believed the division could break even by the end of the year.

The gold division, plagued by a number of underground fires in the last few months, had achieved much in improving the prevention, detection and fighting of fires.

The group's mines had not been affected by Wednesday's mass action and operations were expected to continue as normal over the next few days. Munro said.

<table>
<thead>
<tr>
<th>Gold Fields of SA March Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/t</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R/000s</th>
<th>Profit after capex R/000s</th>
<th>EPS after capex cents</th>
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<td>139 675</td>
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<td>207,6</td>
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<td>32 002</td>
<td>137 384*</td>
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<td>2 302,5</td>
<td>251,4</td>
<td>26 755</td>
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<td>32 729</td>
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<td>34 985</td>
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<td>125 159*</td>
<td>55 283*</td>
<td>43*</td>
</tr>
<tr>
<td>Deelkraal</td>
<td>320</td>
<td>5,9</td>
<td>1 895,2</td>
<td>183,9</td>
<td>31 056</td>
<td>32 566</td>
<td>3 450</td>
<td>(7 166)</td>
<td>1,7</td>
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<tr>
<td>December</td>
<td>388</td>
<td>5,7</td>
<td>2 263,2</td>
<td>151,9</td>
<td>26 714</td>
<td>32 067</td>
<td>13 726</td>
<td>1 496</td>
<td>1,5</td>
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<td>Doornfontein</td>
<td>253</td>
<td>4,2</td>
<td>1 412,5</td>
<td>160,3</td>
<td>30 316</td>
<td>32 755</td>
<td>3 409</td>
<td>16 233</td>
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<tr>
<td>December</td>
<td>296</td>
<td>4,2</td>
<td>1 547,5</td>
<td>185,8</td>
<td>35 539</td>
<td>31 747</td>
<td>(6 051)</td>
<td>(5 196)</td>
<td>(13)</td>
</tr>
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</table>

* Combined results for Driefontein and Kloof mining companies.
SA’s marginal mines win gold price relief

GOLD reached a five-month high yesterday after rising $6 to breach the $343 level in London shortly after noon. The metal slipped back later to close $2.25 up at $338.95. It closed in New York at $337.40.

Analysts said the gold price, now rising at $344.65/kg, would provide some welcome relief to SA marginal mines due to report their March quarter results soon.

Gold shares followed the rise, with marginal operations recording the largest gains. Among the heavyweights, Driefontein was up 60c to R93.50, while Vaal Reefs rose 60c to R208 and Kloof closed unchanged at R55. The Gold Index closed up 35 points to 1205.

Frankel, Max, Pollak, Vnderme analyst Adrian Finch said the rise was caused by a weak dollar, a bank in the London market buying 27 tons of the metal and the end of Ramadan which meant it was back to business in the Middle East.

“The feeling is that at a price of $338, gold has run out of steam. The metal will consolidate at this level and then probably drift down again.”

Senegal, Mouton, Kitchoff analyst Hilton Ashton said the rise could be attributed to the yen’s strength, making gold cheap for Japanese buyers, as well as lower production in the Commonwealth of Independent States.

Platinum prices also continued rising and the metal was last quoted in London at $365, up $2.50 from Tuesday’s close.
Rentals, tax aid turnover

JONO WATERS

Higher rental income from Witwatersrand Gold Mining's properties resulted in a 14% increase in its turnover in the six months ended December 1992.

Earnings rose to 85c a share compared with 49c a share in the same period in 1991, and the company declared an unchanged interim dividend of 1c a share.

Turnover improved to R1.83bn (R1.48bn) and operating profit increased to R24m (R705m). Interest income was halved to R2m (R1.7m) and pretax income amounted to R210m (R198m).

Tax was lower at R32m (R425m). After-tax profit rose to R52m (R460m), pushed to R57m by an extraordinary item of R20m.

The directors said a dividend payment amounting to R101m from Knights Gold Mining company was included as it was received in January.

The company gets all of its income from rentals, tributing and royalties.
Man with an eye
to spot top rocks

THE mine Eerstelting hardly springs to mind as being among the lowest-cost producers in the South African gold mining industry. Under new management since July last year, the mine is producing about 8.5% of pure gold a week at a cost of R55 000/kg. Eerstelting has sold at an average of R1 700/kg — not many mines can boast such a handsome margin before capex and development.

Chief executive officer Stefan Hayden was called in last year by Standard Merchant Bank, one of the mining industry's biggest creditors, to assess what the plant was worth in liquidation. Hayden is an industrial broker, his business being the buying and selling of mining and other equipment.

Says Hayden, "What I saw at Eerstelting was too good to go under the hammer presently, but the mine's ore reserves were not good enough to support a viable operation."

He hid his time while securing the financial backing of Swiss businessman Max Ganser, on whose behalf Hayden visited Anglo American Anglo had conducted extensive exploration on neighbouring properties.

He struck a royalty deal with Anglo which will result in Eerstelting accrued revenue.

"You have to have flexibility. When we moved in, the mine had one shaft and two stopes were available and a single end was being developed. Now we have more than 10 stopes available in seven development ends on that shaft alone, so we can tailor the grade mined. The new shafts will start production in April and May respectively to provide additional tonnage."

Another problem was over-capitalization. Hayden lowers the overhang of the metallurgical plant to chartering a Jumbo to travel from Johannesburg to Vereeniging. Hayden has an eye for decreasing costs and the knowledge of how to procure equipment to allow the mine to do so. He reckons the electricity bill could be cut by R5 000 a month by replacing equipment, such as the winder, with a smaller, more efficient system. Electricity is one of the biggest single expenses out of monthly costs of R30 000.

At the gold pour, the drizzly hour of 8:30 a.m. looks small reward from the sweat of 200 employees, but it supports probably 16 times that number of people.

There is a batch of small mines aware of the arrival of a new wind such as has been waned at Eerstelting. Few shareholders in those operations, hold thumbs that your mine is first on the list.

MODESTY FORBIDS...

I CAN'T resist mentioning that my portfolio of shares selected at the start of the year has appreciated by 34% in only three months.

In percentage terms, SPL has been the biggest mover, up at 33% and now 66c for an 87% rise. In real terms, Ellerine is up from R5 to R6 — a 57% jump — while Nedscoin has gained 65c, or 40%, to R1.50. None of my 10 choices are showing gains, only ICS being a loser, off R2 to R1.40.

Any unsat trust management company not matching my figures over the quarter can consult me... for a small fee.
Lack of incentives ‘a kiss of death for SA mining’

THE absence of competitive fiscal incentives for new mining investment in SA is ensuring that investment by mining houses is directed overseas, says Gold Fields executive director Bernard van Rooyen.

In an interview, Van Rooyen said by the same token SA remained an unattractive prospect for foreign mining companies, dismissing the suggestion that such investment was stifled by any stranglehold mining houses had over undeveloped mineral rights in SA. SA’s effective 49% mining tax rate compared, for example, with 34% in the US and 13% in Chile.

Nevertheless, Gold Fields, given its long-life, low-cost gold mines and new Northam Platinum mine, would continue to be a primarily SA-based mining group, he said.

In the past two years, Gold Fields had investigated mining opportunities as far afield as Ecuador, Ghana, Kalimantan, China and Vietnam.

Potential projects in Latin America and West Africa were facilitated by the existence of shallow ore bodies, attractive tax regimes and political stability.

Van Rooyen said mining opportunities in the developing world had been “opened up” by the demise of the Soviet Union, leaving governments eager to earn hard currency and exploit their natural resources, with no alternative but to look to Western companies and international agencies for new investment.

The Soviet Union and its allies had been an alternative investment source, but one offering second-rate equipment and backing for projects of dubious commercial value, with little exploration completed since the 1980s. Gold Fields had begun its quest for overseas mining opportunities in earnest only in mid-1990, but progress had been rapid.

The group had secured gold mining joint ventures in Zaure, Ghana, Venezuela and Ecuador, typically offering its mining and management expertise in exchange for a sizeable stake in projects to be managed with local, often state-run, companies.

Given the political stability and free market-orientated economic policies in Ghana and among Latin American countries, financial backing from the World Bank and its private sector offshoot — the International Finance Corporation — was likely to be forthcoming.

Common to these ventures was the shallow mineralisation of the gold-bearing ore bodies. It could take as short a time as 18 months to prove the resource and four years to start full-scale mining as a low-cost open-pit operation, vital if the mines were to be economic at current gold prices.

Profits from these ventures would in turn finance future exploration.

Van Rooyen said inadequate infrastructure and high transport costs tended to confine economic targets in these countries to high-value, low-bulk commodities such as gold. Gold Fields was interested in other commodities, and had made an offer for a high-grade zinc project in Bolivia.

Gold Fields had examined diamond deposits in Venezuela and central Africa, but few economic platinum-bearing ore bodies had been discovered outside existing deposits in southern Africa, Australia and Russia, he said.
Higher gold price a relief for mines

JON WATERS

HIGHER rand gold prices, which hit R1 079/oz on Friday, have lifted the profits of SA's gold mines to such a degree that only two major producers are losing money at current prices.

Chamber of Mines chief economist Francois Viruly said at the weekend higher prices had brought welcome relief to marginal gold mines and their 90 000 workers.

Based on December quarter working cost figures, only Anglovaal's Lorraine and Gold Fields' Doornfontein (Doorns) have working costs higher than the yield at current average gold prices.

This compares with average rand gold prices of R1 006/oz in the December quarter when Lorraine, Doorns, JCI's H J Joel and Western Areas, and Randgold & Exploration's Durban Deep and ERPM all had working costs above or close to the average gold price. In addition, shafts at larger profitable mines such as Anglo's Freegold and Vaal Reefs and Gengold's Helena have risked closure because of poor prices, but are now likely to win a reprieve should prices be sustained.

Anglo gold and uranium division chairman Clem Smitner said: "The gold division's share price has not increased by 10% since the September quarter. This is when it was estimated that the company would make a profit for the first time in a year. I believe the price will be around R1 100/oz."

Viruly said the rise in the price was of particular importance to SA's marginal operations which produced 90 tons out of SA's annual gold production of just more than 600 tons. The most important target for mines this year would be to keep their working costs down, after containing average increases to only 0.9% in 1992.

"The turnaround in the gold mining sector followed a rally in dollar gold prices, but it is not yet clear what effect the changes will have on employment in the industry."

From Page 2:

up $19 to more than $340 in the past month,
the rand's weakness against the dollar, and mining success in cutting costs.

However, labour has borne the brunt of the industry's restructuring.

Viruly said chamber figures showed that employment in the gold mining sector had shrunk by about 140 000 employees to 22 548 workers in the past six years.

Gold prices climbed above the $300/oz level on Friday, reaching a fresh five-month high for the second time in a week. Gold closed $1.90 higher in New York at $310.15. In Hong Kong it ended marginally higher at $313.55 on Saturday.

Viruly said: "The prospects for SA's gold mines and especially the marginal operations look more promising if the price remains at this level or goes higher."

Mines
ERPM strikers go underground again

KATHRYN STRACHAN

WORKERS at the ERPM gold mine
near Boksburg, returned to work yester-
day after a two-day strike sparked
by an underground shooting in which a
black worker was wounded by his
white colleague.

The wounded man is recovering in
the Rand Mutual Hospital.

Police said a man would appear in
court today.

"NUM spokesman Fabian Nkomo
said more than 5,000 workers went
back to work after management
agreed to meet their demands for
better security checks and a commit-
ment to address alleged racism
on the mine.

Nkomo said that at a meeting on
Monday night ERPM management
agreed to step up its searches on
workers going underground, and add-
ed that workers would be involved in
the process.

Black workers had complained
that white workers were exempt
from searches.

Management agreed to look into
the problem of racism, and Nkomo,
who added that reports of racial dis-
crimination had failed to reach the
appropriate levels.

An inquiry, headed by an independ-
ent investigator, was to be estab-
lished to address the problems of dis-
crimination and violence at the mine.

There would be no disciplinary ac-
tion against the strikers, but manage-
ment refused to pay them for the two
days of the stoppage, Nkomo said.
LINDUM Reefs' taxed profit climbed 67% in the March quarter after an increase in tonnage and grade pushed up gold production. 

Taxed profit amounted to R3,43m (R2,05m) and earnings after capex rose to 16c (10c) a share.

Ore milled rose marginally to 83,000 tons compared with 77,000 tons in the December quarter. The grade increased to 3,59g/t (3,3g/t), resulting in gold production of 320kg (264kg).

Revenue a ton rose to R133,56 (R110,88) and working costs a ton to R55,86 (R55,71). Profit a ton increased to R39,76 (R26,17).

Gold revenue was higher at R18,6m (R18,94m) and working costs increased to R7,6m (R6,6m), resulting in a gold profit of R5,22m (R1,94m).

Interest received and sundry revenue nearly doubled to R204,000 (R118,000). The company did not pay tax. Capex requirements were halved to R59,000 (R178,000).

There was an improvement in the gold price received to R133,81/kg (R133,61/kg).

The directors said Lindum's reserves were sufficient to sustain operations for more than one year at the current gold price and working costs.

"Exploration and evaluation of additional potential mining areas to supplement the reserves is ongoing and the results continue to be encouraging."

The current open cast site on the Black reef had nearly been mined out and ore in the June quarter would come from new open cast sites, they said.
Opencast payoff for Lindum Reef

By Derek Tommey

Lindum Reefs' switch to opencast mining continues to pay off. Helped by a strong rise in revenue, a drop in working costs and a boost in sundry income, it increased taxed profit by 67 percent to R3,426 million in the March quarter from R2,661 million in the December quarter.

Earnings a share rose from 16c in the December quarter to 18c. No dividend has been declared.

Gold production rose 60 kg to 290 kg.

This and a marginally higher gold price of R3,810/kg boosted gold revenue by 27 percent to R10,819 million.

Working costs dropped from R25,987/kg to R23,743/kg.

Net interest and sundry revenue increased almost 80 percent to R304,900. Lindum says it has sufficient reserves to sustain operations for at least one year.

The mine 'had to suspend underground operations because of the low gold price.'
Bull run keeps Gold Fields shares on upward trend

SHARES in Gold Fields of SA showed the only gain among mining financial stock on the JSE yesterday, continuing a bull run which has seen the mining house's share price jump 75% in three and a half months.

The stock closed 20c up at R64 compared with its most recent low of R36 in November last year.

Gold Fields shares usually show a good correlation with the all gold index. Recently they have performed more strongly, as the rand's weakness against the dollar has sent rand gold prices towards record levels.

Frankel Pollak Vinderine analyst Peter Davey said yesterday the good performance of the mining financial shares most exposed to gold — Gold Fields and AngloGold — could reflect "just-in-case" buying by local institutions.

They were keen to increase their limited exposure to gold, but were not convinced current enthusiasm for gold shares was warranted.

He said overseas institutions continued to buy gold mining shares, attractive but high risk investments which represented only a small part of their overall portfolios.

Local institutions, in contrast, had for some time shied away from mining financial and gold mining shares.

However, confidence in the mining house's paper contrasts with its gloomy earnings prospects. Chairman Robie Phimbridge said at the announcement of the group's 11% drop in interim earnings in January that profits would "remain under pressure" until the year-end.

Although higher rand gold prices would lift working profits at the group's mines — moneyspinsners De Beers Consolidated and Kloof, as well as struggling De Kaap and De Klerk — it may take longer and sustained price increases for this profitability to be shown in higher dividends.

Gold Fields' Northam Platinum mine was only starting production, and the slump in base metal prices continued to dent profits at unlisted lead and zinc producer Black Mountain, the O'kope copper mine, and Gold Fields' Namibian copper producers.

Gold Fields shares remained high-priced with a dividend yield of 2.4...
Barbrook mine sold to Hayden

BARBROOK gold mine and its mineral rights were sold yesterday to Eersteling CEO Stefan Hayden for slightly more than R10m, market sources said.

It is understood that the rest of the mine's assets will be sold separately to pay debtors.

Barbrook has 12 townhouses in Barberton, mine stores valued at R1.5m, vehicles and office furniture.

The mine was placed under liquidation in January last year and put up for sale by tender in May last year.

The shares, which last traded at 4c shortly before the mine was declared insolvent, were delisted from the JSE in August.

Barbrook was commisioned ahead of schedule.

Sources said that Hayden, who has turned Eersteling into a profitable operation and is looking to relist the operation, also wanted to recapitalize and relist Barbrook in the future.
Some miner changes to gold's history

At Gold Reef City, you can ride the Crazy Cocopan in the Victorian Funfair. At a renovated migrant hostel in Newtown, you will see how miners really lived.

Mark Gevisser looks at two very different approaches to Johannesburg’s "golden history.

Play park... Hitting the tourist industry at Gold Reef City, where glitter has been added to gold history

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Key to gold supply situation

GOLD exports from the Commonwealth of
Independent States would determine whether the gold market remained oversup-
phed in 1993, said German precious metals
refining company Degussa, in its 1992 re-
port.

Oversupply in the industrial market fell to 248 tons in 1992 compared with 365 tons in
1991, with this excess turned into coins and other gold investments to bring the
overall market into balance.

Commonwealth sales fell 23% to 270
tons in 1992 and strong demand from Asian
gold markets, especially China, was ex-
pected to have a positive effect.

Total industrial gold demand in the
Western world rose 2.2% to 2,246 tons
(2,197 tons) compared with a 3.8% fall in
total supply of 2,469 tons (2,552 tons). Jewe-
ellery remained the largest component of
demand with an increase to 1,955 tons
(1,900 tons), but demand for dental applica-
tions showed the largest rise of 8.5% to 64
tons (68 tons).

Industrial demand for platinum rose
1.3% to 130 tons (128 tons). Total supply fell
4.6% to 136 tons (142 tons) and the imbal-
ance in the market of 6 tons (14 tons) found
its way into coins, bars and other invest-
ments. Degussa said the narrowing of the
gap between supply and demand could
continue this year.

The autocatalyst market remained the
largest consumer of platinum, recording a
7.1% increase in demand to 35.8 tons (35.1
tons). This was largely as a result of stric-
ter emission controls in Europe.

Lower Commonwealth production of
palladium resulted in a narrowing of the
surplus to 17.1 tons in 1992 from 20.7 in

Total palladium supply amounted to 143
tons (145 tons) and industrial demand rose
to 128 tons (125 tons). The rise was because of a 7.7% increase in dental applications of
the metal to 36.3 tons (33.7 tons). Demand
for use in electronics fell 2.4% to 55.9 tons
(57.5 tons).
Southgo set to pay record dividend

SOUTHGO mining group, which had near the share prices of its two gold operations double in the last six months, was expected to pay record dividends this year.

Operations director John Donald said yesterday he expected total gold production at West Witwatersrand (Westwits) to increase further this year. The mine had a life of more than 25 years.

Benoni Gold, Southgo’s other operation which treated dumps, had a current life of about 10 years.

Westwits’ production would produce about three tons of gold this year, Donald said.

Westwits was expected to pay a final dividend of 5c on a share in the year ended March 1993, bringing the dividend for the year to 7c a share.

The mine’s R7.2m carbon-in-pulp plant was constructed at the end of 1990. Westwits had an average grade of 1.41g/t in the last quarter.

Westwits’ share price hit a low of 40c a share in August. 1992. Its shares closed down 3c on the JSE yesterday at 85c. (21/4)

Benoni is expected to pay an increased final dividend this year. Annual production amounts to about 1.6 tons of gold a year and is set to rise.

Benoni touched its low of 18c a share in October last year. The share lost 1c to close at 22c yesterday.
Anglo to unbundle gold holdings

ANGLO American is to unbundle its gold investment companies Ofsi and Welkom Gold Holdings, it said in a statement today.

Anglo is the first corporation to take advantage of the Budget proposals aimed at facilitating unbundling.

Anglo proposed that shareholders in the two companies receive Freegold shares and, that Ofsi and Welkom be delisted, liquidated or deregistered.

The two companies have either direct or indirect stakes in Freegold. Ofsi has a 49.9% direct stake in Freegold, while Welkom has a 5.22% direct interest. However, Freegold has a 19.9% stake in Welkom, which in turn owns 90.4% of Ofsi.

Anglo's move follows recent comments by Finance Minister Derek Keys clearing up concerns that the introduction of the secondary company tax (STC) could prejudice shareholders in gold mining holding companies.

Gold mines were given the option of retaining their mine and lease tax formula — equivalent to an effective tax rate of 48% — or the lower 49% company tax and new 15% levy on distributable profit.

Keys allayed fears that the investment companies would have to pay the STC on dividend income, effectively already taxed, from gold mines.

He told Parliament "The majority of shareholders of gold mining companies are companies, and in order to achieve the objective of leaving those gold mines which elect to retain the present formula basis of taxation in the same position they presently are, it is necessary to allow credit to their corporate shareholders for dividends declared."

Anglo said the distribution of the companies' shares in Freegold could be accomplished at little cost to shareholders.

The discount to the net asset value of the share would be released to shareholders.

Shareholders in Freegold, Ofsi and Welkom were advised to exercise caution in dealing with their shares.

JON WATERS and
MATTHEW CURTIN

28/4
Unbundling proposal
Star 14.4.93
for Welkom and Ofsil

By Derek Tomney

Welkom and Ofsil shareholders could find the value of their investments increasing sharply if proposals to unbundle the companies and distribute their Freegold shares to shareholders get the go-ahead.

The three companies said last night that this move was being considered.

Should it happen, it would be followed by the delisting and liquidation or deregistration of Welkom and Ofsil.

However, the arrangement is dependent upon the appropriate legislation being passed by Parliament as proposed by Finance Minister Derek Keys in the Budget last month.

Welkom and Ofsil shares stand at a discount to the value of their companies' underlying investments.

But for this discount, the market value of Ofsil's shares would be R135 million, or R6 a share, higher.

The market value of Welkom shares would be about R110 million, or R3.10 a share, higher.

Ofsil holds 58.76 million Freegold shares, while Welkom holds 6.14 million shares in Freegold and 6.8 million shares in Ofsil.

The directors of the companies involved say the proposal would be of considerable value to shareholders as:

- The discount to underlying net asset value at which the Welkom and Ofsil shares have traded in the past would be released to shareholders,
- The administration costs of Welkom and Ofsil would be eliminated, and
- The recent announcement by Keys suggested the arrangement could be accomplished at very little cost to shareholders.

Shareholders in Welkom and Ofsil are advised to exercise caution (code do not 'sell') in dealing in these companies' shares.

There will be more news when the unbundling legislation is promulgated.
Jobless mineworker burden of helping

Who bears the

- Erica Jankwitz
Beatrix mine removes 400 Zulu miners

GENGOLD’s Beatrix gold mine has again removed about 400 Zulu-speaking workers from mine property after another violent incident in a hostel on Tuesday night left one dead and 12 injured.

This occurred on the day the Zulus returned to the Theunissen mine after a two-week absence. They had been removed after fighting between Pondo and Zulu workers last month resulted in 10 deaths.

Despite a strong police presence, fighting broke out again on Tuesday.

Mine spokesman Andrew Davidson would not disclose yesterday where the Zulu-speaking workers were being accommodated nor.

He said police had arrested 50 people and warned that any worker found with a weapon would be arrested immediately.

Davidson said the mine was operating normally and consultations with the peace monitoring team, established after the first bout of fighting, were continuing.

The NUM was not available for comment yesterday.
Gold Fields reports profit growth

GOLD Fields of SA yesterday reported an increase in after-tax and capex profits to R143m in the March quarter compared with R123m in the December quarter.

Gold revenue amounted to just over R1bn (R882m) and costs fell to R671m (R695m), producing a working profit of R331m (R362m). Capex fell to R127m (R147m).

Ore milled by the group fell to 3.3-million tons (3.4-million tons) as a result of a fall in production from Deelkraal and Lelaban. The rise in grade to 9.2g/t (8g/t) did not make up for the fall in tonnage and gold production fell marginally to 30,6 tons (30.7 tons).

Net sundry revenue fell sharply to R14m (R42.5m). Sundry revenue in the December quarter was boosted as a result of fire insurance payouts and dividends.

JONO WATERS

Gold division executive director Alan Munro said Kloof’s Lelaban division and Deelkraal caused the “leaks” in the group’s overall performance. The troubled Deelkraal operation, despite turning in an after-tax profit, was likely to cease underground operations.

Tax and lease payments rose to R774m (R743m). After-tax profit fell marginally to R267m (R270m), which Munro said was disappointing given the increase in the rand gold price and reduction in costs.

The group received an average gold price of R32716/kg (R31998/kg).

It was unlikely that the company would be increased. Munro said.

See Page 8
Healthy showing from Gold Fields

Own Correspondent

JOHANNESBURG — Gold Fields of SA yesterday reported an increase in after-tax and capex profits to R145m in the March quarter compared with R123m in the December quarter.

Gold revenue amounted to just over R1bn (R982m) and costs fell to R671m (R686m), producing a working profit of R331m (R302m). Capex fell to R127m (R147m).

Ore milled by the group fell to 3.3 million tons (3.4 million tons) as a result of a fall in production from Deelkraal and Lebanon. The rise in grade to 9.2gt (8gt) did not make up for the fall in tonnage and gold production fell marginally to 30.6 tons (30.7 tons).

Net sundry revenue fell sharply to R14m (R42.5m). Sundry revenue in the December quarter was boosted as a result of fire insurance payouts and dividends.

Gold division executive director Alan Munro said Kloof’s Lebanon division and Deelkraal caused the “leaks” in the group’s overall performance. The troubled Doornfontein operation, despite turning in an after-tax profit, was likely to cease underground operations.

Rand gold price

Tax and lease payments rose to R77.4m (R74.3m). After-tax profit fell marginally to R267m (R270m), which Munro said was disappointing given the increase in the rand gold price and reduction in costs.

The group received an average gold price of R32 716/kg (R31 988/kg).

It was unlikely final dividends for the year ended June 30 would be increased, Munro said.
The NUM yesterday accused management at Gengold-owned Beatrix of not taking "incidents" at the gold mine seriously enough after one miner died and 24 were injured in fighting there on Tuesday, 16/4/93.

The NUM assistant general secretary, Marcel Golding, also said management had been "pre-emptive" in allowing 400 Zulu-speaking workers to return to Beatrix with a deadline following last month's fighting in which 10 miners died. Golding suggested local management was trying to "push" Inhala-linked trade union Uwusa, but Gengold spokesman Andrew Davidson said all unions representing workers at the mine were treated equally.
Seven-day week means more jobs

JOH WATERS

SA's gold mines could create
150,000 more jobs if government
allowed a seven-day working
week. Kaplan & Stewart analyst
John Handley said yesterday.

Handley said a seven-day week
would see an increase in under-
ground tonnage. This would fall
hungry mills and replace waste
with higher-grade ore.

A fall in operating costs because of economies of scale would convert millions of tons of marginal ore into payable ore.

In addition, a rise in production would increase demand for mining supplies and equipment, creating jobs in peripheral industries.

Anglovaal's Lorraine mine was granted permission to mine on Sundays in January, which could result in an increase in its workforce. Employee numbers had fallen to 6,000 last year from nearly 10,000 in 1998.

Randgold & Exploration's Harmony mine was granted approval for Sunday mining in September last year. It had once reported an after-tax profit of R8.0m in the December quarter after heavy losses in previous quarters.

Gengold's St Helena, JCI's HJ Joel and Anglovaal's Hartbeesfontein have applied to government to work a seven-day week.

Calls for ending operating restrictions on the mines have been made by members of the Chamber of Mines.
Long week to benefit Loraine

LORNAINE, Anglovaal’s marginal Free State gold mine, was likely to reap the rewards of a seven-day working week in the current quarter after reducing its losses in the March quarter, a group spokesman said yesterday.

Loraine, which has failed to produce after-tax profits since the 1990 June quarter, reduced its after-tax and capex loss to R5.24m (R8.01m) in the March quarter. The mine has reported losses since the June quarter of 1990.

The spokesman said a new cycle of stoppages had been completed following the government’s approval for full Sunday mining operations in January.

Management believed a new mining programme, based on Sunday mining, could result in the mine breaking even this year. It would give the mine time to access a high-grade, block of the Basal reef in the 3C shaft area by the end of the year.

The 3C project could increase the mine’s life by three to four years, the spokesman said.

An increase in total tonnage milled to 414,000 tons (411,000 tons) in the current quarter with an unchanged grade of 3.3g/t, resulted in a 46kg rise in Loraine’s gold production.

The working loss from gold mining fell to R3.22m (R4.51m). Pyrite sales revenue was more than tripled to R325,000 (R79,000).

The spokesman said improved production, lower costs of R3.25/kg (R3.26/kg) and a slightly higher average gold price of R32,074/kg (R32,616/kg) led to the fall in losses.

Hartbeesfontein (Harties) had not received word from government on its application for Sunday mining.

The spokesman said the mine’s increase in after-tax and capex profit to R30.8m (R18.7m) was due to a rise in gold production at both plants, contained operating costs and a marginal increase in the average gold price.

The low-grade plant milled 4.9m tons of underground ore at an average yield of 0.7g/t. The treatment of lower underground grade ore through this plant was expected to continue at current rates until the end of June.

The mine would then resort to processing low grade surface dump material through the plant.

Harties’ profit before tax and the state’s share of taxation rose to R65.5m (R44.8m). However, contributions to the state’s coffers more than doubled to R25.9m (R12.9m), reducing after-tax profit to R39.6m (R32m).

Eastern Transvaal Consolidated (ET Cons) turned in unchanged, bottomline earnings for the third successive quarter as capital spending slowed alongside lower profitability.

Tonnage milled fell to 84,395 tons (94,000 tons) as a result of a slowdown in production in the Princeton area. The grade rose to 10.7g/t (10.6g/t), and gold production fell marginally to 906kg (940kg).

Low profit from gold operations and an increase in prospecting expenditure led to the fall in ET Cons’ after-tax profit to R42.1m (R57.9m).

Capex requirements fell to R15.8m (R35.1m). Slimes and sands operations at Village Main turned in a profit, after tax and capital recoupment, of R485,000 (R93,000).

<table>
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<tr>
<th>ANGLOVAAL OF SA</th>
<th>March Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton gold produced R</th>
<th>Costs per kg gold produced R</th>
<th>Price received kg/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
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Anglovaal mines’ profit nearly doubles

ANGLOVAAL’s gold mines nearly doubled their after-tax and capex profit to R28.3m in the March quarter, compared with R15.4m in the December quarter. The increase resulted from a sharp rise in Hartebeestfontein’s after-tax profit and a marginal decline in Lorame’s after-tax and capex losses. Eastern Transvaal Consolidated reported unchanged earnings.

The group’s total tonnage rose marginally to 1.27-million tons (1.26-million tons), and average grade rose to 7.2g/t (6.9g/t), resulting in an increase in gold production to 3.2 tons (3.1 tons). A group spokesman said the improved results were due to cost containment, an increase in gold production and a marginal increase in the average gold price. Management expected Loraine to show benefits soon from Sunday mining operations.
Anglovaal shows good profit rise

By Sven Lünsche

A strong performance at its Hartbeesfontein gold mine allowed Anglovaal to almost double its profits, after tax and capital expenditures, to R28,3 million in the March quarter.

This compares with a profit of just over R15 million in the preceding three months.

Harties' was the star performer of the group raising its net profits from R32 million to R36,4 million.

Anglovaal attributed the improved performance to increased gold production at both plants, well contained operating costs and a higher gold price received.

The cost per kilogram of gold produced fell to R26 489/kg from R27 887/kg while the price received rose to R32 000/kg (December: R32 307), including forward sales.

ET Cons' profit after tax fell slightly from R5,8 million to R4,7 million as a result of a fall in the tonnage milled to 82 400 tons (94 000 tons). Costs also increased to R25 306/kg (R24 583/kg).

Loraine's losses were reduced from R2,9 million to R2 million as a result of a slightly higher gold price, improved gold production and well contained costs.

The mine expects improved results after it was given the go-ahead to proceed with Sunday production for a period of six months.

Gold production at Loraine increased to 1 384 kg (1 338 kg) yielding an unchanged 3,3 g/t.

Village Main's net profits fell further to R125 000 (R390 000).
All 10 Gengold mines turn up trumps

GENGOLD, Gescor's gold mining division, reported a 19% jump in overall profit in the March quarter. All of the group's 10 mines turned up profits after tax and capex for the first time in two years.

Bottom-line profit rose to R27,3m (R16,3m) as management contained increases in unit working costs to 0,4%. Costs increased to R26,699 a kilogram, compared with a 3% increase in average gold prices received to R32,942/kg.

Unisel declared an interim dividend of 20c a share compared with 5c a share for the same period last year. Kimross declared an interim dividend of 120c (115c) a stock unit, Braacken 80c (20c) a share, Leslie 20c (5c) and Winkelsbaak, which passed its interim dividend last year, 70c a share.

The overall amount of tons milled fell to 2,98-million tons (2,93-million tons) with the average grade unchanged at 5g/t. This resulted in a 1,7% fall in gold production to 17,2 tons (17,5 tons).

See Page 4
GENGOLD has earmarked R200m for smallscale capital projects at three of its mines to maintain gold output at current levels. The group has delayed several major capital projects in recent years because of low gold prices.

Reporting the group’s results for the March quarter, Gengold MD Gary Maude announced the go-ahead for a new R77m decline shaft at the Free State high-grade producer Beatrix mine.

The shaft would provide replacement tonnage given the group’s decision not to proceed with the mine’s R460m No 3 shaft project. The No 3 shaft was difficult to justify at current gold prices, Maude said.

He said the secondary shaft would give Beatrix a breathing space before a decision had to be taken on the No 3 shaft. The decline shaft would provide the mine with five years’ production with grades of about 6.6g/ton.

Maude said management had given the green light to the R74.6m “multigold” project at Buffelsfontein (Buffels), involving the treatment of the surface dump at the Pioneer shaft.

Current dump treatment at Buffels produced only a 40% gold recovery, so the mine was effectively “throwing gold away.” The multigold project, which involved the construction of dump treatment facilities, would improve recoveries to 80%.

Buffels consulting engineer Jim Cockburn said the project would reach full production in May 1994. About 330,000 tons of ore a month would be processed at an average grade of 0.56g/t, producing 1300 kg of gold a month.

However, he believed higher grades could be achieved and the project would give an 18% rate of return at conservative gold prices, with forecast costs of R17 000/kg.

The third phase of the two decline shafts at Evander mine Kenross had started, with board approval for R45.9m for the projects over the next two years.

Maude said Bracken was in the final stages of closing down Blast ing, which ended at the end of March and the plant was being dismantled. Any ore that required processing would be fed into the mill at neighbouring Leslie. The mine’s grade rose to 3.1g/t (0.54g/t), he said.

St Helena returned to profitability, albeit at a lower level following the cutback in the workforce last year, Maude said. The mine reported a profit after tax and capex of R3.83m (R3.5m loss).

Development work was accelerating at Oryx. The shaft was equipped and commissioned and 108kg (68kg) of gold had been produced in the quarter.

There was very little control over Stilfontein’s grade which fell to 1.9g/t (1.3g/t). However, costs fell and the dump treatment operation turned in a bottomline profit of R3.02m (R4.4m).

Grootevlei had “done well,” increasing its after-tax and capex profit in the March quarter.

Total capex for the group’s R19.3m was spent on an essential development.

On the outlook for the gold price, Maude believed the gold price had reached its true bottom floor six months ago. There was no doubt the price was set to rise, but he could not forecast when.

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### GENGOLD ROYALTY

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<th>Month</th>
<th>Tons</th>
<th>Yield</th>
<th>Gold</th>
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<td>13 493</td>
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Profits all round for Gengold's operations

St Helena returned to profitability, albeit at a lower level following the cutback in the workforce last year, Maude said. The mine reported a profit after-tax and capex of R3.63m (R3.5m loss).

Development work was accelerating at Oryx. The shaft was equipped and commissioned and 160kg (66kg) of gold was produced in the quarter.

There was very little control over Stifffontein's grade which fell to 1.2g/t (1.3g/t) However, costs fell and the dump retreatment operation turned in a bottomline profit of R3.02m (R4.4m).

Grootvlei had "done well", increasing its after-tax and capex profit to R1.69m (R1.04m). However, its costs had risen to R30.251/kg (R29.95/kg). Maude said.

Mining at Unisel was hit by low grades and a lack of immediately accessible ore on the Basal reef which would lead to a monthly fall in gold output to 400kg from 480kg.

Winkelhaak turned in a good performance as the grade rose to 6.7g/t (6.5g/t). Maude said the benefits from the new 2A sub-vertical shaft would only show after June. Bottomline profit was steady at R3.54m (R3.57m).

Leslie was a "marvellous mine" which had gone from strength to strength. The mine had achieved an average grade of 6.9g/t.

Total capex for the group of R19.3m would only be spent on essential development.

Own Correspondent
Johannesburg — Gengold, Gencor's gold mining division, reported a 19% jump in overall profit in the March quarter. All of the group's 10 mines turned in profits after tax and capex for the first time in two years.

Bottom-line profit rose to R37.3m (R34.8m) as management contained increases in unit working costs to 0.4%.

Costs increased to R2.69/kg a kilogram, compared with a 2% increase in average gold prices received to R32.94/kg.

Unisel declared an interim dividend of 30c a share compared with 5c a share for the same period last year. Kinross declared an interim dividend of 120c (115c) a stock unit, Bracken 40c (20c) a share, Leslie 20c (5c) and Winkelhaak, which passed its interim dividend last year, 70c a share.

The overall amount of tons milled fell to 2.36-million tons (2.32mt) with the average grade unchanged at 6.9g/t. This resulted in a 1.7% fall in gold production to 17.2 tons (17.5t).

Gengold has earmarked R200m for small-scale capital projects at three of its mines to maintain gold output at current levels. The group has delayed several capital projects in recent years because of low gold prices.

Reporting the group's results for the March quarter, Gengold MD Gary Maude announced the go-ahead for a new R77m decline shaft at the Free State high-grade producer Beatrix mine, and the R74.6m "mill gold" project at Buffelsfontein (Buffels), involving the treatment of the surface dump at the Pioneer shaft.

The third phase of the two decline shafts at Evander mine Kinross had started, with board approval for R4.5m for the projects over the next two years.

Maude said Bracken was in the final stages of closing down.
Gengold fortunes take a turn for the better

By Derek Tommey

The fortunes of Gengold, the gold mining arm of the Gencor group, are improving after several lean years. The evidence can be seen in:

- The five dividend increases announced by the group mines.
- The increase in working income to R101.4 million in the March 1993 quarter from R85.2 million in the December 1992 quarter and R90.3 million in the March 1992 quarter — and expectations of further increases this quarter.
- The decision by Buffelsfontein, Beatrix and Kinnross to embark on medium-sized expansion projects.

Some of the dividend increases are substantial, others small.

Kinnross is paying an interim of 120c a share (115c last year); Lesile is paying 20c (5c); Unisel is paying 20c (5c); Winklehaak is paying 70c (previous interim passed).

Bracken, where blasting has stopped and clean-up operations have started, is paying 60c (20c).

The expansion at Buffelsfontein is aimed at enabling it to recover gold from the sands in its surface dumps instead of only 40 percent at present. This will lift production from the current 25kg a month to 135kg a month from May next year. It will be spending R76.6 million on this multi-gold project. The internal rate of return is estimated at 18 percent.

Beatrix is to put down two declines at a cost of R77 million in January 1993, with the project due in 1994. Gengold chairman Gary Maude said yesterday the declines would enable the mine to maintain production at current levels until 2005.

It means that full-scale work on the proposed No 3 Shaft, needed to keep the mine in production after 2005, could be delayed for about five years. Should conditions in five years' time not justify the sinking of a shaft, the declines could be further extended.

The initial estimated cost of No 3 Shaft was R736 million, but is now expected to be R450 million.

Kinnross is to embark on the third phase of its decline programme at a cost of R45.0 million.

The decline has been a great success, with the pay shoots on the Kimberley Reef continuing well.

Mauade said that current conditions of narrow profit margins made it difficult to justify large expenditure programmes. However, the move by the mines to working higher grade ore to remain profitable, meant they would have to spend more on underground development to maintain reserves.

The only mine to sound a discordant note was Unisel.

Continued low values on the Basil Reef means production will have to be reduced from about 450kg to 400kg a quarter.

Profits at individual mines were helped by the higher rand gold price, boosted by the proceeds of forward selling and the containment of costs.

Buffelsfontein earned R1.7 million (R4.1 million in the December quarter) from treating surface dumps.

Grootvlei earned R1.8 million (R1.3 million), and Winklehaak R19.7 million (R13.5 million).

Buffels had profits of R12.9 million (R9.3 million), while Beatrix, hit by much higher tax and lease charges, earned R11 million (R12.7 million).

Bracken had earnings of R1.3 million (R2.1 million), while Unisel earned an unchanged R5.8 million.

Kinnross had earnings of R18.7 million (R19.3 million), Leslie R3.1 million (R2.4 million) and St Helens, which had a loss of R3.4 million in the December quarter owing to incurring R8.6 million in retrenchment costs, had a profit of R4.7 million.

Maude said it was the group's policy to sell forward about a third of group production.
CMC lifts earnings, dividends

By Sven Lunsche

The holding companies of gold mines in the Consolidated Mining Corporation Group (CMC) boosted good returns for shareholders in the year to end-March. CMC's revenue improved sharply from R129.9 million in 1991/2 to R180.2 million last year, while attributable income surged to R7.5 million (R4.3 million). Dividend payment on ordinary shares was resumed with a distribution of 16c a share, while preference shareholders received an unchanged 15c.

At Anglo turnover was up to R193.4 million (R137 million) and bottom-line earnings to R7.6 million (R4.7 million). A dividend of 7.5c (9c) a share was paid.

South East Rand's dividend was lifted from 2.25c to 4c on earnings per share of 3.3c (7.2c). Revenues were up by R20 million to R149.7 million.

The release of annual results coincided with the January quarterly results of CMC mines.

Benoni Gold's taxed profit in the quarter rose to R1.9 million from R1.8 million in the December quarter, as lower tax and royalty payments off-set lower working revenue at R12.9 million (R13.4 million). The mine declared a dividend of 2c for financial 1992/3.

West Wits boosted profits from R2.8 million to R3.6 million on a rise in gold production to 795 kg (747 kg) and a higher gold price. The annual dividend was 5c per share.
Another good quarter for Anglo gold mines

By Derek Tommy

Anglo American gold mines had a good March quarter. However, this is not immediately apparent in all cases because the previous quarter's results, with which the March ones are compared, were also good.

The March results reflect group policy of containing unit costs and hedging gold production, Glenn Suter, chairman of the corporation's gold and uranium division, said yesterday.

Anglo's Free State mine, Freegold, which employs 2,000 people, was the star performer. This is reflected in the 10c-a-share increase in the final dividend to 140c, making a total payment of 256c (256c) a share.

Freegold increased gold production by 3.8 percent in the quarter to a record R30,054 kg.

Available profit increased by 22.6 percent to R32.7 million from R27.6 million in December — a 1992 quarterly average of R72.5 million.

Freegold's high-grade shafts performed well, said Suter.

Helping the mine improve its profits was an increase in the milling yield, a slight decline in working costs and a significant rise in revenue from R94.215 a kg to R101.1 kg.

Working profit was R73.7 million (R138.7 million)

Forecast capital expenditure this year is R156 million, but this could rise or fall, depending on the gold price, said Suter.

Vaal Reefs increased its working profit to R181.4 million from R167.6 million in December.

However, taxe profit dropped to R116.9 million from R163.9 million, reflecting year-end adjustments to December quarter figures which included a R9.1 million dividend from Southvaal.

It also reflects a drop in capital expenditure in the March quarter, which led to a higher tax bill. Available profit dropped from R161.8 million to R55.6 million.

At the current gold price, Vaal Reefs should be able to finance all its capital requirements, including its investment in the new gold mine Moab out of working profits, said Suter.

Western Deep is back to previous production levels and management hopes to maintain them.

"All credit is due to the people at the mine," said Suter.

Working profit rose from R97.1 million in December to R98.5 million.

The profit improvement stands out when compared with the average 1992 quarter profit of R71.4 million.

Elandrand's operations were affected by the closure of one of its three mills for refurbishment.

This resulted in the mine milling 541,000 tons in the quarter against 564,000 tons in December.

But the mill is now back in operation and the mine is milling 200,000 tons a month.

Working profit dropped from R71.5 million to R59.2 million, while pre-tax profit fell from R73.5 million to R61.8 million.

But this is still some way above the 1992 average quarterly figure of R54.25 million.

Available profit after tax and capital expenditure was R19 million (R17.6 million).

Gold recovery company Ergo had a pre-tax profit of R13.6 million (R27.4 million), but a drop in capital expenditure resulted in available profit rising from R7.7 million to R9.9 million.
Steady showing by Southgo's twins

Southgo's two operating producers, West Witwatersrand and Benoni Gold, maintained their steady performance in the March quarter with both operations reporting a rise in bottomline profit.

West Wits reported an increase in profit after-tax and capex to R22.6bn from R19.4bn in the December quarter and declared a final dividend of 5c (6c) a share. This brought the total dividend for the year ended March 1993 to 7c (4c).

Benoni's bottomline profit rose to R1.75bn (R780m) and a total dividend of 2c (1c) a share for the year ended March 1993 was declared.

West Wits' tonnage rose to 540,629 tons (530,583 tons) and the increase in grade to 1.47 grams a ton (1.41g/ton) pushed up gold production to 795kg (747kg).

Increased production and a higher average gold price of R33,548/kg (R32,616/kg) lifted West Wits' working revenue to R32,7m (R24,4m). Working costs rose to R23,3m (R21,6m) and operating profit rose to R3,49m (R2,77m). Interest payments lifted after-tax profit to R3,66m (R2,77m).

A spokesman for the operation said the New Reef project was on schedule and yielding a steady increase in underground tonnage.

Tonnage at sands and slimes operation Benoni fell to 568,110 tons (601,559 tons) and with a unchanged grade of 0.67g/ton, gold production fell to 575kg (507kg).

Lower production resulted in lower revenue of R12,9m (R13,4m) despite a higher gold price of R34,465/kg (R32,971/kg). Working costs were unchanged at R16m and operating profit fell to R2,89m (R3,52m).
Freegold the only jewel in Anglo’s golden crown

A STRONG showing from Freegold lent a respectable sheen to an otherwise lackluster set of quarterlies from Anglo American’s gold division.

Unveiling results reflecting firmer gold prices and slim production gains, gold and uranium division chairman Clem Sunter said the overall performance had been good, and that it had reaped the benefits of hedging and cost containment.

But it was left to Freegold to reap the benefits at the after-tax level.

The company, which also posted results for the year to March yesterday, booked earnings after tax in the quarter from R124,2m to R159,2m.

Production was up from 28,9 tons to 30 tons — a record for the company — combined with a 2,6% increase in revenue to R31 101,6/kg to push total revenue from R990,5m to R1 065m.

Total available earnings rose from R75,5m to R92,7m.

Though material treated slipped back 2,8% to 6,4-million tons, this was deflected by a yield up from 4,4g/t to 4,8g/t. The rise in working costs was contained at 3,5% to R69,2m.

Both North and South Region posted sizeable increases in profit, yields and gold production.

For the year to March, however, there was less glitter to Freegold.

It registered a 3,8% rise in available profit to R290,6m, and a final dividend of 24c (25c). But the improvement was due largely to a 23,4% cut to R186,7m in capital expenditure, which cut capex appropriation by more than a quarter to R184,7m. Pre-tax profit dropped 10,8% to R527,5m.

Freegold’s quarterly figures also overshadowed the less impressive performance of its stablemates

Vaal Reefs produced a 10,5% fall in available profit to R55,6m, dragged down by a R31,7m tax provision and a royalty of R46,6m to Southvaal Capec appropriation, however, fell from R102m to R61,3m.

**Difficult**

The company said comparisons quarter on quarter were difficult, because Vaal Reefs had received a half-yearly dividend of R6,1m from Southvaal for the three months to December.

Regional manager Nap Moyer said that Vaal Reefs was “likely to run steadily for the rest of the year.”

Ergo sustained a R18,5m fall to R15,6m in after-tax profits as revenues lower at R188,4m (R119,5m) cut into operating profits. The continuing operations — Ergo and Daggafontein — both endured falls in operating and...
Freegold glitters in Anglo’s gold stable

HIGHER earnings from three of the five companies in Anglo American’s gold division provided a slim rise in total available earnings to R299.8m in the March quarter.

The division’s mainstay — Freegold — raised available profit in the quarter by 23% to R102.7m, as gold production edged forward 3.8% to more than 30 tons, and its gold revenue rose to R1 055m from R990m.

Elandrand and Ergo turned in earnings rises to R19m and R27.6m respectively, though these owed more to falling capital spending than operating performance.

Vaal Reefs and Western Deep’s suffered lower available earnings, due in part to a leap in taxation provisions.

Total gold production for the division nudged ahead 1% to 67.1 tons while average revenue rose to R34 795/kg (R34 040/kg). Capital expenditure over the period fell from R292.4m to R244.6m.

Gold and uranium division chairman Clem Sunter said the results reflected the benefits of hedging operations and moves to contain costs. Average unit costs rose 1% to R28 731/kg. Total working costs moved up 2% to R1.0m.

See Page 9
Big Shifts Among TOM Leaders

Farther wild swings in the All Gold index saw several significant shifts on the leader board. The Wits team grabbed first place last Wednesday, but fell back by Friday to let Genbel's Lucien Verrezen stay in the lead for the fifth consecutive week. With the mysterious Phm shooting into third place and RMB slipping into ninth, Kaplan & Stewart and Elephant have been knocked from the Top 10.

The All Gold index, which hit a high of 1 278 before the Easter weekend, fell back to a 1 161 low by last Wednesday. This 10% move saw All Gold index 1 200 May put options shoot from R347 per contract to over R800 — a 118% move.

De Beers 7 500 June calls fell from R601 to R337 and Rusplat 6 000 June puts rose from R381 to R604.

Several traders benefited from writing options on the April All Share and All Gold index options prior to last Thursday's expiry. Writers earn premium income from options, but bear a potential liability because they are obligated to perform in terms of the contract. This liability ends on the expiry of the option, leaving writers with the cash benefit of the premium income earned.

With less than three weeks to go, Genbel and Wits could be in an unassailable position, but the tussle for third place, worth R10 000, should prove interesting.

New Faces

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New glister in gold a tonic for mining house spirits

By CHERLYN IRETON

The shift in the gold market have started to lift miners' spirits. First-quarter results of mines managed by Anglo American, Gencor, Gold Fields of SA and Anglovaal, suggest a quiet confidence returning to those producers that have been able to contain costs and emerge from the downturn relatively unscathed.

The mood change can be sourced to the uptick in the gold price to about $300 an ounce on signs of increased demand for jewellery, particularly from China.

"There is no doubt that there is more fizz in the market," says Clem Sunter, chairman of Anglo America's gold and uranium division.

Gengold director Gary Maude believes that the gold price is starting to form a true bottom six months ago. "That's got to happen before there is a reversal of the downturn."

The improved fortunes of many mines can be traced to the rand's decline against the dollar in the first quarter it fell 3.4% to around R33.75 to the dollar. Copper, on a slightly higher spot price, this increased the rand gold price by 6% from the start of January to R34.457 a kilogram at the end of March.

Sustained benefits from the expensive reorganisation and rationalisation of the past few years also contributed. But some mines, particularly Vauldore, showed signs that cost control could be slipping.

A gold-share analyst says cost increases of between 2% and 3% on mines like Bearpaw are good if they are leached, but could look more menacing if compounded for the rest of the year.

A feature of the quarter was the success certain mine managers achieved through multitasking. A gold analyst at Multiskilling, one of a small number of companies trained to tackle all aspects of mining as opposed to the industry's traditional single-skill approach to job segregation.

Bolstered

Casualty of the quarter for -- JCI and Rand Mines are still to report -- is German Gold Fields of SA. The company's chairman, Dr. Fontein, says in spite of showing a bottom-line improvement, it is likely to stop underground operations. The mine has large net liabilities and gloom in the market surrounding. He future is reflected in its 14% share-price fall to R1.50 this week.

Anglo American's mines lifted output by 1% to 67.69 kilo and available profit was up 3.5% to $209.8 million. Total working costs rose 2%.

Anglovaal's bottom-line results were bolstered by a strong performance by Harriet's mine. Available profit rose to R235.6 million from R157.2 million after a 4% increase in gold production to 10.364 kilogrammes.

Gecore mines lifted available profit to a combined R273.7 million, up 15% on the previous quarter.

Gold Fields' combined profit was up at R13.3 million from R12.6 million in the December quarter despite a dip in gold output.

For white people, an event of historical and economic interest in SA took place last week. The sale of a large gold mine in the eastern Cape.

This mine, which has been producing since 1880, was sold for a record price of $500 million. The sale marks a significant turning point for the mining industry in SA, which has been facing declining production and rising costs in recent years.

The buyer, a multinational company, plans to invest heavily in the mine to increase production and explore for new deposits. The sale is expected to create hundreds of new jobs and bring additional investment to the region.

The sale also signals a shift towards a more diversified economy, as the mining sector, which has been a major contributor to GDP and employment, is increasingly being replaced by other industries.

In conclusion, the sale of the gold mine represents a key moment in the ongoing transformation of SA's economy, as it marks a move towards a more balanced and inclusive growth model.
No money from Barbrook

ORDINARY shareholders in Rand Mines-listed Barbrook will get no money back as liabilities exceeded proceeds from the sale of the eastern Transvaal gold mine to Esterhuyse CEO Stefan Hayden.

Hayden's offer has been accepted by the liquidators and fell far short of creditors' claims of R24m. Hayden's offer is believed to be about R10.5m.

Coopers Theron DU Toit Trust liquidator Clive Lansdown believed that Hayden's offer represented the best realisation of Barbrook's assets.

Lansdown said there was no intention to reconvene Barbrook. If shareholders cancelled all the shares in Barbrook, Hayden's Rand 'O The Mint company would become its sole shareholder. Rand Mines and Anglo American are the two largest shareholders with a combined 88% stake and are creditors to 98% of its debt.
Harmony battles to maintain grade

JONO WATERS

RANDGOLD & Exploration's marginal Harmony gold mine slipped back into the red at operating level in the March quarter as the Free State producer struggled to maintain its grade in its second quarter on Sunday operations.

The mine made a working loss of R1.75m compared with a working profit of R6.53m in the December quarter. However, capital recoupment and sundry revenue resulted in a bottom-line profit.

Harmony, granted Sunday mining rights in September in an attempt to save the mine from closure, expected short-term fluctuations in grade, chairman John Turner said at the weekend.

As a group, the four Randgold mines increased their overall bottom-line losses to R6.34m (R1.69m) as a result of the fall in Harmony's profit and greater losses at ERPM. Total gold production by the four fell fractionally to 9.64 tons (9.60 tons) as lower grades at the two largest producers, Harmony and Blyvooruitzicht, cut the group's average grade to 4.1g/t (4.2g/t) and outweighed an increase in the quarter's mill tonnage to 2.15 million tons (2.35 million tons).
The four mines in the Randgold stable slipped back into the red in the March quarter, as ERPM continued to be the major drain on group profits.

However, results were also hit by a sharp R9 million turnaround at the group's largest mine, Harmony.

Randgold reported over the weekend that the bottom-line of the four mines fell from a R6.7 million profit in the December quarter to a R10.5 million after tax loss in the first three months of this year.

ERPM posted a loss of R13.8 million in the March quarter, largely because the planned increase in productivity in terms of grade and tons had not been achieved and an increase in costs.

The current mining and financial plan at ERPM was being reviewed, Randgold said.

It added that the Government has offered the struggling ERPM mine financial assistance with a R9 million loan at market-related interest rates and a two-year extension on repayment of pumping loans.

Any future Government assistance to the mine would be less than what was currently in place.

Total production of the four mines at 10 728 kg of gold from surface and underground mining operations was slightly lower than the 10 715 kg of the previous quarter.

However, the resultant revenue of R35.5 million (December quarter R35 million) was offset by costs totalling R35.6 million (R34 million).

The profit earners in the group were Blyvooruitzicht, which earned R3.14 million (R4.25 million), and Durban Deep with R442 000 (R683 000).

Harmony posted a loss of R442 000, against a profit of R6.5 million in the previous quarter.

Production at the mine was hit by a fall in the yield to 3.39 g/t (3.57 g/t) and losses surged by R10 million to R18.5 million (R17.6 million).

The mine however had a capital recoupment of R5.9 million, which improved the bottom-line during the quarter.
Strong performances by JCI gold mines

JCI's gold mines reported a 44.7% increase in profit after tax and capex in the March quarter as a result of improved performances by Randfontein Estates and Western Areas, and lower capital spending.

The group paid productivity bonuses of R2.3m to mine workers in the quarter.

Overall, bottom-line profit rose to R36.5m compared with R25.2m in the December quarter. The mines achieved an increase in average grade to 4.59g/ton (4.47g/ton), as the amount of ore milled fell to 2.72-million tons from 2.84-million tons.

Gold output declined to 12.5 tons (12.7 tons).

Gold division chairman Kennedy Maxwell said the group's drive to contain costs resulted in unit costs falling to R23 334/kg from R23 781/kg. Average revenue a kilogram rose 1.5% to R33 774 (R33 287).

The troubled HJ Joel gold mine had implemented its survival plan, expected to make the mine profitable within 18 months, he said. This included development blasting on Sundays, a reorganisation of underground shifts, and sending some workers on extended unpaid leave to couple with some retrenchments.

See Page 10
HJ Joel mine is set to move into the black again

JCI’s troubled HJ Joel gold mine would move back into the black in 18 months once sufficient ore reserves had been developed, gold division MD Bill Nairn said yesterday.

Speaking in Johannesburg at the release of the group’s results for the March quarter, he said results from accelerated development of ore reserves, facilitated by blasting on Sunday, were "encouraging.”

Gold division chairman Kennedy Maxwell said the low grades encountered in the western part of the mine were possibly not as bad as expected.

Maxwell said talks about merging Joel with Gengold’s Beatrix were continuing and both mines could gain through co-operation.

Signs that Joel, JCI’s newest mine at which the group has unsuccessfully tried to pioneer low-cost trackless mining, was starting to reach its potential early last year, have been dashed by low grades.

Nairn said Joel had implemented its system of extended unpaid leave in certain job categories but some of the mine’s 370 workforce would still have to be retrenched.

Money-spinner Randfontein increased its profit after tax and capex by 11% to R271,1m (R22,6m). Nairn said this was due to lower capex and well-contained costs.

The mine managed to increase its grade for the eighth successive quarter to 3,97g/t (3,85g/t) but this did not make up for the fall in tonnage to 2 million tons (3,1 million tons). Gold production fell to 7,94 tons (8,86 tons). Development in Doornkop’s northern eastern section was slow as the mine hit a dyke.

The Doornkop south reef project was progressing well.

Western Areas increased its bottom-line profit by two and half times to R11m (R33m). The mine achieved its highest grade since 1976, of 6,3g/t (6,25g/t) because it intersected some good grades in the Venterdorp Contact Reef.

Western Areas GM John Brownrigg said the mine could sustain current profits when its uranium contract runs out in June next year.

Asked about the gold price, Maxwell said he was concerned that the "lax" in the gold price might turn into a "bubble" and burst. However, he believed the recent move by billionaire speculator George Soros to invest R600m in Newmont Mining was a sign the West was beginning to realise the fundamentals were in favour of an upward movement in the gold price.

Consolidated Murchison (Cons Murch), which falls under JCI’s coal and base metals division, reported an almost unchanged bottomline profit of R222,000 (R172,000) in the March quarter.

Chairman Mike Hawarden said antimony revenue increased 67% to R3,02m (R1,92m), but gold revenue dropped to R9,86m (R10,6m) as a result of a fall in gold sales to 273g (307g).

Total mining revenue rose to R15,3m (R12,4m) against costs of R11,7m (R11,1m), resulting in an operating profit of R1,64m (R1,23m).

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<td>5,166</td>
<td>(513)</td>
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JCI’s Joel still ailing

By Derek Tommey

Increased efficiency and a higher milling yield enabled JCI’s Transvaal gold producer, Western Areas, to report an almost fourfold increase in attributable profit in the March quarter.

The group’s other Transvaal mine, Randfontein, also had increased earnings.

But JCI’s third mine, Free State producer Joel, again had disappointing results.

The improved results at Randfontein and Western Areas resulted in group attributable earnings rising R11.3 million (44.7 percent) to R36.5 million.

Western Areas increased its milling rate and milling yield.

Gold production rose from 3,256 kg to 3,406 kg.

The gold price received rose by 1.4 percent to R33,734 a kg, while working costs dropped 5.6 percent to R31,218 a kg.

Net taxed profit rose 93.9 percent to R17.3 million.

And net profit after tax and capital expenditure jumped 266.1 percent to R1.1 million, equal to 27.3c (7.5c) a share.

Gold division chairman Kennedy Maxwell yesterday that Western Areas had built up a “war fund” of R33.8 million to safeguard against a possible drop in the gold price.

Development was going well on the 90 level in the South Shaft area and stoping should start in June, he said. The area had a 12-year life.

Randfontein’s profit from gold rose from R52.6 million to R77.1 million.

Tonnage milled was down slightly, owing to greater dilution control efforts.

The milling yield improved from 3,655 grams a ton to 3,97 grams a ton, but gold production fell from 8,076 kg to 7,944 kg.

Gold revenue increased from R33,213 a kg to R33,903 a kg, while costs were R26 a kg higher at R26.718.

Profit after tax and capital expenditure was 19.1 percent higher at R27.1 million (R22.8 million), equal to 44.3c (37.2c) a share.

Underground development at Doornkop and the sinking of the new Doornkop shaft are going ahead at the maximum rate.

Profit from gold at troubled Joel rose from R2.2 million to R2.34 million.

But a dip in sundry revenue reduced operating profit to R2.4 million (R5.8 million) and net profit (no tax payable) dropped from R5.2 million to R1.7 million.

After capital expenditure the mine had a loss of R1.6 million (loss of R53,000).

MD Bill Naura said operations at Joel had been repositioned and restructured with the intention of providing enough ore reserves within 18 months to allow for increased production at low cost levels.
China’s new prosperity boosts demand for gold

HONG KONG — When the Belgian and Dutch central banks sold big chunks of their gold reserves last year, observers reckoned that the price of gold had only one way to go: down.

What they may not have taken into account was the amazing rise in the demand for gold in Asia, especially among the Chinese.

In each of the past two years, about 2,800 tons of gold has been sold worldwide — much of it not from mines but from hoards such as central bank vaults.

About 230 tons was sold to Indian buyers in 1991. Another 765 tons was sold in Southeast Asia, and more than 200 tons in China.

So Asia accounted for more than 10 percent of world gold buying. And its share is rising.

Buying gold in OECD countries is low and stagnant about one gram per head per year.

But Asians are growing ever more infatuated.

Annual buying per head even in relatively poor China in 1992 was 0.8 grams. In Singapore it was eight grams, in Taiwan and Hong Kong nearly 10.

30 percent

Jumei Lau, head of the East Asian office of the World Gold Council, a gold-producers’ lobby, says gold purchases by the East Asian countries by a third.

All these countries have close economic and family ties to mainland China. Traders reckon that perhaps half the gold they import ends up in China.

Lau thinks that China may have taken close to 500 tons in 1992 and could buy 700 tons this year. That would be a quarter of likely world gold sales in 1993.

Practically all of the gold trade in China is covert. China's mines, all government owned, last year produced 130 tons of gold.

The central bank bought it at a fixed price (about $300 an ounce) and put all but 20 tons into its reserves. It sold the 20 tons to jewellery makers.

By the time the jewellery reaches Chinese shops, it sells for $530 an ounce.

Not surprisingly, more than half of the gold sold even in the official gold shops in China is smuggled into the country by overseas Chinese.

The trade is increasing sharply — and not only because of the wide gap between official and market prices.

China is getting rich fast. Inflation and currency depreciation add to the allure of gold. Indeed, China's gold hunger belies the optimists who maintain that the country is not about to suffer a bad bout of inflation.

In the long run, demand for gold even among financially conservative Asians may tail off. Japanese sales of gold for investment fell from 125 tons in 1989 to around 70 tons last year.

Four times

But the experience of Hong Kong and Taiwan suggests that the Chinese have to become very rich indeed before they lose their traditional fondness for the metal.

Lau points out that if gold buying per head in China were at Hong Kong levels, China would absorb four times this year's world gold sales.

It will not come to that. But booming Chinese demand does provide a bright gleam in the market for gold — The Economist.

World's top gold producers

South African mines predominate among the world's 10 top gold producers, with seven companies turning out 12.54 million ounces in 1992, against the 4.2 million ounces produced by two mines in the United States and one in Papua.
Brakes put on Venetia’s production

PROBLEMS associated with the build-up in production at Venetia, and De Beers’ attempts to combat depressed demand for diamonds, have put a brake on diamond output from the new R1,1bn diamond mine.

Venetia recovered 1,87-million carats in 1992 compared with 303,041 carats in 1991. De Beers’ 1992 annual report showed the mine’s status as a high-grade producer, turning in average recoveries of 118.5 carats a 100 tons, compared with Pinsch (73), Premier (35.3) and 157.1 at Debswana’s Jwaneng mine.

The mine is still likely to fall short of its target of 5,9-million carats at full production, to have been reached at the end of 1993 or early 1994.

De Beers chairman Johan Ogilvie Thompson declined to comment on the mine’s production prospects in his yearly review of the group’s results.

Signs of difficulties at Venetia emerged with the report of interim results from Industrial Commercial Holdings (ICH) earlier this year.

ICH — entitled to dividends income from Venetia from its 12.5% stake in Saturn Mining, which will receive half Venetia’s profits after capital spending is recouped — showed income from Saturn of R276,000 in the half-year ended December. It was R94,750 in the same period in 1991.

The Central Selling Organisation decision last September to invoke deferred purchase clauses in its quota agreements with diamond producers has affected the speed of Venetia’s move to full production. The move was designed to meet the problem of oversupply in the diamond trade, because of weak retail demand and a flood of illicit Angolan diamonds.

De Beers director Bertie Lincoln said earlier this week that, in addition to the 25% reduction in the CSO quota, something of a bottleneck had developed at the mine as it tried to sort the increasing number of diamonds being produced. That led to Venetia’s sales falling below output.

Edey Rogers analyst Keith Bright said that might not tell the whole story. He noted the CSO’s sales agreements were with diamond-producing companies, not diamond mines, so the impact of the 75% and now 65% quota could be spread throughout De Beers Consolidated’s operations.

He said lower than expected output from Venetia might reflect a political decision by De Beers.

He suggested the group would have been keen to show non-De Beers producers that they were not being prejudiced by the CSO quota which came into effect only weeks after Venetia was opened.
Harmony and ERPM run into deeper trouble

RANDGOLD & Exploration's marginal Harmony and ERPM mines ran into further troubles in the March quarter with both extending their working losses.

Randgold chairman John Turner said at the weekend Harmony's grade reduction to 3.35% from 3.57% in the December quarter was in line with short-term fluctuations. He would not, however, be drawn on likely fluctuations in future.

The increase in ore production which followed Sunday mining and which had been needed to curb unit costs had reduced the mine's grade flexibility.

Harmony made a bottom-line profit as a result of the sale of assets for R75m (December R15m).

Adding to ERPM's woes had been the discovery of a fault in the Far East Vertical (FEV) shaft which was expected to affect production within two years. Randgold had penned hopes on the FEV to restore profitability to the debt-laden mine, which owed R515m (R513m) at the end of the quarter. The FEV's ore body was accessed in the March quarter and grades of 6.45g/t were in line with expectations.

ERPM MD Karl Elck said yesterday the fault was not of major concern and he was confident ERPM could make a profit after-tax and interest by year end.

The fall in ERPM's tonnage to 236,000 tons (292,000 tons) was as a result of operations moving out of low grade areas sooner than expected, he said. Each hoped ERPM would be drawing 50% of its ore from the FEV section within three years.

The state had granted the mine a further loan of R50m at market-related interest rates during the quarter. An application to government for a further interest rate concession had been turned down and the earlier 10% interest rate subsidy had come to an end at end-1992. Turner said the government would review assistance to ERPM during the year but any future aid would be less than already granted.

Elck believed that as tonnage from the FEV built up, the mine's average recovery grade would rise beyond the latest 6.54g/t. But he warned bluntly that if the grade did not rise in line with expectations, ERPM would be "dead".

A grade drop to 6.1g/t from December's 6.78g/t resulted in a lower profit after tax and capital spending for Blyvooruitzicht. The quarter's bottom line profit fell to R1,458m from R2,168m.

Blyvoor's own underground reserves were expected to be exhausted next year, but a tribute agreement with Anglo American's Western Deep Levels had extended the operating life to the year 2000.

Durban Deep's vulnerability to operating cost changes was shown by the fact that a small drop in the ore milling rate lifted unit costs by 3.3% a ton. Nevertheless, a higher underground ore recovery grade offset the higher unit cost and a lower dump reprocessing recovery grade to give an operating profit of R303,000 against the previous quarter's R223,000.

<table>
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<th>RANDGOLD* December Quarter</th>
<th>Tons milled</th>
<th>Yield g/ton</th>
<th>Gold produced</th>
<th>Costs</th>
<th>Costs</th>
<th>Price</th>
<th>Net profit</th>
<th>Profit after capex</th>
<th>EPS after capex</th>
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* Operating results from underground operations
Randgold living up to forecast

By Derek Tommy

Randgold, which holds the gold mining investments previously belonging to Rand Mines, has reported a profit of R2.7 million, equal to 9.1c a share, for the six months to March. This is more than half the R4.6 million forecast for the full year and is the result of lower expenditure. No dividend is being paid.

Chairman Allan Seale says the company expects to achieve its profit forecast. Randgold derives its income mainly from its investments in the four marginal gold mines, Harmony, Blyvoor, Durban Roodepoort Deep and ERPM, and from the sale of services to these mines.

It also receives interest income from its R75 million in cash holdings.

Seale says the company may be required to provide additional loans of up to R35 million for ERPM.

The company's cash resources are being retained to meet its obligations to ERPM, to pay creditors, to fund exploration and to take advantage of investment opportunities.

Randgold's sister company, PGM Investments, which holds Rand Mines' platinum investments, earned R459 000, equal to 2.3c a share, in the six-month period.

Seale, who is also chairman of this company, says the achievement of the forecast R1 million taxed profit for the full year will depend on final dividends declared by PGM's two major investments, Impala and Rustenburg.

PGM's other platinum interests include shares in the developing mine PPRust, shares in Leplats and an effective 45 percent interest in Barplats.

This company's subsidiary Barmine has two prospective platinum mines. PGM has a 50.3 percent shareholding in Vansa. Interest from PGM's cash holdings amounted to R724 000 in the six-month period, taking total income, including dividends from Impala and Rustenburg, to just under R1 million. Expenses were R529 000.
Raad Mines Properties (RMP) is maintaining its interim dividend at 30c.

This is an acknowledgement that the slump in taxed profit to R731,000 in the six months to March from R7,6 million a year ago does not indicate the true position.

MD Colin Steyn says the profit figures have been distorted by certain property sales being brought to account only in the second half.

These profits, together with those expected from negotiations now in progress, could result in the taxed profit for the full year approximating 1997's R13,1 million.

Gold production remained high at 2,071kg, against 2,067kg in the six months to last September.

The average gold price received was R33,159 and the working profit from gold was R4,6 million. However, a rise in amortisation costs caused an operating loss of R1,6 million.
Platinum and silver prices soar

JSE swept by new wave of gold fever

MATTHEW CURTIN

GOLD fever resurfaced on the JSE yesterday when silver prices bounced back above the R350 mark, then passed R355, to give the gold index a 12-point boost.

The index raced past the R500 mark, its highest level since October 1992, but profit-taking in late afternoon trade saw the gold board close below the day's high at R497, compared with the previous day's close of R498.

Gold rose to nine-month highs of R355.60 in London yesterday afternoon and closed at R348.80, up from R340.70 on Tuesday and R331.65 on Wednesday. The metal was quickly followed by platinum which also hit a nine-month peak of R348.80 at its London afternoon fix, up more than R10 from the previous day.

Silver prices surged towards two-year highs, continuing their run above R4.00 to reach R4.40 in afternoon trade.

Reuters reports of strong Middle East demand for silver on Comex in New York, which sent gold futures scurrying towards R350 before closing lower, coincided with rumours of heavy demand for gold in Hong Kong, with the Bank of China being a possible buyer.

Precious metals were buoyed by the dollar's weakness against the yen and Deutschmark, but market sources attributed confidence in the bullion market and hectic trade in gold shares to the "Soros factor" — the decision by Hungarian billionaire George Soros to buy a R440m stake in US gold producer Newmont Mining.

The market was torn between two schools of thought: Soros's move was market manipulation on an unprecedented scale, or another shrewd decision which had caught the gold market at a crossroads.

One analyst said: "Soros went in and went big. Perhaps he realised that with gold languishing at R320 to R330 many SA and US mines were running into trouble. Add that to a fragile bond market in the US, fear about US and world economic recovery, long-standing sentimental factors such as potential unrest in Russia, plus investor disaffection with gold. That gave Soros the perfect opportunity to invest in gold and turn the market around."

He added that at R355 gold shares were expensive, but as long as there was confidence bullion prices could rise higher.

Gold

There would be buyers for gold shares.

However, there were still no fundamental reasons to justify the bull run, especially as the R30 increase in prices in recent weeks quickly transformed the profitability of marginal producers, eliminating any threat to mine supply.

Simpson McKie analyst Rodney Yaldwyn said the scramble for gold shares was astonishing, with small players picking up lightweight counters, and overseas institutions buying heavyweight stock. "Many investors seem to have been caught with their pants down and now don't want to miss out on the bull run, but they have left the market hugely overvalued."

National Futures and Options MD Brett Stacey said trade in gold futures contracts had been "very hectic" but the gold market was suffering from "too much hype. The market has moved up so fast that it is now just an accident waiting to happen."

A dealer said: "The gold market is over-priced, and it's reflected in the futures market in which gold contracts are trading at a 50-point discount to spot. The first time in many months."
A new sense of optimism prevails in the gold mining industry as the gold price continues to rise.

Gold traded at a nine-month peak of $567.00 an ounce in New York yesterday and settled at $566 in Hong Kong this morning.

Industry spokesmen stressed that the recent consistent rise in the price of the metal - if sustained - would throw a lifeline to many of the country's marginal gold mines.

Gold's boom has also lifted spirits on the JSE.

Not only has the JSE's all-gold index firmed by 291 points, or 23 percent, since gold fever hit the market a week ago - volumes of shares traded last week were at their highest in more than 18 months, providing stockbrokers with a bonanza in commission and fee income.

Humphrey Borkum, a senior partner at one of the JSE's leading stockbroking firms, Davis Borkum Hare, says the past week or two have been the busiest experienced on the market for some time.

He is also optimistic that the firmer trend both in gold and gold shares can be maintained.

"I believe the metal's price will consolidate at these levels before rising again over the next few months," Borkum comments.

"Rationality suspended in gold market" - Page 20

The all-gold index yesterday soared by 104 points, or 7 percent, as both local and foreign investors were active in the market.

In particular, commodity funds from the United States - the driving force behind the recent rally - poured millions of rand into gold counters. The financial rand subsequently, firmed by 7c to R4.37.

And the surge in gold equities lifted the overall index by 55 points.

It is in the mining industry, however, that analysts believe the benefits will be felt most.

Employment levels in the gold mining industry have fallen by roughly 150 000 over the past 2 1/2 years as the industry embarked on rigorous rationalisation programmes.

It is the performance of the rand gold price - the price received by local gold mines - which is cause for concern.

The rand gold price yesterday rose to a highest-ever R1 150 an ounce on the back of the firmer dollar price but, more importantly, reflecting the weaker rand-Us dollar exchange rate.

"Two years ago, when the rand gold price was at R600, many marginal mines were threatened with closure," says Tom Dale, deputy managing director of Gengold, Gencor's gold mining arm.

"If the current price is sustained it will take a lot of pressure off these mines."
"Slump forced mining rethink"

The long slump in the gold price and other precious commodities had forced the mining industry to look downstream to beneficiation, according to a report on structural changes in mining disbursements.

The report, compiled by Unisa's Bureau for Market Research, says the Columbias stainless steel project was a case in point.

The report contains the findings of a study updating major income and expenditure items of all large mines and quarries from 1982 to 1990.

In little more than a decade - 1982 to 1991 - the mining sector's share of GDP plummeted almost to its 1971 level, from 22% to 10.4%.

The sector's importance in the economy was shown by its 29% share of total exports in 1991 and by its consumption of goods and services.

Total salary and wage payments by the mines' second largest disbursement, amounted to R16,290m in 1990. The share of this item in total disbursements rose from 21.5% in 1980 to 33% in 1990.

The share of dividends paid by the sector declined from 21.8% in 1980 to 14.1% in 1981 and 9.6% in 1990.

In contrast to the relatively sharp increase in the total salary and wage index, the dividend index dropped substantially. It stood at 62.7 in 1990 compared with the 214.9 of the total salary and wage index and the CPI's 303.7.

This implied that remuneration more than kept pace with inflation while the return on capital decreased considerably.

The report says that as a percentage of major disbursements, mining tax paid dropped from 19.3% in 1980 to 9.7% in 1990. The contribution of mining tax as a percentage of the country's total tax was at its lowest level in 15 years.

"Stores consumed" increased its share in disbursements from 37.8% in 1980 to 47.5% in 1990. More was spent on working costs and less on capital expenditure, the report said. Stores consumed rose at an average annual rate of 15.4% in current rand in the 10 years.

The gold mines represented 58.6% of the total market for stores in 1990. Efforts to control the escalation of working costs had been successful. The annual percentage increase in working costs a kilogram of gold plummeted from 23% in 1990 to 1.8% in 1991.

This, with a slight increase in the average grade of ore, pushed up working profits a ton by 3% between 1990 and 1991.
Firmer bullion boosts JSE share prices

The all gold index broke back above the 1,560 level yesterday as gold shares on the JSE were buoyed by firmer bullion prices which edged towards $360/oz.

The index closed 43 points higher at 1,594. The all share index rose 44 points to 3,777 on the back of the stronger gold shares, while platinum shares went to levels last seen in July 1992. Rustenburg Platinum and Impala Platinum each rose to 400c to close at R73 and R82 respectively.

Public holidays closed financial markets in London and Tokyo, but gold closed higher at $357.50 in Zurich, after trading at $358.50 during the day. The metal traded close to one-year highs at more than $358 in New York.

Renewed enthusiasm pushed platinum to a $391 close in Zurich, compared with London’s Friday close of $386.75 (244).

Reuters reports that bullion prices were boosted by strong Asian buying following weekend news that the IMF had reservations about an EC suggestion that the fund sell some of its gold stocks to finance cheap loans to poor countries.

On the JSE, where blue chips Driefontein and Anglo American Gold Investment Corporation (Amgold) led the list of best-traded stock by value, interest focused on marginal and independent gold mines.
High expectations worry industry

Gold surge raises miners' wage hopes

WORKERS at mines participating in the industry's profit-sharing scheme have begun to reap the benefits of the higher gold price, and are looking forward to further improvements if the high gold price is sustained.

The change in the industry's fortunes comes as the NUM and Chamber of Mines prepare for the 1993 wage talks. The industry is 'concerned about the effect of the improved gold price on workers' expectations, while the union is convinced it will improve members' bargaining strength.

The NUM has just forwarded its detailed proposals to the chamber.

In the March quarter, workers on Anglo American gold mines received bonuses averaging 6% of basic pay — up 30% on the previous quarter. Benefits were unevenly spread, though, with bonuses almost doubling at Freegold and Western Deep Levels and declining nearly 40% at Vaal Reefs.

In total Anglo mines have paid out R66.2m in bonuses since July last year, according to figures supplied by gold division industrial relations manager Panne Ernst.

At Gengold, according to spokesman Andrew Davidson, workers received on average bonuses equivalent to 4% on basic pay over the past three quarters. Bonus payments at Harmony, in contrast, were little more than 1%.

The move had poor results in the last quarter. However, the figures for April had increased to more than 3% due to a combination of the improved gold price, and better tonnages and grade, according to HandiGold human resources executive Richard de Villiers.

A spokesman pointed out that where a mine has sold gold forward, the effect of the current high prices would be diluted.

Anglo employees are entitled to a maximum of 25% on basic pay in bonuses, while at Gengold the cap is 15%.

Both Anglo and Gengold said that although the gold price was an important factor in determining bonuses, so were factors such as reduced working costs.

Ernst warned that widespread reports about the improved gold price had created worryingly inflated expectations of profitability among the workforce.

NUM assistant general secretary Marcel Golding said yesterday he believed the better gold price, if sustained, would improve the union's bargaining position in wage talks.

The union would seek the removal of the cap on bonuses.

The Anglo scheme is based on the average profit made over the previous four months being used as the trigger. From...

Mine wages

From Page 1

zero to the trigger 5% of total profit is paid; thereafter 20% of total profit. The cap of 25% of reasonable income had not been reached to date, Ernst said.

The NUM wage proposals, based on a central committee policy paper published in February, will be discussed in talks beginning at the end of May.

On gold mines the union has demanded wage increases in the 20%-25% range.

Part of the strategy is to reduce the wage differential between the groups that pay higher rates in the lower categories and those that operate a steeper wage curve.

The union's wage demand for collariers is substantially higher — about 40% in the higher wage companies and up to 90% in the low wage ones. The goal is a R900 monthly minimum for surface workers and R1 000 for underground miners.

The proposals contain no reference to the profit-sharing scheme but this, according to general secretary Egalema Molitante, is because the scheme is already in place.

The union envisages profit sharing continuing subject to certain amendments such as the removal of the cap.

Of the 12 other main items on the NUM list of demands, Molitante and Golding identified those relating to a "social plan for restructuring" and "adult basic education" as the most crucial.

The union believes that the former should include financing the training of retrenched workers and minimum severance pay, and the latter should aim to eliminate illiteracy within five years.
Miners suspended

FENGOLD said yesterday that:

Zulu-speaking miners at its Ben- 
trax mine near Theunissen were 
still technically suspended from 
work after faction fighting in 
March which left 11 miners dead 
and several injured in March. 

Talks between representatives 
of the Zulu-speakers and other 
parties were continuing and man-
gement "was confident of a suc-
cessful conclusion soon," spokes-
man Andrew Davidson said.
Reserve Bank ‘helped to scupper Gencor strategy’

Gibertzon says resources projects, by their nature, have a long lead time before they generate cash, there are few commercially viable deposits up for grabs, while Gencor’s limited financial resources overseas make raising funds offshore difficult. He says a second deal was also scuppered by the Bank’s new policy.

In contrast, Anglo American and JCI already have significant offshore interests, Gold Fields has strong links to the US gold mining industry, while Anglovaal has moved towards consolidating its successful industrial and consumer businesses in SA.

Sappi’s successful acquisition of German paper producer Hanover Paper in June 1992 was a step forward for Gencor.

However, the subsequent collapse in pulp and paper markets, the rand’s plunge and a crash in Sappi’s share price sent foreign investors scurrying. Analysts believe most of the new Sappi shares acquired by European institutions have returned to SA investors.

However, Gencor is pressing on even if the current exchange controls amount to “a blanket veto on underruns deals”, says one analyst. “The policy leaves mining houses in an unenviable position because significant local opportunities — Gencor is already involved in new aluminium, gold and steel projects — are limited. Their gold and coal operations will ‘waste away’ without gaining access to new offshore resources.

Minerals projects which provide immediate returns are rare, but they do exist, and Gencor theoretically has no difficulty in handling an offshore acquisition financed 100% by borrowings. The problem is it is impossible to service the debt from SA.

Finding a project which has a significant self-funding component is not easy, but such a venture is likely to be high-risk, exposed to fluctuations in commodity prices, and treating commercial banks from providing necessary finance.

The World Bank’s private sector arm, the International Finance Corporation, has backed new gold projects in Ghana and Zaire, but its resources relative to major new developments like a Columbus or Alnash are small.

Exploration can be financed through commercial rand and management services can be supplied in exchange for equity in a project. However, greenfields mining projects are likely to take at least three or four years to develop.

Experts expect Nedcor to record strong growth

NEDCOR is expected to report strong growth in first-half earnings tomorrow and may declare an alternative scrip dividend to a higher interim cash payout, analysts said.

“We’ll see good results from them,” says Doug Ellish of stockbroker Anderson Wilson Partners Inc told Reuters.

Wider interest rate margins before the current squeeze affecting the second half, and recent tax changes, would more than offset continued high level of bad debt as the recession dragged on, analysts said.

Analysts forecast growth in share earnings of at least 15% to 117 cents plus in the six months to March 31, 1993.

The interim dividend was expected to be increased to 24c per share from a previous 21c.

Analysts said Nedcor may offer a scrip dividend as an alternative to the usual cash payout as this would escape the new 15% secondary company tax on distributed profits (cash dividends).

The recent reduction in the company tax rate to 40% from 48% would be a windfall for Nedcor, as seen recently in First National Bank Holdings Ltd’s first-half results, they said.

An analyst who declined to be identified said although Nedcor had half the size of First National’s deferred tax reserve, the corporate tax change would allow it to release a substantial amount. “The final results depend on how they show the tax windfall. They will be cautious anyway in the first half,” he said.

David Southey of Edey Rogers Co forecast continued heavy growth in expenses because of its computerisation programme despite the fact that its three-year rationalisation plan was coming to an end. Expenses were R146m in the previous first half.

Analysts did not expect a major increase in Nedcor’s specific and general risk provision from last year’s R163m.

“The Perm Building Society is not the problem child it used to be, although it is not out of the woods yet,” Ellish said. — Reuters

IB Joffe sells off three loss-makers

ANDY DUFFY

BESTEGED retailer IB Joffe has sold three loss-making businesses as part of its strategy to strip itself back to the core.

The company, which in the 12 months to December 1992 suffered attributable losses of R27m, raised R1.73m by selling kitchen furniture manufacturer Tekel, leisure chair subsidiary LLB, and the operations’ holding company Joffe Satherly to private individuals.

IB Joffe, which had flagged up the disposals in its year-end results, said Tekel had underperformed since its acquisition in 1983. The poor economic climate had led to the other sales.

Had the sales gone through during 1991, Joffe said this would have cut its losses a share from 12.3c to 4c. Net asset value would have slipped from 33.2c to 23.2c.

The disposals, effective from January 1, reduce IB Joffe to a manufacturer and seller of leather, camping, backpacking and outdoor products.

Matthew Curtin
Randgold may hold own wage talks with NUM

RANDGOLD is likely to discuss negotiating wages separately from the Chamber of Mines again this year when the chamber and the NUM meet for the first time on May 24.

Randgold human resources executive Richard de Villiers said this would be for the third consecutive year, as this route had proved successful in the past.

The four Randgold mines were all marginal and their vulnerability to any variation in revenue factors necessitated this move, he said.

Base wage increases were built into fixed costs and, as the mines operated within very narrow margins, changes in grade, tonnage, gold price or any other factor could “blow the margins”, he said.

At present Randgold operates two bonus schemes, one based on efficiency and the other on profit. Both are paid monthly.

The profit bonus has a cap of 20% of pensionable earnings — up from 15% last year. However, payments have never come anywhere near reaching this cap, De Villiers said.

Other chamber members operating similar schemes are Gengold and Anglo American. Gengold’s cap is 15% and Anglo’s 25%, both paid quarterly.

The setting of limits is likely to be a major debating point at this year’s wage round as the NUM is determined to lift it.

NUM assistant general secretary Marcel Golding said the union would be seeking to extend bonus schemes to all mining houses and to renegotiate the built-in trigger levels which “prohibit workers from sharing profits from the start”. The union was pushing for a “uniform and equitable profit sharing system” and wage parity across mining houses.

Gengold spokesman Andrew Davidson said the group’s cap was inflation-related and set last year when the inflation rate was perceived to be around 15%.

Anglo’s gold division industrial relations manager Fanie Ernst said bonuses were a high-risk portion of a worker’s salary and, as such, a high cap should be set to give incentive to workers to produce. The present structure of low basic wage increases combined with bonus schemes had meant the mines negotiated from a relatively low base, he said. Also, bonuses are not pensionable although the officials’ associations had requested 10% of their payments to be added to the pension scheme.

This gave mines a greater degree of flexibility dealing with fluctuations in the gold price.
**GOLD QUARTERLY**

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* Figures in parentheses refer to previous quarter. | Calculated at R1=$0.32 when dollar figure not given by mine. | *Earnings after tax and capital expenditure | $ Includes capital appropriation
GOLD QUARTERLYs

Kiss of Life

Compared with 555c in January at 1.3c.

Once upon a time, gold was a valuable metal, but not for the reasons we thought. It was the first currency, and its value was determined by the weight of the gold in a coin. But as the world became more complex, so did the way we valued things.

In the 19th century, people started to use gold as a store of value. They knew that if they stored gold, it would be worth more tomorrow than it was today. This is called the gold standard, and it worked for a long time.

But then came the Great Depression, and people started to lose faith in the gold standard. They realized that gold wasn't really worth anything, and that it was just a way for banks to keep their money secret. So they started to use something else, like paper money.

Today, gold is still used as a store of value, but it's not as important as it used to be. Most people don't even think about it anymore. It's just one of many different things that people use to store value.

But there are some people who still believe in the gold standard. They think that it's the only way to guarantee the value of money. They say that if everyone had gold, then they wouldn't have to worry about inflation.

The truth is, it's not so simple. Gold isn't worth anything by itself. It's only worth whatever people are willing to pay for it. And if people start to lose faith in the gold standard, then it won't be worth anything.

But for now, it's still around. And it's still valuable to some people. So if you have some gold, don't sell it just yet. Maybe it will be worth something one day.

End of story.
Moab link boosts Freddev shares

SHARES in Freddev have risen five times in value since February as investors have bought up the stock on the back of strong gold prices and the mining exploration and investment company's 6.5% interest in Anglo's new Moab gold mine.

Freddev shares have soared from the low of 50c in February. It closed at 240c on the JSE on Friday (241).

Market sources said at the weekend that JCI-owned Freddev's exposure to Moab, Anglo's R11bn gold project, was the main source of the share price's strength given the recent rises in gold shares.

Anglo has been able to offset the cost of the Moab development against the tax base of its neighbouring heavyweight producer, Vaal Reefs. The mining house gave the go-ahead to Moab in October last year when rand gold prices were languishing near R30 000/kg. But management said the high-grade mine would achieve an acceptable rate of return at prices over R30 000/kg. Rand gold prices have since climbed to more than R36 000/kg.

JONI WATERS

Vaal Reefs has been one of the better performers of the blue chip gold shares in the joll run of the past two weeks. The stock hit R285 on Friday from its low of R115 in September last year.

A Freddev spokesman said he believed the surge in the share was largely a result of the $30 increase in gold prices in the past month. There was probably expectation in the market that a few more projects would become viable. "We have a number of projects that have potential."

However, he said the share price was valued at more than R10 two years ago and was recovering from its low of 50c. Freddev has mineral rights over a number of areas that include the properties adjoining Vaal Reefs and Freegold's President Brand lease area.

Chairman Vaughan Bray said in September last year the area adjoining the President Brand lease could be turned to account given the right economic climate.
Canadian gold miner sees virtue in hedging

By Neil Behrmann

LONDON — Gold mines should continue to hedge their production in the present buoyant market by selling forward, say directors of American Barrick Resources, a Canadian company that has carried out a successful hedging campaign over the past few years.

Hedging is a form of insurance. Through various means, mines sell their output at forward prices, locking in certain revenue. When the forward contracts expire, the gold is delivered.

When the gold price falls, the mines are guaranteed a certain forward price. The lower price of delivered gold is offset by the higher forward price.

When the gold price rises, the mines receive a higher price for the physical gold delivered, which offsets the loss on the forward sales. In other words, there is a guaranteed price.

The technique of forward sales is to sell during market strength and to reduce activity during market weakness. The mines must also take a view on the rand.

A higher dollar gold price, for example, might be offset by a stronger rand and vice versa.

The aim is also to be as flexible as possible.

With the exception of Gold Fields of South Africa, SA mining houses hedge part of their gold production, a policy which, according to bullion dealers, has paid off.

The mines have not been caught out by the latest gold rally, they say Gold, after all, is only nine percent higher than its recent seven-year low.

American Barrick officials are adamant that hedging pays off over time.

Even if gold were to continue to soar, American Barrick would continue to hedge, or insure its production against price gyrations, company officials say.

The company has sold the bulk of its current and future production through "spot deferred contracts".

In terms of these arrangements, future production is sold forward at specified prices and can be delivered at any time within a ten-year period.

Officials deny European dealer claims that the company was forced to cover some forward sale positions during the recent price surge by buying back gold.

"We don't need to take with a highly successful company strategy of hedging against price risk," says Randle Oliphant, company treasurer, in charge of the transactions.

The mine is forecast to produce 1.5 million ounces this year, against 1.3 million ounces in 1992. It says with gold reserves of 27 million ounces, the company has outstanding forward gold sales of 64 million ounces.

These hedge transactions were negotiated at average prices of $410 an ounce. This compares with American Barrick's production costs of $164 an ounce.

At present gold prices, for example, the forward premium places gold for three-year delivery at $407.

Barrick's hedging policy has certainly worked. Net income doubled to $46 million in the first quarter of this year on revenue of $144 million.

Total net taxed income in calendar 1992 was $175 million, against $144 million in 1991.

George Soros's Quantum Fund wanted to buy a large stake in Barrick, company chairman Peter Munk said at the annual meeting last week.

But there was not a large block available in the Toronto-based company, said Munk.

Soros, who bought a holding in Newman Mining Corp., had given gold a boost and market sentiment had changed fundamentally, said Munk.

After being bearish for years, Munk said he was much more confident about gold's prospects.
Amgold’s total dividend up 5.1%  

ANGLO American Gold Investment company (Amgold) declared a final unchanged dividend of 59c, resulting in a 5.1% increase in the total dividend of 1.025c for the year ended March 1993.

Investment income was 6.1% higher at R223m compared with R209m for the year ended March 1992 but net interest earned fell to R34.3m (R33.1m). Surplus on realisation of investments brought in R15.4m, lifting total income to R303m (R293m).

Prospecting costs rose marginally to R35m (R33.1m). Investment and loan provisions increased to R15m (R16m) and educational grants were R5.5m (R4.4m).

Net income amounted to R246m (R236m) on earnings of 1.025c (975c) a share.

Amgold’s listed market value improved to R1bn (R1.8bn). Net asset value increased to R573m (R545m) or 23.73c (22.58c) a share.

Amgold listed its five largest shareholders in terms of value in its report as Driffontein, Vaal Reefs, Gold Fields of SA, Hartebeestfontein and Okai. Its five largest shareholders in terms of issued share capital are Welkom Gold Holdings, Elandrand gold mine, Buffelsfontein gold mine, St Helena gold mine and the East Rand Gold and Uranium company (ERG).

The shares closed 50c down on the JSE yesterday at R250.50.
Amgold lifts total 11.5% dividend
Finance Staff

Anglo American Gold (Amgold), the investment holding company of Anglo's gold mines, increased its total dividend for the year to end-March by 5.1 percent to R1.25 (1991/2, 975c) a share.

This follows on an unchanged final dividend declaration of 500c.

The improved dividend payment reflects a 5.1 percent rise in investment income from R219.9 million to R233.4 million as a result of higher dividends paid by Amgold's subsidiaries.

Provision

Interest earned, after administration expenses, declined to R54.3 million (R63.1 million), although there was a R15.4 million surplus on sale of investments during the year.

Prospecting costs increased by R1.8 million to R35 million and provision against investments and loans was increased from R16 million to R15 million.

That left net income 5.1 percent higher at R247.6 million (R235.5 million), which was distributed to shareholders.

The directors' valuations of listed and unlisted investments, including loans (at market value), show an increase of 5.4 percent to R5.37 billion (R5.07 billion).

Amgold's net asset value at the end of March rose by 5.1 percent to R5.73 billion (R5.45 billion), equivalent to R237.31 (R225.85) a share.
A MERGER between JCI's troubled H.J. Joel gold mine and its Free State neighbour Gengold's Beatrix was logical and sensible, G O'Flaherty & Co analyst Mark Madyski said.

Madyski was commenting on the mines' joint cautionary this week that discussions which could affect the share price were underway.

Joel shares have been climbing in recent weeks, fuelled by speculation of a merger. The stock closed at 225c on the JSE yesterday.

It had climbed from a low of 85c a share in February. Analysts said there would be benefits from merging, but this was a long way off.

Both Gengold MD Gary Maude and JCI gold division chairman Kennedy Maxwell said recently they were looking at ways of "co-operating".

Madyski said Joel had massive debt, probably equal to the market capitalisation of the mine, with its R135m loan from JCI.

"I don't think we'll ever see a dividend from Joel. There are many advantages in running the two mines as one operation," Madyski said.

Matheson & Hollidge analyst Rob Gillan said if the mines were to merge, it would probably be on Beatrix's terms, but there were other problems.

Beatrix was a division of Buffelsfontein (Buffels) and would have to separate itself from its parent first. Beatrix used Buffels's tax shield for its development work.

The market would know the two mines intended to merge when Gengold announced it was cutting the link between Buffels and Beatrix.

A merger would see Beatrix issuing additional stock in lieu of Joel shares, Gillan said.
Finding cause for comfort

Perhaps the most striking conclusion to be drawn from the authoritative Gold 1993 report produced by Gold Fields Mineral Services is how resilient the market was last year, when it coped with the largest official gold sales since 1968, as well as record levels of hedging.

The official sector, made up of central banks and institutions like the IMF, supplied a net 599 t to the market in 1992. That easily beat the 544 t recorded in 1979 when the US Treasury sales and IMF gold auctions were in full swing.

Gross official sales totalled 910 t, the largest seller being the Netherlands central bank, which sold 400 t. Purchases by central banks amounted to 311 t, of which 250 t were apparently taken by various Asian central banks, particularly China’s. Hedging in 1992 resulted in a net accelerated supply to the market of 155 t.

New mine production also increased to 1 841 t from 1 775 t, despite the weakness of the gold price, so that total Western gold supply rose 11.6% to 3 182 t (2 852 t). On the demand side, jewellery demand rose 329 t — 15.4% — to 2 461 t, total fabrication demand was 11% up at 2 859 t.

The crucial factor here is the price elasticity of demand for gold jewellery in the booming Asian markets. The worry being that demand might fall if the gold price rises too far.

The Gold 1993 report for the first time takes a stab at estimating global gold supply figures, including the CIS, China and other former communist bloc countries. It estimates total supply of gold in 1992 at 3 480 t, compared with 3 094 t in 1991.

Key statistic from the global tabulation is the booming gap between demand from fabrication plus bar hoarding, and supply from mine production plus scrap. That gap rose from 187 t in 1990 to 725 t in 1992 and is being met by official sales, dishoarding and other means of using gold stocks on surface. It again underlines the resilience and strength of the physical gold market.

The report, as usual, does not make a specific forecast on the gold price. However, co-author Kevin Crap, speaking at this week’s presentation in Johannesburg, said “If the correction to the latest surge in the dollar gold price is only a modest one, then the prospects that gold has turned the corner will improve enormously.”

He adds that the response of gold producers to the price increase is encouraging, because, so far, they have not reacted with increased gold hedging. Greater hedging would indicate that the producers felt this was yet another spike in the market, as opposed to the long-awaited turnaround for gold.
Gold survives large sales by central banks

JCI gold chief Ken Maxwell and I agreed on this: it was a much happier Kevin Crisp presenting the Gold Fields Mineral Services annual review this year than in 1992. Mr Crisp presented Gold 1993 in Johannesburg as part of a simultaneous launch in the world's gold centres.

It is the 25th year of the survey, and Mr Crisp's first in a time of rising prices. He is one of four senior analysts who compile the report. They, and top consultants, visited 69 countries this year for information.

A year ago he said it was tempting to be bullish about the price because many of his audience directly or indirectly relied on gold's fortunes for their own.

Jewels

This week he was able to report a deluge of inquiries from potential investors, anxious to know the findings of the GFMS research.

In a nutshell, although net central-bank sales of gold in 1992 at 600 tons were the highest since 1986, worldwide bullion was great enough to cope with them. There was only a 5% fall in the average dollar price.

Jewellery fabrication accounted for 86% of demand. Most of the growth was from developing Asian countries, but America and Europe held up in spite of recession.

The deregulation of gold imports by India led to a near-tripling of bar hoarding, mainly of 10-400g (11) bars. Chinese hoarded 33 tons of gold, with a large increase in the purchases of one-troy bars.

China became the world's largest user of gold, buying a good part of the Netherlands central bank's 400-ton sale late last year.

James Cross of the SA Reserve Bank's gold department asked Mr Crisp if that sale had been counted in the 1992 sum. He said his information was that 100 to 200 tons had been carried over until February 1993.

Mr Cross was assured it had all been counted in the report.

Hedging contributed a not 155 tons of accelerated supply last year. Although gold-loan repayments declined, forward selling and options positioning grew sharply.

The three main central-bank sellers were Canada, Belgium and the Netherlands—all self-declared. Their combined sales were 109 tons of the total of 900 tons.

Mr Crisp was mildly surprised that mine production grew by 56 tons to 1,841 tons in spite of the lower dollar price. But currency considerations meant only a 2% decline in the average rand price and a 1% lift in Australian dollars.

South Africa's grade improved and America opened seven mines and expanded others. Russian sales fell because of production problems.

Mr Crisp said that in many developing countries, gold was sought as a hedge against inflation and currency depreciation.

Swallow

In the first four months of 1993, gold rose in all currencies. The yen, and sentiment about it had turned more favourable.

"The cymcs point out that one swallow doesn't make a summer," said Mr Crisp, "especially as gold was at a seven-year low only a few months ago."

However, the price appeared to be recovering from what was increasingly regarded as a cyclical low, a trend which could be determined by the reaction of central banks and the hedging activities of producers. If such supply were not overwhelming, the prospect of gold's finally having turned the corner would be much higher.
MIDCUT

MINING HOUSES WARY DESPITE COMPANIES

...
Minning houses wary despite 

COMPANIES

Gold's run
Output of gold highest since 1986

By Derek Tumney

Gold production last month reached 1.69 million ounces, Chamber of Mines figures show.

This is believed to be the highest monthly figure since 1986.

The value of the output, at the average April price of R1.079, was about R1.82 billion - almost certainly the greatest amount the industry has received in nominal terms in any one month.

But allowance must be made for large forward sales by several mines. This will reduce their estimated earnings if receipts from forward sales are less than the current price.

Production by major mines (all chamber members) dropped by 33,984 ounces between March and April to 1.35 million ounces - only fractionally higher than the year-ago figure of 1.33 million ounces.

But a 59,964-ounce rise in production by non-member mines more than offset the drop.

In April last year, total gold production was 1.64 million ounces which, at the then-price of R994 an ounce, was worth R1.64 billion - some R180 million less than the industry earned in April this year.

In dollar terms, gold output in April last year was worth about $652 million. In April this year it was worth about $747 million, so the real improvement in the balance of payments was slight.

But with gold now trading at $30 (R5) an ounce more than last month's average price, foreign exchange reserves should soon be getting a boost.
Mining houses fearful of price flash in pan

By Derek Tommey

Buyers of gold went wild yesterday and, in the almost complete absence of selling, pushed up the price by $16 at one stage to a 28-month high of $384.

It was later fixed in London at $381.90.

The rise brought the price increase in the past 10 weeks to $50. If this price is maintained, the fortunes of the mining industry and SA will greatly improve.

Gold shares boomed on the higher price and the JSE gold index closed 213 points higher at 1817, making a strong contribution to the 111-point jump in the overall index to a high of $384.

The overall index has now risen 225 points, or 22 percent, since the beginning of the year, and the value of shares listed on the JSE has risen R60 billion to R460 billion.

But while the gold mining industry welcomes the higher price, it remains extremely cautious.

"We would have to see this price maintained for at least six months before we made any policy changes," Tom Dale, deputy MD of Gengold, which manages 10 major mines, said yesterday.

He said some of Gengold’s mines were in "survival" mode and for the present there was no thought of altering their status.

Officials at other mining houses also expressed delight at the higher price, but added they were nervous about the prospects for it continuing at current levels.

Bullion dealers said that yesterday’s market was notable for the lack of selling.

It appears that gold producers worldwide withdrew from the market in the hope of getting a better price later. This did not deter buyers, generally believed to be US investment funds, which jumped in with abandon.

Behind the buying, said dealers, was the compelling need for these funds to perform well.

Low interest rates in the US (some savers are getting only 2 percent) has led to an inflow of money into unit trusts in search of a better return.

But the poor outlook for the US economy means that American shares have little attraction and funds have been looking to other investments.

When they discovered that the gold market had become tight and that a small purchase could result in a large price increase, they became heavy buyers.

This is one of the factors making bullion dealers nervous. For any move by the funds to take profits could lead to a sharp drop in the price — especially if it coincided with renewed sales by the producers.

Dealers take the view that there must be more prolonged buying at the present price and a greater "depth" of buying — that is other people must acquire gold — before they can relax.

However, they see some hope for a sustained increase in the continuing heavy buying by the Chinese.

Also encouraging is the fact that many investors and users still regard gold as cheap at $380.

Gold, after all, traded at above $400 for much of 1989 and 1990, so to users the current price would not be regarded as excessive.

So far the higher price has not had much effect on the mining industry.

But it has already put a lot of money in the pockets of investors who are now R60 billion richer as a result of the rise in share prices.

A lot of them are also cash rich through trading in gold shares as the gold price rose. Turnover on the JSE last week exceeded R1 billion.

This indicates large-scale buying, but also large-scale selling as investors took profits and built up their cash holdings.
SA’s gold output

JOHANNESBURG — SA’s gold industry is producing well below capacity, but analysts rue out any rapid rise in output in response to the surge in world prices for the metal. A number have yet to be convinced the higher prices are sustainable — yet even if they were, it was unlikely production this year would differ much from the roughly 610 tonnes mined in 1993, analysts said.

“I certainly don’t expect much change,” said David Geese, with stockbroking firm Davis, Borkum Hare and Co.

Gary Maude, MD of Gencor’s gold division, said he believed the industry was producing at 70%, while his division lagged even that.

He said there were no specific price levels which would trigger a decision by mine owners to raise output.

“It would be more a case of producers becoming sufficiently confident that the market was into a genuine bull run,” he said.

Geese said it could then take months for reviewed mining plans, involving increased capital spending and relocation of equipment and people, to take effect.

Moreover, analysts noted, the price surge could encourage the mainly black National Union of Mineworkers to pitch for hefty pay hikes in annual negotiations expected to start soon and last for some months.

François Viruly, chief economist at the Chamber of Mines Mine Owners’ Association, said wages account for more than half of working costs on a mine, and costs would figure in any review of mining plans along with higher gold prices.

Geese and others said many mines attempting to take advantage of higher prices would, while raising capital expenditure on development, probably turn to mining lower grade ore.

“This would prolong the life of the mines, while enabling them to maintain gold output from higher volumes of ore milled,” he said.

However, an Anglo American spokesman said that instead of its existing mines moving into marginal areas, it might prefer to focus on developing other prospects if the gold price pierced and was able to hold above R40 000 a kg.

He cited the R1.7bn Moab project given the go-ahead last year. South Africa’s biggest and highest-grade deposit still to be exploited.

The rand gold price, which has benefited not only from the recent rise in world prices but also from a gradual depreciation of the local currency against the dollar this year, reached a record R38 550/kg yesterday when converted at the $380 an ounce posted in Europe.

But anxieties persist over gold’s recent rapid rise, although Viruly echoed the view of many analysts in saying longer term fundamentals favouring gold were now in place.

These included a levelling off of new global mine supply, strong jewellery and other physical demand and liberalisation of emerging markets which had major potential, such as India and China.

Anglo spokesman James Duncan said the speculative demand which had helped boost prices recently appeared to have come from a fairly small speculative community, which could not be unable to sustain prices at its latest levels.

“We still feel that we want to see a broadening of the base of investor interest,” he said “As quickly as speculators come to the market, they can leave.” — Reuter
Surviving the good times

Complacency would be the most dangerous response

In an unusual turn of events, gold mines are beginning to reap the rewards of careful husbandry over four tough years, just as the gold price has initiated a startling and welcome recovery from years in the doldrums.

Significant improvements in mining practices and management philosophies, coupled with substantially improved revenues — if these new price levels are sustained — mean that benefits will flow through to shareholders in the forms of higher dividends to support the already better share prices.

However, what has become clear is that the reform process under way at most gold mines still has far to go, with even more radical changes in train, aimed at ensuring the longer-term viability of the mines. If observers are worried about anything it is that a tendency to complacency may develop as a resurgent gold price eases the pressure on profit margins.

SA gold mines went from being the world’s cheapest producers to the most expensive in the 20 years from 1970. During that time SA’s share of annual new gold supply fell from 79% to 35%.

Until the late Eighties, the standard approach adopted by management was to concentrate on digging gold out of the ground. Marketing was ignored.

“Competition was an alien concept to us. In the end, we were taken to the cleaners by better businessmen elsewhere who managed to achieve real growth in their gold output at our expense,” said a senior industry executive.

The penalty incurred by the industry’s lack of foresight was that foreigners deserted the SA gold market in favour of better-managed, more cost-effective operations elsewhere, for which they were prepared to pay premiums that often look unjustified.

US mining group Barrick is a particularly good example. Before the latest price surge its market capitalisation at forward rates was about R2.9bn, which was more than treble the market capitalisation of SA’s best mine — DeBeers — which produced 1.2 million ounces last year compared with Barrick’s 1.2m.

True, a host of problems have plagued our mines: working costs have been forced up by the increasing depth of operations; the cost of capital soared out of control because of inflation; and wages have increased without any consideration of the vital need for corresponding increases in productivity.

Too often, though, those entirely valid reasons have been used as excuses to cover a deeper malaise. The fact that management has finally woken up bodes well for the future, but doesn’t guarantee the industry won’t again become complacent.

Until last week’s jump above US$360/oz the rise in the rand gold price to above R37 000/kg from a trading range of R30 000-R32 000/kg had come largely through rand weakness — which means the respite is temporary. A depreciating currency inevitably causes increasing inflation, which puts pressure on working costs and eats into bottom-line profitability.

“Though the anxiety over survival of our marginal shafts has passed, we cannot relax. Our target is a zero increase in working costs for the third consecutive year during 1993,” says Clem Sanier, chairman of Anglo American’s gold & uranium division.

Gengold was the first mining group to react decisively to the industry’s changed circumstances with a programme of rationalisation, retrenchment, higher pay limits and reduced capex — all techniques designed to keep its mines profitable at reduced real gold prices. Producers such as Stilfontein, which still couldn’t make the jump to viability after surgery, were closed.

Gengold chairman Gary Maude points out the survival strategy was imposed by management in a top-down approach. Now, however, the group is busy transferring the decision-making processes to the miners at the face. Maude and his team believe that’s the way productivity will be increased. For added effect, large gold mining complexes are being reduced to more manageable and autonomous “business units.” The aim is to improve worker participation, motivation and morale.

Says Maude: “Traditionally, the SA mines have been run on very militaristic lines. Employees were indoctrinated to shut up and obey orders. When gold mining was highly profitable you could manage as badly as you liked and get away with it. Now we are fighting for our survival we have to manage correctly, which means focusing on results and not on how people do things.”

Given the high risks involved, Gengold first experimented with the new approach on its small, unlisted Barberton gold mine in the eastern Transvaal. “The workers held a strike — they didn’t want to work until they were paid their bonus. The mine didn’t have an office, so they went to the bank and withdrew the money. The workers’ bonus was the equivalent of R1000,” says Maude.

Surely, there are certain principles we felt could be applied to the rest of our mines.

“One is that the average SA gold mine is too big to be run effectively as a management unit, and the industry tradition that only mining engineers can manage mines is wrong. Five hundred people is the limit if employees are to feel part of a closely-knit unit in which spirit and morale can be developed.

Continued on page 25
Anglo gold division MD Lionel Hewitt He's in favour of the seven-day week, but points out that the benefits will vary from mine to mine and it cannot be assumed they will be attained uniformly.

Bitter experience has shown attempts to increase underground production swiftly are fraught with dangers, such as grade dilution in the rush to fill the mills. Harmony's poor performance in the March quarter is the latest example.

The resurgent bulls plugging into gold shares, however, are being motivated more by sentiment than an appraisal of the favourable mine fundamentals. The Gold 93 report by Gold Fields Mineral Services suggests this by underlining just how resilient the bullion market was last year despite heavy official sales and hedging.

Local and overseas analysts are still arguing whether this rally is the long-awaited turn in the gold market. The longer the price holds above $350, the greater the probability that it is.

Gold mining shares have surged ahead of bullion and reached levels where they look fully valued, despite being viewed through rose-tinted finnand spectacles. Smith Newcourt analyst Steve Oke reckons SA gold shares are back into fully priced-to-expensive territory. Shares in some marginal producers — Doornfontein, ERPM and Harmony — seem over the top.

With the JSE all-gold index now above 1 600, Ferguson Bros analyst Trevor Pearson says gold shares are looking a bit expensive but he feels the downside is limited. "It looks more than just a rally in a bear market to me."

So far, the resurgent gold bugs are on a roll. It is to be hoped the industry will support them with continuing fundamental improvements in operations.

Brendan Ryan

Among subjects discussed in the FM in June 1959

- The fall in world raw material prices in mid-1957 triggered the current deep recession in SA. The FM said that coinciding with lower export earnings was an increasingly heavy import bill following the relaxation of import control.
- This reduced the gold and foreign exchange reserves from £136m in early 1957-1958 to £73m by May 1958. To remedy the position government preferred a credit squeeze to tightening import control or forcefully using the interest rate mechanism. Banks' capacity to lend was curtailed by the Reserve Bank increasing the supplementary reserves which had to be deposited with it. Curtailment of credit hurt the economy.
- An FM survey revealed high unemployment among all race groups.
- Afrikaans-controlled mining finance house Federale Mynbou is coming to the market to list 4m 10s shares, after a public offer of 380 000 shares at 11s a share, underwritten by Federale Voldbeleggings. The prospectus reveals net tangible assets of 12c.
- The JSE is debating raising the rate of commission (brokerage) but many brokers wish to link this with the granting of rebates to a select list of approved institutions.
- The FM says higher commissions would slightly raise dealing costs to the public and make the Johannesburg market less competitive with other arbitrage markets.
- In a progress report the FM discloses that at end-April, after two months, circulation had reached approximately the point hoped for after a full year of publication. Average net paid circulation for March-April was 4 128 copies an issue.

Brendan Ryan

A LONG TIME AGO

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No pot of gold here

Mine from liquidated Nigel Gold Mining Holdings (Nigel) on March 24. Surprised Nigel shareholders cannot believe that Wit Nigel is investigating reopening Droogebult before their company's corpse is cold.

And, in particular, they're asking why Droogebult wasn't put on hold pending a recovery in the gold price.

Though the recent surge in bullion leads to a temptation to get backwards — always an exact science — Nigel shareholders now believe the company was liquidated prematurely. Chairman of Consolidated Mining Corp (CMC), Wit Nigel's holding company, Gerald Rubenstein says the mine was making large losses when it was liquidated in March 1992.

Nigel stakeholders are also saying Wit Nigel will reap the benefits of the increased gold price while leaving the original shareholders to the never-tender mercy of the liquidators. Rubenstein says this is not so. "Nigel was kept going as long as possible. The liquidation was a year ago. Remember what the gold price was then," he says. "As for benefits, Droogebult will just be an operating mine making small contributions."

But the history of Droogebult doesn't lend itself to this cavalier diminution of the role it's capable of playing. In January 1990, when Nigel bought Droogebult from the Vlakfontein Gold Mining Company, 13 000 t were expected to be milled a month — a vast difference from the 8 000 t Rubenstein has announced. He says at 8 000 t, the mine will make small profits in contrast to the losses that were being made when 13 000 t were milled

In 1990, Nigel paid R16m — or 32m Nigel shares — for Droogebult. Wit Nigel paid R450 000 two months ago — for only the mining title and operations. That raises, of course, the matter of how extensively the sale of Droogebult was canvassed. The mine was purchased at a widely publicised auction.
Gold thieves taking R400m from mines

By BRENDAN RYAN

Anglo American gold division managing director Lionel Hewitt says “It’s a big problem. Wherever we scratch, we find something going on. The people we catch are the tip of the iceberg. We don’t know how big that iceberg is.”

“An estimate that we could be losing up to 2% of our gold production through theft would not be unreasonable.”

A security consultant says “Who pays attention to another pipe or hose among the plethora found in every gold plant?”

“Another feature of theft is that they result from collusion between mine security personnel and plant workers. Although the loss of gold is serious for large mines, it can be life threatening for smaller operations which do not have sufficient financial resources to deal with the problem.”

Mr Hayden of Eerstelings says “The fines are trivial compared with the profits made in gold dealing. The criminals view the penalties as merely another normal business expense.”

Mr Hayden estimates that Eerstelings is losing hundreds of thousands of rands annually. He expects the figure to rise as the mine increases production and has to hire more workers.

He says the losses are not only the shareholders but the Government through lower tax receipts and the economies of Pietersburg and Potgietersrust.

Once stolen, the gold is usually crudely refined in backyard smelters and smuggled out of the country. A security consultant says it is possible to retort amalgam, which contains 69% gold and 30% mercury, on a kitchen stove. The process drives off the mercury and leaves 80% pure sponge gold.

It is, however, dangerous and the refiner could die of mercury poisoning.
Wage talks on mines start

Chamber opens negotiations with four percent offer:

THE Chamber of Mines opened this year's wage negotiations with the National Union of Mineworkers yesterday with a four percent offer for gold and coal miners.

NUM demands a 20 percent increase on gold mines and a basic wage of between R900 and R1000 for coal miners.

The union has apparently decided to press for an industry-wide agreement and rejected attempts by the chamber to continue negotiating individual agreements on certain mines.

According to a source close to the talks, yesterday's three-and-a-half-hour round ended with the chamber having to go back to the Randgold, Gengold and Anglo-Vaal groups to secure wage mandats from 10 mines which had not made offers available to the chamber negotiating team.

The union presented its demands a month ago.

A union source said NUM was certain the chamber would be seeking, as it did last year, a "single-digit settlement".

This, the spokesman said, would be unacceptable.
**St Helena to step up gold production**

WRLKom — Gengold’s St Helena gold mine plans to increase gold production by 55kg a month to 530kg a month by vacuuming gold underground.

The Transvac process, unique to St Helena, is currently allowing the mine to recover 55kg a month. St Helena wants to increase its Transvac recovery to 120kg a month by the end of 1993.

To achieve this, St Helena is counting on government granting its request to extend its working week to seven days.

St Helena says it plans to reduce costs to R2 000/kg from the current R29 000/kg by increasing the amount of gold produced per ton milled and by streamlining its management structure to improve productivity.

However, St Helena geologist Gary Chapman says the mine has already cut its costs to the bone, and is relying heavily on the Transvac system to increase the amount of gold it produces.

"We can’t rationalise any more unless we close shafts," Chapman says.

St Helena has reduced its workforce to 3 000 from about 12 000 in 1989.

— Ap-DJ

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**W&A boss promises return to profitability**

The W & A Group would return to profitability and dividend payments in 1993 on its strengthened balance sheet and association with Tencore, executive chairman Jeff Liebenstein said in the annual review.

Earlier this year the group announced an attributable loss of R11.5m (profit of R12.6m) for the year to end-December. It also announced a R650m rights offer, which would result in Tencore gaining joint control of the group.

Liebenstein said the R650m raised and the Tencore deal had been appealing as the process of selling non-core interests "and applying the funds to group debt had proved a long, slow one."

The group received an immediate cash injection of about R650m and a partner, Liebenstein said. Now degerating and focusing would proceed from a financially secure base and at a steady pace. Gearing after the rights issue was 64% from 189.8% at year-end.

He said the principle of acquiring underperforming assets and turning them into good businesses remained a sound philosophy. But as the group had started with no equity, it had to borrow to acquire and had needed quick returns on its investments.

High interest rates and the severe recession had placed strain on the group, and the debt burden was an obstacle to growth. In an attempt to degear the group and improve its focus, W & A began to dispose of non-core interests, but progress was slow.

Liebenstein said financial results to end-December were poor, but it was a good year for getting the group into shape.

UK-based AAF, the tyre division of Gentyre, The Fabric Library, Form-Scaf/SGB, the housewares division and JD group had performed well.

The consumer distribution division's contribution to W & A had declined, and National Bolts had turned in a loss.

The motor dealership business had returned to profitability, and the automotive replacement parts investments had been incorporated into a new listed company Varex Corporation.

The offshore scaffolding, storing and formwork operations were expanded through a R15m acquisition, and AAF had made a number of acquisitions.

FSI Holdings was listed on the Zimbabwe Stock Exchange. The group sold its interest in Norstan and, save for a year-end, had sold Sembel-It for R18m.

Liebenstein said the operating environment was unlikely to improve in the short term, but the group was confident about the future. Core businesses had the resources to withstand and even prosper in arduous circumstances, and the balance sheet had been strengthened.

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**NEI Africa merges two divisions**

ENGINERI NG GROUP

NEI Africa has combined two of its 10 divisions in an effort to weather depressed market conditions.

The UK-owned group, which in the year to December suffered attributable losses of R14.1m, merged its troubled Ical division into boiler manufacturer John Thompson Africa.

The R120m-a-year company would be headed by JTA MD Garth van Nierop.

Ical MD Terry McGowan would leave, and further staff losses were expected as NEI salvaged Ical's profitable business.

NEI MD and CE Lawrence Hyslop said closures and reorganizations would be decided by the division's management soon.

The combined operation would be profitable by the year end earlier this year to restructure after a deterioration in its performance.

Ical, which at one time accounted for more than half NEI's turnover, had seen orders for utility boilers dry up.

NEI planned to sell two other divisions. However, Hyslop said there had been no movement on these proposals since the company reported its results in March.

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Once again I
Dividends unchanged

Anglovaal's three gold mines have declared largely unchanged dividends for the year to June. Hartebeestfontein increased its final dividend to 65c (65c) a share, leaving the total for the year unchanged at 95c (2.14%). The total dividend at Ilange has been maintained at 20c, but ET Consolidated has reduced the rate from 14c to 12c.

The final dividend declaration at Zandpan has been adjusted to meet the requirements of the Second Tax on Companies.

— Finance Staff.
Hartebeestfontein recovers lost ground

Higher gold prices and improved production allowed Anglovaal's Hartebeestfontein mine to pay a second half dividend of 65c, 44% up on the same period last year. Though the final dividend of 95c was unchanged, the later payout enabled Hartebeestfontein to recover ground lost at the half-year stage when it sliced its interim dividend from 50c to 30c.

Anglovaal's Eastern Transvaal Consolidated mine also limited the damage of a cut in the interim dividend, its second half payout of 7c bringing the full dividend to 12c (14c). Anglovaal said it had adjusted the timing of the dividend for gold share investment company Zandplan to meet STC requirements, ensuring STC did not result in a reduced dividend for shareholders.
Survey predicts cut in Bank rate

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T IM M ARSLAND

THE odds favour a one percentage point cut in Bank rate by October, according to economists polled by SPL Treasury Services.

SPL said this should see the home loan rate dropping the same amount to 15% between July and October. Its worse case scenario was for the rate to remain unchanged, while its best case showed the rate coming down in June and continuing to fall to 14% by April next year.

However, while the sharp drop in home loan rates over the past 15 months seemed to be over, two more cuts in rates in the next 12 months were possible.

SPL said the overall downward trend in interest rates remained intact, although further movements in rates would be relatively small.

The uncertainty in the country was reflected by the big difference between the expected, high and low forecasts.

Longer-dated capital market rates were unlikely to decline much in the next 12 months. Any closing of the gap between long- and short-dated interest rates would be due to short-dated rates rising to meet the longer rates, which would remain flat.

Forecasts are gathered from a panel of economists and the figures are fed into SPL's interest rate forecasting system.

Economists who took part in the survey were Louis Fourie (Boland Bank), Nick Barnardt (AHI), Ulrich Joubert (Transnet), Adam Jacobs (Absa), Dennis Dykes (UAL), Wikus Marais (Johan Marais Brokers), Edith Lindheque (Escom) and Rudolf Goova (Rand Merchant Bank).

Mine safety 'compromised'

SUPPLIERS of raw materials for specialised cement for mining industry claim that imported cement from China is compromising mine safety.

Since the beginning of the year, mining houses have been using calcium sulphate alumina cement imported from China by Fosroc, which had established a joint venture with the Chinese for the export of the cement, said Fosroc chairman Anthony James.

This specialised cement maintains its strength in the humid conditions underground.

Fosroc MD Cecil Seymour, one of the suppliers of the specialised cement, said no long-term tests were conducted on the properties of the cement because of its recent introduction.

But he claimed initial tests had indicated the cement induced corrosion in structures.

Another competitor who did not wish to be named claimed the sulphur content in the cement reacted with water and rusted steel. This had dire consequences for underground mining which used the cement for rockbolting to prevent rocks from collapsing.

James denied the cement compromised mine safety and said he was considering legal action against companies making such claims.

St Helena mine cautious about gold price rise

WELKOM — Marginal St Helena Gold Mines said it needed sustained gold earnings of about R40 000/kg for at least six months to turn around.

"We're very cautious about the gold price and its current volatility," Gencor consulting mine engineer Peter Robinson told mine analysts.

The mine received R33 100/kg for April which includes undisclosed revenue from long-term forward sales positions. Current spot earnings would be about R35 000/kg.

St Helena is currently mining only its richest ore areas after massive downscaling since 1989.

"We're at a point now where we can't rationalise more unless we close shafts," acting mine manager Jaap Storm said.

The workforce was reduced to 3 000 from 12 000 three years ago.

Robinson said sustained higher gold earnings of about R40 000/kg would allow the mine to re-enter the bulk of its ore reserves. This would entail much capital expenditure.

Last October the mine turned its full focus on A-grade section, such as the pillars in the worked-out areas of No 10 shaft which still have spectacular grades of 50 to 100g/t.

St Helena also began using transverse ventilation units to recover gold dust that was washed into cracks in the carbonaceous rock in the No 10 shaft area — the first SA gold mine to use them on full production.

Officials said the contribution by the giant vacuum cleaners had significantly reduced losses.

Robinson said the mine aimed to cut current costs of R25 000/kg to R22 000 by using transverse units, and by cross-training workers for a variety of jobs to improve productivity.

St Helena was still operating well below capacity, with 38 000 tons a month being mined from its peak of 260 000 tons 10 years ago.

However, current gold production of 380kg a month was expected to rise to 520kg even if B-grade areas were not re-opened, he said.

The mine has applied for government permission to work seven days a week. — Reuter.
Gold's rise won't affect wage talks

By Ferial Haajee

THE rocketing gold price will not change the National Union of Mineworkers' (NUM) bargaining strategy.

But it will strengthen the union's hand and help it push for a bigger wage increase, says NUM assistant general secretary Marcel Golding. "Gold mines are still in serious trouble," he said, adding that the metal's price needed to show a "long and sustained increase".

Industry negotiations between mining unions and the Chamber of Mines got under way this week. They cover 400,000 workers, half of whom belong to the NUM.

Golding said: "The higher gold price puts us in a better position." The NUM is looking for a double-digit, inflation-busting increase this year. The union will seek to augment the profit-sharing agreements it has with a number of mining houses.

In addition, it has tabled a number of innovative non-wage demands. Broadly, the NUM is seeking a R900 minimum wage for surface workers and R1 000 a month for underground miners and for basic increases ranging between 20 and 25 percent.

Workers should get an annual service increase — a minimum of 0.5 percent — plus full holiday pay. The NUM is pushing for employers to bump up pension contributions to 11.75 percent of the monthly wage to bring its members into line with pension contributions made to white miners.

A spate of mining accidents in the past fortnight in which more than 60 workers have been killed will fuel the union's demand for permanent health insurance.

This will provide a life-long pension — equal to the miners' wage at the time of the accidents and adjusted for inflation — to indigent miners. The pension should be transferable to miners' widows.

The union is also demanding that employers pick up the full tab for assurance and benefit schemes. These demands are part of the NUM's proposed safety net for indigent and retreated workers.

Also part of this theme is the union's call for an increase in the Income Security Agreement from six to 12 months.

It also provides that workers will be demoted by more than two grades in the interests of job flexibility. "This is to avoid all injured workers becoming just cleaners," said the NUM this week. Five percent of a mine's workforce should be disabled workers who have been injured on the job.

In one of the most recession-tainted demands, the union asks that any downsizing or change in a mine's activities (such as the introduction of Sunday work) be negotiated and a "social plan" be drawn up.

Such a plan would encompass a reasonable notice period, fair procedures for selecting workers for retraining and two weeks' severance pay for every year of service.

Workers should also receive retraining counselling which would include exploring other employment opportunities.

Training demands cover calls for an industry-wide demand for workplace based literacy and numeracy schemes. The union also wants officials to be given five days' paid leave for union training courses and 15 days' training time for shift-stewards.

The chamber has tabled a wage offer of four percent on gold and coal mines. Negotiations run into an early storm this week when the chamber asked its intention to respond to only some of the union's demands.

These are adult basic education, the social plan proposals and service increments. The parties have also set up a working group on health and safety.

The union's demand for an agency shop — a type of closed shop — will generate sharp debate.

A kerfuffle was narrowly averted when nine mines announced their intention to hold their negotiations outside of the chamber, but were persuaded by the NUM to use the central negotiating forum.

"As times get hard, each mine wants to cut its own deal. This is not acceptable to the NUM which aims to preserve and protect hard-won standards across the industry," said the union.
Anglo is just about everywhere, to the point where its various operations almost overlap. Anglo American Corp of South America (Amasa) operates in Brazil, Chile and Argentina. In Brazil, Amasa associate Mineracao Morro Velho runs mines which produced 12 t of gold in 1991 while, in Chile, Amasa’s Mantos Blancos mine produces about 78,000 t of copper annually.

Anglo’s New Mining Business division covers Africa from Johannesburg, Australasia is covered through joint ventures with Normandy/Poseidon — and then, of course, there is Minorco.

As Anglo’s principal overseas arm, Minorco is primarily concerned with Europe and the Americas. But the group made an unsuccessful play for a big part in the Australian Olympic Dam project last year.

There remains the tricky issue of how any overseas developments would be financed, particularly given the restrictions placed last year on the use of the finrand. SA is in a forex squeeze and the authorities seem uninterested in the need for the mining groups to expand overseas.

The really important criterion for permission to use the finrand is that such investments must bring immediate benefits to SA.

Unfortunately, that is rarely the case with long-range mining projects.

“We should be free, like international mining groups such as RTZ, to go where the best opportunities are. We have not been able to do this until now because of political and financial constraints and have some catching up to do,” says Spicer.

But none of the groups believes that finding money will be a problem, because funds should be forthcoming from multilateral agencies such as the World Bank’s International Finance Corporation, which is keen to promote suitable mining developments in Third-World countries.

According to Segal, “The IFC is typically prepared to provide as much as 60% of the cost of a good quality project, through loans and also to help syndicate any equity funding involved.”

“They will accept the project itself as the only collateral required on the loans. These are attractive terms for an SA company because they do not require guarantees through the finrand system.”

Says Spicer, “The IFC and other agencies see the SA mining groups as agents for development in the rest of Africa. They are keen for us to get involved and their support is a major factor in our plans.”

Our mining houses appear just as keen in return — clearly, with good reason.
Gold Fields appears the closest to announce a new overseas mine. The house’s long
association with Pacific Resources Pte. has restricted its exploration work offshore
international expansion through offshore international exploration efforts,Ultimately, so
can JCI and Cencor are increasingly focused on projects inside SA’s borders. Where Gold Fields, Anglo Amer-
well as some of the Pacific Rim.

Wherever growth can be found

Labour costs and exhausted deposits are spurring expansion abroad
More miners die in fighting

FOUR more miners have died after fighting at Hartebeesfontein mine on Tuesday night, bringing the death toll to 11.

Nine of the more than 100 workers injured were still in hospital, according to reports. 

An Anglovaal spokesman was unable to confirm these reports or a police statement that the fighting involved Shangaan and Xhosa workers.

He said mine management and employee representatives remained locked in discussions "attempting to get to the bottom of the problem". The cause of the fighting was unknown, he said.

However, as far as he could ascertain, production was continuing as normal.

Meanwhile, the situation at Anglovaal's Beatrix gold mine, where 15 workers had died in four incidents of fighting, was peaceful, a spokesman said.

It appeared that peace had been restored and the situation normalised, he said. No decision had been made concerning recruitment or re-employment.

NUM assistant general secretary Marcel Golding said conflict on the mines was directly related to the migrant labour system and miners' repressive working and living environments.

He said most mines housed workers according to ethnic origin, entrenching language divisions. Small differences could precipitate conflict which, when escalated, would be galvanised along language lines.

Golding said this was exacerbated by management's lack of sensitivity in dealing with the issue of violence. A code of conduct, such as that negotiated between the union and Anglo American, would go some way towards defusing the situation.

The national peace secretariat had proposed that all parties meet as soon as possible to discuss the parameters of free political activity on mines, as political parties were recruiting members in hostels. This could add to the volatility of the situation, Golding said.
Gold cushions blows to Anglo's other interests

MATTHEW CURTIN

ANGLO American would declare an unchanged total 54c dividend today, after a year in which increased receipts from its gold and financial interests would have cushioned the blow to its diamond and platinum businesses, analysts forecast at the weekend.

Anglo turned in attributable earnings of 72c and equity accounted earnings of 1.13c a share in the 1991/92 financial year, when results were significantly boosted by an increased R222m investment surplus.

However, chairman Julian Ogilvie Thompson warned in December Anglo's performance would deteriorate further in the second half, after the release of interim results showing an 11% drop in attributable earnings to 26c and a flat 9c interim payout.

Analysts expected no surprises from the preliminary results, though news might emerge of progress on the Garnesberg nickel mining project with Gold Fields and Anglo's possible return to the Copperbelt with the planned privatization of Zambian state mining company ZCCM. The corporation has already dismissed any prospect of unbundling.

Fergusson Brothers analyst William Bowler said Anglo would emerge from 1992/93 in a powerful position to take advantage of improvements in the domestic and world economies.

He forecast a 12% decline in attributable earnings to 62c and an unchanged final dividend.

The only shadow hanging over the group was the "big challenge" facing De Beers in reviving growth in diamond jewellery consumption worldwide. The diamond cartel was likely to start a "large promotional drive" to sustain diamond demand in its major markets and spur consumption in new ones.

Anglo has a direct 6.7% stake in De Beers and an indirect one through its 52% holding in diamond investment group Anamint, which in turn has a 25.6% interest in De Beers. De Beers has holdings in Anglo and Anamint.

Bowler said Anglo's new Columbus stainless steel expansion project, a joint venture with Gencor and the IDC, had the best prospects of producing rapid growth.

Simpsom McKie analyst Rodney Yaldwyn, forecasting a 16% drop in equity accounting earnings to 90c, said that although Anglo had more new projects "on its plate than normal", they were small in comparison with the group's size.

He noted the only new greenfields project under way was the R1.1bn Namakwa Sands venture in the Westarn Cape. The R1.7bn Moab gold mine could be seen as replacement tonnage for neighbouring Vaal Reefs. Anglo's market value currently stood at R2.2bn.

Edey Rogers analyst Keith Bright, predicting a 11% fall in equity accounted earnings to 1.09c, said that the significance of Namakwa Sands, Columbus and Moab would be dwarfed by the cost of developing a Vaal Reefs gold mining complex or metals group Highveld Steel and Vanadium at today's prices.

However, Anglo did remain financially powerful at its centre, contrasting with Gencor's ambitious expansion of recent years. Its weak earnings growth and reduced dividend cover Brigit added Anglo might consider a small token dividend increase.

Mathison & Hollidge analyst Barry Sergeant, forecasting attributable earnings of 65c and equity accounted earnings of 85c, said the unknown quantities in the past year's results would be income earning in the continued bidding up of Anglo's investment portfolio and the contribution from its unlisted offshore interests.

Anglo subsidiaries contributing to its attributable earnings include Amgold, which declared higher dividends in the past year, Anamint, Amco, copper producer Palammina and ferro-alloys group Samancor.

Its major associate companies, whose contributions are equity accounted, include JCI, offshore resources arm Mincor, De Beers, Rustenburg platinum, industrial holding company Amc, South American Investments, First National Bank and Southern Life.

EXECUTIVE SUITE

By William Wallis and Jack Lindstrom.
DE BEERS' position as the most actively traded share in value terms on the JSE has been challenged by the stampede into gold shares over the past few months.

De Beers is still way ahead in turnover over the past year with 47.6-million shares worth R3,1bn changing hands in 22 600 deals. The price overall fell sharply, but ended R10 down on the year at just above R30.

It is followed by Richmont with a trade of 39-million shares worth nearly R1,3bn in 13 600 deals — the price has risen by almost R5 to R42,50 — and Anglo, which has seen trade of 11,5-million shares worth R1,2bn in 12 000 deals. The price has risen R17,50 to R139.

But all three shares have recently been overtaken by golds with De Beers falling back into fourth place in trade over the past month with 2,7-million shares worth R24m changing hands.

**Top of the pops is Dries with 6,5-million shares worth R335m changing hands in 2 490 deals over the past month. Vaal Reefs is second with 290 000 shares worth R77m changing hands in 1 400 deals followed by Riedel with 4,5-million shares worth R240m traded in 2 450 deals.

The gap has narrowed even more over the past week with Vaal Reefs' high price of R335 pushing it into top spot with shares worth R75m changing hands followed by Dries with a trade of R64m and the price rising to R61,50.

De Beers slipped back behind several other gold shares into seventh place with shares worth R34m changing hands.**

**Stampede into gold demotes busiest shares**

Much of the heavy trade in De Beers several months ago came on the sell-off on news of a dividend cut and the subsequent recovery of the share.

Steel group Iscor is still streets ahead in the volume stakes on a yearly basis with 228-million shares changing hands. But the gap has narrowed over the past month as lightweight gold and platinum shares have come to the fore.

Knights, the most popular gold share in volume terms, with a turnover of more than 23-million shares over the past month, is now hot on the heels of Iscor, which has seen 267-million shares change hands during this period.

The huge trade in gold shares has come on renewed foreign interest following the surge in the gold price, which is testing two-and-a-half year highs above $300.

Stockbrokerage Martin & Co's coup in teaming up with UK merchant bank Robert Fleming could strengthen its position as a global player in SA equities, and broaden its product base.

Martin's ability to plug into Fleming's global network, which includes its association with Jardine Fleming in Hong Kong and other Far Eastern countries, will further enhance its international reach.

This will place the firm in a strong position when foreign demand for SA equities opens up once a transitional executive council is in place. The demand will be fuelled by international fund managers measuring their performance against the world equities index.

The increased level of foreign interest in gold shares has seen a net inflow of close on R2bn on to the JSE this year. But this figure is a big underestimate of offshore trade in SA shares. Much of the trade in gold shares has been between non-residents and does not go through the JSE. It is therefore not included in the statistics on daily and weekly turnover.

**Mervyn Harris**

**Firestone pins hopes on new Firehawk range**

IT WAS hoped the launch of Firestone SA's new high performance tyre range would give the company "a new lease on life after a difficult two-year period," MD Clavin Hardy said at the weekend.

Hardy said the Firehawk range would replace the previously unsuccessful high performance tyre range, drawing on technology from Firestone's new international owner, Bridgestone Japan.

**Tracy Schneider**

Firestone SA — now in the Murray & Roberts Engineering fold after being bought from Federale Volskeheggen, had invested more than R160m in technology and expansion for the British plant over the past three years. "This has resulted in the development of a tyre offering both performance and longevity," said Hardy.
Marginal mines give small investors some rich pickings

By Derek Tommey

Since the beginning of the year the value of JSE-listed gold shares has risen by R135 billion.

Brokers say small investors have had a fair share of the gains.“They have not been as big as they were in 1987, probably because they do not have the money,” a broker said. “But there is no doubt that small investors have been riding on the gold boom.”

“You just have to look at the performance of the marginal mines to see this,” he added.

There is a view that those with lots of cash to invest do not buy the highly volatile shares of marginal mines.

They can afford to be choosy and do not have to take the risks which arise from investing in such shares.

Moreover, because the size of their investment is large, they are content with small capital gains, which can translate into fairly large cash gains.

On the other hand, the small investor has only a limited amount of money to put into the market and therefore goes for the more risky and volatile shares in the hopes of making a killing.

Happily, some small investors have done just that.

“Top of the pops” for the small player has been Doornfontein. The shares of this marginal mine have risen 140 percent this year from 45c to 1.08.

Investors have tended to ignore the fact that its chairman said just seven weeks ago that the mine’s future was on a knife edge.

The second most popular share has been Lindum Reefs, whose shares have risen 850 percent from 20c to 190c.

Third is Lorraine, whose shares have risen 750 percent from 100c to 950c.

Other shares to attract have been Western Areas (269 percent capital appreciation), Gazgold (480 percent), Durban Deep (384 percent) and Wit Nigel and Sub Nigel (350 percent).

Some brokers now suggest the small investor who has made large sums on such shares should consider switching to less risky counters.

They say any decline in the gold price could badly knock the prices of marginal mines.

The biggest profits in this year’s gold boom have been made by professionals such as brokers trading on their own account and UK and US investment funds.

Major institutions have generally been out of it. “They have missed the boat and don’t know what to do about it,” a broker said.

The institutions did not believe gold would continue to rally and in the first quarter of this year they were net sellers.

By the time they realised gold was in a bull phase, most share prices had risen significantly.

Now they have to decide whether to buy at current prices and run the risk of large losses if the professionals pull out and share prices plunge.

Gains made by gold shares this year are as follows:

- More than 300 percent: Doornfontein, Lindum, Lorraine, Western Areas, Gazgold, Durban Deep, Wit Nigel, Sub Nigel, Modder, Harmony, South Roodhope, Stilfontein, Hartebeesfontein, ERPM.
- More than 100 percent: Welkom, Benoni, Western Deep, Primrose, Obal, Buffels, St Helena, Rand Leases, Ergo, Valla Reefs, Kurros, Kloof, Winkelhaak, Pregold, Driefontein.
- Less than 100 percent: Bracken, Oryx, Knights, WR Cons, Wit GM.
Record 1,153,300 tons in year

World gold giant mines
Many eggs in different baskets good for Angela.
Gold props up NCW portfolio

THE outlook for New Central Witwatersrand’s (NCW) gold investments was more promising than the other sectors covered in its portfolio, chairman Michael King said in his annual review.

However, no exploration drilling for gold on farms the company owned in the southern Transvaal was planned “in the foreseeable future”. NCW’s exploration programme was suspended in January 1982, a decision taken in the light of ruling gold prices and drilling results. Conditions had not changed significantly since then, he said.

At March 31, one of the company’s biggest investments by value was its R15.8m stake in Anglo American Gold Investment (Amgold), plus stakes in Driefontein, Kromoss, Vaal Reef and Winkelhaak gold mines.

King said the recent rally in dollar gold prices was encouraging. The rise could be attributed to several factors, ranging from renewed investment interest in the metal, expectations that central banks would “not be disruptive in oversupplying the market”, to anxiety about longer-term implications of economic policies in some Western countries.

In contrast to gold, other sectors in the NCW portfolio were affected by the poor prospects of rapid recovery from recession given slow world growth, an austere SA Budget and political uncertainty. World economic recovery was necessary to sustain the recent recovery in the diamond trade.

NCW sold its small holdings in Anglo American Industrial Corporation and Barlow Rand in the year, and reduced its investment in Samancor from 35 000 shares to just 4 600.

The company increased its interests in Lebowa Platinum and Potgietersrust Platinum, and copper producer Palabora Mining. Its largest investment by value remained its 200 000 shares in De Beers valued at R14.3m. The market value of NCW’s portfolio stood at R68.5m at year-end, the lowest since 1986.
Metal’s rising heat summons memories of burnt fingers

THE recent rise in gold prices could lure entrepreneurs back into high-risk gold mining ventures, analysts said yesterday (2.14).

However, Ferguson Bros, Hall, Stewart & Co analyst Trevor Pearton said that of the 26 operations listed in the buildup to the 1987 bull run, less than half were operating today.

A senior market source said Osprey, which announced its intention to reist yesterday, might be the first of many to come to the market if gold prices, now at record rand prices, looked sustainable.

"The problem is that during gold booms there are small prospects worth virtually nothing, but which appeal to and catch the wrong end of the investor spectrum," he said.

Many analysts had their fingers burnt by advising people to invest in reopened mines or start up dump-retracement operations in the last bull run. "However, the mining community is wiser and this is likely to make new high-risk operators price their ventures more realistically when coming to the market."

E W Balderson analyst Nick Goodwin said a good example of the gold frenzy in the mid-to late-80s was Sub Nigel gold mine, which had been reopened and listed at 200c. The shares shot up to above R10 before it was discovered that the remaining reserves were not as large as expected.

The shares crashed to 6c before the operation was moved to the curtailed sector on the JSE.

Former JSE president Tony Norton said although the JSE had laid down a number of conditions for the listing of a new share, investors were often caught in the frenzy of a gold bull market. "The mining market is not for widows and orphans. Don't listen to your hairdresser."

Norton said the market was for professionals, and the private investor should look only at ventures promoted by major mining houses.

However, one of the shares to list in the late 1980s rush was Rand Mines' Barbrook, which began operations in 1989 and was mothballed 18 months later. The mine's share capital was cancelled last month and ordinary shareholders lost their investment.

In April, Eersteel gold mine CEO Stefan Hayden paid R10m for Barbrook. Hayden, who said he had made Eersteel, another marginal operation, profitable, said he could do the same for Barbrook.
140,000 jobs lost on gold mines

By Derek Tommey

Bobby Godsell, president of the Chamber of Mines, expressed optimism about the outlook for gold at the chamber’s annual meeting in Johannesburg yesterday.

He said “whether or not the recent increases are maintained, the fundamentals of supply and demand, the resurgence of both inflationary fears and currency uncertainty suggest a stronger gold price in the medium term.”

This was cause for optimism about the industry which had “suffered the pain of this difficult decade.”

Some 140,000 jobs had been lost in the gold mining industry in the past six years, profits had been halved in real terms, tax receipts had dropped sharply and dividend payments had declined.

The mining industry could make a major contribution to the economy in the years ahead but to do this it needed an enabling environment.

This required political progress, social stability, a market-friendly economic environment, constructive and co-operative labour relations and industry-appropriate regulation.

Significant progress had been made in numerous key areas, but South Africa also urgently needed a broadly acceptable set of transitional arrangements.

These would include the key principles of a new constitution, an election open to all adult South Africans — to be followed by a government of national unity. Also needed was an end to crime and violence and a return to stability in the schools.

Jurie Geldenhuys, general manager, mines, Anglovaal... elected new Chamber of Mines president.
Doorns' future still shaky

By Derek Tommey

Shares of Doornfontein, the struggling Gold Fields group gold mine, have shown the biggest rise of all the gold mining counters since the gold price started climbing this year.

Yet a somewhat terse statement from the mine suggests that in spite of the higher gold price the mine's future is still in doubt.

In January the mine's management was doubtful about whether the mine would be operating in a year's time. And in April, when the run in the gold price had already started, the mine was described as still being on a knife edge.

The plan for the mine was to reduce underground production sharply in order to cut costs and concentrate mining in the richer areas.

This appears to have been done as the statement says the mine is now producing at a rate of 50,000 tons a month — well down from the March quarter's average of 84,000 tons a month and the December quarter's almost 100,000 tons a month.

The statement adds that in view of the higher gold price underground production will be held at this level for the time being, but that greater use will be made of contract labour.

The inference is clear. Doornfontein's management considers that operations at the mine are still so marginal that taking on permanent staff is not warranted.

So the last rites could still be read over Doornfontein.

Meanwhile, dividends declared by two other Gold Fields group mines, Driefontein and Kloof, should please investors as they are ahead of most market expectations.

Driefontein, which was expected to pay a final of 85c, is paying 90c. But this is still below last year's final of 100c. Driefontein's total payment for the year is 150c, down from last year's 165c. Kloof is paying a final of 65c against market forecasts of 55c and a final last year of 50c. Total for the year is 110c, up from 90c last year.

Deelkraal had no surprises for the market. The mine, whose operations have been affected recently by fires, is paying a final of 5c a share, down from 15c last year. Total payment for the year is 10c against 30c last year.
New lease of life
for Krugerrand

By Derek Tomney

The Chamber of Mines and some mining houses are considering re-promoting the Krugerrand, although nothing specific has been decided, says Kenneth Maxwell, director of JCI's gold and uranium division. (214)

He said last night the Krugerrand was still well known overseas and he believed that sales of the coin could be increased.

He had no knowledge of plans by the World Gold Council to launch a coin to exploit the renewed interest in gold.

Maxwell said that the gold mining industry was active overseas seeking a possible niche market for the metal.

He said this was an excellent time for gold producers to market gold as a store of value.

He deprecated the failure of attempts to create a major gold jewellery export industry in South Africa and suggested that another attempt should be made, once there was a climate of stability.
LYDENBURG. Exploration (Lydex) reported a profit of R116,000 in six months to March, compared to R5,42m in the same period last year. Last year's profit was artificially boosted by the sale of the Cassel sand dump.

Revenue amounted to R2,53m (R5,42m) and exploration expenditure rose to R2,11m (R2,00m). Administrative expenditure was lower at R599,000 (R1,77m).

Wholly owned subsidiary Potchefstroom Gold Areas (PGA) received R2,74m from Bemoni gold mining company for treatment of sands. PGA also purchased sand material on the East Rand for R1,09m which it then sold to Anglo American's East Rand Gold and Uranium company in exchange for 322,000 Ergo shares.
Gold industry ‘can look forward to healthy year’

SA’s gold mining industry could look forward to a healthy performance in the year ahead, Anglo American Gold Investment Company (Amgold) chairman Nicholas Oppenheimer said in his annual review.

Recent improvements in the gold price to a record of more than R35,000/kg were likely to be maintained.

“The gold market in 1992 showed resilience under trying circumstances. Offtake of gold at lower prices reached record levels in several regional markets, and a strong floor was maintained even in a year in which exceptional tonnages of metal were offered to the markets.”

Firm physical demand for gold would remain important, but the recent interest shown by speculators and investors had led to a strong recovery in prices.

“While physical demand for jewellery in particular and for bullion in general remains important to the health of the market in the future, the strong favourable balance between supply and demand for gold has also been responsible for吸引investors back to the gold market during the past month, and the circumstances for gold in the year ahead look favourable.”

It was likely some central banks would sell reserves, but there was every reason to believe these activities would continue to be managed with discretion.

Forward sales strategies were unlikely to be a strong influence on the dollar gold price as producers could hedge against moves in the dollar.

Oppenheimer said the company had maintained its 20% participation in Anglo American’s gold exploration programme but the “tempo and level of expenditure were being reduced.”

The exploration programme was concentrated on the search for Witwatersrand-type geology, both within the Witwatersrand basin and in outlying areas.

The exploration emphasis had switched to new areas where target reefs were expected to be encountered at shallow to medium depths.

Gold prospecting was continuing in Turkey, Brazil and Argentina. A feasibility study on a gold deposit in Sadana, Malawi, had commenced.

Amgold has an interest of 15% in the R1,7bn Moab (Eastvaal) project. To date, about R168m had been spent on the project. Capital expenditure would total R78m in 1993.

Oppenheimer said Amgold shareholders’ tax position would remain unchanged despite the Finance Minister’s announcement in his 1993 Budget speech of a new dual tax rate system.

“Gold mines have been given the option of remaining on the current tax system, which involves a more favourable gold tax formula and a lower tax rate of 40% on non-mining income, but includes a secondary tax liability of 15% on dividends distributed. The directors of gold mining companies have evaluated carefully the alternatives, and we believe that most, if not all such companies, are likely to agree that the disadvantage of secondary tax outweighs the advantage of the more favourable tax formula.”

Oppenheimer bullish on gold

By Derek Tommey

Nicholas Oppenheimer, chairman of Amgold, which holds most of Anglo American's gold investments, is bullish about the outlook for gold and for the gold mining industry.

He says in his annual statement to shareholders that it is likely the current higher gold price will be maintained.

He says the SA gold mining industry, in particular, should be able to look forward to a healthy performance in the year ahead.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels.

Demand from the Middle and Far East — the new centre of gravity for the physical market — showed no signs of abating in the first quarter of the year.

It is likely that some central banks will follow a policy of more active management of their reserves.

However, there is every reason to believe the activities of these banks will continue to be managed with discretion.

They can be expected not to disrupt materially the value of what remains one of their major assets.

The physical demand for gold, in particular, and for bullion in general will remain important to the health of the market in the future.

But the strong favourable balance between supply and demand has also been responsible for attracting investors back to the gold market.

Circumstances for gold in the year ahead look favourable.

The renewed interest in gold on the part of investors and speculators has lifted the dollar price.

Thus, combined with a weaker rand, saw gold reach an all-time high of R39 600 a kilogram in May.

He says the renewed interest in gold has come largely from speculators and investors new to the market.

It is by no means sure that the factors that influenced investor thinking in the 1960s will play the same role in determining investor decisions in the future.

A better understanding is needed of consumer motivation in the developing markets, he says.

He says that the outlook for uranium producers has improved following the imposition of restrictions by the US on Russian dumping. SA uranium production fell from 5300 tons in 1988 to 1 600 tons in 1992.

Labour relations continue to improve and 1992 wage negotiations were concluded amicably.
The dividends announced for Gold Fields of SA gold producers illustrate the acute dichotomy facing the industry. On one hand, shareholders expect to be rewarded after the long years of drought, on the other, many of the stalled capital expenditure programmes vital to the long-term wellbeing of the mines cannot any longer be delayed. Something has to give, inevitably, it is the short-term interests of shareholders.

The 5c/share final by Deelkraal was much as expected in the market. However, the company was probably saved by the resurgent gold price last quarter. "If it hadn't been for the gold price," says Irish & Co gold analyst Duncan Ingram, "it's entirely possible the final would have been passed.

Deelkraal's half-yearly interim of 5c was declared against earnings which hadn't even achieved 5c a share at the end of the third quarter. On that basis, it's plain the final payout was a near run thing.

Kloof's 65c/share dividend was a disappointment to some analysts. "The gold price averaged about R975/oz over the first half," says one observer. "It is expected to exceed R1 075 for the full year because of the surge in the last quarter. I was expecting a better final."

However, Kloof needs to pay recoupment tax totalling about R120m in respect of its purchase last year of Venterspost and Libanon. It is obliged to make adequate provision, and this may be partly responsible for the subdued final dividend. What's more, Kloof's cash reserves have been depleted over the years by the need to fund the Leedooon expansion, and 1993's gold price bonus may have presented an irresistible opportunity to rebuild.

Driefontein paid a final of 90c/share, certainly less than the market expected. Capital expenditure requirements seem to have been the principal culprit. At the start of the year, Driefontein's directors said they expected the capex programme to absorb about R360m.

By the end of the third quarter, the mine reported expenditure of as little as R185m — ample evidence of the compelling need to restrict spending. The restrained level of Driefontein's dividend probably has much to do with a sudden and dramatic acceleration in the capex programme in the last quarter.

The lesson is clear. Renewed activity in world bullion markets and accompanying improvements in revenue won't necessarily find their way into stockholders' pockets.

(David Gleston)
GOLD AND THE ECONOMY

Getting the sums right

If a windfall really does happen, we won't blow it

SA's political fortunes may hang in the balance with its economic outlook uncertain, but the dramatic rise in the gold price — from R1 043/oz early in March to more than R1 180 in recent weeks — has been an unexpected stroke of luck. And its benefits are tangible.

The dollar price is showing resilience on international markets, in the face of repeated bouts of profit-taking at important psychological barriers. And confidence in gold's future value is increasing. SA might be able to look forward to much higher export revenue than expected at the start of the year.

In an economy built on gold mining, the implications of improved profitability in the sector are considerable. Says Gengold's Tom Dale: "A rule of thumb is that for every person directly employed on the mines, there is probably one person making something the mines use."

But, if the fortunes of gold are improving, the benefits of a higher price are likely to take longer than they did in the past to ripple through to the rest of the economy.

One reason is that mines have been selling output forward to ensure a steady income stream in bad times. SA producers have never sold more than half of production forward. Anglo American's Kelvin Williams says this compares favourably with levels of cover reported by North American and Australian gold producers. To the extent it has been done, however, the practice will delay the benefits of a higher price.

A second reason is that though the JSE gold board has responded with enthusiasm (rising from under 1 000 early in March to around 1 700 last week), the industry will treat a recovery in the rand gold price with caution. After five lean years, gold is no longer seen as a reliable source of wealth.
The price is perceived as vulnerable to fickle investor sentiment, central bank sales and the fortunes of the commodity cycle.

The price of the precious metal fell from an average US$446/oz in 1987 to less than US$340 in the first five months of 1993. Though the impact of the dollar decline was cushioned by depreciation of the domestic currency — in rand terms the price remained relatively stable but depressingly low at R900-R1 000 — revenues have been depleted.

Over much of this period, SA's producers continued to face demands for higher wages — a pressure that could be accommodated when the price was buoyant but which dangerously eroded profits when the price fell.

At the Chamber of Mines AGM this week, president Bobby Godsell summed up: "All the stakeholders in the gold mining industry have felt the pain. Over the past six years, 140 000 jobs have been lost, reducing employment from 535 000 in 1987 to 395 000. Profits have halved in real terms. Dividend payments have declined even more severely. Tax receipts have declined dramatically."

This squeeze on margins created a different management mindset — which slowed the growth in working costs per kilogram of gold produced, from 25% in 1987 to 1.2% in 1991 and 0.9% in 1992.

Eventually, when crisis threatened, a new ethos emerged among workers. Wage increases moderated and, for two years, many employees agreed to a flexible remuneration package linked to mine profitability.

As a result, marginal mines have survived and better ones have made profits, despite the price. This frugal approach is likely to be maintained even if the present trend in prices continues. Simpson McKee analyst Rod Yaldwyn says there will be no return to past practices of accumulating inventories or to the days of 1980-1990 when working costs rose at an average annual rate of 15.4%.

The industry has moved into a new era of management where, for instance, a tight control of stores is viewed as essential."

As to capital expenditure, he estimates it will take about two years, with the price above R1 200/oz, before mine closures are forced into major new ventures. With a price at about R1 500 at the start of the year and the rand around 3.1c, that is not yet been reached, though it is close.

Of course, short-term effects are already working their way into the system.

For now the impact of higher dollar export earnings will be seen in the level of gross gold and foreign reserves. These were disappointingly low in May (see page 20) but would have been lower without the boost from gold earnings. As they build up over time, more foreign exchange becomes available to import goods.

It will also be seen in the take-home pay of employees on mines which have profit-linked wage agreements. The bonuses are paid quarterly. "Bonuses in the March quarter were 30% higher than in the December quarter," says Anglo's James Duncan. But profits that quarter were driven mainly by a higher rand price, hedging strategies, improved production and cost containment. The proceeds of the higher dollar price will come through this month.

"With JCI, Anglo American and Gencor gold mines all on bonus schemes, the bulk of the workforce employed on gold mines will benefit directly," says Yaldwyn.

Even those who don't benefit through wages and salaries will feel the effect. If the present price is sustained, it will stay at the lower end of R1 300-R1 400. The rand will fall further, confidence will be restored and capital flows will return.設定在2008年1月15日
Five keys to mining goodies in new SA

CHAMBER of Mines president Bobby Godsell has outlined a five-point plan for the mining industry to prosper in the new South Africa.

He said this week in his presidential address to the chamber that needed are political progress, social stability, market-friendly economic management, a constructive and co-operative approach to labour relations and appropriate regulation.

Under each of these common-sense headings is a clutch of sub-clauses detailing what is necessary to make them work.

Mr Godsell says mining has responded to the challenges facing producers of gold and coal (as represented by the chamber) in a noteworthy manner.

Cost control in production has been, in his view, a “contributor to the fall in SA’s inflation rate. Basic wage rises have been held at 5% to 7% in favour of profit and production bonuses and the total rise in working costs was held at 1% in 1992.”

SA has spent R44-billion on new gold mining in the past decade and about R10-billion on coal — indications of a sound future.

Improved co-operation between management, government and labour bore fruit. One example is the tax exemption of the first R20,000 of retrenchment payments. The industry has shed 140,000 jobs in six years because of a gold-price decline of 45% in equivalent terms since 1987.

The chamber and National Union of Mineworkers sent a team to Germany’s coal mines last year. The most important lesson was the extensive relationships between all stakeholders.

Shed

But, says Mr Godsell, it is neither possible nor appropriate to imitate others.

“There can be no prospect of a R22-billion-a-year subsidy for SA’s gold-mining industry — the equivalent of the DM131-billion received by the German industry in 1990.”

The chamber has made a presentation to the mining industry’s future to members of Parliament and extra-parliamentary parties, such as Inkatha and the PAC, and to labour groups.

Mr Godsell says SA producers are key members of the World Gold Council, which can claim some credit for the sustained and dramatic increase in jewellery of take — it has climbed by 15% a year compound for 10 years. Anglovaal’s Jurie Geldenhuys will succeed Mr Godsell, but his term of office smaller budget because of cost cutting. The chamber’s research organisation, Cormor, has been merged with CSIR’s mining division.

The chamber’s functions now comprise operations (including safety), health care, external relations (including education and industrial relations), corporate services and Teba — the Employment Bureau of Africa.

Teba is said to be the world’s largest employment agency, paying R706-million in 1992 to 345,000 Southern African miners.

● Mr Godsell introduced President de Klerk largely in Afrikaans. When Mr de Klerk left, Mr Godsell inquired whether the audience had appreciated his adventure in the other official language: “I just wanted the president to know that there is another contender for the chairmanship of the SABC.”

BOBBY GODSELL

starts in November because the date of the annual meeting is being moved.

Mr Geldenhuys will have to make do with a 13%
SEVEN of the world's major mints had joined forces to launch a global multimillion-dollar marketing programme aimed at promoting gold coins, the World Gold Council (WGC) said.

The council, a non-profit organisation of which the SA mining industry is the biggest funding member, made the announcement at a gold conference in Istanbul at the weekend.

The news comes as figures released by the WGC show a 56% increase in the number of gold coins sold in April and May, due to a 68% rise in European and North American sales to 214 012x. The WGC said sales of coins in the first quarter of 1993 had climbed 17%.

"We have forecast based on first quarter data - that investor demand is awakening," AP-DJ reports World Gold Council CEO Elholt Hodd as saying. "Now we have the figures to show that this trend is accelerating rapidly."

"Individual investors are telling us they are interested in gold and that the vehicles they prefer is gold bullion coins," he said.

"Liquid Gold Gold" is the theme of the new WGC marketing campaign which will promote coins from the participating mints, including SA's Krugerrand, Australia's Kangaroo Nugget, Austria's Vienna Philharmonic, Canada's Maple Leaf, Mexico's Libertad, the UK's Britannia and the American Eagle.

WGC international investment manager David Enloe said co-operation between the mints was a historic step. "Through the WGC's leadership and unifying effort, these major mints, although competitors in every other sense, recognise the importance of promoting gold bullion coins collectively. During this time of heightened demand, everyone stands to benefit."

Advertisements will appear from today in the worldwide edition of the Financial Times.


Gold Fields Mineral Services said in its Gold 1993 report that sales of gold coins fell in 1992 to its lowest level since 1971. Some 55.6 tons of gold coins were sold last year compared with 139 tons in 1991.

Austria topped the table with 23.7 tons of coins sold in 1992, followed by Canada (18.7 tons), the US (16 tons), Australia (14.7 tons), Mexico (8.6 tons) and the UK (2.2 tons).

SA was 14th on the list with sales of 800kg. Although Krugerrand sales have dropped in recent years as a result of sanctions, nearly 96 million coins are in circulation and Krugerrand demand has strengthened over the past two months. However, only 1000 oz of coins were successfully tendered for in Friday's weekly Chamber of Mines 6 000 oz tender.
Soros in for long term, say analysts

ISTANBUL — George Soros and Sir James Goldsmith, the influential investors who sparked the gold market to 25-month highs last month, are in the commodity for the long term, say leading gold analysts.

The massively wealthy, clout-carrying US investment funds also saw gold as a long-term item in their portfolios, analysts at the Financial Times World Gold Conference said.

Although the gold price has stalled at around $370 an ounce recently and was set in London yesterday at $365.30, after climbing to $394.36 last month, 18% above the seven-year lows plumbed in March, the bull run was not necessarily over yet, the market experts said.

"I would be happy seeing prices in the $360s," said David Pryde, head of commodity trading at J P Morgan, New York. That would attract more liquidity to a market which had run too fast and was correcting itself.

Omega Advisors' Frank Veneroso said "Soros is not in gold for the short term. If he was he would not have bought 13.5% of Newmont (Mining from Goldsmith). That is now a registered stock which he has to hold for six months. For a short-term investment he would have bought 9%.

Goldsmith invested part of his sale of Newmont stock in gold options. Pryde noted that while some investors had taken profits, they would have an investment in gold that they would use for trading and a "core" investment for the long term.

"Mine supply has increased on average by 1.7% a year over the past two decades," he said. "Meanwhile, the Far East has seen the fastest growth in the economic world, averaging 9% a year against a Western average of about 2% And the Far East consumes 10 times as much gold per unit of income as anywhere else."

The gold supply-demand balance is in deficit of more than 600 tons this year, according to Gold Fields Mineral Services' Gold 1993 survey.

Further, it is unlikely that the market will see much additional supply from mine-company forward sales.

— Sapa-Reuters
Soros wedded to long-term gold

ISTANBUL — George Soros and Sir James Goldsmith, the influential investors who sparked the gold market to 28-month highs last month, are in the commodity for the long term, leading analysts say.

The massively wealthy US investment funds also see gold as a long-term item for their portfolios, say analysts attending the Financial Times Gold Conference in Istanbul.

Although the gold price has stalled at around $370 recently and was fixed in London yesterday at $363.00, after climbing to $384.50 last month, the bull run is not necessarily over, market experts say.

"I would be happy seeing prices in the $360s," says David Pryde of JP Morgan, New York.

That would attract more liquidity to a market which has risen too fast and is now correcting itself, he says.

Gold prices began to climb in March on fears that economic policies in leading countries would rekindle inflation, while political unrest in major producing countries such as South Africa and Russia also stimulated buying.

Then news broke that Hungarian-born financier Soros had bought a 13.5 percent stake in leading North American gold producer Newmont Mining from Goldsmith, who in turn invested the proceeds in gold options.

Stock

"Soros is not in gold for the short term. If he was, he would not have bought 13.5 percent of Newmont," says Frank Veneroso of Omega Advisers.

"That is now a registered stock which he has to hold for six months. If he wanted a short-term investment he would have bought nine percent." JP Morgan's Pryde notes that while some of the investment funds have taken profits, they have an investment in gold that they can use for trading and a "core" investment that will be held for the long term.

"The fund managers are very clever. They look at the fundamentals of all commodities, looking for deficits," he says, citing the funds' recent sortie into timber, which was suffering from legislation-induced short supply, while the US housing market — a key end-user — was about to increase its activity.

Prices boomed and the funds took their profits, but timber prices are still higher than they were before, Pryde adds.

Veneroso emphasises two factors behind the investment funds' fundamental view of gold.

"Mine supply has increased on average by 1.7 percent per year over the past two decades," he says.

"Meanwhile, the Far East has seen the fastest growth in the economic world, averaging nine percent per year, versus a Western average of about two percent. And the Far East consumes 10 times as much gold per unit of income as anywhere else."

The gold supply-demand balance is in deficit of over 600 tons this year, according to Gold Fields Mineral Services' "Gold 1995" survey.

Last year's deficit was largely balanced by sales from the Dutch and Belgian central banks, totalling 600 tons, but that is unlikely to happen again in 1995.

"Last year's central bank sales were an aberration," JP Morgan's Pryde says. "Central banks are more likely to sell when prices are either flat or falling."

Handful

Further, it is unlikely that the market will see much additional supply from forward sales, used by mines to lock in high prices.

A leading South Africa-based market analyst says "A handful of our mines produce 80 percent of our gold and they will still be there in 30 years' time."

"It's only the smaller marginal mines which would take advantage of forward sales if they thought it would help them stay open," he says — Sapa-Reuters
Gold production 'set to drop 20%'

JONO WATERS

SA GOLD production was likely to fall by about one-fifth to 500 tons by 2000, Anglovaal finance and administration manager Rick Menell told the Financial Times World Gold Conference in Istanbul yesterday.

Speaking on the outlook for SA’s gold mining industry he said no significant output from new projects was likely before the turn of the century. Underground tonnage increases were possible and were included in the estimated 500 tons (2.4k) although production had fallen, it was still 34% of western world production or 28% of total world output.

The industry contributed about 28% to SA exports and nearly 3% to GDP.

The 124-ton production fall from the current 620 tons could result in a decrease of approximately R4.0bn in foreign currency in 1993 terms.

Menell said major new projects would be started only if there were higher gold prices and a stable investment environment. Policies that would attract investment included the elimination of political violence, an acceptable political system, a market-based economy, a predictable and competitive tax regime, disciplined government spending, the abolition of exchange control, a responsible exchange rate policy and mining title security.

Menell said the most important way government could assist marginal mines, which had produced 30 tons of gold last year and employed more than 20 000 people, was to allow a seven-day working week.

Outgoing Chamber of Mines president Bobby Godsell told the conference SA’s transition to democracy could be as successful and as sustained as that of Portugal or Spain. Economic restructuring could rival that of Mexico or Argentina.

The new SA would be no paradise, but it could have a sustained democracy and a robust economy, he said.
SA WAS at the mercy of world dollar gold prices, Anglovaal said in its presentation to the Financial Times World Gold Conference in Istanbul yesterday.

"However, our costs and dividends are denominated in rands, and it is the rand gold price that is of primary importance in determining the viability of the industry. Although the rand gold price has increased significantly in nominal terms over the past 20 years, this increase is very slight in real terms."

"It is critically important to the industry that the rand continues to devalue against the US dollar in line with relative inflation.

"The current two-tier rand exchange rate continues to be carefully reviewed. Any move to a single official exchange rate would likely lead to a significant devaluation of the commercial rand rate and great benefit to industry profitability."

Anglovaal said increased availability of hedging tools and greater latitude by the Reserve Bank had enabled SA gold mines to protect and improve revenues.

"This activity has reached significant levels. The mining houses have differing views on the long-term effectiveness of hedging. However, hedging will continue to play a significant role in revenue management."

— Sapa.
JCI still keen on Free State merger

JCI was still keen to merge its troubled R2.7bn Joel mine with Gengold's Beatrix operation, but Gengold remained unconvinced, it emerged yesterday.

Following the suspension of talks earlier this week, JCI said yesterday that the "synergy" between the two Free State mines and the capacity to rationalise meant the merger was "just a question of price".

"If we can agree terms," JCI finance director Vaughan Bray said, "then yes, we'll do it."

Evercore, Gengold said it saw no "short-term advantage" in the merger, and it could not justify the expenditure needed to bolster the Joel operation. "It's not urgent for us," Beatrix consulting engineer Peter Robinson said. "There is no advantage to be gained from the venture."

The negotiations were shelved last week following several months of discussions. The companies have not disclosed details of the proposed terms or reasons for the breakdown, but sources suggest JCI was looking for a one-for-one share swap. A price Gengold was not prepared to match.

The proposed merger has been seen by industry analysts as the only avenue open to Joel to bolster its tonnage and profitability.

Temperate grades and high costs have kept the trackless mine in a high-capex loss for the past three quarters.

Although Joel lost R1.6bn after capex in the three months to March, JCI said the mine could move into the black within 18 months once sufficient ore reserves had been developed.

"We should get back to our competence by the end of the year," said JCI. "I don't think the mine has stopped."
"The strong favourable balance between supply and demand for gold has also been responsible for attracting investors back to the gold market during the past month, and circumstances for gold in the year ahead look favourable."

Abridged Chairman's review

An abridgement of the annual review in respect of the year ended 31 March 1993, by Mr N F Oppenheimer, Chairman of Anglo American Gold Investment Company Limited

GOLD

In the financial year under review gold traded in a lower price range than the previous year and averaged US$338 per ounce, and the total price range of US$33 on the London fixes was the narrowest in over twenty years.

The performance of the gold price during 1992 was determined predominantly by the business in physical bullion. While firm physical demand for gold will remain important for the market, the recent interest shown by speculators and investors in gold has led to a strong recovery in the gold price. Nevertheless, for the period under review, the gold price remained confined to a narrow trading range, supported on the downside by strong physical offtake for metal in the Middle and Far East and supplied on the upside by a strong flow of metal on to the market from producers, central banks and from other sources of gold liquidity.

On the demand side, jewellery consumption was once again the dominant factor. Estimated jewellery offtake worldwide reached 2,662 tons in 1992, up by 16 per cent on 1991.

In contrast to the strong interest in gold jewellery, investors in the West remained largely absent from the gold market during the year under review, and the West was a source of net disinvestment by central banks and private individuals. More recently, however, strong interest from investors in gold shares has moved also to the gold market itself, and there has been buying by investors and speculators of gold futures and options contracts.
The robust demand for physical gold in 1992 was met by a small increase in the production of newly mined gold, by dishoarding, and by two major sales of 400 tons and 202 tons by the Netherlands Bank and the National Bank of Belgium, respectively. Worldwide, central banks still hold some 35,000 tons of gold bullion reserves, and it is probable that these Dutch and Belgian sales will be followed by other central bank sales, or by other forms of mobilisation of some of their gold reserves through swaps, loans or options programmes. To date, however, the actions of central banks in this regard have been orderly and well managed, and future central bank transactions in gold will not necessarily disrupt the market significantly.

However, the renewed interest in gold during the past two months has come largely from speculators and investors new to the gold market, and it is by no means sure that those factors which influenced investor thinking in the gold market of the 1980s will play the same role in determining investor decisions about the purchase or sale of the metal in the future. Certain of the factors, such as inflation, which were assumed to drive investor interest in gold in developed markets also influence buyers of gold in the developing economies, but a better understanding is needed of consumer motivation in developing markets.

The World Gold Council in Geneva bears the responsibility for promoting gold, and it is reassuring to note that South African gold mining companies have maintained their support for this organisation during a difficult period for the local industry, although it is worrying that gold producers elsewhere are less committed to this responsibility.

MANPOWER

The 1992 wage negotiations were concluded amicably, with basic wage increases below the inflation rate. Profit-sharing bonus schemes were also agreed in respect of a number of mining companies in which Angold is invested.

Many thousands of employees in the gold mining industry are now receiving a share of the profits which their efforts help to generate.

This, together with more effective information sharing, has meant that the principles of wealth creation and distribution are becoming better understood and accepted.

Significantly, there were no major disputes resulting in extended work stoppages in 1992. During the highly publicised stayaway called by Cosatu for 3 and 4 August in support of mass action, there was no increase in absenteeism on gold mines.

Following the 1991 Mining Summit, a joint approach was made to Government for tax exemption on a portion of packages paid to such workers and this was acceded to in the recent Budget.

The summit also stimulated discussion on marginal mines, downsizing of mining operations and regional development, the monitoring, enforcement and interpretation of industry-level labour agreements, and a proposed commission of enquiry into health and safety.

MOAB PROJECT

It was reported previously that agreement in principle had been reached to proceed with the development of a major new deep-level gold mining operation at a cost of approximately R1.7 billion (in January 1992 money terms) in the Moab area, to be mined as an extension of the Vaal Reefs lease area. The formal agreement between the holders of the mineral rights, Vaal Reefs and Eastvaal Gold Holdings, has been approved recently by Vaal Reefs' shareholders.

Vaal Reefs will be allocated 30 per cent of the share capital of Eastvaal, and the mineral right holders the remaining 70 per cent. Eastvaal will raise the funds it needs in order to fulfil its commitments in terms of the agreement by way of rights issues to its...
International gold prospecting was continued in Turkey In Mali a feasibility study on a gold deposit at Sadiola has commenced Anglo American Corporation of South America's gold exploration programmes were continued in Brazil on the Guapore Shield and in Argentina at Cerro Vanguardia where an epithermal vein system with gold and silver mineralisation has produced encouraging results A programme of drilling for resource delineation is in progress at this site

CONCLUSION

The gold market in 1992 showed resilience under trying circumstances, and a strong floor was maintained even in a year in which exceptional tonnages of metal were offered to the market.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels, and demand from the Middle and Far East has shown no sign of abating during the first quarter of 1993

While physical demand for jewellery in particular and for bullion in general remains important to the health of the market in the future, the strong favourable balance between supply and demand for gold has also been responsible for attracting investors back to the gold market during the past month, and circumstances for gold in the year ahead look favourable. The renewed interest in gold by investors and speculators has lifted the dollar price of gold, and this price increase, combined with a weaker rand, saw gold reach an all-time high price of over R39 000 per kilogram in May 1993. It is likely in the current circumstances that this improvement in the price will be maintained, and the South African gold mining industry in particular should be able to look forward to a healthy performance in the year ahead

N. F. Oppenheimer
Chairman

25 May 1993
Miners forced to sign away jobs, says agency

Argus Africa News Service.

MAPUTO — Several thousand Mozambican miners at the Hartbeesfontein mine near Klerksdorp have been forced to sign papers saying they were voluntarily giving up their jobs, according to the official Mozambican news agency Am

The agency said the miners were forced to sign under threat that if they did not police would be called to end their strike.

About 3,700 Mozambicans have been striking in an attempt to get the mine management to provide protection against attacks by South African miners at the Anglovaal-owned mine. At least 17 miners, mostly Mozambicans, were killed and about 80 injured in clashes on May 25.

Mr Stan Mabizela of the ANC's international department attended a meeting at the mine on June 15 with Pedro Taimo, the Johannesburg representative of the Mozambican Labour Ministry, and representatives of Cosatu, to which NUM is affiliated, of Anglovaal and of Teba, the mine recruiting agency.

The agency said Mr Mabizela was representing ANC president Mr Nelson Mandela, who was said to be shocked by the May 25 killings and to have said the ANC would not allow Mozambicans to be murdered on South African soil. He had recalled the assistance given to the ANC by Mozambique in the liberation struggle.
Limited growth expected in gold mining payouts

Andy Duffy

The growth in payouts from gold mining houses in the June quarter was likely to be limited, despite the surge in the metal's price, sources said yesterday.

Though gold's 11% price gain over the quarter would lift distributable profits from the R492m March quarter total, analysts said hedging and higher capital expenditure could restrict the rise to less than 10%.

A rise in the average spot price would mean that profits for five of the six houses — Anglo American, JCI, Gengold, Anglogaia and Randgold & Exploration — would be hit by their hedging policies.

Companies were also likely to see revenues from higher gold prices to dust off development schemes put on hold when the metal was subdued.

This could lead to capital expenditure for the period rising around 25% on its R406m total in the March quarter.

"(Previously) all mines have cut back on their capex programmes to try and minimise the decrease in dividends," said Irish, Menell, Rosenberg analyst Duncan Ingram. "They have to catch up to safeguard their long term futures."

Anglo's Freegold and Western Deep, Anglogaia's Hartebeestfontein and Gengold were tipped by analysts for a strong showing in the quarter.

Ferguson Bros, Hall, Stewart & Co analyst Trevor Perrient also said Randgold could show the largest relative improvement.

But sources cautioned that though payouts would rise, they would be unlikely to justify the enthusiasm which has lifted the gold index 418 points to 1,718 since gold began its ascent in April.

Around 25% of total SA gold production is hedged, but analysts said its impact was likely to vary between companies and was difficult to quantify.

According to sources, only Anglo and JCI had hedging prices close to the current average R36.50 spot price. In other cases the hedged price was 10% less than the spot price.

Companies were also expected to begin releasing the brakes on capital expenditure. Gengold was expected to review its decision to shelve expenditure on No 3 shaft at its Beatrix mine. Analysts anticipate Freegold and Vaal Reefs to push ahead with developments.
Why would the legal advisers to an Anglo American gold mine, in this case Vaal Reefs, seek to muzzle the press from reporting on an arbitration concerning a purely commercial affair? The matter of an argument between Vaal Reefs and one of its contractors, Constantia Mining Services (CMS), is in the throes of due process.

When I sought more information on the nature of the disagreement, first from Anglo’s regional GM in Orkney, Napoleon Mayer, and then through the corporation’s PR officials, I was met with one of those unpenetrable walls “We feel,” said an official tartly, “that comment at this stage would be inappropriate.”

Vaal Reefs’ lawyers went one step further. The Financial Mail learns that Vaal Reefs’ counsel specifically petitioned the arbitrator to prohibit the mine’s opponents from relaying any information about the arbitration to other parties. Apparently, the arbitrator decided neither party should speak to anyone, a neat enough riposte.

CMS was employed by Vaal Reefs to handle mining-related work on a contractual basis, apparently for as long as seven years. However, in 1990 and 1991, relations between the mine and CMS cooled to the point at which CMS felt it had no alternative but to abrogate its contractual arrangements.

As a result, the company has suffered losses and is claiming about R7.5m from the mine. In turn, Vaal Reefs alleges that CMS’s method of calculating its monthly certificates against which the mine was required to pay, was such as to result in an overstatement of work done. The mine is, it is believed, claiming R5.3m in a counteraction against CMS.

The situation is clouded by subsequent events. The Financial Mail understands that another contractor, appointed to replace CMS when it departed, is now in liquidation and owes Vaal Reefs sums which one informant claims are huge and another says are trifling.

Now, Vaal Reefs is reported to be taking the unusual step of setting up its own contracting organisation to stand in for the company in liquidation. If that’s true it means Vaal Reefs will, in effect, be contracting with itself, ostensibly at a profit, to replace the services which formerly were supplied by independent contractors.

Isn’t that just a little bizarre? —David Gledson
Gold Fields is standing behind Northam. "Another R200m is not a big number in the overall context and I'm fairly relaxed about it," says a broker's analyst. "You have to expect problems starting up a new mine."

Analyst opinion on Northam, though, remains divided. "Northam is out on a limb as a high-cost producer because so far the expected high grades have not been forthcoming. It's a technical success but so far not a financial success," says Frankel Pollak Vinderne's Kevin Kartun. Irish Munell Rosenberg's Dave Russell says "Northam is a first-class operation and I remain convinced Gold Fields will get over these unpleasant teething problems."

An analyst at a big institution says "Their problem is they are not getting the product out of the mine. If they were producing as they were supposed to, they would be cash-positive already. The key factor at Northam is grade. If the forecast grade does not materialise, the mine will be a disaster. I rate Northam a buy at R16 and will give Gold Fields the benefit of the doubt because of its mining expertise."

At least until there are more details from the house, this seems the best view to take.
AMGOLD

Activities: Investment holding company with large interests in major SA gold mines and a 20% stake in Anglo American Corp’s exploration programme.

Chairman: N F Oppenheimer

Capital structure: 24.2m ords Market capitalisation R6.8bn

Share market: Price R280 Yields 3.7% on dividend, 3.7% on earnings, p/e ratio, 27.3, cover, 1.0-12-month high, R315, low, R138 Trading volume last quarter, 1.3m shares

Year to March '93

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<th>Dividends (c)</th>
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</table>

This prince among mining holding companies is already reflecting in its dividend income the profoundly better performance of SA's gold mines. Amgold is an investment company specifically structured to hold significant segments of Anglo American Corp's widely diversified gold mining portfolio.

As such, it is a litmus for the fortunes of the industry as a whole, these have been in decline in recent years as bullion has fallen progressively from favour, and as SA mines have struggled with high cost structures and falling grades.

The concerted and concentrated attack mounted over the past three years on over-manning, appalling productivity and the legacy of a profligate past is now showing results. Soaring cost escalations have been contained, productivity is rising, profitability is improving. It has all come together, fortunately, just at the time when bullion, after years in the wilderness, has suddenly discovered a new-found popularity.

Amgold faithfully reflects this, first in its share price which turned in January and reached a 12-month high in May, and second in its annual results which reflect higher dividend proceeds from its investments and a significantly better EPS — up 5%, which doesn't sound much but actually is useful.

Where to from here? One speaker at last week's annual Financial Times gold conference suggested that, despite selling last year by Central Banks, bullion will continue to form an important part of European Community reserves. National Bank of Belgium spokesman Agnes van den Berg said the sale of 202 t last year by Belgium merely brought the gold element of the country's reserves in line with EEC requirements. (It also had the effect of increasing Belgium's foreign exchange holdings by 30%)

A Swiss commercial banker takes the view that physical gold transactions have diminished in importance in the face of increasing trade in over-the-counter options. Investors are now able to extract much better performance from gold by making use of leveraged derivatives.

If you're wondering what all this means for Amgold — well, it depends on whether your personal philosophy is driven by the stock or flow theories as the real motivators of the gold price. The flow theory is that demand for physical gold is growing. The best current example is probably in the Far East (China) where purchases continue unabated. Meanwhile, supply of new gold continues at current levels. There is an increasing gap between fabrication demand and supply and that, in turn, is reflected in higher gold prices.

The stock theory derrives all that. There are 35,000 t of gold above ground in official reserves. If you add that to the bullion in private hands and in jewellery, the quantum is as high as 109,000 t. On that basis, supply-demand theories simply don't apply, and the gold price is going nowhere fast. Take your pick.

Chairman Nicky Oppenheimer is clear where his personal choice lies. His forecast is that bullion will continue to perform well in current circumstances, he says, "this improvement in the price will be maintained." and he expects SA's gold mines to experience a healthy year. So Anglo has nailed its colours to the flow theory mast — and, to be fair, if you're a gold miner one it's certainly the easiest theory with which to live.

Meanwhile, the company's balance sheet continues to reflect its usual strength, with cash reserves deposited with Anglo American at R458m. An amount of R15m is provided in the income statement as a provision against investments and loans. That's R5m up on last year's provision and, perhaps embarrassingly, some of it is applied against Anglo's marginal Erfdeel project which is held through Eastern Gold Holdings.

Amgold is one of the few SA stocks which are Swiss-certificated (the others are Kloof, Gold Fields and Anglo American), and that gives it a potential as a safe haven country. Swiss investment managers trade in large quantities in the counter and see it as a natural and uncomplicated purchase when interest in gold turns.

Smith New Court senior mining analyst Steve Oke believes Amgold is undervalued in relation to other comparable stocks (GFGS for example) and investors should switch into the counter. His view is supported by a JSE broker, who says Amgold is trading at a discount to its NAV of about 15% “Over a five-year period, Amgold's usual discount is about 6%, so there's some upside potential.” For investors seeking gold mine exposure with a good safety net, Amgold appears to be among the better alternatives.

Pep Ltd

Unrealistic expectations

With 1,021 outlets, Pep Ltd (Peplim) is the major chain in the Pepkor stable. Though its turnover is slightly less than a quarter of that of stablemate Checkers/Shouprite, its operating profit for the year to February 28 was more than four times as much.

In the past four recessionary years (1989-1993), Peplim's pre-interest profit has grown at a compound rate of 13.5% a year. This is arguably less than the average annual rate of inflation, implying real growth has been negative. The EPS picture is worse: compound growth was 7.6%. That could be one reason the share price has levelled off.

Over the same period, taking into account the five-for-one share split last year, the
Sharing the good times

Every year at this time a curious ritual is undertaken in Hollard Street. Taking the form of a complex negotiating dance, the principal actors are representatives of the National Union of Mineworkers (NUM) and officials of the Chamber of Mines representing the mining houses. The onlookers are shareholders and employees, stakeholders in the engine room of the economy — the gold mining industry.

It is time for the annual wage bargaining dance. And this year there are some interesting spillovers from the introduction last year of profit-sharing schemes. That was the first time employees at all levels on gold mines were introduced to the process of sharing in their own mine's success — or failure.

Profit-sharing was introduced, says Anglo American Gold Division's Fame Ernst, because it became essential to stop making annual wage awards substantially in excess of the inflation rate. That policy sought to reduce the yawning gap in earnings between white and black employees. Unfortunately, it also contributed significantly to the rapid demise of SA gold mines as the world's cheapest producers.

If there's one thing that's become clear in the past decade, it is that SA is no longer the most efficient producer of gold. On the contrary, it has become among the most expensive — and the country's total annual production has declined with it. Hundreds of thousands of jobs have been lost, shafts have been closed and marginal mines are under the constant threat of closure.

Not all of this can be laid at the door of the industry's wages policy. It is certainly true, for example, that productivity is absurdly low. That may be as much a feature of antiquated management methods as it is of recalcitrant labour.

To compound matters, the mines — generally — have become progressively deeper, hotter and more prone to seismic disturbance. And, to cap it, the fabulous grades that left observers speechless with awe and envy are just about gone.

Profit sharing was introduced as a measure which mining executives hoped would help stop the rot. At Anglo American gold mines, for instance, 5% of profits on each mine are shared among employees.

But the employees' share can increase, it depends on a trigger point, which is the average level of profits achieved by a specific gold mine over the preceding four quarters. If a mine's profits exceed its average, then all employees on that mine are entitled to share in its super-profits.

This share increases to the extent of 20% of those profits, divided among employees relative to their earnings — from the mine manager down. There is a limit, however, an employee's share of the profits cannot rise above a sum equal to 25% of his or her pensionable earnings.

Since the scheme was first introduced last July, employees have strolled off with R66.2m, of which R32.4m was paid out to Freetgold employees and R12.8m to those working in Elandsrand.

The NUM's acting general secretary Kgalets Molatlane says the underlying rationale behind the union's acceptance of profit-sharing is complicated. Essentially, however, it boils down to an acceptance that profits to give careful consideration to the matter. Stop-gap measures were needed because so many mines were under threat of closure.

This approach is not uniform, however. Of the mining groups, Anglo, Gencor and JCI have all instituted a form of profit-sharing. Gold Fields (GFSA) and Anglovaal have not. And the difference is materiel, the negotiation between NUM and the Chamber last year produced a wage award across the industry of about 5%, thereafter, NUM negotiated separate agreements relating to profit-sharing with three of the houses.

When it came to GFSA and Anglovaal, those negotiations took the form of an agreed increase in wages of about 6.5%. Asked why his group takes such a different view, GFSA deputy chairman Colin Fenton says: "We believe in a similar wage for our employees in all our mines. We believe it's inherently wrong to pay at one level on a rich mine and another, lower level on a poorer mine. The effect is to disadvantage some employees while enriching others."

For shareholders, of course, the issue is whether the scheme works. There's no doubt about it, according to Elandsrand mine manager Ian Cockerill. "The really important thing," he says, "is that employees are suddenly aware of the financial health of their company. The need to produce profits in which they can share is well understood. In fact, it's become paramount. This is a win-win solution to our cost problems."

This time around, industry executives expect to be able to settle at around last year's 5% award, then rearrange elements of their profit-sharing schemes. NUM isn't so sanguine. Molatlane says: "We've accepted low wage increases for two years. The high inflation rate has whittled away some of the benefits we got in earlier years. It would be wrong for anyone to assume we'll simply go along quietly with mining house proposals."

As for GFSA and Anglovaal's position outside the main thrust of the negotiations, the general view of other mining houses, as expressed by one executive, seems to be that they "will continue with their policy for as long as they can afford the premiums."

One thing comes clearly through the murk and fog of the negotiations: both sides are acutely aware of the imperative need to restore SA's competitive edge.
Gold mines expect higher profits

By Derek Tammey

June quarter gold mining profits, to be announced in the next few weeks, should show strong growth.

Estimates are that global working profits could be 40 to 45 percent higher.

But by the time mines have met their tax bills and reserved funds for expenditure, the increase in distributable profits is likely to be far less.

The jump in working profits follows the steady rise in the rand gold price, which reached another record high yesterday of R1 262.85 an ounce after a spurt in the London gold price and a fall in the rand/dollar exchange rate.

However, a drop in the gold price from $375.10 to $375.35 and a slight firming in the rand/dollar exchange rate from R3.34 to R3.33 to the dollar reduced the rand gold price to R1 250 — still a record close.

Since the start of the current quarter, the rand gold price has risen by almost R200 an ounce. The average gold price for the June quarter is R1 150 — about 10 percent more than the R1 045 received in the March quarter. However, this includes receipts from forward sales.

If the industry maintains production at March levels, it should earn R5.4 billion this quarter (R4.3 billion in the March quarter).

This should result in working profits of R1.57 billion (R1.08 billion previously). But several factors could lessen growth in working profits.

One is that because some mines might have an obligation to sell forward at prices below the market price, they will not receive the full benefit of the higher price.

Some might have started mining lower grade ores to reduce tax liabilities and prolong their lives.

There is also a question mark over whether the mines have been able to hold down costs. Nonetheless, there is no doubt that distributable profits at most mines will be higher this quarter.
Boost for gold mining earnings

The gold mining industry is continuing to enjoy a bonanza. The steady increase in the rand gold price is expected to boost gold mining earnings this quarter by about R300 million to R5.4 billion.

Gold mining working profits should rise from R1.08 billion in the March quarter to R1.5 billion. The extra R50 million will give the economy a sharp boost.

The rand gold price rose to a new high of R1.263 an ounce yesterday before closing at R1.250.

Report — Page 21
Anglo American bullish on gold

By Derek Tomney

The world's biggest gold producer, Anglo American, is bullish on gold, but cautious about diamonds.

It says in its annual report that the continuation of strong demand for gold in the Far East for the purpose of both adornment and investment bodes well for the market in the mid-1990s.

Over the past year, the market changed from one priced and driven by investor and speculator interest to one sustained by the underlying demand of physical users.

The year also saw the centre of gravity of the physical market continue to move to the developing countries of the Middle East and Far East.

Regional markets in these countries have provided the bulk of new demand for physical gold in recent years and it is likely this trend will continue into the next century.

Although central banks still hold 35,000 tons of gold and may continue to mobilize these reserves in various ways, their actions to date have been orderly and well managed.

Consequently, future central bank transactions are not expected to disrupt the market.

Anglo American says its policy of maintaining rigorous control of costs on its gold mines will remain and that profit margins will continue to be preserved as far as possible by the judicious use of forward selling.

It says it will be in everyone's interest if the industrial peace which has prevailed over the last two years endures, and if wage awards continue to be a sensible combination of a modest basic increase coupled to a share of profits.

By early 1993, the balance between supply and demand for rough diamonds had been restored and a 15 percent CSO price increase was readily absorbed.

CSO sales at the first four sights this year were good, though influenced by exceptional factors. But such sales cannot be sustained without a general recovery in consumer spending, which requires a more broadly based economic upturn than is discernible.
Anglo sees gold’s gains sustained

GOLD’s recent gains should be sustained over the next 12 months, but there was little chance of a recovery in the fortunes of the diamond industry, Anglo American said in its 1993 annual report.

The corporation, which in the year to March reported an 8% slide in attributable earnings to R1,532m, said that although the metal price had risen on the back of uncertainty in developed economies and speculators’ activities, underlying demand was also growing stronger.

China and the Far East were now the growth engine room, and if costs were controlled and wage awards restrained, the SA gold mining industry could look forward to a “healthy performance in the year ahead”.

But Anglo warned that encouraging diamond sales by the Central Selling Organisation in the first four months were due to “exceptional factors”, such as falling supply from Angola and Russia. The momentum, which would boost earnings, could not be sustained without a recovery in consumer spending.

Anglo’s gold interests, which include Vaal Reefs, Freegold and Ergo, increased equity accounted earnings from R248m to R288m for the year, 10.5% of the total.

The market had shifted through 1992 from one driven by speculative interest to one sustained by underlying demand, Anglo added.

The centre of gravity for the market had continued to shift from developed economies of the West and Japan to developing regions, such as the Middle East and China.

“Regional markets in these developing countries have provided the bulk of new demand for physical gold,” the group added. “It seems likely that this trend will continue into the next century.”

Supply and demand was in the suppliers’ favour, so prices for the year ahead “look favourable”.

The contribution from diamonds, last year Anglo’s mainstay through its holding in De Beers, was cut by 23% to R694m for the year under the strain of lower CSO sales and higher rough diamond stockpile.

The CSO’s efforts to stabilise the market had allowed a 1.5% price increase in February to be absorbed. Demand in the US had held up well.

But current sales relied on a shortfall in diamond supply from Angola and Russia, and increased demand from India and the US, Anglo added.

A sustainable recovery depended on a “more broadly based upturn in world economies than is at present discernible”.

On coal, it said although supplies to Eskom were expected to remain static this year, falling contributions from exports were expected to cut 1994 earnings from Amcoal to below the 1993 level. It sustained a 6% earnings drop to R252m for the year before abnormal items, as sales to Eskom declined 1.8-million tons to 23.1-million tons, and steam coal exports came under pressure.

The corporation, which had maintained its total dividend at 95c a share, awarded its board a 28% increase in remuneration.

This lifted the total payout for services as directors, alternate directors and managers from R20m to R25m.
MINING — GOLD

1993

July — Dec
Gold shares pay higher dividends

By Derek Tumney

The fruits of the higher gold price are beginning to reach investors in gold shares. Two JCI mines have announced dividends that should please shareholders.

Randfontein has almost doubled its final dividend, paying 110c against 60c a year ago. Altogether, the mine is paying a total of 145c for the 12 months to June (85c previously).

Western Areas, whose last dividend was 16c for the 1992-93 financial year, is paying 25c for 1993.

The Randfontein dividend was not too much of a surprise, Nick Goodwin, gold analyst with EW Balderson, said yesterday.

At the current gold price, the mine is earning big enough profits to pay dividends of 200c to 270c a year.

The Western Areas dividend did catch the market unawares. The mine had been expected to use its greater profits to build up a cash reserve.

Attractive

Presumably this was not considered necessary, given the current gold price, said Goodwin.

Randfontein's share price rose 55c to R37.80 on the dividend declaration, while Western Area's price jumped R1.65 to R16.75.

Goodwin said that while the higher dividends were putting gold shares on an attractive 7 percent dividend yield, or a yield of around 10 percent if bought through the financial market, this was not what attracted foreign investors.

They buy on price, and with many shares one-and-a-half times what they were earlier this year, foreigners are more likely to sell than buy at this stage.

Investor attention is now likely to centre on the five Gencor mines which should announce their dividends on July 21, on the five Anglo American mines on July 22, and on the four Rand Mines operations on July 26.

The rand gold price continues to hover just below its high at R1,260 an ounce — indicating that gold mining profits should remain high.
Three Randgold mines show loss

Business Staff

Only one of Randgold's four gold mines showed a profit for shareholders in the June quarter, with the higher gold price received being insufficient to offset falling yields, the disruption of production and capital expenditure.

Blyvoor's earnings a share were 6c (8c in the previous quarter). Harmony showed a loss of 2c a share (profit of 28c a share). Durban Deep a loss of 80c (3c profit) and ERPM a loss of 11c (83c loss).

The group, which is paying no dividends for the quarter, says hedging remains an important strategy in securing revenue.
Durban Deep’s future reviewed

ANDY DUFFY

RANDGOLD & Exploration is reviewing the future of its Durban Deep operation and may have to reface its ERPM mine after a June quarter in which the raising gold price did little to protect the company’s figures.

Falling grades and production, coupled with higher working costs, pushed Durban Deep to a net loss of R2,162m for the quarter against a previous R6,541m profit.

Chairman John Turner said Durban Deep would have to cut costs and boost margins or the “future of the operation will have to be reviewed.”

ERPM also suffered as grades dropped from 5.54g/t to 5.17g/t, and production dipped from 1.584kg to 1.462kg. Its losses had “raised the possibility of a funding problem being experienced”, Turner said.

Harmony left Randgold with some consolation, a rise in yield helping it reverse from a R3,641m net loss to a R1,247m profit.

But earnings were swamped by a return to capital expenditure rather than by recoupment.

Net profits at Rhyoforunizicht were lifted from R3,121m to R5,551m, despite falling yields. But a leap in capex related to its Western Deep Levels tributes cut back earnings a share from 5.8c to 1.8c.

No dividends had been declared. Randgold added, and capex was now being restricted to projects deemed vital to continuing operations.

See Page 7
Losses at Randgold despite gold price

BURGEONING costs and dipping yields knocked Randgold & Exploration into losses on three mines and cut profits on its fourth for the quarter ended June.

This was despite gaining an across-the-board rise in revenues as a result of the rising gold price.

Durban Deep, ERPM and Blyvoor sustained falling grades, and all the mines produced less gold. Only Harmony and Blyvoor limited rising costs.

Randgold blamed much of its showing on a politically inspired disruption to production. Production was most heavily affected on Durban Deep, where gold tonnage was cut from 1,003,000kg in the March quarter to 1,001,000kg.

Durban Deep’s production was also hit by the relocation of some mining operations to prevent falling yields. The grade was still down, from 4.15g/t to 4.04g/t.

A rise in revenue from R233,160/kg to R242,695/kg did little to offset higher costs, leaving Durban Deep with a working loss of R2.85m (R0.9m profit).

The Far Eastern Vertical shaft, formerly vaunted as ERPM’s passport back to profitability, continued to underachieve. A deterioration in grades from 5.84g/t to 5.17g/t and declining tonnage cut gold produced back from 194kg in the March quarter to 146kg.

ERPM’s costs rose to R41,780/kg from R37,807/kg. This left ERPM with a working loss of a kilogram of R6,181, against R4,597 last quarter. A hike in capex from R1.9m to R2.4m pushed losses to R2.8m.

Though the state had granted ERPM a further R9m loan in the first three months of 1993, Randgold chairman John Turner said ERPM’s June quarter performance had dashed funding plans.

Harmony’s grade recovered from an earlier slide, clawing back from 3.6g/t to 3.65g/t. But this was still far short of its December grade, and a drop in tonnage left gold produced at 5.181,000kg (5.263kg).

A marginal rise in underground costs to R34,695/kg (R34,350/kg) and higher revenues cut Harmony’s working loss from R1.29m/kg to R0.97/kg.

Non-operating profits again lifted Harmony’s pre-capex figure, up from a R0.4m loss to R1.8m profit. But a reverse from the recoupment in the March quarter to capex of R1.9m pushed earnings back from a 20c per share gain to a 26c loss.

The decline in grades at Blyvoor continued, dropping from 5.1g/t to 5.88g/t, with tonnage slightly up at 306,000 tons.

Higher revenue coupled with limited cost rises pushed working profit to R1.695/kg from R683/kg. Non-operating profits lifted pre-capex profit to R5.53m (R3.12m). But a rise in capex from R1.75m to R2.53m cut Blyvoor’s earnings to shareholders from 6.8c in March to 1.5c.
CMC plans gold expansion

CONSOLIDATED Mining Corporation (CMC) was poised to expand its gold production in the wake of the metal’s recent price surge, the company said in its annual report.

The gold, diamond and asbestos group said that provided gold’s gains were sustained throughout the year, it could proceed with plans to develop virgin ore reserves at its moribund Witwatersrand Nigel mine.

The company has also opted to proceed with contract mining at its Driefontein Gold Mine (214).

Attributable earnings for the year to March were 48% higher than those stated in April’s profit announcement. Chairman Gerald Rubenstein said this was because results included the market value of stock shares in Consolidated Mining Management Services Net attributable income was R11.2m (1992 R4.3m) Turnover rose to R160.1m (R139m) and pre-tax income was R28m (R13m).
Randgold has lessons for investors

By Derek Tomney

Brokers say investors have learnt valuable lessons from the disappointing Randgold mining quarterly figures issued yesterday—three weeks earlier than is normally the case.

With the gold price rising strongly, there was optimism that the group's four mines would produce attractive figures.

But after capital expenditure, Blyvooruitzicht reported distributable earnings of 6c a share for the quarter, Durban Deep a loss of 86c, Harmony a loss of 2c, and ERPM a loss of 11c.

The market's dismay at the Randgold quarterly is reflected in the Randgold share price.

It fell 85c, or 13 percent, to 550c to show one of the biggest losses of the day.

Harmony's price dropped 100c to R24 and ERPM's 100c to R17.50. Durban Deep's was unchanged at R48 and Blyvooruitzicht's rose 25c to 835c.

Brokers said yesterday that one lesson was that a higher gold price may by itself not be enough to keep some of the more marginal mines going.

Operations at all four mines, and especially at ERPM, were affected by lower recovery grades.

Another lesson is that the practice of selling gold forward may save a mine when the gold price is low, but it can be a major drag on profits when the price rises.

All four mines have sold large amounts of gold forward.

This gave them a small premium on the selling price at the time of the sale. But the market price is now well above the forward price.

It is estimated that the average market price for gold for the quarter is around R36.97 a kilogram.

But Blyvoors received only R35.243 a kilogram, Durban Deep R34.665, Harmony R34.198 and ERPM R35.579.

And thus depressed gold price situation will persist for some time, as they have all sold substantial amounts of gold forward at below the ruling price until at least the end of the year.
Some small gold mines demonstrate the Midas Touch

By John Spira

R1 000 invested in Landum Reef's Gold Mining Co a short six months ago would today be worth more than R20 000 — a lot more than you'd have made on Saturday had you put R1 000 on Dancing Duel.

Yet even if you hadn’t been blessed with the foresight to buy Landum at the beginning of the year, you could have done almost as well with more than a dozen other shares that have been riding the crest of the gold boom.

The accompanying table lists those that soared by 286 percent or more in this period — a list calculated to turn those who missed the gold boat a deep shade of green.

Landum shot into orbit after it demonstrated that its switch from underground mining to open cast operations was the right way to go.

**Remarkable**

Cashing in on the steeply increasing gold price, its profit in the March 1993 quarter climbed 67 percent. And the gold price has risen a lot more since then.

What’s remarkable about Wit Nigel’s headlong advance is that until a few weeks back it was lagging the gold boards. A month ago it stood at 50c (now 150c).

Then news leaked out that it was looking anew at the prospect of mining what is a substantial virgin orebody and everyone pushed the buy button at the same time.

The bottom line is that you could have trebled your money in a month — a fair return for having no more than a sharp nose.

Wit Nigel is a member of the Consolidated Mining group, as is operating gold company West Wits, which has surged 412 percent in the past six months.

Add the two together and it was unsurprising to find Consolidated Mining among the gold market’s jackpot among the gold market’s jackpot shares, along with other producing companies Southo and Egoi.

Gold share jackpot

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<th>Percentage increase since Jan 1</th>
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<td>2025</td>
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<td>Loraine</td>
<td>932</td>
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<td>Doornfont’s</td>
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<td>West Areas</td>
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<td>Wit Nigel</td>
<td>650</td>
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<tr>
<td>Southo</td>
<td>633</td>
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<td>Freddev</td>
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<td>Egoi</td>
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<tr>
<td>West Wits</td>
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<td>Soudex</td>
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<td>At Lease</td>
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<td>Durra Deep</td>
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<td>Gazgold</td>
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<td>Randex</td>
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<td>Cons Mining</td>
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Also featuring on the list are mining exploration counters Randex, Freddev and Soudex — predictably, because the higher gold price renders increasingly viable the many mineral rights comprising their asset portfolios.

Many of these prospects have been extensively drilled and some are potentially profitable mines at the ruling gold price.

Militating against an imminent green light is uncertainty as to whether or not gold will hold its gains.

For the rest, the 300 percent-plus gainers are shares in marginal mines (with Loraine, Doorns and Western Areas prominent among them) whose earnings can be expected to vary quantum leaps: should the gold price remain at current levels.

These are the mines whose earnings are described as being heavily leveraged to the gold price — an enigmatic label which can, however, be easily explained.

Simply compare a high-cost (marginal) mine with a low-cost (non-marginal) mine.

At a gold price of (say) R900, the low-cost mine, with costs of (say) R450 an ounce, is making R450 an ounce produced.

At a gold price of R1 300, its profit rises to R850 for a 49 percent improvement in earnings.

At a gold price of R300, the high-cost mine, with costs of (say) R800 an ounce, makes R100 an ounce produced. At a gold price of R1 300, its profit rises to R600.

Increase

That’s less than the profit earned by the low-cost mine, but it represents an earnings increase of 400 percent — considerably more than the 69 percent achieved by the low-cost mine.

Hence the leverage factor contained in marginal mines. Hence the reason why the shares of marginals have risen farther and faster than those of low-cost mines.

Not that the shares of the low-cost producers haven’t gained ground. It’s just that Driefontein’s 107 percent and Vaal Reefs’ 107 percent appear derivative in comparison with those on the jackpot list.

Have the marginals run too far ahead of themselves?

A lot depends on how gold performs in the months ahead.

It is nevertheless worth noting that in the mini-boom of 1997, when gold hit $500, Wit Nigel peaked at 470c (now 150c), Western Areas topped at 297c (now 160c), Doorns touched 650c (now 595c), and Dorena made a high of 385c (now 115c), and the margins touched 650c (now 595c).

And it wasn’t all that long ago.
Daggafontein is set to reap rewards of past expenditure

GOLD recovery holding company East Daggafontein Mines held the rise in its production costs to 7.4% for the year to March, and said it could begin reaping the reward of previous capital expenditure.

The company in the 12 months to March sustained a 25% decline in earnings per share to 47c and was hit by lower gold prices last year which overtook a marginal rise in gold recovered from its shimes dam and sand dump.

But chairman Peter Bieber said in his annual report that costs had been "well contained".

Cost per kilogram at the Daggafontein plant rose from R18.957, against R18.218 in 1992.

The cost control would continue in the current year, Bieber added, and combined with the resurgent gold price, would have a major impact on earnings for the current year.

"The consequential positive implications for the earnings potential of the company, one of the lowest cost producers in this country, cannot be overemphasised," he said.

East Daggafontein was also likely to see the benefit of capital expenditure which in recent years had held earnings back.

The treatment of gold-bearing material contained in shimes dams bought from

ANDY DUFFY

Gold Fields in 1991 had started, after a R33.3m capex programme.

Revenue, which will be split 50-50 with East Rand Gold and Uranium, began to feed through in the second quarter of the year.

East Daggafontein was also drawing revenue from Project Pluto, the high grade shimes dams in which it had a 65% interest.

According to the annual report, more than 80% of the project's material had an average grade of 0.53g/t.

Suspension

The site, bought by East Daggafontein, Lydenberg Exploration and Potchefstroom Gold Areas from Randgold's ERPM operation in 1991, had been hit by production problems which forced a three-month suspension last October.

It was now back to full production of 600,000 tons of material treated per month.

Bieber said the rise in gold prices could also lead to the company pushing ahead with the treatment of shimes contained in its wholly owned subsidiary, Dumpsco's Wihok dam.

It was also evaluating the viability of treating platinum group metals and gold contained at its low-grade 6Lt3 shimes dam.
Forward sales help Lindum

Open cast gold mine Lindum Reefs lifted after tax profit to R4 million in the quarter to end June this year from R3.425 million in the previous quarter.

A higher gold price of an average R34.819 per kilogram, which includes forward sales, combined with increased gold production and grade lifted gold revenue by R2 million to R12 million (2014).

Lindum Reefs said ore reserves, along the Black Reef which it mines on the West Rand, were now estimated to be sufficient to sustain operations for over two years — Sapa
Goldfields gains little from recent surge in bullion price

By Derek Tomney

Any investor who expected the increase in the gold price in the June quarter to add sparkle to the working profits of the Gold Fields group mines will be sorely disappointed.

Although the group does not sell gold forward and received a nine percent gold price increase compared with the March quarter, the group’s combined working profit rose only 2.1 percent from R330.8 million to R337.8 million.

Reasons for the lack of buoyancy in the profit figures include a fire at West Driefontein and lower grades at Kloof and its two dependencies, Leeuwbosch and Libanon. Grades were also down slightly at Deelkraal.

However, the group’s net sundry revenue increased from R14.0 million to R14.2 million (partly as result of R14 million in insurance payments) while total tax paid dropped R5 million.

**Distribution**

These developments helped the group increase its taxed profits by 16 percent from R276.4 million to R330.8 million. Capital expenditure took R142.6 million (R127.1 million leaving R142.6 million (R140.3 million) available for distribution.

The insurance payments relate to fires at the group’s mines. Gold Fields director Michael Fuller-Good says that there had been a number of fires in the past three years, but in no instance had it been possible to prove that arson had been the cause.

The future of Roosberg Tum Mine is under a cloud. The continuation of operations is being reviewed says the company’s director, John Hopwood. The company’s loss after tax rose to R674 000 in the June quarter from R384 000 in the March quarter. Part of the loss was incurred by the rehabilitation programme, he said.

The review had been prompted by the very low tonnage and the lack of consistency of the ton grade at the mine.

The local price of tin dropped to R17 200 a ton from R18 100 a ton in the March quarter.

At Libanon the grade dropped from 5.8 grams to 5.2 grams a ton and the working loss rose from R10.5 million to R15.2 million.

Fuller-Good said he hoped the lower yields at the Kloof mines were a passing phase.

Deelkraal was the star of the quarterlies. Its working profit more than doubled rising from R2.9 million in the March quarter (when it experienced two fires) to R7.4 million in the June quarter in spite of seismic activity. But it has some way to go to match December’s R12.1 million.

Taxed profit rose to R15.2 million from R15.5 million in March and R13.7 million in December. Efforts are being made to increase the milling rate from its present 351 000 tons a quarter to around 400 000 tons a quarter.

A R11.4 million drop in working costs at Doornfontein together with the higher gold price lifted its working profit to R13.9 million from R8.4 million in the March quarter.

However, Fuller-Good warned that whether the mine would be able to maintain its yield of 3.8 grams a ton, or its costs at the current level of R31.4 million.

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He said the fire at West Driefontein was in an awkward spot. It was much deeper than normal and particularly difficult to control owing to the closing of the hanging wall. It has now been extinguished and stopping crews are returning to the affected areas.

Fuller-Good said the mine had made a splendid effort in maintaining production by mining lower grade areas. But the lower yield had affected profitability and the mine had a working profit for the quarter of R110.1 million against R113.1 million in March.

East Driefontein, which increased its working profit by 13.5 percent to R99.0 million, had a very good quarter says Fuller-Good.

Dries’s total working profit, excluding revenue from the reclamation plant, was R214.1 million (R204.0 million).

Profit after tax was 15 percent higher at R182.6 million.
No reprieve for Doornfontein

THE higher gold price would bolster Gold Fields of SA's performance, but would not herald a new phase of capital expenditure, the group said yesterday.

While discussing June quarter results, chairman Michael Fuller-Good said a sustained rise in revenues would underpin the group's bottom line, specifically loss-making Lebanon, which would be fed back into the group's profitability. But Gold Fields had no plans to increase capital expenditure. It was not clear whether the mine's expansions would be sustained.

Fuller-Good said there would be no reprieve for Doornfontein, which is close to its underground mining operations. Full-Good said Gold Fields was not prepared to keep it running as long as possible.

Despite a fractional rise in the mine's overall gold revenue to R114.5m from R117.1m in the March quarter's group's operating performance was hit by lower yields and production disruptions.

At Doornfontein's East Drive, unit costs a ton milled were sharply higher, ranging 8.3% on the quarter to R115.70 a ton from R178.16.

Fuller-Good did not offer an explanation for the sharp cost increase, but a higher recovery grade and a 9% increase in the rand gold price resulted in an adjusted working profit.

At West Drive a fire in the No 6 tertiary shaft forced the mining of low-grade areas.

This was accompanied by an insignificant increase in mill throughput and a 2.4% rise in unit costs to R207.30 a ton from March's R202.65.

Kloof's gold production dropped to 7,331.04 kg from 7,852.5 kg.

Fuller-Good warned that a full recovery could take another six months.

<table>
<thead>
<tr>
<th>GOLD FIELDS OF SA</th>
<th>Tons milled (000s)</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
<th>EPS after capex costs</th>
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Surging gold price assists Gold Fields

SURGING gold prices helped lift an otherwise unspurred and sometimes troubling performance by Gold Field of SA's gold mines in the three months to June.

An average 9% rise in revenues to R58,672/kg offset a drop in gold production, pushing combined after-tax profit up nearly 15% to R308,6m ($214m).

A 30% hike in capital expenditure left attributable earnings 2% higher at R142m and costs were up to R689m from R678m.

Although the group pushed tonnage up to 3,37-million tons (5.53-million tons), its mines' average grade fell to 8.5g/t (9.2g/t), with yields dropping at mammoth Kloof and the struggling Deelkraal mine.

Continued losses at Lebanon again re-tarded Kloof, but the worst effect was a sharp unexplained drop in the Kloof mine's recovery grade. Kloof's Leewoorn division's grade drop was another drawback.

Despite a very "good quarter" from East Driefontein, the division was hit by a fire at West Driefontein which damaged production and costs. The company has suffered 10 fires in the past year.

Doornfontein's closedown continued to flatter its figures, lifting attributable earnings to R33.9m ($16,2m). But gold division director Michael Fuller-Good said the performance could not be sustained.

See Page 3
Gold dash boosts top four’s value

THE DASH for gold shares has boosted the net asset value of the top four mining financial houses on average by more than 50% in the past five months.

Figures compiled by Business Day show investors’ attempts to tap into the burgeoning gold market has cut the average discount at which Anglo American, Gold Fields of SA, JCI and Gencor trade to their net asset values by the same proportion since the start of March.

The gains indicate that the houses’ share prices are advancing far faster than the gains made by their underlying assets, including their gold mine interests which themselves have seen meteoric rises.

Analysts said the rises suggested that although investor sentiment now firmly favoured gold stocks, buyers were still looking to spread their risks by getting into the houses’ other assets.

Major investors might also be reluctant to buy heavily into individual mines, given that current high prices could not justify the underlying level of risk.

The individual level of gains nevertheless pointed to gold as the major attraction.

Gold Fields, which has at least 60% of its assets in gold, made the greatest gain, its net asset value rising 47% over the period. Despite disappointing results for the three months to June, its net asset value stood at R124.15 a share on Monday, against R84.37 a share at the start of March. Its discount to net asset value dropped from 25.8% to 11.4%.

Anglo American surged forward nearly 40% over the period to R122.88 on Monday, though its discount slipped back only slightly from 39% to 26.9%.

JCI moved forward 23% to R77.39 over the period, though its discount slipped marginally to 18.6%.

Gencor, which has less of an exposure to gold, moved ahead 13.8% to R148.82, despite the uncertainties surrounding the group’s unbundling plans.

“The mining finance sector is back in favour,” Forsmann Bros analyst William Bowler said. “There’s been a realisation by investors that the discounts earlier this year were too wide. They want some exposure to gold, but they are wary of direct producers.”

Frankel Pollak Vanderme analyst Peter Davey suggested that the gains could also be linked to larger investors avoiding pure mining stocks to pick up the “more highly tradeable” gold financial stocks.

Sources added that the narrowing discounts underpinned market concerns that shares were overheating Gold Fields was dubbed “outrageously overpriced” by one analyst.

Other analysts, however, added that the discounts would continue to narrow before the shares were deemed too expensive.

For the whole sector over the period, the average discount dropped back from 29% to about 24%, just above the 22% average of the past five years.

None of the four houses had so far broken their two-year discount lows since gold began its gold run, though Gold Fields had come close to its 4.7% barrier.
Gencor positioned to expand offshore

THE decision by Gencor to cut its industrial holdings and add to its portfolio of overseas interests leaves the mining house well placed to expand its international presence, market sources said yesterday.

The R1.2bn deal with Genbel places the 45% stake in TransAtlantic Holding, the UK-listed property and insurance group 54%-owned by Liberty Life, directly in Gencor’s hands.

The stake, which together with Genbel’s other interests is valued at around R1.2bn, was likely to be a useful bargaining chip in Gencor’s attempt to buy offshore assets to sustain long-term growth, sources said.

“They (Gencor) have done well to get this (TransAtlantic),” one analyst said. “It will give them far more substance outside SA, which is exactly what they have been looking for.”

Gencor is also in talks to buy Royal Dutch Shell’s mining and minerals division Billiton, in a deal rumoured to be worth around R1.8bn.

In the past, the company has been stymied in attempts to expand overseas by Reserve Bank restrictions on finnancing.

Though the Billiton deal would clear this obstacle because it could service its own borrowings, other companies have preemptive rights over certain parts of Billiton, which could force Gencor to pay over the odds.

“One of the key problems in bringing it (the deal) to a successful conclusion is the raising of the funding,” Gencor chairman Brian Gilbertson said.

The stake in TransAtlantic could help, but he refused to be drawn on whether deploying it was now a key option “We view it as a strategic investment.”

Gilbertson said the share swap, the first major step in its unbundling, had dealt with Genbel’s thorniest problem.

While other subsidiaries, Engen, Sappi and Malalak effectively stood alone, Genbel, as a portfolio manager and financing partner, was well enthused with Gencor.

“We wanted to get these shares returned to Gencor. That was the principle purpose of the transaction,” he said.

The deal bolsters Gencor’s control over Kimross, Winkelhaak, Impala and Trans-Natal, in line with the company’s aim to focus on its mining operations.

Under the terms of the deal, Gencor swaps 6.9-million Engen shares, 12.4-million Sappi shares and 5.1-million shares in Beatrix, capping its holdings in each by roughly 5.5%, 8% and 6% respectively.

Genbel in turn has cut its resultant over-weighting in Sappi and Engen by swapping a portion of the shares for a 5% stake in Murray & Roberts, a 1.6% stake in Engen, 10% of Mercedes Information Technology, and a miniate stake in Malalak Sankorp supplemented the R1.2bn share deal with a R100m cash offer to Genbel.

Genbel chairman Tom de Beer said the transactions would accelerate the transformation of Genbel from a passive investment trust to an actively managed and growth-oriented company.

The investments in Sankorp companies such as Absa would widen the spread of Genbel’s business away from the commodity cycle. “We see Absa as a recovery situation,” executive director Peter Cronshaw said. “The spread of investments now represents a good cross section of SA business.”

Gold producer halts hedging

GOLD producer Gencor said it had stopped selling production forward as it believed the gold market had entered a sustained bullish phase, but was considering other ways of locking in higher prices.

“We stopped forward sales in May, but are searching for a strategy under the changed circumstances as it is still only the beginning of a bullish phase,” Gengold division MD Gary Maude said.

Possible new ways of locking in a proportion of future output at higher prices included the use of puts and “knock-out” options.

“We were hedging for survival up to three months ago,” he said. The group had hedged about one-third of total production until May 1993.

Anglovaal spokesman said it had a flexible hedging policy and further hedging was likely. Anglovaal had sold forward $2.90bn of gold over the next two years.

Gold Fields does not hedge. It said this week the gold price rise was not sustained enough yet for its mines to increase capital expenditure.

The investment in Anglo American said it had not increased its hedging position since April. Anglo has not added to its hedging position since it perceived a more favourable trend in the gold price.” —Reuter

Absa to recruit top corporate bankers

ABSA’s new CE Dane Cronje says the group is looking for new corporate banking expertise.

Attracting banks from rival groups would also be a strong signal to the market that things had settled down at Absa after the rationalisation of the past two years, he said.

“We’ve had some very interesting inquiries from top bankers,” he said in an interview.

Dismissing criticism that Absa’s corporate culture was too Afrikaans for such a broad-based group, Cronje said it was well balanced.

Absa, SA’s biggest banking group with an asset base of R52bn, has completed the most difficult part of its rationalisation and digestion of two major mergers, he said.

As a result of losing customer focus, Absa recorded no growth in advances in the past financial year to end-March while advances in the rest of the banking industry rose 5%-10%.

Analysts say the area of corporate banking is where Absa has lost the biggest market share.

Planned expansion in corporate banking was tied to providing a comprehensive service. Absa also wanted to increase its non-interest income, he said.

Absa’s priority after the disruption of the past two years was to stabilise the loss of market share and resume sustained growth — Reuter
Hedging still a strategy

Andy Duffy

Gengold's decision to stop selling forward part of its gold output was unlikely to herald an industry-wide shift in policy, market sources said yesterday.

Though fellow mining houses Anglo American and Anglovaal agreed with Gengold that the metal's price was sustainable, they said hedging remained a necessary strategy to shield marginal operations.

Randgold & Exploration, which is thought to have sold forward around 80% of its production, said the level of hedging would continue. JCI declined to comment ahead of its results for the June quarter due next week.

Gengold said on Wednesday that it had halted in May its policy of selling forward around 35% of its production.

MD Gary Maude said Gengold would instead deploy knock out put options, initially covering around 20% of its production, to shield itself against a deterioration in prices.

Though Anglo had not increased its forward selling since April, effectively cutting the amount sold forward, hedging would continue, it said.

Anglovaal mining division finance and administration manager, Rick Menell said the group retained a flexible hedging policy and was considering other options.

Analysts also said that companies might also want to use hedging to guarantee revenues which could help capital expenditure plans.
CMC gold operations in good shape

ANDY DUFFY

Higher gold production and a tight control on costs helped CMC's three gold mining operations to a healthy improvement in the three months to June.

The strongest performance came from West Witwatersrand Gold Holdings (Westwits), which pushed after-tax profit up to R4.8m from R3.5m, while Benon Gold Holdings improved from R1.6m to R1.9m.

Moribund Witwatersrand Nigel West (Wit. Nigel) cut its losses on the quarter from R140,000 to R100,000.

Westwits - which treats underground, opencast and heap leach ore - increased the tonnage treated, raising gold production from 795kg to 821kg, despite a marginal fall in yields. Working costs were cut from R42.66/ton to R42.44/ton, leaving operating profit up at R4.7m. CMC said Westwits' New Reef project was one month from completion.

Despite a marginal fall in tonnage, a rising grade on Benon's sand and slimes operation lifted gold production from 375kg to 384kg. Working costs rose from R17.92/ton to R18.93/ton, nipping at revenues hit by the company's hedging policy. Operating profit rose from R2.8m to R3.8m. Wit. Nigel's improvement was due mainly to a fall in expenses.

CMC's decision to reopen Droogebult stems from the higher gold price. The operation, which will use mining contractors with the ore toll treated at a third party's plant, is expected to commence in the current quarter.
A year’s gold at R1 500 means higher payout for many mines

At a sustained real gold price of R1 500 an ounce, beginning in the next six months and continuing for a year, 20 mining companies would be able to at least double their dividends, three would increase them and none could start to pay them.

Ed Hern, Rudolph gold analyst Graham Graham-Parker says that although the bull run is fundamentally and technically intact, the question is how far shares can rise and what will be the effect on dividends.

Mr Graham-Parker says, “Although we do not forecast gold at R1 500 in two months’ time, it is nevertheless an achievable scenario. Few would have forecast the rand gold price to have climbed by R200 to R300 in the past two months, which it has done.”

Benom, Western Areas and West Wits would be able to lift their dividends by more than 50% if gold held at R1 500 for 12 months.

Another 10 companies – AF Leases, Deetkraal, Elandrand, Kloof, Knights, St Helena, Umsel, Western Deep, Winklerbank and Umsel could pay between 25% and 50% more than at present.

Sixteen others could lift payouts by 100% to 250%.

Mr Graham-Parker says such a gold price would not help companies such as ERPM, Primrose and South Rooaport to restore dividends in the short term if the rand gold price of R1 500/oz, the one-year forward dividend yield, weighting the constituent yields accordingly, would be 6.8%.

“The average historical dividend yield of the all-gold index since 1971 is 8.7%, and the current yield is 5.7%,” says Mr Graham-Parker.

“Based on our higher real investment who believe that further rand weakness and dividend yield, ranges from 4.5% to 6%,” Graham-Parker claims.

“We would view this as a minimum increase. We see fair value at 3 394 points, yielding 13% to 15% points. But a really bullish market, assuming today’s 27% yield a year’s hence, would push the index to 5 000 points.”

Leading earners exceed 20%

There were three contenders for the top general equity unit trust performer in the year to June – Board of Executors Growth, Goodenough and Norwich – all exceeded 20% returns.

Thus according to figures compiled by University of Pretoria’s Hugo Limphepa, they assume a lump-sum investment on a repurchase-to-repurchase basis and five-year performance over a year was 26.7%.

The best Old Mutual, which ruled over 4.7% at 85.5% by far the best over the year.

Syfrets Growth remained tops over three and five years, during which annual compound returns were respectively 23.7% and 29.6%.

In the longer run, all funds do exist for 20 years have run closely either side of the 20% rise in the JSE all-share index and well ahead of inflation.

In the past quarter, seven funds which posed me with information about portfolio changes bought Amgold. There were no sellers of the gold leader.

Unit trust fund managers were unanimous in selling Ruslans and buying Dalys and Suncrash. They were divided on Potgietersrust, where Sage and UAL were buyers and IGI a seller, and on Genbol, bought by Norwich, Southern and Sage.

Only the Old Mutual mentioned Barlowes, of which it was a buyer. As a major shareholder, Old Mutual is believed to be partly behind Barlowes’ unbundling structure and could be putting its money where its mouth is.

Old Mutual also sold Richemont in spite of clamoring a 50% rand-hedge portfolio component.
Gold miners still under pressure

By Derek Tomme

The Chamber of Mines takes pains in its latest newsletter to pour cold water on expectations that the recent increase in the gold price will restore the industry to a high level of profitability.

In spite of the higher gold price, many gold mines still have a struggle remaining profitable, says the Chamber. And interestingly, it discounts the weakening in the rand-dollar exchange rate as a source of increased benefits for the industry.

The rise in the dollar gold price from around $328 to $390 an ounce has not ended the industry's problems. "The rally has not done enough to dispel the mining industry's long-range revenue concerns," says the Chamber's economist, William Houltman, in the Chamber's latest newsletter.

Financial squeeze

Even if the gold price were to remain around $380 an ounce for the rest of the year, one out of every four gold mines would still not be certain of making a profit, he continues.

Houltman says a gold price rally attracts good press in South Africa. It also prompts observers to question whether the relief afforded to the mines via the firmer gold price signals the end of the industry's financial squeeze.

"Unfortunately, a careful examination of the likely long-term implications of a price development of the magnitude experienced in the recent rally dispels the optimism," Houltman says. The average dollar gold price for the first five months of 1993 was $338.96 an ounce, which was still below the year's yearly average of $393.96 an ounce.

Even if the gold price were to average $380 for the whole year, there would still be five marginal mines against 16 at the first quarter's gold price. And marginal mine production would drop to 46 tons from 66 tons.

Houltman says that at last year's dollar-rand exchange rate and level of costs the gold price would need to average $443.16 an ounce before it would be possible to extract marginal gold.

Houltman bases the rand gold price on last year's dollar-rand exchange rate. He admits that revenue calculations based on the recent weakening rand-dollar exchange rate might paint a different picture of the mines' position.

But he says there are a number of reasons for focusing on the dollar price of gold instead of the rand price when assessing the industry's prospects.

One is that the mining industry's revenue is determined by the international gold price. Another is that the rand gold price can be influenced by a wide range of factors external to mining and the gold market.

International price

"It is therefore no match for the dollar gold price when viewed as an indicator of short or long-term revenues," Houltman says. Improvements in the rand gold price, when not accompanied by improved dollar prices, have limited benefits for South Africa.

"It is as a result of the shortcomings of the rand gold price that local gold producers can be expected to await both a significant and a sustained lift in the average gold price, regardless of the rand's performance - before concluding that the gold mining industry's profitability is on the mend.

FOOTNOTE: The discounting by the Chamber of the effects of the weakening rand exchange rate seems odd - unless it believes that this might not be a lasting development. In view of the recent improvement in the country's trading position this is possibly the case.
Gold mines still under pressure

DEREK TOMMEEY
JOHANNESBURG — The Chamber of Mines takes pains in its latest newsletter to pour cold water over expectations that the recent increase in the gold price will restore the industry to a high level of profitability.

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“The rally has not done enough to dispel the mining industry’s long-range revenue concerns,” says the Chamber’s economist, William Houtman.

Even if the gold price were to remain around $380 an ounce for the rest of the year, one out of every four gold mines would still not be certain of making a profit, he says.

Mr Houtman says a gold price rally attracts good press in South Africa. It also prompts observers to question whether the relief afforded to the mines via the higher gold price signals the end of the industry’s financial squeeze.

“Unfortunately, a careful examination of the likely longer-term implications of a price development of the magnitude experienced in the recent rally dispels the optimism.”

Mr Houtman says the average dollar gold price for the first five months of 1993 was $338.96 an ounce which was still below last year’s yearly average of $343.86 an ounce.

Even if the gold price were to average $380 for the whole year there would still be five marginal mines against 10 at the first quarter’s gold price. And marginal mine production would drop to 65 tons from 90 tons.

Mr Houtman says that at last year’s dollar-rand exchange rate and level of costs the gold price would need to average $443.16 an ounce before there were no mines categorised marginal.

Mr Houtman bases the rand gold price on last year’s dollar-rand exchange rate.

He admits that revenue calculations based on the recent weakening rand-dollar exchange rate might paint a different picture of the mines’ position.

But he says there are a number of reasons for focusing on the dollar price of gold instead of the rand price when assessing the industry’s prospects.

One is that the mining industry’s revenue is determined by the international gold price.

Another is that the rand gold price can be influenced by a wide range of factors external to mining and the gold market.

“It is therefore no match for the dollar gold price when viewed as an indicator of short or long-term revenues.”

He says that improvements in the rand gold price, when not accompanied by improved dollar prices, have limited benefits for South Africa.
"Many mines still in danger"

THE price of gold would have to rise above $440/oz before all SA gold mines could be taken off the danger list, the Chamber of Mines said yesterday.

Although the metals' recent gains had bolstered the industry's fortunes, the chamber said in its latest newsletter that the long-term impact on revenues should not be overplayed.

Chamber economist William Houtman said gold's rise in the first five months of 1993 had lifted the average dollar gold price to $338.96, but that was still well down on the price for the same period in 1992.

Even if gold averaged $380 for the rest of the year, the average price for 1993 would still be just $314.71 — a level at which a quarter of chamber member gold mines could still suffer losses.

And assuming the rand/dollar exchange rate remained at its average for 1992, gold had to rise to $443.16 before a level of profitability was sustained in which there were no marginal producers.

Euphoria

The chamber's comments are likely to dent the euphoria that has lifted the gold index by nearly 60% to 1 891 since the metal began its ascent in April.

The downbeat report is also in line with disapponting June quarterly results from Randgold & Exploration and Gold Fields of SA.

But analysts responded sceptically to the chamber's comments, adding that the main reason why some mines' revenues had been held back was because of their hedging, which had locked prices such as Randgold's ERP into lower prices.

"There was also some doubt about whether such theoretical figures could be applied to the actual movement in prices and revenues,

Simpson McKee analyst Rodney Yaldwyn said that even at $443.16/oz, there were at least five mines, such as GFS's Doornfontien, that would close, simply because their reserves had been exhausted.

Fergusson Bros analyst Trevor Pearton said the chamber may be downplaying its members' gains in a bid to put pressure on the NUM, with which it is in a wage dispute, to accept lower wage rises.

"This sounds horribly political," he added. "You can't have a 30% rise in revenues and claim you are battling to survive."

Houtman conceded that his calculations did not take into account the likelihood that revenues would gain a boost from the rand's weakening against the dollar.

But he said the industry should focus on the dollar gold price because it served as the primary market indicator, while the rand price could be influenced by factors external to the gold market.

"Under ruling conditions," he added, "a rand gold price movement could have a technical rather than material significance in the fortunes of gold producers."

The benefits of a weak rand also had to be weighed against the increased cost of imports which would force up costs. "Such a gain simply serves to import inflation which puts more pressure on working costs, increases industry pay limits, reduces workable ore reserves and jeopardises mining viability, production and employment."

The chamber also reported yesterday that its gold mines members cut their tax payments by nearly a quarter last year, compared to 1991.

In a breakdown of value added by the sector, the chamber said its members paid a total R736.6m in tax in 1992, 24% lower than then R957.8m it paid in 1991.

Dividend distribution to shareholders in 1992 rose from R1.5bn to R1.9bn — the first rise in six years, the chamber said.

The industry's employees also enjoyed a rise over the period, receiving R8.2bn last year, against R7.9bn in 1991.

The chamber said its members had capital expenditure of R2.1bn last year, nearly 6% ahead of the figure for 1991.

Total turnover for the chamber's member mines was only marginally ahead, rising from R18.65bn in 1991 to R18.89bn last year.
JCI to decide on South Deep

ANDY DUFFY

JCI would decide over the next six months on the funding plan to transform its South Deep exploration project into a listed mine, the group said yesterday, reporting a strong performance for the three months to June, gold division chairman Ken Maxwell also said JCI would decide by the end of the year on refinancing its troubled H J Joel operation.

South Deep, adjacent to JCI's Western Areas mine, is believed to have the largest undeveloped gold deposit in SA, with estimated reserves of about 115,9 million tons and an average grade of 2.5 g/t. A further R500m would be needed to allow H J Joel to develop vital payable ore reserves.

Joel, JCI's newest mine, ended nine months of losses with its June quarter results. Ore mined was recoverable at 168 000 tons, though the yield slipped from 6,23 g/t to 5.72 g/t. This brought gold production down to 1 188 kg (1 158 kg). A fall in working costs to R29 505/kg (R30 435/kg) combined with a higher gold price to lift operating profits to R7.4m (R2.4m).

Joel was concentrating on building up ore reserves, which declined because of low-reef payability, while maintaining stoping at a reduced rate, the company said.

- Grades remained disappointing, though there had been some improvements in current development, it said.

Western Areas achieved its highest grade in 19 years as the mine gained from higher recoveries on its Ventersdorp Contact Reef and its elimination of low-grade ore. The higher grade and tonnage pushed gold production up 12% to 3,322 kg.

Working costs were brought down to R29 945/kg (R31 215/kg), while revenue edged forward nearly 5% to R35 405/kg.

- The development on 85 and 90 level, which would extend the life of SV2 and SV3 shafts to 12 years, was proceeding well, JCI added.

- Manxray Randfontein limited its rise in costs to a 2,1% hike to R25 169/kg. Though tonnage slipped as the mine concentrated on increasing yields, the lift in grades to 4,12 g/t (3.8 g/t) left production unchanged at 7 902 kg.

The company said the sinking of the vertical Prospect Shaft at Doornkop was progressing well, though water had again been a problem there.

Maxwell said JCI was reviewing its hedging policy, but that gold would have to remain at current levels for several months before JCI made significant changes. "It will be a flexible policy," he added.

- "Don't take the view that the gold price is definitely going to continue straight upwards."
Gold price hike boosts JCI

ANDY DUFFY

JCI's strategy of pursuing strong cost control and high grades led it to reap the benefits of gold's recent price gains, and it turned in a 61% hike in attributable earnings for the three months to June (2.14)

The group said yesterday it was contemplating rights issues to push ahead with its multibillion-rand South Deep project, and to refinance its weak link, IJ Joel mine. Analysts believed the South Deep project would require about R1.8bn. JCI said it was looking for R500m for IJ Joel.

Earnings across JCI's gold operations

To Page 2

JCI rose to 29.5c (18.3c) a share for the period, as yields were lifted nearly 5% to 4.81g/t, revenue a kg rose 4.2% to R351.181 and cost rises were curtailed to 2.7% (21.4).

The figures, the first June quarterly not to disappoint the market, leaned heavily on Western Areas and Randfontein (323).

Anglovaal's three main gold producers also turned in creditable results, with marginal producer Lorance making a strong comeback, thanks to its first full quarter of a seven-day working week.

However, the mines' results would have been better if a significant part of their output had not been locked into forward sales contracts, at prices lower than ruling rand gold prices. A group spokesman said the opportunity cost to the mines of its hedging transactions stood at more than

From Page 1

Ram, as it delivered gold to settle maturing contracts, and replaced the balance with higher priced contracts.

JCI said the highest yield in nearly 20 years and a minimal rise in costs had pushed earnings at Western Areas to 55.1c a share — up 102% on March.

Mainstay Randfontein moved ahead 25.7% to 56.2c a share, while IJ Joel crept back to an attributable profit of 2.9c, after losses in the three previous quarters.

Gold division MD Bill Nunn dubbed the results "very acceptable". Chairman Ken Maxwell said if gold sustained its price for the rest of the year, the proportion of hedged production — currently 50% — would fall "dramatically".

See Page 9
Loraïne moves into the black, winning its battle for survival

LORAINE has won its long battle for survival, at least, as a first full quarter of seven-day working restored Anglovaal's Free State producer to profitability.

Back in the black, Loraïne has improved chances of staying in business long enough to develop a block of high-grade ore at its SC shaft, which is expected to extend the mine's life by three to four years.

A mine spokesman said Mineral and Energy Affairs Minister George Bartlett had, on July 16, approved Loraïne's application for an extension to work on Sundays for another 18 months.

The mine reported an after-tax and capex profit of R75.5m in the June quarter, equivalent to 48.1c a share, compared with a R5.24m loss in the previous quarter.

The increase in working hours enabled the mine to lift the amount of ore milled by more than 13% That was accompanied by a sharp increase in grade — as the mine relied less on low-quality surface material — to 3.8g/t from 3.3g/t (2.14)

A higher Rand gold price received and increased gold output at 1.8 tons saw unit costs decline, masking the overall cost increase associated with the more intensive underground mining programme.

Higher rand gold prices and successful cost containment were the main feature of results at high-grade producer Hartebeestfontein and Eastern Transvaal Consolidated Mines.

Spokesman Arno Steyn said the outbreak of violence in May, which left 17 workers dead and dozens injured, had not affected production at Harties because management had successfully reorganised underground shifts.

Issues surrounding the fighting at the mine's hostels still had to be resolved.

Harties turned in an after-tax profit of R86.1m compared with R56.4m after working profit jumped to R99.6m from R69.4m.

Sharply higher gold revenue received by the underground operation was partially offset by disappointing income from the mine's low-grade gold plant.

Anglovaal, like Randgold and Exploration, was caught by the sharp rise in gold prices as a portion of its output was sold forward at lower-than-nominal gold prices.

Steyn said the amount of ore milled, average grades and gold output fell at E.T. Cons because of "fluctuations related to mine areas". But higher gold prices saw after-tax profit climb to R8.4m from R4.2m in the March quarter.
Strong showing by JCI's Cons Murch

By ANDY DUFFY

A SEASONAL boost in antimony sales and the higher gold price helped JCI's Consolidated Murchison (Cons Murch) to a 26% increase in pretax income to R1.7m for the three months to June.

The strong showing in the company's final quarter brought full year earnings a share to 86c (82c) in spite of a leap in capex. The final dividend rose from 15c a share to 17.5c (2.14c).

Chairman Mike Rabinowden cautioned that there had been no underlying recovery in the oversupplied antimony market, to which Cons Murch was the world's largest supplier.

The company, which had planned to switch its emphasis from antimony to gold, had also suffered an unspecified decline in grades from its gravity concentrator plant, which cut gold production.

Antimony revenue during the quarter rose 35% to R5.1m as sales moved ahead 23%, and the company benefited from the rand's depreciation against the dollar.

Despite a rise in price received for gold to R36 125/kg (R35 201/kg), the production fall blocked benefit being passed on to revenue, which edged forward just 2.4% to R9.2m.

Costs moved ahead from R1.7m to R12.8m, though the company did not split the rise between gold and antimony operations.

The company cut capex for the quarter back to R0.2m, against R0.5m in the three months to March. This still brought total capex for the year up to R1.1m, against recoupment last year of R0.15m, reflecting the company's strategy of developing ore reserves to push up gold output.

Analysts said the final year result should go some way towards rehabilitating the company, which three years ago was under threat of closure because of a declining antimony market.

The payment of a dividend, in spite of the impact of capex on cashflows, was also deemed to be a point in the company's favour.

However, sources cautioned that the slippage in yield could be a cause for concern, given the parent's stipulation that Cons Murch boost grades.
Gengold drops hedging in favour of put options

By Derek Tommey

A higher gold price and improved operations helped the Gengold gold mines to have a good June quarter with most of them reporting higher profits.

Buffelsfontein, Stilfontein and Grootvlei have declared increased dividends while St Helena's dividend has recovered strongly from that declared earlier in the year.

Some of the points made at a press briefing by Gengold MD Gary Maude yesterday were:

- Gengold believes its shareholders want it to be more open about its financial operations such as its hedging policy, especially in a bull market.
- As a start it is telling them that it has halted forward selling and instead will protect itself against a lower gold price by taking put options on the price.
- If the current gold price is maintained for the next six months the group could embark on new projects involving an investment of R2 billion.
- Also in response to shareholder pressure, the group intends to give priority to stabilizing dividend payments. It hopes to achieve this by closely controlling capital expenditure.
- Future capital works will carried out on a "switch-on switch-off" basis so dividends can be protected in the bad times.
- Gengold's income after tax is up R24 million but only R3 million after capital expenditure. This reflects the R60 million capital programme.
- The group is making a big effort to cover the cost of capital programmes with increased production so that it does not hit the dividend.
- The group will strongly resist cost increases and is giving the renewed attention. Pressure will be tremendous both from the unions and manufacturers "It would be very sad if we were to throw the advantage of a higher gold price out of the window by making our mines uneconomical and uneconomic internationally.
- Poor labour morale at Grootvlei — which is engaged in wage negotiations — is threatening the mine's future.
- Buffelsfontein has declared a final dividend of 165c against 150c a year ago making a total for the year of 315c (198).
- Stilfontein is paying an interim of 30c. It paid 30c a share in December but nothing in the previous 12 months.
- Grootvlei is paying 30c against 25c a year ago.
- St Helena is paying 30c after 20c in December and 10c a year ago.
- Buffelsfontein, which is working only on surface dumps, earned R2.1 million (R1.7 million) before tax and lease in the June quarter. At the current gold price the mine has a life of about two years.
- Grootvlei's income before tax and lease dropped from R33 million to R2.1 million partly owing to a drop in tonnage milled and increased costs.
- Grootevlei is highly unusual and there is a feeling that the miners have not been working as well as in the past. The closeness of the mine to Springs makes the workers more sensitive to political pressures.
- However, management has held discussions with the miners and there seems to be a turn-around, says the mine manager, Peter Noble.

Winkelbaak earned R14.8 million (R16.8 million) before tax and lease in the June quarter. It has had a difficult few quarters, said Maude, as it has been doing a capital programme on the 2A Sub-vertical shaft and has had to produce from the older area of the mines. It is starting to produce from 2A sub-vertical and there should be an increase in Winkelbaak's production.

Buffelsfontein increased its earnings before tax and lease from R17.3 million to R22.3 million. The higher gold price has increased the internal rate of return on the R74 million multigold project from a highly profitable 18.7 percent to 33.6 percent.

Beatrix earned R30.3 million (R29.9 million) before tax and lease and the improved production is expected to continue.

Bracken has ceased production, earning R4.9 million from break-up operations.

Kinross had a good quarter, earning R57.7 million (R25.8 million).

St Helena earned R11.4 million (R7.5 million) before tax and lease and Leslie R6.6 million (R4.9 million).

Unisel's earnings dropped to R7.5 million (R9.2 million) but results should improve towards the end of the year.
Gengold drops hedging in favour of put options

DEREK TOMMEY
JOHANNESBURG. — A higher gold price and improved operations helped the Gengold gold mines to have a good June quarter with most of them reporting higher profits.

Buffelsfontein, Stillfontein and Grootvlei have declared increased dividends while St Helena’s dividend has recovered strongly from that declared earlier in the year.

Some of the points made at a Press briefing by Gengold MD Gary Maude yesterday were:

- Gengold believes that its shareholders want it to be more open with them about its financial operations such as its hedging policy especially in a bull market.

- As a start it is telling them that it has halted its forward selling and instead intends protecting itself against a drop in the gold price by taking put options on the gold price.

- If the current gold price is maintained for the next six months the group could embark on new projects involving an investment of R2 billion.

- Also, in response to shareholder pressure, the group intends to give priority to stabilising dividend payments. It hopes to achieve this by closely controlling capital expenditure.

- Future capital works will carried out on a "switch-on switch-off" basis so dividends can be protected in the bad time.

- Gengold’s income after tax is up R34 million but only R3 million after capital expenditure. This reflects the R60 million capital programme announced last quarter.

- The group is making a big effort to cover the cost of capital programmes with increased production so that it does not hit the dividend.

- The group will strongly resist cost increases and is giving this renewed attention.

- Pressure will be tremendous both from the unions and manufacturers. "It would be very sad if we were to throw the advantage of a higher gold price out of the window by making our mines uneconomical and uncompetitive internationally.

- Poor labour morale at Grootvlei — which is engaged in wage negotiations — is threatening the mine’s future.

- Buffelsfontein has declared a final dividend of 18c against 10c a year ago making a total for the year of 31c (1996).

- Stillfontein is paying an interim of 30c. It paid 10c a share in December but nothing in the previous 12 months.

- Grootvlei is paying 30c against 25c a year ago.

- St Helena is paying 85c after 20c in December and 10c a year ago.

- Stillfontein, which is working on only surface dumps, earned R2.1 million (R1.7 million) before tax and lease in the June quarter. At the current gold price the mine has a life of about two years.

- Grootvlei’s income before tax and lease dropped from R3.0 million to R2.1 million partly owing to a drop in tonnage milled and increased costs.

- Grootvlei is highly unanimous and there is a feeling that the miners have not been working as well as in the past. The closeness of the mine to Springs makes the workers more sensitive to political pressures.

- However, management has held discussions with the miners and there seems to be a turnaround, says the mine manager, Peter Noble.

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- Buffelsfontein increased its earnings before tax and lease from R17.3 million to R22.9 million. The higher gold price has increased the internal rate of return on the R74 million multigold project from a highly profitable 18.7 percent to 33.6 percent.

- Beatrix earned R30.5 million (R20.9 million) before tax and lease. The improved production is expected to continue.

- Bracken has ended production, earning R4.9 million from break-up operations.

- Kimber had a good quarter earnings: R37.7 million (R29.8 million).

- St Helena earned R11.4 million (R7.5 million) before tax and lease and Leslie R6.6 million (R4.9 million).

- Unset’s earnings dropped to R7.5 million (R9.2 million) but results should improve towards the end of the year.
Gengold could give mines a R2bn boost

Gengold could give the green light to projects worth more than R2bn if the gold price sustains its real-term growth over the next six months.

Unveiling June quarterlies underpinned by the metal's gains, Gengold said the schemes — including the R800m Poplar mine on the East Rand, the R450m No 3 shaft at Beatrix mine and the R450m No 6 shaft at Winkelhauk — were all payable at current gold prices. (ZJU)

Recommissioning the R70m Weltevrede open cast mine, mothballed last year, was also being considered.

Gengold was forced to put the brakes on capex after gold prices deteriorated. Three months ago it announced small-scale capex projects worth around R200m to supplement shelved schemes. But MD Gary Maude said yesterday the projects had been "dusted off and redesigned".

Though gold had fallen short of penetrating the $400 barrier, Maude expected the metal to restart its climb from the end of next month, and possibly reach $450.

Even at the current gold price of $392, he added, several projects looked good.

The company said funding was likely to come through debt and/or rights issues, though Gengold had still to test investor reaction to the plans.

Maude cautioned that Gengold would have to regain its confidence in the gold price achieving real and stable growth before the button was pushed. It had had its "fingers burnt in the past".

The development of the schemes would be such that they could be halted quickly if Gengold's fortunes deteriorated. Gengold was discussing one-month notice clauses with suppliers and contractors.

Maude said programmes were unlikely to be decided on before the year-end.

The funding for all the projects would have to be structured so they were covered by improved operating performance from the mines. The company was not prepared to endanger shareholders' dividends in expanding its operations.

Should Gengold push on with such expenditure, it would represent a sharp turnaround in its fortunes from 12 months ago when the company was slashing staff and operations in a desperate bid for survival.

For the three months to June, capital expenditure rose 105.3% to R39,6m.

See Page 7
Improved prices lift mixed results

Own Correspondent

JOHANNESBURG - Gencor subsidiary Gengold relied on improved gold prices to revive an otherwise mixed bag of results for the three months to June.

Eight of its 10 mines sustained a fall in tonnage, while gold production slipped in some cases sharply, on six of the mines.

The company's previously tight grip on working costs loosened, particularly at Grootvlei and Unisel, and Gengold said costs would come under further pressure from wage demands and mine suppliers.

Gengold has also served notice on Grootvlei that it has six months to turn itself around, or face closure.

Total net income surged nearly 31% to R100.2m for the period, on average gold prices 5.5% higher at R34.76/kg. Average working costs rose a marginal 1.4% to R27.06/kg - the first rise since June 1992.

Labour problems at Grootvlei cut into both tonnage and yield, which brought working costs up from R30.23/kg to R32.46/kg - perilously close to the gold price it was receiving, Maude added.

Unisel cut production again, from 225,000kg to just 190,000kg as the mine was unable to maintain payable ore reserves.

The Basal Reef development produced disappointing grades and wash-out areas were higher than expected. Working costs rose to R29.46/kg (R26.24/kg).

Beatrix bolstered production from 3.200kg to 3.230kg and would move even higher in the next quarter, Maude said. The slight drop in tonnage was offset by a rise in yield to 6.9g/t, while working costs were pulled back to R21.12/kg (R22.17/kg) - the fourth consecutive quarterly fall in costs.

The company had approved expenditure of R76.5m for the decline shaft to gain access to the reef in the higher grade No 3 shaft area.

Winkelhaid's June quarter should be "the worst we'll see," Maude said.

Production dived from 3.020kg to 2.730kg, while working costs moved forward to R30.18/kg (R29.38/kg).

Buffelsfontein lifted gold production to 3.582kg (3.403kg), on the back of a grade steady at 6.4g/t.

St Helena produced excellent results, Maude said, maintaining gold production at 1.683kg (1.651kg), by pushing up tonnage to offset a sharp fall in yields. Costs per ton milled were cut to R204.86 (R236.31).

Production at Kinsla slipped in line with a fall in tonnage milled, while Leesle edged forward to 698kg (660kg), as the yield picked up from 6.6g/t to 6.9g/t.

The rise in the gold price had lent a healthier sheen to the performance of both Stilfontein and Bracken, with the latter boosting the grade on its rehabilitation from 36.1g/t to 40.6g/t.
**ANDY DUFFY**

**Violence**

Beatrix bolstered production from 3,200 t to 3,250 t and would move even higher in the next quarter, Maude said. The slight drop in tonnage was offset by a rise in yield to 6,8 t/t, while working costs were pulled back to R21,18 t/kg (R22,17 t/kg) — the fourth consecutive quarterly fall in costs.

Though production had been disrupted by the violence on the mine in which 24 employees died, 120 were injured and 170 resigned, Beatrix stayed off the worst impact by using its reef stockpile. The company had approved expenditure of R76,5 m for the decline shaft to gain access to the reef in the higher grade No 3 shaft area, which would pave the way for the full No 3 shaft investment.

Winkelhaak's June quarter should be "the worst we'll see," Maude said. Production dived from 3,000 t to 2,730 t, while working costs moved forward to R30,18 t/kg (R28,34 t/kg). But the costs per ton produced would be replaced by the stoppage and development that had started at No 2A sub-vertical shaft, which would reach full production by the middle of 1994 (24/12).

Buffelsfontein lifted gold produced to 3,622 t (3,403 t), on the back of a grade steady at 6,4 g/t. The R74 m Multigold project, designed to treat the surface dump at the Pioneer shaft, was expected to come on line next October, six months later than planned due to a delay in the delivery of the mills.

St Helena produced excellent results, Maude said, maintaining gold production at 1,662 t (1,682 t), by pushing up tonnage to offset a sharp fall in yields. Costs per ton mill were cut to R20,8 t/kg (R23,9 t/kg).

Production at Kinross slipped in line with a fall in tonnage milled, while Leslie edged forward to 6,6 g/t, as the yield picked up from 6,6 g/t to 6,8 g/t.

The rise in the gold price had lent a healthier sheen to the performance of both Stilfontein and Bracken, with the latter boosting the grade on its rehabilitation from 31,4 g/t to 40,6 g/t.

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Anglo tops the billion rand dividend level

By Derek Tommey

The drought in mining dividends has at last been broken. Following improved operating conditions and the higher gold prices, four Anglo American gold mines have declared sharply higher interim dividends.

Vaal Reefs is increasing its dividend by 32 percent from 50c a year ago to 60c. South Vaal is paying 29c, which is 41 percent more than last year’s 16c.

Western Deep Levels is paying 35c — up 15 percent on last year’s 30c. Elandsrand is increasing its dividend by 100 percent to 50c from 25c last year.

Together these dividends, if annualised, amount to more than R1 billion, says Clem Sunter, chairman of the group’s gold division.


Group gold and uranium profits rose 17.7 percent in the June quarter to R251.1 million, reports Sunter.

Gold production rose 1.1 percent to 87,003 kg and the average revenue for the quarter was 4.7 percent higher at R38.327 a kg.

Bonus payouts

The companies (excluding Ergo) paid R237.7 million in profit sharing bonus schemes which was a 6.4 percent increase on the R319.9 million paid in March.

Sunter said that Anglo American was keen to continue with the bonus schemes and to pay only low basic increases, because the gold price could change where it is or even go down, and the group did not want to go back to the situation in the 1980s.

Then costs were rising 15 percent to 20 percent a year. He added that labour accounted for 47 percent and 45 percent of total costs.

Anglo American had tried to keep its projects going at full blast during the gold price slump so the current gold price should not lead to a big step up in capital expenditure. But if the gold price was to go to $400 an ounce and stay there it would open up lots of interesting possibilities for the group in areas adjacent to existing workings.

By receiving a higher price through hedging gold sales, Anglo American had been able to produce an extra 110 tons of gold a year and preserve 70,000 jobs. The group was no longer in a survival mode, so it had not sold any gold forward since April.

Gold division managing director Lionel Hewitt said that the higher gold price had resulted in lower pay limits but there was no intention of drastically reducing the grade of ore milled in the next six to nine months. However, replacement faces for existing ones would probably have a slightly lower grade.

Vaal Reefs had a good quarter with a profit before tax, including a R131.1 million dividend from Southvaal, of R261.5 million (March, 146.6 million). Profit after tax and capital expenditure was R70.7 million (R55.6 million) equal to 270c (291c) a share.

At Western Deep Levels the improvement in operations in the March quarter was sustained and profit before tax jumped from R183.8 million to R187.1 million. Profit available after tax and capital expenditure rose from R25.6 million to R36 million equal to 127c (113c) a share.

The mine has recently suffered a number of serious accidents from seismic incidents, but has had a dramatic turnaround in safety results and last year wore the Millionaire Safety Shield.

Elandsrand increased its profit before tax by 28.3 percent to R78.1 million, while available profit rose 50 percent to R28.7 million. The mine is now capable of treating 600,000 tons a month. In the June quarter it treated 579,000 tons.

Freestyle had a highly satisfactory quarter, said Hewitt. However, a R15.6 million drop in sundry income reduced the profit before tax by R9.9 million to R184.5 million. But, profit available for distribution rose from R92.7 million to R182.5 million.

Ergo, the dump retreatment company, increased its profit before tax from R15.6 million to R20.1 million. Profit available rose from R9.9 million to R11.1 million.
Anglo set to mine lower grades if gold price holds

ANGLO American's gold division would turn to mining lower grade ore in the next three years if gold remained at current levels, the company said yesterday.

Reporting a steady performance for the three months to June, gold and uranium division MD Lionel Hewitt said the metal's gains had brought down the pay limit on previously inaccessible ore reserves.

"The higher metal price would now allow Anglo to pursue the ore, with falling increasing costs or production, he added.

"Though there would be "no dramatic decrease" in grades over the next 12 months, Anglo's strategy of pursuing replacement faces was likely to bring average group grades down from 5.5g/t to 5g/t over the next three years." Division chairman Clem Sunter added that should gold breach and stay above the $400 barrier, then several schemes, such as developing Freegold's Eridale area, could be of "interesting possibility."

Freegold's performance for the three months to June was the one disappointing point in an otherwise sound set of quarterly figures.

Though ore milled rose to 6.6m tons (6.4m), a sharp slip in yields to 4.44g/t (4.69g/t) brought Freegold's production down from 30.364kg to 20.429kg.

Hewitt said the deterioration in grade had been unexpected and that it was receiving attention. But a full recovery in the yield was unlikely to come through before the December quarter.

Freegold partly recovered from the damage by attacking working costs, which dropped back from R138 per ton to R135 per ton.

A fall in capex from R68.6m to R55.8m lifted attributable earnings to R1.3bn to a share (75c).

Western Deeps maintained its steady improvement from damage inflicted by seismic disturbances last year. Gold production climbed to 11.000kg (10,611kg) — the highest level since June 1991 — on the back of a higher milling rate of 1.6m tons (1.5m tons) and a 2.4% increase in grade to 6.73g/t.

Working costs edged forward to R51.274/kg (R47.797/kg), reflecting the increased tonnage and employee bonus scheme.

Seismic disturbances in the last few weeks had dented Vaal Reefs, and would continue to impact in the September quarter, Hewitt said.

Capex rose 7% to R114.2m, including expenditure on Moho ahead 8% at R28.2m, and capex would continue to rise over the next quarter.

But development on the No 11 shaft was held back by water problems, which cut the advance to less than a third of its March quarter level.

Hewitt added that reducing marginal operations at the No 3 and No 4 shafts was continuing.

Elander's grade, though down at 6.6g/t (6.85g/t) with the slowdown in ramping on the western section, had still exceeded expectations. Hewitt said a grade closer to 8g/t was "more realistic."

The yield and higher tonnage pushed production up to 5.014kg (4.660kg), and the company was now in a position to boost monthly tonnage to 200,000 tons.

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<th>Tons milled 000s</th>
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<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
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Short-life Cons Murch looks up as gold runs

I was pleased to receive a stockbroker's report on Consolidated Murchison, put together by Peter Shotter and Philip Murphy of Rice Rinaldi.

That producer of autunomy concentrates and gold has many memories for me from my days as a metallurgical researcher with mining house and Cons Murch manager JCI.

The challenge was to get as much gold as possible out the unconsolably refractory ore. It was a filthy task, but rewarding for an eager novice. In spite of ingrained blackened skin and the ever-present pong of cyanide, it gave much satisfaction to watch gold production climb in the early 1980s.

The mine that people have been referring to as "short lifer" for 50 years has brighter prospects than before. Rice Rinaldi's research is accurate.

Cons Murch is highly geared to the gold price, which has risen R3 000 to R4 000 since the report was compiled in June. A R5 000/kg climb would double the mine's earnings.

Rice Rinaldi recommends its purchase for short-term profits on a rising gold price. The share has risen from 300c to 500c.

Rinaldi forecasts earnings a share of 50c for the year to June 1993, but in 1994 this should rise to 80c with gold at R30 000/kg and to 180c with it at R42 000.

The report says gold's recent run came too late to help Cons Murch in the 1993 financial year because of its high capital expenditure commitment.

The directors say the autunomy market shows no signs of recovery. However, Rice Rinaldi believes the autonomy price has bottomed and any improvement will help earnings.

The stockbroker concludes that Cons Murch has longer-term potential.
Gencor learns home truths from the Turks

By JULIE WALKER

Locking in the higher revenues available*

Anglo American’s view is one of not to pay for such gold insurance, but to do little while the market consolidates.

Gold division chairman Clem Santer says Anglo hedged on two counts to protect marginal mines’ production and to provide a tax shield to keep major capital projects afloat.

Generally, its mines had an excellent quarter. But Mr Santer is not as bullish as he was on the gold price because of lower Far Eastern demand.

JCI’s mines showed a big jump in profits in the June quarter, on both higher revenue and lower costs. Western Areas lifted gold production and revenue and reduced costs to declare its first dividend — 5c — since 1976.

Even HJ Joel made its first profit after caps — 2.3c a share. But it remains a disappointment. Trackless mining is to be abandoned at the mine in the next 18 months.

Development results showed, lower gold, over a narrower channel width, although there were some improvements on the western side of the orebody.

*Looking in the higher revenues available

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Mining houses lift the curtain

By Derek Tommey

South Africa's gold mines have taken a major step forward in improving their public image by dropping the secrecy that until now has surrounded their forward selling.

Four mining houses — Anglo American, Anglovaal, Gencor and JCI — in a somewhat surprising move gave details last week of their forward selling commitments for the mines they manage and the prices the mines will receive.

Randgold moved part of the way towards giving these figures earlier this month. Gold Fields does not sell gold forward.

One reason suggested for the industry's change of heart is the need to mollify shareholders. The steep increase in the dollar gold price in May and June sharply raised investors' dividend expectations.

When the figures which emerged were nowhere near their hopes because of heavy forward selling at below the current market price, there was considerable disappointment.

Dissatisfaction

Now that the figures are being made public, investors will know what profits to expect in future and therefore will have less cause for dissatisfaction.

A second reason suggested is that it will help the bullion market.

South Africa produces about 30 percent of world production. A survey of the forward sales figures indicates that probably between 35 and 40 percent of the next 12 months' production by South Africa — or 12 percent of world production — has already been sold.

With such a substantial amount of gold being taken out of circulation, it means that the supply-demand position will be considerably tighter than production figures alone would indicate. It also means that even a small increase in demand would heighten the scope for a further rise in the gold price.

A third reason put forward for the greater transparency in gold mining finances is the promise that large American institutional investors are interested in putting money into gold shares.

This marks a major change in attitudes towards gold shares.

When the gold price was fixed and trading at $35 an ounce back in the early Seventies, the institutions were large investors. The fixed price meant that profits and dividends would remain stable whatever happened to the economy.

But the sharp fluctuations in gold mining profits that have followed the freeing of the gold price have caused gold shares to be labelled highly speculative and not an investment for institutions.

But the message coming from the United States recently is that some institutions would like to invest in South African gold shares provided there was more certainty about future trends in profits and dividends.

For this they will need to know more about what is happening in the industry. And this is believed to be partly behind the decision to give details about future sales.

More certainty in dividends will also require better management of capital expenditure so that dividends are not suddenly reduced owing to capital expenditure commitments — as has happened in the past.

Any significant US institutional investment in the country's gold mines would lead to a rerating of the shares and greater capital profits for the mining houses.

It would also make it easier for the industry to attract capital from overseas. And it will soon need many billions of rand for new investment if it is to have a future in the 21st century.
ERPM plans rights issue to rescue mine

From ANDY DUFFY

JOHANNESBURG — ERPM, the 100-year-old debt-laden and loss-making East Rand gold mine, is staring liquidation in the face as management plots a R500m rights issue in a last ditch attempt to rescue the operation.

And more than 5,000 miners' jobs are in the balance today, as striking workers hold out for a 16% increase management says it cannot afford to pay.

The strikers will be fired if they do not return to work this morning.

"We are expecting the worst," group human resources director Richard de Villiers said on Friday.

Cost-cutting measures have seen the workforce shrink from 20,000 five years ago to the current 9,000.

Parent Rand Gold & Exploration is trying to persuade creditors to the troubled mine to agree to a R500m rights issue to wipe out its debts.

Newly-installed ERPM MD Glenn Laing said at the weekend that a rights offer to pay off the mine's R330m borrowings was the "first prize" in debt restructuring talks currently underway.

A decision was likely within the next two weeks. Should the rights issue go ahead, he added, ERPM would cut its financial dependence on government and would begin paying dividends to shareholders.

ERPM's stock has risen strongly with the surge in the gold price, leaping from a 12-month low of 450c in January to 1700c on Friday, pushing its market capitalisation from R75m to R235m.

However, analysts questioned whether investors would take up a new share offer given the mine's chequered history. They noted the two-year-long strategy pursued by Barlow Rand, Rand Gold's parent, of minimising its exposure to the mining sector.

ERPM has been plunged into crisis again after a poor June quarter performance in which production problems hit mining at the Far East Vertical Shaft, an area of relatively high-grade ore on which the mine's future depends.

A full tonne milled, lower grades cut gold output while sharply higher costs ate up any benefit ERPM received from higher gold prices in fact, the mine missed out on the rally in bullion prices because its output was tied to forward sales contracts at levels below ruling prices. ERPM turned a R18m net loss after interest payments.

The latest upset to debt repayment plans follows a catalogue of errors in the 1980s. Rand Mines gave the go-ahead to the Far East Vertical Shaft project in 1980 on the premise of over-optimistic gold price forecasts and over-ambitious feasibility studies.

With the project on the ropes by the late '80s, government granted further state aid on the recommendation of the Metalcom Commission's report, but Mellands's figures were based on unrealistic rand gold prices, still above current levels in spite of the revived gold market.

Laing said the mine, unable to cover interest payments on its near R500m debt, had been badly financed from the start, and even on current gold prices would take 10 years at least to clear its borrowings.

Unless an agreement could be reached then the mine could face liquidation, which would have devastating socio-economic consequences for the surrounding area.

Though the rights offer was the main target, Laing said it was not clear that all the creditors would agree, and that some other equity instrument would have to be tabled.

The operation's banks are owed R300m, with First National Bank owed an additional R60m, while parent Randgold is owed R55m and government has pumped in R35m. An additional R71m is owed in deferred interest, following an interest payment freeze which expired in December.

He added that the monthly interest bill of R6m is double operating profits, and that ERPM could not continue under such conditions.

Its attributable losses per share in the three months to June were up 158c (93.8c), as costs rose sharply and yields deteriorated.

In operational terms, ERPM was "now on the verge of turning itself around." The Far East Vertical shaft had hit high grade ore, which would boost gold production by 20-25% over the next six months, he added.
Gold fever takes root in market

By John Spira

Time warp conclusions are inevitable as the shape of the Johannesburg Stock Exchange harks back to its mining camp roots.

For mining and mining-related shares are now ruling the roost, with 10 of them featuring among the 19 listed counters that have soared by more than 300 percent in the past 12 months.

That as many as 18 JSE listings have rocketed by above this margin demonstrates just how much money can be made on Deon Street — though to pick 18 out of 730 requires consummate skill mingled with huge dollops of good fortune.

If your portfolio contains only a small sample of the magical 18, you have good reason to be happy. If not, you have not necessarily been excluded from the bonanza, since a further 15 shares have advanced by between 200 and 300 percent in the past year. And many more have doubled.

The best place to have been is the mining exploration sector, where, of the 12 shares quoted, three — Soudex, Soplate and Freddev — have added more than 300 percent, a further two — Lyndex and Randex — have gained more than 200 percent and another three have more than doubled in price.

Exploration

Investors are evidently banking on the mining exploration companies to produce a new mine or two in the wake of the strong recovery in the gold price, just as they are looking to the gold mines to generate much improved earnings (and have voted in this direction) for the same reason.

That is why gold shares have recorded such substantial gains.

But gold does not explain why a share-like Coronation Syndicate has gone into orbit to the tune of 942 percent.

A year ago Cor Synd was an investment holding company owned by Lonrho. Last September a consortium of merchant bankers acquired control and changed the nature of Cor Synd’s activity from one of trading in the bonds and derivative markets, where vast sums of money are there for the taking by those who know what they are doing.

Thus far the results have been dramatic and the share price has responded accordingly.

Presto is a smallish transport company whose entered such deep-seated problems that its JSE listing was suspended towards the end of 1990. It was relisted last year after a change in control. The new management has converted huge losses into profits.

Wool’s largest investment is Immuns, which, like Presto, has put hereditary losses behind it. Immuns is a supplier of consumable-products to the mining industry and should, accordingly, derive meaningful benefits from the gold price rebound.

GNT and Quickeco are listed on the development capital market sector of the JSE. The shares seldom trade and owe their price performances largely to a small number of deals from extremely low base levels.

Soudex (South Deep Exploration) controls the potential of the South Deep gold mine adjacent to Western Areas. South Deep owns the richest and most promising undeveloped gold deposit in South Africa, with the result that Soudex stands to reap super profits should the mine be given the green light.

As yet, no decision has been made (principally because its development would require some R22 billion), but with gold showing signs of maintaining its buoyancy, investors are clearly looking at Soudex through optimistic lenses.

Losers too

It goes without saying that had the “high flyers” exercised been conducted for the past eight months (from the start of the bull market), gold shares would have been considerably more dominant, with some having increased in price by more than 1 000 percent over this shorter period.

Any analysis of the high flyers tends to eclipse the behaviour of shares which have lost ground (some heavily) in the past 12 months.

There is more than a smattering of these to be found and it would therefore be prudent to bear their performance, or lack of it, in mind with a view to appreciating that the JSE delivers losers as well as winners.
GOLD QUARTERLY

Is this a new dawn for the mines?

With the gold price now above R40 000/kt — in territory gold mine managers were only dreaming about at the beginning of the year — the industry has changed radically. Implications are clear from the June quarter results. If sustained, these gold prices will enable mining groups to restart various projects shelved in the past three years.

Gengold MD Gary Maude says: “We have dusted off plans for projects totalling nearly R2bn, including Poplar, Beatriz No 3 shaft, Winkelhalo No 6 shaft and Weltevreden. It will take about another six months before we reach final decisions.”

Also likely are decisions on large fundraising exercises for operations like JCI’s South Deep Exploration (Soulex), which has been starting to develop the potential South Deep mine near Western Areas, and moves to list Eastvaal Gold Holdings — which is funding Vaal Reefs’ Moab expansion — in the pipeline. Anglo American Corp gold division chairman Clem Sunter says “The documents are in preparation.”

An immediate investor worry about such developments, and about the resumption of large-scale capital spending on existing mines to recoup enforced shortfalls of the past few years, is that dividend growth will be restrained. Ed Hern, Rudolph analyst at Grameh Graham-Parker says the industry shows a 27% jump in capex to R65.5bn for the June quarter from R47.6bn in the March quarter. The June figure is 5% up on the June 1992 quarter’s R57.8bn.

Some mining house managements have undergone a sea change in attitudes — they are at last paying attention to the needs of minority shareholders. (p 14)

Says Maude: “The arrogant mining house attitude of the past has to go. We have been making efforts to stay in touch with our shareholders worldwide, and are trying to be responsive to their needs. We intend achieving greater dividend stability.”

That runs completely counter to the traditional mining house attitude that capital growth takes precedence over dividends.

One key to protecting dividends is to structure capital projects so they can be closed if the gold price turns sour “We will never again irrevocably commit capital up front to a project,” says Maude “Contracts in future will be switched on or off so that the shaft sinks, for example, will have no claims against us for damages if we close a project.”

Another way is to lift productivity to ensure greater gold output will cover the cost of an expansion without affecting dividends.

Greater sensitivity to foreign shareholder requirements also appears to be behind the decisions by Anglo, JCI and Anglovaal to disclose their hedging activities. Gengold has always provided this information. Now only Randgold is not revealing hedging details.

Sunter says Anglo has published hedging

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* Figures in parentheses refer to previous quarter. ** Calculated at R1=$1.00. ** Earnings after tax and capital expenditure. ** Includes recurring costs. ** Including Metallurgical Scheme.
details because, with a gold bull market under way, the house has not been selling gold forward since April. It no longer considers it detrimental to shareholders’ interests to reveal Anglo’s positions.

Some analysts feel the change of heart is in response to overseas investor pressure and SA producers’ need to compete for capital internationally.

Gold’s 30% surge this year has dramatically changed the overall position of the industry. Based on the June quarter figures, if all the mines had received an average price of R1 300/oz (R41 796/kg), the spot price now, only one mine — ERPM with costs of R1 321/oz — would not be covering its total working costs plus capital expenditure. At a price of R1 000/oz (R32 151/kg) — which ruled for four years to end-1992 — 18 mines would have been in the red. The June quarter position was between these extremes. On average gold revenue of R1 119/oz (R35 976/kg), five mines were unable to cover working costs plus capex. That’s why disclosure of hedging is crucial. Anglo reveals it has hedged three years in advance for portions of expected production.

A surprise of the June results was the poor price received by Gold Fields which has shunned hedging. Its average revenue of R35 762/kg is 3.9% below the average spot price of R37 200/kg. It seems Gold Fields closed off its mine quarterly accounts early in June, missing the price rise later that month.

Most analysts — and gold mining executives — believe the gold bull market is continuing, though in consolidation now. A temporary pullback is possible during August, the main northern hemisphere holiday period.

However, as Ferguson Bros analyst Trevor Pearton points out, forecasting earnings and dividends for individual mines is going to be complicated in future because certain fundamentals are changing. One is that costs are likely to start rising again as unions push for higher wages and suppliers haggle for price increases with the price up.

Next, grade should decline in line with lower payments on many mines — though it appears there is not going to be a rush to mine lower-grade ore. Anglo gold division MD Lionel Hewitt says Anglo’s mines will not suddenly drop grades over the next six to 12 months. Instead, if the gold price holds, slightly lower grade areas would be exploited as current mining faces are worked out.

Finally, capex must rise to recoup shortfalls of recent years. Here, again, Hewitt says Anglo’s mines will not be badly affected because the house kept its capital programme going through hedging.

Smith Newcourt gold analyst Steve Oke says overseas investors are looking at a 6% dividend yield on the JSE All Gold index, assuming the gold price is at least R1 250/oz over the next 12 months. He says this makes SA gold shares reasonably attractive, given the political situation, compared with yields available on Australian and North American gold stocks. Should gold reach about US$425/oz, he says, the All Gold index would jump to at least 2 500.

A concern is that, if gold were to drop during the next month or so, the index could fall to around 1 600 before recovering along with gold. Oke says this would, however, be a good buying opportunity.

Overall, news from the SA mines and the gold market remains favourable for gold bugs, though mining costs will have to be watched. It would be criminal for the mines to surrender benefits gained from recent belt-tightening.

Brendan Ryan
Buffels investors to get windfall from unbundling

By Derek Tommey

Buffelsfontein shareholders are to receive a windfall following a decision by Gengold to delink Buffelsfontein and Beatrix gold mines.

Beatrix is planning to redeem Buffelsfontein's right to 16 percent of its distributable income by handing it 9.5 million shares, worth about R325 million.

Buffels shareholders will receive 61,818 Beatrix shares for every 100 Buffels shares held.

As Beatrix shares are trading at R34, holders of 100 Buffels shares (worth about R3 400) will receive Beatrix shares worth about R2 782.

In exchange, Beatrix shareholders will receive an enhanced stake in the earnings of an increasingly profitable mine.

**Dilution**

The dilution of Beatrix's capital will not be large as the new shares to be issued are equal to about 10 percent of Beatrix's current issued share capital.

The two mines have been financially linked since 1985, although Buffels is in the Klerksdorp area and Beatrix in the Free State.

The intention behind the agreement was to enable Buffels, at that time an established and profitable mine, to help finance out of its income Beatrix's capital expenditure, and reduce its tax bill.

At the time of the link-up, Buffels acquired the assets and running lease of Beatrix by issuing preference shares to its parent company, Beatrix Mines. This is the company listed on the JSE.

The preference shares entitle Beatrix Mines to 84 percent of the net distributable profits of Beatrix and Buffels ordinary shareholders received the remaining 16 percent, which Beatrix is now buying back.

Beatrix Mines also receives a royalty of 15 percent of the gross annual revenue of Beatrix. But now, with Beatrix becoming highly profitable, the agreement's tax advantages have disappeared and Gengold has decided the time is ripe to separate the two.

Gary Maude, chairman and managing director of Gengold, said last night this should result in better tradability of the shares of the two companies.

Investors had not appeared to recognize the value to Buffelsfontein of its stake in Beatrix, he said. The transaction should make Beatrix's shares more tradable because it will simplify its structure.

Because of Beatrix's complicated financial structure, analysts have been wary of the share.

The arrangement is subject to approval by various parties, including shareholders, the Reserve Bank, the London stock exchange and the JSE.

**Desirable**

The transaction is clearly in the immediate interests of shareholders, but some analysts have suggested that it will make it easier to separate the two companies completely.

This could be a desirable feature in the long run when Buffels, which has been operating for 26 years, starts running down.

It means that when this time arrives its operations will not be subsidised by earnings from Beatrix, which result in a false picture of the mine's prospects.

Buffels has been putting up a stout performance lately, but Beatrix is undoubtedly proving a star. Both mines are producing roughly the same amount of gold — Beatrix 3 250kg in the June quarter and Buffels 3 582kg.

But costs are far higher at Buffels, and its working income was R20.7 million, while Beatrix's was R44.3 million.
Golden Dumps left down in the dumps

ANDY DUFFY

Net losses of R2.1m were brought back to available losses of R1.7m, as the company recovered R0.4m by selling plant.

Net losses for the year stood at R4.1m, against a R2.2m loss last year.

A switch from capital expenditure to recoupment helped Consolidated Modimolle recover from its March performance, turning an available income of R1.65m for the three months against a R0.7m loss last time.

Director Lucas Pouroulis said the company was investigating plans to develop South Roodeport's property rights. It was also studying the possibility of using the mine's remaining equipment to mine other mineral deposits.
New Wits' sale of assets boosts kitty by 66%

NEW Wits, the mining, exploration and investment company owned by Gold Fields of SA, staged a second half turnaround in fortunes, as asset sales lifted the company to a 66% rise in earnings for the year to June.

Though investment income was cut 15% to R15.7m, New Wits netted R16.1m (R17.6m) through the sale of investments, to push total revenues forward 55% to R32m (214).

The sales also cut into New Wits' borrowings, which sluced the interest bill from R1.1m to R0.6m, leaving pretax profit ahead two-thirds at R22.3m.

Despite the surge in earnings a share to 95c (58c). New Wits held its dividend at 52c for the third consecutive year, replenishing reserves and bringing dividend cover up to 1.8 times (1.2 times).

The results were sharp turnaround in New Wits' fortunes in less than six months. At the half year, its earnings had dropped 34% hit last year by falling gold prices, it was forced to shelve exploration work.

At the half year, New Wits chairman Alan Wright warned the com-

pany would also embark on asset sales to cut its R9.3m overdraft. Disposals in the period included the sale of 300,000 shares in Gold Fields' Driefontein business.

Sales also helped Gold Fields' 49%-owned Vogelstruub Metal Holdings (Vogela). Earnings a share for the six months to June moved ahead to 22c (26c), as a 9% rise in investment income to R3.5m was buttressed by a near tenfold rise to R0.7m in income from asset sales.

Vogela spent R5.6m in the period to take up 378,000 shares in Northam Platinum, but sold 103,000 of these and 136,000 shares in New Wits. Though pretax profit moved ahead 14% to R4.2m, the interim dividend was held at 15c.

Vogela is heavily linked to the fortunes of Gold Fields' copper producer, O'okiep, which sustained net losses of R13m in the June quarter, and Zinc Corporation, which suffered a 12% drop in pretax profit for the June quarter.
Anglo planning to list Eastvaal Gold Holdings

BY DEREK TOMMEY

Anglo American is taking a bullish stance on gold. It said last night it was planning to list Eastvaal Gold Holdings.

This is a new mining company, which is providing after-tax finance for the group's new Moab gold mining project contiguous to the Vaal Reefs mine in the Klerksdorp area.

Eastvaal's listing will be accompanied by an offer of R250 million worth of shares to shareholders of Anglo American, Angold, East Daga, Free State Development and Lydenburg Exploration - its current shareholders.

The offer is still subject to a final decision. But if it gets the go-ahead, details, including the number of shares to be offered, the ratio applicable to each company and the issue price will be published on August 23. A full prospectus will be issued on August 27.

Initially, it planned to list Eastvaal in London as well as Johannesburg. But Eastvaal says its existing shareholders believe it would not be appropriate at this stage.

Nor will the Eastvaal shares be registered in the US, Canada or Australia. But the rights to the issue accruing to shareholders living in those countries will be sold for their account.

The decision not to list Eastvaal overseas suggests that Anglo's directors have some doubts about the degree of support the issue would get from shareholders there.

The Moab project, which has a lease area of 2,149 ha, is expected to cost about R1.7 billion and to start gold production in 1997.

The project is estimated to have 28 million tons of reef averaging the fairly high grade of 11 grams a ton.

The reef lies at depths of up to 3,700 metres below surface and is good for 25 years of production at 13 tons of gold a year.

Moab is being developed as an extension of the Vaal Reefs area, and its twin shaft system (VR No 11) is cited in the South Lease of the complex.

The mine is expected to produce about 150,000 tons of ore a month.

The importance of Eastvaal/Moab is that it is about the only major gold mine now being developed.

Several mines are expanding production, but nothing is being done on the scale of Moab.
Anglo nudges Moab along

ANGLO American has taken the first tentative step towards listing and refinancing its R1.7bn Moab gold mine project.

In a cautious statement, Anglo proposed a R2.6bn share offer for Eastvaal Gold Holdings, the company created last year to fund Moab, and said it planned to apply for a JSE listing for the Free State mine.

The move gives Anglo the lead in the industry's bid to use a higher gold price to push ahead with large schemes.

But the proposals stop well short of the group's original plans for Moab. The R2.6bn — a first tranche — is thought to be less than half what was required by Moab. The total equity needed is estimated by analysts to be about R6.5bn.

Eastvaal confirmed there would be "more opportune" moments to raise the balance, but refused to be drawn on the amount.

The plan to apply for a London listing has been shelved until the European market offers a healthier reception.

Anglo emphasised that a decision had yet to be taken to push ahead with the plan.

Details of the share allocations will remain under wraps until the decision on the proposals is made public on August 23.

Should the proposals get the all clear, development work since then has been funded with loans from Vaul Reefs, a 30% stakeholder in Moab. Vaul Reefs' tax shelter, boosted by the higher gold price, is expected to provide the main source of funding for Moab.

The mine is expected to start production in 1997, working on a 26-million-tonne ore with an average grade of 11.3g/tonne to provide replacement tonnage for Vaul Reefs.

Anglo's cautious go ahead is expected by analysts to be mirrored by its peers. With the gold price rampant at the time of the June quarterlies, Goldfield announced plans to go ahead with shrewd projects worth more than R2bn, while JCI said it was considering the South Deep scheme — believed to be worth around R3.5bn — and a R5bn refinance for weak link HJ Noet.

But such expenditure was predicated on the gold price sustaining its gains, at least in real terms, over the next six months.

Moab

The offer will be made to Anglo's own members, Anglo American Gold Investments Co (Angolco), East Daggars, the Mine, Lydenburg Exploration (Lyden), and the JCI-owned Free State Development and Investment Corporation (Fredeva).

In separate announcements, East Dagg and Lyden said they would pass on their new shares to shareholders. A statement from Fredeva was also expected.

The initial spread of the Eastvaal offer is the minimum required for a JSE listing — a move judged by analysts to reflect Anglo's plan to limit Eastvaal's exposure to market volatility.

It emerged at the end of last month that the then rampant gold price and improved market sentiment had enticed Anglo to push ahead with the listing.

Work on the Z1.4bn site began last October, but prevailing prices forced Anglo to defer Moab's listing plans.
Gold Fields stakes its claim in Ghana

GOLD Fields of SA has reported a fourth successive dip in earnings to 30c (31c) a share in the year to end-June 1993, after dividend receipts from its portfolio of gold and base metal mines were knocked by poor commodity prices.

But the mining house has successfully tied up a new gold mining and exploration venture in Ghana.

Chairman Robin Plumbridge said yesterday that Gold Fields' Ghanaian subsidiary had exercised its option on July 1 on rights to mine the Tarkwa prospect Activity would focus on exploring the mostly shallow gold-bearing ore body, but Gold Fields was managing an existing operation which would produce 50 000oz a year.

The Ghana project and progress with other shallow prospects in Venezuela and Ecuador make up for Gold Fields' disappointing foray into Zaire in late 1991. The Kuman joint venture to mine gold in the northeast corner of the country is in limbo as World Bank financing has been delayed indefinitely because of civil strife.

Gold Fields' revenue slipped marginally to R628m (R650m) in the year. Investment income slipped to R262m (R265m), reflecting the weak gold market for much of the period.

Higher dividend receipts from the money-spinning Kloof mine were not enough to offset reduced payouts to Deekraal and Doornfontein gold mines.

Relief came in the form of a jump in profit on asset sales to R37m (R1m). The group took "share dealing profits" as good selling opportunities presented themselves, but he declined to give details.

Other income declined to R183m (R218m) due to lower interest rates and a reduced cash balance after the group followed its rights in Northam Platinum's rights issue.

Expenditure climbed to R711m (R631) including higher administrative costs, a small increase in interest payments and almost unchanged exploration costs at R141m (R142m).

Pre-tax profit was lower at R321m (R342m), but a reduced tax bill saw after-tax profit fall to R303m (R325m).

Attributable earnings, after preference share dividends, declined to R296m (R303m), from which Gold Fields paid dividends of R183m (R192m), equivalent to 20c a share.

Plumbridge said current dividend cover of 1.5 times was "at the lower end of the range" with regard to group policy. But the decision to maintain the payout reflected Gold Fields' measured confidence about gold prices in the year ahead.

The belief that prices had sunk too low in 1993 was borne out by former bullion prices this year, but there was no "euphoria" about current price levels. The surge towards $400 had been determined by short-term factors, such as nervousness about the currency turmoil in Europe.

Plumbridge said while the flurry of technical interest in bullion was welcome, it was preferable for prices to consolidate their gains rather than gyrate at the risk of losing buyers of physical metal necessary to sustain prices in the longer term.

In contrast, base metal prices were at rock-bottom, stocks were high, and there was little prospect of improvement until the European and Japanese economies recovered.

Gold Fields owns the unlisted Black Mountain lead and zinc mine, a number of copper producers in SA and Namibia, in addition to marginal Rooberg Tin, and Gold Fields Coal. Developing platinum mine Northam reports results tomorrow, expected by market sources to show the impact of weak platinum group metal prices and production difficulties.
Collapsed conveyor hits Harties output

HARTEBERGSPRUIT Gold Mining Company (Harties), Anglovaal’s top gold mine, could lose up to a third of its gold production this quarter after a structure carrying the main plant feed conveyor collapsed on Sunday night (2.14). Initial estimates indicated that, after optimal use of the low-grade gold plant and the No 7 shaft plant, gold production should not be less than two-thirds of production before the incident, Anglovaal spokesman Arno Steyn said. Under ground production was continuing and every effort was being made to minimise losses for the quarter. No one had been injured, he said. The company had not yet found out what caused the structure to collapse, what the cost of the disruption would be, or how long it would take to repair the damage.
Further dip in GFSA earnings

Own Correspondent

JOHANNESBURG. — Gold Fields of SA has reported a fourth consecutive dip in earnings to 301c (314c) a share in the year to end-June 1983, after dividend receipts from its portfolio of gold and base metal mines were knocked by poor commodity prices.

But the mining house has successfully tied up a new gold mining and exploration venture in Ghana.

Chairman Robin Plumbridge said yesterday that Gold Fields' Ghanaian subsidiary had exercised its option on July 1 on rights to mine the Tarkwa prospect.

The Ghana project and progress with other shallow prospects in Venezuela and Ecuador make up for Gold Fields' disappointing foray into Zambia in late 1982.

Gold Fields' revenue dropped marginally to R822 m (R852 m) in the year. Investment income slipped to R202 m (R289 m), reflecting the weak gold market for much of the period.

Higher dividend receipts from the money-spinning Kloof mine were not enough to offset reduced payouts at Deelkraal and Doornfontein gold mines.

Relief came in the form of a jump in profit on asset sales to R37 m (R1 m). The group took "share dealing profits" as good selling opportunities presented themselves, but he declined to give details.

Other income declined to R196 m (R215 m) due to lower interest rates and a reduced cash balance after the group followed its rights in Northam Platinum's rights issue.

Expenditure climbed to R171 m (R163 m) including higher administrative costs, a small increase in interest payments and almost unchanged exploration costs at R41 m (R42 m).

Pretax profit was lower at R821 m (R942 m), but a reduced tax bill saw aftertax profit fall to R303 m (R315 m).

Attributable earnings, after preference share dividends, declined to R280 m (R305 m), from which Gold Fields paid dividends of R183 m (R182 m), equivalent to 200c a share.
GFSA earns less, maintains dividend

A healthy profit on the realisation of some investments lifted Gold Fields of South Africa's (GFSA) performance in the year to June.

A R37 million inflow from the realisation of investments buoyed total revenue, which was dragged lower in the period under review by a nine percent fall in income from investments (2.14).

The decline in pre-tax profit was limited to six percent — from R342 million in the previous year to R321 million.

A third reduction in the tax bill resulted in attributable profit only four percent lower at R294 million from R302 million a year earlier.

Earnings a share dropped to 30.1c from 31.4c a year ago.

GFSA has declared an unchanged final dividend of 130c, raising the total for the year to 200c, unchanged from 1991-92 (2.37).

The shares have advanced by 60 percent in the past 12 months and yield 2.1 percent at their ruling price.
GOLD MINING

No return to glory

Decline in production is inevitable — though it might be delayed

SA's annual gold production has fallen 39% since it peaked at just over 1 000 tons in 1970. In 1991, it reached the lowest level since 1958.

Despite a reversal of the trend to 611 t last year, SA's declining production over two decades has been the equivalent of losing a mine like East Driefontein every year for 21 years.

In cash terms, the loss of foreign exchange earnings is huge, the lost opportunity cost to shareholders is every bit as great. Taking a gold price of about US$270/oz, the loss of 401 t a year is a reduction in earnings of $4.8bn. At the present miserable exchange rate, that’s R16.2bn a year. Few countries would be capable of withstanding such losses.

The underlying causes, not expressed in any order of importance, include such diverse factors as:

☐ An explosion in working costs, particularly labour costs.
☐ The progressive deepening of SA's gold mines.
☐ Concomitant with that increasing depth, a reduction in the grade of the reserves available for mining.
☐ Increasing heat, longer distances of haulage of men, materials and rock.
☐ The failure of the mining houses over a critical period to increase and intensify their exploration programmes, and
☐ Finally, the fragility of the mining houses in securing future gold prices.

Two main factors have contributed to the industry's problems. The first is that the average grade of ore milled has fallen from 13.28 grams/ton in 1970 to 5.37 g/t in 1992. This is a 60% decline. Some degree, the fall has been make up by a huge increase in the volume of material mined and treated. In 1970, the industry melted 74.5 Mt; in 1992, it melted 106.4 Mt — an increase of 43%. It has not been possible to mine such large increases in tonnage from deeper areas and, therefore, over longer distances without incurring unacceptable cost increases.

Of course, over that same period the value of gold in local currency has soared from R26/oz in 1970 to R92/oz in 1990. But this is not what happened to the gold price in dollar terms. It is a classic illustration of currency devaluation riding to the rescue of an industry.

The second major factor in hastening the decline in production has been labour. An inexcusable feature of the Eighties, a decade of growing labour difficulties, was the decline in productivity. Ironically, that was accompanied by a chorus of demand for significant pay increases.

Using information in Driefontein's last annual report, it is possible to work out that in 1982, each employee mined about 45 m³ of ore body at a rand nominal cost of R5 600. In 1992, a decade later, during which the character of the mine changed through mergers, each employee mined about 35 m³ at a rand nominal cost of R16 800. In cold economic terms, therefore, gold mine industry employees produce less than they did a decade ago but at roughly three times the cost.

The trade-off — there has to be one if mines are to survive — is that if miners are to be paid more, their skills must be enhanced so that fewer men are needed. Over the 21 years from 1972 to 1992, the cash earnings of the lowest-paid black miner on Anglo American mines increased 55 times. Critics will say that's off a low base, it is, but it is still a startling statistic.

At their employment peak in 1985, the gold mines provided work for 534 000 people. Assuming an arbitrary multiplier of five, then the mines provided direct support for at least 2.3m people in that year. The comparable figure for 1992, just seven years later, carries a pointed message: 392 539 employees, a drop of 141 716 or 27%. That's a decline of about 20 000 people a year. Applying the same multiplier, it means that in seven years, 700 000 people who had been supported by the mines had to look elsewhere. Such options as may have existed were rapidly choked off when the recession began in 1989.

It is in the area of cost escalation that SA's mines have performed worst. In 1982, the cost of extracting and treating a ton of ore was R2.83. It took 61 years before that doubled to R5.88 in 1993. It is now R141.82 a ton. In the 10 years since 1982, working costs have soared nearly R100 a ton. To be fair, it's worth marking the point that over the same decade, consumer prices rose threefold. So the mining industry managed better than many other sectors.

In 1992, gold mines together earned R18.7bn. Of that, R6.8bn (36.4%) went to employees. R8.3bn was used to pay other costs (materials, electricity and so on), R7.27bn went in tax. R2.28bn (11.8%) was used for capital expenditure projects and R1.4bn (7.5%) was paid to shareholders. Based on that, being a mine owner does not hold many rewards.

In 1970, SA's contribution to world new gold production was 79%. Last year, this had fallen to 28%. And the trouble is exacerbated by the huge increase in the production costs of SA gold mines. These are now calculated by Gold Fields Mineral Services to be $324/oz — which means that SA's gold is at the cost-vulnerable end of the production scale.

In other words, we are now acutely vulnerable to downward movements in world bullion prices. Every time the international price of gold falls, unless it is matched quickly by a commensurate decline in the value of the rand, marginal SA gold mines face closure.

What can be done to restore SA's position as the world's largest and most powerful supplier of gold? Precious little.

For a start, the cost profile of SA's gold mines is such that it doesn't favour the opening of new mines, given the huge capital investment required and the uncertainty about bullion prices.

Anglo American gold division MD Lionel Hewitt says he will be comparatively satisfied if Anglo can hold production at its...
Output falls
SA fine gold

maintain that rate of new development," says Maude. "The truth is that SA is well prospected. Between ourselves and Anglo, we've spent a huge sum of money in recent years just to confirm there are no further outliers to the Witwatersrand deposit"

Mauo believes the future for SA mining concerns lies outside SA

Gold Fields' Munro says his group's consistent policy has been to ensure that it always has two new projects in the course of development. If the gold price and cost structure justified it, Gold Fields could mitigate its Sand River project in the southern Free State. That could create another two mines, each producing about 10 t of gold a year. However, in present circumstances, "it looks as though our new projects will be the Gamsberg zinc mine and a new gold project in Ghana," says Munro.

Other new mine projects include Anglovaal's Target mine in the Free State, about which an announcement is said to be imminent, and JCI's South Deep mine which is being developed through the southern boundary of Western Areas.

It is always difficult to make a reasonable diagnosis. So many factors could change, the imponderables are huge, the past is not to be relied upon in forecasting the future. However, a guess is that SA's gold production will probably carry on at current levels (around 600 t/year) for the next decade. After that, it will begin to slide again. Four decades from now, SA will be producing no more than about 250 t/year - a level last seen in the early Twenties.

"At the end of the day, what is clear is that SA will never again produce 1,000 t of gold a year, nor will it again produce more than half the world's annual supply of new gold. Perhaps that is a blessing in disguise. A slow reduction in gold output might encourage SA to direct its energies to other, value-added areas instead of perpetuating a reliance on an old safety net.

Grade halves
SA gold ore

Grade grams/metric tons milled

SAFARI UNDERGROUND MINES
Tax deadline for gold mines

GOLD mining companies, especially the smaller ones, may now need to be reminded that they have only until August 31 to ask the Commissioner for Inland Revenue for an exemption from secondary tax on companies (STC), Gencor senior manager taxation Neil Craford-Lazarus said.

In terms of the Income Tax Act “any company which on March 17 1993 was engaged in mining for gold may by notice in writing furnished to the commissioner not later than August 31 elect to be exempt from the payment of secondary tax on companies”.

Craford-Lazarus said the provision did not allow the commissioner any discretion to condone late applications. The decision was binding on the company in respect of all future dividends declared.

Chamber of Mines members have been reminded of the need to apply for the exemption, but some concern has been expressed by Inland Revenue that the smaller companies, which possibly do not have in-house consultants, may not be aware of the provision.

Craford-Lazarus suggested the reason gold mining companies were allowed to choose whether or not to pay STC—a tax intended to encourage companies to re-invest and expand their operations—was that deep level mines were normally single-sourced. The mine’s operators would spend capital as long as operations were economically viable. The principle of ring-fencing prevented mine operators from deducting funds invested in one mine from the income received from another mine.

Gold mining companies now have two options. They may elect to remain under the old tax dispensation, under which income from gold mining is taxed at the old formula and non-mining income, such as investments, is taxed at the old company tax rate of 40%. Under this system they will automatically be exempt from STC.

Unless a company informs the commissioner of its decision by the deadline, it will automatically be subject to the new lower formula tax for gold mining income, with non-mining income taxed at 40% and all income distributions subject to STC.
GFSA rethinks offshore route

JOHANNESBURG — Gold Fields of South Africa said its move into high-risk high-reward exploration projects in remote Third World areas was likely to create a "very significant" offshore operation within the next five years. "We're got to re-orientate our thinking and it's not easy," chairman Robin Plumbridge told investment analysts in reference to the offshore process.

"We do not have the privilege, like our international competitors, of significant offshore assets — we've got to go the bootstraps route," he said.

Since it began looking further afield three years ago, Gold Fields had become involved in a variety of programmes, mainly gold projects, in the Southern African region, Venezuela, Ecuador and Ghana. Its Kimin project in Zaire had been temporarily set aside because the political risks were too high, he said.

He said Gold Fields engineers had to look at smaller operations and relearn more appropriate technology and metallurgy.

With offshore financing a constraint, he said, "We'll have to think in terms of project financing, an absolute taboo for most of us in South Africa, and stretching our equity dollars." — Sapa-Reuters
Moab expected to be self-funding by 1999

ANDY DUFFY

Anglo, America's R1.7bn Moab gold mine was likely to begin generating cash by the turn of the decade, the company said yesterday. Unveiling the prospects for the JSE-listed and share offer for Eastvaal Gold Holdings, the financing vehicle created for Moab, Anglo said capex required to bring the mine to full production would be R3.1bn in escalated terms. (2.14)

The initial share offer — to raise R2.5bn — would cover after-tax capex on the mine until 1995, at which point more cash would be needed. But the project, believed to have the largest high-grade gold deposit in SA, would begin production in 1997 and become self-funding by 1999, producing profit until 2024.

Mining costs are expected to average R204/ton milled, well above the costs on Anglo's current mines, while a base gold price of R36 000/kg has been used to determine revenues. Tonnage drawn from the Moab lease area should hit 60 000 tons a month by 2005, and stabilise, between 59 000 and 96 000 tons a month until 2020. Conventional mining methods would be used, and a stoping rate of 18 000m³ a month is expected by 2003. The mine should hit full production in the same year, turning out an annual 13 tons of gold.

Eastvaal will be listed on the JSE next month, with an initial value of R474m. The company is also issuing 100m new shares to raise the first R500m tranche.
real terms, shareholders have seen their dividend diminish by 40% over the past four years. The counterargument is what can investors really expect in an environment which has been downright hostile to commodities in general and gold in particular? That, in turn, questions the feasibility of an investment in GFSA.

This company is justifiably proud of its long and excellent record in mining. But it has done little in recent years to capitalise on that. An example is its reluctance to use derivative instruments to lock in forward gold prices to protect earnings of the mines over which it is the steward.

EPS of 301c compare with 1992’s 314c. This was achieved on revenue of R492m (1992 R505m) and reflects lower income from fees and other sources. That was probably caused by a steady fall in capex at Northam, from which GFSA would earn consulting fees, but cushioned partly by fees on higher gold revenues. Group expenditure of R171m was held remarkably well.

GFSA is characterised by its low profile. Its managers prefer to say little and to avoid unwelcome attentions. This week’s presentation to analysts by chairman Rob M. Plumbridge was unusual in itself, quite aside from what he said. Essentially, Plumbridge’s analysis of precious metal prices is that these have undergone a long and savage downturn, however, that has ended and the industry should prepare for a welcome respite. In some degree, says Plumbridge, that is true of base metals and minerals.

GFSA’s immediate plans for development in SA relate to the Gamsberg zinc project and to its Sand River gold prospects in the Free State. Plumbridge says Gamsberg has been delayed because of metallurgical difficulties related to removing manganese ahead of electrolysis; that’s been resolved with a new pyro-metallurgical process, but the project must be re-evaluated. He is strangely reluctant to say much about the Sand River gold prospect.

Abroad, GFSA is concentrating its efforts in South America on Venezuela and Ecuador. Two major prospects in Venezuela are being evaluated. In Ecuador, prospecting work is centred on examining major structural formations. African development projects include exploration in Ghana combined with a small mining operation to extract known reserves, a potential mine in Zaire, close to the Ugandan border, has been shelved for now.

Short-term prospects aren’t much to get excited about. GFSA’s biggest problem over the next few years will be waiting for Northam to kick in with fresh earnings. As investors know, that has been delayed a few years (see Torque).

Market analysts estimate that if the gold price were to average about US$390/oz over the next year, then, at current exchange rates, GFSA’s EPS would be about 350c. Based on that, shareholders can probably safely assume the dividend for 1994 will be yes, 200c.

David Gleeson
Creative financing for new gold giant

Finally, the last touches have been added to the financing structure for the development of the Moab lease area by gold producing giant Vaal Reefs Anglo American Corp has released information about the first tranche of R250m in after-tax capital expenditure, which is part of the R1.7bn project Eastvaal, which has ceded the mineral rights to the Moab area, immediately south of and adjacent to Vaal Reefs' mining operations in the OFS, is to issue 100m new shares at R2.50 each. In the process, its share capital will rise to 378,7m shares, listed on the JSE. It will be possible to trade the shares in London, though they won't be listed on the London Stock Exchange.

Without this arrangement, in terms of which Vaal Reefs provides a tax base, it's clear the Moab project wouldn't have progressed much further than the drawing boards. Applying Vaal Reefs' tax base reduces the effective capital cost from a sum approaching R2bn to a more manageable and essentially profitable R650m.

It is understood Vaal Reefs' expenditure on the project, incurred on behalf of Eastvaal, already stands at about R160m. On this basis, it seems likely Eastvaal will need to call for another rights issue, perhaps around R350m in 1995 or 1996.

Shareholdings in Eastvaal ahead of the new issue show Anglo and associates owning 58% and Vaal Reefs with 30%. The balance is spread between East Dagga, Lydex and those companies' members (1.5%), Duiker Exploration (0.5%), JCI and its associate, Freedee (3.8%) and other members of Eastvaal and designated persons (6.2%).

In exchange for providing the tax base, infrastructure and management, Vaal Reefs has acquired 30% in Eastvaal with the obligation to maintain its holding at that level Eastvaal funds the after-tax cost of the project by subscribing for new preference shares in Vaal Reefs. Vaal Reefs will maintain its holding by providing 30% of Eastvaal's funding requirements. It is probably fair to describe the scheme as financial creativity which ensures growth for shareholders.

Broking analysts say Anglo's calculations appear to have been based on a gold price of about R1.100/oz, that produces a value of about R2.50 a share for Eastvaal At US$370/oz, coupled with the existing exchange rate, the gold price is now more than R1.200/oz.

Moab has been described as SA's largest and highest-grade gold deposit still to be exploited. Reserves are calculated as 26 Mt, with a recovered grade of about 11.3 g/t, that implies, because of wastage and losses inevitable in a large-scale mining operation at depth, a gold grade in situ of perhaps as much as 16 g/t.

Moab is planned to produce about 13 t of gold a year from 150 000 t of material mined and milled each month. Maximum depth will be about 4 000 m and most of the lease area will be accessible only from the twin sub-vertical shaft system being installed from the main shaft, Vaal Reefs No 11. It will be 11 years before full production is achieved. The long lead times involved in deep level mining projects in SA. The build-up programme indicates production from surface shafts by 1997, from the sub-verticals by 2000, with full production reached four years later.

As planned, Moab will be in production until 2022. Over that period, it will produce about 294 t of gold and will provide direct employment for about 5000 people.

Financial analysts estimate that, over the last five years, the project will produce a NPV at 5% in real terms of about R400m to Vaal Reefs.

Moab is the single largest mining project to be undertaken in SA recently. It should certainly provide encouragement to prospective shareholders who have stuck with their investments in companies such as Lydex and East Dagga. Isn't it nice when a plan comes together?

TRENCOR

Delivering as expected

When Trencor chairman Neil Jowell announced last week that his company's earnings advance was not as strong as expected, nobody raised an eyebrow. Even in this recession, the market has come to expect nothing less than exceptional results from this group. Notably, the latest performance was not dragged down by the performance of SFI/W&A Investment Corp. Jowell reports an underlying profit of R1.7bn on 100m shares.

The company has been working at full capacity but some production was lost because of civil and industrial unrest. This, combined with the cost of setting up a new container marketing organisation controlled by Trencor, had a successful year's trading and was responsible for a significant forecast of the company's container customers. Depreciation of the rand against the US dollar boosted earnings.

During the year, Trencor initiated a new container service operation in the US known as Prime Source. Its activity differs from that of Textainer's in that it provides a rental service for containers, whereas Trencor charges a basic rental rate and all other services are separately billed. Jowell says the Prime Source concept is "progressing well".

The investment earlier this year in W&A, in which Trencor gained joint control, was only effective for two months of the year. Jowell says that at this time W&A traded profitably and made a positive contribution to earnings. This was achieved largely because of interest savings after W&A's rights issue and the corresponding retirement of bank debt. The cash position was strengthened by the sale of its interests in Contrel for R210m. Its financial position remains strong, with gearing no more than 5%.

The chart shows no sign of the price topping out. Its long-term trend remains intact. Based on the group's history of earnings growth, the share price is expected to strengthen and the rand's weak prospects, the share price should be accumulated.

SAMCOR

A desperate market

Preliminary results for the 1993 financial year from manganese and ferroalloy producer Samcor reveal just how desperate the market has been. The Gencor-controlled company's bottom line fell R101m, or 37%, to R176m. That's reflected in EPS of just 93c (1992 151c).

Turnover fell rather more modestly down only 13% to R1.8bn. For a fall of only 13% in turnover to translate into this kind of bottom line disaster indicates just how sensitive Samcor's cost structure really is.

MD Mike Salamon is quick to emphasise the attributable income is declared only after FSI/W&A Investment Corp.
GOLD FIELDS of SA was still a long way from deciding whether gold prospect Sand River was a viable project, the company said yesterday.

Gold Fields had been investigating the Free State scheme and had expanded the site through recent land swaps with Anglo American, the company said.

A viable development depended on work under way on the land. It could take a year before a decision on the viability of the low-grade site was known.

"If the site had been viable, we would have done something by now," a senior official said. "Sand River is not a proposition."

Sand River has been vaunted by some market sources as one of Gold Fields' next major SA investments. Development of the low-grade mine had been ruled out because of the languishing gold price.

However, with the rand gold price retaining much of its recent gains, the market expected some signal from Gold Fields on its plans for Sand River.

The company, so far, has been reluctant to oblige.

Market sources suggested the site could support a medium-sized mine, roughly on a par with JCI's HJ Joel, needing capital expenditure of at least R1.2bn.

Given the scale of expenditure against the potential low grades, analysts believed Gold Fields would want to strike some sort of agreement to develop Sand River with adjacent mines, such as Gengold's Beatrix.
Loraine back in black

Loraine gold mine's return to profitability after the introduction of seven-day operations in January has allowed management to ditch its short-term survival planning.

"We had waited to see if the operation could continue to be profitable before we made any announcements," an Anglovaal spokesman said yesterday. The mine has now been able to revert to more normal mining strategy.

Loraine's return to profitability in the last quarter after three years of losses has created more jobs in an industry where employment is generally falling.

The Free State producer has taken on an extra 620 people and average employment figures in 1992 were nearly 6,000.

Working costs have dipped to R30,000/kg after being R40,000/kg the month before the seven-day week was implemented.

Gold production has risen to an average 550kg a month from 485kg a month before the introduction of the plan.

— Sapa
LORAINNE gold mine's return to profitability after the introduction of seven day-operations in January has allowed management to ditch its short-term survival plan.

"We had waited to see if the operation could continue to be profitable before we made any announcements," an Anglovaal spokesman said. The mine had been able to revert to more normal mining strategy.

Loraine's return to profitability in the past quarter after three years of losses had created jobs in an industry where employment generally was falling. The Free State producer had taken on an extra 650 people, and average employment figures in 1992 amounted to nearly 6,200.

Working costs had dropped to about R20,000/kg from more than R40,000/kg the month before the seven-day week was implemented. Gold production had risen to an average 550 kg a month from about 475 kg before the plan was introduced.

"We could never quantify the benefit of working a seven-day week before. The way mines operate in this country is ridiculous. It is like shutting down a huge ship every Saturday and then starting it up again on Monday, by which time everything is a mess," the spokesman said.

Loraine was turning out production it could "never have dreamed of." The mine was hosting 90,000-100,000 tons from underground while the balance of its monthly 150,000 tons was drawn from surface dumps.

Loraine was granted the right to operate on Sunday by Mineral and Energy Affairs Minister George Bartlett on January 15.

In July permission to continue Sunday operations was renewed for another 18 months.

While the Anglovaal spokesman suggested the legal constraints on mining should be removed, he did not believe Sunday operations would necessarily mean every producer would benefit from blasting if they had an additional day.

However, if the plan had not been implemented in January, Loraine probably would not have caught the upturn in the gold price in April.

Loraine had not built up any debt in the years it recorded losses as it drew on the large cash reserves it built up in the 1980s. — Sapa.
Eastwald Gold Mine Shares Offered at 20 Percent Discount, Broker Claims
Gengold looks abroad for new mining plans

GENGOLD, Gencor’s gold mining operation, is swinging its development plans to international exploration. MD Gary Maude said yesterday the intensive development of SA gold mining in the past 30 years meant Gengold had to look abroad for new mining schemes.

The strategy would lead Gengold next year to devote three-quarters of its R100m annual exploration expenditure outside SA, a reversal of the approach it had just four years ago.

The company was already poised to begin gold production in a mine in the Ivory Coast, in partnership with the French group BRGM.

A decision giving the mine the all clear and on its scale of production would be taken in January.

Gengold was also pursuing opportunities in Ghana, and had identified South America as another region for exploration.

Its interests on that continent already include the Sao Bento gold mine in Brazil, and Maude said Chile was particularly enticing.

Maude said Gengold wanted to establish an overseas “pipeline” similar to the one it had operated in SA, where a new mine had been brought on stream every two-and-a-half years.

“The door has opened in other countries,” Maude said. “It’s unlikely there are going to be any new gold mines in SA, so the emphasis will be greater outside SA.”

Finland restrictions and the company’s plan to safeguard dividends meant the schemes would have to hit positive cash flow early in their development. Gengold’s strategy would rely heavily on overseas joint ventures.

Maude added that Gengold was making progress in its plans to restructure its SA operations.

The first stage of the reorganisation – merging Evander mines Leslie, Kinross, Winkelhaak and Braecken into one company – had been given a good reception from US fund managers Maude would put the plan to European investors next month.

The merged company would provide a tax shelter enabling projects such as the R450m No6 shaft at Winkelbank to go ahead as planned.

The new company also would provide investors with a “growth vehicle” “A single mine with a limited lease area is dying from day one,” Maude said.

“This would be a company with limitless boundaries, with much more exciting growth prospects.”

Should the plan get the go ahead from investors, the merger could begin next year. Depending on its reception, Gengold would proceed with merging its Free State operations, Unisel, St Helena and Glyn under developing mine Beatrix.

Gengold would retain stakes in such companies, but they would operate independently, Maude said.

The reduction overseas and reorganisation at home continued the company’s rehabilitation from its desperate fight for survival last year.

Gencor had dusted off capital expenditure plans totalling R3bn, with the caveat that gold should retain its real term growth over the next six months before the all clear was given.

Despite the fall in the gold price since then, Maude said the metal had not done anything to derail such plans.
JOHANNESBURG. — Debtladen gold producer East Rand Proprietary Mines (ERPM) has been given the all clear for its refinancing plans by most of its shareholders, but its banks remain unconvinced.

The company, which wants to pull together a R660m rights issue to save itself, said ERPM’s European shareholders, which hold 62% of the mine, had made it clear they would back the plan. Parent Randgold and Exploration, a 30% stakeholder, was also committed.

The mine had spent the past two weeks canvassing reaction to the prospective rights issue, and was now tracking down an underwriter. But it had failed to gain agreement from its banks, which are owed R200m before deferred interest, to a debt for equity swap as part of the refinancing. Although First National Bank favoured the plan, Standard Bank and Absa remained unconvinced.

ERPM MD Glenn Laing said Absa, which was owed R110m, had made it clear it was not interested in the proposals.

The mine, which in the June quarter suffered attributable losses of 138c a share, has monthly interest payments double its operating profits. ERPM’s borrowings total R493m. About R220m of the banks’ debt is underwritten by government. FNB, the mine’s original lender, is owed R60m. Randgold is owed R55m and government has put in another R35m. A further R71m is owed in interest.

Laing said the Mineral and Energy Affairs Department had indicated it wanted to cut the mine loose.
**Gold still below ground equal to gold already mined**

**Resources abundant**

**SUCCESS in exploiting remaining reserves will depend largely on containing working costs**

**BY THABO LESHLLO**

South Africa has as much gold remaining underground as it has already mined.

And, says Chamber of Mines economist Roger Baxter, the unmined gold has the potential to provide SA with a significant economic boost.

However, in the absence of a strong upturn in the gold price, the industry's success in exploiting remaining gold assets will depend largely on containing working costs, a new study by the chamber has found.

**Producers**

The study emphasises that producers would need to undertake and manage the exploitation of the remaining reserves with great care to maximise the economically recoverable portion.

It counsels against the tendency of past years to allow industry working costs to rise faster than the gold price.

Thus, the study says, not only detrimentally affects the short-term fortunes of individual gold mines, but also influences the long-term prospects for the entire industry.

(The accompanying graph shows how revenue levels and working costs combine to prescribe the size of the economically recoverable ore.)

Commenting in the chamber newsletter, Baxter says:

"The report stresses that working costs must be managed within parameters set by the gold price."

"Only if all parties are fully focused on accomplishing this will SA secure the maximum benefit from, and return on, its gold ore reserves."

Otherwise, he warns, a lot of the remaining reserves could be rendered sterile by becoming uneconomic to mine.

Of crucial importance to industry prospects, the report says, is the industry measure of viability known as the pay limit.

For each gold producer, the pay limit is assessed as the minimum amount of gold that has to be recovered from each ton of ore milled, in order for the mining operation to break even at the mine's current working cost and revenue realisation levels.

Research shows that unit working costs have been rising steadily in recent years.

Coupled with a lacklustre gold price, this places management under pressure to mine higher grades of ore to comply with a rising pay limit.

The result of this pay limit-induced switch to higher-grade mining is, however, that a greater portion of ore reserves is rendered uneconomic to mine.

Research also reveals that at the end of 1992 about 41 percent of the declared, operational gold reserves of chamber members comprised ore which was not economically recoverable under cost and revenue conditions prevailing at the time.

The situation reflects the results of the flat rand gold price of recent years, concomitantly with rapidly increasing unit working costs.

In combination, these factors steadily lifted the average industry pay limit, which increased by 50 percent between 1986 and 1992.

"To an extent, the economic sterilisation of as much as 41 percent of the ore reserve must be viewed as the penalty mining industry stakeholders must face for failing to find ways to manage and control working cost increases within the dictates of the ruling price," says Baxter.

Of concern is a forecast that, should a pay limit increase of the magnitude experienced in the period 1986-1992 be repeated, the portion of the reserves no longer economically recoverable would increase to about 65 percent of the total.

"This," the report warns, "would invariably reduce gold output levels and the life of South Africa's gold mining industry, with major implications for mining employment and the economy."

The study notes, however, that there has been a dramatic slowdown in year-on-year unit working cost increases to around four percent per year in the last two periods, compared with the 13.2 percent of the past decade.

This raises hopes that 1993 might be the year in which the industry succeeds in arresting the deterioration in average pay limits.

The improvement has also helped to ensure that recoverable reserves are in a better state than they might otherwise have been.
Production hitches may curb Kloof gold output

MATTHEW CURTIN

KLOOF Division, mamstay of Gold Fields' enlarged Kloof gold mining company, is heading for reduced gold output in the current financial year unless it can solve problems associated with the blasting and sorting of underground ore.

Chairman Alan Munro said in his annual review that maintaining gold production at 32,1 tons would be difficult "unless the fragmentation of underground ore is reduced to allow surface sorting to be reintroduced".

It is understood that ore blasted at Kloof ends up the size of small rocks — about 10cm in diameter compared with an optimal 5cm — which cannot be hand-sorted efficiently by workers, with the result that wastage rates are unusually high.

Munro said the division's milling rate would be maintained at 190,000 tons a month with the bulk of 1993/94 capital spending of R167m focused on opening up the No 4 shaft area.

Production at the Leeuwarden division would expand to 120,000 tons a month in the second half of the year after consolidation in the first six months. Gold yield would decline as mining moved into new areas.

The division would show working profit for the year if gold prices remained stable at 1992 levels. Capital spending was budgeted at R167m.

The year was one of "considerable success" for the company but the new Lebanon division, made up of Lebanon and Venterspost, had not met expectations.

"The division will be hard pressed to cover its working expenditure, even if the gold price received exceeds that of the June quarter," Munro said. Higher gold prices were necessary for Lebanon to cover planned capex of R30m. The money was worth spending if only to ensure the division contributed to the costs of pumping which would have to continue even if gold mining stopped.

Gold Fields does not sell gold forward and the three divisions received average gold prices of between R32,700 and R33,000 a kilogram in the year ended June 30.

Gold output at Driefontein Consolidated would increase in 1993/94, chairman Cohn Fenton said.

Improved output would result from West Driefontein as production returned to 240,000 tons of ore a month. East Driefontein expected a small drop in yield, and capital spending of R175m was planned at both mines. Any increase in dividend payments would depend on improved gold prices, Fenton said.

Munro said Denikraal had a disappointing year with "intolerable increases" in unit working costs as gold production slipped to 8,5 tons from 9,8 tons in 1992.

The mine aimed to restore milling rates and yields to 1991 levels this year, "targets (which) will prove very difficult to achieve initially but all indications are that they will be as the year proceeds."

Redesign of Deelkraal's No 1 tumbler shaft project showed capex could be financed internally without restricting future dividend growth as long as gold prices improved from 1992 levels of R32,700/kg.
Reprieve for Doornfontein

GFSA's Doornfontein gold mine, which was expected to close by the end of this year, will continue to operate for as long as it is feasible, chairman Mike Fuller-Good says in the annual report.

Although contractor performance fell short of expectations in the year ended June 1993, it is now improving, he says.

In the current year, Doorns had planned to mill 50 000 tons from underground and draw 60 000 tons from the surface dump.

"Despite the higher gold price, the mine remains mar-
ginal and additionally, vulnerable to setback or disruption because of its weak financial position." He says if the overall financial improvement is jeopardised in anyway, underground operations are likely to be curtailed.

However, Doorns will not immediately close as it will continue dump operations on a larger scale.

Costs are likely to increase in the current year as the cost of development, replacement and repairs cannot be deferred any longer, says Fuller-Good.

— Sapa.
CONsolidated Murchison

**Going for gold**

**Activities:** Produces gold as well as antimony concentrates at mine near Gravelotte in the eastern Transvaal

**Cont:roll:** JCI 24.1%

**Chairman:** M W Hawarden

**Capital structures:** 6.2m ords Market capitalisation 820m

**Share market:** Price 325c Yields 5.4% on dividend, 24.4% on earnings, p.e ratio, 4.1, cover, 4.5 12-month high, 650c, low, 100c

Trading volume last quarter, 1m shares

**Year to June 30**

<table>
<thead>
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<th>90</th>
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<tr>
<td></td>
<td>Dividends (c)</td>
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**Although nominally** a producer of antimony concentrates, Consolidated Murchison is a gold stock because its price has gyrated over the past year like that of a marginal gold mine. From a low of 100c, Cons Murch soared to 650c on the wings of this year's gold bull market before the bubble burst last month to bring down the price to around 325c now.

That is still double the high for 1992, so this traditionally volatile share must have delivered the goods to punters prepared to speculate. The reason is that management decided two years ago to concentrate on mining those areas of the lease with better gold grades. Chairman Michael Hawarden confirms the policy continues.

"We keep a close eye on our gold pay limits but do try to strike a balance given that we have contractual obligations to our antimony customers," he says.

This year saw another record gold production of 1,138 kg, 12% up on the previous record of 1,016 kg set in financial 1992. This is despite a dip in average gold head grade to 3.19 g/t (1992: 3.22 g/t). Higher gold output resulted from a 6% rise in tonnage of ore milled and an improvement in plant recovery efficiency to 82.84% (81.41%)

A rule of thumb on the Cons Murch ore body is that the rich in gold normally has low antimony grades and vice versa. The latest results bear this out again. Antimony head grade rose to 1.1%, from 1.07%, and antimony concentrate production increased 10% to 7,102 t.

Conditions in the antimony market remain as depressed as ever, with Cons Murch continuing to survive in the teeth of heavily discounted sales of material from the Chinese and Russians.

Hawarden does not see much improvement for another year. "I think a slow recovery is under way because the markets in the US are a little better and there seems to be more activity in the Far East. Hopefully, a year from now we will see some areas going well and the laggard nations starting to recover."

Hawarden, however, returns in October and will be succeeded by technical director Con Fasconner.

Provided the rand gold price holds up, Cons Murch should increase its earnings this year. Not all earnings will be available for distribution as dividends, because capital expenditure will rise sharply to about R2.5m (R1.6m). The mine will continue to spend on prospecting and development and on catching up on capital projects previously deferred.

Investors should treat Cons Murch as a marginal gold share and trade the stock. If the gold price rises again, the share price is going to run and then it's a question of when to take profits.
Harmony reduces working loss

Dowed by fluctuating grades, it cut staffing, and began selective mining to shore up the yield.

In the June quarter this gave it a pre-capped profit of R1.8m against a R0.4m loss in the three months to March. Working costs fell slightly to R357/kg, while square metres mined by each underground employee rose by a fifth.

Although Harmony had boosted productivity, Turner said it would have to repair its balance sheet before shareholders reaped the benefit in payouts.

He added that Randgold's Blaauwklippen mine would begin developing its tribute agreement with Western Deep Levels next year.

Tonnage and yield from the company's own reserves would decline next year, he said, but the tribute would stabilise at about 900,000 tons.

Turner added that the 45% of the R517m capex required for the project would also limit the prospect of dividends being paid to shareholders.
The South African economy has lost its heart of gold.
R900m gold mine plea set to rock JSE

From ANDY DUFFY

JOHANNESBURG — Gengold, Gencor’s gold business, has warned Oryx shareholders that they may have to pitch in an additional R900m before the Free State mine makes a profit.

In a statement likely to rock the JSE, Gengold warned last night that the value of ore extracted so far from the Free State mine was nearly 80% below expectations, forcing Oryx’s break-even target back by at least three years.

The additional cash was only slightly less than the cash Gengold originally borrowed to bring the mine into profit.

Oryx had been described as a Gencor showpiece and had been expected to be one of the lowest cost producers in SA.

Gengold said alternative courses of action were being considered, and shareholders should exercise caution in dealing in the Oryx counter.

MD Gary Maude said last night it had become clear in the past month that the ore so far extracted from the site was well below previous expectations.

Gengold had borrowed R973m in interest-free loans from major shareholders Genmin, Genbela, Sanlam and Anglo American in February 1991 to fund the first stage of its development.

The Free State mine was equipped and commissioned in March, and was supposed to reach production of 100 000 tons a month by next April, by which time the loan would be fully spent and the mine would begin to be self-funding.

But Maude said grades on the reef had deteriorated progressively as the company moved down the levels.

Initial average reef values for the 216m developed so far were 274cgm/t, against previous estimates of 1245cgm/t for the total ore body suggested by initial borehole values.

Inadequate

“These actual grades are inadequate to support meaningful gold production and hence the expected contribution of stopping operations to the funding requirements of Oryx will not materialise,” the company said.

Maude said it was not clear at this stage whether the full R900m would be needed, but he had had to make a “judgment” on whether to warn shareholders now, or wait until he was totally sure and risk spiraling the news on shareholders just before the original loan ran out.

Gengold said reef development to date represented less than 1% of that expected during the life of the mine, so the original estimate could not be rejected yet.

“However, even with the expectation that better-grade reef with value closer to the estimated ore body average will be exposed at the deeper levels of the mine, it is unlikely that break-even will be achieved much before 1997,” the company said.

The warning represents a stark turnaround in Gengold’s fortunes, after a year in which the group brought its 10-mine operation through a fight for survival by redirection overseas and reorganisation at home.

Gengold is poised to merge its Evander mines to provide a growth investment vehicle for shareholders merging the Free State mines, including Oryx, had been seen as the next step.
Gengold cautions shareholders

Oryx setback could cost extra R900m

GENGOLD, Gencor’s gold division, has warned Oryx shareholders that they may have to pitch in an additional R900m before the Free State mine makes a profit.

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But Maude said grades on the reef had deteriorated progressively as the company moved down the levels.

Initial average reef values for the 2.21m developed so far were 2.4% Au/ton, against previous estimates of 2.9% Au/ton for the total ore body suggested by initial borehole values.

“These actual grades are inadequate to support meaningful gold production and hence the expected contribution of stoping operations to the funding requirements of Oryx will not materialise,” the company said.

Maude said it was not clear at this stage whether the full R900m would be needed, but he had had to make a “judgment” on whether to warn shareholders now, or wait until he was totally sure and risk springing the news on shareholders just before the original loan ran out.

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Oryx had been described as a Gencor showpiece and had been expected to be one of the lowest cost producers in SA.
Three times recently I have written about aspects of Gold Fields of SA (GFSA) in less than complimentary terms. This has elicited

Plumbridge handing out pills

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

Control: Rembrandt, Liberty & One Cons

Chairman and CEO: R A Plumbridge

Capital structure: 96.4m ords Market capitalisation R7.52bn

Share market: Price R78 Yields 2.6% on dividend, 3.9% on earnings, p/e ratio 25.9, cover 1.5 12-month high, 11 500c, low, 4 800c Trading volume last quarter, 1.8m shares

Year to June 30 '90 '91 '92 '93

Investments

Listed (Rm) 1 677 1 716 1 785 2 098

Unlisted (Rm) 1 180 1 120 1 087 1 046

Investment inc (Rm) 303 285 289 262

Other income (Rm) 187 212 215 183

Earnings (Rm) 361 314 302 290

Earnings (c) 393 328 314 301

Dividends (c) 200 200 200 200

Tangible NAV (c) 9362 9227 9038 13147

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

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

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

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

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

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

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

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

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

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

David Gilseon
Bleak outlook for Randgold

LONG-suffering shareholders in the four gold mines operated by Randgold & Exploration were offered little comfort in the three months to September.

Already largely musing out on former gold prices because they sold output forward before the bull run, the mines suffered higher operational or financing costs, which kept three of them firmly in losses. The immediate outlook for Blyvooruitzicht, Durban Deep, ERPM, and Harmony is less encouraging.

Durban Deep will close unless it boosts its productivity and cuts costs, while ERPM's future hangs on refinancing its R528m debt. Marginal producer Harmony staged a healthy reversal in fortunes, but Randgold said its grades would continue to decline until capex increased.

Blyvoor managed to limit the damage of falling tonnage only by targeting high yield areas. Randgold said that its grade, too, would deteriorate.

Analysts said Randgold's results were unlikely to set the pattern for the September quarters, expected to show a stardy sector performance.

The weakest card in the Randgold hand was Durban Deep. Reduced capital expenditure in the past had cut the mine's flexibility, which hampered its attempts to pursue higher yielding areas.

Though the fall in tonnage was slight, the grade - in line with fluctuations over the past nine months - dropped from 4.04g/ton to 3.71g/ton, cutting production from 1 680kg to 954kg.

Durban Deep's fate for the quarter was sealed when working costs loomed to R44 728/kg (R39 495/kg).

Andy Duffy

Leaving it with a R5m working loss (R7.8m loss)

Chairman John Turner said the mine had until December to turn itself around. JD Peter Vos said without underground operations Durban Deep would last three years at current milling rates.

ERPM began to meet expectations with the grade from its Far East Vertical shaft, which brought the yield up to 5.85g/ton (5.17g/ton). Thus lifted production 1 686kg, while a 7% fall in costs to R38 921/kg brought ERPM into a R5.5m working profit - a R9.6m turnaround on the previous quarter.

But the bottom line was hit by a R16.6m interest payment. The mine had still to finalise refinancing plans. The funding problem hunted at in June would become reality in December, Vos said.

Improved production, at 5.39g/kg (5.18/kg), and a minimal rise in working costs let Harmony reap the benefits of a rise in revenues to R37 192/kg (R34 198/kg). But the recovery in the June grade proved to be shortlived, as yields dipped back to 3.35g/ton (3.55g/ton). Grades were expected to continue sliding.

With payable reserves at Blyvoor now fast running out, tonnage dropped 20% to 242 tons, though a higher grade minimised the fall in production to 1 624kg (1 792kg). A rise in working costs cut net profit from R5.5m to R2.5m.

Blyvoor's R3.7m capex bill included R1.1m for its contribution to developing the Western Deep Levels - the tribute agreement it had signed with Anglo American.

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<tr>
<th>Mine</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
<th>Costs per kg gold produced R</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
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Harmony turns in star performance

BY JOHN SPIRA

Harmony shines brightly among Randgold's figures for the September quarter, taxed profit soared to R17 million from the previous quarter's R1.5 million.

Chief executive John Turner is at pains to point out that Harmony treats the lowest underground grade in SA's mining industry. In the past quarter the yield declined from 3.45 to 3.33 grams a ton.

However, the mine is reaping significant ongoing productivity improvements (at R116,55 its costs per ton milled are the lowest of all SA's gold mines), with the result that the quarter's tonnage milled rose to produce 53865 kg (previous quarter: 5395, 519).

Working profit was R14,4 million (loss of R500,000 in the three months to June).

Turner says that in current circumstances Harmony has a life of at least ten years.

Byvooruitzicht's bottom line deteriorated from R5.6 million to R2.5 million as production tailed off and costs rose. Working profit was down to R1.8 million (35.6 million).

The yield improved from 5.53 to 6.71 grams a ton, but Turner expects the figure to decline in the near term. Byvoor's future, bedevilled by an ongoing depletion of underground tonnages, is dependent on development related to the Western Deep Levels tribute.

ERPM trimmed back its tax loss from R18.4 million to R9.4 million, thanks to a higher yield and reduced costs.

Over the three months it actually produced a working profit of R5.6 million (R4.1 million loss in the June quarter), but the heavy interest burden depressed the bottom line into the red.

ERPM will experience a funding problem two months hence and negotiations with the Government and the consortium of banks are in progress (2.14).

It has just instituted a 30-shift continuous mining plan to allow mining to be concentrated in the higher-yield areas.

Home loans for blacks on way back

Index slips back

### Extract from the article:

- **Harmony turns in star performance**
  - BY JOHN SPIRA
  - Harmony shines brightly among Randgold's figures for the September quarter, taxed profit soared to R17 million from the previous quarter's R1.5 million.
  - Chief executive John Turner is at pains to point out that Harmony treats the lowest underground grade in SA's mining industry. In the past quarter the yield declined from 3.45 to 3.33 grams a ton.
  - However, the mine is reaping significant ongoing productivity improvements (at R116,55 its costs per ton milled are the lowest of all SA's gold mines), with the result that the quarter's tonnage milled rose to produce 53865 kg (previous quarter: 5395, 519).
  - Working profit was R14,4 million (loss of R500,000 in the three months to June).
  - Turner says that in current circumstances Harmony has a life of at least ten years.
  - Byvooruitzicht's bottom line deteriorated from R5.6 million to R2.5 million as production tailed off and costs rose. Working profit was down to R1.8 million (35.6 million).
  - The yield improved from 5.53 to 6.71 grams a ton, but Turner expects the figure to decline in the near term. Byvoor's future, bedevilled by an ongoing depletion of underground tonnages, is dependent on development related to the Western Deep Levels tribute.
  - ERPM trimmed back its tax loss from R18.4 million to R9.4 million, thanks to a higher yield and reduced costs.
  - Over the three months it actually produced a working profit of R5.6 million (R4.1 million loss in the June quarter), but the heavy interest burden depressed the bottom line into the red.
  - ERPM will experience a funding problem two months hence and negotiations with the Government and the consortium of banks are in progress (2.14).
  - It has just instituted a 30-shift continuous mining plan to allow mining to be concentrated in the higher-yield areas.

### Extract from the index:

- **Index slips back**
  - Extracted from the index section of the article.
4 700 jobs at stake at 98-year-old mine

Closure looming for Durban Deep

THE percentage of payable ores is lower than those of most SA mines

By John Spira

Unless production and productivity rise to acceptable levels in the December quarter, Randgold will consider closing the Durban Roodepoort Deep mine.

Some 4 700 jobs are at stake. The mine was started in 1985.

Randgold chief executive John Turner is, however, cautiously optimistic that production will come right.

He notes that Durban Deep is a low-grade underground mine, with limited ability to conduct a high-grade operation.

Quarterly fluctuations in grade over the past 30 months have been from 3.6 to 4.1 grams a ton. The September quarter grade of 3.7 was just below average.

"Towards the end of the June quarter, increased faulting was encountered in the Saxon area, which affected production and yield. Mining was relocated to address the problem," says Turner.

He says Durban Deep has a percentage of payable ores lower than those of most SA mines.

The static gold price of the past five years has restricted capital expenditure, resulting in an adverse impact on mining flexibility and a reduction in tonnages. Accordingly, during the three months to end-September Durban Deep suffered a taxed loss of R3.9 million (previous quarter R2.2 million loss).

It's a performance that has exacerbated the mine's negative retained profit, with the loss having to be funded from low cash reserves, which are likely to be sufficient only to carry the mine through the current quarter.

Employees have agreed to work an additional Saturday a month — part of the plan to get production back to planned levels. Productivity discussions are in progress.

After hitting a high of $100 per ounce earlier in the year on the back of the spike in the gold price, the share has slipped back to $20 per ounce.
Muted response to JCI bid to rescue Joel mine

JCI's plan to raise R100m to rescue its struggling N J Joel gold mine has met with a muted response from the market.

The cash call is for just one third of the amount JCI had said was needed to revive Joel, leading market watchers to suspect the money will be used as a stopgap, rather than to secure Joel's future.

Analysts added that Joel might also have to use the cash to shore up its balance sheet, given its total borrowings of around R200m.

The subdued sentiment toward gold, repressed still further following the Oryx debacle, could also count against the rights issue.

JCI gold division chairman Ken Maxwell said last week that the mine would need to raise R100m to begin developing vital payable ore reserves.

The Free State operation, the newest in JCI's stable, has been hit by poor grades and the impact of aborted production methods, which have cut its earnings and hiked up its debts. Production was cut by one third to 60 000 tons a month earlier this year.

The market had been expecting a refinancing plan after JCI's attempt to merge Joel with the adjacent Ongold mine Beatrice fell through.

Maxwell said in July that the company planned to exploit the then rampant bullion price to raise R500m, which would put Joel on a sounder footing.

Though Joel's share price hit a year high of 340c in August, the share has consistently underperformed the gold index. It traded 13c up yesterday at 28c, ahead of September quarters due over the next two weeks.

Simpson McKie analyst Rodney Yaldwyn said the R100m was probably the most Joel could hope to raise, given the state of the gold index and Joel's own lacklustre performance.

Pace

"You can't raise a large amount of money if the stock is totally stuffed," he added. The rights issue would also have to be deeply discounted.

Frankel, Pollak, Vodrine analyst Trevor Pearston added that the cash would not be enough to meet Joel's original development plans, but that it should enable Joel "to get up to speed. That's the biggest problem," he said.

Pearston added that it was likely Joel would swing away still further from production, to focus on increasing the pace of development. Exploiting Joel's deep-level reserves was a long way off.
Kloof gold mine comes up with R73-m profit rise

BY DEREK TOMMY

Kloof's shareholders have a reason to cheer about today. The GFSA mine, helped by the higher gold price and the growing benefits of the merger with 'problem mines' Ventersport and Libanon, lifted its tax paid profit in the September quarter by R73,4 million (84 percent) to R187,5 million. More good news is that it should be able to keep ahead of the taxman and maintain quarterly profits at the new level for the next three quarters, says Alan Munro, GFSA executive director in charge of gold operations.

Revived

Kloof received R41,704 a kilogram for its gold in the September quarter (R35,485 in the June quarter). It also benefited from a R7,7 million profit from a revived Libanon.

Munro said at a press conference yesterday that he expected gold to remain between R29,000 and R41,000 a kilogram for the financial year to next June.

He had important news for Drifontaine shareholders. Drifontaine, the group's other star mine, is preparing to spend R350 million on shaft sinking and development in the southern parts of its western and eastern operational areas.

The development will allow it to mine the high grade Carbon Leader reef.

Munro said the operation was aimed at opening a new mine. It would be a replacement for existing operations and extend Drifontaine's life for several decades.

A less pleasing development is the news that the Rooiberg tin mine is to shut immediately.

After 65 years of operation, and after making profits of R12,1 million a year as recently as 1985, the collapse in the tin price had put its death blow, said Helgo Kahle, GFSA general manager, coal and base metals.

In the nine months to September, Rooiberg received R5,4 million for metals, which had cost R9,4 million to produce.

The staff complement has been greatly reduced in recent years. The remaining 250 workers were notified yesterday of the closure. Shareholders will have to wait about 12 months for the rehabilitation of the mine area to be completed before they know whether any funds will be available for distribution.

Better news for shareholders is the increase in Gold Fields Coal's tax paid profit from R5,2 million in the June quarter to R7,1 million.

John Hopwood, executive director in charge of coal and base metals, said there were some signs of improvement in the export coal market.

Russian railways were starting to charge economic rates on coal shipped from Siberia, resulting in a decline in export sales. He believed Russian coal sales could end in the next year or so.

Drifontaine had a working profit of R300,4 million (June: R214,1 million). After tax of R142,5 million (R87,5 million), it was left with a profit of R188 million (R162 million).

Programme

As it embarks on its new capital expenditure programme, tax payments should decline.

Doornfontein had a profit (no tax payable) of R4,9 million (R15,3 million in the June quarter).

But the June figure was inflated by clean-up operations. As long as Doornfontein makes a profit, it will be able to keep going. But it would have to spend some money on development, said Munro.

Deelkraal continued to recover from recent fires and increased working profit to R20,5 million (R7,4 million). Taxed profit was R18,6 million (R15,2 million). Deelkraal was still battling to keep its mill full, said Munro, and that it needed to generate more profit than at present.
Gold Fields earnings leap on gold price

From ANDY DUFFY

JOHANNESBURG — The benefits of a sharply higher gold price fed through to Gold Fields’ bottom line for the September quarter, as earnings leaped 30% to R396m despite rising working costs.

Though production was ahead only marginally at 29 258kg, revenues across the seven mines jumped 26% to R1,2bn.

Working costs rose to R728m (R589m) after the wage settlement and as Gold Fields geared up for increased underground production. The company was also hit by a doubling in its tax bill.

But this detracted little from its performance. “This is a vast improvement on the previous quarter,” Gold Fields executive director Alan Munro said.

The higher gold price had been the most “outstanding feature” of the quarter, Munro said. But the rising costs were “not really acceptable”.

Gold Fields’ star performer was the two-mine Driefontein division, which achieved yields and production to push pre-tax profit ahead 43% to R328m.

Kloof had an “unremarkable quarter”, but Lydenburg performed well, with revenues up 30% at R108m and costs cut 8% to R42 251/kg, pushing the mine to a R7,7m working profit (R15,2m loss).

Doelkraal had still to hit the right mix of earnings to capital expenditure. Earnings at Doornfontein, which was existing on a month-to-month basis, dropped back from R15,3m to R4,5m.

Munro said Gold Fields would spend R350m during the next two years to begin establishing a replacement mine for its Driefontein division.

He said the expenditure would be split between East and West Dries as they each cut a shaft and vertical subshaft.

For the September quarter, the division fought its corner well. At East Dries the No 4 subvertical shaft area had hit its target level, and the mine was “going like a bomb”, Munro said. Tons milled remained unchanged, but a grade ahead at 9,4g/t pushed production to 6 630kg.

The rise in unit costs was contained to 3% to R21 211/kg, though this was bettered by its sister West Dries, which managed to bring costs down to R20 713/kg (R20 724/kg).

With the mine now recovered from the fire in No 6 tertiary shaft, grades rose to push production to 7 492,5kg, leaving it to exploit revenues ahead 11.5% at R41 416/kg.

Munro said the division had been the “star performer”, but Kloof was a close second.
Western Areas chief holds out rich promise

BY DEREK TOMNEY

Gold mining analysts have been trying to figure out in the past few days how much of an increase in profit is a "dramatic" increase, because a lot of money could be riding on their answer.

Triggering the question is a bullish forecast for Western Areas' September quarter profits by chairman Ken Maxwell.

He says in his annual statement to shareholders that the mine expects to improve on its production of gold in the 12 months to next June.

"Indeed, for the first quarter, gold output has increased very substantially," he says.

He continues: "If the gold price holds firm, taxed profits should show a dramatic improvement."

Western Areas shares have been a major performer on the JSE this year.

Starting in January at around R200c, they rose to R290c in July after an excellent June quarter report.

For a while they fell back on profit-taking.

But the publication of Western Areas annual report a few days ago sent them racing upwards to peak at R275c on Monday before either profit-taking or second thoughts saw them easing to R255c yesterday.

Western Areas has undoubtedly been doing well this year and should have done even better in the Sep
Gengold seeks audit on mine

GENGOLD, Gencor’s gold business, is to call in independent auditors to check the viability of its Oryx mine, as part of its efforts to rescue the struggling Free State operation.

MD Gary Maude said yesterday that the company wanted to reassure shareholders Gencor, Genbela, Sanlam and Anglo American that any rescue plan put forward was not based solely on Gengold’s own assessments of the mine.

It emerged earlier this month that Oryx could need an additional R650m to fund development needed to take it into profit.

Its original financing plan, under which the four shareholders had put in R770m, had been derailed by initial grades far below previous estimates.

Gengold detailed the mine’s problems to the major shareholders in a series of meetings last week.

The company had still to finalize a rescue plan for the operation, but Maude said that it would be supported by an independent check on Gengold’s figures.

Maude said the aim of “having the thing audited” was to promote confidence in the options which were put forward.

Market sources believed one of the shareholders, possibly Sanlam, would have asked for the independent audit.

But Maude said Gengold had taken the decision itself.

The Gengold staff responsible for previous estimates for Oryx would also be called on to re-check their findings.

Maude said shareholders had been “understanding” during last week’s meetings.

Genbela, a 15%-shareholder, said yesterday it could be prepared to provide more cash for development, given that only a fraction of the reef had been developed to date.

“I don’t think you can make a decision on the mine on the strength of information known today,” MD Anton Botha said.

Industry sources expected Sanlam and Anglo would take a similar line. Though Gengold has said it wanted to resolve the funding problem as soon as possible, the mine had sufficient funding to continue through to March at present development rates.

Maude said that finding a plan to suit the four major shareholders, the mine’s banks which were owed R650m, and JSE investors who held 2.5% of Oryx was likely to prove difficult.

“Each of the interested parties has its own preference, and it’s a job to find a solution that suits everybody the best.”
Anglovaal 'plans to restructure assets'

MINING and industrial group Anglovaal is planning a radical restructure of its mining assets, according to industry sources.

It is understood that the main option under discussion is for Anglovaal to put its direct stakes in its gold, base metals and coal operations into its 94%-owned investment company Middle Witwatersrand.

A listing for Saturn Mining and Prospecting, which holds a stake in De Beers's developing Venetia mine, is also thought to be on the table.

A spokesman for the group said several options were being discussed, and that the plans had still to be finalised.

He added, however, that transfer duties — charged at 0.5% of market value — could prove an obstacle. Anglovaal's listed mining investments alone are worth R5bn at yesterday's market value.

The operations — which include gold mine Hartbeesfontein, exploration company Target and ferroalloy company Associated Manganese — provided just under a third of the group's R285m attributable income in the year just gone.

Restructuring the division had been discussed for several months, after Anglovaal reorganised its industrial stakes to create Anglovaal Industries, the spokesman said.

Analysts said the move could provide better management focus on the mining operations, and a clearer route into pure mining for Anglovaal investors.

Fergusson Bros' William Bowler said there was a strong argument for Anglovaal to list Saturn Mining separately. Saturn currently receives 12.5% of the royalties from Venetia, which totalled R8m in the last financial year.
W Areas boosts JCI gold profits

JOHANNESBURG — The three gold mines in the Johannesburg Consolidated Investment Company yesterday reported big, 20% jump in net profit after tax and capital expenditure for the September quarter on the back of cost containment and better gold revenue.

Combined net profit after tax and capital expenditure increased to R75.6m for the three months to September from R60.5m in the previous quarter, as gold revenue gained 7.3% to R37 744 per kg (R35 181/kg).

JCI director Ken Maxwell expressed his satisfaction with the results, saying a very healthy position was remaining in the gold market following the gold price's sharp gains and falls over the last six months.

He said it was "good news" for JCI producers to see the gold price rising and not falling, as JCI had expected. He hoped for a gradual and a sustainable long-term increase in the gold price.

Maxwell said JCI was not aware of a central bank selling gold, as it might have caused a decline in the gold price, and that JCI had also expected the gold price to remain steady over the next six months.

The improvement in the performance of JCI's gold mines was helped further by the best ever quarterly gold production of 13.2m ounces for the quarter, although the grade was slightly below expectations.

A convincing performance from Western Areas dominated the September quarter figures.

The mines, which in the recent weeks have shown a marked gold output, hit its highest grade in 20 years — 0.044% Au.

Unchanged div from Volteck

CABLE manufacturer Voltek, the main profit contributor to the Berack group of companies, has posted an unchanged dividend of R7.75c a share in the year to end-March in spite of a 14.8% dip in earnings to R16 032 (18.76c) a share.

Last week Voltek sold its US subsidiary, Bennett & Fountain. Red Bennett's results, incorporated before Berack results, would have been much worse, with 1993 earnings 4.16c a share lower and 1.06c less in 1992.

Turnover climbed 9% to R3bn (R2.9bn) and operating income was slightly lower at R3.2bn (R3.6bn). Salaries' turnover rose 9% to R2.3bn (R2.1bn) but operating income was almost 5% lower at R2.2bn (R2.6bn). This translated into a 4c (2.6c) a share a dividend lower at 42c (46c) a share.

Earnings at Elektra, with 51c and 81c per share holdings in Voltek and Saline respectively, were down at 38c (42c) a share with the dividend lower at 42c (46c) a share.

Taxed income at Berack Brothers Holdings rose 17% to R17.2m but attributable income from associated companies fell 17.6% to R16.9m, leaving attributable income 19.9% lower at R35.6m. The annual dividend was 18.8% lower at 33.5c a share.

Earnings at Berack Tillingman Investment Corporation with a 51% stake in Berack fell 19.4% to 61.5c a share and the dividend was reduced by 17.9% to 22c a share.

More finance on pages 12, 13 and 14.

Working costs dent Angolvaal profits

JOHANNESBURG — A fraught fight with working costs dented the performance of Angolvaal's gold operations for the three months to September.

Though average gold revenues were ahead nearly 10% to R30.7m (R30.4m), gold production fell on two mines, while costs leaped forward on all three.

Angolvaal's four gold mines reported a 1.8% increase in profit at capital expenditure of R65.3m from R55.3m in the previous three months.

Gold production dropped from 103.7m to 106.1m ounces and costs per kg increased markedly, excepting at Village Main.

Hartebeesfontein lifted profit after capex to R44.6m (R46.1m), due to the higher gold revenue as production was largely unaltered and working costs crept up slightly.

Eastern Transvaal Consolidated achieved a company record, with profit after capex to R52.7m (R44.4m) as gold production dipped and costs increased but gold revenue was higher.

Lorraine's profit after capex plummeted to R3.8m (R7.6m) as costs escalated and gold revenue registered only slight gains on the back of largely unchanged production.

Village Main was the only mine to reduce costs in the Angolvaal stable if it improved profit after capex to R8.0m (R8.0m).

Lorraine's move back to normal operations in the last three months cut deeply into its figures.

Tonnage dropped sharply to 448 000t (449 000t), which knocked gold production back to 1.72t, despite a slight improvement in grade.

Unit costs jumped from R32.67/kg to R31.70/kg, reflecting wage increases, a profit-sharing bonus and increased development.

Wage increases and strike action at Sheba combined with the Eastern Transvaal Consolidated across the board, leaving it dependent on gold revenues ahead 10% at R29.04/kg to keep working profit just ahead at R6.5m (R7.5m).

Hartebeesfontein lifted production to 7.13m (8.83m), the effect of the wage rise and profit share bonuses helped lift unit costs from R37.6m to R39.05m.

Village Main's record cost and boosted production.

Lorraine posted a pre-capex profit of R10.1m (R11m) for the year to September. Though gold production dipped slightly to 6.240m (6.540m), rationalisation trimmed unit costs to R34.28/kg (R33.32/kg).
Western Areas plays starring role for JCI

REVENUE at JCI's three gold mines rose 10.3 percent to R499.3 million as a result of higher production and a 7.3 percent rise in the gold price.

BY DEREK TOMMEY

Further signs that the gold mining industry is in a strong upward trend are contained in JCI's September quarters.

The star, Western Areas, increased attributable profit by 70 percent from R22.2 million to R37.7 million, helped by an increased recovery grade and higher production rate.

Further good news is that the mine is expected to maintain both grade and production at present levels.

Randfontein's attributable profits rose 8.3 percent from R54.4 million to R87.2 million, even though the grade of ore milled was reduced after lowered pay limits.

HJ Joel had an attributable loss of R2.5 million, against an attributable profit of R2.2 million in the June quarter.

But this reflects the decision to increase development at the expense of the stoping rate in order to sustain a higher milling rate in the future.

Bill Nairn, MD of JCI's gold and uranium division, says a conventional mine is beginning to emerge at Joel.

Together the three mines increased gold production by 2.5 percent to 13 229kg. They increased production by 5.5 percent to 2.8 million tons of ore, but the average recovery grade was 2.5 percent lower at 4.69 grams a ton.

Gold revenue rose 10.3 percent to R499.3 million as a result of the higher production and a 7.3 percent rise in the gold price.

Although Randfontein and Western Areas felt the full effect of the 8 percent pay rise (workers at Joel received a 3.4 percent increase), higher working costs a ton were held to 2.1 percent and, in rands a kilogram, to 4.7 percent.

Contributing to Western Areas' profit increase was the rise in the recovery grade to 6.84 grams a ton — the highest achieved at the mine since 1973.

Total gold production rose to 4 104kg, the highest since the December 1986 quarter, when the milling rate was 71 percent higher.

Although the pay limit was reduced at Western Areas, the effect was not as noticeable as at Randfontein because of the greater difference in the values of the various reefs mined.

Development at 90 level has indicated enough ore to keep the mine going for 12 years.

At Joel, reef development is running strongly — 600 metres in the first quarter of this year, 756 metres in the second quarter and 1 485 metres in the September quarter.

Development grades have also shown an improvement.

Joel has renewed its arrangement with the labour unions and associations to carry out stoping six days a week and development seven days a week.

Randfontein increased production 2.8 percent after a 7.2 percent increase in tons milled and a 4.1 percent reduction in grade.

The sub-vertical prospect shaft at the Doornkop section intersected the South Reef on August 27, giving values of 420 cm /g. These low values are accounted for by the shaft being located on the outer limit of the expected payability zone of 600 cm /g. A prospect haulage is being developed to intersect the South Reef in the vicinity of surface borehole DK4 where the grade is indicated to be 2 736 cm /g.

The underground backfill plant is in operation at South Deep and the specific gravity of the fill of between 2.1 and 2.5 is believed to be a world first.
Anglovaal’s four gold mines have reported a 3.2 percent rise in profit after capital expenditure of R57 million for the September quarter (R55.2 million previously).

Although the group’s mines on average enjoyed a 9.1 percent improvement in the rand gold price received of R26.780 per kg (R23.42/kg), gold production dropped from 19.7 tons to 10.8 tons and costs per kg increased considerably, excepting at Village Main.

Hartebeesfontein lifted profit after capex to R49.4 million (R44.6 million) thanks to higher gold revenue.

Eastern Transvaal Consolidated achieved a nominal gain in profit after capex to R2.9 million (R2.7 million).

Lorraine’s profit after capex plummeted to R3.8 million (R7.6 million) as costs escalated and gold revenue registered only slight gains on the back of largely unchanged production.

Village Main was the only mine to reduce costs as it improved profit after capex to R397,000 (R288,000) — Sapa.
Western Areas perks up JCI

A CONVINCING performance from JCI's Western Areas enlivened an otherwise unremarkable set of September quarter figures from the group's gold division.

The mine, which in recent weeks has proved a popular gold counter, hit its highest grade in 20 years — 6.84g/t — as it continued to reap high pay ore on its Ventersdorp Contact and Elsburg reefs.

Combined with a rise in tonnage, this lifted gold production 7.4% to 4.104kg, while costs were pulled down to R29 511/kg (R29 943/kg).

Working costs rose 1.4% to R201,86 a ton as the mine absorbed the recent wage settlement and a R3m (R3.2m) cost containment and metal price bonus JCI said Western Areas was likely to continue extracting such grades for at least five years.

JCI's fortunes on its other mines was less impressive.

The continuing fight for survival at HJ Joel pushed JCI's newest mine back into the red. The mine had cut monthly production by a third, while moving to a seven-day week in a bid to build up payable reserves.

The fall in tonnage combined with a slip in grades to bring production down to 1.004kg (1.133g). The focus on development, plus the wage settlement, pushed unit costs up nearly 6% to R38 174/kg. Reef development pushed capex to R63m (R46m).

Gold division MD Bill Nunn said grades on reef development had shown a "dramatic improvement" over the quarter.

Locating replacement reserves for the Cooke sections at manstat Randfontein was still proving a challenge. Nunn said reserves being explored were likely to produce a maximum of 50,000 tons of ore a month.

The subvertical prospect shaft at Doornkop had intersected the South Reef in August and development had begun. An initial assessment of the grade would be tabled next January.

Grades to the north and the east were averaging 5.5g/t and 5.7g/t, but it would need at least five months of further exploration development before the mine was ready to commit itself, Nunn said.

The rise in the gold price had enabled Randfontein to pursue lower pay ore, which cut the grade to 3.96g/t (4.12g/t), while unit costs moved from R46 169/kg to R52 186/kg.

<table>
<thead>
<tr>
<th>JCI September Quarter</th>
<th>Tons milled (000s)</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled kg</th>
<th>Costs per kg gold produced R</th>
<th>Price received/kg R</th>
<th>Net profit R1000s</th>
<th>Profit after capex R1000s</th>
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<th>Tons milled (000s)</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled kg</th>
<th>Costs per kg gold produced R</th>
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R10-m turnaround for Loraine mine

MARC HASENFUSSE
Business Staff

LORAINNE gold mine, which was teetering on the edge 12 months ago, posted a healthy R10 million profit before capex in the year to end September — an impressive turnaround from the R1 million loss previously.

The improved rand gold prices received, the introduction of a seven-day working week, and further rationalisation of operations helped to resuscitate the mine.

The performance justifies the recovery in Loraine's share price from under R1 to its current level of R14. Most of the gains on the JSE were made during bullion's "big run" earlier this year as speculators piled in.

Mill throughput rose to 1.7 million tons (previously 1.4 million tons) but the average grade was reduced to 3.6 (4.5) g/t — mainly because the mine increased its treatment of low-grade material from the surface dumps.

Gold production declined slightly to 6 248 (6 524) kilo-grams in the review period. However, increased gold prices and the mine's hedging operations enabled it to obtain an average price of R33 664 (R33 866) for a kilogram of gold.

Directors said strict management control of costs, combined with the benefits of the mine's rationalisation programme, reduced costs to R34 328 (R35 542) for every kilogram of gold mined.

This resulted in a unit profit of R836 (previously R1 476 loss) for every kilogram, which translated into a working profit of R5.2 million (previously R9.6 million loss).

Capital expenditure was up sharply at R10 million (previously a R295 000 recoupment) — effectively burying statements made by Anglovaal directors last year about the possible closure of Loraine.

Loraine's after tax profits in the quarter to end September were a hefty 40 percent to R5.6 million on the back of a marked increase in working costs.

South African Druggists (SAD) shrugged off increased pressure on the health care market to notch up a remarkable 84 percent gain in attributable profits to R65 million in the year to end August.

Although turnover growth was more pedestrian at 22 percent to R1.8 billion, a significant cut in the interest bill to R23 million provided the necessary boost to bottom line.

Directors said the group's pharmaceutical division experienced an improved supply from manufacturing and a rejuvenated marketing drive realised increased market share. The division increased its operating profit contribution by 42 percent to R98 million.

The chemical division increased its profit contribution by 36 percent to R20 million on the back of improved productivity and increased market share.

The group's distribution division was knocked by lower industry volumes. The division's profit contribution was down 35 percent to R17 million.

A total dividend of 51.5c was declared, slightly higher than the 50c dividend paid last year.
JCI relies on Western Areas for sparkle

JCI's gold division lifted earnings nearly a quarter in the three months to September as higher production and revenues largely offset pressure on costs.

Revenues at the group's three mines rose 10% to R498.3m on the back of record production of 15.23Moz and a 7.3% increase in averaged revenues to R37.74/kg.

Although unit cost nudged forward nearly 5% to R28.87/kg, post-capex earnings hit R72.4m (R58.7m), leaving earnings a share at 36.3c (29.5c). The showing was "all in a very satisfactory result", gold division chairman Ken Maxwell said.

But it relied heavily on Western Areas, which combined higher tonnage, grades and production with lower costs to post earnings 70% ahead at R37.7m.

HJ Joel, JCI's newest mine, dropped back into a R2.5m loss (R2.3m profit) as its focus on development ate into production and lifted costs. Former, mainstay Randfontein edged forward 8.3% to R37.2m as grades slipped, costs pushed forward and its tax bill jumped to R29.1m (R22.8m).

Anglovaal's four gold operations posted a similar mixed bag, with higher gold prices called on to offset rising costs.

Repeating its June quarter comeback proved too much for Loraine, which dropped back to R8.5m (R7.5m).

Strike action at Sheba knocked Eastern Transvaal Consolidated's grades and costs, cutting pre-capex profit 10% to R4.8m.

Hartebeestfontein fared better, exploiting higher yields and production to produce earnings ahead 10% at R49.4m.

A rise in yield at treatment company Village Main Reels pushed gold production up 18%. This, combined with falling costs, pulled earnings up to R9.8m (R9.2m).
Cash amount for Oryx still to be determined

GENGOLD had still to determine how much extra cash developing mine Oryx would need to bring the operation into profit, the company said yesterday.

MD Gary Maude said the R300m already tabled for Oryx was based on potential operating income from the mine as estimated at end-August.

But yields at the Free State mine had kept in the last month, lifting the average grade since development began from 5.3g/t to 6.9g/t.

This could allow Oryx to begin stopping next January, with subsequent gold sales used to fund the mine's R523m bank loan.

Maude said an announcement on the mine's future was likely by the end of the year. He was optimistic that Oryx would come right.

"It has a short-term funding problem. There's no reason to believe that the long-term outlook is any different to when Oryx was floated."

Oryx overshadowed an otherwise strong set of figures from the Gencor company. Though costs edged forward slightly, higher production and revenues at Beatrix pushed the earnings to fund the R785m decline shaft to No 3 shaft area.

Winkelhahn remedied its dismal June quarter performance, pushing gold production ahead while cutting working costs back to R29 222/kg (R30 166/kg).

Maude said Winkelhahn was investigating a revised plan for developing the R450m No 6 shaft. A statement was likely by March.

St Helena managed to boost tonnage and production, while trimming costs from R32 755/kg to R30 799/kg. The company said St Helena should be able to sustain the performance.

It had gained the go-ahead from employees for a seven-day working week, and the mine was waiting for a response to its application to the Mineral and Energy Affairs Department.

Lack of face and poor grades again forced Unisel to cut production, from 189 000 tons to 170 000 tons.

The grade slipped from 6.3g/t to 5.9g/t, with production cut by a quarter to 509kg and unit costs jumped from R24 448/kg to R37 774/kg.

Maude said production would remain at current levels until the end of the year, but Unisel was pursuing more face.

Grootvlei, Gengold's other problem mine, had begun attacking high working costs, which in the June quarter led to a closure warning.

But unit costs still edged up to R33 680/kg (R32 464/kg). "A mine that produces at R33 680/kg can't feel secure," Maude said.

He wanted unit costs to be brought closer to R30 000/kg.

The performance at Buffels, Kinross and Leslie remained steady.

Sifontem and Bracken, on the home run to closure, were both well into rehabilitation.

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</table>

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COMPANIES

Westwits boosts CMC's results

A STRONG showing from West Witwatersrand (Westwits) lent gloss to an otherwise patchy set of September quarter results for the gold mines operated by Consolidated Mining Corporation (CMC).

The mine — which treats underground, open cast and heap leach ore — pushed net earnings up nearly a third to R6.3m, on the back of a higher tonnage and yield.

Westwits's production rose from 501kg to 620kg, exploiting a gold price ahead 6.3% at R37 220/kg, to leave operating profits ahead at R18.37m (R15.45m).

The mine's contribution was not matched by sister company Benoni, where earnings dropped from R1.9m to R1.4m.

The sand and slimes operation was hit by a plant breakdown which led to a three-week loss of production at one of its mills.

Though supplementary slimes cushioned the impact on tonnage, the yield was forced back to 0.65g/t (0.71g/t), cutting gold production from 394kg to 391kg.

CMC said Benoni was now treating higher grade material, which would boost gold production in the December quarter.

Munung at the Droogebult section of Witwatersrand Nigel started in July, following the recovery in the gold price. The operations had been contracted out and the ore was being toll treated. The formerly moribund mine again cut its losses, from R101,000 to R51,000 for the period.
Gengold posts solid 20% earnings rise

GEUGOLD, Gencor's gold business, combined a solid operating performance and higher gold revenues to lift its earnings by a fifth in the September quarter.

It limited its average rise in costs to 1.1% at R27.37/kg, while higher gold output exploited an average gold price up 10.5% at R38.41/kg, leaving total distributable earnings at R73.6m (R60.6m)

Four of the 19 mines brought costs down, while seven enjoyed healthy production increases "Our bottom-line figures are much better," Gengold MD Gary Maude said "A lot of it is due to the gold price, but certainly not all of it." 211693

Maude said Wynelkaap had proved to be the star performer Buffelsfontein, Les-

-- Andy Duffy

St Helena also provided strong showings, but costs and grades at Unisel slipped as the mine brought its production down, cutting earnings 10% to R2.1m. Maude said developing mine Oryx had shown a strong improvement in grades in the past month, although it was still unclear what impact this would have on plans to refinance the struggling mine.

Gengold was pushing ahead with plans to expand capex on various mines. The gold price had slumped, but Maude said there was "still underlying strength in the market. The overall trend is upwards."
Gengold mines come up with bumper earnings

**By Derek Tommy**

Gengold mines produced bumper profits in the September quarter, with several paying sharply higher dividends.

Taxed income of the producing mines jumped 17 percent from R100.3 million to R117.3 million, while distributable income rose 22 percent from R80.9 million to R73.7 million.

This is more than half as much again as the R45.3 million earned by the mines nine months ago.

Unisel has declared a final of 20c, making 35c for the year (15c last year).

Kinross is paying 180c, making 300c for the year, against 245c last year.

Bracken, despite being extremely near to closing, is paying 30c (70c for the year against 50c last year).

Leslie is paying 55c, making 95c for the year, against 50c last year.

Winkelhaak is paying 130c, making 200c for the year, against 50c last year.

The improvement in profitability has led to greater group confidence in gold and to a greater willingness to make new investments.

The group spent R43.6 million on capital expenditure in the September quarter — an increase of 9.5 percent from the June quarter.

Gengold MD Gary Maude says three of the mines have projects under way which will cost about R200 million.

The star of the quarter was Winkelhaak which increased distributable profit from R7.5 million in June to R10.8 million.

Beatrix increased distributable income from R9.6 million to R12.1 million, despite increased capital expenditure.

The unrest at Beatrix has ended and the mine has settled down well. The 10 percent pay rise was well received.

Bracken had earnings of R1 million (R1.5 million) and is likely to close in about two years' time.

Buffelsfontein is doing well and earned R10.7 million (R9.9 million).

Grootvlei, which was given six months' notice to improve last quarter, lifted earnings from R1.6 million to R2.6 million.

But the mine is still marginal, says Maude.

St Helena, helped by the introduction of huge vacuum cleaners to suck up gold particles, increased its distributable income from R5.8 million to R8.2 million.

Nine months ago the mine was running at a loss.
Plan to increase JSE ownership of Target

ANGLOVAAL wanted to increase the JSE ownership of its Free State gold exploration company, Target, the group said yesterday.

Detailing the terms of Target's R393m rights issue, mining house Anglovaal said the cash call could boost minority ownership from just under 2% to around 18%.

This would make Target more attractive to investors, and help pave the way

dixon said the development could take three possible routes forward.

It could sink a new shaft system at a cost of R1.5bn, with production beginning in 1998. In full production, the mine would mill 135,000 tons per month, grading 11.58g/t down to 8.5g/t as it reached the end of its 50-year life.

The development could be restricted to Dreyerskult Reef south and the Eldorado main fan, where production would be 45,000 tons per month, grading 11.04g/t over 20 years.

In the worst-case scenario, Target would focus on the main fan, which would yield 41.8 tons of gold. This would cost just R331m.

Target's financing matches the cautious pace of its development Shareholders will be offered 2/0 linked units, consisting of one new ordinary share and one unsecured automatically convertible debenture, for every 100 Target shares held.

Though Target wants to raise the cash now, it will draw on the R393m in three tranches. The first R150m will be used to fund development and underground drilling from the start of next year. The second tranche to extend the work and begin predevelopment will be raised in 1996, when convertible debentures worth R150m will be converted into shares.

The decision about Target's direction would be taken before the third tranche was converted in 1997. The debentures could be redeemed in the event of Target deciding to abandon the development.
Freegold shaft ‘to protect 3,000 jobs’

ANGLO American’s decision to spend R371m on sinking a new shaft at its Freegold operation would provide replacement reserves for the mine and safeguard 3,000 jobs, the company said yesterday.

The shaft — Freddie 4 — would access 13.65-million tons of reserves on Basal Reef, grading an average 7.243% on 80,000 milled tons a month. It would produce 166 tons of gold in its 19-year lifespan.

The escalated cost would be R540m, funded using Freegold’s tax shelter, and possibly drawing on a R230m borrowing facility. Shaft sinking would begin in the next few weeks to be completed in 1998. It should hit full production by 2001.

Anglo said the project had been evaluated at a base gold price of R27 000/kg, though it could cover its R202/t working costs at a gold price of R27 500/kg.

The company gave the go-ahead yesterday, before unveiling September quarter results led by Freegold’s performance.

But it was a performance underpinned by higher revenues. Freegold’s tonnage dropped 7% to 6.1-million tons, after deteriorating grades forced the President Brand gold plant to close three months early.

Though the average grade moved ahead 4.67g/t (4.43g/t), reef grades again slipped, from 5.85g/t to 5.42g/t. Gold and uranium divison MD Lionel Hewitt said management had attacked slipping grades following the decline in the June quarter, but yields only came back on track in the last month of the quarter.

Gold production fell back to 28 820/kg, while unit costs — inflated by the wage settlement — rose nearly 5% to R31 465/kg. The mine declared an interim dividend of 100c a share, up 81% on the same period last year.

Industrial action hit production at No 2 and No 5 shafts at Vaal Reefs which, combined with a slight drop in yields, cut the mine’s gold production to 18 708kg (19 282kg). The disruption and the wage settlement lifted costs 10% to R27 327/kg.

The mine’s tax bill jumped 83% to R7.8m, after capex fell from R114.9m to R8.6m.

Western Deeps lifted tonnage 3.2% to 1.6-million tons, and reaped revenues 8.5% higher at R30 577/kg. But low grades on the Ventersdorp Contact Reef (VCR) knocked production back to 19 738kg (11 000kg), while costs bounded forward 8% to R27 255/kg.

Hewitt said figures suffered from comparison with a very strong June quarter.

With its stockpile depleted, Elandsrand was focusing on increasing tonnage to compensate for its failing yield. In the last three months, however, its tonnage dipped slightly, the grade sharply, and production more sharply still.

Ergo too suffered the pan of transition. The Daggafontein division was pursuing lower grade material at several smaller dumps, which pushed unit costs up 10% to R27 049/kg, and cost of materials more than a third to R5.1m.

The material now being treated by the Ergo division was highly audits, which also pushed unit costs forward, from R27 765/kg to R29 946/kg.

Treated material dipped marginally, leading to a slight fall in production to 3 028kg (3 089kg). Ergo’s interim dividend rose 125% to 45c.

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<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
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R500m Project for Freegold

By Derek Turner

The gold price of R999 per oz. resulted in a R500m project for Freegold. Freegold intends to spend the proceeds from the project on a high-risk project. The company is planning to spend the money on a high-risk project. The project is expected to result in a significant increase in the company's revenue.
Target makes R393-m rights offer

BY DEREK TOMMEY

Target Exploration, which owns mineral rights to the north of Free State gold mine Lorraine, is raising R393 million by a novel rights issue to finance further exploration.

Target is offering shareholders the right to subscribe for 200 linked units for every 100 Target shares held at R9 a linked unit.

Lorraine is passing its rights to the linked units to its shareholders, who will have the right to subscribe for 67 linked units for every 100 Lorraine shares held.

Each linked unit comprises one new ordinary Target share at R3 a share and one unsecured 11.25 percent automatically convertible subordinated debenture of R9, bearing interest at 11.25 percent a year. Target shares are trading at R3.24.

The unit is structured so that should initial development indicate the mineral rights will not support a large mine and therefore warrant no further exploration, the debenture-holder will be repaid the nominal cash value of his investment.

Should Target go ahead with its mining plan, then each debenture will be convertible into two Target shares.

So far, 17 surface boreholes and four deflections have been drilled in Target’s mineral area and significant gold grades have been found.

These boreholes are to be followed up with underground exploration.

Should this exploration reveal substantial ore reserves, a gold mine milling 135 000 tons of ore a month and costing R1.5 billion, will be established.

Should no additional ore reserves be found, Target will mine from Lorraine the 2.5 million tons of known reserves at a rate of 30 000 tons a month.
Duiker's earnings rise again

DUKER Exploration, the Lonrho-owned coal and gold producer, reported a fourth successive quarter of improved earnings, which rose to 77.5c (67.2c) a share in the three months to September 30.

The company declared a 45c final dividend, taking the total payout in the year to end-September to 68c (50c) a share.

The steady improvement in results — due to better export coal sales, higher gold output, firmer bullion prices and the weakness of the rand — lifted earnings for the full year to 216.1c (150.1c) a share.

A 30% jump in after-tax profit to R31.1m (R21.6m) was accompanied by a similar fall in capital spending to R10.9m (R20.3m).

Duiker followed its rights and acquired a 2.5% stake in Eastvaal Gold Holdings, the company through which Anglo American is developing its R1.7bn Moab gold mine.

Chairman and MD Terence Wilkinson, appointed an executive director to the Lonrho board this week as part of the group's boardroom reshuffle, and technical director Hugh Stoyell were unavailable for comment yesterday.

Quarter-on-quarter steam coal sales climbed by nearly a third to 1.38 million tons (1.07 million tons) with Duiker's first shipment to Taiwan Power Company. Spokesman Tony Howard said anthracite sales tumbled to 10.913 tons (110.584 tons) because of delayed shipments. Gold output from the group's Khubad mine was uncharged at 88kg.

Sales revenue was not disclosed, as usual, but operating profit improved to R15.6m (R13m) as mining prices rose to R18m (R10.7m).

Income from Duiker's associate company, the 36%-held Eastern Gold Holdings that has a stake in the Erfdeel division of Anglo's Freegold, fell to R2.21m (R3.38m).

Pre-tax profit was R18.8m (R16.4m) and with higher tax provisions, after-tax profit stood at R11.2m (R9.57m).
THE taxman is about to rake in a bonanza from the country's gold mines.

Profits at several mines soared in the September quarter, helped by a combination of higher international gold prices, astute forward selling by mining companies and a lower rand rate boosting earnings.

And even more tax could be raked in even if gold prices drop, because mines this week revealed the huge amounts of forward production they have sold at sharply higher prices than today's.

Tax paid by Anglo American's Free State gold mines, for example, surged by 33 percent or R41 million to R167 million in the quarter after allowing for a drop in tax paid by some mines.

But individual mines paid whopping increases.

Freesgold paid R78.4 million — a jump of 18 percent on the June quarter.

Vaal Reefs paid almost R49 million — a leap of 53 percent. And Western Deep paid R36.9 million, up 37 percent.

Chamber of Mines figures show the gold price averaged $375 an ounce in the September. This represented a 25 percent or seven percent premium on the $350 average for the June quarter.

With the lower rand boosting export earnings, Anglo's Free State mines received an average of R39 328 a kilogram for their gold — up a whopping R2 993 or 8.2 percent.

And this was achieved while gold production dropped two tons (3 percent) to 65.8 tons.

However, these mines have sold forward 17.75 tons at prices between R40 157 and R44 994 a kilogram.

This amount of gold equals about eight months of current production.

Freesgold, the world's largest gold complex, disclosed this week it had sold forward 92 000 kg of its production at prices of up to a record R47 000 a kg.

September quarter's production was 28 820 kg.

Vaal Reefs hedged 52 242 kg against production of 18 708 kg in the last quarter.

Western Deep hedged 26 113 kg (10 789 kg produced in September quarter).

Part of these sales consists of US dollar-priced spot deferred contracts which had been converted to rand prices at a forward rand value based on a spot rand/dollar exchange rate of R3.38 available on 1 October 1993, said Freesgold's directors.

Additional short-term trading positions were not included. In the event that such positions were converted into outright forward sales, they would be included in future reported hedged figures.

"The previous quarter was really outstanding," gold division chairman Clem Suster said. "It was difficult for us to improve on that, but we have done it and that's due to the gold price."

However, he warned of continued volatility in the gold price as investment demand from the United States would remain stronger than fabrication demand from the Far East.

"We're feeling good about the gold market, but it would be nice if the Far East came back into the market, particularly China, with jewellery demand."
New shaft looks a winner

By JULIE WALKER

Grooves changed for the better, although it is not out of the woods. St Helens has flourished since vacuum cleaners were brought in a year ago to help recover gold being lost underground.

Mr. Maude had better news from St. Helens's Oryx division, tempered with the warning that monthly development figures should not be seen in isolation.

Oryx has run into hot water — literally. Intersections are common in Free State mines and the water is 50°C. Each of the 139 intersections has had to be plugged with cement.

No report was made on dormant West Rand Consolidated.

A MINE AMONG THE MEALIES: Anglo's gold and uranium division chairman Clem Sunter and MD Lionel Hewitt turning No. 4 shaft's first sod.
Quarterlies show rising trend in profits

Gold mining on mend

BY DEREK TOMMEEY

The gold mining industry is enjoying a major recovery, quarterly results show.

After years when the key concern of a major part of the industry was just to survive, revenue and profits are starting to rise.

The lessons learnt during the bad years — particularly the need to contain costs — are beginning to pay off.

The drive for greater efficiency, so essential when the gold price was weak, is making a major contribution to profits now that the price is higher.

Perhaps the most welcome aspect of the recovery is that the industry is pumping more money into circulation than ever before, which should boost the languishing economy.

The industry is again making a major contribution to the Treasury.

The Government can take up to 58 percent of the industry's profits and the higher earnings are providing a tax bonanza.

The revival of the industry as a major taxpayer might lead to some reduction in the tax burden on individuals.

Initial figures indicate that revenue from gold rose by about R470 million, or 8.8 percent, in the September quarter to around R5.8 billion.

The increase in working costs was held to R180 million, or 4 percent. This is considered an exceptional achievement in the face of pay rises averaging 9 percent given to most of the industry's workers.

However, at mines still in difficulty, such as Joel in the JCI group, the pay rises were well below this figure.

Higher earnings boosted tax payments to about R482 million in the September quarter — an increase of R198 million, about 52 percent, on the June figure.

However, there was a significant drop in the mines' capital expenditure to under R500 million.

As a result, available profit for distribution or for re-investment did not fall to the same extent as the rise in tax. Distributable profit actually rose by around R195 million to R720 million.

The better times have greatly increased confidence in the outlook for gold and the mining houses are starting to announce expansion programmes.

Gengold is committed to new projects costing R200 million.

Anglo American, which has already made a major commitment in the Mozambique gold mining venture, is following this up with a new shaft at Freegold. The shaft and its ancillary works are expected to cost R500 million.

The day Anglo made this announcement Anglovaal said it would spend R390 million on exploring the mineral rights held by Target Exploration to the north of Free State mine Louma.

Anglo is playing a major financial role in this operation as well.

Expectations are high that JCI will announce plans in the near future for the development of its South Deep project adjacent to the Western Areas mine on the Far West Rand.

None of these ventures falls in the billion-rand class for the industry is still cautious.

It does not want to be caught again with huge capital commitments at a time of a tumbling gold price, so current projects are mainly ones that can be put on hold if the mines' financial position deteriorates.

But the longer the gold price remains at its present level, the greater the likelihood that the industry will dust off its major expansion plans and start investing on a much bigger scale.
MINING house Gencor has set aside more than R500m to cover potential losses in Oryx, just three weeks after the group went public on the funding crisis threatening the developing gold mine.

In what it dubbed a "prudent" measure, Gencor has taken a R505m provision in its year-end accounts to cover the cash it has pumped into the Free State mine.

Gencor, a 62.7% stakeholder in Oryx, provided most of a R500m loan to Oryx in 1991 with Genbel, Sanlam and Anglo American lending the balance. But gold company Gengold warned this month that Oryx could need an extra R300m, after poor initial grades forced its break-even target to be delayed by three years.

Chairman Brian Gilbertson said Gencor was not writing off its investment in Oryx, and that it had not ruled out the possibility of Oryx recovering. But the provision was vital, given the amount of extra cash Oryx could need. "The initial grades are substantially lower than those hoped for. It is going to take more time and money for the mine to break even."

Gencor had to wait until December when a full assessment was available on Oryx's future before making its decision. "What do I do until that statement is made? It's prudent to make the provision," Gilbertson said.

All the geological and technical calculations for the mine were being revised. Gencor would be "disappointed" if the revised break-even date of 1997 could not be brought forward.

Gencor has been expected to continue supporting the mine. But Genbel and Sanlam, which together hold more than 30%, are thought to be reluctant to spend more on Oryx. Gengold sources fear at least one shareholder could withdraw.

Gilbertson declined to say what impact its provision could have on other Oryx shareholders, saying only that Gencor could not run on the basis of trying to "influence some other company to do something or not to do something."
Cold could reach $600 level in long term

Business Report
Rising costs undermine gains in the gold price

OLD producers had to fight further to stop rising costs, or risk eroding the benefits of higher gold prices, market sources said yesterday.

Though total earnings for the September quarter were ahead nearly a third at R2774.5m, sources said the gold price moved more to a 10% jump in gold revenues than to improved operating performances.

Average working costs jumped 5% in the June period and 7% in the 1992 2nd quarter to R883/oz, in part due to higher wages.

But mining analysts said several gold producers seemed to have slackened their hold on costs. Gold producers and yields had also dipped with dramatic bullion price gains likely in the three months to December, next quarter's earnings would be static or slightly lower unless the rise in costs was arrested.

Anglo American's costs rose 7% to R906/oz. Analysts said the group seemed to have ditched its target of zero cost rises this year.

Costs at JCI mines rose 5% to R696/oz. Though Gold Fields of SA reaped the benefits of a gold price ahead 17%, its costs rose 4% on the previous quarter and 15% on the same quarter last year to R772/oz.

Gengold fared better, keeping the rise to 2%, which led several analysts to claim the group had turned in the strongest performance. Randgold's costs rose 1% to R1.067/oz, but the company has been beset by low-grade, high debt and a restrictive forward-selling policy.

Analysts said the strongest individual performer was JCI's Western Areas, which had combined higher tonnage and production with lower costs to post earnings ahead 70% at R377m.

But the JCI stable was also judged to include the quarter's weakest mine. The struggling Joel operation fell into a R2.5m loss. The mine is seeking R100m refinancing, but analysts believe it needs far more to secure its future.

Though Joel's grade had improved in the last quarter, Matheson & Holbeche analyst Rob Gillan said the grade was still well below that needed to break even. He said the mine had total debts of about R300m.

Total capex for the quarter slipped 10% to R55.9m, which combined with higher earnings to lift the industry's tax bill more than half to R5.8bn.

Several analysts said capex could rise substantially as larger development programmes began to kick in.

But an Irish & Menell Rosenberg analyst said the industry would not risk major expenditure because it was not convinced the gold price would hold.

Also, problems at Oryan, Joel and Gold Fields' platinum mine Northam had demonstrated the pitfalls of major new schemes. "It's a risky business," he said...
Optimism over gold eases back

JOHANNESBURG — Early optimism over gold’s weekend bounce back above $570 an ounce eased towards the close as it threatened to dip below that level. Gold closed at $569.50 in New York last night.

Dealers said the market was awaiting direction from foreign investors, who were mostly inactive today.

Industrialists too were awaiting fresh interest before converting mild increases into more substantial gains.

The Gold Index, after falling 60 points in negative Friday trade, ended 30 points firmer at 1,746 — a 1.8% gain. The gold board was also seen buoyed by the weaker commercial rand.

Higher

The Industrial Index ended seven points higher at 4,502 and the Overall Index made 18 points to 3,830.

De Beers was a rand higher at R64, which was off an R84.50 high. Associate Anglo made two rand to R133.

Richemont came under some late pressure in shedding 15 points on the day and SAB shed its earlier 50c gain to end steady at R65.50. Lonrho added five cents to R9.05.

Barlows was 35c better at R40.10.

Liberty was sold as it shed R1.50 to R62.50, while banker Absa collected five cents to R9.15.

Engen was 50c softer at R34 and Sasol rose five cents to R18.55. Sappi made 25c to R20.50 and ended bid at R21 in a recovery from recent sharply lower levels.

In golds, Vaal Reefs was two rand better at R380, Kool was R1.25 up at R41.25 and Eastvaal added 10c to R3.20.

Oryx fell a sharp 20c to R2.50 rand.

Gencor, which announced a modest rise in earnings in the year to August 31, shed its early 20c gain to end unchanged at R9.30. — Reuters.
Gold mines have to stop rising costs

Own Correspondent

JOHANNESBURG — Gold producers had to fight harder to stop rising costs, or risk forfeiting the benefit of higher gold prices, market sources said yesterday.

Though total earnings for the September quarter were ahead nearly one third at R774.5m, sources said the rise owed far more to a 10% jump in gold revenues than to improved operating performances.

Average working costs plunged 5% on the June period and 7% on the 1962 September quarter to R350/oz, in part due to higher wages.

**Slackened**

But mining analysts said several gold producers seemed to have slackened their hold on costs; Gold production and yields had also dipped.

With dramatic bullion price gains unlikely in the three months to December, next quarter’s earnings could be static or slightly lower unless the rise in costs was arrested.

Anglovaal led the rise in working costs, up 9% on the quarter to R391/oz. The rise was in part due to industrial action at Eastern Transvaal Consolidated.

Anglo American’s costs rose 7% to R906/oz. Analysts said the group seemed to have ditched its target of zero cost rises this year.

Costs at JCI mines rose 5% to R888/oz. Though Gold Fields of SA reaped the benefit of a gold price ahead 17%, its costs rose 4% on the previous quarter and 18% on the same quarter last year to R772/oz.

Gengold fared better, keeping the rise to 2%, which led several analysts to claim the group had turned in the strongest performance. Randgold’s costs rose 1% to R1 097/oz, but the company has been beset by low grades, high debt and a restrictive forward-selling policy.

Analysts said the strongest individual performer was JCI’s Western Areas, which had combined higher tonnage and production with lower costs to post earnings ahead 76% at R37.7m.

But the JCI stable was also judged to include the quarter’s weakest mine. The struggling Joel operation fell into a R2.3m loss. The mine is seeking R100m refinancing, but analysts believe it needs far more to secure its future.

**Debts**

Though Joel’s grade had improved in the last quarter, Mathison & Hollidge analyst Bob Gillan said the grade was still well below that needed to break even. He said the mine had total debts of about R800m.

Total capex for the quarter slipped 10% to R550.9m, which combined with higher earnings to lift the industry’s tax bill more than half to R524m.

Several analysts said capex could rise substantially as larger development programmes began to kick in.

But an Irish & Mernell Rosenberg analyst said the industry would not risk major expenditure because it was not convinced the gold price would hold.
Cautious optimism
on gold’s future

OWN CORRESPONDENT

JOHANNESBURG — Prospects for the gold price are good as physical demand and new production appear to be in equilibrium, and investors are more optimistic, N M Rothschild and Sons Ltd. UK director Robert Guy said at the FM Investment Conference yesterday.

But he warned forecasts were not always correct and advised mining companies to hedge at least 20% of their turnover as an insurance.

"The future of gold looks good, but a little insurance would be wise," he said at the conference.

The Far East — the current powerhouse of physical demand — appeared more willing to accept a higher price, said Guy. A few months ago it disappeared from the market when the price rose above $360, but was now more prepared to accept a gold price of $385. "If this tendency is accompanied by better economic performance in the Far East, the physical demand could be very good by the end of the year."

On the supply side, most main suppliers were increasing production but there was unlikely to be any major rise in output. Bullion investors were encouraged by the behaviour of central banks, the stronger physical demand, political and economic factors, the low cost of entry and low carrying cost because of declining interest rates, he said.

In recent months, several major central banks had openly stated their commitment to gold.

The gold market had demonstrated great liquidity and innovation, said Guy. Banks were becoming more involved in the market and taking higher risks. The issuing of new instruments such as gold warrants had helped bring the market new investors keen to stay.

Jacobs, Mellett and Company director and mining analyst Robert Kearney told the conference gold shares were likely to be the best performing equities on the JSE in 1994 as the bullion price appeared likely to hit $400 next year.

She was bullish on gold as supply-demand fundamentals remained positive, the opportunity cost of gold shares was declining and the increasing risks in international security markets also favoured bullion. Kearney said a small move in the gold price would give an enormous gearing on gold shares.
Mining asset sales help boost Amgold outlook

MATTHEW CURTIN

ANGLO American Gold Investment Company (Amgold) has upped its interim dividend by a fifth to 82.5c (62.5c) a share on the back of sharply higher investment income and asset sales from its portfolio of gold mines. Earnings surged more than 50% to 922c (672c) a share.

In the half-year to September 30, the period of the dramatic surge in bullion prices from $350 to $449 an ounce and back again, investment income jumped to R151m from R127m. The improvement reflects higher gold mine earnings in the first two quarters this year from the weak rand plus rising dollar gold prices.

Amgold, the most actively traded JSE gold counter, by value, after Anglo's Vaal Reefs, has significant stakes in Driefontein Consolidated, Vaal Reefs, Gold Fields, Freegold, Kloof, Zandpunt and Western Areas, among its portfolio of listed and unlisted mining and exploration shares.

In the recently announced multibillion dollar asset swap between Anglo and offshore arm Minorco, Amgold exchanges R147.5m stakes in Anglo American South America, an important source of investment revenue, and Australian investment arm South Sea Investments for shares in Minorco.

Lower interest rates hit interim finance income which slipped to R25.7m (R30.6m). That was more than offset by a R83.1m (R10.2m) surplus on sale of investments.

A spokesman said the group was switching investments into longer life "relatively undervalued" gold mines. After expenses, prospecting costs and social investments totalling R18.3m (R21.4m) and no tax, attributable earnings climbed to R229m from R147m.

Anglo gold and uranium division marketing director Kelvin Williams said yesterday the gold market remained firm in the grip of US managed funds, a new breed of professional speculators who had pushed gold prices above $420 in July/August and had returned to inspire the metal's recovery to $370. The funds were dealing largely in gold-linked derivatives through New York commodity houses, unfamiliar with the bullion market, rather than "traditional" US and European banks.

Gold prices had significant upside potential but another bull run would have to take place without the help of a George Soros-like intervention, which had fuelled gold fever earlier in 1993. Fund managers seemed to be encouraged by strong technical indications for support for gold in the $363 to $368 range, then at $370 and $375.

Williams said it was clear that physical demand for gold, particularly in the Far East, had dried up again in spite of some buying when gold fell back below $350 after August.

The establishment of real and stable interest rates in China, coupled with the strengthening of the Chinese yuan against the dollar, had dented some of gold's investment appeal. The "frenzied" gold buying of 1992 had faded, he said.

Recession in Europe and Japan had also dented physical demand. Japanese gold imports fell to their lowest level in six and a half years in July at 7.8 tons, with cumulative yearly imports down 7% at 107 tons from 116 tons in 1992, Williams said.

High, steady bullion prices might encourage renewed central bank sales but the market was still worried about bank selling after the sensible way in which the large disposals in 1992 had been managed.
ANGLO American Gold Investment Company (Amgold) has upped its interim dividend by a fifth to 62.5c (52.5c) a share on the back of sharply higher investment income and asset sales from its portfolio of gold mines. Earnings surged more than 30% to 92.2c (60.7c) a share.

In the half-year to September 30, the period of the dramatic surge in bullion prices from $350 to $409 an ounce and back again, investment income jumped to R151m from R127m. The improvement reflects higher gold mine earnings in the first two quarters this year from the weak rand plus rising dollar gold prices.

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In the recently announced multi-billion dollar asset swap between Anglo and offshore arm Minanco, Amgold exchanges R147.5m stakes in Anglo American South America, an important source of investment revenue, and Australian investment arm South Sea Investments for shares in Minanco.

Lower interest rates but interim finance income which slipped to R26.7m (R30.8m). That was more than offset by a R6.1m (R10m) surplus on sale of investments.

After expenses, prospecting costs and social investments totalling R16.3m (R21.4m) and no tax, attributable earnings climbed to R22.3m from R147m.
NANCY KEATES

A HIGHER gold price and a shift in mining methods is sending shares in Western Areas Gold Mining soaring.

With yields up sharply from a year ago, the share price has risen to R35,75 by the close of trading on Friday from R26,60 at the beginning of the year.

Analysts say the share price will reach R40 in the next few months. Some are predicting as much as R60 by the end of the first quarter of next year.

The mine's yield is now at 6,28g/ton from 5,23g/t in 1992 and about 3,5g/t in the late '80s.

Analysts say the yield could move to 7,0g/ton by the end of the fiscal year on June 30. Provided gold prices do not tumble, analysts say the higher yield should help Western's after-tax profit rise to R34,7m this year from R65,2m.

On the back of the good price and production news, the company paid a dividend of 26c a share for the year ended last June 30, the first since a 16c a share dividend was declared in 1987. Equity International analyst John Thompson says the dividend could rise to 33c this year.

The reason for the stellar performance is "a combination of a higher gold price, reducing the mine's dilution and changing from trackless to conventional mining," says JCI financial director Bill Conn.

Western Areas was a blue chip mine until the mid-'80s, with yearly net income just short of R100m. The trouble started in 1989, when its dilution, the amount of non-gold producing rock mined, became too high because of its decision to implement trackless mining, which replaces the traditional man-with-a-drill with a machine that mines large areas at once.

The decision to go with trackless mining arose due to increasing wage demands by labour, which accounted for about 40% of a gold mine's operating costs, and a desire to keep up with the latest technology.

"It was the new method of mining," says Conn.

The yield from Western Areas fell to about 3,5g/t in 1989. With costs running high, Western decided to close part of its unprofitable northern operation in 1990 and subsequently spun off a new company, South Deep Exploration, now separately listed on the JSE.

Western officials said the deal earned Western Areas about R150m, enough to pay off its debt.

Since 1990, the gradually increasing gold price and reduction of trackless mining has left Western Areas with higher yields and lower costs.

A higher gold price in the past year, which went from about $355/oz in early May to a high of $400,70/oz in early August and back to its current level of about $370/oz, has allowed the mine to implement solutions to certain structural problems.

Declining inflation and lower wage demands have enabled the mine to reduce trackless mining to about 10% of its operations from 85% in 1990.

Western Areas has reduced its labour to about 8,000 from about 22,000 in 1985. Conn says the mine may have to hire people now that it has gone back to conventional mining.

A result of the change back to conventional mining is a 14% reduction in working costs to R453m in 1993 (R503,8m)
No silver lining as gold tumbles

From MERVYN HARRIS

JOHANNESBURG — Gold tumbled on bullion markets yesterday as weakness in the silver price flowed over into other precious metals.

A recent decline in European trading, gold's downward trend continues momentum in early New York dealings with the price jumping more than $7 to touch a low of $310.00.

The metal fell in London to close $6.60 down at $312.15 while platinum closed at $37.65 to a London afternoon setting of $369.35.

The declines came as silver crashed to a four-week low of $4.24 on news that Xerox Corp had developed a silver-free film for graphic arts application, which accounts for about 8% of silver fabrication demand.

Reuters reports that some dealers were sceptical about the news. They said there had been similar announcements before but they would reserve judgment until further details of the project were known.

Bullion dealers said silver had merely provided the trigger for gold to shake out some of the weaker long positions.

But others noted that gold had been looking vulnerable after its repeated failure to break through $370 last week.

Gold's sharp fall came shortly before the close of trading on Du- sol Street, accentuating the downward drift of shares in the JSE Index. The index finished 55 points lower at 1780 in quiet trading.

However, Reuters reports dealers said the undertone was still strong and there had not been widespread heavy selling. Marginal gold mines such as Lorraine and Doorns were hit worst.

Industrials started briskly but ran out of enthusiasm in the afternoon. Dealers said trade was dull but positive political developments ahead were helping to underpin the market.

The Industrial Index gained seven points to 4586 and the Overall Index shed nine points to 3197.

A feature of the day was solid demand for mining house Gencor, which completes its expanding process on Friday. The share gained 35c to R9.85 and related Gembecheer added 50c to R9.

Leading counter De Beers lost 75c to R33.25.

In golds, Lorraine dived R2.75 or 20% to R11 and Doorns lost 25c to R3.75. Dries shed R2.50 to R46 and Kloof lost R3.50 to R29.50.

Lion Match added 2% to R3.25 after news that Control had bought its Interpack subsidiary for R205m. Lion later reported improved interim results.

Fuel companies Batol shed 15c to R18 and Engen lost R1 to R32.25.
RMP hoists profit 48%

BUSINESS STAFF

Rand Mines Properties (RMP) came up with a 48 percent increase in taxed profit from R18.1 million to R19.4 million in the year to September.

This is equivalent to earnings per share of 185c on an increased capital (105c last year), out of which a final dividend of 70c (55c) will be paid for a total of 105c (35c).

Results are not strictly comparable because of the acquisition of 78 percent of Barprop, which contributed R4 million to the bottom line and added muscle to an already strong balance sheet.

MD Colin Steyn says that apart from Barprop's contribution, group results were helped by a strong turnaround in the performance of its RM3 gold recovery operations in Johannesburg, which produced 4.200 kg, major reductions in operating costs, a higher head grade and better gold prices.

The profit contribution from township land sales was 37 percent lower than in 1992 because of a lower level of demand for industrial and commercial land.

Results are gratifying, says Steyn, against the backdrop of a nil-growth economy.

Group turnover rose from R189 million to R227 million, while total operating profit rose from R18.6 million to over R40 million — reflecting the contribution from Barprop before servicing its loan stockholders.

Interest received was up from R5.4 million to R7.6 million, while servicing the Barprop loan stock increased the interest charge to R20.6 million.

The tax bill was down from R10.2 million to R7.5 million.

Total group assets are now R502 million (R170 million a year ago), while total shareholders' funds are up from R119 million to R212 million.
Randoold earnings top forecast

Randoold and Exploration, established last year after the dismantling of mining house Rand Mines, reported earnings of 9c a share in the year to September 30, ahead of its pre-listing forecast of 15c and pro forma 1992 earnings of 5c.

Despite the boost higher rand gold prices gave the group’s gold mines, the company has passed its dividend to conserve cash resources to finance exploration. Chairman Allen Sealey said dividend payments could start in 1994/95, although he forecast no improvement in earnings in the current financial year.

Randoold owns four marginal gold mines — Blyvooruitzicht, Durban Deep, East Rand Proprietary Mines (ERPM) and Harmony — a wholly owned dump treatment operation, Transvaal Gold Mining Estates, a 10% stake in a small Namibian gold mining operation and mineral rights in southern and west Africa.

It is understood Randoold management is in talks with major shareholders Barlow.

MATTHEW CURTIN

Rand and Old Mutual about a possible management buyout of the group as Barlow prepares to sell its 26% stake as part of unbundling.

Revenue from management fees charged to the gold mines and dividend income stood at R50.5m (pro forma R20.2m). Pre-tax profit stood at R15.9m (R3.97m) after operating profit of R7.98m (R1.29m), investment income of R10.3m (R10.5m), asset sales of R2.5m and exploration spending of R4.96m (R6.83m).

Sealey said management recognised it held a portfolio of marginal mines, which nevertheless produced more than 40 tons of gold a year, and would strive to build their financial reserves through gold hedging and improved productivity. Randoold was building new management models, in consultation with employee representatives, likely to be implemented this year.
Western Areas and South Deep sizzle on gold board

Two hot properties

ANALYSTS believe both could make further strong gains in the next 12 months

BY DEREK TOMMIEY

Western Areas and South Deep Exploration have been among the hottest companies on the JSE.

Western Areas’ shares have risen from a low of 190c to R35.75c and South Deep’s have come up from 860c to R39.

Analysts believe both could make further strong gains in the next 12 months, especially if the gold price goes higher.

Both have many things going for them. The strong growth in Western Areas’ price reflects the sharp improvement in working profits and expectation of further rises ahead.

South Deep’s price rise reflects the continued good values being discovered in underground development.

Since the third quarter last year, when it reported a loss, Western Areas’ profits have been rising strongly.

In the September quarter this year it reported a working profit of R35.2 million.

Reasons behind the turnaround in Western Areas’ profits were made plain in a recent visit to the mine.

General manager John Brownrigg said part of the success was due to a young management team.

But much also seems to be the result of getting its cash flow right. The process began in 1986 when it sold part of its lease area to South Deep and used the cash to pay debts.

The resultant positive cash flow enabled it to build up a cash reserve, upgrade equipment and undertake extensive development.

This led to the discovery of large quantities of high-grade reef in the South Shaft area and of adequate gold reserves in the North Shaft area.

These finds have greatly improved prospects, which has led to speculation that Western Areas would be merged with South Deep and help finance its development.

Some mining analysts believe there is more gold in the South Deep project area than in any other similar size area in the world.

Underground development substantiates this view. But mining the deposits will not be easy.

They lie 2.5 kilometres below surface, which presents heat and pressure problems. Part of the reef is exceptionally wide, which could present extraction difficulties.

But JCI, which is developing the mine, has progressed cautiously and believes it has the answer to all the problems.

Underground development at South Deep is taking place from No 2 Shaft. Western Areas Limited ventilation from this shaft is restricting production at South Deep to 30,000 tons of ore a month.

South Deep needs its own shaft if it is to mine on a large scale. This, fully equipped, could cost up to R1.5 billion if Target gold mine’s plans are anything to go by.

Merging Western Areas with South Deep to help finance South Deep’s shaft is a possibility.

But the Receiver or Receiver has to agree.

Also, Western Area’s shareholders might prefer to keep all profits for themselves, even if this means paying tax, rather than merge with South Deep.

Star 8/11/93
BUOYED by an increased gold price, East Daggafontein Mines Ltd (East Dagga) reported increased revenue of R8.9m (R8.2m) for the six months ended September 1993, despite decreased gold production.

Net income after taxation increased to R4.5m (R3.7m)

Earnings of R8.9m flowed from the sale of in excess of seven million tons of slimes to East Rand Gold and Uranium Company for treatment at the Daggafontein plant. Some 1 903kg of gold (1 902kg) was produced.

East Dagga chairman Peter Bieber said difficulties with head grade and recoveries at the commencement of treatment of material from the slimes dams acquired from Gold Fields were the main reasons for the reduced gold production figures. Elsewhere, the treatment of material from the Project Pluto slimes dams was progressing, and East Dagga earned R577 600 during the period under review. An interim dividend of 36c (25c) would be paid to shareholders.

Bieber said subject to shareholder approval, a decision had been taken to unbundle to the extent of distributing to its shareholders shares held in JSE-listed companies.
GOLD recovery holding company East Daggafontein is to unbundle, passing on to shareholders JSE stakes worth R13.3m by the end of the year.

Announcing interim results this morning, the company said the unbundling, which will leave it dependent on its slimes and sand operations, would unlock shareholder value in the company.

The shareholdings — in Lydenberg Exploration, Knights Gold Mining and Randex — were valued at R5m in East Dagga’s 1993 accounts, against a book value of R14.3m. But gold’s recovery since then has boosted the value of the holdings.

Chairman Peter Bieber said last night shareholders would be offered shares worth R1 for every East Dagga share held.

“These investments are not taken into account by the market in valuing the company,” he said. “This (the unbundling) will add value to shareholders’ interests in East Dagga.”

Its right to subscribe in Anglo American’s Eastvaal scheme, through its 12.4% Lydex stake, will be offered directly to East Dagga shareholders.

In the six months to September, the company lifted net earnings to R4.6m (R3.7m). The interim dividend nudged to 26c (25c), as higher revenues and lower tax offset a deterioration in operating performance.

Revenues rose to R8.8m (R8.2m) despite a nearly 25% drop in production to 1.6m kg prompted by failing grades and recovery from slimes dams material bought from Gold Fields two years ago.

The material, on which it had spent R23.3m, had begun to hit forecast head grades. The treatment of high grade slimes from Project Pluto, in which East Dagga has a 9.5% stake, contributed R9.5m.
Gold punches through $370

GOLD punched through $370 in London yesterday, propelled by speculative activity and reports of physical buying. It closed $7 higher at $372.05, as Wednesday night's New York comex rally rippled across European and Far Eastern markets. The resurgence continued in New York with gold opening at $373.25, from the previous close of $367.45. It was at $373.45 in late trade.

Dealers said the rally was rooted in technical buying from US investment funds, and reports that demand from the Middle and Far East was long absent from the market had re-emerged. European institutions were also signalling plans to take up positions in gold.

Industry sources said the metal could swiftly push past $375, breaking out of the technical trading range in which it has recently been embroiled.

"There's very good reason to feel very constructive about the market," said a senior Anglo American official.

The rally also gained momentum on fears that world markets were overheating, and rumours that international investor George Soros was selling US bonds ahead of a return to the gold market. The JSE Gold Index, already enjoying heavy interest prior to gold's gains, ended ahead 72 points at 1798. Vaal Reefs jumped R11 to R385. Western Deep rose R7 to R168 and Kloof gained R3 to R45.

Gold's gains helped pull platinum to its highest level in two weeks at $374.50, and silver rose to $4.45 ($4.34).

Meanwhile, JSE dealers said demand remained in place for quality shares and a short supply of scrip continued to underpin prices.

The Industrial Index was a point better at 4592. The Overall Index was 32 points higher at 3978. All three ended at their day highs.

Shares in OK Bazaars were bid sharply higher on news that 65% shareholder SAB had offered R10 a share to buy out OK minorities. OK shares were bid R1.75 higher at R9, but SAB lost R1.25 to R10.75.

Barlows was 26c better at R41.25, Lourho added 10c to R8.20 and Sappi rose 50c to R23.50.

In golds, Eastvaal climbed 10c to R4,45. Gencor extended Wednesday's gains in adding a strong 65c to R16.45 in an apparent re-rating.

Business Staff, Own Correspondent and Reuters
Gold bounces up towards $380

By ARTHUR KAHN
and KATHARINE BUTT

Closing gold (in $ an ounce)

NEW YORK 376.75/377.25
LONDON 377.30/377.80
Fixing am 374.40
Fixing pm 377.75
ZURICH 377.00/380.00

Reuter

The gold index, in line with the price trend, hit a new high of $380 an ounce. In London, the metal closed up another 75 pence, hitting for the first time above the $377.30 level. The rise was due to the improving economic outlook in the United States, which has a major influence on the price of gold. The recovery in major currencies, particularly the dollar, is a factor. This trend, together with the strengthening of the demand for gold as a safe haven investment, has pushed prices higher. Industrial stocks, which had been down earlier in the day, also showed gains, reflecting the positive trend in the gold market. Barlows' price on gold in the US, which had been under pressure earlier, has stabilized. The New York gold market, which had been active earlier, continues to support gold prices as it gains momentum.
Kloof was not insured for losses

KLOOF, SA's richest gold mine, was not insured for the loss of gold production following last month's accident which closed its No 3 shaft, parent company Gold Fields said yesterday.

Though action was being taken to limit damage to the mine's earnings, market estimates suggest gold production worth at least R100m a quarter could be in jeopardy as a result of the shaft's pipework collapse.

Alan Munro, Gold Fields group executive director for gold operations, was reluctant to quantify the likely losses but said that the processing of surface reserves could underpin earnings through to next March.

It was not clear at this stage how long the shaft, which accounts for between a third and a half of Kloof's production, would be out of commission. Gold Fields was hoping there would be minimal damage to earnings, but it was unable to say what the longer-term impact on Kloof's returns would be.

Stockbrokers have been calculating likely losses based on a shortfall on the mine's recent average quarterly 8 000kg gold production.

Analysts believe the high-yielding shaft could be out of commission for at least three quarters. Even if the December and March quarters are covered, this could still leave Kloof short in the June quarter. The figure could be far higher than R100m if the shaft remains out of commission beyond that.

Munro pointed out that such calculations were just guesses. The policy of not insuring production was drawn up in 1889. "We cannot get insurance for everything, except at a price," he said. "I doubt we are unique in that." Gold Fields has been reluctant to comment on the effect of the accident. Munro added that treating Kloof's surface reserves — thought to be about 250 000 tons — would compensate for lost production, while redeploying staff and reactivating other areas of the mine could further underpin earnings. The impact on working costs would be minimal.
Consolidated Mining trebles its figures

Higher revenues and operating improvements lifted earnings at gold and asbestos company Consolidated Mining Corporation more than threefold for the six months to September. The firm lifted earnings a share to 2.04c (0.6c) and restored its interim dividend at 1c. Turnover rose 12% to R86.7m, while pre-tax income jumped to R19.4m (R9.8m). It also gained from a tax credit of R0.5m.

CMC chairman Gerald Rubinstein attributed the performance to "the healthy state of our gold and asbestos operations" and an improved gold price. He said all group companies, except the Wits Nigel gold operation, were paying dividends. The Droogebult section of the formerly moribund mine was restarted in July and would begin paying dividends soon.

The company offloaded its control of loss-making diamond operation Carron on Wednesday after a deal to merge it with Rex Mining.

CMC's valuation of unlisted HVL, in which it held 35%, was R15m.
Joel gold mine shares too low to call for rights issue

SHARES in JCI's H J Joel gold mine were too low to allow the mine to call a rights issue to raise the R100m it needed, sources said yesterday.

"Though the value of the counter had nearly doubled in the last three weeks to close at R8.40 yesterday, mining analysts said this was well below the price at which JCI would be comfortable issuing new shares. JCI said Joel mine needed R100m as a safety net while its fight for survival was under way. JCI had to outline when and how it would raise the cash. It was considering several options, it said yesterday.

"Analysts said the share, though off its lows, had to move far higher before a rights issue was feasible. On the current share price, Joel would have to issue nearly 30-million new shares to net R100m — diluting its sharebase by nearly a third — even before a discount deemed necessary by its performance to date.

"JCI believes in the share," said Irish & Menell Rosenberg analyst Duncan Ingram, "and (at the current price) it would be almost giving it away." Analysts said JCI was more likely to wait in the hope that the share would move closer to R5 before coming to the market, or explore other alternatives, such as issuing debenture stock or convertible preference shares.

JCI was thought unlikely to borrow the R100m, given that its present debts of about R300m were only just below its market capitalisation.

The Free State mine, the newest in JCI's stable, had been dogged by temperamental grades and high costs which had kept it in losses for three of the last four quarters and pushed up borrowings.

Joel had moved to a seven-day working week, and cut monthly production by a third to 60,000 tons while it built up reserves.

The mine hit a year low of 85c in February, but had staged a faltering recovery since the September quarter after JCI announced grades had begun to improve. It reached a year high of R3.80 last Friday.
ERPM forecast offers investors R44m payout

ANDY DUFFY

RANDGOLD's debt-burdened gold mine ERPM could pay out R44m next year if investors heed its R55m capex call, according to the company's own detailed forecast.

The report - expected to form the basis for the rights issue prospectus to be released on Friday - also predicts a sharp rise in tonnage and yields to push gold production up by more than a fifth.

The dividend forecast translates to about 50c a share on a share basis expanded ninefold by the refinancing, against ERPM's 36c a share loss in the three quarters to September.

The report's figures are based on real-term revenues effectively static at R39.51/kg. Should the real-term gold price rise by just 10%, the value of the payout would rise 64% to R72m.

ERPM MD Glenn Laing refused to be drawn on the forecasts ahead of the prospectus, adding only that ERPM would pay a dividend next year.

But if proven correct, the figures are likely to answer ERPM's critics that the dilution of future earnings would offer shareholders only minimal returns.

The refinancing, confirmed two weeks ago, should eliminate a R53m debt that has belittled the East Rand mine, and leave it with R14m in working capital.

The 665 for 100 rights issue, and a R110m preference share conversion by Randgold, will lift the number of shares in issue from 10.6m to 140.3m.

Analysts remain divided, however, over ERPM's predictions, particularly its expected operating performance.

The report said ERPM would focus on the high-yielding southeast and far east sections of the mine, which would lift tons milled 14% next year to 1.32 million tons and push grades to 6.1g/t (5.8g/t).

This would lift production to 6.051kg (6.674kg). The rise in working costs would be only 3% or R38.13/kg, ERPM said.

Attributable earnings would move from R44m next year to R177m by 1998, the report said, despite a R220m capex programme over that period.

But production would fall sharply from an 11.945kg peak in the same year as grades deteriorated. The mine would have determined by then whether its Southern Payshoat reserves - estimated at 23-million tons and 1.100mg/t - were viable.

Cause for concern was whether ERPM had left itself enough leeway to pay a dividend. ERPM itself put the attributable margin at just 1% next year, 4% in 1995 and 3% in 1996, possibly jeopardising the dividend if production were disrupted.

ERPM has spent much of the last week wooing the JSE investment community, after shareholders cleared the rights offer last Wednesday. Few JSE brokers are thought likely to recommend their clients follow the call.

French and Belgian investors, however, who hold 42% of ERPM, may subscribe. "The French are eternal optimists as far as gold is concerned," said a JSE analyst.

The rights offer price - R5 - is 30% below the level at which the share stood on the day the terms were unveiled. Since then ERPM has wavered between R9.32 and R10, against a year high of R16 in June. Though buyers came in at R5 yesterday, there were no sellers. The share closed unchanged at R10.
ERPM forecasts
R44m bonanza

From ANDY DUFFY
JOHANNESBURG. — Randgold’s debt-burdened gold mine ERPM could pay out R44m next year if investors heed its R550m cash call, according to the company’s own detailed forecast.

The report — expected to form the basis for the rights issue prospectus to be released on Friday — also predicts a sharp rise in tonnage and yields to push gold production up by more than a fifth.

The dividend forecast translates to about 30c a share on a share base expanded ninefold by the refinancing, against ERPM’s 36c a share loss in the three quarters to September.

The report’s figures are based on real-term revenues effectively static at R39 514/kg. Should the real-term gold price rise by just 16%, the value of the payout would rise 94% to R72m.

ERPM MD Glenn Lang refused to be drawn on the forecasts ahead of the prospectus, adding that ERPM would pay a dividend next year.

But if proven correct, the figures are likely to answer ERPM’s critics that the dilution of future earnings would offer shareholders only minimal returns.

The refinancing, confirmed two weeks ago, should eliminate a R520m debt that has belittled the East Rand mine, and leave it with R94m working capital.

The 665 for 100 rights issue, and a R10m preference share conversion by Randgold, will lift the number of shares in issue from 16,6m to 149,3m.

Analysts remain divided, however, over ERPM’s predictions, particularly its expected operating performance.

Capex programme

The report said ERPM would focus on the high-yielding south-east and far east sections of the mine, which would lift tons milled 14% next year to 1,32-million tons and push grades to 6,1g/t (5,6g/t).

This would lift production to 86,6t/kg (6,466kg). The rise in working costs would be only 3% or R20,132/kg, ERPM said.

Attributable earnings would move from R44m next year to R177m by 1996, the report said.

Despite a R220m capex programme over that period. But production would fall sharply from an 11,946kg peak in the same year at grades deteriorated. The mine would have determined by then whether its Southern Payshoot reserves — estimated at 23-million tons and 1,100m ng — were viable.

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ERPM has spent much of the last week wooing the JSE investment community, after shareholders cleared the rights offer last Wednesday. For JSE brokers are thought likely to recommend their clients follow the call.

French and Belgian investors, however, who hold 62% of ERPM may subscribe. The “French are eternal optimists as far as gold is concerned,” said a JSE analyst.

The rights offer price — R5 50c below the level at which the share stood on the day the term was unveiled. Since then ERPM has wavered between R5,25 and R10, against a year high of R18,5 in June. Though buyers came in at R5 yesterday, there were no sellers. The share closed unchanged at R10.
GOLD Fields' Deelkraal gold mine had to bolster its performance if it was to fund vital expansion without threatening its dividends, the mining house said yesterday.

Though Deelkraal has been hit by rising costs and falling production, Gold Fields said the mine's cashflow should pay for its R16.5m No. 1 tertiary shaft if its yields and revenues improved.

The shaft, due for completion at the turn of the decade, would access reserves vital to the mine's future.

Analysts believed Deelkraal would have to reduce its dividends during the shaft's mining, or would be forced to seek external funding.

Gold Fields said Deelkraal was aiming for internal funding, but it had several alternatives.

These included a rights issue or convertible preference shares.

A spokesman said: "There is a large piece of ore down there. By hook or by crook we are going to mine it. It just needs better produc-

tion and a better gold price to make it comfortable."

The shaft had been shelved as a swift and inexpensive way to access ore needed to replace that currently being exploited between Deelkraal's 21 and 33 levels.

The mine has suffered from a lack of available face, which in the September quarter left production at 2,157kg, 9% below that for the same quarter in 1992. Costs rose more than a fifth to R165.73/t in the period.

Though the mine's September quarter earnings rose more than a fifth to R18.8m on higher revenues, Gold Fields warned it was not generating sufficient cash to fund its capex.

Grade for the past five quarters has been well below the target 6g/t.

Deelkraal has sunk R11m into the shaft this year, barely keeping the work on schedule. An estimated R220m will be needed for equipment once it is sunk.
Freegold cautious over Erfdeel

ANGLO American's Freegold gold operation was a year away from deciding whether to push ahead with the phased expansion of its Erfdeel division.

Gold and uranium division MD Lionel Hewitt yesterday said exploration at Erfdeel No 5 shaft had shown grades in line with projected forecasts and the mine was covering development costs.

It would be another year before the company could determine whether yields on the Basal Reef would make development viable. Even then, initial expenditure was likely to be limited to "tens of millions, rather than hundreds of millions".

Capital expenditure would be in keeping with the limited knowledge of the new proven area, Hewitt said.

Development of the shaft at forecast grades was dependent on a gold price of R40 000-R45 000/kg, against a current price of R40,112/kg.

The No 5 shaft was now producing sufficient gold to show a small working profit and should cover the cost of exploration over the next year. Freegold had still to determine the extent of possible reserves.

Minimal returns from Erfdeel's current operations at No 4 shaft had prompted Lonrho-owned Duiker Exploration to sell to Freegold its 36% stake in Erfdeel's holding company Eastern Gold Holdings.

The higher gold price had lifted the mine into a working profit but, even at break-even, Freegold would be reluctant to shut Erfdeel because this would disrupt costs across Freegold, he said.

ANDY DUFFY
Rights issue the key to way ahead

Bright future forecast
for a new-look ERPM

SHAREHOLDERS are being asked to provide R553 million to repay debt and complete the Far East Vertical Shaft system

BY DEREK TOMMEEY

The large sums of money being raised by ERPM should make it a highly profitable mine if gold rises above its present level.

This was the message chairman John Turner had for shareholders when he gave the background to the rights issue yesterday.

ERPM has been struggling for many years to open up the Far East Vertical Shaft system to work the central payshoat.

It has been seriously hampered by the low gold price and the need to pay interest on heavy debt.

Shareholders are being asked to provide R553 million to enable it to repay debt and have enough working capital to complete the Far East Vertical Shaft system.

Shareholders are being offered 655 new shares at R5 a share for every 100 held.

Turner said ERPM was unable to meet its December loan repayment commitments and that without the rights issue the mine would probably have to go into liquidation.

ERPM was now different from what it used to be.

There was greater confidence in the central payshoat. The grade of ore encountered was up to expectations and the infrastructure was in place to access the central payshoat.

Only relatively small expenditure was needed to exploit it.

He said gold sentiment had changed and the gold price today was higher than anyone thought possible a year ago.

Newly appointed MD Glenn Laing said recovery grade should be around 6 grams a ton. He expected underground production to rise from 1,3 million tons a year in 1994 to around 1,8 million tons in 1998.

Gold production should rise from 9,977 kg in 1994 to 11,949 kg in 1998.

He saw no major problems in working the central payshoat. ERPM had been in operation for 100 years and had already worked at depths equal to and lower than those in the Far East Vertical Shaft system.

There was, therefore, no need for a learning curve, no need for experiment and no need for new techniques.

ERPM was benefiting by moving away from incline shafts to more economical vertical shafts.

Randgold's finance director Mike Heyns said that whether the mine's shareholders took up their rights would probably depend on their view of the gold price.

Working costs at ERPM would be about R35 000 a kilogram, making it a high-cost mine.

Forecasts based on a gold price of $355 showed ERPM should be able to pay dividends of around 29c a share next year.
Randgold’s classic move restores a promising look to ERPM

THE classic gold play is how East Rand Proprietary Mines’ management company Randgold views the rejuvenated mine.

The 109-year-old Boksburg mine has a rights issue to raise R553-million Holders of 100 shares will have rights to 065 new shares at 560c each. The current market price has fallen from R10, when the terms of the offer were made known, to 560c and trade in the nil-paid letters opened at 12c to 76c.

The mine has struggled along for 20 years and by the end of this year would have incurred ‘long-term’ debt of R404-million, pumping loans of R38-million and a Randgold loan of R15-million. Repaid, 6 500 jobs saved, the exposure of the SA Government to debt reduced, Boksburg reprieved and shareholders are only diluted and not wiped out.

Excluding any mining of reserves beyond 2003, any cash or any break-up value attached to the mine thereafter, ERPM will not provide a real return on equity using Randgold’s conservative gold forecasts.

Randgold assumes a constant dollar price of gold at $355/oz, and depreciates the currency by the rate of producer-price inflation as forecast by the University of Stellenbosch’s Bureau for Economic Research – 10%-ish.

In rand terms, the present value at 0% real return in 1994 is 480c and at 5% real return is 310c.

But a 10% higher gold price lifts dividends and the present value at 0% climbs to 673c a share and at 5% to 443c. The higher the gold price, the better the return on equity, hence the gold play.

Managing director of the mine, the entrepreneurial Glenn Lang, says investors can apply their own view on the gold price.

ERPM shares will always be available in large numbers for speculators and investors – more than 14-million have traded this year. There are 16,6-million in issue, which will rise to 127-million with the rights issue.

ERPM forecasts a 29c a share dividend next year, rising to a peak of 39c in 1998. Thereafter, the grade has been marked down because of the reduced confidence level of predicting mineable grades after then, not because the grade drops.

Only half of ERPM’s 65km² lease area has been mined. The mine’s future is centred on the southeast portion in the new far-east vertical shaft system where in situ grades top 8g/t, of which more than 6g/t is recovered. Exploratory work has identified faults and dykes and accommodated them in the mining plan.

The use of ice in cooling the deep-level mine will allow access to previously sterilised ore blocks. Ore will be sourced from the L, K and Hercules shafts as well as from the Far-East upper and lower sections.

The Anglo dump is also being re-treated and gold production should rise to 11,9 tons by 1998 from 9,3 tons in 1994.

Minin costs exceeded revenue in recent years because the tortuous hauling from deep levels in the older, less modern sections of the mine is so expensive.

Although ERPM will remain a high-cost producer, the mining cost is expected to come down from R33 400/kg in 1994 real terms to R27 300/kg in 1998 real money because the new workings are modern and recovered grades and productivity should rise.

Hedging of gold production is also a critical factor for ERPM’s future to allow it to plan, secure minimum returns yet be flexible enough to allow the upside benefits of a gold rally to be reaped.

Put options have been bought to secure the bottom price at $690 from early next year. If the mine has hedged everything this month, the revenue would have exceeded the amount budgeted by 4%.

ERPM intends to maintain a cash balance of R100-million at all times. It is necessary to invest a total of R52-million by 2003 in a tax-free trust to cover rehabilitation costs. The mine will pay no tax in any year for several years because of large assessed losses and unredeemed capital expenditure.

Mr Lang says that investors are effectively getting a R33-billion brand-new mine with tried and tested procedures, proven ore body, trained workforce and complete infrastructure, for only R550-million.

Investors need to be bullish on the gold price to follow their rights, but ERPM offers considerable leverage. Mr Lang notes that the foreign participants have taken a bullish view on gold and that sentiment has turned.

By JULIE WALKER

Repayment of the first installments of the debt falls due before year-end and ERPM does not have the money. For this reason, a rights issue now is critical.

Management says everybody wins under the arrangements, which rely on the securing of an underwriter – FirstCorp and French group Parnhas – with Randgold sub-underwriting a portion of FirstCorp’s commitment to keep its shareholding at 20,5%. The big players cannot sell their shares for two years.

Liquidation is avoided, lenders
Golds revive on buoyant bullion

A RISING gold price boosted gold shares on the JSE yesterday to sweep the Overall Index up 14 points past the July peak of 4 289 and close at a record 4 323.

Gold rose to its highest level in more than three months but was finding resistance in breaking the key $380 level. A London dealer said gold could “go like a steam train” if it breached that level, Reuters reported.

The metal eased off a high of $379.20 in London to close 60c firmer at $378.95 as it shrugged off a World Gold Council report that demand declined 4% in the third quarter of 1993 from the same period last year.

While gold demand for the first nine months of this year rose 6%, demand was depressed by a 15% decline in developing countries in the third quarter.

The council estimated demand at 560 tons in the third quarter, and at 1 187 tons in the first nine months.

The Overall Index came off a session high of 4 289 as leading industrials retreated in the face of weak international bourses. Dealers said last week’s buying stampede had pushed prices to “fancy levels” and some pullback was not surprising.

Foreign buying was said to be less aggressive than last week when investors were prepared to pay higher prices for lines of industrials. But solid underlying demand for quality shares was reflected in buying on the way down and share advances on the overall market led declines by more than three to one.

Board of Executors’ portfolio manager Rob Lee said the “emergent economy” status of the new SA was attracting foreign investors to the local stock market.

Lee said this investor confidence, which is predominantly US-based, was flowing into previously under-rated industrial stocks.

Lee added although the feeling was that the market would continue to rise steadily, there were still risks attached to investment in this country.

A JSE dealer said industrials were looking a bit tired yesterday “It is not surprising considering London and the Dax.”

Dealers said European share market weakness and an expected decline on Wall Street were behind the softer showing, but steady demand and limited supply were seen continuing, offering further support.

The Gold Index made 44 points, or 2.5%, to 1 972 and the Industrial Index slipped 17 points to 4 884 after last week’s 6.1% jump.

Market leader De Beers ended better at R94 from R93.5. Associated Anglos added R1 to R162.

Lonrho made a strong 35c to R9 and Genbel rose 10c to R5.

Richement came under pressure in losing R1 to R3.75. Barlows lost 75c to R4.25 and Hemgro lost 85c to R2.75.

Anglovaal was R3 softer at R112.

An early strong start for bankers faded as Absa lost five cents to R9.15 and Nedercor slipped 50c to R20. Firstbank held its R2 gain to R22.

In golds, Vaal Reefs added R6.50 to R39, Lorraine made a hefty R1.50 to R20.50 and Kloof added 50c to R45.50 — Business Staff, own correspondent and Reuters
BEATRIX PLANS TO PHASE IN CAPEX

WELKOM — Beatrix Mines said it planned to internally finance current ore reserves replacement projects on its northern boundary, while maintaining a growth in dividends.

‘Capital expenditure will take place in phases, thereby enabling the mine to either curtail or accelerate expenditure depending on the gold price,’ finance manager Ferdi Dippenaar told mining analysts.

Beatrix, owned by Gencor, is a young, low-cost gold producer which lies at a shallow depth in the Free State goldfields.

Current reef production is 178,000 tons a month, which at an average grade of 6.1g/ton, produces 1,067kg of gold a month.

Beatrix plans to complete two decline shaft systems to access new deeper ore reserves over the next few years, at a cost of about R100m, as an intermediate step to mining a No. 3 shaft.

Officials said the No. 3 shaft would be well below the initial estimate of R450m in 1993 money terms. The shaft is expected to be sunk within the next five years.

Dippenaar said any capital expenditure shortfall for the shaft would be met either by loans, a gold loan, or a rights issue.

The new projects will extend the mine’s life to 2019 from a current expected 2008.

GM Sam Goodwin said a high development rate of 2.7km a month over the past ten years had resulted in the No. 1 and No. 2 shaft areas being 75% developed.

This gave Beatrix three-and-a-half years of fully developed ore reserves, which gave great flexibility in mining operations if the gold price fell. — Reuters
Eersteling to lift production

BY DEREK TOMMEY

Refined Eersteling gold mine is to increase ore production from 6,000 tons a month to 13,000 tons a month by next June, while maintaining stringent grade control.

Chairman Donald Jowell says the higher output will lead to cost savings. Assuming no big fall in the gold price, profits before capital expenditure should increase.

At June 30 the mine had proven ore reserves of 140,000 tons, averaging 5.30 grams a ton.

Working costs in 1992-93 were R27.010/kg and the yield was 5,510 grams a ton.

Net profit was R2.5 million — equal to a diluted 15c a share. A dividend of 3c a share was paid.
STRONG performances from Anglo American's gold mining subsidiaries and investments plus the rand's weakness against the dollar would underpin interim results from SA's leading mining industrial group, market sources said yesterday."}

Anglo reported for the half-year to September 30 today. The market is expecting to hear of progress on its major capital projects in SA and abroad - Columbus stainless steel, the Namakwa mineral sands development, the Moab gold project, a range of copper mining projects in Chile and Peru, the Del Monte/Royal joint venture and the Zebra electric car battery project in Germany.

Analysts said they expected equity-accounted earnings to rise between 8% and 15% to as high as 550c a share, compared with 475c in 1992. Opinion was divided on the chances of an increase on last year's interim dividend of 95c. One analyst said the improvement in earnings would bring them in line only with 1991/92 interim figures. Since then the group had paid unchanged 90c and 355c in term and final dividends.

Anglo would do without the large deferred tax break at subsidiary Amcoal, which lifted attributable earnings in 1992/93 to 660c from an underlying 615c a share. Attributable earnings would still show a good recovery to 711c, one analyst said.

The results reported are Anglo's first since it and associate Minocro regrouped their assets in a $1.4bn swap in September.

Analysts said although the transfer of Anglo's non-African assets to Mincor would have no short-term impact on earnings, the move represented a sound refocus of the group's interests, particularly for investors wanting exposure to businesses previously fragmented through the group.

Anglo's share price has soared to record levels of near R160 on recent weeks amid the flurry of overseas interest in the JSE's blue chip counters. The shares eased 50c to close at R155 yesterday.

Analysts said firm bullion prices and the weak rand, which had lifted subsidiary AngloGold's earnings and dividends, coupled with sharply higher dividend declarations from individual gold mining companies such as Western Deep Levels, Vaal Reefs and Eldorado, would improve gold's contribution to earnings.

The weak local currency would flatten the contribution from De Beers diamonds, though it was not enough to mask a weak showing from Amcor.

Anglo's mining finance interest would make a good contribution after cash-flush Minocro turned in better interim earnings and dividends, although JCI had declared an unchanged dividend.

Analysts expected a flat contribution from Anglo's industrial interests but the strong interim showing from First National Bank would improve the contribution from financial services, they said.

The weak spot would be Anglo's platinum, base metal and other mining interests, reflected in the declining earnings and dividends seen at Rustenburg Platinum, Samascor and Palamin.
Anglo dividend up with robust results

MATTHEW CURTIN

ANGLO America has increased its interim dividend by 5c to 55c a share after reporting a robust set of half-year results coupled with an upbeat business forecast for the rest of the year.

Attributable earnings climbed to 271c (261c) a share in the six months to September 30. At the equity accounted level, earnings jumped 16% to 546c (476c) a share.

Chairman Julian Ogilvie-Thompson told a news conference yesterday that economic developments in the past six months were cause for a more favourable business outlook, while the five-year government of national unity, set to follow April's election, would give the country "the best chance of creating the political and economic stability required for growth and broadly based development".

He was not concerned by contradictory economic policy statements from the ANC, which had to be understood and expected, as well as contrasted with the progress made at the National Economic Forum and in securing possible IMF assistance.

A recovery in world gold and diamond markets, the impact of which was inflated by the rand's weakness against the dollar, proved to be the mainstay of the mining industrial group's performance.

Interim pre-tax profit rose nearly a fifth to R528m (R458m), largely as an advance in investment income to R89m (R64m). That was derived mostly from improved dividend receipts from the group's gold mining interests which contributed more than a third of investment income. Ogilvie-Thompson said average rand gold prices had risen 11% to R79 634 a kilogram in the first six months of 1993, while the gold mines had benefited from improved grades and cost containment.

Trading profit slid to R241m (R259m), largely as a result of subsidiary Ancoa being hit by soft international coal prices. But sales by gold mining investment subsidiary Angold lifted the group's investment surplus to R68m (R11m). Other income fell to R72m (R47m) as lower prospecting spending did not offset falling interest rates and fee income.

Ancoa's weaker performance had a beneficial impact on Anglo's tax bill, which declined to R121m (R150m) leaving after-tax profit at R577m (R778m). Attributable earnings stood at R652m (R517m).

Sharply higher retained earnings from Anglo's associate companies boosted equity accounted earnings to R128m (R110m), reflecting the improved interim performances from leading associates De Beers, First National Bank and Mincoro. Anglo recorded an extraordinary surplus of R15m (R15m deficit) relating to various surpluses reported by its associates.

Ogilvie-Thompson said the results were pleasing, adding that it was particularly important for the corporation to be in a period of expansion at a time of transition Development of the R2.8bn Columbus stainless steel joint venture, the R1.7bn Mosab gold project, expansion at Freegold and the R5bn Namaxwe Sands project were progressing smoothly.

Deputy chairman Lesle Boyd said there was "real substance" to the improved results posted by many of Anglo's subsidiaries. "Encouraging signs of economic recovery" were visible in better car sales and improved steel and chemicals consumption, while the good rams would lead to more demand for fertiliser.

In contrast, Ogilvie-Thompson said "We don't see international commodity prices picking up in a hurry". Boyd said that the sustained weakness in prices stemmed largely from the break-up of the former Soviet Union and the flood of low-priced exports. Demand for commodities remained strong as many had underestimated the economic power of southeast Asia.

Deputy chairman Nicholas Oppenheimer said the diamond market was holding up well with good retail sales in the US offset by the poorer demand in Japan. Rough diamond sales for the full year would be in line with the Central Selling Organisation's midyear forecasts.
GENCOR's gold mining company Gengold will put plans to refinance the struggling Oryx gold mine to the mine's shareholders and banks by the end of this month.

Gengold MD Gary Maude said yesterday that talks would focus on rescheduling the Free State mine's R550m debt. He said it was not clear shareholders Gencor, Genbel, Samlan and Anglo American were prepared to pump new money into Oryx.

It emerged in October that Oryx could need an additional R900m to fund the development needed to bring it into profit. The original financing plan — based on the debt, R979m from the shareholders, and Oryx's own cash generation — had been derailed by initial grades proving to be 80% below expectations.

Gengold called in independent auditors to check the viability of the mine. The report was handed to Gengold at the end of last week, Maude said.

The refinancing proposals would be based on its findings. The company would make its announcement on the future of the mine in January, he said.

Though Oryx has sufficient funding to see it through to next March, the market has been looking to Gengold for a clear signal on the mine's future.

Gengold said that the R900m figure was a worse case scenario, and that grades had begun to improve over the past few months.

Gencor, which owns 62.7% of the mine, has made clear that it expected the independent audit to bring forward the revised 1997 break-even date.

But Gencor chairman Brian Gilbertson warned last week in his annual review that "even if the original ore reserve estimates are substantiated as development progresses, it is unlikely that break-even will be achieved much before 1997."

Maude said yesterday that this was due to the current debt repayment programme.

Oryx closed up 25c at 355c on the JSE yesterday, on suggestions of a brokers' report suggesting the mine was a recovery stock. It had hit 350c on news of the funding crisis, against a 650c year high in July.
Anglo goes ahead with Mali mining

ANGLO American is to go ahead with a $30m low-cost, low-grade gold mining project near the town of Sadiola in the west African state of Mali.

The group will use offshore facilities to finance the project, although it is understood the International Finance Corporation, the private sector arm of the World Bank, will make loan finance available and is negotiating to buy part of the Mali government’s stake in the project.

New mining business division projects director Neville Keys said yesterday Sadiola was part of a vast and “highly promising” gold-bearing geological zone stretching from Ghana to Senegal.

Anglo had completed a year-long feasibility study in November which was handed to the Mali government last week. He was optimistic that exploration Anglo was conducting in the area would uncover new deposits in addition to replacement and possibly expansion tonnage for Sadiola.

The mining house has a 40% stake in Sadiola with Canadian company IAMGOLD (40%) — which owns the mining concession and conducted early exploration work in 1991/92 — and the Mali government (20%).

The mine, with estimated ore reserves of 56 million tons and an average grade of two grams a ton, is likely to reach full production of 12 tons a year in 1997, similar to local gold recovery operation Ergo.

Keys said Sadiola posed few mining or metallurgical problems. The highly oxidised ore was close to the surface, suitable for open-cast mining with a stripping ratio of less than one to one. The rock could be treated with the carbon-in-pulp technology used at Ergo and East Daggafontain.

Anglo was managing and financing the project, which would include the construction of a recovery plant and infrastructure to serve the mine, upgrading roads and building a water pipeline from the Senegal river and a diesel electricity generation plant. Keys expected Anglo to secure the mining licence in February.

The project is the first new gold mining venture Anglo has undertaken since the development of the Elandergold gold mine near Carletonville, commissioned in 1979.

The new mine could provide the platform for an important new gold mining complex spanning Senegal, Mali and Burkina Faso. Gold Fields, De Beers and JCI have announced acquisitions in Ghana.
Durban Deep's fate to be decided by end of month

THE future of Durban Deep gold mine was still in the balance, Randgold & Exploration chairman John Turner said yesterday.

The company had to decide whether the mine would close, but was taking every step necessary to keep it going, he said.

The mine — which employs 5,000 staff — had been warned that it faced closure by the end of December unless it cut costs and hiked productivity.

Durban Deep was "an important component" of Randgold, Turner said. It had been given "a lot of attention, but you have only got to look at the mine's results. They have not been good for the past two quarters." Durban Deep's fate would be announced when Randgold unveiled its December quarter results.

Andy Duffy

The company issued the closure warning in October.

Durban Deep had set itself the targets of building up cash reserves and retaining its narrow working profit margin, but a combination of political disruption and cash constraints have cut deeply into production and forced up costs.

The mine slumped to a R1.8bn pre-tax loss in the June quarter, and a R4.5bn loss in the three months to September. Production in the September quarter was down 25% on the same quarter a year earlier, while working costs were up 27%.

The recent gold price has provided little comfort because Randgold policy is to sell forward about 80% of its gold production.
With the JSE All Gold Index back above 2,000, the boom in gold shares has rubbed off on to the exploration companies, but it's a different game to that of the late Eighties when the market last saw a flurry in exploration stocks.

The action is concentrated on companies such as South Deep Exploration (Soudex), Target Exploration and Eastvaal Gold Holdings. These are developing extensions to ore bodies already being mined Randex, Lydex, Rho-Ex, Barnew and others mainly involved in "blue sky" work looking for new deposits of gold and various minerals in SA are largely being ignored.

The "blue sky" organisations are looking abroad. Rho-Ex is shutting down its local exploration effort to focus on Tanzania. Barnew is involved in parent JCI's exploration in countries such as Ghana and Zambia.

Notably, renewed investor interest in the gold market has driven up market capitalisations of the favoured few SA exploration companies above those of some profitable, operating gold mines.

Target, at 600c, is capitalised at R394m, 9% higher than the R361m market cap of sister company Lorane. Though still a marginal mine, Lorane is profitable and its infrastructure provides the initial base for the exploration drive into the contiguous Target area.

Soudex's market cap is now R1.4bn, nearly the same as the R1.6bn value the market is placing on Western Areas. Two years of solid recovery at Western Areas has returned the mine to high-grade status and its infrastructure is being used to support the initial exploitation of the adjacent Soudex deposit.

After getting off to a slow start in September, hovering around the issue price of 250c, Eastvaal has since doubled to 500c, where its market cap is R1.9bn. The company is providing the after-tax funding for development of the Mosh extension to Vaal Reefs. If the forecast grades materialise, the share price could have a long way to run.

Kaplan & Stewart analyst John Handley valued Eastvaal at 500c when it was listed. He says "It's estimated this share will pay an annual dividend of about 120c in 10 years. On a 3.3% yield, similar to that of Southvaal, the share price should be about R35, implying a tax-free capital gain of roughly 30% a year on the issue price of 250c."

By comparison, operating mines Deelkraal and Unisel are capitalised at R870m and R269m respectively. And the market now values heavyweight producer Hartebeestfontein at R3bn.

However, Soudex has been the top performer among the exploration shares, rocketing from a 12-month low of 35c to a record high of 400 before easing. A number of other exploration stocks have done well but stand way below highs set a few years ago.

Randex, at 110c, has traded from a low of 35c to a high of 170c during the past 12 months. Lydex, at 55c, has traded between 110c and 15c over the period. Most of the gold projects in which these have interests are deep-level prospects which have been shelved pending much higher gold prices.

With the gold bull market continuing, there seems to be scope for further appreciation in exploration counters, but attention will probably remain on companies like Eastvaal, Soudex and Target which are dealing with relatively well-known propositions.

Brendan Ryan
Loraine will not pay dividends

MATTHEW CURTIN

LORAIN, the Anglovaal Free State gold producer which has successfully staved off closure for the past two years, would not pay dividends in the current financial year, chairman Rob Wilson said in his yearly review. Dividends would restart only once the mine had assessed the quality of its 12 shaft area. Development results from the area, critical for Loraine's medium-term survival, were encouraging and the bulk of the 1993/94 capex budget would be spent on the shaft project.

Wilson said a seven-day working week, continuous mining, higher rand gold prices and forward sales had enabled management to change "its planning horizons from a very short-term survival strategy to a longer-term perspective".

Loraine had sold 487kg of gold at R36318/kg forward for the year ended September 1994 and 584kg at R3238/kg forward for the five months to February 1995. (2, 14)

The mine had also benefited from improved productivity and "an innovative work cycle", which had limited the decline in the amount of underground ore treated and cut working costs to R48 828/kg from R5 342/kg the year before.

The mine had produced 6.2 tons of gold in the year to September. Production in 1992 was 6.5 tons.
Poor response to ERPM's cash call

SHAREHOLDERS in Randgold's ERPM gold mine have given the mine's R150m cash call a poor reception, opting to leave nearly half of the new shares with underwriter FirstCorp rather than pump more money into the operation.

The debt-burdened mine said today rights to just over half of the 110.6-million new shares had been taken up. But the bulk were bought by Randgold, which is committed to maintaining its 29.5% stake.

FirstCorp and sub-underwriters, including First National Bank, were left with stock worth R288m, which they are committed to holding for the next two years.

Randgold refused to comment on the poor response. But sources said few shareholders had been prepared to pump more money into a mine which offered minimal returns, despite Randgold's optimistic forecasts for the mine's future.

The rights issue, which was pitched at R5 a share, will expand the mine's share base sevenfold, with earnings further diluted by Randgold's plan to convert preference shares worth R110m ERPM's banks, which are owed R490m, have refused a debt for equity swap.

ERPM has warned it will collapse without the refinancing. The mine has been unable to service borrowings of R328m, despite recent operational improvements.

In the September quarter, interest payments of R15.5m were nearly triple ERPM's operating profit.

The refinancing would clear ERPM's debt and provide it with R34m in working capital. Randgold management had sold the refinanced mine as a "gold play", which would pursue high-grade ore and be highly geared to bullion price rises.

ERPM said the refinancing would allow it to pay out R44m next year — translating to 30c earnings a share, against a 365c earnings a share loss in the nine months to September.

But JSE reaction was scathing, with few brokers recommending that their clients follow the offer.

Randgold management had relied instead on ERPM's French and Belgian investors — which held more than 60% of the mine — to continue their support.

Main underwriter Paribas Capital Markets is entitled to immediately offload any stock it is left with. ERPM said the French bank had already sold shares worth R46m.
AN independent audit has confirmed earlier warnings that Gengold's Oryx gold mine will need about R900m by March to complete its development.

A statement published today said the funding shortfall — including about R400m in bank loan and interest payments — was likely to approach R600m, and negotiations with shareholders and the mine's bankers would start soon.

Gengold MD Gary Maude said yesterday it was hoped a final announcement on the mine's future would be made in January.

The geological audit concluded that gold values and content were expected to improve northeast of the current working area to attain levels forecast in the mine's pre-listing statement. The audit also made several recommendations to strengthen the mining plan.

In October, Gengold told shareholders the value of ore exposed so far was nearly 80% below expectations, delaying the mine's break-even point by three years to 1997. Maude said that the value of ore grades had started improving last month to 400g/ton from 300g/ton. However, the development undertaken so far could still prove to be misleading. It was for this reason the mine had chosen to await the results of the independent audit before making a final decision.

Oryx was commissioned in March on the expectation of reaching production of 100 000 tons a month by April 1994 when R979m in interest-free shareholder loans — drawn by Gengold in February 1991 from major shareholders Gemmin, Genbel, Sanlam and Anglo American — would have been fully spent, it was reported.
Gold producers have cut costs

ABOUT two thirds of SA gold producers may have already cut working costs as much as they can, a study by the SA Chamber of Mines shows.

The study results, released yesterday, measured working costs and performances of low cost, medium cost and high cost mines, and revealed that the average working cost reduction for all mines was 26% in real terms from 1988 to 1992.

Medium cost producers showed a decline in working costs of 26% during that period without forfeiting production, the study found.

In contrast, high cost producers cut working costs 15% and experienced a 23.2% loss in gold production.

Low cost producers cut working costs 14%.

Gold mines generally reduce costs by mining areas of the operation that yield more gold per ton of ore milled.

Low cost mines reduced their labour 7.5% from 1988 to 1992, while medium cost producers cut 26% of their workforce and high cost mines cut 46% of their labour.

The Chamber of Mines cautioned that the analysis concentrated on short term measures and the mines probably retain significant scope to contain costs and improve efficiencies through structural, organisational changes and advances in mining methods and technology. — AP-DN.
Kilogram of gold earns more

Every kilogram of gold produced by SA gold mines was worth an average of R1 272.05 more in the third quarter of 1993 than in the second quarter.

That's the news from the Chamber of Mines Productivity Monitor, which notes that the price recovery gain saved the day for most mines, since it absorbed a simultaneous quarterly productivity loss of R112.11/kg. However, marginally profitable mines didn't share in the good fortune.

They experienced an average price under-recovery, exacerbating their (larger) productivity loss, owing mainly to adverse forward sales positions (214).

The chamber finds that in the near term most mines have gone as far as they prudently can to cut working costs. Yet they return "significant" scope to contain costs and further improve efficiencies through other means — Business Staff.
Sunny days for Lindum Reefs

BY DEREK TOMMEEY

Shares in Anglo American and De Beers have doubled in price in the past year. But despite these huge rises, the share market is talking about Lindum Reefs, which operates an open-cast gold mine on part of Randfontein’s lease area.

Lindum epitomises the great wealth that can be made from a successful gold mining investment — something few other share investments can emulate.

As the Rand pioneers used to say “The quickest way to make a fortune is to turn a few acres of worthless land into a gold mine.”

Since the beginning of the year, the share price has risen from around R20c to a peak of R150c before easing back to R90c — an increase of 49.75 times. This means an investment of R1 000 in January is now worth R49 760.

But while a number of small investors and speculators may have bought shares, most of the buyers were more likely to have been the big professionals.

Since September 1992, Lindum’s prospects have been looking progressively brighter. As these prospects were confirmed in quarterly and annual reports, the big money moved in.

Lindum began life in 1988 as a small, low-cost operation to mine old Randfontein workings, which Randfontein, with its higher cost structure, could not.

However, the fall in the gold price and poor working grades made it difficult, even for a low-cost operator, to make money and by the last quarter of 1990 the mine had an operating loss of more than R1 million.

By the end of the March 1991 quarter, Lindum had halted underground mining operations and was looking for alternative sources of income. Initially, it re-treated sands and slimes from old Randfontein dumps and then, in the second half of 1992, it started open-cast mining of Black Reef — since which time the mine has not looked back.

In the September quarter, it had a recovery grade of 4.14 grams a ton, which is high for a surface operation in SA.

It received a gold price of R38.571 a kilogram, yielding revenue of R15.1 million.

Being an open-cast mine, working costs are low, amounting to R23.756 a kilogram. This gives it a profit of R15 000 a kilogram and makes it one of SA’s lowest-cost mines.

Working costs in the September quarter totalled R9.2 million, resulting in a profit from gold of R5.8 million.

Sundry revenue boosted pretax profit to R6.3 million. Taxed profit was R6.2 million — equal to 32.6c a share.

Lindum has just declared a dividend of 70c for the six months to December.

This suggests that if Lindum continues as it has been doing, it should pay dividends totalising 140c for the year.

However, investors need to keep an eye on two factors. One is the current low tax paid owing to a tax loss. This loss could disappear in 18 months’ time, after which profits would be fairly heavily taxed.

Another limiting factor is that the mine at June 30 had proven reserves for only two years of operation. But exploration is taking place which could change this situation.

More reserves and a slightly higher gold price could see Lindum being highly profitable for a long time.
Shares bring handsome rewards

The year of the gold bugs

Star 22/12/95

BY DEREK TOMMEE

For gold bugs, 1983 was a year to dream about.

Most gold shares showed strong gains, with a few turning in outstanding performances.

The leading share was Lindum Reef, by a long shot. Its price rose almost 5,000 percent, moving from 20c in January to R9.95 at the end of last week, after previously reaching a high of R11.50.

Lindum has found small, but fairly rich deposits at a shallow level near Randfontein. The deposits can be worked cheaply so that, for a small investment, Lindum's profits are likely to be high.

Second in the list of gainers was South Deep (Soudex), which has some of the richest mineral deposits known.

However, they lie at a considerable depth, are in wide bands and could be difficult to extract. But work done this year shows that the mining of the deposits should not present any serious difficulties.

Winwel, which distributes mining equipment, and is riding on the back of better conditions in the mining industry, had the third-largest gain, with its share price rising from 2c to 20c.

Fourth was South Plats, a small exploration company whose share price went from 20c to 190c on hopes that its mineral deposits would be developed.

Fifth was Lorne, a marginal mine which is finding better gold deposits. Its price rose from 120c to R21.50.

The list of losers is headed by the trouble-hit insurance company, IGI, whose shares dropped from 570c to 40c.

IGI's problems also pulled down parent company, HCl, and its subsidiary, SA Life.

The direct mail order company, Mashold, was another casualty, its price dropping from 170c to 30c.

Shares of FS Group, an industrial holding company, fell from 125c to 50c, partly as a result of a British subsidiary requiring considerable extra cash.
Anglo shares rise to another new high

INVESTOR confidence in Anglo American proved unshakable on the JSE yesterday as the market's leading counter hit yet another new high in good trade, closing 60c up at R12.95.

The rise took Anglo's market value to R472.2bn, more than 7% of the exchange's total market capitalisation of nearly R640bn.

In afternoon profit-taking the stock fell from a morning peak of R13.05, but the bullish sentiment in the mining industrial group continued to spill over to associates and subsidiaries.

Although stablemate De Beers failed to hold on to early gains which took the shares above R100 at one stage, the diamond producer seems to have shrugged off last week's jitters caused by reports that Russia was selling gems outside its agreement with the Central Selling Organisation.

Russian authorities have denied any leakage from its agreement.

spite of De Beers officials' comments that between R40m and R60m worth of diamonds had reached dealers in Antwerp. De Beers shares closed at R99.75, 17c higher on the day compared with a high of R106.50 on the eve of the announcement of record and higher than expected rough diamond sales in 1993.

Mincoro, Anglo's offshore mining and minerals group with expanding pulp and paper interests, put on 10c to close at R53.50. Industrial holding company Amcor joined its parent in hitting a new high, climbing to R115 in the day.

Analysts said these share prices could not be justified by fundamental business conditions or by any but the most over-optimistic forecasts for the economy in 1994 to 1995, despite the welter of confidence in the SA economy.

This confidence, they said, was based on improving economic indicators and the tying of the IMF loan, which could be expected to be reflected in Anglo group companies' market rating, given their exposure to the economy at large.

The analysts reiterated the important role of foreign investors, for whom Anglo and other blue chips still represented good value in dollar terms, in driving shares to prices at which local institutions had to deal to ensure their portfolios performed.
Underwriters’ losses covered

Govt is still supporting ERPM mine

GOVERNMENT is still playing a crucial role in funding Randgold’s ERPM gold mine, despite the mine’s R580m rights issue called to close the door on its debt-ridden, subsidised past.

It emerged yesterday that government has undertaken to cover any losses suffered by underwriters First National Bank, Standard Bank and Absa on ERPM stock worth R159m, following the poor response to the mine’s cash call.

Under the rights issue terms, government must “guarantee” the stock – more than half the shares left with ERPM’s underwriters – for the next two years.

FirstCorp, the leading SA underwriter for the deeply discounted rights issue, said government was acting as a “stop loss” which had been vital to the banks’ decision to clear ERPM’s refinancing plans. The banks had earlier refused a debt for equity swap because they wanted to ensure government shouldered most of the risk.

Market sources said the state’s continued involvement contradicted Randgold’s claims that the refinancing would effectively recreate ERPM as a debt-free “gold play”. Government had also made clear that it wanted to cut its exposure.

“The East Rand mine has been dependent on taxpayers for its survival for the past decade, after wildly optimistic gold price forecasts and feasibility studies saddled it with unfeasible targets. Before the rights issue, government had guaranteed about R326m of ERPM’s R420m bank debt and provided R35m in direct funding.

But FirstCorp vice-president and corporate finance head Graham Drinkwater said the refinancing had halved government exposure. The banks would not “release government from its (remaining) exposure”, but the mechanism had minimised risks to all parties. The banks were “very happy” to continue supporting ERPM under such conditions.

The rights issue, coupled with Randgold’s plan to convert preference shares worth R110m, should clear the mine’s crippling debt and leave it with R44m in working capital. But response to the rights issue was muted, primarily because even if refinanced the mine would offer only limited returns.

Just over half of the 110.6-million new shares were taken up, with FirstCorp and sub-underwriters, including Randgold, left with stock worth R303m. The shares, representing nearly 60% of ERPM’s equity, will remain “locked up” with the underwriters until December 1995. Main underwriter, French bank Paribas Capital Markets, insisted on this condition to prevent stock being dumped on the market.

Paribas, however, can offload stock immediately. The bank may also allow stock to be sold before 1995 should the share price show sustained gains.

Drinkwater said the banks would have been more comfortable had investors taken up more stock, but that the limited response had been expected.
Gold mines hold back on capital expenditure

The gold mining industry has held back from a major expansion in vital capital expenditure this year, despite the burgeoning bullion price.

The five leading mining houses have spent a total of R1,65bn on capex for the three quarters of this year, figures from JSE broker EW Balderson show.

But capex in the final quarter will have to hit R600m — a 10% leap on spending in the September period — if the companies are to match last year's capex bill of R612m.

Higher revenues, stemming from a 20% rise in the rand gold price since January, were expected to push forward much-needed capex. The industry had put the brakes on such expenditure in recent years in the face of falling earnings.

The figures show, however, that only spending by Randgold & Exploration is ahead of last year's capex. It had spent R30,2m in the nine months to September against a total of R20,8m for 1992.

JCI, which has spent R104,5m so far this year, will have to spend a further R72m in the current quarter just to match last year's spending levels. This would be more than double the company's average quarterly spend in 1992.

Anglo American is also set to spend less this year, unless it steps up its capex rate. The group has spent R725m so far, against R1bn for the four quarters of 1992. Anglovaal is R15,4m short of the R15,7m it spent in 1992.

Gengold and Gold Fields of SA look set to exceed their 1992 capex levels, based on quarterly average capex rates. Gengold has spent R328m so far this year, against R429,5m for the four 1992 quarters. Gold Fields must spend another R142m in the final quarter, below its quarterly average, to match last year's R374m bill.

The level of capex can vary markedly across the four quarters, depending on a company's year end. But the figures still show the industry is adopting a cautious approach to exploiting higher gold revenues.

The mining houses have unveiled new capex plans worth around R4,4bn in the past six months. These include Anglo's proposed R371m replacement shaft at Freegold, and Gold Fields' R850m replacement mine at Driefontein (2,4m).

But many of the plans — including five Gengold projects worth R2bn — are predicated on the gold price sustaining its higher levels.

Analysts said the industry had still to be convinced that gold could maintain its gains. The metal gyrated wildly in the second half of the year, bursting through $400/oz in July before hitting $365,79 in September.

Schemes that were going ahead were moving cautiously. The bulk of the R385m recently raised by Anglovaal's exploration company Target would be spent carrying out exhaustive studies on its prospective Free State site. Mines were also restructured schemes to enable them to halt projects should the gold price deteriorate.

The SA mining and quarrying industry spent R1,7bn in the first nine months of this year, against R2bn for the same period in 1992. Capex in the final quarter of this year would have to hit R930m — a 46% jump on the same three months in 1992 — to maintain spending at 1992 levels.