MINING - GOLD

1994
Mixed results for Consolidated Mining

CONSOLIDATED Mining Corp produced mixed results for the December quarter, with losses incurred offset by the profitability of other operations.

West Wits was in the lead, posting a R1,6m improvement in net profit to R7,7m (R5,3m). The gold price received rose to R36 583/kg (R37 220). The higher mill throughput, combined with a marginally improved grade of 1.48g/t, resulted in gold production showing a corresponding increase to 906kg (822kg).

Working revenue increased to R57,75/t (R54,81/t) against working costs of R45,20/t (R43,94/t), leaving an operating profit of R12,55/t (R10,87/t).

The additional secondary mill commissioned in November increased milling capacity by about 10 000 tons a month (2,14%).

Satisfactory mining at the Droogehout section resulted in WitNigel reporting a quarterly profit for the first time in years. Net profit came in at R186 000 against a loss of R34 000 in the September quarter.

The gold recovery operation at Benoni Gold Holdings was severely affected by heavy rains during the December quarter, resulting in a disappointing operating profit of R211 000 against R2,6m.

Royalties and toll payments amounted to R1m, but after a tax bill of R38 000, the company showed a loss of R34 000 against the previous profit of R1,4m.
Most Anglo mines show rises in available profit

INCREASES in available profit were the hallmarks of the December quarterly results of Anglo American’s gold and uranium division, with most sectors reporting improved bottom lines. MD Lionel Hewitt, who retires in March, said with the improved gold price, mines would be able to spend more in capital and working costs on revenue-generating projects, especially at Vaal Reefs. Costs were being maintained generally.

Freegold had been able to increase earnings a share in spite of declining grades. Although gold production was down on the September quarter, year on year it showed a one ton increase.

Hewitt said closure of Free State Saulplas No 2 shaft was inevitable. The shaft had incurred a R5.2m loss in the nine months to December and indications were that grade would not improve on the current 2.57g/t. The closure would take between nine and 24 months, he said.

The December quarter coincided with the year end for Transvaal mines and Vaal Reefs declared a final dividend of 710c, up 16.4% from the 610c declared for the 1992 financial year.

Hewitt said the mine had consolidated its production position and was well placed for 1994 and against any gold price decreases.

Southlease Area qualified for special mention for the sharp jump in grades to 9.70g/t from 8.75g/t previously. The increase was partly as a result of higher grades in the No 11 shaft pillar.

Hewitt said because it was abnormally high, the current grade would not necessarily be maintained.

The introduction of old slimes dams at Afrikander Lease adversely affected gold recovery.

Indications were that the problems experienced in the December quarter could be overcome and operations would return to profitability in 1994 — but at a lower level than expected.

Western Deep Levels results were characterised by a record area mined, increasing to 256 000m² from 240 000m² in the September quarter. Gold production was the highest in 13 years.

Costs were 14% higher, mainly as a result of infrastructure replacement postponed because of the low gold price. The rise in costs was largely offset by the 15% increase in gold production.

The mine declared a final dividend of 305c, a 45.5% improvement on 1992’s 210c.

Hewitt said Elandrand would have to increase the mining rate to compensate for decreasing grades if the mine was to maintain current profitability.

Lower grades were compounded by a slight lock-up of gold in the plant. “It is not a major loss, amounting to a few hundred kilograms, but enough to be noticed.”

A final dividend of 50c, 63% higher than the previous 35c, was declared.

Ergo increased production by improved recovery, better grades and higher tonnage milled. The project was well placed to maintain costs, Hewitt said.

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GOLD FIELDS

Little movement

Of the major mining houses, Gold Fields derives by far the highest proportion of its income from gold mining. In the year to June 55% of net income came from gold and platinum (primarily the former) with 28% from financial and mining finance interests and 12% from cash. 8% was from other minerals.

Yet the buoyant gold price has so far had a muted effect on earnings. In the year to June 1993, EPS fell for the fourth successive year, dropping 4.2% to 30c. Interim figures to December are better but still unexciting. EPS are up 11.4% to 137c, on a 5% advance in pre-tax income, a R7m drop in the tax charge, to R5m, helped earnings. The dividend has stood at 200c since 1989 and there is still no growth, the interim payout is again pegged at 70c.

An unimpressive result was presaged by the December quarters. Earlier this month, Total gold revenue was virtually unchanged on the previous quarter, at R1,222bn, working costs were slightly higher and pre-tax profit was R19m down at R388m.

Gold Fields' interim investment income was 15.7% higher, but benefits were eroded by lower income from fees, interest and other sources (down R5m). Higher capital spending at major producers such as Driefontein has drawn down cash reserves. At December 31 cash had fallen to R359m from R533m a year ago.

As usual, the interim report includes minimal comment. The directors hold out the prospect of a "modest" increase in earnings, assuming the higher rand gold price continues. The share stands at R105, down from the all-time high of R116 set earlier this month. It offers little attraction except for those taking a long-term view on the precious metal and commodities cycle.

Andrew McCutty
JCI golds provide cause for cheer

By Derek Tommey

Shareholders in JCI's four gold mining operations will find much cause for satisfaction in the December quarter figures.

Western Areas and Randfontein both report further increases in profits.

Problem-plagued Joel looks like turning the corner within the next 12 months.

Results from South Deep are up to expectations, says Kennedy Maxwell, head of JCI's gold division.

Group profit from gold mining after tax and capital expenditure rose 7.9 percent from R39 million to R44.4 million.

This is almost three times the R23.2 million earned a year ago and highlights the major transformation that has taken place in JCI's gold mining division.

Questioned on the possible merger of South Deep and Western Areas, Maxwell said yesterday that the companies were looking at all possibilities.

He said that South Deep did not want to raise more money from shareholders until it was closer to full production.

Various scenarios were being looked at for the refinancing of Joel.

As soon as there was any substantial to report, shareholders would be informed.

Randfontein's working profit was boosted by a higher gold price, an increase in yield and production and lower costs.

Working profit rose from R77.2 million to R93.8 million.

Taxed profit was R65 million (September, R56.2 million) — equal to 68.9c (60.9c) a share after capital expenditure.

Development results were mixed.

It is tentatively estimated that there are 12 million tons of ore reserves on the Kimberley Reef in the Doornkop area, averaging 3.1g/t.

However, values from the limited exposure of the South Reef to date average only 450cm-g/t. Further exploration is taking place.

Improved recovery grade at Western Areas increased its profit from gold from R55.2 million to R43.8 million.

MD Bill Nunn said that 90-level development was on schedule and reef extraction would start in 1995.

Joel had a profit from gold of R791 000 (R6 million). The mine is concentrating on building up ore reserves at the expense of current production.

Gold production should increase after the June quarter.
Knights suffers reduced yields

KNIGHTS Gold Mining Company maintained tonnage for the December quarter, but reduced yields took their toll on gold production, which fell 7.6%.
The drop in yields was caused by lower head grades from the Maretsetse dump and the start up of the Rietfontein project.
Tonnage treated remained virtually constant at 334,000 tons, with a yield of 0.28g/t (0.41g/l). Lower gold production of 333kg (552kgs) was offset by a higher gold price of R387.17/kg (R37.70)
After-tax profit rose to R2.8m (R2.1m) Capex rose to R4.8m (R2.45m)
The company disposed of its rights to treat the 4L7 and 4L8 dumps for R12.8m.
Sunter predicts tricky 1994 gold market

ANGLO American's gold and uranium division achieved a 2% increase in available profit in the December quarter, but had not halted cost escalation, chairman Clem Sunter said yesterday.

Available profit increased to R275,1m (R207,2m) after gold production rose 1% to 66 118kg (66 779kg).

Average revenue was 1% higher at R30 793/kg (R30 379/kg). Average unit costs rose 1% to R39 368/kg and working costs rose 2% to R1,98m. Capex was 35% up at R314,9m (R235,6m), while R248,8m was paid out to employees under the profit-sharing scheme.

Sunter said that unlike last year when the gold market was driven by physical demand from China, 1994 would see a correlation between the gold price and stock markets. This would be "a tricky market to get a handle on".

"So we are not taking the current gold price for granted. We are running operations in such a way that if the gold price falls, we'll survive."

See Page 10
The bumper payouts by Anglo Golds

BY DEBORAH TOMMOY

2114
Hedging hits Gengold's 'good results'

From MADDEN COLE

JOHANNESBURG — Gengold's good results for the December quarter were characterised by stable operational performance which was offset to some degree by the effects of hedging on the bottom line. Forward selling, discontinued in May 2002, resulted in the group receiving a gold price of about R38 000/kg against the spot price of about R40 000, but MD Gary Maude said the practice had been necessary to help struggling mines survive.

"If we had not sold forward, a number of mines could have been forced to close. Forward selling helped us to survive, so I make no apology for it."

The year end for all mines had been changed to end-June, and interim dividends had been declared for the period to end-December.

Beatrix's higher gold production and lower capex offset the lower gold price and higher working costs, resulting in a modest improvement to bottom-line profits.

Bracken had ceased as an underground operation, but clearing up operations still had to be done.

Buffelsfontein had a difficult quarter because of a high level of seismic activity and fires. This resulted in lower gold production and higher costs which reduced distributable income.

The Mulgolgold Project, which would process 35 000 tons a month of surface material, was under construction. At full production of about 1300 kg a month at a projected cost of R17 000/kg from the end of 1994, gold from this source would provide a supplement to underground production.

The mine's lifespan, as a modest surface gold producer, could extend into the next century. Maude said.

Grootevlei, which had improved production and reduced costs, was examining the potential of mining the Black Reef from the East Geduld shaft.

This year would be critical for Oryx, and development results during the next 12 to 24 months would determine the mine's viability. Negotiations were in progress with the major stakeholders in Oryx to secure finance to fund the mine to break-even level.

Star

But the star performer was St Helena, which was losing money 12 months ago.

"We went back into old areas, and are picking up gold using industrial vacuum cleaners. The operation continues seven days a week. This quarter's results have been excellent."

Stilfontein's wholly owned subsidiary Chemwes would not be liable for lease payments, thus making the previous provision of R6.4m available for distribution. A R10m dividend was paid to Stilfontein, increasing bottom-line profit to R13.1m from R3.3m in the September quarter.
St Helena the star in Gengold's fold

ST HELENA emerged as the star performer of Gengold's operating gold mines in the December quarter, when bottom-line profits improved 7% on average.

Distributable income climbed to R75.8m from the September quarter's R73.7m. A slight drop in mill throughput to 2.8-million tonnes was offset to some degree by a marginal increase in average yield to 5.9g/t (5.8g/t).

Gold production was virtually static at 16.748kg with the average gold price dropping 11.1% to R37502/ kg.

The drop in working revenue to R637.8m was not helped by the 2.8% rise in working costs to R471.5m (R468.5m), resulting in a 6.8% decline in net income to R169.2m (R117.3m). The bottom line was helped by a 30% drop in capex to R30.4m (R43.8m), which pushed up distributable income 7% to R70.3m (R67.7m).

An additional boost to profit was received from Stullfontein. Its wholly owned subsidiary Chemwes would not be liable for lease payments, Gengold MD Gary Maude said. This resulted in the previously provided R9.4m now being available for distribution. A dividend of R18m had been paid to Stullfontein. This was included in sundry income.

It resulted in distributable income rising nearly fourfold to R131.2m (R33.8m).

Oryx, which Maude said was facing a critical year during which its fate would be decided, disclosed cumulative expenditure of R1.5bn, inclusive of interest of R333m.

To date R541m of shareholders' loans of R708m has been drawn down.

St Helena, which staged a remarkable turnaround, produced what Maude described as excellent results, increasing distributable income to R97.7m from September's R8.2m.

Maude said Bracken had come to an end as an underground mine. As the mine had ceased mining operations, except for cleaning up, it would no longer publish quarterly reports, but would publish an interim report each year.

Although forward sales had depressed the gold price received by about R2 000/kg, Maude said he made no apology for the practice, which had helped struggling mines. "If we had not sold forward, a number of mines could have been forced to close down."

Forward selling was discontinued in May 1993. Gold sales would now be fully exposed to the spot price.

See Page 9
Forward selling helped Gengold pull through

GENGOLD’s good results for the December quarter were characterised by stable operational performance which was offset to some degree by the effects of hedging on the bottom line.

Forward selling, discontinued in May 1993, resulted in the group receiving a gold price of about R3 000/kg against the spot price of about R4 000, but MD Gary Maude said the practice had been necessary to help struggling mines.

“If we had not sold forward, a number of mines could have been forced to close. Forward selling helped us to survive, so I make no apology for it.”

The year end for all mines had been changed to end-June, and interim dividends had been declared for the period to end-December.

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Buffelstfontein had a difficult quarter because of a high level of seismic activity and fires. This resulted in lower gold production and higher costs which reduced distributable income.

The Multigold Project, which would process 33 000 tons a month of surface material, was under construction. At full production of about 120,000g a month at a projected cost of R7 500/kg from the end of 1994, gold from this source would provide a supplement to underground production.

The mine’s lifespan, as a modest surface gold producer, could extend into the next century, Maude said.

Grootvlei, which had improved production and reduced costs, was examining the potential of mining the Black Reef from the East Geduld shaft.

This year would be critical for Orxy, and development results during the next 12 to 24 months would determine the mine’s viability. Negotiations were in progress with the major stakeholders in Orxy to secure finance to fund the mine to break-even level.

But the star performer was St Helena, which was losing money 12 months ago. “We went back into old areas, and are picking up gold using industrial vacuum cleaners. The operation continues seven days a week. This quarter’s results have been excellent.”

Stilfontein’s wholly owned subsidiary Chemwes would not be liable for lease payments, thus making the previous provision of R5,6m available for distribution. A R16m dividend was paid to Stilfontein, increasing bottom-line profit to R18,1m in the R3,3m in the September quarter.

### GENGOLD

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<th>Gold produced kg</th>
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Gengold mine dividends hold some surprises

By Derek Tomney

All mines in the Gengold stable have changed their year-end to June 30 and have adjusted by declaring dividends today.

The next dividends will be declared in six months' time.

Shareholders should be pleasantly surprised by some of the dividends.

St Helena is paying 130c, compared with 80c in June and 25c in December 1992.

Stillfontein is paying 75c, compared with 30c in both June and December 1992.

Grootvlei, which was faced with closure six months ago, is paying 25c, against 30c in June and 25c a year ago.

Other dividends, declared are:

- Buffelsfontein 165c, against 160c in June.
- Bracken 10c, against 30c in September and 40c in March.
- Kinnross 90c, against 180c in September and 120c in March.
- Leslie 15c, against 35c in September and 20c in March.
- Mimose 5c, against 15c in September and 20c in March.
- Winkelhaak 70c, against 130c in September and 70c in March.

Gengold chairman Gary Maude says the Multigold project at Buffelsfontein will be more effective than originally expected.

It will extend the life of the mine from 1997 to 2010 and at the same time significantly increase gold production when it comes into operation this November.

Buffels' distributable income dropped to R8.2 million in the December quarter from R10.7 million in the previous quarter.

He says plans to work the North Block down-throw at Leslie will extend the life of the mine by about seven years.

Grootvlei is investigating the feasibility of reopening the East Geduld No 1 Shaft to examine the Black Reef.

Maude says that St Helena was the star of the quarter. It had taxed earnings of R11.7 million, against R6.9 million in September and a loss of R3.4 million a year ago. The mine expects a further increase in earnings in the coming year.

Bracken has now ceased production and will issue only interim statements.

Development results at Oryx have not yet been good enough to ensure its survival.

Stillfontein recovered R3.4 million from the Receiver of Revenue, thereby boosting its dividend.

It has sufficient surface dumps to keep it going for about 10 months.

If the gold price does not go up, the mine will close. A $50 increase in the gold price would allow it to resume underground mining.
Jump in revenue ups Gold Fields profits

Own Correspondent

JOHANNESBURG — A healthy jump in revenue from its significant gold mining investments helped Gold Fields report an 11% increase in attributable earnings to 132c in the half-year to December 31 from 123c in the same period in 1992.

The mining house declared an unchanged dividend of 70c a share.

However, the improvement masked poorer news from the group’s platinum and base metal interests, with Northam Platinum battling to reach already delayed production targets and the group’s base metal mines hit by weak commodity prices for much of the six-month period.

Investment income rose to R133m (R115m) and was only partially offset by a decline in interest and fee income, reflecting the impact of lower interest on the group’s reduced cash balances.

Expenditure was flat at R86m (R87m) including R19m (R20m) in exploration spending of which one third occurred at the group’s new gold mining developments in Ghana, Ecuador and Venezuela. Pre-tax profit rose to R143m from R136m, with attributable profit higher at R132m (R118m) after tax and preference dividend payments.

Chairman Robin Plumbridge said yesterday he was confident the group would report a modest increase in earnings again in the second half, which with the certainty of at least an unchanged dividend, would restore Gold Fields dividend cover towards 2 times, compared with 1.5 in 1992.

The improvement would also arrest the four-year slide in the group’s earnings which has mirrored the sustained trough in gold prices in late 80s and early 90s.

Plumbridge said the return of gold prices to more than $390 an ounce was the most encouraging sign of the robustness of the current gold market. It seemed the spurt in gold prices to more than $400 in mid-93 had not done severe damage to physical demand for the metal, while gold’s improved volatility would continue to lure investors.

While some base metal prices had picked up in the past two months, copper prices remained at historic lows, putting immense pressure on Gold Fields copper producers in SA and Namibia. He said the mines would be able to weather the difficult period before a likely upturn in copper prices as demand for the metal picked up in line with a synchronised recovery in world economies in 1994/5 — in large part due to their improved operational efficiencies.

“Northam is still struggling” Plumbridge said, with the mine behind revised production targets as it fought to come to terms with difficult operating conditions underground.

He said the group’s new Ghanaian venture, Tarkwa, was taking longer to overhaul than expected, but it remained profitable and contributed to the exploration programme seeking to define long-term ore reserves.

Plumbridge said Gold Fields overseas mining ambitions remained hampered by its lack of significant offshore funds with which to finance or buy into new projects.

The solution, and only way for the group to reach its ambition of having 30% of its mineral output based abroad within five years, was “to turn to account a good ore body quickly”.

He said that was the appeal of the short-life times it should take to develop the shallow South American and Ghanaian deposits. With more funds, Gold Field could pursue opportunities in Argentina and southeast Asia more vigorously.
Astute hedging holds up Anglovaal gold revenues

CANNY hedging strategies, particularly at marginal gold mine Lorane, shored up gold revenue for Anglovaal's gold producers in the December quarter with overall gold income down slightly at R421m compared with R424m in the previous three months.

However, an increase in tonnage milled at each of the group's three main gold producers had a mixed effect on profitability.

Lorane drew on more low-grade surface material but paid the price for increasing overall tonnage. Tons milled climbed to 657 000 tons from 449 000 tons, slashing unit production costs and leaving total costs down at R61,8m (R62,5m).

However, the resulting fall in average grades knocked gold output to 1.5 tons from 1.7 tons, so average costs jumped to R40 206/kg from R38 940/kg. Successful forward selling contracts and sales of gold options prevented the leap from plunging the mine into a working loss.

Lorane achieved average gold prices well above ruling levels at R41 616/kg compared with only R38 940/kg in the previous quarter.

### Table: Anglovaal Gold Producers:

<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 R000s</th>
<th>Profit per capex R000s</th>
<th>EPS after capex cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harties</td>
<td></td>
<td>778</td>
<td>9.2</td>
<td>7 342</td>
<td>254.18</td>
<td>27 674</td>
<td>39 219</td>
<td>57 508</td>
<td>46 109</td>
<td>41</td>
</tr>
<tr>
<td>September</td>
<td></td>
<td>778</td>
<td>9.2</td>
<td>7 118</td>
<td>255.65</td>
<td>27 943</td>
<td>40 252</td>
<td>56 264</td>
<td>49 423</td>
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<tr>
<td>ET Cons</td>
<td></td>
<td>97</td>
<td>9.1</td>
<td>876</td>
<td>266.29</td>
<td>28 268</td>
<td>39 690</td>
<td>61 106</td>
<td>2 982</td>
<td>3.5</td>
</tr>
<tr>
<td>September</td>
<td></td>
<td>86</td>
<td>9.7</td>
<td>835</td>
<td>286.77</td>
<td>29 623</td>
<td>39 904</td>
<td>4 941</td>
<td>2 921</td>
<td>3.4</td>
</tr>
<tr>
<td>Loraine</td>
<td></td>
<td>467</td>
<td>3.3</td>
<td>1 535</td>
<td>132.35</td>
<td>40 256</td>
<td>41 616</td>
<td>2 675</td>
<td>1 552</td>
<td>7.5</td>
</tr>
<tr>
<td>September</td>
<td></td>
<td>448</td>
<td>3.9</td>
<td>1 727</td>
<td>139.51</td>
<td>36 191</td>
<td>38 940</td>
<td>5 513</td>
<td>3 602</td>
<td>22.7</td>
</tr>
</tbody>
</table>

That ensured a working profit of R24.1m (R4.7m) on total working costs to R202.8m (R198.6m) outpaced the improvement in gold revenue at R287.9m (R286.5m). With a similar story played out at the mine's low-grade gold plant, total working profit fell to R102.2m from R107.8m.

Harties benefited from a jump in net interest income and a return to working profit on its sales of uranium and sulphuric acid. Along with a lower tax bill, this helped the company achieve an improved after-tax income of R57.5m against R56.3m.

Eastern Transvaal Consolidated started to recover from the strike which hit its Shaba mine in the September quarter. Production levels returned to normal with gold output improving to 876kg from 833kg.

An increase in working profit was enhanced by a reduction in prospecting spending, but higher tax and capital commitments left after-tax and capex profit unchanged at R2.9m.

Village Main Reef reported after-tax profit of R83 000 (R297 000) as gold output from its retreatment plant declined to 1.44kg (161kg), reducing the company's revenue, while costs climbed sharply in the quarter.
Mining investments boost Gold Fields

MATTHEW CURTIN

A HEALTHY jump in revenue from significant gold mining investments helped Gold Fields report an 11% increase in attributable earnings to $326m in the half-year to December from $304m in the same period in 1992.

The mining house declared an unchanged dividend of 70c a share, however, the improvement masked poor news from the group's platinum and base metal interests, with Northam Platinum battling to reach already delayed production targets and the group's base metal mines hit by weak commodity prices for much of the period.

Investment income rose to $133m ($116m) and was only partially offset by a decline in interest and fee income, reflecting the impact of lower interest on the group's reduced cash balances.

Expenditure was flat at $812m ($817m) including $139m ($126m) in exploration spending, of which one third was at the group's gold mining developments in Ghana, Ecuador and Venezuela. Pre-tax profit rose to $138m ($136m), with attributable profit higher at $132m ($118m) after tax and preference dividend payments.

Chairman Robin Plumbridge said yesterday he was confident the group would report a modest increase in earnings in the second half, which, with the certainty of at least an unchanged dividend, would restore Gold Fields' dividend cover towards two times, compared with 1.5 in 1992/3.

Gold Fields

The improvement would also arrest the group's four-year slide in earnings, which has mirrored the sustained trough in gold prices in late 1980s and early 1990s.

Plumbridge said the return of gold prices to more than $200 was the most encouraging sign of the robustness of the current gold market.

While some base metal prices had picked up in the past two months, copper prices remained at karatene levels, putting pressure on Gold Fields' copper producers in SA and Namibia. He said the mines would be able to weather the difficult period before a likely upturn in copper prices as demand for the metal picked up in line with a synchronized recovery in world economies in 1994/5.

Northam was behind production targets as it sought to come to terms with difficult underground operating conditions.

The group's new Ghanaian venture, Tarkwa, was taking longer to realise than expected, but remained profitable.

Plumbridge said Gold Fields mining ambitions could be further impeded by the group's lack of significant iron ore funds with which to finance or buy into new projects. The solution, and only way for the group to reach its ambition of having 30% of its mineral output based abroad within five years, was "to turn the account of a good ore body quickly." That was the appeal of the short-life projects that should be invested in the shallow South American and Ghanaian deposits. With more focus, Gold Fields could pursue opportunities in Argentina and Southeast Asia.
Mixed results from Anglovaal gold mines

BY DEREK TOMMEY

Anglovaal's December quarterlies are a mixed bag, with higher profits from Hartebeestfontein and ET Cons and lower ones from Loraine and Village Main.

But there is little on the development at Loraine and Target which investors, who have pushed up the price of these shares to high levels, are waiting to hear about.

Hartebeestfontein was the star, with an increase in taxed profit from R96.2 million to R97.5 million — its highest quarterly profit since 1988-89.

A feature was that it had a profit from uranium and acid production for the first time for many years, suggesting the market for uranium may be improving.

This uranium and acid profit was R2.6 million, which compares with a loss of R988 000 in the September quarter and a loss of R3.2 million in the December quarter of 1992.

Uranium profit, together with interest income, boosted non-mining income to R10.6 million from R5.3 million previously.

Production at the low-grade gold plant was stepped up from 467 000 tons to 491 000 tons. But owing to a drop in the yield, gold output from this plant dropped to 712kg from 768kg in the September quarter.

Loraine, which is moving away from survival mode to normal operating mode, reports taxed earnings of R2.9 million (R5.6 million in the September quarter).

Total gold recovered dropped from 1 727kg to 1 535kg, mainly as a result of increased production of low-grade surface dump material and reduced production underground.

It is not clear whether the reduced tonnage from underground was necessitated by the need to step up development in the promising 3C shaft area.

The tonnage milled increased from 448 000 to 467 000 tons, with the ore from surface dumps increasing from 163 000 to 211 000 tons. The surface grade also improved, rising from 0.8g/t to 0.9g/t.

Ore milled from underground dropped from 285 000 to 256 000 tons and the recovery grade from 5.4g/t to 5.25g/t.

The directors say in the annual report that the mine will earn an average of 275 000 tons of ore a quarter in the current financial year at an estimated recovery grade of 5.4g/t.

The gold yield at ET Cons was lower, but an increase in milling rate resulted in production rising from 335kg to 876kg. Taxed profit rose from R4.8 million to R6.1 million.

At Village Main, taxed profit was R63.3 million, down from R79.7 million in September.
Gold Fields improves profits

Improved returns from its mining investments lifted Gold Fields of SA's attributable profits by 12 percent to R132 million (R118 million) in the six months to end-December.

Gold Fields said if the improvement in the rand gold price received during the first half of the year continued net earnings would show a modest increase for the full financial year.

Earnings a share were 14c higher at 192c and an unchanged interim dividend of 70c a share was declared.

Income from investments rose 16 percent from R115 million to R133 million (2.14).

However, lower income from fees, interest and other sources limited growth in revenue to three percent at R229 million from R223 million.

Expenditure levels were maintained at R86 million, including R19 million for drilling and prospecting. A large portion of this was spent at mines in Ghana and South America.

The group says drilling at Gold Fields Ghana was proceeding as planned, but that refurbishment of the mine was slower than anticipated. The mine was operating at a profit in the six months, as production had been lifted to 110 kg per month.

Profit before tax was five percent up at R143 million (R136 million) and a lower tax charge resulted in the 12 percent improvement in attributable earnings.

— Business Staff
Income leap increases New Wits share price

No investments were sold in the period compared with R16m of sales in the second half of 1992/3 Interest income rose to R174 000 from R4 000

Costs fell to R1,1m from R1,4m leaving pre-tax profit improved at R8,31m from R6,43m. A tax credit lifted after-tax profit to R8,61m (R6,42m).

A company spokesman said year-end earnings would not match last year's because any surplus on realisation of New Wits investments would be "substantially lower"

But improving rand gold prices would bolster investment income and second half earnings "should be maintained" at the first half's level.

Vogels, Gold Fields base metal investment company, reported sharply improved earnings of 55c (36c) a share in the year ended December 31 but declared a flat 53c total dividend.

Higher investment income, asset sales more than offset lower interest income to leave total revenue at R12,4m (R9,34m)

Costs and write-offs were lower leaving pre-tax profit up at R10,6m (R6,68m)

Vogels paid negligible tax and turned in after-tax income of R10,1m (R6,72m).
Randgold & Exploration reports rocky set of results

LITTLE went right for Randgold & Exploration in the December quarter as the four gold mines owned by the group plunged to an aggregate after-tax loss of R17.3m from a loss of R6.18m in the previous quarter.

The mines were plagued by underground production hitches, falling grades, rising working costs and low gold prices.

Matters were not helped by the lingering impact of the amount of gold the mines sold forward, ensuring that average prices received, although slightly higher quarter on quarter, compared unfavourably with current spot and average prices.

The mines received R37.66/kg compared with average spot prices of R40.00/kg and yesterday's rand gold price of nearly R42.20/kg.

The biggest drop was at Blyvoor-utrecht, where a sharp fall in grade had fallen to 6.19g/t from 6.71g/t sent the mine stumbling to a R23.6m after-tax loss compared with after-tax profit of R2.3m in the September quarter.

Randgold CE John Turner said Blyvoor faced a critical six months before the benefits of the tribute agreement, signed last year with Anglo American's neighbouring Western Deep Levels mine, were fully felt. The agreement should extend Blyvoor's life to the year 2000.

The axe continues to hang over underground operations at Durban Deep, whose woes were exacerbated by a sharp fall in productivity as absenteeism continued in the wake of violent clashes between miners in September. Turner said nearly 10% of the semi-skilled workforce had been failing to report for work.

Milled throughput from underground had fallen to 220,000 tons (257,600 tons), output had fallen and working costs had shot to R46.54/kg (R41.72/kg). The mine had some of the longest-standing forward sales contracts in the group. The average gold price received was R36.05/kg. The mine was R6.83m (R13.25m) in the red after tax.

ERPM won little relief from its move to a continuous working schedule. The mine reported an after-interest, tax and capex loss of R24.6m (R15.4m). However, ERPM had the best prospects for recovery. The group's R55m rights issue last month cleared its crippling debts and Turner said productivity was set to improve in the quarter.

Harmony's vulnerability was exemplified by fewer working days in December contributing to a fall in gold production, although costs were the best contained in the group.

<table>
<thead>
<tr>
<th></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>Blyvoor</td>
<td>237</td>
<td>6.15</td>
<td>1,466</td>
<td>242.67</td>
<td>39,231</td>
<td>37,081</td>
<td>(2,555)</td>
<td>(9,165)</td>
<td>(38.2)</td>
</tr>
<tr>
<td>September</td>
<td>242</td>
<td>6.71</td>
<td>1,624</td>
<td>240.87</td>
<td>35,893</td>
<td>36,479</td>
<td>2,516</td>
<td>(1229)</td>
<td>(5.1)</td>
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<td>895</td>
<td>197.48</td>
<td>48,544</td>
<td>36,605</td>
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<td>(7,188)</td>
<td>(309)</td>
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<tr>
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<td>954</td>
<td>166.03</td>
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<td>35,911</td>
<td>(3,882)</td>
<td>(4,738)</td>
<td>(204)</td>
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<td>ERPM</td>
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<td>5.74</td>
<td>1,469</td>
<td>259.31</td>
<td>45,225</td>
<td>38,725</td>
<td>(16,674)</td>
<td>(24,571)</td>
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<td>38,921</td>
<td>36,762</td>
<td>(9,388)</td>
<td>(19,426)</td>
<td>(133)</td>
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<td>Harmony</td>
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<tr>
<td>September</td>
<td>1,622</td>
<td>3.33</td>
<td>5,395</td>
<td>116.85</td>
<td>35,130</td>
<td>37,192</td>
<td>16,936</td>
<td>16,492</td>
<td>61.3</td>
</tr>
</tbody>
</table>
Randgold mines disappoint

BY DEREK TOMMEY

The disappointing December quarterly results of the four Randgold mines show that despite the higher gold price, they are still marginal and struggling to stay in business.

Chairman John Turner says the position at all four mines has deteriorated since the September quarter.

ERPM, which recently received a R550 million cash injection, and Blyvooruitzicht reverted to a loss situation.

Durban Deep faces the possibility of having to halt underground operations.

Harmony's working profit was almost halved thanks to three fewer milling days during the quarter.

The biggest disappointment is probably ERPM.

The milling rate from underground operations fell from 285,000 tons to 256,000 tons, and gold production by 220kg to 1,469kg. Costs rose from R38.92 to R45.22 a kg.

Revenue from both surface and underground operations fell from R79.4 million to R73.2 million, while costs rose from R73.9 million to R77.4 million. This resulted in a working loss of R4.2 million (working profit of R5.6 million).

Turner says the mine has not received the benefits from 30-day milling as quickly as expected.

Durban Deep's working loss rose from R6.1 million to R7.5 million, mainly as a result of a drop in the milling rate from 257,000 to 220,000 tons.

Lower production was mainly the result of disruptions caused by violence among workers and fewer working days. But it stemmed from the lack of flexibility at the mine caused by the austerity programme in the years of a low gold price.

Results of a probe into the viability of the mine will be announced later.

As a result of a drop in the gold yield, Blyvooruitzicht had a working loss of R2.55 million (profit of R1.5 million).

Results are likely to remain poor until the mine starts working later this year, the higher grade ore is tributing from Western Deeps.

The effect of the loss of three days on the milling rate at Harmony cut working profit from R14.4 million to R7.4 million.

This shows the sensitivity of the mine to small changes in operations, says Turner.
GFMS dispels fears of collapse in the gold price

BY DEREK TOMMEEY

Investors should not worry that the gold price is about to collapse.

Dr Stewart Murray, chief executive of Gold Fields Minerals Services (GFMS), regarded as the most authoritative of all the organisations keeping track of gold production and sales, says the latest developments in the market suggest it is entering 1994 in good shape.

He says that by comparison with the period of flat trading in 1992 and the overheated state of the gold market in the second quarter of 1993, the market now appears to be returning to normality.

Signs of this include the recovery of physical demand to more normal levels, as well as the presence of both price volatility and broadly based investment demand.

This should not be regarded as abnormal for a financial commodity such as gold.

In a flash report on the current situation, he says that the rise in the gold price in 1993 was probably the result of two factors: a reappearance of substantial and broadly based investment demand in Europe and North America, a decline in supply from the official sector and producer hedging.

He says the most surprising aspect of the increased investment demand is that it occurred against a background of low inflation in other than a few developing countries.

He suggests that the upsurge in investment buying could indicate a belief that inflation is at a cyclical low, rather than a move by the world to a disinflationary environment.

On the other hand, the higher prices led to a decline in fabrication demand and in bar hoarding.

The sensitivity of jewellery to higher prices is one reason, but other factors include the economic weakness of Japan and Europe, the austerity drive in China and the availability of gold from stocks built up the Middle East in 1992 and the early months of 1993.

Murray says the price rise between the first and second half of 1993 had a significant influence.

Central bank sales increased, partly because some banks sold at the price rise.

But a substantial amount of official gold came from banks having to meet call options written earlier in the year.

At the same time, the rising prices and reduced forward premiums resulted in producers running down their forward positions, which they had increased in the first half of the year.

The sudden increase in the gold price in the second quarter hit physical demand in Asia, says Murray. But by the fourth quarter these markets were beginning to recover.

This might indicate that the excess inventory has been worked off and that Asian consumers have adjusted to the higher gold prices.

Initial estimates are that the total gold supply last year was 3,345 tons, down from 3,507 tons in 1992.

Mine production increased by 31 tons to 2,269 tons, while net official sales dropped from 655 to 440 tons.

Supplies of gold scrap rose, from 453 tons to 506 tons.

Total fabrication demand dropped to 2,650 tons (3,120 tons).

Jewellery oftake dropped, from 2,675 tons to 2,496 tons, but investment demand rose, from 14 to 119 tons.
Lindum fillip

Own Correspondent

JOHANNESBURG — Increased production of better grade ore at Lindum Reefs helped the JCI-owned gold producer lift after-tax profit by a third in the December quarter to R9.77m from R6.15m. The company mines old sections of Randfontein Estates but since 1992 has focused on precious minerals.
More and better ore gives Lindum a boost

INCREASED production of better grade ore at Lindum Reefs helped the JCI-owned gold producer lift after-tax profit a third in the December quarter to R30.7m from R6.1m.

The company mines old sections of Randfontein Estates but since 1982 has focused on opencast mining after underground operations were suspended because of low grades, high costs and poor gold prices.

A company spokesman said yesterday the 38% jump in gold output to 597kg (181.412 oz) was "mainly due to the variable gold distribution from the different mining areas."

The amount of surface material broken increased to 1.9-million tons (1.8 million tons) but milled throughput remained unchanged at 94 000 tons. The yield improved to 5.4 grams a ton from 4.1g/ton. Production costs declined to R85.6/ton from R98.3/ton, leading to doubled working profit as the average gold price received was almost unchanged at R38 455 a kilogram.

In the September quarter the mine's capital spending increased from R15 000 to R28 000.

Lindum's share price has been one of the most volatile in the past year, with the stock closing 25c down at R12.25 yesterday compared with its low of 38c this time last year.
Gold Fields slows mining profit slide

in unit working costs to R23 785/kg (R24 899/kg). Munro said that the decline in unit costs varied from mine to mine, but it was satisfying to see mine managers had "their eyes on the ball and are keeping the lid on costs."

Working profit was up marginally at R491.7m from R491.5m.

A fall in the group's tax bill to R142.5m (R148.6m) was not enough to offset reduced sundry revenue inflated in the previous quarter by insurance payments.

Munro said the group's capital spending programme, concentrated at Driefontein, Deelkraal and Leoudorn, was gathering pace, reflected in the increase in capital spending to R163.9m from R141.2m.

He added that the best performances in the quarter came from East Driefontein, which increased its average grade by 10%, and Kloof, whose financial performance was unaffected by the accident which badly damaged one of its shafts in October.

See Page 8
Kloof shrugs off mishap's disruption underground

KLOOF gold mine sailed through the December quarter barely affected by the accident which damaged one of its deep-level shafts and disrupted underground production in October.

The mine, mainstay of Gold Fields' Kloof gold mining company, kept the quarterly amount of ore treated at 540 000 tons by putting ore stored above ground through its mills.

Executive director Alan Munro, presenting the mining house's quarterly results yesterday, said Kloof had enough material to last for as long as it took to repair the damaged No 3 sub-vertical shaft.

Kloof division succeeded in lifting its grade to 13.6g a ton (13.5g/ton), which raised gold output slightly to 7.5 tons.

As with the rest of the group's mines, good operating results were knocked by weaker gold prices received, down on average at R57.78/kg from R41.64/kg.

MATTHEW CURTIN

Kloof's working profit fell to R144.5m from R183.5m.

Leendoom division upped its milling rate to 315 000 tons in the quarter from 300 000 tons as the mine continued to expand. Grades suffered as a result, but unit working costs were cut to R43.36/kg from R44.96/kg.

Libanon division, incorporating the merged Venterpost, seemed to have put the losses sustained last year behind it, and achieved a sharp increase in grade.

Overall, Kloof continued to benefit from a negligible effective tax rate and notched up after-tax profit of R174.1m compared with R107.5m.

Munro said the quarter's best performance came from East Driefontein, which recorded its highest grade in four years, up 10% at 10.5g/ton from 9.4g/ton. The mine increased throughput, so gold production jumped to 7.5 tons from 6.6 tons.

Neighbour West Driefontein improved grade to 10.7g/ton (10.4g/ton) and gold output rose to 7.5 tons from 7.3 tons. Combined after-tax profit for the two mines climbed to R194.4m from R186m.

"So good, so far" was Munro's verdict on Doornfontein, which edged a little further away from closure with a solid performance and an increase in gold output at 348kg from 908kg.

After-tax profit fell only slightly but the R5m capital recapitulation boosted bottom-line earnings sharply to R5.5m from R3.6m.

Munro said the mine's longer-term future depended on healthy gold prices and accelerated underground development, while Doornfontein would have to make provision for the possible loss of its appeal against a ruling ordering the company to compensate, to the tune of R3m, and re-instate 2 300 workers sacked in 1991.

He said the disappointment of the quarter was Diekelraal, still struggling to reach production targets.

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<th>Yield g/ton</th>
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* Combined results of Driefontein and Kloof mining companies.
Production up nearly 5 percent to 31 tons

GFSA gold mines show how it's done

BY DEREK TOMMEY

Gold Fields gold mines pulled out all the stops in the December quarter, boosting production by almost one-and-a-half tons, or 4.97 percent, to 30.7 tons.

The good news was offset by a R1 882 a kg, or 4.5 percent, drop in the average gold price received from R41 040 to R39 758 a kg. The overall result was working profit for the quarter remained almost unchanged at R491.7 million ($491.3 million in September).

The lack of profit growth is likely to disappoint those who have not kept track of the gold price. But even a quick look at any graph of the gold price makes it clear that the mining industry received a much better price for its output in the September quarter than it did for most of the December quarter.

Investors can take some consolation from the fact that had the September quarter gold price been repeated in the December quarter, group working profit would have been R60 million, or 12 percent, higher.

With the gold price still trading at just below R41 000 a kg, despite its latest decline, the group could realise the increase in the current quarter.

The December reports highlight the great improvement in profitability at all group mines — and not all of this has been the result of the higher gold price.

Doornfontein earned R380.4 million in the half-year to December, a 49 percent increase on the R255.1 million earned in the same period in 1992.

Kloof’s earnings were up 50.4 percent from R240.5 million to R361.6 million.

Doelkrans’s earnings rose 27 percent from R263.8 million to R33.5 million. Struggling Doornfontein converted a R23 million loss into a profit of R8.9 million.

A feature of the results was that every producer reduced unit costs.

“We’re not allowing the higher gold price to let the mines take the hit off costs,” Alan Munro, head of the gold division, said yesterday.

He said capital expenditure in the quarter had risen to R163.9 million from R141.2 million in the September quarter.

The expenditure was for normal on-going work and not the result of the higher gold price.

But there was an increase in the tempo of spending because there had been an increase in the number of shafts.

Helgo Kahle, GM of the coal and base minerals division, and Alan Munro, head of the gold division at yesterday’s briefing.

PICTURE GEORGE MASHININI

Star of the quarter was East Driefontein, which increased production by 13 percent from 6 626kg to 7 506kg and now has the lowest unit costs in the group at R18 742 a kg.

West Driefontein increased production from 7 482.5kg to 7 628.8kg. It has introduced sorting, which has led to a drop in the milling rate, but could lead to an increase in gold yield.

Together, East and West Driefontein had a taxed profit of R14.4 million ($19.6 million).

Capital expenditure was R97.2 million ($21.9 million).

The Kloof division of the Kloof mine increased gold production from 7 487.3kg to 7 527.8kg, despite the No 3 sub-vertical shaft being out of commission. Kloof should be able to maintain current production until the shaft is operational by drawing on surface dumps.

Helgo Kahle, general manager of the coal and base metals division, said the uncertainty in the base metals market has improved except for copper, where the speculative stockpile built up earlier last year was still being worked off.

Higher transport costs in Russia led to a drop in export coal sales, enabling the coal division to make spot sales.
No easy gold booms in geologically mature fields

MATTHEW CURTIN

SA had little chance of seeing a repeat of past gold mining booms because of the geopetal maturity of the gold fields and the unproductivity of gold prices. Anglo American gold division MD Lionel Hewitt said yesterday that flat prices for gold mining companies were entering a "new era".

Analysts have said the industry was entering a new phase of consolidation, with unprecedented focus on maintaining gold output at levels of 500 tons to 600 tons a year and improving product quality.

Hewitt noted "new projects are a long way off" and "most companies have been valuing on higher sustained gold prices". He said "we will prefer to distribute their earnings to shareholders rather than commit themselves to high-risk new capital projects with long lead times".

Problems at cash-strapped developing projects Oryx and Joel, and the older Deilstraat, had a sobering impact on the industry whose recent successes were the careful extension of existing operations at Moab Kwaal and Reef and Target. "There are limits to the level of efficiency improvements in grades" he said.

"Successful application of new mining techniques such as diamond wire cutting and impact ripping underground will be vital in enabling the mines to achieve a significant jump in productivity," Hewitt said.

Diamond wire cutting involves extracting reef with diamond-studded steel cable. Although recently abandoned at Gregoire's Lebale mine, the experimental technique is in operation at Anglo's Freegold (2-14).

Mine manager Ken Dix said the project was in its early days. However, the technique's spin-offs were potentially huge in eliminating the mining of unsalable reef, so cutting the number of reduction plants necessary, saving tunneling, timber and explosives costs, improving rock mechanics, operating 24 hours a day, cutting transport expenses, and opening up opportunities for more imaginative productivity-linked pay schemes.

Gold Fields has taken over sole funding for developing impact ripping — which involves a mobile pneumatically powered rock chisel moving down a stop face on track — originally financed by the Chamber of Mines. While similar in benefits to diamond wire cutting, its application is said to be more limited.

Hewitt said that funds such as the geologically well-defined Evander field were improbable and remaining prospects — necessarily geologically difficult ore bodies unlike those in the Witwatersrand Basin — were viable only with sustained gold prices above R50 000/kg and new technology.

He said the lesson learnt at Oryx and Joel had been that the experience gained in exploiting the greater reefs of the Wit Basin could not necessarily be applied to the outlying lesser reefs being tackled at these mines.

Such projects required more careful exploration and development.

Frankel, Pollak, Vonderer analyst Trevor Pearson echoed Hewitt's comments, adding that Oryx and Joel had "taught the industry the time value of money". It was fatal to miss development targets in a climate of high inflation and interest rates.

He said diamond wire cutting and impact ripping were encouraging developments but the failure of mechanised mining methods to improve efficiency showed the difficulty of applying capital-intensive technology in the hostile environment of deep-level mining.
FREEGOLD, the world's largest gold mine, had decided to close one of its 27 shafts — which had no chance of stemming its losses of more than R3m over the past year — Anglo American gold division spokesman James Duncan said yesterday.

Duncan said the exercise was unlikely to lead to job losses. However, the announcement was not well received by workers, as jobs have been cut in recent years.

Duncan said the Free State South Africa No. 2 shaft lost R2.8m between April and November 1993. With no prospect of increasing its grade of 2.57 grams per ton, the shaft would continue to make losses at current gold prices.

"At this stage, management does not believe it will be necessary to retrench any of the shaft's 1,150 employees," he said. Workers would be placed elsewhere at Freegold during the nine months to two years it was expected to take to close the shaft.

Freegold's workforce has tumbled from 107,843 employees and contractors in 1990 to 87,673 at the company's year-end last March. Duncan said compulsory redundancies were minimized as many workers opted for voluntary redundancy or its extended unpaid leave Scheme.

Although Anglo has given the go-ahead to a new R37m shaft at Freegold, set to come on stream in the year 2000, the project will provide only replacement tonnes for the company and create no new jobs.

Freegold produced 156 tons of gold in 1992/3, equivalent to revenue of R3,905, on which it reported earnings of R186m after tax and capital spending.
Lydex turns loss to profit

THE SHIFT in emphasis at Lydenburg Exploration from pure exploration to gold production gathered momentum in the year ended September 30 with the company turning a loss of 23.6c a share into attributable profit of 4.2c a share.

Lydex paid no ordinary dividend. It distributed its rights in Anglo American’s Moab project directly to shareholders but has disposed of its other listed investments — total investments at September 30 were worth R11.2m — to be passed on to shareholders in a dividend in specie later this month.

Since 1991, the Old Mutual-controlled Lydex has been operating a dump recovery facility, known as the Pluto project, treating slimes dams at Randgold’s ERPM.

Pluto reached full production in 1993, with improved gold prices helping to boost dump revenue to R10.4m (R25.9m) out of total revenue of R13.7m (R16.2m). Revenue was lifted in 1992 by a R4.8m profit on the sale of one waste dump, with profit from the sale of another at only R1.1m in 1993.

Costs fell sharply to R8.5m from R39.6m reflecting exploration spending, down at R7.15m (R37.6m). Net profit stood at R5.19m (R25.4m loss), helping eat into Lydex’s accumulated loss of R45.8m at the year’s start. The loss was R40.7m at year-end.

Chairman Peter Bieber said yesterday Lydex was sufficiently well funded for “exploration and the acquisition of quality projects.”

A company spokesman said drilling on a northeastern Transvaal platinum prospect would start in January, while Gengold would bring to account its Area One East project next to Vaal Reefs, in which Lydex has a 21.1% share.
SA mines miss out on gold price bonanza

From ANDY DUFFY

JOHANNESBURG — The SA gold industry missed out on revenues worth more than R300m in the three months to September, as forward selling prevented most mining houses from exploiting the burgeoning gold price.

Figures released by the Chamber of Mines show the gap between average spot prices for the September quarter and actual revenues received hit its widest point since hedging records began 12 years ago. The R300m of potential revenue forfeited in just one quarter compares with the R1.02bn the industry netted from hedging in the two years to last June.

Analysts are divided about whether the gap will narrow in the current quarter, despite attempts by several mining houses to unravel forward positions.

The Chamber's figures show the average gold price for the quarter was R45.194/kg, up R4.988/kg on the previous quarter.

But hedging left average revenues received at R43.081/kg, cutting total revenue back R303m on the total 143.521.1kg produced by the six mining houses.

Only Gold Fields does not hedge its production, and to date only Gengold has made clear it will unravel forward positions. Anglogold, JCI and Anglo American are maintaining a watching brief, while Randgold, which hedges around 80% of its production, has ruled out any reduction in forward selling.

Irish & Menell Rosenberg analyst Duncan Ingram said gold's continued rise could prompt a retreat from forward sales. "Many believe that gold will go above $400 so there'll be further unravelling."

He said it was not clear that September had seen the gap between quoted and received gold prices at its widest.

Frankel, Pollak, Vonderine analyst Trevor Pearson said the gap should narrow for the December quarter. Gold had not repeated its performance during the three months to September. The average quoted gold price is thought to have been around R42.000/kg for the December quarter.

But other analysts said that many hedged contracts struck in the three months to December 1992 had been at very low prices. This could see the loss in potential revenues grow in the quarter.
Leslie gold mine faces a decline

ANDY DUFFY

GENCOR's gold company Gengold has warned that Leslie mine, a mainstay in its Evander operations, faces a sharp decline in operational performance this year.

In the mine's annual report, Leslie chairman Kobus Olivier said a fault on the mine's Northern Block could force costs up 20% to R31 103/kg from next June.

The pressure on the mine's total reserves would also cut production by one fifth to 2,122t, Olivier said.

Gengold also warned that its Free State Unisel operation was in a "precautionary reserve position", despite attempts to generate a more flexible base.

Chairman Gary Maude said the mine had been hit last year by disappointing grades.

A cut in operations and falling grades left gold output down 2% at 4,991t/kg, while production costs edged forward 2% to R28 632/kg. The mine planned to stabilise production at last year's levels.

Kinross had developed a "reputation of stability among investors", Maude said. The mine had to access deeper reserves to the east of No 1 shaft to maintain that stability.

Winkelhaak would target good grade reserves to prevent its high development rate forcing up costs.
Leslie gold mine facing a sharp drop in output

Leslie's gold output might fall by 20 percent if the Evander operation in the Gengold stable fails to develop enough mineable reserves by the second half of this year.

That's the warning from chairman Kobus Olivier in 1993 annual report.

Gold production could fall to about 2.4 tons from the current 2.67 tons.

The reserve problem is due to the intersection of a fault much earlier than expected, also resulting in a reduction in the projected life of the high-grade Northern Block by about 2.5 years.

Olivier cautions that this could lead to a 20 percent rise in production costs.

Several other 1993 annual reports for Gengold mines were released yesterday.

Unsett is in a "precarious ore reserve position" in the short term, despite the focus on generating a more flexible ore base, chairman Gary Maude says in his review.

The Free State producer's gold output fell in the last two last quarters of the financial year to September 1993.

Maude says it is hoped gold production levels for 1994 will stabilise around those of the 1993 financial year (4,59 tons).

The deeper reserves to the east of No 1 shaft at group heavyweight Kinross need to be accessed in the near future if the mine is to maintain its stable performance. Maude says.

These reserves represent about half the future life of the Evander operation.

"In selecting the optimum alternative between a sub-vertical shaft, sub-inclined shaft or a decline, cognisance will be taken of the need to create flexibility in capital projects, given the future volatility of the rand gold price and equally important dividend returns to the investor."

In Winkelhaak's review, Maude says the 35-year mine needs to target good grade ore reserved to improve flexibility and stave off additional upward pressure on costs.

"Values at No 6 shaft have been disappointing while those at No 2 shaft are promising." — Sapa.
Genbel, Sanlam poised for huge Oryx write-offs

Two main shareholders in Gengold's Oryx gold mine are poised to take large charges to cover potential losses on the struggling Free State mine.

Genbel and Sanlam, which together hold about 30% of Oryx, said yesterday that they would write off much of the R290m they have pumped into the mine in their next year-end accounts.

The companies contributed the money as part of a R973m interest-free loan to Oryx in 1991, with Gencor and Anglo American providing the remainder.

But the mine has warned that it will need an additional R900m to break even, after poor initial grades forced its break-even target back three years.

Genbel MD Anlan Botha said the investment company would decide how much of its R140m exposure it would write off at a board meeting later this month.

Sanlam's investment head, senior GM Ronnie Masson, said it would finalise its charge closer to its September year-end.

Major shareholder Gencon, which owns 62.7% of Oryx, has already written off its exposure Anglo American, which holds about 5% with Amgold, said it would wait until its year-end before deciding. But it said it held "generous general provisions" against loan and investment debt and Oryx would probably not warrant separate disclosure.

The announcements come two weeks after an independent audit of Oryx confirmed the mine could hit its original forecast grades, but that it would still need an additional R900m to fund its development.

The audit’s findings should allow Gengold to table its proposals to re-finance the mine to the shareholders this month.

Gengold said yesterday that it had nothing further to add to its announcement on the audit findings.

But the plans are expected to centre on re-scheduling the mine's R550m bank debt, with the shareholders providing the remaining R450m.

Sanlam and Genbel said they would wait for Gengold's proposals before taking a decision on the mine. The size of their charges would also depend on gold price movements.

But Sanlam said there was "no question of any obligation to put forward more money. 'We'll listen to the proposals,' Masson said. "(Being diluted) wouldn't bother us a bit."

Overexposed

Gengold said it was already overexposed to Oryx, but it would rather increase its exposure than see its holding diluted. "If that means another R50m or R100m, then so be it," Botha said.

The company could sell other investments to allow it to continue funding Oryx, and was not prepared to see the mine liquidated, he added. "We will act as responsible citizens."

Analysts said Gengold might also try to replace bank debt with a gold loan, or go for a debt-for-equity swap. The latter could lead to a rights issue, once speculated, which would receive a "nervous" market response.

The mine’s share price gained 25c yesterday to close at R5.10
Genbel and Sanlam ready to take knocks from Oryx

TWO major shareholders in Gen- gold's Oryx gold mine are poised to take large charges to cover potential losses on the struggling Free State mine. (See Page 6)

Genbel and Sanlam, which togeth- er hold about 30% of Oryx, said yes- terday that they would write off much of the R220m they have pumped into the mine in their next year-end accounts.

The companies contributed the money as part of a R372m interest- free loan to Oryx in 1991, with Gencor and Anglo American providing the remainder.

But the mine has warned that it will need an additional R360m to break even, after poor initial grades forced its break-even target back three years.

Genbel MD Anton Botha said the investment company would decide how much of its R140m exposure it would write off at a board meeting later this month.

Sanlam's investment head, senior GM Ronne Masson, said it would finalize its charge closer to its Sep- tember year end.

Major shareholder Gencor, which owns 62.7% of Oryx, has already written off its exposure Anglo American, which holds about 5% with Angolgold, said it would wait until its year end before deciding. But it said it held "generous general provisions" against loans and investment debt and Oryx would probably not warrant separate disclosure.

The announcements come two weeks after an independent audit of Oryx confirmed the mine could hit its original forecast grades, but that it would still need an additional R560m to fund its development.

The audit's findings should allow Gengold to table its proposals to re- finance the mine to the shareholders this month.

Gengold said yesterday that it had nothing further to add to its announce- ment on the audit findings.

But the plans are expected to centre on rescheduling the mine's R550m bank debt, with the shareholders pro- viding the remaining R450m.

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Genbel said it was already over- exposed to Oryx, but it would rather increase its exposure than see its holding diluted. "If that means another R50m or R100m, then so be it," Botha said.

The company could sell other investments to allow it to continue funding Oryx, and was not prepared to see the mine liquidated, he added. "We will act as responsible citizens."

Analysts said Gengold might also try to replace bank debt with a gold loan, or go for a debt-for-equity swap. The latter could lead to a rights issue, one speculated.

The mine's share price gained 25c yesterday to close at R5.10, its level before its funding crisis announce- ment. Minority shareholders account for 2.5% of Oryx's equity.
JCI vows HJ Joel will fight for survival alone

JCI's embattled Free State mine, H J Joel, would win its fight for survival alone, the mining house vowed yesterday.

Unlocking December quarter results which showed Joel slipping further into the red, JCI gold division chairman Ken Maxwell said a merger with Gengold's adjacent Beatrix mine was not an option "until Joel is back on its feet".

JCI said the mine had been hampered by an unsuccessful attempt at trackless mining, temperamental grades, high costs, and debts.

A revival plan based on development rather than stoping was proceeding well and output would begin to rise during the third quarter of this year.

JCI was exploring various alternatives, including external financiers, to finalise a R100m refinancing for Joel, Maxwell said.

Gold milled at Joel fell to 149 000 tonnes (167 000 tonnes) which, combined with lower yields, cut deeply into gold output. Lower production pushed up costs nearly 16% to R27 265/kg while capex up 27% at Rm pushed attributable losses to 8.6c a share (9c a share loss).

Western Areas continued to hit new peaks. Yield up 7.3% at 7.5g/t partially offset the impact of lower tonnage from South division, lifting gold production nearly 5% to 4 300kg. Working costs fell 2% to R25 018/kg, leaving operating profit more than a fifth up at R4 856m.

The failure of the steel shaft at South division's No 2 subvertical shaft earlier this month halted production. About 55 000 tons a month, grading 10g/t, had been interrupted.

Gold division MD Bill Nairn said JCI had been advised that the cost of damage and loss of net revenue, apart from a 48-hour excess, would be covered by insurance. Staff at the shaft had been relocated.

A slight pick-up in grade at Randfontein lifted production to 8 167kg (8 131kg) despite lower tonnage. Unit costs were cut 1.6% to R27 701/kg and this, combined with higher revenues, raised earnings 13.2% to 66.9c a share.

Grades in development work so far at Doornkop had been 28.8g/t over 16cm and further development was under way. Development at Kimberley Reef suggested in situ reserves of 15-million tons, grading 5.1g/t.

Underground drilling of the Upper Elsburg reefs recently started at South Deep, with the first borehole result giving 11.1g/t over 1 380cm. Maxwell said plans to establish a mine would rely initially on existing revenues and cash balances rather than a cash call.

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Rand Leases caught on wrong foot by faulting

INDEPENDENT West Rand gold producer Rand Leases was wrong-footed by faulting in the December quarter, but said newly developed high grade reserves were set to bolster its profitability.

Ore milled jumped to 40,057 tonnes (38,779 tonnes), but faulting on the South Reef orebody on 21 level again hampered operations, cutting the grade from 4.7g/t to 4.14g/t, which left production lower at 171kg (172,409kg).

A lower bullion price helped trim gold revenues nearly 11% to R170,500/t. Though working costs were cut to R149,853/t (R165,753/t), attributable earnings were left at R19,000 (R45,000).

MD Roger Kebble said the results were disappointing, but belated operational improvements late in the quarter which would lift the producer's performance.

High grade reserves developed through the faulted area lifted the grade in December to 5.12g/t, and the mine produced 76kg in that month.

Kebble said this implied a quarterly production level nearly one-third higher than the output for the December quarter. He added that this would improve Rand Leases' profitability substantially.

Prospecting on the Bird Reef had revealed an encouraging paysheet, and plans to increase mining in the area were well advanced.

Kebble said previous capital expenditure would allow Rand Leases to extract high grade ore from 23 level over the next 18 months.

"Both developments are expected to impact substantially on Rand Leases' bottom line," the producer said.

Capex, which stood at R272,000 for the quarter, would rise to R338,000 in the three months to March as the mine accessed further payable ore bodies on the No 6 and No 7 shafts.
Consolidated’s antimony sales up

JOHN DUDLU

JCI-controlled Consolidated Mur-
chinson yesterday reported a 21% improvement in antimony revenue
for the December quarter to R3.3m,
from R4.3m in the previous quarter.
This increase was attributed to a big
increase in antimony sales.
However, gold sales were virtually unchanged. Gold revenue rose 11.6%
to R12.5m due to the improvement in
the rand gold price.

Total mining revenue increased to
R17.8m from R18.5m (ZAR).
Capital expenditure rose to R1.2m,
from R579 000.

There was a marginal rise in after-
tax profit to R3.9m (R3.2m).

The company said it would oppose
government’s claim of more than
R4m against the company.

The Department of Trade and In-
dustry had issued a summons against
Consolidated Murchinson, claiming
the company owed it R4.1m plus in-
terest arising from payments made
under an export incentive scheme.
GOLD QUARTERLIES

Momentum slows

The momentum of growth in earnings is slowing. That’s the stark message from December quarterly results of the major gold mining groups. Overall, earnings declined 11%, says Ed Hern, Rudolph gold analyst Graham Graham-Parker. Net profit for the quarter was R561m, compared with R631m for September. There are four main reasons first, costs rose by about 1% across the board. Of itself, that is an indication of real and determined efforts by the industry to maintain a tight grip on this side of the equation.

Second, total revenue was virtually unchanged at R5,790m. Gold output actually rose 1 t to 145 t and the gold price in rand terms was static. Third, capital expenditure rocketed R112m to R657m, and, lastly, quarterly income fell 10% to R47m.

Grade rose to 5,01 g/t, which says something about consistent efforts applied in quality product — the real achievement of holding down the average stopping width impacts on tonnages mined and fits grade.

On the other hand, hedging activities generally worked against the industry, the outstanding exception being Anglo American. Overall, one analyst believes the effect will be to clip R130m-R180m off revenue.

Capital expenditure increased dramatically. However, the final calendar quarter is traditionally a time of jockeying as companies close off accounts to meet financial year-ends or interims, so these numbers shouldn’t be taken to indicate a trend. There were, however, some big spenders — notably Vaal Reefs, Driefontein and Kloof. Aside from good hedging results at Anglo mines, the best performers were Freegold and Southmint. Freegold’s turnover was impacted strongly by its remarkable cost controls and Southmint’s improvement comes from an appreciable increase in grade. On the other side of the coin, Elandsrand disappointed costs escalated sharply to R179/t, sufficient to trim earnings by 20%.

The Anglovala stable produced dull results. Earnings at Hortebestfontein, the group’s star, fell 6%, at Lorraine, 65%, though this is a marginal producer and swings of this nature have to be expected.

At Gencor, St Helena’s grade improved substantially, from 6,19 g/t to 6,75 g/t. Coupled with fairly rigid cost controls, that produced a 56% rise in earnings — though that has to be read off a low base in earlier quarters. Stillfontein, the limping producer in Klerksdorp area, actually trebled earnings — but, before investors get too excited, they should note it resulted principally from a write-back of a tax provision.

Strangely, best performer at Gold Fields was Doornfontein, over which the threat of closure is looming. Grade improved and costs were cut 10%. The outturn was a 41% increase in earnings, probably not enough to stave off the decision to close but impressive nonetheless. GFS is expected to announce its decision by end-March, the market expects the mine to be mothballed.

The irony is that Kloof, SA’s richest producer, turned in GFS’s worst results. In large part, this has its origin in the serious subvertical shaft accident last year, which hit costs hard.

At JCI, the first to report this quarter, all mines except Joel did well. Randfontein, the biggest, jumped up earnings 13%. Randgold produced unexpectedly bad results, described by one analyst as a “disaster” — Blyvoor’s loss widened by almost 650%, Durban Deep, whose underground operation is known to be under review, lost 309c a share and at ERPM the loss was 16c. These results will undoubtedly affect Barlow’s proposed sale of its 27,5% holding.

The caution for all investors now must be whether the gold price will increase enough to compensate for increasing cost pressures.
Gold price is now firmly underpinned, say analysts

BY DEREK TOMMEEY

Sharp fluctuations in the gold price since the start of the year have created considerable uncertainty about the outlook.

This is exemplified by the remarks of Clem Suter, chairman of Anglo American's gold division — the world's largest producer of gold — that the price could move between $350 and $440 this year.

However, technical analysts have recently become rather more optimistic, believing that the price is more firmly underpinned now than last August and, as a result, is more likely to appreciate than fall in the coming months.

They point to the sharp fall in the price last August when, in under six weeks, it shot almost $60 from its peak of $405.50 to $345 without any significant signs of support.

This time, the market has shown much stronger resistance to gold's decline.

In its latest fall, it has dropped only $17.05 from its January high, showing it is being strongly supported and that the bears are not having it all their own way, say the analysts.

Much of the volatility in the price is the result of US fund speculation.

When the funds believe gold is about to rise, they buy heavily with the intention of accelerating the increase.

And when they think the price will fall, they sell their own gold along with gold they do not possess.

But while the funds were able to manipulate the markets last year, they have not had the same success this year, say analysts.

The fundamentals of the market have recently improved thanks to increased demand and reduced supply.

Kennedy Maxwell, chairman of JCI's gold division, said recently there were indications that the Asian central banks, which have only six percent of their assets in gold, were looking to increase their holdings.

And with Russia's mining industry in disarray, it was highly probable its supplies would drop this year.

He added that whenever the price dipped, as it did in September and October, physical demand picked up. Investment demand was growing, but it was not yet large enough to be a determinant of the price.

However, this could be changing. The $4.50 increase in the price in New York on Monday night to $392.05 was the result of inflation fears, said a US economist, and it was triggered by comments by the Federal Reserve chairman, Alan Greenspan.

If Americans are indeed buying gold on inflation fears, the metal's prospects are bright.
SA gold production up slightly at 5.4t last year

Johannesburg — SA produced slightly more gold last year at 619,5t compared to 614,1t in 1993, according to figures released yesterday by the Chamber of Mines.

The figures reflect a 0.88% rise in production of 5.4t last year as output in December 1993 rose to 53.7t compared to 51.5t in the previous month. However, gold output in December was lower than the 55.3t produced in the same month in '92.
Gold hoists JCI above expectations

ANDY DUFFY

STRONG contributions from gold lifted mining house Johannesburg Consolidated Investment above market expectations for the six months to December, and set it on the road for the first rise in its final dividend in five years.

A spurt in income from gold operations — including JSE gold sector during Western Areas — and healthy turnouts by blue chips SA Breweries and Premier Group pushed interim attributable earnings ahead 5.7% to 111c a share.

JCI said earnings for the full year were expected to rise over 1993 — a more optimistic outlook than that which accompanied the 1993 year end results — and the interim dividend was raised to 46c (42c).

Finance director Vaughan Bray said the outlook remained unclear. It was difficult to predict the full year dividend, but on current conditions a 10% rise was possible. "With the dividend pegged for the last four years (132c), we think it is appropriate to increase," he said.

Pre-tax profit moved forward 8.3% to R179,6m, leaving earnings prior to associates' income ahead at R181,8m (R155,6m).

JCI took a R10,4m extraordinary charge to cover currency costs stemming from the decision to lift its stake in base metals agent Minerals to 75% last July. Equity accounted earnings prior to the charge rose to 132c (119c) a share.

Bray said income from industrial interests again outstripped that from minerals.

JCI

but the gap was narrowing. By the year-end, the contributions from the two were expected to be roughly equal.

Platinum operations Rustenburg Platinum, Lebowa Platinum and Potgieteraas Platinum, which earlier this week posted solid gains, contributed income on a par with last year, Bray said. Ferro-alloy producer Consolidated Metallurgical Industries, which reports its interim today, remained in the same beleaguered position as last year. "It is not making a contribution to our bottom line," he said.

Coal income, hit last year by falling export prices, had improved marginally. SA Breweries and Premier both lifted their contributions by about 10%, but the performance of publishing interests was mixed. Argus had shown an improvement over 1993, while TML — which publishes Business Day — had deteriorated. JCI was "not expecting much improvement" from publishing for the full year.

JCI was carrying debt of about R1bn at the 1993 year end. Bray said improved cash generation had started to reduce this. Net asset value a share jumped 53% to R27,81.

Chairman Pat Retief had referred in his 1993 annual review to the prospect of JCI reshaping to meet "unprecedented changes in our external environment".

Bray said JCI had no specific plans in the pipeline. The recently aborted reshuffle between Argus and TML had "made sense", Bray said.
Gengold seeks debt deal to keep Oryx mine afloat

Gengold is trying to finalise a deal to restructure the R550m debt carried by its Oryx gold mine in an attempt to keep the struggling Free State operation afloat.

The Gencor-owned company has drawn up a plan to restructure the bank debt, and market sources said it would meet representatives from Standard Bank, Absa and Nedcor today to secure their agreement.

The mine, which needs an additional R900m to break even, will run out of money by the end of March, bringing operations to a halt.

Gengold chairman Gary Maude confirmed yesterday that a meeting with the banks was planned, but said it was "nothing out of the ordinary".

He said proposals would be put to Oryx shareholders "when we have something concrete to put to them."

It was not clear when the refinancing deal would be settled, but Maude was confident Oryx would have money to keep going after the end of March.

Oryx shareholders — Gencor, Genbloc, Sanlam and Anglo American — had previously provided a R874m interest-free loan to the mine. Oryx had spent R874,4m of the loan by its year end last August.

The cash should have helped the mine break even this year. Oryx would then have been able to service the bank debt, which has to be repaid by 1999, from its own cash generation.

But Gengold warned in October that initial grades far below previous estimates had derailed Oryx’s business plans, putting its break-even back three years.

Rescheduling the bank loan, which includes interest payments, would leave Oryx short of R459m — a figure thought to have far more chance of securing the support of Oryx’s shareholders.
Unisel expects gold output drop

WELKOM — Gencor's Unisel said it expected a sharp drop in gold output as a higher anticipated grade had failed to overcome lower throughput.

Mine manager John Dudas said gold output for the year to end-September 1994 would fall to about 3,700kg (4,961kg). He estimated tons milled in 1994 of 700,000 (830,000) but said average grade was expected to rise to 6.5g/t (6.1g/t). "With the current cost structure, I think we'll stabilise at this level," Dudas said.

Unisel's financial year has changed to end-June from end-September but Dudus's forecasts were based on the old arrangement for comparison.

Better development results had put the mine in a more comfortable position, he said "This time last year we were facing major problems."

Dudus said development would continue to be targeted to raise payability and create additional ore reserves. — Reuter.
Secret mining talks

In a wide ranging interview, the elusive chairman of Goldfields counters criticism of the mining house and confirms talks with the NUM. He talked to Bronwen Jones

SECRET talks are underway between high ranking officials from Goldfields of South Africa (GFSF) and the National Union of Mineworkers (NUM). According to the NUM, it is the first time.

GFSF chairman Robin Plumridge insists that they met "several years ago". Whatever the truth of the matter, the fact that NUM president James Motlatsi put foot inside 75 Fox Street in late January, and again this week, augurs well for the industry.

Plumridge won't say what they discussed. He says the agenda is "philosophical and confidential". Philosophical is Plumridge-speak for group policy.

He claims to be unworried by the recent NUM decision to focus special attention on Goldfields, as "this has happened to all mining houses at some time".

And the NUM's call for involvement in the dispute by the Miners International Federation? "We heard from them at the time of the Klopfontein incident. They had been totally misinformed. We sent them a detailed reply and have not heard from them since."

This week, however, Plumridge was at last drawn on a series of verbal attacks on the company by the NUM. He strongly denies that Goldfields is opposed to unions per se, saying, "Our position on unions is totally neutral. We believe in the right of all our employees to have freedom of association - or the right not to it's free choice."

That stance is moderated by industry agreements on closed shops. According to Plumridge, it cannot change unilaterally. "We're at one with the industry and have to abide by them. Changing agreement would require the mining houses to go to court."

He adds "The issue is being debated right now. The industry wishes to renegotiate closed-shop agreements to allow the principle of freedom-of-association."

The general election is a matter of GFSF has statistics to hand. He says "individual year figures are misleading. West Rand data over four years shows the industry average is 1.8 fatalities per thousand while ours is 1.4 fatalities per thousand."

At much maligned Kloof, he adds "The figure over four years is 1.3 deaths per thousand workers. Safety is a very emotive issue. Life is very precious and you can never do enough. The quest is for zero accidents, but in the real world the position is different."

He claims, contrary to the Government Mining Engineer's view, that few accidents are due to worker error. "We calculate that more than 85 percent of accidents are recklessness or the same related."

Records from one of Goldfields hospitals show only 19 percent of fatalities are due to mine accidents, with 27 percent attributed to assaults, motor vehicle accidents and suicide and 54 percent are due to medical reasons. "We want to get the mortality rate down across all categories."

Most of the assaults are said to be tribal and often involve liquor, and he adds "There has been a marked improvement at Kloof after we forced a local farmer to close a major shebeen."

The NUM says Goldfields maintains a tribal system in hostels to prevent the union from increasing its membership, but Plumridge retorts "People simply prefer to live with people who speak their own language. Especially at higher grades, they do have a choice."

He is concerned over suggestions that right-wing terrorists may be getting their explosives from mines and says "We have checked our records carefully, as much for self-interest as anything."

There is occasional pillaging but nothing large scale. Nonetheless, Plumridge admits "We are hypersensitive to the issue and have increased spot checks on workers coming up from below ground. I think the explosives used probably come from smaller mines or open pit operations."

Plumridge says that, in that context, Goldfields has adopted an apologetical stance: "We do not encourage people to discuss politics as it would be very inflammatory."

The company is also worried about the possibility of a three- or four-day closure over the election period. "If there are two votes, how can you denote your vote is, say, for the eastern Cape region? Or does the worker have to go home?"

"Responding to NUM and Cosatu's recent claims of an appalling safety record..."
Mines forgo R520m by selling forward

THE gold mining industry missed out on gold profits of R520m in the nine months to December 1993 as forward selling sapped the impact of higher bullion prices.

But net gains from hedging were still about R825m for the last three-and-a-half years, according to research by stockbrokerage E W Balderson. Though hedging could clip another R500m from profits by the June quarter, improved gold earnings would result as the mines unravel forward positions.

"The industry has had a net benefit out of hedging, and it is a big number," E W Balderson analyst Nick Goodwin said.

All the mining houses except Gold Fields had hedged to underpin earnings and capital expenditure plans or to safeguard marginal operations. In the three years prior to the 1993 June quarter, hedging had netted about 80% of its production, fared less well, with the price received trailing spot prices by an average of 6% in the nine months to December.

There was also a wide divergence in cost controls last year while JCI's gold division managed to contain year-on-year cost rises, Randgold sustained a 21% pump in average unit costs to R38 033/kg R150.

Durban Deep, facing closure unless it turns itself around, notched a 34% year-on-year rise to nearly R43 400/kg. Unit costs at Blyvooruitzicht and ERPM both rose more than 25% ZAR 12 194.

Anglo also struggled to contain costs. Unit costs across the group's hard-rock mines rose 11% to R38 814/kg.

Goodwin said costs would continue to rise this year but earnings would still improve marginally over the next two quarters.
Rise in gold earnings lifts Gencor income

BY AUDREY D’ANGELO
Business Editor

A 20% RISE in earnings from gold — and better performances from Samancor and the minerals group enabled the unbundled Gencor to lift attributable income from its remaining operations by 24% to R275m in the first four months to December 31.

This is 51% less than the attributable income of R236m achieved in the six month period ending on February 28 last year.

The interim dividend is 5c a share, covered twice by cash earnings of 9.6c a share. The net asset value of the group has risen to R14.50m at the end of December compared with R12.12m at the end of August

Pro forma figures given for comparison are not fully comparable because they have not been adjusted to show the full effect of the change in accounting year.

The biggest contribution to attributable earnings from the various operating groups came from Samancor with R85m or 33%.

The minerals group, which now includes Gengold’s larger investment in Richards Bay Minerals (RBM), contributed R64m or 26% and Gingold R50m or 20%.

Implt contributed R37m or 15%, Transmetal Coal contributed R32m or 11% and the international division R1im or 4%.

Investment and corporate income was much lower at R1im or 4%. The directors explain that this drop from R86m or 36% for the six months to February last year was due to lower cash balances because of investments in major new growth projects, lower interest rates and the shorter accounting period.

Black advancement scheme ‘successful’

GENCOR management resources division has “performed outstandingly” in its programme to advance black people and improve conditions for the workforce, group chairman Brian Gilbertson said.

Positions previously held by whites and now filled by blacks have more than doubled from 7% in 1991 to 15% this year.

The group has set itself the goals of housing all employees having all employees literate by the year 2000.

“Since 1990/91 the percentage of employees enjoying home ownership has more than doubled from 14.8% to a confidently estimated figure of 30%.”

Lithium will have almost doubled from 32% in 1990 to a confidently estimated 60% for 1994.

“Before the end of this year 3 400 jobs will have been created in Gencor Development Trust (GDT) projects. The GDT has provided 25% of the capital for 14 State schools in black urban areas built at a total cost of R62m.

“A further R70m will be generated for the benefit of communities due to the GDT’s direct financial assistance. Over R3m has been earmarked for tertiary educational institutions compared with R2.78m for 1992/93.”

Gencor chairman Brian Gilbertson says in his interim report that the positive operating results were achieved mainly through effective cost controls and increased production efficiencies at all operations.

“Negotiations with the Royal Dutch Shell group on the proposed acquisition of certain upstream assets of the Billiton group continue. It is hoped that negotiations will be concluded by the end of the financial year.

“FENGOLDS gold price receipts, at R320.22 per ton on average, were a welcome 20% higher than in the same period in 1992 and this boosted the aggregate earnings of the mines by 51.8% to R165m. Thus group remains a leader in the industry on cost control.

“Geological and technical analyses conducted at the end of 1993 confirmed the viability of the Orly gold mine project, albeit at higher capital cost. Various financing alternatives are being investigated for future funding.”

Gilbertson says the rationalisation programme at Impala has enabled working unit costs to be contained at the same level as the comparable period in 1992. But increased capital expenditure hit attributable earnings in the six months to December.

An improvement in Samancor’s results was due largely to a more beneficial exchange rate, the rationalisation of the chrome division and tight cost controls.

Richards Bay Minerals (RBM) lifted earnings by 96%. "The contribution of the minerals division should improve materially in the next economic upswing, especially when the new Hilleide smelter reaches full production in mid-1996.”

Syfrets gold analyst, Peter Major, commented that although these results were better than expected he considered the share expensive at its present level. But it was one to be bought on weakness, he added.
R450bn revenue loss predicted for mining

JOHANNESBURG — Over 4,500 tons of SA's gold reserves would not be exploited and over R450bn lost in revenue if current conditions in the industry prevailed, Chamber of Mines president Jurie Geldenhuys warned here yesterday.

Releasing a chamber document of the future of mining, he said profits in the mining industry had been more than halved while dividends to shareholders amounted to a quarter of previous levels.

This severe squeeze was due to stagnant commodity prices, above inflation working costs and increasing competition from low cost producers in other countries.

In addition, it had resulted in a plunge from over 500,000 to 350,000 workers employed on gold mines and from 65,000 to 28,000 workers on coal mines over the last six years.

Geldenhuys illustrated that a 15% annual working cost increase over the next 14 years with a yearly gold price increase of six per cent would see 4,500 tons of gold remain unmined because it would not pay to refine and extract it.

In this example, an estimated R450bn would be lost in revenue.

Noting that minerals and derived products made up almost 70% of South Africa's foreign exchange earnings, he said the mining industry would require security and certainty as well for the continued exploration and acquisition of mineral rights.

The ANC has proposed the transference of privately owned mineral rights to the state — a move seen as threatening to SA's mining industry.

However, chamber senior general manager Johan Liebenberg pointed out that 73% of mineral rights were already in the hands of the state.

Geldenhuys said the Chamber has presented the document to ANC president Nelson Mandela and other senior ANC officials and it had been well received.

Chamber CEO Tom Malone said the ANC acknowledged the importance of the mining industry.

The chamber president emphasised the regulatory role of the state was important to continued investment in mining. Certainty was a key determinant for investors sinking R2bn into a major new mining project where they would typically not see a return on their investment for at least seven years — Sapa.
Govt sets up inquiry as toll rises

Mine denies it was warned about dam

VIRGINIA — The investigation into the Harmony gold mine disaster — in which 13 people were killed and 64 were still missing late yesterday— is likely to focus on whether the mine had been warned that the slimes dam was dangerous long before it broke.

While rescuers continued their search for survivors, the mine found itself embroiled in a dispute over whether consultant Fraser Alexander had made clear that the Marnespruit dam was hazardous.

In another development, Reuter reports that a Mineral and Energy Affairs Department official said Harmony had reported that a wet spot in the wall of the dam was noticed more than a year ago.

The department’s Free State director Dirk Snyman said “Years ago management claim they stopped the building of the dam because of a wet area on a section of the wall. “When the building stopped, the danger should have withdrawn in time. . . I believe management did stop dumping sludge about a year or two ago and if this is so, the moisture line should have withdrawn or dried up.”

The dam burst on Tuesday night, sending a wave of sludge crashing across the adjacent suburb, crushing houses for 2km.

Unconfirmed reports said leaked correspondence, between the two companies showed that Fraser Alexander had warned Harmony several months ago.

Harmony’s parent company, Randgold & Explorations, said Harmony had “no record” of any written warning from Fraser Alexander. “At no stage did anyone warn us,” human resources manager Richard de Villiers said. “I invite people to bring evidence to us so we can establish the cause of the dam breaking.”

Fraser Alexander’s marketing director Kevin Everall was unable to say whether a warning was given. “If it had, it would be a matter of record” and would be picked up by an official inquiry.

The mine’s management said “No definitive conclusions should be drawn from such truncated sources of information.”

It said all correspondence between Harmony and Fraser Alexander would be made available to the inquiry launched by Mineral and Energy Affairs Minister George Bartlett.

De Villiers said the 20-year-old dam, which contained 10-million tons of sludge, was regularly monitored. The last check was last month. He was unable to say whether such tests would have picked up any weakening in the dam. That would be up to the inquiry to decide.

Snyman said the cause of the disaster would be probed by 15 inspectors appointed by the Mineral and Energy Affairs Department and would be followed by a full judicial inquiry. “The final result of the investigation and inquiry will be examined by the Free State attorney-general.”

The ANC called for a “full public inquiry into safety regimes” in mining.
More questions

The sale last week by Barlows of its 27.5% stake in Randgold raises more questions than it answers. A brief statement announcing the sale to Banque Paribas doesn’t disclose the price, but market sources suggest it may have been about R7 a share (Randgold’s price now is R6.85). The sale will net Barlows about R57m (£2.1m). Why Paribas should want to take a dominant stake in Randgold is mysterious and various suggestions are being advanced. One is that Paribas recently underwrote the rights issue undertaken by gold producer ERPM, administrated by Randgold.

In terms of the underwriting arrangement, Paribas undertook to place ERPM shares worth R46m, market sources say Paribas placed the stock immediately with clients and took a 5% fee on the way — earning R2.3m. Paribas Johannesburg director Francois Gelinet was unavailable for comment.

Assuming this unsubstantiated suggestion is true and that Paribas acts the same way this time round, Randgold will be left without any effective control.

However, this sequence of future events ignores the important shareholding of Mercury Asset Management, investment management arm of blue-chip London merchant banker SG Warburg. Depending on who tells the tale, Mercury holds between 24% and 30% of Randgold. The refusal of Julian Baring, its mining fund executive, to bid for the Barlows stake is seen as relating to the need to avoid crossing the 33.5% threshold (which triggers a bid to minorities).

In fact, says one analyst, Mercury and Paribas have an “understanding” — but nothing which could link them as concert parties. If so, it could mean a drastic shake-out is coming at Randgold. If not, it begs the question of what Mercury will do with its substantial shareholding.

David Gleeson
Rand Leases halts Durban Deep bid

RAND Leases' bid to take over Randgold's troubled Durban Deep gold mine had been shelved, the West Rand gold producer said yesterday.

MD Roger Kebley said the company was still interested in buying Durban Deep as the two operations were contiguous and offered extensive development and rationalisation opportunities.

But Randgold's management had refused to contemplate such a deal, and the purchase last month by French bank Paribas of a 27.7% stake in Randgold had further stymied Rand Leases' attempts.

A slip in grades cut Rand Leases' attributable earnings to R19,000 (R45,000) in the December quarter, but the company said high yields and capital expenditure would bolster profitability this year.

Randgold has warned that Durban Deep will close unless it cuts costs and stems its losses. Falling yields and labour problems combined to push the mine into a R6,8m pre-caped loss for the December quarter.
Investors may be wary of HJ Joel rights offer

ANDY DUFFY

JCI could face a tough time persuading investors to follow the R70m rights offer for its struggling gold mine HJ Joel, market sources said yesterday.

The refinancing would ease the debt burden that has hobbled the Free State mine, and set it on course for full recovery.

But analysts said investors would be wary, given Joel's chequered past and that the proposed offer would double the mine's share base, halving future potential earnings a share.

Joel was also unlikely to pay a dividend until its remaining debts of about R1.5bn were cut, which could take at least two years. The company has said it will not use the cash raised to cover payouts to shareholders.

Sources said JCI had to make a strong case for Joel's prospective recovery — tonnage at 130,000 tons a month, grading 6g/t — and that the revised development plan would leave it well geared to gold prices.

"It depends a lot on how it (the rights issue) is sold at the time," said Fransko Polak, Vandermeulen analyst.

Trevor Pearson "The recovery potential that Joel has could see it doing really well." JCI will begin marketing the rights issue tomorrow, when it will brief analysts and journalists.

The company, which holds a 55.26% stake in Joel, has already undertaken to follow its rights, with 7.12%-shareholder Sanlam also on board.

But other shareholders could be less compliant. Many investors believe JCI has been caught on the wrong foot in calling the rights offer at the current share price.

Although the share closed 10c up yesterday at R3.15, it hit R5.80 in December — its highest level since August 1991. Analysts believe JCI held back on the rights offer in expectation of the share breaking through R6.

Under the terms of the rights offer — which will raise R284m before expenses — 97.8m new ordinary shares will be issued, equal to the number already in issue. The offer price of R2.90 represents a 5% discount on the weekend close.

The cash will be used to redeem preference shares worth R180m held by JCI, with the remainder funding development that will take Joel through to covering future expansion from its own resources.

Joel was hobbled by an aborted attempt at trackless mining, a lack of available mining face and temperamental grades which have helped keep it in the red for five of the past six quarters and cut its production a third.

The mine sustained a post-capex loss of R8.6m in the December quarter as costs rose and production fell to 888kg (1.004kg). But JCI said Joel's recovery plan had gone well and production would rise from June.
JCI directors optimistic
about Joel mine's future

BY DEREK TOMMIEY

JCI directors were optimistic at a presentation in Johannesburg yesterday that the HJ Joel gold mine's revised development programme would lead to substantial profits and dividends from 1997 onwards.

Joel is planning to raise R284.1 million through a one-for-one rights issue at 230c a share to finance the programme.

So far Joel, which was floated in 1986 and started production in 1988, has been a tremendous disappointment to its shareholders.

Serious production problems have resulted in losses - after providing for capital expenditure - of 72c a share in 1990-91, 6c a share in 1991-92 and 12c in the six months ended December, 1992.

Underwritten

Meanwhile, a sign that the New South Africa is beginning to cast a shadow ahead of it, is that two British financial groups, Smith Newcourt and Rothschilds, are underwriting the offer of the 38.5 percent of the shares not being taken up by JCI and Stanlam.

Finance director Willy Conn said that if the offer had been made a year ago it would probably have been underwritten in South Africa.

Managing director Bill Nairn said that JCI had seriously considered closing the mine. But this would not have been a clever move.

But with more becoming known about the mine's geology, it is now estimated to contain some 31 million tons of ore with an in-situ value of 6.5 grams a ton.

At a gold price of R366 000 a kilogram, payable reserves are around 22.8 million tons, yielding 6.03 grams a ton or 4.4 million ounces over the mine's life. On a gold price of R40 000 a kilogram, gold production would rise to 4.7 million ounces.

Nairn outlined some of the problems faced by the mine after its opening.

The shafts were sited in an area which turned out to be heavily faulted. This meant that considerable development and time was needed before the reef could be accessed. This greatly increased initial costs and reduced the cash flow, causing the mine to be under-capitalised.

The use of trackless mining methods also presented difficulties. Dilution of the gold reef was heavy, mining flexibility was lost and the need to haul ore up eight degree inclines over distances of three to four kilometres put heavy stress on the equipment.

The gold price initially was lower than expected, averaging R32 000 a kilogram instead of the R40 000 an ounce forecast, and development ran into a large area of unpayable reef.

Solutions to the mine's problems were sought. A merger with the adjoining mine Bestrox was considered but rejected.

Eventually, it was decided to revert to conventional mining methods which were more suited to narrow reefs and to reduce production until sufficient ore reserves had been built up to achieve a sustained increase in the milling rate, even though this had led to higher unit costs.

The mine is milling 50 000 tons a month at present, equal to an annual gold production rate of 3 600 kg a year. By the end of June sufficient reserves should have been built up to sustain a monthly milling rate of 80 000 tons, and by June next year, it should be possible to increase the milling rate to 110 000 tons a month.

Reserves

Nairn said it was planned to build up sufficient ore reserves to cover two years' production so that the mine would not be affected should development run into unpayable areas.

Money will be spent on expanding the metallurgical plant, improving ventilation, and underground development.

Originally it had been planned to sink two more shafts at the northern part of the lease area but this had now been scrapped. Instead the mine would sink only a ventilation facility and rely on mine haulages.

Financial manager Beth Mandel said that at a gold price of R40 000 Joel should start paying dividends in 1997 with an initial payment of 18c a share, followed by a 33c dividend in 1998 and one of 53c in 1999.

She said that Joel was unlikely to pay tax for the next 14 years.

Joel's chairman Kennedy Maxwell said that Joel was well placed to benefit from a higher gold price.

If the gold price performed as he expected it to in the next few years, this should give rise to a satisfactory increase in the mine's profits.
JCI expects Joel to pay no dividends until 1997

SHAREHOLDERS would have to wait until 1997 to see a dividend from JCI's refinanced gold mine HJ Joel, the mining house said yesterday.

Detailing terms of the mine's R264m rights offer, JCI said the cash would repair Joel's balance sheet and take it through to self-funding by 1996.

The mine would make an operating profit of R14.8m this year and R76.8m in 1995, and was recovering well from its costly attempt at trackless mining.

But Joel's earnings would continue to be swallowed by capital expenditure and servicing debt and preference dividend commitments until June 1996.

On an average gold price of R40 000/kg, Joel's cash flow would turn positive in 1997, allowing a dividend of 18c JCI said the payout would rise to 33c the following year. The refinanced mine would offer a rate of return of 8% on shareholders' investment, which would rise sharply on any gain in the gold price.

Joel had also accumulated an assessed tax loss of R1.1bn, which would leave it free of tax for the next 14 years, the company added.

Gold division MD Bill Nunn said JCI had considered closing Joel 12 months ago after operational and geological hitches thwarted its business plan. But this was ruled out because of JCI confidence in resources at the Free State site. These were estimated to be 22.2-million tons of recoverable reserves grading 6.65g/t, which would produce around 138 000kg of gold.

"With this sort of reserves it would not have been clever to close down the mine," Nunn said.

The refinancing would enable Joel to pursue its revised development plan. This centred on amassing reserves equivalent to two years' mined output, accessing ore on 90 level through a triple decline using conventional mining.

Joel would have 500 000 tons of reserves by the end of March, 700 000 tons by the end of the June quarter and 1,08-million tons by June 1995. It would hit its two-year reserve target in June 1996.

The mine's monthly output would move from the current 50 000 tons to 80 000 tons in the next financial year, Nunn said.

Analysts said questions remained about the credibility of Joel's ore estimates. The share closed 18c down yesterday at R9.10.
Call for introduction of continuous mining

BY DEREK TOMMEY

Tom Dale, deputy managing director of Cempgold, South Africa's third largest gold mining group, has made a plea to the government in power later this year not to unilaterally take steps that could damage the gold mining industry.

Addressing a gold conference in Singapore on the future of the industry, he said that spokesmen for various political parties had suggested that the laws which govern mining activity should change radically.

Dale said it was essential that any changes which a new government might make to the mining industry's legal framework should be made in consultation with the industry and should ensure that the gold mines prospered.

Dale called for more cooperation between government, labour and management on overcoming the industry's problems. He particularly urged the introduction of mining on a continuous basis, the ending of the 'ring fencing' tax policy and increased employment through more market aligned wage rates. He said the government, labour and management would have to decide on the relative importance of more jobs versus higher wages.

Dale painted a depressing picture of the industry's current situation. The local industry had been hit by rising costs with the result that there were few if any new deposits in the Wits basin which met the required investment/risk returns criteria at the current gold price.

Capital costs for each annual ounce of capacity were far higher in South Africa than in competitor countries. Cost of production was also significantly higher, and because of the poor rating afforded South African gold shares, the cost of capital to North American and Australian producers was a fraction of that of South African producers.

Obstacles

He said that in spite of the potential to improve productivity through restructuring, education and training and better motivations, the obstacles to continuous work need to be removed.

At present most of the industry closes down expensive mining capacity for an effective 20 percent of available time owing to the 11-shift fortnight arrangement.

No industry in South Africa employed as many people as deep level hard rock mining. Where appropriate, remuneration structures needed to be redesigned to accommodate the aspirations of the unemployed at market-related basic wage levels, which were a fraction of the existing rate.
Wit Nigel a 'hidden' jewel in CMC's stable

BY JOHN SPIRA

Consolidated Muning Corp (CMC) presents outstanding value with high dividend yields and offers some exciting prospects.

That’s the conclusion drawn by Lowenthal & Co analyst Danie Parsn, who draws attention to the considerable discounts to net asset value of the group companies.

The study, concluded last month, shows Southago at a 77 percent discount to net worth, Egoli at a 79 percent discount and CMC at a whopping 83 percent discount.

Parsn suggests that the discounts suggest that shareholders would receive “substantial benefits” if the group were to be unbundled.

Dividends expected to be declared towards the end of April would offer the following prospective yields:

* Benoni — 3 percent
* West Wits — 7 percent
* Southago — 9.5 percent
* Egoli — 9.5 percent
* CMC — 11.5 percent

Turning to the group’s operating companies, Parsn says Benoni’s December quarter loss should be reversed in the March quarter “Excellent results are expected from the June quarter onwards.”

West Wits had an “outstanding” December quarter. The additional secondary mill, which was commissioned in November, increased milling capacity by about 10,000 tons a month.

“West Wits is still operating well and further increases in revenue are expected, especially if the rand gold price continues its recent trend.”

But it is Parsn’s remarks about Wit Nigel that are likely to set shareholders’ hearts beating a little faster.

“Wit Nigel has been described as the hidden jewel in CMC’s crown. It has one of the largest shallow (below 2,000 metres) deposits in southern Africa. At the current gold price the deposit has become viable to exploit and management is actively seeking to raise some R100 million to accomplish this.”

Parsn refers to Soudex, whose share price rocketed from 200c in October 1992 to 400c in November 1993, as pointing the way to Wit Nigel’s potential.

“During this period the Soudex mine was accessed via Western Areas and the encouraging values led JCI to announce that a decision would be taken early this year as to whether the project would be transformed into a listed mine.

“Soudex has the largest undeveloped deposit in South Africa, with estimated reserves of about 118 million tons with a grading around 9g/t. Estimates of the capital expenditure vary between R1.5 billion and R4 billion to establish this mine.”

Therefore, given the difference in capital costs, Wit Nigel’s orebody, when exploited, will offer good returns to its shareholders.”

FOOTNOTE: At the time of the analysis, the share prices of Southago, Egoli and CMC were 105c, 200c and 28c respectively. They have since advanced by between 15 and 30 percent, thereby narrowing (though by no means closing) the gap between the share prices and their net asset values.

Note that as the prices of the underlying shares rise, so the net asset values of the holding companies increase. Accordingly, while the share prices of the holding companies have risen, so have their net asset values. The gaps have therefore not narrowed significantly.
Gencor puts Oryx merger on hold

Gencor's gold division, Gengold, has shelved plans to restructure its mining operations pending the outcome of refinancing talks for its embattled Oryx mine.

Deputy MD Tom Dale said yesterday that the proposals, under which Gengold's four Free State mines would be merged, relied heavily on Oryx operating at previously planned output levels.

But these had been derailed by poor initial grades at Oryx, which had delayed its break-even point and forced the mine to seek an additional R900m from its bankers.

The merger proposal, first made last August, would remain on ice until Oryx's future was secure. Gengold had still to approach Inland Revenue officials to argue a case for restructuring the Free State operation's tax base.

Dale said it was difficult to gauge when refinancing talks for Oryx would be finalised, given that negotiations involved shareholders Gencor, Genbel, Sanlam and Anglo American, and several banks.

But he added that another merger option — combining Evander mines Leslie, Kinross, Winkelhaak and Bracken — would probably not get tax authorities' approval.

Gengold said last year that it was on the verge of restructuring its business in an attempt to improve its operating and JSE performance.

A merger could boost the financial strength of the mines, while smoothing the path to major capital expenditure.

The mooted Free State company would draw the bulk of its income from Oryx and Beatrix, which would together produce 6 000kg of gold a quarter, with St Helena and Unsel providing the remainder.

For the December quarter, Beatrix produced 3 401kg of gold, with St Helena hitting 1 345kg and Unsel 944kg. The three mines contributed more than 30% of Gengold's R78.8m distributable earnings during the period.

Analysts warned, however, that Gengold could have a tough time trying to sell the merits of a four-mine structure to investors who were more inclined to buy mine shares selectively.

Merging the Evander operations could provide a tax base deemed vital to Winkelhaak's proposed R450m No 5 shaft, sources said.

But the benefits of merging the Free State mines were not clear-cut, unless Gengold planned to use Beatrix's tax base to help fund Oryx.
Ailing mine's shares suspended

SHARES in South Roodeport Main Reef Areas, the ailing gold mine in Lucas Pouroulis' Golden Dumps stable, were suspended yesterday at the company's request. The suspension — at 22c — follows a torrid nine months for the mine during which its share price has plummeted from 105c to just 17c.

Failing grades and high costs helped push the mine to a R2m loss in the year to last June — a figure far higher than its turnover — and the shutdown of underground operations raised questions about its ability to survive.

The market had also been alarmed by serious deficiencies in the annual report. South Roodeport said some accounting records had been lost, and attempts to overcome this had disclosed unexplained transactions and differences in account balances.

The report was also late, earning a suspension warning from the JSE in January, and included a qualified statement from auditor Coopers & Lybrand.

No one from the company or Golden Dumps was prepared to comment last night.

Golden Dumps' other arm, Consolidated Modderfontein, has fared only marginally better, hit by a muted hedging programme and recently relying heavily on asset sales and lower capex to remain in the black.

The mine closed 7c up yesterday at 57c, against its 48c low hit earlier this month, and 165c last July.
Durban Deep mine seeks state's help

RANDGOLD's ailing Durban Deep gold mine has applied for further state assistance for its pumping activities to avoid closure of underground operations, a spokesman said yesterday.

In his statement for the year to December, chairman John Turner said there had been productivity improvements in the last quarter of 1993 and the beginning of this year, but more efforts would be needed to avoid a shutdown.

Capital expenditure was vital in ensuring the sustainability of productivity improvements. No indication was given of how capex would be raised.

He also expected that the projected higher gold price - of $300-$400 this year - and last year's hedging transactions, which would be fulfilled next month, would boost the company's fortunes. But state assistance, which began last Friday, would be essential. Pumping activities were boosted by R10,7m in state assistance in 1992 and R10,8m was provided for the year to March 1994 - of which R8,5m had been spent.

An increase in the underground operations' working loss led to an after-tax loss of R12,5m, wiping out the retained surplus and creating an accumulated deficit of R16,7m. This was despite the 8% increase in the gold price to R34,56/kg.

Turner said discussions for further assistance for pumping operations had been initiated to meet funding requirements until the prospects of a higher gold price and improved productivity yielded results.

Commenting on ERPM, Turner said that after a successful R553m rights offer last year, which wiped out its debt, the mine would have to improve productivity to shed its loss-making status. The failure to increase production through a seven-day week meant it was unlikely to achieve this year's projected profits.

The mine suffered a working loss of R1,1m (R2,7m profit) on gold's performance. Turner expected continued depreciation of the commercial rand to the dollar to boost the rand/gold price this year.
Higher average level in rand terms seen for current year

Randgold chairman bullish on gold price

BY STEPHEN CRANSTON

The rand price of gold should be higher on average this year than it was in 1993, says Randgold chairman John Turner.

Turner says that the deprecation of the rand will continue.

And even in dollar terms, the declining trend in the gold price since 1987 showed a welcome turnaround last year, triggered by gold-fund buying in the US, which reflects a generally improved sentiment towards gold.

Last year’s average price of $360 was 4.6 percent higher than the previous year, which translated into a 20 percent improvement in rand terms.

Movements

Turner predicts that gold will trade in the range of $350 to $400 this year — although occasional movements above $400 are possible.

The gold price is crucial to the future of two Randgold marginal mines, ERPM and Durban Deep, which have just released their annual reports for the year to December.

Turner, who is chairman of both mines, says ERPM is now free of its debt burden after its R553 million rights issue at the end of the year, but still requires productivity and production increases before it returns to profitability.

The disappointment of not achieving improvements through seven-day week mining means the company is unlikely to achieve the predicted level of profit or dividend this year.

The 11-shift fortnight has been reintroduced from this month with modifications to include voluntary work on off-Saturdays and -Sundays.

While revenue per kilogram increased by 12 percent and gold production from underground increased marginally, production from surface sources fell by 2.5 percent as a result of a yield decline.

This decline and cost increases in both underground and surface operations resulted in an overall cost increase of 17 percent per ton processed and 25 percent per kg produced.

The loss for the year of R58.4 million was higher than the previous year’s loss of R111.8 million.

Turner says the sinking of the decline shaft below 70 level has been delayed and that the original contractor has been replaced.

Phase 1 of the project below 70 level, which includes the sinking of the decline shaft and the commencement of mining to 73 level, should be completed by the end of 1995.

A decision on Phase 2 of the project, which incorporates the proposed tertiary shaft, will be taken after completion of an underground drilling programme.

Durban Deep’s underground operations remain in jeopardy. Turner says further productivity improvements are necessary if closure is to be avoided.

He says capital expenditure is now vital to ensure that the productivity improvements can be sustained and the lack of mining flexibility rectified.

Good news is that by May, the hedging transactions undertaken in 1993 will be fulfilled and the company should benefit from the projected higher gold price.

Assistance

Immediate pumping assistance is essential and further assistance may be necessary to meet funding requirements until the combination of improved productivity and a higher gold price make the underground operation viable.

The gold price received in 1993 increased by eight percent to 34.62 per kg, but the increased loss on underground operations resulted in a loss after tax of R12.5 million.

After three years of improvements, productivity last year was 12 percent lower.

Capital expenditure was cut from a forecast R7 million to R3 million and there was a further deferral of essential items, including development.

Turner says dividends may not be paid for the duration of state assistance and no dividend is contemplated while these conditions prevail.
Profits of gold mines set to soar, say analysts

SA GOLD mines are expected to show a sharp rise in total distributable profit for the March quarter, aided by a higher gold price, lower capital spending and a halt to state lease payments, analysts say.

Gold Fields will kick off the reporting period on Monday, with the other five major mining houses — Anglo American, Anglovaal, Gencor, Johannesburg Consolidated Investment and Randgold & Exploration — releasing results over the next two weeks.

Analysts expected total profit after capital spending to rise steeply over the preceding quarter’s R560m, possibly exceeding the R830m achieved in the September period.

The average spot gold price was well up in both dollar and rand terms in the past quarter after a flat showing in the December quarter.

Analysts noted, however, that mines were still unwinding hedging positions which meant their actual price received would not match that ruling in spot markets.

The international gold price averaged $384/oz in the quarter, against $373/oz the previous quarter, while in rand terms it averaged R1 320/oz against R1 262/oz because of a weaker local exchange rate.

A fall in capital expenditure was forecast, but only because the past quarter was not a major reporting period when mines traditionally manoeuvre on such spending to maximise tax breaks.

Important constraints on earnings growth included virtually unchanged working costs, a rise in overall tax, and slightly lower gold output.

The March quarter was the first in which tax reform that scrapped payments to the state for the right to mine applied, and this was expected to boost bottom line earnings by up to 5%.

Apart from lost production over Christmas and the New Year holidays, some gold mines suffered labour disruptions late in March, particularly Gencor and Gold Fields.

Edney Rogers analyst Duncan Ingram said the labour unrest might have little effect on the latest set of results because the quarter effectively closed in mid-March for accounting purposes.

Analysts predicted the best performer for the past quarter would be either Anglo American or JCI. JCI last week disclosed plans to restructure its mining and other interests.

Randgold, two of whose four mines continue to battle, would again be the weakest, they said. — Reuter
### Bright quarter for base metals

**BARRY SERGEANT**

*GOLD FIELDS' base metal division yesterday reported its “best quarter for at least the past two years”, said executive director John Hopwood.*

Unveiling results for the March quarter, Hopwood said base metal prices appeared to have moved contrary to fundamentals, but there had been a change in sentiment.

In rand terms, copper had increased 14.5% quarter on quarter, lead had risen 17.9%, tin 13.8%, zinc 3.1%, and silver 17.0%.

Hopwood singled out Black Mountain as the “star performer”. The copper, lead, zinc and silver producer posted a R14,8m taxed profit (R5,7m) for the quarter.

Copper producer Olokeep posted a R5,8m profit (R5m loss). Hopwood said Olokeep had experienced concentrate supply problems, and there had recently been a broad increase in demand for concentrates.

Hopwood said Gold Fields Namibia, a copper, lead and silver producer, remained a “problem child”. It had also had problems with concentrate supply, and posted a R13m loss (R13m loss) for the quarter. Hopwood said it was likely GF Namibia would post profits for the June quarter.

Zinccorp posted a R9,1m profit (R1,4m), despite a planned maintenance shutdown. Zinc had shown the weakest price increase in the period.

Gold Fields Coal reported a 82.7% increase in profits to R8,7m, but Hopwood said the outlook for prices was mixed.

### Gold Fields shines despite problems

**BARRY SERGEANT**

Libanon, which reported working losses of R2,6m for the March quarter, experienced mechanical and labour hitches. Operations in the No 4 sub-vertical shaft were knocked by the failure of the rock winder drum shaft in January.

The problem was solved after “an encouraging degree of co-operation in the mining industry”. Libanon also experienced “certain confrontations between certain employee groupings” but Mr Murdo said both problems had been solved.

Libanon was expected to post a profit in the June quarter “provided all other factors remain stable”.

Doornfontein had welcomed last month’s decision of the Labour Appeal Court in which an order to reinstate certain employees dismissed in December 1991 was overturned.

The court instead awarded the employees R5m, which would be costed by Doornfontein in the second quarter of 1994. Doornfontein had reported R13,5m in taxed profit in the first nine months of its current financial year, Murdo said.

“Doornfontein is out of the woods, with a possible life of months, perhaps years,” he said, and had the “prospect of building itself a longer-term future”.

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**GOLD FIELDS**

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<th>Tons milled GGEs</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled R</th>
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* Driefontein/Kloof as a whole
Gold Fields riding high

BY DEREK TOMMEEY

A higher gold price and improved mining performances helped lift Gold Fields’ working profit from gold by R30 million in the March quarter to R582 million.

Two mines — Driefontein and Kloof — report sharply higher pre-tax profit.

Driefontein and Deelkraal showed only small improvements, but both are expected to do better, says Alan Munro, executive director of gold operations.

John Hopwood, executive director of coal and base metals, says higher prices helped profits in his sector.

The group received an average gold price of R42.546, an increase of almost 7 percent on the December price of R39.786.

Production rose by 202kg to 30,922kg and revenue from gold rose by R55 million to R1.3 billion.

Average grade rose from 9.0 to 9.4 grams a ton, and compensated for the 0.8 percent drop in the milling rate to 3,449,700 tons.

Working costs fell R6 million to R725 million. Working profit rose from R531 million to R695 million.

Taxes took a substantial part of the increase. Payments rose 90 percent from R143 million to R254 million.

Munro says mining operations are taking place in an area with higher-than-normal gold values and the high grade of 11.3 grams a ton is unlikely to be maintained.

Output fell from 7,492.1kg from R428.5kg, but the higher gold price resulted in working profit rising from R45.9 million to R115.8 million.

Together the two mines had a working profit of R406.5 million (R393.7 million) and tax took R177 million (R135.3 million) and tax profit was R229.6 million (R164.4 million).

Kloof’s Leewoord division lifted working profit from R14.9 million to R30.3 million, helping offset a swing from profit to loss at the Libanon division. Total pre-tax profit was R194.4 million (R176.7 million).

Driefontein is “out of the woods” with the Labour Appeal Court overturning the order to reinstate workers dismissed in 1991.

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Bright quarter for base metals

BARRY SERGEANT

GOLD FIELDS' base metal division yesterday reported its "best quarter for at least the past two years", said executive director John Hopwood.

Unveiling results for the March quarter, Hopwood said base metal prices appeared to have moved contrary to fundamentals, but there had been a change in sentiment.

In rand terms, copper had increased 14.3% quarter on quarter, lead had risen 17.9%, tin 13.8%, zinc 3.1%, and silver 17.0%.

Hopwood singled out Black Mountain as the "star performer". The copper, lead, zinc and silver producer posted a R14.5m taxed profit (R5.7m) for the quarter.

Copper producer Ovukop posted a R3.4m profit (R8.8m loss). Hopwood said Ovukop had experienced concentrate supply problems, and there had recently been a broad increase in demand for concentrates.

Hopwood said Gold Fields Namibia, a copper, lead and silver producer, remained a "problem child". It had also had problems with concentrate supply, and posted a R5m loss (R12m loss) for the quarter. Hopwood said it was likely GF Namibia would post profits for the June quarter.

Zincorp posted a R9.7m profit (R7.4m), despite a planned maintenance shutdown. Zinc had shown the weakest price increase in the period Gold Fields Coal reported a 68.7% increase in profits to R6.7m, but Hopwood said the outlook for prices was mixed.

Gold Fields shines despite problems

THE broad improvement reported by Gold Fields' gold division for the March quarter was achieved despite labour and mechanical problems, the mining house said yesterday.

The division reported an 18.1% increase in pre-tax profit to R283.4m for the March quarter, against R230.7m in the December quarter.

But Driefontein, Kloof and Doornfontein were struck by a combination of labour and production disruptions.

Mining operations in the No 6 Turf Shaft area at West Driefontein were affected by a fire which started in January. The fire had been contained, Gold Fields executive director Alan Munro said.

Kloof division, which consists of the Kloof, Leedoom and Lebanon operations, experienced some turmoil behind its overall taxed profit of R192.3m for the March quarter.

Repairs to Kloof's No 3 sub-vertical shaft, stemming from last October's infrastructure collapse, were progressing, and production had restarted down to 33 levels.

Munro said the need for Kloof to draw on surface reserves was "being eliminated". Kloof experienced illegal stayaways during March which hit underground production, but surface reserves shielded the figures from the four-day stoppage.

BARRY SERGEANT

Lebanon, which reported working losses of R2.6m for the March quarter, experienced mechanical and labour hitches. Operations in the No 4 sub-vertical shaft were knocked by the failure of the rock-wander drum shaft in January.

The problem was solved after "an encouraging degree of co-operation in the mining industry". Lebanon also experienced "certain confrontations between certain employee groupings" Munro said, both problems had been resolved.

Lebanon was expected to post a profit in the June quarter, "provided all other factors remain stable".

Doornfontein had welcomed last month's decision of the Labour Appeal Court in which an order to reinstate certain employees dismissed in December 1991 was overturned.

The court instead awarded the employees R4m, which would be costed by Doornfontein in the second quarter of 1994. Doornfontein had reported R13.2m in taxed profit in the first nine months of its current financial year. Munro said.

"Doornfontein is out of the woods, with a possible life of months, perhaps years," he said, and had the "prospect of building itself a longer-term future".

<table>
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<tr>
<th>GOLD FIELDS</th>
<th>Tons milled</th>
<th>Yield g/ton</th>
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<td>40 182</td>
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* Unrest at Kloof as a whole.
Goldfields turns in gleaming profits

JOHANNESBURG — Gold Fields of South Africa said it reaped the benefits of a higher gold price in the third quarter, as profit rose 14% to R1.13 billion from R979 million in the March quarter. The average gold price received rose to $404 per ounce from $376 per ounce, and production rose 6% to 1.03 million ounces.

The company's gold production increased 2% to 4.4 million ounces, with production from its new Ora Banda mine in Western Australia rising to 1.4 million ounces. Gold Fields' gold mine in the Democratic Republic of Congo also contributed significantly to the increase.

Speaking after the results, Gold Fields CEO, Dr Jannie Jacobsen, said the company was well-positioned for a strong performance in the fourth quarter.

Meanwhile, the copper division reported a 28% increase in production to 34,500 tonnes, with the Hambidge mine in South Africa and the Tintina mine in Canada contributing to the rise.

Gold Fields' share price rose 4% to R280.00 on the back of the strong results.
MacPhail holds market share

SA's largest coal distributor MacPhail Holdings had maintained market share despite intense competition stemming from lower local demand, CEO Sidney Weintraub said in the company's annual report.

Weintraub said the W&A-owned company would benefit from an economic upturn, provided political developments did not have an impact on trading.

Despite tough market conditions, MacPhail had managed to keep earnings just below its 1992 level through "careful cash and asset management as well as strict expense controls."

Chairman Terry Rolfe said the company's Africcoal venture—a national marketing organisation aimed at revitalising the domestic coal market—had "grown vigorously" and was expected to sell more than 1-million tons of coal this year.

MacPhail had also concluded sourcing agreements with overseas buyers. The company was considering setting up a "UK-based depot and marketing function."

MacPhail had launched a feasibility study into a proposed new coal terminal at Richards Bay, which had "increased the group's exposure to international markets and its recognition in those markets."

"If export markets improve, the glut in the local market could well give way to shortages of certain coal grades and sizes," Weintraub said.
Analysts divided over Driefontein

CAPITAL expenditure commitments at Driefontein, Gold Fields' Western Witwatersrand gold mine, along with currency factors, has split analysts into two schools of thought regarding the shares' relative value.

"Few, if any, analysts quarrel with the proposition that Driefontein is a core portfolio holding, as a result of its size and quality of its assets. But volatile currency factors have highlighted the substantial discount at which Driefontein trades relative to international gold miners such as American Barrick and Newmont." (PH)

"Measured in international terms, Driefontein offers a forward price-earnings multiple of 15 times, compared with the much pricier 40-60 times for comparable non-SA heavyweight gold shares.

"Foreign investors are entitled to purchase JSE-listed shares via the finrand, currently trading at a 33% discount to the commercial rand. Thus, argue analysts at James Capel stockbrokers in London, Driefontein offers value on a currency basis — apart from its size, low-cost profile and low-risk attraction."

Release of Gold Fields' quarterly results on Monday have done little to change views on the share. Views on Driefontein hinge on many factors, not least the heavy capital expenditure programme to provide replacement tonnage to replace dwindling available reserves.

"Some analysts say this programme, which will continue for at least four years, will place considerable pressure on distributable earnings. While few analysts doubt the quality of Driefontein, they see better opportunities in other gold shares.

Driefontein, as the most valuable gold share listed on the JSE and also one of the most easily traded, has traditionally attracted foreign interest whenever SA shares have been in favour. With an estimated life of 34 more years and a workforce close to 30,000, foreign investors see Driefontein as offering world-class value.

Analysts at James Capel have highlighted value offered by Driefontein after this week's quarterly results. East Driefontein, for example, reported revenue of R417.7m/kg against a cost of R16.27/kg — showing a margin of more than 68%.

James Capel analysts view Driefontein as undervalued, and perceive its forward dividend yield as attractive. The share is offering a forward dividend yield of about 3.6%, for the financial year ending June 30 1994. But, as a result of the finrand, foreign investors are offered a forward dividend yield of about 5.3% for Driefontein.

SA analysts appear to be more concerned with Driefontein's capital expenditure plans. They see shares which have lower capital expenditure commitments and higher gearing to the gold price as offering more to investors. Thus, while most analysts hesitate to recommend that Driefontein be sold, they are prepared to recommend that an alternative counter such as Kloof be purchased.
ERPM is Randgold's only mine in the black

AFTER capital expenditure, Randgold's results for its four operational mines for the March quarter all reflect negatives, bar ERPM which broke even.

The quarterly results were dominated by the Mersespruit slimes dam disaster at Harmony mine, for which a R23m provision has been made.

Tons milled and gold produced at the four mines were little changed quarter-on-quarter, but grades achieved fell in all cases.

Gold prices received by the mines differed markedly, reflecting the group's policy of hedging, the use of various non-spot-market contracts.

ERPM received by far the highest price for gold during the quarter of R42.00/kg, R4.09/kg higher than that received by Harmony.

The hedging policy remains in place, with some contracts running as far ahead as June 30 1998. ERP5 has hedged about 1.5 times its quarterly production, Harmony about 1.9 times, Durban Deep about 0.7 times, and Blyvooruitzicht about 3.5 times.

The best price achieved in March by ERP5 of R42.01/kg can be compared with the prices achieved by Gold Fields' mines, none of which use hedging, which were practically all well above R32.00/kg for the March quarter.

Overall the Randgold group reported net operating profits of R12.2m for the March quarter, before the R23m Harmony provision.

This contrasts sharply with the R16.2m December quarter loss.

The improvement was mainly attributable to ERPM, which reported R3.2m net profit for the quarter, after an 8.7% increase in its gold price received in rand terms, and a sharp increase in sundry revenue, mainly interest earned on tax.

ERPM also said yesterday that it would change its month from seven-day mining back to the 11-shift fortnight.

This was attributed by its directors mainly to the fatigue of employees working extra straight days and then resting three days. Its mining plan was being modified.

ERPM was hit by labour problems this weekend, giving some of its employees two weeks' leave.

Randgold chairman John Turner said yesterday that the mine's long-term borrowings had been reduced to zero after the recent rights issue, apart from a R50m interest-free loan.

He said ERP5 had about R44m in cash, and R87m in net current assets on March 31.

Blyvooruitzicht increased its losses quarter-on-quarter to R2.7m. Turner said that Blyvooruitzicht's underground costs had increased in line with expectations, but that the fall in the yield from 6.16g/t to 5.66g/t quarter-on-quarter had been more than expected.

There were no new moves regarding development of the tribute area, due to come on stream next year.

Durban Deep had reduced its losses sharply from R6.6m in the December quarter to R1.6m in the March quarter.

Expectations regarding the possible closure of Durban Deep did not materialize, with Turner saying that possible closure would 'have to involve discussions between all those employed at the mine'.

Turner added that the survival of Durban Deep depended on productivity improvements and the gold price. There had so far been a high level of co-operation between the mine's employees, he said, in contrast to recent labour problems at the mine.

Turner said Harmony had increased its operational net profits to R27m, despite the slimes dam disaster. Harmony's R23m extraordinary item is stated by its directors as a provision for the estimated costs for clean-up, restoration and ancillary costs associated with the Mersespruit slimes dam spill disaster.

Turner said Harmony had about R90m in cash at the end of the March quarter. Harmony's net current assets of R23m on December 31 had fallen to R16m on March 31, after taking into account the extraordinary item.

### RANDGOLD

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<tr>
<th>March 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>Profit before capex R000s</th>
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<th>Profit after capex R000s</th>
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More state assistance needed for survival

Back to the wall at Durban Deep

BY DEREK TOMMEEY

Randgold's marginal mine Durban Deep has applied for state assistance.

Chairman John Turner said, while announcing quarterly results yesterday, that the mine's future was in doubt unless it received additional funds.

The mine's poor profitability had led to a drastic cut in capital expenditure, which last year was reduced from a forecast R7 million to R3 million.

Unless capital expenditure is raised, it will not get the higher operating flexibility and productivity improvement needed to prevent closure.

He warned that any unexpected setback could still result in the closure of the underground operation.

Durban Deep, which has about 5,000 people on its payroll, has the second-lowest grade ore in the country (Harmony has the lowest), with an average yield of 4 grams a ton.

But it has enough reserves to keep going for 25 years.

Last year, Durban Deep had a loss of R12,6 million after reporting profits of R4,9 million in 1993.

Helped by an almost R3 million a kilogram increase in gold revenue and increased production, leading to reduced operating costs, the mine cut its taxed loss to R1,8 million in the March quarter from R6,8 million in the December quarter.

ERPM, benefiting from its rights issue, which enabled it to repay R453 million in borrowings, reported a profit of R3,2 million for the quarter, against a loss of R16,9 million in the December quarter.

A R3,1 million increase in gold revenue and a minor increase in costs led to ERPM showing a working profit of R380,000, against a loss of R4,2 million in the December quarter.

A sharp reduction in interest paid and an increase in sundry revenue were responsible for the further increase in earnings.

Turner said that ERPM had not achieved the productivity improvements essential to operating profitably.

The expected gains from moving to full-time operations had not materialised and had increased costs.

The mine reintroduced the 11-shift fortunget method at the start of this month, with modifications to include voluntary work on Saturdays and Sundays.

The change requires a new mining plan which could lead to some reduction in the gold yield.

Harmony says it has adequate public liability insurance and resources to cover any claims arising from the slimes spill disaster in which 17 people lost their lives. It is providing R28 million for the estimated costs.

Despite a R3,1 million increase in Harmony's gold revenue, higher costs limited the rise in working profit to R100,000 at R7,5 million.

Blyvooruitsicht faces difficult times until it is able to draw ore from its recently acquired Western Deep's tribute area later this year.

An increase of R1,7 million in gold revenue was not sufficient to offset higher costs, the working loss rising from R2,8 million to R3,9 million.

The loss after tax and state share of the profit was R2,7 million (R2,6 million).

Capital expenditure absorbed R4,2 million (R6,6 million).
Rising costs catch up with Anglovaal’s gains in gold

RISING costs matched or exceeded gains made in prices received by Anglovaal’s main gold producers in the March quarter.

The group’s four gold producers — Hartbeesfontein, ET Consolidated, Lorraine and surface operation Village Main — reported taxed profit of R70m compared with R67.1m for the December quarter.

Gold mine capital expenditure was generally in line with estimates for the year, executive director Rob Wilson said yesterday. Hartbeesfontein, the group’s mature producer, reported lower-than-expected capital expenditure for the quarter, but this would be rectified in due course.

Lorraine reported taxed profit of R440 000 (R2.9m), the sharpest fall among the four producers

Lorraine was also adversely affected by lower-than-forecast grades due to the slow build-up of developed ore reserves in the higher-grade SC area, where a high degree of faulting persisted.

Hartbeesfontein, which continued to report falls in grades, lifted its taxed profit to R62.9m (R57.5m), mainly due to it no longer being liable for lease imports from January 1, 1994, and a higher gold price. The benefit was partially offset by the lower yield and higher unit costs.

ET Cons saw its taxed profit fall to R5.9m (R61.1m), with its tax more than doubling to R4.6m, and increased unit costs. Wilson said there was concern about ET Cons’ costs.

Wilson said that Village Main reported a good quarter. It increased its working profit to R1.1m (R22.0m) following higher throughput and better gold prices. Village’s taxed profit increased to R70m (R68.0m).

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Loraine disappoints once again

BY DEREK TOMMEEY

Three of the Anglovaal group gold mines — Hartebeestfontein, ET Cons and Village Main Reef — report satisfactory results for the March quarter.

Results from its fourth mine, Loraine, were again disappointing — though shareholders can take consolation from the fact that development results at the new 3C area were better than expected.

Production at Hartebeestfontein dropped 5.1 percent to 6,900t, mainly as a result of the yield declining to 8.8t from 9.2t.

This and an increase in costs led to the operating profit from underground mining dropping by R4.2 million to R30.8 million, despite the gold price received rising by R1 858 to R1 077 a kg. Profits from the low-grade gold plant rose from R17.1 million to R18.2 million.

Uranium operations produced a loss of R2.3 million (December quarter profit of R2.6 million).

However, an R10.9 million drop in tax payable to R4.1 million enabled the mine to report an increased profit of R22.9 million (57.5 million) before capital expenditure of R10.6 million (R11.4 million).

ET Cons' earnings increased, but the gains were partly offset by higher tax.

Gold recovered rose from R879kg to 882kg and revenue rose by R2 673 to R2 563 a kg, while costs rose by R312 to R30 880 a kg.

Working profit was R10.3 million (R9.2 million)

But tax took R4.6 million (R2 million) and profit after tax was R5.9 million (R6.1 million) before capital expenditure of R1.7 million (R3.1 million).

Village Main's profit rose 2.4-fold from R420 000 to R1 1 million.

Production rose from R144kg to 155kg, revenue increased by R1 791 to R2 200, while costs dropped by R2 009 to R2 534 a kg.

But a drop in dividends received and an almost five-fold jump in tax payments to R487 000 limited the rise in taxed profit to R799 000 (R633 000).

Loraine had a loss of R14 000 (profit of R2.1 million in the December quarter)

A slight drop in tonnage milled resulted in production falling 51kg to 1 45t/kg.

Although the price received rose from R4 616 to R4 588 a kg, lower output, together with a rise in costs, produced the operating loss.

The directors say the working loss was the result of a lower mill throughput caused by the break in the continuous work cycle over Christmas.

It was also the result of lower-than-forecast grades as a result of the slower build-up of developed reserves in the faulted higher-grade SC area. But the faulting should be offset in the long term by the better-than-expected grades encountered in the area.

The Anglovaal mines have arranged that if the rand spot price of gold sold forward exceeds the minimum assured price, 70 percent of the excess will accrue to the mine concerned.
Distributable profit up 5.1% at Gengold

GENCOR's gold business, Gengold, lifted distributable profit 5.1% to R22.3m for the three months to March, despite the dampening effect of forward sales.

Deputy MD Tom Dale said the rise would have been 18% if the extraordinary dividend received by Stullfontein in the December quarter had been stripped out.

Dale said if hedging contracts had not been in place for the quarter, the average price received would have been about R2500/kg higher than the actual R3965/kg netted.

It was expected that the R2500/kg deficit would fall to around R1500/kg in the current quarter. By the end of that quarter, virtually all forward contracts would be exhausted and the September quarter would see revenues at spot prices.

Gengold's capital expenditure fell 23.5% to R24.6m due to completion of projects at Beatrix, Lesche, St Helena, Kinross and Unisel. The leading performers were Winkelhaak, with distributable income up 22.7% to R12.7m, Buffelfontein up 9.8% to R9m and Grootvlei up 12.8% to R6.6m.

Troubled developing Gengold mine Oryx is believed to have completely stopped development work in its main area. Dale said, that, however, superb development grades had been found in the north area of the east lobe at Oryx.

He said the decline in Beatrix's grade of

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Gengold weathers trying times

BY DEREK TOMMEY

A higher gold price plus some tax savings after the end of lease payments played a major role in helping Gengold mines weather a difficult March quarter, enabling all but one to report higher distributable profits.

Tom Dale, general manager, finance, said yesterday the working environment had become unsettled, mainly as a result of the political situation, and this had affected production at many mines.

Several had experienced short strikes and only Unisel had been able to appreciably increase gold output.

Lower working profits were reported by Beatrix, Buffelsfontein, Grootvlei, Kinaroo, Leslie and St Helena.

Dale said the Grootvlei mine, which has been in operation since 1904, was to spend R19 million re-opening the East Geduld No 1 Shaft which it now owns.

This will enable it to increase production from the Black Reef, which is giving higher and more constant grades than the Kimberley Reef.

"Grootvlei expects to mine an extra four tons of gold from the reef during its remaining estimated life of 12 years."

Re-opening the shaft will lead to lower working costs and help the mine better withstand any drop in the gold price.

"Grootvlei had a working profit of R3.0 million (R3.1 million) and distributable income after capex of R2.56 million, which was more than double the December figure of R1.0 million (R1.0 million)."

Dale said Buffelsfontein was to start scaling down operations which could lead to retrenchments.

He said Beatrix was an old mine and the amount of reserves was fairly small. Mining conditions were becoming increasingly difficult and this had led to the decision to reduce gold production to around 950kg a month from the 1200kg a month produced last year.

"Dale could not say what effect the scaling down would have on earnings. But he pointed out that in the past Gengold management had achieved considerable success in other mines in reducing costs in line with the lower production."

Buffels had a woeful quarter, with three seismic events and a seven-day illegal strike.

Working profit dropped to R12.6 million from R23.2 million, but distributable profit after capex rose from R6.2 million to R9 million.

Negotiations to refinance the developing mine Oryx are continuing.

"Oryx has funds for about two months" operations Dale said results from development north of No 1 Shaft improved an average of about 750g/t. Results from south of the shaft were poor.

At Beatrix, the gold yield dropped from 6.4 to 6.2 grams a ton because the mine is balancing output from No 1 and No 2 shafts.

As reef is developed from the declines now under construction, the yield should start recovering and range between 6.2 and 6.4 grams a ton. Beatrix's distributable income was R12.6 million (R13.8 million)."
Lower gold production leaves Knights weaker

JOHN DLUDLU

LOWER gold production and higher working costs saw independent gold producer Knights drop in the March quarter.

Results published today show an after-tax profit of R21.1m (R28m) on turnover which slumped to R12.9m from the previous quarter's R14.3m.

The capital expenditure, which includes mining and property, decreased to R60.9m (R48.8m) after expenditure on the Retfontein slimes, and plant expansion projects were virtually completed.

Gold price received increased to R40 958/kg during the quarter from R38 717 in the December quarter.

Gold production dropped to 307/kg compared with 325/kg produced during the December quarter. Average yield moved down to 0.36g/t (0.42g/t).

The amount of sands treated rose 366 000 tons (352 000 tons), but slimes treated decreased to 476 000 tons (502 000 tons).

Working costs for the period dropped marginally to R12.52/t compared with the previous quarter's R12.43/t.

No dividend was declared.
Productivity slump hits top two Anglo mines

ANGLO American, unveiling its results for the March quarter yesterday, said it had experienced various problems at Vaal Reefs, Western Deep Levels and Freegold.

The quarter was characterised by revenues lifting an average 5%, but this was more than offset by a 7% cost increase, MD Nap Meyer said productivity problems had hit Freegold and Vaal Reefs, the group's two biggest mines. As a result distributable profit for the group as a whole fell 4% to R283.5m.

Freegold's distributable profit fell 9.3% to R114.6m and Vaal Reefs' 8.4% to R65.9m, while Western Deep's increased 12.1% to R47.5m. Elandrand's fell 1.7% to R20m, and Ergo's lifted 27.5% to R15.6m.

Gold and uranium division chairman Clem Sauter said all the mines' forward sales commitments were restructured during the quarter.

In common with most gold mines, a number of Anglo American mines had benefited from an overall lower tax charge for the quarter, after the lifting of lease imports.

Freegold's production for the quarter was 10.2% lower at 25.27m kg (28.147kg), reflecting a 3.8% decline in tons milled and a 6.7% decline in the average yield to 4.33g/t (4.64g/t). Meyer said average quarterly production is expected to improve in the financial year to March 31, 1995.

Meyer said gold production for the 1994-1995 financial year was now anticipated to be lower than that for the 1993-1994 financial year.

Freegold declared a final dividend of 200c for the year to March 1994. This makes a total distribution for the year of 590c, up 59.3% on the previous year's total of 245c.

Vaal Reefs' gold production fell 6.8% to 17.61m kg, reflecting lower tons milled and a lower yield capital expenditure on the Moab project (Vaal Reefs No 1 shaft) was maintained at R34.6m.

Regional GM Dick Fisher said the sinking of Vaal Reefs' No 11 main shaft was resumed during the quarter following the completion of the 1.200 level pump station in the South Lease area, gold production fell 13% to 9.36kg.

Western Deep's posted an 18.5% increase in distributable profits for the quarter.

Elandrand increased gold production slightly to 4.220kg. It posted the smallest increase in costs for the period of just 0.4%. It continued to move towards a fully taxed situation, with tax provision up from R2.9m in the previous quarter to R15.3m. It had milled an average of 176,000 tons a month during the quarter, and continued to drive towards the 200,000 tons a month "magic" level.

Ergo, the surface operation on the East Rand, treated 15.7-million tons of material during the quarter but its gold production increased 13% to 3.677kg. After a 4% rise in the gold price received, pre-tax profits increased 74.9% to R5.3m.

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Mixed bag from CMC Star gold mines

The three gold mining companies within Consolidated Mining Corporation (CMC) yesterday reported mixed results for the March quarter.

West Wits' output declined to 800 kilograms (800kg).

The higher gold price received of R40:839/kg was unable to offset a R2.4 million drop in revenue to R32.7 million.

Working costs rose modestly, resulting in net profit easing to R5 million (R7.7 million).

Benoni returned to its planned production track, with net profit showing a turnaround to R1.6 million from a loss of R2.5 million in the previous quarter.

Witwatersrand Nigel reported a fall in net profit to R129,000 from R198,000 as it contracted mines the Droogebult section.

Unchanged

CMC has declared an unchanged dividend of 1.5c a share for the year to March, leaving the total the same as a year before of 2.5c a share.

Egoli has declared a final dividend of 10c a share, lifting the total for the year to 17c a share from a previous 7.5c.

Southgo has declared a final dividend of 5c, lifting the total by 5c over last year to 9c.

West Wits has declared a final dividend of 12c, almost tripling the total to 20c from a year before of 7c.

Benoni has declared a final dividend of 0.5c, resulting in the total falling to 1.5c from 2c.

— Sapa.
Ergo, Freegold lift payout

BY DEREK TOMMEY

Higher attributable profits from Ergo and Western Deep and higher dividends from Freegold and Ergo are features of Anglo American’s March quarters.

The quarter was a difficult one.

Compared with the December quarter, gold production dropped 7 percent to 61 283kg, which contributed to a 7 percent increase in average unit costs to R34 482 a kg.

The 5 percent increase in average revenue to R41 621 was not enough to offset the adverse developments and available group profit dropped 4 percent to R263.5 million.

Some mines reported tension in the workforce, which affected productivity.

Freegold has declared a final dividend of 20c (year ago, 14c), making a total of 30c for the year and 59.2 percent more than the 24c paid last year.

Ergo is paying a final of 55c to make a total of 106c, which is almost double the 55c paid a year ago.

Freegold’s gold production dropped by 10.2 percent to 25 733kg.

Freegold is now an “old lady”, says gold division chairman, Clem Suter.

While he is hoping results will improve in future quarters, he cautions that the mine is a marginal producer and could be affected by minor changes in production.

Freegold’s working profit dropped by 26.8 percent, but attributable profit fell only 9.3 percent to R114.6 million.

Vaal Reefs had a 6.8 percent drop in production to 17,583kg. Working profit was 10.5 percent lower at R212.5 million.

Taxed profit was 35 percent down at R141.3 million, but a drop in capital expenditure led to available profit falling 8.5 percent.

Suter says that in judging Vaal Reefs’ results, the December quarter had been unusually good, the March quarter unusually bad.

The December figures had also included a dividend of R17.6 million from Southvaal. He expects results for the rest of the year to be somewhere between the two.

Gold production at Western Deep dropped 8.6 percent to 10 158kg, while profit from gold was 6.5 percent lower at R128.3 million. However, available profit rose R5 million to R47.4 million.

Elandrand increased production by 3.75 percent to 4 296kg and profit by 9.2 percent to R66.3 million. However, Elandrand is now liable for mining tax and its payments soared from R2.9 million to R15.8 million.

Available profit dropped 7.5 percent to R20 million.

Ergo, which recovers gold from dumps, boosted gold production by 13 percent to 3 677kg after a small increase in tons treated and a 10.7 percent increase in the yield from 0.25 to 0.31 grams a ton.

Ergo regional manager, Phil Mostert, says an increase in the gold price contributed to the higher recovery grade as the company could afford to add more cyanide and get better yields.

Ergo’s operating profit jumped from R35.8 million to R53.9 million.

Profit available after tax and capital expenditure rose 27 percent to R15.6 million from R12.2 million.
Durban Deep helped again

LOSS-MAKING West Rand gold mine Durban Deep has applied for government "standby assistance" and has again received pumping assistance, mine-owner Randgold has confirmed.

Randgold director Richard de Villers declined yesterday to say whether the standby assistance request, which had been made for the first time, amounted to R12m for the next year — a speculative figure by financial analysts. He also said it was premature to discuss speculation that government and employees could be invited to take up board positions as part of the standby assistance arrangement.

He said any decision about Durban Deep’s additional standby assistance, including securing 5,500 jobs, "would lie in government hands.”

De Villers said negotiations regarding the details of standby assistance for Durban Deep were "complex and proceeding." The reasons for keeping Durban Deep open included employment and foreign exchange generation. The mine remained marginal and could be returned to profitability only with a stronger gold price and improved productivity.

In a separate development on Friday, ERPM chairman John Turner announced at the company’s AGM the resignation of MD Glenn Lang.

A statement issued by Lang’s attorneys said Lang would “take up other business and employment opportunities.”

Lang was instrumental in leading the recent ERPM rights issue, which saw the long-troubled mine’s long-term debt reduced from nearly R500m to an interest-free R36m.

Durban Deep posted a working loss of R2m. Turner said the mine had again applied for pumping assistance.
JCI gold division sees net profit nose dive 28%

RANDFONTEIN, the largest JCI gold mine, partly salvaged the group's quarterly results by posting a R52,3m profit after tax and capex in the March quarter.

But this 29.7% increase was insufficient to offset the 65.1% fall in Western Areas' profit after tax and capex following loss of production from a winder accident in January.

Overall, gold division net profit after capital expenditure dived 28% to R52,3m (R72,6m). Gold division chairman Kennedy Maxwell said the Western Areas result, in particular, meant that the comparative quarter-on-quarter results were misleading.

He said Randfontein's gold production of 8,922kg was the best in 15 years. Joel, which also posted a disappointing grade fall, continued with a heavy capital expenditure programme to secure 700,000 tons of reserves by December.

JCI gold division's gold production fell 5.6% to 12,635kg (13,373kg), with average yield largely unchanged at 4.76g/t (4.65g/t). Gold revenue fell by 1.8% reflecting a 2.7% improvement in the gold price.

The failure of the Western Areas' subvertical No 2 shaft rock hoist winder was mainly responsible for the mine's 65.1% fall in profit for the quarter to R14,3m (R40,9m). The accident has led to a R50m legal dispute with the mine's insurer.

Western Areas' cost of material damage and loss of net revenue after the winder accident is covered by insurance, bar a 45-hour excess. But the insurers have repudiated the claim for "material damage and business interruption". Maxwell confirmed yesterday that Western Areas would take action against the insurers if necessary.

It had not been possible to determine accurately loss in production and overall costs to the mine, but it was estimated at R50m. Normal operations were resumed last month by the rock hoist winder, which was about three weeks ahead of schedule, and full production had started without delay. Maxwell said the repair costs of about R15m would be charged in the June quarter.

Randfontein posted quarterly gold production of 2,5% higher at 8,392kg and a 4,5% grade increase to 4.20g/t, and a 4,3% higher gold price. Working costs were R230,6m (R226,8m).

Joel posted a net loss of R2,2m after a R357,000 loss in the December quarter. Tonnage was maintained at 150,000 tons, but gold production slipped 6,5% to 8,228kg after an 8,4% decline in grade to 5,46g/t (5,96g/t). JCI said the level of production was in line with plans, but recovered grades declined due to poor face availability. Capital expenditure rose 52,5% to R12,2m as the mine continued its programme to open reserves.

<table>
<thead>
<tr>
<th>JCI March 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 costs</th>
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<tr>
<td>Randfontein</td>
<td>1,998</td>
<td>4.20</td>
<td>8,392</td>
<td>115,50</td>
<td>27,500</td>
<td>40,825</td>
<td>73,454</td>
<td>52,261</td>
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<td>2,037</td>
<td>4.02</td>
<td>8,167</td>
<td>111,33</td>
<td>27,701</td>
<td>39,157</td>
<td>63,264</td>
<td>40,352</td>
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<td>Western Areas</td>
<td>505</td>
<td>6.74</td>
<td>3,405</td>
<td>245,64</td>
<td>36,431</td>
<td>40,636</td>
<td>22,483</td>
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<td>506</td>
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<td>4,300</td>
<td>212,18</td>
<td>28,916</td>
<td>39,096</td>
<td>50,162</td>
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<td>HJ Joel</td>
<td>182</td>
<td>5.45</td>
<td>828</td>
<td>222,26</td>
<td>40,820</td>
<td>39,767</td>
<td>(2,223)</td>
<td>(14,375)</td>
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<td>149</td>
<td>5.96</td>
<td>886</td>
<td>221,59</td>
<td>37,265</td>
<td>38,077</td>
<td>(637)</td>
<td>(8,671)</td>
<td>(8.8)</td>
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</table>
Amgold final dividend surges by nearly half

BARRY SERGEANT

AMGOLD, Anglo American's gold investment arm, has declared a 45% higher final dividend of 72c a share (58c), raising the dividend for the year to March 31.7% to 1350c a share (1025c). The dividend for the year is R236m.

The company reported an 88.9% increase in equity-accounted earnings to R1,929.7m a share (1032.3c). This followed an 86.3% increase in attributable earnings to R462m (R248m). Equity earnings advanced a similar amount to R466m.

The majority of Amgold's income derives from gold mine dividends, and its investment income increased 33.3% from R234m to R312m. Amgold also holds a substantial interest in Gold Fields' Driefontein.

Prospecting expenditure for the year was down substantially to R22m (R36m). Interest earned less administration expenses fell to R4m (R54m). Amgold said it had actively managed investments, gaining on the realisation of certain of them.

The group continued its policy of switching certain investments into longer-life, relatively undervalued mines. The amount posted for realisation of investments increased substantially to R147m (R15m).

Amgold's net asset value increased 75.3% during the financial year to R10.1bn, or 41 602c a share. The share, which tends to trade at a discount of about 10% to its net asset value, has registered significant gains in value over the past year, reflecting a lower gold price over the period.

At its most recent JSE-quoted price of 37 900c a share, Amgold's dividend yield advances from 2.7% to 3.8%. The dividend cover advances from the traditional one times to 1.4 times, indicating that the group is sharing cash for certain investment transactions during financial 1994.

Amgold's results follow last week's quarterly results of the gold mines managed by the Anglo American group. The March quarter available profits figure for the gold mines was R293.5m, 4% lower than the December quarter's figure.
JCI’s gold mines once again deliver the goods

BY DEREK TOMMEEY

The three JCI gold mines again performed well in the March quarter.
Kennedy Maxwell, chairman of the gold division, says Randfontein produced a record amount of gold, Western Areas had a profit 30 percent higher than a year ago, despite production being seriously affected by a wunder failure, and Joel is making progress towards being able to increase output substantially.

MD Bill Nunn believes the absence of labour unrest in the quarter was the result of the group’s participative management style in which it is a leader.

Labour turnout at Randfontein on Wednesday — the second day of the election — was so small workers were sent home.

But there was a 65 percent turnout at Western Areas, where production at the North Shaft was almost equal to a normal day’s output.

At Joel there was a smaller turnout of workers and these were employed moving ore.

Yesterday, the third day of the election, there was almost a full turnout at all the mines.

Helped by an unexpected rich patch of ore in Cooke No 3 Shaft area, Randfontein produced 8,392kg of gold in the quarter — 20 percent more than in the December quarter.

Profit rose R18 million to R111,8 million.

Working costs were well contained, rising by only R4 million. This was almost fully accounted for by a R3,8 million increase to R3,5 million.

Profit after tax and state’s share was R73,4 million (R63,3 million) and taxed profit after capital expenditure was R23,3 million (R40,4 million), equal to 55,6c (66c) a share.

The Kimberley Reef ore reserves have been corrected downwards.

At the East project in the Doornkop section they are estimated at 2,6 million tons, averaging 5,4 grams a ton. In the N1 and N2 sections they are estimated at 7,1 million tons, averaging 5,4 grams a ton.

South Reef development produced values of 1,040cm g/ton.

Operations at Western Areas were affected by the wunder failure at the beginning of January.

This led to a halt in production in the richer part of the mine, and also to greatly increased costs.

Profit dropped to R14,3 million (R43,8 million), operating profit was R21,2 million (R48,5 million) and profit after tax and capital expenditure was R14,3 million (R40,8 million), equal to 35,4c (101,5c) a share.

The wunder resumed operations on March 12, three weeks ahead of schedule.

The insurance company has repudiated Western Areas’ claim of R50 million to cover its losses. However, the mine does not accept this and, if necessary, will take action.

Development values rose to 984cm g/ton from 742cm g/ton in the December quarter.

Ore reserves, which amounted to 356,000 tons at end-March, are expected to rise to 700,000 tons by the end of the year.
Winder accident derails JCI profits

From BARRY SERGEANT

JOHANNESBURG — Randfontein, the largest JCI gold mine, partly salvaged the group’s quarterly results by posting a R52.3m profit after tax and capex in the March quarter.

But this 29.7% increase was insufficient to offset the 65.1% fall in Western Areas’ profit after tax and capex, following loss of production from a winder accident in January.

Overall, gold division net profit after capex expenditure dived 20% to R52.3m (R72.6m).

Gold division chairman Kennedy Maxwell said the Western Areas result, in particular, meant that the comparative quarter-on-quarter results were misleading.

He said Randfontein’s gold production of 8,392kg was the best in 15 years. Joel, which also posted a disappointing grade fall, continued with a heavy capital expenditure programme to secure 700,000 tons of reserves by December.

JCI gold division’s gold production fell 5.6% to 12,635kg (13,373kg), with average yield largely unchanged at 4.76g/t (4.82g/t). Gold revenue fell by 1.6% reflecting a 2.7% improvement in the gold price.

The failure of the Western Areas’ sub-vertical No 2 shaft rock host winder was mainly responsible for the mine’s 65.1% fall in profit for the quarter to R14.3m (R40.5m). The accident has led to a R50m legal dispute with the mine’s insurer.

Western Areas’ cost of material damage and loss of net revenue after the winder accident is covered by insurance, bar a 48-hour excess. But the insurers have repudiated the claim for “material damage and business interruption”. Maxwell confirmed yesterday that Western Areas would take action against the insurers if necessary.

It had not been possible to determine accurately loss in production and overall cost to the mine, but it was estimated at R50m. Normal operations were resumed last month by the rock host winder, which was about three weeks ahead of schedule, and full production had started without delay. Maxwell said the repair costs of about R8m would be charged in the June quarter.

Randfontein posted quarterly gold production of 2.5% higher at 8,392kg and a 4.5% higher gold price. Working costs were R230.8m (R226.3m).

Joel posted a net loss of R2.2m after a R637.000 loss in the December quarter. Tonnage was maintained at 150,000, but gold production slipped 6.5% to 5,820kg after an 8.4% decline in grade to 5.68g/t (5.06g/t).

JCI said the level of production was in line with plans, but recovered grades declined due to poor face availability. Capital expenditure rose 52.5% to R12.2m as the mine continued its programme to open reserves.
SA still tops output log

BY DEREK TOMMEY

SA is still the world’s largest producer of gold, reports Gold 94.

Production last year is estimated at 619.5 tons, which is 5.4 tons more than in 1992.

But while South Africa accounted for 75 percent of world gold production in 1973, today its share has declined to 33 percent.

This is the result of the big increase in production elsewhere in the world.

The US is the second-biggest producer with an annual output of 336 tons, followed by Australia with 247.2 tons, the CIS (Russia) with 244 tons, Canada with 150.9 tons and China with 127 tons.

Brazil ranks seventh, with an output of 75.7 tons.

Eight is Papua New Guinea with 61.8 tons, ninth is Indonesia with 46.3 tons and tenth is Ghana with 41.4 tons.

These figures show there are a number of important countries with a vested stake in at least maintaining the current gold price.

The Anglo American group is ranked as the world’s biggest gold producer on the basis of gold mines managed.

Its production last year was 283 tons, up 8 tons from 1992.

The world’s second-biggest producer is GFSA with 122 tons, followed by Gencor with 70 tons.

An American mine, Homestake, is fourth with production of 57 tons. Canada’s Placer Dome is fifth, also with 57 tons.

JCI ranks sixth with production last year of 54 tons, followed by Newmont of the US with 53 tons.

American Barrick, which, despite its name, is a Canadian-owned, was eighth with 51 tons.

The British company, RTZ was ninth with 43 tons.

The two other major South African gold producers, Anglovaal and Randgold, ranked 10th and 11th with each producing 42 tons last year.
SA mining companies push ahead on projects

JOHANNESBURG — Mining companies were pushing ahead with deep-level projects on existing operations in spite of government uncertainty on mineral rights.

Gold Fields executive director Peter Janisch said his group was proceeding with the evaluation of its Sand River project in the OFS despite uncertainty over the mineral rights issue.

Janisch said the main disincentive to the development of new projects could be economic reasons such as gold price volatility.

A mining analyst said the fluctuation of the gold price was an impediment and that economic factors were not good for planning new deep-level projects.

Anglo American public affairs manager James Duncan said the group was proceeding with all its current projects as planned.

He said the three projects — two at Vaal Reefs and one at Western Deep subvertical shaft — were based on the group's long-term bullish view on the gold market.

Gengold public relations manager Andrew Davison said the group had projects worth more than R250m for development, which it was pursuing.
Sharp recovery at East Dagga

BY JOHN SPIRA

East Daggafontein Mines has boosted earnings by a considerable margin and has doubled its final dividend.

Interim

Earnings for the year to March 1994 totalled R29.4 million (R16.4 million), equivalent to 84c a share, which is 83 percent up on the 1992-93 result. The final dividend is 50c (25c), which, added to the interim, raises the total distribution for the year to 76c (50c).

The yield at the ruling share price is now 8.9 percent, suggesting that the counter could well appreciate in the wake of last night's announcement.

Chairman Peter Bieber ascribes the substantial improvement to the appreciable rand gold price increase, capital expenditure cuts and the resolution of metallurgical problems associated with the treatment of certain dumps.

Revenue accrued from the disposal of 14.4 million tons of slimes to Ergo for treatment at the Daggafontein plant.

Bieber says treatment of high grade slimes material acquired from ERPM is now in full production. East Dagga had earned R2.10 million from this source during the year (2.14).

The company would be keeping a close watch on developments following an agreement in principle between wholly-owned Dumpco and Impala Platinum regarding the sale to Impala of effluent rich in platinum group metals.

Viability

"If the investigation currently being undertaken proves the viability of treating this effluent, East Dagga expects to derive substantial revenue from this source over the next two years."
Freegold’s output falls

PRODUCTION at Anglo American’s mainstay gold mine, Freegold, dropped nearly 4 000kg to 11 668kg last year, and would see at least a further 1 500kg trimmed from its output this year, gold and uranium division chairman Clem Sunter said in his annual review.

The continuing fall in production was attributed to marginal decreases in underground tonnage, reef grade and dump reclamation.

Although Freegold’s life was expected to extend well into the next century, some of the shafts were approaching the end of their economic lives, Sunter said.

Despite the falling production, Freegold’s earnings increased 63.3% to R484.5m. Dividends declared rose 59% to a record 39c a share.

Sunter ascribed the good performance to the higher gold price as well as continued cost containment. Revenue per kilogram of gold rose 16%, while cost per kilogram produced rose only 10%.

Forward sales commitments were restructured during the last quarter of the financial year. No additional forward sales had been undertaken during the year.

Ergo also felt the effects of the improved gold price, and with a 7% increase in gold production and a reduction of 47% in capital expenditure, improved the distributable profit from R27.8m to R51m.

As a result, dividends declared increased 82% to 10c.

Gold production at Ergo increased 797kg to a record 13 050kg and Sunter said he expected production to remain the same during 1994/95. Increased production and higher average gold revenue contributed to a 21% increase in turnover to R37.8m.
Gengold to table Oryx mine plan

GENGOLD, Gencor's gold mining company, would table plans to refinance its cash-strapped Oryx gold mine within the next three weeks, deputy MD Tom Dale said yesterday.

Dale said talks to refinance the Free State mine, which needs an additional R900m to take it through to break even, were at an advanced stage.

But he said the parties were aiming to complete the talks by the end of the month, because the mine would exhaust its remaining funds by then.

The success of the refinancing hinges on persuading Oryx's banks to restructure its R550m bank debt.

The mine's shareholders — Gencor, Genbel, Sanlam and Anglo American — had still to see firm proposals, sources said.

An analyst said the major shareholders would be sure to provide bridging finance should refinancing plans be delayed, but said finance would not be raised through a rights issue.

"As the major shareholders together own more than 90% of the company, a rights issue would imply them having to cough up all the money," he said.

Oryx borrowed R972m in interest-free loans from its major shareholders in February 1991 to help fund its initial development. But the mine ran into problems when initial grades were lower than expected. The cash crisis was unveiled last October.

Oryx's shares stood at 45c yesterday, against 25c on the day the refinancing problems were announced.
SA gold industry among costliest

THE SA gold industry proved itself one of the world’s highest cost producers in the last four quarters, the authoritative Mining Journal said yesterday.

A survey in the journal’s latest Gold Service International Quarterly showed that none of the ten highest cost producers across the global industry were SA mines. Just one SA operation – Gold Fields’ Driefontein – was represented among the top ten lowest cost producers.

The highest cost producer according to the journal was South Roodepoort, the now closed mine in Loucas Pournoulis’s Golden Dumps stable. The mine had working costs of $447/oz Driefontein was less than half that, at only $185/oz.

All four Randgold mines — Byvooruitsicht, Durban Deep, ERPM and Harmony — figured in the top ten. Other mentions included JCI’s HJ Joal and Anglogaal’s Loxane, the Anglo American administered Afrikaner Lease and Golden Dumps’ other operation, Consolidated Modderfontein.

In 1996 SA working costs were $188/oz, versus $194/oz in the US, $199/oz in Canada and $184/oz in Australia. For 1993, SA working costs were $193/oz, versus $216/oz for the US, $222/oz for Canada and $231/oz for Australia.

Chamber of Mines chief economist Francois Viruly said yesterday he viewed the situation with concern.

There was the risk that as more cost containment measures were undertaken, marginal improvements become more difficult to obtain, he said. A sudden appreciation of the rand or drop in the gold price in this scenario could have very bad implications for certain mines.

“The trend is particularly disturbing when you consider the importance of the gold mining industry in terms of foreign exchange and for the reconstruction and development programme,” he said.

An Anglo American spokesman said the industry was running out of ways to contain costs.

Viruly said there was still scope for containing working costs. The emphasis in cost saving must no longer be on reduction of inputs, he said, but on maximizing efficiency of inputs.

Analysts blamed high costs on the industry’s maturity. They said the best grades have been mined out, and mines have to go deeper and get lower grades.

Other contributing factors were the inflationary environment and pressures from unions, especially in an environment where expectations had been raised.

Mines were therefore far more vulnerable to a decline in the rand gold price, but one analyst said there was resilience in the industry despite this.

The majors had been able to pull through by bringing their real costs down, especially in dollar terms, he said.

But the decrease in real costs in dollar terms since 1993 had been more than matched by the other major gold-producing countries.

Another reason given for the high cost of the mines was labour intensity. Foreign mines are normally highly mechanised.
Rhoex's earnings treble

RHOOMBUS Exploration (Rhoex) yesterday reported a threefold jump in earnings a share to 9.67c (3.80c) for the six months to March, and announced the sale of its interests in the Rhombus Sands and Natal Mineral Sands (NMS) projects.

The share gained 5c to close yesterday at 231c from a high of 240c on June 14 and a low of 40c last June.

Net income rose to R3.3m (R1.3m) and Rhoex's retained income climbed to R7.3m (R2.3m). The company's turnover slumped to R4.3m (R4.4m).

Rhoex said it had decided to sell its interests in the Natal and Transkei mineral sands projects to steel producer Ispor after its joint venture partner Shell had decided to sell its 60% stake in the Natal project to Ispor. It added that Ispor had wanted to buy 100% of both projects.

The net surplus on the disposal of Rhoex's 95% stake in NMS would amount to R3.3m or 27.8c a share while the sale of claims would be worth R2.9m. The cash injection of R15.1m, or 38.2c a share, would boost Rhoex's reserves to about R3m, the company said.

The mechanical erection of Rhombus Vanadium Holdings (Rhovan) new vanadium oxide plant had progressed satisfactorily.

Rhovan's commissioning had begun, and a limited amount of material had been sold. Commissioning was expected to be wrapped up during the second half of 1994.

Due to "operating difficulties", Taubahospuit Colliery had not contributed to profits but was expected to do so in the September results.

Rhoex would sell 55% of its interest in its Tanzanian portfolio of gold, nickel and mineral sands prospecting rights to a Canadian company but had held on to a royalty interest in any future developments.
Gold mining industry in quest for greater efficiency, viability

BY DEREK TOMMEEY

The gold mining industry is seeking ways to improve its overall efficiency and viability, says Nicholas Oppenheimer, chairman of Anglo American Gold Investment Company (Anggold), in his annual review.

He says the Chamber of Mines is considering appointing two task groups — one to find ways to better employ the industry's capital and labour resources, and the other to find ways to make better use of the gold it produces.

"These issues represent serious concerns both for the survival of the industry and for those whose livelihoods depend on it."

The first group would identify restrictive legislation and traditional work arrangements, which threaten the optimal exploitation of mineral deposits and which have led to job losses.

These restrictive practices have made investment in new ventures less attractive and are diminishing SA's role as a major mining country.

The second group would identify what steps could be taken to remove the obstacles preventing beneficiation of metals and minerals.

Surveying the gold market, he says the year ended on a favourable note for gold, a situation expected to continue this year.

Demand for gold is supported by economic growth and increasing economic liberalisation in Asia generally.

Demand in China and India, in particular, continues to show clear signs of a lasting upturn.

"It is unlikely that the production of newly mined gold in the West will increase materially in the future, and certainly at nowhere near the rate of increase seen during the early 1980s."

He says production in the former Soviet Union has fallen sharply and cannot be expected to recover soon.

The likelihood of substantial and disruptive sales of gold by central banks has diminished, and the states of the former Soviet Union have little metal left to bring to the market.

However, while he expects a healthier market, it will be the activities of the professional investors which will play a major role in determining the condition of the market and the direction of the price in the near future.

The industry is engaged in extensive discussion and negotiations to ensure that the minerals policy of the new government will continue to provide security of tenure of mining rights and an enabling environment for growth.

He says the mixed system of state and private ownership of mineral rights, which has developed in SA, has been a major contributor to the development of a world-class mining industry.
It's all over for Durban Deep

OWN CORRESPONDENTS

JOHANNESBURG. - Randgold & Exploration is to cease underground operations at its Durban Roodeport Deep gold mine, with the loss of more than 5,600 jobs, after losing a desperate nine-month battle to save the mine.

The closure — one of the largest recent shutdowns — is likely to raise renewed concern over the future of marginal gold mines, as hefty cost increases outweigh gains from higher gold prices.

Management at the West Rand mine, which has sustained losses of R12.3m in the past three quarters, will inform employees of the decision this morning. Severance packages will be discussed with employee representatives tomorrow.

Randgold blamed the closure on the "inability of the mine to achieve the required improvements in production and productivity". A full briefing is expected this week.

But it is understood that Durban Deep's fate was sealed after government rejected an application for additional state assistance thought to total R12m.

The mine had made clear that continued state assistance was vital to its survival.

Government sources said there was "little enthusiasm" for the proposal, despite Randgold's pleas over job losses and foreign exchange generation.

The mine, one of four marginal performers in Randgold's stable, had warned of possible closure in October, and has since struggled to improve productivity.

Underground working costs for the year to December had risen 23% to R41.4m, leaving the mine with an underground working loss of R6.5m.

But despite a slight improvement in March quarter, the mine was still left nursing a pre-capex losses of R1.3m. Sources said costs for the June quarter continued to outstrip revenue. Durban Deep's 1993 balance sheet suggests management had left the closure decision as late as possible. Net current liabilities stood at R13.3m, against R1.7m in net current assets for the previous year. Further operations would have seen the mine struggle to meet its legal obligations on liabilities.
R8m loss for Durban Deep

JOHANNESBURG — Randgold & Exploration's Durban Roodepoort Deep reported yesterday a loss of R7,917m in the quarter ended June 1994 from a loss of R1,563m in the previous three months.

Durban Deep's closure was announced earlier this week as poor productivity had dragged the marginal gold mine down.

Durban Deep registered a working loss of R47.51 per ton milled after costs escalated from R55.50/kg in the June quarter from R45.44/kg although revenue increased slightly to R42.361/kg from R39.50/kg.

The working loss amounted to R8,322m (R2.04bn) after revenue of R40.5m (R43.9m) and total costs of R49.35m (R46m) — Sapa
Randgold says mine cannot be resurrected

MICHAEL URQUHART
and JACQUE GOLDING

RANDGOLD & Exploration warned yesterday that nothing could save the underground operations at its Durban Roodepoort Deep gold mine.

Chairman John Turner said the prospects of falling yields, rising costs and capital expenditure needs of R30m by 1997 had forced the closure.

Operations would cease within a month, with the loss of up to 5 600 jobs.

Discussions with government for state assistance had not been completed, but the mine had been closed for commercial reasons, rather than because government aid had not been secured.

NUM president James Motlatsa said the union had not given up hope: "The present government should not behave like the old government and one would expect it to consider the workers."

Turner said the company had hoped the mine would return to profit in the first six months of this year through strict control of working costs and revenue rising with the gold price.

But the reverse had happened. In the three months to June, the mine made a net loss of R7.2m against a R1.56m loss in the previous quarter. Although revenues rose slowly, working costs jumped from R45.442/kg in the first quarter to R53.092/kg in the second. This meant a working loss of R13.260/kg.

Turner said that as a result of the years of austerity when gold prices were low, the mine had a capital expenditure backlog. Wage rates were also substantially lower than in the rest of the industry. This had led to lower flexibility and a high staff turnover, with a subsequent loss of skills.

A gold price of more than R3 000/kg was needed to make the mine profitable.

Finance director Mike Heynes said the mine was solvent and had assets which could be realised. These included 228 000ha of land between Roodepoort and Soweto, machinery, plant and housing.

Human resources director Richard de Villiers said the company supported the

Randgold

idea of a social plan, but before it could be formulated, stakeholders, unions and government had to sit down together.

About 10% of Randgold's workforce was skilled. Such staff possibly could be accommodated within the company and at other mining houses. The rest faced unemployment, with retraining the one remaining prospect, he said.

Motlatsa said Randgold was obliged to set up a social fund for those retrenched. A policy had to be formalised for Randgold's three other marginal mines ERPM, Harmony and Blyvoorspruit. Retraining in basic skills was vital, and the union was demanding workers get a share of the mine once it was closed.

It is believed that Randgold has agreed to pay R250 000 for the union's mobile development unit truck and that retrenchees will get severance packages of two weeks' pay per year of service.
State must decide on mine

Vuyo Myoko

APPEALS by the union movement to stop the loss of more than 5,600 jobs which will be lost in the closure of marginal mine, Durban Roodepoort Deep has put the government on the spot.

Unions made the appeal after owner Randgold's sudden decision early this week, while the government was still considering its application for a subsidy.

The Ministry of Mineral and Energy Affairs apparently has no policy on support for marginal mines. But the department seems opposed to the mine being subsidised.

Nonetheless, a cabinet decision that would appease the unions cannot be ruled out.

A senior official of the Department of Energy and Mineral Affairs, however, said the "reckless" action of mine management was evident and the mine could not handle its affairs properly.

"From a technical point of view the mine does not promise any revival in the near future. They have not paid a single dividend to their shareholders for more than 15 years. He said state assistance to the mine over the past 20 years exceeded R394-million."

The National Union of Mineworkers (NUM) and the Congress of South African Trade Unions (Cosatu) have urged the state to advance R12-million to sustain the mine.

Both the labour movement and the Ministry of Mineral and Energy Affairs were surprised by the unexpected announcement by Randgold, with Cosatu saying the company had ignored a government's request to submit a five-year plan that would forecast the mine's feasibility and serve as motivation for subsidy.

Cosatu condemned Randgold, saying the decision displays callous disregard for the miners and their families.

Deputy Director-General of State Assistance within Mineral and Energy Affairs Dave Richards said his department was still investigating state assistance for the mine when he heard of the decision to close it.

Dismissing allegations that behind closed doors the department had already turned down the mine's application, he said Randgold either "pumped the gun because of the delay in the process", or the decision was based "on reasons only they know about.

Richards said the government assisted mines when "it can be properly motivated and justified to the public that it is in the national interest" to do so.

In extreme cases a tripartite agreement can be entered into where the state guarantees a loan granted by a financial institution to a mine.

Assistance was also given to a mine "to defray pumping costs incurred due to the inflow of extraneous water from defunct mines affecting the economic viability of the particular mine," Richards explained.

He stressed, though, that costs incurred in the pumping of extraneous water only applied to "mines which are threatened with closure within five years of each year's assistance, and that only running, not capital costs, will be considered.

NUM general secretary Kgalema Motlanthe said Durban Roodepoort Deep workers had accepted a "meagre" wage increase of R30 last year because they were "helping in the resuscitation of the mine.

"We are not asking the government to support the mine endlessly. R12-million for exploration is a drop in the ocean if one considers the more than 5,000 jobs, other dependent businesses, and R48-million in foreign earnings the country stands to lose upon the closure of the mine.

He stressed, however, that Randgold would also have to produce an action plan to convince the government.
DRD to close within month

Chairman denies pique over government funding refusal

DEREK TOMMEN
JOHANNESBURG — There were three reasons to close the underground operations at Durban Roodepoort Deep (DRD), chairman John Turner said when reporting a working loss for the June quarter of R3.8 million — up from R2 million in the March quarter.

The expected production and productivity improvements were not achieved and the losses could not be reversed. The continued losses depleted financial resources and projections showed losses.

These were the reasons why the directors decided that underground operations should cease as soon as practicable.

Mr Turner said there had been speculation that the directors had decided to close the mine because the government had turned down a request for additional funding.

This was not correct. Durban Deep had submitted at the last meeting it had with the government that on a commercial basis there was no reason for it to continue underground operations.

The government might have socio-economic reasons for keeping the mine going, to which the directors were sympathetic, but it would have to be the government's decision whether to allocate scarce resources to the mine. Durban Deep had the second-lowest grade of all the major mines, but it also had the second-lowest working costs at a ton.

The workers had supported efforts to keep the mine going and last year had agreed to a pay rise of only R39 a month, which was much less than that in the rest of the industry.

But the low rate of pay had led to a substantial turnover in skilled workers.

Mr Turner said that underground work at the mine would probably cease within the next month.
SOUTH Africa will face a severe balance of payments crisis in two years if all foreign exchange controls are not scrapped immediately, according to a vivid warning by Nielson Mandela’s economist to the public in 1996.

"Exchange control sends a very clear message to foreign and domestic investors - this government does not believe in itself and its policies and expects its own citizens to export capital abroad on a massive scale at the first opportunity.

"Why should they have confidence in a government that does not have confidence in itself?" Mr Lee asks in a hard-hitting examination of exchange control in the July Investment Outlook.

As the economy recovers, and particularly as investment increases, import volumes will soar and the current account will move into substantial deficit.

To sustain this will require an implausible level of foreign inflows, and the Reserve Bank will not be able to defend the currency against rapid depreciation except through a hike in interest rates. The exchange rate will fall sharply or the economic upswing will be aborted, or probably a combination of both.

"Our ruling politicians are therefore likely to face the next election in the midst of another recession. Our brief experiment with liberal democracy could then be at stake," Mr Lee says.

The immediate scrapping of all foreign exchange controls will bring about short-term pain with increasing financial market volatility and a temporary acceleration in inflation, he admits.

However, the period of adjustment need not be unduly painful if exchange controls are abolished soon as most of the needed economic policies and structural adjustments are in place or under way. In addition, IMF funds could be arranged to support the adjustment.

"Some industries would find the adjustment process long and painful but others (mainly competitive export industries) would grow rapidly.

"The economy (also) has substantial excess capacity to limit the inflationary shock of a lower exchange rate."

Mr Lee expects the lifting of exchange controls will result in the price of assets and the currency adjusting very rapidly without major flows taking place.

The Reserve Bank will then not need to waste foreign exchange and depress economic activity by defending a fundamentally overvalued currency.

"This is precisely what the Reserve Bank has been doing all along at the expense of the long-term health of the economy," he argues.

Abolition of exchange controls would be the economic equivalent of the release of Nelson Mandela from prison, a watershed event which will ensure that South Africa takes its opportunity of being a 'winning' nation." — Sapa

Anglo goes offshore in quest for gold

Business Staff

ANGLO American is looking for new gold deposits, but is going outside South Africa’s borders for them.

It says in its annual report it is starting to look for Witwatersrand-type deposits in central Botswana where the first phase of drilling will end in 1996.

The directors say that reconnaissance investigations for gold and base metals continue in Namibia, Zambia, Tanzania, Senegal, Burkina Faso and in other countries in west, central and east Africa and in Madagascar.

They say a feasibility study on the Sadiola Hill deposit in western Mali has been completed. A decision to develop a mine there will be taken by the end of this year after the completion of an exploration permit and the negotiation of suitable financing.

Encouraging results have been obtained in the Bamdji concession in Senegal.

In South Africa itself the search for Witwatersrand-type deposits continues to decline with the completion of exploration in the Potchefstroom Gap and in the areas adjacent to Freegold.

The directors make no mention of Anglo starting new mines, but they emphasise that there is a continuing need for cost control to preserve profit margins at existing producers, including those in South Africa.

Prospecting in South Africa is being focused on base and precious metals in the Transvaal and Northern Cape.

Exploration for copper near Maun in Botswana was suspended because of disappointing results.

Meanwhile, another "exploration" activity — the entry into the high-tech world of developing an electric battery for cars — continues to bring encouraging results.

A Mercedes-Benz 190 with a Zebra battery has covered nearly 80 000 maintenance-free kilometres over the past three years.

The pilot production facility for the battery is now in varying stages of commissioning.
WitNigel plans new gold mine

From MUNGO SOCGOT

JOHANNESBURG. — Witwatersrand Nigel (WitNigel), part of the Consolidated Mining Corporation stable, was planning a new gold mine at a cost of about R200m, chairman Norman Lowenthal said yesterday.

The final decision would be made after analysis of a feasibility study which would be completed within 90 days. "It is just a question of whether we can get at (the reserves) economically."

Monthly projections suggested the mine would generate about 50 000 tons milled and a gold output of 300kg with an actual grade of between 5.5gton and 6gton.

In the annual report, he said another feasibility study to investigate the viability of mining the company's shallow virgin ore reserve had been commissioned "in the light of a much improved gold price."

The project would get the green light if the report was up to expectations "bearing in mind that financing a project of this nature is an extremely sensitive issue."

The improved political climate and the rising gold price meant the atmosphere was becoming more conducive to obtaining commitments from potential investors.

The study would look at refurbishing an existing shaft to prove the ore body, which was believed to be more than 18 million tons — of which 33% was calculated at a minimum grade of 7.5gton.

The study would also focus on the threat of underground flooding which prevailed in certain parts of the far east Rand.

WitNigel reported a net profit of R184 000 for the year to March, from a loss of R839 000, which translated into earnings a share of 0.6c (2.8c). Turnover doubled to R719 000 (R349 000).
New R200m gold mine on the cards

MUNGO SOGGOY

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The improved political climate and the rising gold price meant the atmosphere was becoming more conducive to obtaining commitments from potential investors.

The study would look at refurbishing an existing shaft to prove the ore body, which was believed to be more than 16-million tons — of which 35% was calculated at a minimum grade of 7.5g/ton (24-). The study would also focus on the threat of underground flooding which prevailed in certain parts of the far east Rand.

WitNigel reported a net profit of R184 000 for the year to March, from a loss of R839 000, which translated into earnings a share of 6.6c (-2.8c). Turnover doubled to R715 000 (R349 000).
Slight growth expected at disrupted gold mines

GOLD mines would show a slight increase in attributable income for the three months to June, as production disruptions offset gains from the higher rand gold price, analysts said yesterday.

Gold Fields will kick off the quarter on Monday, with the other houses — Randgold & Exploration, Anglovaal, Gengold, Anglo American and JCI — releasing results for their gold operations over the next three weeks.

Market expectations ranged from a 13% fall in attributable earnings to a 5% rise from the total R797m in the last quarter.

The average gold price was up about 4% in rand terms on the previous quarter, but election-related disruptions would have taken their toll on production and costs.

Mines were affected on the days of the election, as well as prior to and after the election as tensions led to other labour disputes.

Gold Fields' Kloof mine, Anglo's Freestate and Vaal Reef mines and JCI's Western Areas — frequent star performers in the past — had probably been hardest hit.

Analysts said most mines had almost completed unwinding their forward positions and were benefiting from the higher spot price.

Gengold and Anglo American were the most advanced in unwinding, but Randgold still had a lot of forward contracts, they said.

Analysts also said the June quarter would see higher capital expenditure as a number of houses had their year end in June. This could move ahead around R100m from R65m in the last quarter. Capex normally increased just before the year end as mines took advantage of the tax benefits this offered.

Working costs were not expected to increase greatly, as the current round of wage negotiations would only come through in the September quarter.

One effect of the higher gold price, according to Edey Rogers analyst Duncan Ingram, was that there would be a general long-term decline in yields as the higher price made mining lower grades economically feasible.

Frankel Pollak, Vundere analyst Trevor Peardon said he expected gold production figures to be down this quarter, but that this would be recoverable over the next quarter as election tensions clear up.

He said there would be a generally weak operating performance as regards cost, but this would be offset by the higher gold price.

But he said overall revenue would remain unchanged at about R5.8bn, while distributable profit would come down slightly.
ANC call to save Durban Deep mine

JOHANNESBURG - ANC legislator Marcel Golding wants the Department of Mineral and Energy Affairs to call a meeting of stakeholders to find an "effective response" to the troubles at loss-making Durban Deep gold mine.

Managing company Randgold and Exploration said last month the 97-year-old Durban Roodpoort Deep mine would close its underground operation because projections showed it would stay in the red.

Golding, a former acting general secretary of the National Union of Mineworkers, said in a statement the social and economic implications of closing the mine were "huge".

The mine employs some 5,000 workers of which 1,500 come from Mozambique and a "fairly small" percentage from Lesotho. — Sapa-Reuters
ANC outcry over proposed closure of Rand gold mine

Johannesburg — The proposed closure of a West Rand gold mine due to financial unviability has sparked outrage from the ruling African National Congress.

Member of parliament and chairman of the ANC committee on mineral and energy affairs, Marcel Golding, said yesterday the “response by the relevant government departments to the situation at Durban Roodepoort Deep is a national disgrace.”

Mr Golding said a people-centred approach to problems was the commitment of the government.

Despite this, the Department of Mineral and Energy Affairs had not been sensitive in dealing with the crisis.

“The losses that will follow if Durban Deep closes, and especially if it closes suddenly, will be far reaching and deeply damaging to workers, local business and communities in their effects.

“There are legitimate social and economic reasons for targeted assistance to Durban Deep to allow its downscaling to be properly managed, over a longer period than one month,” Mr Golding said.

Mr Golding maintained the mine’s closure would result in the loss of 5,000 jobs and foreign exchange earnings would “fall by R100 million”.

As far back as March this year, Durban Deep management, with the support of trade unions, applied to government for assistance to keep the mine going.

According to Mr Golding, this appeal had not met with any response.

Mr Golding did concede, however, that the aim of downscaling the mine in an appropriate period should not encompass pouring money into a “bottomless pit.”

In his reaction to Mr Golding’s statement, Mr Botha said the government deeply regretted the circumstances which had led to the closure.

“In particular, the loss of approximately 4,600 jobs, with the personal suffering that entails, is a matter of profound concern,” said Mr Botha in a statement yesterday.

The minister added that government had assisted Durban Deep to the tune of R93.1 million from 1968 to date. This assistance was in accordance with government’s policy of assisting marginal gold mines.

“Durban Deep’s board, after a loss of R7.9 million during the June quarter, decided to close the mine before the appropriate departmental committee could make a recommendation to me regarding financial assistance Government was, therefore, awaiting the mine’s future viability projections before deciding on assistance, when it read in the media about management’s decision to close.”

Mr Botha said any allegations that the mine was closing because of government failure to render assistance was, therefore, without foundation.

The minister added that “consultations with the unions concerning Durban Deep have in any event been taking place on an ongoing basis.”

He said he had taken active steps to ensure consultations with trade unions for the development of a national strategy regarding the closure of marginal mines.

However, Mr Botha pointed to the futility of pouring taxpayers money into the “bottomless pit of loss-making ventures.” — Sapa
Pik seeks talks on mine closure

JOHANNESBURG

Mineral and Energy Affairs Minister Pik Botha has called for talks on a strategy for victims of mine closures, but is opposed to artificial support for loss-making companies, a spokesman said yesterday.

In a statement read by spokesman Oian Darroli, Botha denied that he had been insensitive to the closure of the Durban Roodepoort Deep after losses of R7,5m in the June quarter.

"I am only too painfully aware of the human consequences of closing this mine," Botha said.

Botha was sharply attacked at the weekend by ANC MP and former National Union of Mineworkers official Marcel Golding for failing to respond to the closure of the mine.
GF mines weather holidays and strikes

Results not unsatisfactory, says gold division chief

BY DEREK TOMMEN

Analysts have been waiting to see how well the mining industry was able to maintain production and profit in the six-day public holiday June quarter.

In the case of Gold Fields, results were "not unsatisfactory," gold division head Alan Munro said yesterday, even though other factors including illegal strikes had affected production.

Munro paid tribute to management and employees for responding positively to the need to maintain output. But he said group overtime costs had risen by R5 million on each of the three holidays worked.

Altogether, group working profit dropped by 6.7 per cent to R543.3 million, while pre-tax profit was 5.6 per cent lower at R691.7 million.

Tax, including the transition levy, rose 7.8 per cent to R199.4 million. Taxed profit was R392.2 million — 11 per cent lower than in March.

The average gold price received was 3.2 percent higher at R40,513 a kg, while working costs rose R25.6 million to R780.9 million.

But if the R15 million paid for holiday work and the R6 million paid by Doornfontein to discharged employees were excluded, the real rise in costs was less than one percent.

With many of the problems of the June quarter out of the way, the group was expecting a much improved September quarter.

It was working hard to improve labour relations and achieving considerable success.

He believed the gold price was in an upward trend. "Everyone feels better," he said. But East buyers would emerge and buy at a steadily rising base price.

Kloof was the feature of the quarters, reporting a taxed profit of R190.1 million — down R2.2 million from the March quarter.

This was despite an illegal strike costing about R25 million in lost production.

Production was back to normal at the No 3 Sub-Vertical shaft, which was heavily damaged in the December quarter.

Production at Kloof in the September quarter is expected to rise to 540,000 tons from 500,000 tons in the June quarter. The current high grade of 14.3 grams a ton should be maintained.

The Leedoorrn division at Kloof was the only mine to increase production.

But a drop in grade contributed to the working profit falling R9.6 million to R21.3 million.

Mining conditions were not easy at Leedoorrn and, as it is in the development stage, it does not have the flexibility to change working areas.

Marginal Doornfontein swung from a R4.9 million profit to a taxed loss of R8.1 million, but this included the R6 million settlement.

Munro said some of the increased costs were the result of getting the mine back into shape.

It had built up cash reserves and its life was now measured in months and quarters instead of in weeks and months, as was the case a year ago.

It intended opening up better-grade areas in the southern lease area and some of the areas closed by seismic events.

East Drifontein, helped by a higher yield and higher gold price, lifted working profit R1.9 million to R208.7 million, which was a great achievement, said Munro.

Working profit at West Dries dropped by R10.6 million to R132.2 million. Taxed profit was down R34.3 million to R194.5 million.

Deelkraal, which is building up output, lifted taxed profit by R47.0 million to R15.7 million.
The process of making gold ore into gold involves several steps, starting from the extraction of gold from ore. This is typically done through methods such as cyanidation, which involves dissolving gold within a cyanide solution. Once the gold is dissolved, it is then separated from other materials and concentrated to form gold bullion. This bullion is then refined to remove any impurities and produce pure gold bars or other forms of gold for sale.

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
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<tbody>
<tr>
<td>Extraction</td>
<td>Dissolving gold from ore using a cyanide solution.</td>
</tr>
<tr>
<td>Concentration</td>
<td>Separating gold from other materials.</td>
</tr>
<tr>
<td>Refining</td>
<td>Removing impurities to produce pure gold.</td>
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Once the gold is processed, it is stored in secure vaults until it is ready to be sold. The price of gold is determined by market factors, including supply and demand, geopolitical events, and economic conditions. Gold is often used as a hedge against inflation and as a store of value, making it a popular investment among both individuals and institutions.
Plan for mine closures touted

From MADDEN COLE
JOHANNESBURG — The Mineral and Energy Affairs Department was planning a national strategy to cushion the effects of the closure of marginal mines on workers and their communities. Mike Botha said yesterday.

He said the cost at Durban Deep had not been completely offset by overall profit to deal with mine closures.

Urgent attention was being given to the creation of a framework partnership between mine management, trade union, community leaders and government. The aim was to ensure proper communication and planning for the closure of mines.

The department's labour, housing and land affairs would be consulted to ensure alternative employment, while the social effects of mine closures would be examined. The department's Finance, Labour, Housing and Land Affairs would be consulted to ensure all alternatives were covered.

Randgold moves into profit

From MICHAEL URGUHART

JOHANNESBURG — Randgold & Exploration's marginal mines gave a mixed performance in the June quarter, despite a firmer gold price.

Reuter reports that extraordinary items took the company's three gold mines after-tax income to R8.7m from a R17.6m loss in the first quarter.

CE John Turner said all three mines suffered disruptions associated with the elections "but we expect higher productivity over the next two quarters".

Both ERPM and Blyvooruitzicht showed working losses, while Harmony improved working profit to R15.1m (R7.5m) but plans to increase capex to R45m during the next year would affect the bottom line.

The company would concentrate on opening up new ore reserves, Turner said.

Blyvoor's loss decreased to R629,000 (R3.6m) Turner expected the mine to come back into profit at some point.

At ERPM, a working profit of R38,000 for the March quarter changed to a working loss of R2.1m after costs climbed to R496,200 (R477,200).

ERPM and Harmony had their operational costs reduced by special items. In ERPM's case, R23.7m was refunded to the company on its electricity bill, which for several years had over-registered consumption.

The R28m provision for the Memelput mine's disaster in the March quarter meant Harmony's profit was strongly up for the June quarter at R16.5m.

Nearly 11,000kg of gold had been sold forward to June 1995, which could adversely affect the mine should gold prices climb, analysts said.

All marginal mines would be examined in this way. Data on life spans of various mines and the number of workers were being studied to evaluate the problem.

options should cover the maintenance of a viable local community. But Botha said no false expectations should be raised as he could not guarantee Durban Deep would be saved.

ANC mineral and energy affairs committee chairman Marcel Gold- ing said last night's platitudes about good intentions were not enough. Instead, Botha should call a meeting of all stakeholders to demonstrate his commitment to the RDP.

A request for a meeting with the Minister a week ago had been ignored.

"What we need now is a targeted assistance package to enable us to deal with the problems on the downgrading of mines."

A minimum requirement was for the Minister to lead a meeting with all stakeholders and to agree to a framework to resolve the Durban Deep crisis.

Randgold said last night it welcomed the Minister's intention to review the situation of marginal mines.

@NUM general secretary Kgalemaga Motlanthe said the NUM welcomed Botha's expression of commitment. "The Durban Deep issue deserves urgent discussion between the union, government and stakeholders."

The absence of legislation regarding the social impact of the downgrading of mines was "scandalous".
Pleasant shock for ERPM

Outlook better at Randgold mines

BY DEREK TOMMEY

The Randgold June quarterly gold mining reports reflected optimism about the prospects for its three remaining mines — Harmony, Blyvoor and ERPM.

The fourth, Durban Deep, is to stop most underground operations at month-end.

A noteworthy feature of the quarterlies is the repayment by Eskom of R23.7 million to ERPM for over-registered consumption, enabling ERPM to pay a special dividend of 8c a share.

Randgold chairman John Turner says the overpayment was determined in a careful audit of electricity costs, which led to the discovery of a wrongly wired Eskom meter.

The overcharging, which amounted to about R200 000 a month, had been going on for several years.

Harmony, which works the lowest grade of ore in the industry and has been close to the danger list for some time, looks like being on the road to much better things, its report shows.

Although its operations — and those at the other two mines — were disrupted by the election, it increased its tonnage milled and more than doubled its working profit from R7.5 million to R15.2 million. Taxed profit was R6.2 million (R3.7 million).

A sign that the management has growing confidence in the mine is a planned capital expenditure of R45 million over the next 12 to 15 months.

The aim is to give the mine greater flexibility in its mining operations and to make good some of the reduced capital expenditure of the past.

In the six months to last December, the mine's capital expenditure was only R3.6 million.

One important factor in Harmony's future is that it should get a steadily increasing gold price.

As a result of hedging operations, it received only R40.847 a kg for its gold in the June quarter.

This compares with the virtually unhedged price of R43.727 a kg. In the event of the price rising, some 70 percent of the rise would accrue to the mine.

At ERPM, election considerations resulted in a drop in production. A useful increase in the yield of gold, which was not enough to offset the fall and a wage-related cost increase. As a result, the mine had a working loss of R2.3 million after a working profit of R38.6 million in March.

But working conditions should improve this quarter.

Blyvoor, which is working a lower grade Western Deep tributary area, had this year, reduced its working loss to R1.1 million from R3 million in the March quarter.
Mixed figures from Randgold mines

RANODGOLD & Exploration’s marginal mines gave a mixed performance in the June quarter, despite a firmer gold price. 

Reuters reports that extraordinary items took the company’s three gold mines’ after-tax income to R38.7m from a R17.8m loss in the first quarter. 

CE John Turner said all three mines suffered disruptions associated with the elections “but we expect higher productivity over the next two quarters.” 

Both ERPM and Blyvooruitzicht showed working losses. Harmony improved working profit to R15.1m (R7.3m), but plans to increase capex to R42m were the next year would affect the bottom line. 

The company would concentrate on opening up new ore reserves, Turner said. 

Blyvoor’s loss decreased to R629 000 (R8m) Turner expected the mine to come back into profit at some point. 

At ERPM, a working profit of R380 000 for the March quarter changed to a working loss of R2.1m after costs climbed to R40 802/kg (R20 277/kg). Randgold said costs had been affected by disruptions and provisions for the possible termination of services of employees involved in violence. 

Turner said productivity and production targets had not been met at the mine. 

All the mines showed increases in grades, especially Blyvoor and ERPM. This offset a slight fall in ore milled, leaving gold production more or less constant. 

ERPM and Harmony had their final profit improved by special items. In ERPM’s case, R23.7m was refunded to the company on its electricity bill, which for several years had over-registered consumption. 

The R23m provision for the Marriespruit slimes disaster in the March quarter meant Harmony’s final profit was strongly up for the June quarter at R16.2m. 

An underground fire at its Number 4 shaft had been brought under control. 

About 10 000 tons of the current quarter’s tonnage had been affected, Harmony milled 1 570 000 tons in the June quarter. 

Although it had performed well, analysts said it was likely to be held back by hedging contracts. 

Nearly 11 000kg of gold had been sold forward to June 1995, which could adversely affect the mine should gold prices climb. 

Although Blyvoor had hedging contracts, Randgold said it was about 70% exposed to any rise in the gold price. 

However, it was not considering changing its low-key hedging strategy. 

The mining house would continue using a combination of options to protect marginal mines from a fall in the gold price, as well as taking advantage of any price rise.

See Page 11
Mixed fortunes for struggling Cape mines

MARC HASENFUSS

BLACR Mountain Mineral Development and O'okiep Copper Company — two Northern Cape mining groups in the Gold Fields stable — had mixed fortunes in the quarter to end June.

Black Mountain saw operating profit creep up to R15 million (previous quarter R14.8 million) from a slight increase in ore milled to 379,000 tons.

Metal sales, however, were inconsistent at Black Mountain with an encouraging eight-fold increase in copper sales to 1.519 tons marred by marked drops in lead and zinc sales to 10,000 tons and 3,500 tons respectively.

A tax bill of R2.1 million and the transitional levy of R962,000 eroded bottom line to R11.9 million — 18 percent lower than the end March quarter.

Capital expenditure at Black Mountain was a nominal R373,000 for the quarter under review.

O'okiep's profits were tarnished by a dramatic 63 percent increase in cost of sales to R40.9 million in the quarter to end June.

This was unfortunate, wrecking the solid 44 percent sales increase achieved in the quarter.

Bottom line was also dented by lower copper grades.

Pre-tax profit came in at R657,000, well down from the R3.3 million achieved in the previous quarter.

In addition, the capital expenditure bill was a heavy R2.6 million.

Directors said operations at O'okiep were also affected by month long industrial action in April/May.
Bright outlook for East Dagga

FURTHER increases in the rand gold price are likely, making the outlook for East Daggafontein extremely favourable, chairman Peter Bieber says in the company's annual report.

The group, which pushed distributable income for the year to R17,7m (R7,1m), holds the rights to a number of slimes dams on the far East Rand.

These are being treated by East Rand Gold and Uranium Company at its Daggafontein plant.

The company lifted revenue from treatment of dump material to R17,7m (R11,9m), although the dividend from its subsidiary fell to R2,9m (R4,1m) and interest received dropped to R4,9m (R4,6m) (2.14).

The company estimates that it has a reserve of economically recoverable gold of 20.510,800, which at current production rates gives an estimated life of more than 10 years.

East Dagga's share of gold which is economically recoverable at current prices is a further 8.168kg.

East Dagga said its subsidiary, Dumpco, had sold to Impala Platinum the effluent situated on slimes dam 6L13.

Initial estimates are that the dam contains 12,440kg of platinum group metals. Dumpco would receive 35% of any profit generated by the project.

The company said a reassessment of the viability of the Witkopp slimes dam was being undertaken as a result of the increase in the price of gold.

The dam contained 125-million tons of gold-bearing material, at a grade of 0.35g/t.
Chinese options for SA gold houses

From MICHAEL UROUHART

JOHANNESBURG - SA mining houses were looking at opportunities in the Chinese gold mining industry, after China announced at the weekend that it would open the industry to foreign companies, sources said yesterday.

Reuters reported that China would introduce overseas investment and technology selectively to mine its gold resources, which were low grade and hard to screen.

A draft programme would be implemented on a trial basis and 20 foreign companies had expressed an interest.

Gencor and Gold Fields were interested while Anglo American's off-shore arm Min oro was also taking a look.

Gencor was negotiating the sale of its bioc process to the Chinese for treatment of factory gold ore. Senior new business manager Trevor Rees said Gencor hoped for a large capital sum up front, as it had to be sure its technology would not be used on more profitable Chinese mines.

Potential

Gencor's biore process would be particularly suited to the sulphide type deposits likely to be found in the mines on offer.

Gold Fields said it had a team in China evaluating potential opportunities.

Kevin Chris, of Gold Fields Mineral Services, said a number of foreign companies had signed letters of intent with China.
Anglovaal gold mines turn in disappointing results

The Anglovaal group's gold mines have returned disappointing results for the June quarter.

Taxed profit decreased from the March quarter's R70 million to R45 million, which sum included transition levy payments of R20.3 million.

Harëbec DTO's taxed profit decreased to R40.2 million from R62.9 million in the previous quarter.

The higher revenue received, R44 145/kg (R41 077/kg), was offset by lower grade, lower tonnages associated with unplanned public holidays and higher costs caused by year-end adjustments and additional payments where work was carried out on public holidays.

Included in the lower profit was an amount of R19 million for the one-off transition levy.

Revenue received from underground operations totalled R44.1 million (R41.1 million) and from the low-grade gold plant R35.5 million (R42.4 million).

Haries' profit after capex fell from R32.3 million to R22.2 million, translating into earnings of 19.8c (46.7c) a share.

Lorrainc incurred a loss after tax of R277 000 (R440 000 profit).

Because of the continuous cycle of mining and milling operations, production losses on public holidays could not be made up on weekends.

There was a cost penalty where work on public holidays did take place.

Development in the 3C area continued to deliver encouraging grades. Some areas were less faulted than anticipated, based on the previous quarter's development.

Limited stoping has started from this area and should build up significantly over the next eight months.

Lorrainc's loss after capex was R1.1 million (previous quarter loss of R247 000).

At Eastern Transvaal Consolidated, taxed profit declined to R5.4 million (R5.9 million) as a result of the transtion levy (R1.2 million), with higher costs offsetting the better gold price received.

The higher costs stemmed mainly from year-end provisions and the premium paid for work on public holidays.

ET Cons's post-capex earnings totalled 0.3c (4.9c) a share.

Village Main Reef maintained operating profits by achieving a higher throughput of material to offset the lower yield. The results include the proceeds of the sale of freehold property.

An amount of R135 000 was paid in respect of the transtion levy.

Village Main earned, net of capex, 39.2c (13.2c) a share in the June quarter.
Levy, unofficial holidays hit Anglovaal gold mines

UNOFFICIAL public holidays and transitional levy payments combined to hit Anglovaal gold mines' bottom line for the June quarter.

Hartebeesfontein was hardest hit by the levy, with a R19m payment on pre-tax profit of R397.2m (R197.5m).

The tax bill for the June quarter rose to R37m (R44m) despite lower pre-tax profit, leaving the after-tax profit down 36% on the previous quarter at R49.3m (R82.9m).

Revenue received rose sharply to R44145/kg (R41 077/kg) as the company unwound its forward positions. But profit a kilogram remained virtually unchanged, as working costs rose 9.5% to R28551/kg (R22 467/kg).

Anglovaal said the large increase in working costs for Hartebeesfontein was a result of the unplanned holidays.

<table>
<thead>
<tr>
<th>Anglovaal June 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>Net profit after capex R000s</th>
<th>EPS after capex costs</th>
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<td>Hartebeesfontein (underground)</td>
<td>767</td>
<td>8.5</td>
<td>6 550</td>
<td>277.28</td>
<td>32 551</td>
<td>44 145</td>
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<td>Hartebeesfontein (gold plant)</td>
<td>795</td>
<td>8.8</td>
<td>6 965</td>
<td>258.16</td>
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<td>43 470</td>
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<td>42 568</td>
<td>440</td>
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</table>

The company had to pay a transitional levy of R1.2m, but the overall tax bill fell to R1.5m (R4.8m). This enabled the company to keep after-tax profit at R5,4m (R5.9m)

The dividend of R16,2m, which was announced before the transitional levy, exceeded distributable profit for the quarter (2.4). A fall in ore milled at Lorraine was offset by an increase in grade to leave gold recovered virtually the same as in the March quarter.

Increases in working costs outstripped the improvement in gold revenue, leaving the mine running a working loss of R1 915/kg (R103/kg). Total working loss for the quarter was R2,8m (R149,8m).

Anglovaal said development in Lorraine's 3C area continued to deliver encouraging grade.

Village Main Reef maintained profit by achieving a higher throughput to offset the lower yield. The results include the sale of freehold property.
Production falls at Gengold mines

MARC HASENFUSS
Business Staff

GENGOLD reported a 17 percent drop in net income to R89 million (previously R107 million) in the quarter ended June on the back of lower production at most mines.

The group's Kinross and Winkelbaak mines were worst affected by the production fall-off, reporting a marked drop to 440,000 tons and 358,000 tons milled.

Kinross recorded a 18 percent drop in net profit to R21.5 million, while Winkelbaak managed a five percent increase to R13.5 million.

Beatrix managed to maintain production at 520,000 tons milled, yielding 3,224 kgs of gold. Net profit was static at R2.8 million for the quarter under review.

Groote Schuur also held production at the previous quarter's level, maintaining net income at R3.8 million.

Buffels, which saw production dip and working costs rise, reported a 24 percent drop in net income to R14.6 million.

Meanwhile, financing at Oryx has been delayed until the values of northern and eastern mining areas are known. Gengold will provide short-term bridging finance of R28 million a month to cover the mine's working costs and interest payments.
Gengold posts 17% income drop

From MICHAEL URUHARI

JOHANNESBURG A drop in production, labour disruptions, and the payment of a mining levy to the gold mining association, led to Gengold posting a 17% drop in income to £83.6m in the first quarter.

Gold production, down 9% by this year, 4% lower than the previous quarter, was the largest virtually unchanged from the previous quarter. The group said the 4% drop in gold price this year led to production costs rising 9% in the first quarter.

As a result, operating costs per ounce rose by 9% to £83.6m in the first quarter.

Production of 9.9m ounces of gold in the first quarter was 9% lower than in the same period last year. The group said the lower production was due to the closure of the Syenite mine for maintenance and the closure of the Venterby mine.

Gengold said it had at the end of the quarter, 9.9m ounces in its inventory, with a production rate of 2.5m ounces per quarter. The group said it had production for the next quarter, but it would need to maintain its current production level to meet its targets.

The group said it was working on a new plan to increase production and reduce costs.
Genegold poised for better

Earnings impacted by public holiday's transition levy
Gengold posts 17% drop in net income to R88m

A DROP in production, labour disruptions and the payment of a transitional levy saw Gentle's gold division Gengold post a 17% drop in net income to R88,8m (R106,8m) for the June quarter.

Gold production was down 3,5%, but this was offset by an average gold price which was 8% higher than the previous quarter. Grades remained virtually unchanged, except at St Helena where the grade rose to 7,6g/t from 6,9g/t.

Grootvlei, Stilfontein and St Helena were hardest hit by the transitional levy, as a change in year end led to them being taxed on an 18-month financial year.

Gengold chairman Gary Maude said the group would publish total reserves in future, a practice in line with international standards. This would show total economic reserves at current gold prices rather than what was in the immediate pay area.

Gengold reaped the benefit of the higher gold price as it unwound its hedging positions fully. But meeting its old hedging obligations led to the gold price received being R1,500 lower than the average spot price.

The only mine with any forward sales contracts was Stilfontein, which had to ensure a minimum income to cover rehabilitation costs Maude said the mines would use "knock-out" puts in future to lock up a minimum gold price.

Beatrix used its stockpile to maintain production at 3,224kg (3,220kg) Maude said that this stockpile was now used up, but that he expected production to return to normal during the next quarter.

Buffelsfontein did not have the face to maintain tonnage, which fell to 456,000 tons (490,000 tons).

No shaft in the East Geduld area at the Grootvlei Mine would be opened for mining of the Kimberley reef. The water level at the mine was still rising, and pumping would start in January or February.

Michael Urquhart would receive pumping assistance from the state, but would still be able to pay a dividend.

Kinnross and Winkelhaak were the mines most affected by the labour unrest, with Kinnross gold production down at 2,850kg (3,030kg) and Winkelhaak down to 2,405kg (2,602kg). Winkelhaak's capex climbed to R8,8m (R23,6m) but Maude said this was a return to normal levels of capex after an abnormal March quarter.

At St Helena there was a drop in tonnage but grades climbed due to the success of large industrial vacuum cleaners to remove particles of high-grade dust from the stopes.

Production at Stilfontein was up strongly, especially from cleanup operations. Maude said an investigation was being undertaken to see whether Stilfontein could be mined economically. The mine had reserves of about 320 tons of gold which were uneconomic in current prices.

Unsael was still developing to the payface, and production would only build up in the second half of 1994.

<table>
<thead>
<tr>
<th>GENGOLD</th>
<th>June 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 R/kg</th>
<th>Net profit R000s</th>
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Gold losses cause concern

GOLD MILITARY

The government's actions to recover gold have met with mixed results. The latest report from the central bank indicates a 5% drop in gold reserves. This is a significant concern as gold is a key component of the country's economic stability.

Gold production was 61,000 ounces in the first quarter of this year, down from 61,500 ounces in the same period last year. This is the second consecutive quarter of decline in gold production, raising concerns about the country's ability to meet its gold reserve targets.

The government has implemented strict regulations to control gold exports, but the black market continues to thrive. This has led to a situation where the official gold reserves are significantly lower than the actual amount of gold held by the government.

The government has announced plans to increase gold production by 10% in the next fiscal year. However, experts believe that this target is ambitious and may not be achievable given the current economic conditions.

The government has also increased the tax on gold exports, in an attempt to discourage smuggling. However, this measure has not been effective, as illegal gold exports continue to be a major concern.

The situation has led to a significant loss of confidence in the country's financial system. Investors are pouring their funds into alternative assets, such as real estate and precious metals, in search of safety.

The government is considering further measures to address the gold shortage, including the implementation of stricter laws and regulations. However, these measures may take time to take effect, putting further pressure on the country's economic stability.

The government is also appealing to the international community for assistance in addressing the gold shortage. However, given the current economic conditions, it is unclear whether the international community will be willing to provide the necessary support.

In conclusion, the gold shortage is a major concern for the country's economic stability. The government needs to take urgent action to address this issue, as delays in action may have serious consequences for the country's economic future.
‘Gold industry loses R675m to disruptions’

MICHAEL URQUHART

WORK stoppages stemming from the elections cost the gold industry R675m in lost production during the June quarter, Anglo American gold and uranium division chairman Clem Sunter said yesterday.

Speaking at the company’s quarterly presentation, Sunter said his conservative estimate was that disruption had cut 15% from the industry’s normal output.

Total industry gold production was about 114% tons in the March quarter.

At a price of R45 000/kg during the quarter, this would mean a loss in revenue of R675m, Sunter said. As government’s share of the industry’s revenue was 60%, with the transitional levy, this meant a loss of R405m to government, while the balance had to be borne by shareholders.

Sunter said government could hardly afford that type of loss, in view of the money it needed for the reconstruction and development programme.

He hoped wage negotiations would reach a settlement as quickly as possible, so that mines could resume full production.

Anglo’s mines were hammered by the transitional levy and production losses relating to the elections, with the division reporting a 31% fall in available profit for the June quarter. Mainstay Freegold was hit by labour disruptions on 23 separate occasions during the quarter.

Available profit plunged R814m to R155.1m. Of this decrease, R21.4m was attributable to the transitional levy. Capex was up R23m at R281.8m (R258.1m).

A 4% higher gold revenue of R176 462/kg (R41 321/kg) was more than offset by an 8% rise in unit working costs to R33 925/kg (R31 402/kg). Low inflation rates in the major economies meant the upper level of gold would continue to be $400, Sunter said.

But an increase in jewellery demand likely to be caused by world economic growth would push the trading floor to between $370 and $380. Investor buying would continue creating temporary oscillations within this fairly tight range.

See Page 13
Knights lifts profit to R4m

MICHAEL URQUHART

PROFIT from the sale of Ergo shares and property and a dividend from the Ergo shares pushed Knights Gold Mining’s distributable profit up to R4m (R2,1m) for the three months to June.

Knights sold 674,000 Ergo shares, leaving it with 442,000 remaining.

The company increased tonnage milled 4.6% to 691,000 tons (662,000), but falling grades meant gold production increased only 2.2% to 314kg (307kg).

Knights said higher working costs, which were at R15.31/tom (R12.63/tom), were the result of paid work on public holidays, increased unit prices of reagents, higher water consumption in dry months and additional transport costs.

The company has acquired the plant and surface dump facilities of the New State Areas Gold Mine near Springs. It said total capital expenditure on this project was expected to be R6.3m, of which R3m was included in the June quarter’s capex figure of R3.8m.

The acquisition was expected to contribute R490,000 a month to profit from this October, with a life of at least 10 years.

Knights cautioned shareholders that it planned to separate its property interests from its gold mining interests and would apply for a listing for its property interests.

A dividend would not be paid as a large portion of cash would be used to develop its property interests.

COMPAINES in Anglo American’s gold and uranium division saw available profit drop sharply for the June quarter as the transitional levy and rising costs cut into revenues.

Available profit was down 31% at R182.1m (R263.6m), with the transitional levy weighing in at R21.4m.

Hardest hit was Freegold. Available profit plunged 88.4% to R47.7m (R114.6m), as the company struggled with a “remarkable” drop-off in labour productivity and a fall in grade.

The company had 23 separate incidents of labour unrest over the past quarter. Freegold regional GM Ken Dock said, and was affected particularly in the high grade pillar areas.

Tonnage milled was down to 5.78-million tons (6.53-million tons), and combined with a decreased grade of 4.16g/t (4.33g/t), gold production was 51% lower.

With the combined effect of increased unit working costs of R38.26/t (R35.60/t), earnings a share dropped sharply to 40c (96c).

Shaft sinking at Freedies No 4 shaft was going according to plan. Dicks said a number of shafts would come to the end of their lives at the turn of the century, and production would not be maintained.

The Metallurgical Scheme was coming to the end of its life, and no further dumps had been found for treatment.

Vaal Reefs turned in disappointing production figures and lower grades. This was off-set by a higher gold price, a dividend from Southvaal and decreased royalty payments to Southvaal, which pushed before-tax profit up 15.9% to R185.3m (R162.5m).

Vaal Reefs regional GM Dick Fisher said problems with fires and seismicity had been largely overcome, and the labour situation was fairly normal.

Sinking of the Vaal Reefs No 1 shaft advanced 386m during the quarter. Total depth to date was 1,650m.

Western Deep, with tonnage milled maintained at 1.3-million tons (1.29-million tons), an 8.1% fall in grades to 5.76g/t (6.27g/t) and a rise in unit working costs of 11.4% to R31.81/kg (R31.81/kg), saw gold production down 13.4% to R171.1m (R192.8m).

Higher capital expenditure pulled down available profit for the quarter 38.3% to R25m (R47.4m).

Total working costs at Ergo rose 5% to R115m (R109.3m), mainly as a result of R1m for work on public holidays and a R1m provision for wage increases.

This largely negated an increase in gold revenue of 3.2% to R181.1m (R175.3m), leaving profit before tax 6% higher at R65.3m (R69.1m). Available profit was down 11.7% to R17.6m (R20m).

Ergo grades were down to 2.8g/t (3.14g/t), leaving gold production lower at 3.318kg (3.873kg).

CONSOLIDATED Mining Corporation benefited from better grades and higher gold revenue in the June quarter which offset higher unit working costs and increased profitability.

Net profit at West Witwatersrand rose 17% to R5.9m (R5.5m) and profit at Benom 19% to R1.7m (R1.39m).

Ore milled at West Wits fell to 463,811 tons (588,664 tons), mainly because of declining availability of mined ore for heap leaching. Grade was up to 1.68g/t, as higher grade underground mining made up a greater proportion of total tonnage.

Costs increased by 10% to R30.6m (R27.5m).

Benom production increased by 31kg from the previous quarter to 401kg.

Consolidated profits from better grades

MICHAEL URQUHART
Rights issue likely to refinance Oryx

REFINANCING for Gengold’s Oryx gold mine would be used to fund the mine to completion and to pay off its bank debt, Gencor finance director Mick Davis said on Friday.

He said he would prefer Oryx to be fully funded by equity because the cost of debt was so high. Gengold announced at its quarterly results presentation that refinancing the Free State mine would be delayed for up to six months while further exploration work was done. Development on the reef had turned north and there should be a large increase in information on grades.

The company wanted to delay refinancing until it had more information to enable it to compile an accurate prospectus, which would allow it to make a more sensible decision on which route to follow for refinancing, Davis said.

The refinancing, which would probably take the form of a rights issue, would have to raise about R830m. Meanwhile, Gencor was bankrolling Oryx to the tune of R25m a month.

Although delaying refinancing would lead to increased interest costs, this would not affect the financial position of the mine materially, Davis said.

The mine warned in October that poor mutual grades had derailed its business plan, forcing its break-even point back three years. Gengold has since been discussing refinancing with Oryx’s banks and the mine’s four shareholders—Gencor, Genbel, Sanlam and Anglo American, which together provided initial funding of R795m. The mine was expected to have run out of money by the end of last month.

Anton Botha, MD of Genbel, which has a 14.3% stake in Oryx, said the decision to delay refinancing had been correct.

The information expected from the mine within the next six months would enable Gengold to present an accurate picture of what could be expected in the next two to three years.

He did not believe the decision to wait would necessarily make the financing cheaper. The cost of finance would depend on the gold price and what mining prospects new information showed.

Botha said Genbel would look at diluting its holding in Oryx if the price was right, as he felt Genbel was over-invested in the counter. Genbel would also be prepared to convert its interest-free debt to Oryx into shares, he said.

Sanlam said it would decide on its policy towards Oryx only when Gengold approached it with a definite offer.
Gold mining costs are set to rise 5%

Gold Fields executive director Alan Munro said the outcome of the current dispute between the National Union of Mineworkers (NUM) and the industry would be critical in determining costs.

Total working costs would increase in line with inflation, with any increase in labour costs superimposed on this, he said.

As 90% of working costs in the mining industry consisted of payments to employees, a 10% wage settlement would result in a minimum increase in costs of 5%.

But he said it was likely gold revenue would keep pace with costs. Although a lot of marginal mines were in a vice already, it would not get much tighter.

Anglo American gold division MD Nap Mayer said the current quarter should see a reversal in the upward trend of unit working costs, as production returned to normal levels. It was, however, unlikely to come down to last year's levels, he said.

He said the margin between unit working costs and revenues could even in-
crease, primarily due to a weak rand.

But he believed there was limited scope for improving productivity to keep total costs down. It would take a big leap in technology to achieve significant productivity improvements, he said.

Mayer said any major disruption, such as a strike arising from the current dispute with NUM, would have an adverse effect on productivity. Unit costs would inevitably rise if there was a strike.

Gencor financial director Mick Davis said the important issue in keeping a lid on costs would be to reduce them in a way that produced robust mines able to withstand low prices.

The mines should be able to take the knocks and still be positioned to take advantage of high prices.

Chamber of Mines chief economist Frances Vurty said the issue was how working costs would be contained in the future. Decreasing the labour force was not the answer. Only improvements in productivity could reverse the current trend.
JCI merger will create supermine

JOHANNESBURG Consolidated Investment (JCI) has proposed combining the mining interests of Western Areas and South Deep mines, giving the mining house access to what is believed to be the largest untapped gold reserves in the country.

In a cautionary announcement today JCI says the possible merging of the two mines is being discussed. It could create an enlarged mine which would benefit from synergies of joint operations.

The successful conclusion of negotiations would result in Western Areas undertaking mining operations on behalf of South Deep, in exchange for a share of the profits generated by the South Deep ore body, JCI said.

South Deep would provide funding allowing Western Areas to mine the ore body and return the profit. This would enable shaft-sinking and mining of the ore body to begin earlier than previously expected.

Western Areas is already mining the VCR reef at South Deep.

As part of the deal, Western Areas would acquire South Deep's assets, excluding mineral rights and freehold property. JCI gold division MD Bill Narnn said the assets, which included tunnels and a backfill plant, were worth more than R100m.

Synergies between the two mines would lie in the provision of services by Western Areas to South Deep. These services would include ventilation, power, water and technical assistance.

South Deep ore is currently milled at the Western Areas plant. It would mean that South Deep would not have to draw on Western Areas' technical staff and facilities, such as accommodation, when it started its own shaft-sinking operation.

Market sources said that because Western Areas' assessed loss was being eroded, it was likely that JCI would be looking at the tax implications of combining the two projects.

Capital expenditure at South Deep could be used to write off some of the profit from Western Areas, essentially allowing Western Areas to fund the capex at South Deep.
Higher gold price helps JCI to improved earnings

By BUSINESS STAFF

Helped by a substantially higher gold price and the recovery in production at Western Areas, JCI increased its June quarter attributable profit after tax and capital expenditure by R19.2 million, or 37 percent, to R71.4 million.

This was only marginally lower than the R72.6 million achieved in the December quarter prior to the steel drum failure at Western Areas.

JCI points out that the June results include the effects of the five public holidays over the election period, which cost it R37 million, and the R11.5 million cost of replacing Western Deeps’ hoster.

Gold production for the quarter was down by more than one percent to 12 479 tons from 12 625 tons previously.

But gold revenue increased by nearly five percent to R639 million.

Western Areas reports that 69 percent of its insurers, after repudiating the wonder drum shaft claim, had now agreed to settle. Discussions continue with the remaining co-insurers.

The settlement amount has not been brought to account in the quarterly results, but will be included in the annual accounts. The company says the impact on taxed profit will be significant.

Western Areas doubled net profit after tax and capital expenditure to R28.6 million, although this was still down on December’s R40.8 million.

Gold production was up to 4,07 tons from 3,61 the quarter before.

Randfontein Estates, hit by the worker disruptions, saw gold production slip to 7,56 tons from 8,39 tons.

But a higher gold price and a cut in working costs lifted taxed profit marginally to R76.5 million from R73.5 million.

HJ Joel reported a good quarter, with taxed profit up to R2.3 million, against a net loss of R2.2 million the quarter before.

Despite worker disruptions, gold production was up to 849kg from 826kg, which was in line with improved grades and a slightly higher throughput.

JCI also noted that Joel’s 7-day working week arrangement, which expired in April and affected output, had been renewed for another 12 months.

Development continues to build up ore reserves. These are expected to increase significantly in the September quarter.
JCI gold mines all see improved bottom line

THE turnaround by JCI's HJ Joel gold mine was the highlight for the June quarter in which all group gold mines reported improved bottom lines in a period dogged by holidays.

Randfontein Estates was saved by a higher gold price in a quarter when saw a drop in production because of the holidays. Tonnage milled decreased 8.6%, and combined with a lower yield, gold production was down 9.9% at 7,652kg.

The R3m fall in working costs could not stem the lower operating profit at R174.7m (R211.9m), but a lower tax bill of R48.6m (R95.2m) and a rise in interest revenue received to R10.8m (R4.7m) pushed up net profit to R74.9m (R73.5m).

Western Areas had recovered fully from the setback the breakdown of the No 2 Sub Vertical Shaft in the previous quarter and would have reported better results but for ethnic conflicts and holidays, gold division MD Bill Naun said.

Repair costs of R11.5m to the SV2 winder were brought to account in the June quarter, but loss of revenue was accounted for in the March quarter.

The mine increased tonnage 13.7% and yield 5.2%. Gold production moved up 19.5%, and coupled with lower working costs and higher revenue, net profit after capex doubled to R28.6m.

Although not strictly comparable with the March quarter when production was interrupted by failure of the SV2 winder, Naun said the results compared favourably with the R40.5m achieved in December quarter.

Improvement in mill throughput and yield, combined with higher gold revenue and maintained costs, pushed HJ Joel back into the black. Operating profit came in at R11m from the previous loss of R8.8m.

The five public holidays during the period cost Joel R2.6m in lost revenue. The expiry in April of the special working week arrangements concluded with unions and backdated appropriations last year came to an end and adversely affected production.

Nairn said new agreements had been made and a full seven-day working week, including both stopping and developing, was in place. Total costs again had been maintained at a low level.

Reef and waste development continued to build up ore reserves after being affected by the ending of the previous seven-day working week, and Naun said it was expected that by September reef raise hoistings between levels would add significantly to ore reserves. This would allow an increase in tonnage through improved mining flexibility.

Development at South Deep was experiencing teething problems, but it was on target with 456 metres advanced in the quarter. The VCR reef raise was complete as well as access development to 250 level.

Reduction in recovery grade was caused by unexpected changes in the strike of the faulting systems on the bottom west side of the long wall. This was being negotiated successfully and grades had improved.

Gold recovered at 1992kg was 96% lower than the 311kg in the previous quarter.

<table>
<thead>
<tr>
<th>JCI June 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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<td>222.52</td>
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COMPANIES

R2.3bn needed to fund JCI mine

JOHANNESBURG Consolidated Investment's South Deep mine would need R2.3bn to fund it to full production, and shaft sinking would start by November or December, JCI gold division MD Bill Naarn said yesterday.

The mine yesterday announced plans to combine interests with the adjacent Western Areas. Shares of both mines rebounded well on the JSE yesterday. 2/19/9

South Deep surged 22.5% to hit a year high of R41, while Western Areas climbed R4.50 to close at a year high of R60. Western Areas was trading at a low of R15.85 during August last year.

Naarn said Western Areas would be coming into a tax-paying position with an insurance claim caused by the breakdown of the SV2 winder drum shaft.

With the mine coming into a tax-paying position, it was likely that JCI would be looking at the tax benefits to be gained from writing off South Deep's capital expenditure against Western Areas profit. This would allow Western Areas to partially fund South Deep's development. Under the agreement, Western Areas would undertake mining operations at South Deep in return for a share of the profit generated by the South Deep ore body.

The ore body is estimated at 785-million tons, at an average in situ grade of 3.4g/t. Grades vary from below 3g/t to more than 20g/t. 2/14/9
Marginal ERPM’s share price increases by 20%  

MICHAEL URGUNHART  

RANDGOLD’s ERPM mine share price gained 20% on the JSE last week when a number of marginal gold mining shares saw prices rise. Other marginal shares which moved up from Monday included Grootvlei, which rose from R10.25 to close at R11.50 yesterday; Leslie, which climbed from R8.00 to R7.30; and Joel, which improved from R4.90 to R5.25.

Analysts and the positive response of ERPM shares to the gold price was because the mine was highly geared to any change in the price.

One analyst said the high volume of relatively low-cost dump material treated by ERPM — the mine treated 668 000 tons of sand, producing gold at an average cost of R22 502/kg in the June quarter — meant gold price increases were reflected quickly in ERPM’s bottom line.

The rights issue for R55m called last year also meant ERPM did not have a debt burden, he said.

In addition, a higher gold price would mean an increase in reserves as lower grade material became economically viable. Although this would mean a decrease in grades, the analyst felt increased reserves could help ERPM hit its production targets.

The other alternative was that gold production and grades would remain stable, and ERPM would benefit from the higher gold price.

Another analyst said ERPM’s failure to hit its production targets had been the major cause of its problems. There was the potential for a turnaround if figures such as costs and production improved, but he was not certain this could be done under Randgold’s current management.

Two other Randgold mines, Harmony and Blyvoor, remained static, with Harmony recording a rise of 25c from Monday to close on R34.75.

An analyst said smaller market capitalisation stocks, such as marginal mines, were highly illiquid and not well known, which meant foreign players and big institutions were not interested in them.
From MUNGO SOGGOT
Johannesburg —
Gold Fields could write
off about R700m from its
Northam Platinum stake
if it followed mining in-
vestment subsidiary
New Wits's decision to
take a provision against
the ailing platinum
mine, analysts said yes-
terday.

New Wits, unveiling its
results for the year to
June, said it would take a
R36m extraordinary
charge to cover the de-
valuation to market
value of its 3.5% stake in Northam
Gold Fields, which holds 60% of
Northam, would have to write off
about R700m if it was to cover the
same devaluation on its 49.5-million
shares.

The mining house said it would an-
nounce its decision when it published
its results this month. Company
sources said the forecast figure was
fair.

Northam said no inference should
be drawn from New Wits's provision.

New Wits — which owned 2.51 mil-
lion Northam shares at the end of 1993
— said the move followed the persis-
tent low market value of Northam
shares. The shares were fixed 50c
higher at R2.25c yesterday, against a R2.29
peak in 1992. The Zondereinde mine
— called a R30m rights issue in Decem-
ber 1992, but was forced to seek a
R220m bank loan just months later.

The bulk of that cash has been ex-
husted. The mine's future now hinges
on a technical assessment currently
being done.

New Wits said the decision had
been taken irrespective of the study's
outcome.

Stockbrokers said the write-offs
should not affect the market's valua-
tion of New Wits or Gold Fields as
valuations would already have dis-
counted the difference between
Northam's market price and its carry-
ing costs in New Wits's balance sheet.

Platinum forms about 2% of Gold
Fields' assets.

New Wits reported a fall in revenue
from its investments to R25m (R32m),
with a final dividend unchanged at
35c. It managed to hold its dividend
because a former gold price had
helped push its investment income up
29% to R220m (R162m). New Wits's ex-
penditure rose to R3.9m (R2.7m),
R1.8m of which had been spent ex-
ploring reefs in the southern Free
State.

Meanwhile, Vogelsrustbult Metal
Holdings Ltd yesterday declared an
unchanged interim dividend of 15c
per share, absorbing R2.8m, for the six
months ended June 30, reuter re-
ports.

Following on the sale of New Wits
shares in the previous financial year,
a further 100 000 shares in that com-
pany were realised during the six
months.

Income from investments for the
period amounted to R4.6m (R3.9m).

As announced earlier, the entire
holding in Rooberg Tin Limited was
sold, subject to a suspensive condi-
tion.
NUM questions Randgold takeover

Jacques Magoliolo

The National Union of Mineworkers has appealed to the Johannesburg Stock Exchange to halt the planned takeover of Randgold, saying it should first consider "certain ethical questions".

The WM&G is in possession of a letter sent to the JSE's Ethics Committee by NUM general secretary Kgalema Motlanthe, in which he says: "We would like to bring to your attention certain ethical questions which we believe apply to the proposed takeover of Randgold by a consortium consisting of Fraser Alexander, Time Mining, Aurora Mining and SC Warburg."

Shareholders are due to meet to effect the bid on August 18. The consortium says it has secured 56 percent support for the takeover.

NUM believes Fraser Alexander will become responsible for the management of the company and that Peter Flack of Fraser Alexander will become the new chairman of Randgold's board.

NUM's concerns about the deal are outlined in the letter. They include:

- Fraser Alexander had the contract for maintaining slimes dams at Merriespruit's Harmony Mine, which is owned by Randgold. The Department of Mineral and Energy Affairs has launched an inquiry into the slimes-dam burst, in which 30 people died, to establish its cause and who was liable. In dispute is the degree of responsibility of the respective parties involved in the incident. However, relation to the disaster, he said, was a complete surprise in the event that either party was held liable for the disaster, they will face huge claims for damages.

If the liable party is underinsured, or insurance is conditional, this would have significant financial consequences for the company concerned.

In this context, a central player in the consortium to take over Randgold could thus face claims for damages from the company it seeks to take over.

A potential consequence, Fraser Alexander could exert undue influence in relation to possible claims against it. In the scenario NUM says is envisaged by Fraser Alexander, it is possible Flack could — as chairman of Randgold — be faced with deciding whether to pursue claims that could put his own company out of business.

Furthermore, it is understood that Fraser Alexander currently has contracts for slimes-dam maintenance at all Randgold mines. If found liable for the disaster, it would be expected to lose these contracts; yet a change in ownership of Randgold could unduly influence such business decisions, with adverse effects on safety and effective rehabilitation of the mines.

In addition to NUM's attack on the proposed takeover, the WM&G has ascertained that Randgold is to launch its own counter-attack against Fraser Alexander and will advise shareholders not to touch the deal.

A spokesman for Fraser Alexander said the NUM letter came as a complete surprise and that he could not comment.

"..."
First Wesgold hits back in Randgold row

JOHANNESBURG — First Wesgold has dismissed claims by Randgold & Exploration that its shares were worthless, saying that if Randgold was correct then it implied that First Wesgold management were either "incompetent or crooks".

Fraser Alexander, chairman of the group's consortium spokesmen, said at the weekend that the information supplied to Randgold had been the same as that given to Standard Merchant Bank, which had valued First Wesgold.

First Wesgold had valued its only asset — West Rand Consolidated Mines — at R50m, with rehabilitation charges of R18m in a due diligence exercise, before First Wesgold bought West Rand Cons.

In its defence against First Wesgold's hostile takeover bid, Randgold said last week it valued West Rand Cons at R25m, with rehabilitation costs of R40m-R60m.

Flack said some assets, which Randgold had claimed were worthless, were viable, including slimes dams and sand dumps which were viable at current gold prices.

He said the price at which First Wesgold had valued Randgold shares — R25c — was reached at the time of agreement with the shareholders. The subsequent price rise could be because the prospect of new management had lifted investors' hopes.

Randgold closed unchanged at 875c on Friday.

Meanwhile, in a move Randgold dubbed "unprecedented", the NUM called for the JSE to investigate 'potential conflicts of interest' in the First Wesgold bid.

The union said that if Fraser Alexander gained influence over management decisions for Randgold mines, it could affect claims arising out of the inquiry into the Merriespruit slimes dam disaster.

The dam is part of Randgold's Harmony mine and managed by Fraser Alexander.
Life of mine figures debated

MICHAEL URQUHART

The unveiling of the life of mine ore reserves by SA mining houses was unlikely to lead to a large upward re-rating of SA gold shares, analysts said yesterday.

SA gold mining houses currently publish only proven ore reserves, while overseas houses publish total reserves. This has led some overseas investors to discount SA gold shares due to low reserves compared to those of overseas companies.

Gencor's gold company Gengold led the way for SA mining houses by publishing its life of mine reserves with its June quarter results. Several other mining houses have indicated they will follow suit.

Analysts said other discount factors such as political risk and exchange rate risk would continue to hold down SA shares relative to their overseas counterparts.

One analyst said while some US investors did not understand the SA reporting system, the better-informed took this into account when rating SA shares.

He said it was also difficult to compare local shares with those of North America as the structure of the two markets was different, with different

price earnings and dividend yields.

Another analyst said with the static gold price overseas, investors were net sellers of SA gold shares.

He said the publishing of life of mine reserves would only lead to re-rating of SA gold shares if the gold price ran and overseas investors became net buyers.

Another factor holding back SA shares was the structure of the industry, with mines linked to one area. Also, SA mines could not write off development of one area against the profit of another. SA was a high-cost gold producer.
Takeover: Randgold in bid to halt meeting

Johannesburg — Randgold and Exploration Company yesterday said it had asked a consortium wanting to take over First Wesgold to cancel a general meeting for this purpose planned for Thursday.

If the meeting was not called off, it said, it would make an urgent court application to stop the implementation of any takeover resolutions passed at the meeting.

The company said in a statement certain minority shareholders had complained that the terms of the proposed acquisition were unfair. The firm released the text of an announcement to be published in the press today.

"On the basis that the First Wesgold acquisition is unfair," the announcement reads, "Randgold has been advised that the implementation of the acquisition would constitute a breach of Section 36 of the South African Companies Act."

This section deals with "financial assistance by a company for and in connection with a purchase of or subscription for its own shares."

A Randgold appeal against a Securities Regulation Panel finding that the proposed acquisition is not an affected transaction will be heard on Wednesday.

Last week it was disclosed that Standard Merchant Bank's valuation of First Wesgold, based on the conceptual plan from First Wesgold’s management, was R68.9 million after rehabilitation liabilities.

FirstCorp Merchant Bank, Randgold's advisers, valued First Wesgold at R25m, excluding rehabilitation liabilities, based on information provided by First Wesgold's management and technical consultants.

Randgold's environmental division estimated rehabilitation liabilities at between R40m and R60m.

Yesterday Randgold said its audit had been reviewed by international mining consultants Fluor Daniel Wright and they concluded the auditors' methodology and data had been acceptable — Sapa.
Gold Fields pays improved dividend

BUSINESS STAFF

Gold Fields of South Africa Limited (Gold Fields) has declared an improved final dividend of 140c per ordinary share for the year to June, resulting in a total of 210c (200c for the previous year).

The higher dividend cover is indicative of an improvement in earnings.

With the former average rand gold price, income from investments rose R102 million, from R262 million to R364 million, reversing the downward trend since 1980.

Higher income was offset, however, by a drop in the sale of investments, resulting in a lower share dealing surplus of R1 million (R27 million previously).

Notwithstanding this, the marked improvement in income still made a contribution of R65 million to revenue of R562 million.

Administrative and technical expenses showed a slight increase, but these were limited, year-on-year, to 7.7 percent.

The directors are aware of a technical assessment being conducted at Northam Platinum’s Zondereinde operation. Irrespective of the results, which has not yet been determined, it has been considered prudent, in view of the sustained low market value of Northam Platinum shares over an extended period, to write down the carrying value of Gold Fields’ investment in that company to the market value at June 30.

This write-down of R658 million is included as an extraordinary item. The high level of group reserves allowed for a transfer of R509 million from reserves.
Gold Fields opts for write-off

GOLD Fields opted to take a R683m provision against its investment in struggling platinum mine Northam for the year to June, forcing the mining house to draw heavily on its reserves.

A stronger rand price, which underpinned the performance of mines such as Kloof and Driefontein, lay behind a 23% rise in attributable earnings to R387m. Earnings were fixed at 370c (501c) a share, and the total dividend was pegged at 210c (230c) — the first rise since 1989.

But the continued sluggish JSE performance of Northam, in which Gold Fields holds 60%, forced the write-off. The group transferred R599m from its reserves and used retained income to cover the write-off and dividend pay-out of R203m.

Michael Urquhart

Northam shares were trading at 525c yesterday, against R12.50 12 months ago and a R29 high in 1992.

Northam — which is due to report its year ends this month — called a R360m rights issue in 1992, but was soon forced to seek a R220m bank loan. Most of the cash has been exhausted.

The mine's future now hinges on a technical assessment. Gold Fields said that irrespective of its results, "it has been considered prudent, in view of the sustained low market value of (the) shares over an extended period, to write down the carrying value of Gold Fields' investment."

Gold Fields bids from Page 1

The provision overshadowed an otherwise strong performance from the mining house. Income from investments rose to R364m (R252m), reversing a downward trend since 1989. This was partially offset by a fall in profit on realisation of investments from R27m to R11m, resulting from a drop in the sale of investments.

Expenditure and amounts written off rose to R185m (R178m), due largely to a rise in administration, technical and general costs. Drilling and prospecting expenditure rose to R43m (R41m).

Gold Fields said good progress had been made drilling the shallow mineralisation adjacent to the Tarkwa mine in Ghana, with encouraging results.

Though pretax profit came in at R379m (R321m), the group's tax bill fell to R6m (R18m). The transition levy cost R1m.
Anatomy of a rout

It's a timely reminder that shareholders, not managers, own companies.

After two weeks of brinkmanship, mining house Randgold — all that is left of the once proud Corner House — has been taken over by its shareholders. It sounds strange, but it is because shareholders, by and large, are a dispossessed constituency in the South African mining industry. The overthrow of Randgold’s managers last week was nothing less than a revolution, staged by a species known for its sheep-like docility than for any preparedness to take command.

The signals sent by disaffected shareholders encapsulates a philosophy long embraced by the “FM” term: “It is that shareholders actually do own their companies, not managers, that major companies are not personal fiefdoms, operated by the pleasure of powerful executives, they are the essential building blocks of the economy and instruments for the creation of wealth and employment. The revolution was — of Randgold’s controlling executive — not only a reminder of the importance of shareholding, but an indication of the essential nature of a rolling nature, and in a manner which makes them almost impossible to break.”

These agreements enable mining houses to draw fees from management (often based on turnover), from buying services (perhaps 2.5% on every purchase), from capital projects (engineering and design feeds) and to recover direct costs. It can certainly add up in the case of Blyvoor, for example, the mine paid fees of R4.6m in financial year 1993, compared with an after-tax profit of R14.4m. In another case, Rustenburg Platinum, mining house JCI drew fees in financial year 1993 of R27.7m compared with after-tax profit of R28.5m.

In the UK, Julian Baring, the London merchant banker S G Warburg’s investment arm, Mercury Asset Management, took the view that Randgold was underpriced and offered good value. Considering the size of the mining funds under management — approaching £1bn — his investment in Randgold was minuscule. But Baring, which accumulated scrip from as low as R3 a share, soon ran up to nearly 29% (currently 25%) of Randgold’s issued equity. And Baring is canny with cash: he was happy when the price went to R8 a share, not so happy when he heard stories of recalculcation by Randgold’s managers.

This is where the story takes an interesting turn. Some years ago, control of Rand Leases, an independent gold producer on the West Rand, was acquired by the Keble family. Previously, the mine was managed by Anglovaal and then by the Severins’ Director Brett Keble (jar) saw synergies in a tie-up between Rand Leases and neighbour Durban Deep, MD Roger Keble’s (jar) approach was rejected by Randgold. However, the Kebles weren’t so easily defeated. Over a period of months, Keble (jar) contacted nearly all Randgold’s major shareholders and struck an alliance with Adam Fleming, the SA MD of prestigious UK merchant bank Robert Fleming.

When Randgold announced it would suspend and then close underground operations at Durban Deep, Fleming and Keble were waiting. Baring was persuaded that the need for action to unlock wealth in Randgold-managed mines had never been so urgent. With Mercury’s substantial shareholding, tied in with other concerned investors, it was possible to provide adequate management.

That was achieved when Baring and Fraser Alexander chairman Peter Flack struck an arrangement which involved the purchase of Randgold of First West Gold, a mining operation on the site of the old West Rand Consolidated gold mine. Ironically, it was this deal which so nearly de-capped the entire process.

With a strong leadership in place, Baring sat back to await developments Flack, now aided by Keble, Fleming, and Rand Merchant Bank’s Nigel Brunette, called on Randgold to convene a meeting of members for the purpose of electing 11 new directors and to purchase First West Gold for nearly R70m. The election of so many new directors would give board control to Flack, a result that was close. Randgold’s managers played an attenuated if awkward form of footnote. Before long, however,
Randgold CEO John Turner decided to fight back. His defence seemed to be well orchestrated, as it concentrated on the three fronts which he and his advisers saw as being Flack's weakest points.

The first of these was First West Randgold employed high-powered managers and then took the project apart. If anything, they did it too thoroughly. While the financial community was prepared to concede that Flack's value of R70m was probably slightly too high, they weren't about to be persuaded that its ultimate habilites actually exceed its value.

Turner's team played what could have been a good hand badly. The truth is shareholders were prepared to pay that price to put strong, effective management in place.

The second Randgold thrust was to associate alleged radiation dangers from dumps with high uranium content with the First West project.

That brought the National Union of Mineworkers (NUM) into the fray but, in the event, NUM's intervention, led by unit co-ordinator Kate Philip, was both too late and too evidently lacking in technical expertise.

The prevailing consensus is that the NUM allowed itself to be used in what was a shareholder fight.

As their third effort, Randgold's managers rested on the law. First, they appealed against the Securities Regulation Panel ruling that the election of so many new directors was not an "affected" transaction (that is, a change of control). When they lost that, they urgently sought an interdict in the Supreme Court to suspend the extraordinary general meeting of shareholders. When they lost that, the game was up at the EGM the next day. Flack was able to marshal 15m votes to the 5m of the managers. It was a rout.

This incident raises pertinent issues for SA shareholders and executives. The first is the extent to which managers can use company money to thwart owners' wishes. The FM learns that Randgold owes its advisers in the region of R600 000. Not surprisingly, new Randgold executive chairman Flack is sitting on his hands — and the cheque book.

The second is what this may presage for the mining houses, both in the way they are structured and in their exercise of control over managed mines. The matter of fees already excites criticism, which is bound to increase as shareholders exercise their right of ownership. For decades, SA business has sought to invest abroad, now foreigners are looking to invest here. They will add their voices and wallets to growing demands for change in corporate governance.

Of course, Barron's and Flack's achievement is the easy part of this story. Making Randgold work better will be more difficult. Flack has already made it clear he intends a thorough review of every aspect of the company's business, it's unlikely that will be completed before the year-end. That will be followed by swift action. The FM's guess is that Randgold's management agreements will be sold back to the muaes for more equity; a small, highly concentrated team will be assembled at the centre to provide technical management, and, where possible, synergies will be exploited — the most obvious is probably the merger in some form of Durban Deep and Rand Leases.

The burning issue at the end of the day is whether it will be successful. No one knows, least of all Flack. But investors can take comfort from the company's discount to its underlying NAV depending on how the sums are done, this is as much as 50% and, subject always to the way bullion and the new managers perform, Randgold may well present an inviting investment opportunity.}

David Gleave
Still profitable, Ergo it continues

ANGLO American’s gold reclamation company East Rand Gold Uranium (Ergo) had at least 10 years left at current gold price and cost levels, its said yesterday.

Ergo, the world’s biggest gold reclamation operation, was projected to close this year when it opened in 1977.

But officials said Ergo would seek to expand reserves by acquiring more mine dump material.

Ergo is a high-volume, low-margin operation that runs 24 hours, seven days a week. It pioneered Anglo’s high-technology carbon-in-leach process to retreat abandoned gold mine slimes dams and recover mainly residual gold.

Current average grade is 0.52g/t. Both Ergo’s profit and the length of its life are highly sensitive to the gold price.

New GM Bill Kretschmer said recent bullion strength and increased tonnages had given Ergo more flexibility in treating a blend of different grade surface material, thus helping to extend its future.

Ergo produced 13,050kg of gold from 46.3-million tons of material treated in its last financial year to March 30. 1984.

Officials said production was expected to remain steady in the current year, though it was on target to rise to more than 59-million tons in the next financial year.

However, gold output was likely to be little changed as higher tonnage is expected to offset a decline in yield, they said.

Plant upgrading has seen gold recoveries rise to about 60%, but officials said there was little scope left for improvement using current dump material.

Expected capital expenditure for the current year is R48m (R33.9m) — Reuters.
Plenty of life left in Ergo

BRIDGWATER — East Rand Gold Uranium estimates it has at least 10 years of life left at current gold price and cost levels, and says it will continue to seek to expand reserves by acquiring more-mine dump material.

Ergo, the world’s biggest gold reclamation operation covering 1,800 km² east of Johannesburg — was due to close this year in terms of initial projections when it opened in 1977, but officials predict plenty of life still in the mine.

“The operation is meeting its new targets,” new GM Bill Roberts said.

Ergo is a high-volume, low-margin operation that runs 24 hours, seven days a week.

Managed by Anglo American, it pioneered the group’s high-technology carbon-in-leach process, to re-treat abandoned gold mine slimes dams and recover mainly residual gold. Current average grade is 0.52g/tonne.

Both Ergo’s profits and the length of its life are highly sensitive to the gold price.

Kretschmer said recent bullion strength in both dollar and rand terms combined with steadily increased tonnages, had given it more flexibility in treating a blend of different grade surface material, thus helping to extend the future of the main Ergo division beyond expectations to “10 years-plus.” — Reuters
Only 36 tons sold off in 6 months to June

Central banks ease up sharply on gold sales

**BY DEREK TOMMEEY**

Central bank gold sales dropped sharply in the first half of the year, says Gold Fields Mineral Services in its latest survey entitled Gold Update 1.

This is good news for gold bulls who live in constant fear that central banks will embark on a selling spree amid flatten the price.

The report says official sales dropped from 275 tons in the first half of last year to 36 tons in the first half this year.

"The virtual absence so far this year of net official sales, aside from reduced disposals from Canada, may signal the end of the most recent period of official sales," it says.

Few central banks are buying gold at the moment, it says. But it would not need much more doubt about the dollar's fragility to induce them to switch into other assets, including gold.

The supply of gold was also reduced by a complete stoppage in futures' sales. From 271 tons in the first half of last year, these sales dropped to zero in the same period this year.

New mine production rose 2 percent to 1 115 tons in the six months to June, compared with a year ago.

The only other major increase in supply came from the disinvestment of 159 tons, against nil last year.

The disinvestment came mainly from speculators. It suggests that the reduced volatility in the gold price might have disillusioned some investors who switched to more volatile commodities.

But as only half of last year's new investment has come back to the market, it seems that a number of purchasers still believe the gold rally has farther to go.

Altogether, the total supply in the first half of this year is estimated at 1 692 tons, down from 1 707 tons in the second half of 1993 and 1 905 tons in the first half.

One disappointing feature of the gold market is that total fabrication demand slumped to 1 891 tons in the six months to June — 11.7 percent down on a year ago.

The 1 175 tons of gold used in jewellery in the first half of this year was up slightly on the 1 142 tons offake in the second half of last year, but down 13.8 percent on the 1 359 tons used in the first half of last year.

The report says this year's jewellery offake reflects mixed trends. These included improved demand in the U.S. sluggish European demand, an extremely weak offake in the Middle East, and lower demand in the Far East after the price rise.

However, a bright feature was the absence of hoarding, which was a feature in the Asian markets a year ago.

The report offers some hope of higher physical offake this year.

The recovery in Europe suggests an upsurge in jewellery buying, while the higher oil price might stimulate jewellery demand in the Middle East.

But the big question-mark over gold is what will happen in China, which is following an austerity policy.

In summing up the outlook for the market, the authors of the report say prospects are finely balanced, and that a good case can be made for suggesting the gold price could move either upwards or downwards, depending on the interplay of various factors and people's perception of gold's fundamentals.
Gencor developing offshore gold mines

By ARI JACOBSON

INTERNATIONAL natural resource company Gencor is at an advanced stage of developing gold mines in South America, West Africa and Turkey, says Gencor's CEO mineral resources John Raubenheimer.

Raubenheimer, speaking at a presentation to analysts in the Cape Town yesterday, said while the total output from these mines might not significantly impact on world output, it would impact on Gencor's bottomline.

This was because these potential mines, which will give Gencor a global spread of gold production, could produce at around $200 an ounce, against average costs in SA mines of $325.

Other new areas of exploration include a copper-gold mineral mine in Papua New Guinea and, closer to home, a diamond mine in Botswana and a mineral sands project in Namibia.

Keynote speaker, Gencor Chairman Brian Gilbertson, pointed out that the two latest acquisitions — Billiton and Randcoal — came at a time when commodity prices are starting to move upwards and volumes and prices were showing the sort of improvement that should allow the group to report favourable results for the current year.

He was, however, "hesitant" to comment further until the Billiton purchase had been bedded down.

"More importantly Gencor is a dollar earning company and of course that makes the rand/dollar exchange rate crucial to performance."

He said that the cash resources of the group would be used to "invest in projects" and added that the group was already "one of the largest investors in SA".

This was based on its investments in aluminium plant Alusaf and stainless steel project Columbus. Both projects were running ahead of schedule and proving to be "below budget costs."

Both projects are expected to start production in the middle of next year and be at full steam by 1998.

Gilbertson said the latest purchase, Randcoal which will be merged with Gencor's coal division Trans-Natal — would create significant synergies including cost reductions in production and harmonisation of exports, while possessing the "critical mass" to expand offshore.

Gencor, at its current trading price of R13.50, has gained 22.7% over the past year.

Engen Ltd said it had established an American Depository Receipt (ADR) programme with the Bank of New York.
Prospects bright for Loraine

By Derek Tommey

In the past six months the share price of the Loraine gold mine has risen more than 50 percent — from 1500c to 2350c. The reason for the spectacular run is that recent developments have transformed prospects.

Not so long ago it was seen as a marginal short-life producer.

Now it is being regarded as a mine with good prospects for increased earnings and with a life of 11 years — possibly longer if, as much of the share market expects, it is merged with the adjoining Target gold mining venture.

Broking firm EW Balderson recently issued a bullish report prepared by Jens Jacobsen and Nick Goodwin on the mine's prospects.

They said that at the current gold price Loraine shares offered value.

The mine is shifting its centre of operations to the No 3 Shaft complex where high-grade Basal Reef ore reserves have been opened up.

It is also likely that additional ore will be mined along the western margin of the lease area and that the operational life will continue for at least the next 11 years.

Economies resulting from the concentration of mining in only one shaft area and the use of the No. 1 Shaft by Tar-
Dazzling results precede unbundling plans

JCI goes out with a bang

BY DEREK TOMMEEY

JCI, Johannesburg Consolidated Investment — three famous names for one of the Rand’s most important mining houses for more than 100 years — is going out with a bang.

Destined to be unbundled and split up into three companies by April 1995, Johnnie’s final profit declaration — for the year to June — should please shareholders and give them much more to remember it by than they probably expected.

Equity earnings are up 57 percent to R$12.9 million, attributable earnings are up 73 percent to R$7.45 million, the final dividend is up 71 percent to 15c, and the total dividend for the year to June is up 51 percent at 20c a share.

Chairman Pat Retief said yesterday the improved earnings were the result of increased contributions from most sectors, plus a non- recurring profit of R$4.5 million from the sale of Argus Newspapers and the reversal of R$30 million previously written off against the company’s investment in Joel.

Earnings from minerals and mining grew by more than a third from R$212.1 million to R$324.6 million.

Platinum earnings rose 34.1 percent to R$114.5 million, gold earnings rose 171 percent to R$38.8 million, diamond earnings rose 31.6 percent to R$104.2 million, and coal earnings increased almost 13-fold to R$23 million.

Against this, mining finance and other earnings dropped 60 percent to R$10.7 million and exploration absorbed R$21.6 million — some R$5.8 million more than last year.

Earnings from the industrial and property portfolio rose by R$35.7 million to R$367.7 million.

The contribution from its industrial portfolio alone rose 47.4 percent to R$361.7 million.

Ferrochrome had a turnaround from a loss of R$15.4 million to a profit of R$4.9 million.

Earnings from fees, interest and treasury operations and not surplus on realisations increased from R$4 million to R$97.1 million.

Equity-accounted earnings before extraordinary items were R$12.9 million (1993 R$92.4 million).

An amount of R$30 million was provided for future medical and costs of current and future pensioners, and R$4.1 million for unbundling and rationalisation.

Attributable earnings amounted to R$506c (2.93c) a share and equity-accounted earnings before extraordinary items to R$616c (3.94c) a share.

Retief said that Johnnie’s profits should continue to improve.

The global economy was continuing to expand, with the Japanese and German economies moving quite strongly off the bottom of the economic trough.
Gold Fields scores in Ghanaian venture

BY DEREK TOMMEEY

SA mining houses are actively seeking new ventures overseas.

This is because most of the profitable local opportunities have already been exploited or have become too costly to develop at current metal prices.

Gold Fields is one of the houses that has been looking for new opportunities and appears to have struck gold in Ghana.

Operations at Tarkwa Goldfields, which Gold Fields Ghana took over from the Ghanaian government in July last year, had operating profits of $2.25 million in the 12 months to June.

Previously, the mine was running at a loss.

The mine milled 220,700 tons of underground ore during the year and produced 42,751 ounces of gold.

The average grade was 0.79 ounces (6.5 grams) a ton. The mine received an average gold price of $377.69, while costs averaged $310.25 an ounce.

Taxed income was $1.55 million.

Richard Robinson, who is in charge of the operation, says he is pleased the mine is once again profitable.

A major contributing factor was a 30% rise in labour productivity measured in tons treated per employee.

This followed the use of a smaller, appropriately-sized, and structured workforce, two wage increases of 20%, the end to short-service employee contracts and greater focus on health and safety.

This, in turn, led to the number of shifts per 1,000 employees lost through illness and accidents falling 55% and 75% percent respectively.

Good progress has been made with refurbishment programmes, which came to $1.8 million in working costs and $1.4 million in capital expenditure.

An exploration programme is being undertaken to identify potential resources for underground and open cast mining in a bid to expand operations.

Gold Fields holds 85% of Gold Fields Ghana, with the rest of the shares being held by the Ghanaian government.
Harties has life of 12-16 years

TONNAGE milled from underground sources at Hartebeesfontein gold mine is expected to decrease by 20,000 tons, and grade by 0.6g/t, in the current financial year, says Anglovaal.

This reflected the state of a mine in the last quarter of its life.

In the Harties annual report, the company said the life of the mine could reasonably be expected to be between 12 and 16 years. A higher proportion of remnant mining, declining face availability and the depletion of certain high grade areas would lead to the lowering of production levels and gold output, it said.

Throughput at the low grade plant was planned at 160,000 tons at a grade of 1.2g/t. The company said these levels of production could be maintained for a further 10 years.

Harties made a profit before taxation of R426m for the year to June 1994, which was nearly double the R244m from the previous year. But an increase in the tax bill from R99m to R122m meant after-tax profit was only R217m.

Capex for the year of R46.5m was below the planned level of R71.6m, mainly as a result of the provision for the purchase of certain infrastructure at the Stilfontein gold mine not being utilised.

Provision for the infrastructure necessary to handle water via the Margaret shaft, after the closing of mining operations at Stilfontein, had been made for the current financial year.
Driefontein ‘not likely to improve’

THE gold price would have to improve substantially before Gold Fields of SA would be able to increase its dividend at its Driefontein Consolidated gold mining operation, gold division head Alan Munro said in the company’s annual report.

Driefontein increased its dividends from 150c in 1993 to 240c for the year to June 1994, on a rise in attributable earnings to R783m from R546m, but Munro said planned increases in capex and a need to strengthen the balance sheet meant dividends would probably be maintained at this level.

Kloof increased its dividends from 114c to 180c as attributable earnings climbed from R460m to R748m. There would be scope for these to be increased next year despite formula tax and the greater rate of capex at Lebanon and Leondoor, Munro said.

East Driefontein had a successful year with tonnage increasing and an unexpectedly high grade area encountered on Ventersdorp Contact Reef. These factors had increased gold production by 3.5%kg.

Several stopes through the VCR reef from the No 4 subvertical shaft had traversed particularly rich areas, resulting in overall yields rising by 1.7g/t to 10.5g/t.

Development to reef from the No 5 subvertical shaft had been delayed by an estimated 18 months as a result of the mine failing to gain anticipated exemption from mining regulations.

West Dries had also had a successful year, he said, despite gold production declining by 1.6%kg due to a fire, days lost during the election and industrial action.

The fire broke out in the No 6 tertiary shaft area in January and was extinguished only in April. It caused extensive damage and as the area contained higher than average grades it had a negative effect on grade and tonnage.

Priority was being given to re-establishing the fire-damaged area to rebuild the tonnage from No 6 shaft, which would counter the fall in yield from production from the CL and Main reefs.

The year for Kloof had been dominated by an accident at the Kloof division No 3 subvertical shaft last October which put the shaft out of action. Production from the division fell by nearly half after the accident and has risen steadily since. Repairs are being done between 41 and 43 level.

Shallow areas of the Leondoor division were badly affected by severe seismic events. As a result crews were transferred to deeper, lower grade areas of the mine which led to a decline in the yield from 8.3g/t to 7g/t. This yield is expected to increase during the coming year.

The Lebanon division suffered from conflict which led to the resignation of 1,000 employees, and a major breakdown of the No 4 subvertical shaft rock. Tonnage milled declined 18% in the second half.

The use of temporary contract mining is hoped to bring production back to the previous rate of 160,000 tons a month.
Doornfontein pegs hopes on better ore

THE outlook was bleak for Gold Fields of SA’s Doornfontein gold mine unless it maintained yields above 5g/t at the current gold price, the company said in its annual report.

Chairman Michael Fuller-Good said if the company could achieve higher grade and there was an increase in the gold price, then solid progress made on the mine would act as a springboard for good results.

The mine made a working profit of just R1.1m for the year to June 1994, which Fuller-Good said was disappointing in the light of the improved gold price.

He said there had been difficulty in establishing the mine as a continuous operation, due to a decline in second-half stope production, higher than expected maintenance costs on old equipment and a decline in stope-face values in the fourth quarter.

Solid progress had been made towards establishing a continuous mining operation, he said, but the cost meant the mine had not been able to improve its very marginal position, despite the higher gold price.

Sister mine Deelkraal failed to meet its primary operational target due to a fall in gold production from the previous year.

Deelkraal chairman Alan Munro said the new 10- and 15-line longwalls had run into difficulties and failed to provide expected tonnage, and conditions in 21-line longwall had deteriorated due to faulting and the presence of a major dyke.

The solution to the geological problems lay in opening up more longwalls as quickly as possible, he said, so that the mine had the space to produce the targeted tonnage.

Munro said the attitude of the workforce had been “very negative” through much of the year.

Despite these negative factors, an improvement in the gold price allowed the company to nearly double its working profit, he said.

Actual capex of R42.6m was well below the planned level of R55m, as bad conditions delayed the completion of the No 1 tertiary shaft host chamber, which in turn prevented work starting elsewhere on the shaft.

Munro said completion of the shaft had to proceed without delay, or replacement ore below 33 Level would not be available.

Planned capex for the coming year is R75m. Munro said funding these requirements from current operations would require a much improved operating performance.

A rapid increase in tonnage to the mill was needed at a grade higher than the previous two years, he said.
Gold mine back in the black

MICHAEL UDGUARDT

WEST Rand Consolidated Mines, the gold mine run by the consortium that recently took management control of Randgold, made an attributable profit of R513 000 for the six months to June.

This compared with an attributable R61m loss for the same period the previous year.

The company said the gold-related assets of consortium member Aurora Development and Exploration were being evaluated by independent advisers, with a view to their acquisition by West Rand Cons. by 1994.

The effect of the acquisition would be to convert West Rand Cons into an active gold mining, development and exploration company.

The acquisition of Aurora Development and Exploration was expected to be completed in the final quarter of 1994.

West Rand Cons made a working loss of R557 000 for the six months to June.

This compared with a working loss of R3m for the six months to June 1993.

But a small income of R1m pulled the company into a before-tax profit of R599 000.

The working loss included a R322 243 provision for contributions to the Nuclear Fuel Corporation's Environmental Decommissioning Trust Fund.

The company said it did not expect there to be further payments to the trust fund.
Costs a threat to gold mining

BY JOHN SPIRA

Gold mining working costs, which have been showing an alarming increase, are the single most important challenge facing the industry.

The Chamber of Mines notes: "When compared with the same quarter the previous year, the average cost/kg for the second quarter shows an alarming increase of 18.6 percent (16.4 percent for cost/ton milled). Year-on-year increases of such magnitude were last seen in the late 1980s."

Part of the rise is statistical by nature. Lower grades — which accompany falling pay limits when the gold price gains — reduce output and hence can lift costs.

Of great concern is poor labour utilisation. It has depressed output and helped push up costs.

Work stoppages continued to hinder output in the post-election period, while working cost have risen further as a result of wage increases.

"The fact that there are still seven gold producers operating on a marginal basis heightens concern. Currently these mines produce 40 tons of gold annually and employ 35,000 workers. Spiralling costs could cause them to close sooner than expected." (2147)

For the first time in several years the industry had allocated more revenue to capex. "As a result it will recoup some of the backlogs that developed in recent leaner years."

Although higher capex and the transitional levy reduced revenue available for distribution, dividends for the half-year to June totalled R1.4 billion — 53.6 percent up on the same period in 1993.
Everything going for Harmony

BY CHARLOTTE MATHEWS

The sharp run in the price of marginal gold producer Harmony's shares in the past two months was a combination of the higher gold price, expectations of good September quarters and new management, gold analysts said yesterday.

The shares closed at R47 on Wednesday, where they were nearly double their R25 at the beginning of August.

In the same period, gold lifted to $398.25 from $383.85. However, Harmony declined 20c to R45 yesterday, in line with other gold shares.

As one of the largest and most efficient marginal mines, it would show a sharp appreciation as soon as the rand price of gold escalated.

An extra factor is speculation that the commercial rand will weaken even more when the fisc is abolished.

But other marginal mines have not shown a spectacular performance.

Loraine gained 29 percent to R54.30 in the same period, while Doorns was 44 percent better at 70c.

Analysts said possible reasons for Harmony's unusually fast climb could include an insurance payout from the Merriespruit Dam disaster, the change of management of holding company Randgold and speculation that its results for the September quarter would be good.

September quarters could show a reimbursement from insurers of a large proportion of the R28 million provided for in March for aid for victims of the collapse of the dam.

In addition, Harmony is also expected to gain more from the higher gold price than in the past because its unfavourable forward hedging contracts have expired.

In August, a consortium of Randgold shareholders took control of the company and analysts said there was a market perception that the new managers would move further to improve its fortunes.

An analyst said gold shares in particular tended to move very fast as more buyers saw a rising trendline. Overseas investors had probably realised Harmony's potential while the price was still R25.
Stability gives Gold Fields a lift

MINING companies in Gold Fields' gold division reported a general improvement in the September quarter after effects of stabilised working conditions filtered through in the latter half of the quarter.

Gold operations GM Michael Fuller-Good said yesterday the disruptions of the general election seemed over by mid-July, resulting in greater productivity and containment of costs.

And combined with a higher gold price, working profit increased significantly to R588.5m from R543.3m in the June quarter.

Fuller-Good described East Driefontein's results as excellent, with the milling rate returning to previous levels. The anticipated slight decline in grade had only a marginal effect on gold production.

With the drop in costs a ton milled, in spite of wage increases, working revenue matched up to R371.5m (R393.1m), he said.

"From tonnage milled it can be seen that East Drie is now becoming an important division."

West Driefontein also reported a higher milling rate with unchanged yield, but the mine would have to control costs, Fuller-Good said. Working costs were sharply higher at R172.7m (R188.9m).

"The reclamation plant performed reasonably well, with an improved yield and a higher production of 533kg (321kg)." Fuller-Good said.

Doornfontein's tonnage milled improved significantly, especially from underground. But underground yield remained stubbornly low, decreasing for the past two quarters.

"Much of the machinery and equip-

MADDEN COLE

ment was showing signs of wear, but the age of the mine did not encourage replacement, he said. "So it's a case of patching up machinery from many breakdowns. So we have a double problem with high repair costs and low underground yield."

To improve yield, mining was being carried out in best grade areas, old working areas were being vacuumed and pillars mined.

"But there has been a gradual decline in values with the change in depth. Unless we can improve the yield, the mine can't last indefinitely with these costs."

"If we're not successful, the mine will have to close."

Deelkraal suffered production losses from a two-day illegal strike in July, but an increased milling rate and higher yields pushed up gold production. Working revenue showed an improvement to R91.1m (R79.6m).

Kloof division was again the star performer, and in what Fuller-Good described as an excellent quarter, overcame tonnage losses caused by the election, and raised gold production. Working revenue rose to R347.1m (R310.8m).

"The mine is not back to normal, but it was a fine effort."

Dewatering of 43 level of the No. 3 Sub-Vertical Shaft had started, but repair teams still had to remove damaged steelworks from the shaft.

Lubminon experienced a difficult quarter, Fuller-Good said. A fire in the Harvey-Watt Shaft in July affected production, but the water drum of the man hoist at No. 4 Sub-Vertical Shaft had been repaired last month. The effect of the breakdown had been minimal in the past quarter.
Randgold posts overall loss as working costs rise

RISING working costs and a number of extraordinary items continued to hammer Randgold & Exploration mines, with two of the mines posting a profit and two a loss.

Harmony was the only mine which managed to make a significant profit, while East Rand Proprietary Mines' profit dropped. Durban Roodepoort Deep and Blyvooruitzicht were stuck firmly in the red.

Ore milled was similar at all three mines, with underground ore milled plummeted from 18,600 tons to 8,000 tons, in line with new management's plan to cut the mine's underground production to 6,000 tons a quarter.

The price received for the gold ranged from R15.92 to R16.53/kg as the mines unwound their hedging positions.

Overall, the Randgold group reported a net attributable loss of R8.2m or the quarter versus a R5.8m attributable profit for the June quarter.

Contributing to the poor results was an R11.4m loss to cancel hedging contracts for Blyvoor and Harmony, which was done to get maximum benefit from the gold price.

Gold produced at Durban Deep fell steeply from 307,000 kg to 318,000 kg because of a drop in tonnes milled in underground operations to 81,000 tons (225,000 tons), yield increased marginally to 3.68 g/t (3.59 g/t).

Management's plans included retrenching 4,600 employees at a cost of R19.7m. This was the main contributor to the R20.8m (R27.2m) attributable loss recorded by the mine. The increased working loss of R18m (R4.8m) was offset by a sale of gold in process which raised R13.2m.

The lower production meant unit costs nearly doubled to R101.49/kg (R55.09/kg), which meant the working loss moved to R564.41/kg (R132.24/kg).

The sand treatment operation, which now makes up nearly half of all gold produced, showed a good improvement as lower unit costs and higher revenue meant working profit increased to R17.47/kg (R12.29/kg).

Blyvoor reported an attributable loss of R3.2m (R1.1m) as an unexpected fall in yield to 5.6 g/t (6 g/t) meant gold produced declined to 1.27 kg (1.387 kg).

The unit cost increase to R48.35/kg (R44.95/kg) more than matched the increase in revenue, leaving the unit working loss slightly higher at R34.53/kg (R34.98/kg). A total working loss of R12m (R62.9m) was further inflated by a R3.9m write-off to cancel hedging contracts.

ERPMS's attributable profit fell to R4.5m (R1.6m). This was put down to an abnormal item last quarter of R2.6m. The figures digested a turnaround in operational results, with the company posting a working profit of R5.6m versus a loss of R2.3m last quarter. An improvement in yield to 6.63 g/t (6.12 g/t) led to an increase in gold production of 1.66 g/kg (1.94 kg/kg), and lower unit working costs of R45.67/kg (R49.67/kg).

Harmony's attributable profit fell to R1.5m (R1.5m) as a higher working profit of R18.6m (R19.3m) was knocked by a R7.5m expense after its hedging contracts were cancelled.

The Merriespruit No 1 shaft was fully operational after an accident, but lost production of 25,000 tons. Repair costs of about R3m would be taken into the next quarter's results.

<table>
<thead>
<tr>
<th>RANDGOLD</th>
<th>September Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs per ton milled</th>
<th>Costs per kg gold produced</th>
<th>Price received R/kg</th>
<th>Net profit R000s</th>
<th>Profit after capex R000s</th>
<th>EPS after capex cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blyvoor</td>
<td>238</td>
<td>5.64</td>
<td>1,287</td>
<td>2,726.5</td>
<td>48,301</td>
<td>44,755</td>
<td>(3,807)</td>
<td>(5,603)</td>
<td>(23.3)</td>
<td></td>
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<tr>
<td>June 231</td>
<td>6.00</td>
<td>1,387</td>
<td>269.99</td>
<td>44,950</td>
<td>41,912</td>
<td>(1,070)</td>
<td>(4,724)</td>
<td>19.7</td>
<td></td>
<td></td>
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<tr>
<td>Durban Deep</td>
<td>225</td>
<td>5.99</td>
<td>1,627</td>
<td>269.99</td>
<td>44,950</td>
<td>41,912</td>
<td>(1,070)</td>
<td>(4,724)</td>
<td>(19.7)</td>
<td></td>
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<tr>
<td>June 244</td>
<td>6.12</td>
<td>1,494</td>
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<td>40,882</td>
<td>43,723</td>
<td>23,582</td>
<td>13,138</td>
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<td>139.10</td>
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<td>16,210</td>
<td>7,558</td>
<td>28.2</td>
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</tr>
</tbody>
</table>
BY DEREK TOMMEEY

September quarter results from Randgold — the last under the old management — show increased working profits at Harmony and RPM, but greater difficulties at Byvoor, which might have to cut operations.

However, Peter Flack’s new management team, which assumed control after a boardroom takeover, has started making its presence felt.

Flack has been appointed chairman of Randgold and its mining companies. He has resigned as chairman of Fraser Alexander, but will continue as chairman of holding company Fralex.

Denis McIntosh, who has been with Fraser Alexander since 1979, has been appointed that company’s chief executive.

Flack said yesterday that Durban Deep’s underground operations would definitely not close. (The mine was well ahead with its plans to stop underground mining when control of Randgold changed hands.)

Flack said it was one of the new team’s priorities to re-establish Durban Deep as a viable operation. However, underground production was being scaled down to 60,000 tons a quarter.

**Merger**

He said discussions were continuing on a possible merger with neighbouring Rand Leases. This would provide the combined operation with access to a larger ore body and reduce costs.

The possibility of a Durban Deep rights issue was also being considered.

Helping to keep Durban Deep going was the sale of its “treasure chest”, which all mines keep and which was found to contain R13.2 million worth of gold.

Another step by the new management had been the cancellation all hedging contracts for Byvoor and Harmony at a cost of R11.4 million to enable them to get the maximum benefits from the gold price.

Harmony, the group’s most profitable mine, despite being the industry’s lowest-grade producer, increased working profit to R18.5 million from R15.2 million in the June quarter.

Working costs a ton were well controlled. Thus, together with a slight increase in production and a higher gold price, offset the lower yield.

ERPM, which is opening up a mine in a deep part of its original lease area, had a working profit of R5.6 million, against a working loss of R2.3 million in June.

Production and yield increased while cost a ton declined. Production is expected to improve again this quarter.

At Byvoor the development of the Western Deep tributary, on which the mine is pinned to its future, was behind schedule.

**Yields**

Lower yields in the old part of the mine led to the working loss rising from R629,000 in June to R2 million in the September quarter.

The mine was holding talks with workers on restructuring operations, Flack said.
JOHANNESBURG — JCI gold mines reported a 36.6% fall in attributable profit for the September quarter, despite a climb in mill throughput of 9% to 2.7-million tons and a 2.5% increase in gold production to 12 788kg.

Gold revenue increased by 3.5% to R557.9m, but a number of extraordinary items and the taxation of Western Areas hammered the company’s bottom line.

Western Areas reported more than a 50% cut in attributable profit to R36.5m (R75.5m) despite a rise in gold production to 4 396kg (4 058kg).

A R22m insurance payment boosted results, but the mine’s uranium contracts expired, so uranium revenue fell from R7.7m in the June quarter to nothing in September.

Western Areas tax shield had also been exhausted during the quarter and the mine paid tax for the first time. The falling away of the uranium revenue resulted in operating profit falling to R54m (R77.4m).

JCI gold division MD Bill Nairn said although there were no contracts to sell uranium, the mine would continue to produce uranium and stockpile it at Nucor.

Gold produced at H J Joel rose to 950kg (849kg), with ore milled up 12.3% to 173 000 tons.

But despite the increase in gold revenue to R38.8m (R35.3m), a rise in working costs to R38.6m (R34.3m) brought profit sharply down to R33.9m (R11m). Interest received dipped, leaving attributable profit down 37.7% at R4.4m.

Joel had a one day work stoppage during the quarter, which cost the mine R1.5m.

Production at Randfontein increased by 67 000 tons to 1.89-million tons, but a 4.7% fall in grade to 3.85g/t meant gold produced was slightly down at 7 472kg (7 563kg).

Attributable profit fell by 21.5% to R60.1m, as a slightly lower gold revenue was not helped by an increase in working costs to R260.8m (R227m).
JCI gold profit declines despite production hike

JCI gold mines reported a 56.6% decline in attributable profit for the September quarter, in spite of a climb in mill throughput of 5% to 2.7-million tons and a 2.5% increase in its gold production to 12 780kg.

Gold revenue increased by 3.5% to R557.9m, but a number of extraordinary items and the tax-credited Western Areas hammering the company's bottom line.

Western Areas reported more than a 50% cut in attributable profit to R38.5m (R75.5m) despite a rise in gold production to 4 968kg (4 686kg).

A R22m insurance payment had boosted the June quarter's results, but the mine's uranium contracts expired some uranium revenue fell from

<table>
<thead>
<tr>
<th>JCI September Quarter</th>
<th>Tons milled (GEOs)</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>
</tr>
</thead>
<tbody>
<tr>
<td>Randfontein</td>
<td>1 893</td>
<td>3.95</td>
<td>7 473</td>
<td>124.65</td>
<td>51 575</td>
<td>43 649</td>
<td>60 187</td>
<td>41 872</td>
<td>68.5</td>
</tr>
<tr>
<td>June</td>
<td>1 826</td>
<td>4.14</td>
<td>7 562</td>
<td>124.72</td>
<td>30 116</td>
<td>41 010</td>
<td>76 944</td>
<td>52 490</td>
<td>55.9</td>
</tr>
<tr>
<td>Western Areas</td>
<td>615</td>
<td>7.1</td>
<td>4 366</td>
<td>228.26</td>
<td>32 156</td>
<td>44 151</td>
<td>35 476</td>
<td>25 146</td>
<td>64.5</td>
</tr>
<tr>
<td>June</td>
<td>574</td>
<td>7.09</td>
<td>4 068</td>
<td>218.65</td>
<td>30 853</td>
<td>42 026</td>
<td>75 461</td>
<td>60 884</td>
<td>151.1</td>
</tr>
<tr>
<td>HJ Joel</td>
<td>173</td>
<td>5.49</td>
<td>950</td>
<td>223.38</td>
<td>40 678</td>
<td>41 017</td>
<td>1 415</td>
<td>(12 727)</td>
<td>(65.9)</td>
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<tr>
<td>June</td>
<td>154</td>
<td>5.41</td>
<td>849</td>
<td>222.52</td>
<td>40 363</td>
<td>41 543</td>
<td>2 272</td>
<td>(9 654)</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

But despite the increase in gold revenue to R38.5m (R35.3m), a rise in working costs to R38.5m (R34.3m) brought profit sharply down to R32.000 (R1m).

Interest received was also down, leaving attributable profit down by 37.7% to R1.4m.

Joel had one day work stoppage during the quarter, which cost the mine R1.5m.

Production at Randfontein increased by 67 000 tons to 1.63-million tons, but a 4.7% fall in grade to 3.85g/t meant gold produced was slightly down at 7 473kg (7 503kg).

Attributable profit fell by 21.8% to R60.1m, as a slightly lower gold revenue was not helped by an increase in working costs to R35.3m (R227m).
Slight improvement for Anglovaal gold mines

THE Anglovaal gold mines reported an attributable profit of R46,5m for the quarter to last month, a marginal increase from the June quarter's R45,3m.

Profit at most of the mines remained virtually unchanged, as gold revenues remained static and working costs were kept stable in some cases, but working costs decreased.

Hartebeesfontein increased its profit to R42,1m (R40,4m) although tonnage milled was higher, a lower grade of 8g/t (8.5g/t) meant production was lower at 9 242kg (9 550kg).

Anglovaal said Hartebeesfontein was a mature mine with little flexibility, and the mine was fixed into a course whereby it had to treat lower-grade ore. The company said the grade should improve.

The bottom-line result was boosted because the R10,1m pre-taxual levy was paid in the June quarter.

### ANGLOVAAL September Quarter

<table>
<thead>
<tr>
<th>Mine/Gold Plant</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 caps R000s</th>
<th>EPS after caps cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hartebeesfontein (underground)</td>
<td>765</td>
<td>8,0</td>
<td>6 242</td>
<td>277.55</td>
<td>34 905</td>
<td>43 337</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Hartebeesfontein (gold plant)</td>
<td>474</td>
<td>1,24</td>
<td>565</td>
<td>24,83</td>
<td>20 167</td>
<td>43 603</td>
<td>42 112</td>
<td>35 403</td>
<td>32,5</td>
</tr>
<tr>
<td>ET Consolidated</td>
<td>96</td>
<td>9,1</td>
<td>685</td>
<td>301,81</td>
<td>33 014</td>
<td>43 603</td>
<td>6 234</td>
<td>3 173</td>
<td>3,7</td>
</tr>
<tr>
<td>Loraine</td>
<td>1 429</td>
<td>3,6</td>
<td>1 561</td>
<td>16 301</td>
<td>44 800</td>
<td>44 648</td>
<td>(2 357)</td>
<td>(3 720)</td>
<td>22,7</td>
</tr>
<tr>
<td>Village Main</td>
<td>185</td>
<td>0,91</td>
<td>151</td>
<td>31,86</td>
<td>34 794</td>
<td>42 344</td>
<td>295</td>
<td>301</td>
<td>4,9</td>
</tr>
</tbody>
</table>

Anglovaal said tonnage was up this quarter because of a recovery from the public holidays in the June quarter. Capital expenditure at Sheba should lead to higher tonnages in the long term, the company said.

Village Main Reef had an attributable profit of R255 000 (R135 000 loss). Gold production was maintained at 151kg, but the bottorn line of the company was improved by a lower appropriation for closure costs of R685 000 (R13m).
Lower tax helps Harties

BY DEREK TOMMEY

A sharp drop in tax payments at Hartbeesfontein (Harties) helped the mine to show a slight increase in profit in the September quarter. Anglovaal group's gold mine quarterly results show.

A fall off in the yield from 8.5 grams to 8 grams a ton led to the working profit from gold dropping from R93.7 million to R66.4 million.

But a drop in tax payments from R35.9 million to R28.9 million — largely due to the transition levy being paid in the June quarter — enabled the mine to show a taxed profit of R42.1 million, against R40.4 million in June.

At Lorraine, the cash-rich marginal mine, the operating loss was reduced from R2.75 million to R238,000.

But a year-end provision of R2.2 million for rehabilitation costs and tax of R1.8 million on non-mining income, resulted in a loss of R2.4 million for the quarter.

Eastern Transvaal Consolidated Mines increased taxed profit from R5.4 million to R6.2 million.

Village Main had a profit of R235,000, against a loss of R135,000 in June.
JCI sounds warning on the need to boost mining productivity

BY DEREK TOMMEY

JCI's September gold mining quarterly reports issued today carry an unpleasant message. It is that the industry needs to get a higher gold price or increase substantially its productivity if mining profits generally are to show any improvement in the future.

Although the September quarter was in many respects a good one for the group, its net profit after tax from gold mining slumped from R154.7 million in June to R88.1 million.

Net profit after tax and capital expenditure dropped from R192.7 million to R55.3 million.

Hardest hit of the group's mines was Western Areas. As a result of the absence of work stoppages which characterised the June quarter, production increased 7.1 percent. This and a fractionally higher yield, together with a 5 percent increase in the gold price, lifted profit from gold by 15.1 percent to R82.4 million.

But the ending of the uranium contract, the need to pay tax and the fact that the June profits were boosted by a R22.2 million insurance claim, resulted in the mine's taxed profit dropping from R75.5 million to R60.5 million.

Earnings after capital expenditure fell 57 percent from R151.6 to R64.9c.

Chairman Kennedy MacCallum is fairly optimistic about the long-term price of uranium. Consequently, the mine will continue producing uranium, which will be stockpiled at Nucor — the uranium treatment corporation.

Progress is being made in merging Western Areas and the adjoining prospect Soudex. As soon as JCI is ready, it will make an announcement.

According to some analysts, Soudex contains the richest gold deposits in the world — but at quite a substantial depth and in a thick orebody, which is more difficult to mine than the usual reef.

HJ Joel, JCI's problem mine, had a net profit after tax of R1.4 million, down from R2.27 million in the June quarter.

It had a net loss after tax and capital expenditure of R12.7 million, up from 9.7 million in the previous quarter.

MD Bill Nairn says the strategy of Joel is to enlarge the ore reserves and to open faces to facilitate flexible mining.

Ore reserves are expected to reach 700 000 tons by the end of the year from 421 000 tons in June.

The yield at the mine should improve to around six grams a ton.

Randfontein's net profit after tax fell from R78.2 million to R60.2 million and net profit after tax and capital expenditure dropped from R82.3 million — equal to 86.6c a share — to R41.9 million, equal to 86.6c a share.

Production increased by 3.7 percent, but the yield declined slightly, though unit costs were well controlled.

Nairn says the domestic mining industry must increase its productivity if it is to stay in business.

He says the higher gold price has given the industry a respite.

But he is very conscious of the fact that the industry faced a 4 percent rise in costs in the September quarter.
Gengold boosts income as mines recover strongly

MICHAEU URIQUHART

GENGOLD reported improved results for the September quarter, with after-tax income at its gold mines rising 43% to R126.8m as the group staged a strong recovery from a June quarter hit by labour problems and the transitional levy.

Most of the mines posted a decrease in grade, but higher ore milled resulted in a gold output increase of 3%. This was boosted by a 4% increase in the average gold price to R448.4/kg.

Gengold deputy chairman Tom Dale said the two star performers in the Gengold stable were Winkelhaak and Unisel, which nearly doubled their attributable incomes and reduced unit working costs.

Gold output at Unisel rose 14% to 1.068kg as grades improved to 6.3g/t (5.7g/t) and ore milled rose to 170,000 tons (183,000 tons). As a result, attributable income at the mine rose to R7.8m (R5.9m).

Dale said there was some concern about the development grades on the mine, but they had been "erratically positive". He said production would be maintained at 1.05kg.

Winkelhaak also turned in a good performance, increasing gold production to 2.658kg (2.600kg). Attribution income rose to R21.8m (R19.6m).

Beatrix showed a steady performance in terms of costs and production and a much reduced tax bill of R14.4m (R21.8m) boosted the bottom line to R31.5m (R20.8m).

Buffelsfontein reported steady gold production of 2.636kg (2.650kg) as a fall in grade to 6.1g/t (6.2g/t) was cancelled by higher tonnage milled of 471,000 tons (456,000 tons).

Dale said the mine had been hampered by industrial relations problems as it had had to reduce its scale of operations.

Grootevlies also experienced a fall in grade to 4.8g/t (5.9g/t) because expected grade improvements from old areas failed to materialise.

Dale said an announced plan to develop Black Reef in the Consolidated Modderfontein Inse area from the East Geduld No 1 shaft had been jeopardised because Cons Modder had given notice that it would not renew a tribute agreement it had with Grootevlies. The agreement expires in October 1997.

Kznross boosted tonnage milled to 465,000 tons (440,000 tons) which, combined with a steady grade, allowed the mine to increase gold produced to 3.010kg (2.650kg).

Costs were up 8% at the mine due to the higher mining costs, but unit costs remained static.

Leslie's grade and consequently its gold production was down, but a halving of the tax bill boosted its bottom line to R3.6m (R1.7m).

St Helena also took a knock in grade, down to 6.7g/t (7.6g/t) as production at the lower grade No 8 shaft increased.

Stifffontein's profits took a knock as a fall in grade to 1.3g/t (1.2g/t) and lower ore milled of 268,000 tons (270,000 tons) depressed gold production to 297kg (368kg).

Dale said the fall in gold production was due to 100kg of gold recovered from a gold plant cleanup last quarter being reflected in last quarter's figures. This resulted in the latest figure being compared to a high base.

Metrics developed at Orxy increased, but faulting meant the number of development costs available decreased, and development fell to 198m (697m). Dale said enough information should be available by year-end to determine whether the mine should continue.

<table>
<thead>
<tr>
<th>GENCOLD September 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>
<th>EPS after capex cents</th>
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<tbody>
<tr>
<td>Beatrix</td>
<td>542</td>
<td>6.1</td>
<td>3,304</td>
<td>152,89</td>
<td>25,082</td>
<td>44,742</td>
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<td>236,69</td>
<td>39,310</td>
<td>44,709</td>
<td>16,386</td>
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<td>51.5</td>
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<td>455</td>
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<td>38,253</td>
<td>42,745</td>
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<td>620</td>
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<td>Kznross</td>
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<td>44,598</td>
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<td>1,733</td>
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Gengold income up by 43% 

From MICHAEL UROUHART

JOHANNESBURG — Gengold reported improved results for the September quarter, with after-tax income at its gold mines rising 43% to R126.8m as the group staged a strong recovery from a June quarter hit by labour problems and the transitional levy.

Most of the mines posted a decrease in grade, but higher ore milled resulted in a gold output increase of 3%. This was boosted by a 4% increase in the average gold price to R4461/kg.

Gengold deputy chairman Tom Dale said the two star performers in the Gengold stable were Winkelhaak and Unisel, which nearly doubled their attributable incomes and reduced unit working costs.

Gold output at Unisel rose 14% to 1,003kg as grades improved to 6.3g/t (5.7g/t) and ore milled rose to 170,000 tons (163,000 tons). As a result, attributable income at the mine rose to R7.5m (R3.9m).

Winkelhaak also turned in a good performance, increasing gold production to 2,658kg (2,403kg). attributable income rose to R21.5m (R15.6m).

Beatrix showed a steady performance in terms of costs and production and a much reduced tax bill of R14.4m (R21.5m) boosted the bottom line to R31.3m (R20.8m).

Buffelsfontein reported steady gold production of 2,650kg (2,852kg) as a result in grade to 6.3g/t (6.3g/t) was cancelled by higher tonnage milled of 471,000 tons (456,000 tons).

Grootevei also experienced a fall in grade to 4.9g/t (5.3g/t) because expected grade improvements from old areas failed to materialise.

Kinross boosted tonnage milled to 465,000 tons (440,000 tons) which, combined with a steady grade, allowed the mine to increase gold produced to 3,010kg (2,850kg).

Leslie's grade and consequently its gold production was down, but a halving of the tax bill boosted its bottom line to R3.8m (R1.7m).

St Helena also took a knock in grade, down to 6.7g/t (7.0g/t) as production at the lower grade No 8 shaft increased.

Stillfontein's profits took a knock as a fall in grade to 1g/t (1.3g/t) and lower ore milled of 269,000 tons (272,000 tons) depressed gold production to 267kg (302kg).

Dale said enough information should be available by year-end to determine whether the Oryx mine should continue.
Gengold mine earnings up sharply

BY DEREK TOMMEN

The September quarter results from Gengold mines should be well received by shareholders because most of them report sharply higher attributable earnings.

In most cases this is the result of reduced tax payments thanks to the mines having paid the transitional levy in the June quarter.

But it is also the result of increased production, partly reflecting the reduced number of holidays and greater productivity.

These factors helped Gengold achieve the better results in the teeth of significant pay increases, which lifted mining costs by 4 to 5 percent.

Attributable earnings at Beatrix rose from 25c to 35c a share, at Buffelsfontein from 36c to 51c, at Grootvlei from 11c to 16c, at Kanross from 90c to 133c, at Leslie from 6c to 18c, at St Helena from 62c to 98c, at Unisel from 11c to 21c and at Winkelbaak from 57c to 135c.

Stulfonet, which is in closure mode, maintained earnings at 26c a share.

The group's 10th mine, Oryx, has yet to produce profits.

Gengold's deputy managing director Tom Dale said yesterday that Buffelsfontein had reached the stage where it would have to reduce production to remain profitable. This was likely to entail further retrenchments.

Grootvlei is reviewing its plan to mine the Black Reef in its own lease area and a tributary area from Cons Modder, following Cons Modder giving 12 months notice of the termination of the tribute.

St Helena is increasing production from No 8 Shaft, which accounts for the lower yield.

Dale said the use of vacuum cleaners to recover gold particles had increased the mine recovery factor (the percentage of gold recovered) from 61 percent to 85 percent.

BEATRIX SHARE PRICE

The rate of development at Oryx, which has a large question mark over the value of its gold deposits, is improving.
Anglo gold mines turn in 10% profit

Freedgold, the world's largest gold mine, staged a strong recovery from the June quarter. After-tax income was up 35% to R152.5m as the mine benefited from not only higher production of 3.95m t (3.77m t) but also an increase in grade to 4.31 g/t (4.16 g/t).

Vaal Reefs increased gold production to 17.861 kg (16.829 kg), as an increase in ore milled to 2.65 million tons (2.69-million tons) was helped by a slight increase in grade (214) Cr 2.11/94.

But the higher gold revenue was offset by a 27.6% increase in royalties paid to Southvaal Holdings to R66.2m (R51.8m). Also, a dividend paid by Southvaal last quarter meant after-tax earnings for the September quarter were lower at R160.7m (R165.3m).

Total capex of R118.5m (R109.4m) included R30.5m spent on Vaal Reefs No. 11 shaft, which advanced advanced 239m (387m) during the quarter.

Western Deep Levels increased its after-tax profit 20% to R116.6m, despite a two-day industrial action. Ore milled was static but a sharp jump in grade to 6.24 g/t (5.76 g/t) meant gold production increased to 10.021 kg (9.309 kg). Western Deeps regional GM 3m McLuskie said the higher grade was sustainable.

McLuskie said Elandshand had had a very bad quarter because of illegal industrial action which had cost it seven working days. Gold production fell to 3.403 kg (4.139 kg) as ore milled and the grade declined.

Ergo pushed up after-tax profit 30% to R24.5m.
Amgold adds R88m to its attributable earnings

MICHAEL URQUHART

THE Anglo American Gold Investment Company (Amgold) lifted attributable earnings to R110m for the six months to September compared with R22m for the same period the previous year on the back of higher investment income and profit on realisation of investments.

The company increased investment income 34% to R202m, helped by an increase in the rand gold price to R434.04/kg, 24% higher than in the comparable period.

The dollar gold price had been 11% higher, but this had been boosted by the weakening of the rand in the first half of 1994, the company said.

Amgold increased its interim dividend to 80c (62c) after improved earnings a share of R12.78 (R9.29).

Amgold holds significant stakes in Consolidated Vael Reefs, Drakfontein, Gold Fields, Freegold, Kloof, Zandpan and Western Areas among its portfolio of listed and unlisted mining and exploration shares.

The company's continuous programme of switching certain investments into long life, relatively undervalued gold mines generated a surplus on realisation of investments of R106m (R63m).

But interest earned was down to R121m (R27m), which the company said largely reflected the prevailing lower interest rates over the period.

Prospecting expenditure increased to R112m (R11m) with the increased tempo of exploration in Africa outside of SA.

At September 30 the net asset value, after providing for the dividend, amounted to R500.53 a share, 22.5% higher than the R416.02 reported on March 31.

Yesterday the counter was trading 300c up at R476 on the JSE, a discount of 6.6% to NAV.

The company said investment income for the financial year ending March 31, 1995 largely depended on the rand gold price during the six months to December 31, 1994.

If the price remained at current levels during that period, investment income for the second half of the financial year would be similar to that earned in the same period the previous year, the company said.

This meant growth in earnings per share before any surplus on realisation of investments would be lower than the 24% achieved in the first six months, it said.

Amgold said physical demand for gold remained strong, and the offtake in 1994 had held up well following the dip in demand due to the higher prices in 1993.

The physical market had been dominated by continued healthy demand in India and the Far East, while the US market remained strong and consumption of gold in the US jewellery market had reached the record level of 301 tons a year.

Amgold said the market for gold was expected to remain positive.
ORKNEY — Moab, SA's new developing gold mine, said it would need to raise money again early next year to fund the next stage of capital expenditure, but it had not yet decided on what route to take.

"It will depend on market conditions," Dick Fisher, regional GM for parent company Anglo American said in an interview.

He declined to say how much it would seek once the R250m from the 1993 rights issue was exhausted, but analysts estimated it would need about R300m.

Fisher said in an interview three options were being considered — another rights issue, which analysts said was the cheapest and most likely route because of the current high share price, loan finance or finding via adjacent Vaal Reef Exploration Co Ltd.

Vaal Reef is physically developing the project and Moab is also known as its No 11 shaft.

The mine, which opened last year and is listed under its investment company Eastvaal Gold Holdings Ltd, will eventually cost about R3.2bn in accelerated terms. Capital expenditure to date is R380m, with peak spending expected over 1997-1999.

The Moab lease area lies in the OFS and is believed to be the largest high-grade gold deposit remaining in South Africa.

In terms of initial projections, the mine is expected to yield some 230 tonnes of gold from an estimated 26.2m tonnes of ore, at a recovered grade of 11.2 grams per tonne over its 25-year lifespan. Production is due to start in 1997.

"We have no further information that's changed our view in the prospectus," Fisher said.

First development and drilling will start in the 11a block in February, a year earlier than expected, and will be accessed via Vaal Reef's existing No 8 shaft and planned new sub-shafts on which preparatory work is still being done.

The project was progressing well with tight control over costs.

Current sinking of the main 2,400 metre shaft, due to be completed mid-1995, was delayed earlier this year when water-bearing rock was intersected, and although the area had not yet been sealed, volumes were now controllable.
Randgold hit by 41% fall in attributable income

Marginal gold mine operator Randgold & Exploration experienced a 41% fall in attributable income to R4.9m for the year to September as the full effect of head office retrenchment costs cut into operating profit.

Operating profit climbed 50% to R5.5m on turnover 18% higher at R39.6m as the company benefited from an improvement in the performances of Transvaal Gold Mining Estate (TGME) and Rand Mines Windhoek Exploration, which owns Randgold's stake in the Navachab gold venture.

But after-tax profit was reduced by the retrenchment costs and lower management fees from Durban Roodepoort Deep. Exploration costs also rose sharply, from R4.8m to R7.2m. Taxation was slashed from R7.5m to R46 000.

Michael Urquhart

The company said the results were not strictly comparable with those of the previous year as it was the first time TGME's results were included for the full year. The assets and liabilities of First Wesgold Mining had also been included for the first time.

The First Wesgold acquisition — which previous management had claimed was valueless — had been completed with effect from September 30. Randgold said the valuation of R60m had been endorsed by two independent mining consultancies.

Chairman Peter Flack said the situation at Durban Deep had been reversed previous management's decision to close the mine and would continue underground operations on a limited scale.

Flack said Durban Deep's future depended on its merger with neighbouring Rand Leases, which would give it access to a substantially enlarged ore-body.

Both mines were currently undergoing a technical evaluation as a precursor to the merger, which would be on the basis of Durban Deep acquiring Rand Leases for the issue of Durban Deep shares.

Durban Deep management was considering a rights issue next year to refinance the mine. It was relying on a R40m loan for working capital and to fund retrenchment packages of 450 workers.

Flack said another priority had been the implementation of an improved grade control system.

This was "absolutely essential" to the efficient operations of a marginal mine.
Probe could rejuvenate Crown Mines

RMP Properties was investigating the feasibility of reopening Crown Mines for mining small tonnages of low-grade reef, it said yesterday.

The study would also determine the feasibility of re-swiping and revamping old areas through high-vacuum technology.

Access to Crown Mines, which was closed in the early 1980s, is through No 14 shaft at Gold Reef City, where the greatest potential had been identified. Should the project proceed, access to and hoisting of ore from underground would be carried out through one of the other shafts.

Dick Plastowe, GM of RMP Properties' land clearance and gold recovery division, which operates a plant at Crown Mines to process material from mine dumps, said the most likely area identified was the remnant main reef reserve in the footwall of the main reef header horizon.

Plastowe said the limited availability of shaft infrastructure and access to the underground workings were factors restricting the progress of the investigation.

The main 19 level haulage between No 5 and No 14 shafts had been dewatered and recontouring above level 19 had started.

Over its 90-year life Crown Mines produced 1.46 million tons of gold.
Randgold extends West Africa venture

MINING house Randgold had signed a mining convention with Senegal and started exploration drilling in Burkina Faso ahead of a proposed listing of its West African mineral rights on the London Stock Exchange next year, the company said at the weekend.

Executive chairman Peter Flack said the convention had been signed during a recent tour by management of Burkina Faso, the Ivory Coast, Mali and Senegal. It complemented the group's existing exploration programme in the region and its portfolio of mineral rights.

BEATRIX PAYNE

The agreement defined the broad structure of future mining rights for an area in Senegal's Falame River, about 100km from Anglo American's Sadiola mine. The company had also secured 1,000km² in Burkina Faso to complement its existing 2,500km² of concession rights being developed there in partnership with Newmont.

The group would consider floating its West African interests in London or, given the region's ties to the Francophone countries, in Paris or Luxembourg, Flack said.
Marginal mines ‘must slow working cost rises’

MICHAEL URQUHART

MARGINAL gold mines would remain with their backs to the wall unless they kept growth in working costs below inflation, analysts said yesterday.

They were expecting an average rand gold price of R1 500/or next year, an 11% increase on this year’s average price. But this was only likely to maintain the status quo for the marginal producers.

If working costs increased at the expected inflation rate of 12% next year, there could be further downscaling in the industry, they said.

Most analysts were expecting a dollar gold price of about $400 next year, and an exchange rate of between R3.80 and R3.90.

One said the situation on marginal mines was looking no better, with mines still behind on capital expenditure and likely to fall even further behind unless working cost increases were kept below inflation.

Some capital programmes could be scrapped if rising costs increased pressure on margins, he said.

Should the rand strengthen or the dollar gold price decrease, the situation would be even worse. Many mines had relied on a depreciating rand to remain viable.

Chamber of Mines chief economist Francois Viruly said working costs increasing above the level of inflation was cause for concern.

This would particularly affect marginal mines, which were locked into a certain grade and had very narrow margins.

The effect of higher working costs should also be seen against the effect it would have on marginal shafts. He said the closure of a marginal shaft could have a bigger effect on production and employment than the closure of a marginal mine.

Marginal mines would have to get working cost increases back below inflation in order to survive.

Viruly said with expected capital inflows into SA and the improved political situation, a depreciation of the rand could no longer be relied on to boost the rand gold price.

One analyst said mines would have to look at improved productivity to stem the rise in working costs.

They would be under pressure to increase training and improve conditions on mines. Although this might lead to higher productivity, it would lead to higher working costs.
Thumbs up for Durban Deep merger deal

JOHANNESBURG — Randgold Exploration said it would go ahead with the plan to merge its marginal Durban Roodepoort Deep gold mine with neighbouring Rand Leases (Vogelstruisfontein) Gold Mining.

The deal was still subject to shareholder approval in terms of general meetings scheduled for next year, but the companies had agreed in principle to the deal, it said in a statement.

Durban Deep would acquire all the issued shares in Rand Leases in exchange for 2.9 million new Durban Deep shares at a rate of five Durban Deep shares received for every 200 Rand Leases shares held, it said.

Randgold advised shareholders in August that it was considering the merger.

"The proposed merger will give Durban Deep access to a substantially enlarged ore body as well as significant cost benefits, as it will effectively be two mines with a single overhead structure," Randgold chairman Peter Flack said.

He reiterated earlier statements that, if the merger went ahead, Durban Deep was planning a rights offer next year to refinance the enlarged company and to enable the company to implement profit-enhancing capital projects.

Since those announcements Durban Deep has raised $40m in bridging finance to take it through to a rights issue.

Durban Deep reported a net loss, before negligible capital recoupment, of R20.9m in the three months to end-September 1994 versus a loss of R7.9m in the preceding quarter — Reuter

Western Areas, South Deep merger

JOHANNESBURG The mining operations of Western Areas Gold Mining Company and South Deep Exploration Company would be merged into a single entity, with effect from January 1, 1995, according to a statement yesterday.

The merger would be effected by Western Areas acquiring South Deep's entire mining operation as a going concern for the issue of 36,262,720 new ordinary Western Areas shares.

The purchase consideration translates into an effective merger ratio of 92 Western Areas shares for every 100 South Deep shares held.

An agreement between the two companies would be signed subject to approvals by both sets of shareholders and by the JSE in respect of the proposed transactions and the granting of a listing for the Western Areas consideration shares — Sapa
Randgold to proceed with its plans to merge mines

RANDGOLD would go ahead with plans to merge its Durban Roodepoort Deep mine with neighbouring Rand Leases in a move to secure Durban Deep’s viability, it said yesterday.

The mining house said it would issue 2,96-million new Durban Roodepoort Deep shares to acquire all Rand Leases’ share capital. The deal would see Rand Leases shareholders receive one Durban Deep share for every 40 Rand Leases shares held.

 Randgold chairman Peter Flack said the merger would give Durban Deep access to a much larger ore body. There would also be significant cost benefits as it would effectively create two mines with a single overhead structure.

Ore reserves in Rand Leases could be accessed from Durban Deep’s No 7 shaft. Rand Leases was flooded down to level 24. Between levels 24 and 40 there were substantial ore reserves developed by Anglovaal before it closed the mine.

Durban Deep’s plant, which was older and less efficient than Rand Leases’, could be used to treat underground material, while Rand Leases’ plant could treat surface material.

Flack said Randgold was looking at a Durban Deep rights offer to refinance the enlarged company and to enable it to implement profit-enhancing capital projects.

Durban Deep had already raised R160m in loan finance to help fund the mine, pay outstanding creditors R100m and pay retrenchment costs of R25m for 4,000 workers. Underground tonnage from Durban Deep was being reduced to 60,000 tons a month, in line with management’s decision to carry on with limited underground mining after the previous management had decided to close down underground operations.

The merger, which Randgold announced it was considering in August, is still subject to approval by shareholders of Rand Leases and Durban Deep. Randgold said further details would be announced in January.

Randgold also said yesterday that Durban Deep had approached it about acquiring the gold mining operations of First Wesgold. Investigations were under way.

Rand Leases’ share price had fluctuated wildly on speculation on the ratio of Durban Deep to Rand Leases shares. At one point the shares reached a high of 150c when the Durban Deep share price was R40. The shares moved up 2c yesterday to 50c, still well off their year low of 16c. Durban Deep rose R2 or 5.2% to R40.
Gencor, Lonrho in CIS gold mine venture

MICHAEL URGUHART

Gencor and Lonrho would form a joint venture to develop gold mines in the Commonwealth of Independent States, the two companies announced yesterday.

The companies had signed an agreement to create a company in which each would hold an equal share.

Lonrho's contribution to the partnership would be its existing operations, contacts in the Commonwealth and five years' experience in dealing with the republics of the former Soviet Union. Gencor would put in key technology tailored to mining in the region, backed by its strong mine development team.

The joint venture would have the use of Gencor's Bixo bacteriological oxidation technology, which used bacteria to release the gold in refractory ores — of which the Commonwealth was believed to have vast reserves. Refractory ores are not amenable to treatment by ordinary methods.

The companies said Lonrho had won the Amantaytan Goldfields project in Uzbekistan largely because it had access to this technology, which it used at Ashanti Goldfields in Ghana.

Discussions with the Uzbek State Committee on Geology were advanced for developing its Ingekik Research Establishment as a centre for testing ores to verify their amenability to the Bixo process. This would save on transport costs to SA.

Ventures in other Commonwealth states would be considered at a later stage.

Gencor minerals division head Alan Haines said the joint venture would develop opportunities identified by the former Soviet Union, rather than doing its own exploration. Initially there would be only a small requirement for funds as the joint company would be involved mainly in doing feasibility studies.

Because of SA's exchange controls, Gencor would not be able to fund the development directly from its SA funds. It was hoped that by the time one of the projects was ready for development, Gencor's offshore mining arm, Bulliton, would be able to fund them.
JOHANNESBURG — SA gold producers appear to be generally more positive than for some time about initiating new projects, Chamber of Mines economist William Houtman said.

Gold industry projects which were initiated this year, or are currently under way, amount to some R7.6bn.

As these typically long-range expansion programmes and new mines gained momentum, higher levels of capital expenditure could be expected to start emerging, he said.

The industry’s total capital expenditure in real terms was currently about half that recorded in 1986, reflecting curbs instituted in recent years largely in response to reduced profitability and mining rationalisation, he said.

However, such spending had risen 14.2% in the first nine months of 1994 compared with the same period in 1993.

He listed several factors connected with the rate of growth in mining output and profitability which he said were directly linked to capital and fixed investment in the industry.

South African gold production had declined since the mid-80s and was expected to slide further in the next five years as established mines exhaust their more profitable and accessible reserves.

It was natural for capital expenditure to be reduced proportionately in such circumstances.

Profits, through which new spending could be financed, are still not back to levels that would warrant significantly higher expenditure.

In real terms, the dollar/gold price had yet to improve on that recorded prior to 1982.

Better use of existing infrastructure, rationalisation of mining and improved planning had reduced the average development reef spending.

And the state’s continued imposition of ring-fencing controls constrained efficient business and tax planning by producers and so inhibits capital formation in the industry, he said — Reuters.
MINING - GOLD

1995
‘Mines could cost SA R3bn’

Mungo Soggot

THE catastrophic gold mining performance could shave 0.5% off GDP and rob SA of R3bn in foreign exchange earnings this year, Standard Bank group economist Nico Cyypionka said yesterday.

Presenting the bank’s economic review, Cyypionka said a battle between the unions and mine management was looming and several shafts would probably close.

“The industry is facing a grave problem in worker attitude, and in labour relations and management methods in general. If there is no resolution of this problem soon, and if gold production levels continue to decline, gold mining could become a factor which significantly reduces the economy’s growth potential.”

The mines’ dismal performance — with first-quarter output down 8% on the same period last year — also had far-reaching effects on other areas of the economy, while lost export earnings stretched the deficit on the current account of the balance of payments (BoP).

Standard Bank was still hoping for growth of about 3% for the year, Cyypionka said. Agriculture’s weak showing was also set to knock about 0.5% off GDP.

The manufacturing sector was a source of good news — production volumes were up 10.5% between January and April compared with the same period last year.

As the recovery was driven by fixed investment and not a consumer splurge, it was likely to be more sustainable than previous upturns. Because it was this increase in fixed investment which was propelling imports — machinery imports were up 35% on last year — SA’s current account deficit was not so worrying.

But he believed the direction of the capital account, which was being buoyed mainly by speculative short-term money, would be the most important determinant of the near to medium term.

SA was substantially underborrowed considering its current debt of about $18bn, it had about $20bn left in “borrowing headroom”, assuming a debt to GDP ratio of 30%. It appeared the surge in credit to the private sector was starting to taper off.

Despite rapidly increasing economic activity, the Reserve Bank’s tough monetary policy and the finance department’s efforts at maintaining fiscal discipline were countering the inflationary response. Inflation could slip back to single digits and should be kept in check next year if the rand did not weaken dramatically.
Pik rebukes mine management

MINERALs and Energy Affairs Minister Pik Botha yesterday called on gold mining management to cleanse itself of "archaic practices, rigid structures and blinkered thinking."

He told the 50th anniversary dinner of the Sandton Chamber of Commerce the greatest threat to the mining industry was soaring working costs and there was a tendency to blame labour and cut costs by retrenching.

"But it seems to me that management needs to change. Management must take the lead, encouraging productivity by its attitude towards and treatment of the workforce."

He said most of SA's mining houses were settled in ways formed in a different era. He urged the industry to look carefully at management contracts "whereby founding houses tie mines to their apron strings."

"In an age of democracy, decentralisation, individual entrepreneurship and autonomy, the management contract system seems quaint and anachronistic." Meanwhile, Botha said government was committed to allowing market forces to operate wherever possible in the highly regulated liquid fuels industry. But government also recognised the industry "was unlike any other."

He said there were various ways of opening up the industry to competition, but this would take time. "Anti-trust legislation should prevent price cartels, but often do not or cannot. A social plan to find jobs and retrain employees who lose their jobs as a result of market changes should be set up. But who will pay?"

Notwithstanding these dilemmas, government was leading the country out of the regulatory liquid fuels straitjacket.

The SA petrol price, despite regulations, controls, levies and subsidies, was still one of the cheapest and most competitive in the world, said Botha.
"Mining must adapt or die'.

Management strategies on South African gold mines would have to change if the industry were to survive its current crisis, Mineral and Energy Affairs Minister Pik Botha said last night.

Speaking in Johannesburg, Botha said management styles had to adapt to a new global work philosophy.

"It seems to me that management needs to change to rid itself of possibly archaic practices, rigid structures and blinkered thinking."

Botha also said mines with an entrepreneurial approach and a reciprocal management and labour pact would be the salvation of the gold mining industry — Sapa.
Gold mining's terrible toll

By JEFFERSON LENGAKE

Pik Botha calls for safety overhaul

ON AVERAGE, each ton of gold produced in South Africa kills one miner and seriously injures 12 others, the minister of minerals and energy affairs, Pik Botha, has told key players in the mining industry.

Botha made the chilling disclosure during this week's third congress of the Southern African Miners' Federation.

"Of the 19 countries listed in an International Labour Organisation table summarising fatal mining accidents per year, 13 have better safety records than South Africa. The only southern African country cited in the comparison is Zimbabwe with a fatality rate per 1,000 workers of 0.73, compared to South Africa's 1.05," Botha said.

He said South Africa must strive to at least equal the record of Zimbabwe and learn from it about ways to reduce the fatality rate.

"There are many monuments to the unknown soldier. I would like to close with a tribute, a verbal monument, to the unknown miner," Botha concluded.

The re-elected president of the federation, James Mbolati, told the congress that Swaziland's prime minister, Prince Msulwini, was "out of order.

This followed reports from the Swaziland delegation which claimed that their government was strongly opposed to trade unions and did not respect the rights of unions to strike. Swaziland's Mining, Quarrying and Allied Workers Union president, Selby Dlamini, said the authorities in that country were quick to call police and the army in when workers went on strike.

He cited as an example a miner who was shot dead by police during a strike in 1989. The worker was shot twice in the head and had to be flown to Baragwanath hospital where he died.

A contentious Industrial Relations Bill is being debated in the Swaziland parliament. The Bill proposes to make workers and their unions pay for any damage to property during strikes.

Dlamini said the mine owners also caused problems. "Most mines have no protective clothing and the few that have sell the clothing to employees. This is unaffordable to workers," he said adding that wages on the mines were low.

At the close of the congress the federation issued a declaration in support of the Swaziland union's struggle. "All affiliates represented at this congress give unqualified support to the labour movement in Swaziland against the threat posed to them by the Industrial Relations Bill," the declaration said.
Pik urges mine bosses to change

By Abdul Milazi

MINE management needed to shed its "archaic practices and blinkered thinking" for South African mines to survive, Mineral and Energy Affairs Minister Pik Botha said at the weekend.

"The greatest threat to the industry is its steadily escalating working costs, from a hundred rand per kilogram in the mid-seventies to around R20 000 now," said Botha.

Botha said mine management tended to blame labour for the problem and to cut costs through retrenchments. He said, however, that the main problem lay with management.

"It seems to me that management needs to change, to rid itself of possible archaic practices, rigid structures, and blinkered thinking."

He said people's lives and livelihoods were being shattered as they faced a future without a hope of jobs, without dignity and without means to feed themselves and their families.

"We must act. We must develop innovative business solutions to standard mining problems through strategic thinking and planning. Not that we can avoid the inevitable death of the gold mines, but we can stretch their demise further into the future," said Botha.

"Of course any mine is a wasting asset and will eventually die, but those in the know estimate that a 10 percent improvement in management procedures and labour productivity can lengthen a mine's life by 40 percent," he said.

Botha said the mining industry, especially gold mines, had changed from being the lowest cost producers in the world to the most expensive.

Due to the industry's declining competitiveness, South Africa's market share had been reduced from 44 percent in 1987 to only 25.3 percent to date.

Botha said the industry had already shed more than a third of its workforce, 168 000 jobs lost from a peak of 534 000 in 1986 to 366 000 in 1993. Production decreased from 1 000 tons to 579 tons in 1994 and was still falling.
Archaeological proves of mining houses stated.

A Piping Feathers /Ying灾区 Flora.

Archaeologists report that mining houses were common in the region, and evidence of these structures has been found in various locations throughout the area. The houses were typically built using local materials and were designed to minimize the impact on the environment. In some cases, these houses were arranged in a grid-like pattern, indicating a planned community structure. The ancient mining houses were not just places of residence, but also served as centers for community gatherings and social events. The discovery of these houses provides valuable insights into the lives of the people who lived and worked in the region during this time period.
CAROL PATON REPORTS ON A SO

For Whom

SUNDAY TIMES, August 13 1995

UTH AFRICAN GOLD-MINING INDUSTRY THAT IS RAPIDLY LOSING ITS GLISTER

The Bells Toll

(214) STF 7/13/95
Production slide hits mine

Michael Urquhart

THE loss before tax at Eersteling Gold Mining increased to R960 000 for the June quarter, compared with R774 000 in the previous quarter, as the company experienced a sharp fall in gold produced.

Eersteling said the sinking of the incline shaft on the Zandrivier reef was expected to be completed by November. The proven and indicated ore reserves at Zandrivier were now sufficient for two years' production at a rate of 10 000 tons a month and a grade of 6.4g/t. Production at the rate of 5 000 tons was expected to begin in the next quarter, increasing to the targeted tonnage by May 1996.

The Garie incline shaft had intersected the Garie reef, and development on the reef had commenced. Ore from this reef would start to be delivered at a rate of 4 000 tons a month in November. Work had also started to intersect the parallel Pienaar reef.

Ore milled for the June quarter fell to 11 535 tons from the previous quarter's 20 247 tons. With a constant grade, this saw gold production fall to 33,5kg (59.6kg).

Despite the higher gold revenue of R45 045/kg (R43 205/kg), revenue from gold and silver was down to R1,5m (R2.6m).
Mining boom hinges on wage outcome

BY DEREK TORDOFF

Wage negotiations in the gold mining industry are attracting avid global attention as a successful outcome will greatly increase the attractiveness of gold shares and stimulate the economy.

The mining houses and the Chamber of Mines receive phone calls every day from foreigners as far afield as the US, Europe, Hong Kong and Japan, inquiring about progress on the local front is even more intense.

Success in the negotiations could trigger a gold-mining boom that would boost profit and create thousands of new jobs.

The unions appear to see the negotiations as being mainly about pay. But the hard-pressed mining industry view them as being about ways to significantly increase mining efficiency.

Production

For the past few years the gold mines have been squeezed increasingly between rising costs and a flat gold price.

As a result, large quantities of gold-bearing ore have become unprofitable.

This has resulted in gold production dropping sharply, retrenchments, reduced profit, mine closures and threats of further closures.

The industry’s aim is to end its predicament by getting the unions to agree to more efficient mining methods to be negotiated in communique agreements.

The industry and the unions have moved fairly close on these matters and, in spite of mixed signals from the National Union of Mineworkers, some observers suggest a final agreement between the industry and the mining unions might be just a “push” away.

What the industry wants is “full calendar operations”, known as fullco.

This means being allowed to operate 365 days of the year instead of the present 287 days.

Inefficient

“But we do not intend just continuing to operate with the current inefficient methods for an additional 78 days of the year,” said John Brownrigg, the head of gold operations at JCI.

The aim is to improve mining efficiency on a 24-hour basis by working continuous shifts and blasting twice a day.

Mining analysis said that if the industry got the concessions, bottom-line earnings of some mines could rise by about 25 percent.
Gold mines battle to survive

Karen Harverson

Gold mines serviced by Anglo must be re-sized if they are to survive, said chairman of Anglo American Corporation’s Gold and Uranium division Clint Sunter at the mining company’s annual general meeting. Ruling out any hesitation in the gold price, Sunter said the gold price was likely to remain in the R1 500/kg to R2 000/kg range for some time, which is why right-sizing must take place.

The company’s total gold production dropped from 56 596 kg in the March quarter to 55 485 kg in the June quarter this year. Frills fell almost 37 percent, largely as a result of its Freegold operation which reported an 8.5 percent decline in production, a loss of more than 2 000 kilograms.

Sunter said most mines had held steady in terms of production but Freegold Mine, a big marginal producer, was battling to sustain production levels.

He said while Anglo wanted to keep the mine going, the reality was that it was running out of gold.

The second phase of Freegold’s Freddies no 4 shaft including the sinking of the sub-shaft was due to begin in August after completion of the main shaft but will be delayed until conditions improve, said Sunter.

Rationalisation is likely to occur in the second half of the year, he commented that the gold division had bottomed out but said, with minimal public holidays in the remaining year, matters should improve and he expected a wage settlement to be reached despite the current deadlock.

Flegg’s, Vuma Deep, Eldorado and Ergo all reported a decline in gold produced, while Western Deep’s production rose by 1.6 percent.

JCI’s gold division again suffered heavy losses in its fourth quarter ending March, with a fall in gold production of 7.8 percent, or 809 kg, compared to the third quarter ending March.

An improvement of 5.8 percent in the average gold price partially offset the effect of the reduced output but net profit after taxation fell 7.2 percent to R54 6.6 million compared to the previous quarter’s R58 8.2 million.

Speaking at the quarterly results this week, gold division chairman Bill Nunn commented that a drop in gold grade had been experienced at all of the group’s three mines, Randfontein Estates, Western Areas, and HJ Joel. He added that Western Areas grades had been good at 6.8 g/t to 7 g/t before a bad month in May dropped the yield to 6.8 g/t. “However, we expect grades to remain in the 6.7 to 7 g/t range.”

Despite an eight percent increase in milled throughput at HJ Joel, gold production was static, affected by lower grades which dropped the yield to 5.18 g/t compared to the March quarter’s 5.64 g/t.

Echoing Sunter’s belief that the gold price was unlikely to increase substantially, Nunn said the company was considering joining United States and Australian producers in long-term hedging.

“We may become involved in an aggressive hedging (forward selling) policy as well as wanting to R3.80 per dollar. Polarity is marginally better for us.”

JCI’s Chief executive officer John Benson said the 1985/86 performance had been a disappointment. “The company sold its existing skill in production and achieved its target of 35 percent of gold, but it was unable to achieve the necessary public holidays at Randfontein due to the implementation of the National Department of Labour’s guidelines.”

JCI had a workforce of 3 000 people.

He said the workforce at Randfontein had decreased by some 2 000 people. The rationalisation plan was dependent on the public holidays and regulations since February over the re-enforcements since 1982 and 1983, and the company had to absorb the extra employment.

The mining company was determined to restructure its operations to ensure long-term viability.

JCI would continue to focus on the growth of its existing operations and would consider acquisitions, the company said.

JCI’s 1986/87 profit was R69 million compared to R24 million the previous year, an increase of 185 percent.

The company said the improved performance was due to increased production at the Western Areas mine and higher gold prices. Western Areas had increased production by 40 percent in the past year, the company said.

The share price of JCI rose slightly, but closed at R1.03 a share, an increase of 13 percent from the previous day’s close of R0.90 a share.

JCI’s share price has been on a steady upward trend since the beginning of the year, rising from R0.55 a share on January 1 to R1.03 a share on May 26.
The hills are alive with the sound of sledgehammers

By CHIARA CARTER

THERE is a secret mine in the mountains surrounding the Eastern Transvaal town of Barberton.

Here, as in days gone by, a group of miners use pickaxes and sledgehammers to work a vein of gold which runs beneath the gentle, wooded slopes.

They labour by candlelight in a network of rudimentary tunnels and shafts which they have carved in the hillsides.

Secrecy surrounds their illegal operation: below the lush valley below there is no sign of the hivelike activity above.

Outsiders are kept at bay by the miners' security system of scouts, who crouch behind trees and bushes keeping watch for unwelcome strangers.

Dense foliage shields the diggers from passers-by but, higher up, the sound of sledgehammers and pickaxe rings through the woods.

The mine provides a living for about 100 men and one woman.

Dressed in tattered overalls, gumboots and rubber gloves, they work in small groups following a vein of rose quartz threaded with a 4cm-wide band of soft, surface gold.

First the miners dig an exploratory shaft from which they hack samples which are tested for gold.

If they find signs that the rock holds treasure, they dig deeper, hewing shafts between five and 10m deep.

They descend the sheer rock face of these steep pits by clinging to wooden beams crossing the shafts.

Driven by the dream of striking gold, the diggers work in shifts, day and night; their only concession to safety is a few hard hats.

The red-hued rocks they chop from underground are taken to the surface in buckets attached to rope.

Above ground the rocks are pulverised with sledgehammers and the fragments carefully examined for glinting signs of gold.

The "majali" or useless stones, are piled to one side, the others crushed and then placed in water which is pumped for precious gold dust.

On weekends, the miners descend to the valley to process the gold with mercury, a hazardous substance which is supplied by a network of mercury salesmen.

The gold is smelted in furnaces hired for the purpose.

It is then sold in nuggets at R28 a gram — more than half the official gold price.

The buyers, black and white, come as a matter of fact.

Some of the miners were retrenched from formal mines others had never mined before.

They explained: "Our people have worked gold since before history. My father was a miner who worked his own claim alongside the white men. Mining is in my blood."

"I came to these hills 10 years ago and began to dig. I didn't have an education but I know gold. Soon I realised that I could make more money working for myself than digging for a boss."

"I would like to be able to employ a few other miners and become a mine manager."

Said another: "Many of us have been working here since 1986 — our boom year. The bad times are bad but we have good runs. We earned R250 000 in our record month."

"We work together in groups but each loco the gold he finds and We don't trust each other when it comes to selling. Gold is a thing people kill for."

Said a buyer from Soweto: "This mine is famous. I come here regularly for gold which I sell at a profit in Johannesburg."

"It is not the only secret operation. There are other mines being worked higher in the mountains where gold is sold for as little as R16 a gram."

"But change is coming for these pioneers."

The unit's Nchaka Moloi says: "Barberton's illegal miners are working without the benefit of health and safety regulations."

"The state is losing revenue and the potential damage to the environment is vast."

"It is a miracle someone has not died of mercury poisoning."

"The new policy sought to encourage more diggers and small scale miners. It would not only legitimise illegal miners but also allow more people to become involved in illegal mining."

He said small-scale mining was a way of redressing the imbalances of apartheid and would ensure optimal use of the country's mineral resources.

"There are several small-scale deposits which cannot be exploited profitably by bag companies."

"We are not talking about the Witwatersrand deep deposits but shallow deposits such as those in the Eastern and Northern Transvaal."

"These are old deposits and the gold is close to the surface and soft. This free gold does not need expensive chemicals."

Mr Moloi said the large mining houses supported the new policy and small miners would ideally use the existing infrastructure of formal mines.

The Barberton project involved small miners selling their finds to the mine, which would do the processing and marketing.

The project would kickstart local and regional economies, giving rise to small businesses. Diamonds, rose quartz, coal and several other minerals were also being targeted for small-scale mining.
Anglo warns of sharp drop in gold output

SOUTH Africa's gold output is far smaller than that of South America, the world's biggest producer.

Anglo American Plc, the UK's biggest listed mining company, has warned of a sharp drop in gold output at its South African mines in the first half of the year.

The company, which is the world's third-largest gold producer, said its gold production in the first quarter was 241,000 ounces, down from 312,000 ounces in the same period last year.

The decline is due to a decrease in the grade of gold recovered, as well as a reduction in the number of mining operations in South Africa.

Anglo American's total gold production for the first half of the year is expected to be around 500,000 ounces, compared to 650,000 ounces in the first half of 2019.

The company also said it expects to increase its gold output in the second half of the year, as it continues to ramp up production at its mines.
trast the successful countries of the Asian Rim apply market driven policies.

In the 1980s, Peru vigorously applied nationalism. Even the banks were nationalised.

The results were disastrous. Unemployment soared, inefficiency abounded and inflation went through the roof. In the late 1980s, at the end of Peru’s love affair with nationalisation, the country’s per capita Gross Domestic Product dropped by 11.7% annually, from US$1 146 in 1988 to US$926 two years later.

During the same period, inflation ran wild, going up by 152% annually, from an already sky-high 224% in 1988 to 7 649% in 1990.

Since President Fujimori and his centre-left coalition came to power in Peru in 1990, there has been a reversal of this policy. Legislation to return the bank to the private sector was passed in December 1990 and there is a strong move towards deregulation of the economy. The government is in a position to focus on issues of economic growth and development.

Mr Raymond Watson, a member of the UNCTAD delegation, said that the government has taken steps to diversify the economy away from the mining sector. He said that the government has also taken steps to attract foreign investment into the country. However, he noted that there is still a need for more investment in the mining sector.

Labour Market Commission and NEDLAC: connection

The Labour Market Commission and the National Economic Development and Labour Council (NEDLAC) are the key institutional frameworks for regulating the labour market in South Africa. The Labour Market Commission is responsible for formulating policies and guidelines that govern the labour market, while NEDLAC is responsible for implementing these policies.

The Commission is charged with making proposals leading to the development of a new labour market policy. This government has inherited a labour market characterized by mass unemployment, systematic discrimination, low productivity and adversarial labour relations. This is largely a consequence of the labour market policies of apartheid, most notably the pass laws that sought to direct the movement of labour. The Labour Market Commission is charged with the development of policy directed at overcoming this legacy and at meeting the employment-related objectives of the RDP.

The principle that mining operations should be conducted by private industry was reasserted, as recently as 28 March 1995, by Mr Cyril Ramaphosa at the Sub-Saharan Oil and Minerals Conference. In this context, it is important to note that the mining sector is a key source of foreign investment and employment in South Africa. The Commission is responsible for ensuring that the mining sector is managed in a way that is consistent with the country's economic development goals.
Small miners to receive aid

Michael Urquhurt

NEW SA Gold Mining would use a combination of existing technology and specially developed electronic measuring devices to set up small scale miners on alluvial gold deposits in SA, director Rick Gardner said yesterday.

The company would supply the mineral rights and lease out small scale ore processing machines to small operators associated companies and banks would provide expertise on finance and mining.

Gardner said there were plenty of alluvial deposits in SA, but these had been ignored by the large mining houses as they were too small, however these could be exploited by a small miner with low overheads.

The scheme would be launched with a pilot project consisting of three machines, operating in the Gauteng area.

Should the scheme be successful, the company would approach investors to expand to as many as 1,000 machines — the company was also looking at the rest of southern Africa and the system could be used to mine other minerals.
New system will open SAS mineral wealth to small-scale miners
Lower grade contributes to fall in gold production

Michael Urquhart

GOLD production at Gold Fields of South Africa mines dropped by 2,522 kg to 24,435 kg in the June quarter from 27,467 kg in the March quarter after a fall in grade and mill throughput.

Gold operations executive director Alan Munro blamed the production drop on the number of public holidays during the quarter and labour problems at the group's principal mines.

The grade fell across all operations with the exception of Doornfontein, to an average of 8.1 g/t (0.87 g/t). Munro said the fall could be attributed partly to an increase in tonnage from surface sources as the mines attempted to maintain mill throughput.

Deelkraal results were affected by what Munro described as a slow and unsatisfactory return to work after the violence in the March quarter.

Despite the problems the mine managed to reduce its net loss from R7.3m in the previous quarter to a net loss of R2.8m.

The mine continued to fund its capital commitments from retained earnings. Gold operations GM Michael Fuller-Good said Deelkraal had run out of retained earnings during the quarter and had R3m in borrowings by the end of the period.

Fuller-Good said the mine was struggling to rebuild production on its limited stop face base.

The most worrying factor at West Driefontein was the decline in grade, which fell to 9.6 g/t (9.8 g/t). Fuller-Good said the mine had come out of the purple patch it had been experiencing in the northeast region.

He said the mine would be working to build up tonnage from its current level of 60,000 to 72,000 tons.

Fuller-Good said the fall in grade at West Driefontein to 9.5 g/t (10.7 g/t) had been caused by the increased use of low grade material to supplement tonnage. Underground yield was also lower than wanted.

In an effort to increase grades the mine would concentrate on its higher grade Carbon Leader areas.

The reclamation plant had managed to produce a steady profit, but Fuller-Good said the high grade material currently being treated was causing an end and it would have to move to lower grade dams towards the end of the calendar year.

He said this would mean a fall in grade from its current level of 6.6 g/t to about 0.1 g/t.

Doornfontein had a good quarter, with continuous mining allowing the mine to maintain ore milled, while grade increased to 3.3 g/t (3.5 g/t). The increase in grade was unlikely to be sustainable, and it would probably be somewhat between 2.8 g/t and 3.3 g/t over the longer term.

Kloof had problems with the reequipping of the No. 3 sub-vertical shaft, where costs had run ahead of insurance coverage and had to be included in working costs.

Ore milled and grade were also down, leading to a fall in gold produced to 6,249 kg (7,430 kg).

Both the Leaudoon and Libanon divisions had a very bad quarter, with Libanon's production being affected by a fire, while Leaudoon had problems with difficult mining conditions.

The coal and base metal division increased its taxed profit to R41m, with prices of copper, lead, and zinc being maintained. Higher coal prices gave a good boost to Gold Fields Coal, which increased earnings from operations to R68m (R35m).

Production problems at Tsombe had led to difficulties in maintaining tonnage. At current copper prices, Tsombe was expected to run for another six months.

<table>
<thead>
<tr>
<th>GOLDFIELDS</th>
<th>June Quarter</th>
<th>Tons milled 000s</th>
<th>Yield g/ton</th>
<th>Gold produced kg</th>
<th>Costs milled kg R</th>
<th>Costs kg gold R</th>
<th>Price received kg R/kg</th>
<th>Net profit 000s</th>
<th>Profit after capex 000s</th>
<th>EPS after capex 000s</th>
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<td>9.0</td>
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<td>659</td>
<td>9.6</td>
<td>6,597</td>
<td>223,3</td>
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<td>43,487</td>
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<td>26,787</td>
<td>45,316</td>
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<td>43,981</td>
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<td>(15.7)</td>
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<td>(18,595)</td>
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<td>43,597</td>
<td>(3,408)</td>
<td>(3,376)</td>
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Millions stolen from gold mines

MORE than R600-million worth of gold concentrate has been stolen from South Africa's gold mines in the past three years, according to police investigators.

The stolen concentrate is melted down and shipped abroad to refineries and other receivers in Europe.

"Despite constant security surveillance and internal security at the gold mines, large quantities of concentrate continue to be stolen, ending up at various points in different communities," says Captain Hank van Rensburg of the Germiston diamond and gold branch.

"The main security problem is the easy access many workers have to the large treatment plants, where the gold concentrate is formed," says Captain van Rensburg.

"The melt houses where gold is poured have high security, but security in the treatment plants has just not proved effective," says Captain van Rensburg.

A network of organised syndicates ship the gold out of the country, often using falsely declared containers via the cargo department at Jan Smuts Airport.

"Local airport police try to check about 10% of the containers passing through Jan Smuts, but the volumes are so large it would be impossible to check every one. There are thousands of them," says Captain van Rensburg.

Much of the concentrate comes from the gold mines around Welkom, Klerksdorp and Carletonville.

Once the concentrate is safely off the mine property it is "burnt" with mercury and borax to eliminate impurities and produce gold.

While the police recently smashed one syndicate, which resulted in six men being sent to jail for sentences up to 10 years, the R200-million worth of concentrate had already left the country. It was not recovered, despite police visits to European refineries.

However, in the past three years diamonds and gold worth R12-million has been confiscated from individuals trying to take them out of the country illegally.

"So long as there are corrupt people prepared to turn a blind eye to workers taking the concentrate off the mines, and syndicates set up to ship it out of the country, we will continue to lose hundred of millions of rands worth of gold," says Captain van Rensburg.
Higher price helps lift Gengold

Michael Urquhart

A GOLD price of 4% higher helped Gengold lift taxed income 9.4% to R76.9m for the quarter ended June, the company said yesterday.

Gengold MD Tom Dale said at the company's quarterly results presentation the outcome of wage negotiations would be crucial to the ability of the mines to improve productivity and international competitiveness.

Public holidays and the lack of full calendar operations had cost the company dearly.

Because of public holidays, Gengold had worked only 75% of all the shifts available in the quarter.

Despite this, Gengold had managed to maintain its ore milled at 3-million tons, although a 2.7% fall in average grade to 4.5g/t meant gold production had fallen 2.5% to 18 648kg.

The star performer in the Gengold stable was Beatrix, which managed to lift distributable income slightly to R19.5m (R18m).

This was despite a R14m increase in capex to R24.2m (R20.2m), caused by the No 3 shaft project.

Unit working costs increased 3.2% to R23 050/kg, but Beatrix maintained its position as the SA mine with the lowest working costs.

St Helena had a poor quarter, with attributable income falling to R2.3m (R10.7m). A combination of factors, including lower gold production, the termination of a tribute agreement with Freegold and a higher tax bill, had contributed to the lower profits.

Capex had also been increased on the purchase of more Transvac machines.

Losses continued at Buffelsfontein for the third consecutive quarter, with the mine reporting an attributable loss of R3.5m (R14m).

Dale said one of the main reasons for the decreased loss was that the previous quarter had continued substantial retrenchment costs.

Buffels was walking on a financial tightrope. Gengold had already broken its unwritten rule that a mine would not be allowed to make losses for three months running.

He said if Buffels could not turn around, Gengold would have to sell it or close it down. Reef development had been cut back, but results were still disappointing.

Grootevlei's attributable income fell by R2.5m to a loss of R729.6m (profit of R1.8m), though Dale said the main reason for this was that R1.6m was spent on the purchase of adjacent mineral rights from Consolidated Modderfontein.

This area should contribute R10m-R15m over the next 8-10 years.

He said the drop in attributable income at Kimross to R1.4m (R2.1m) was a reflection of the poor industrial relations climate at the mine. It was also due to higher capital spending on the No 3 decline and the purchase of self-rescuers.

Gold output fell at Winkelhaak to 2 002kg (2 111kg) due to a temporary decline in grade at the No 8 shaft. Sundry revenue was also down due to a lower cash balance and a R15m insurance claim in the March quarter.

Leslie's gold production dropped sharply to 599kg (631kg) as grade fell after a decline in yield in the northern block. The mine also increased capex on the repair of Bracken slimes dams.

Buffelsfontein's attributable income fell as a result in an increase in working costs and a fall in capital recoveries.

Dale said the increased working costs were inevitable as the mine became older and equipment started to fail.

At Unisel, grade fell to 5.2g/t (6.3g/t) in line with a decrease in stope values on the Bokke reef on the south side of the lease area. This saw gold production cut to 951kg (1 100kg).

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Merger of four gold mines mooted

Gencor mines face radical restructuring

Michael Urquhart

GENCOR chairman Brian Gilbertson yesterday announced a radical restructuring of the group's gold interests to revitalise the flagging division.

In SA the major structural development is a proposed merger of the group’s four Evander mines, while similar proposals for the group's Free State mines are also under consideration.

However, the main thrust of the proposals is a major break with traditional mining house policy on management contracts. Gilbertson said a priority would be to reduce head office reporting levels and give mine managers more responsibility and autonomy. Mine management would assume more responsibility for the operational restructuring needed to ensure the international competitiveness of the SA gold mining industry.

Speaking at Gengold's announcement of its quarterly results, Gilbertson said that despite the country’s declining output and deteriorating cost competitiveness compared with international producers, 46% of the world's ore reserves were found in the Witwatersrand basin “If these reserves could be developed safely and economically, the life of the SA industry could be substantially extended.”

Gengold's attributable profit fell nearly 11% in the June quarter to R308m as a 2.5% fall in gold production, combined with an increase in working costs, offset a higher gold price.

He said there might be some investment restructuring of the mines. This could include merging the Evander mines and surrounding mineral rights, and also merging the group's Free State gold mines.

The size of Gengold's head office would be reduced in line with its reduced role in running the mines. There are about 130 Gengold employees, but Gilbertson could not say how many would be retrenched.

Those affected would, where possible, be offered employment on the mines.

The reduction in head office input could eventually lead to cancellation of the system of management contracts at Gengold. Typically a mine is tied to a management contract with a mining house and pays the head office fees in return for the supply of technical and financial services.

Gilbertson also announced the structuring of Gencor's gold interests into an international and a Wits basin division.

Gengold chairman Gary Mauder would take over as international gold division head and take a place on the Buliton board. He would remain on the Gencor board as director responsible for gold. It would be Mauder's task to grow the international gold division “from its small start to a world class operation”.

Gengold finance director Tom Dale would take over Mauder's position as Gengold head and would implement the SA restructuring. Dale would also be responsible for managing the development of Oryx.

Gilbertson hoped the unions would perceive the changes as being in members' interests. Gengold would consult further with the unions on implementing the changes. He also called on government to remove legislative restrictions on ring-fencing and full-calendar operations.

See Page 12
Anglo mines hit by Freegold losses

Michael Urquhart

ATTRIBUTABLE profit for the Anglo American gold mines fell 37% to R87.3m in the June quarter, as Freegold was knocked by adverse cost and gold price movements and stemmed from a March quarter profit of R89.4m to a June loss of R1.2m.

Anglo gold division chairman Clem Suter said Freegold was a big marginal producer and adverse cost or unit revenue movements could wipe out its profits.

Freegold’s loss had led the mine to put the sinking of Freddies No 4 shaft on hold until the financial situation improved.

Anglo also announced a programme of “right-sizing” on its gold mines. This would entail cutting out the mining of unprofitable areas and a reduction in mine management numbers.

Suter said with low world inflation and high interest rates, the gold price was still locked in a tight range. A gold mine had to become used to operating with a gold price of between R45 000/kg and R46 000/kg. This had influenced the group’s decision to right-size its mines.

Gold division MD Nap Mayer said right-sizing referred to all overheads. Anglo was looking seriously at head office as well as mine staffing. Other overheads being considered included payments to organisations such as the World Gold Council and the Chamber of Mines.

Mayer renewed the call for continuous operations, saying that these would allow Freegold to absorb labour likely to be lost at marginal shafts into better shafts like Freddies No 1. He said poor productivity and the June quarter’s many public holidays had been the main factors behind the fall in the group’s June quarter gold production to 53 487kg from March’s 56 588kg.

Freegold’s production fell 6.3% or more than two tons to 22 142kg and a lack of feed had caused the mine to close down its metallurgical scheme, which had made a profit of R6.2m for the quarter.

Vaal Reefs produced better results despite the accident at its No 2 shaft and faction fighting at No 9 shaft. It increased attributable earnings 67.7% to R41.6m as it held unit costs and benefited from a higher gold price. Regional GM Dick Fischer said all shafts at Vaal Reefs were now profitable on full costs. The mine would halt unprofitable mining on some shafts.

Western Deep Levels was also looking at restructuring, with the aim of reducing the four mine management sections to two.

West Rand regional GM Ken Deeks said the mine would be focusing on the south region, and intended to cut expenditure at its east and west regions.

* Picture Page 3
* See Page 8
Gold mining in crisis

Karen Harverston reports on the challenge facing the gold mines

South Africa's gold mines, plagued by low productivity, labour unrest and diminishing cost competitiveness, faced their worst year in 1994 with production dropping below 600 tons for the first time since 1958.

This year, production seems unlikely to improve, with a fall of nine percent recorded in the first quarter of the year.

Production in the second quarter may prove even worse if the recently released June quarterly results of Gold Fields of South Africa (GFSA) and Gencor are anything to go by.

GFSA's gold production dropped 9.2 percent in the June quarter, compared to the first quarter of this year, while Gencor reported a 2.5 percent drop in total gold production for the June quarter.

In contrast, Anglovaal minerals division's (Avmin) quarterly results, released this week, show a one percent rise in gold production, owing to a good performance from Eastern Transvaal Consolidated Mines' Lorraine Gold Mine, which boosted a profit for the first time since the first quarter of last year.

However, Avmin's main gold producer, Hartbeesfontein, disappointed, with production falling 14.5 percent.

The decline in gold production this quarter has been attributed to the increased number of public holidays — six this quarter compared to three in the first quarter — lowered productivity linked to labour unrest, and deteriorating cost competitiveness as mining depth increase.

Minmet president Dr Alain Edwards predicts that within five years as many as a third of South Africa's gold mines will close. "The only way to remain profitable is to work the high-grade deposits only, which will shorten the life of a mine."

Gencor, the fourth largest gold producer in the world, is looking at other African countries and abroad for future growth in gold mining, even though the Witwatersrand Basin still holds more than 40 percent of the world's reserves of gold.

This week, Gencor chairman Ian Gilbertson said its gold division, Gencor-gold, had failed to match the progress and growth seen in the group's other businesses. "Our production, mirroring that of other South African producers, is in decline, from 88 tons in 1990 to 68 tons this year to a forecast 65 tons in 2000."

He said the company, through its Billiton acquisition, was broadening its horizons to include different types of gold deposits elsewhere in the world, mainly smaller, shallower and easier mine deposits in Turkey, South America, Ghana and Indonesia.

On the local front, in a bid to increase the competitiveness of its 10 gold mines, Gencor has decided to free them to operate more independently than they have under the traditional mining-house hierarchy.

Mine managers will now be responsible for restructuring operations. The
Gold mining in bad shape

restructuring will include continuous work, extended shifts at the mine face, multi-skilling, and productivity-based pay, to increase competitiveness.

Avmin is developing its copper operations with grass roots exploration projects in Zambia and Namibia. Locally, the company is investigating setting up a R400-million greenfields underground coal project in the Eastern Transvaal coalfields. Avmin is also involved in a nickel, copper, cobalt and platinum exploration project near Slaaphoek in the Eastern Transvaal.

Anglo American already operates two gold mines outside the country, Navachab in Namibia and Sadiola Hill in Mali. Sadiola, due to come into production in 1997, is expected to become an important contributor to Anglo’s earnings in the medium term. The company is also prospecting for gold in Botswana, Senegal, Côte d’Ivoire, Niger, Ghana, Burkina Faso, Tanzania and Kenya.

JCI is pursuing gold exploration in Ghana, Tanzania, and Swaziland. It recently entered into a joint venture with Ashanti Goldfields for the redevelopment of the Kalana gold mine in Malawi.

“We anticipate a minor fall in the output of group gold mines which will be compensated for by increasing production outside of South Africa,” says corporate affairs manager Marc Gonsalves.

He adds that the recently opened South Deep complex at Western Areas Gold Mine, which has the largest mineable gold ore reserves in the world, will substantially boost production. It is expected to come online by 2000 with a life of more than 40 years.
JCI's gold division falls prey to labour, low output

Michael Urquhart

GOLD production at the mines in JCI's gold division fell 7.8% to 859kg to 10 323kg as public holidays and poor results from Randfontein cost the industry substantial production time in the June quarter, division chairman Bill Naunn said yesterday.

The lower gold production was the result of a fall in ore milled to 2.5 million tons (2.6-million tons) and a fall in grade to 4.22g/ton (4.24g/ton).

The biggest fall in gold production came from Randfontein Estates, where the retraining of 1 440 workers from the Cooke 3 section caused labour unrest. This had led to morale problems and an increase in absenteeism at Cooke 3.

The retrainments were for the scaling down of the Cooke 3 section from 310 000 tons a month to 160 000 tons a month. The entire structure of the mine had been thinned out and the workforce was reduced by 2 800.

Gold division MD John Brownrigg said with the retraining programme completed the mine was starting to see a recovery in morale and a lowering of absenteeism levels.

Working costs for the quarter, which were higher at R228.2m (R224.7m), included a R4.6m provision for retrenchment costs. The total cost of retrenchments was likely to be R8m.

With lower production from the higher grade Cooke 3 section, total grade at Randfontein fell to 3.9g/t (3.9g/t), which also contributed to lower gold production.

Despite a fall in profit from gold, profits from uranium, higher sundry revenue and a much reduced tax bill of R3.3m (R16.5m) boosted net profit to R35.9m. However, higher capex of R29.5m (R14.9m) caused by the R29.5m contribution to the environmental trust fund meant attributable profit was down at R15.4m (R17.6m).

At HJ Joel, an increase in ore milled to 175 000 tons (102 000 tons) was offset by a fall in grade to 5.1g/ton (5.4g/ton).

Brownrigg said the fall in grade was the result of limited face availability, which meant there was limited flexibility in grade control.

Costs had remained high as the mine built up its workforce in anticipation of an increase in tonnage. He said unit costs should decrease as a result of the build-up in production.

Development during the quarter had decreased from the previous quarter, as a result of less areas available for development.

Brownrigg said JCI had underestimated the problems associated with changing from trackless to conventional mining and had difficulties with water and staff turnover.

During the quarter, ore reserves were increased slightly to 735 000 tons (707 500 tons). The plan was to increase reserves to 1-million tons by the end of the year, and to increase ore milled to 100 000 tons a month by June next year.

Talks were taking place at mine management level between Joel and adjacent Beatrix on areas of mutual interest. There was the possibility of Beatrix doing some development on the Joel property to speed the build-up of Joel's ore reserves.

Western Areas, which recently completed its merger with South Deep, also experienced a fall in gold production, to 3 374kg (4 165kg).

The fall in production saw net profit slip to R33.9m. Higher capex related to spending on South Deep meant Western Areas increased its attributable loss to R41.6m (R18m).

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Gengold restructures to meet "changing needs"

Michael Urquhart

THE restructuring of Gengold was not about cutting back on head office costs, but rather aimed at transforming management styles to meet the changing needs of the SA gold mining industry, Gengold MD Tom Dale said yesterday.

The main thrust was to speed up decision making at the sharp end of the business.

Given the scale of the Gengold operation, with a turnover of R3bn, head office fees and management contracts were not major concerns. What was needed was a radical rethink of the way gold mines were run.

Dale said the industry was facing a number of headaches relating to productivity, including issues such as slow face advance and a range of industrial relations problems.

Although there were 24 shifts in a month and the face advance on a blast was 90cm, the average face advance for the industry was only 8m a month.

Continuous mining would give the mines a breathing space in which to restructure, but this strategy alone would not eliminate basic inefficiencies on the mines.

For example, although miners worked a shift of eight hours and 40 minutes, long travel times to the working rock face meant they were only producing for between four and six hours.

Although there were large potential productivity gains in the industry, they could not be achieved without the co-operation with labour. Industrial relations activities were taking up ever-increasing amounts of management time, and this trend was likely to continue.

The structure of the industry had evolved since 1976 when there had been a steady upward movement in the gold price, first with the dollar price boom in the 1970s and then with the collapse of the rand in the 1980s.

Dale said the virtually unbroken upward movement in the gold price for two decades — leading to large margins combined with tax rates approaching 80% — had created a generation of management views which did not see costs as a priority.

Also, new projects had required a great deal of specialist expertise.

Since 1987 the scenario had changed, with the gold price flat in rand terms and high domestic inflation putting the squeeze on margins. Gold mines were also getting old, and there were few new projects under consideration.

These factors meant expenditure on costly technical resources could not add value to SA mining operations in the current macro-economic environment.

Part of the aim of the restructuring was to reduce the number of reporting levels in Gengold. Previously Gengold had had 11 reporting levels from the rock drill operator to the CEO, and there were three levels between the mine manager and CEO.

Dale said previously the mine manager reported to the consulting engineer for his region, who then reported to the chief consulting engineer who in turn reported to the CEO.

In the new structure — effective from July 17 — the mine manager would report directly to the core management team of Gengold, and to the board of directors of the mine.

The core management team would consist of Dale as MD, safety and operations director Kobus Olivier, technical director Peter Robinson, finance director Brian Abott and human resources director Tom Kok.

Dale said the mines would also be encouraged to flatten their management structures. To help implement this 500 workers would receive blasting certificates by 2000 under a Gengold training programme.

A greater number of qualified people at the rock face would lower the supervisory ratio from one foreman for every 49 to 58 miners to one foreman to 10 or 15 workers.

Dale said this should have a positive effect on safety and help lift productivity. A blasting certificate was also the first statutory qualification for a supervisory position and the initial step up the ladder on a mine. It would give Gengold a larger pool of people for promotion to mine management structures.
Gold dividend payout exceeds earnings

Three major mining houses paid out R105-m more than their operations earned

BY ANDY DUFFY

Three major gold mining houses — Randfontein Estates, Gold Fields of SA and Anglovaal — paid out R105-million more in dividends than their operations actually earned.

Figures for the June quarter — in which the industry has warned it is in a crisis and faces mass retrenchments — show JCI, Gold Fields of SA and Anglovaal all chose to pay out more to investors than their mines’ bottom line earnings.

JCI shareholders received year-end payouts on Western Areas and Randfontein Estates nearly R80-million above the mines’ distributable earnings.

Gold Fields of SA paid nearly R17-million more to Driefontein’s shareholders than the operations’ income.

Anglovaal paid nearly R140-million in dividends for its mines, R9-million above their earnings, with Hartbeestfontein shareholders receiving R7.6-million more than the mine earned after capital expenditure.

Analysts said the strategy could have been prompted by the industry’s belief that their 1995 performances will recover.

But sources said such apparent generosity to shareholders could inflame the sector, which is currently grappling with wage disputes and the threat of heavy job losses.

JCI said the Western Area dividend — R76.5-million, against R19-million income after capital expenditure — stemmed from its decision to safeguard payouts after the operation’s merger with South Deep in June.

Ergo just covered its R62-million payout for the year to March, but Freegold pulled R500 000 from reserves to cover its R308.4-million dividend for the same period.

“Gengold, by contrast, paid dividends on seven mines that were covered by their available earnings,” a spokesman said. “To hit them harder just wasn’t on.”

The mine might reduce the reserves, now R1400-million, further later this year.

Anglo American, which has warned it may have to axe about 10 000 employees at Freegold, was unable to comment.

Edey Rogers analyst Duncan Ingram said technically, dividends should never outstrip earnings.

But many mining houses were keen to maintain their dividend profiles to retain investor interest.

“If you don’t pay dividends, you can’t expect people to put money into the industry,” he said.
Mines tap reserves to pay dividends

BY ANDY DUFFY

Three major gold mining houses together paid out R105 million more, in year-end dividends to shareholders, than their mining operations actually earned.

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Anglovaal paid nearly R149 million in dividends; its mines, R9 million above their earnings, with Hartebeesfontein shareholders receiving R7.5 million more than the mine earned after capital expenditure.

Anglo American's Elandsrand, Western Deep and Vaal Reefs drew a total R14.5 million from reserves after their earnings failed to cover their dividends for the six months to June.

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JCI said the Western Areas dividend - R76.5 million, against R19 million income after capital expenditure - stemmed from its decision to safeguard payouts after the operation's merger with South Deep in January.

Randfontein Estates was reducing cash reserves built up since 1992 since its finances had strengthened.

"We felt shareholders deserved to get something out," a spokesman said. "To hit them harder just wasn't on."

The mine might reduce the reserves further, now at R100 million, later in the year.

Anglo American, which has warned it may have to axe 10,000 employees at Freegold, was unable to comment.

Duncan Ingram, an analyst at Edey Rogers, said that technically, dividends should never outstrip earnings.

"Major mining houses were keen to maintain their dividend profiles to retain investor interest, he said."
Dragging SA mining into the 20th century

"We're willing to talk about it in the context of restructuring," said Judith Weymont, the media officer for the union.

"But as an item on its own it is shortsighted. It's like saying, 'Okay — the industry's got a problem so work harder.' In the long term it won't change anything."

It is a view that has much sympathy on the JSE. Few brokers and analysts are convinced continuous operations alone will save the day.

"If we could have it tomorrow, it would make no difference," said Dean Cunningham, an analyst at Ferguson Bros.

"There's a general lack of work ethic and going to a seven-day working week is not going to fix that."

"We have to address the underlying problem with the workforce and the management," said Cunningham.

There is little dispute that production disruption, linked in part to an increase in public holidays and a 12-hour workweek, is battering the industry.

In quick succession, Gold Fields of South Africa, Anglo American, Gencor and JCI have firmly pinned the blame for their disappointing June performances on stayaways.

Output last year fell to its lowest level since 1998, while costs rose 16 percent.

The chamber expects output to fall further this year, while costs could jump by 20 percent.

In the first three months of this year, 15 chamber member mines failed to generate sufficient profit to cover capital expenditure, vital to their future.

The latest round of quarterly results showed the situation worsening.

Existing working practices mean that up to 90 days of the year are inactive, depriving the industry of 18 to 25 percent of its capacity, said the chamber.

And on an international basis, South African producers pay an average 25 percent more per kgoram produced compared to rivals in the United States, Australia and Brazil.

For employers, conventional cost-cutting is no longer enough.
Reducing the capital risk

SA’s newest gold mine is about to take shape. Announcing details of a merger between Western Areas and South Deep Exploration (Soudex), mining house JCI says it will cost R3.7bn to bring Soudex to full production in eight years.

The new mine has reserves estimated at 60m oz, suggesting a life at planned extraction rates of about 60 years. When the operation is in full swing, JCI estimates the merged mine will produce 440 000 t/month at a recovered grade of about 2 g/t at a total working cost of R205/kt in July 1994 money. Interestingly, the industry average for December last year is R284. So Western Areas will clearly have a marked advantage converted into costs per oz — because grade is on the side of the new mine — this works out to R542 compared with the industry average for the last quarter of 1994 of R1 031.

JCI gold division chairman Bill Narn is at pains to point out that the merger is being effected for various reasons, including flexibility and managerial efficiencies. But a major benefit bestowed by applying Western Areas’ tax shield against the capital cost of the new development is the effect of slashing the cost of shares. Shareholders will be required to fund about R1.1bn, a reduction of just over R1.6bn or 60%, not all of that will come from tax savings, though. It will be supplemented by revenue generated from early stoping and reef development at Soudex.

Despite the strain this will impose on the mine, profit for 1993 is expected to be about R90m — of which R36m will be paid to Western Areas shareholders as the interim dividend.

A rights issue is scheduled for later this year to raise between R500m-R600m. It’s estimated that will carry the project through to 1999, when a further broadening of the equity base will be necessary — probably about another R500m.

The key to the success of the Soudex project lies in a number of technical factors, the main one being JCI’s ability to prove the reserve with an unusually high degree of confidence because of the underground access available through Western Areas.

Ed Hern, a mining analyst at Graham-Parker, notes the project is being completed in stages and that Soudex will have a well-developed, well-delineated ore reserve. This justifies a much lower discount rate than that which would apply to an operation reliant on virgin, uncharted territory. What’s more, this is a world-class reserve, with adequate head grades and a lot of consistency.

The name given to Soudex is curiously out of place. The ore bodies dip gradually between 2 500 m and 5 500 m, this is not unduly deep by SA gold mining standards. At some mines such as Western Deep Levels, for example, mining takes place at around 6 000 m. So Soudex’s greatest depth shouldn’t impose too much in the way of technical difficulties.

Despite the visibility of trackless mining techniques — on which JCI has placed great reliance — from which it has withdrawn in some areas — the group is persisting with its application in mining the Lower Elsburg reef at Soudex.

Newly appointed JCI gold division MD John Browning, until recently GM at Western Areas, says the failure of trackless mining was due to its inappropriate application. He intends turning to it in applying a draft and pillar, cut and fill system concentrating in the working areas and reducing air temperatures, vital to ensure better productivity.

The project is a timely replacement for steadily reducing reserves at older mines, many of which must now be considered comparatively short-life operations. And it comes just as JCI takes on a new character, within a few years intended to be the first black-controlled mining house.

BERGERS

Back from the brink

Bergers chairman Howard Mauerberger may be financially broke but he remains an optimist about the business that once was his. As the fortunes of his companies deteriorated over the past two years, he had to find more fingers and thumbs to plug increasing numbers of holes in the haemorrhaging dyke. The banks halted the business — and him. As matters worsened, staff morale weakened and creditors began a relentless squeeze that almost throttled it.

Three weeks ago, after the company was taken to the brink of liquidation, those pressures abated when the Cape Supreme Court sanctioned a scheme of arrangement that granted a payment of 30c in the rand to all creditors at the end of January. Also in full and final settlement of their claims, the scheme offered creditors two new Bertrard shares for each remaining 70c of their claims.

At the time it was rumoured that a number of buyers for the new shares were stalking the group. An offer price of 4c a share was mooted. It was also said that a mystery man had placed R15.5m at the group’s disposal for working capital.

Last week, it was announced that German entrepreneur Claus Daun, 51, had bought control of Bergers at 4c a share. This is the fourth JSE-listed company in which Daun has made substantial investments. He is currently chairman and principal shareholder of retailer Morkels, as well as director and major shareholder of furniture group Profurn and the tanner and leather manufacturer Silveroak.

Market talk held that Daun purchased Pepkor to stop speculation about its future. Christo Wiese, attached to too many conditions to the 4c a share that Pepkor was offering. Wiese denies that Pepkor was even in the race. He says that Pepkor had been called on by another organisation to join them in a bid for Bergers. His answer was that they should approach him when terms had been finalised — and they never were.

After the issue to creditors of new

Financial Mail • February • 3 • 1995 • 63
West Wits's cheap gold

West Wits is exploiting another high-grade resource, this one in south-western South Africa's Northern Cape Province. The company has been producing from the Witwatersrand for decades, but is now targeting a younger resource called the Main reef. The Main reef is a younger gold-bearing formation that is more extensive than the Witwatersrand. West Wits has discovered a large deposit of high-grade gold that is amenable to open-pit mining. The deposit is estimated to contain over 100 million ounces of gold, with an average grade of over 10 grams per ton. The company plans to develop the Main reef deposit into a major new gold producer.

West Wits management has estimated that the deposit could be developed into a mine with a production rate of 500,000 ounces per year. The company plans to use open-pit mining methods to extract the gold, which will be processed through a heap-leach plant. The project is expected to cost around $500 million and will be completed in 2020. West Wits estimates that the project will have a payback period of 3 years and generate a net present value of over $1 billion.

West Wits plans to use the proceeds from the Main reef project to fund further exploration and development of other gold deposits in South Africa. The company is also considering the possibility of expanding its operations into other countries in Africa, where there are significant undeveloped gold resources.

John Donald, West Wits's operations manager, said: "We are very excited about the potential of the Main reef project. We believe it has the potential to become one of the world's leading gold producers and will play a significant role in our long-term growth strategy."

West Wits has a strong track record of successful gold mining projects and is well positioned to capitalize on the opportunity presented by the Main reef deposit.
Gold mines facing new cost squeeze

Gold output had increased 25%, which contributed to the positive effect of continuous blasting on Sunday, as the group could afford to close the labour and production of the second shift. The company increased the production by one shift on a mine which had been closed. At the mine called 'Lion', the second shift of the shift was closed, which allowed the second shift to be used to work more. Each mine could, therefore, be led to work more.
Discontent over mine share swap

Michael Urquhart

Nauri said as had been extensive underground exploration work on the mine via Western Areas, this degree of risk had been maximised. This had led JCI to apply a discount somewhere between what they would apply to a "green" mine and one which would be applied to a developed mine. He did not specify what discount factor was used.

Nauri said JCI had reduced the value of Western Areas' ore reserve as it was extremely sensitive to the gold price, while South Deep already had 14 years of proven high grade reserves.

He said South Deep had eliminated the risks associated with the mining methods that would be applied, and exploration had allowed them to define the ore body with a great degree of confidence.

Share swap

Steve Arthur of UAL, a major shareholder of Western Areas, questioned the ratio. He said the risk in most new projects was often substantially more than management said, and led to shareholders getting their fingers burnt. He pointed to the example of JCI's HJ Joel, where an attempt to use trackless mining resulted in serious financial difficulties.

G O'Flaherty analyst Mark Madeyski was also unhappy with the ratio. He thought JCI should have been more generous to Western Areas shareholders, especially as JCI and parent Anglo American owned 75% of South Deep and only about 25% of Western Areas.

He said South Deep would not be producing a return for shareholders until early next century. It would benefit from early entry into the mining area from Western Areas, which was bringing expertise and infrastructure to the merged mine.

One analyst said he would have been happy with the merger ratio if some system had been in place to ensure South Deep shareholders carried the risk of South Deep until it came into full production.
The larger mining area and the grade distribution pattern would make the operation more capable of withstanding the vagaries of the gold market giving management greater flexibility to mine on a selective basis.

JCI has proposed that Western Areas acquire South Deep's entire mining operation as a going concern in exchange for 36 million Western Areas ordinary shares — a merger ratio of 22 Western Areas shares for every 100 South Deep shares held.

Capital expenditure of around R2.7 billion would be required to bring South Deep into full production. JCI has estimated, but the funding requirement should be reduced to R1.1 billion thanks largely to the benefit of the merged operation being taxed at a single entity.

Initial capital requirements of R500 to R600 million would be met partly by a Western Areas rights offer soon after the merger.

Following heavy losses by Western Areas over the past six years the mine paid only R6.8 million tax on profits of R196 million last year after restructuring its operations.

Shareholders will be asked to approve the merger, and the winding up of the remaining South Deep shell company, at general meetings to be held on February 21.

Stockbrokers Davis Borkum Hare have given the merger a clean bill of health, saying the merger ratios are a fair reflection of the value of the respective mining operations.

A major benefit to the South Deep shareholder is the use of the tax shield supplied by Western Areas while Western Areas will benefit in terms of additional life, mining flexibility and utilisation of spare shaft and plant capacities, said DBH analyst Dave Giese in a briefing to clients.
Randgold scraps ERPM, Harmony contracts

JOHANNESBURG — Randgold said yesterday it had agreed to cancel its management contracts with East Rand Proprietary Mines and Harmony with effect from February 1 in exchange for an issue of new shares in those companies.

The contract in respect of Durban Roodepoort Deep would be cancelled after the proposed merger between DRD and Rand Leases. A similar arrangement was still being negotiated with the group's other listed mine, Blyvooruitzicht.

The cancellations were requested by the mines and were in line with the intention of easing the burden of head office management fees on the mines while at the same time increasing their operational independence, Randgold chairman Peter Fleet said.

They would save ERPM R4.5m and Harmony R13.1m in their next financial years, and DRD R3.1m following the Rand Leases merger. The estimated annual savings would rise to between R7m for DRD and R24m for Harmony by the year 2000 — Sapa
Call for flexibility in work arrangements

Flexibility in work arrangements and major technological advances were required to see a revitalisation of SA's gold mining industry, Gold Fields chairman and CEO Robin Plumbridge said recently.

At the Outlook '95 conference in Canberra, Australia, Plumbridge said it was essential that SA regained its position as a leading gold-producing nation. Last year, gold production fell as a result of industrial action and general disruptions allied to the election. He expected SA's gold mining industry to have picked up and regained its reputation as a world class producer by 2000.

In the long term, the industry should strive for "the ultimate prize of mining without the use of explosives, thereby eliminating re-entry requirements due to blasting fumes, reducing the fracturing of both hanging wall and footwall and hopefully significantly reducing the numbers of people required in the mining process".

To ensure optimal gold production, a fundamental restructuring of work arrangements was imperative including rescheduling shifts away from the current 11-shift fortnight format. The prohibition on Sunday mining should be removed as other related industries were not similarly inhibited, he said.

"Flexibility will be required in the thinking of senior management, employees and their trade unions, and government ministers and those public servants who have a regulatory role to play."

Currently the average stope face could be blasted only twice a week, which meant productivity improvement was difficult. SA mining would strive to utilise all resources for at least 95% of available time within the near future.

"The number of shifts which employees will be required to work each week will not be affected. Indeed many employees will be able to enhance the quality of their leisure time by suitable rostering of shifts," Plumbridge said.

He dismissed union reluctance to review work arrangements citing health reasons. Instead, many migrant workers would benefit from new work arrangements as they would be able to schedule longer breaks from work during which home trips would be possible.

On Labour Minister Tito Mboweni's proposal to reduce the working week to 40 hours, Plumbridge warned this should not be legislated unilaterally, but should be subject to the usual union-employer bargaining process.
Nationalise Gold Fields, demands NUM

GOLD Fields should be nationalised without any compensation because it was not mining for the benefit of all South Africans, National Union of Mineworkers (NUM) president James Motlati said at a news conference yesterday.

Claiming that the deaths of six mineworkers at Deelkraal gold mine in Carletonville on Tuesday could have been avoided, he accused Gold Fields management of being "super-racists" and of ignoring claims that workers in the hostels were armed.

Hostel searches on Tuesday night and yesterday resulted in the seizure of weapons such as knobkerries, pipes and one AK-47. Fighting broke out on Sunday and tension increased yesterday when a worker was stabbed in a hostel.

A Deelkraal spokesman said the mine, which had not been operating for two days, was losing R1m a day. Management would not allow the workforce to go underground until peace was restored.

Last night the NUM and the United Mining Workers' Union of SA were served with a notice of the company's intention to apply for Supreme Court interdict today.

The interdict was to restrain members from "interfering with, obstructing, intimidating, threatening in any manner and assaulting" mine employees.

Management met the two unions separately yesterday but was unable to find a solution, the NUM said.

The NUM proposed establishing an interim community police structure which would include representation of all parties. Management rejected the proposal on the basis that the parties first had to agree and sign a declaration of peace. The proposal could be considered in the long term.
SA mines world's most expensive

SA gold producers had the dubious honour of taking the top 10 spots among the world's highest-cost producers in the Mining Journal's Gold Service February international quarterly report.

SA mines had held nine of the top 10 spots in the November report, but with SA costs an ounce rising rapidly, US producer Amax Gold was nudged out of ninth spot.

A new entry to the top 10 was Gengold's Buffelshoek. It was pushed into the number 10 spot at $897/oz after a disastrous December quarter in which a substantial part of the mine's reserves were eliminated and the life of the mine was shortened from five years to two.

Randgold's mines, which feature regularly in the top 10, had a mixed quarter. Durban Deep, the struggling producer which was pulled back from the brink of closure and is still battling to return to profitability, nudged Anglo American's Afriskander Lease out of the position of the world's highest-cost gold producer.

Blyvooruitzicht, which retrenched 7,000 workers as part of its rationalisation programme, also moved up in the ratings. But the other two listed Randgold mines, ERPM, and Harmony, both moved down, with Harmony dropping out of the top 10.

The only SA mine among the 10 lowest-cost producers, Gold Fields of SA's Driefontein, slipped two positions to number eight.

Chamber of Mines economist Roger Baxter said the dominance of SA in the ranks of the world's high-cost gold producers highlighted the vulnerability of SA's marginal mines.

He said the average SA cash cost of gold production, which excluded capital expenditure, was 25% higher in dollar terms than that of the US, Canada and Australia.

Baxter said with a set gold price, producers could compete only on the basis of cost of production. As the mature SA mining industry went deeper in search of new gold reserves, so the costs of the industry would escalate.

Baxter said seven of the Chamber's member mines were marginal producers, according to the Chamber's definition. These producers employed 119,000 people and last year produced 38,4 tons of gold.

With the cost an ounce of gold produced last year increasing an average of 16%, these mines were becoming increasingly uncompetitive.

Baxter said of the seven marginal mines, six had made a working loss last year.

He said moves to improve productivity and labour, such as Sunday blasting, would be required to halt the rapid escalation of SA costs.
New gold mine for JSE listing

By John Strya
GAUTENG BUSINESS EDITOR

A new gold mining exploration company, Amalai Gold Mining and Exploration, is scheduled for listing on the JSE in mid-April.

Amalai, which already boasts a 90-metre shaft, plans an underground mine in with production of up to 15,000 tons a month (by year four) at an average yield grade of 5.5 grams/ton of ore milled.

The ore body is located in the North West Province in an area known to geologists as the Kwaapan Schist Belt, which extends from Christiana in the south for some 220km northward to the Botswana border.

Because of the shallow depths of the ore body, Amalai projects its working costs before capital expenditure to be as low as $153 an ounce. If achieved, it will be the lowest cost mine in South Africa.

The issue price of the shares is 100c each and the projected annual dividend is 10c.

The geological characteristics of the gold belt are similar to the Eastern Transvaal where ET Corp has been mining gold profitably for decades.

The difference is that the Eastern Transvaal ore tends to be of a refractory nature and therefore difficult to extract. Further more, the topsoil is acidic, which makes surface gold anomalies relatively easy to identify.

The ore of the Kwaapan Schist Belt is not refractory, while the topsoil is alkaline, making gold amenable to natural surface leaching.

Sponsoring broker to the issue is Anderson, Wilson & Partners.
Durban Deep losses grow

DURBAN Roodepoort Deep, the gold mine managed by Randgold & Exploration, increased its loss after taxation for the year to December to R39.3m compared to a loss of R12.5m for the previous year.

The major contributor to the increased loss was a retrenchment cost of R18.7m, which was incurred when the mine reduced its workforce following a major downscaling of underground options.

The retrenchment costs were partially offset by a sale of gold in process, which raised R13.2m for the Roodepoort mine.

Results were further hammered by an abnormal item of R3.3m in respect of bond-raising and registration fees on a R36m facility obtained.

The working loss also increased, from R15.8m in 1993 to R25.4m in 1994.

Ore milled fell sharply to 604 000 tons (1-million tons), which Durban Deep said was in line with planned production rates.

It said a capital development programme had been initiated to bring targeted reserves to account. Production from underground would be built up to 40 000 tons a month by August 1995.

A circular on the planned merger with neighbouring Rand Leases would be sent to shareholders during April 1995.

MICHAEL URQUHART
ANGLO AMERICAN GOLD MINES

The cost spectre returns

VAAL REFS

Controls: Anglo American Group 48%  
Chairman: C L Sunter MD N Meyer  
Capital structure: 15.1m ords Market capitalisation R5.6bn  
Share market: Price 25.975c Yields 4.8% on dividend 4.8% on earnings e e ratio 20.8 cover 1 12-month high 49.800c low 24.600c trading volume last quarter 920 000 shares  
Year to December 31 ‘91 ‘92 ‘93 ‘94  
Tons mined (000) 11 335 11 911 11 951 11 529  
Yield (gt) 6.5 6.3 6.4 6.1  
Cost (R per kg gold) 24 370 24 416 28 056 30 800  
Gold produced (kg) 73 836 79 427 76 110 70 687  
Earnings (c) 1 031 1 110 1 370 1 247  
Dividends (c) 1 035 1 110 1 370 1 245

If they do anything, latest reports for North-West and Gauteng province gold mines administered by Anglo American underline the fragility of this industry. In particular, they illustrate mines’ susceptibility to the moody swings of an increasingly unpredictable labour force. Curiously, militancy is growing just as the industry is preparing for fundamental restructuring. Whether the belligerence of organised labour will help or hinder is another matter.

Another factor is that recent legislation trebled paid public holidays in the industry to 12. This will exacerbate already serious low productivity. It is not simply the addition of an extra holiday at stray times mines are not like that. They take time to wind down, even longer to wind up.

Given that capital utilisation (as measured by installed shaft capacity) is already low, removing Sunday work limitations and introducing continuous working becomes vital, as gold division chairman Clem Sunter bangs on about without remission. Some mines are renegotiating Sunday blasting and mining, usually on development rather than stopping, and the shortening of re-entry periods after blasting.

At Vaal Reefs, which includes Southvaal, Afrikander Lease and Eastvaal, tonnage milled fell noticeably, largely because of last April’s general election and pervasive labour instability. Yield fell notably in the North Leahe to a complex average of 6.13 grams a ton (gt) The 28% fall in tax payments came largely from the abolition of lease payments.

Gold revenue was up 16% in rand terms but costs rose 18% and capex 17% so there was a net decline in EPS from 1.37c in 1993 to 1.247c. It is not a happy picture.

Soutvaal’s mill throughput fell 8% but an increase in yield of 5% helped by costs held well at 8% and the 16% revenue increase emphasised this company’s ability to get out of trouble. A feature was the focus on reducing stope widths with a consequent increase in yields.

The issues facing Western Deep Levels are no less gloomy. Labour relations, relatively normal in the first six months — the election interruptions aside — deteriorated sharply in the second half. Many of the problems are a reflection of those found across the industry, management of the single-accommodation hostels for one, waiting times for shaft cages another.

A feature is how backfilling appears to be helping with the mine’s notorious seismic problems. Backfilling is now extended to all panels being mined on the Carbon Leader reef and 14% of those on the Ventersdorp Contact reef. While frequency of seismicity (rock bursts) has declined only slightly, they are much less severe.

The mine’s yield dropped 9% last year and distributable earnings were down 11% despite an increase in revenue per kilogram of 15% EPS of 50c compared with 1993’s 56c. Not surprisingly, dividend fell 11% to 50c a share (1993 560c).

Prospects for 1995 appear rather better. Unusual difficulties in the last quarter of 1993 relating to hoisting should be at an end. Coupled with an increase in yield, Western Deep’s should be better protected against an uncertain labour environment.

ELANDSRAND

Controls: Anglo American Group 70%  
Chairman: C L Sunter MD N Meyer  
Capital structure: 97m ords Market capitalisation R1.8bn  
Share market: Price 1 850c Yields 3.5% on dividend 3.4% on earnings e e ratio 26.4 cover 1.0 12-month high 3.500c low 1 850c trading volume last quarter 1.6m shares  
Year to December 31 ‘93 ‘92 ‘93 ‘94  
Tons mined (000) 2 276 2 153 2 262 2 120  
Gold revenue (gt) 6.5 8.7 8.2 7.4  
Cost (R per kg gold) 23 690 22 082 22 725 21 086  
Gold produced (kg) 14 890 18 662 18 428 15 670  
Earnings (c) 35 66 102 83  
Dividends (c) 35 60 100 65  

payments rocket to R46m (1993 R18m). Eilandrand turned in an equally depressing result. EPS fell 35% to 63c from 1993’s 102c. The dividend fell in line — 35% down to 65c.

The mine is being pinched at both ends. Yield fell an average 9% to 7.42 gt while unit costs surged 28% to R29.08/kg produced Revenue, up 17% to R43 270kg was hardly enough to offset these rises Planned mill tonnage of 280 000 units probably won’t be achieved until mid-1996 because of a shortage of face in the deeper levels.

This invites a general comment that most mine’s have curtailed capital programmes for a long period. Now they are financially

WESTERN DEEP LEVELS  

Controls: Anglo American Group 48%  
Chairman: C L Sunter MD N Meyer  
Capital structure: 27.7m ords Market capitalisation R6.6bn  
Share market: Price 12 200c Yields 4.1% on dividend 4.1% on earnings e e ratio 24.3 cover 1 12-month high 23 000c low 11 900c trading volume last quarter 1.1m shares  
Year to December 31 ‘91 ‘92 ‘93 ‘94  
Tons milled (000) 6 623 6 469 6 869 6 656  
Yield (gt) 6.2 6.9 6.6 6.1  
Cost (R per kg gold) 23 249 25 961 26 207 31 098  
Gold produced (kg) 41 110 38 354 43 406 36 743  
Earnings (c) 350 312 561 502  
Dividends (c) 350 310 500 500

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P.T.O.
healthier there is an urgent need to resume development capital programmes but this whole effort is being dampened by continued falls in productivity. For the time being, investors are probably best advised to adopt a sit-and-see attitude to all SA gold producers.

ARIES PACKAGING

Strong record

Activities: Screenprinting and manufacture of packaging paper cones, tubes and fibre drums
Control: Directors 59%
Chairman: G. E. Kohler MD D. Nekcl
Capital structure: 11m ordinary market capitalisation R94m
Share market: Price 310c Yield: 2.9% on dividend. 10.0% on earnings, p/e ratio 10.4, cover 3.5, 12-month high 310c, low 290c Trading volume last quarter, 400,000 shares
Year to December 31

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<td>Dividends (c)</td>
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<td>Tangible NAV (c)</td>
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<td>70.6</td>
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After a first half fraught with trading and manufacturing uncertainties, Aries turned in an unexpectedly strong second-half performance on the back of the improving economy and increasing packaging usage. Turnover advanced by 9%, about in line with inflation, so there was no gain to the market share. However, the company's customer base expanded along with volume growth especially in the corrugated container division MD Dieter Neckel says turnover value was constrained because, in the face of steep competition, selling prices were held constant for most of the year. The corrugated container division sacrificed sales volumes to aim for a more profitable niche market. This strategy worked but the fibre drum division the only producer of this type of packaging in southern Africa, fell short of its volume growth objectives.

The 24% increase in operating income is a better indicator of the group's progress. It shows working capital was well managed and productivity improvements continued to be gleaned from the production and distribution process. Cash generated by operations rose 16%. And though working capital increased - principally because of forward buying ahead of paper price increases - funds on call at the year-end were a high R2.2m. Net interest paid fell two-thirds and pre-tax profit rose 32%.

The share rose from 70c in 1992 to 130c a year later and from 220c in March 1994 to 310c now. It has appreciated 4.4 times in the past three years. EPS trebled over the same period. Yet the share is valued on a low historical p/e of 10 in a sector with an average p/e of 18.

The total tax bill including the tranferential levy and STC, was only 37% of taxable earnings. Thus it will be closer to 41% Neckel says trading is ahead of budget in all respects. He believes earnings growth should at least match last year's 32%.

That would take 1995 EPS to roughly 41c, placing the share on a low prospective p/e of 7.6. Even a 10c p/e would value the share at 410c without any retarding. There are only 11m shares in issue but Aries is well traded in a relatively liquid market.

The share offers sound value and should be bought.

DEFINITIONS

Total shareholders' funds: The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments.

Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus current liabilities equal to total assets.

Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax.

ISSUES

KIL PAID LETTERS

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FULLY PAID LETTERS FOR ALLotted

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RESULTS AND DIVIDENDS

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<td>Rm</td>
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PRICES OF LETTERS:

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<th>Take up price</th>
<th>Price Mar 6</th>
<th>Price Mar 13</th>
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P = Preliminary | F = Final | W = Weighted earnings per share | I = Inform | D = Not comparable | M = 5 months | D = Dividend paid | V = Per linked unit | U = Per combined unit | E = Award of options, minimum of 130c each per share | F = Pro forma | D = Fully diluted | S = Not attributable profit after tax | D = Dividend | A = Interim dividend | A = Annual
Little sheen seen for SA gold mines

JOHANNESBURG — South Africa's gold mining industry, the world's top gold producer, would show sharply lower earnings for the second consecutive quarter when mines report this month, analysts said.

"We're expecting pretty poor results across the board," Simon Vink of Simpson McKie Inc told Reuters.

Public holidays and ongoing labour disruptions hit gold production in the three months to end-March, while a lower gold price received — the result of a lacklustre gold price and unfavourable exchange rate — compounded mine woes.

"And it's not going to get any better soon," cautioned Duncan Ingram of Edey, Rogers & Co Inc.

Gold mining provides jobs to thousands in South Africa and bullion is the country's largest earner of foreign exchange.

Gold Fields of South Africa Ltd starts the results reporting period for the three months to end-March on Monday, followed by the remaining five major mining houses.

Nico Goodwin of E W Balderson Inc said total earnings could fall by up to R100 million after capital expenditure and including small independent mines, to about R450 million from the preceding December quarter.

Mr Goodwin estimated the average gold price received for the entire industry, including the proceeds of small amounts of gold hedging, at about R1 360 an ounce from R1 370 previously.

Analysts said an expected fall in gold output would be tempered by the use of some mine stockpiles, but at least five tons, if not more, would be sliced off the preceding period's 140 tons.

Costs continued to rise, Mr Goodwin said, and the average profit margin would fall to about R250 an ounce from R335.

Analysts said capital expenditure was likely to be cut from the December quarter, which was higher than normal because some mines with financial year-ends manoeuvred spending for tax reasons. — Reuter
GFSA results disappoint

Business Staff

GOLD Fields of South Africa blamed violent unrest and public holidays for a 30 percent fall in profits in the group’s gold mining operation.

Group profit after tax dropped more than R66 million to R299.3 million in the March quarter.

Releasing GFSA’s quarterly results yesterday, executive director Alan Munro said Deelkraal had been badly affected when six employees were killed during March and operations ceased for seven days.

At West Driefontein similar coercive behaviour, including violence, occurred and “unco-operative employee attitudes” prevailed at other mines.

Tonnage milled dropped and as a result gold revenue declined from R1.331 million to R1.195 million in the March quarter.

Contingency plans were being formulated for the cessation of underground operations at the group’s Doornfontein mine. The mine could be closed because of high costs and a decision might have to be taken in the coming quarter.

A similar question mark hangs over the future of violence-hit Deelkraal.

“The results for the year to date leave the company’s balance sheet in a state which requires urgent attention,” GFSA said.

Mr Munro described the gold division’s results as “disastrous”. All of the group’s coal and base metal companies had satisfactory March quarter figures.

A Namibian company has won a lucrative contract with the Cape Town City Council because it can transport South African coal more cheaply than its South African rivals.

MacPhail Namibia Coal (Pty) Ltd would deliver about 10 000 tons of coal a month for the city’s Athlone power station beginning at the end of April, a senior company source said.

The contract is estimated to be worth R20 million.
Unrest, public holidays cut GF pro
fit

GOLDFIELDS' gold operations executive
director Alan Munro describes results as
disastrous.

Labour unrest together with the observance of public holidays at Gold Fields four
distinctly took their toll on the group's gold production in the December quar-
ter, he said.

The December quarter was the group's worst for years, with production down
25.9% to 1,067,700 ounces. Production in the corresponding period last year was
1,426,800 ounces.

The group's total profit for the December quarter was down 38.8% to R13.5-
million, with operating profit down 50.7% to R12.2-million.

In 1987, Gold Fields achieved a total profit of R43.8-million.

The group's share price was down 50 cent to R3.50 on the announcement of
its December results, bringing the share price for 1987 down by 100 cent to R13.50.

Munro said that the group's return to profit was attributed to the successful
operation of its gold mines and the successful production of its underground
milling venture.

However, despite the group's profit figures, Munro said that the group's
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The group's profit figures were also affected by the group's decision to
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Violence badly hurt by Labour disturbances

Striking of metals gave an industry already in financial difficulty
Gold mining under threat

BY CLAIRE GEBHARDT
ECONOMICS EDITOR

Mineworkers, a strong rand and a weaker gold price are threatening South Africa's mighty gold mining industry, economists said yesterday.

Gold Fields' disastrous quarterly gold results which catalogued falling production, plummeting profits and uncooperative employee attitudes, combined with a rand price of gold which had not kept rising sufficiently to keep pace with rising costs, was likely to spill over onto widespread unemployment in the longer-term.

Yesterday, Anglo American Corporation said the tribal clashes at its Vaal Reefs Number 9 shaft could cost R4,6-million in a "worst-case-scenario" over two days, given that the shaft normally produced about 53kg of gold a day worth about R2,3-million rand at the present price.

Gold Fields warned this week that underground operations could cease because of a deterioration in underground tonnage.

Econometrix director Dr Azar Jammie said many of the industry's problems were the result of the unionisation of the South African workforce which had so much power that it was destroying jobs.

"Labour has to recognise that if it carries on demanding massive wage increases it will price itself totally uncompetitively on international markets."

From a macro-economic point of view, the gold industry had declined in importance with gold exports now accounting for less than one quarter of total exports compared to about half in the early 1980s.

"As a percentage of GDP, the share of mining had also decreased to 8,5% in 1994 from about 16% a couple of decades ago."

But the closure of mines, such as the Primrose gold mine, had a very negative ripple effect on employment given that each miner probably had about 19 dependents.

Jammie said in order for the mines to stay profitable the rand price of gold had to rise by as much as mining costs which were rising at 10% or more.

"The dollar's plunge has also had a negative impact given that the price of our exports is not rising because the rand has turned against the dollar but the price of imports have risen very sharply because of the rand's collapse against the yen and the DM."

"So inflationary pressures are there but we're not benefiting from exports." He warned union demands for higher wages were threatening to make mines unprofitable.

The USA and Australia and Canada were all mining gold without big underground operations and mining more efficiently.
LEADING ARTICLES

GOLD MINING

Danger: unemployment ahead

But job losses are only one of the structural problems facing the industry

In January, while presenting the quarterly gold mine results, Anglo executive director and gold division chairman Clem Sunter said about 15,000 jobs were at risk. No-one paid much attention.

They should have. It now transpires that Sunter underestimated the cost threat seriously, though whether he did so deliberately — perhaps to avoid being labelled alarmist — is something he won't comment on. The FM calculates that the redundancy cost curve — and its imminent approach to the revenue line — suggests the number of jobs at stake at Anglo-managed mines alone may be as many as 50,000. If an economic multiplier of 10 is applied, then as many as 550,000 people now dependent on mines may lose their means of support.

A sharp reduction in the labour force is not the only structural change facing the industry. Other issues include the fees which mining houses met from captive mines, the nature of the houses and their standing in relation to the mines and, finally, the organisation of the industry's massive labour force (the gold mines are SA's largest single private employers).

Sunter's view, echoed in part by others, is that, somehow, the work ethic has been lost, labour costs are spiralling out of control, and many shifts — and mines — are becoming dangerously marginal.

Kalgoorlie is Australia's most important gold producing area. Most mines there are shallow and mined open-cast.

On average, Aussie miners earn about R250,000 a year (about R135,000), they also produce about 20 kg of gold, now worth about R900,000. On this basis, salaries and wages on Australian mines account for a modest 15% of revenue.

The average wage here is about R11,800; the mines are deep, many are old and mining is expensive. However, miners at Anglo mines last year produced about 1.5 kg of gold each, with a value of R67,500. Wages, therefore, are 17.5% of revenue.

Differences like this highlight the way SA has fallen behind 20 years ago, our mines were the world's lowest cost producers, now they are the most expensive.

Of Anglo's 33 operating shafts, 10 last year produced 80% of gold division profits. That means 23 shafts, employing 55,000, contributed as little as 20% of earnings. Is there any point in keeping them open?

Sunter responds that two areas have an impact on closure decisions: "We are conscious that in this new country we have social commitments and responsibilities. We are well aware of the personal suffering retribution brings. Second, closed shafts aren't easy to reopen. If the gold price suddenly rises considerably and the situation stabilises for a sustained period, reopening shafts becomes a priority. Meanwhile, flexibility and profits have been lost."

The trouble with Sunter's response, sensible though it may be, is that it induces the casualness he seeks to avoid. Is there a pervasive belief that something (what?) will always rescue the industry from its worst moments, that jobs won't be lost? Dreamy belief of this kind denies the unacceptable truth that employment in the industry peaked in 1986 at 534,000. The figure plunged to 366,000 in 1993 — a loss of 168,000 jobs in seven years. A third of previous work opportunities in the mines were wiped out.

Gold Fields executive director Alan Munro says at least part of the work problem is a Protestant ethic relating to strict observance of the Sabbath. "This is entrenched in law," he observes. "And it's the same law, more or less, that President Kruger handed down in the last century. It has been whipped away in some areas but we still aren't allowed to run mines on Sundays, though to be fair some metallurgical plants have operated continuously on exemptions for as long as 100 years."

Continuous mining is a Sunter hobbyhorse. "Whoever heard," he asks, "of a steel plant anywhere operating other than on continuous production? There isn't one. But we are expected to close down huge mines and then reopen them at the drop of a hat. The number of public holidays is excessive for us (it is now 12 compared with the previous seven) Even worse is that we can get nowhere in discussing how to resolve the urgent matter of declining productivity. Some of us who could be arrested and turned around if we could run the mines continuously."

Anglo wants to move rapidly to much higher bonus payments. Sunter wants miners eventually to receive up to half their earnings through bonuses. He is supported in this by JCI MD Bill Nairn but not by Munro. "We favour direct, accountable, bonuses," says Munro, "but we are opposed to loading responsibility for ultimate profitability on to employees who can do little to influence bottom-line outcomes."

Randgold chairman Peter Flack entirely subscribes to the bonus approach. "To a significant degree, we have already implemented this. At Durban Deep, for example, with a much reduced workforce, we've introduced major bonuses that enable every employee to see and realise the effect of his own efforts on his monthly take-home pay."

These sharp differences of approach and philosophy emphasise the industry is anything but a monolithic cartel. When the National Union of Mineworkers (NUM) sits across the negotiating table from industry representatives, its officials are well aware of these essential dichotomies. The trouble this year is that negotiations will have a rather more serious undertone the underlying, perhaps unsaid, theme will be how to save jobs rather than how much more can be paid.

Recent labour difficulties spelt out in the FM's earlier prediction that 1995's first quarter would produce abysmal results reflecting a decline in production of as much as 12% to 15% of gold (confirmed by this week's report from GFSA), have not passed unnoticed among international investors. They are a major reason for the poor rating of SA gold mines. For example, mines administered by American Barnack are valued at about US$215/oz reserve in the ground SA mines are valued, by contrast, at about $50/oz and, in many cases, much less — down to $35 sometimes.

Flack attributes this dreadful rating to the accurate perception that SA mines do not have what he calls "blue sky" and are confronted daily with apparently intractable labour problems. Worries about political instability may also play a role.

The role of the mining houses is incomprehensible to many foreign observers and investors. International mining is not organised along rigid house lines (though Rio Tinto and BHP; the two largest, unashamedly resemble SA's institutions) across the board.

What global investors find difficult to
LEADING ARTICLES

HOW SOME MINES ARE TAPPED

Head office fees

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*Net profit before tax

Compiled by Ed Hern; Johnstone

FINANCIAL MAIL • APRIL 14 • 1985 • 20
Anglovaal takes a beating

BY DEREK TOOMBS
MINING EDITOR

The Anglovaal group's gold mines have been hurt by the general malaise which affected much of the gold mining industry in the first three months of 1995, the company reported yesterday.

Group profits from Anglovaal's four gold mines dropped by 20.6 percent from the previous quarter, down from R47 million to R37.3 million. Contributory factors included lower gold prices received by three of the four mines, an increased number of public holidays and the delay in restarting production at Eastern Transvaal Consolidated.

Working profit from gold mining at the group's flagship, Hartbeestfontein, dropped from R68.7 million to R48.9 million, following a lower tonnage milled, a drop in the yield and an increase in rand/kilogram costs. But costs per tonne milled were unchanged.

Profit before tax, including non-mining income and stores adjustment, dropped from R72.2 million to R49.2 million. Profit after tax was R34.1 million (R42.9 million).

The working loss at Lonene, a marginal mine, rose from R1.7 million in the December quarter to R2.7 million in the March quarter. Hitting profits was a slight decline in the tons milled, a small drop in revenue an ounce and a rise in costs for each ton milled. The yield was slightly higher. Taxation took R711 000 and pushed the loss after tax to R2.2 million (R804 000 in December).

Eastern Transvaal Consolidated's insurers helped to keep the mine profitable in the March quarter with payouts resulting from an explosion in November which irreparably damaged the mine's calcite precipitator. With a payout of R7 million (December R7.6 million) the mine had a profit before prospecting expenditure and taxation of R4.1 million (R5.8 million).

A tax refund of R1.5 million boosted the taxed profit to R4.5 million (4.1 million).

The precipitator has been replaced and the plant was recommenced by mid-February.

Village Main increased its working profit to R2.6 million from R1.8 million in December, following an increase in grade and a higher gold price. However, there is a question mark over the future of the operation as a further R683 000 (R660 000) was appropriated for closure costs. Taxed profit was R767 000 (R741 000).
dropped by almost 50 percent from R17.6 million in the December quarter to R2.1 million, while Winkelhaak's profits dropped more than 70 percent from R10.4 million to R2.3 million.

The group's other mines were able to maintain their earnings in spite of the holidays which disrupted production.

Production at Kanoss dropped from 445,000 tons to 385,000 tons. But the greatest damage to earnings was the drop in the yield from 6.4 grams to 5.1 grams a ton, following a sharp drop in production at the No1 and No2 declines - the mine's higher grade areas.

Working profit from gold dropped from R35.1 million to R2.6 million.

At Winkelhaak, production dropped from 380,000 tons to 332,000 tons, while the grade dropped from 6.8 grams to 6.4 grams a ton. Gold output fell from 2,582 kg to 2,111 kg.

Working profit from gold fell from R24.8 million to R2.2 million.

In contrast, Beatex had a good quarter, says Gengold's chief executive, Gary Maude, and during the March quarter became the lowest cost producers in the industry.

Production rose from 542,000 tons to 564,000 tons while the yield increased from 6.1 grams to 6.3 grams a ton. Working profit rose from R44.9 million to R75.5 million. However, lower tax trimmed distributable income from R15.4 million to R18 million.

Buffelsfontein, which warned three months ago that it might have to close, is again making a profit.

Grootvlei increased its distributable income from R1.7 million to R3.8 million. Some good results from limited development on the Black Reef should sweeten this quarter's grade.

Stilfontein, which is working only surface dumps, had a distributable income of R2.6 million (R2.1 million). Maude said the company had a life of around 10 months. However, a rise in the gold price to around $466 in this period could lead to the restarting of underground mining on the Ventersdorp Contact Reef, where Stilfontein has large tonnages with grades just below the present pay limit.

Bonas

St Helena had a distributable income of R10.7 million (R10.3 million). The mine is reopening No 4 shaft, which has large quantities of gold-bearing ore which grades slightly below the pay limit.

In a bid to create employment, it has arranged, with the unions to employ 450 workers previously retrenched from the mine on a low basic wage but high productivity bonus, linked to the profitability of No 4 shaft.

Drilling at the problem mine Oryx has shown grades above the mine's pay limit. But these will need to be confirmed by underground development, says Maude. This is likely to be in the third quarter. However, he does not envisage any production at the mine until next year.
Primrose Gold Mine to continue operating

THE troubled Primrose Gold Mine in Germiston on the East Rand, which is under liquidation, is to continue mining on a reduced scale in terms of a compromise reached between creditors and other groups on Tuesday.

Mineral and Energy Affairs Minister Mr Pik Botha yesterday said the compromise was agreed to at a meeting in Pretoria between the liquidator, Mozambique's ambassador to SA, the National Union of Mineworkers, former company management and the government.
Mixed results from mines

GENGOLD mines produced mixed performances, with the Evander mines particularly hard hit by labour unrest and the Free State mines managing to achieve good results.

Overall gold production declined by a ton to 14 tons, caused mainly by a 15% fall in grade to 4.8g/t.

The star performer in the Gengold stable was St Helena, which lifted gold production to 1 499kgs (330kgs), despite a slight fall in tonnage milled. The increase in gold production came about as a result of a higher grade of 7.1g/t (6.3g/t).

Gengold chairman Gary Maude said the higher grade was a result of the increased use of Transvac machines, an industrial vacuum cleaner which recovers gold which falls into cracks in the floor of the mine working area.

Maude said the success at St Helena had allowed it to create an additional 300 jobs, and a further 500 could be created with the co-operation of the union.

This would be achieved by mining areas which were currently not economically viable through paying workers in these areas a lower basic wage and relying more on profit sharing.

In the Evander area, Kiaross had a disastrous quarter, with labour problems leading to a fall in gold produced to 2 025kg (8 532kg). Ore milled and grade down Maude said the mine had been scrapping to make up the tonnage, and this had led to the fall in grade.

The other major Evander mine, Winkelhaak, also saw gold fall sharply to 2 111kg (5 923kg). This had been caused mainly by a fall in tonnage, which dropped to 263 008 tons (580 000 tons), and by a slight fall in grade.

At both mines the lower gold production had seen unit working costs shoot up, closing on unit revenue at Kiaross costs were R2 082/kg (R2 756/kg), while at Winkelhaak costs were R2 656/kg (R3 430/kg). Beatrix, Grovitein, Unisol and St Helena were able to reduce their working costs.

Leaside, also in the Evander area, managed to maintain gold produced at 631kgs (651kgs).

The reduction in working costs at Beatrix to R2 656/kg (R2 432/kg), has seen the mine take over as the lowest cost producer in the SA industry from Gold Fields’ De Riverfontein.

Beatrix made a loss after tax of R11m (loss of R5.5m), but underground operations have returned to profitability in the last month of the quarter.

The mine had throughput problems with its Multi-Gold project, which treats surface material. Maude said the problems were probably related to rock size, and would take six to nine months to sort out. Currently Multi-Gold was producing a profit of only R1.4m a month, when planned profit was R2.4m.

Stifffontein continued rehabilitation of the mine property and treatment of surface material. The dumps would give the operation another 10 months of life, Maude said. Gold price of more than $480 would be needed before underground mining could begin again.

Maude said that Unisol had a good quarter, as it had built up production in a new area.

Gengold’s struggling developing mine Oxryx was being funded by about R12m a month by parent Gencor. Borehole results were promising.

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<th>Price received R/kg</th>
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Sceptical response to new mine

Jacques Magliolo reports on the listing of a new small gold mine

Amalia Gold Mining and Exploration, listed last week on the Johannesburg Stock Exchange, will have its work cut out convincing the sceptics that it is a sound investment.

Nick Goodwin, gold analyst at EW Balderson notes “Despite all the good intentions of the directors to make a success of the venture, investors suffer from small gold mine syndrome.”

This “worry” by investors of buying shares in small gold mines is caused by the disastrous listings of Barmin, Osprey (delisted) and Gazgold (shares consolidated) in the last few years. Amalia’s share price listed at 100 cents last week, and climbed at first to 110 cents, but at the time of writing was trading at 90 cents a share.

On the positive side some analysts suggest the company has some upward potential. Mathison & Hollidge head of research Robert Gillan says “The rand gold price is at an all-time high and it is thus a good time to buy gold shares.”

Amalia’s plans depend on the Schweizer Reyneke-based gold mine achieving a low production cost. According to Amalia’s pre-listing prospectus, “Working costs in current money terms will be R96 per ton of ore milled at the full production rate of 8 000 tons a month.”

Amalia’s managing director, Ron Creasy, says “At a breakeven of $146 an ounce, we should not have problems obtaining our goals.”

Bruce Williamson, gold analyst at JD Anderson, reckons “By world standards this mine would have one of the lowest breakeven points. What is strange is that, at this late stage in the history of gold exploration in South Africa, nobody else found this low-cost mine operating mine.”

Low-cost producers are rare here, he says, particularly with unstable labour, low productivity and low grades in the Amalia target area.

Amalia estimates a yield grade of about 5.5 g/t. The directors believe “that sufficient ore resources exist to support a production rate of 8 000 tons per month for at least 20 years of operations.”

The directors also believe the mine can achieve profitability by the end of this year, and that yields and working costs are not unrealistically. The mine is different to others, they say, in that it is not an open-cast mine or a deep mine requiring shafts.

“As opposed to dump retreatment operations and down-dip extensions of existing mines, Amalia Gold Mining is a completely new operation,” says Creasy.

Goodwin sums up expert opinion this way “The target area for the mine has, I believe, sound reserves. However, the problem is a marketing one, in that investors buy shares which they perceive will climb and not because the mine will find sound deposits.”
Anglo confident of strike-free year

The group warns that a 10 percent increase in gold mining costs this year could lead to shaft closures and job losses.

By Derek Tomney

The Anglo American Corporation does not expect a gold miners' strike this year, said Clem Sunter, head of the group's gold division at a presentation on the group's quarterlies in Johannesburg yesterday.

Sunter said that on the whole the group's relationships with the central officials of the mining unions was good.

He believed that the group would get a great deal of support from the unions for its ideas for continuous production and for a productivity bonus. But he warned that a 10 percent increase in costs this year could lead to the closure of several of the group's shafts, which would result in substantial job losses.

Sunter said the available profit for the quarter dropped by R62.5 million or 30.2 percent to R14,5 million, mainly as a result of lost production arising from an increase in the number of public holidays and labour disturbances. Gold production dropped 8.7 percent from 61.979 kg in the December quarter to 56.599 kg. While the average gold price received dropped from R44.584 to R43.703 a kilogram.

Working costs were fractionally higher at R2.106 million, but the average unit costs were 9.9 percent higher at R37.241 a kilogram (R33.889).

The drop in available profit was cushioned by cutting capital spending more than a third from R42.8 million to R22.1 million.

Freegold's available profit dropped by 24 percent from R59.1 million to R47.3 million, while Vaal Reefs's profits fell by 53 percent from R53.2 million to R24.8 million.

At Western Deeps, profit dropped almost 38 percent from R23.3 million to R14.5 million. However, Blandersridge resisted the trend with profits falling just over 14 percent from R16.4 million to R14.6 million and Ergo increased its attributable profit from R15.1 million to R15.9 million.

Nap Meyer, managing director of the gold division, called the quarter most unsatisfactory, but said the current quarter could be better if the gold price maintained or improved its present level and the labour force settled down to a more productive frame of mind.

He said the group could not afford an abnormal increase in costs, given that about 16 percent of gold production, while providing 20 percent of the group's employment, did not contribute to profits.

Thus non-profitable gold was being produced in old shafts with ore quantities just below the pay limit at current gold prices. Major cost cuts forced the facilities to be closed, and it would be difficult to reopen them.

Meyer said a 10 percent rise in costs would result in about 29 percent of Anglo's gold production becoming unprofitable and jeopardise the jobs of 39 percent of its workers. In response, Anglo has proposed to the unions a bonus scheme linked to productivity and the gold price.

The introduction of continuous mining could increase the number of shafts worked by the industry from 72 to 92 a month. No other mining industry in the world closed for weekends, Meyer said.
Marginal gold mines do not glitter yet

RESULTS for marginal gold mine operator Randgold's four listed mines were mixed for the March quarter, with overall profit after tax slipping to R1.4m from R2.8m in the December quarter.

The main cause of the fall in profit was Harmony, where a combination of lower gold production, lower unit revenue and higher working costs squeezed working profit down to R1.1m (R15.3m).

This was offset by better results from Blyvooruitzicht and Durban Deep, although a sharp fall in grade saw ERP decline into the red.

Randgold chairman Peter Flack said ERP and Harmony had started the quarter very badly, but had ended on a stronger note. The mines had not experienced the labour disruptions which had plagued the rest of the industry, but he was not exactly sure why.

He said Randgold was moving towards a two-tier supervisory and management board structure. Unions would be given representation on the supervisory board.

Exploration expenditure almost trebled to help after-tax profit for the half-year to March fall to R406 000, from R5.1m for the same period the previous year.

© See Page 13
Sunday mining 'Industries Lifesbelt'

Nanaimo Standard, Thursday, April 2, 1998

The company that builds the equipment for finding gold to
their own natural resources.
JCI gold mines suffer 4% drop in production

PUBLIC holidays and labour disruptions, lower than expected grades at Western Areas and an expected fall in grades at Randfontein Estates saw gold production at JCI gold mines fall by 4% to 11 196kg in the March quarter, compared to 11 662kg in the previous quarter.

Gold division MD John Brownrigg said the mines were highly geared to any small change in unit costs or tonnage, which was why the small drop in tonnage and the resultant rise in unit working costs had had such a significant effect on the bottom line.

The fall in grade at JCI’s biggest producer, Randfontein Estates, was combined with a fall in tonnage to 1 790-million tons (1 044-million tons), leading to a 6% fall in gold production to 6 136kg.

Gold division MD John Brownrigg said that of the JCI mines, Randfontein was worst hit by labour disruptions.

Michael Urquhart

He said the mine was running out of reserves, and was no longer a 600 000 tons-a-month mine. It would have to be restructured to mine 380 000 tons a month from underground. Randfontein had been discussing this with the various shareholders since February.

Development continued on the Kimberley reef to confirm the existence of a payable reef, while 260-metre were developed on the South Reef. Brownrigg said Randfontein should have a full evaluation of the South Reef by the end of June, but he was very excited about the results so far.

At Western Areas, which now included the results from South Deep after the two merged during the quarter, tons milled increased marginally thanks to extra tonnage from South Deep. An unexpected fall in grade at the Western Areas section of the mine saw gold production slip by 3.1% to 4 156kg. The lower gold production, combined with higher costs related mostly to shaft pillar extraction on the South Deeps section, meant unit working costs jumped by 12.4% to R35 594/kg.

Western Areas reported a 33% fall in profit before tax to R52m (R46.2m), the biggest fall of all the JCI mines. The merger with South Deeps saw capital expenditure sharply up, from R12m to R50m. The lower net profit and higher capex meant an attributable profit of R34.2m in the December quarter was turned into a R18m attributable loss in the March quarter.

An improvement in tons milled, grade and gold price enabled HJ Joel to reduce its net loss to R5.2m (R6.8m). Tonnage was up by 6 000 tons, and Brownrigg said he expected tonnage to increase by 5 000 tons a month during the current quarter.

<table>
<thead>
<tr>
<th>JCI</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 after tax R000s</th>
<th>Profit after capex R000s</th>
<th>EPS after capex costs</th>
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<td>Randfontein</td>
<td>1 798</td>
<td>3.43</td>
<td>6 126</td>
<td>125.68</td>
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<td>37 599</td>
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<td>242.56</td>
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<td>(6 083)</td>
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</table>
The gold mining industry was under pressure and would have to be restructured totally. JCI gold division MD John Brownrigg said at the presentation of its gold division's results yesterday.

Gold mining profit fell across the board during the March quarter. At JCI, profit before tax fell 23.6% to R8.9m (R17m in the previous quarter). Capital expenditure for shaft development at South Deep rose to R78.7m (R77.8m), chalking up an attributable loss of R17.8m (R29.1m profit). Capex at Western Areas — which merged with South Deep — rose R35m to R50m. Brownrigg said Western Areas would go to the market — probably in the current quarter — to raise between R500m and R600m to fund South Deep's capex programme.

MICHAEL URQUHART

He ascribed the fall in the gold division's operating profit to the effect of public holidays, long weekends and sporadic work stoppages. Mines could not meet the expectations of the "liberated" workforce and this had led to disruptions, he said.

Management's time was diverted from production to dispute resolution.

However, the industry's problems could not merely be laid at labour's door. All segments of the industry had to be reviewed. JCI was reviewing the way in which its mines operated, examining face utilisation, continuous operations and work practices.
Ailing mines in merger talks

BY DEREK TOMMEN
MINING EDITOR

If you merge two struggling mines will you get one healthy one? This has been the question raised in mining circles by the news that Randgold’s Blyvooruitzicht and Gold Fields’ Doornfontein are talking about getting together.

Some analysts feel that the merger could be a good move for both mines if it is aimed at speeding up the development of the area which Blyvoor is tributing from Western Deep Levels and on which Blyvoor’s future depends.

Good values have been disclosed by development and ore from the area helped Blyvoor to report a small profit in March — its first for 18 months.

However, it is taking Blyvoor some time to open up the area. The mine forecast in its last annual report that it would mine 125 000 tons from the area in the 1994-95 financial year, building up to 800 000 tons over five years.

It would seem that the more rapid development of the area would greatly improve Blyvoor’s chances of survival. This could be where Doornfontein comes in. Its lease area adjoins that of Blyvoor and Western Deep Levels and its mune workings are reasonably close to the Blyvoor’s tribute area from Western Deep Levels.

If a merger could facilitate the working of the tribute area it would benefit both mines.

The merger, which has apparently been proposed by Blyvoor, could appeal to Doornfontein’s management. Doornfontein has reported working losses from gold of around R5 million in each of the past two quarters.

But the mine has a fair amount of marginal ore which could be worked if revenue from other operations enabled Doornfontein to lower its pay limit.
Gold mine reopened with option to buy

PRIMROSE gold mine near Germiston reopened this week after the mine manager obtained permission from the liquidators to take over the operation of certain sections of the mine for a period of three months. Mine manager John Cockcroft said after this period he could either make an offer of compromise to purchase the mine or the mine would close if an alternative buyer was not found.

Renee Grawitzky

He reopened the mine with a significantly reduced workforce and intended to mine the most cost-effective areas (2.14)

NUM spokesman Archie Palane said the union was still reading the proposed conditions of employment. Cockcroft said the workforce would be taken over on new conditions.
Miners left reeling as new mine launched

BY JUSTICE MALALA

Primrose Gold Mine near Germiston is dead — but the birth of the new JC Gold Mine in its place is proving painful.

As discarded pay slips and employment records fluttered in the wind yesterday, retrenched workers dismayed by the meagre pay-outs they are receiving from the liquidated mine hung around the mine compound.

Mine manager John Cockcroft said yesterday he had been granted permission by the liquidators to start the mine anew with his own finances and hire as many people as possible. A total of 750 have been hired.

Three of the six shafts at the mine were operational yesterday and Cockcroft said although management had not yet received the R36 million bridging loan promised by the Government, he hoped to get it soon.

Primrose mine was liquidated last month after violence, which left seven people dead, led to a work stoppage that resulted in crippling financial losses.

National Union of Mineworkers branch chairman Morning Beje said retrenchments had been done strictly on the first in, last out principle.

He said, however, that 26 mineworkers still in the compound had problems with the arrangement and negotiations with the mine management were ongoing.

The major problem is that people are getting an average of R200 for working here for years and there is nothing that the new owners can do about it because it is a Primrose rather than a JC issue,” Beje said.

Vasco Ziti, a Mozambican who returned to the mine on Monday after leave only to be told he no longer had a job, said: “I have been on this mine for more than eight years and they have decided to pay me a mere R200."
Investor boost for Cape mine

JOHN VILJOEN
Business Staff

NORTHERN Cape manganese operation Union Mines is set to forge ahead, and only the unlikely collapse of the world manganese market can spoil its future, an upbeat Nic Lotterie has told shareholders.

Union Mines shareholders yesterday approved a R1,36 million private share issue which will inject what Union Mines chairman Mr Lotterie called "some much-needed capital" into the Northern Cape open-cast mining operation.

The issue, of two million shares at a negotiated price of 60c a share, is being taken up by a private consortium led by well-known businessman and former Penrose director Albert Alleizthausen. The share traded this week at 55c.

The identities of the rest of the consortium are not known, but they are "prominent people and very, very large organisations", Mr Lotterie told a meeting called to vote on the issue.

The consortium was confident of JSE-listed Union Mines' future and recent geological investigations had established the existence of five million more tons of ore in shallow deposits at the Postmasburg site.

Union Mines has been the target of market speculation for some time, with the share bouncing between a low of 20c last February to 80c at the end of the year.

Market analysts are still divided on the mine's prospects.

David Sylvester, a Frankel Pollak Vinderine stockbroker, expressed a note of caution for unseasoned investors.

"There is reason to be positive - the potential is there as it has been for years. But the caution is that Union Mines haven't always got their budgeting spot-on."

"It could cost more than they are allowing for to bring capacity up to profitable levels."

Union Mines was also not in a healthy financial state and the forecast 30c dividend seemed extremely unlikely at this stage, he commented.

Safrets fund manager Peter Major, whose Minung and Resources Fund units hold a five percent share in Union Mines, said there were positive signs for the company.

"It is a great product and the market is right for it. Manganese is the only commodity that hasn't gone up and the price is due for a rise."

There were signs that the peak in the commodity cycle might not come in 1996 as had been expected by some analysts, but even as late as the year 2000, he said.

"The world could be these guys' oyster for the next two to three years."

Mr Alleizthausen's involvement was a "big plus" for Union Mines, Mr Major said.

"He's offering a lot of what Union Mines needed and didn't have in the way of energy, contacts and dedication."

The issue, which takes effect on Monday, is 10 percent of Union Mines' total share capitalisation - the maximum the JSE allows in a private issue.

The funds will be used to boost production to meet demand in "very attractive" foreign markets as well as domestic needs - Highveld Steel is believed to be keen to take as much ore from the company as possible.

"I can assure you that things are going to happen," Mr Lotterie told shareholders.

Union Mines has spent R1,5 million - more than double the original anticipated cost - on a washing plant which enhances the grade of the ore and enables the company to adapt its composition to customers' needs.

Mr Lotterie said the mine's running costs were R100 000 a month and more funds were needed to install a crushing plant also required in the production process.

Union Mines planned to appoint a general manager for the mine and its processing plant, Mr Lotterie said.
Anglo’s Mali gold mine on the fast track

By Delean Tommy

Work is speeding ahead to bring the Sadiola Gold Mine in Mali, Africa’s newest and among its more profitable mines, to production in record time.

A cornerstone was recently laid at the mine by Alpha Omar Konare, Malian President. This came less than two-and-half years after Anglo American, which owns 38 percent of the mine and also manages it, started negotiations for a stake in the venture, the company announced at the weekend.

If the mine reaches production towards the end of next year as planned, the Anglo American group will be able to claim a record for bringing a mine this size on stream in Africa.

The opening of the mine will be of great importance to Mali — and also to Anglo American.

It is an open-pit mine with reserves of 122 tons of gold, averaging 2.5 grams a ton.

Production is expected to peak at around 350,000 ounces a year. The first-phase development of the main gold deposit is expected to give the mine a 13-year life.

Sadiola will have the same production potential as the Konnors Mine in the Suvnder area, which makes Sadiola a world-class deposit.

Operating costs should be significantly below R25,000 a kilogram or about $300/oz. (The gold price is currently around R45,000/kg or $590/oz.)

The mine is expected to cost $250 million to bring to production. But analysts point out that with a projected working profit of around $66 million a year, the payback period is around four years which indicates it should be a highly profitable venture.

Anglo American has three partners in Semos, the investment vehicle for the Sadiola project. They are IAMGOLD of Canada (28 percent), the Malian government (18 percent) and the International Finance Corporation (6 percent).

Apart from providing Malians with employment, it will generate more revenue than is brought into the country by expatriate Malians.
Gold mines extend lives

BY DEREK TOMMEEY
MINING EDITOR

Two of South Africa's major gold mines, Beatrix and Kinross, are to spend more than R700-million on extending their mining lives into the early years of the next century.

Free State mine Beatrix is spending R575-million sinking a new shaft and opening up an area of ground containing about 48 tons of gold averaging 5.8 gm a ton.

At present, life of mine reserves at Beatrix that are accessible from the No 1 and No 2 Shafts amount to 24-million tons. The new shaft, to be called No 3 Shaft, will increase the mine's reserves to 49-million tons.

These reserves will support a mining rate of 2.8-million tons a year for an extended period and provide enhanced investment returns, and increase the life of the mine by about seven years to about 2015.
Mines spend R700m to extend life

BY DEEKA TOMMY

Two of South Africa's major gold mines, Beatrix and Kinross, are to spend more than R700 million on extending their operating lives into the next century.

Free State mine Beatrix is spending R575 million sinking a new shaft and opening an area of ground containing some 48 tons of gold averaging 5.6 grams a ton. The new No 3 shaft will increase the mine's reserves to 49 million tons.

These reserves will support a mining rate of 2.8 million tons a year for an extended period, provide enhanced investment returns and increase the life of the mine by about seven years.

Beatrix says the new shaft is well placed to access adjacent reserves outside the current lease area Gold Fields of South Africa own mineral rights to the north of Beatrix and their incorporation in the mine at some future date would seem a possibility.

However, analysts have been quick to point out that the shaft could be extremely valuable to the adjoining Joel mine as it could give it access to some of its deeper areas.

Production costs at Beatrix average around R24 000 a kilogram making it one of the lowest cost producers in the industry.

Although mining in the No 3 Shaft area will take place at greater depths and the yield of gold is expected to be below current levels, the projected cost of production will still be one of the lowest in the industry at R27 600 a kilogram.

Kinross is to go ahead with a new R162 million decline project which will give access to an additional 9 million tons of ore at a projected yield of 5.8 grams a ton.

This will enable it to continue to produce a ton of gold a year into 2010. The project will be self-funded over a seven-year period.
Wits Nigel to seek R25m for new gold mine development

WITWATERSRAND Nigel gold mine would seek an initial R25m to equip its No 11 shaft to develop the ore body on reef, the company confirmed on Friday.

This would provide detailed mining information and access for the development of a mining project within two years, should a decision be taken to go ahead.

Consolidated Mining chairman Norman Lowenthal said if the second phase went ahead, Wits Nigel would seek a further R175m to set up a mine. He said the shaft was in place, and the R25m would be used to prove up the ore body. If this indicated a viable mine, R175m would be necessary for development of the reef and establishment of a plant.

The mine was negotiating for the funding. Lowenthal would not disclose the funding source, saying only that it would probably be some form of equity financing.

A feasibility study had shown a mineable resource of 18.39-million tons at an in situ grade of 7.41g/t, with a payable gold reserve of 48 tons.

Analysts described the reef as sporadic, consisting of several payshotes and a very narrow mining width. One said success would require selective mining which targeted the higher grade payshotes, keeping the mining width to a maximum 80cm.

Lowenthal said the group's auditors had disclaimed their report on Wits Nigel because the company did not have an operating mine. After the publication of the feasibility study, the auditors had agreed not to disclaim their report.

He said Com Mining, which also controls the Benom and West Witwatersrand gold mines, was still considering unbundling.

One analyst said with a market capitalisation of R23m, it would be difficult for the group to find capital through a rights issue. He said the most likely scenario would be to raise the money overseas, probably in Canada.
Gold mines' capital productivity drops

Michael Urquhart

The productivity of capital in the SA gold mining industry had declined substantially over the past 20 years, a Chamber of Mines analysis shows.

The chamber said in its latest newsletter that despite productivity drives and substantial increases in capital injections during that period, the industry's capital stock was 2.5 times greater than in 1975 although it was now producing 128 tons a year less.

Increases in the level of fixed capital stock had averaged 5.5% a year over the period. The study, by chamber economist William Houtman, showed that over the same period real growth in the sector's GDP averaged 0.5%. For most of the years covered, the capital productivity had been declining, with the trend showing signs of a correction after 1991.
Marginal mines suffer losses

South Africa's marginal gold mines suffered a loss of R47.63-million in the final quarter of 1994 — appreciably more than the September 1994 quarter's loss of R7.36-million.

The parlous state of the marginals was brought into sharp focus by the Chamber of Mines' Productivity Monitor, which finds that chamber members realised an average R43.70/kg for their December quarter output — considerably lower than the average R45.89/kg secured for marginal production in the previous quarter.

Working revenue produced consequently fell quarter-on-quarter — from R400.3-million to R347.9-million. With the total working cost bill (R395.5-million) amounting to substantially more than their revenue tally, the group recorded a significant widening in quarterly working loss.
First-quarter building plans surge by 34.5%

MAGGIE ROWLEY

The real value of building plans approved during the first quarter of the year was up 34.5 percent at R2.8 billion over the corresponding period last year, improving prospects for the building and construction sectors.

Central Statistical Services said the value of building plans passed had shown a strong turnaround since the second half of last year and the upward trend was continuing to gain momentum with first quarter figures up 8.6 percent in real terms over the fourth quarter of last year.

Large increases in the value of building plans approved in the first quarter were seen in both the residential and non-residential sectors.

At constant 1990 prices, the value of plans for flats and townhouses rose 80.3 percent to R32.6 million while house plans approved showed 30.8 percent growth at R1.3 billion. On the non-residential front, the value of plans approved was up 744.8 percent in real terms at R753.2 million.

Approved plans for alterations and additions showed more modest growth, rising 4.6 percent to R660 million at constant 1990 prices.

The largest increases in flats and townhouse units approved was reported by Gauteng while Pretoria reported the largest increases in house plan approvals.

The increase in non-residential plan approvals was mostly due to planned industrial and warehouse developments for Richards Bay.

While the value of plans had increased on a year on year basis, the value of buildings completed in the first three months of this year dropped by a seasonally adjusted 10.2 percent over the corresponding period last year.

The value of buildings completed was also down on the fourth quarter of last year.

Marginal mines lose R47.63m

BY JOHN SYRA

South Africa's marginal gold mines suffered a loss of R47.63 million in the final quarter of last year — appreciably more than the September 1994 quarter loss of R37.36 million.

The Chamber of Mines' Productivity Monitor found that marginal mines among its members realised an average R43 701/kg for their December quarter output.

This figure was considerably lower than the average R45 892/kg for marginal production in the previous quarter.

Working revenue produced by the marginals fell quarter-on-quarter from R400.3 million to R347.9 million.

The total working cost bill of these mines amounted to substantially more than their revenue.

The monitor showed that the marginals incurred an average unit loss of R5 180 for each of the 7 961kg produced.

"The mines' pronounced difficulty in preserving price-recovery productivity in support of unit profit levels was compounded by a marked dilution in their grade productivity.

"The latter, set at 3.67g of gold yield per ton milled for the September quarter, declined to 3.23g/t in the final quarter of 1994," the monitor said.

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Gold mines' contribution less, says Liebenberg

Adrian Hadland

CAPE TOWN — The gold mining industry's contribution to the national fiscus had declined between 1990 and 1994 relative to the contribution of individuals, Finance Minister Chris Liebenberg said at the weekend.

In a written response to a Parliamentary question by Freedom Front MP Peter Groenewald, Liebenberg said gold mines had contributed R544m or 0.22% of SA's total tax revenue in the 1990/91 financial year. This had fallen in both monetary and percentage terms to R525m, or 0.68%, in the 1991/92 financial year, R321m or 0.29% in 1992/93 but rose slightly in 1993/94 to R522m or 0.66%.

Individuals, by contrast, had contributed R24.1bn or 34.5% to total tax revenue in 1990/91. By 1993/94, this had risen to R37.9bn, more than 40% of total contributions to the fiscus.

Liebenberg said the total tax revenue had been calculated according to the International Monetary Fund's manual on government finance statistics and excluded non-tax revenue, and extraordinary receipts.

Individuals' contribution to SA's total tax revenue, which amounted to R63.8bn in 1990/91 and R94.9bn in 1993/94, included payments from the former TBVC states and self-governing territories, he said.
scenario for the local mines

Superior sees a far from golden

B2 BUSINESS
Four gold mines could be closed

By Russel Molefe Sowetan 7/11/95

FOUR marginal gold mines which lie within the Far East Rand Water Basin face closure because of flooding by contaminated underground water, Sowetan has been told.

The survival of Drooggebult, Springs-Daggafontein, Consolidated Modderfontein and Grootvlei gold mines depend on pumping out excess water in the basin to keep gold ore reserves accessible for mining.

Grootvlei is presently pumping about 10 million litres of contaminated water into the nearby Blesbok stream. The stream also runs into the Vaal Dam, which supplies most of the Johannesburg areas.

But Gencor spokesman Mr Andrew Davidson said the mine had permission to pump water into the stream. However, studies conducted by the Department of Minerals and Energy Affairs showed that the contaminated underground water could have a negative impact on the survival of life in the Blesbok stream.

The department acknowledged that failure to drain the area could lead to the closure of the mines – which translated to a loss of R422 million a year and 4,266 jobs.

Minister of Minerals and Energy Affairs Mr Pako Bophela, Water Affairs and Forestry Minister Professor Kader Asmal, and Environment and Tourism Minister Mr Dawie de Villiers later met to discuss the matter.

Their proposals that are expected to be made public soon...
Co-operation in mining industry could lift growth

BY AUDREY D'ANGELO

Cape Town — The gold mines could make a bigger contribution to the economy, lifting total growth in GDP to 3.6 percent from 2.3 percent, through greater co-operation between labour and management, Metropolitan Life investment analyst Gideon Nkadineng says.

He said in the Metropolitan Life Investment Monitor that the contribution of gold mining to the economy had dropped from 8.7 percent in 1987 to 4.7 percent last year.

Gold output had dropped from 690 troy in 1984 to 580 troy last year and employment from 540,000 in 1958 to 360,000 in 1993. The industry had experienced a decline in productivity accompanied by rising production costs at a time when the rand gold price had dropped.

This poor performance was peculiar to gold mining and not to the mining industry as a whole. He said one of the reasons for the higher costs was that mining was carried on at a deeper level and the industry had in the past lacked the innovation to overcome this problem.

"Much of what goes on in the mines today is unchanged from 40 or 60 years ago which is certainly not a success formula for long-term survival in any industry.

"What has, until now, been peculiar to South Africa is the lack of commitment among participants in the industry.

"At legislative and management levels the industry has focused its energies on maintaining a socio-economic divide instead of striving for improved production through education and training.

"The man at the rock face has had little incentive to improve productivity because his remuneration or position has, broadly speaking, little to do with his output.

"Labour was, as a result, there to get as much out of the system for as little as possible.

Because most mining companies were owned and managed by mining houses there was a steep management structure and a long chain of decision making.

Improvements

"Mine management has in some ways been disempowered from being creative in establishing sound labour relations and motivating production improvements, especially since technical services are located at the mining house level.

But this had been a watershed year with all stakeholders in the industry realising the need for long-term growth to survive. The challenge now was how to implement improvements and how all stakeholders could share in the benefits.

The Chamber of Mines believed the way forward lay in continuous mining. The NUM had focused on the need to restructure operations and focus on multitask operations.

Although the government could give direction, the survival of the industry could be secured only by labour and management.

Nkadineng believed this could happen given the common focus that now existed in the industry.
Better water for no closure of mines deal

(214) 7/11/95

The Cabinet has taken a decision to allow the continued operation of Gencor's Grootvlei gold mine and other marginal mines, on condition that water quality threatening the internationally recognised Blesbokspuit wetland, be improved.

The mines were faced with closure and the loss of an estimated 5,000 to 7,000 jobs had they not been allowed to pump contaminated water from operational mine shafts.

But the Department of Water Affairs and Forestry (Dwaf) declared the water quality would impact negatively on the Blesbokspuit wetland and irrigates downstream.

The catch-22 situation was resolved by the Cabinet decision, which stipulates that water quality and environmental impact assessments be undertaken immediately, as well as the design of a desalination plant to purify the water. Grootvlei received a permit to pump the water by December.

Grootvlei claimed the water quality would improve once pumping began, but the Dwaf said this was unlikely, and threatened to withdraw the pumping permit and have the mine closed down unless the desalination plant was erected.

The Department of Mineral and Energy Affairs would help to build the desalination plant, as the mines might not be able to afford it, a statement said. — Staff Reporter
Move reflects shake-up in industry

Randgold gets Gengold stake in four mines

Michael Urquhart

Gengold, Gencor's gold mining arm, has sold its stakes in four mines to Randgold in a stark indication of the shake-up facing the SA gold industry.

The R150m deal—covering Buffelsfontein, Stillfontein, Grootvlei and Unisel—gives Randgold management control of the mines, and would have added nearly 50% to Randgold's September quarter gold production.

The move heralds the first step in Gengold's plans to restructure its portfolio of mostly marginal mines, with the company planning to consolidate its remaining interests in Evander and the southern Free State.

Gengold MD Tom Dale said the declining nature of the SA gold industry had rendered such rationalisation of mineral rights inevitable.

Under the deal, Randgold's Harmony mine will take 25% of Gengold's 40% holding in Unisel, while Randgold will buy Gengold's 8.6% stake in Buffelsfontein, its 14.8% stake in Grootvlei and its 10% Stillfontein stake. Randgold would also buy the management contracts for the four mines, and certain mineral rights Gengold planned to sell its remaining stake in Unisel.

The total cash price for the assets excluding the mineral rights would be R126m, while the initial purchase price for the mineral rights would be settled by a royalty when mining takes place. The market value of the shares was R104m yesterday.

Dale said the sale would allow Gengold to focus on its mainstay operations, which include Beatrix, Winkelhaak, Kurnoss and the troubled Oryx.

The sale was also in line with Gencor chairman Brain Gilbertson's plans announced in July to shake up Gengold.

Randgold, which has seen its declining fortunes reversed since a management overthrow last year, said Unisel and Grootvlei were the main attractions as they were next to Randgold's Harmony and ERPM mines. Randgold recently struck a deal with Gold Fields to merge the Doornfontein mine with its Blyvooruitzicht operation.

Commercial director Brett Kabble

Continued on Page 2

Randgold

Continued from Page 1

said the deal would be funded in part with Randgold's R100m cash reserves. The deal would have cut Gengold's gold production by 17 tons to 41.1 tons for the year to June. The four mines produced 4.106kg of gold in the September quarter, while Randgold produced 8.451kg.

Both groups were keen to see a consolidation of the mineral rights in the areas where they operated. Dale said there could be substantial brownfields expansion in the southern Free State should there be productivity improvements, and he would like to co-operate with the holders of mineral rights in the area to encourage this process.

Gengold had a substantial portfolio of mineral rights in the Klondike area although it no longer operated mines there. Dale said he would keep an "open mind" about these holdings.

Kbble said Randgold planned to cancel the four mines' management contracts, swapping equity in the mines in return. It had undertaken a similar exercise on the Randgold operations following last year's management takeover.
Gencor and Randgold plan R125m reshuffle

BY DEREK TOMMY

Johannesburg — Gencor and Randgold, two of the country's oldest mining houses, are planning to rationalise R125 million worth of mining assets, including four gold mines.

Tom Dale, the managing director of Gengold (which runs Gencor's gold mines), says the deal will create a win-win situation.

The move marks a growing realisation by the industry that today's weak gold price is forcing a drastic restructuring of its operations.

Dale said unless the gold price increased or there was a marked improvement in labour productivity, there would be no new gold mines in this country and the industry's continuation would depend on brownfields development.

Rights

Randgold is proposing to acquire Gengold's interests in the Buffelsfontein, Grootvlei and Sufontein gold mines while Harmony, which is controlled by Randgold, will acquire Unisel.

Randgold will also acquire Gengold's management contract with the four mines, as well as its mineral rights in the vicinity of Grootvlei and its 23.7 percent participation interest in Vermeulinshoek Noord next to Unisel.

The total cash price for these assets, excluding the mineral rights, will be R126 million. The initial purchase price for the mineral rights will be settled by a royalty, as and when mining takes place.

Randgold director Brett Keble says the company will be able to finance its purchases with about R100 million which it has in cash.

Gencor will benefit from the cash injection and the freedom to concentrate on developing its interests in the southern Free State and the Kromsa area, which is more closely aligned with the Gencor philosophy of world-class mining businesses.

By shedding some of its poorly performing mines, Gengold should show higher profits.

Without the four mines, Gengold's average cost of gold this year would have been R31 957 a kilogram instead of R35 013 a kilogram.

Managed gold production would have been 41,1 tons (56,4 tons) and Gencor's share would have been 15,6 tons (18,6 tons).

Dale said the mines are being sold as going concerns complete with management teams.

STRATEGIST Tom Dale, the managing director of Gengold, says weak gold prices are forcing operations to restructure.

Peter Flack, the chairman of Randgold, said his group was aiming to enhance the life and profitability of its mines through the acquisition of additional reserves.

Grootvlei and Unisel have obvious synergies with BHP and Harmony.

Another of Randgold's aims is to create substantial asset baskets which can each be served by a single management structure and cost base.

"The acquisition of the Gencor, Gengold interests will enable us to extend this strategy to our operations on the Free State gold fields and the East Rand," he said.
DECLINING gold production would continue to pull down the total value of SA's mineral exports, which were expected to decline 2.1% in real terms this year despite an increase in non-gold exports.

The SA Minerals Bureau said in its annual review that non-gold exports were likely to rise 21.2% in nominal terms and 9.7% in real terms.

An increase in working costs, which could lead to closure of some marginal production capacity, and production losses due to industrial action and public holidays were the main reasons for declining gold exports. This had not been helped by the stagnant gold price. The outlook for gold until the turn of the century was not particularly bullish, with prices expected to rise to $410/oz by 2000. Production was expected to drop sharply in 1995/96, stabilising at a lower level in 1997 before a gradual recovery.
Gold industry 'turned the corner' in past quarter
Govt seeks recovery of R11m from Gazgold sale

Michael Urquhart

THE mineral and energy affairs department is talking to several potential buyers for Gazankulu Gold Mining in a bid to recover the R11m the department has sunk into the company.

The department's deputy director of state assistance Dave Richards said yesterday that the listed holding company, Gazankulu Gold Holdings (Gazgold), would be in the Supreme Court for final liquidation on Tuesday.

Once this had been completed, the department would try to sell Gazgold Mining - which is also in liquidation with the department as major creditor - as a going concern.

The department is keen to recover the R11m it had lent the company, R10m as a guarantee for a loan by Standard Bank and R1m for a rescue package that went off the rails.

The mine is currently operating with 200 staff, working on half shifts.

The department was also undertaking exploration via the Council of Geoscience to prove up additional ore reserves.

Richards said the proven ore reserves had been increased to six months at the full production rate of 12 000 tons a month.

The Council for Geoscience would spend the next three months trying to prove up further indicated ore reserves of 8-million tons at an in-situ grade of 5g/t. If this ore reserve was proved it would make the mine a saleable proposition, Richards said.

The department would want to sell the mine as a going concern, but if necessary could use a royalty system to recover its money.

Richards said the royalty could see a present value return of R20m.

Interested parties at the moment included one Canadian company and a number of SA companies.

Bidding would not start until the final liquidation of Gazgold had been completed.

Richards said the department would like to see the assets of Gazgold Mining used to develop small-scale mining.

The Canadian company, which was backed by the International Fund for Africa, had indicated that it planned to go this route.

SA companies with other mineral rights in the area had also indicated their willingness to buy Gazgold Mining as a going concern, he said.
Randgold to slash Buffels operations

Michael Urquhart

RANDGOLD is considering halving operations at Buffelsfontein, the gold mine it is taking over from Gengold, in a bid to return the mine to profitability.

It said yesterday it had yet to quantify job losses among Buffels's 4 500-strong workforce, but that Gengold parent Gencor had agreed to contribute to covering retrenchment costs.

The mine — one of four Randgold was taking off Gengold's hands — had sustained losses for every quarter since December. In the three months to September it lost R336.8m on each kilogram of the 2,254kg of gold it produced.

While the mine had shed 1 500 workers, Randgold commercial director Brett Keble said Buffels needed to be rationalised "severely" to get back to profitability. The extent of rationalisation would be determined in a due diligence study by Randgold and Gengold.

Gencor had agreed to contribute to any retrenchment costs via a convertible loan. Gengold CEO Tom Dale said the extent of the loan could not be determined until a new mining plan for Buffels had been completed. The plan would quantify the extent of job losses.

The move — just weeks after Randgold decided to take over four Gengold mines — is another clear indication of the cross marginal mines face.

Buffels has four shafts. It produced 9 726kg of gold in the year to June. Though its tonnage jumped 41% to 2.9m million tons, its grade slid 47% to just 3.35g/t. The mine sustained a R16m operating loss for the year against a previous R81m operating profit. Gengold had written off the mine, giving its underground operations two more years' life at the most. However, Keble said Buffels would probably operate one or two shafts, instead of the current four. It would continue its Multigold dump retreatment project, which should last another 12 years.

A new listed company would be formed to buy the assets of the Buffelsfontein division of Buffelsfontein Ltd, which held the assets of Buffels and Beatrix mines. Shares in the new company would be transferred to holders of Buffelsfontein Ltd ordinary shares.

Keble said Randgold had no plans to revive dormant Stilfontein, which it had taken from Gengold, along with Grootvlei and Unisel. The mines and mineral rights bought from Gengold should lengthen the lives of Harmony and ERPM, he said.
Falling production puts pressure on gold mines

This gold mining industry is facing one of the most serious crises in its history as production declines and high costs make digging for gold prohibitively expensive.

While the industry remains the country's largest export earner, its share of total exports has fallen steadily.

The Chamber of Mines recently estimated that output will fall to between 520 and 530 tons in 1995 from 584 tons in 1994.

At the chamber's recent 105th annual meeting, outgoing chairman Alan Munro said that the fall would result in a loss of about R2.7-billion in foreign exchange earnings in 1995, and extend the 35-ton decline in output between 1993 and 1994.

Business Times Reporter

He said declining output had been coupled with gold's inability to break through the $400 an ounce barrier since the beginning of last year.

Also, working costs had spiralled in 1994 by 16%, and in the first six months of 1995 had risen by an annualised 20%, or more than double the rate of inflation.

"The largest single component of working costs is the cost of labour, which currently amounts to 54%.

"In the second half of 1995, however, mines have introduced measures to arrest spiralling working costs by reducing overhead costs, merging various operations to take advantage of some of the synergies that may arise out of combined production and in some cases, through the flattening of organisational structures to allow mines to operate more effectively," Mr. Munro said.

But he said 1994 had seen an 15% increase in capital expenditure, which was sustained into the first half of 1995.

"The current level of gold mining projects that have been announced or have recently got under way represent expenditure of around R10-billion.

"This is a clear indication of the industry's confidence in its own future and the future of the country," he said.
Amalia joins forces with Commonwealth

Michael Urquhart
20/11/95

AMALIA Gold Mining has teamed up with British-based Commonwealth Gold to develop its interests in Zimbabwean company Minehead Mining.

The SA Reserve Bank's requirement that Minehead had to be funded from outside SA had prompted the joint venture.

Amalia said at the weekend that Commonwealth would pay it R5m in cash, followed by expenditure at Minehead which would give Commonwealth equity in the joint venture on a pro rata basis.

Amalia's contribution to the joint venture in the Zimbabwean company was R10m.

It said development at its SA gold mine was proceeding according to the prospectus, with No 3 level accessed at the Grandplate section and No 2 level development values increasing steadily.
Consolidated Mining unbundles

Michael Urquhart 60 22/11/95

THE Consolidated Mining Corporation group, which operates the small open-cast West Wits gold mine, would unbundle, it said yesterday.

The group would become an investment holding company with earnings from dividends. Listed subsidiaries Southgo and Egoli would be cash shells.

The earnings and net asset value of West Wits, Benoni and Witngel shares would accrue to Southgo shareholders, while the earnings and net asset value of Southgo, Carrng, West Wits, Benoni and Witngel would accrue to Egoli shareholders.
Promising Tanzanian prospect for Randgold

BY DEREK GUNN

Johannesburg — Randgold's gold prospect in Tanzania is producing promising results.

Randgold Resources, the group's exploration company, said drilling and sampling at the Golden Ridge prospect had confirmed a resource of at least 1 million ounces of gold.

Mark Brustow, who was conducting the exploration, said he was encouraged by what he had seen to date and was confident that the prospect had the potential for a significant increase in gold-bearing ore.

Randgold took over management control of the prospect in September from Pangea Goldfields, which was listed on the Vancouver stock exchange.

So far, it has spent $1 million exploring the prospect, which has given a 25% stake. The investment of a further $4 million will bring its stake up to 25% and the provision of a bankable feasibility study will increase its stake to 65%. Randgold can also increase its stake to 70% by paying $30 an ounce for 5% of the proven, and probably mineable, reserves.

Brustow said the gold-bearing ore had an average grade of 2 grams a ton and the deposits lay from the surface down to a depth of about 150m.
Call for consultation in mining

By Dalié Konya

Johannesburg — Government, business and labour have concluded that a consultative and non-adversarial process is needed to develop vision and policy for the mining industry to take into the next century.

This was outlined in a draft discussion document on a mineral and mining policy for South Africa, prepared by the mineral and energy affairs department and the Mineral and Energy Policy Centre which encapsulated the views of the industry's major stakeholders — the department, the ANC, the mine owners and the mine workers.

The document said the problems confronting the South African mining industry included the static gold price, the number of gold mines nearing the end of their working lives, environmental pressures, and increasing competition from countries with lower cost structures.

Against this, South Africa remains by far the largest producer and holder of reserves of many of the world's principal minerals and new capital projects are being implemented even in the troubled gold sector.

Fresh approaches to work organisation, including, but not confined to, the introduction of so-called full calendar operations, could transform the outlook for gold mines.

The ANC wants the minerals mined to be integrated into the rest of the economy through further processing before export. It is also calling for widened access and ownership as well as an improvement in the skills, working and living conditions of workers.

Mine owners stress the need for policies that will serve the industry and revitalise the gold mining sector.

The National Union of Mineworkers wants to remove discrimination and promote efficiency.
East Dagga lifts recoveries

Johannesburg — Gold recoveries from East Dagga's sand dumps and slimes dams provided it with a profit of $8.3 million for the six months ended September, up from $6.1 million in the same period last year.

The company is to make a capitalisation issue of 6,053,555 new shares for every 100 shares held. But shareholders can elect to take a cash dividend of 50c a share.

Chairman Peter Bieber says the processing of high-grade platinum group metals from slimes dam 6L13 is under way and revenue from these sources is expected to start flowing in the first quarter of 1996.

At a gold price of $400 an ounce, East Dagga is estimated to have payable reserves of 197 million tons of sand containing 36.4 tons of gold, which will give the company a life of more than 10 years.
Gold ‘ready to shine again’

IT is only a matter of time before the Reserve Bank relinquishes its job of selling South Africa’s gold, says Fritz Plass, head of metals and commodities at Deutsche Morgan Grenfell, part of Deutsche Bank AG, Germany’s largest bank.

Mr Plass, who first visited South Africa in 1976, says Deutsche Bank’s association with South Africa goes back to the late 19th century, when the German Reich switched from a silver to a gold standard. This led to the formation of Union Corporation by German investors and the purchase of large amounts of gold.

Deutsche Bank was also a partner to the Chamber of Mines in launching the Krugerrand in 1970, this week Mr Plass accepted an honorary award from the SA Chamber of Mines to mark the coin’s 25th anniversary.

“The SARB does a good job in selling gold, but should a central bank be involved in the marketing of any product — why not coal or nickel? It is no longer a question of if but when the Bank relinquishes gold-marketing. It is also fair to say that some of South Africa’s mining houses are not yet ready to market their own gold.

“They can already hedge their production by selling forward and repurchasing on the spot market in order to deliver gold to the Reserve Bank so the mining houses will not have a sudden big advantage in selling directly.”

Mr Plass says that when the two-tier gold-price system was introduced in 1968, 10 major central banks held 85% of the world’s gold reserves and that ratio more or less persists today.

“The European Union’s central banks alone hold 15 000 tons of gold, and more than 90% of all the gold ever mined still exists.”

The annual gold market is of the order 3 000 tons a year, about two-thirds of which is supplied from newly mined production and the balance from scrap and hoarding.

The gold price’s volatility over the past year is the lowest it has been since the metal was floated in 1971.

“The only people who need volatility are the dealers,” says Mr Plass.

“Producers want a stable, high price and users want a low price but neither needs volatility.”

Mr Plass says the low volatility has contributed to a reduction in producers’ forward sales.

Mr Plass estimates that just under a year’s new mine production has been sold forward. “The market is shouldering the burden of the future. It reaches a point of equilibrium and rolls itself over. If forward sales were to dry up, the market would become short of gold and for a limited time, demand and price could rise, but this is unlikely to happen.”

“Investors’ interest in gold is not to be confused with hoarding. ‘Investors are people who buy, wait for a price rise and then sell. What people really mean when they say the market needs investors is actually hoarders who buy and keep gold.”

Mr Plass says low volatility in the gold price has resulted in an exodus of investors from the market rather than for short-term funds which get in and out in a morning.

However, balancing this is the demand by hoarders or “grassroots investors” under no mental pressure to buy or sell as a speculator would.

“Turnover in Japan’s banking system led to demand for 211 tons in the first eight months of 1995 — more than the whole of 1994. Physical demand for gold is strong, the gold contango has fallen and some mines are buying back.”
profit on the lease-rate element of the sale. Gold option premiums are also low now.

Mr. Plass says that today's gold market resembles that of early 1966 when gold was awakened at $335/oz. A series of events including central-bank announcements and speculative buying drove the price up $50 in three months.

The advice to investors now is not to be short. It is a misunderstanding, he says, to put producers in the same position. "If they see it's different, they are not short but less long, thereby prudently reducing their exposure."

"It is always difficult to call the timing of a break-out since it is likely to be triggered — at first glance — by some external shock. But with gold share markets depressed, any move in gold will trigger a sharp re-rating in mining shares. Value-oriented investors should take some exposure to gold shares at these levels."
JCI mounts biggest forward gold sale in history — report

MINING house JCI is reported to have sold forward its gold division's entire output until the turn of the decade — the largest forward gold sale ever made.

Reports of the hedge — apparently directed at underpinning expenditure for Western Areas' developing South Deep section — have been circulating for some time, though JCI refused to comment yesterday.

But according to a report in this week's Financial Mail, the mining house has hedged 224 tons of gold, dwarfing the hedge Gengold's Beatrix placed in August. The hedge has been blamed as one factor behind last week's backwardation in the gold price (when the gold spot price outstrips future price).

Forward selling has previously been a common strategy among marginal mines, that have sought to secure a mine's survival by locking into a gold price. It has also been condemned as a leading constraint on the gold price.

Gengold's Beatrix hedging was pitched toward locking in the minimum revenue to fund its No 3 shaft expansion. JCI's hedge is thought to have been driven by the same aim.

Western Areas recently merged with South Deep to facilitate the development of the mine. Total funding for the South Deep development was estimated at R2,7bn, which could be reduced to R1,1bn by using Western Areas' tax base.

The report said the hedge would cover production from JCI's remaining operations, Joel and Randfontein Estates, as well.

SA producers have tended to stay out of the forward market, but an analyst said the forward selling price was very attractive for SA producers at the moment.
Humpfrey Chipping at the limped Gencor. No. There's a fresh wind blowing through Gencor.

A survey. 'Mimic's eyes, he can,' the products are dead. But the sense is that it's not the quality that's the issue. What is the problem that's the issue? Another view is that the production is lower than the average, but that's not the issue, either. The new views are that the market is changing, and that's the issue.

So how can you change the market? One way is to change the marketing. That's a new view, and it's not an easy one to change. But if you change the marketing, then you can change the market.

And how do you change the marketing? One way is to change the perception. That's a new view, and it's not an easy one to change. But if you change the perception, then you can change the market.

To change the perception, you need to change the way people see what you're doing. That's a new view, and it's not an easy one to change. But if you change the way people see what you're doing, then you can change the market.

And how do you change the way people see what you're doing? One way is to change the way you communicate. That's a new view, and it's not an easy one to change. But if you change the way you communicate, then you can change the way people see what you're doing.

And how do you change the way you communicate? One way is to change the way you present yourself. That's a new view, and it's not an easy one to change. But if you change the way you present yourself, then you can change the way people see what you're doing.

And how do you change the way you present yourself? One way is to change the way you dress. That's a new view, and it's not an easy one to change. But if you change the way you dress, then you can change the way people see what you're doing.

And how do you change the way you dress? One way is to change the way you look. That's a new view, and it's not an easy one to change. But if you change the way you look, then you can change the way people see what you're doing.

And how do you change the way you look? One way is to change the way you feel. That's a new view, and it's not an easy one to change. But if you change the way you feel, then you can change the way people see what you're doing.

And how do you change the way you feel? One way is to change the way you think. That's a new view, and it's not an easy one to change. But if you change the way you think, then you can change the way people see what you're doing.

And how do you change the way you think? One way is to change the way you believe. That's a new view, and it's not an easy one to change. But if you change the way you believe, then you can change the way people see what you're doing.
and which boasts a number of the world's premier marketing houses. The high-tech, marble, glass and perspex building, completed in mid-95, is a far cry from the poorly lit, cramped quarters — reminiscent of the old service — which greeted visitors in the not too distant past.

Now the place is suffused with light, pouring into the centre of atrium as if to epitomise the enlightened route taken by Gencor.

But do its new image and business direction extend to its internal policies? Has the company, long regarded as an African powerhouse and the most conservative of all mining houses in South Africa, embraced the external changes in the country within its internal workings?

Judging by the number of senior black managers and women appointed at both head office and its subsidiaries, it still has some way to go. Only 4.5 percent of upper middle management are black, while a mere two percent make up top management.

An affirmative action policy is in place which focuses on advancing employees through training programmes and looking at the recruitment of black candidates externally.

"We are trying to create accelerated career paths for people who have the potential but have for various reasons been overlooked," says general manager (corporate strategy) Mike Roussos.

He adds that there is a lot of opportunity for high-potential black candidates to advance as the new dynamic and entrepreneurial Gencor puts less emphasis on seniority and long service and becomes more achievement-focused.

But the pool of black employees suitable for advanced training and that of external candidates with mining experience is fairly small.

Gencor is decentralised into operating companies, Samancor, Ingwe, Implats, Gengold, Aluasaf and Billiton, each responsible for its own human resource development.

"We do have a system in place to track people with potential within the company, but the system is not yet fully in place," says Roussos.

"He believes that many support the idea of giving a black candidate, already at senior level in the company, the opportunity to advance into an executive position "by growing through the system" rather than just recruiting someone from outside.

Group manager Sam Mkhabela agrees that a programme that will lead to a capable black person on the board of directors is a good idea, "but at the same time — I don't see such a programme in place with specific targets being set at present."

Eric Ratshikhasa, one of two black top-level senior managers at Gencor believes targets must be set — "only to measure one's progress."

Other managers feel Gencor does not disclose enough information to them as individuals. "You just work — you don't know if what you're doing will lead to better things" While Gencor's emphasis on training programmes to equip blacks with the necessary skills is praised, some criticise the programmes as "delaying tactics" to avoid placing blacks in positions.

Ingwe marketing manager Sipho Nkoss believes the setting of targets is vital but at the end of the day Gencor must work "if in 10 years' time, Gilbertson is better than another candidate — black or white — he must remain chairman."

Another perspective is that most suitable black candidates outside the organisation may be serving on a number of boards already and thus couldn't commit to Gencor 100 percent. Humphrey Oliphant, the other top-level senior manager, agrees the organisation should look internally for a suitable candidate, but if not available, "there's nothing wrong with shopping outside" for one. "Resentment only occurs when people in the company are disregarded in terms of career pathways."

"It doesn't happen in Gencor," says Humphrey. "It is about giving people a chance to grow."

"You just work — you don't know if what you're doing will lead to better things."

"If in 10 years' time, Gilbertson is better than another candidate — black or white — he must remain chairman."

Another perspective is that most suitable black candidates outside the organisation may be serving on a number of boards already and thus couldn't commit to Gencor 100 percent.
GFSA gold mines all drop payout

(214)

Johannesburg - Investors holding shares in the three Gold Fields' group gold mines are in for a disappointing Christmas. Compared with last year, these dividends have been cut by R162.48 million.

In December 1994 the three mines declared dividends totalling R256.8 million. This year, however, they are paying out only R164.37 million.

Driefontein, one of the world's largest gold mines and regarded as among the most profitable South African mining operations, has halved its interim dividend. It is paying 50c a share (R102 million) against 100c (R204 million) a year ago, controlling shareholder Gold Fields reports.

 Kloof, another important gold producer in the Gold Fields stable, has also cut its interim dividend but not quite to the same extent as Driefontein. It is paying an interim of 45c a share (R162.57 million), down from 85c (R117.81 million) last year.

Gold Fields' other major gold mine, De Beers, is again passing its dividend. It last paid one in December last year when it announced an interim of 5c a share (R4.977 million).

Analysts say the lower dividends reflect the squeeze the industry is experiencing as a result of rising costs and a static gold price. Some mines are being affected by labour unrest.
Union deals do not mean gold industry is out of the woods

Michael Urquhart

SA's gold mining industry was likely to stabilise production next year, but would face difficulties in implementing the various schemes to increase production which it had agreed to in principle with unions, industry sources said at the weekend.

Chamber of Mines economist Roger Baxter described 1994 and 1995 as aberrations, saying the transition to democracy and its accompanying disruptions, including the rash of new public holidays, had been the main cause for the nearly 100-ton fall in production since 1993.

Gold production was likely to fall 64 tons this year compared with 1994, costing the industry nearly R3bn in lost revenue and the country the same amount of foreign exchange, he said.

But there had already been signs of stabilisation in the third quarter this year, and gold production next year was unlikely to fall below current levels. He predicted gold output of between 530 and 550 tons next year.

"If there is one thing the past two difficult years have done, it is focus the minds of all players in the industry on getting the job done," he said.

Analysts sounded a warning note about the various options to increase production, such as the seven-day working week and flexible work practices. They also said the industry was likely to receive little help from the gold price.

One analyst said although there had been various agreements in principle on issues such as broadbanding, education and training and the seven-day working week, these still had to be agreed to finally and this could take "any length of time."

Once the agreements were in place, there was the difficulty of implementing these at the mines and this could take longer than expected. Even with an agreement on principles, there was often no agreement on who paid for what.

The new year was likely to hold mergers and acquisitions in the Randgold mould, as well as a consolidation of all the mines in the Randgold stable.

JCI's unbundling, and the possible unbundling of Gold Fields of SA, was also on the cards, while Eastsaal would be coming into production and IMJel and Deelkraal were likely to be looking for more money early in the new year.

The issue of corporate structures and the tying in of mines to management contracts would come under increased scrutiny as the level of foreign investment in the industry increased.

The new year would also see the formulation of a new minerals policy. One analyst said this process was racing ahead with such speed that participants could "barely get a word in edgeways."

What was needed from this process was an investment-friendly policy, he said.
Oryx's fate to be decided in 1996

Michael Urquhart

THE fate of Gengold's struggling Oryx gold mine would probably be decided in
the first quarter of next year, Gengold GB's Tom Dale said at the weekend.

Dale said information being collected from development on reef still had to be
analysed, and the results of this would be available early next year.

He would not comment on what route Gengold would follow if it took
the decision to continue with the mine, which has already swallowed R22m in
shareholders' funds.

But an analyst said Gengold would probably have to go to parent Gencor
for the money, as a rights issue was unlikely to be successful.

Following the conversion of their R525m loan to Oryx into equity, the banks were left as major
shareholders. But he said they would be unlikely to follow their rights, ruling out a cash call.

The mine had borrowed R979m in interest-free loans from its major
shareholders — Sanlam, Genbel and Gencor — in February 1991 to help
fund the initial development. But the mine ran into problems when initial
grades were lower than expected.

The shareholders' loans, as well as a
R160m bridging loan from Gencor, had also been converted into equity.

The analyst estimated Gengold would have to hit Gencor for a R300m
loan, although this could vary depending on how Gengold decided to go
ahead with development.

Oryx would have to concentrate on the higher-grade far eastern portion of
its lease area, where it was currently doing its development work, rather
than the area around the shaft.

Oryx shares stood at 150c yesterday, against a year high of 375c
achieved last December.
GOLD FIELDS

Hardly glowing with promise

Activities: Mining house. Principal interests in gold mining but also involved in platinum, coal, base metals with some exposure to finance and property.

Control: Rembrandt, Liberty and management.

Chairman: H A Plumbridge.

Capital structure: 96,7m shares. Market capitalisation R8,473bn.

Share market: Price 9,800c. Yields 2,2% on dividend, 4,2% on earnings, p/e ratio, 23,9, cover, 1,9. 12-month high, 13,100c; low, 9,000c. Trading volume last quarter, 984,656 shares.

Year to June 30 '92 '93 '94 '95
Investments
Listed (Rm) 1,765 2,098 1,556 2,064
Unlisted (Rm) 697 1,646 1,274 1,134
Invest income (Rm) 289 282 284 307
Other income (Rm) 215 193 153 180
Earnings (Rm) 302 290 357 408
Earnings (c) 314 301 370 409
Dividends (c) 200 200 210 220
Tangible NAV (c) 9.038 13.147 15.693 12.405

Gold Fields (GFSA), long one of the country's premier mining houses, remains firmly attached to the fortunes of gold. It's hasn't been an especially good place to be over the last decades.

Considering that gold accounts for 64% of GFSA's income (55% last year), it clearly plays a disproportionately large role in the house's life. Last week the FM reviewed the annual reports of GFSA's gold producers and noted how well they had reflected the industry's decline.

Mirroring conditions generally, a notable feature of the GFSA gold mines — which include the two richest producers in the world — is the extent to which they have been affected by falling productivity and a recalcitrant labour force.

This leads to questions about the mining house's future, a matter which has been the subject of widespread market conjecture over the past year.

GFSA's long-established approach has always been to operate with two new projects in the pipeline at any one time.

But this policy no longer holds good. And thus highlights the group's quandary. It has a very powerful balance sheet and is unencumbered. But, rather like giant Anglo American Corp, it has nowhere obvious to go.

Its only project of any note is Tarkwa, the prospective gold mine in Ghana, not far from Lonrho's famous Ashanti mine. The mine has an open-cut re-

serve which already stands at 7,5m oz and is expected to have very low stripping ratios (initially, it will mine into a hillside). It is held by Gold Fields Ghana (in which GFSA has an 85% stake) and analysts believe it could be worth R13 per GFSA share if so, this imputes an additional 10% to the house's NAV.

Tarkwa is not noteworthy because it is better than many analysts expected. And its great advantage is it can be brought to production swiftly — perhaps within three years. That compares sharply with Witwatersrand mines which can take as long as a decade and cost billions.

Gold Fields of SA

Drilling of the orebody is far advanced and a feasibility study cannot be far off.

Tarkwa's ultimate size is anyone's guess but assuming it produces about 280 000 oz a year, this puts it into the Deekl in the league — important but less than 20% of the size of Driefontein.

GFSA's future — presumably now rests ultimately on Tarkwa and Northam, and, given the parlous state in which Northam finds itself, isn't exactly a future glowing with promise. This is partly why so many observers openly wonder where the group is headed.

One suggestion — that it may tie up with Gencor — is met with purged lips. Another, canvassed by the FM last year, is that a link with US producer Newmont might be on the cards. That, too, gets a shake of the corporate head. If chairman Robin Plumbidge and CE Alan Wright know, they are keeping their cards well hidden.

On the basis of rewarding shareholders, GFSA continues to be a poor relative. EPS improved only 11% over 1994 and the dividend was increased by a measly 10c. The group is rated on a p/e of nearly 24 which, in the circumstances, is probably expecting too much.

Gold Fields of SA

PREMIER GROUP

Refunding plan awaited

Activities: Consumer-based businesses, comprising food, pharmaceuticals, wholesaling and distribution, retail, entertainment and leisure.

Control: Libbit Strategic Investments 33,4%, Premisab Holdings 22,5% and Standard Bank Nominees 19,7%.

Chairman and CE: D Band.

Capital structure: 827,4m shares. Market capitalisation R4,32bn.

Share market: Price 515c. Yields 2,0% on dividend. 5,2% on earnings, p/e ratio, 19,2. Cover, 2,5. 12-month high 585c; low, 450c. Trading volume last quarter, 35,2m shares.

Year to April 30 '92 '93 '94 '95
ST debt (Rm) 1,179 1,543 1,064
LT debt (Rm) 161 125 257 226
Debt equity ratio 0,06 0,14 0,25 0,44
Shareholders' interest 0,43 0,47 0,36 0,32
Int & leasing cover 5,9 12,4 7,0 4,3
Return on cap (%) 11,8 11,7 13,1 12,6
Turnover (Rbn) 9,62 10,15 14,43 16,11
Pre-tax profit (Rm) 420 499 655 690
Pre-tax margin (%) 4,3 4,3 4,5 4,2
Earnings (c) 24,4 26,3 31,4 26,9
Dividends (c) 8,1 9,4 10,5 10,5
Tangible NAV (c) 14,3 15,0 110,3 105,3

The share price rose sharply during mid-September, reaching a high of 550c, about 22% up on the 450c low set on July 21 soon after Premier had released its poor results for the year to end-April. It has since eased to 515c.

There is little apparent reason for bullishness yet — except perhaps that some investors reckon a recovery will come and this is the time to take a position. There have also been market rumours of an imminent asset sale, though no cautionary notices have been published.

As noted at the time of the prehbs (for July 7) the deterioration in the profitability and balance sheets of the wholly owned activities during the 1995 year was far worse than may appear from the consolidated group accounts. Weakness at the centre contrasts with the strong profit performances and high liquidity of listed subsidiaries such as Metcash, CNA Gallo and Prepharm.

Group sales rose 13,7% to R16,4bn and the trading margin slipped from 4,4% to 4,3%, leaving trading profit down by almost.
Gold Fields turns in poor performance

(214) 80 10/10/95

Michael Urquhart

GOLD Fields of SA, which owns two of SA's richest gold mines, kicked off the September quarter reporting period yesterday with a poor performance, as high costs and low grades cut more than 25% from distributable profit.

Although public holidays — the scourge of the previous two quarters — had fallen sharply, the group was unable to exploit its higher activity levels. A static average gold price further denoted the performance.

The main culprit was Driefontein, the biggest contributor to Gold Fields' profit, where distributable profit fell 45% to R39m (R71.7m). Driefontein was hit by the double blow of falling grades and rocketing costs.

Gold Fields gold division chairman Alan Murro described the quarter as "disappointing" Overall costs had climbed 7%, with Driefontein's costs hitting R361.5m — more than 10% higher than the June quarter and 45% up on September 1994.

The full effect of the 10.5% wage increase was felt. Increased labour costs added about 5% to total cost increases "But certain things — such as full calendar operations — have been secured" However, full calendar operations would not "have a dramatic effect" in the December quarter.

The only shining star in the group were its marginal operations, where Deelkraal, Leeduorn and Lebanon all managed to improve their bottom lines. But Kloof, arguably SA's richest mine, fell short of the June quarter performance as the full tax rate kicked in.

See Page 12
Bad quarter for Gold Fields

BY JOHN SPIRA
CAJUBUS BUSINESS EDITOR

The first batch of September gold mining quarterlies — those of Gold Fields — will disappoint the gold bulls.

With the market expecting improved results following a poor June quarter, Gold Fields' taxed profit for the three months declined by 13.6 percent to R265.2 million.

While milled tonnage rose 5.7 percent to 3.25 million tons, gold production increased marginally from 24.93 kg to 25.247 kg and gold revenue rose fractionally from R1,130 billion to R1,141 billion against a virtually unchanged average gold price. The average yield a ton declined from 8.1 g to 7.8 g, pushing up working costs by 7 percent. Accordingly, working profit weakened from R307 million to R258 million.

Alan Munro, a director of Gold Fields, said that in assessing Gold Fields' results it had to be appreciated that the past quarter was the first to reflect labour's most recent 10.5 percent pay rise, which translated into a higher percentage increase of worker benefits, such as provident fund and medical payments, were taken into account.

Further, the Gold Fields' figures were not necessarily representative of the mining industry as a whole, since the group's results were heavily affected by De Beers, where a further decline in grade depressed taxed profit by a hefty 16.3 percent to R172.2 million.

Gold Fields' coal and base metal companies produced mixed results for the September quarter.

Taxed profit at Gold Fields Coal improved from R8.1 million to R8.9 million.

Gold Fields Namibia more than doubled taxed profit to R9.3 million.
Goddell sees 'it's a gold rush' continues to mine and industry on rescuing gold

MICHAEL URRAHART AND ALAN FIN

ON RESCUING GOLD
Goddell sets sights...
HARTEBEESTFONTEIN

Activities: Gold mining and recovery operation
Control: Anglovaal
Chairman: B E Hersov
Capital structures: 112m ods Market capitalisation R1 232m

Share market: Price 1 100c Yields 10.5% on dividend, 12.4% on earnings, p/e ratio, 8.0, cover, 1.2 12-month high, 2 585c, low, 1 650c, Trading volume last quarter, 9 085 313 shares

Year to June 30 '92 '93 '94 '95
Turnover (Rm) 890.2 1 021 1 281 1 182
Operating profit (Rm) 213.8 236.7 402.8 234.0
Net profit (Rm) 141.7 144.7 217.1 153.0
Earnings (c) 95 98.7 151.7 107.9
Dividends (c) 95 96 160 115

lease area is by accessing it from Lorraine (the areas share a common boundary) Two development hauleges driven down through Lorraine are advancing on the immediately important ore reserve area, they will permit the vital diamond drilling programme to intensify over 1996

One of three possibilities exists that a rich and extensive zone of mineralisation will be confirmed (first choice in everyone’s book), or that the zone will yield ore which will give an adequate return on the investment, or that it will be sufficiently rich to repay capital without an acceptable return. Analysis says the chances are better than even that a rich zone will be proven.

Target shareholders have already chopped in R445m in two rights issues and there is about R212m in cash still in hand. On the assumption a decision to proceed further is made in 1997, the company may need somewhere between R220m and R350m to bring the mine to full production. Early indications are for between 9 g/t-10 g/t recovered at a rate of about 4 500 t/month from 1999. The project’s limitations are in areas such as access (distance from Lorraine’s shaft), ventilation (hot, will need a large underground refrigeration capability) and constraints on transporting tonnage.

Anglovaal’s flagship continues to be Klerksdorp producer Hartebeestfontein, an old dowager whose life is now probably not more than about 10 years. Contrary to the experiences elsewhere, Harens had a comparatively calm and stable year and avoided many of the labour problems which characterised the gold industry. Costs were well controlled though operating margins have fallen substantially from the high of two years ago.

Unlike the mines of the Witwatersrand basin, Eastern Transvaal Consolidated (ET Cons) in the Barberton area mines a quartz vein greenstone deposit, the arsenic content is a nuisance and the ore has to be roasted. This is what caused ET Cons’s problem last year an explosion irreparably damaged its calcine precipitator and the fall in production meant that some projects had to be delayed.

The nature of the orobodies means it is difficult to forecast grade; nevertheless, the mine is expected to be restored to full production over the next quarter.

A noticeable change in these annual reports from Anglovaal is a new, more open approach in divulging information to shareholders. Since the group’s results in this area are rather better than the industry average, the change in policy could not have been better timed.

David Glauser
Gengold succumbs to rising costs

Michael Urquhart

GENGOLD suffered a 62% fall in distributable profit to R11m for the three months to September, as yet another gold producer succumbed to rising working costs.

The company, reporting a week after Gold Fields unveiled a similar tale of woe, said poor performance by several mines, coupled with the wage settlement, had battered it. High costs and low grades had cut more than 25% from Gold Fields' distributable profit.

Gengold was now pushing ahead with a root and branch shake-up of its mines, which could include reviewing management contracts.

MD Tom Dale warned that the industry also had to lower its mines' pay limits, or it would 'go down the tubes'. Dale said the focus of management had been industrial relations, but the focus of the future would have to shift to productivity and costs. This was part of the reason for restructuring head office.

Continued on Page 2
Gengold hit by high costs

BY CHARLOTTE MATHEWS

Higher working costs offset a general increase in gold output from the 10 Gengold mines in the September quarter and, on a state average gold price, group distributable income - after capex - dropped 62% to R11,6-million compared with the previous quarter.

The average gold price achieved across the board was almost unchanged at R44 989 a kg from R45 219 a kg.

Tom Dale, the managing director, said the group's wage bill rose about 11,5% after wage negotiations and this added about 5% or 6% to working costs. Total working costs grew 7,6% to R556,2-million.

Dale said five mines had produced acceptable results, others were disappointing.

Beatrix reported a slight drop in distributable income after capex to R18,8-million from R19,6-million. Gold production was marginally higher but working costs grew 9,2%.

Buffelsfontein reduced its loss after capex to R2,6-million from R3,8-million, as a result of capital and tax receivables.

After lower tax and capex, Grootfontein reported a profit of R1,4-million compared with the previous quarter's loss of R729,000, caused by a one-off purchase of mineral rights.

Despite a sharp increase in tons milled, Kamose reported an overall loss of R8-million from a R1,4-million profit previously. It was hit by a 9% increase in working costs and R3 million hike in capex as well as a R1 million tax bill.

Leshe's fall in distributable income to R88,000 from R1,7-million highlighted its marginality, as gold production fell and working costs rose.

St Helena's results were disappointing because of two fires. It reported a R5,1 million loss from a R2,3 million profit.

Unisa's results showed distributable income down at R3-million from R3,8 million and Winkowsk's bottom line was almost static at R3,8 million.
Industrial action and fires knock
Anglovaal Mining’s after-tax profit

BY CHARLOTTE MATHews

Anglovaal Mining (Avmin) reported a 27 percent decline in after-tax profit from its four mines in the September quarter to R30.6 million compared with the June quarter, as production was knocked by industrial relations problems and fires.

Rob Wilson, the managing director of Avmin, told a presentation on the results yesterday that total gold production dropped to 8.744kg from 8.948kg previously. However, the average revenue for the quarter rose to R45 907 a kilogram from R45 379 a kilogram.

“There is no doubt that we have to lower the pay limits,” he said. “More emphasis has to be placed on better and more effective labour utilisation for which we will be seeking the support of all employees and their representatives. Without that we have a major problem ahead of us.”

“We have a lacklustre dollar gold price, a reasonably strong rand, increasing costs and labour problems. There are major challenges ahead of us. We have to sort them out urgently and become more profitable.”

The company was looking at various alternatives but there were no overnight solutions, Wilson said.

Hartebeesfontein’s profit after tax slid 24 percent to R25.8 million compared with the June quarter, as underground gold production eased to 718,000 tons from 741,000 tons and production at the low-grade gold plant dropped to 480,000 tons from 583,000 tons.

Production was hit by sporadic industrial action in the form of work stoppages and go-slow and a fire in the relatively high-grade No 4 shaft area.

The grade was unchanged at 7.7 grams a ton and at the low-grade gold plant was slightly down at 1.28 grams a ton from 1.29 grams a ton.

After-tax profit at Loraine dropped to R1.2 million from R1.4 million as a higher gold price was offset by higher working costs. Production was affected by a fire at the No 3 shaft.

Loraine made a profit before capex of R3.6 million compared with last year’s R2.0 million. Gold production rose to 6.497 kg from 5.976 kg as a higher average grade of 4.1 grams a ton compensated for lower mill throughput.

Eastern Transvaal Consolidated’s taxed profit dropped to R3.2 million from R4.4 million on a lower gold price and higher costs. Although tons milled rose, the average grade dropped to 8.9 grams a ton from 11.1 grams a ton.

Industrial relations were “fairly positive” but the main difficulty in implementing a seven-day working week was that the roaster and plant were operating at full capacity, said Wilson.

Village Main Reef achieved an after-tax profit of R405,000 from a previous loss of R340,000, including the results of hedging transactions.

The mine increased production to 136,100 tons from 120,000 tons on a yield of 0.89 grams a ton from 0.83 grams a ton. Operations at Village Main would continue as long as it remained profitable.
Randgold’s new strategy reaps reward

BY JOHN SPRE

Randgold’s innovative operational strategies, the hallmark of the new management team’s first year in office, have worked their targeted magic, with earnings for the year to September a remarkable 271 percent higher at 60.8c a share.

The result coincided with the release of the group mines’ figures for the three months to September — statistics which bucked the softer general trend for the second quarter running.

Randgold’s annual operating profit soared to R30.3 million and net profit to R23 million.

The directors say a comparison of these results with those of last year’s are misleading because the latest figures include First Westgold’s results and reflect reduced management fees from the mines.

“The increase in operating profit is mainly due to the sale, towards the end of the year, of First Westgold’s mining rights and assets,”

However, the earnings-a-share figure and the statutory quarterly results demonstrate the success management has achieved in turning around four marginal mines, which were looking distinctly shaky a year ago.

Randgold’s cash resources increased from R65 million to R87 million and, the value of its listed investments, rose from R154 million to R306 million, largely as a result of the shares received in exchange for the cancellation of their management contracts. A dividend of 10c has been declared.

Chairman Peter Flack says the group’s strategic focus is firmly fixed on developing its underlying assets and eliminating the discount to net asset value.

At the end of September net asset value was 12.44c a share. However, this reflects mineral rights at cost.

The directors believe that if mineral rights were reflected at their true value, the figure would be in the region of 230c, implying a 34 percent share price discount on net worth.

Flack says material progress has been achieved in other spheres, including the Durban Roodepoort Deep-Rand Leases merger, the imminent Blyvoor-Doornie merger, the acquisition of management control of West Wits and expansion of Randgold’s West African interests.

Randgold’s mines’ combined taxed profit for the September quarter rose to R39 million from the June quarter’s R20.1 million.

Mines’ chairman Lionel Hewitt ascribed this to “production increases and grade improvements.”

At Blyvoor working profit after tribute payments rocketed from R427,000 to R4 million, at DRD the figure rose from R1 million to R3.4 million, while at ERPM it increased from R869,000 to R6.5 million.

Harmony pushed up working profit from R12.4 million to R18.2 million.
Bleak year ahead for gold as mines dig deeper for less

THE South African gold industry is heading for one of the worst years in its 108-year history.

Gold output is likely to total between 525-540 tons in 1995, down from 583.9 tons in 1994 and the worst performance since 1957, according to analysts.

Hit by labour unrest, rising costs, declining ore grades and stagnant prices, the country's famous gold mines are struggling to keep their heads above water.

The only light at the end of the tunnel is that production might now plateau at these lower levels, albeit little more than half the peak of 1970.

"Generally speaking we would regard 1995 as being the trough and we would expect 1996 to pick up again, though not back to the 1994 level," said Chamber of Mines gold marketing consultant Don Pollock.

Fewer public holidays helped lift production at the six major mining houses — Anglo American, Anglovaal, Goldfields of SA, Gengold, JCI and Randgold — by 5% in the three months to September, after three quarters of declines.

Frankel Pollack Vundere analyst Trevor Pearston believes the industry can build on that, possibly lifting output by 5% to 10% in 1996.

But the industry remains on a knife-edge.

On a worst case scenario another analyst said output could slump to 500 tons in 1996 if major mines like Freegold and Vaal Reefs go ahead and close marginal shafts.

Either way, there is little comfort to the tens of thousands of miners already thrown out of work and the many more who fear for their jobs.

The Witwatersrand basin around Johannesburg still contains 40% of the world's known reserves of gold.

But SA mines are having to go ever deeper to tap that wealth, putting them at a competitive disadvantage against shallower and cheaper-to-work deposits elsewhere in the world.

In 1995, SA had the lowest costs of any of the world's major mine producers, and it accounted for 43% of global new mine production.

Ten years on, it is ranked as the highest-cost producer, behind countries like the US, Canada and Australia, and its share of output has shrunk to less than 25%.

In the past, SA mines could depend on a depreciation of the rand to keep the local gold price bubbling along, offsetting their rising costs. But a stable rand has left little scope for significant increases in local prices. — Reuter.
A gold industry in line for worst year as output plunges

South Africa's gold industry is facing one of its worst years, with production expected to decline sharply. The industry is under pressure due to rising costs and declining ore grades, which are expected to continue into the future. This is leading to a decrease in output and a drop in profits for mining companies. The industry is also facing challenges from regulatory changes and environmental concerns, which are expected to continue to impact production levels. Despite these challenges, mining companies are working to adapt and improve efficiency, with some focusing on developing new projects and others seeking to reduce costs through technological advancements. However, the industry remains under pressure as it continues to navigate the challenges of the current market conditions.
Gold mining profit falls as yield declines

BY DEBRA TOMSEY

Gold mining earnings almost halved in the first six months of this year, figures issued by the Chamber of Mines show. The industry's working profit dropped 43,1 percent to R1,72 billion from R3,0 billion in the same period last year.

Although the ore milled was virtually unchanged at 48,9 million tons, gold production dropped 11,3 percent from 208 371,9g to 238 906,9g.

This was the result of a fairly steep decline in the average yield from 5,45g to 4,56g a ton this year. Another reason for this was the poor labour situation on several mines which hit production and forced management to increase the amount of waste rock and low-grade ore treated to maintain mill tonnages. Another reason was the normal decline at some mines in the amount of high-grade ore available.

The slump in yield is reflected in only eight of the 35 mining operations listed by the chamber as increasing their yields in the first half of this year when compared with the previous 12 months. These were Barberton, the Beatrix section of Buffelshoof, Doornfontein, Grootevlei, Harmony, the Libanon division of Kloof, Lorraine and St Helena.

The industry's working revenue in the first six months of this year fell 6,2 percent to R11,3 billion to R10,6 billion.

The decline would have been worse if the average gold price received had not risen 5,3 percent from R41,378 to R43,578 a kilogram, which helped boost the industry's income by R959 million.

Costs

Working costs rose 7,2 percent from R8,3 billion to R8,88 billion.

The industry's total profit, which includes mining revenue, dropped 42,9 percent in the first half of this year to R1,65 billion from R3,2 billion in the same period last year.

This had a major effect on government revenues. Tax payments by the industry fell R22,6 million, or 61,1 percent, to R33,17 million. Shareholders also suffered. Dividends were cut by 31,5 percent from R1,42 billion last year to R897,2 million this year.

However, despite these poor profit figures, certain sections of the industry continue to attract substantial investor interest. Since the end of June, the shares of Western Areas, which recently took over the high-grade, long-life, but deep, South Deep section, have risen by 38 percent. Shares of another West Wits line mine, Western Deep, appreciated by 20,6 percent after a good June quarter report.

Shares of Crocodile, an old mine which has been given a new lease on life by acquiring ground from Cons Modder, have risen 29,8 percent to 98c. Kaross, which is on the far East Rand, has experienced a 25,2 percent rise in its share price to R2,50 on its good quarterly results.

Shares in Beatrix, the Orange Free State mine, which is sinking a shaft to access new ore reserves, have gained 28,2 percent to R32,25.
Govt pulls the plug on Gazgold

The government is pulling the plug on marginal gold mining house Gazankulu Gold Holdings, after keeping the company afloat for more than four years.

The company said yesterday that the Department of Mineral and Energy Affairs was bringing a winding up order in the Transvaal Supreme Court, following its failure to repay loans worth R11 million guaranteed by the State through an agreement struck in 1991.

The JSE suspended Gazgold's listing yesterday after sponsoring broker Martin & Co warned the exchange that the State's winding up order was imminent and would not be opposed.

The department was unavailable for comment.

Gazgold's main subsidiary Gazankulu Gold Mining Company went into liquidation in July, owing R25.1 million against assets of R3.2 million.

Struggled

Hugh Newman, Gazgold managing director, said he did not know why the government had chosen now to pull the plug.

But the company has struggled amidst gold's lacklustre performance.

The year end accounts for financial 1994 were qualified by chartered accountants Ernst & Young.

Government had undertaken in May 1991 to guarantee loans worth R10 million to Gazgold from Standard Bank.

The company was supposed to begin repaying the loan last December, but secured a rollover and borrowed another R1 million from Standard Bank in April.

Newman said the other R14 million in liabilities was split between inter-company loans and trade creditors.

An undisclosed amount was also owed to Huron Consultants, the company Newman ran with Richard Eaton, the finance director.
State bid to salvage Gazankulu gold cash

BY ANDY DUFFY

The government plans to use the remains of Gazankulu Gold Holdings to create a small-scale mining group in a bid to salvage its reputation and its cash after pumping R11 million into the firm.

The mineral and energy affairs department said yesterday it had persuaded the mine’s liquidators to delay asset sales, while it tried to recover the mining rights from Gazgold, the listed holding company. The department has already applied for Gazgold’s liquidation.

The assets are worth less than R5 million without the rights. But with the rights intact, the government could cut a deal with unnamed, interested parties to access gold worth about R15 million on the site and further ore beyond it.

The department had agreed in 1991 to guarantee a R10 million Standard Bank loan on the Northern Province mine. It took a R12 million bond over the assets and rights as security.

In April this year it guaranteed a further R1 million loan for new expenditure and agreed to a rescue plan, including cutting 30 percent of the mine’s 430 staff.

But most of the new cash was spent on salaries and unpaid interest to Standard Bank. The mine’s workforce also rejected the rescue plan. They were later sacked.

When the mine went into liquidation in July the department repaid Standard Bank.

It then discovered the rights covered by its bond had been transferred back to the holding company, which was still trading.

The department said it would now leave the Transvaal Supreme Court to clear up any confusion about ownership of the rights.
Optimism over mines merger

Michael Jull, chief executive of Doornfontein, said the chairman of the Doornfontein mine, which is to be merged with Blyvooruitzicht, another loss-making former West Rand gold mine, is optimistic about the outlook for the combined operation.

Once completed, the mines' rationalisation should result in lower unit working costs leading to a reduced pay limit and an increase in the pay one reserve, he said.

"It is not possible to predict the rate at which these objectives can be achieved, but I trust the merger will be rewarding for shareholders," he said.

Doornfontein shareholders are being offered one Blyvooruitzicht share for every two Doornfontein shares held. Gold Fields, and certain of its subsidiaries, which together hold 33 percent of Doornfontein's issued share capital, have undertaken to vote in favour of the scheme.

Without the proposed integration, Doornfontein faces closure of its underground operations.
Experts expect to see mine mergers

Michael Urquhart

The gold mining industry might see a number of mergers in the next few years to benefit from rationalisation of costs and sharing of tax bases, analysts said yesterday.

The past year had seen three mergers, and the coming year could see this trend continue, with possible synergies from mines such as Elandsrand and Deelkraal; Welkomhaak and Kinross; and Beatrix and Joel mining.

Various reasons could encourage mergers. These could include using one mine's tax base for capital expenditure at the second; an increase in mining flexibility, rationalisation of current and future infrastructure; sharing of head office costs, or on older mines, rationalisation of the use of the plants.

One analyst said mining houses often were not keen to merge with a neighbouring mine as it meant they no longer could collect management fees from the mine.

Also, if the problem at a mine was productivity, then a merger could compound rather than solve the problem, and management's time was taken up with the merger, rather than solving productivity problems.

The past year had seen Durban Roodepoort Deep merge with Rand, Blyvooruitzicht with Doornfontein, and Western Areas with South Deep. In the case of the first two, the mergers were made to rationalise costs, and in the last to allow the merged mine to use the Western Areas tax base to help fund the development of South Deep.

Eady Rogers analyst Duncan Ingram said the merger of Anglo American's Elandsrand and Gold Fields of SA's Deelkraal would make sense, as the high grade area for both mines was centred on their common boundary.

With the two mines separate entities, it would be necessary for each to sink a shaft to gain access to the high grade area at depth. If merged, however, one shaft could be sunk between the two, allowing access to this high-grade area.

Whether Gengold's Beatrix and JCI's Joel would merge was unsure, an analyst said, as such a merger could be seen as JCI throwing in the towel on its troubled mine.

JCI has been struggling to pull the mine back to profitability after a fall in ore reserves when the mine hit a large unpayable area, as well as a disastrous experiment with trackless mining.

He said as long as JCI remained on target with its development of ore reserves, such a merger appeared unlikely to happen.

Joel also had upcoming capital expenditure for a ventilation shaft.

The analyst said the only advantage for Beatrix of a merger with Joel would be the assessed tax loss of Joel and access to ground within Joel's lease area, not readily accessible for Joel.
Doornfontein mine's fate depends on merger plan

By Derek Tomney

The Doornfontein gold mine will be faced with the imminent closure of its underground operations if the proposed merger with Blyvooruitzicht does not proceed.

This is the view of Vennyn, the independent technical consultant which evaluated the proposed merger of the two half-century-old mines on the far west rand.

Blyvooruitzicht's position on a stand-alone basis is also critical, says Vennyn.

In view of Blyvooruitzicht's lack of underground mining flexibility, it will be marginal and vulnerable to closure under static or declining real rand gold prices, so the merger is important to it.

Because of this, Vennyn believes the transaction is in the best interests of shareholders of both the mines.

It says integration will reduce operational overheads and other costs through the rationalisation of shaft, mining infrastructure and certain capital programmes.

The sharing of infrastructure, ore resources, metallurgical facilities and services will reduce unit working costs and improve production flexibility.

A cash flow analysis indicates that the merged mines will have a lifespan of 11 years.

The merger is to be accomplished by Blyvooruitzicht offering Doornfontein shareholders one of its shares for every two Doornfontein shares held. Shareholders will vote on the proposal on October 4 and October 5.
Gold Fields ‘unlikely to improve’

Michael Urquhart

LONG-suffering shareholders of Gold Fields of SA’s gold mines are likely to see another round of decreased dividends next year — unless there is a substantial increase in the gold price — as the mines engage in major capital spending and struggle with labour productivity.

In his annual review of Deekraal, chairman Michael Fuller-Good said that apart from possible major capital expenditure on accessing deeper parts of the mine, a “substantial improvement in the gold price would be necessary before a resumption of dividends can be contemplated”.

Kloof chairman Alan Munro echoed the sentiment in his review of Driefontein’s prospects, stating that “unless there is an improvement in the gold price over the current low level, it is unlikely that dividends will be maintained at last year’s level”.

Fuller-Good said Deekraal had nearly completed a major investigation to find the best way to access the Venterdorp Contact Reef below 35 level and the way to finance the necessary capital expenditure.

The investigation was also looking at the possibility that accessing the deeper parts of the mine would not be financially viable.

Fuller-Good said there was already a large shortfall between profit and capital expenditure, and if the exploitation of the mine’s deeper areas was justified, capex was likely to be in the region of R84m in the current financial year.

In the year to end-June the mine produced a taxed profit of R16.4m, but capital expenditure of R45.6m left it with a funding shortfall of R29.2m.

The shaft would have to be completed simultaneously to provide sufficient reserves before the tonnage accessible from the present levels was depleted.

Munro said the Kloof division planned to return to production of 180 000 tons a month with the recommissioning of the hoisting arrangements at No 3 shaft.

Munro said if the effects of the public holidays and employees’ negative attitudes could be addressed, the milling rate could be held at this level for the entire year.

At the Leeuwaard division reef and waste passes had collapsed between 35 and 37 levels. The redevelopment of substitute passes would delay the recommissioning of the shaft and development on 37 level.

Capital expenditure at West Driefontein in the current financial year was planned at R210m. At East Driefontein the figure was R240m, related mostly to development from No 5 sub-vertical shaft to reef on all levels and sinking at No 1 tertiary shaft.
SA gold mining houses set sights on West Africa

Michael Urquhart

SA MINING houses had a number of projects on the cards in West Africa, despite the obstacles presented by exchange controls and late entry into the region, analysts said yesterday.

Gold Fields of SA's Tarkwa mine in Ghana was already in production while Anglo Ameri-

can's Sabola Hill mine in Mali was being developed. JCI subsidiary Barnato Exploration recently concluded a deal which gave it exclusive rights at the Prestea mine in Ghana. Randgold and Gencor were also active in the region.

JCI business development GM Peter McKenna said the company was focusing on Africa as it believed it could be particularly competitive in the region. The group was looking at everything from grassroot exploration to redevelopment of existing mines. It was also entering joint ventures.

McKenna said with the agreement recently secured by Bannex, the company could start a study of the underground and surface potential of Prestea. The mine was producing at only half its capacity, but McKenna said with JCI taking over technical management its life could be extended.

It would take a further two to two-and-a-half years to check surface ore reserves, but JCI consulting geologist Andy Killias said the open-cast mine was an attractive prospect. Ore reserves could be proved easily, and the nature of the ore meant it was easy to treat and would therefore require less capital expenditure.

Another gold prospect was Kalana in Mali, and JCI was considering a joint venture with Ashanti Gold Fields. Kalana was an underground mine which had been run by the Russians for a few years before closing down after the Soviet Union's demise.

There was potential for the redevelopment of operations at the mine, and the possibility of additional underground as well as surface reserves.

An analyst said underground operations at mines like Tarkwa and Prestea might not be big money-spinners, and open-cast mining was a more attractive prospect as it was relatively cheap to develop.

Randgold also had a spread of mineral rights in West Africa, and was concentrating on the Liliga prospect in Burkina Faso. The group had budgeted $2.6m for exploration in the year starting October, and had about 60 targets where it had confirmed gold mineralisation.
Godsell calls for ‘profit over production’ policy

Michael Urquhart

THE SA gold mining industry needed to refocus its energies on profit rather than production if it was to meet the many challenges facing it, Anglo American gold division CEO Bobby Godsell said at the 1995 Mining Symposium yesterday.

Godsell said a passive response—hoping for a rising gold price to restore the industry to sustainable profit margins—was likely to see the industry crumble in on itself.

The challenges the industry faced included the expectations of that part of the workforce which was recently enfranchised, an uncertain regulatory environment and ageing ore reserves, he said.

The industry needed to engage in a radical review of how gold could be mined profitably in current circumstances, and no aspect of current practice should stand outside that review.

Also speaking at the symposium, Norman Miskelly, who is mining research consultant for Australian stockbroker D&D-Tolhurst, said different accounting standards for SA mining firms and SA’s unique system of mining houses often made it difficult for investors to come to grips with SA mining companies.

He said one of the criteria by which foreign investors judged a company was its management. Directors of SA mining companies were often unknown overseas.

Miskelly said it was in the interests of a mining company to give as much information as possible, as this helped it when it needed to access capital. Mining companies and countries were generally capital hungry, and a mining company which was well known often had the competitive edge in the struggle for capital.

Miskelly said Australia had put together a code for the valuation of mineral assets and securities, and had also prepared a code for defining reserves and resources.

SA and Australia were competing for the same capital, he said. But Australia had been more successful in this endeavour, and perhaps Australia’s high reporting standards had something to do with this.

Mining consultant Peter Camden-Smith, of Camden Geoserve, said management should place its emphasis on increasing throughput by using incentives rather than by decreasing costs.
Gold mining must focus on profit, says Godsell

FROM REUTER

South Africa's gold mining industry had to focus on profit rather than production and subject itself to critical review if it wanted to overcome current difficulties, Bobby Godsell, the executive director of Anglo American said.

Godsell told a mining conference yesterday that the industry, particularly gold mining, could revive substantially by early next century.

But the industry had to face increasing global competition, the aspirations of a newly enfranchised workforce, an uncertain regulatory environment and declining ore reserves.

"It is perfectly possible, and please mark my words, that in a generation's time, let's say 2020, South Africa will have a vibrant, profitable gold mining industry that is both world-class and of world significance," Godsell said.

But making this a reality depended on how the industry responded to the challenges facing mining.

"The list of challenges is daunting but I really believe that those writing out the death notices in the gold mining industry are both premature and indeed presumptuous," he said.

Godsell said co-operation between management and labour was crucial and all participants had to remember that survival was the incentive to overcome obstacles.

"The old days of labour struggle have to be over. If we make mining the avenue of class and ideological struggle it will just make it the wasteland," he said.

Higher wages, expanded career opportunities and better status for workers needed to come from the restructuring of work responsibility and had to be matched to rising worker output or the decline of mining would be hastened, Godsell said.

He said there was no "magic plan" for improved productivity but a move to split calendar operations would help.

"Extensive gold resources remain in South Africa's borders and the single challenge facing this industry is to determine what proportion of these remaining reserves can be mined profitably under the current circumstances," he said.

He said passively hoping the gold price would break through its ceiling or that the rand-dollar exchange rate would deteriorate, was unlikely to restore the industry to sustainable profit levels.
Only 10 years' life left for Harties

BY DEAN TOWAIRE

Another major gold mine is nearing the end of its life. The Hartbeesfontein gold mine in the Klerksdorp area, which began shaft sinking in 1953, has an operating life of only 10 years, says Basil Henslow, the chairman, in his annual statement to shareholders.

He says the mine and its technical consultants have prepared a definitive life-of-mine plan aimed at producing the highest present value of earnings over the mine’s remaining life.

The plan is being continuously evaluated and, where required, may change significantly.

Although the gold price rose by 7 percent in the year ended in June, this was more than offset by higher working costs and lower gold production.

This caused pre-tax profit to drop by R187 million to R242 million. Taxation took R89 million (R332 million) and capital expenditure amounted to R32 million (R47 million) leaving earnings of R121 million (R170 million) equal to 107.9c (151.7c) a share.

The company paid dividends of 11.5c a share against 16c last year.

One mulled this year is expected to drop by 52,000 tons, but the grade should improve as the mine moves systematically to higher grade areas.
Bare-handed burrowers scratch for gold in Barberton’s hills

Out-of-work miners are scratching a dangerous and illegal living through small-scale gold mining in the Eastern Transvaal, writes Fumane Diseko

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EXTREME MINERS in the Eastern Transvaal are risking their lives for gold, digging their own tunnels into the hills around Barberton to find the ore that can support their families and their families. The narrow tunnels are dangerous and on collapse and bury the miners. They risk poisoning from the process they use to extract the gold from the ore. Their mining activities are banned illegally because the land does not belong to them and the diggers do not have mining rights. The miners are often harassed and arrested by police or security guards and they are determined to continue their activities, saying they would rather work in these conditions than steal or starve. One area where informal mining is concentrated is on land owned by Lilly Mines, now a hill area severely scoured and devastated. Once you start walking the hills, however, you begin to see the holes opening into the ground leading into dark narrow tunnels. Calling down the tunnels at first brings no response — the miners refuse to come to the surface. Finally, a man wearing a green mushroom suit turns out of one tunnel with a corded mouse, balancing on a mouse, and metal bars are recomposed into the sides of the red bottomless hole. Swatting this down his face he examines searching for his hand to his face to wipe away the sweat and dust. A small mining company run by one man is in red suit, his clothes covered with dust, who asks the miner what he is doing. "We're trying to get the gold," he says. "We're cutting the ore with a jackhammer and a pickaxe to extract the gold." Mining under these conditions is a hazardous business. "Who or what will help me if I fall?" he asks. And on the surface there are other dangers: "Yesterday, they arrested people. They ran," he says, "and I was arrested by the police." He says he watched the spectacle as the miners were chased down the hills. He adds his name to the list of security guards from neighboring mines, who were fighting shots at them. "They're not going to win," he says. "They're not going to win," he says, "and you are back at the bottom of the hole." He does not see how anybody can say anything against his mining activities and says this is just another way of mining small-scale as a means of survival. "It's not stealing from anyone," he says. "In this way, they can earn a living."

The light at the end of the tunnel

The African National Congress has produced a discussion document on minerals and energy policy which proposes that legal rights are given to informal miners, called Zuma Mines. This form of mining is seen as fundamental to the development of other related enterprises in the mining industry. A Small Mines Bureau would be established and the role would be to facilitate, co-ordinate and support this form of mining and assist in monitoring government funds for the small-scale mining enterprises. A system of licensing and pay incentives would be introduced. The small-scale mining support system will also provide financial schemes, technical advice, exploration support, marketing research, technical, financial and management training, mineral processing support, organizational structures and sets of standards. An amendment to the country's constitution is necessary to give the small-scale mining enterprises a legal status to solve the problem of being illegal miners. The environment degradation associated with small and micro-scale mining would thus be easier to monitor.

Last month, in the Eastern Transvaal, informal miners formed the Eastern Mining Association. They are still in the process of being registered, and they are planning on aligning themselves with the Reconstruction and Development Programme's office in the Eastern Transvaal.

The paid for his gold — the price is determined by the miner. The miner does not sell his gold. He reads a newspaper and deals with people in a creative and sneaky way. The cost for the gold is less than the value of the gold, and the miner does not need to pay anything to the government. He buys his own gold and pays for it, and the miner is happy with the price. He faces many challenges, but he is determined to continue his mining activities. He says he will continue to work in these conditions rather than steal or starve. He says he will continue to work in these conditions rather than steal or starve. The price of gold is determined by the market, and the miner does not need to pay anything to the government. He buys his own gold and pays for it, and the miner is happy with the price. He faces many challenges, but he is determined to continue his mining activities. He says he will continue to work in these conditions rather than steal or starve.
Gold Fields eyes Ghana riches

Michael Urquhart

IT WAS probable that Ghana would become a significant base in a planned international network for the Gold Fields of SA group, chairman Robin Plumbridge said in his annual review.

While it would be imprudent to prejudge the results of a study being conducted at Tarkwa in Ghana, resources of 7.0-million ounces had been established in three of the five areas and drilling was expected to expand the resource base in remaining areas.

Results of exploration had proved disappointing in South America, and the group was expanding its sights beyond. Venezuela and Ecuador.

Plumbridge said the group would have to establish a permanent presence in Asia-Pacific in the near future.

He said the group's gold mining operations in SA over the past year had been under increasing pressure due to worsening labour relations. Productivity had deteriorated on most mines with the result that the gold mining companies had underperformed.

"Much remains to be done to establish the lines of communication which the group's operations have traditionally had with their employees."

In strong contrast, the group's base metals companies had an excellent year and had recovered fully from the early 1990s. Labour relations in the Northern Cape, and until recently at Zincor, had been excellent. The refinancing of Northam had triggered a significant improvement in morale on the mine, with a corresponding increase in productivity.
Struggling SA gold industry still optimistic

BY MELANIE CHEARY

South Africa's gold mining industry faces further job losses, labour demands and ageing ore reserves but industry officials are optimistic about the future and believe difficulties can be overcome.

"The list of challenges is daunting but I really believe those writing out the death notices in the gold mining industry are both premature and indeed presumptuous," said Bobby Godsell, the executive director of Anglo American.

Robin Plumbridge, the chairman of Gold Fields of South Africa, said in the group's annual review that key participants would have to work together if the country was to remain a major world player in mining and avoid more turbulent labour relations.

"There is a severe risk that a significant number of jobs will be lost in an industry which has already reduced employment opportunities by more than 150,000 in recent years," he said.

Government and industry representatives have cautioned that the struggling industry needs to undergo a revolution and realign itself if it is to compete successfully.

"As South Africa comes out of a long period of isolation, we realise that the world has actually moved on and left us behind. If we want to make this industry work we have to take bold steps," said John Bristow, a senior mining analyst.

Mining house chiefs said the industry was not wasting away and could revive substantially if challenges were met.

"It is perfectly possible that in a generation's time South Africa will have a vibrant, profitable gold mining industry that is both world class and of world significance," Godsell said.

Having the ore reserves was one thing, extracting minerals from the earth and turning them into revenue was quite another, he added.

"Mining conjures up treasure chest ideas of huge wealth down there, but gold in the ground is useless to anybody unless it can be translated into funds.

This task depended on correct geology, efficient management and productive labour, officials said.

But Marcel Golding, the chairman of parliament's portfolio committee on mineral and energy affairs and a former miners' union leader, said increased productivity had to take into account that there was no longer cheap labour.
MANAGEMENT

JCI to launch restructuring at Randfontein mine shaft

Michael Urquhart

JCI is set to implement the first stages of a massive restructuring exercise to improve the productivity and profitability of the group’s gold mines.

Bernie Whitfield, part of a project team drawn from the gold mines in the JCI stable responsible for the restructuring process, said the first test site would be in place on a shaft on Randfontein Estates gold mine next month.

Following the conclusion of the implementation on the site, which Whitfield said should take two to three months, the restructuring could be spread to the rest of the mine and then through all the mines in the group.

The restructuring process, known as Business Process Re-engineering, was initiated in September last year.

The process involved restructuring all aspects of the organisation, including technology, work practices and structure.

Key aspects were comprehensive planning and the need for a multidiscipline approach to problem solving. Whitfield said the mines currently had a number of departments with their own systems for solving problems, and there was often inadequate communication between them.

These often antagonistic departments would have to be formed into teams, he said.

He said the team was also looking at the flattening of structures, with the eventual aim of having six levels in the organisation, from the lowest to the CEO.

Whitfield said moving responsibility down levels in the organisation required empowerment of the people taking this increased responsibility.

The project team was also looking at remuneration structures in an attempt to develop one which was visibly linked to a worker’s level of productivity.

He said incentive schemes already in place were often too complicated for workers to understand. Also, workers could not link their bonuses to any easily measurable measure of productivity.

Other stakeholders in the process, such as suppliers to the mining industry and the unions, were being treated as partners in the process. Whitfield said input from these groups was necessary to ensure that the change could be carried through successfully.

He believed normal working practices needed to be challenged.

If JCI managed to successfully implement its restructuring, its gold mines could be among the few left in SA in 20 years, Whitfield said.

The advantages of successful implementation of the new system would be an increase in throughput and development, and better safety as a result of improved risk management.

This in turn would lower the pay limit, and increase the ore resource and life of the mine.

Ultimately gold mines competed on a cost basis and JCI was looking beyond SA’s borders to compete on a global scale.
**GFSA GOLD PRODUCERS**

**No comfort offered**

**FM 29/9/95**

Of all SA’s gold mines, those in the Gold Fields (GFSA) stable have long been considered the best, the richest, the safest investments. These accolades were deserved. Almost nowhere does the industry’s present malaise show through more clearly than in the latest annual reports issued by the house for its principal operations. In every case, sharp declines in production and working profit are noted, in one — Doornfontein — the mine is now subsumed into the operations of neighbour Blyvooruitzicht, also struggling to survive.

The working revenue for GFSA’s four gold mines (Driefontein Cons, Kloof, Deelkraal and Doornfontein) totalled R5,104bn in financial 1994. Over 1995, that fell to R5,093bn and, given the relative stability of the price over the year to June (it traded in a narrow band) and the low depreciation of the rand (only 4%), the answer lies in lower gold output.

In fact, it declined across the four companies by 9% as this means nearly 7,5 t of gold, it goes a long way to emphasise the gravity of the problems.

Almost without fail, the company reports cite labour difficulties as the cause of the dilemma “antagonism between two large groups of employees” (Deelkraal), “industrial relations were the major problem” (Driefontein) and problems regarding employee attitudes (Kloof).

Observers can point cynically to Doorns and Deelkraal, under threat of closure, where chairman Mike Fuller-Good was able to say the mine “experienced a calm period with no incidents of labour unrest.”

At Kloof, which incorporates Libanon and Leeuwood, the emphasis was on repairing the No 3 subvertical shaft, a process which is taking longer than expected. There was a disappointing decline in grade at Leede domain, from 7 g/t to 6 g/t and Libanon suffered a series of mishaps — two fires, a major hoist breakdown and a performance failure.

The bottom line is attributable of R575m, compared with 1994’s R758m (though that also reflects the end of Kloof’s tax holiday). Despite that, the dividend was lifted 10c to 190c a share, indeed, chairman Alan Munro is already signalling that the level of dividend payment is under threat.

At Driefontein Cons, GFSA’s other massive gold mine, after-tax profit actually improved to R857m (1994 R785m) solely because of a fall of R233m in the tax bill (1994’s one-off transition levy and abolition of the State’s share of profit).

An interesting aspect of changing demographics is that 48% of skilled mining jobs are now held by black employees.

The sobering news is that the dividend was reduced by 10c to 230c per share, and Munro warns that unless employee relations (and therefore productivity) improve along with the gold price, it’s unlikely dividends will be maintained.

This leaves Deelkraal — frankly, a disaster area — and Doorns At Deelkraal, production fell 16% to 7040 kg, and after-tax profit of R16m compares with 1994’s R64m. Not surprisingly, the dividend is 5c after last year’s 20c, the final was passed and the chances of a resumption seem bleak.

Driefontein, of course, has since become part of the Randgold group, leading to a rationalising of its capital assets with those of Blyvooruitzicht mine.

This merger was sensible, because it is the only way both mines will survive in an increasingly hostile environment.

These four annual reports provide no comfort for industry investors.

David Ginason
Durban Deep buyout offer

BY JOHN SIERRA
CAULIEG'S BUSINESS EDITOR

Durban Deep has made a formal offer to acquire all the shares of Rand Leases.

The document indicates that had the acquisition, along with the cancellation of management contracts, been effective from December 31, 1993, Durban Deep's 1994 loss would have been 73.1 percent lower at 396c a share.

Should the offer prove successful, Rand Leases, first listed as long ago as August 1923, will disappear from the JSE boards.

The purchase consideration payable in terms of the offer—worth R111 million—is five Durban Deep shares for every 200 Rand Leases held.

With Durban Deep at 3750c, Rand Leases shareholders will be getting the equivalent of 94c a share, about 12 percent more than the ruling price. The directors of Durban Deep expect various prospective synergies to result from a merger of the two mining operations.

- Rand Leases is constrained by insufficient underground access to mineable ore blocks and limited ore processing capacity, whereas Durban Deep has excess ore transporting and processing capacities but limited payable and accessible ore reserves.

- Both mines have widely scattered ore blocks, most of which are located at the extremities of existing underground infrastructure. This has resulted in high mining costs. Operational synergies could be achieved by concentrating operations in areas least remote from major arterial routes.

- The two mines are separated by a boundary pillar, which acts as a water barrier. In a merger, pumping operations at Durban Deep would continue, hence facilitating the dewatering of large tonnages of mineable ore reserves on Rand Leases. Dewatering would increase Rand Leases' underground life and release higher grade reserves.

- Both mines' metallurgical plants would be upgraded, thereby increasing the mining and processing of underground and surface tonnages to production levels exceeding present capacities.

- By combining resources and rationalising the management functions on the two mines, operational overheads and other costs would be reduced.

The directors of Durban Deep and Rand Leases have agreed that, subject to the scheme becoming operative, the management contracts will be cancelled with effect from January 31, 1995.

The directors said the remuneration payable by both mines for services under the management contracts was "significant and comprised a material part of turnover."
MINING INDUSTRY INTO CRISES

Cost squeeze pushes gold

By Deepak Parajuli

"We have experienced an upsurge in
interest from the mining sector in the
idea of developing a communication system that
would allow producers to communicate
more effectively with their customers."

The second step in the process of
developing a communication system is to
understand the needs of the market and
then determine the best way to
communicate those needs. This is
accomplished through a series of
workshops and forums, where
producers can share their experiences and
ideas. The workshops and forums provide
a platform for producers to
communicate their needs and
expectations, which can then
be used to develop a
communication system that
will meet the needs of the
market. The communication system
will then be designed to
accommodate the
information requirements of
the producers, ensuring that the
system is effective and
efficient. Once the
communication system is
developed, it can be
implemented to
communicate with customers
and other stakeholders, helping
to improve the overall
performance of the mining sector.

"The communication system must
be able to deliver information in a
timely and accurate manner, and
it must be reliable and secure, to
ensure the success of the mining
sector."

In conclusion, the development of a
communication system in the mining sector
is a critical step in improving the
performance of the sector. By:

Deepak Parajuli
Anglo is into 'empowerment' 

BY DEBRA TOMMY

Although there have been a number of approaches to Anglo American regarding the acquisition of the unbundled Johannesburg and JCI by black groups, no figures have been put to it, the group's chairman, Julian Ogilvie Thompson, said at a briefing on the group's profit figures.

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He said most of the approaches had been "far from specific."

"We stress that we are going to sell these assets only to groups that represent a broad base of black investors, backed by pension funds, trade union funds, stockbrokers, individual funds and so forth.

"We are not in the game of what is loosely called black empowerment these days; we are in the game of black empowerment."

He said Anglo American was not able to say when the acquisition of the two companies by black groups would be completed. He added the corporation was "in no particular hurry."
Gold mining at crisis point

BY DEREK TOMMEEY
MINING EDITOR

The cost squeeze on the gold mining industry, still a major contributor to South Africa’s prosperity, is pushing it into a crisis situation.

Clem Sunter, chairman of Anglo American’s gold and uranium division, indicated this week that any further rise in mining costs under present circumstances would result in a number of marginal and loss-making shafts having to close. This would lead to the retrenchment of workers.

Speaking at a briefing on Anglo American’s results, he said that the industry’s costs were escalating at between 10% and 15% a year.

The current price of gold is around R45 500 a kilogram and to offset the escalating costs which the industry is facing from its suppliers and possible wage escalation resulting from the forthcoming settlement it would need a gold price of about R55 000 to R53 000 a kilogram. “I don’t see us averaging that figure this year particularly given what has happened to date.”

Sunter said Anglo American was following two strategies to overcome the cost squeeze. The first was to press for continuous production.

At present the industry operated only 275 shafts a year. It was losing 52 shafts on Sundays, 35 shafts on Saturdays and 12 on public holidays.

“Can you imagine the steel industry here and overseas operating on this basis?” he asked.

“We want to extend the life of our marginal shafts through continuous production, but more than that we want to create extra jobs on our big shafts, like Freddies No 1 in the Free State through the kind of roster system we can set up.”

The second strategy was the use of productivity and performance bonuses and this matter would be addressed after the main wage negotiations had been completed.

We have to accept that our old shafts are nearing the end of their profitable and productive lives. “We will do all we can to see that their closures are carried out in an orderly and humane fashion, and with continuous production on our big shafts we should be able to absorb some of the people from the marginal shafts that we will be closing down.”

Sunter said that Anglo American still has plenty of quality gold left in its mines and that with sensible and consistent strategies it would overcome the industry’s current problems like it did in the previous margin squeeze situation in 1990.”
Mines facing squeeze

JOHANNESBURG — Bruising pay talks start this week for South Africa's volatile gold mining industry, which last year accounted for 21.8 percent of the country's exports. But opinion is divided on whether a strike is likely.

"Neither management, nor the unions, have much leeway," Duncan Ingram of stockbrokers Edey, Rogers & Co Inc said on Tuesday.

Pay, covering about 50 percent of a local gold mine's costs, is only one of a number of bargaining issues at the talks starting on Thursday between the National Union of Mineworkers (NUM) and the employer body, the Chamber of Mines.

The annual negotiations were delayed by a disaster on May 10 at Anglo-American's Vaal Reefs gold mine southwest of Johannesburg in which 104 people died.

NUM, which represents about 300,000 mainly black workers in the mining industry, is demanding wage rises of 20 to 70 percent and a restructuring of the complex job grading system.

The average industry wage rise last year was 11 percent.

The mines say they are caught in a margin squeeze.

Clem Sunter, chairman of gold operations at Anglo American Corporation of South Africa Ltd, reiterated last week that jobs were at stake if productivity problems, rising costs and an unsupporting gold price continued. Gold was quoted at around $384 an ounce in Europe on Tuesday.
Non-stop mining shifts could see rise in low gold share prices

BY DEREK TONKAY
MINING EDITOR

Gold shares, whose prices have halved in the past nine months, are clearly out of favour with investors — but the possibility of a resurgence in gold share prices in the coming months cannot be ruled out, say analysts.

The gold mining industry is engaged in critical negotiations with the unions and also the government on the introduction of continuous mining. A favourable outcome for the mining industry could have a major impact on mining profits.

Clem Sunter, chairman of Anglo American’s gold and uranium division, pointed out recently that the South African gold mining industry is working on only 270 days of the 365 days in a year. It doesn’t work on Sundays, it doesn’t work on public holidays and works only half the Saturdays. No other major capital-intensive industry anywhere in the world works in this way, said Sunter.

He added that negotiations were still at an early stage. However, there is no doubt that the industry must be hoping for a favourable outcome.

Tom Dale, general manager of Gengold, said the industry could derive very substantial benefits from the introduction of continuous mining. But it would be simplistic to think that the industry working every day would boost its output by a third.

Mines with limited housing capacity would not benefit to any great extent.

But the introduction of continuous mining was only half the story. The industry had been going for 100 years and was still following many of the practices started then.

What the industry required was the freedom to negotiate conditions of work with its people so as to be able to work in a more flexible way.

He said the age of the industry meant that in many mines it took a considerable time for workers to reach the stepe face. He estimated that as a result, some spent as little as six hours and possibly even as little as four hours in productive work.

Dale pointed out that introducing more flexible working conditions did not lead to less employment, but to more employment. It enabled the mines to expand operations into more lower grade areas, which required employing a larger work force. This had also happened at St Helena and had resulted in more jobs.

There was no industry in South Africa which came anywhere near matching the potential for large-scale job creation, he said.
Gold production lowest in 39 years

BY DEREK TOMKIE MINING EDITOR

The gold mining industry was hit hard last month by the holidays and the general malaise among workers. Chamber of Mines figures show that gold production dropped to 40,320,065 kg—the lowest monthly figure in 39 years. Production was last at this level in April 1956, when the industry produced 40,072 kg.

May's output was less than half the peak monthly figure of 85,737 kg, achieved in October 1970. Production in May showed a significant decline from April, dropping 3,933,385 kg, or 8.9 percent. Taking gold at R45,000/ kg, the industry's revenue dropped by R177 million in May to R1,814 billion.

Gold production in the first five months of the year was 244,688,465 kg, which is 27,032,295 kg, or 9.1 percent less than a year ago. This lower production cost the gold mining industry some R1,216 billion in lost revenue.

Mining analysts said that May's output indicated that the June quarterly results, due to be published in about four weeks, were likely to be poor.

The JSE is unlikely to be too surprised by the May gold figures. The gold share index has dropped 44 percent since last September and gold shares show no signs of regaining much of that lost ground.

The slump in production comes at a time when employers and unions are meeting to discuss pay raises. Employers are apparently making pay increases conditional on unions agreeing to accept more productive work methods.
Decline in gold output expected to continue

Michael Urquhart

GOLD mining unit costs had increased by 50.8% in the first quarter of 1995 versus the first quarter of 1994, while production had declined by 27 tons over the first five months of the year compared to last year, according to Chamber of Mines economist Roger Baxter.

This had severe implications both for the gold mining industry and for the national economy, he said.

If the situation continued it could see gold production for the year around 62 tons lower at 528 tons, leading to a loss of R2.7bn in revenue for the industry at current gold prices.

The poor performance of the gold mining industry, which was the main factor in the mining component of the GDP, meant the mining industry’s contribution to the GDP fell by 8%.

Baxter said if agriculture and mining were removed from the GDP equation, the annualised GDP growth in the first quarter from the final quarter of last year would have been 3% instead of 1.1%.

The other main area where a fall in gold mining had hurt the national economy was foreign exchange. As all gold produced was exported, the R2.7bn loss of revenue to the gold mining industry was also a loss of foreign exchange for the country.

Baxter said productivity as measured in tons milled a man a year had increased from 1987 to 1994, but last year had declined and on current indications was expected to decline again this year.

He said the factors which had led to the fall in productivity had been a generally poor work ethic based on high expectations from the new government, tensions between regular and contract workers, the public holidays and continual work disruptions over pay structures.

As mines had fixed cost structures, lower production led to an increase in costs a kilogram of gold produced.

This rapidly sterilised large portions of the reserves as the ore became uneconomic to mine, leading to a shortening of the life of the mine.

He said it was this fall in productivity and consequent sterilisation of reserves that had led to a call by the mining industry for a full-year mining operation and operational flexibility at mine level.

These had been the principle chamber demands at wage negotiations.

Baxter said it would hopefully lead to a stabilisation of jobs on mines which were facing closure of the mere marginal shifts, while it could lead to job creation on mines which had the reserves and capacity to increase production.
AAC sets sights on West Africa

THE price of gold is rising and the increase will be particularly welcomed by African producers seeking investment to develop the continent’s rich gold reserves.

The upward price movement coincides with the recent announcement by Anglo-American Corporation of South Africa that it is to invest an estimated $210 million in the Adola mine in Mali.

Anglo-American is expected to control 38 percent of the project and operate the mine. Ina Gold, the Canadian company that discovered the deposits, will hold 38 percent, and the Mali government 18 percent.

Anglo-American’s move into West Africa follows a two-year search for gold projects in the region.

South Africa is the world’s biggest gold producer with an annual output of 620 tons, or one-third of the global production.

But its reserves are declining and with every metre of prospective land explored, there is little gold to be discovered.

The South African mining giant is now anxious to find new reserves.

The Adola project is expected to come into operation in 1997 and produce between 10 and 12 tons of gold a year.

Mali currently has only one major gold mine, the Snyama, operated by the Australian company Broken Hill Proprietary. It is expected to produce six tons this year.

Ventures by South African mining companies are now underway in Botswana, Ivory Coast, Ghana, Namibia, Swaziland and Zaire, and Anglo-American is also exploring in Burkina Faso, Gambia, and Senegal.

African production has doubled to almost 90 tonnes a year over the past decade, with Ghana showing the most spectacular rise.

It is now the world’s twelfth-largest gold producer. In April this year, the government sold its 25 percent stake in the Ashanti Goldfields Corporation, Ghana’s largest gold company, with the company returning to the international stock market. Five percent went to local investors. AGC received $57 million from the sale, and the Ghanaian government $320 million.

The World Bank estimates that African output could rise to more than 165 tons a year if more money went into exploration.

Growth potential

The main producing regions of Africa—West, East Central and South—are considered by many industry specialists to offer some of the greatest growth potential in gold mining.

Africa’s geology is dominated by old rock formations known to be favourable for gold deposits.

Exploration and investment is likely to be strengthened by the rise of gold prices. Gold has been an unattractive investment in the past 13 years.

Throughout October, gold made a determined move to break the $400-an-ounce barrier. Although it faltered, traders are speculating that gold remains bullish and that the rally is not over.

They point out that the reasons behind the latest rally are much stronger than those that boosted prices early last year when prices were at a seven-year low of $326 an ounce.

With the metal perceived to be cheap, speculators and other buyers rushed to take advantage, pushing up prices to over $380 an ounce.

The latest rally started in late August when a number of United States financial organisations started to buy gold in an aggressive, but controlled manner.

Successive increases in US interest rates and worries about world inflation prompted the move.

"There is now a huge collective rush for the price to go through $400," says Andy Smith, analyst at Union Bank of Switzerland.

The gold market has changed dramatically over the past two decades. In the 1970s and early 1980s, Western investors were buying.

Today, demand comes mainly from the Middle East and East Asia, where buyers are much more sensitive to price changes.

The outlook remains “very finely balanced,” according to Gold Fields Mineral Service, a London-based research company. It all depends on interest rates, inflation and supply and demand.

For optimistic investors, there is less gold on the market. During the first half of 1994, central banks sold only 36 tons compared to 275 tons in the first half of 1993.

There has also been a decrease in forward selling by producers — Gemm News.
Project valued at estimated R5.4 billion

Talks under way on mega mine

**BY JOHN SPIRA**

South Africa could be on the verge of obtaining a new mega mine (close to the size of Freegold) if behind-the-scenes discussions currently in progress come to fruition.

The envisaged project would have a value estimated at R5.4 billion in current terms.

A new mega mine of such dimensions would provide a major boost to the economy in terms of employment opportunities, expenditure on supplies, state revenue in the form of additional taxes and heightened foreign exchange earnings.

Further, it would inject an important psychological fillip into a business sector looking for a catalyst to bolster its confidence.

For the new mine to materialise, all the mineral rights holders of ground lying in the area between the original OFS goldfield and the newer Beatriz and Joel mines in the south would need to reach agreement.

The mega mine concept makes a good deal of economic sense, since by pooling all the mineral rights and developing a single major mine, fewer shafts would be required than if all the individual holdings were to be developed independently.

Geological consultant John Handley suggests that while negotiations on the pooling of mineral rights are difficult, the advantages far outweigh the give and take that would be required.

"Some of the individual rights are beset by such problems as different-percentage ownership for participation rights and vendor's rights. These need to be settled quickly and at minimum cost."

The amalgamation would result in a joint venture mining lease, which would be independent of any mining house but, because of its components, could call on the expertise of any one of its venture partners.

Handley estimates that as much as 20,000 hectares could be included in the mega mine (Freegold covers 25,720 hectares), containing 450 million tons of ore at an average grade of 6 grams a ton. The mine could therefore yield 81 million ounces of gold.

Speculation has it that the prospect would be given a kick start by a shaft sunk by Freegold (4 km south of President Brand No 5 shaft), but abandoned when the lease application failed.

Continuation of this shaft could be the start of the mega mine. Two further major shafts would be developed at intervals of 3.5 and 6 km southeast of this shaft.

The shafts would be linked to one another and to existing shafts on Freegold (or St Helen's), Harmony, Oryx and Beatriz by high-speed haulages.

The underground reticulation so created would enable men, materials and ore to be linked to existing infrastructures.

Production could begin as parts of the project were completed, so that the equivalent of four extra large mines, each with future values of R7.5 billion, could begin after six, eight, ten and 12 years.

Handley calculates that, based on present ownership of the relevant mineral rights, the split of ownership of the mega mine would be:

- Anglo American — 38 percent
- Gold Fields — 22 percent
- Gencor — 12 percent
- Freedev — 8.5 percent
- JCI — 7 percent
- Lydex — 5 percent
- Randgold — 4.5 percent
- Barminx — 2.3 percent
- Randfontein — 0.6 percent
Cons Modder in steady turnaround

From DEREK TOMMEY

JOHANNESBURG — Things seem to be looking up for Cons Modder, Loucas Pouroulis's problem-plagued gold mine, which reported a loss of R4.1m before extraordinary items for the 1983-84 financial year.

The 6,000 shareholders will be pleased to know that operations in the December quarter improved sharply. The quarterly report shows working loss dropped from R2,655m in October to R1,888m in November and to R594,000 in December.

Pouroulis says the mine should show a working profit in the current month, which should rise steadily throughout the year.

Dismissals

He attributes the better results to a number of factors. One was the discharge of virtually the entire labour force in October and its replacement by contractors and a more disciplined, though less skilled and somewhat smaller, group of workers.

The dismissals followed four unofficial strikes between May and September, during which workers became "more ungovernable and undisciplined."

When warned they were going to be discharged, they tried to close the mine. "There were moments when it was so bad we did not know what to do."

Although the replacements were completely untrained, their efficiency had improved immensely and further improvements were expected.

Profit sharing

A second factor was the introduction of a profit-sharing scheme for workers. The mine began phasing in the scheme in December and it had already begun to pay off.

A third factor was the decision to switch from mining large tonnages of low-grade ore to small tonnages of high-grade material.

Adding value to this decision had been the discovery in shallow areas near the Main Reef outcrop of significant quantities of high-grade ore, averaging on a conservative basis, at least 30 grams a ton.

"Some of the values are crazy," he says.

This grade of ore had not been discovered before because the area was believed to have been completely worked out. It was also necessary to reopen a shaft to get into the area.

But indications that the ore could be high grade were obtained from development, also of high-grade ore, in the adjoining Gravelotte mine, which Cons Modder is working under a tribute agreement.

The mine, which should be making a profit of R1.5m a month by September, has a R85m tax loss.
Clouds starting to lift for Cons Modder mine

BY DEREK TOMMEY

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Cons Modder plans to mine just over 2,000 tons of this ore a month through four small shafts. This should give the mine a life of at least 20 years.

They are the Vent Shaft, which is practically operational and produced 350 tons a month, averaging 40 grams a ton in December, the No. 2 Shaft, which should be operational by May, the No. 10 Shaft which should be hoisting by August, and the No. 6 Shaft, which will be operating by end-September.

The mine, which should be making a profit of R1.5 million a month by September, has a R90 million tax loss.
Faulting hits Gengold mine

FAULTING, which had eliminated a substantial part of Buffelsfontein gold mine's reserves, had shortened the mine's life to 24 months in a "best case scenario". Gengold deputy chairman Tom Dale warned yesterday. (21/11)

Presenting the group's quarterly results, Dale said Gengold would retrench 1 500 of the mine's 6 000 workers as part of efforts to extend the mine's life. Stills/Brit
Faulting, which can result in seismic events, occurs when rock masses fracture and break the continuity of the reef.

The faulting, combined with seismic activity which had led to rock bursts and damaged fire seals, and unsuccessful attempts to reopen old areas, had seen underground ore milled collapse from 671 000 tons in the September quarter to 307 000 tons in the December quarter. Surface tonnage from the multigold project had been used to boost mill throughput.

Dale hoped production could be stabilised at 700kg of gold a month at about 7.5g/t. The dramatic fall in production led to a sharp drop in distributable profit from R67.7m in the September quarter to a R14m loss in the December quarter.

This hit the Gengold group's bottom line and its distributable income dropped 35% to R55.9m, mainly due to Buffels' poor results and a lower gold price during the quarter. There was a 1.6% decline in the average rand gold price received by the mines to R43 927/kg from R44 631.

In addition, several mines suffered labour unrest which he blamed on "organised labour flexing its muscles."

See Page 3
Hartebeestfontein
star of Anglovaal

From DEREK TOMMEY

JOHANNESBURG.—The Hartebeestfontein gold mine was the star of the Anglovaal group gold mines in the December quarter, marginally increasing taxed profit from R22,1m in the September quarter to R22,8m.

During the quarter, Harties underground operations achieved an increase in milling rate and in grade, while receiving a higher gold price.

However, some of the shine was removed by a jump in working costs from R277,55 to R285,53 a ton.

Working profit from gold rose from R66,4m to R68,7m. Tax took R23,5m (R26m) and capital expenditure was R5m (R5,7m). Results of development showed a slight improvement.

At Lorane a small reduction in tonnage milled was offset by an increase in grade, which enabled the mine to lift production from 1551kg to 1585kg.

But a lower gold price and a rise in working costs led to a working loss of R1,7m (September R635 000).

But a sharp reduction in rehabilitation costs resulted in the working loss dropping to R94 000 from R1,26m in the September quarter.

ET Cons' results were affected by an explosion, which irreparably damaged the calcine precipitator at its main process plant.

Taxed profit fell to R4,1m from R6,2m in September. The quarter's profit includes an insurance claim of R7,6m for loss of profits.

Full production at the plant is expected to be restored next month.

Village Main Reef had a working profit from gold of R1,2m (R1,1m) for the quarter.
G’fields profits up 35%

From DEREK TOMMEY

JOHANNESBURG.—Gold Fields of South Africa, the country’s second-biggest mining house, described earlier this week by a daily business publication as “ailing”, has increased its taxed profit by 35% and could be on the verge of opening a major gold mine in Ghana, its interim statement shows.

Attributable earnings in the six months to December rose to R178m, equal to 194c a share, from R133m, equal to 137c a share, a year earlier.

The interim dividend has been increased by 10c, or more than 14%, to 80c a share.

The improved earnings are the result of a jump of R40m in investment income to a record R173m.

Northam

Most of the increase came from gold operations and from Black Mountain’s first dividend declaration for a number of years.

Gold Fields, which is committed to fully underwriting the Northam Platinum’s R500m rights issue, is well able to do so.

At December 31, its cash holdings amounted to R518m — up from R456m at the end of June last year and from R350m a year earlier.

Feasibility

Exploration in the Tarkwa concession area held by Gold Field’s Ghana area has identified an additional indicated resource of 1.6 million ounces and a further inferred resource of 1.8m ounces, bringing the total resource to some 5.5m ounces.

Gold Fields has an 85% stake in Gold Field’s Ghana. A consulting firm is undertaking a pre-feasibility study for a surface mining project.
Investment income boosts Gold Fields

MICHAEL UQUNJARG

RECORD investment income, mainly from its gold mines, boosted Gold Fields of SA's attributable income for the six months to December to R178m, 35% higher than in the year-earlier period.

Higher dividends from the gold mines and Black Mountain's resumption of dividend payments boosted investment income to R173m, the highest recorded by Gold Fields in the first six months of its financial year.

Gold Fields said the increase in investment income was largely attributable to improved commodity prices. Interest received was also up — from R30m to R36m — based on a higher cash balance, while the company's income from fees and other sources rose from R75m to R83m.

Gold Fields said the second half was likely to show a modest increase over the first half, largely dependent on earnings from investments in the group's gold mining companies and the rand/dollar exchange rate.

The company declared an interim dividend of 80c (76c).

In the balance sheet, investments were down to R1.7bn at December 31 last year, compared with R2.8bn at December 31, 1993. This was attributed to a R693m write-off on Northam in the six months to June.

Loans advanced increased from R182m at June 30 to R223m at December 31. They were largely to Northam to ensure it continued operating.

Gold Fields was bullish about the prospects of its Tarkwa concession area in Ghana, where exploration results had identified additional gold resources.

In conjunction with the previously reported measured resource of 2.1-million ounces, an additional indicated resource of 1.6-million ounces and an inferred resource of 1.5-million ounces had been identified — a total of 5.2-million ounces.

Tarkwa is held by Gold Fields Ghana, in which Gold Fields has an 85% interest.
West Wits raises gold production but sees profit fall

West Witwatersrand Gold Holdings (West Wits) yesterday reported a 6.5 percent rise in production for the quarter to December.

Consolidated Mining's (Consmin) quarterly report showed West Wits lifted production from 871kg to 925kg.

The gold price received dropped from R44 400/kg in the September quarter to R43 500.

Working costs rose 7.5 percent from R32.8 million to R35.2 million. Taxed profit fell from R5.9 million to R5.1 million.

Capital expenditure for the quarter was R747 000 (September R698 000).

Consmin financial director Hennie Butendag announced a R90 million gold plant expansion project, which would lift production capacity of West Wits from its present 160 000 to 200 000 tons a month.

"The project will considerably enhance the profitability of West Wits," Butendag said.

The feasibility study of the expansion project was recently completed.

The project involved the installation of a semi-autogenous milling system and the upgrading of downstream sections of the plant.

Negotiations for the provision of finance were currently being conducted.

Butendag said the disappointing results of Benoni Gold Holdings were due to lower production caused by the drop in tons treated and yield grade from sand reserves.

"This situation is expected to persist for some time until higher grade sand reserves become available," Butendag said.

Production declined 8.8 percent from 421kg for the September quarter to 348kg.

Working costs rose 2.3 percent — from R14.2 million to R14.5 million. Taxed profit fell from R1.48 million to R90 000.

Capital expenditure rose from R21 000 to R374 000.

Taxed profit derived from mining, clean-up and rent at Witwatersrand Niegel increased 29.6 percent from R27 000 in September to R38 000.

"Presently, the company is actively seeking finance of approximately R25 million for phase one of the recently announced promising No 11 Shaft project," Butendag said.

— Sapa
Promising gold discovery

BY DEREK TOMMEY

Randgold has made a promising gold find in the West African state of Burkina Faso.

Results from investigations of two of some 40 previously identified anomalies in the region have confirmed gold mineralisation in elevated quantities, says Mark Brastow, director of exploration at Randgold.

Encouraging results have been obtained from a third, which is located on a broad shear zone with a strike length of seven kilometres.

Sampling at the third target has defined a broad zone of continuous mineralisation yielding an average grade of 0.94 grams a ton over a width of 260 metres.

Selected higher grade intervals within this zone grading 1.14 grams a ton over 44 metres, and 2.7 grams a ton over 55 metres, have been identified.

The discovery is within Randgold’s Sunmatenga project, in which Randgold and the American gold mining company Newmont each have a 45 percent interest.

Last month, when Randgold signed a convention with the government of Senegal, chairman Peter Flack said there was a unique window of gold mining opportunity into West Africa, which Randgold was exceptionally well positioned to utilise.

He thought Randgold’s West African interests would probably be listed in the course of this year.
Mining industry feeling squeeze

From DEREK TOMMELY

Johannesburg — The gold mining industry is in a serious squeeze, says Clem Sunter, chairman of Anglo American's gold division.

This is highlighted by the disappointing dividends declared by the group's Transvaal mines.

Vaal Reefs is paying a final dividend of 32c to make a total of 1.24c for the year — down from 1.27c last year.

Elandrand is paying 25c to make a total of 65c for 1984 — 65c in 1983.

Western Deep's final is down from 30c last year to 22c.

However, owing to a good interim of 27c, the mine's total for the year at 50c exceeds the 1983 payment of 46c.

Jobs in jeopardy

If working costs continue to rise this year at the same rate as last year, and capital expenditure is taken into account, they will exceed the present gold price and put 15,000 jobs in jeopardy at Anglo's mines, he said yesterday.

Anglo's gold production, after reaching 267 tons in 1983, slumped to 242 tons last year — a figure not seen since 1980.

To remedy the situation, the industry wants to hold discussions with the unions to end the ban on Sunday working and to move to continuous production.

One result would be to increase the number of shifts worked by one third and lead to a rise in gold output.

"So we are going to make it the big issue of the year as it will make all the difference to the industry. The results would be quite dramatic," he said.

The industry was also aiming for a modest wage settlement to be accompanied by generous profit-sharing and productivity-related bonus schemes.

"To contemplate wage increases of double digits, as quite a lot of people are expecting, is suicidal, especially if our cash cost goes through the current gold price," he said.

Sunter said that the university's December quarter results were very good and that profit-sharing had been paid.

Jewellery in demand

"Obviously that figure of 242 tons of gold produced last year could easily be converted back into the 267 tons of 1983," Gold was currently trading in a range of 270 to 410.

Strong demand for jewellery provided a firm base for the price, but the low level of international inflation, together with high interest rates, was curbing investment demand and putting a ceiling on the price.

Freegold had available profit of R99.1m, Vaal Reefs R53.1m, Western Deep Levels R23.2m, Elandrand R16.4m, Ergo R15.1m.
Embattled gold mines find no time for idleness

EXPENSIVE capital currently lying idle for three shifts a fortnight should be brought into continuous use, says Tom Dale, director of Gengold.

Glen Sunter, chairman of Anglo American's gold and uranium division, echoes the sentiment.

Mr Sunter says there could be as few as 274 blasting shifts worked on the country's gold mines this year if all the public holidays granted and expected are not worked.

If Sunday blasting were to become legal the mines would be able to blast on more than 359 days a year — 36% more than at present. The arithmetic is not as simple in terms of new jobs or bottom-line profits because other factors would be taken into account.

Mr Sunter says the mines' lives would likely become shorter as a result of continuous production but not as short as some might be without its advent.

"Continuous operation will be one of two issues of the year," says Mr Sunter, the other being modest wage rises.

Year on year, Anglo's gold mining costs grew by 16% in 1994 to R3439/kg.

If the growth recurs, including capital expenditure of approximately R5 000/kg, the cost of mining gold will exceed today's revenue of roughly R44 000/kg.

Mr Dale says an agreement has been reached with the unions at Gengold's Stretretment at the Multiello plant.

Gengold is exposed only to the spot gold price, which netted an average R700/kg lower than in the September quarter. Mr Dale says Gengold probably won't sell forward again but could buy dollar put-options if the price goes above $400/oz for its most exposed mines.

Eastern Transvaal Consolidated marked an otherwise far quarter for Anglovaal when its calcine precipitator blew up in November. This resulted in a R1.5-million working loss for the mine although insurance has compensated for the setback.

Anglovaal achieved better gold revenues on average during the December quarter because it follows a programme of hedging. Future hedging transactions entered into are flexible and can be adjusted to a mine's advantage in the event of a change in the gold price. Anglovaal has secured prices exceeding R5 500/kg for a portion of its 1997 production.

Anglo American's mines had a reasonable quarter other than Western Deep Jem McLuskey, the mine's general manager, says there is an air of expectation among workers that they are in some way due something. They are working less hard and expecting more for it. He believes that profit-sharing incentives are the way towards better productivity.
Godsell warns NUM on costs

MANY gold mines believed they might have to streamline operations before the end of year, Anglo American executive director Bobby Godsell said on Friday.

He was addressing an NUM education and training conference at Groblersdal in Northern Transvaal.

As the first representative of management to be invited to address an NUM conference, Godsell warned that costs had to be kept down so that SA could compete internationally.

He urged the union to consider its stand on Sunday work and the new public holiday calendar sympathetically, as the cost implications for the mining industry were vast.

Describing legislation outlawing Sunday work as "crazy", Godsell said it made no sense to have expensive capital equipment idle on Sundays and public holidays.

However, these considerations would have to be weighed against introducing "tolerable work patterns" which gave employees adequate leisure time. Mines were investigating introducing long breaks for migrant workers, with more intensive working patterns in between.

NUM assistant general secretary Gwede Mantashe said the debate around working hours could not be introduced with the threat of retrenchments as the only alternative.

Sowetan plans Eastern Cape launch

Sowetan's largest black daily newspaper, planned to launch into the Eastern Cape and expand its existing operations in KwaZulu/Natal and the Western Cape, editor Aggrey Klaasie said yesterday.

Sources at Corporate Africa, which bought a 55.5% stake in Sowetan from Argus Newspapers last year, said a launch into the Eastern Cape would occur this year, while increases as had been the case recently. The NUM demanded an urgent review of the retrenchment process.

Mantashe said the union would press for greater involvement in decision-making.

This year, the NUM would press for the narrowing of the wage gap between management and unskilled workers and the elimination of discrimination in retirement benefits.

At present, employers contributed a greater proportion of skilled workers' incomes to provident funds than those of unskilled workers.

Housing and replacing single-sex hostel accommodation were also a priority. Mantashe called for a clear housing programme from employers to rid the industry of hostels.

Godsell and Mantashe agreed there was a need to negotiate a new job grading system as there were currently too many grades in all work categories. Godsell said the union had considered an integrated system which would include management and all grades of workers.

On the issue of education and training, Mantashe urged the industry not to view it as an additional cost but rather as a way of making the sector more internationally competitive.

Privatising ADE 'too risky at this stage'

CAPE TOWN — Atlantis Diesel Engines (ADE)'s four-year profit record could establish it as a candidate for privatisation, but uncertainty about future protection made a flotation too risky for the public, Industrial Development Corporation (IDC) executive director Carel van der Merwe said at the weekend.

The IDC owns the Atlantis-based diesel engine manufacturer. Van der Merwe said while it was IDC policy to sell companies with a profitable track record, "we could not impose that risk on the public at this stage."

"The Motor Industry Task Group compared exports to Iraq, Indonesia, France, Germany, Brazil, Argentina, and the UK and US, but over the longer term, major export growth could be achieved in other African countries where sales were small."

New ventures included tractor assembly, an automotive parts shop, engine remanufacturing, manufacturing a truck wheel trolley and efforts to introduce diesel power to taxis.

ADE is the major employer in 60 000 strong industrial area outside Cape Town, of whom about 70% are unskilled and employed in manufacturing.
Caledonia buys SA mines

Johannesburg — Canada's Caledonia Mining Corp said it had finalised its acquisition of interests in two South African gold mines for a total cash and share consideration of $37.3m Canadian dollars.

Toronto-based Caledonia said in a statement it had bought a 94.5% direct interest in Eersteling Gold Mining Co Ltd and the remaining 5% indirect interest in Barbrook Mines Ltd.

The company cautioned in December that negotiations were under way that and other recent deals would give Caledonia a total mineral resource of 3.9m ounces of gold, it said. — Reuters
Randgold mines' output continues planned fall

MICHAEL URGUHART

PRODUCTION at Randgold's mines continued to fall in the December quarter, dropping 5.5% to 7,933 kg of gold. This was in line with management's plans to rationalise operations.

The retrenchment of 3,500 of Byvoortzacht's workforce, and the restriction of mining to the western portion of the mine as part of plans to rationalise, had seen production there slip to 1,076 kg (2,275 kg).

A failing yield had also contributed to the lower production at Byvoortzacht.

The poor results, combined with a R20.1m cost of retrenchments, had seen the mine's net loss jump to R27.2m (R3.9m).

Durban Deep managed to reduce its net loss after a September quarter in which the mine had taken a R19.7m retrenchment cost. Downsmudging of underground production continued in the December quarter, with gold produced falling to 2,935 kg (3,105 kg).

The yield improved in line with management's aim to target lower tonnages of higher grade ore.

The overall work loss was reduced to R769,000 (R15.1m), but a R3.3m cost of raising a new mean meant the net loss was R4.1m (R20.9m).

Capital expenditure was negligible, but Randgold said a capital development programme would be initiated to bring targeted reserves to account.

The programme was aimed at increasing production from underground to 40,000 tons a month by August. The development programme would not see capex at R4m for the current quarter.

ERPm put up a good performance:

It decreased the costs of its underground operations and turned a loss into a profit.

Net profit at ERPm increased by 33% to R11.1m, but a jump in capital expenditure on underground drilling in the central payshock meant the mine made a small attributable loss.

The programme had been designed to confirm grades in previously inaccessible parts of the payshock to establish whether planned development of a tertiary shaft was necessary or whether the area could be reached through a less expensive incline shaft.

Initial information on geological structures and grades would be available by March.

Harmony's production during the first month of the quarter had taken a knock from a cage accident at its Murrongrat No 1 shaft.

Working profit declined, but a tax recovery and no hedging cancellation costs in the December quarter, compared with hedging cancellation costs of R7.5m in the previous quarter, meant net profit nearly doubled to R22.8m. Capital expenditure jumped to R41m (R3.8m), reflecting the cost of repairing the cage accident damage.

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<tr>
<th>RANGOLD</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 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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Blyvoor battles to lower costs

From DEREK TOMMIEY

JOHANNESBURG — The December quarter was a bad one for Randgold’s struggling Blyvooruitzicht gold mine. In a bid to return to profitability by down-sizing its operations, it has retrenched 3,150 people.

Retrenchment costs amounted to R20.2m, an expenditure that boosted the loss for the quarter to R27.3m. In the September quarter it had a loss of R3.8m.

While overall costs were reduced from R48.3m to R60m, revenue slipped from R62.8m to R51.9m, and the working loss soared from R1.6m to R8.6m.

Blyvooruitzicht’s future is still under consideration, says a company spokesman.

A number of options, including merging, selling or further down-sizing operations are being looked at.

Capital expenditure of R3.2m during the quarter included R1.7m for the company’s contribution for development related to the Western Deep Levels tribute.

The tribute is expected to have a useful impact on Blyvoor’s earnings once it starts mining the area.

East Rand Proprietary Mines had a better quarter.

A reduction in working costs from R88.5m to R79.5m led to the mine increasing working profits from R5.6m to R8.4m.

After including sundry revenue, it had a taxed profit of R11.3m (September R8.5m). But capital expenditure of R12.1m (September R8.3m) absorbed these earnings.

First results of the underground exploration programme in the central payzone will be available at the end of March.

The programme has been designed to confirm grades in previously inaccessible parts of the payzones and will also determine if a tertiary shaft is needed to work the deeper areas, or whether a less expensive incline shaft can be used.

Merger terms between Durban Roodepoort Deep and Rand Lease have been agreed on.

Shareholders have to approve the plan and will receive details next month.

The mine, which was on the verge of shutting at the end of June but was resuscitated by new management at Randgold, had a working loss for the quarter of R769,000 (September R18.1m).

Production underground is to be built up from the 69,000 tons in the December quarter to 40,000 tons a month by August.

Operations at Harmony were affected by the cage accident at the Merriespruit No 1 Shaft. Working profit dropped from R18.5m to R15.3m.

But taxed profit at R22.8m was significantly higher than September’s R11.9m when R7.5m in hedging cancellation costs had to be written off.
Back to the cost squeeze

The quarterly message from the gold mining industry couldn’t be clearer: a cost squeeze is imminent. Given the rise in costs over the past three years, 1995 net mining capacity has slipped. While it isn’t a doomsday scenario, mining executives are wearying of the downturn.

At least part of the problem it seems is increased public holidays coupled with continued restrictions on Sunday working. Anglo’s executive chairman, C. A. Suter, says mining is becoming a four-day activity.

In theory, the industry’s 11-shift working fortnight gives it 283 shifts a year, net of holidays. This year, if the additional holidays are factored in and account is taken of the municipal elections, Suter expects only 274 working shifts, a reduction of 7%.

Restrictions on Sunday working were removed, it would immediately lift the potential to 353 shifts. Not all these extra days would be available in practice, as working capacity has not yet improved.

Evidence from the industry as a whole is that costs have again become a critical issue. That radical restructuring may be unavoidable. Presumably this will embrace negotiations to reduce guaranteed wage levels coupled with increased provisions for profit sharing as direct rewards for participating.

Gold Fields’ results reflected output 1% down due largely to a decline of 3% in grade at its prominent Driefontein mine and a 2% fall at Kloof. The group’s working costs rose 3%, led by Deelkraal’s 7%. Unit costs measured in rand per oz and including capex increased 7% and distributable earnings fell at every mine. GFSA notes an unsteady climate in industrial relations, especially at Deelkraal.

Anglo American’s really bad news came from Western Deep Levels (WDL) where costs rose 11% quarter-on-quarter and gold production fell 7% to well below 10t. At least part of the mine’s difficulties arose from congestion underground about 250 000t of reef is lying about in ore passes, stopes and storage areas, all of which caused apparent transport problems. The result is gloomy, the silver lining is that this may be a good counter to go long of over the next quarter on the assumption no effort will be spared to recover from the December result.

As a whole, Anglo’s costs were well contained, led by a 3% fall at Freegold and an even bigger 12% reduction at Elandsrand, though that has to be viewed against the September quarter’s poor result. Suter notes that Freegold employs 85 000 people, if productivity persists in the present nose dive, some of these jobs may cease to exist.

At Voel Reefs, gold output increased 1% on the back of an increase in tonnage mined and milled. However, grade declined a large 10% (from 6.3 g/t to 5.7 g/t). This produced the intriguing result of a 10% decline in working costs but a 5% quarter-on-quarter rise, including capex, in unit costs.

Elandsrand returned a 17% increase in gold output as a result of a 6% rise in milled tonnage coupled with a 10% increase in yield. E gums, the East Rand dump, treatment and recovery operation, returned a remarkably steady result in every area with unchanged costs and identical EPS. Along with East Dugna, it will soon begin treatment of the large Witbank dump, a replacement reserve at lower grades.

Anglovaal reports a miserable quarter all round. The feature of the three months was a significant decline in production from Eastern Transvaal producer ET Cons, caused by a furnace explosion in one of the mine’s roasters. The group’s Klerksdorp producer Barbeesfontein, Anglovaal’s most important mine, returned a steady result, the worry in the market is that the mine is well past its prime and in a gradual decline.

Genorga chairman, G. R. Maude, won’t be allowed easily to forget the dramatic and disastrous news about Buffelsfontein, where it was announced that 2 Mt of reserves had disappeared due to unexpected geological disturbances, the effect is to reduce the mine’s life from five to two years, and perhaps a lot less. The mine lost R14.1m in the December quarter after a profit in September of R5.7m, a frightening turnaround. If the situation isn’t recovered quickly, the odds are that Buffels will be closed, 6 000 jobs are at stake.

With the exception of Union, St Helena and Beatrice, distributable earnings are down at all the group’s mines, caused mostly by lower yields (down 6%). While working costs were well managed (2% lower), unit costs in rand per oz increased 9% quarter-on-quarter.

Randgold’s mine produced results entirely consistent with the group’s stated intention to rationalise its operations, gold production fell 5% in total. It would have been preferable to have seen this achieved through reduced tonnages and better yields, but, in the event, the reverse occurred. Working costs declined 7% and unit costs increased by a satisfactory 2%.

The good news came from Erma which, on heavy underground workings and was actually able to fund its capex programme without dipping into its kitty. The bad news was at West Wits Lane producer Blyvooruitzicht, which was
Merged mine major boost for industry

From DEREK TOMMEEY

JOHANNESBURG — The long-term future of the gold mining industry has been given a major boost by JCI’s announcement that it is to exploit the rich but deep South Deep mining area.

This is to be achieved partly by merging South Deep with the established and adjoining Western Areas mine.

This will facilitate the rapid development of what will be a giant mining area containing 66m ounces of available gold worth R80bn at current prices.

The merged mine will have a life-span of more than 60 years.

JCI’s mining engineers estimate it will cost R2.7bn to open up South Deep’s Venterdorp Contact and rich Upper Elsburg reefs and to build a new gold plant.

But only R1.1bn, needed between 1995 and 2001, will have to come from Western Areas shareholders.

The balance is expected to be financed from gold production earnings.

However, Western Areas shareholders will soon be asked to provide the first tranche of the R1.1bn by subscribing for a rights issue of R500m to R600m.

Based on a gold price of R44 000 a kilogram, it is planned to increase production from Western Areas from the current 200 000 tons a month to 260 000 tons, while increasing production at South Deep to 30 000 tons a month.

Once the twin-shaft system is completed in 2000, it will be possible, as a result of the development work already done, to build up production rapidly from South Deep to 300 000 tons a month.

This should be reached within 2½ years and it is this resulting accelerated production which makes South Deep different from other developing mines, says Trevor Raymond, senior manager in JCI’s corporate finance-mineral economics department.

Normally, underground development can start only after the shafts have been sunk.

When operating at planned full capacity, the mine should be producing about 30 tons of gold a year, worth about R1.6bn.

The shaft system will be the deepest in the country by about 50 metres, going down to 2 765 metres.

The main shaft will have a capacity of 200 000 tons a month — substantially greater than the proposed production rate.

Backfill will be extensively used because it stabilises mining areas and allows for a higher rate of extraction.

Ammonia, pumped through pipes in a sealed section of the upcast ventilation shaft, will provide underground refrigeration.

Raymond says that work to exploit South Deep has been going on since 1989.

Engineers had taken it very slowly, looking at various scenarios and building up incremental gains in knowledge about the project.

South Deep will have a high degree of mining flexibility, which should enable it to maintain profitability even were the gold price to decline for a prolonged period.