MINING - GENERAL
1994

Buoyant Anglo breaks longtime discount trend

BDay 5/1/94

(210)

MATTHEW CURTIN

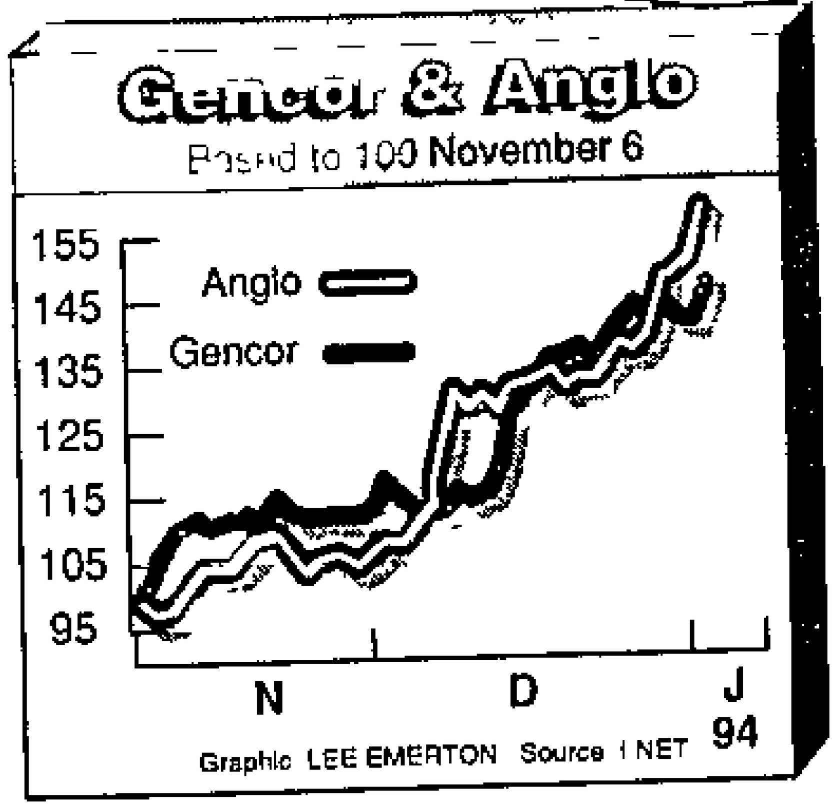
THE SURGE in Anglo American's share price has wiped out the discount at which the group trades to net asset value for the first time since the 1950s, market sources said yesterday.

In doing so, Anglo has broken the decades-long trend shown by mining house shares when they invariably traded at discounts of 15% to 50% to the value of their underlying assets.

The phenomenom could rekindle the unbundling debate, which, typified by Anglo rejection and Gencor/Sanlam advocacy, has revolved around whether unbundling could or should eliminate perceived discounts to net asset value to the benefit of shareholders, and improve the appeal of SA companies for overseas investors.

If the market is to be trusted, the jury is still out with unprecedented foreign demand for Anglo and Gencor scrip in recent weaks, with Gencor also likely to be trading on a par with its net asset value. No clear evidence has emerged on whether foreign investors prefer a large, diversified group like Anglo or a narrowly focused company like Gencor, stripped of most of its non-mining interests in November.

At Anglo's half-year stage on September 30, the group's share price stood at R128, 25% below a stated net asset value of R172 a share.



The share price leapt R12 to R235 yesterday, but the group's net asset value would have risen in tandem in recent weeks as Anglo's significant listed assets gained in value.

Anderson Wilson analyst Doug Ellish, estimating Anglo traded at a small premium yesterday, said the change was significant The improvement in the group's rating contrasted with the still significant discounts at which rival mining houses Anglovaal and Gold Fields traded.

The greater appeal of Anglo to Anglovaal — which had a greater industrial weighting through Anglovaal Industries but significant unlisted assets, including its Venetia diamond mine stake — largely reflected the shares' greater tradeability.

However, he noted that Gencor's share performance since November had been "surprisingly strong" Its shares were back at the lower levels at which they had traded in the group's pre-unbundling form.

Gencor sank to a low of 585c after its break-up but yesterday climbed 50c to 900c. Not only did it prove the most actively traded quality counter in volume terms in 1993 after Iscor, but its current share price compares with market estimates of its post-unbundling net asset value of 890c.

Simpson McKie analyst Rodney Yaldwyn said Anglo was likely to be trading on a par with its net asset value yesterday, probably for the first time since the 1950s opening of the Free State goldfields had sparked huge interest in the group.

"Relative to its peers overseas, Anglo is starting to look expensive, even taking into account the finrand discount," Yaldwyn said The group's dividend yield fell to 1,4% yesterday compared with December ratings for Australian natural resources group BHP, on a dividend yield of 2,5%, leading UK group Rio Tinto Zinc (3,7%), and Australian mining group CRA (2,8%).

He said Anglo's appeal lay in it being one of the most liquid shares on the JSE, giving investors widespread exposure to the SA economy

RHOMBUS EXPLORATION
FM 7/1/94

Changing status

Activities: *Mining exploration company with interests mainly in base metal prospects.*
Control: *Directors 48%.*
Chairman: *A G Fletcher, MD R G Still*
Capital structure: *33,6m ords Market capitalisation R27m*
Share market: *Price 80c Yields 17% on earnings, p e ratio, 5,9 12-month high, 125c, low, 35c. Trading volume last quarter, 660 000 shares*

Year to Sep	†'90	*'91	'92	'93
Exploration expenditure (Rm)	3,8	5,6	1,4	2,2
Earnings (c)	1,6	14,0	5,0	13,6

† Year to June * 15 months to September

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RhoEx is one of the few survivors from the boom period of the late-Eighties, when a number of exploration companies were listed Its future now depends largely on the outcome of two key projects — the Rhovan vanadium plant (see accompanying report)

Cont P64

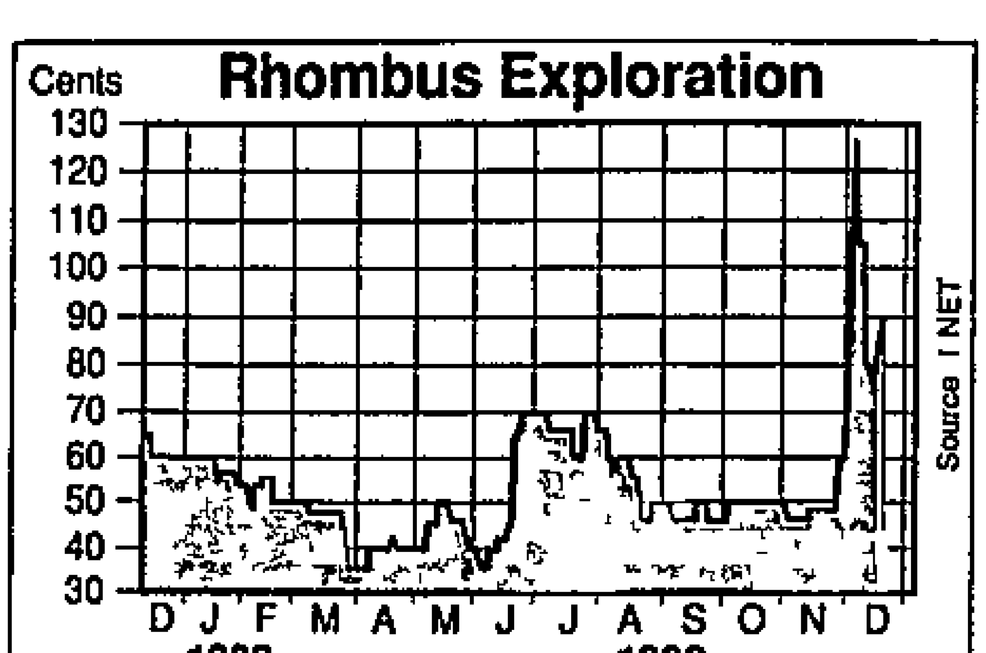
and the Natal mineral sands joint venture.

Getting large mining ventures off the ground is always difficult, particularly for a small operator like RhoEx, and the Natal minerals sands project is no exception

Shell SA is the major partner, splitting the equity 60.40 with RhoEx Developments have been put on ice because of the bid by Gencor for Billiton, which holds Shell's international mining interests Chairman Anthony Fletcher says that until clarity is received, RhoEx has suspended further contributions to the joint venture, which Shell is funding

Trouble is, the project is in a limbo which must be extremely frustrating for junior partner RhoEx The work had reached the point where the next stage involved spending about R15m on research into the smelting technology needed to produce titanium slag from the deposit's ilmenite content RhoEx does not have that kind of money to throw around and Shell probably isn't prepared to spend it if the operation is going to wind up under Gencor's control

The situation could still become interesting if Gencor's bid for Billiton succeeds because of possible developments concerning Richards Bay Minerals (RBM), held 50% by Gencor Should government turn down RBM's application to mine the heavy mineral sands deposits at St Lucia, then RhoEx's nearby Natal mineral sands project could provide alternative reserves.



Rhoe-Ex's Still . *abandoned the SA exploration scene*

FM 7/1/94

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Director Rob Still confirms RhoEx still holds 40% in the project and it has pre-emptive rights to Shell's 60%

Listed in 1987 as a wildcat gold exploration outfit, RhoEx has effectively abandoned the SA exploration scene and intends shifting its listing to the JSE's mining holding sector

That's because of the changed circumstances facing exploration companies in SA. Still says there is limited scope for setting up new mining developments because mining house attention is concentrated on extensions to known orebodies which are already being exploited

RhoEx has gone looking elsewhere in Africa over the past year and the exploration action outside SA appears to be fast and furious. Having swiftly acquired a portfolio of gold, nickel and mineral sands prospecting rights in Tanzania, RhoEx has already sold these to a Canadian company

Still won't specify the amount involved until the offer from the Canadians becomes unconditional, but he says RhoEx will continue to manage the prospecting operation RhoEx will continue looking for suitable projects in Africa

RhoEx remains solidly funded At end-September it had R8m cash and it holds an endowment policy with Old Mutual which matures in September 1995, with a current surrender value of R27,3m

The share price has more than doubled from the year's low of 35c It remains a cheap, speculative play on base metal markets, but investors should keep in mind the volatile track record of these exploration stocks and be prepared to take profits should RhoEx start moving again *Brendan Ryan*

Revamp mining industry – ANC

Call for 'change in pattern of private ownership'

Star 12/1/94

NATIONALISATION

of mines won't be considered, but reforms will have to take place

(210)

BY DEREK TOMMEY

The ANC has issued a draft economic policy document calling for a revamp of the mining industry to generate more foreign exchange and create additional jobs

The document says that the country's minerals belong to the nation as a whole and urges a reversal of the current private ownership of mineral rights However, it says this would not be through nationalisation

Paul Jourdan, the ANC's mineral and energy policy co-ordinator, said reform of the mining industry required a change in the pattern of private ownership and control of mineral rights

This could involve a tax on mineral rights, expropriation on a willing buyer, willing seller basis, or exchange through a system of licences

He denied that this would involve nationalisation but admitted that it could be perceived as a "legislative, sleight-hand" form of nationalisation

In addition, the ANC suggested the creation of a black mining house through the sale of assets by private mining houses.

The two key obstacles to small-scale mining would also be removed. These were the lack of access to mineral rights and the inadequacy of financing and technical support

The document was drawn up by the ANC in conjunction with the Congress of SA Trade Unions and the SA National Civic Organisation

The document is to be discussed and amended, if necessary, at a conference later this month after which it would be adopted as official ANC economic policy

This part of the ANC's reconstruction and development programme (RDP) was made public by Jourdan at an International Executive Communications conference in Johannesburg yesterday The rest of the RDP is due to be issued tomorrow

The mining document calls for priority to be given to the further beneficiation of the country's minerals

"Exporting raw ore is not benefiting our country in terms of employment and foreign earnings," Jourdan said

The document also says industries involved in exploiting mineral resources are in long-term decline and that an effort to move further downstream into fabrication activities would help alleviate the inevitable job losses.

The RDP suggests that there should be incentives to encourage beneficiation These could be in the form of a royalty

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ANC's plan for mines

◀ From Page 1

payment which was dependent on the further processing of ore

Star

Gary Maude, chairman of major mining group Gengold, said much of the document's contents was reasonable

13/1/94

He agreed with the call for wider ownership and accelerated black participation in the industry

He also favoured greater beneficiation. But he warned that too much stimulation of the industry could lead to overproduction, causing uneconomical returns

(210)

Maude said his overall impression of the document was that the ANC was not aware of the industry's complexities

ANC proposal 'not nationalisation'

Plan for state ownership of mineral rights

BDay 13/1/94

ERICA JANKOWITZ

SA's mineral wealth would revert to being a national asset under an ANC government and mineral rights could be leased to mining houses on a renewable long-term basis, ANC mineral and energy policy co-ordinator Paul Jourdan said yesterday. (210)

He told a conference on unions and management in mining that the proposal would form the basis of the ANC's input on mineral policy into the mass democratic movement's reconstruction and development debate on January 22 and 23. An approved programme would then become the ANC's economic policy, as well as the basis of the alliance's electoral platform (232)

Jourdan said state ownership of mineral rights was practised in most countries "Private ownership, as is the case in SA, is the global exception."

He maintained that this would not constitute nationalisation and said the way of achieving this had yet to be decided A new form of taxing mineral rights, changing the licensing system, and expropriation were being considered The ANC aimed to ensure that mining operations benefited all, not just the white minority.

Mining houses would be expected to maximise beneficiation of raw materials This could be achieved through a system of diminishing royalties linked to processing levels. "Companies must maximise the benefits derived from the national patrimony thus ensuring employment growth, downstream linkages and increased foreign exchange earnings."

The breaking down of all racial job barriers was also proposed. The ANC was considering legislation to allow increased participation in mining by black citizens by encouraging small-scale mining.

Jourdan called on the mining industry to develop innovative ways of facilitating the creation of a black-owned mining house along the lines of an earlier Anglo American-backed initiative to establish a mining house with a majority Afrikaans holding.

Pension and other worker-controlled funds would be studied in an attempt to finance such a project.

He warned this was not an opportunity to offload unwanted marginal mines, and it was expected that some of the big money earners would be included in this initiative.

There could be controls to stem capital flight from SA, including the establishment of a mineral marketing auditor's office to monitor transfer pricing

Export or profit parity pricing could be enforced by an ANC government to the benefit of final fabrication industries, which were job creators. These would be linked to a system of incentives.

Against the background of the long-term decline of mines, Jourdan said the ANC was exploring a new mechanism for orderly downscaling, based on the German model, including "reskilling" workers

To combat the hostel system and incorporate the ANC principle that workers and their families should have the right to live close to their places of employment, Jourdan said companies would be expected to take some responsibility for the provision of housing and education for them

He expected the migrant labour system to die out as had been the case elsewhere

☐ To Page 2

Mineral rights

BDay 13/1/94

☐ From Page 1

where long-term foreign migrants had been granted citizenship after five years' continuous employment. (232)

Environmental considerations, better health and safety policies and the exploitation of southern African mineral reserves were also on the ANC's agenda (210)

Jourdan said these policy proposals would still be debated and this was not yet a blueprint for the future of the mining industry. However, the NUM had been consulted widely in drawing up the proposals.

Business was expected to see the document only after its approval, but the ANC had conducted discussions with business interests and would continue to do so.

The conference could make changes to these proposals, Jourdan said.

The Chamber of Mines said it would be unable to comment immediately.

● See Page 3

Mines take differing views over industrial relations

BIDAY

ERICA JANKOWITZ

THE three major players in formulating future mining industrial relations policy each proposed different approaches to the subject at a unions and management in mining conference yesterday. 13/1/94

At the conference, Chamber of Mines' chief negotiator Adrian du Plessis called for minimal state intervention in an over-regulated industry. He proposed instead the thrashing out of policy at "robust collective bargaining". (210)

The chamber's ideal would be a "regulatory environment which encourages deregulation, voluntarism and self-regulation"

Another industry imperative raised by Du Plessis was reducing the pay limit — the interplay between product price and production costs

He acknowledged that recent single-digit mining wage settlements had reduced the pay limit to 3,08g per ton in late 1993, thereby increasing the industry's available economic ore reserves by 4% over the previous year.

However, SA remained the most expensive gold producer among its major competitors, necessitating the continued search for new solutions.

Du Plessis said the mining industry required the continuation of centralised bargaining structures

Outgoing NUM assistant general secretary Marcel Golding agreed collective bargaining agreements needed to be revisited to take account of changing circumstances He said the mining sector had found a creative recipe to deal with the bargaining level debate. At centralised level, industry policy and standards should be set, whereas mine-specific issues such as productivity, skills training and profit-sharing should be decided at mine level.

However, the NUM strongly advocated state intervention in passing appropriate legislation to regulate the industry.

On wages, Golding acknowledged the financial constraints imposed by SA conditions, but said improved productivity was possible with a concerted effort to eliminate illiteracy and innumeracy of workers, backed up by skills-based training

The NUM was investigating a social wage which included housing subsidies, adequate living-out allowances and such items as education and training

The ANC's mineral and energy policy co-ordinator Paul Jourdan said the ANC envisaged extending the powers of the mining summit to act in the capacity of an industrial council He described the summit as a good starting point for tripartite negotiations on mining policy, but criticised the fact that not all mining houses or unions were represented on the body.

"The efficacy of the summit is limited by the non-participation of major corporations such as De Beers, but once all agreements are legislated and companies are held to these decision, we expect this to change," Jourdan said.

Mines shock

ANC's plan for state ownership

CT 13/1/94 (232) (210)

SOUTH AFRICA's mineral wealth would revert to being a national asset under an ANC government and mineral rights could be leased to mining houses on a renewable long-term basis, mineral and energy policy co-ordinator Mr Paul Jourdan said yesterday.

This proposal forms the basis of the ANC's mineral energy policy and will be debated as part of the mass democratic movement's reconstruction and development programme on January 22 and 23, Mr Jourdan told an International Executive Communications conference focusing on unions and management in mining.

Thereafter, an approved programme would become the ANC's economic policy, as well as the basis of the alliance's electoral platform, he said

'Not nationalisation'

According to Mr Jourdan, state ownership of mineral rights was practised in most countries "Private ownership, as is the case here, is the global exception "

He maintained this would not constitute nationalisation and said methodology to achieve this end had yet to be decided on Under consideration were a new form of taxing mineral rights, changing the licensing system and expropriation

The ANC's aim was to ensure mining operations were conducted to the benefit of all, and not just the white minority. It was proposed to restructure work practices to break down all racial job barriers

"Companies must maximise the benefits derived from the national patrimony thus ensuring employment growth, downstream linkages and increased foreign exchange earnings," he said.

Capital control

The ANC was considering appropriate legislation to allow increased participation in mining by black citizens through encouraging small-scale mining operations. Mr Jourdan called on the mining industry to develop innovative ways of facilitating the creation of a black-owned mining house along the lines of an earlier Anglo American-backed intiative to establish a mining house with a majority Afrikaans holding

This intiative quietened nationalisation talk at the time, Mr Jourdan suggested Pension and other worker-controlled funds would be studied in an attempt to finance such a project, as blacks had virtually no capital as a result of historical disadvantages

He warned this was not an opportunity to off-load unwanted marginal mines, and it was expected that some of the big money earners would be included in this initiative. There could be controls in place to stem capital flight from South Africa, including the establishment of a mineral marketing auditor's office to monitor transfer pricing

Export or profit parity pricing could be enforced by an ANC government to the benefit of final fabrication industries which were job creators These would be linked to a system of incentives

Hostel system

Against the background of the long-term decline of mines, Mr Jourdan said the ANC was exploring a new mechanism for orderly down-scaling, based on the German model, including the "reskilling" of workers

To combat the hostel system and incorporate the ANC principle that workers and their families should have the right to live close to their places of employment, Mr Jourdan said companies would be expected to take some responsibility for the provision of housing and education for these families

He expected the migrant labour system to die out as had been the case elsewhere where long-term external migrants had been granted citizenship after five years' continuous employment.

Environmental considerations, better health and safety policies and the exploitation of Southern African mineral reserves using South African expertise were also on the ANC's agenda

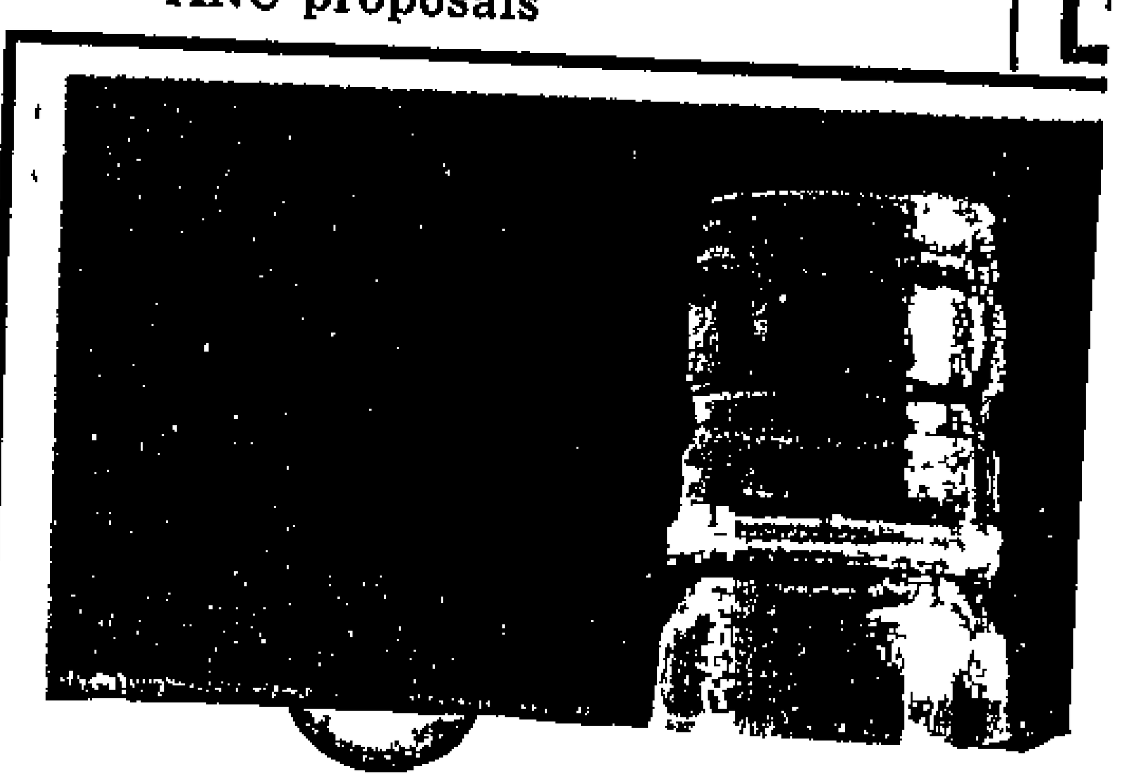
Consultation

Mr Jourdan said these policy proposals would still be debated and this was not yet a blueprint for the future of the mining industry However, the National Union of Mineworkers had been widely consulted during the process of drawing up the proposals, as it represented the interests of a major section of the ANC's constituency

Business was only expected to see the document after its approval, but the ANC had conducted several discussions with business interests and would continue to do so in the run-up to the election

The Chamber of Mines said it was not able to comment immediately on the ANC proposals

Man fired



GREENWOOD ROAD, CLAREMONT 7700

Mineral rights should be private - Chamber

'ANC plans could damage mining'

Star 14/1/94

(210)

BY DEREK TOMMEY

CLAIMS that resources belong to the country hint of nationalisation, say political rivals

The Chamber of Mines has warned the ANC that its draft proposal to end private ownership of mineral rights could damage the mining industry

President Jurie Geldenhuys said last night that private ownership of mineral rights was best for South Africa and should not be changed

He was replying to an ANC policy document issued this week that the country's minerals belonged to the nation as a whole and urged a reversal of the current system of private ownership

Geldenhuys said the present system of mineral rights in the country had evolved over hundreds of years

In that time, the country had become a world leader in mining — not only in the production of gold but also in coal, platinum, diamonds and other minerals

A factor often overlooked in considering mineral resources was that material still in the Earth's crust had no value it became valuable only once they had been extracted and sold profitably, said Geldenhuys

Within the constraints of international market realities, the most important challenge facing the industry was devising the best methods to mobilise the capital and skills required to extract South Africa's remaining mineral resources

The prevailing system of mineral rights had served that purpose, and while the industry was open to suggestions to improve the existing arrangement, it believed the matter demanded careful consideration

Geldenhuys said discussion on the industry's future with various interested parties, including the ANC and the National Union of Mineworkers, had been in progress for some time

■ **Sapa** reports that political parties yesterday slammed ANC plans for the revision of the mining industry

The National Party said the ANC wanted to nationalise mineral wealth, while the Inkatha Freedom Party called the ANC's mining reforms "nationalisation by stealth"

The Democratic Party said the reforms would undermine investor confidence

The NP warned. "The business community must take note that the ANC is still committed to dangerous economic policies that will destroy the economy of this country"

The Inkatha Freedom Party said the ANC was proposing governmental intervention in the economy on a punitive basis which was contradictory to market-based economic systems

Plan for mines condemned

BIDay 14/1/94

THEO RAWANA and ERICA JANKOWITZ

ANY changes to SA's current mineral rights demanded careful consideration and thought, even though the industry was open to suggestions to improve the existing arrangement, Chamber of Mines president Junie Geldenhuys said yesterday

He was responding to ANC mineral and energy policy co-ordinator Paul Jourdan's statement that mineral wealth would revert to being a national asset under an ANC government with mineral rights being leased to mining houses on a renewable, long-term basis.

Geldenhuys said the country's current system of rights had "competently served" the industry's challenge of devising the best method of mobilising the capital and skills needed to extract the remaining mineral resources from the ground (210)

Talks on the industry's future with interested parties, including the ANC and National Union of Mineworkers, had been taking place for some time, he said

The industry looked forward to debate "aimed at ensuring the sustained and effective extraction of SA's remaining mineral resources for as long as it promotes economic growth and development"

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Mines

BIDay 14/1/94

☐ From Page 1

However political parties rejected the ANC proposal as nationalisation that would drive away foreign investors and destroy the economy. (210)

The NP said it opposed the proposal in the strongest terms because it believed in private enterprise and entrepreneurship. The plan would effectively nationalise SA's mineral wealth "This is clear proof that the ANC is still clinging to outdated socialist policies it said it was reconsidering."

Policy formulation should always bear in mind that the SA mining and mineral industry had a long history of innovation, investment and success which had made it an acknowledged world leader

"Government already receives a royalty on mineral output and considerable taxation from the mining and mineral industry which contributes substantially to the upliftment of all," the NP said.

The business community should take note that the ANC was still committed to dangerous economic policies that would destroy the economy "No foreign investors will invest in a country where mining and mineral rights are nationalised"

DP alternate finance spokesman Geoff Engel described the policy as "ridiculously naive and nothing other than nationalisation". He slammed the ANC's unwillingness to discuss the plan with business until after the reconstruction and development programme was finalised "The ANC must learn to negotiate and stop dictating."

He predicted that the confiscation of existing rights would have a negative effect on the economy, workers and investor confidence as huge long-term investments had been made on the basis of existing lease or ownership agreements.

"Through employment and the multiplier effect, SA's mining industry benefits the country at large, not only whites as claimed by Mr Jourdan," Engel said.

The Inkatha Freedom Party saw the plan as "just another attempt at concealed nationalisation. Playing around with the ownership of mineral rights as if it is different from property rights (is) tantamount to backyard nationalisation."

Inkatha said more detail on the terms and conditions of the leasing of mineral rights to mining houses was required This "inhibitive control" and interventionism contradicted ANC claims to recognise the importance of market economics.

● Comment: Page 4

Mineral rights discussed

CT 14/1/94 (210)

Own Correspondent

JOHANNESBURG — Any changes to South Africa's mineral rights demanded careful consideration even though the industry was open to suggestions to improve the existing arrangement, Chamber of Mines president Mr Jurie Geldenhuys said yesterday

He said the country's current system of rights had "competently served" the industry's challenge of mobilising the capital and skills needed to extract mineral resources from the ground

He was responding to a statement by the ANC's mineral and energy policy co-ordinator Mr Paul Jourdan that mineral wealth would revert to being a national asset under the ANC

Randgold mines sing the blues

(210)

CT 14/1/94

JOHANNESBURG — Little went right for Randgold and Exploration in the December quarter as its four gold mines 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 [illegible] production hitches, falling grades, rising [illegible]ing costs and still-low gold prices received.

Matters were not helped by the lingering negative impact of the amount of gold the mines have sold forward. The mines received [illegible] compared with average spot prices in the quarter of R40 500/kg and yesterday's rand gold prices of nearly R42 200/kg.

The biggest drop was at Blyvooruitzicht, where a sharp fall in grade to 6,19g/t from 6,71g/t send the mine stumbling to a R2,56m after-tax loss compared with after-tax profits of R2,52m in the September quarter.

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.

The mine was R6,83m (R3,88m) in the red after tax.

ERPM won little relief from its move to a continuous working schedule because of the culture change it required among workers. The mine reported an after-interest tax and capex loss of R24,6m (R19,4m).

Harmony's vulnerability as a high-volume low-grade producer was emphasised with fewer working days in December contributing to a fall in milled throughput and gold production, although costs were the best contained of the group in the quarter.

Share-option fallout?

MANAGEMENT at Randgold & Exploration could be in for a bumpy ride over its controversial share-option scheme which it presents for shareholder approval at the group's AGM today.

A major shareholder — the Mercury Gold & General Fund (MGGF), owned by UK merchant bank SG Warburg — is expected to oppose the scheme as being too generous the day after the group's gold mines reported an aggregate loss of R17,3m for the December quarter.

Randgold plans to issue 5-million new shares, equivalent to 17% of its issued capital, from which it will allocate 1,8-million to the option scheme as a staff incentive. The option exercise price is 300c. Randgold closed at 760c yesterday.

Mineral rights: ANC hits back

(210)

ARG 15/1/94

JOHANNESBURG — The hullabaloo over the African National Congress's policy on ownership of mineral rights resulted from the ignorance of spokespersons of desperate political parties which were taking cheap shots, the ANC has said.

It said in a statement issued yesterday that the reversion of mineral rights to the state could be achieved without disruption and in such a way as not to impair the industry's ability to produce and expand.

The method of transfer would be devised in close consultation with all stakeholders.

The ANC said the international norm was for ownership of mineral rights to be vested in the state and this was the system used in successful mineral-based economies such as Australia, Canada, Botswana and parts of the US — Sapa

ANC mine policy sparks hullabaloo

CIPRESS 16|1|94

(210)

By DESMOND BLOW

DESPITE the outcry by rival political parties over the ANC's draft proposal to restructure the mining industry, economists believe the proposals will hardly change SA's mining set-up

The ANC has said that rights to precious minerals belonged to the state and should be leased to mining houses and not owned by them, but this is nothing new

Mineral rights belonged to the state and were leased to the mining companies before the new Minerals Act was introduced The new act gives mining companies ownership in return for higher taxes, which compensates for the lease fees

"Perhaps the ANC believes the state will receive more in taxes this way," Old Mutual economist Dr Terence Moll said this week

He felt that another reason might be to force mining companies to exploit these concessions fully or lose them to rival companies

Financial newspaper *Business Day* this week said existing regulations ensure minerals are extracted in a way that confers maximum benefit on the country as a whole Fears expressed by some critics that if the extraction of precious metals is increased it could lead to an oversupply and cause prices to fall, was not shared by Moll who said a study he had undertaken did not support this theory

He said that when the Nationalists took over the country in 1948 all the mining houses were controlled by English-speaking companies

When Afrikaners wanted to buy into the mining houses they negotiated with Anglo American to buy into the Federale Mynbou Using Sanlam finance, they bought 343 000 shares at a cost of R343 000

By 1962 Sanlam owned 30 percent of the issued capital of R6-million of what is today Gencor Before the unbundling of Gencor's shares late last year, Sanlam – which is now one of six conglomerates which control 90 percent of South Africa's listed companies – owned 54 percent of Gencor

The ANC plan is also for black investors to gain control of a mining house, like the Afrikaners did, but Moll feels that this will not benefit the black majority and is too narrow to promote more than a handful of blacks to executive and top management positions

"There are already enough mining houses and it would be better for the existing mining houses to train blacks for top positions and directorships in their companies"

South Africans already shared in ownership of the country's mineral resources through shareholdings in insurance companies and pension and provident funds, said Democratic Party spokesman on pensions, MP Brian Goodall

Goodall said pension and provident funds and insurance companies were the major shareholders in mining finance houses

Anyone who invested in these was therefore already sharing in the country's mineral resources

"What the ANC wants is not for the people to share in the country's wealth, but for the ANC politicians to have the power to manipulate SA's mineral wealth for their own political advantage," he charged

The SACP said in a statement that the alarm expressed by political opponents of the ANC about the draft proposal "had very little to do with economics and a lot to do with electioneering"

Wesplats to hold back on dividends

CT 18/1/94 (210)

JOHANNESBURG — Western Platinum was unlikely to resume dividend payouts until the world's third largest producer of platinum had reduced its high level of borrowings, according to the company's latest annual report

The Lonhro SA-owned company registered a R39,1m interest charge in the financial year to end September 1993

Wesplats chief executive Terry Wilkinson said platinum group metal (PGM) prices were unlikely to increase in the short term, but there would be some relief from the depreciating rand

He expected a continued improvement in the mine's production which saw tonnages milled increase 6% last year to 5,7-million tons from 5,4-million tons a year earlier

"Further improvements are indicated by virtue of higher anticipated grades both intrinsic and as a result of cleaner mining at Karee over the next few years as updip mining is introduced," Wilkinson said

Westplats lifted PGM and gold production in the last financial year by 28,8% to a record 696 867 ounces with an improvement in grades to 3,99 grams of PGM per ton of ore milled from 3,49 g/t in the previous year Metallurgical recoveries also improved

However, income before taxation fell sharply to R81,5m from R144,1m the year before, "reflecting the weaker rhodium price, decreased capital interest and a higher ammortisation charge"

But a R91,7m extraorindary item credit, from the reduction in deferred tax liability following the lowering of corporate tax rate, together with a lower taxation charge resulted in a net income of R137,2m against R80,6m in the previous financial year — Sapa

ANC MINING POLICY

Fm 21/1/94

Pregnant silence

Captains of SA's mining industry decline to comment on proposals relating to mining, in the latest ANC draft policy document (see above) Their silence can be attributed, at least in part, to a reluctance to openly criticise the government-in-waiting. (210)

Dealing with this sector, the draft Reconstruction & Development Programme proposes the establishment of a government auditing department, to monitor marketing of certain minerals, and "a policy of national marketing "

The RDP also makes a veiled reference to "the lack of access to mineral rights "

These proposals, enhanced by the recent pronouncements of the ANC's principal spokesman on mining matters, Paul Jourdan, have electrified the mining community Growls that these papers justify earlier expressed fears of nationalisation resulted in

Cont

 P30

Fm 21/1/94

ANC president Nelson Mandela denying, last week, that this formed any part of ANC policy

A mining analyst suggests that, ahead of the election, fears are overstated "That doesn't mean though that the proposals don't contain the germ of a threat "

What they have done is stimulate the debate about the industry's future.

Private ownership of rights, around the world, is not the rule The US (California excepted) and SA are unusual in this regard. So the reversion of mineral rights to state ownership isn't exactly new

ANC's intentions

And it's conceded by analysts that the ANC's intentions are unlikely to affect existing mining operations. Besides, it's worth noting that, even under the present Minerals Act, it is possible for government to expropriate mineral rights and terminate prospecting licences.

However, where the proposals could have an impact is, for instance, in cases where a company (De Beers for example) has locked away alluvial diamond deposits, or where it may have suited chrome producers to tie up mineral deposits to keep them from falling into the hands of competitors

Under a new dispensation, where mineral rights may be held only on strict development conditions, many deposits may be freed for exploitation by other parties

It is most unlikely small groupings of black miners will ever present viable economic units

(210)

The formation, however, of a major black-controlled mining house could alter the equation appreciably. How that company would be created and funded certainly presents difficulties, none of which are insoluble And its development could conceivably present an interesting challenge to the dominance of the established mining houses.

Probably more likely is the entry of serious international competitors, such as Broken Hill and Rio Tinto. Mineral rights, long husbanded in the bottom drawers of the Johannesburg giants, could present opportunities to world industry leaders to play in SA's backyard

That may not be edifying to the SA houses but it could provide new impetus to the country's tired industry ■

Anglo mines show increases in profit

From MADDEN COLE

JOHANNESBURG — 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 Saaiplaas 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

South Lease Area qualified for special mention for the sharp jump in grades to 9,70g/t from 8,57g/t previously The increase was partly as a result of higher grades in the No 11 shaft pillar

CT 21/1/94 (210)

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 248 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 13% increase in gold production

The mine declared a final dividend of 305c, a 45,2% improvement on 1992's 210c

Hewitt said Elandsrand 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, 43% 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

New ANC wrinkle on mining

Star 26/1/94

The ANC held talks yesterday with mining industry leaders to consider establishing a minerals marketing bureau.

Mining leaders were still smarting from the ANC's pronouncement on transferring mineral rights to the state, contained in the organisation's reconstruction and development programme, and were wary of further government intervention, a participant said.

Samancor executive chairman Mike Salamon warned that hasty decisions on setting up a government-controlled marketing bureau could have catastrophic consequences for South Africa's mineral-based enterprises.

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Practices

He said possible changes to the current private sector minerals marketing practices should only be carried through after a thorough investigation into the effects.

"Such investigation should involve a wide spectrum of players in the country's minerals industry, local as well as international," Salomon said.

ANC mineral and energy spokesman Paul Jourdan said the organisation hoped to set up a forum with the private sector to carry on research into the subject. — Sapa.

Mining houses fire broadside at ANC

B/Day 26/1/94

ANDY DUFFY

ANGLO American Corporation and Johannesburg Consolidated Investment yesterday launched a broadside against the ANC, warning that its minerals marketing proposals flew in the face of basic economics

In a JCI-sponsored seminar in Johannesburg, senior representatives from the two mining houses said ANC plans for the state to oversee minerals marketing could kill rather than expand foreign demand.

Though SA was a major minerals supplier, it was in no position to control commodity prices in the face of low-priced competitors in the Commonwealth of Independent States and China (210)

Any suggestion that SA was operating a cartel would prompt customers to switch to alternative sources, while government control over marketing minerals would prove costly and inefficient.

Anglo slammed as "misleading" and detrimental suggestions that a central marketing organisation would inflate minerals exports and earnings. This was "against all laws of economics", said Anglo new mining business director Raymond Cohen.

"People who suggest that are either out of touch or have the potential to make huge sums of money — in which case we should get in touch with them."

JCI-owned Rustenburg Platinum marketing director Todd Bruce said any attempt to operate a cartel would badly damage the platinum market.

The seminar, organised by the ANC's economic planning department, was called to discuss party policy on minerals marketing, set out in its reconstruction and development programme. The ANC's policy calls for a "government minerals marketing auditor's office" to monitor companies' marketing arrangements "and the national marketing of certain minerals".

ANC economic planning chief Trevor Manuel told delegates that between $12bn and $34bn had flowed out of SA between 1970 and 1988 One major conduit had been trade. Most of SA's exports had been minerals related.

Steam coal exports were marketed privately through Richards Bay and diamonds through De Beers' Central Selling Organisation "The ANC and its allies envisage future such co-operation to maximise the forex earnings from exports of our diminishing mineral resources."

Cohen said the policy was awry. There was no proof the minerals industry siphoned money from SA The ANC should instead consider why that money had left SA There might be a case for strengthen-

To Page 2

Mining houses

B/Day 26/1/94

From Page 1

ing the Reserve Bank's auditing power, but there was no call for new bureaucracy to monitor that already in place (210)

Anglo American was not prepared to make its records available to answer unsubstantiated claims.

The viability of a state-run marketing arm was questionable. A similar operation in Zimbabwe cost about R300m a year and had produced nothing, Cohen said.

"Customers require a great deal of nurturing," he added. "They need their egos massaged. We do not think people in government — whatevever government — can look after people quite as well as the customers need."

Delegates said the CSO's cartel offered no parallels for a commodities cartel Samancor MD Mike Salamon said any analysis of policy options had to be "thorough and industry specific".

B/Day 28/11/94

Mines expected to go on raising capex

ANDY DUFFY

SA MINING houses would continue lifting capex over the next quarter, despite the threat of cramping earnings, analysts said yesterday.

But the figure was not expected to match the 20% jump in the December quarter, which stemmed in part from year-end gains. (210)

JSE forecasts for the rise in total earnings for the March quarter vary from zero to 15%, depending on the gold price, the winding down of forward selling and capex gains.

Frankel, Pollak, Vinderine analyst Trevor Pearton said earnings could move forward about 12% based on the gold price rising 5% and capex falling back.

But Mathison & Hollidge analyst Rob Gillan said earnings were likely to remain at current levels, with higher capex and costs balancing out higher revenues.

Irish & Menell Rosenberg's Duncan Ingram said mining houses were still not convinced the bullion price would justify major new capex plans.

"But the trend is definitely upward. I don't expect a major increase in earnings, though the gold price will be up," he added.

Star December-quarter performers were JCI and Anglo, with JCI's Western Areas posting results in line with its JSE popularity

The nearly 5% fall in Gold Fields' revenue received to R39 795/kg raised some eyebrows. The dip meant Gold Fields, which does not sell gold forward, netted the same unit revenue as Anglo, which does.

Ingram said Anglo was "one of the best performers on forward sales. It did not prejudice revenues, and it covered the downside."

Though costs were held in check for the December quarter, rising an average 1%, individual performances varied substantially.

But keeping a tight rein on costs remained a priority. "The higher gold price means people are not biting the bullet quite as well as they should," Gillan said.

Randgold, at present heavily traded on the JSE following parent Barlows' decision to sell its 27,5% stake, again trailed the field.

Anger over ANC's ideas on mining

S I Times (Buss)

(210)

30/1/94

By CIARAN RYAN

SOME foreign fund managers are threatening to take their funds out of South Africa because of ANC proposals to set up a minerals cartel and nationalise mineral rights

Mining-house officials tore into ANC advisers Paul Jourdan and Peter Robbins this week, calling them romantic idealists. They said their proposals, if implemented, would be a nail in the mining industry's coffin

There is concern that the two advisers are being given free rein to formulate ANC mining policy without regard for the consequences for SA's largest earner of foreign currency.

A mining official says Mr Robbins hectored the mining houses attending the ANC workshop in a style reminiscent of a 1970s student political bash. Mr Robbins was shouted down by mining bosses

The meeting ended on a conciliatory note after Mr Jourdan distanced the ANC from proposals of the Macro-Economic Research Group (Merg).

UK stockbroker James Capel urges clients to sell SA shares because the political risk is too high and the rise in prices was "too much too soon".

ANC economics spokesman Trevor Manuel says SA stockbroking firms have responded warmly to ANC proposals to vest all mineral rights with the state

"They believe these proposals will bring SA in line with countries such as Chile where mining is strong," he says "But the way is open for debate and we welcome approaches from the mining houses"

In terms of the interim constitution, however, the government would have to pay mining houses for their mineral rights, costing taxpayers possibly billions of rands The ANC says mineral rights tend to be publicly owned elsewhere in the world

Nick Segal, an alternate director of JCI and executive committee member at the Chamber of Mines, says "The issue of public ownership of mineral rights would be less complicated if we were starting with a clean slate. But mining houses have spent vast sums on acquiring these rights."

The ANC accuses the houses of failing to exploit mineral rights.

The ANC also proposes an audit office to combat transfer pricing, which it suspects is happening on a large scale Transfer pricing refers to the over- or underinvoicing of exports to build up cash reserves abroad

The most controversial proposal, however, is the plan to form a mining house cartel chaired by the government This is seen as an attempt to interfere with the pricing of minerals

James Capel says "While the ANC is still deciding who owns the mineral rights of the country, places like South America and Ghana have long ago laid down the ground rules with the result that foreign mining investment is pouring into these countries at an enormous rate.

"SA's new leaders, post-election, would do well to go and spend a few days with the leaders of those countries to learn how to attract foreign investment and to install economic structures which are geared towards future prosperity rather than milking existing asset holders out of a sense of redressing past wrongs"

A mining house official says "There is a belief among some in the ANC that mining houses are involved in transfer pricing When pressed for evidence, they are silent. Much of their information is theoretical or anecdotal — and often quite simply wrong

"Similarly, Mr Jourdan and Mr Robbins believe the mining houses are lumbering and incompetent and that the state would be more efficient at marketing"

The Merg report claimed that SA lost R3-billion a year through the "sanctions discount", implying that mining houses were inefficient marketers of their minerals

This angers the mining houses

One executive says: "It is ridiculous to assume the mining houses would be unable to secure the best possible prices for minerals."

Dr Segal says any attempt by an ANC government to interfere in the metals and minerals markets would accelerate the search for other raw materials and suppliers.

Gencor nudges closer to Billiton takeover

BDay 31/1/94

ANDY DUFFY

MINING house Gencor is edging closer to finalising its takeover of Billiton, the sprawling minerals and mining business owned by Royal Dutch Shell.

Director Bernard Smith, responsible for putting the Billiton bid together, said at the weekend the two sides were "not that far apart" on the international operation's price.

Gencor planned to sign the deal — thought to be worth about $1,5bn — by the end of March and to take over Billiton from July.

But although Gencor was now "dotting the Is and crossing the Ts", Smith could not say with certainty that the deal would go through

Several issues could still "backfire", including the pre-emptive rights held over much of Billiton's assets, he said.

Gencor had also still to finalise the debt package from its international banking consortium, including what should be used as security.

The mining house, which started talks last May, had hoped to seal the deal before Christmas, but later said it planned to make an announcement next month. Smith said such delays reflected the complexity of the proposed deal.

The takeover would be a central part of Gencor's strategy to transform itself into an international mining player.

But finrand restrictions have left Gencor struggling to raise sufficient cash.

In addition to borrowings, which are expected to make up 30% to 40% of the funding, Gencor has secured equity from foreign partners. Gencor also gained Reserve Bank approval to take offshore its 50% stake in Richards Bay Minerals, currently valued at R1,5bn, as part of Gencor's equity contribution to the bidding consortium.

(210)

Several analysts remain unconvinced the deal will go ahead, mainly because pre-emptive rights threaten to deprive Gencor of many of the cash-generating Billiton assets deemed pivotal to it.

Smith said Gencor had ruled against recruiting any of the companies holding pre-emptive rights to the bidding consortium.

Shell was negotiating with the holders of such rights. "Shell has a reasonable view of certain things happening," Smith said. "At the end of the day it has to deliver."

Gencor 'close' to sealing Billiton bid

CT31/1/94 (210)

From ANDY DUFFY

JOHANNESBURG. — Mining house Gencor is edging closer to finalising its takeover of Billiton, the sprawling minerals and mining business owned by Royal Dutch Shell

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Plan is to sign deal 'by March'

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NUM to picket Gold Fields

B/Day 11/2/94

ERICA JANKOWITZ

NATIONAL Union of Mineworkers (NUM) members planned to picket Gold Fields' head office in Johannesburg on Friday to protest against the mining house's "appalling safety record" and anti-union stand, a union spokesman said yesterday. (210)

He expected about 2 000 workers from Gold Fields' mines to picket the Fox Street offices for 24 hours from 10am. The workers would man the picket line in shifts.

Permission had been granted and the union expected the picket to be peaceful.

Both the NUM and Cosatu have condemned Gold Fields' safety standards after recent accidents which claimed the lives of 13 workers. Cosatu called for a commission of inquiry into Gold Fields' safety record and for the NUM to be fully involved in devising a safety policy.

The NUM also called for more involvement in post-accident investigations.

After last year's Kloof mine accident in which 200 workers were trapped underground for up to five days following damage to a subvertical shaft, the NUM was not included in the in loco inspection team that investigated the accident.

NUM regional organiser Archie Pilane has said that the NUM often heard about accidents only through media reports.

These grievances together with the group's reluctance to recognise the NUM and grant stop order and organisational facilities would be highlighted at the picket, the spokesman said. "One major event every month" was planned until there was some movement by management.

Management declined to comment.

ANC moves to clarify its mining policy

BILLY PADDOCK

THE ANC moved this week to restore foreign investor confidence, calling US merchant bank Morgan Stanley for advice and contacting the Wall Street Journal and the Financial Times to clarify its position on mining and mineral rights. BDay

ANC mineral and energy department head Paul Jourdan said yesterday he had met Morgan Stanley on Tuesday, and its representatives had advised the ANC to "correct the interpretation the media had placed on our policy". 3/2/94

He had also met members of the mining industry and a series of joint subcommittees had been set up to look into "areas of common concern, which does not mean only areas of conflict". Reuter reports that Jourdan said the issues included mineral rights, foreign exchange, beneficiation and small-scale mining. (210)

He pointed out that the sixth draft of the reconstruction and development programme did not include last-minute changes inserted by the NUM after Cosatu's caucus the day before the conference. Nor did it include the changes made at the conference. "These were not substantial changes and the key problem was the interpretation placed on our policy."

He stressed that the ANC had no intention of nationalising or expropriating mineral rights or mining companies. It also had no intention of establishing a state-run marketing bureau to fix mineral prices.

In the seventh draft it was clearly stated that the ANC was committed to extensive consultation with mining houses, trade unions and foreign investors before implementing any changes. This commitment had also been a feature, expressed countless times over the past few months, of the ANC's position on its programme.

Jourdan said mineral rights would eventually fall under state control. "This does

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ANC policy

BDay 3/2/94

☐ From Page 1

not imply the nationalisation of mines or necessarily the nationalisation of mineral rights. The reversion of ownership of minerals to the public domain could be achieved over a long time period using incentives or disincentives (taxes) such as was done in Swaziland." This was also done in Australia and Canada, which were highly successful mining economies, he added.

"We believe the reversion of mineral rights to the state can be achieved without disruption and in such a way as not to impair the ability of the industry to continue to produce and expand. The method of transfer will be devised in close consultation with all stakeholders, including unions and all mining companies, not just the chamber members," Jourdan said.

However, AP-DJ reports that the Chamber of Mines said yesterday the ANC's policy to transfer mineral rights would jeopardise the ability of mining houses to take a long-term view on projects.

The chamber said that if the country was starting from scratch with no minerals rights ownership, the ANC plan would be plausible. However, the plan failed to take into consideration the complex system of mineral rights that had evolved in SA over the past 100 years. (210)

To transfer the mineral rights to government without considering the complexities would endanger the long-term security of tenure that had allowed mining houses to plan exploration and technological development of investment projects.

"Ultimately, the overall effect would be to accelerate premature contraction of the industry," the chamber said.

● See Page 10

ANC mining policy has potential — if dosed with realism

NIC SEGAL

BDay 3/2/94

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THE ANC's policies towards the mining industry, as contained in the draft reconstruction and development programme, have attracted mostly unfavourable attention in the media and industrial and financial circles.

There are elements in the proposals potentially injurious to the industry and to its role as a major employer and the country's main earner of foreign exchange. The reactions of the foreign investment community to the pronouncements are evidence of just how quickly confidence can be damaged.

It would be wrong to suggest the programme is entirely flawed. At the macro and micro levels, it is true that questions must be raised about its ambitiousness, the practicalities of implementation and the tendency to overstate the role of government and understate that of the private sector. However, provided realism can be introduced into target-setting and the programme can be contained within tight macroeconomic parameters, it has the potential to contribute meaningfully to the country's socioeconomic development and to redressing past imbalances.

Four topics need to be addressed to take the debate forward and to inject it with commercial realism.

First, the prevailing system of mineral rights is complex, having evolved over more than 100 years and also possessing features that are distinctive internationally. The analysis underlying the proposal to transfer rights to public ownership has paid insufficient attention to these complexities.

A few mining countries, including SA and the US, have systems with substantial, though far from exclusive, private ownership of mineral rights. Most countries, however, have ownership vested in the state which, through licensing and other mechanisms, enters into deals with private sector operators to bring the mineral reserves to account.

There is no doubt that such systems can be made workable from both a national and a business perspective. If SA were starting from scratch, it would surely be possible to devise a publicly owned mineral rights regime acceptable to the private sector.

But SA does not start from scratch. The mineral rights system, which has been central to development of the industry's leading-edge capabilities in deep-level and large and long-term mining projects, has encouraged massive expenditure (R6,3bn in 1992 prices in the decade 1983-1992 alone) by the country's mining houses on exploration and acquisition of rights.

To transfer these rights to government would be complicated, costly and probably inequitable. It would jeopardise long-term security of tenure that has prevailed in SA, which is precisely what has enabled mining companies to take a long view of exploration, market and technological development and of investment projects. It would also dent international investor confidence. Ultimately, the effect would be to accelerate premature contraction of the industry with attendant losses of jobs and other negative consequences.

It seems, too, that the programme has not appreciated the strategic and regulatory powers vested in government. Mining is subject to state permission, although the holder of mineral rights has the right to prospect or mine for the minerals concerned, it is a right that cannot be exercised without state authorisation. Further, where failure by mineral rights owners to bring these rights to account can be held to be against the national interest, and where other operators wish to acquire the rights, the state can enforce a sale of the rights from the former to the latter.

Second, the programme seems to imply that existing companies are not taking advantage of commercial opportunities open to them. It is hard to imagine that the country's major producers, all public companies, are failing to expand their production and exports where profitable opportunities exist.

Analysis of the platinum industry, for instance, shows the massive growth in investment and output in line with the trend of increased (though volatile) world demand. (And it also shows how risky new entry can be to an industry that is complex in technological and international market terms — three SA projects, involving capital investment of more than R2bn, have failed in the past few years.) Similarly, there is no evidence of any reluctance of the domestic industry to invest in beneficiation projects which are commercially attractive and which fit strategically.

The programme overlooks the fact that SA is, by virtue of its unique geology and the strength of its mining industry, in a peculiar position in international markets. In several commodities — platinum, manganese, vanadium and chrome — the country not only accounts for the major part of world production but also has reserves that are many times greater than annual world consumption. In these circumstances, expansion of SA output could depress world prices to the detriment of existing producers and, via knock-on effects, of the economy.

Third, the programme asserts there is scope for micro and small mining in SA. That there is some scope is undisputed. Some of the large mining houses have sold rights or given subcontract opportunities to small operators, or are examining their portfolios to do so, where the ore body is such that it will be more profitably exploited by a small operator. There is also potential for some small-scale mining on land where the state owns the mineral rights, and there is no reason why these rights could not immediately be made available.

Despite these opportunities, there remains doubt that they are sufficiently numerous for development of a major small-scale mining sector. It must also be borne in mind that the country's increasingly rigorous safety and environmental standards impose disproportionately heavy costs on small-scale ventures, to a point where they could become non-viable.

Fourth, concern must be expressed over the interventionist posture adopted by the programme. Even if the intention is not to move as far as other African mining countries did after independence, the damage inflicted by government interference in the mining industry — in for instance Ghana and Zambia — justifiably causes nervousness in SA. Such anxiety will not be confined to the mining sector. Precisely because it is this sector that has been the focus of the international financial community's interest in SA, and with which the relationships are strong and extensive, the knock-on effects on investment in other sectors could be serious.

One final comment. The only responsible way to introduce new policies is through consultation with all stakeholders and by being prepared to modify the original proposals in the light of such interaction.

The reconstruction and development programme expresses the ANC's commitment to consultations. This is to be welcomed, and the mining industry is already in dialogue with the ANC and others on the key issues. Provided the process is conducted in a constructive spirit, the mistrust that some in the industry now feel could be dispelled and the future of the industry secured to the benefit of all its stakeholders and the nation as a whole.

□ Segal holds the economics portfolio on the Chamber of Mines executive committee.

Mineral rights issue still uncertain

(210) ARGT 5/2/94

Business Staff

THE future ownership of mineral rights in South Africa is becoming a matter of controversy between the African National Congress and the mining industry

Carl Niehaus of the ANC has denied that his party has any intention of nationalising the mining industry

The situation at present is that mineral rights on private land belong to the owner of the freehold

But, mineral rights can be sold separately from the freehold, says Marius van Blerck, Anglo American's tax consultant

The government owns the mineral rights underlying state land

Until this year, companies mining precious metals had to make a lease payment to the state, as well as paying normal income tax

The lease payment was introduced by the old South African Republic (ZAR) to enable it to share in the profits of the gold mining industry, said Mr Van Blerck

Income tax on companies was undeveloped, the companies were largely foreign-owned, so imposing a lease payment was the only way the old Transvaal could obtain revenue from the gold-mining industry, explained Mr Van Blerck

The lease provision was extended to the entire country after union in 1910

However, as the rate of income tax levied on the mines increased and the mining industry became largely South African-owned, the lease payment dwindled in importance and became an anachronism

In 1988, the government recommended its abolition which came into effect last year

An official of the Minerals Bureau says that anyone can prospect and mine the country's mineral rights, provided they have the consent of the owner of the mineral rights and have met the requirements of the state

Carl Niehaus said last night the ANC's call for the reversion of mineral rights to the state did not mean nationalisation of the mining industry, with or without compensation

In its latest economic proposals issued on Tuesday, the ANC said "The mineral wealth beneath the soil is the national heritage of all South Africans, including future generations"

'Don't be misled by polls'

Star 8/2/94

■ LABOUR CORRESPONDENT

Overconfidence and complacency — and not political rivals — might be the downfall of the ANC in the April election, Cosatu president John Gomomo cautioned yesterday

Speaking at the annual congress of the National Union of Mineworkers in Pretoria, he said the ANC-SACP-Cosatu alliance risked being misled by opinion polls which indicated a 65 to 70 percent win for the alliance in the election.

(210)

For the sake of generations to come, the tripartite alliance needed a decisive victory, not through slogans but through ensuring that communities were taught how to vote — "and to vote ANC" — the Cosatu president said.

Gomomo urged mineworkers to use the Easter weekend in April to visit rural areas in order to mobilise more support for the ANC.

Confusing statements deterring investors, says Anglo

Consistency needed, ANC policymakers told

Star 9/2/94

(210)

BY STEPHEN CRANSTON

It is important for the ANC to arrive at a clear and credible set of economic policies, says Anglo American deputy chairman Les Boyd

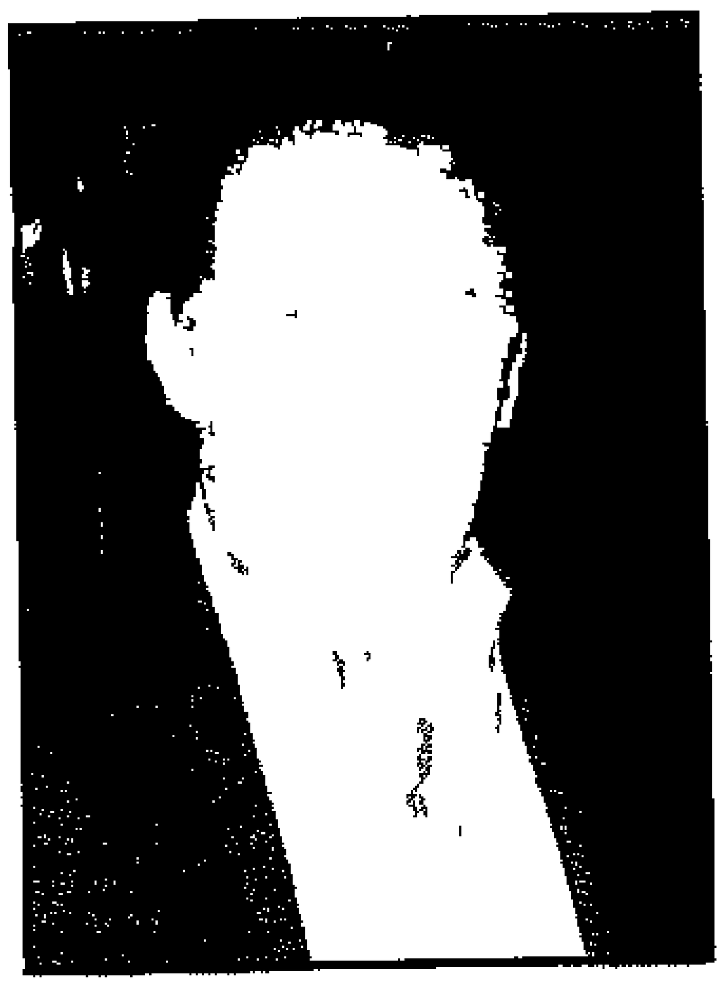
SA desperately needs new investment in order to create jobs and everything should be done to encourage rather than discourage both local and foreign investors, he says

He says confusing and often contradictory statements are made by ANC spokesmen.

"This has undoubtedly led to great uncertainty and has had a negative impact on foreign investment."

But it is encouraging that the ANC is now paying greater attention to consultation with industry and that it has agreed to structured dialogue on minerals policy

Boyd disagrees with the ANC's policy of offering incentives for small mining ventures The market for some commodities can be severely disrupted



Les Boyd . . . interference not needed.

For example, the new Rhovan vanadium plant set up by independent investors will further increase overcapacity

In most of the base metals produced locally there is no world shortage of capacity and, as a result, most producers are operating below capacity.

"While it is important that free market principles apply, further ventures will only result in price reductions and reduced export receipts "

Boyd is critical of plans to set up a minerals marketing board, a venture which has clearly failed in Zimbabwe

"The one thing the mining and metallurgical industry does not need is interference in its marketing policies

"The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms."

The lack of market incentives often quickly renders government agencies inefficient and bureaucratic delay and overstaffing are normal

Beyond these concerns is the danger that a government agency would attempt to cartelise production, with possibly disastrous consequences for long-term development and SA's share of the market

Boyd says the suggestion that power consumer be levied in order to finance township electrification is fraught with danger

"The need for electrification is accepted, but the global competitive position of South Africa's power-intensive industries, such as the ferro-alloy industry, will be seriously affected by an increase in one of the major cost elements "

'State will own mineral rights'

Star 10/2/94

■ BY JOVIAL RANTAO and JOHN SODERLUND

THE ANC president resurrects an idea which caused havoc in the gold market when it was first mooted as part of a broad plan

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An ANC-led government would wrest mineral rights from mining houses and place them in the hands of the State, ANC president Nelson Mandela stated openly yesterday.

South Africa's minerals belonged to the State, and mining companies should lease the right to exploit these and pay consideration to the State, he told mineworkers on the last day of the National Union of Mineworkers national congress in Pretoria.

The people would own the mineral rights, with the State acting as a custodian, he said.

This idea was first mooted by the ANC in its Reconstruction and Development Programme recently, and was met with widespread concern. The gold index plunged 98 points, to 2060, in one trading session, but recovered following Mandela's statement that the initial announcement was "unfortunate".

He seems to have come full circle in response to changes in legislation which became effective this year.

Mandela accused the Government of transferring ownership of mineral rights to mining houses, once aware that a new order would replace them

"This was a conspiracy between mining houses and the NP But we will not allow that to happen. A democratic government will change every agreement between the NP and the mining houses."

And the right to mine should not be exclusive to mining houses but should be extended to individuals, he added

In a stinging attack, Mandela said the NP had no idea of how to serve all South Africans

He said an ANC government would honour the right of workers to unionise and strike.

"It will be the first duty of an ANC government. The right to strike is a democratic right of workers throughout the country," he said.

■ Sapa reports that former National Union of Mineworkers PWV region co-ordinator Gwede Mantashe succeeded Marcel Golding as assistant general secretary of the union yesterday.

(Report by J Rantao and J Soderlund, 47 Sauer Street, Johannesburg)

NEWS PAC app

Minerals will belong to the state

Sowetan 10/2/94

SOUTH Africa's minerals would in future be owned by the state, African National Congress president Mr Nelson Mandela said yesterday.

"The position in the democratic world is that gold, diamonds, platinum, coal and other minerals belong to the state," Mandela told delegates to the annual conference of the National Union of Mineworkers in Pretoria.

"This was a general trend in our country until the National Party Government sold the mines to mining houses in anticipation of a takeover by a black government.

(210)

"We shall reverse this conspiracy after elections. However, the public shall have the right to exploit minerals and pay consideration to the state," he said. Mandela said they would exploit untapped natural resources to address economic imbalances while maintaining healthy economic growth.

ANC POLICY PRONOUNCEMENTS

FM 11|2|94

No trickle down from the top

The ANC is involved in a damage-control operation after last month's publication of policy drafts dealing in romantic-radical fashion with two key areas of economic policy — ownership of mineral rights and the marketing of metals and minerals

ANC mineral & energy department head Paul Jourdan, after a negative response in the markets, said last week that the proposals were misinterpreted The ANC has no intention, he added, of expropriating or nationalising mineral rights or mining companies or of imposing mineral marketing boards

He could have fooled those who read the original proposals! Even the latest revision leaves a potential trap door for mining national ownership of mineral rights is still a long-term goal

The recent series of policy drafts and proposals makes it clear the shift from Marxism by President Nelson Mandela and senior leadership has failed to filter down to middle management of the ANC, which is clinging to earlier policies when attempting to address the legitimate grievances of blacks

There are important fallacies underlying many proposals For instance

☐ The mining houses belong to a few "exploiters " In fact, the people of SA own a significant proportion of mining shares through membership of pension and provident funds and ownership of life policies What's more, the mining sector contributes substantially to the public purse through taxation and will continue to do so on an increasing scale if left alone by government,

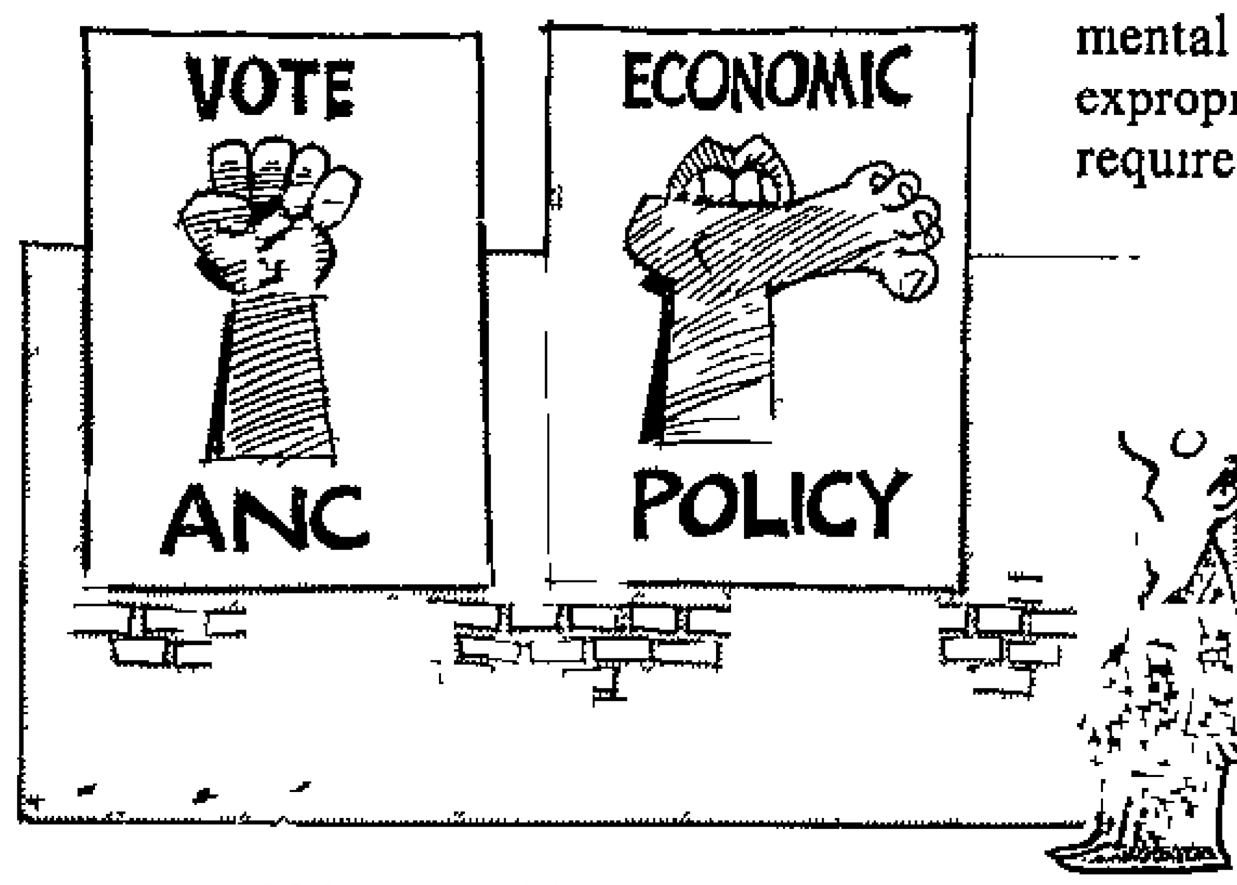

Mandela


Jourdan

☐ Large capital-intensive mineral projects, such as Columbus and Alusaf, should be discouraged because they provide little additional employment While subsidies to otherwise unprofitable ventures are counterproductive, any successful export generator will enable SA to run the economy closer to full throttle,

☐ The existing stock of wealth is large enough, if transferred to black hands, to address mass poverty Not only is this assumption false but any aggressive assault on the pattern of ownership and management of industrial or mining activity will curtail economic activity through the effects on confidence There would be a halt to foreign investment and greater illicit outflow of domestic capital

If things got really bad, the white community would be gutted by mass emigration — which a hypothetical future Leninist government could not effectively prohibit for two reasons Firstly, many white South Africans are dual citizens Secondly, the Western powers would never acquiesce in such a tyrannical move



If the motive is revenge (to "hurt the rich" in Anglo American director Michael O'Dowd's words) this can easily be achieved, but the only beneficiaries, if any, would be the new *nomenclatura* The poor would be much worse off,

☐ Small-scale mining, if revived on a precolonial basis, could contribute significantly to economic growth But how could small mines extract thin veins of gold thousands of metres underground?,

☐ A minerals marketing board and cartels could force up export prices Disastrous practical experience in many African states after independence proves this is not the case Any opportunities to enhance export earnings would surely have been seized

Cartels to manipulate export prices would also rebound sooner rather than later on the exporters — for example by motor manufacturers switching from platinum-based exhaust catalysts

One of the policy documents argues that export proceeds from minerals under private management are lower than they should be because of devices such as transfer pricing to shift money overseas But evasion is mostly on the import side, through over-invoicing by smaller firms And, in any event, it is fear of future policies which causes the owners of wealth to expatriate funds illegally The solution then is making policies that inspire confidence, and

☐ That public ownership of mineral rights, as in Australia and Canada, justifies moves to transfer ownership from private hands in SA (210) From the viewpoint of investor confidence, there is all the difference in the world between continuing with a policy and disrupting a long-standing pattern of private ownership, especially at this point in SA

A number of other proposals have fundamental weaknessess One relates to property expropriation To pay for private assets, as required by the interim constitution in the case of expropriation, is a misapplication of scarce public funds which should go, for example, into improving education

On a purely pragmatic level, the demise of the Soviet Union implies that foreign capital can now be obtained only from the rich industrial nations — and on their terms Paul Jourdan's mineral rights and state marketing concept caused a significant collapse of confidence among foreign holders of SA mining shares and prompted a sell recommendation by London stockbroker James Capel, which had been strongly bullish on SA

These ideas are recipes for economic disaster, and this the senior leadership of the ANC knows But it lacks the internal authority to say so unequivocally Perhaps the top men fear the accusation of betrayal if they try to water down radical policies Perhaps they prefer to have policies, in which they themselves no longer believe, knocked down in public debate by the private sector

But eventually the price of confronting the radicals will have to be paid The "broad labouring masses," if embittered by declining living standards brought about by radical policies, will then desert to the PAC or another radical group Far better to tell supporters now that mass living standards can be enhanced only by rapid growth

That goal — paradoxically — can be achieved only by encouraging the private sector, not weakening it, however much this approach hurts the Young Turks' ideological sensibilities ■

US INTEREST RATES

No sweat

US Federal Reserve chairman Alan Greenspan told Congress he was thinking of tightening monetary policy — which all financial analysts were predicting And, four days later, the Fed issued a statement saying its open market committee had voted to take "a less accommodative stance in order to sustain and enhance economic expansion "

That rapidly translated into a 25 basis point rise in the inter-bank federal funds

Star 12/12/94

(210)

MINERAL RIGHTS: *The ANC must clarify its position now or risk the possibility that foreign investors will seek greener pastures*

An underground struggle

THE real question is not whether but how the ANC intends to return ownership of mineral rights — 'the national heritage' — from the private sector to the public domain. It is tackling the issue in a forum with the Chamber of Mines, writes SVEN LUNSCHE.

WHO owns South Africa's extensive sub-surface mineral reserves — the State or the owners of the private land above them? This is the vexed question at the centre of the current controversy about the ANC's proposal "to return mineral rights to the democratic State"

Amid near-hysteria on the JSE when the proposal was mooted, and increasingly vocal objections from local mining houses and foreign investors, the private sector is trying to convince the ANC of the wrongs of its ways

However, there is little to suggest that the organisation is even inching towards a change in its position, judging from what ANC president Nelson Mandela said this week

In one of the organisation's most blunt messages to date, he told delegates at a conference of the National Union of Mineworkers "An ANC-led government will wrest mineral rights from mining houses and place them in the hands of the State"

It is well known that the ANC adjusts the tone and delivery of its messages to suit the audience it is addressing Mandela's latest statement contrasted markedly with earlier conciliatory declarations to local and foreign investors

THERE can be little doubt that it will take a major leap of political faith by Mandela to reverse the central tenet of the ANC's envisaged mining policy "The mineral wealth beneath the soil is the national heritage of all South Africans, including future generations"

Apart from committing the ANC firmly to the nationalisation of mineral rights, Mandela also accused the National Party and the mining houses of conspiring to keep these rights away from a future government

While this was a rather simplistic attack on recent changes in mining lease legislation, there is little doubt that for decades mining houses and successive governments shared a common agenda

Until this year, companies mining precious metals — gold, platinum and silver — had to make lease payments to the State, as well as paying normal company tax

Anglo American tax consultant Marius van Blerck says the lease payment was introduced during the 1800s by the South African Republic to enable it to share in the profit of the gold mining industry

Since mining companies at the time were largely foreign-owned, imposing a lease charge was the only way the old Transvaal Republic could obtain revenue from the mining industry The lease provision was extended to apply nationwide after Union in 1910

As the rate of income tax levied on the mines increased and the industry became largely South African-owned, the importance of the lease payment system dwindled, eventually becoming an anachronism.

In 1988 the Government recommended its abolition, which came into effect last year

The question of mineral rights is more complex.

AT PRESENT the mineral rights on private land belong to the owners of the freehold title, but may be sold separately The Government owns the mineral rights only on State land, such as the SADF's restricted areas near St Lucia

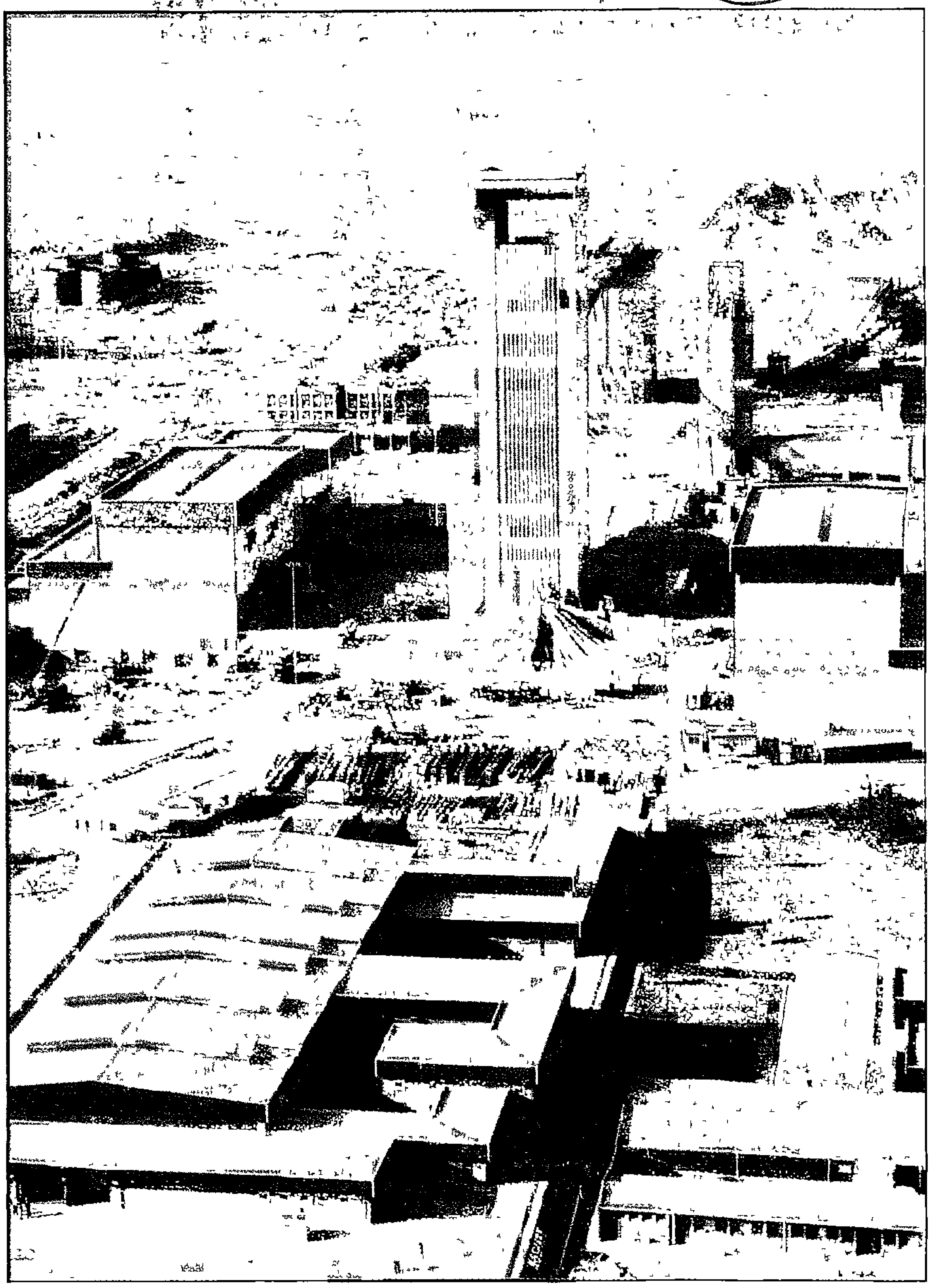
The exploration and mining of minerals on private land is also subject to State authorisation, depending on environmental, commercial and safety criteria. Furthermore, where mineral rights' owners fail to bring the reserves to account, the State may enforce sale of the rights if this is "in the national interest"

The ANC views the fact that the Government has been loath to use its limited powers in this regard as further evidence of collaboration between it and the mining sector

The ANC's programme relies a great deal on State intervention, based on the principle that the mineral rights rest with the State Through mechanisms such as taxes, leases or royalties, the Government would enter deals with the private sector to bring these minerals to account

This is the system applied (by and large successfully) in most mining countries South Africa and the United States are two notable exceptions

Paul Jourdan, head of the ANC's mineral and energy unit, explains that, in terms of his organisation's proposals, the rights to the surface of the land rest with the rightful property owners, but the minerals underground belong to the State



CENTRE OF DEBATE: The mineral rights on private land — such as Vaal Reefs (above) in Klerksdorp — belong to the owners of the freehold title, but may be sold separately.

Taxes might solve the problem

'To transfer these rights from the mining houses to the government would be costly, complicated and probably inequitable.' — Nick Segal, Chamber of Mines.

ANY operator who wants to explore potential mineral reserves would have to negotiate with the State for an exploration licence and with the freehold owner for the use of the land Obviously, where the State owned the land this would not apply

"Once there has been some investment in exploration, a mining licence follows almost automatically if the operator observes environmental, safety and commercial standards," Jourdan says

If, however, the operator fails to explore and mine the land after a defined period, the ANC proposes to pass the mineral rights on to another operator

This is simple enough The real problem Jourdan must confront is whether and how to return the mineral rights from the private sector to the public domain

This is vital to the success of the ANC's programme, as the bulk of land which can be mined is owned by the country's six large mining houses

The mining industry has been reluctant to criticise the ANC's policies openly, preferring to debate the issues with the ANC in a forum organised by the Chamber of Mines

This also allows the ANC to fulfil its commitment to institute legislative changes only once the mining houses, trade unions and foreign investors have been consulted

The parties are to meet again next week to establish working groups which will tackle issues such as mineral marketing, mining taxation and — heading the list — ownership of mineral rights.

In a recent paper an alternate director of mining house JCI, Nick Segal, who also holds the economic portfolio of the chamber's executive committee, outlined some of the industry's main objections to the ANC proposals

He admitted that public ownership of mineral rights was workable both from a national and a business perspective

'The reversion of mineral rights to the State can be achieved without disruption and in such a way as not to impair the ability of the industry to . . expand' — Paul Jourdan, ANC.

"If South Africa were starting from scratch, it would be possible to devise a publicly owned mineral rights regime acceptable to the private sector

"But South Africa does not start from scratch To transfer these rights from the mining houses to the Government would be costly, complicated and probably inequitable," Segal says

Jourdan says the ANC is looking at a number of options on how to return the mineral rights to a future State

In principle, though, the mining houses would be asked "to hand the mineral rights to the State or pay taxes on them"

Once the mineral rights rested with the State, there would be nothing to stop the mining houses from carrying on exploring and mining the rights they previously owned

"We believe that the reversion of mineral rights to the State can be achieved without disruption and in such a way as not to impair the ability of the industry to continue to produce and expand," Jourdan says

IF THE mines failed to bring the rights to account after a certain period — "say four to eight years" — the State would have the power to pass on the mineral rights to other miners

Jourdan stresses, though, that this would be done with the greatest discretion and only after examining each case individually "For example, if a mining house did not want to mine certain minerals for fear of flooding the market and thus depressing prices, it could apply for a 'retention' licence"

He says public control of mineral rights "frees mineral terrains for new prospectors and encourages new entrants, such as foreign mining companies, and small and medium-scale mining

"It encourages the market by creating conditions for a rapid turnover of mineral rights ownership, which increases the likelihood of new mineral deposits being developed

"Under private ownership of mineral rights, these areas are effectively 'frozen' in perpetuity," Jourdan says

Segal counters that it was the long-term security of tenure that enabled mining companies to take a long view of exploration, market and technological developments, and of investment projects

"The current mineral rights system has been central to development of the industry's leading-edge capabilities in deep-level and large and long-term mining projects," Segal argues, adding that the development of a large mine required capital investment of more than R2 billion.

EVEN if the land was freed, it was doubtful whether there would be enough micro- and small-scale miners on which to base development of a major and vibrant small-scale mining sector

Not so, says Jourdan, who argues that the Barberton and Gazankulu areas, "which have in effect been frozen by Rand Mines", are suitable for mining by small operators

Detailed technical arguments like this will undoubtedly dominate future discussions and consultations between the industry and the ANC

It will take skilful and delicate negotiations by the industry to convince Jourdan and his colleagues that the current system can be as beneficial to all South Africans as the ANC's proposals

In the meantime, investors — particularly those from abroad — will be left to ponder the future mining regime in South Africa

If no clarity is achieved soon, they will undoubtedly move to greener pastures

Anglo American shares seen as good bet over two-year period

Star 16/2/94

BY STEPHEN CRANSTON

At the present price level below R190, Anglo American shares are worth accumulating on a two-year view, says Peter Davey, head of research at brokers Frankel Pollak Vinderine.

In a report, Davey says that Anglo's equity-accounted earnings are expected to show a compound growth rate of nearly 14 percent a year over the next two financial years.

Anglo will remain one of the most attractive shares to foreign investors thanks to its tradeability — with about R204 million worth of scrip trading monthly — and because it offers a package of high-quality SA shares

Davey says that for the local investor, Anglo is fundamentally overvalued on a 12-month view, assuming a seven percent real rate of return required by investors (210)

Based on JSE traditional criteria, accumulation is only recommended below R170 a share because the mining house is at the beginning of an earnings growth phase and is a low financial risk because it has negligible gearing.

But Davey says that foreign investor participation has forced the local investor to compare the JSE shares with their foreign equivalents

Anglo offers a forward P/E ratio of 13,2, priced on the financial rand, compared with 22,6 for RTZ and 17,7 for BHP. On this basis, Anglo is good value up to R190.

Davey says that Anglo's dividend income should increase by 28 percent in the six months to March, compared with the same period in the previous year, resulting in a total dividend flow of R1,75 billion in the 1994 year.

Rusplat is the one major contributor which maintained its dividend, having declared a 62,5c payout for the six months to December.

Davey predicts Minorco's contribution will increase by 85 percent to R166 million, a combination of Anglo's additional 30 million shares, a six percent increase in Minorco's final dividend and a 19 percent depreciation in the rand/dollar exchange rate

Anglo's gold division is expected to increase its contribution by 43 percent in the year to March and a further 18 percent in 1995.

ANC to consult on mines policy

CT 17/2/94 (210)

JOHANNESBURG — The ANC would "democratise" mineral rights, but would not do so unilaterally, ANC reconstruction and development programme convener Mr Jay Naidoo said yesterday

He was addressing about 300 Witwatersrand brokers at a breakfast presentation at the Transvaal Automobile Club here

Mr Naidoo said in most developed countries minerals belonged to the people and were used to benefit their societies

However, in South Africa mineral rights were concentrated in the hands of a few conglomerates

The present system of mineral rights also prevented the optimal development of mining and use of urban land "We are seeking to

Minerals 'to serve' democracy

return mineral rights to the hands of the democratic government, in line with the rest of the world," Mr Naidoo said

"However, I must stress that this, along with our policy proposals, will not be implemented unilaterally

"We will consult and invite all stakeholders in the process of restructuring"

Mr Naidoo also said an ANC-led government would implement performance auditing as part of its commitment to clean government

"Anyone who may have grandiose plans to make money through the new government had better leave now and go into the private sector," warned the former Cosatu boss, who is sixth on the ANC parliamentary candidate list

"We will be on constant guard in the new government against corruption and mismanagement of taxpayers' money and we will implement performance auditing to ensure greater efficiency around delivery of goods We are committed to clean government"

● **NUM calls for wealth tax — Page 4**

ANC's Naidoo promises shared mining decision

B/Day 17/2/94

DAVID GREYBE

AN ANC-led government would implement performance auditing as part of its commitment to clean government, ANC parliamentary candidate Jay Naidoo said yesterday.

He also gave an undertaking the ANC would not act unilaterally on ownership of mineral rights, confirming the tripartite alliance was still discussing the matter with the Chamber of Mines and mining bosses.

Naidoo, a top contender for a Cabinet post, told a breakfast meeting of Davis Borkum Hare clients in Johannesburg it would be dangerous to arbitrarily remove mineral rights ownership from the mines.

Naidoo's address, broadcast live to Cape Town, Durban and Pretoria, was the fifth in a series of six by high-profile politicians.

The ANC had not had the experience of government. "But who needs the experience of the last century of white minority rule that almost destroyed our country?" Naidoo asked.

He said the new government would be on guard against corruption and mismanagement of taxpayers' money. "We will implement performance auditing to ensure greater efficiency around delivery of goods. We are committed to clean government."

A stable, peaceful and prosperous SA could only be achieved through a viable programme of reconstruction and development which addressed people's basic needs, he said.

A redrafted programme would be ready in about a week to 10 days, a Cosatu spokesman said yesterday.

"The reconstruction and development programme is not about charity or handouts," Naidoo said. "It is about empowering people to take initiatives and unleash their creative potential in building a better SA."

The business community now had the chance to participate in a national endeavour and contribute to nation-building, he said. (210)

It might involve short-term sacrifices, but the eventual benefits far outweighed the "minor" sacrifices if SA looked towards long-term sustainable growth.

"Quite frankly, there is no other way to go forward," he said. "We cannot shut our eyes and hide behind high walls, burglar alarms and electrified fences." He called on business to make concrete proposals on the ANC's reconstruction and development programme.

Critics of the programme who accused the alliance of incompetence and of promoting socialism had to look again. For instance, the alliance now accepted nationalisation "is not the panacea of all economic ills".

However, the issue of nationalisation recently cropped up again with regard to mineral rights.

"We are seeking to return mineral rights to the hands of the democratic government, in line with the rest of the world," Naidoo said, echoing ANC president Nelson Mandela.

Asked about section 28 of the new constitution, which stipulates that any expropriation of property will be subject to agreed compensation or, failing that, compensation set by a court, Naidoo said the alliance would uphold the constitution.

However, a new government had to consider ways to encourage small-scale mining and improve opportunities for participation by blacks.

Naidoo reiterated government would have to mandate the financial and fiscal commission to review SA's tax system.

"A new democratic government will also have to ensure the billions of rands in tax evasion is not allowed to continue."

Foreign investment was critical to developing the economy, particularly with regard to SA's balance of payments and the need to transfer science and technology expertise to make the economy more efficient.

An ANC-led government would apply a policy of "national treatment" which ensured the same conditions and laws applied to foreign and domestic companies.

"We would, however, want to create conditions that would attract investors interested in long-term economic growth," he added.

Disastrous if the State controls mines, says DP

Star 18/2/94

■ BY JOVIAL RANTAO

If running the mines along socialist principles, as proposed by the National Union of Mineworkers (NUM), meant control or management of mines by the State, then the proposals spelt disaster, the DP said yesterday

DP spokesman on mineral rights and energy Roger Hulley said DP policy was to encourage private enterprise which would create taxable profits by the State. (210)

An NP statement said the proposal was a clear indication that large sections of the ANC were still prisoner to outdated and discredited ideologies.

The Chamber of Mines said it would comment only after it had had the opportunity to study the proposals, "except to say that as always we remain open to discussion with all employee representative bodies on matters of mutual concern".

The NUM has proposed that a new government should run mines along socialist principles and called for the establishment of a wealth tax, which would contribute to a reconstruction fund.

■ The all-white Mineworkers Union yesterday said it would oppose any attempt to socialise the mining industry by force, Sapa reports.

Earnings dip for unbundled Gencor

B/Day 23/2/94

ANDY DUFFY

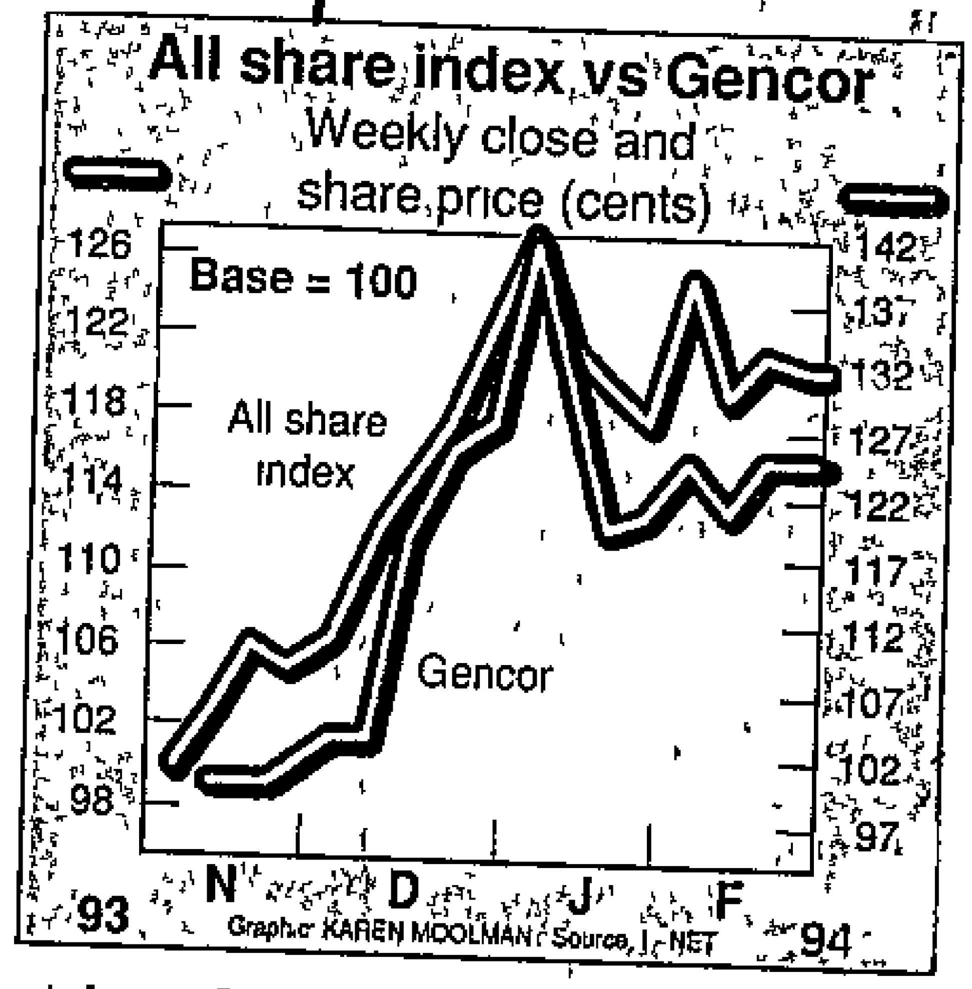
MINING house Gencor suffered a dip in earnings for the four months to December — its first reporting period in its unbundled form — as lower investment income dented a strong operating performance.

The group, which shed non-mining assets in a R6,9bn share distribution to shareholders in November, netted earnings of R254m (R258m) for the period, translating to 18,5c (19,5c) a share The interim dividend was set at 5c (2.10)

The results were skewed by a change in the group's year-end from August to June, which accompanied the unbundling.

Chairman Brian Gilbertson said the gains had been achieved despite poor commodity prices, with the gold to minerals sands businesses relying on cost-cutting.

Operating income, which was for six months, jumped nearly a quarter to R275m, buoyed by strong showings from ferroalloy producer Samancor and the minerals business, which includes a 50% stake in Richards Bay Minerals.



But other income, drawn over four months, collapsed from R96m to R11m. Gencor poured R1bn into development projects, cutting interest income The unbundling also removed dividend income

☐ To Page 2

Gencor

B/Day 23/2/94

☐ From Page 1

worth R20m from Sappi and Engen stakes

Gilbertson said Gencor was on course to hit the 37,5c a share full-year earnings target set at the time of the unbundling.

Gencor would face an uphill struggle, however, given growing pressure on coal exporter Trans-Natal and platinum producer Impala. Both had been hit by poor prices, despite extensive cost-cutting. Investment income would also fall.

Gilbertson added that "the jury was still out" on the benefits of the unbundling. Though shareholder value since the dismantling had outstripped the JSE allshare index, Gencor's discount to net asset value remained wide. Gencor would be poised for "dramatic growth" once commodity markets turned, he said In the meantime, shareholders remained wary. (2.10)

The main bugbear was the proposed takeover of Royal Dutch Shell's minerals and mining arm Billiton. The estimated $1,5bn deal would transform Gencor into an international mining player, drawing the bulk of its earnings from aluminium

Gilbertson said the deal would be concluded one way or another by June.

A clear picture on Gengold's cash-strapped mine Oryx had also still to emerge. The mine needed an extra R900m

A revised funding plan, based on rescheduling the mine's R550m bank debt, would be tabled next month. Gencor believed the mine was viable. But the board would debate "at some length" whether it should step into the breach should Gengold's negotiations with the banks fail.

Cash flow from other new projects would begin kicking in from next year.

The Alusaf aluminium smelter was ahead of schedule and below budget, and would produce its first metal in the third quarter of 1995. Gencor spent R225m on the scheme during the period. The Columbus stainless steel project would come into production by the the middle of next year.

The net asset value of the group rose nearly 20% to R14,5bn over the period Additional expenditure had cut Gencor's cash balances from R1,1bn in December to R453m The value of non-core assets rose from R2,4bn to R2,8bn.

Fm 25/2/94 (210)

HIGHLIGHTS

- ■ SOUND OPERATIONAL PERFORMANCE
- ■ UNBUNDLING COMPLETED SUCCESSFULLY
- ■ ALUSAF AND COLUMBUS PROJECTS ON COURSE
- ■ FINANCIAL PERFORMANCE
  - ● Asset value up 19,6%
  - ● Attributable income 18,5 cents per share
  - ● Interim dividend 5 cents per share

GENCOR

INTERIM RESULTS FOR THE FOUR MONTHS ENDED 31 DECEMBER 1993

	4 months to 31 12 93 (Unaudited)	6 months to 28 02 93 (Pro forma)
Attributable income *R million*	254	268
Earnings per share *cents*	18,5	19,5
Cash earnings per share *cents*	9,6	13,7
Dividends per share *cents*	5	n/a
Net assets *R million*	14 509	10 924
Net assets per share *cents*		
– at end of period	1 054	794
– at 21 February 1994	1 043	

COMMENT

Scope of the interim report

The unbundling of the group through the distribution to shareholders of its non-mining interests became effective on 1 September 1993 and hence this interim report presents the first results of the unbundled Gencor Following the decision to change Gencor's year-end from August to June, the current financial period will be the ten months from September 1993 to June 1994, with this interim report covering the four months to December 1993 These results include, in addition to Gencor's investment income, net fee income and exploration expenditure for the four months, also the income of the Group's operating companies for the full six-month period to 31 December 1993, as their income to the end of June 1993 only had been included in Gencor's results to August 1993

In an attempt to provide comparable figures for a prior period, Gencor's interim results to February 1993, as well as those for the financial year to August 1993, have been restated to reflect the position as if the unbundling of the group's non-mining interests had been effective from 1 September 1992 The pro forma income from operations for the six months to February 1993 is comparable with that reported in the current accounting period in respect of dividends received and equity accounted income, except that the former includes six months' fee income compared to only four months in the current accounting period As stated above, investment income, financing charges and corporate and exploration expenditure for the current period are for the four months to December 1993 and are therefore not fully comparable with the pro forma results which include six months' income and expenditure in respect of these items

Summary of performance

The period under review was characterised by continued sound operating performances by all operations, with cost increases being well contained and production efficiencies improved Attributable income from operations rose by nearly 24 percent to R275 million, despite the difficult trading conditions and depressed commodity prices still being encountered Gencor's cash balances over the period were lower than in the corresponding period as a result of the investment of approximately R1 billion in the group's major new growth projects This, together with lower interest rates and the current four month accounting period, resulted in sharply lower net investment income, so that in aggregate, attributable income for the four months, at R254 million, was 5,1 percent lower than in the six month period to 28 February 1993 This corresponds to earnings of 18,5 cents per share, of which cash earnings comprised 9,6 cents per share An interim dividend of 5 cents per share, twice covered by cash earnings at this interim stage, has been declared

Growth projects

Good progress has been maintained in the construction of the Alusaf smelter Engineering, procurement and construction activities are on target to achieve first metal output in the third quarter of 1995 and full production at a rate of 466 000 tonnes per annum a year later During the period under review Gencor invested a further R225 million in the project in terms of the financing agreement between the partners in the project The Columbus Project too is progressing well and is currently on schedule and within budget The new steelmaking and hot mill facilities are planned to come into production in mid-1995

Geological and technical analyses conducted at the end of 1993 confirmed the expected viability of the Oryx gold mine project, although additional funding approaching R900 million (inclusive of over

FM 25/2/94 (210)

R400 million principal and interest payments on bank loans) will be required to bring the mine to the cash breakeven stage Various financing alternatives are currently being investigated

Negotiations with the Royal Dutch Shell Group on the proposed acquisition of certain upstream assets of the Billiton group continue It is hoped that these negotiations will be concluded by the end of the 1994 financial year

Divisional performance

Gengold's gold output declined to 34 083 kilograms for the six months ended December 1993 from 36 245 kilograms for the corresponding 1992 period The average yield of underground ore declined marginally to 6,7 grams per ton Gold price receipts, at R38 202 per kilogram on average, were a welcome 20 percent higher than the corresponding period in 1992, and this boosted the aggregate earnings of the mines by 52 percent to R153,0 million Unit production cost increases were held to below 4 percent, with overall costs averaging R27 871 per kilogram The "new generation" capital projects, involving expenditures of over R200 million at Beatrix, Kinross and Buffelsfontein, are progressing on schedule Notwithstanding the reduced fee income (resulting mainly from the four month, as opposed to a six month accounting period), Gengold's contribution to Gencor's earnings was only marginally down on the 1993 first half

The rationalisation programme at **Impala,** which led to a reduction from four to three operating units, has had a significantly beneficial effect on its working costs, thereby enabling unit costs for the six months to December 1993 to be contained to the same level as the comparable period in 1992 A lower rhodium price was offset by higher platinum and palladium prices and higher sales volumes, so resulting in improved operating results Increased capital expenditure led to the decline in the reported attributable earnings for the six months to December 1993

Samancor reported a welcomed improvement in operating results during the six months ended 31 December 1993 This was achieved largely due to a more beneficial exchange rate, the rationalisation of the Chrome Division early in 1993, and tight cost controls Manganese alloy sales volumes rose by 30 percent and, although prices were lower, the downward trend appears to have halted Ferrochrome prices were maintained, while sales volumes stabilised at the post-rationalisation production rate Abnormal income of R54 million was a further contributor to the 48 percent increase in attributable income

Increased productivity at all **Trans-Natal's** collieries resulted in lower unit cost of sales A modest increase in sales volumes compared to the same period for 1992 was insufficient to offset the lower prices realised in both the export and inland markets, so that operating income declined by 8 percent compared to the same period for 1992 Attributable income was 22 percent lower, reflecting not only the depressed state of the market for Trans-Natal's products, but also a higher level of debt, and lower interest rates on cash deposits

The earnings contributed by Gencor's **Minerals Division** increased during the review period as a result of the larger investment (50%) now held by Gencor in Richards Bay Minerals ("RBM") and of the sound operating performance of that company, for the six months ended 31 December 1993, RBM's earnings increased by 46 percent compared to the corresponding period in 1992 Thanks to tight cost control, Alusaf's small "Bayside Smelter" raised income after taxation by R3 million to R10 million, despite a R3 million reduction in turnover in the difficult market environment The contribution of the **Minerals Division** should improve materially in the next economic upswing, especially once the new "Hillside Smelter" reaches full production in mid-1996

The increased investment of some R1 billion in Alusaf and Oryx resulted in lower cash balances throughout the period under review, and consequently in substantially lower **Investment** income The relative decline in investment income was exaggerated by the shorter four months' accounting period, as well as by the inclusion in the pro forma figures to February 1993 of dividends of R20 million received on those Engen and Sappi shares used in the Genbel share exchange transaction in June 1993 (in the calculation of the pro forma results, these shares were treated as short-term investments up to the date of the unbundling transaction)

The decline in the reported **exploration** expenditure is attributable mainly to the shorter current accounting period, but also to lower-cost grass-roots exploration programs, mainly offshore, as the expensive local drilling programs for gold and platinum are progressively completed

Outlook

We stated in the 1993 annual report that we would be disappointed if the pro forma underlying earnings of 37 5 cents per share that would have been achieved in the 1993 financial year by an unbundled Gencor were not exceeded in the 10 months of the 1994 reporting period This remains the target, but will not be easy to achieve Though there have been some indications that we may have seen the worst of the current economic downcycle, these are yet too tentative to have any material impact on the results for the balance of the 1994 financial year

The income of Impala and Trans-Natal, in particular remain under pressure as a result, respectively, of the lower rhodium and export steam coal prices that are now likely to be achieved in the six months to June 1994 Net investment income too will be lower as further investments are made from the group's cash holdings into the major projects, the returns on which will arise only in future years

Cash earnings for the balance of the 10 month period should nevertheless be maintained, or perhaps slightly improved A dividend cover of around 1,5 times cash earnings remains the target during this period of heavy investment

ATTRIBUTABLE INCOME

(R million)	4 months to 31 12 93 (Unaudited)	6 months to 28 2 93 (Pro forma)
Gengold	50	51
Implats	37	47
Trans-Natal	28	37
Samancor	85	59
Minerals Division	64	24
International	11	4
Operations	275	222
Exploration	(32)	(50)
Investments and corporate	11	96
Attributable income	254	268

INTERIM DIVIDEND

An interim dividend in respect of the year ending 30 June 1994 of 5 cents (1993 – 16 cents) **per ordinary share will be paid on 30 March 1994 to shareholders registered on 11 March 1994 The register of members will be closed from 14 March to 25 March 1994**

An interim report giving more detailed information will be mailed to shareholders Copies may also be obtained from the Group Secretary at the address given below

On behalf of the board

B P Gilbertson
M L Davis

Johannesburg
23 February 1994

Gencor Limited
Registration number 01/01232/06

84 Marshall Street
Room 112
Johannesburg, 2001
(P O Box 61820, Marshalltown, 2107)

JONSSONS

ANC focus on mineral processing, beneficiation

CT 1/3/94 (210)

JOHANNESBURG — SA's future growth prospects would depend significantly on its ability to expand its mineral processing and beneficiation industries, an ANC minerals official said yesterday

Speaking at a mining conference, Paul Jourdan, minerals and energy policy coordinator for the ANC, said. "The success of our whole growth strategy will be critically dependent on the ability of this sector too expand the value of its exports "

The export expansion needed to meet reconstruction goals would not come from opening new mines or expanding other resource industries such as agriculture or forestry

This would require a deepening of minerals resource industries "going downstream through further mineral processing and beneficiation "

"We would continue to support such projects through provision of equity from the IDC and appropriate tax incentives dependent on sales of the product to the local manufacturing industry at export parity or profit parity prices "

Mining must help fund renewal, says ANC's Jourdan

BlDay 11/3/94

MUNGO SOGGOT

THE mining industry would play a pivotal role in financing a massive extension of SA's infrastructure, ANC minerals and energy policy co-ordinator Paul Jourdan said yesterday.

Speaking at the 1994 Mining Symposium near Johannesburg, Jourdan said the main thrust of the ANC's growth strategy was the massive provision of infrastructure and services.

But the plan hinged on the mining sector — as SA's main foreign currency earner and the source of three-quarters of SA's exports, he said.

"The amounts of forex necessary (for the planned expenditure) can only come from deepening our resource industries," Jourdan warned.

He said the growth plan — similar to the Marshall Aid plan that kick-started the rebuilding of post-war Europe — stemmed from the failings "of the last century of apartheid".

The plan included giving electricity to the 70% of SA households still not connected to the national power grid, and building "hundreds of thousands of houses".

The strategy would create "massive employment" and "massive domestic economic growth". "But it will also put unbearable pressures on the balance of payments unless exports are simultaneously expanded."

While funding demanded the expansion of the mining industry, there was little room to open new mines, he said.

The industry should instead aim at growth "downstream" — mineral processing and beneficiation.

There was a need for a "constant stream of such export-intensive beneficiation projects over the next 10 years" to feed the ANC's growth strategy. The next government would probably support these projects through Industrial Development Corporation equity and tax incentives.

Sanctions had hindered the export of SA's beneficiated products. He said it was probable that the three main beneficiation projects currently under way — the Columbus stainless steel venture, the Alusaf aluminium plant expansion and Namakwa Sands — could not have run during the sanctions era.

(210)

Apart from helping fund SA's reconstruction, Jourdan said the mining industry had to start serving all SA citizens, and not just the white minority.

There was a need for "mechanisms that allowed ownership patterns to reflect our racially diverse makeup", and "mechanisms to make sure that all our people benefit equally from the national contribution of the industry".

"Some progress has already been made," Jourdan said, "and the advent of a democratic government will in some cases automatically change the role of the future mining industry to that of serving all our people."

Such redistribution of ownership would take 50 years to evolve if it was left to market forces, Jourdan said. Speeding up the process demanded "proactive intervention" through incentives and disincentives.

He added that the mining industry's health and safety measures would have to be thoroughly reassessed, considering the "enormous loss of life" in a string of mining disasters over the past few weeks.

Although the Chamber of Mines reportedly called last week for fewer health and safety regulations, Jourdan said a democratic government would have to "tighten up ... to curb this needless loss of life"

Govt oblivious to tax goldmine, says ANC

B/Day

THE ANC could finance more than half its reconstruction and development programme out of current taxes and raise an additional R3bn to R5bn without any radical change to the tax system, according to ANC tax and legal adviser Prof Dennis Davis.

2/3/94

"The Department of Inland Revenue is sitting on a goldmine, which government seems totally oblivious to," Davis told delegates at the Australian Investment Conference in Johannesburg yesterday.

Major changes were needed in the department. A new government needed to pump money into revenue collection and renew the relationship between narrow-minded, bureaucratic officials and the taxpayer.

(210) (320)

Davis said it was estimated that for each inspector, R1,4-million in additional net revenue was collected.

Revenue had fallen in certain offices of the department since the end of the SA Defence Force scheme under which commerce graduates were sent to Inland Revenue rather than serve two years' national service in the SADF.

But the economy would have to grow between 3% and 4% a year and company tax could not be set below 40% if tax revenues were to continue to grow as equal tax for married women would see a fall in payments to the exchequer.

While there were not likely to be any major changes in the 1994/95 Budget, the 1995/96 Budget would see the introduction of a capital tax — most likely a capital transfer tax.

He said it would be "insane" to have more than one kind of capital or land tax and the ANC would choose one that was likely to contribute the most to government coffers.

It had been found that a capital gains tax would not bring in much revenue as the country's GDP was too small.

"However, it seems it's now on the (ANC's) menu and I can't discount the possiblity that a capital gains tax will be introduced in SA."

A wealth tax would not be effective as there were not enough people to tax, Davis said.

He warned a land tax would probably be introduced in some regions of a federal SA as only three regions were fiscally viable — the western Cape, PWV and eastern Transvaal.

A new government would be ill-advised to change the secondary tax on companies and should rather try to iron out the difficulties with group companies.

He did not see pension funds being taxed as they would fall under an individual's property as defined in the Bill of Rights.

"The government will be constrained by the Bill of Rights if it tries to stage an attack on pension funds."

Exchange controls would not be abolished for a number of years.

"That (the unlikelihood of the abolition of exchange control) I am prepared to bet on more than anything else". — Sapa.

Report by J Waters, Sapa, 141 Commissioner St, Jhb

ANC small mining policy taking shape

BDay 3/3/94

ANDY DUFFY

THE ANC has begun fleshing out its policy to foster small mining, and has charged think-tank the Mineral and Energy Policy Centre to draft detailed plans

Centre project head Nchakha Moloi said yesterday the strategy would encompass freeing up mineral rights to providing state financial and technical support

The programme will be launched with a summit at the ANC's Shell House headquarters, at which all interested parties will be invited to air their views.

Moloi, a former geologist with De Beers and RTZ, said developing small mining was aimed at creating jobs, rather than wealth Such ventures had been widespread before the dominance of the large mining houses

There was great potential for developing smaller deposits which so far had been seen as insignificant by large mining houses But the absence of a small mining sector was largely due to the lack of access to mineral rights and support systems

Moloi said the project would begin with a definition of small mining, and develop an inventory of suitable geological areas

The group would then consider revisions to legislative and regulatory frameworks

Centre director Paul Theron said current legislation was insufficient to accommodate the ANC's proposals

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Support systems included establishing a body akin to the Chamber of Mines for small mining ventures State backing could include task teams to provide technical support within regional offices of the Mineral and Energy Affairs Department

A clearer picture of the potential cost of such support would be available once the proposals were fully detailed, Moloi said

The response to the ANC's proposals was scathing when they were unveiled late last year Senior industry figures argued that intefering with the free market could undermine the industry

But recent talks with diamond groups De Beers and Trans-Hex over small gem deposits in Namaqualand had shown there was room for compromise, Moloi said

Chamber of Mines president Jurie Geldenhuys said this week there was "some scope for micro and small mining"

Theron added that the chamber had indicated that the issue was one area where it could work closely with the ANC

Emphasis on markets wrong, workshop told

EDWARD WEST

CAPE TOWN — The failure of economic integration initiatives in southern Africa resulted from the emphasis on markets at the expense of the development of production and infrastructure

UN Economic Commission for Africa advisory co-ordinator Sam Asanate told a workshop on regional economic integration yesterday that initiatives towards regional integration in southern Africa appeared to follow Europe's unification route

The low level of development in southern Africa was not comparable with the basis for European integration

The notion among development agencies and institutions that there could be no economic growth without lower tariffs and an open market was incorrect There was little purpose in liberalising trade if there was no trade This had to be developed

Luxury Volvos back on SA roads

BDay 3/3/94

Own Correspondent

DURBAN — The first consignment of Volvo cars since Sweden's economic boycott nearly 20 years ago arrived in Durban yesterday, heralding a new era of Swedish economic investment in SA

Brought in by the company's SA partner, Durban-based listed company Combined Motor Holdings (CMH), 64 luxury cars worth more than R12m were offloaded at the harbour.

Through Swedish Car Distributors, a CMH subsidiary, dealerships trading under the name of Swedo Car have been established in Durban, Johannesburg, Pretoria and Cape Town.

CMH chairman Maldwyn Zimmerman said: "While the cars are manufactured and assembled entirely by Volvo Europe, full parts and service will be provided locally.

"A comprehensive range of mechanical and body parts have already arrived in SA. Local service personnel have embarked on training programmes in the use of special tools and test equipment to meet the international standards "

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The first four models were the Volvo 850 GLT sedan, 850 GLT turbo, 850 estate and 850 estate turbo, all of which would be available in automatic or manual, he said

Volvo, Sweden's major car manufacturer, has a presence in about 100 countries with a wide-ranging network of 2 000 dealerships and 2 700 service workshops serving its customers

The company sold 304 000 cars in 1992, Zimmerman said.

During its 23-year involvement in the local motor industry prior to disinvestment, Volvo sold 33 000 cars in SA, 10 000 of which are running today

ANC policy: points of dispute

FM 4/3/94

Magnus Ericsson is an international adviser on mineral policies and mineral economics and is now engaged by the ANC

The article on the ANC's mineral policy (*Economy* February 11) is, to a large extent, misleading and discrediting to all persons involved in this policy-forming process

For an outside observer, with long experience of mineral policies and mineral economics, it seems logical to start the analysis of the ANC proposals by comparing them with other recent mining and mineral policies adopted worldwide In such a comparison, taking the specific SA background into account, the ANC policy seems sensible It accommodates both the aspirations of the black people for the future and provides for the creation of a more competitive SA mining industry.

The purpose of the ANC mineral policy is to

□ Transform the mining and mineral processing sector to serve *all* the people of SA,

□ Support the sector as a vital contributor to economic growth; and

□ Encourage new investment in mining and beneficiation.

To achieve these goals, a mechanism for consultations with the Chamber of Mines and other stakeholders has been established

The reactions of the participants in these negotiations are much more sober than those of the anonymous journalist in the *FM*, perhaps reflecting that they base their judgment on what is actually in the ANC proposals, not on what they would like to see in the proposals

In a recent article in *Business Day*, the representative of the chamber, Nic Segal, sums up: "It (the ANC policy) has the potential to contribute meaningfully to the country's socioeconomic development and to redressing past imbalances "

I would like to correct major flaws in the *FM* article

□ There is explicit support in the Reconstruction & Development Programme (RDP) for all the megaprojects. They all fall into the beneficiation category and they will increase the forex income from the sector as compared to exporting only ores,

□ There is no mention in the RDP mining section of any possibility of transfer of wealth to the black majority other than through economic growth;

□ Public ownership of mineral rights is necessary to open up the country to foreign and local mining investment For example, during a recent investment conference many foreign companies expressed the wish to enter SA and start exploration but, so far, this has not been possible due to the lack of land open to newcomers (210)

What is important is that this transfer of mineral rights is made in a sensible and gradual way so as not to disturb investor confidence and ongoing mining operations It can, for example, be made through gradual taxation on mineral rights not used productively This route has successfully been implemented by Botswana and Swaziland and is also being considered by Namibia,

□ In the RDP there is a proposal for a Minerals Marketing Auditor's Office not a marketing board An auditor's office would merely monitor the marketing of minerals which is done by the companies themselves in order to avoid transfer pricing and tax losses This is a normal procedure in most countries It is also important to note that at present roughly half, in value terms, of SA's mineral exports are marketed by the State-owned Reserve Bank

There are finally a number of allegations in the article that are of such a low level that it is not even worthwhile to respond to them For an observer coming from Scandinavia it is appalling that a leading economic weekly can use such irrelevant and untrue arguments My most immediate conclusion is that it is rather articles of this low quality than the actual policies of the ANC that will diminish the international investor's confidence in SA mining

The *FM*'s response The comments by Magnus Ericsson, on the article *No trickle down from the top (Economics* February 11) are themselves misleading and contradictory The article discusses mostly public statements, many of which are quoted and sourced in a subsequent report (*Economy* February 18) on conflicting ANC policy pronouncements The February 11 article does not refer to the final version of the RDP

In any event, Ericsson himself supports the claim that was the focus of the article — that public ownership of mineral rights would open up the country to foreign and local mining investment He also asserts that it is possible to do this "in a sensible and gradual way so as not to disturb investor confidence "

Both propositions are unsound in present circumstances The SA mining houses are rich in technical skills required for large-scale and, in particular, deep-level mining (in which area they are world-beaters) as well as in development capital

It is, therefore, disingenuous to suggest they are blocking development As a study of their mining policies over any period will show, if there is a prospective return on a mineral venture, on current assessments of costs and prices at the time of expected production, the venture will be developed

It is incomprehensible that Ericsson should describe the SA mining industry as "uncompetitive " SA mining companies certainly don't offer their products at a loss (except for short periods of temporary depression of a metal price) While the costs of a given gold mine are determined by many specific circumstances, such as depth below surface, which makes comparisons almost impossible, SA coal and base metals are generally highly competitive on world markets, as demonstrated by their market shares

At present, investor confidence in SA is, to say the least, brittle Considering — apart from other factors — that the ANC's triple alliance includes the SA Communist Party, this is hardly surprising

The economic interests of all the people of SA — not least its black people — are best served by rapid economic growth mediated by a vigorous private sector, which contributes to the public purse through taxation When Ericsson argues for transforming the mining sector to serve all the people of SA, is he not betraying an ideological preference which legitimately could be described as socialist? Recent history has strongly supported the view that Adam Smith was right on this matter and Karl Marx wrong

□ A final point the Reserve Bank is not State owned The State's influence is exercised through the State President, who appoints the governor, three deputy governors and three other directors But all 2m shares are in the hands of private shareholders who elect seven directors to the board

Regional powers could affect minerals sector

B/Day 4/3/94

THE definition of regions and their powers in a redrawn SA could have a bearing on the mining sector, a senior industry analyst said.

Chamber of Mines chief economist Francois Viruly said it was important that a new dispensation recognised the industry's specific requirements and guarded against regional inadequacies and distortions

Viruly said "Excessive decentralisation is not in the interests of the mining industry as it fragments the industry's ability to maintain a suitable and stable economic climate."

He said mineral production was important in at least six of the nine development regions on which the new SA map would be broadly based

Although vital gold mining operations were restricted to only four regions, all areas of SA benefited in some way through various linkages The Transkei region, for example, lacked mines but relied on migrant miners' earnings for revenue.

Mining's share of regional economies varied widely. This was 59,1% for the western Transvaal, 28,2% in the Free State, 21,9% in the north-western Cape, 11,7% in the eastern Transvaal, 10,6% for the PWV, 10,5% for the northern Transvaal, 2,2% for KwaZulu/Natal, 1% in the western Cape and 0,1% in the eastern Cape.

Viruly called for fiscal neutrality between regions to ensure mining companies located in one region were not treated differently from those in other regions

He said centralised taxing powers would enhance the fairness of the tax system — Reuter (210)

Report by Ian Mackenzie Reuter 1 Park Rd, Richmond, Jhb

Industrial interests give Anglovaal a healthy push

B/Day 4/3/94

ANDY DUFFY

MINING holdings group Anglovaal again scored heavily with its industrial businesses, lifting earnings 7% to R163m for the six months to December

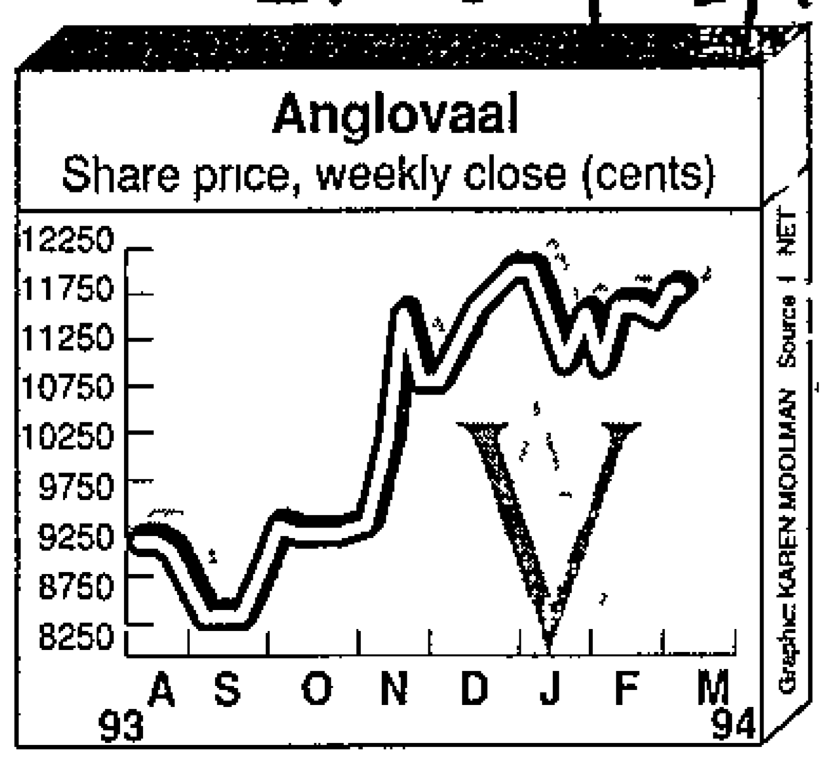
The group posted sales ahead 12% to R4,8bn, with operating profit up nearly a fifth at R406m

Investment income and equity accounted earnings slipped, bringing bottom-line earnings to 270c (252c) a share The interim dividend was pegged at 35c (33c)

Chairman Basil Hersov cautioned that full-year results were difficult to predict, given uncertain economic growth and minerals and metal prices, but foresaw a "modest" earnings increase (210)

The half-year performance was driven by a strong 60%-owned Anglovaal Industries, which lifted interim earnings 16% to R186,8m

AVI Diversified Holdings pushed earnings ahead more than a third, with improved income from its textiles division, while construction and electronics group Grinaker moved forward 45%, and cement producer Anglo-Alpha 44%



But mainstay Consol was hit by higher financing costs, while Irvin & Johnson and National Brands "reflected the recessionary conditions"

Mining was underpinned by a "satisfactory" rise in contributions from gold operations, which include mines Loraine and Hartebeestfontein The half-year royalty received from De Beer's Venetia diamond mine jumped from R4,7m to R29,9m, while Saturn Mining, in which Anglovaal owns a 87,5% stake, received R34,5m (R4,3m) from Venetia

Mining's overall contribution, however, was reduced by the hard-hit base metal businesses, higher expenditure on the Slaaihoek nickel project, which cost subsidiary Middle Witwatersrand R9,3m Other exploration expenditure rose to R29,3m (R21,9m), with the full-year total expected to be R60,8m

Anglovaal is expected to undergo a structural shake-up this year A spokesman said an announcement was "imminent" on talks concerning insurer AVF and 37%-held banking group Board of Executors

Analysts believe Anglovaal will effectively pull out of financial services, after a torrid year

The collapse of life assurance subsidiary Crusader Life Assurance Corporation cost Anglovaal a provision of roughly R50m last year Anglovaal's internal investigation had been put on hold pending the outcome of Crusader's curatorship.

Anglovaal was still considering plans to restructure its mining business, the spokesman said Analysts expect Anglovaal to funnel its direct stakes in gold, base metals and coal into Middle Witwatersrand Listing Saturn is also thought to be an option

□ Anglovaal Holdings, which derives its income solely from its stake in Anglovaal, posted an interim dividend of 2,8c (2,64c)

LONRHO

FM 4/3/94

Becoming leaner and stronger

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Activities: *UK-based multinational, with mining, agricultural, commercial and industrial interests in 48 countries*
Control: *D Bock with 19% is the largest shareholder.*
Chairman: *M J R Leclezio, Joint MDs R W Rowland & D Bock.*
Capital structure: *766,5m ords. Market capitalisation R7,9bn.*
Share market: *Price 1 040c Yields 2% on dividend, 7,4% on earnings, p e ratio, 13,5, cover, 3,8. 12-month high, 1 150c; low, 525c. Trading volume last quarter, 3,8m shares.*

Year to Sep 30	'90	'91	'92	'93
Turnover (£m)	5 476	4 846	3 866	2 700
Pre-int profit (£m)	272	207	179	233
Pre-int margin (%)	5,0	4,3	4,6	8,6
Earnings (p)	23,6	14,2	1,2	15,1
Dividends (p)	15,7	13,0	4,0	4,0
Net worth (p)	216	204	171	138

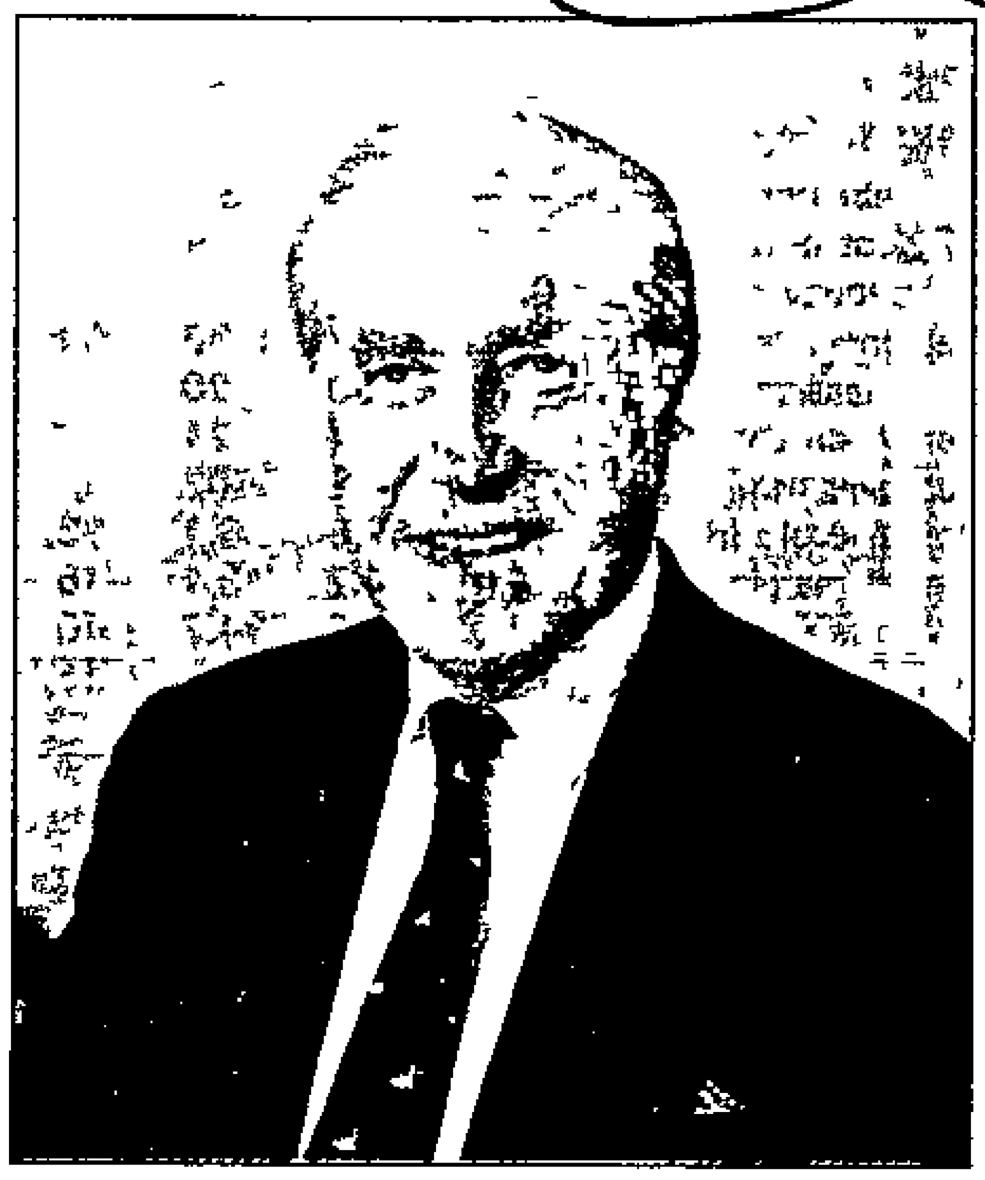
Just when it seemed the group would display all the signs of profit fatigue for the third successive year, it has returned results which are a huge improvement on those for 1992 In the process it has wrong-footed the market

New joint CE Dieter Bock has cause to feel fairly chipper, both with Lonrho's comparatively handsome bottom line and the effect on his personal finances — after all, he did borrow £UK100m (about R500m) to finance his purchase of a large chunk of the enigmatic Tiny Rowland's stock The results have pushed Lonrho to R10,40 and that makes Bock's personal holding worth about R1,5bn — not a bad appreciation, though he can argue he's had to put up with a lot of abuse to get it

Essentially, turnover has been trimmed by £1,2bn to a modest £2,7bn, however, operating profit from a reduced asset base held up well at £146m, asset sales brought in a profit of £87m and the interest burden was £30m lighter. The year's profit comes out at £112m — 1,6 times larger than 1992's dismal £42m and that reflects a big improvement in the trading margin.

At 15,1p a share, EPS compares well with the previous 6,4p and the terrible 5,1p of 1991. The dividend is unchanged at 4p, giving cover of 3,8 times — a ratio the group hasn't come close to approaching since 1977 It is certainly indicative of the conservative policy Bock intends to follow

In financial terms, what has really characterised Lonrho over 1993 has been its substantial asset sale. It has disposed of VAG, its UK Volkswagen and Audi franchisee (£81m), sold *The Observer* to *The Guardian* for £27m and got rid of Krupp Lonrho for £113m All that is reflected in a decline in fixed assets to £1,7bn and a sharp reduction in long-term loans, now more than halved to



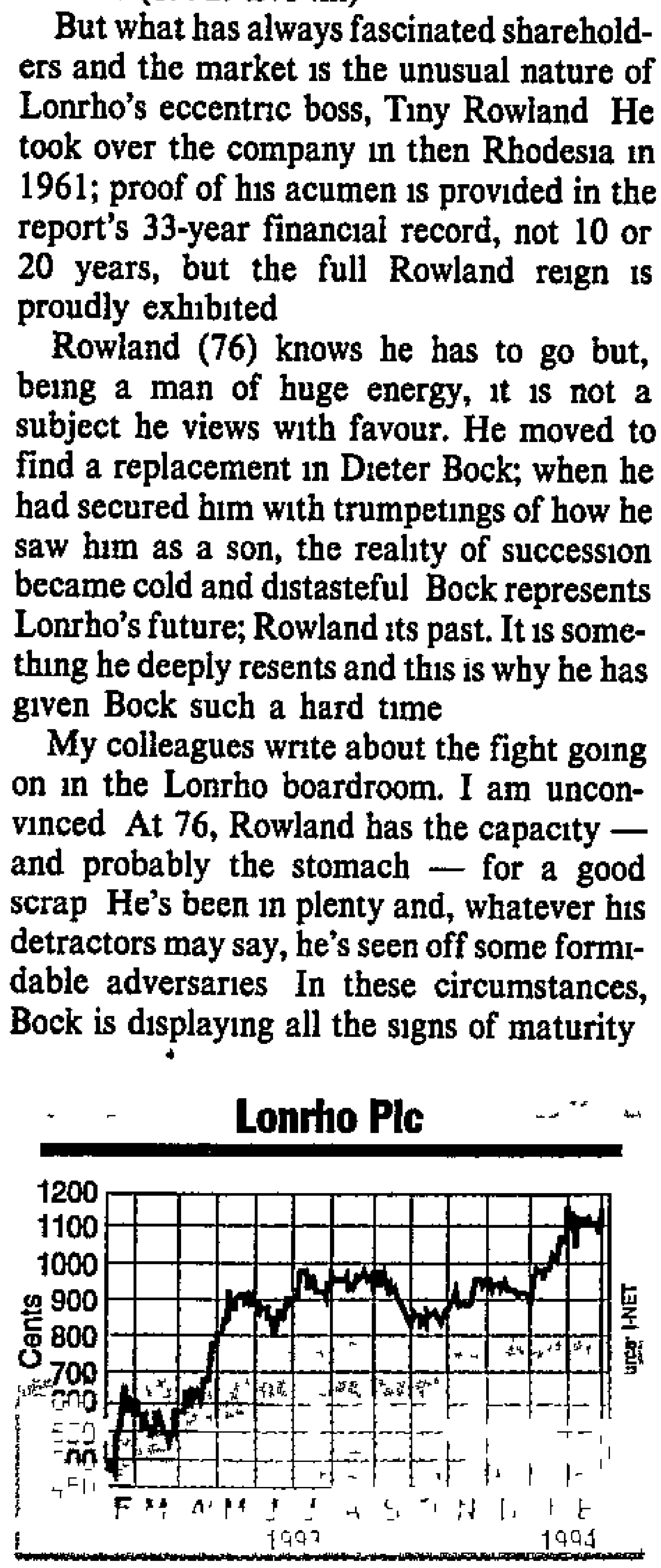
Lonrho's Rowland . *still ready for a scrap*

£307m (1992: £754m)

But what has always fascinated shareholders and the market is the unusual nature of Lonrho's eccentric boss, Tiny Rowland He took over the company in then Rhodesia in 1961; proof of his acumen is provided in the report's 33-year financial record, not 10 or 20 years, but the full Rowland reign is proudly exhibited

Rowland (76) knows he has to go but, being a man of huge energy, it is not a subject he views with favour. He moved to find a replacement in Dieter Bock; when he had secured him with trumpetings of how he saw him as a son, the reality of succession became cold and distasteful Bock represents Lonrho's future; Rowland its past. It is something he deeply resents and this is why he has given Bock such a hard time

My colleagues write about the fight going on in the Lonrho boardroom. I am unconvinced At 76, Rowland has the capacity — and probably the stomach — for a good scrap He's been in plenty and, whatever his detractors may say, he's seen off some formidable adversaries In these circumstances, Bock is displaying all the signs of maturity



he is keeping calm, presenting as small a target as possible and humouring his famous mentor

In the process, he is getting his own way more often than not. Rowland's old gang is on its way to retirement. chairman Rene Leclezio (73), deputy chairmen Robert Dunlop (64) and Paul Spicer (65) and non-executive director Sir Peter Youens (78) are to leave during the year. The terms of their departure haven't been announced but they are hardly poverty stricken

According to the annual report, Leclezio's holdings in Lonrho are worth about R2,7m, Dunlop's about R3,9m, Spicer's the same and Youens about R2,9m. All hold substantial share options and they've been earning well — according to the annual report about £350 000 a year (except Leclezio who went off with £1,6m last year).

For a hugely diversified group with 640 companies operating in 48 countries, its profit contribution is strangely distorted: mining contributes a modest £335m to turnover but £72m or 54% of profit from continuing operations. Much of that is centred around the contributions made by Western Platinum and Duiker in SA and the Ashanti goldfields in Ghana, which Lonrho intends floating soon and expanding further

Intriguingly, no-one is making any predictions about the conglomerate's prospects for 1994

David Gleason

CLINIC HOLDINGS

FM 4/3/94

Share still lagging

For a group which has consistently grown earnings, in real terms, throughout the recession, it's hard to fathom why Clinic Holdings' share price is so poorly rated compared to other listed medical groups and the sector average.

Previously, the separation of Clinic's property and trading operations was seen as a factor hampering the share price, until last year the properties were held in an unlisted company controlled by the directors and which received rentals from the listed company The split of assets certainly attracted criticism, to which management was slow to respond.

The merger of the property and operating interests, with effect from the end of 1992, is reflected in the accounts for most of the financial year The transaction, financed through issue of R400m convertible debentures and a R160m long-term loan, has helped push gearing up to 35% (1992. 32%), though that has not strained the balance sheet

Key Canadian deal for Minorco?

(210) CT 7/3/94

From ANDREW DUFFY

JOHANNESBURG [illegible] Anglo American [illegible] offshore operation Minorco, [illegible] Canadian group [illegible] to gain [illegible] conglomerate [illegible] companies [illegible] Falconbridge [illegible] to Canadian report.

[illegible] it [illegible] Falconbridge, but [illegible]

[illegible] reports, Reuter [illegible] and financial [illegible]

[illegible] Minorco [illegible] in alliance with [illegible]

[illegible] was in line with [illegible] to [illegible] major [illegible] pretty [illegible] said, given Minorco [illegible] about $1bn

Minorco wants to expand its South American minerals business. It holds a one-third stake in the $1bn Chilean copper scheme Collahuasi, with cash-strapped Falconbridge and Royal Dutch Shell's Billiton holding the remainder.

Collahuasi has ore reserves of 1,6-billion tons containing 16-million tons of copper.

The Sunday Telegraph reported yesterday that the outcome of the plan would be crucial to the success of Gencor's bid for Billiton.

Under an agreement on pre-emption rights, Shell has to offer first right of refusal to Minorco and Falconbridge when it sells the Collahuasi stake.

Prospects of a deal over Collahuasi had been heightend by the Canadian reports of Edper's talks with Anglo. It said the negotiations could see Minorco and Falconbridge dividing the Shell share in Collahuasi which would "shut out Gencor".

Gencor director Bernard Smith is quoted as saying: "We don't think we can get everything in the Billiton package, but we will get a substantial part of what we want. Collahuasi is still under negotiation."

A Minorco spokesman said Minorco knew Falconbridge very well and it would be interested in buying into the company, should it be approached by owners Noranda and Swedish group Trellborg.

Minorco underwent major restructuring last September, through a $1,4bn international asset reshuffle with Anglo American and De Beers.

In terms of the deal, Minorco took control of its parents' interests in South America, Australia, the Far East and Europe. In return Minorco ceded its African assets and shares worth $1,34bn.

Minorco had underperformed before the reshuffle, despite a string of acquisitions. Its earnings were effectively static at $211m in the year to last June, flattered by heavy interest income.

Though the asset swap left Minorco's cash reserves intact, there have been no major acquisitions since then.

Minorco recently bought a UK printing company.

The Collahuasi partners had agreed to fund a feasibility study at the site. A decision to go ahead, and full details of the cost, were at least 12 months away, the spokesman said.

COMPANIES

Gencor's Billiton bid on track

ANDY DUFFY

GENCOR's $1,5bn bid for minerals and mining company Billiton would not be jeopardised if it was denied Billiton's Chilean copper interests, the mining house said yesterday.

Bernard Smith, the Gencor director responsible for the Billiton deal, said netting Collahuasi — a massive Chilean copper scheme in which Billiton holds a one-third stake — would be "superb," but was not critical to the bid.

Industry sources said Gencor was focusing on Billiton assets which could give an immediate earnings stream. Collahuasi could need about $1bn before it was brought to account, and a decision to go ahead was at least 12 months away.

"If we could get Collahuasi, it would be superb," Smith added "But we'd keep going (with talks) whether it was in or out."

Reports in the UK Press over the weekend had suggested that the Billiton deal could be scuppered by a possible bid by Anglo American's offshore arm Minorco to take control of Collahuasi

The cash-rich company said it would be interested in buying into the cash-strapped Falconbridge, which holds a one-third stake in Collahuasi

Minorco already holds a one-third stake in Collahuasi — which has ore reserves of 1,6-billion tons — and has made clear it would take up its pre-emptive rights over Billiton's stake should Gencor's bid go ahead

B/Day

According to unconfirmed reports, Minorco may inject $220m into Canadian group Edper Bronfman, which would give it access to Edper's stake in Falconbridge and Falconbridge's part owner Noranda.

Minorco has refused to comment, though Noranda chairman Alf Powis told Reuters yesterday that he believed such talks had been abandoned last year.

(210)

The Billiton bid is central to Gencor's attempt to transform itself into an international mining player.

8/3/94

The company has agreed a ball-park price with Billiton's owner, Royal Dutch Shell, and has clearance from the Reserve Bank to toss its R1,5bn stake in Richards Bay Minerals offshore into the funding pot.

Smith said he was confident the deal would go through by the end of June. But discussions, already complicated by Billiton's wide geographic spread, remain mired in talks over pre-emptive rights and detailed funding plans.

'Private ownership of mineral rights vital for progress'

ARG 10/3/94 (210)

Business Staff

THE mining industry is convinced that continued private ownership of mineral rights is necessary to ensure optimal exploitation of mineral resources and to maintain a stable environment which will encourage local and foreign investment

So says Clem Sunter, chairman of Vaal Reefs, Western Deep Levels and Elandsrand, in his annual reviews

While noting that proposals for the outright nationalisation of the mining industry seem to have been abandoned by the ANC, Mr Sunter points out that other ideas have been mooted such as the exchange of permanent mineral rights for relatively short-term licences and/or taxes on mineral rights

South Africa's situation in the mining world, he says, is unique both insofar as it is one of the few countries that acknowledges private ownership of mineral rights and is the country with the most advanced deep-level mining expertise

The ability to purchase mineral rights and to retain these rights until market conditions, or improved technology, make the exploitation of discovered orebodies feasible, has encouraged substantial investment in exploration as well as reserch and development over the last 100 years

Private ownership of mineral rights was thus a major factor in creating the enabling environment for the development of the country's world-class deep-level mines

Worldwide experience, Mr Sunter says, has shown that excessive government involvement in mining is counter-productive, particularly when it tries to alter in an artifical way the risk/reward judgments made by private sector entrepreneurs prior to the exploitation of a deposit

Mining generally remains one of the riskiest businesses and added to this, in the case of deep-level gold mining, there is an enormous up-front investment coupled with a volatile and uncertain market

The people of the country share in the benefits of exploitation of minerals rights through taxes, Mr Sunter says

He points out that the stated aims of the ANC's minerals policy can all be accommodated within existing legislative framework, particularly since the State is still the largest common law owner of mineral rights in South Africa

The ANC's stated aims — encouragement of small-scale mining, acceleration of black participation in the industry's ownership structure and increased beneficiation of the country's minerals — are broadly supported by the mining industry

It is accordingly, Mr Sunter says, engaged in discussion with the ANC and other political groups in order to ensure — on a fair basis — its continued viability as one of the cornerstones of the economy

Platinum producers act to protect production

27/0/3/94 (210)

Own Correspondent

JOHANNESBURG — Platinum producers are bracing themselves to prevent growing political turmoil spilling over into industrial action in Bophuthatswana — the industry's centre

Any damage to platinum production would have a sharp and immediate impact on the global market, analysts said

SA production last year jumped 20%, swamping rising demand But the estimated global oversupply is just 190 000oz — less than 6% of SA's platinum output

JCI-owned Rustenburg Platinum (Rusplat) and Gencor's Impala Platinum (Implats), which together dominate world production, said yesterday they were watching closely for flare-ups among workers in the strife-torn region

Despite escalating violence and ANC calls for industrial action, production had not yet been hit But tensions were rising

There had already been calls among Implats' 37 000-strong workforce for a shaft stewards' meeting on industrial action to protest against Bophuthatswana President Lucas Mangope Implats refused to allow the meeting, saying workers had to use the usual dispute channels

The company, which has all its mines in Bophuthatswana, said it was confident it could persuade workers to remain at their posts But senior projects and operations manager John Smithies said Implats was prepared to take a tougher stance, including sackings as a last resort

"There will be a lot of talking about what could happen and what it could do to the company The bottom line is that the platinum industry is not sitting fat and happy at the moment"

Rusplat, which has about 30% of its operations in the homeland, said the situation was "very sensitive". MD Barry Davison said the company had contingency plans

Mining share volume rises to 60% of total trade on JSE

ANDY DUFFY

THE value of mining share trades hit R26,1bn last year, nearly 60% of total traded share value, demonstrating the industry's role as a drawcard for foreign and domestic investors, the Chamber of Mines said yesterday

B/Day

In its latest newsletter, the chamber said that while the value of total JSE share trades doubled to R44bn last year, mining share trade values had nearly trebled

Firmer gold, platinum and diamond prices helped lift total JSE market capitalisation more than a third last year Mineral producers' capitalisation jumped 70% on 1992's to R134,1bn — more than a fifth of the market's total

10/8/94

The gold sector had been the star performer, posting a 242% rise in market value, while diamonds and coal notched up respective gains of 50% and 40%

Chamber economist Roger Baxter said the JSE had also reaped the benefits of the removal of sanctions and the classification of SA as an "emerging" country, which put SA equities on foreign funds' shopping lists.

Provided political developments and mining policies promoted growth and stability, such interest would continue this year, he said.

Mining made an estimated 9,6% direct contribution to GDP last year and provided more than 60% of foreign exchange earnings, bolstering the balance of payments and forex reserves

The Chamber reported that SA mines would spend R33m this year on collective research on priority health and safety concerns in the industry

The figure — a 10% rise on last year's — had been budgeted by the Safety in Mines Research Advisory Committee (Simrac), a statutory entity which levied mines to fund health and safety research approved in terms of the Minerals Act

The bulk of the budget — R25m — would be allocated to gold and platinum mining, with nearly R6m allocated to coal The programme would also focus on hazards in other sectors, and those found across the industry

(210)

Provisional industry safety statistics suggested levels on Chamber member mines changed little over 1992, the newsletter said. Fatalities dropped to 0,98 (1) fatalities per 1 000 employees at work. But reportable injuries rose from 17,3 to 17,57 per 1 000 employees.

AP-DJ reports that recent SA mining accidents included the mud slide after a dam burst at Harmony Gold Mine Ltd, which killed at least 14 people, and a fire at TransNatal's Koornfontein coal mine, in which at least 19 people died

Platinum takes off as homeland erupts

(210) CT 12/3/94

Business Staff

JOHANNESBURG [illegible] Gold and platinum [illegible] as the [illegible] wan[illegible] est

The JSE [illegible] the [illegible]

Platinum [illegible] ($398) [illegible] market [illegible] port [illegible] about six political [illegible]

[illegible] at the platinum [illegible] in Bophuthatswana [illegible] sources confirmed [illegible]

Both [illegible] Consolidated Inv[illegible] the parent company [illegible] producer Ru[illegible] and Gencor' [illegible] indic[illegible] they had taken step[illegible] might [illegible] The two together ac[illegible] of world [illegible].

Gold [illegible] its gains overnight [illegible] Clinton's role in the Whitewater scandal which has shaved the dollar to a DM1,67 low for the year. Gold and silver fixed at five-week highs of $387,10 and 544,50c (537c) an ounce respectively in London but in commodity exchange trade, volume on bullion was described as disappointing, and the metal eased back slightly to a New York close of $385,25.

On the JSE, gold shares made fairly good gains on the gold price push, but dealers said the market was nervous over the political situation and bullion's reliability.

"There's not much trust in gold's rise — it's gone up on very flimsy reasons," a dealer [illegible]

The Gold Index was [illegible] points higher at 1 933, the Industrial Index fell 56 points to 5 962 and the Overall Index [illegible] to 5 124.

As the platinum [illegible] Rustenburg [illegible] Impala [illegible] Northam added 20c to [illegible]

Gold's $9 jump on Thursday was attributed by [illegible] the Whitewater threat to US President Bill Clinton's [illegible]

A [illegible] after the grand jury hearing on Thursday encouraged the swift flight into bullion.

"All the other economic fundamentals are pointing to a lower gold price — like weaker oil prices, low inflation nad high interest rates," said Dave Giese, gold analyst at Davis, Borkum.

Frankel, Max Pollak's gold analyst Trevor Pearton added that "bullion is moving because of the dollar and it has not reacted in this way to the US currency [illegible] almost a year."

He said he was sceptical of bullion's short-term movements.

Closing gold

(In $ an ounce)

NEW YORK.	385,00/385,50
LONDON.	386,70/387,20
Fixing am	387,10
Fixing pm	386,65
ZURICH	385,50/388,50

Mines: Top US bank asks ANC to tone down demands

DEREK TOMMEY (210) ARG 15/3/94

JOHANNESBURG — American merchant bank Morgan Stanley persuaded the ANC to tone down its suggestion earlier this year that under an ANC government mineral rights would be transferred to state ownership.

The highly authoritative London Mining Journal's Gold Service says in its latest international quarterly that the ANC's stance on this matter was softened following a meeting with the Chamber of Mines

This was called to repair the damage done by comments on state ownership of mineral rights appearing in the ANC's Reconstruction and Development Programme

Dr Paul Jourdan (the ANC's spokesman on mining affairs), confirmed that the aim of the ANC was for mineral rights to revert to the state over an extended period of time under a programme of financial incentives and taxation

"Apparently Dr Jourdan was advised by a representative of Morgan Stanley to correct the media's interpretation of his earlier remarks," the Journal said

"This aspect of the ANC's policy has, to a certain extent, awakened the kind of fears regarding the turn of post-election events that were once caused by the threat of nationalisation"

Apart from the potential for damage to investor confidence, particularly that from abroad which is now returning, the mining industry argues that the present system of mineral rights has been an important factor in encouraging the commitment of the large amounts of capital required to find and develop the mines now operating

The Journal says that many observers see the debate over mineral rights as part of a wider potential confrontation between the ANC and the mining houses

"The root of this is believed to lie in the ANC being uncomfortable with so much wealth and influence not being under state control but concentrated in these few organisations"

It quotes London-based stockbroker Indosuez Capital, which recently estimated that the mining houses comprise 19 percent of the JSE's market capitalisation and also control most of the other mining companies which account for a further 25 percent of the market's capitalisation

It says the domination of the industry by the mining houses, and their diversification into large sections of the rest of the JSE was probably inevitable given the country's isolation caused by currency restrictions and an international climate which rendered them generally unwelcome

These factors prevented the mining houses from using their considerable resources to develop mineral properties abroad, as many of their counterparts in other countries did

Secondly, the sheer technical problems inherent in the development of a deep mine requires a large amount of capital and considerable technical expertise which would be difficult to find outside of a large mining company

The technical considerations of deep mining also dictate that economics will favour a large project It adds that the financial and technical strengths of the mining houses impart the confidence required to attract the large amount of investment capital needed

The Journal says the debate continues and the industry and its investors will doubtless hope that the pragmatism that has been evident in many of the ANC's negotiations and proposed policies thus far will take it in a direction which safeguards existing operations and encourages the development of new ones

"Certainly, the commitment expressed by the ANC to consult the industry before enacting any mining legislation is a positive sign"

Minorco to wait for study on Argentinian gold ore

BDay 15/3/94

MINORCO, Anglo American's cash-rich offshore arm, was more than a year away from deciding whether to push ahead with a gold mine in Argentina, the company said at the weekend (~~220~~) (210)

Exploration on the Cerro Vanguardia deposit in Argentina's Andean provinces last week prompted subsidiary Mincorp, in partnership with local company Perez Companc, to invest a further $30m in further mineral rights and development

Minorco said preliminary drilling since March 1992 had indicated a medium-size, high-grade ore body.

But further drilling was needed to delineate the extent of the reserves before Minorco could decide on the viability and size of the project. A feasibility study would start this year and was due to be completed by the end of 1995.

Minorco was unable to quantify likely costs, but said that should the plan prove viable, South American company Amsa could use gold loans to fund its 49% share of the scheme

Analysts said South America could prove to be the future major operating earnings source for Minorco, which had been hampered in the past by temperamental income streams

ANDY DUFFY

While Minorco's earnings were effectively static at $211m for the year to last June, Amsa's net income rose nearly 60% to $50,3m in the year to December 1992.

Minorco gained 100% control of Amsa through last year's $1,4bn asset swap with parents Anglo American and De Beers.

Analysts believe Amsa accounts for more than half the net asset value of Minorco's mining business But the company, which reports its half year results on Thursday, is still planning to expand Amsa's operations.

Amsa is in talks to expand its 29,2% stake in the $1bn Chilean copper project Collahuasi.

Amsa has stakes in two other copper schemes in Chile — Santa Barbara and Mantoverde — and holdings in Peru's Quellaveco and Brazil's Salobo copper projects It also has the option to lift from 5% to 70% its interest in Venezuela's Loma de Hierro nickel scheme.

Minorco said "significant sums of money" would be required to push ahead with such schemes

Anglovaal rules out Saturn listing

CT 16/3/94 (210)

From ANDREW DUFFY

JOHANNESBURG — Mining house Anglovaal has ruled out listing Saturn Mining, the exploration company through which it holds a stake in De Beers' Venetia diamond mine

The group said yesterday that there was no merit in a separate listing, and it had no intention of giving up any portion of the expected cash flow from Saturn

Analysts expect Saturn, which will eventually net 50% of Venetia's earnings, to provide the backbone of Anglovaal's mining income once the diamond mine hits optimum output

Listing Saturn would attach a market value which would lift Anglovaal's share price, while giving investors a direct route into Venetia

The current avenue into the mine was the listed but tightly held Industrial Commercial Holdings, whose only asset is a 12,5% stake in Saturn

But Anglovaal general finance manager David Barber said the market could already judge Saturn's value through ICH's market capitalisation, which stood yesterday at nearly R430m

Anglovaal's shares were not trading at a "huge" discount

"If we felt Anglovaal was undervalued we might change our minds," he said

Saturn had "terrific" prospects, he said, "and Anglovaal does not want to give any of it away The market is aware of the value of Saturn in our hands"

Anglovaal has an effective 87,5% stake in Saturn through its investment company Middle Witwatersrand

Saturn holds the mineral rights to Venetia, and through its agreement with De Beers is entitled to 12,5% of Venetia's royalties before capital expenditure

The entitlement will rise to 50% once De Beers has recouped its R1,1bn investment in the mine

Though Venetia is running below capacity and is reined in by De Beers' quota system, it paid a R29,9m royalty to Saturn in the six months to December, and a further R34,5m last month A major leap in income is expected by 1996

Mines urged to contain their costs

MUNGO SOGGOT

THE mining industry has to take stronger steps to rein in costs, the Chamber of Mines has warned BDay

In its latest newsletter, chamber economist Willem Houtman said average costs across the industry hit R153,26/t last year, a jump of more than 8% on 1992, against a rise of just 0,9% in the previous 12 months

Cost management varied widely, with some producers managing to reduce unit costs, while others recorded cost inflation of well over 10%. 16/3/94

The average rise was not "unusually high" given last year's 9,7% inflation rate, Houtman said But it had coincided with the tailing off in retrenchments, which suggested the "optimum labour force level" had been achieved

The industry had to continue improving productivity this year, Houtman said, and it was "critical for imaginative processes to be found to facilitate continued containment of costs" (210)

Houtman added that an improvement in grade over 1992 had kept the rise in unit costs to just 4,5%, from R26 373/kg to R27 547/kg

While most industry players had reaped the benefits of a burgeoning gold price last year, sources have raised concerns over the mining houses' ability to rein in costs

JCI's gold division — which includes Western Areas and HJ Joel — managed to contain year-on-year cost rises, but Randgold's four struggling mines sustained a 21% jump in average unit costs to R38 033/kg

Anglo American's gold division also struggled to contain costs Unit costs across the group's hard rock mines rose 11% to R29 514/kg.

Anglovaal rules out Saturn listing

B|Day 16|3|94

ANDY DUFFY

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Z10

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"I'd certainly like to see Saturn listed separately," Fergusson Bros analyst William Bowler said; "Its light is a little bit concealed under the Midwits bushel"

But Frankel, Pollak, Vinderine analyst Peter Davey said it would be more logical if Anglovaal regrouped its mining interests into Midwits

The mining operations — which also include gold mine Lorraine, exploration company Target, and ferro-alloy company Associated Manganese — provided just under one third of Anglovaal's attributable income last year

Should Anglovaal meet market expectations and pull out of financial services, this would leave it with two well-balanced arms, mining and industrial

Anglovaal has considered such restructuring as part of an overall strategy to strengthen its management lines But transfer fees — charged at 0,5% of market value — could scupper the proposal

Namakwa project on schedule

Star 18/8/94

BY THABO LESHILO

Anglo American's R1,4 billion Namakwa Sands Project is on schedule, with mining due to start towards the end of the year, says project manager George Brown

Addressing journalists on a tour of the area, 60 km from Vredendal on the West Coast, Brown said the project will bring in R360 million in foreign exchange each year at full production

(210)

Zircon (used in ceramics), rutile (for pigments) and ilmenite will be mined over an area of about 3 600 hectares.

The ilmenite will be transported by rail to a new smelter in Saldanha to produce feedstock for the pigment industry and pig iron.

Production is estimated to last 35 years

The project is providing much needed jobs, housing and infrastructure

More than R36 million is being spent on roads and R11 million on water supplies About R44 million is being used to build 390 house in Vredendal, Lutzville, Vredenburg and Saldanha for staff.

At least 807 people — mostly locals — will find jobs. All employees will be required to have a minimum Standard 8 education to facilitate training and development, according to manpower manager Jannie Steenkamp.

Local contractors will provide transport, catering and maintenance, among other services

New mine to open later this year

ARG 18/3/94 (210)

The Argus Correspondent

JOHANNESBURG. — Anglo American's R1,4 billion Namakwa Sands Project is on schedule, with mining due to begin later this year, said project manager George Brown.

He said during a tour of the area, 60 km from Vredendal on the West Coast, that the project would bring in R360 million in foreign exchange every year at full production.

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Local contractors will provide transport, catering and maintenance, among other services.

Lower financial income rubs shine off Minorco

BDay 18/3/94

ANDY DUFFY

ANGLO American's reshaped offshore minerals and mining business Minorco sustained a 10% fall in attributable earnings to $106m for the six months to December, as lower income from its cash pile offset operating gains.

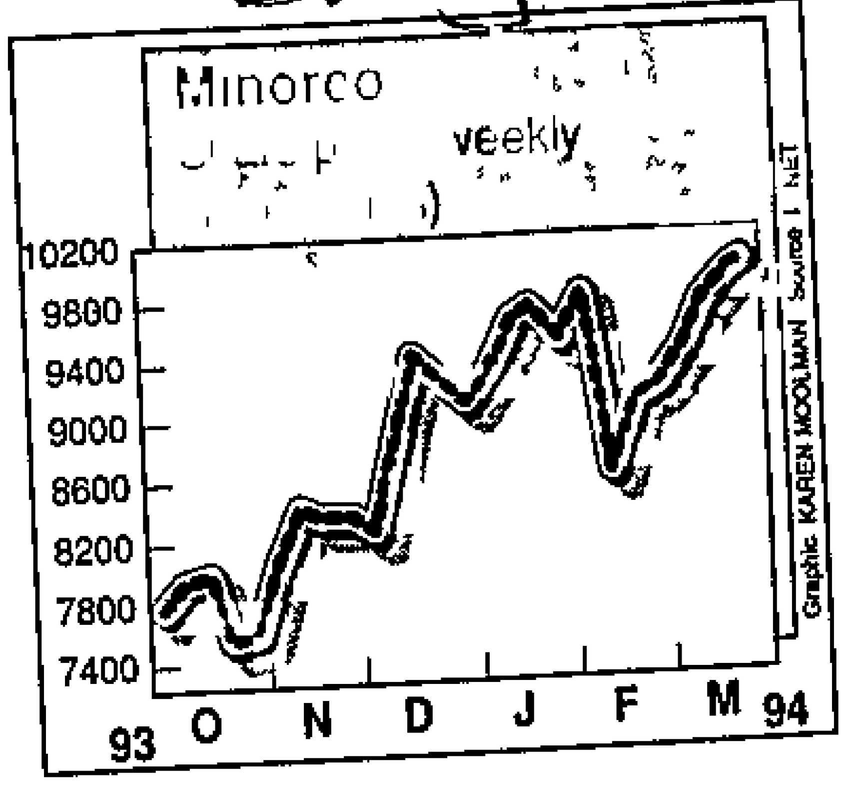
The company — which underwent a $1,4bn asset swap with Anglo and De Beers last year — exploited higher gold prices to lift operating earnings 77% to $66,6m on turnover up just 2% at $1,2bn

But financial income, down more than 30% at $96m, helped cut net corporate income from $64,1m to $16,2m The bottom line was also suppressed by lower investment income, leaving earnings at 47(US)c (52c) a share. The interim dividend was held at 19c

The figures for last year have been restated to allow comparison following the asset swap

The deal expanded Minorco's businesses in South America, the Far East, Australia and Europe, presenting it with the steady earnings stream that had previously eluded the acquisitive company.

But chairman Julian Ogilvie Thompson said Minorco remained "cautious" in its short-term earnings outlook.



The US economy was expanding, but Europe and Japan remained depressed. Stronger commodity prices might have owed more to investment than physical demand, while base metal price movements were uncertain, he said.

Minorco leaned heavily on its gold business, which staged a $23m turnaround to post earnings of $11,5m, principally through Brazilian mines operated by Mineracao Serra Grande and Mineracao Morro Velho (210)

Production rose 5%, while the average price received rose nearly 8% to $380/oz.

Operating income from base metals dropped to $11,6m ($27,6m) as lower prices marred higher copper and nickel output from the Chilean Mantos Blancos business, and the Hudson Bay company in Canada

Agricultural business Terra Industries remained in the red, but cut its loss from $23,2m to $9,2m.

The UK and German aggregates operations enjoyed healthier markets, but a strong dollar reduced their contributions. Lower costs left pulp, paper and packaging earnings up at $10,1m ($8,1m).

The figures were further buttressed by a $57,7m ($15,2m) extraordinary gain stemming from the sale of its stakes in Charter Consolidated and Zambia Copper Investments.

Minorco's asset sales netted $450m, while it spent $273m on purchases and expanding existing businesses

It bought a 50% stake in UK newsprint business Aylesford from Swedish owner SCA for £32,9m.

Aylesford Newsprint plans to invest £250m in new machinery.

Terra spent $31m on fertiliser distributor Asgrow Florida.

The balance sheet remained strong. Cash and short-term investments stood at $2,09bn ($1,92bn), against borrowings of $1,2bn

Ogilvie Thompson said the restructuring had also prompted Minorco to change its year end to December, aligning it with North and South American practices.

The company would issue another interim report for the 12 months to June and an annual report for the 18 months to December this year.

Gencor buys 32% stake in West African mine

BiDay 24/3/94

ANDY DUFFY

GENCOR has bought a major stake in a planned $427m iron ore mine in West Africa, signalling another step toward becoming a leading international mining resources player.

The mining house said yesterday that it had taken a 32% holding in Euronimba — a French, Japanese and Kuwaiti consortium set up to explore Guinea's high-grade Nimba ore deposit.

Under the deal, Gencor will spend $1m to complete a feasibility study at the site, and at least $30m should the scheme go ahead.

The project has proven reserves of 350-million tons of iron ore, yielding an annual output of 12-million tons

The all clear was at least two years away, Gencor business development division senior manager Bobby Jurd said. It hinged on prevailing market conditions and the scheme's funding structure

The cost could be split with the Swedish-owned African Mining Consortium Limited (AMCL), which has a 40% stake in the Nimba project.

Funding discussions would be finalised over the next few months, but Gencor's investment would need Reserve Bank approval.

Jurd said the mine would offer a 15% internal rate of return. But it was not clear whether Gencor's share of EuroNimba's income would be repatriated or kept within its budding international business

The deal represents another stage in Gencor's attempts to shift its business focus across SA's borders, following the company's unbundling last November.

Gencor is attempting to buy Royal Dutch Shell's international minerals and mining arm Billiton in a deal thought to be worth around $1,5bn. 210

Gencor also made it clear at the start of the year that it would spend around R70m of its R100m annual exploration budget on foreign exploration — a reversal of past policy. The company identified West Africa as one its targets.

Euronimba's other major shareholder is BRGM, the mining and exploration company part-owned by the French government Gencor is already involved with BRGM in copper and gold ventures in Ghana and the Ivory Coast

Japanese industrial giant Sumitomo and the Kuwaiti financing company Cidem each hold around 18% in the company.

The swing abroad is gradually making its impact on Gencor's figures. The mining house netted earnings of R254m (R268m) for the four months to December, but income from international operations jumped from R4m to R11m

Gencor likely to complete Billiton deal by June

Star 25/3/94

Shell Australia's intention to publicly float its metal interests would not prohibit Gencor's plans to acquire Billiton International from Royal Dutch Shell

Gencor overseas business executive director Colin Officer said the proposed floatation by Shell Australia would not significantly impact on the overall transaction being worked out with the parent company.

"It is not a critical element in the context of the overall transaction," he said referring to Gencor's negotiations with Royal Dutch Shell to acquire its global metals arm.

Shell Australia plans to sell its 30 percent stake in the Boddington gold mining venture, its 42 percent interest in the Cadjebut zinc and lead mine, and its wholly-owned Union Reefs gold deposit.

Officer said Australian traders believe the flotation could yield in excess of A$400 million

The bid for Billiton is central to Gencor's strategy to recast itself into an internationally competitive mining house following the recent unbundling of its non-mining interests

Analysts have estimated the size of the proposed Gencor-Billiton deal at around US$1,5 billion

Officer said the finalisation of the "enormously complex" Billiton deal, which has been delayed for some time, would be completed by the end of June this year.

Gencor could lose out on Billiton's 33 percent stake in the Collahuasi copper exploration project in Chile following a decision by Minorco — the offshore investment arm of the Anglo American Corporation — to take up its pre-emptive right in the project should the Gencor bid for Billiton go ahead

Minorco, which already has a 33 percent stake in Collahuasi, is reportedly looking to acquire part of, or all, of the remaining 33 percent stake held by cash-strapped Falconbridge (210)(282)

However, Officer said Gencor was still on track to acquire the following assets from Royal Dutch Shell. Les Mines Selbaie copper and zinc mine in Canada, Cerro Matosa nickel mine in Columbia, Bogusu gold mine in Ghana, Lerokis gold mine in Indonesia, the Pering lead and zinc mine in SA, the Alumar and Valesul aluminium refinery and smelter projects in Brazil, the Paranam alumina operations in Surinam and the Aughinish alumina refinery in Ireland. — Sapa

SA mining faces 'life threatening' adversity

B Day 25/8/94

ANDY DUFFY

THE SA mining industry had to adopt a radically new approach to underground mining if it was to survive, Gold Fields chairman and CE Robin Plumbridge warned yesterday.

He told the SA Institute of Mining and Metallurgy's annual conference in Johannesburg that the industry had to step up the exploitation of mineral, equipment and labour resources if it was to compete internationally.

Foreign open pit mining operators aimed to have mineral and equipment resources available for 93% of the time, with labour resources available for 95% of each shift. This would mean all working areas of a foreign mine produced for 21 hours a day throughout the year — far higher than prevalent SA conditions.

"While that target may be high in relation to deep level underground mining, it is one which we must strive for if we are to remain in any way competitive with our colleagues in other parts of the world," Plumbridge said

"It is no use shrugging our shoulders and saying that underground mining cannot achieve that degree of productivity," he added "Such an attitude can only sound the death knell of our great underground mining history."

The strategy hinged on better use of resources already at the industry's disposal, he said, rather than more money or workers

(210)

This included greater co-operation between operating and financial management, better communication with the NUM and far stronger marketing efforts

The SA industry also lagged behind international rivals in exploration. There was no "clear-cut perspective" on the differences between resources and reserves

"The SA mining industry at all levels must change in order to compete," he said. "Let us recognise the challenges and seek solutions with the sort of urgency which is generated when we face life-threatening adversity"

Plumbridge said attracting vital foreign investment depended on the new government entrenching a constitution that was respected nationally and abroad.

Less government intervention was needed, and exchange rate controls and the dual exchange rate system had to be swept away "to allow us to compete with the progressive emerging nations"

The future government had to stay clear of altering SA's mixed system of mineral rights The current setup had nurtured the industry, but total state ownership would stifle future exploration and development, Plumbridge said. "Any threat to title sends cold shivers down corporate spines"

Blacks to get JCI shares

Star 30/3/94

BY MICHAEL CHESTER

Anglo American Corporation today confirmed plans to swing open multimillion-rand doors to black investors to control major stakes of their own in the top layers of business.

Share market observers believe the move promises the black community its biggest opportunity yet to play a significant role in the mining and industrial sectors.

The opportunity has sprung from plans by Anglo American to start unbundling Johannesburg Consolidated Investments — known as Johnnies on the Johannesburg Stock Exchange and international markets — and in which Anglo holds a 39,6 percent control.

Plans for the transfer of blocks of shares to black investors has been underlined in first announcements.

The intention is to divide JCI, whose interests spread from gold and platinum mines to supermarkets and newspapers, into three entities.

Control (210)

Anglo and its sister company De Beers intend to keep control of the investments in platinum and diamonds, but the rest of the empire will swing open to new investors.

All other interests in the mining sphere will be unbundled into a company on its own. So will all the vast investments in the industrial sector such as SA Breweries, the Premier Group, Argus Holdings and Times Media Limited.

Careful investigation of the unbundling proposals were expected to take time. Every effort would be made to make a further announcement as soon as possible — but it may take months.

JCI plans three-way split in unbundling

B/Day 30/3/94

JIM JONES

MINING house Johannesburg Consolidated Investment (JCI) is planning to unbundle itself as a prelude to transferring control of mining interests to black investors, analysts believe.

The house yesterday cautioned, however, that finalising the unbundling could take several months and a further announcement may not be made until then

The intention is to divide the group into three companies holding the gold, platinum and industrial interests. Each of these will be listed separately on the JSE But it is unlikely the unbundling will take place before ownership of the group's platinum and diamond interests has been secured for the Anglo American/De Beers group.

JCI is itself controlled by Anglo American Corp and forms an integral part of the parent group's platinum and diamond marketing interests. The intention, it is believed, is to separate out these strategic investments before any transfer of less-strategic gold or industrial holdings to new controlling shareholders.

At present JCI has a 32,6% stake in Rustenburg Platinum, the world's largest producer of the metal, which with Anglo's own 23,9% holding gives the greater Anglo group absolute control of Rustenburg JCI also has an equal 50% interest in Garrick Investments with Minorco, Anglo's principal offshore arm. Garrick, in turn, owns 20% of Johnson Matthey, the metals company that markets Rustenburg's platinum. JCI has a pre-emptive right to buy Minorco's stake in Garrick though Minorco is constrained from increasing its stake in Johnson Matthey. (210)

Apart from its direct interest in De Beers, JCI also holds shares in the unlisted De Beers group trading companies, The Diamond Purchasing & Trading Company (Purtra) and The Diamond Trading Company The precise role of these companies in the De Beers group is not officially disclosed, but they are commission companies handling rough gems between SA and foreign mines and The Diamond Corporation, which supplies rough diamonds to the trade. The diamond interests generate about R70m annually for JCI and are crucial to the continuation of the diamond cartel operated by De Beers.

It is most unlikely the diamond or platinum interests would be included in any sale of interests to investors outside the Anglo group The intention, it is believed, is to sell JCI's diamond interests to De Beers for cash and to use that to repay £48,6m

□ To Page 2

JCI

B/Day 30/3/94

□ From Page 1

due from the acquisition of Garrick.

JCI's managed gold mining interests include Randfontein Estates, Western Areas and HJ Joel as well as mineral rights on the West Wits Line and in the Free State. The group is busy developing its new South Deep mine next to Western Areas.

Industrial interests include shareholdings in SA Breweries (14,8% effective), Premier Group (28,1%), Times Media (32,1%) and Consolidated Metallurgical Industries (54,9%), the ferro-chrome maker.

Other managed mining interests include wholly owned Tavistock Collieries, and 24,1% of the antimony and gold mine, Consolidated Murchison.

Ahead of a formal announcement of unbundling plans, analysts believe the intention is to distribute shares in the three new holding companies to JCI's shareholders. Anglo would then, it is expected, sell its entitlement in non-strategic companies to other investors. (210)

Unbundling proposals make JCI shares highly appealing

Star 31/3/94

BY DEREK TOMMEY

Anglo American is remaining tight-lipped about the possible consequences of its proposals to unbundle its associate mining house JCI (210)

But if some of the resultant speculation and suggestions being made by market analysts have any substance, one thing is certain — this is definitely not the time for investors to sell their JCI shares

There is a strong feeling, reinforced by certain remarks in the Anglo statement yesterday, that the unbundled components are likely to be packaged in a way that will make them attractive to foreign investors — and specifically to black American investors.

If this is indeed the case, then the share market rating of the unbundled components is likely to be much higher than the one JCI commands now, and would result in JCI investors owning shares of much greater value

In its statement, Anglo said that although JCI was a well-managed and prosperous mining house, it no longer fitted logically into Anglo's structure.

It therefore intended taking over JCI's interests in the diamond trading companies and splitting the remaining holdings into three groups — a platinum group, a gold mining and other minerals group, and an industrial group

Each of these would be a separate entity with a share market listing

Anglo added this would be a first step towards the important aim of facilitating and encouraging black involvement in terms of equity ownership, board representation and participating in management

While it would not be too difficult to find qualified blacks to sit on the boards or share in management, analysts say it would be extremely difficult for South African blacks to acquire a significant stake in the companies, even on the "never-never"

They point out that JCI has a market capitalisation of around R13 billion, against which the NUM provident fund, one of the biggest black funds in SA, has assets of about R1 billion, and legally could not invest more than R50 million in each of the three new companies.

Even if several funds were to invest in these companies, black representation would still be small

But this need not be a major stumbling block. Anglo said its role as risk-sharer and financier to JCI need not necessarily continue in view of the opening up of the international capital and money markets

It added. "International investor participation, both in individual mining companies and in the adminstering mining house in conjunction with increasing South African black participation, should have considerable appeal."

It looks as if the three new companies will be tailored for the foreign investor who will also be attracted by the prospect of the companies having black management.

However, analysts say that while imaginative, it is too early to speculate on whether the companies would be listed overseas. But this would seem necessary if they are to get the desired investor attention.

Unbundling proposals make JCI shares highly appealing

Star 3/3/94

■ BY DEREK TOMMEY

Anglo American is remaining tight-lipped about the possible consequences of its proposals to unbundle its associate mining house JCI (210)(232)

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Opportunities for black business

Unbundling of JCI gets Cosatu nod

Star 31/3/94

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

The Congress of South African Trade Unions has welcomed the unbundling of the Anglo American-controlled Johannesburg Consolidated Investment (JCI), describing it as a step in the right direction and asking to be involved in discussions about the unbundling process

JCI announced yesterday that it planned to unbundle the company, opening opportunities for black business to enter the lucrative mining and industrial sectors.

JCI said its main shareholder, the Anglo American Corporation, was formulating plans for the separation of JCI into three business groupings.

The groupings would be a company to hold the platinum interests, a company embracing JCI's other mining and minerals processing operations, and a holding company for JCI's industrial interests.

"It is proposed that the shares in each of these holding companies will be listed.

"Key objectives of the exercise include enhanced share value and the creation of a platform for the future introduction of black business interests into South Africa's mining and industrial sectors," JCI said.

Cosatu said that with the election around the corner and proposals on anti-trust legislation in the ANC's reconstruction and development programme, it questioned whether JCI's move was a genuine effort to tackle monopolisation. (210)

"To avoid the JCI initiative being seen as an attempt by Anglo to restructure themselves before a democratic government compels them to do so, unbundling should be open and transparent.

"One doesn't know yet whether this will result in meaningful black economic empowerment, or the type of 'fronting' operations we have seen recently, resulting in the enrichment of a few individuals," Cosatu said.

Unbundling, it added, should fit into an overall economic plan to restructure industries, create jobs and put the economy on a new growth path.

Workers needed a meaningful process of democratisation of decision-making, regardless of who owned the company, to convince them that changes like this would benefit them in the long run.

·· 1994

Anglo opens its doors to black investors

Sowetan 31/3/94

THE giant Anglo American Corporation yesterday confirmed plans to swing open multimillion-rand doors to black investors to control major stakes of their own in the top layers of the business world

Share market observers believe the move promises the black community its biggest opportunity yet to play a significant role in the mining and industrial sectors of the economy (210)

The opportunity has sprung from plans by Anglo American to start a massive unbundling of Johannesburg Consolidated Investments — the R13-billion mining house known as Johnnies on the Johannesburg Stock Exchange and international markets and which Anglo controls with a 39,6 percent stake.

Plans for the transfer of blocks of shares to black investors has been underlined as a special feature in first announcements

The intention is to divide JCI, whose interests spread from gold and platinum mines to supermarkets and newspapers — into three separate entities.

Anglo and its sister company De Beers look likely to retain the JCI stakes in platinum producers Rustenburg Platinum and Lebowa Platinum Mines, and any shareholdings in the diamond trade that would fit better in the De Beers fold — *Sowetan Correspondent.*

Cautious support for JCI's unbundling

B/Day 3/3/94

GRETA STEYN

THE ANC and Cosatu yesterday cautiously welcomed Anglo American Corporation's announcement that it would unbundle mining house JCI, saying it represented progress in Anglo's thinking.

But they emphasised they needed to study the details before they could be sure the proposal would further "black empowerment". Anglo announced this week that JCI would be divided into three separate listed companies as a prelude to transferring "less strategic" gold or industrial holdings to black shareholders.

Cosatu spokesman Neil Coleman said: "To the extent that this represents a shift away from Anglo's previous opposition to unbundling, this move is welcome, and appears to be a step in the right direction." Anglo had in the past rejected criticisms on the concentration of economic power in the hands of conglomerates.

"With elections around the corner, and proposals on anti-trust legislation in the reconstruction and development programme, questions will be asked as to whether this is a genuine effort to tackle the problem of monopolisation," he said.

To avoid the JCI initiative being seen as an attempt by Anglo to restructure itself before the democratic government compelled it to do so, the process of unbundling should be open and transparent.

Cosatu believed several issues remained to be addressed, and would want to be part of the discussions about unbundling, as it was a matter that also concerned the union movement "One doesn't yet know whether this will result in meaningful black economic empowerment, or the enrichment of a few individuals." (210)

The JCI unbundling affected a relatively small part of Anglo's "huge empire", Coleman said, adding that JCI was not being entirely unbundled as Anglo would retain control over diamonds and platinum.

Unbundling had to fit into an overall economic plan and "democratising" decision-making to include workers had to occur regardless of who owned companies.

ANC spokesman Carl Niehaus said the move did not necessarily represent black empowerment. "We will be watching carefully to see whether it is not just a reshuffling of the chairs on the deck."

● See Page 14

Anglo still knows how to manage its way into the future

BDay 31/3/94

JIM JONES

(210)

ANGLO American's one outstanding skill has long been its ability to "manage the future". That first became obvious in the early '60s when it became politically necessary to facilitate the entry of Afrikaner capital into the mining industry. And, in an apparent repeat of history, it is seen as necessary to do the same for black investors.

In 1963, Anglo facilitated the transfer of General Mining to Afrikaner interests controlled by Sanlam that was managing the pension fund millions of an economically insecure volk. At the same time, it protected JCI from the Glazer brothers' predatory moves and tied it into the greater Anglo group. Gordon Waddell once described it as "the group's platinum division". That protected the crucial diamond trading interests as well as the then comparatively small platinum mining interests.

The wheel has turned almost full circle. And while Anglo may have given the appearance of inflexibility in the decades since the early '60s, it has showed this year that it can adapt rapidly to changed circumstances.

In February it facilitated the sale of a majority interest in African Life to black investors. Now, with its proposals to unbundle JCI, it is helping ensure that the black pension and insurance funds mobilised by the black consortium which has purchased African Life, and other groups, can be invested in serious mining or industrial groups.

Plans to unbundle JCI have been under consideration by Anglo since the middle of last year. Arguably, they were set in train more because of political considerations than because of any fundamental belief at the time that unbundling was an economically or financially sensible route to take.

Public statements by Anglo executives had regularly denigrated the concept of unbundling, particularly when Sanlam announced its plans to split Gencor. Now the possibility that unbundling might release value is accepted as part of the logic behind the plans for JCI.

Managing the future, though, probably faces more potential pitfalls under a black government owing allegiance to left-wing interests than might have been the case under a white government determined to reinforce Afrikaner hegemony through the capitalist system. The latest draft of the ANC's reconstruction and development programme shows the antipathies that exist towards big business personified by the mining houses.

Present difficulties are also apparent in much of the deliberate or ignorant misunderstanding of the role of capital and financial institutions expressed in populist rhetoric. Soap-box orators in the ANC and its associates regularly show they believe there is an unholy alliance between the mining houses and the banks. Misunderstanding the role of the financial institutions completely, they believe this "unholy alliance" interferes with capital flowing towards black borrowers.

Anglo's plans for JCI are an indication of its strategic thinking for its own organisation. This has developed from the realisation that it is inexpedient to have a conglomerate with tentacles in virtually every sector of the economy, offering little in the way of synergy between the different parts.

Significantly, perhaps, Anglo's announcement of its JCI proposals contained no mention of the future rôles of First National Bank or Southern Life. Are they now seen as inappropriate long-term investments for a group shifting its focus back towards mining, minerals and managed industrial interests?

Anglo might have taken some inspiration from Sanlam's unbundling of Gencor and the transfer of an interest in Metropolitan Life to black hands. But Anglo's proposals go much further than Sanlam's, specifically in the commitment to facilitating black economic empowerment. The difference between Sanlam's handling of Metropolitan and Anglo's of African Life reinforces that contention.

There would be little point in simply making the same well-known group of black businessmen richer than they already are. Anglo understands that if this country is to have any hope of long-term stability, economic empowerment has to spread deeply and widely through black society. And while its decisions on JCI might not have been taken after formal reference to decision makers in the ANC and its associates, informal contacts will have played some part in their formulation.

Simply to hand nominal control to a small coterie of black businessmen could easily be achieved by handing them a pyramid or two. But that is not what SA needs, and it could frustrate any future attempts to persuade other groups to unbundle.

How could a future government hope to persuade, say, the Rupert or Hersov/Menell families to relax the minority controls they hold through pyramids atop their businesses if the present generation of black businessmen is relying on pyramids to control other sectors of the economy?

Underlying Anglo's plans to unbundle JCI is an unarticulated commitment to shareholder democracy. If there is to be a repeat of the events of the '60s that allowed Afrikaner savings to be invested in mining and industrial interests previously controlled by English speakers, black savings must have access to investment possibilities.

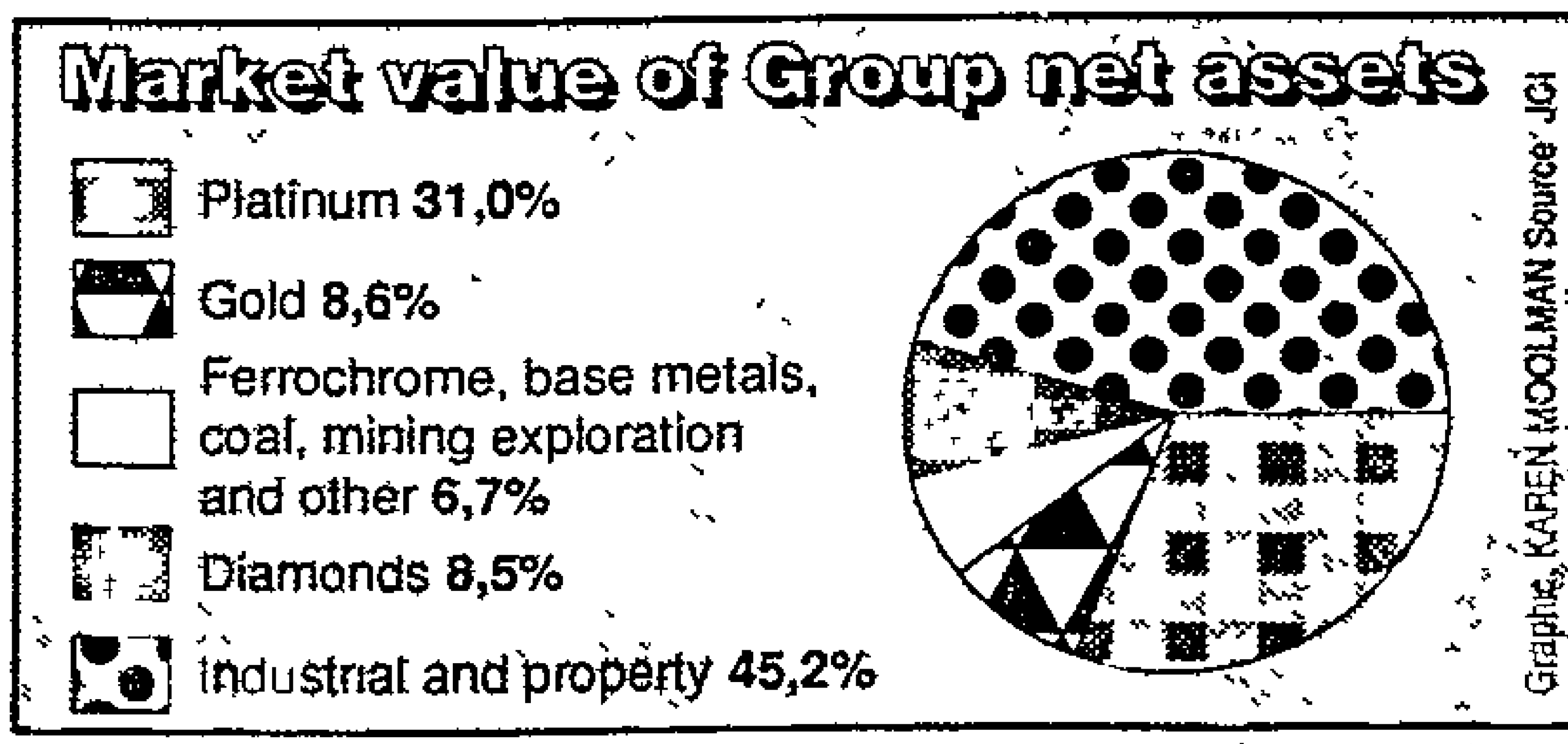
That is extremely difficult while exchange controls keep capital penned in the country. Exchange controls have led to most of the wealth represented by the JSE moving into the control of a few groups who are reluctant to sell because they fear they will be unable to find suitable investment alternatives.

Anglo's longer-term strategy will almost certainly be based on ensuring there are further investment opportunities for black capital. And though the group has stated it will retain interests in the three separate elements of an unbundled JCI, some of them will be run down as the elements expand. That was the strategy after the '60s when Anglo retained its interest in Hollardstraat Ses Beleggings, the controlling company of what was to become Gencor, for more than 20 years.

Anglo's plans are necessarily imprecise as they form part of an overall refocusing of its interests. The strategy will take time to unfold, as was the case after 1957 when Ernest Oppenheimer agreed with Tommy Muller that Afrikanerdom should have its mining house. And that strategy will unfold while new and as yet unexplored opportunities occur. One is the possibility (though not the certainty) that JCI's coal interests might be merged with Randcoal's. Another opportunity could be to take control of Bevcon, SA Breweries' controlling company, through the Texas auction agreed with Liberty Life when Libvest was established.

Fundamentally, though, Anglo is focusing on strengthening its position in businesses to which it can add value. Up for sale eventually are likely to be those businesses that are either not managed directly by the group or those that have reached their limits of development.

As Anglo's strategy unrolls, others will seize the entrepreneurial opportunities that unbundling releases.



Blue-chip opening for black power

S1Times (Buss)
8/4/94

210

ANGLO American has paved the way for the establishment of South Africa's two largest black-controlled companies.

By SVEN LUNSCHE

In announcing the restructuring of Johannesburg Consolidated Investments (JCI), Anglo has set the scene for the first black-controlled mining house and for black shareholding in top-quality industrial groups such as SA Breweries, Toyota and Premier.

The deals would extend black empowerment in the SA economy. Black businessmen have recently bought control of the Sowetan newspaper, assurers African Life and Metropolitan Life and cellular-phone company MTN.

Anglo American assisted two of the transactions — the takeovers of the Sowetan and African Life.

The question of how to ensure a proper black stake in JCI is undoubtedly engaging minds at 44 Main Street.

On offer will be Anglo's effective 40% stake in two of the three proposed listed companies to emerge from an unbundled JCI. They are the mining arm, valued at more than R3-billion and comprising JCI's gold, coal and mineral-processing interests, and the industrial finance group.

The portfolio of industrial interests is valued at more than R6-billion and includes 15% of SA Breweries, 28% of Premier Group, 23% of Argus Holdings, 32% of Times Media and 26% of Toyota

Anglo will continue to be "associated with" JCI's platinum mines, Rustenburg, Lebowa and PP Rust, and the diamond operations.

Analysts say that beyond the existing well-known and small group of businessmen, the potential for large-scale black investment is effectively limited to trade-union-controlled pension funds and money from African Life and Metropolitan Life premiums.

It is estimated that combined, the Cosatu-affiliated union pension funds, the Kagiso Trust, the Community Growth Fund and the two life assurers could raise at the most R3-billion over two years.

Even if the unions took part, which is not assured judging from ANC and Cosatu statements criticising the Anglo proposals for not going far enough, the black stake would not be more than 20%

One strategy would be to bring in foreign support, an option Anglo backs, saying "International investor participation, both in individual mining companies and in the administering mining house in conjunction with increasing SA black participation, should have considerable appeal"

Black control could also be achieved by adding a pyramid structure to the companies, reducing to affordable levels the amounts involved

Whatever the final strategy, analysts say the unbundling fits in well with Anglo's own strategic plans.

Anglo is frank about JCI's role in the broader group, saying: "We have for some time considered that our major investment in JCI does not in its present form fit logically into our structure and objectives

"JCI is therefore neither, as it once was, a major independent mining finance group nor a logical element in the greater group."

Why then has it taken so long to implement the restructuring, particularly because only a few months ago Anglo rejected any suggestion that it should follow Gencor's example and unbundle?

JCI chairman Pat Retief says Anglo and JCI contemplated the restructure for a while, but talks became increasingly difficult amid widespread speculation.

Given the timing of the announcement — a month ahead of the election — it is not surprising that many analysts give political considerations as the prime mover.

"No matter what they say this is a political move. By unbundling JCI the pressure is off Anglo," says an analyst.

Anglo American spokesman Michael Spicer replies: "We were at pains to state in our announcement that this move makes business sense for Anglo in terms of its own objectives as well as the broader goals we have long set of encouraging meaningful black participation

"It is far too simplistic to suggest that this is just a political move."

Precious metals soar on SA turbulence

(210)

CT 4/4/96

LONDON. — Renewed concern over violence in South Africa drove platinum prices to their highest level since last August as dealers scrambled to buy on Thursday — the last day of trade ahead of the Easter weekend. And gold futures surged well above $390 in active New York trade.

SA mines about 75% of the world's platinum and investors fear growing tension and bloodshed ahead of the elections.

Markets in London, New York, Zurich and Hong Kong were closed on Friday and will be closed today.

On Thursday, gold futures on the New York Commodity Exchange surged on shortcovering and fund buying as concerns about political unrest in SA continued to underpin the market.

A continued tumble in the stock market was also supportive for gold, one floor trader added.

Active June gold jumped $7,90 to $396,50, its highest level since mid-January.

Reuter reports that one commission house analyst added that buy stops were hit in the $395 area, giving the market a further boost.

Gold for current delivery closed at $391,80 a troy ounce, up $5,70, in New York.

The metal closed in London at $389,15 per ounce, up from a bid of $387,55 late on Wednesday.

Platinum soared to $418 an ounce, $8,50 higher than its Wednesday afternoon fixing, and up over 10% from January lows as gathering SA tensions focused the minds of dealers and speculators.

"We could see $420 very soon," a dealer said. That would be platinum's highest price since 1991.

Meanwhile, futures prices provided an exotic showing with active July platinum up $11,50 to $426,50 an ounce, a fresh eight-month high.

Platinum prices were also supported on Thursday by news that President F W de Klerk declared a state of emergency in Natal and Kwazulu.

Earlier traders spotted buying from Japanese dealers against a possible breakdown in SA supplies. Japan is the world's leading platinum importer but London dealers noted that Tokyo had been slow to react to the SA position.

Analysts estimated that feed stocks at the refineries would allow production to continue for at least two to three months, even if mining were stopped.

"Unless there is a very serious shut-down, supplies (of metal) should continue," one analyst said.

Precious metals became a target for investment funds early this year when interest rates were low and bond and securities prices were teetering at record levels. Attention began to focus on platinum [illegible] jitters grew over the April elections.

The metal is used [illegible] car makers in pollution reducing catalytic [illegible]verters. Other uses [illegible] chemicals, electronics and jewellery.

● On the New York [illegible]mex, silver for current delivery closed at [illegible] a troy ounce, up [illegible]

Firmer gold price underpins the JSE

JOHANNESBURG — Shares drifted mixed to a quiet Easter weekend close on the Johannesburg Stock Exchange, but dealers said although the market was steadier than expected after the week's negative factors, the undertone was cautious.

"There's been no overt support, not much conviction," a dealer said.

Industrials drifted easier for most of the day with a late flurry of selling.

Apart from tense local political conditions, the fact that Wall Street could not seem to find support was unsettling investors, dealers said.

A firmer gold price helped underpin the market.

Some window dressing by institutions ahead of the unit trusts quarterly close-out pushed selected stocks such as Anglos a bit further than expected.

Mild bargain hunting was evident at the new lower levels, but dealers said the downward pressure would continue this week and throughout April ahead of the elections.

"We're still in for a tough time," a dealer said.

The market had discounted emergency measures in Natal and Kwazulu, but there were some fears of an Inkatha backlash in the region, dealers said.

The Gold Index added 18 points to 2 012, the Industrial Index shed 46 points to 5 648 and the Overall Index ended three points up at 4 939.

Anglos ended R1 higher at R202 after hitting a day's high of R206, while De Beers added R1,25 to R105, also off the day's highs.

In gold shares, marginals made some of the steepest gains. Doorns added 15c to R2,75 and Loraine rose 45c to R15,25. Quality Kloof made 50c to R45,50.

Randgold made R1 to R15,50. Platinums were mixed.

Remgro chopped R1,50 to R27. Investec Bank fell R3 to R45.

Trencor shed 50c to R13,50 after results and news of a write off of huge losses in WA. Laser lost 15c to R2,75 following a cautionary on a possible acquisition.

Iscor came off the day's lows to end two cents off at R3,10 and Highveld Steel fell 50c to R23.

Economics comes before politics, says Amic chief

BDay 7/4/94

MICK COLLINS

THE economic recovery could be sustained only if an environment conducive to private fixed investment was created, Anglo American Industrial Corporation (Amic) chairman Leslie Boyd said in the group's annual report.

The abolition of sanctions and SA's new political acceptability were simply prerequisite to that objective, he said, but "they do nothing to generate investment in themselves"

"Politicians, businessmen and trade unions have a common concern that SA should not only be democratic but prosperous. In the long run politics is the handmaiden of economics — it is not the other way around," he said

SA had to build on the progress made in recent economic management, and in findings ways to rectify "the injustices of the past" But this did not mean "overambitious policies that in time will inevitably abort growth, prosperity and, finally, democracy itself".

Amic had seen the gradual improvement in trading conditions at the end of 1993 continue into the first quarter This was expected to strengthen through the rest of the year, Boyd said

"All our subsidiaries and associates are budgeting for increased earnings Subject only to the risk of politically related disruption, I am therefore confident that Amic will achieve a further material improvement in its results in 1994."

Though 1993 had brought little general improvement in trading conditions locally and internationally, Amic achieved a significant increase in earnings — reversing a three-year decline, he said.

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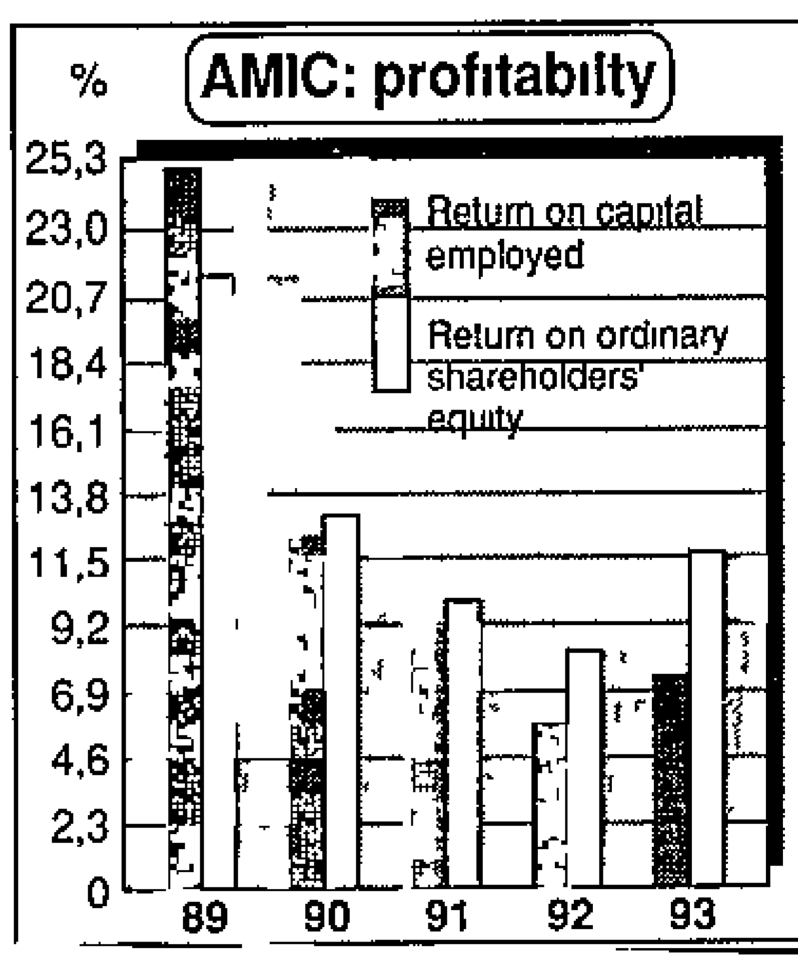
Earnings rose 23% to R436m and 48% to R526m if abnormal credits arising from the release of deferred tax were included.



Amic's operations and interests were a microcosm of SA industry, not least in its exposure to world markets, Boyd said

"One of the objectives of the business review initiated in 1993 is to diminish our vulnerability to the commodity cycle

"Last year was characterised by a distinctly patchy improvement in world trade, the contraction of economic activity in Europe and Japan more or less offsetting sustained growth elsewhere."

Boyd said Scaw Metals had benefited from higher export volumes and prices for its rolled steel products, while Mondi saw some stability return to international paper markets towards the end of the year Pulp and paper prices had started to rise as new capacity began to be absorbed by growing consumption

But the Boart group continued to experience depressed conditions in all its international markets, bar Australia and the Far East

AECI's PVC and polyethylene operations also suffered from weak international markets and was hit at home by "the lack of effective anti-dumping measures"

FM 8/4/94

JCI

Shadow of a glittering past

Anglo has no precise schedule for restructuring JCI

(210)

Last week's announcement that Johannesburg Consolidated Investments (JCI) is to be restructured is the culmination of seven months of intense speculation. Even so, the dramatic statement issued late on Tuesday, March 29, caught many observers and employees off guard.

JCI, sometimes known as Johnnies, is controlled by companies in the Anglo American Corp group. Depending on how the sums are done, it is reckoned that Anglo, SA's largest mining finance house and arguably one of the world's largest mining groupings, can command well over 50% of JCI's issued equity.

Last Tuesday's hastily issued statement was prompted, at least in part, by the *FM*'s third article (*Fox* April 1) dealing with Anglo's plans for JCI. The formal statement was in the course of preparation by senior Anglo and JCI staff when the *FM* faxed through a copy of its own story, nearly every element of which was accurate. That prompted Anglo's decision to release the information early.

In essence, JCI is to be broken up into three distinct groups after the unlisted diamond trading investments are sold off:

☐ A platinum group;
☐ A company exclusively involved in traditional mining finance operations; and
☐ An industrial finance group holding most of JCI's industrial interests.

Anglo and De Beers chairman Julian Ogilvie Thompson concedes that the decision was influenced at least as much by political considerations as by purely commercial factors. A major contributory element in arriving at the restructuring proposals is the perceived imperative to introduce blacks to ownership of SA's mining industry. In a real sense, therefore, Anglo's move gives substance to its acceptance (1990) of the philosophy of black business empowerment.

JCI is 105 years old. The child of mining barons Barney Barnato and Solly Joel, it now controls an empire comprising the world's largest producers of platinum, and which also includes gold production, ferrochromes, base metals and coal, property and substantial investments in some of SA's most important industrial companies.

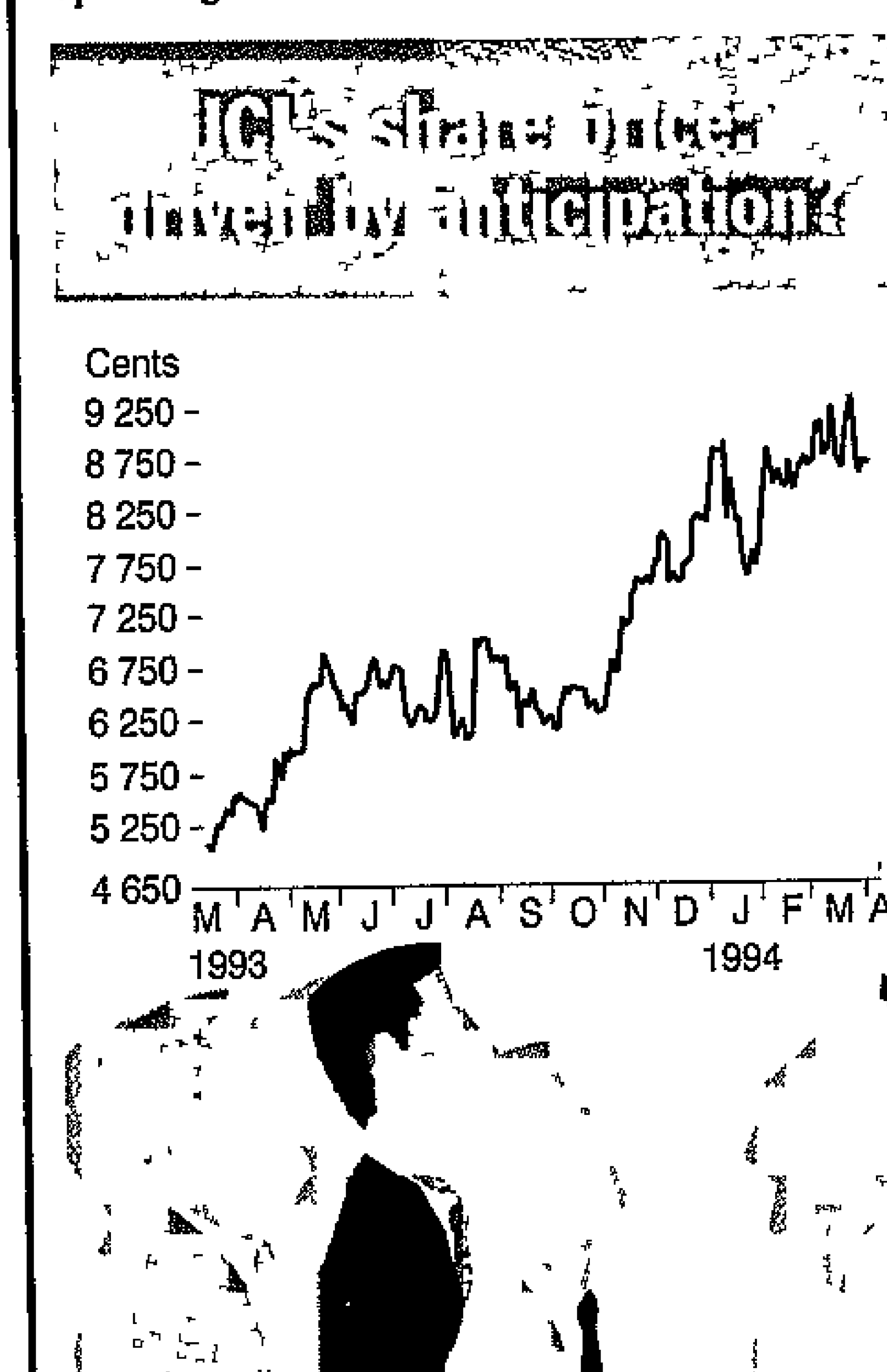
It may not be the biggest of the mining houses; even so, it demands to be taken seriously. JCI's last reported net asset value (NAV) at June 30 last year was R11,2bn. Its current market value, based on the prevailing price of R86 a share, is R12,7bn. According to analysts specialising in this area, JCI is trading at a price which virtually equals the value of its underlying assets — and that is unusual because most mining stocks are priced at a discount to their respective NAVs of between 10% and 15%.

Dismantling an operation of this size will require delicacy and deftness. Anglo's plan for JCI involves a complex restructuring which will rely heavily on the legislation put in place by Finance Minister Derek Keys. It was designed to permit unbundling by conglomerates without incurring heavy penalties by way of duties and imposts. Ogilvie Thompson suggests it may be necessary to apply for extensions in some cases.

In any event, it seems unlikely the separation of JCI into its three new constituents will be achieved quickly. Asked for his estimate during an exclusive interview with him and JCI chairman Pat Retief, Ogilvie Thompson says he hopes "it won't be as long as 12 months. But we have no game plan at present, no schedule, no precise understanding of what will be necessary."

Retief says now that the intention has been made public, JCI will appoint task groups to examine restructuring.

Anglo, of course, is neither a stranger to controversy nor to a long-established role as a political football. Size and success, money and power — all these attract attention, envy and desire. And Anglo, established in 1917 by Ernest Oppenheimer and grown by him with De Beers, was quickly associated by radical Afrikaner nationalists with English-speaking control of the economic heights.



Later, in the Thirties, as the world moved inexorably towards another global war and as the mainstream of Afrikaner political expression allied itself with the Axis powers, so Anglo, founded by a Jew, was marked for special attention. There were threats of nationalisation and nasty references to "the Hoggenheimers."

Ten years after the National Party came to power, Ernest Oppenheimer set in motion the first moves to introduce Afrikaners to ownership of the SA mining industry. Federale Mynbou, established by a group of Afrikaner businessmen, made a bid, in one of those supreme ironies, for control of JCI. That was deflected by Harry Oppenheimer.

Later, Harry found the ideal opportunity in General Mining, Sir George Albu's mining house. Establishing Main Street Investments with R22m, Oppenheimer encouraged Federale's Coetzer and Muller to bid for General Mining. And as we all now know, the successful Gencor of the Nineties is SA's second biggest mining house.

What is clear is that Anglo believes (though this isn't admitted) that the similarities with the past are sufficient to warrant a deep comparison with the present. The logic is simple and inescapable: if playing the same poker hand worked once, it can work again.

The problem is that analogies always contain flaws. The circumstances of the Fifties, irrespective of striking similarities, break down in the Nineties in the essential area of capital bases and formation. When Oppenheimer moved to introduce Afrikaners to mining industry ownership, he was dealing with people who had already developed a long tradition of savings and capital formation. Afrikaners possessed some wealth.

By contrast, blacks have had little opportunity to accrue wealth, still less to save it. In the mining industry, for example, they were long prevented by apartheid legislation from holding responsible positions. Only since 1988 have they been permitted to acquire blasting certificates and, therefore, to become fully fledged mining engineers. It is a terrible legacy.

The problem for Anglo, therefore, is where to find blacks to empower (and probably, along the way, vastly to enrich). The first essential — that some capital is necessary — appears to be missing from the equation. Some ingenuity will be needed. Of all the imponderables involved in an operation as delicate and complex as restructuring a large SA mining house, nothing is quite as vital as the matter of the new owners and black economic empowerment. It will be an aspect which investors will examine with

Continued on page 23

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Continued from page 18

lively interest

What comes across in this rearrangement of JCI is the comparison with the recently announced changes to the control structure of African Life Clearly, African Life was well thought through and sharply executed, most important, the key black players were in place and committed It was a process which took as long as two years to put into effect, out of that experience has come a realisation that capital may be accessible to blacks but it is marshalled very slowly and by different routes

Another factor to emerge is that Anglo's approach is to solve the issues of insufficient management skills, capital shortage and technology starvation slowly and with the greatest circumspection It is one thing to announce black ownership in the mining industry, another to give it effect Restructuring JCI to make the scheme possible is the first step Eventual black ownership may be some years away though And it is unlikely to amount to the level of control that Afrikaans business acquired quickly in General Mining

Another area of comparative departure and one which Ogilvie Thompson emphasises, is that in the case of General Mining, the house was in danger of becoming moribund, its principal owners and managers rapidly becoming unable to direct its future That cannot be said of JCI

Nevertheless, there are inescapable similarities between the current situation and that which prevailed in the Fifties They are worth noting Business is nothing if not a convenient whipping boy for the sins of past regimes The argument is that if business hadn't complied, the policies of the apartheid past would quickly have been halted It is a proposition as charming in its naivete as it is wrong in substance

Unfortunately, life isn't that simple. Business does business where it can, as it can It is practical, in the end, as we know, economics is the most unrelenting of masters Not even Karl Marx — and certainly not Cosatu — can escape the unyielding dialectic of the balance sheet Despite that, the attacks of socialist policymakers on what they regard as rapacious big business must be expected to continue, for a while, even logic can be defied

Cynical analysts will observe that Anglo, which has stood firmly in its opposition to unbundling or any State intervention (such as nationalisation) in business matters, has now executed a neat U-turn And, on the face of it, it certainly seems that way Ogilvie Thompson, however, emphatically denies Anglo has been forced to change its tune Unbundling, he says, is appropriate in some cases and not in others He is equally sharp about rejecting any parallels in the relationship between Anglo and De Beers The diamond giant, he says, isn't even a mining house

There can't be much argument, though, with Anglo's view that JCI is neither a major independent mining finance group nor a logical element in the greater Anglo group. On that basis — and once the platinum interests are isolated to preserve Anglo's stake — the logic of the move to disinvest makes compelling economic sense Tying it to steps to enfranchise broader ownership is simply very clever, if somewhat opportunistic.

For the people who work in JCI, this will be a traumatic time. Retief says his senior staff support the scheme. The Anglo announcement says the restructuring has "the full support of senior management of JCI."

JCI ... *at the crossroads*

This is not what the *FM* has been told. JCI employees say they understand the logic behind the move But because their own jobs could be at stake, they are emotional about the changes which lie ahead.

The platinum producing companies, Rustenburg, P P Rust and Lebowa, will be hived off and popped into a new company Present JCI shareholders will receive commensurate equity in the new holding company What this means is that, by and large, those JCI employees associated with platinum will be largely unaffected and the chances are that JCI executive director Barry Davison will continue to be Anglo's platinum supremo

Off will go all the industrial investments which JCI has carefully built up — 26,5% in Toyota, 28,1% in Premier, 14,8% in SA Brews and the forlorn newspapers. 22,3% in Argus Holdings and 32,1% in Times Media They will be deposited in another holding company

As to who will run the industrial finance group — an imposing description for what will be little more than a passive investment trust — Ogilvie Thompson says· "We really have no plans at present " The probability is that Retief will be chairman, for a time, of all three new companies

It may be unnecessary to appoint a CE for the industrial finance group Down the line, it is possible that blacks will form an important shareholder group but there is no indication that the political reasons for which Anglo acquired newspapers will be easily dropped

The first step in the restructuring programme will be to sell JCI's interests in the unlisted diamond trading companies JCI's holdings in these, built up for historical reasons, will be bought by other diamond trading company shareholders including Anglo, Anamint and De Beers The *FM*'s unconfirmed estimate of the sale price is R750m.

These disposals leave a mining finance house holding JCI's gold interests (Randfontein, Western Areas, South Deep and H J Joel), coal (Tavistock), ferrochrome (CMI) and base metals (Cons Murchison)

It is clearly seen that there is a need to bolster the coal resource and Anglo says it has signalled to SA Mutual its interest in merging JCI with Randcoal Signalling is one thing, pulling it off quite another. The perception raised by Anglo's statement in the eyes of other bidders for Randcoal is that a deal has already been executed and that has raised temperatures At least one CE has indicated his extreme concern to the *FM*

"It's simply not so," says Ogilvie Thompson "All we've done is make our long-term intentions plain There has been no negotiation with any party We accept there will be other bidders, though we believe JCI can offer important synergies to Randcoal "

With or without Randcoal, the rump of JCI will probably continue to carry the original name, with Anglo as a sizeable minority shareholder and providing essential technical management to the new owners

Nevertheless, an inescapable conclusion is that the truncated JCI will then be a poor shadow of a glittering past, shorn of much of its glory, its great role as the world's largest platinum supplier torn away, left at the mercy of capricious commodity markets Value says it all. from R12,7bn current market value to an estimated R3,7bn now is a precipitous fall The Anglo plan means JCI will shrink to barely 30% of its present size.

Inevitably with changes as encompassing as these, there will be considerable human drama. For Retief, who says he intends to see the changes through, it will be a time, he admits, of considerable personal sadness.

The last few years have certainly ushered in dramatic change for SA. Nowhere has this been more evident than in business and the corporate ethic.

The latest transformation — in a community many thought impervious to the march of time — is a brave step

But there are commercial advantages One is that business anomalies left over from other eras can now be addressed logically in the light of contemporary events Few large business undertakings have the opportunity for calm, critical self-examination Normally this happens in haste and in the teeth of crisis

David Gleason

ANC backs Botswana model for mineral tax

STIMES (BUSS)

By SVEN LUNSCHE

THE ANC has proposed a tax on mineral rights, along the lines of Botswana's system, to facilitate the return of these rights from the mines to the state

The proposals were presented to a mining industry-ANC working committee that is discussing the question of who owns South Africa's mineral wealth

The head of the ANC-aligned Minerals and Energy Policy Centre, Paul Jourdan, says the tax strategy is the "best way forward".

Nick Segal, a JCI alternate director and convenor of the industry's Minerals Policy Steering Committee, confirms that the proposals were discussed at the meeting but adds that both groups have no mandate to negotiate and are a long way from agreeing on policy details.

10/4/94

"We had constructive discussions and understand the principle involved But we want to know the details, especially the rate of tax."

The ANC wrapped up the broad guidelines of its strategy after meeting Botswana government officials last month.

Pointing out that Botswana has been the world's fastest-growing mining economy in the past two decades, Mr Jourdan says the two key components of the proposals are:

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☐ An area-based mineral rights tax He will not be drawn on details, but suggests that certain exploration expenditures could be offset from the tax

☐ A system of exploration and mining licences Licences will be granted if it can be shown that efforts are being made "to bring the mineral rights to account"

Although the mining industry is trying to maintain the status quo whereby rights to the minerals rest with the owners of the land above them, some sources suggest that it is "closely examining" the proposals.

The major points of difference in the proposed tax strategy appear to be the length of time between the exploration licence being issued and the granting of a mining licence, and details of a retention system

Mr Jourdan suggests that a decision on mineral retention be made by a judicial procedure Mineral retention would allow a delay in bringing minerals to account until market conditions are suitable

"The decision of whether to delay mining should take into account the interests of the state and not those of the company"

None of these factors presents insurmountable obstacles to progress in the discussions, Mr Jourdan adds

"There is a lot of room for compromise"

NUM firm goes into business

BDay 11/4/94

JACQUIE GOLDING

THE NUM's newly registered private company, Mineworkers Enterprises, has undertaken its first venture — the operation of a hostel beer hall at the De Beers Premier mine in Cullinan outside Pretoria

Mineworkers Enterprises aimed to help provide services to workers in the mining industry and their communities, said NUM general secretary Kgalema Motlanthe. The company would contribute to "workers' social upliftment, children's education and community development". (210)

Lapaloga Chris Hani Beer Hall, which opened at the weekend, would employ retrenched mineworkers and any profit would be put back into the community via various projects It would be controlled by a steering committee elected mainly from the local NUM branch. A development fund would be established to promote the social upliftment of mineworkers

Mineworkers Enterprises consists of 10 members of the NUM's national executive committee plus two representatives from each local enterprise. "This means that as more enterprises are started, the enterprise representatives will enjoy increasing control over the company and the role of the NUM's national executive committee will drop," the NUM said.

"We have moved from Tanzanian socialism to a new mode of profitable development where surplus profits, reinvestment and job creation are important."

The beer hall, previously run by mine management, was closed two years ago after a beer boycott by workers demanding better pay and working conditions

Cape base metal mines on the profits trail

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ARG 12/4/94

MARC HASENFUSS
Business Staff

BLACK Mountain Mineral Development and O'Okiep Copper Company — two Northern Cape base metal mining groups in the Gold Fields Group — posted encouraging performances in the March quarter

Black Mountain (which produces copper, lead, silver and zinc) boosted after tax profits by more than 150 percent to R14,5 million in the quarter — thanks mainly to a marked reduction in costs

The group milled less ore at 370 000 tons (previously 394 000 tons), leaving sales revenue down slightly at R50,5 million (R51,6 million) for the quarter under review

Costs were reduced by 22 percent to R35,7 million, which left operating profits well up at R14,8 million

Capital expenditure at the mine was limited to R174 000 for the quarter compared with R1,6 million the previous three month period

O'Okiep moved back into the black in the March quarter, recording after tax profits of R3,3 million

This is a commendable turnaround from the December quarter figures which showed a hefty R8 million loss

Like Black Mountain, O'Okiep's management cost cut effectively The group's cost of sales was slashed by 38 percent to R25 million in the quarter under review

These cost cuts saw markedly lower sales of R29,8 million (R33,2 million) transformed into operating profits of R4,6 million (R7,5 million loss)

The group milled 466 000 tons of ore in the three month period, marginally down on the previous quarter's 467 000 tons

■ **Goldfield's Coal** reported a 69 percent jump in after tax profits to R6,6 million in the March quarter

Sales, however, dipped to R45 million from R46,2 million previously

Sales to Eskom at 1181 tons and export sales at 1280 tons were both down on last year

Bottom line growth was secured by a R4 million drop in costs, an small increase in income to R6 million from the Matla Colliery joint venture and a jump in net sundry revenue to R796 000

■ Goldfield's **Zinc Corporation** increased after tax profits 39 percent to R9,7 million in the March quarter

Sales dropped 9 percent to R79,6 million but bottom line was bolstered by cuts in sales costs and sundry expenses

■ Gold Field's **Rooiberg Tin**, which has ceased mining operations, showed an after tax profit of R412 000 in the March quarter

Rooiberg managed to produce 43 tons of tin before the smelting and smelting clean-up was completed in mid-January.

Final tin sales realised an operating loss of R137 000

But the group managed to end up in the black as the sale of fixed assets and interest earned produced sundry revenue of R549 000

ANC group probes ending ring-fencing

B/Day 19/4/94

BARRY SERGEANT

THE ANC-aligned Minerals and Energy Policy Centre (MEPC) has called on the mining industry to present its case for abolishing ring-fencing, a tax mechanism the industry has long dubbed an obstacle to major new projects and expansions

MEPC head Paul Jourdan said yesterday the policy centre wanted the industry to list specific projects that might go ahead if ring-fencing was dismantled The industry provided huge potential for increasing exports and the sector could expand if ring-fencing was lifted

Anglo American group tax consultant Marius van Blerck said the whole industry believed ring-fencing should be abolished Senior Inland Revenue officials are also believed to support the proposal unofficially, given the industry's declining contribution to government income and the prospect of job creation (210)

The gold mining industry paid taxes of R1,4bn in 1993, equal to 1,4% of government current income in 1993 Chamber of Mines figures show that the whole mining industry paid just R1,6bn in 1992

Ring-fencing bars mining companies from offsetting the capital or start-up costs of one mine against the current taxable profit of another without special dispensation from Inland Revenue

The abolition of ring-fencing would allow very profitable mines to finance new mine developments, thereby reducing their taxable profit by the capital cost of the development In addition, the scrapping of ring-fencing would allow the operating losses or start-up costs of a new mine to be offset against the profits of another until the new mine reached profitability

The abolition of ring-fencing would mean that Inland Revenue would give up short-term tax revenue, while expecting its longer-term revenues to increase

The industry has long pushed for the mechanism's dismantling, but it is not clear how many projects might go ahead if ring-fencing was scrapped.

JCI alternate director Nick Segal said JCI would "no doubt welcome the scrapping of ring-fencing Such a move would

☐ To Page 2

Ring-fencing

B/Day 19/4/94 ☐ From Page 1

immediately put certain potential JCI projects, such as Jonkershoek, back into the spotlight External factors would then also have to be examined, the gold price being the prime example" (210)

Jourdan said the best analysis he had seen on the issue was an MBA thesis by John Koel published several years ago.

Jourdan said that if the industry had no update on Koel's figures, the MEPC would be prepared to analyse the issue The analysis, which would take take several months, would probably look at the effect of lifting ring-fences on a phased basis

He said mining projects had to be assessed on a much longer basis than traditional government budgets

But Van Blerck cautioned that lifting ring-fencing would not immediately lead to job creation, given relatively low commodity prices. "However, if prices turn significantly upwards, new projects would likely be given the green light Abolition of ring-fencing will be a mortgage against the long-term tax base."

Report by B Sergeant TML 11 Diagonal St Jhb

AMIC Fm 22/4/94

Merits attention

([redacted]) (210)

Activities: *Diversified industrial group with interests primarily in iron, steel and engineering, industrial explosives and chemicals, mining and construction equipment and services pulp, paper, forestry and timber, sugar and food electronics and electrical engineering, motor vehicles, freight and travel, building and construction*

Control: *Anglo American and De Beers*

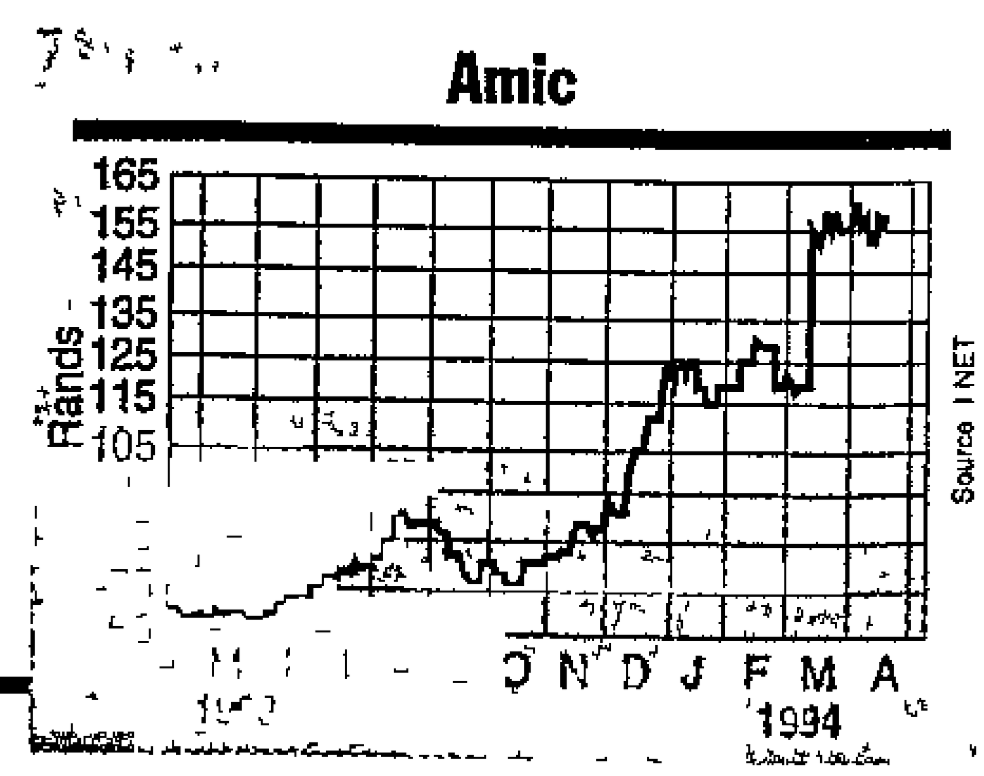
Chairman: *L Boyd, deputy chairmen H K Davies, M A Sander, A J Trahar*

Capital structure: *57,6m ords Market capitalisation R9,16bn*

Share market: *Price 15 900c Yields 2,4% on dividend, 5,6% on earnings, p e ratio, 17,8, cover, 2,4 12-month high, 16 080c, low, 6 800c Trading volume last quarter, 744 000 shares*

Year to Dec 31	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	398	470	288	737
LT debt (Rm)	271	516	369	965
Debt equity ratio	0 11	0 13	n/a	0 11
Shareholders' interest	0,65	0,63	0,64	0,66
Int & leasing cover	20,0	17,4	4,9	9 5
Return on cap (%)	11,3	9,5	6,1	5,5
Turnover (Rbn)	6,12	6,46	6,86	8 79
Pre-int profit (Rm)	799	643	598	723
Pre-int margin (%)	9,3	6,7	8,8	8,2
Earnings (c)	836	731	617	891
Dividends (c)	350	350	350	375
Tangible NAV (c)	7 372	7 701	7 091	9 071

Rather a lot has been written recently about Amic, the Anglo American Corp's industrial conglomerate, some would say too much But



5

COMPANIES

Fm

Amic — now Barlow Rand has been dismantled — is SA's foremost industrial holding company (210) ([redacted])

That is one reason for the unusual interest in its operations, another is that with a market cap approaching R10bn it is exceeded in the crude measure of size only by SA Brews, Richemont, Rembrandt and Sasol As a bellwether stock, Amic has demanded attention in recent months because its results for financial 1993 first gave concrete proof that the economy is beginning to turn

Turnover in 1993 rose an impressive 28%, but much of that is illusory because it consolidates turnover for civil engineering and construction company LTA for the first time More important is the attributable earnings of R526m, 49% up on 1992 There are distortions, of course, and attributable earnings were profoundly affected by the inclusion of an adjustment to deferred tax of R135m (R90m when netted off against outside shareholders' interest)

Unusual amounts of this kind profoundly distort the vital EPS, applied by many as the defining litmus In Amic's case, removing the tax break reduces EPS to 739c, an increase of a rather more modest 19% on 1992's outturn

So the question is whether a nonrecurring item of this kind should be presented to shareholders in this way I have grave reservations about its propriety This isn't Amic's fault it is merely complying with the wishes of its professional accountants But Amic will have the problem when it strives next year to compare genuine earnings in 1994 with inflated results for 1993

The balance sheet remains strong, though I must express a slight concern borrowings have increased dramatically Short-term debt has grown over the year to R737m and long-term liabilities are R965m — a total R1,7bn, last year this was a modest R657m While this barely affects gearing — and the group holds R1bn cash — it is large enough to produce a slight tremor

Part of it is centred around Highveld's involvement in the Columbus Stainless Steel project, now entering its most demanding cash period, much of it will be related to Amic's drive to increase production capacities in a number of areas and to develop new grass roots industries *(Leaders* March 25)

There has been some re-arranging of Amic's control structures over the last year and its investments are now divided between operating subsidiaries and divisions and principal associates Divisions, marshalled through Amic Industries, include Scaw Metals, Boart, Conlog and Kolbenco, operating subsidiaries are AECI, Highveld Steel, LTA and Mondi Paper Principal associates include Altron, Dorbyl, Haggie, McCarthy, Rennies, Samcor, Tongaat and Ventron

It is a formidable collection of some of the country's most effective industrial operations, though that shouldn't be taken to mean they are without problems And Amic remains hostage to the fortune's of the world commodity cycles Chairman Leslie Boyd

22/4/94

Amic's Boyd *showing his commitment*

says he wants to reduce that reliance, in practice, Amic is so large and so committed in those areas that re-ordering its strategic positioning will take years to accomplish

There has been little change in the ordering of Amic's major contributors top of the list continues to be Scaw Metals which chipped in with 21,4% to equity earnings AECI, the chemical giant which has some problems of its own *(Companies* April 8), contributes 17,8%, grouped together are Mondi (13,7%) and Highveld (12,5%), and Boart (8,8%) and Tongaat (8%)

Boyd is known to be a man in a hurry He firmly believes that SA under a new political dispensation will work well only if business leads the way to a resurgent economy He is prepared to demonstrate his commitment by example Amic has many projects it is embarked upon or is examining It is deeply involved in the Columbus project, down the line are developments at Tongaat's aluminium plant and a range of new schemes with the Korean multinational Daewoo which include a colour TV tube manufacturing plant

With the share trading at R159, a little off its high, it is on a p e of 17,8 That probably indicates, in an uncertain market, little room for appreciation, nevertheless, the counter should be in every portfolio *David Gleason*

Production dips at 3 Anglo mines

(210) CT 22/4/94

Own Correspondent

JOHANNESBURG — Anglo American, unveiling its results for the March quarter yesterday, said it had experienced various problems at Vaal Reefs, Western Deep Levels and Freegold

The quarter was characterised by revenues lifting an average 5%, but this was more than offset by a 7% cost increase MD Nap Meyer said productivity problems had hit Freegold and Vaal Reefs, the group's two biggest mines As a result distributable profit for the group as a whole fell 4% to R263,5m

Freegold's distributable profit fell 9,3% to R114,6m and Vaal Reefs' 8,4% to R65,9m, while Western Deeps' increased 12,1% to R47,5m, Elandsrands' fell 1,7% to R20m, and Ergo's lifted 27,5% to R15,6m

Gold and uranium division chairman Clem Sunter said all the mines' forward sales commitments were restructured during the quarter

In common with most gold mines, a number of Anglo American mines had benefited from an overall lower tax charge for the quarter, after the lifting of lease imposts

Freegold's production for the quarter was 10,2% lower at 25 272kg (28 147kg), reflecting a 3,8% decline in tons milled and a 6,7% decline in the average yield to 4,33g/t (4,64g/t) Meyer said average quarterly production is expected to improve in the financial year to March 31 1995

Meyer said gold production for the 1994-1995 financial year was now anticipated to be lower than that for the 1993-1994 financial year

Freegold declared a final dividend of 200c for the year to March 1994 This makes a total distribution for the year of 390c, up 59,2% on the previous year's total of 245c

Vaal Reefs' gold production fell 6,8% to 17 928kg, reflecting lower tons milled and a lower yield Capital expenditure on the Moab project (Vaal Reefs No 11 shaft) was maintained at R34,6m

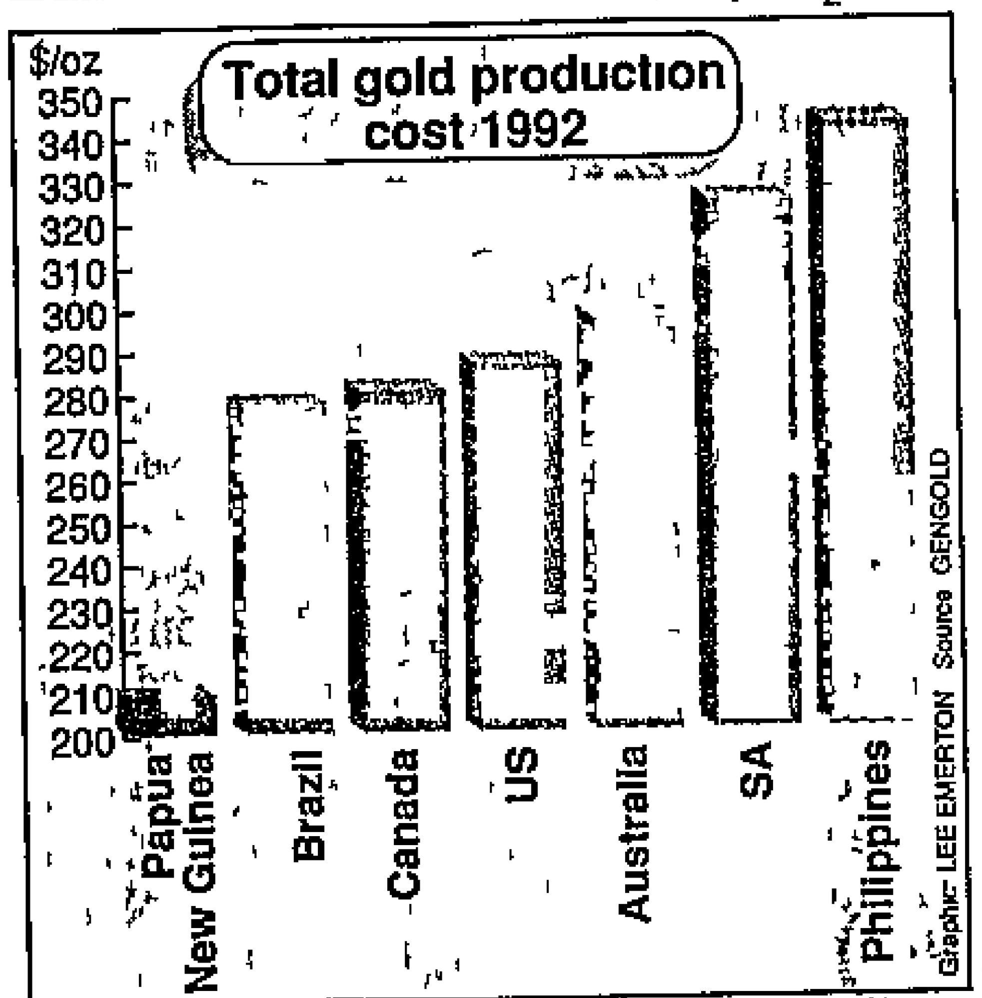
Regional GM Dick Fisher said the sinking of Vaal Reefs' No 11 main shaft was resumed during the quarter following the completion of the 1 200 level pump station In the South Lease area, gold production fell 12% to 9 364kg

Western Deeps posted an 11,8% increase in distributable profits for the quarter

Elandsrand increased gold production slightly to 4 280kg It posted the smallest increase in costs for the period of just 0,4%

It continued to move towards a fully taxed situation, with tax provision up from R2,9m in the previous quarter to R15,3m It had milled an average of 178 000 tons a month during the quarter, and continued to drive towards the 200 000 tons a month "magic" level

Ergo, the surface operation on the East Rand, treated 11,7-million tons of material during the quarter Its gold production increased 13% to 3 677kg After a 4% rise in the gold price received, pre-tax profits increased 73,8% to R33,3m



Chamber warns of mining cost squeeze

B/Day

BARRY SERGEANT 25/4/94

THE Chamber of Mines has warned that new cost squeezes in the mining industry could be more devastating to production and employment than previous ones

Chamber chief economist Francois Viruly said rising costs could cause more damage as producers had already pruned inputs and restructured mine activity in response to the profit pinch in the second half of the 1980s.

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He said in the latest chamber newsletter that the industry was poised "on a knife's edge" with its future depending on whether rising working costs or favourable gold prices gained the upper hand "Disturbing trends" in costs were threatening many

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Mining

B/Day 26/4/94

☐ From Page 1

gold mines.

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Markedly better results posted by member gold producers for 1993 masked the more recent emergence of negative cost-inflation conditions. The latter, it was feared, could be heralding a repeat of history by ushering in a new profit squeeze

"The predicament mines face is illustrated by an 11,4% annualised inflation in working cost per ton of gold ore milled in the final quarter of 1993. This was up on the comparable 9,5% rise posted for the third quarter and significantly higher than the 5,6% increase of the second quarter."

Viruly said the latest cost inflation showing triggered alarm since the working cost upturn opposed the coincident trend in both producer and consumer inflation The development also came as gold mines were already under intense pressure to keep a lid on costs to repair their flagging international competitiveness

Cost increases were again posted by a number of gold mines in the March 1994 quarterly results

Gold mining industry turnover increased 13,2% to R21,5bn in 1993, mainly because of higher rand value revenues Employees' remuneration increased 3,8% to R8,5bn Employees on member gold mines declined by more than 22 000 in 1993

Gencor in R54,8m share deal

JOHN DLUDLU

MINING house Gencor had increased its shareholding in Keeley Holdings and Kelgran in a R54,8m deal, the group said yesterday

The deal increased Gencor's shareholding in Keeley from 27,59% to 56,56%, resulting in a change of control of Keeley Gencor's shareholding in Kelgran would increase to 28,28% from the present 14,36%

Gencor teamed up with Keeley in 1991, spending about R94,8m to buy 49% of the Keeley Trusts's controlling stakes in Keeley Group Holdings and Kelgran

Following this arrangement Gencor was given the option of buying additional shares in 1996 from the Keeley Trusts (Keltrust) to give it control BDay

The company said it had decided to exercise its rights in terms of the 1991 arrangement to acquire Keltrust's shareholding in Keeley. Shares in both companies would change hands at 275c a share

This transaction comes into effect on June 1 210

The company said the total payment to Keltrust would amount to R54,83m Had the acquisition been in effect for the 12 months ending August last year, there would have been no material effect on Gencor's earnings a share or its net asset value 26/4/94

Keeley's share closed yesterday at R2,90

Market sources said Gencor's move could have been inspired by belief that control of Keeley would improve its performance

BUSINESS

Mining policy test for ANC

BDay 11/5/94 (210)

NEW YORK — The mining policy of the new SA government will be closely watched as a guide to the post-election investment climate, analysts say.

While the ANC had sought to dispel fears it will nationalise the mining industry, the analysts are waiting to see what the new mining policy will be — specifically how the ANC acts on its stated intention to return mineral rights to the state.

Some analysts say the government will be so keen to attract investment that it will not risk its foreign creditworthiness by tampering with mineral rights or by raising taxes on the mining industry.

Others predict the government will follow through with the transfer of mineral rights, but that it will fall well short of nationalisation. These analysts say the government may also increase taxes on the industry, which could jeopardise the profitability of some mines.

The stakes hanging on the minerals policy are high, not only for the country's mines, but also for the new government's ability to draw in overseas money to help with its goals of creating jobs and improving living standards.

No definitive government policy is expected immediately. But the minerals clauses of the ANC's reconstruction and development programme (RDP), offer the best indication of government intentions.

In his victory speech, Nelson Mandela said he wanted to hear from all sides in the new government "within the context of the reconstruction and development programme," and he called for the programme's "immediate implementation".

The most contentious proposal in the programme is the call for "the return of private mineral rights to the democratic government". It is a phrase that "sends a shiver up every capitalistic spine," says one SA equities analyst.

Paul Jourdan, ANC coordinator of minerals and energy policy, says the new government wants only to establish a system of state ownership of mineral rights similar to other countries, where the state owns the rights and grants companies long-term leases.

State ownership would allow the state to tax companies sitting on frozen mineral tracts to encourage them to mine the land or open them to small- and medium-sized mining companies.

"What we're saying is, 'if you want to freeze them then you can pay the tax, which would not be exorbitant," Jourdan told AP-Dow Jones recently.

To Ted Arnold, metals specialist with Merrill Lynch in London, it doesn't sound unreasonable.

"That's not in itself so wild and outlandish, most mineral rights (worldwide) are held by the state anyway. At this stage I can't see anything to throw up your hands about."

But the policy could affect the next generation of mines. "It may well dramatically affect the future of mining exploration and development," says a US Bureau of Mines official who requested anonymity.

The official forecasts SA's mineral output will not be much affected in the immediate future. But he says mining companies may feel less secure about investing in expensive new projects.

While state ownership of mineral rights is common, most states have claimed ownership of mineral rights from their nations' inception, the official says. In SA however, "the mining company has always had secure title to the actual mineral in the ground," he says. "Now that is being brought into question."

Analysts are wary because they see some of the RDP's proposals as unfeasible or not fully addressed.

For instance, they say government's ability to levy taxes is limited, especially with gold, where the average production cost of a troy ounce for some mines is around \$300, compared to about \$200 in the US.

Also, the ANC's desire to give small- and medium-sized miners more opportunities is unrealistic, at least in the gold industry, because most new production will be very deep (about 3 000m), very costly, and beyond the financial range of small operations.

The RDP also fails to address how to expand mining without hurting prices, they say, though Jeremy Coombes, GM with Johnson Matthey in London, says the ANC is aware of the effects of over-supply and will avoid flooding markets. Jourdan says metal prices may fall, but foreign exchange earnings could still increase.

There are also unanswered questions about how the government might compensate companies for giving over frozen deposits that have been explored.

In the end, most analysts say the new policy will probably fall short of that outlined in the RDP. The US official speculates that the government will allow mineral rights for already-worked deposits to stay privately owned, but will establish state ownership of rights for new deposits.

"The government is going to be convinced that anything they do to force haste will scare off investors," he says, "but when the . . younger generation comes into power, it's anybody's guess what is going to happen." — AP-DJ.

Regional Resources is not for widows and orphans

Jacques Magliolo looks at a risky listing

THE expected July listing of mining exploration company Regional Resources Ltd has had mixed, but vehement reaction from market experts. (210) LWM 13-19/5/94

"The information provided by the company in the prospectus, to substantiate its need to list, looks too thin to warrant much investor interest," says Frankel Pollak Vinderine mining analyst Trevor Pearton. He adds: "Investors should conduct further investigations before investing in such a small venture."

Says another analyst: "I wouldn't place granny's money into a project which has such lightweight technical reports, has no real financial history, and relies on investor hopes for success."

Metropolitan Life head of equity investments Charles Foster agrees: "While the exploration sector is acknowledged as being speculative, this company is certainly not a widows and orphans share." He indicates that "this type of firm seldom achieves a profit that is high enough to pay dividends.

"Even if this company was part of a major group, like Gencor, most institutions would still not invest in it," he says, adding that it is "simply too small to invest in".

Other institutional analysts agree.

Keith Bright, analyst at Cape-based Foord & Mentjes says: "The problem I have with this company is that it will be relatively untraded, never pay dividends and that there is a 1 in 20 chance that it will never get off the ground."

He indicates that, even if diamonds are found, there are a host of other factors which have to be realised before the company can achieve success. For instance, diamonds may be worthless if their quality, size, clarity and colour are not appropriate.

However, while he agrees that the company is not an institutional stock, he does point out that — despite all the risk associated with the project — the man in the street seldom gets a chance to participate in the mining exploration sector.

"The success of Rander heralded the start of this sector and there is no doubt that other companies could achieve similar status," he says. He says it makes no difference that Rander is part of the Gencor Group and Regional Resources an independent.

"The mining exploration sector is a high-risk high gain sector where risk and reward are inextricably linked," he says. "Whether the company stands alone or not is irrelevant."

Other analysts believe that there is another reason for the company listing only 2,2-million ordinary shares at 100c.

One market expert suggests that the aim of Regional Resources' listing is "to strengthen its profile by becoming a listed company to raise substantial funds from overseas investors.

"It is difficult to raise offshore funds if you are a private company," he adds. After all, this firm displays no real financial history nor, in the true sense, fulfils crucial Johannesburg Stock Exchange listing requirements.

Requirements for a main board listing include a satisfactory profit history for the preceding three years with a current audited profit before tax of at least R1 million. Regional Resources does not have a three-year history, but the prospectus does show a R2,3 million retained cash flow.

However, corporate financiers point out that mining exploration companies fall under a different category, as the basis for listing is usually to raise finance to conduct exploration.

Still, analysts' suggestion that the company is to apply for a listing overseas was confirmed by recent announcements that Canadian companies are looking internationally for similar prospects in South Africa.

UCT professor of geology John Gurney says: "Recent diamond mining in Canada has renewed interest in international diamond prospecting." This is notable in the February acquisition of local diamonds mines Frank Smith & Loxton by Canadian Diamond Fields Resources.

Other geologists say that, on a balance of probabilities, the outlook for the success of this mine is more pessimistic than optimistic. The likelihood of the company applying for a listing in Canada is high, they say.

The company's sponsoring brokers, Lowenthal & Co, say they are unaware of such plans, adding that "the sole reason for the listing is to raise money to finance diamond mining exploration in South Africa".

Only time will tell.

NUM 'disappointed' at Pik's appointment

BDay 13/5/94

WILSON ZWANE

THE NUM has expressed disappointment over Pik Botha's appointment as Mineral and Energy Affairs Minister, saying the move indicates that the ANC does not regard the mining industry as seriously as other economy-related portfolios

NUM assistant general secretary Gwede Mantashe said this week his organisation had hoped the position would be given to an ANC person who would have been better-placed to understand the plight of mineworkers "Repressive" conditions on mines and large-scale retrenchments would continue unabated under an NP Minister, he said. The NUM would step up campaigns to improve mineworkers' lot.

Mantashe suggested that, in the light of Botha's appointment, Mineral and Energy Affairs be restructured immediately at the level of director-general. A more progressive person was needed to fill that position

The Chamber of Mines said it was willing to work with anyone in the new government Although Botha had no experience in the discipline, he was an experienced politician and had a good department serving him

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Botha said yesterday minerals and energy were the backbone of the country's economy and were vital if SA was to achieve the growth rate required to reduce unemployment and earn sufficient foreign exchange

"To achieve this, we must apply the latest technology and marketing techniques I particularly have in mind the desirability of integrated power-grids throughout southern Africa Negotiations can be conducted with the whole southern African region to achieve common marketing strategies and world market analysis In this way we can ensure that countries producing the same minerals do not unnecessarily compete with each other"

Botha hoped to conduct these negotiations "at the earliest opportunity"

Minorco cash fuels $230m Chile deal

BDay 17/5/94

JOHN DLUDLU

ANGLO American's cash-rich offshore arm Minorco is to provide the bulk of the cash in a $230m refinancing for subsidiary Mantos Blancos in return for a greater hold on Collahuasi, the giant copper scheme in Chile

In a deal representing a major step up in Minorco's efforts to expand its South American operations, the company said yesterday it would take Mantos Blancos' 49,9% stake in MMML into its stable for $110m

MMML, in which Minorco already holds 50,1%, was formed by Minorco and Mantos Blancos in December 1992 for the sole purpose of acquiring a one-third participating interest in Collahuasi

Other shareholders in the $1bn Collahuasi copper scheme include Falconbridge and Royal Dutch Shell's Billiton

Collahuasi has ore reserves of 1,6-billion tons containing 16-million tons of copper.

Mantos Blancos plans to raise $120m through a rights issue. Minorco, which holds 74,9% of Mantos Blancos, said it had already undertaken to follow its rights

"Minorco has indicated to the board of Mantos Blancos that it intends to subscribe for its 74,9% proportion of the new Mantos Blancos shares issued"

The price of the new shares was to be determined at an extraordinary shareholders's general meeting next month. (230) (232)

Funds raised through the deal would be invested in the Santa Barbara pit and SX-EW plant and Mantoverde projects which would increase Mantos Blancos' annual production of copper and enhance the company's long-term future (210)

Mantos Blancos is expanding its copper mining operation by combining existing pits and the underground mine into a major open pit through the Santa Barbara/SX-EW project

On completion of the project, total mineable reserves are expected to increase to 116-million tons from 53-million tons

The expansion is expected to extend the life of the mine to the year 2010

The project also involved the replacement of part of the existing oxide plant with a new SX-EW plant This will increase production and copper recoveries and reduce costs

Total capital investment required to implement the project during the period 1994-96 was estimated at $146m

COMPANIES

Mines forge ahead with projects

JOHN DLUDLU

MINING companies were pushing ahead with deep-level projects on existing operations in spite of government uncertainty on mineral rights. BDay

Gold Fields executive director Peter Janisch said his group was proceeding with the evaluation of its Sand River project in the Free State, in spite of the uncertainty over the mineral rights issue 17/5/94

"Our potential project in the Free State is progressing, although at a slow pace"

There were no second thoughts on this project as a direct result of the debate on mineral rights. But there were no plans for any new projects

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, regardless of the continuing discussion on mineral rights ownership and control

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

"These are to proceed irrespective of the discussions on mineral rights." (210)

It is understood that discussions on mineral rights were still continuing between the industry and the ANC.

Iscor in legal row over joint venture

BiDay 20/5/94

MUNGO SOGGOT

ISCOR is embroiled in a legal dispute with Namibian mining company Moly Copper over their joint venture, Rosh Pinah zinc mine near Luderitz.

The mine is owned by a company called Imcor Zinc. Iscor has a 51% stake in it, and Moly Copper has the remaining 49%.

The dispute has been fought in two court cases in the Namibian High Court. In the first case — in which judgement is expected on Tuesday — the court will decide whether to liquidate the mine. Iscor alleges the mine is unprofitable, and has called for it to be liquidated. (210)

In the second case, Moly Copper, the plaintiff, argues that Iscor's attempts to pull out of its long-term investments in the mine are in breach of contract.

Moly Copper claims that the way in which Imcor Zinc's accounts were framed had the effect of distorting the truth about the mine's viability. Iscor denies this This case will be heard on appeal on June 24.

Iscor has told Imcor Zinc's creditors that its loan account for the mine has exceeded R46m and that Iscor will stop funding Imcor Zinc.

One of these creditors was Namibian railways company Transnamib — which was owed N$3m for transport services. A provisional liquidation order was issued last December

Moly Copper denied that the mine was not viable, and said it had been profitable in the provisional period of liquidation — effective from December 1993 — up to March this year It said Imcor Zinc's operating profit had been more than R2m during this period.

Moly Copper, which held the prospecting rights to the mine, granted Industrial Minerals Exploration — a wholly owned subsidiary of Iscor — the sole and exclusive right to prospect in the area.

The companies agreed that the zinc mined at Rosh Pinah would go to an Iscor subsidiary. The agreement stipulated that 9% of monthly sales would go to Moly Copper.

BUSINESS DAY, Monday, May 23 1994

Mining company claims hostile intent by Iscor

MUNGO SOGGOT

NAMIBIAN mining company Moly-Copper has alleged that Iscor has distorted calculations on the viability of a joint venture — Rosh Pinah zinc mine — possibly as part of a strategy to buy back the mine at a discount price

In affidavits presented to the Namibian High Court, Moly-Copper chairman Diane Lidchi said Iscor wanted to bring about the winding up of the company "with a view to Iscor evading its obligations to Moly-Copper under the shareholders' agreements, and possibly with a view to itself acquiring, at small cost, the assets of Imcor Zinc".

Imcor Zinc is the company which operates the Rosh Pinah mine, in which Moly-Copper has a 49% stake and Iscor a 51% stake.

Iscor denied the allegations and argued the mine had no future, and was operating at a loss.

Iscor said: "Despite the challenge by Iscor that Moly-Copper produce evidence that a third party will be prepared to fund further mining operations by Imcor Zinc, no such evidence has been produced."

Moly-Copper said the income statement for the period to January 1994 presented by Iscor as evidence of the mine's losses was "a deliberate attempt to show that Imcor was operating the mine at a huge loss".

Moly-Copper said Iscor attributed capital expenditure to ordinary operational costs, thereby exaggerating running costs. Moly-Copper said by delaying sales figures for the "very limited" period of production in February and March, Iscor "grossly" understated the company's income.

Iscor said it was normal procedure to register sales the month after they occurred. It said its calculations were made according to proper, if conservative, accounting procedure.

Iscor claimed that it tried to save Imcor by applying to First National Bank for a loan, before the court brought an application for provisional liquidation. Moly-Copper said Iscor was simply "going through the motions of attempting to save the company". Iscor allegedly told the bank that Imcor was insolvent and was generating a negative cash flow. "Totally unsurprisingly, the bank declined to provide more funding," said Moly-Copper "The hypocrisy of this so-called effort to obtain funds is a clear and unambiguous illustration of Iscor's intent." (210) (ZEIA)

Iscor said that at the end of last year Imcor's liabilities exceeded its assets. Moly-Copper said this was contradicted in a circular dated January 4 from Imcor's creditors which said the company had R910 000 cash and debtors of R125 700.

Moly-Copper argued that Iscor would not have spent about R46m during the past three years in capex if it did not think it was a viable mine. Moly-Copper said last year Iscor was prepared to continue funding the mine, if, inter alia, Moly-Copper reduced its 9% cut on monthly sales The case will go on appeal on June 24.

The dispute has also been fought in another case in which the court will decide whether to liquidate the mine

Sumitomo buys stake in Assmang

BDay

MICK COLLINS

JAPANESE industrial giant Sumitomo Corporation had bought a stake in Anglovaal's base metals and ferro-alloys producer Associated Manganese Mines of SA (Assmang) for about $2,82m, the company said yesterday. 27/5/94

The organisation is one of the five major integrated trading companies in Japan, with an annual turnover of $155bn.

Sumitomo Johannesburg GM Akira Hirosaki said the deal — in which it took a 1% stake — was done in an effort to stabilise supplies of manganese, chrome, iron ores, ferrochrome and ferromanganese.

"This is the first case of equity participation by a Japanese trading house in the SA mining industry since the establishment of the new SA government," Hirosaki said.

The move would strengthen business relationships between the two companies, which had been associated for more than 30 years. (210)

Assmang is held by Anglovaal (53%) and the Associated Ore and Metal Corporation (Assore) which holds 45% of the issued share capital.

Market sources said the purchase had

To Page 2

Assmang

BDay 27/5/94 (210)

From Page 1

been made from an offshore parcel of shares held by the Sacco family.

SA remained one of the most important suppliers of mineral resources and the deal should contribute towards securing stable markets through Sumitomo, Hirosaki said.

Assmang's selling arm Ore Metal MD Robert Carpenter said his company used Sumitomo as its sales agent in Japan and the move "would obviously strengthen ties with us".

He said Sumitomo also represented Ore Metal for chrome sales in mainland China and manganese ore in South Korea.

The Sumitomo deal follows the joint venture — NST Ferrochrome — between Japanese conglomerate Nippon Denko and ferrochrome producer Samancor.

ODM increases turnover

JOHN DLUDLU

BDay

MARINE diamond exploration and mining group Ocean Diamond Mining yesterday reported a drop in attributable profit to R2,5m (R3,1m), but lifted earnings to 11,61c a share (0,11c) for the year to March 27/5/94

The results, published today, show that turnover increased to R10,5m from 1993's R4,4m.

The company declared a preference dividend of R450 000 to its shareholders this year. No dividend was paid in the previous financial year

The group acquired the prospecting rights to two significant sea diamond concession areas off the Namaqualand coast. (210)

The first was acquired through the issue of 1,2-million shares at R2 a share plus an interest-free vendor loan of R2,5m The second was secured through an option exercisable in three years and a further two years for R5m.

Anglo's 'barren years' may be over, say analysts

MUNGO SOGGOT

ANGLO American's results for the year to March — due for release today — should see the corporation return to earnings growth after a "relatively barren few years", market sources said earlier this week.

Analysts' forecasts for the corporation suggested the full-year dividend would be posted at 360c-380c, against 345c last year, with equity accounted earnings ahead 10%-13% from last year's 1 060c a share

Fergusson Bros analyst William Bowler believed the figures would contain "few surprises" He predicted a dividend of 370c, attributable earnings of R689m, and equity accounted earnings of R1,154bn.

Frankel, Pollak, Vinderine analyst Peter Davey said the dividend could hit 380c as management would be keen to show a double digit increase. He said equity accounted earnings could climb to between R1,2bn and R1,21bn, but reckoned attributable earnings would not show such an improvement.

Anglo's share price hit a year's high of R245 on April 29, after a low of R124,50 last September

The group was expected to benefit from improved commodity prices and slightly better domestic economic fortunes But the bulk of its profit gains were likely to be drawn from gold operations and De Beers

Most Anglo mines recorded a jump in attributable profit in the March quarter. Freegold lifted its total dividend by 59% from 245c to 390c, and Ergo's total dividend almost doubled to 100c (210)

But Freegold and Vaal Reefs were hit by labour problems which helped force the gold and uranium division's distributable profit down 4% to R263,5m for the quarter.

Amcoal, the group's coal arm, lifted attributable earnings to R255,7m (R240,6m) for the year to March with the help of increased demand from Eskom.

The market was also looking for further details from Anglo on the plan to unbundle mining house Johannesburg Consolidated Investment (JCI) as a possible prelude to transferring control of some of JCI's mining interests to black investors

The move received cautious support from the ANC and Cosatu Cosatu spokesman Neil Coleman said the JCI unbundling affected a relatively small part of Anglo's "huge empire".

Anglo also continued the restructuring of its industrial interests In January it sold a 20,55% stake in the Tongaat-Hulett Group to Anglo American Industrial Corporation, which lifted Amic's stake in Tongaat to 43,4% In exchange for its 15,4-million shares in Tongaat, Anglo received 3,9-million new shares in Amic.

The group has radically reshaped its international business Last year it made a $1,4bn asset swap with offshore arm Minorco, which le[illegible] swing in Anglo's foreign expa[illegible] focus towards Africa

Amcoal holds talks with ANC on mining policy

BDay .1/6/94

(210)

MUNGO SOGGOT

AMCOAL, Anglo American's coal business, was holding discussions with the ANC on the new government's mining rights policy, chairman David Rankin said in his annual review.

The company, one of SA's leading coal producers, said private mineral rights ownership had underpinned the development of long-term mining ventures.

The mining industry had made "the single most important contribution to the development of the country's economy," Rankin said, "and its wellbeing remains critical for future growth in the new SA."

Amcoal reaped the benefits of greater demand from Eskom and tight cost controls, to push attributable earnings to R255,7m (R240,6) for the year to March.

Rankin said Amcoal's sales to Eskom climbed 11,4% to 31,3-million tons, to feed a 4,1% rise in the amount of electricity sold by Eskom.

But sales to the industrial and metallurgical sectors were 9% lower than the previous year at 2,1-million tons. Sales of metallurgical coal to Iscor were down 36% because of the closure of Vryheid Coronation at the end of the previous year.

Export sales rose 8% to 12,1-million tons. Rankin said SA's coal exports amounted to R4,6bn, making it the biggest foreign exchange earner after gold.

But the absence of any substantial recovery in the major coal importing countries had again hit demand.

Trading conditions had improved in the last quarter after a prolonged strike in the US made room for Colombian coal, which had been competing strongly in the European market. SA coal had also been bought by European buyers after "substantial" rail freight increases were introduced in certain CIS states.

Rankin said Amcoal was worried about the National Electrification Forum's suggestion that the supply of electricity to major consumers — such as the mining industry — be routed through municipal distributors, as this could prove expensive and unreliable.

Amcoal was also concerned at suggestions that the cost of electrification projects be funded from within the electricity industry in the form of a levy on users.

"Care needs to be taken to ensure that the industry's cost-competitiveness, especially in export markets, is not burdened by costs not directly related to the generation and supply of electricity," he said.

Mineral export earnings rise

CAPE TOWN — SA's mineral export earnings rose by 22,5% to R36,9bn last year, the Mineral and Energy Affairs Department said in its annual report released yesterday.

The report said demand for most of SA's minerals and mineral products continued to decline in 1993 because of slow growth in the local and world economies.

However, improved noble metal and mineral production and prices, and the weakening of the rand-dollar exchange rate, brought a 19,7% rise in SA's total mineral sales, to R46,7bn.

On domestic markets, mineral sales rose by 10% to R9,8bn. Prices of copper, manganese ore, nickel, coal and rock phosphate rose, but the largest contribution was from the higher income from diamonds.

Gold production increased by 0,9% to 616,4 tons, after a similar rise the previous year.

Production and sales of the platinum group metals increased by 29,9% during the year to 89 606kg.

Production of raw diamonds improved to 10,62-million carats, compared with 10,18-million the previous year. In terms of mass, local sales and exports increased, and this, with a significant rise in unit values, led to a large increase in earnings.

Silver production rose by 10,8% to 194,6 tons.

After gold, coal was again the largest contributor to foreign exchange earnings. Altogether 51,2-million tons, worth R4,4 billion, were shipped to overseas consumers.

These exports represented an increase of 3,2% and 1,2% in mass and value respectively over the previous year. (210)

The report said SA's asbestos production shrank by 21,8% last year. This was because of continuing restrictions by industrialised countries on the use of amphibole asbestos.

Production, local sales and exports of chrysolite also declined during 1993, although better prices meant higher income for this variety of asbestos.

The department's mining branch said continuous attention was being given to pollution by asbestos fibre from abandoned asbestos mine dumps. — Sapa.

TODAY'S WEATHER

Walvis Bay Windhoek 06/22 Pietersburg 06/22

Earnings up 23%, dividend 18%

Anglo American comes up trumps

Star 2/6/94

BY DEREK TOMMEY

Anglo American lifted earnings 23 percent to R2,98 billion in the year to March

Equity-accounted earnings rose from 1 042c to 1 282c a share

Shareholders are to receive a final dividend of 300c a share, which is 18 percent more than the 255c paid a year ago.

This brings the total dividend for the year to 395c, an increase of 14 percent on the 345c paid last year.

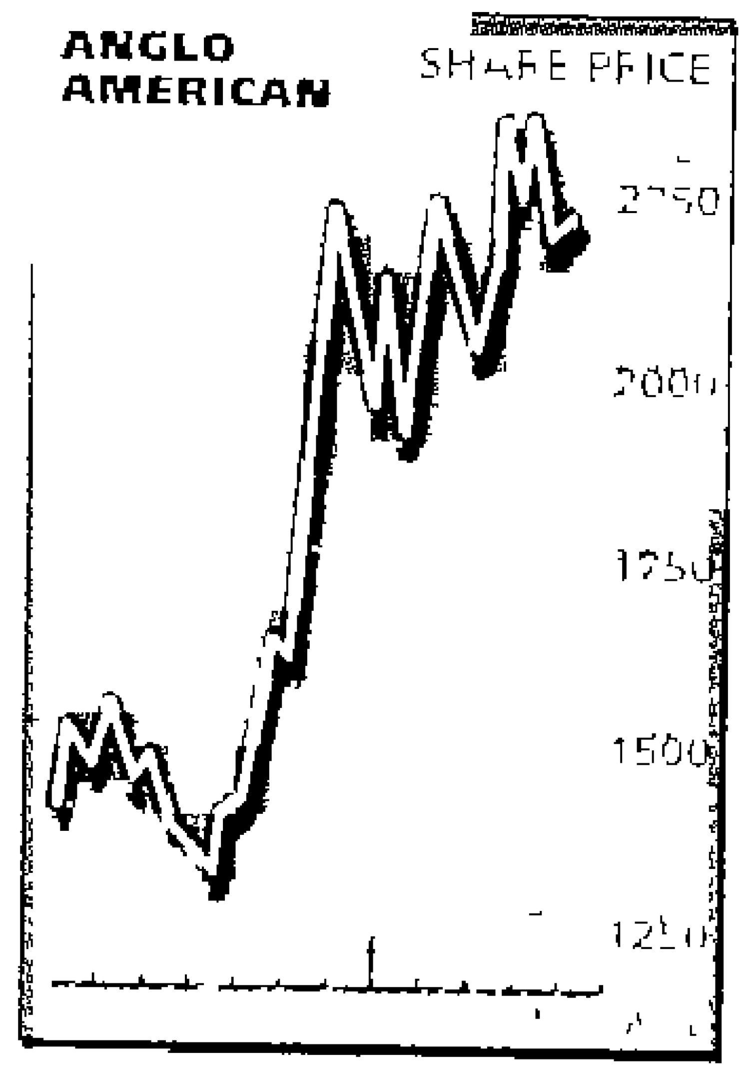
Chairman Julian Ogilvie Thompson is optimistic about group prospects

He says the successful general election and the installation of a government of national unity under President Nelson Mandela, marked by a commitment to reconciliation and prudent economic policies, augurs well for the future

The government of national unity really seems to be working as one, he says

He sees good prospects for sustained growth in domestic and in export markets, provided that the consensus forecast of a higher rate of growth in Organisation for Economic Co-operation and Development countries proves correct.

Questioned on the Government's attitude to business, he said yesterday SA now had a legitimate government which must be keen to see productivity and profits improve "I think we are all pulling together now."



(210)

The change in the political situation had been beneficial for Anglo

Local companies could once again look on the world as their oyster, which was necessary for a mining group

Anglo's associate international mining group Minorco had been able to realise its aim of becoming an operating company so that it had control over how the cash in its investments was used and distributed.

Change had also had the effect of enabling the group to simplify complex investment structures, especially in South America.

In the past, the group had to keep its head down to stop the opposition from drawing attention to its SA connections, which could have led to the authorities stopping it from doing certain things

But Anglo could now operate there quite openly in a structured and focused way This also avoided any potential for conflict between Anglo and Minorco

He said the decision to split JCI into three groups would prepare the way for another important development in the new South Africa — the introduction of black capital into JCI industrials and JCI mining

However, he said this could take some time The move required careful investigation and might need certain legislative changes.

The authorities had been most co-operative But it could be some time before the legislation could be drafted and passed by Parliament.

It would be some time before Anglo ceased to be the major shareholder in JCI

Anglo's investment income rose 15 percent to R1,68 billion, mainly reflecting increased earnings from gold Trading income slipped 4 percent to R550 million and other income dropped from R83 million to R35 million.

Profits from the sale of shares in certain non-strategic holdings amounted to R259 million

The net asset value of Anglo shares was R236,22 at March 31, against R153 a year earlier

Small mines 'no quick fix for jobs'

BiDay

MICHAEL URQUHART

THE Chamber of Mines warned yesterday that widespread growth in small mining operations — one of the key elements of the ANC's mining policy — was unlikely to fulfil expectations of job creation. 21/6/94

Executive committee member Nic Segal said small-scale mining did not have the potential to become a huge sector because the bulk of suitable deposits had already been mined (210)

"A number of factors work against small-scale mining, not least the fact that this form of mining was practised at the turn of the century This has led to a substantial decrease in deposits suitable for use in small-scale mining"

The ANC has highlighted the expansion of the small mines sector as a key mining policy priority The chamber and the ANC's Mineral and Energy Policy Centre are trying to identify areas of expansion

But Segal said obstacles included difficulty of access to finance, technical barriers, the costs of complying with mining legislation and the geology of SA, which was more suited to large-scale mining.

Some mining houses were considering freeing up deposits that were too small for them to develop economically. Financial and technical assistance could also be considered. But mining houses would look at such ventures only on a commerical basis. "Small-scale mining will be undertaken only on terms of sustainable profitability."

Legislation delays plans to unbundle

Sowetan 21/6/94

By Mzimkulu Malunga

BLACK investors hoping to jump into an opening created by Anglo American's proposed unbundling of JCI will have to wait for some time

The restructuring of this mining conglomerate will not happen until Parliament has drafted new unbundling legislation

Also, the move will depend on how fast black capital is mobilised to purchase a substantial stake in the multi-billion rand mining house

Parliament is only expected to finalise the legislation in October

Announcing Anglo's annual results yesterday, chairman Mr Julian Ogilvie Thompson was optimistic about the prospects for the formation of a black mining house

Meanwhile, Anglo has increased profits by 23 percent to almost R3 billion

Thompson attributed the increase to the company's broad product range and financial strength

Dividends appreciated by 50c to 395c a share while total value of assets jumped 54 percent to more than R23 billion (210)

Higher returns

Anglo's gold, diamond and industrial interests yielded higher returns than last year and these supplemented losses from low platinum prices

The end of the recession, coupled with an improved political climate, prompted euphoric buying on the Johannesburg Stock Exchange, a factor which caused Anglo's investments to "appreciate substantially", Thompson said.

On the country's economic future, the Anglo chief said "There is a good prospect for sustained growth in this country"

ANAMINT FM 3/6/94

Big numbers

Activities: *Holds 25,8% of De Beers Consolidated, 23,4% of De Beers Centenary and investments in unlisted components of the Central Selling Organisation*
Control: *Anglo American 52,5%.*
Chairman: *J Ogilvie Thompson.*
Capital structure: *100m ords Market capitalisation. R12,2 bn.*
Share market: *Price R122. Yields 3,0% on dividend; 6,9% on earnings, p'e ratio, 14,4, cover, 2,3. 12-month high, R130, low, R79,50 Trading volume last quarter, 333 000 shares*

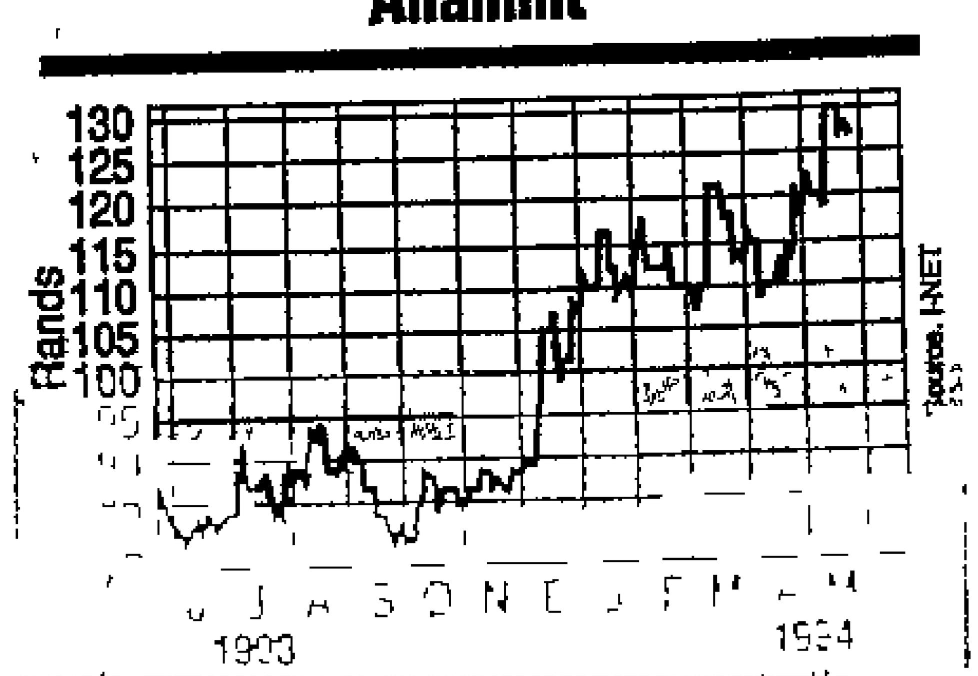
Year to Mar 31	'91	'92	'93	'94
Net profit (Rm)·				
Attributable (Rm)	381	383	312	372
Equity-accounted	999	857	667	845
Earnings (c) ...	999	857	667	845
Dividends (c)	380	382	312	372
Tangible NAV (c)	7 578	8 888	7 648	11 112

(210)

The reason for this company's existence continues to escape me. I asked about it last year when reviewing it. There was no answer — instead, here is another annual report

Anamint is a pure investment vehicle, though it doesn't go anywhere The investment portfolio is the same as last year No, that's not true. Someone managed to sell

Anamint



Ogilvie Thompson *a surprise package*

The *FM* suggested last year that the directors' valuation of unlisted CSO and industrial diamond companies was far too conservative Book value a year ago was R650m Now it's R800m, a jump of 23% This increase is unprecedented in the past 10 years

Since there are 100m Anamint shares and the group holds 98,2m De Beers, it follows that De Beers' R101 share price accounts for R99 per Anamint

The balance is made up of unlisted holdings. Historically, Anamint trades at between 1,15 and 1,20 of De Beers, except for a period last year when its price was lower than that of its main investment

With the price now R122, the counter is returning an earnings yield of 3% and p e of 14,4 (on equity-accounted earnings) The

FM 3/6/94 (210)

28 000 shares and 3 200 A ords in Industrial Grit Distributors But it couldn't be important because it is mentioned nowhere else in the report

Nevertheless, Anamint's numbers are big So they should be. After all, it owns a quarter of De Beers' issued deferreds and nearly a quarter (23,4%) of Centenary's depositary receipts This is, of course, what Anamint is all about — a bag to carry part of Anglo's holdings in the diamond giant Other investments, which look ordinary enough, are a surprise package. 100% of Cymberline and 18,5% of Diamond Trading Between the two, Anamint effectively controls Diamond Trading which buys SA's rough diamond production

Investment income brought in R384m (1993: R324m) After R3m administration (a lot for a company that collects and posts dividends, though much may go on the costs of a listing) and giving away R8m (to education and welfare), it is left with R372m, all of which it has distributed to shareholders These returns are achieved from investments that have a carrying and book value of R4,7bn

relationship with De Beers has been restored but this doesn't explain why it's there at all

David Gleason

Analysts see Anglo results as antidote to pessimism

MUNGO SOGGOT

ANGLO American's results had surpassed many people's predictions and would prove an antidote to pessimism about the economy, analysts said yesterday.

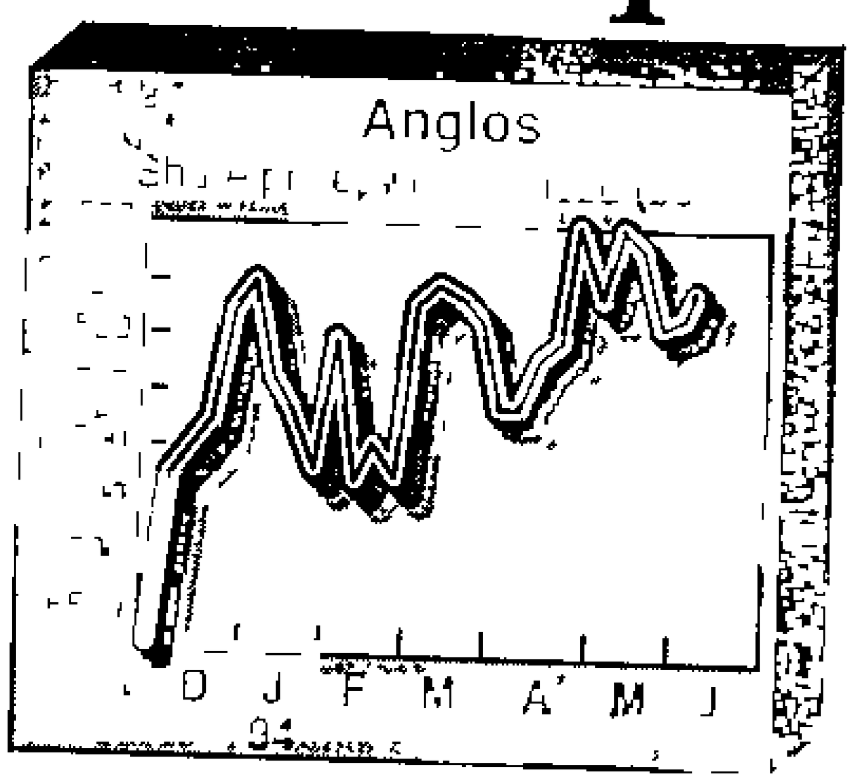
But some cautioned that the group's improved showing was too dependent on profits from its recent share realisations

Ed Hern, Rudolph analyst Barry Sergeant said the results reflected the "underlying quality of Anglo's investments"

Sergeant said· "There is no particular area in which one would expect earnings to go down."

A key feature of the results was that Anglo had taken advantage of the changes to share-tax laws, which now stipulated that profits from shares sold that were held for more than five years — as opposed to 10 years — were tax free.

Anglo had reshuffled its investments to reflect the decision to switch from short-term gold mining



ventures to mines which had a "brighter long-term future".

"Selling investments will now be a regular feature of Anglo's strategy."

Although the results had been boosted by earnings from Minorco and De Beers, one of the dividend flows from Minorco had not been included in the final accounts, Sergeant said.

The group's income would come from three sources dividends on investments, trading — which meant Amcoal — and surplus on realisation of investments

"There is every reason that this source — which until now was crushed by tax laws — will be sustained well into the future

"Maybe these results, which were above expectations, will be even better next time (210)

But another analyst said there had been "very little improvement in Anglo's underlying business".

He said Anglo had shown only a 6,3% improvement in underlying cash business.

Of its increase in attributable earnings, 68% had come from its share realisations.

He said the tax law changes could account for Anglo's announced intention to repeat these share dealings, but Anglo had also said that the decision to do this "share thingy," was because the market was high

It was unrealsitic to see it as part of a long-term strategy unless you could predict the market

"If you realise all your cheap shares at a low book value, you will soon run out of profits," he said

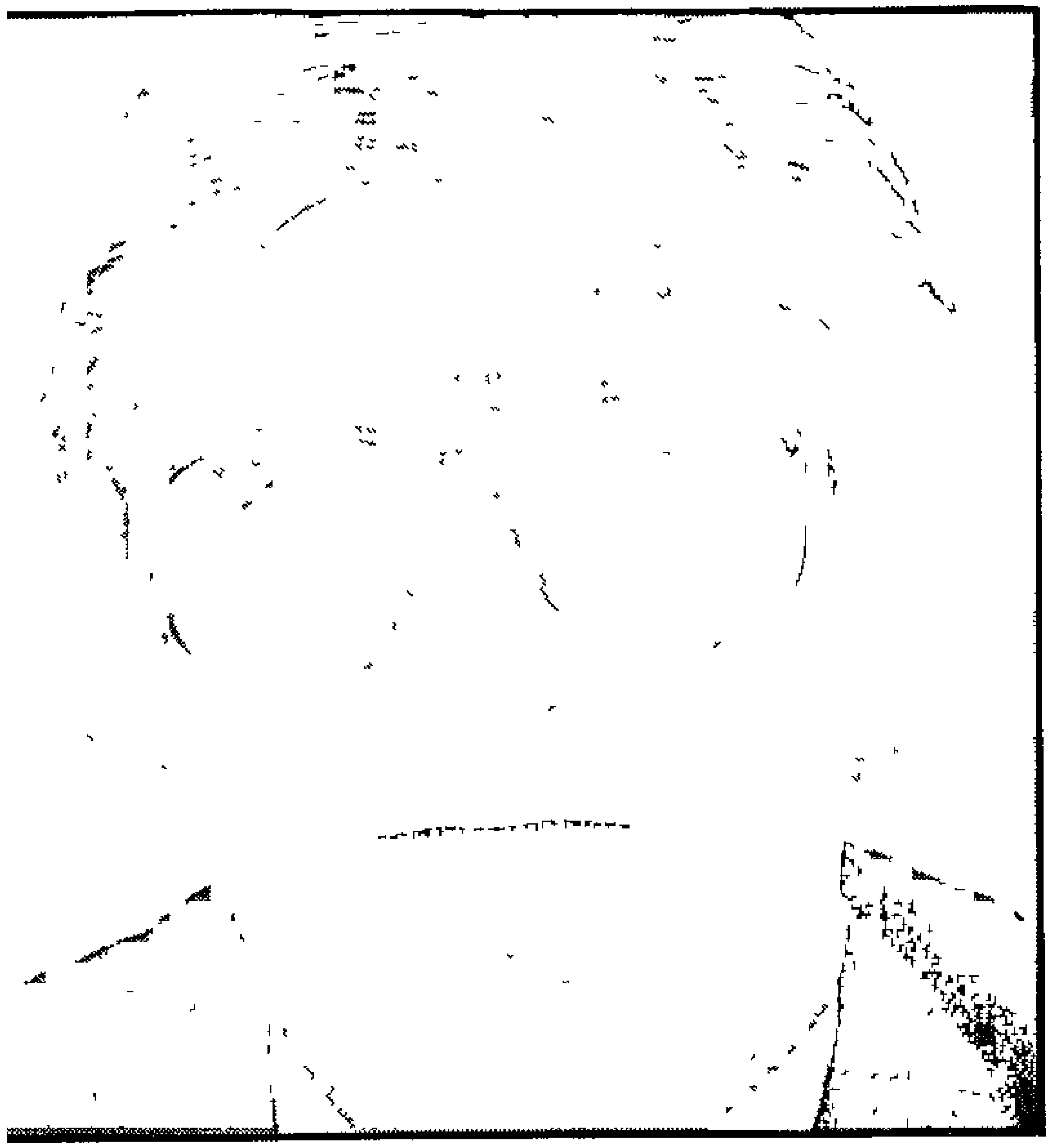
…AY TIMES, Business Times, June 5, 1994

DIAGONAL STREET

Julie Walker

Cash-flush Anglo keeps together

S/Times (Buss) 5/6/94



GRAHAM BOUSTRED . doing well and within budget

ANGLO American will receive a lot of money for which there is no immediately obvious need as it reduces its holding in JCI.

Anglo chairman Julian Ogilvie Thompson led a phalanx of Anglo top guns at a news conference in Johannesburg this week to announce the group's highly satisfactory results for the year to March

Mr Ogilvie Thompson says unbundling legislation does not allow a penalty-free splitting up of a group such as is proposed for JCI Mr Ogilvie Thompson does not expect a change in the law before October at the earliest.

JCI will be split in three Anglo will keep diamonds and platinum, other resources will form a second group and JCI's industrial interests the third

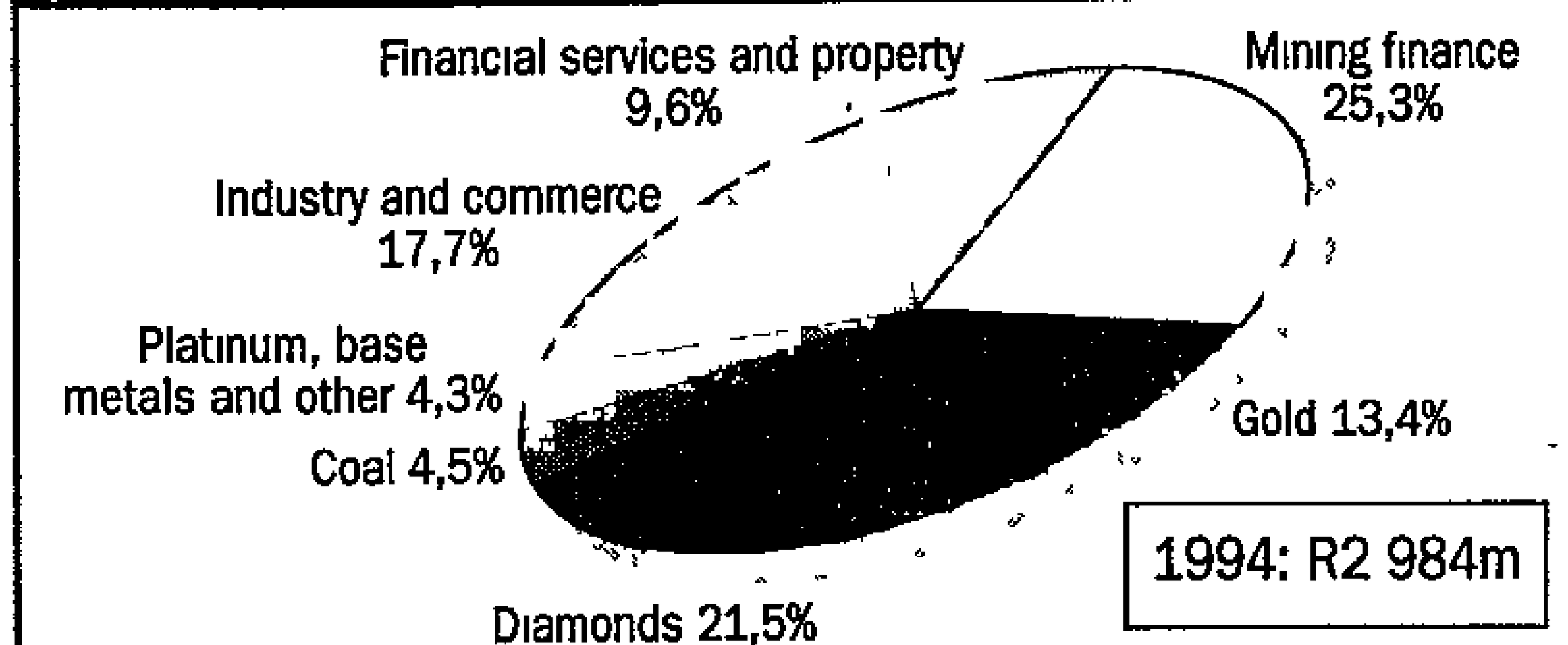
Anglo has no intention of giving away multibillion-rand investments built up over many years As with the steps followed when Afrikaans money entered the economic mainstream through Federale Mynbou in the 1960s, it will take years for black money to make its mark through JCI.

Mr Ogilvie Thompson says Anglo will not relinquish its 38% stake in First National Bank.

The group has several projects under way, for which capital is available

Anglo American Industrial Corporation's Leslie Boyd says expansion at

Anglo American Corporation - Total net earnings



Graphic FIONA KRISCH

Source AAC

Columbus stainless steel is going well and is still within budget. The biggest challenge — to market the product — is being met. Partner Samancor has entered a supply agreement with France's Ugine. Samancor will supply it with chrome and Columbus will sell it hot band, probably to Ugine's operation in Thailand. Mr Boyd says similar ties are being sought

Anglo deputy chairman Graham Boustred says the Namakwa Sands project is doing well and will probably be within budget. The smelter will be commissioned in the second quarter of 1995.

There has been a favourable development in the price of zircon, now at A$250 a ton — double its recent low

Progress with a high-energy battery is slow because it is extremely difficult to make This is an advantage because barriers to competitors entering the industry are high

Mr Boustred says the Europeans and Americans are serious about cars driven by electricity and Anglo and partner AEG Daimler-Benz are optimistic about them The battery is a long-term project

"This suits us," says Mr Boustred "We do not expect any contribution to earnings for three years at least"

Gold and uranium division chairman Clem Sunter says the shafts at Moab and Freddies No 4 gold mines are being sunk according to plan

Mr Ogilvie Thompson says it costs a lot of money to drill a deep hole and put in a mine He hopes the Chamber of Mines and the government will reach an agreement to ensure the security of tenure of mineral rights

Anglo American improved earnings in the year to March 1994 and fell in line with internationally approved reporting methods Total net earnings rose 23% to R2,98-billion, or 1 282c a share, and the dividend was lifted 14% to 395c

A rerating of investments led to a 54% rise in net asset value to R236,22 a share after the dividend distribution Anglo traded at a small premium to net asset value in January. The current discount is about 13%, having fallen steadily from 48% in 1985

Mining finance made the biggest contribution to profit, providing 25% of Anglo's total net earnings, followed by diamonds (22%), industrial and commercial (18%), gold 13% and financial and services 10%

Anglo has nearly R3-billion in cash, less loans of R2,4-billion, to leave surplus cash of R563-million

The group expects improvement in the economies of the Organisation for Economic Co-operation and Development member states, a brighter outlook in SA and better commodity prices to provide another year of earnings growth The market would seem to agree Anglo's share price jumped 550c to R224,50 after the results

Mineral rights policy 'clear soon'

BDay 6/6/94

MUNGO SOGGOT

GOVERNMENT was likely to unveil its mineral rights policy over the next two months, following months of uncertainty, sources said at the weekend.

It is understood that government officials and the Chamber of Mines are close to agreement on a tax system under which companies would be penalised for sitting on unused mineral rights (210)

The ANC had previously proposed this as a means of enticing companies gradually to return unused rights to the state

But sources said a central feature of the policy was likely to be a clause allowing companies tax "credits" on the strength of past exploration

Paul Jourdan, government's co-ordinator of minerals and energy policy, told reporters in New York at the weekend that the option had been tabled in talks with the chamber Such a clause could extend the period during which companies could sit on undeveloped rights without incentive to cede the rights to government

Returning mineral rights to the state has been a central strand of ANC policy But the industry has warned that this could discourage investment in new major mining schemes. Chamber sources have unofficially argued that uncertainty had snared several new schemes

Anglo American tax consultant Marius van Blerck said yesterday that the details of the credit system had not yet been finalised, but government's proposals had been discussed in detail with the industry

"I wouldn't be surprised if the whole thing firms up in the next couple of months, to the mutual satisfaction of both parties"

AP-DJ reports that Jourdan further fleshed out government's stance on mining at the New York briefing He said there would be "no nationalisation in the minerals sector We don't have capacity to run the mining companies."

Jourdan said the ANC's stated policy was that "we must seek the return of private mineral rights to the democratic government, in line with the rest of the world".

But he said the return of these rights would affect only unused tracts of land, to encourage owners either to sell or explore it The ANC had looked at countries such as Botswana where mineral tax was deductible against exploration, to encourage exploration, he said

Mineral sales rise by 19,7%

CT 7/6/94 (210)

By BARRY STREEK
Political Staff

SOUTH AFRICA's mineral sales rocketed by 19,7% to R46,7 billion last year — but details of sales in key metals, such as diamonds, titanium and uranium oxide remain a secret

This was revealed yesterday when the 1993 report of the Department of Mineral and Energy Affairs was tabled in Parliament

Beneficiated metals, mineral exports and prices, together with the weakening rand-dollar currency rate, contributed to a 19,7% increase in South Africa's total mineral sales, which amounted to R46 672,5 million

Income from mineral exports alone rose by 22,5% to R36 896,8m

The department said that apart from the rising income from beneficiated metals and minerals, exports of iron ingots, uranium, titanium and zirconium minerals contributed to the increases

But export sales from most other iron metals and industrial minerals declined markedly

The income from mineral exports comprised 79% of total mineral sales

The department said the internal market from mineral sales increased by 10,2% to R9 775,7m

Sale values of copper, manganese, nickel, coal and rock phosphate all rose, but the largest contribution to the increase came from the higher incomes from diamond sales.

However, some tables in the report showed that the production and values of key minerals were still kept secret

These secret details included a lack of information about diamonds, antimony, uranium oxide, zirconium, perlite, and phosphate concentrate

Only some details about gold and platinum production were provided.

The department said the information about the value of local and export sales was not available, but the value of gold exports was given as R22 945,3m.

The value of platinum sales was "not available" but 75 946 tons of platinum worth R2 513,5m was exported

ANC pledge on minerals

From JOHN CAVILL

LONDON — International investors were yesterday assured that the government did not intend expropriating mineral rights or "nationalising anything"

Mr Marcel Golding, ANC MP and assistant general secretary of the National Union of Miners, said the new constitution guaranteed private property

He was speaking at the Financial Times World Gold Conference

Mr Golding said that while the ANC's policy directed that "minerals belong to the people", substantial mineral rights already belonged to the state.

He said there was provision in the Minerals Act for expropriation — with compensation — but he added that there was no intention on the government's part to initiate any expropriations

Mining industry wants rights respected

Star 7/6/94

BY DEREK TOMMEY

If the Government wants a gold mining industry, it is essential that its minerals policy provide security of tenure of mining rights for private owners, says Clem Sunter, chairman of the giant Freegold gold mine, in his annual statement to shareholders

He says South Africa's mining industry is of crucial importance to economic growth and development

Environment

This means the Government must ensure a business environment conducive to the opening of new mines

"Changes in the legislation affecting the industry require careful study and deliberation "

Sunter says it has been the policy of the mining industry to participate actively in consultations with government policymakers

"At this stage, it is hoped that a policy will evolve, which is supportive of the industry's aims of maintaining its world-class stature into the next century" (210)

He warns shareholders that Freegold's production might have reached its peak.

Freegold's life is expected to extend well into the next century

But some of its shafts are approaching the end of their economic lives and the gold lost from these shafts will not be offset by additional production from the new shafts

However, Freegold is expected to maintain gold production this year at between 100 tons and 110 tons, compared with the 111,7 tons produced in the year to March

This is 3 percent lower than in 1992-93 and is the result of marginal decreases in underground tonnage, reef grade and dump reclamation

The build-up of development at Freddies No 1 shaft is on schedule, but the stoping build-up has been hampered by the geological structure being different from that envisaged

The shaft is expected to achieve full production in the second quarter of 1996, and its total cost will be about R1,90 billion

Scheme

Work started in October on the new Freddies No 4 shaft, which is expected to cost R371 million in 1993 terms

It will be used to move men and material

Rock hoisting will be tranferred to Freddies No 5 shaft

Although the metallurgical scheme is scheduled to close in the last quarter of this year, attempts are being made to secure additional material and prolong the life of the scheme

Gold production this year at Ergo, which operates a dump reclamation plant, should be similar to last year's production, which was a record 13 050 kilograms

Changes in the treatment process contributed to an 18 percent rise in operating costs and a 10 percent increase in unit costs.

But the value of the extra gold produced more than compensated for the increased costs

He says the supply/demand position in the gold mrkets remains favourable for producers, but investment and speculative activity will continue to play a primary role in influencing the price

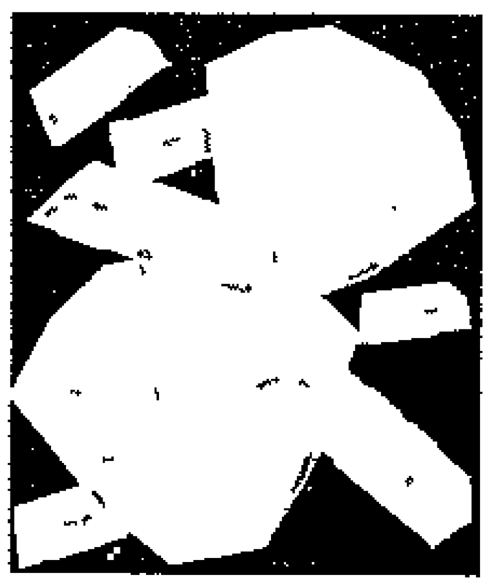
Gold has benefited from the desire by investors to diversify into alternative markets, says Sunter

ANGLO AMERICAN

Still setting the pace

FM 10/6/94

The paradox is that its enviable success makes Anglo vulnerable



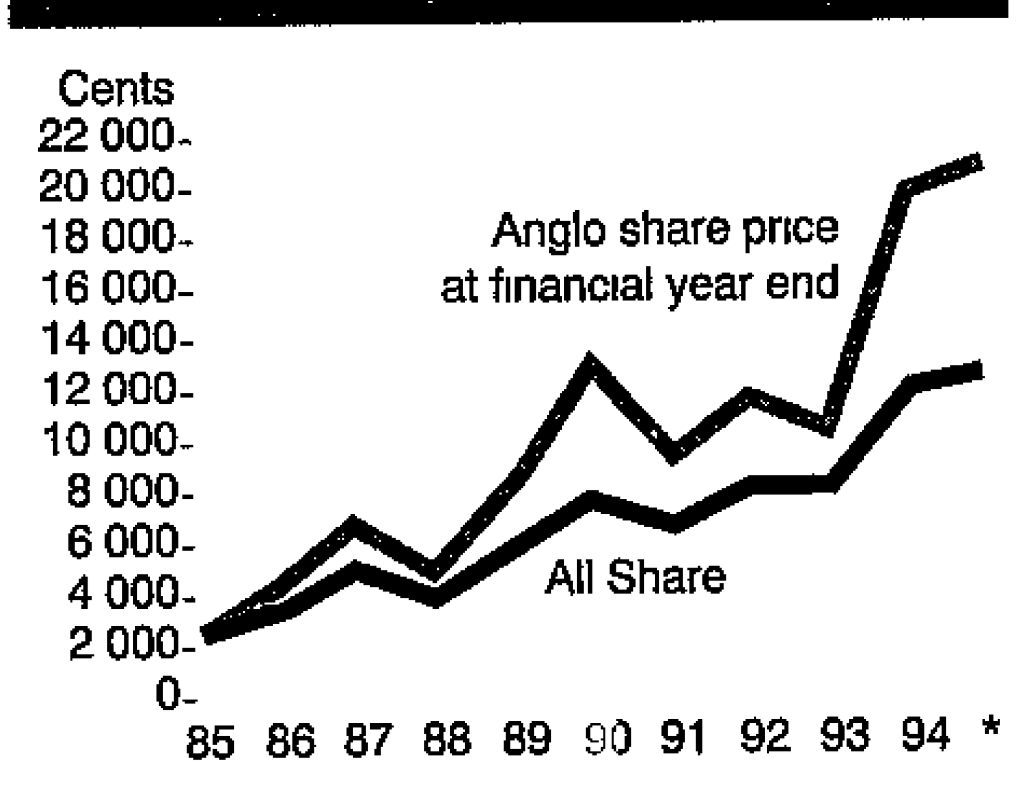
Anglo American, SA's largest and arguably most important business, has posted results for financial 1994 which signal a return to national economic growth

Total net earnings of R2,984bn reflect a surge of 23% in the bottom line With EPS now at 1282c, the dividend has risen to a record 395c This result exceeds market expectations, with many analysts expecting EPS between 1205c and 1210c and the most optimistic forecasting a dividend of 380c "It just goes to show, doesn't it," says one Anglo watcher, "what an incredibly powerful machine this is"

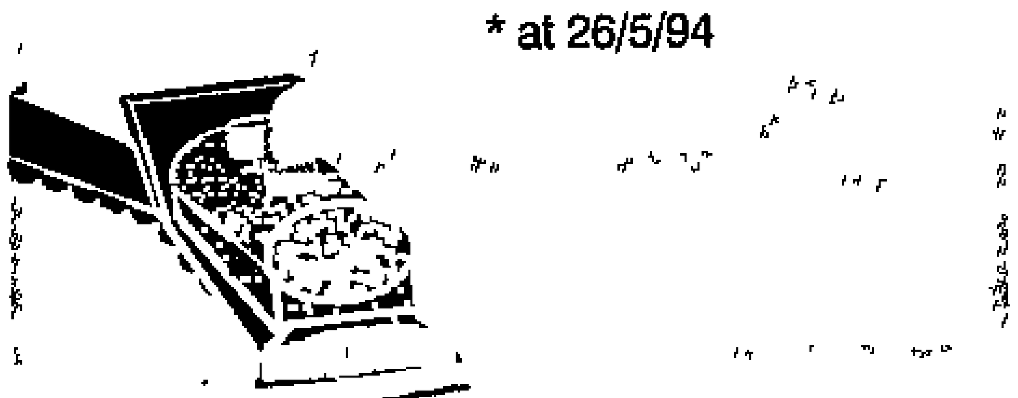
However, an important feature of this year's result is the significant effect of trading in the company's investment portfolio in 1994, sales of shares in a variety of companies which chairman Julian Ogilvie Thompson describes as "non-strategic holdings" realised a net R259m (1993 R9m) This is a feature of Anglo's business which promises to become steadily more important, it focuses attention on a strategy which has been ignored Anglo's principal — and original — business is to explore and exploit new mineral deposits

The origins of SA's great mining houses and the reluctance of lenders to participate in mining, means that early development costs are funded largely through equity Later, as a mine becomes profitable, Anglo progressively releases equity into the market The capital profits generated are applied to developing new projects This is, of course, the true role of a mining finance house and a principal source of Anglo's earnings is in this sector mining finance activities contributed R754m or 25,3% to total net earnings (1993 R617m or 25,5%) 210

SA's locomotive: how Anglo pulls along the ASI



* at 26/5/94



Anglo's earnings increase strengthens the view of some analysts that the SA equities market is some way from its peak They believe reported earnings must reflect a consistent annual growth rate of between 25% and 30% for six months to a year before the market turns down

The cash flow statement demonstrates the extent of the group's recovery Operations generated R2,22bn after tax, from which last year's dividends swallowed 54% or R1,194bn Of the balance of R1,026bn, 60% was reinvested in new projects, leaving a cash surplus of R408m

Anglo's balance sheet displays the group's usual inherent strength The debt equity ratio is 22% after including loans from associated companies and ignoring cash of R2,9bn And executive director Mike King confirms Anglo has decided to move now to adhere to international accounting standards

Anglo's business is centred in a number of key areas of which the two most important, finance aside, are gold mining (R400m contribution to net earnings, 13,4%) and the investment in the world diamond business, through its cross holdings in De Beers Diamonds account for about a fifth of Anglo's business Last year, De Beers and the associated trading companies contributed R642m or 21,5% of Anglo's net earnings (1993 R463m, 19,2%)

Few investors are unaware of the significance of the Central Selling Organisation (CSO), that arm of De Beers which buys and markets most of the world's diamond production It is frequently labelled a cartel, or colourfully depicted as the last of the great monopolies — descriptions guaranteed to provoke Ogilvie Thompson's ire He is right to be concerned, though for different reasons, never was the CSO's position more fragile

A loosely knit organisation of disparate interests, the CSO is De Beers' conduit for the flow of a huge portion of the world's annual diamond production The CSO buys most of the world's production of rough diamonds and sells these In the best of years, production and demand balance, more often than not, the CSO must act as a stabiliser In the process it faces constant division and jostling among its members — all seeking special advantages and who regularly threaten schism and divorce

Ogilvie Thompson

Right now, Ogilvie Thompson's biggest single headache is in the form of Komdragmet, the Russian diamond producer clearly dissatisfied with important elements of its deal with the CSO Komdragmet officials are known to be seeking special conditions for Russian sales through channels other than the CSO (up to 25%), as well as seats on the CSO board

None of these demands is insuperable but they disguise Russia's real need a lot more real money It is an unstable country struggling with great poverty, an underwhelming bureaucracy and the remains of a command economy Its greatest appetite is for foreign currency and the CSO must appear easy to mug

Of course, things are never so simple For De Beers to give ground could be to invite repercussions from other CSO members· Russian preferment can be bought only at someone else's expense It is a three-ring juggling act which requires dexterity

All this raises real questions about the future of the CSO, it certainly suggests that a change in philosophy cannot be far off In broad terms, the issue can be stated as follows De Beers controls the richest of the world's diamond producers — Jwaneng (Botswana), Venetia (SA) and CDM (Namibia) It provides, through the CSO, a marketing vehicle for everyone else That includes buying — and often stockpiling — mountains of poor quality material

In these circumstances, does it matter if De Beers forgoes the dubious privilege of buying, say, Argyle's production of 40m substandard quality carats each year? Does it matter if Angola's *garimpeiros* smuggle their stones on to the Antwerp bourse? Surely what really counts is marketing control of the high quality stones

Ogilvie Thompson doesn't agree Price stabilisation is the important issue, he says, along with the maintenance of the CSO's single channel marketing system If, for example, Argyle left the CSO fold, it would market its small rough to cutters at lower prices That would drag down the price of diamonds in the categories just above these and would steepen the price curve towards the better classifications

That De Beers needs to preserve its marketing pre-eminence is understandable, but may not be vital. The danger is that the reaction may be a knee-jerk response born out of the memories of the marketing madness which prevailed before Ernest Oppenheimer gathered in errant producers in the mid-Thirties.

It is worth commenting briefly on Anglo's role as the world's largest gold producer. Between its SA and Namibian mines and Minorco's production from South and North America, the group makes 16% of total western gold production. After years of difficulty in SA as working costs consistently outstripped revenue, strenuous efforts to redress this imbalance have restored profitability levels. Gold and uranium contributed 13,4% to the Corporation's net earnings over 1994.

Anglo's latest results may also presage a determined effort to lift the Corporation's profile internationally. De Beers has long been an international equity stock and its advertising and marketing campaigns have established the company's profile firmly.

That can't be said of Anglo and at least one analyst suggests that the recent dividend increase — 4,5% in US dollar terms — is designed to heighten international awareness of the stock. Given that it comes as SA re-enters the world community, it appears an intelligent appraisal of new opportunities. Asked to comment, Ogilvie Thompson denies it is part of Anglo's broader strategy.

Nevertheless, it leads to an examination of the larger Anglo group's pretensions to be an important world player. This year, in a deal valued at about US$1,4bn (and paid for through the issue of 55m Minorco shares and the transfer of Minorco's African assets), Anglo moved all its international assets (aside from those lodged in De Beers and De Beers Centenary) into London-based Minorco.

At a stroke, this makes cash-flush Minorco one of the world's bigger mining finance houses with important stakes in gold production, paper and pulp, base metals and industrial minerals. It also gives it control over Anglo American of South America (Amsa), a little publicised success story: an initial remittance from SA of about $10m has been parleyed into assets exceeding $1bn.

There are criticisms, of course; these centre principally on North American purchases, some of which are considered ill-judged.

In apportioning spheres of responsibility, Anglo has reserved new ventures in Africa for itself. And its first problem is likely to be Zambia where consideration is being given to privatising the copper mining industry (nationalised in 1968)(210).

Though Ogilvie Thompson is reluctant to be drawn on the issue ("It's really a problem for the Zambian government, not for us"), nevertheless, it is clear Anglo would like to become more closely involved. Ogilvie Thompson confirms Anglo mining engineers have played a role in plans for the development of a new mine (Konkola Deep). But the thrust for re-investment must come from Zambia itself and a preparedness by the Zambian government to hold equity of less than 50% in ZCCM. And Anglo is unlikely to become involved significantly unless there is substantial institutional support, probably from organisations such as the International Finance Corp.

"Unbundling" has become a new imperative in SA. It is a route that has been undertaken by Gencor and Barlow Rand. Ogilvie Thompson has consistently taken the view that it may be right for some, but it isn't for Anglo and judged by the yardstick of market appraisal, he's been right.

Nevertheless, Anglo is pressing ahead with a form of unbundling with sister mining house JCI, which will be split into three new companies — platinum (probably using Rustenburg Plats as the vehicle), an industrial holding company and mining (coal, gold and base metals).

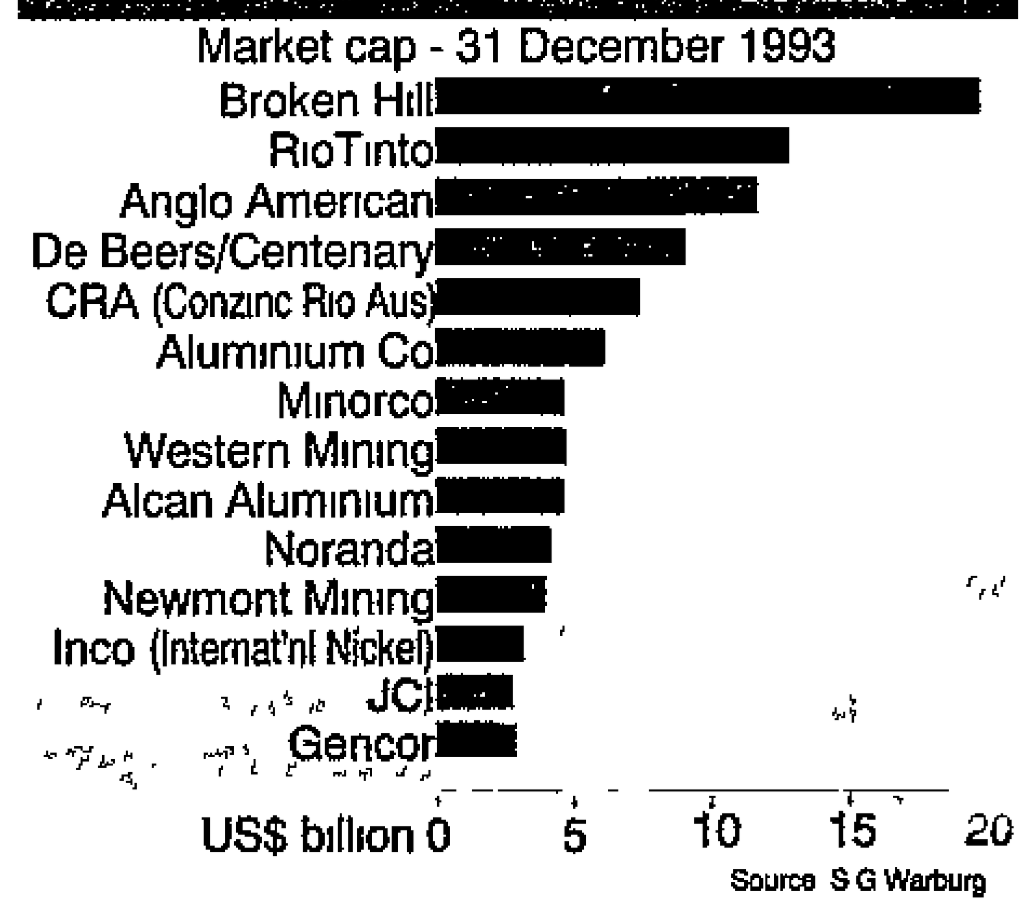
More important, Anglo's intention is that both JCI and the investment company should ultimately be vehicles for black ownership. Ogilvie Thompson cautions that it won't be achieved swiftly and quotes the example of African Life, where the move to eventual black ownership took more than two years to achieve.

It is possible to deduce from this that, contrary to conventional wisdom, appreciable sums of capital are available to black businessmen. These take longer to marshal, however, and they use routes different from those understood and applied by whites. Ogilvie Thompson is determined to avoid any possibility that Anglo will enrich a small handful of blacks. "That's not our intention," he says. "We want to attract a wide and meaningful shareholding."

Of course, criticism of

How Anglo rates

The mining industry pecking order



Source: S G Warburg

Anglo goes with the territory. The temptation among the men at 44 Main Street will be to ignore these criticisms as being inspired by jealousy and greed. That would be foolish, though understandable.

Meeting the conditions of a new political reality can't be achieved, say Anglo watchers, simply by unbundling JCI and turning its parts into vehicles for black economic empowerment. Rather more is needed and it may be required as much in style as in substance. Observers are convinced Anglo is seen by many in the new elite as the ultimate expression of white domination, an organisation which, despite its many protestations, benefited from the apartheid decades.

So what happens to Anglo — and how it is treated by the new government — will be important signals to the white business community and to international investors. Ogilvie Thompson will be judged not for his business acumen but for the niceness of his political judgments.

These elements were not discussed in the *FM*'s exclusive interview with him. Undoubtedly, his approach to the challenges of what is still, essentially, a family-controlled business will be that down the decades Anglo has been in the vanguard of economic change, that its contribution to the national economic wellbeing is vital, that its ability to compete internationally is important to SA and its competency to marshal the money needed for great projects is unequalled.

Anglo has returned startling results at just the right time for SA; its balance sheet (with a staggering R2,85bn in cash) is sufficiently powerful to sustain the new capital projects it has started; the quality of its cash generation is important to bring these to fruition.

None of these factors should deflect attention from some real issues. The corporation is so omnipresent, it attracts hostile attention; sometimes it is perceived to display an arrogance out of place in a country heavily populated by have-nots; it is an easy target for those who see it as the unacceptable face of capitalism. These are powerful emotions. Turning them to good account will be the ultimate measure of Anglo's management skills.

David Gleason

Gencor could ditch deal on Billiton

210

CT 13/6/94

From ANDY DUFFY

JOHANNESBURG — Mining house Gencor would pull out of talks to buy international mining business Billiton if no deal was reached by the end of the month, chairman Brian Gilbertson said yesterday

Funding — thought to be worth around $1,5bn — had been secured, Gilbertson said, and Gencor had agreed a price with Billiton parent Royal Dutch Shell

But the takeover was still being delayed by pre-emptive rights held over several key Billiton assets. Though the deal's chances looked good, Gencor would give up the chase if such hurdles were not cleared within the next three weeks

"We've had about enough," Gilbertson added "It's something that has been overhanging our share price"

The Billiton deal is central to Gencor's efforts to transform itself into an international mining player But analysts believe pre-emptive rights could deny Gencor crucial Billiton assets They said Gencor would have to net Billiton's aluminium operations in Australia and Brazil, and its Colombian nickel business for cash flow to help meet the deal's financing costs

Gilbertson said there were no alternative potential acquisitions lined up He denied a London report that Impala Platinum planned to merge with Lonrho's Western Platinum

Minorco sells mine stake

BTDay

MICHAEL URQUHART

MINORCO, Anglo American's cash-rich offshore arm, has sold its 80,55% stake in Portuguese tungsten mine Beralt Tin and Wolfram SARL to Avocet Ventures, subject to approval by the Vancouver stock exchange 17/6/94

Minorco will retain an interest of 16%-20% of Beralt's net profit. Avocet will receive 80,55% of Beralt's issued shares and will be assigned 80% of its debt to a Minorco subsidiary.

Beralt owns the Panasqueria tin mine in Central Portugal (...0) (210)

ANC minerals policy 'won't affect budget'

(210) CT 20/6/94

From MICHAEL URQUHART

JOHANNESBURG — The ANC's new minerals policy will not affect the 1994/95 Mineral and Energy Affairs budget, says ANC mineral and energy policy co-ordinator Paul Jourdan

He said mineral rights, the abolition of ring fencing and small-scale mining would not be dealt with in the current budget, but minerals beneficiation could be dealt with in the Trade and Industry and Finance Department budgets

Jourdan expressed concern over mine safety, and said more resources should be given to health and safety

He said money for increased spending on health and safety could come from savings elsewhere in the Budget, such as the Atomic Energy Corporation

Another avenue was for mines to pay depending on their health and safety record — as is already done for funding health and safety research. In this way, the culprits would be made to pay

Mintek and the Geoscience Council would be maintained as they were generally efficient and necessary. Jourdan also said the subsidy for pumping at mines such as ERPM should continue

Chamber of Mines chief economist Francois Viruly said he did not expect any major changes in the Mineral and Energy Affairs budget, as the present government had not had the time to consider anything new.

What was important was whether the overall Budget would bring about inflationary pressures, especially with taxes such as levies which directly affected working costs Other industries could partly pass on increased working costs to the consumer, he said, but the mining industry had to absorb any cost increases.

The chamber would be watching for any announcements on the general tax rate or the abolition of ring fencing.

Mineral and Energy Affairs Director-General Piet Hugo said mining policy would not be addressed in the current budget, as discussions with major stakeholders were continuing

Hugo said the department would be slashed — in line with policy for all departments — as the government looked for savings to help fund its RDP

Mineral and energy budget 'unaffected'

B/Day 20/6/94

MICHAEL URQUHART

THE ANC's new minerals policy will not affect the 1994/95 Mineral and Energy Affairs budget, says ANC mineral and energy policy co-ordinator Paul Jourdan

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Mineral and Energy Affairs Director-General Piet Hugo said mining policy would not be addressed in the current budget, as discussions with major stakeholders were continuing

He said the budget would be similar to last year's, and would cover areas such as subsidies for mines for pumping water and support of the mining parasatals

Hugo said the department would be slashed — in line with policy for all departments — as the government looked for savings to help fund its reconstruction and development programme.

Support given to small mining

MICHAEL URQUHART

MINERAL and Energy Affairs has adopted as official policy the proposals outlined by the ANC on supporting small mining B/Day

The department said earlier this week that proposed assistance included the supply of information and providing technical and administrative support — in line with plans set down by ANC think-tank, the Mineral and Energy Policy Council

Industry sources said small mines had difficulty in obtaining access to finance and technology. Other obstacles were the cost of complying with mining legislation and SA's geology, which often rendered small ventures economically unviable

The department said it would overcome these problems by assisting small mining entrepreneurs with advice and guidance

They would be helped in obtaining access to mineral rights, and with applications for prospecting and mining authorisation, and safety and health programmes. 23/6/94

Information and advice on commodities and potential markets related to small mining would be made available (210)

Assistance would be given in surveying, monitoring viability and grade control, and estimation of ore reserves

Associated institutions Mintek and the Council for Geoscience would provide technical support.

Chamber of Mines mineral policy steering committee chairman Nic Segal said he was happy about the move as he believed there was some scope for small mining to play a role in job creation

No marginal mine policy

JACQUIE GOLDING

MINERAL and Energy Affairs said yesterday it had no policy to deal with marginal mines. BIDay

Government sources said applications for financial help by marginal mines were looked at individually and there was no set policy.

Government feared a precedent might be set if it agreed to provide funds to marginal mines but admitted that no proposals on accommodating retrenched miners — such as the NUM's social plan — had been studied yet

Personal assistant to the Mineral and Energy Affairs director-general, Jacques Naude said no applications for financial aid to Randgold & Exploration's Durban Roodepoort Deep gold mine had been received by the department. The NUM and other unions decided at a meeting with Randgold earlier this week to approach government in a last ditch effort for aid

Randgold's Richard de Villiers said yesterday several mining houses had contacted the company for skilled labour. (210)

A small number of workers would be accommodated at Randgold 30/6/94

COMPANIES

Good-looking Anglo paints a global picture

S Times (Buss)

3/7/94

By SVEN LUNSCHE

THE 1993-94 financial year was one of the most impressive in Anglo American's distinguished history.

The group's report for the year to March, released on Friday, portrays a company in top financial condition and on an expansion drive to fulfil chairman Julian Ogilvie Thompson's ambition of making it the world's foremost natural resources group.

Net earnings rose by an above-average 23,4% to R2,98-billion last year (1992-93 R2,42-billion) The balance sheet shows the full extent of Anglo's strength.

The market value of its investments surged by 55% in the 12 months from R41,95-billion to R65,02-billion, largely due to a rise in the company's share price from about R106 to R202

Net asset value improved 54,8% from R35,51-billion to R54,93-billion, equivalent to rise in net asset value a share from R153 to R236

Cash resources at March 31 were R2,85-billion, an increase of R1,15-billion in a year. This not only reflected steady cash flow from operations but a decline in investment spending from R1,27-billion in 1992-93 to R477-million

This will allow the group time to consolidate some of its more recent base- and precious-metal investments.

South America was the focus of Anglo's expansion last year Anglo American of South America (Amsa), a Minorco subsidiary, is evaluating several gold and copper investments

Gold reserves at Amsa's three Brazilian mines are estimated at more than 5-million ounces. In Argentina, it is evaluating and exploring a Patagonian precious-metal deposit in a joint venture The deposit is estimated to hold 2-million ounces of gold and 16-million ounces of silver

Amsa is working with a Brazilian iron-ore producer on the Salobo copper-gold prospect in Carajas. It has estimated reserves of 750-million tons of ore, grading 1% copper and 0,5 grams a ton of gold

Amsa's Mantos Blancos copper operation in Chile and Peru is involved in three projects with potential combined reserves of about 520-million tons at a grade of 0,85% copper

Minorco has also taken a 29% interest in the Collahuasi project which, with reserves of nearly 2-billion tons at 0,9% grade, has the potential to become one of the world's largest copper mines A feasibility study is due for completion in 1995 A production decision is expected soon afterwards

Minorco and Australia's Normandy Poseidon, in which it has 19,9%, are involved in exploration in south-east Asia, activities centred on Indonesia, Laos and Vietnam.

Anglo American's involvement in Africa includes gold and base-metal exploration in Namibia, Zambia, Tanzania, Senegal, Burkina Faso, Madagascar and Mali. (210)

Anglo says a decision on whether to mine the Sadiola Hill deposit in Mali will be taken before the end of the year Encouraging gold results have been achieved in the Bambadji concession in Senegal.

There is still no word on the privatisation of Zambia Consolidated Copper Mines (ZCCM) for which Anglo is the prime contender, since its already controls 27,3% The group has submitted proposals to the Zambian government to jointly finance and develop the Konkola copper project

The report contains no new infomation on the unbundling of JCI and the group's earnings prospect for the current year

COMPANIES

Mines move to guard mineral rights tenure

B/Day 4/7/94

MICHAEL URQUHART

THE mining industry is engaged in extensive discussions with government to ensure that its minerals policy continues to provide tenure of mineral rights, Anglo American says in its 1994 annual report (210)

The corporation said it hoped a policy would evolve which would ensure the industry could operate in a business environment which was conducive to opening new mines and maintaining its world class status well into the next century

Anglo reported net earnings up 23% on the previous year's figures and said that although the gold price augured well for the industry, there would be a continued need for cost controls to preserve profit margins

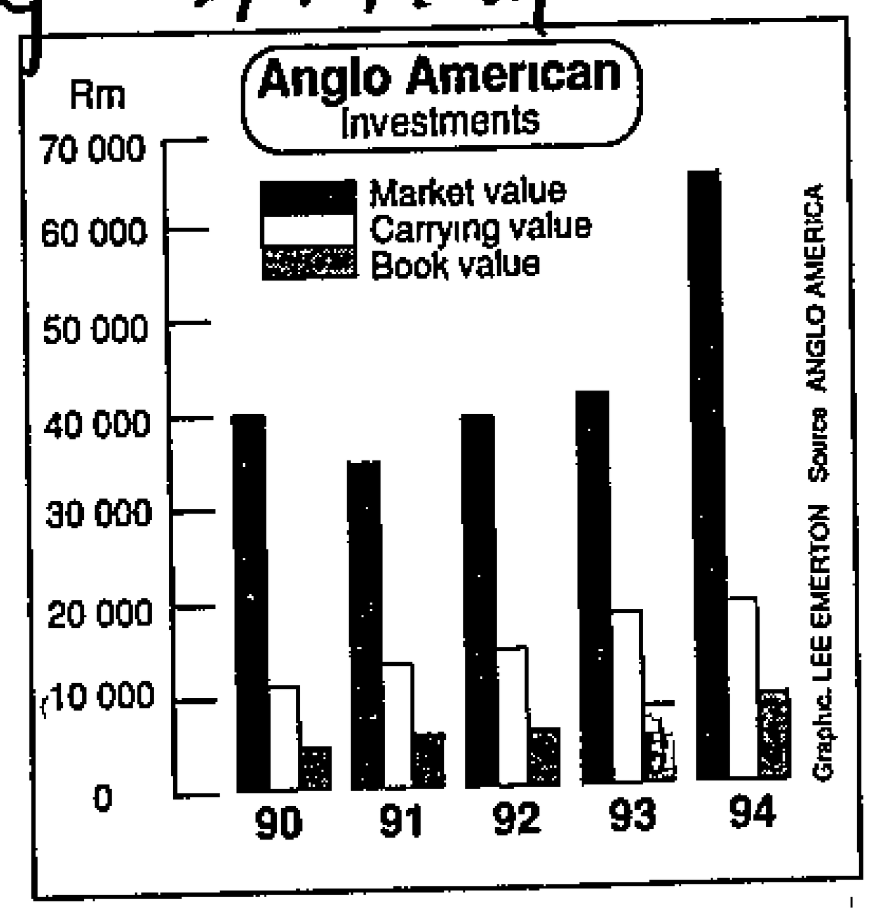
A good performance by De Beers as well as a higher gold price meant that gold increased its share of earnings from 11,5% to 13,4% and diamonds increased their share from 19,2% to 21,5%

The average gold price for the financial year was almost 11% higher than that of the previous year, after several years of declining prices

Combined with a declining rand, this resulted in an average spot price of R40 354/kg

Despite a 4% decrease in tons of ore milled, an increased gold recovery of 5,47g/t meant that gold production decreased only marginally to 261 tons While revenue from gold was 16% higher at R10,2bn, cost per kilogram increased by 9,25%.

Anglo said it remained likely that the activities of professional investors and the state of the financial markets would continue to play the primary



role in the direction of the gold market in the near and medium term.

Older SA diamond mines made substantial cutbacks to reduce costs Although this meant a cutback in tonnage treated, output rose from 9,6-million to 9,8-million carats, mainly as a result of the build up at Venetia.

Amcoal, whose contribution to net earnings decreased, because of a change in its deferred tax balance, increased sales of coal to Eskom by 11,4% to R31,3m, and exports from 11,2-million tons to 12,1-million tons

Anglo's R850m Namakwa Sands mineral sands mining and processing project was on schedule, with mining operations due to start this month. The smelter was to be commissioned in March 1995.

Capex costs of R602m were incurred during the year, R344m of it on the Namakwa Sands project

During the year Anglo also rearranged its international assets, selling virtually all its international investments, valued at $939m, for about 36,2-million Minorco shares and 64% of Minorco's African assets.

ANGLO AMERICAN CORP

FM 8/7/94

Showing the intrinsic value

(210) (232)

Activities: *Mining finance house with investments across a wide spectrum of mining and industrial activities both locally and internationally*
Control: *De Beers 38,6%*
Chairman: *J Ogilvie Thompson*
Capital structure: *232,8m ords Market capitalisation R53bn*
Share market: *Price 22 750c Yields 1,7% on dividend, 3,2% on earnings, p e ratio, 31,5, cover, 1,8 12-month high, 24 800c, low, 12 450c Trading volume last quarter, 5,3m shares*

Year to March 31	'91	'92	'93	'94
Attributable earn (Rm)	1 401	1 680	1 404	1 681
Equity acc earn (Rm)	2 591	2 600	2 461	2 984
Attributable earn (c)	604	709	605	722
Equity acc earn (c)	1 118	1 121	1 060	1 282
Dividends (c)	325	345	345	395
Tangible NAV (c)	13 212	15 054	15 392	23 622

It has certainly been an exciting year for Anglo American Corp, SA's biggest business, and, along with stablemate De Beers and offspring Minorco, one of the world's largest and most important mining finance groupings (*Leaders* June 10).

After a hiccup in 1993, the house resumed its upward trend. Attributable earnings rocketed 19% from 605c to 722c Total net earnings stand at R3bn and the 395c dividend payout will consume R919m this year

Perhaps even more important is that NAV has soared 54% from R153 to R236,22 a share Admittedly, this reflects the resurgence in stock exchanges and the prices imputed by investors to Anglo's underlying investments This means a roller coaster can develop in which Anglo's NAV moves capriciously in sympathy with market trends; nevertheless, it also defines clearly the extent to which the corporation can recover from bad times and the underlying value of the many holdings

The inherent strength of the balance sheet shows how sound Anglo is. Finance director Mike King modestly describes it as "simple and straightforward" — accurate enough but understated. Book value of shareholders' equity stands at R20,3bn; including the interests of outside shareholders, the investment in the business rises to R22,7bn

Anglo's Ogilvie Thompson . . *facing some difficult decisions*

A quasi-banking operation handles R2,4bn of pooled funds from Anglo & associates and the group has a few creditors totalling R2,2bn (including, would you believe it, R111m of subsidiaries' overdrafts) Total assets are R28,3bn, this sum includes a cash hoard of R3bn So Anglo is effectively debt-free

The 1994 P&L reflects pre-tax net income of R2,5bn — 19% better — and attributable earnings of R1,7bn But the fireworks become pronounced in the cash-flow statement Anglo generated after-tax cash last year of R2,2bn, from which it paid dividends of R1,2bn (R813m to shareholders, R381m to outside shareholders of subsidiaries) After applying a net R720m to new investments and capital projects, it generated net cash of R408m, adding that to the cash pile and taking it to R2,9bn It is an impressive performance

The main developments in financial 1994 were the decision to rearrange mining house JCI (Anglo owns a controlling stake), the reorganisation of international assets, the emphasis now placed on the growth of world business through Minorco, and, less obvious, renewed commitment to the growth of business in SA

JCI has been launched on a course that will result in its being split into three separate entities a platinum holding company, probably using Rustenburg for the purpose, a mining finance company likely to retain the name JCI, and an investment holding company in which many of JCI's important industrial investments and property may be lodged The long-term intention is that the mining finance house which emerges will be a vehicle for eventual black ownership of a significant slice of SA's mining industry

In a deal valued at about US$1,4bn, Anglo, De Beers & associates vested all international assets in London-based and Luxembourg-registered Minorco in exchange for 55m Minorco shares and the transfer of Minorco's African assets This turns Minorco into a significant international mining player

None of this should be taken to mean that Anglo chairman Julian Ogilvie Thompson doesn't face some difficult decisions over the next year Principal among them must be the intractability being displayed by De Beers' Russian diamond partners The Central Selling Organisation (CSO), the conduit for most of the world's rough diamond production, is trying to renegotiate its agreement with Komdragmet, the Russian diamond producer and is finding it heavy going

In SA, Anglo must come to terms with a new political dispensation, some of whose key players are openly critical of — and hostile to — big business as they see it represented by the corporation

Despite the clouds, and it would be strange if there were none, Anglo appears ready to repeat its 1994 operating performance over the next year Inevitably, investors buying Anglo express a view on the SA economy, increasingly now, they are also taking a position on a wide variety of international activities This gives the group an enviable edge and a pre-eminent position in the lexicon of SA business *David Gleason*

TONGAAT-HULETT FM 8/7/94

Ready for big decisions

It's encouraging to see a corporate plan coming together Tongaat-Hulett, after a dismal start to the decade, now provides a textbook study on how to set an underperforming collection of businesses on the road to being competitive in world terms

A few years ago Tongaat outlined four broad strategies to turn the diversified group All are ongoing, but basically two of these strategies have been realised reducing costs and turning around underperforming businesses and assets (232)

Chairman Chris Saunders says those operations that could not be turned have been sold or closed, reflected in a R14,7m extraordinary item Costs are under control, staff

AMGOLD Fm 15/7/94

Cost squeeze reviving

Activities: *Investment holding company with large interests in SA gold mines and a 20% stake in Anglo American Corp's exploration programme*
Control: *Anglo American Corp 51%*
Chairman: *N F Oppenheimer*
Capital structure: *24,1m ords Market capitalisation R10,4bn*
Share market: *Price 43 000c Yields 3,1% on dividend, 4,5% on earnings, p e ratio, 22,3, cover, 1,4 12-month high, 44 800c, low, 23 700c Trading volume last quarter, 1,7m shares*

Year to March	*'91	'92	'93	'94
Net income (Rm)	178,2	235,5	247,6	462
Earnings (c)	788	975	1 025	1 930
Dividends (c)	775	975	1 025	1 350
Market value of investment (Rbn)	4,5	5,0	5,3	9,7

* 13 months to March

(210)

The last time I wrote about this company, in June last year, I said Amgold was already reflecting in its dividend income the profoundly better performance of SA's gold mines This process has accelerated and deepened

Investment income surged to R312m in 1994, compared with R234m last year — up 33% Interest earned held more or less steady at R51m (1993. R59m)

But the surplus on the realisation of investments of R137m made the big difference Last year, this was a modest R15m and the comparison is sufficiently startling to deserve detailed discussion in the Directors' report

However, chairman Nicky Oppenheimer reveals that Amgold continued its policy of switching into what he calls "longer life, relatively undervalued gold mines and this policy generated the surplus on the realisation of investments of R137m"

Amgold's Oppenheimer *switching to longer life mines*

Fm 15/7/94

Amgold sold out of Blyvooruitzicht entirely and partially out of Beatrix, Elandsrand, Ergo, Harties and Zandpan Interestingly, it picked up shares in Target, the Anglovaal company examining the area north of Loraine mine, Driefontein, Kloof, Southvaal, Vaal Reefs and Western Deeps and followed its rights in Eastvaal

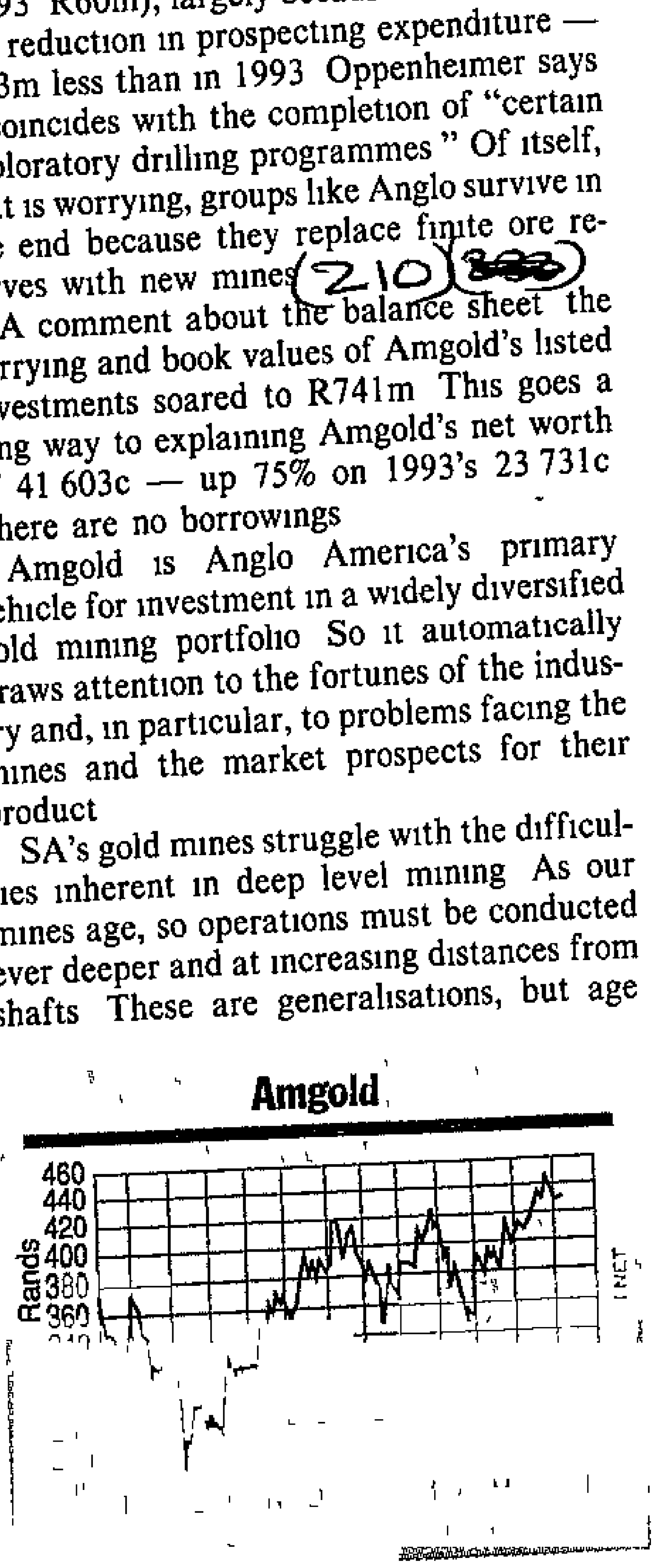
Costs this year were 37% lower at R38m (1993 R60m), largely because of a substantial reduction in prospecting expenditure — R13m less than in 1993 Oppenheimer says it coincides with the completion of "certain exploratory drilling programmes" Of itself, that is worrying, groups like Anglo survive in the end because they replace finite ore reserves with new mines (210)

A comment about the balance sheet the carrying and book values of Amgold's listed investments soared to R741m This goes a long way to explaining Amgold's net worth of 41 603c — up 75% on 1993's 23 731c There are no borrowings

Amgold is Anglo America's primary vehicle for investment in a widely diversified gold mining portfolio So it automatically draws attention to the fortunes of the industry and, in particular, to problems facing the mines and the market prospects for their product

SA's gold mines struggle with the difficulties inherent in deep level mining As our mines age, so operations must be conducted ever deeper and at increasing distances from shafts These are generalisations, but age

Amgold



Fm 15/7/94

and depth contribute significantly to the industry's rising cost profile

For a long period, the mines were rescued by improving end prices and, when that ended, by the steady devaluation of the currency But this easy ride stopped when the mines discovered in the late Eighties that the only answer to the tightening noose was to address dramatically the twin issues of productivity and profligacy Impressive improvements have been made and the industry has been saved but the cost in jobs lost has been high (210)

For the last three years, the mines have benefited from cost-saving measures put into effect earlier but those are running out now So, once again cost-push is emerging as a factor — and, this time, effective remedies will prove much more elusive

What happens to the gold price, therefore, is critical But, and despite all the erudition thrown at it, predicting bullion's path is something which makes brave men pale If all else fails, though, SA mines can usually rely on a currency devaluation to come to their rescue

I am nowhere near as certain this time around about Amgold's short-term future as I was in June last year In those circumstances, I'm inclined to believe it is a stock which has given its best in this cycle

David Gleason

Buys Shell metals division for $1-bn

Gencor brings home Billiton

Star 27/7/94

BY DEREK TOMMEY

Gencor has crowned 14 months of tough bargaining by buying Royal Dutch/Shell's Billiton metals and minerals division.

The acquisition of what will be called Billiton International will make Gencor one of the world's leading diversified resource groups with substantial earnings and growth potential, says chairman Brian Gilbertson

The purchase price is $1,144 billion, or R4,23 billion.

None of this money is coming from South Africa and Gilbertson says none of the organisations lending funds for the acquisition has any claim on Gencor

"Because of happenings in recent years, South Africa lost the yellow jersey of international mining It is time to win it back," he says

The enlarged Gencor-Billiton group will become the world's fifth-biggest producer of aluminium

It will also be a world leader in the production of coal, platinum, nickel, gold, mineral sands and ferro-alloys/steel

Referring to the huge potential of the group's aluminium resources, he says that should the aluminium price rise to the level of four or five years ago, the metal could well contribute the majority of Gencor's earnings

However, probably of more immediate interest to Gencor shareholders is that at current commodity prices, the acquisition will have a positive impact on earnings.

Brian Gilbertson . lost the yellow jersey.

Had the acquisition taken place last year, when the aluminum price was $1139 a ton, it would have reduced Gencor's earnings by 4c a share

A $150 increase in the aluminum price would have left earnings unchanged

Billiton International will be 100 percent-owned by Gencor

However, Shell is not completely out of the picture.

It has subscribed for $300 million exchangeable bonds, which it will have the right to convert into Billiton equity on a reducing scale between 1995 and 2004

The bonds will be interest-free for the first three years But Shell will be entitled to receive a portion of any dividends declared in this period.

The transaction is aimed at ensuring that Gencor financially can get comfortably through the first three years

However, the improvement in the aluminium price from about $1100 a ton to $1500 a ton since the start of the year had greatly improved Billiton's cash flow (210) [redacted]

Gencor will fund the $1,144 billion by $335 million in cash, $509 million in debt facilities and $300 million in the Shell exchangeable bonds

Gencor will raise the $335 million in cash from the sale of certain non-core offshore assets, including its shareholding in TransAtlantic and Gencor's North Sea oil interests.

Gilbertson yesterday paid tribute to Gencor executives Bernard Smith, Mick Davis and Colin Officer for negotiating the contract and finance

He said that Dave Munro, who has been running the group's manganese business, has been appointed managing director of Billiton International

Gilbertson warned that the Billiton agreement contained a number of suspensive conditions, including the waiver of pre-emption rights and the conclusion of bank financing

Although these conditions should be met by the end of August, he advised Gencor shareholders to exercise caution in dealing in their shares until the completion of the transactions, which should take place by October

Assets worth $1,144bn taken over

Gencor takes the wraps off Billiton deal

B Day 27/7/94

(210)

MICHAEL URQUHART

MINING house Gencor yesterday unveiled its long-awaited $1,22bn (R5,5bn) deal to take over Royal Dutch Shell's mining business Billiton, one of the largest international takeovers by an SA company in recent years.

The deal, which will transform Gencor into a major influence in the international minerals and mining markets, will net the company assets in seven minerals from nine countries.

The new company — Billiton International — will house Billiton assets worth about $1,144bn, as well as Gencor's 50% stake in Richard's Bay Minerals and its Brazilian gold interests in Sao Bento, together worth about $420m.

Gencor chairman Brian Gilbertson said the company could eventually be listed overseas, and provide the mining house with a major chunk of its income.

The deal, which has been under discussion for more than a year, would be funded mainly through debt, Gencor said, with neither cash nor assets leaving SA.

In addition, there could be no recourse against Gencor or Richard's Bay Minerals should Billiton International default.

Gilbertson said exchange control restrictions had made it virtually impossible for Gencor to use its own capital to finance the purchase.

The funding of the transaction was via $335m in cash supplied by the sale of Gencor overseas assets, a $430m bank loan and $300m in exchangeable bonds taken up by a Shell subsidiary. There would also be a revolving loan facility of $170m to refinance and supplement working capital.

The $335m cash was raised by the sale of Gencor's assets in its offshore, non-core interests in TransAtlantic Holdings and certain North Sea oil assets.

The $300m bonds were interest free for the first three years, and could be converted by Shell into a 22%-29,5% stake in Billiton International.

The debt had been supplied by a consortium of banks led by Union Bank of Switzerland, and including Barclays, Credit Suisse and Dresdner.

Gilbertson said the acquisition left Gencor in control of quality mining assets which were relatively low-cost producers and cash generative. The deal turned Gencor into a major international player with international interests in aluminium, copper, nickel, zinc, gold and silver.

The price paid for Billiton's assets was good at current commodity values, Gilbertson said.

Former Samancor GM Dave Munro will be MD of the new company.

● Picture. Page 3
● See Page 11

Gencor 'biased towards aluminium'

B/Day 27/7/94

MICHAEL URQUHART

GENCOR's acquisition of Royal Dutch/Shell's mining and metals arm Billiton would leave it dependent on aluminium for 61% of its business, Gencor chairman Brian Gilbertson said yesterday.

This could make the company vulnerable to fluctuations in the aluminium price, but this was at the bottom of a downward cycle

Billiton assets would show a profit at the current level of aluminium prices of about $1 450/ton, but if the price recovered to its 1989 level of above $2 000/ton, cash flows would be huge, he said.

If the company became worried about aluminium playing too large a role, it could either put all the aluminium assets in a separate company, or list Billiton as a separate international company.

Gilbertson said 400 000 tons of Billiton alumina would go into Alusaf, which was being expanded for production of 646 000 tons. Nickel from Cerro Matoso in Colombia would also be used in Alusaf.

210

Gilbertson said there could also be synergies in terms of exploration, marketing and trading.

The acquisition would make Gencor the world's fifth largest player in the aluminium market, including the company's interests in Alusaf. The acquisition was "good value at today's commodity prices".

The R5,5bn acquisition leaves Gencor in control of a large number of bauxite, alumina, aluminium, gold, silver, zinc and nickel mines worldwide, and smelters and refineries.

The transaction gave Gencor aluminium interests in the Worsley bauxite mine in Australia, the Trombetas bauxite mine in Brazil, the Boke bauxite mine in Guinea and the Onverdacht and Onoribo and Accaribo bauxite mines in Surinam.

On the processing side, Gencor now had interests in the Worsley alumina smelter, the Alumar refinery and smelter in Brazil, the Aughinish refinery in Ireland and the Paranam refinery in Surinam.

In other metals, Gencor now controlled the Selbaie zinc, copper, gold and silver mine in Canada, the Cerro Matoso mine, the Bogosu gold and silver mine in Ghana, the Prima Lirang gold mine in Indonesia and the Pering zinc and lead mine in SA.

Gencor had transferred its 50% stake in Richards Bay Minerals and 82% stake in the Sao Bento gold mine in Brazil to Billiton International

Megadeal puts Gencor up where it belongs

(210)

ARG 27/7/94

Business Staff

GENCOR has crowned 14 months of tough bargaining by buying Royal Dutch/Shell's Billiton metals and minerals division.

The acquisition of what will be called Billiton International will make Gencor one of the world's leading diversified resource groups with substantial earnings and growth potential, says chairman Brian Gilbertson.

The purchase price is $1,144 billion, or R4,23billion

None of this money is coming from South Africa and Mr Gilbertson says none of the organisations lending funds for the acquisition has any claim on Gencor.

"Because of happenings in recent years, South Africa lost the yellow jersey of international mining It is time to win it back," he says

The enlarged Gencor-Billiton group will become the world's fifth-biggest producer of aluminium.

It will also be a world leader in the production of coal, platinum, nickel, gold, mineral sands and ferro-alloys/steel

Referring to the huge potential of the group's aluminium resources, he says that should the aluminium price rise to the level of four or five years ago, the metal could well contribute the majority of Gencor's earnings

However, probably of more immediate interest to Gencor shareholders is that at current commodity prices, the acquisition will have a positive impact on earnings.

Had the acquisition taken place last year, when the aluminum price was $1 139 a ton, it would have reduced Gencor's earnings by 4c a share

A $150 increase in the aluminium price would have left earnings unchanged

Billiton International will be 100 percent-owned by Gencor

However, Shell is not completely out of the picture

It has subscribed for 300 million exchangeable bonds, which it will have the right to convert into Billiton equity on a reducing scale between 1995 and 2004

The bonds will be interest-free for the first three years But Shell will be entitled to receive a portion of any dividends declared in this period.

The transaction is aimed at ensuring that Gencor financially can get comfortably through the first three years.

However, the improvement in the aluminium price from about $1 100 a ton to $1 500 a ton since the start of the year had greatly improved Billiton's cash flow

Gencor will fund the $1,144 billion by $335 million in cash, $509 million in debt facilities and $300 million in the Shell exchangeable bonds.

Gencor will raise the $335 million in cash from the sale of certain non-core offshore assets, including its shareholding in TransAtlantic and Gencor's North Sea oil interests

Mr Gilbertson yesterday paid tribute to Gencor executives Bernard Smith, Mick Davis and Colin Officer for negotiating the contract and finance

He said that Dave Munro, who has been running the group's manganese business, has been appointed managing director of Billiton International

Mr Gilbertson warned that the Billiton agreement contained a number of suspensive conditions, including the waiver of pre-emption rights and the conclusion of bank financing

Although these conditions should be met by the end of August, he advised Gencor shareholders to exercise caution in dealing in their shares until the completion of the transactions, which should take place by October

Gencor unveils Billiton takeover deal

Own Correspondent

JOHANNESBURG — Mining house Gencor yesterday unveiled its long-awaited $1,22bn (R5,5bn) deal to take over Royal Dutch Shell's mining business Billiton, one of the largest international takeovers by an SA company in recent years.

The deal, which will transform Gencor into a major influence in the international minerals and mining markets, will net the company assets in seven minerals from nine countries

The new company — Billiton International — will house Billiton assets worth about $1,144bn, as well as Gencor's 50% stake in Richard's Bay Minerals and its Brazilian gold interests in Sao Bento, together worth about $420m.

(210) CT 27/7/94

Gencor chairman Brian Gilbertson said the company could eventually be listed overseas, and provide the mining house with a major chunk of its income

The deal, which has been under discussion for more than a year, would be funded mainly through debt, Gencor said, with neither cash nor assets leaving SA

In addition, there could be no recourse against Gencor or Richard's Bay Minerals should Billiton International default

Gilbertson said exchange control restrictions had made it virtually impossible for Gencor to use its own capital to finance the purchase

The funding of the transaction was via $335m in cash supplied by the sale of Gencor overseas assets, a $430m bank loan and $300m in exchangeable bonds taken up by a Shell subsidiary There would also be a revolving loan facility of $170m to refinance and supplement working capital

The $335m cash was raised by the sale of Gencor's assets in its offshore, non-core interests in TransAtlantic Holdings and certain North Sea oil assets.

The $300m bonds were interest free for the first three years, and could be converted by Shell into a 22%-29,5% stake in Billiton International

The debt had been supplied by a consortium of banks led by Union Bank of Switzerland, and including Barclays, Credit Suisse and Dresdner

The price paid for Billiton's assets was good at current commodity values, Gilbertson said

Former Samancor GM Dave Munro will be MD of the new company

Gencor shares rise after Billiton deal

MICHAEL URQUHART

SHARES in mining house Gencor hit a year high of R12,25 yesterday as the market took a favourable view of the acquisition of Billiton. BDay

Analysts were predicting Gencor's earnings would grow anything from 33% to 50% due to the $1,22bn deal

Gencor unveiled the acquisition of the majority of Billiton's mining and metals interests earlier this week. The deal created a new company — Billiton International — which will act as Gencor's overseas minerals arm. 28/7/94

Billiton International will earn 60% of its revenue from aluminium interests, and analysts said about 90% of total revenue would come from base metals

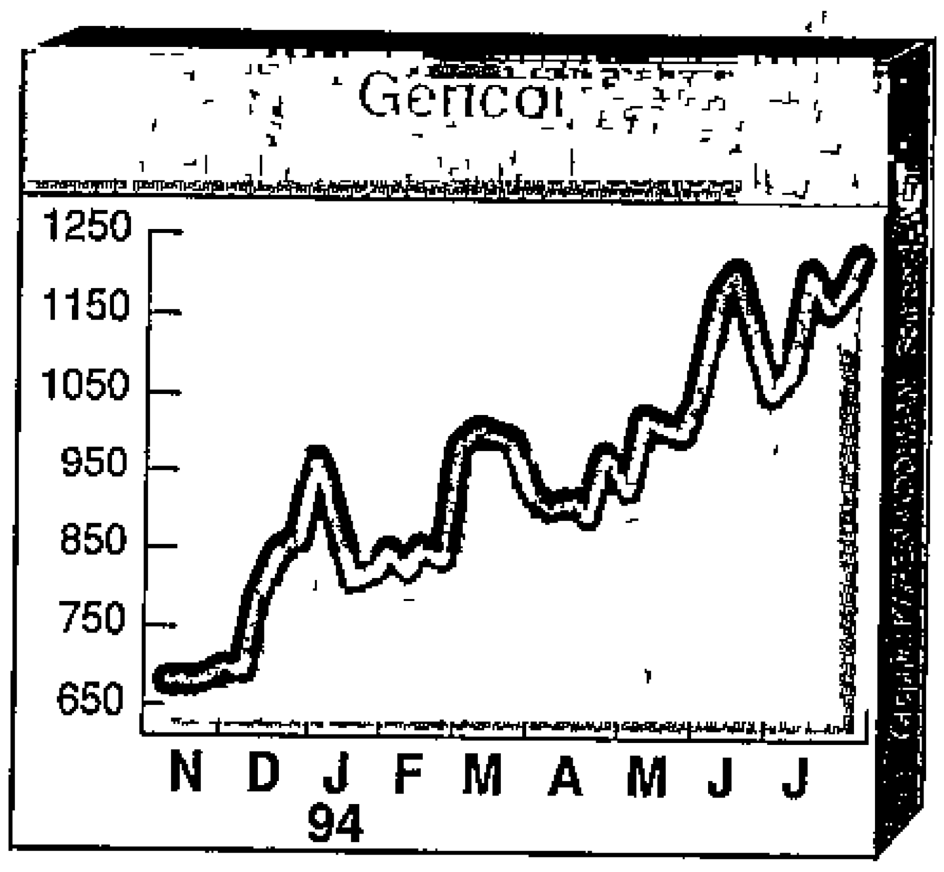
Analysts were bullish about the prospects for Gencor after the acquisition, saying even at current aluminium prices of about $1 400 a ton to $1 500 a ton, Billiton International should contribute to Gencor's earnings for the financial year to June 1995

They said the timing of the deal and the announcement had been perfect, as the pricing of the Billiton assets had occurred at the lowest point in a five-year aluminium price downturn

Frankel Pollak analyst Peter Davey said if the deal had been announced a month ago it would have been treated with circumspection, as the aluminium price had been languishing at a level of $1 300

He said one of the positive aspects about the deal was that it allowed no recourse to Gencor or Richards Bay Minerals should Billiton International default It allowed a recourse only against the dividend flow from Richards Bay Minerals.

In addition, Davey said, capex requirements for Billiton International over the next five years would be low, which would



mean cash flow would not be diluted by capital projects. 210

He said Gencor would probably look at refinancing Billiton when foreign exchange controls went. But he said the amount of debt carried by Billiton was not excessive when looked at against the whole Gencor group.

One analyst who was also positive about the deal said that since the pricing of the assets in October last year, aluminium had gone up 36%, copper had gone up 51% and nickel had risen 55% in dollar terms

He said that in a way Gencor should thank the Reserve Bank for delays in the negotiations, as the timing of the deal had been perfect

Aluminium and other base metals prices should continue to climb in line with improved growth in industrialised nations. He expected Billiton to look like a very good buy in two years' time.

He said the deal was positive for SA as a whole, as it showed that SA companies had sufficient international stature and the necessary skills to pull off major overseas acquisitions

GENCOR/BILLITON

FM 29/7/94

Getting into the big league

A complex financial deal creates a new world player

(210)

Every second day a 50 000 t ore carrier noses into the berth at Port Trombetas, deep in the Amazon basin more than 1 000 km from the Atlantic, to collect bauxite.

Loading complete, it heads downstream for the Trombetas river's confluence with the Amazon, then to the sea and a destination that could be Canada or a Brazilian refinery at nearby Sao Luis

Half a continent away, tucked into the Colombian cordillera in the foothills of the Andes, a 45-minute helicopter ride from world cocaine capital Medellin, is Cerro Matoso This is the mine that exploits one of the richest laterite nickel deposits and which last year produced 44m lbs of contained product

These are some of the assets held by Billiton, the former Royal Dutch Shell metals and minerals subsidiary, now part of the Gencor group Making the long-awaited, much-delayed announcement this week, chairman Brian Gilbertson told shareholders and analysts in Johannesburg and London that the deal has a price tag of US$1,2bn (R5,6bn converted at the finrand rate) Gencor is throwing into this pot its holdings in Richards Bay Minerals and the Sao Bento gold mine (Brazil) to form a new company called Billiton International, with assets of about $1,6bn

Remarkably, financing the purchase from owners Shell has been achieved without requiring the transfer of any capital from SA In a rare moment of weakness, Gilbertson admitted he frequently thought the project would fail because of what seemed like intractable financing difficulties Generously, he attributes success to Gencor deputy chairman Bernard Smith, who led the sometimes tortuous negotiations, and newly appointed financial director Mick Davis.

Gencor is contributing a modest $335m to the purchase price, raising $315m of this mainly through the sale of its holding in British insurer TransAtlantic, largely to UK institutions; and of its North Sea oil and gas assets, to Engen and unidentified third parties Shell has agreed to take $300m of exchangeable bonds; these carry conversion rights which, if fully exercised immediately, will give Shell 30% of Billiton's equity, reducing to 22% if the exercise is effected in three years More important, perhaps, is the fact that Shell is making a three-year, interest-free loan through these bonds; after the grace period, interest will be calculated at only 5% a year

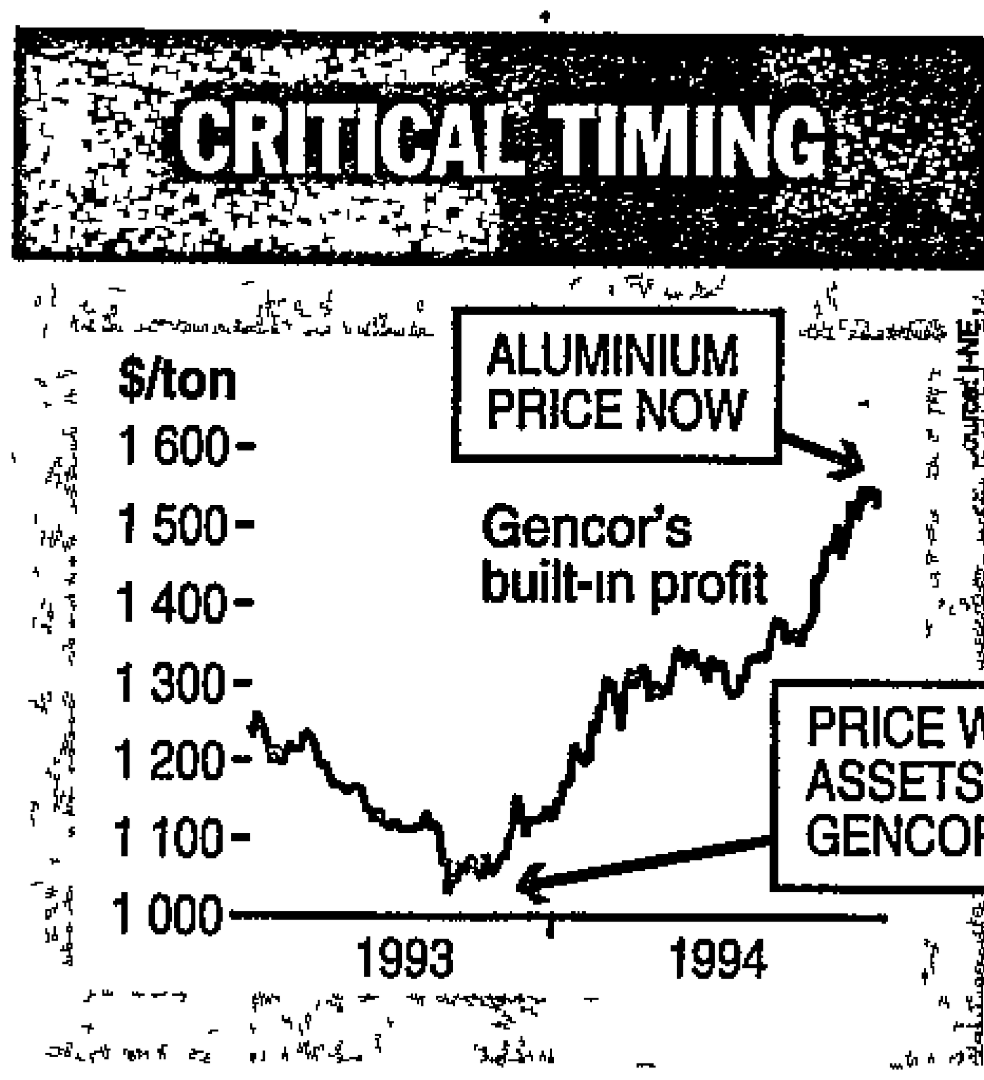
Shell holds the right to convert its paper at any time; in a sense, therefore, it enables the oil major to keep a foot in the base metals door over the next decade.

The balance of the purchase price, with working capital provisions (about $600m in total), is being provided by four major European banks led by Union Bank of Switzerland (and including Crédit Suisse, Dresdner and Barclays) Of this, $430m is a seven-year loan and $170m a revolving facility The borrowing arrangement is dealt with in four separate agreements. the first requires repayment of portions over seven years, the second envisages a bullet redemption at the end of the period; the working capital element may be repaid or restructured after seven years, finally, an amount of $65m over the seven years at what Davis describes as an expensive interest rate He declines to disclose precisely the rates negotiated· "Our intention is to refinance this deal as soon as we've developed a strong track record. I don't want to prejudice that However, we can repay our lenders early without attracting any penalties"

Gilbertson

Gencor shareholders will be attracted by the limitation on their company's risk profile in this deal the lenders of capital accept that their recourse is against the assets of Billiton only, not against Gencor in any shape or form Even the valuable Richards Bay Minerals holding, being contributed to Billiton, is effectively protected

The Billiton acquisition has the effect, at once, of catapulting Gencor from being an important SA mining house into the first ranks of world mining groups In what looks like an about-turn, Gencor distributed its holdings in important companies, such as industrial group Malbak and pulp & paper giant Sappi, to its shareholders last year



That left it smaller and concentrated exclusively in mining-related enterprises As a result Gencor's market value dropped from R21bn to about R14bn, the Billiton deal sends it back up the scale,

Of course, the truth for SA's mining groups — long recognised in a tough, unforgiving industry as being among the best — is that for years they were prevented from participating in the global race to secure the best mining assets The decades of apartheid and savagely applied exchange control prevented SA companies from taking part; that presented an open field to other players Australia's BHP and the UK's Rio Tinto grew because they were able to move money and assets at will — and, some will say, because SA's politics precluded any effective SA competition Only Anglo American mounted any kind of role, and that only because it already had limited external assets on which to base modest beginnings

What is interesting is that where Anglo and its international arm Minorco are concentrated in the copper end of base metals, Gencor-Billiton is now heavily involved in aluminium Given that Gencor is buying an already established business, whereas Minorco can pick and choose, Billiton is still an intriguing choice — and not least because it positions an important SA group strategically in an industry for which the underlying feed stock is absent in this country So the choice has novelty value as an added factor.

Billiton's assets are comparatively concentrated and the emphasis on aluminium-related business is transparent

In Brazil, for example, which accounts for 40% of Billiton's 1993 revenue, Billiton's investments are exclusively aluminium. bauxite mining at Trombetas (14,8% share), alumina at the Alumar refinery (36%), aluminium at Alumar (46%), and aluminium at the Valesul smelter outside Rio de Janeiro (41,5%).

In Australia, Billiton holds a 30% interest in the Worsley bauxite mine/refinery in the Darling range south of Perth, the operation is managed by American producer Reynolds. In Surinam, Billiton's involvement is in bauxite mining (76%) and alumina production (45%) And the company holds a large investment in the Aughinish refinery (alumina) in Ireland, which is fed substantially with bauxite from Guinea's remarkable

FM 29/7/94

Boke mine (3% holding).

Of Billiton's other interests, nickel is high on the revenue list (7% of revenues last year), represented by the Colombian Cerro Matoso project in which the company holds 52%. Production from Colombia could be applied in SA's Columbus stainless steel project (in which Gencor holds a one-third interest) and SA's better grade nickel could be exported.

Smith

Gold production is a modest 9% (from Indonesia's Prima Lirang and Ghana's Bogosu mine) but that will be bolstered by the contribution to come from Sao Bento (Brazil, 82%). The rest of Billiton's assets are concentrated in zinc and copper, mostly at Selbaie in Canada.

While all this is of interest, it tends to divert attention from Billiton's rotten last few years, in a period of disastrous aluminium prices. In 1989 the company produced pre-tax and interest profit of $346m; by 1992 that had turned to a loss of $17m, and last year the loss was $3m. Cynics will be excused for pointing to this track record as a good reason for Shell's decision to divest, a proposition probably far off the mark.

After months of complex negotiation, Gencor's team struck an acceptable deal last November. Once that was done, certain Billiton assets which Gencor couldn't afford to finance were shed, included in the disposals are Collahuasi, the 4 600 m-high Andean copper prospect held with Falconbridge and Minorco (through copper producer Mantos Blancos), and Boddington, the biggest of the Australian gold producers. And Billiton's loss-making downstream operations have been similarly avoided. Cutting its coat according to the cash available has ensured that the final purchase price is one Gencor can afford to pay.

And, coincidentally, November marked the nadir of the aluminium price, which touched a low of $1 040/t, since then, it has climbed steadily. It means that Gilbertson has bought, as it were, into the money and at a low price: he is already showing profits on November's number.

However, that detracts from an area of real concern, the likely performance of aluminium. In discussion with the *FM*, base metal industry research group Brook Hunt's Huw Roberts makes it clear that though aluminium is a metal with good demand prospects, ominous warning signals abound. Reviewing the immediate past, Roberts says the shock to the system came when the second largest producer and major user, the CIS states, "experienced a sudden, catastrophic fall in demand ... 2 Mt of demand was wiped out, as it were, overnight when funding was slashed for the primary user, the Russian air force. Internal demand for industrial usage collapsed; for example, orders for machine building fell 45%."

These events led, despite Western trading intervention, to an unprecedented stock of aluminium overhanging world markets. These stocks now stand at 2,6 Mt, alarmingly large and certainly big enough to prompt urgent agreement among major producers (achieved on a governmental level to avoid anti-trust allegations).(210/382)

A Memorandum of Understanding concluded in Brussels in October and confirmed in Ottawa resulted in co-ordinated production cuts between October 1993 and September 1995, the intention is for Western producers to reduce output by 1,5 Mt and the CIS by 500 000 t. In fact, the reduction is probably about 800 000 t.

Nevertheless, despite missing the desired reductions in output, producers have certainly succeeded in moving the price, now 50% higher than six months ago.

The question is whether current prices can be sustained. For Gilbertson, an important issue is whether to hedge forward a part of Billiton's material (in most cases, the company's joint venture arrangements provide for it to receive a proportional share of production, but not dividends).

He says that forward selling a portion of Billiton's production for two years will guarantee the loan repayments schedule, so it is a tempting alternative.

Four final issues need to be considered. The first is that Billiton and Gencor between them occupy an unusual position in world aluminium. It is an industry dominated by majors such as Alcoa, Alcan, Reynolds, Pechiney and Norsk Hydro, and all are paranoid about protecting the security of aspects of their individual technology. It is a syndrome which leads to suspicion and distance.

Unusually, Billiton spans these global divides. It is in bed in various ventures with Alcoa, Alcan and Reynolds, Gencor is using Pechiney technology for its Alusaf expansion. And it leads to the conclusion that Billiton-Gencor is in an extraordinary position to provide bridges for an industry whose penchant for suspicion often encourages it to shoot itself in the foot.

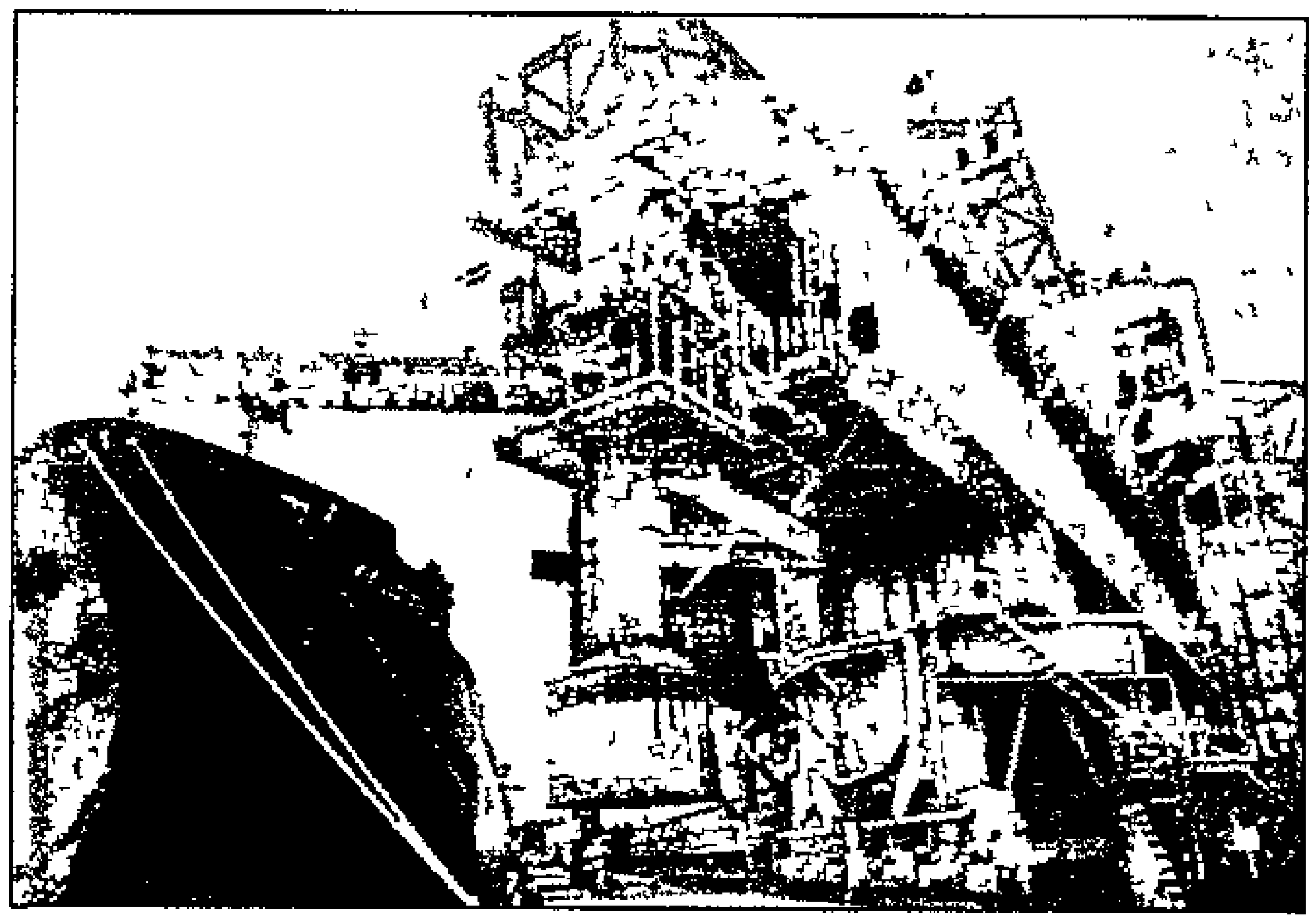
In short, Billiton can provide acceptable and neutral industry leadership in crucial areas such as production quotas.

Second, there is the little matter of Alusaf's role in all this new arrangement. Alusaf's massive Hillside smelter project (R2,7bn) will turn it into one of the world's biggest aluminium producers. Combined with Billiton, it makes the group a formidable competitor.

It seems, therefore, that Gilbertson, probably quite soon, will seek to spin off Billiton's aluminium assets and put them — with Alusaf — into a new world-class aluminium company, listed on the major exchanges. Gilbertson won't be drawn on this but it is an assumption given weight by Davis's statement that Gencor will want to renegotiate the Billiton financing package soon.

Third is the short-term impact Billiton will have on Gencor's fortunes. Some analysts believe putting Richards Bay Mineral Sands into the Billiton pot will damage Gencor's bottom-line earnings: last year Richards Bay contributed 5,7c to Gencor's EPS.

Frankel Pollak research director Peter Davey disagrees. "I think Billiton will contribute immediately," he says. And the method of putting Richards Bay into Billiton will leave the dividend stream to Gencor unaffected, so Davey expects Richards Bay to contribute 8,5c this year to Gencor's EPS of 37,5c (reduced on 1993 because of a 10-month year).



Billiton in Brazil .. *all on a big scale*

Finally, there's the issue of where Gencor will be positioned at the turn of the century. Gilbertson wants Gencor to be an undisputed world player, first in ferro-alloys, second in platinum and mineral sands, third in gold and in the top 10 parade in aluminium, stainless steel (Columbus), coal and nickel. Billiton is an integral part of that vision, though Gilbertson is the first to admit it's taken an unconscionable time.

"The only reason he's persisted with Billiton," says a fund manager, "is to satisfy his ego." Used in this sense, ego is pejorative, it is an accusation frequently levelled at Gilbertson. "It's a good job he has (a big ego)," responds a senior broker. "It's the only way to get Gencor moving. Beside, no-one complains now about Donny Gordon, do they?"

Gencor's move to establish itself as a significant international resource group is the first major deal to be announced since SA returned to the world community.

If it sets any precedents, the most important is that SA businessmen are once again proving themselves worthy competitors in the biggest arena.

David Gleason

Gold mines 'must avoid labour unrest' for revival

MICHAEL URQUHART

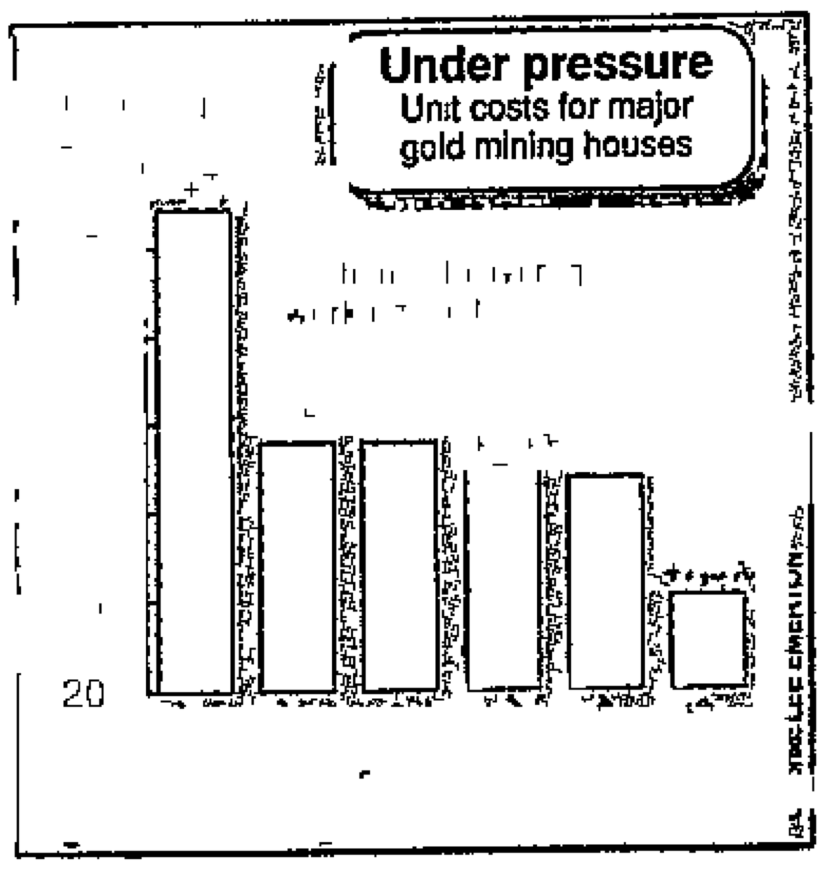
SA GOLD mines had been hammered by election-related disruptions in the June quarter, and a revival of their fortunes hinged on avoiding labour unrest in the current three months, analysts said at the weekend.

One analyst said the mining houses could have massaged the quarter's results to discourage heavy wage demands from workers

With the threat of strike action hanging over the industry, mine management faces the spectre of rising costs caused by wage increases, or more production disruptions A 10% increase in the wage bill would immediately translate into a 5% increase in working costs.

Davis Borkum Hare analyst Dave Giese described the adverse effects of the elections and lower productivity as the "lowlight" of the quarter.

He said the disruptions, which were a reflection of a power struggle within NUM as well as the result of unfulfilled expectations among the workforce, could be carried across into this quarter. 210



Labour disruptions would continue until the workforce realised it was hurting itself and the country as a whole, he said. But he said it was difficult to compare quarters, as factors such as the transitional levy had distorted the bottom lines of many companies, especially those with a June year-end.

Companies with a June year-end had to put four quarters worth of transitional levy into one quarter.

Giese said the large increase in unit costs at most mines had been caused by a drop in throughput, but he expected this to be a one-off drop.

He said capex and development was in line with expectations, and would probably not go up unless the gold price went up substantially

Gengold was praised for its decision to publish total economic reserves, rather than just proven reserves. Analysts said this brought it in line with international mines, made it possible to do accurate life of mine calculations and made comparisons and forecasts easier.

Anglo American's mainstay Freegold mine, which had 23 separate incidents of labour disruption, was picked out as the mine with the most disappointing results Other mines singled out were those managed by Randgold & Exploration, particularly ERPM. Good performers were more difficult to isolate, but included JCI's Western Areas and Anglo American's Ergo

Genbel seeks first prize

S I Times (Buss)

SHARE prices on the JSE will strengthen by at least 20% over the next 12 months in line with expected corporate earnings growth, says Genbel, South Africa's leading investment trust

By SVEN LUNSCHE

Since its unbundling from the Gencor group in November last year, Genbel has increased the exposure of its R5-billion portfolio to financial and industrial equities, shifting from a focus on natural resources counters

"We now see ourselves as the first South African share that local and foreign investors should buy," says Genbel executive director Peter Cronshaw.

In the 12 months to end-June the value of the group's investments rose sharply, to R5,08-billion from R3,39-billion

However, this excludes treasury liabilities of R930-million representing the bulk of the R1-billion loan raised at the time of the unbundling to expand the group's portfolio.

The dividend was dropped by 42% to 21c from 36c a share

A more realistic assessment of Genbel's performance is the 50% rise in its share price to 875c and a 53% increase in net asset value to R10,50 between November and mid-August

Attributable earnings for the 12 months dropped by about 50% to R297-million, but the comparable figure in 1992/3 included a R352-million gain from asset sales prior to the unbundling

The net investment gain in 1993/4 totalled R366-million, comprising R258-million from share transactions and R108-million from derivatives trading.

Mr Cronshaw explains that Genbel earlier this year was bullish in the futures market and that it was one of the beneficiaries of Sechold's futures disaster.

Turning to its R5,08-billion share portfolio, he says that Genbel had not yet sold significant portions of its commodity shares

"We expect the commodity cycle to reach its peak over the next 12 to 24 months at which stage we would be ready to sell" The funds earned from the sale will, in part, be used to pay off the R1-billion loan

Assessing the exact timing of the sale is difficult though, he says, as the export earnings of commodity producers will improve with the lifting of foreign exchange controls and the subsequent devaluation of the rand (210)

Over the last few months Genbel's commodity portfolio has also benefited from a more positive sentiment towards some of its natural resoures shares, particularly Sappi and Impala 21/8/94

Together with Engen, these three former Gencor subsidiaries still account for about a third of Genbel's investment portfolio

Genbel also raised its exposure to three "development assets" — Alusaf, Randex and Oryx Following the improvement in the aluminium price, Genbel invested R45-million in Alusaf during the year and plans a further R25-million investment in December.

It has provided a R40-million bridging loan to Oryx, lifting its total exposure to the gold mine to R233-million

Its extraordinary provisions against the development assets were maintained at R80-million, although these are now solely devoted to a possible diminution of its Oryx investment

Altogether its commodity portfolio at the end of June was valued at R2,96-billion

The financial and industrial portfolio of R2,3-billion included new investments of R110-million in Servgro and R258-million in Richemont as well as a significant increase in its Murray & Roberts holdings

Mr Cronshaw expects these shares to record strong earnings growth in the 12 months ahead in line with the economic upswing

He warns, however, that economic growth prospects will depend on strong capital inflows

"This will be more readily achieved if there is major progress towards removing exchange controls in the near future," he says

SERVICE

Surge in Anglo share price

BDay 3/8/94

MICHAEL URQUHART and MUNGO SOGGOT

ANGLO American's share price surged to a R253 annual high yesterday, but analysts were divided over the reasons underpinning the share's gains

The share touched R256 over the day, but slipped back to R252 following a fall in the gold price, before closing at R253

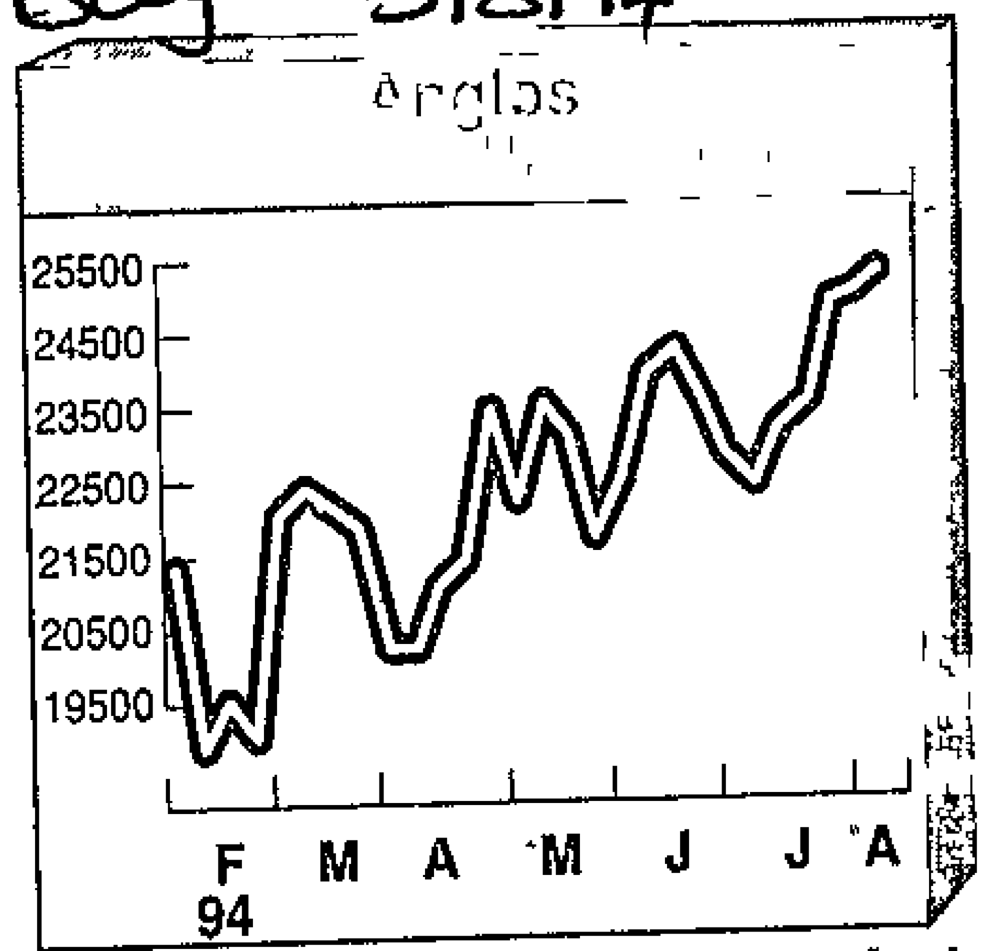
One camp of analysts attributed the rise to a pick-up in general market sentiment, which would have had an immediate effect on the JSE bellwether stock

One analyst said Anglo subsidiary Highveld Steel & Vanadium's strong financial performance — which chairman Leslie Boyd attributed to a pick-up in domestic steel demand — could have lifted the Anglo counter as Highveld Steel shares were "very hard to get hold of"

The other camp said the share had not been traded in very high volumes and that most of the interest in the unit had probably been from offshore, as most local institutions considered Anglos and associate De Beers to be overpriced

Anglo's results for the year to March had outstripped market expectations as the group pushed earnings up 20% to R1,7bn and lifted its dividend 14% to 395c

An analyst said the counter could have attracted frustrated investors who "grew over-excited about the rapid climb in com-



modity prices" and started pursuing leading mining financial counters

There was also speculation that the group was about to make a major announcement — which one analyst believed could be either the creation of a supermine south of the Sand River in the Free State or a new African project However, Anglo denied this

(210)

One analyst said Anglos' earnings looked set to climb and that the share also provided a sound hedge against labour unrest

Anglos had built up a large reserve of cash, which could be used to bring a major new project on stream quickly. He added that any depreciation of the rand was also likely to push up foreign earnings

Gold Fields may write off R700m

BDay 3/8/94

MUNGO SOGGOT

GOLD Fields could write off about R700m from its Northam Platinum stake if it followed mining investment subsidiary New Wits's decision to take a provision against the ailing platinum mine, analysts said yesterday. (210)

New Wits, unveiling its results for the year to June, said it would take a R35m extraordinary charge to cover the devaluation 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 announce its decision when it published its results.

Northam said no inference should be drawn from New Wits's provision.

New Wits — which owned 2,51-million Northam shares at the end of 1993 — said the move followed the persistent low market value of Northam shares. The shares were fixed 50c higher at 625c yesterday, against a R29 peak in 1992. The Zondereinde mine called a R350m rights issue in 1993, but was soon forced to seek a R220m bank loan. The bulk of that cash has been exhausted. The mine's future now hinges on a technical assessment.

Stockbrokers said the write-offs should not affect the market's valuation of New Wits or Gold Fields as valuations would already have discounted the difference between Northam's market price and its carrying cost in New Wits's balance sheet.

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 firmer gold price had helped push its investment income up 20% to R20m (R16m). New Wits's expenditure rose to R3,9m (R2,7m), R1,8m of which had been spent exploring reefs in the southern Free State.

Total mining production figures show sharp decline

BDay 4/8/94

MICHAEL URQUHART

TOTAL mining production for the three months to April showed a sharp decline from the previous three months, according to latest figures released by the Central Statistical Service yesterday.

The figures show that total seasonally adjusted mining production fell 5,3%, while sales of minerals decreased 4,9%

The value of sales for the three months to April was R11,6bn, strongly down from the previous three months' figure of R12,2bn

The figures for March against those for March 1993 show strong falls in gold, coal, asbestos and other metallic minerals, with diamonds, copper, iron ore, building materials and manganese above last year's levels. Total production for the month was down 4% on March 1993.

Chamber of Mines chief economist Francois Viruly said he viewed the fall in production as extremely worrying in view of its implications for the country Mining currently directly contributes 9% of the GDP

The success of the reconstruction and development programme depended in part on the ability of the sector to expand exports, he said. It was viewed by government as vital for the earning of foreign exchange to support the programme.

He said the mining industry constituted 75% of the country's exports

Viruly said the fall in production could be attributed to disruptions related to the elections.

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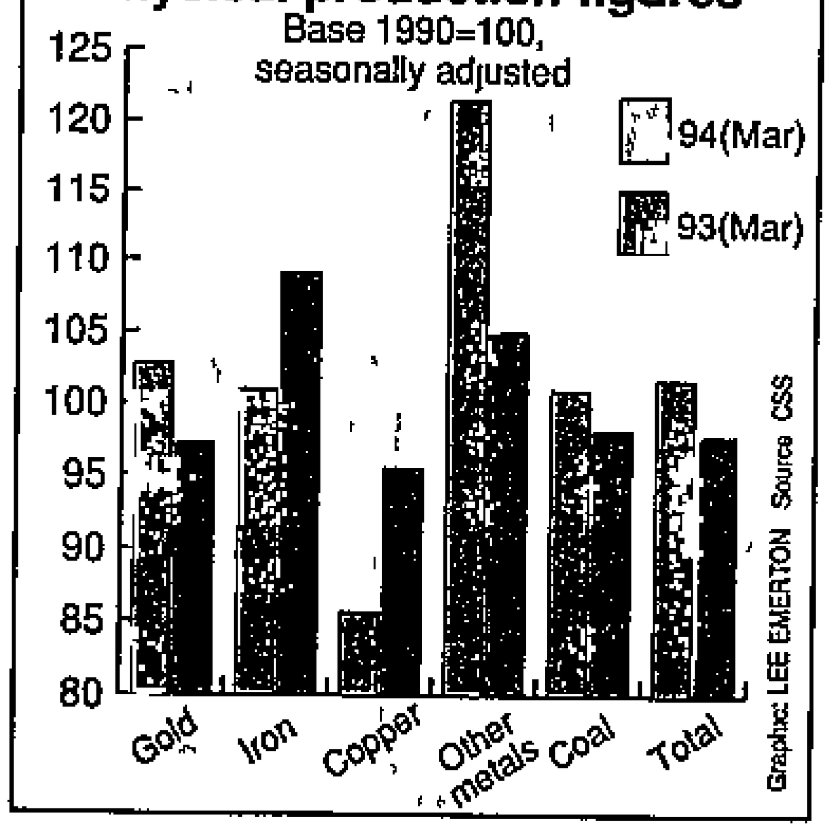
Commodity prices had only started moving up fairly recently, he said The fall in mineral sales could be attributable to the fact that many contracts were signed while the commodity cycle was still in its trough

Physical production figures



Antimony demand gives Cons Murch share a lift

MICHAEL URQUHART

SHARES in JCI-owned antimony producer Consolidated Murchison surged 47% yesterday to close at R22, following a broker's report predicting 1994 earnings at nine times their 1993 level. B/Day

The share price was more than seven times its R3 low last September. In the forecast, Baring Securities said the stronger antimony price could result in a profit of R45m for Cons Murch. 9/8/94

Even if antimony dropped to \$2 500 a ton, it said that on Cons Murch's output of 3 900 tons it would be trading on a prospective price-earnings multiple of only 2,6

The company mines concentrates in the eastern Transvaal, with gold and silver produced as by-products During the years of low antimony prices, the company concentrated more on producing gold

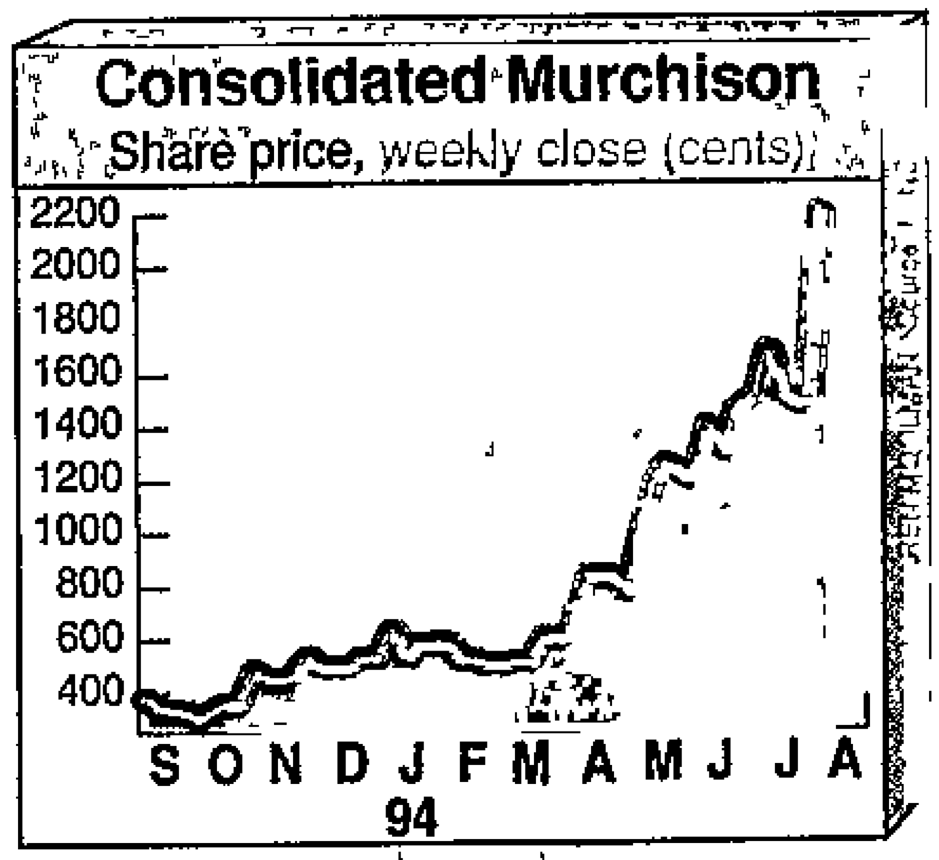
The antimony price, which started the year at around \$1 600/ton, was now above \$5 000/ton (210)

Cons Murch marketing director Paul Coenen said the sudden surge in the share price could possibly be linked to the strength of the antimony market.

He said the price had been about the same as last week, and the movement was probably due to speculation

The company produced a 60% concentrate which had to be converted before it could be used to produce antimony oxide.

Coenen said the market was led by the antimony price, which should continue to strengthen due to good fundamentals.



He pointed to growing world demand, decreased Bolivian production and supply problems in major world producer China as factors behind the price increases

JSE analysts said the share's gains were not justified by the earnings potential of the company. They said any profit which Cons Murch made would be coming off a very low base

One analyst said the price of antimony would have to treble or quadruple before Cons Murch made the profit forecast by Baring Securities The majority of the company's revenue was earned from gold, which had remained fairly static, he said.

Mining profitability decreases

Star 10/8/94

BY CLAIRE GEBHARDT

The profitability of mining companies decreased in the first quarter of 1994, compared with the previous quarter.

(210)

Latest statistics from the Central Statistical Service (CSS), released yesterday, put the profitability ratio of mining firms at 17,7 percent for the first quarter of 1994 — 5,6 percentage points lower than the previous quarter's 23,2 percent

The relative ratio of interest paid to turnover increased by 14,9 percent, while capital expenditure on new assets to turnover decreased by 25 percent.

Net profit for the first quarter of 1994 was 18,1 percent lower than for the fourth quarter of 1993

However, net profit for the year ended March 1994 was 45,9 percent higher than for the year ended March 1993.

Income tax and company tax virtually doubled by 89,9 percent over the same period

Assurance on mineral rights

THE ANC has assured the Department of Mineral and Energy Affairs that it wanted to widen access to mineral rights, not limit it to the state, department chief director Mr Jan Bredell said

Mr Bredell said Mr Paul Jourdan of the ANC's mineral and energy policy centre said he was only "opening up debate" on the issue when he mentioned the possibility of all mineral rights being held by the state

(210) CT 11/8/94

"It is common ground that there must be a balance between security of tenure and access to mineral rights," he said

Mintek calls for beneficiation

BDay 15/8/94

MICK COLLINS

THE Council for Mineral Technology (Mintek) has called on government and industry to unite in a drive towards the manufacture of finished products that would support the reconstruction and development programme (RDP).

Mintek president Aidan Edwards said at the weekend that rapid GDP growth was SA's top priority, but the GDP per capita in turn could only be increased by the wealth that resulted from industrial growth

He said SA was the undisputed leader in mineral potential with "stunning" reserves.

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Minerals were the mainstay of the economy, he said, but many were exported in relatively unbeneficiated form, with billions of rands being "scattered to the winds".

It was only through further beneficiation that the necessary "dramatic" growth could be achieved The value of finished products could be as much as 10 times that of the most sophisticated raw material.

Beneficiation was part of Mintek's long-term policy, Edwards said With the advent of the Namakwa Sands project, titanium slag would be produced. From the slag, titanium pigment (used in the paint industry) could be produced. Also, space age titanium metal could be made

"We have the world's largest resource of manganese which could help set up further stainless steel prodcution facilities using manganese as a feedstock," he said

In the chrome field SA was again dominant, but not enough was being done to beneficiate. Some beneficiation had taken place in the platinum industry with the setting up of plants to manufacture auto catalysts "but this is only a drop in the ocean. Also gold, of which only 0,2% is beneficiated by the jewellery industry in SA, could be improved upon".

The labour sector had been critical of the setting up of the Alusaf aluminium project and the Columbus stainless steel project which would only create 5 000 jobs at a cost of about R10bn. "But what cannot be ignored is that these plants will create wealth which in turn will create jobs and lead to bigger tax revenues"

Edwards said that in the case of education, even the present skewed expenditure was 22% of the national fiscus although expenditure per capita in SA was $195 — paltry when compared with the US's $1 500.

He said the excitement generated by the massive upliftment programmes planned by government had tended to obscure the fact that enormous amounts of money would need to be found The mineral and metallurgical industry was ideally placed to provide the solution

The RDP was a comprenhensive and laudable analysis of the problems inherent in issues such as land reform, health care and education

"The plaudits that the programme has received are richly deserved, but a hard look at the facts soon reveals the enormity of the undertaking"

The message, Edwards said, was clear "Go downstream We need to aim at making SA a leading producer of finished precious-metal and other metallurgical products That is where our future prosperity lies."

Parliament warned on regulating mines

CAPE TOWN — Chamber of Mines president Jurie Geldenhuys yesterday urged Parliament to limit the regulation of the mining industry and to provide a stable operating environment.

B/Day

"The state's regulatory role should be confined to the minimum, to ensure safe and orderly production," Geldenhuys told a parliamentary select committee on mineral and energy affairs.

18/8/94

"We need deregulation, not more and more control," he told the committee chaired by former National Union of Mineworkers acting secretary-general Marcel Golding.

Responding to questions, he resisted calls for increased regulation of mining house expenditure on adult education, housing and after-care for disabled miners.

"We are a price-taker on the international markets. We get the price and we have to produce gold under that price."

NP legislator Johannes Niemann took issue with Geldenhuys on education. He said: "It's a moral obligation of the chamber to ensure that everyone who works for a mine is at least literate."

(210)

ANC members insisted mines should offer every employee a career growth programme that would include transferable training.

"I have a fundamental problem with that. At the end of the day, that moral obligation costs money," Geldenhuys responded.

He said the first obligation of mine owners was to investors, but the chamber was concerned about keeping the industry alive and not only about profits.

"We need a stable taxation system. If you decide to impose levies on us and increase working costs, you will sterilise minerals in the ground. Tax profits if you wish, but don't increase our costs."

Geldenhuys urged the committee to avoid changes to rights legislation and to stay out of the relationship with labour.

"Please do not put laws on the books that we cannot mine on Saturdays and Sundays. That should be between employer and employee."

On staff housing, Geldenhuys said: "Homes have to be affordable. We cannot strive for standards that are too high too quickly. We've got to set realistic goals."

"My plea is that you make sure you understand the problems from everyone's point of view — employer, investor, labour, government — before you make a decision." He said the industry should hold a meeting with the mining houses, government and employee representatives to find solutions to problems.

"The contribution to the reconstruction and development programme could be discussed at such a meeting."

He said about 45% of foreign exchange earnings came from raw mining products. This was increased to between 60% and 70% when the materials were processed.

SA had moved from being the cheapest producer of gold in the mid-1980s to one of the most expensive because of the cost of extraction and increased labour costs. — Sapa-Reuter.

Mines call for deregulation

CT 18/8/94 (210)

CHAMBER of Mines president Jurie Geldenhuys yesterday urged Parliament to limit the regulation of the mining industry and provide a stable operating environment

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Responding to questions, he resisted calls for increased regulation of mining house expenditure on adult education, housing and after-care for people disabled in mine accidents

"We are a price-taker on the international markets We get the price and we have to produce gold under that price

"It's impossible for the industry to take responsibility for educating of all employees and their children," he said

National Party MP Johannes Niemann took issue with Geldenhuys on education, saying "It's a moral obligation of the chamber to ensure that everyone who works for a mine is at least literate"

His comment was echoed by ANC members who insisted that mines should offer every employee a career growth programme that would include transferable training

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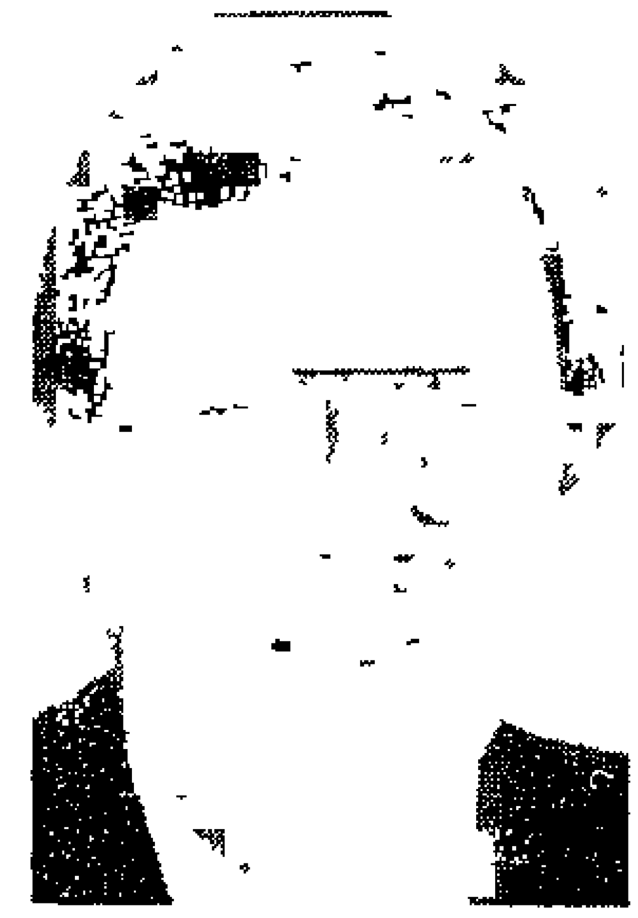


Deon Viljoen has been appointed chairman of the Hospitality Industries Training Board.

'Mining groups must meet'

210

CT 18/8/94

NATIONAL ASSEMBLY — The mining industry should hold a summit with the mining houses, government and employee representatives to find equitable solutions to problems in the industry, Mr Jurie Geldenhuys, president of the Chamber of Mines, said yesterday.

Addressing the select committee on Mineral and Energy Affairs, he said policies on the industry's contribution to the Reconstruction and Development Programme could be discussed, along with issues of safety, employment and health.

About 45% of South African foreign exchange earnings came from the sale of raw mine products, increasing to over 60% when the materials were processed.

South Africa had moved from being the cheapest producer of gold to one of the most expensive, owing to increasing labour and extraction costs.

To flourish, the industry needed an economic system driven by market forces with a stable system of taxation — Sapa

Genbel's net asset value up 53% after unbundling

MICHAEL URQUHART

INVESTMENT trust Genbel has announced a 21% rise in net asset value (NAV) to 950c for the year to June

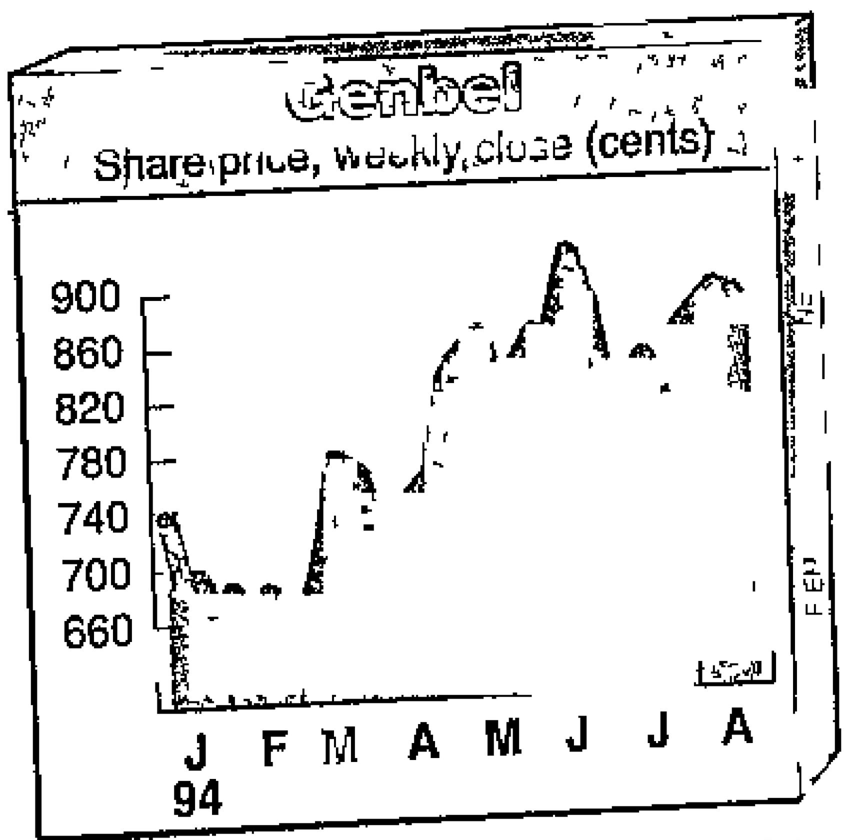
Combined with a 21c dividend for the year, the return to investors had been 33%, compared to a 35% return from the JSE all share index, the company said

Total assets — which included stakes in aluminium scheme Alusaf and Gengold's troubled gold mine, Oryx — stood at R5bn, with debt at R930m

The company, which unbundled from Gencor in November, said its performance had improved greatly since then Its NAV had risen 53% while its share price had climbed 50%. The all share index rose 45% during the same period

At June 30 the share price was 815c, meaning a discount to NAV of 14% The shares closed at 875c on Friday, which, with a NAV of R10,66, meaning an 18% discount to NAV

The 21c dividend — down from 36c in 1993 — was declared in line with a new policy of linking the dividend to the yield on the all share index



Genbel has transformed itself from Gencor's holding company into an independent investment trust The share moved from the mining holding sector of the JSE to the investment trusts sector in March.

However, it still has a large exposure to commodities, inherited from its days with Gencor (210)

Genbel director Peter Cronshaw said changing the make-up of the portfolio would take a number of years

Genbel felt it was not the right time to reduce its exposure to commodities and had instead relied on gearing to change the profile of its portfolio But Genbel had occasionally experienced problems with the liquidity of the market and had been unable to purchase certain quality industrials, he said

Genbel's core investments, which performed well during 1994, were Sappi and Impala

Cronshaw said investors had expressed concern about the level of gearing — which stood at 18% — but said that this level was the norm internationally

Genbel MD Anton Botha was bullish about prospects for the market, saying commodity-based businesses should benefit from higher international prices and the depreciation of the rand

Financial and industrial shares could expect growth in earnings in line with the economic upswing, he said He called for the removal of exchange controls to facilitate investment by foreigners

Genbel lifts market value 50 percent

Star 22/8/94

BY CHARLOTTE MATHEWS

Genbel, the mining holding company turned investment trust, increased the market value of its investments by 50 percent to R5,1 billion at June 1994 from R3,4 billion a year previously.

Earnings a share for the year were 68c, against 1993's 137c. A dividend of 21c (36c) is being paid

Director Peter Cronshaw said on Friday earnings were an unreliable yardstick for investment trusts because they depended on the timing of investment transactions

In addition, the prior-year figure included R352 million of gains from transactions ahead of unbundling last November, distorting any comparison

The net asset value (NAV) of the shares was 950c at June (785c in June 1993)

By the end of last week the NAV had risen further to R10,66.

At Friday's 875c, the shares were trading at an 18 percent discount to NAV

Investment trusts frequently trade at a discount. In Genbel's case this is due to perceptions that the portfolio is not sufficiently spread and the lack of tradeability in the shares

The trust is attempting to widen its shareholder base and already has 14 500 shareholders (5 000 before unbundling)

(210)

Genbel has been criticised for being overweight in some shares — 12 percent of the portfolio was in Sappi and 10 percent in Engen at June this year — and for being heavily represented in commodities

Although in the longer term Genbel will hold a broader spread of industrial and financial counters, Cronshaw said this was not the time to sell commodity shares.

He said Genbel shares were ideally suited to an individual making his first direct purchase after insurance policies and unit trusts, smaller institutions looking for a core investment and overseas investors wishing to buy a representative SA share

The second most active market in Genbel after the JSE is Brussels, where it has been listed for ten years

Genbel has over R1 billion in borrowings Cronshaw said gearing enabled it to take advantage of buying opportunities without having to sell other holdings

Midwits lifts earnings by 4% to R66,6m

B Day

MICHAEL URQUHART

ANGLOVAAL's mining financial arm Middle Witwatersrand (Western Areas) today announced a 4% increase in attributable earnings to R66,6m for the year to June, largely due to a R64,5m royalty from De Beers' Venetia diamond mine. 25/8/96

Profit before tax was up 39% to R105m, but a near doubling of the tax bill from R16m to R31,4m meant after-tax profit was up only 24% at R73,6m

Despite the increase in earnings a share of only 4% to 20,7c, the company paid out a final dividend of 7,8c. The total dividend for the year to 10c, 28% higher than the previous year

An Anglovaal spokesman said the company based its dividend on earnings a share before exploration, which increased 30% to 25,9c (210)

A royalty of R64,5m from De Beers' Venetia diamond mine was received by Midwits subsidiary Saturn Mining, which holds the mineral rights on Venetia

A portion of the royalty went to Anglovaal and also to Industrial Commercial Holdings, the listed company which owns a 12,5% stake in Saturn At present Saturn only receives 12,5% of Venetia's earnings after capex Saturn would net 50% of Venetia's earnings once De Beers had recouped the R1,1bn it spent on Venetia

Gencor shrugs off investment plunge

B/Day 31/8/94

MICHAEL URQUHART

GENCOR increased earnings 2,1% to R625m for the 10 months to June as a good operating performance was offset by a large fall in investment income.

A strong performance from Samancor, Gengold and the company's titanium mineral sands projects pushed operating income up 32,9% to R630m compared with the pro forma R474m for 1993.

Impala was the only operation which showed a serious decline, with the contribution from Gencor's platinum portfolio declining 24,2% to R75m. 210

Investment income was down more than two-thirds to R77m due to lower interest rates and a R1bn reduction in cash balances from Gencor's funding requirements.

Chairman Brian Gilbertson said further funding would be required this year and investment income was likely to decline further. The group declared a final dividend of 10c, bringing the total dividend to 15c on earnings a share of 45,4c.

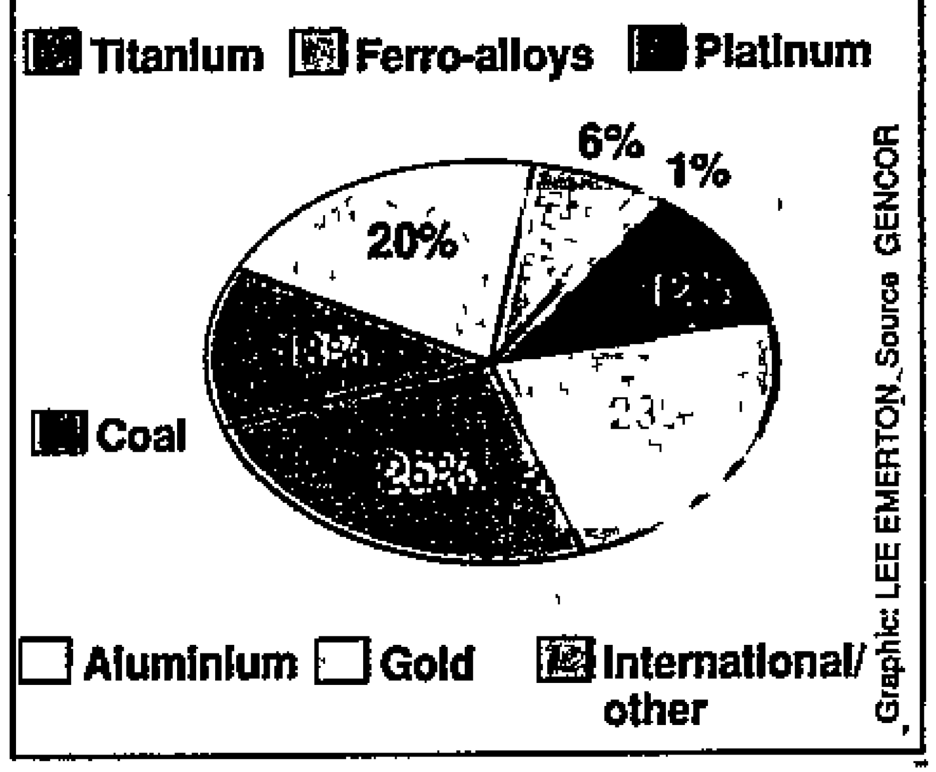
Gilbertson described the year as a remarkable period of growth, expansion and acquisition. The results had justified the decision to unbundle the group in November, with the share price rising 72% since then. The discount to net asset value had shrunk from 26% to about 3%.

The company had acquired the international mining assets of Billiton International, but these would be reflected only in

To Page 2

Contribution to Gencor by product

Total operating earnings R631m 1994



Gencor

B/Day 31/8/94

From Page 1

the current year's results. It was difficult to predict future earnings due to the acquisition. Even if the results of Billiton remained stable, it should make a substantial contribution to the company's bottom line.

Major projects Columbus and Alusaf were both going well, with Columbus on target for completion and Alusaf to start production next year. 210

Operating earnings should surge in 1996.

Rand commodity prices looked set to improve as the Japanese and German economies had joined the US in recovery, and the rand continued to depreciate.

But the current high domestic interest rates did not augur well for fixed investments, and the continuation of exchange control inhibited the development of normal capital markets, Gilbertson said.

Gencor mineral resources CE John Raubenheimer said Gencor was assessing a number of projects in southern Africa, West Africa, and South America. Most had shown promising results.

Gencor still finding its feet

Star 3/8/94

BY DEREK TOMMEY

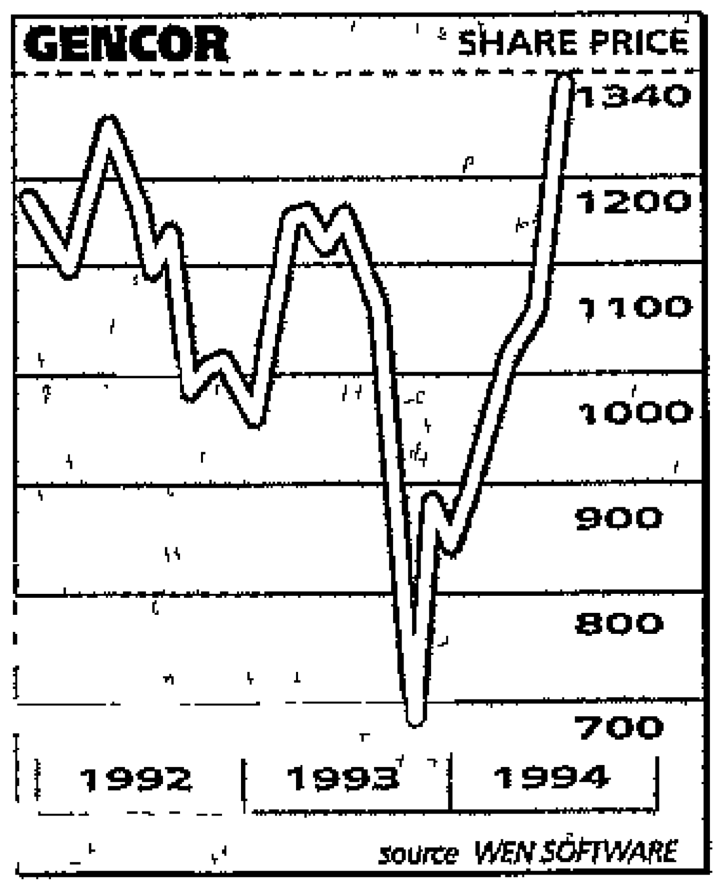
With mining house Gencor still in a transitional stage, too much should not be made of current profit figures

Gencor unbundled last year, disposing of shares in many investments with the intention of concentrating on becoming one of the world's foremost natural resource companies.

As a result, earnings for the 10 months to June were affected by the loss of dividend income from the unbundled investments.

At the same time the results do not yet include income from new investments: major overseas resources company Billiton and, since this week, Randcoal

Against this background, attributable income for the 10 months of R625 million, which was 2,1 percent more than the R612 million earned in the preceding 12 months, seems highly creditable



Earnings a share were equal to 45,4c (pro forma 44,5c) and a final dividend of 10c has been declared, making 15c for the year Before unbundling, it paid a final dividend of 29c

Encouraging is the fact that income from operations rose 32,9 percent from R474 million to R630 million, despite lower earnings from platinum

Investment and corporate income dropped 67,5 percent from R237 million to R77 million owing to the sale of R700 million of investments and only 10 months of interest

Chairman Brian Gilbertson says that current projects and acquisitions will not begin to deliver real value for at least a year The investment portfolio will decline again as it is used to fund major projects and cause a further decline in investment income

Nevertheless, at the operating level attributable income in 1995 will reflect a healthy improvement over 1994

Commodity prices appear to have bottomed out and may have entered the first phase of a cyclical upturn However, there are still market weaknesses

2100

Investment income will decline again, but earnings should improve in 1995 And in 1996, based on current expectations of the commodity cycle and new projects in production mode, shareholders can expect strong improvements in both operating and total income

The current dividend is covered twice by earnings in order to fund investment. But in the future Gencor plans to pay a dividend one-and-a-half times covered by maintainable cash earnings

Gencor nudges earnings up 2,1%

JOHANNESBURG — Gencor increased earnings 2,1% to R625m for the 10 months to June as a good operating performance was offset by a large fall in investment income (210) CT 31/8/94

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The group declared a final dividend of 10c, bringing the total div to 15c on earnings a share of 45,4c.

Gilbertson described the year as a remarkable period of growth and acquisition The share price had risen 72% since the unbundling in November The discount to net asset value had shrunk from 26% to about 3%.

● The EC said yesterday it had cleared Gencor's Billiton purchase on the grounds that all affected products, with the exception of titanium dioxide, were traded globally and the new venture's market share would be below 5%

Major merger planned by Gencor and Randcoal

Sowetan 1/9/94

MINING giant Gencor said on Tuesday it will effectively gain control of Randcoal on October 1 by becoming the largest shareholder in a new merger company incorporating the operations of Randcoal and Trans-Natal

The merged company with a market capitalisation at current values of R5,5 billion and assets of R4,3 billion would have a turnover of R3,4 billion and sales of 58 million tons

Randcoal would be the financial vehicle for the merger, acquiring the operating business of Trans-Natal at a ratio of 108 Randcoal shares for 100 Trans-Natal shares

The merged company, temporarily called "MergCo", would become the largest exporter of steam coal and the third largest privately controlled hard coal producer in the world

"MergCo" would create a powerful vehicle by which Gencor could benefit from the future growth of the world coal market and a subsequent rise in the coal price

(210)

The demand for coal is expected to rise to over 300 million tons before the turn of the century

Executive Director of Gencor finance and coal Mick Davis said the merger would create many growth opportunities both locally and off-shore

A total of 23,5 million tons of coal a year would be available for export, comprising 41 percent of total coal supply

"One needs to be a world player if one wants to be successful in the world market," Davis said

Gilbertson said Rand Mines Chairman John Hall has agreed to be the new Chairman of MergCo

GENCOR

Fm 2/9/94

Better in most divisions

210

The instinctive reaction to Gencor's results for a truncated financial year (actually, only 10 months) is that all the house's operating divisions bar one — platinum — have performed significantly well Operating income was R630m, an increase of 32% or R156m on last year's result

The group's gold producers together contributed R131m to attributable income (1993 R106m) Coal showed a modest increase in difficult circumstances to R84m (1993 R78m), but the really massive improvements came from ferro-alloys (Samancor) which returned a 44% increase in its contribution to R145m (1993 R101m) and titanium mineral sands — up 85% to R157m

SETTING SAIL

	Year to Aug 31 '93 (proforma)	10 mths to Jun 30 '94
Ope[illegible]	[illegible]	630
[illegible]	612	625
Earning (c)	44,5	45,4
Dividends (c)	n/a	15

What these results indicate is that Gencor's operating divisions and companies appear to have come to grips with the endless problem of controlling costs Even in the case of platinum producer Impala, which had a particularly difficult year, costs were well contained This isn't to say Gencor's companies are problem free but it is certainly clear the group has attended to this area with success

To a large degree, these results are overtaken by the dramatic effects of the proposed merger between Trans-Natal and Randcoal (see *Leaders*)

Exploration activities gobbled up R88m (1993 R99m) but the really significant damage to the income statement was sustained at the level of money management Investments and corporate activities earned only R77m compared with last year's R237m Chairman Brian Gilbertson says this is due to a sharp reduction in cash holdings over the year cash fell by about R1bn as it was pumped into various projects (significantly the Alusaf development and Columbus stainless steel), second, interest rates were sharply lower and, third, the accounting period this year is over only 10 months

On the other side of the scale, however, R59m came through as an abnormal profit from the sale of various investments including De Beers shares, and holdings in Sasol and Malbak And 1993's large earning in this area was skewed by a R100m tax credit

For these reasons, attributable income barely moved from R612m in 1993 to R625m this time round A dividend of 15c a share is covered twice by cash EPS

In an important sense these results are somewhat academic because they exclude Billiton, the major international metals and minerals producer which Gencor recently acquired from Shell This transaction came after Gencor's year-end but the question for all observers will be the extent of the impact Billiton will have on the enlarged group's results next year

Another feature is that these results are the first since Gencor's unbundling Gilbertson says one of the reasons for it was to narrow the large discount applied by the market to Gencor's NAV At one stage, this was as high as 28% (November 1992) and was more than 20% at the time of unbundling It has since fallen to as little as 2%, says Gilbertson, though this needs to be set in the comparative context of the performance of other houses, Anglo particularly Anglo's discount all but disappeared when the share was targeted by foreign investors some months ago

Gilbertson is less forthcoming about short-term prospects There are too many uncertainties, he says, though he concedes the commodity cycle has turned and he expects a sound contribution in the next six months from Billiton The best bet on this basis, assuming Impala turns its rough corner and the other divisions keep their collective act together, is that Gencor should post an earnings increase of about 10% for the next half

There is some excitement too about its international exploration activities Lifting the traditional veil for a brief peek, Gencor's managers reveal the Aurizona gold project in Brazil contains proven reserves of about 15 t, the estimated production cost is about US$150 an ounce Other projects include a mineral sands development in Mozambique which is apparently far advanced, a potentially huge copper/gold deposit on Irian Jaya (New Guinea) and a variety of gold prospects in Turkey in the area of the Marmara and Aegean Seas The rest are shrouded in secrecy *David Gleason*

W&A/GENTYRE

Still struggling

The problems which have beset industrial conglomerate W&A are well known The trouble is they just won't go away

Gentyre's Rolfe *real problem was lack of volume production*

Interim results to end-June reveal the same difficulty, though in slightly ameliorated form this time

The group's problem is its debt load at the centre At the end of December, this was R1,2bn, of which R875m was in long-term borowings and the balance, less a small amount of cash, in overdrafts

Chairman Ray Hasson recognises the problem when he says the intention is to reduce this exposure by R490m by the end of this year So how has he done this far? In fact, debt at end-June stands at R1,1bn, compared with Hasson's target of R711m, so W&A's managers have some way to go if they are to achieve the objective

WORN TREAD

Six months to	Jun 1993	Dec 1993	Jun 1994
Turnover (Rm)	262,4	298,1	263,4
Operating income (Rm)	25,0	28,1	20,0
Attributable (Rm)	27,1	24,5	18,2
Earnings (c)	173	156	116
Dividends (c)	55	57	

* Scrip dividend declared

Put simply, it is this area — inadequate shareholders' funds, too much reliance on other people's money — which scuppers W&A's best efforts every time

This interim the operating profit is R54,9m That compares with last year's restated R53,5m and has been achieved over a difficult period of high political tensions, strike action and low productivity It is immediately destroyed, however, by R77,8m in interest payments (including

R19,4m to service debentures) That produces a pre-tax loss of R22,9m A tax bill of R7m doesn't help and the net attributable loss, after deducting R9,8m due to outside shareholders, is R39,7m or 7,85c a share undiluted

If it's enough to make an investor weep, at least it's a lot better than last year's R117,2m red number

An extraordinary profit of R12,1m is accounted for through the sale of Housewares, which brought a profit of R28,6m, offset by a myriad of losses in other areas, notably the sale of some Waco shares (Waco is W&A's Australian operation) which knocked R10,8m off The sale was forced by the need to meet offshore debt

What has not yet been brought to account is the sale of Vektra to US-based Federal Mogul. The money from that transaction — which must be shared with minorities — will take some time to filter through to W&A, though it is expected before the year-end Hasson says the only remaining asset of any note on his selling list is the coal mine, which I understand means Side Minerals Frankly, the chances of disposing of this for a profit must be considered slim.

This means the old problem remains How can controlling shareholder Trencor relieve the company of its debt burden? A rights issue is one possibility, introducing another major partner is another What is clear is that no decision has yet been taken at board level Until it is, W&A is likely to remain in the doldrums

Meanwhile, the group's jewel, Gentyre, also reported a difficult half-year Turnover, at R263m, is almost identical to that for the same period last year but chairman Terry Rolfe says this disguises the company's real problem over the six months — lack of volume production and sales

This, in turn, affected operating profit, which fell R5m to R20m Interest earned slumped to R1,6m (1993 R3,7m) because, says Rolfe, W&A's arbitrary borrowing of R55m was repaid in the period And the tax bill rocketed to R3,4m compared with 1993's R300 000

The bottom line is attributable profit of R18,2m compared with last year's R27,1m at the halfway stage. That means 116c a share instead of 173c This isn't good news but Rolfe says he hopes that, if trading and production conditions are not disrupted any more than we have all grown inured to, Gentyre will be able to make up the shortfall in the second six months

Well, we all hope that *David Gleason*

PENROSE HOLDINGS

Two roosters, one roost

Legally, he says, he's still chairman And, what's more, Albert Alletzhauser claims a R2,25m theft allegation against him and brother Eric is unfounded and defamatory Meanwhile, Marius Logtenberg has been appointed acting chairman of printing company Penrose Holdings and the court case has been postponed until October 3, pending further investigation

On Monday August 15, a JSE cautionary notice was issued just hours before subsidiary life assurer TimeLife was hosting a breakfast to announce a new investment product, made possible by the infusion of Penrose money (see *Economy*) Alletzhauser says three directors — MD Peter Vos, financial director Marius Logtenberg and Lorrian van Vuuren — weren't happy with the acquisition of TimeLife He says they contended a print shop and life assurer didn't belong together There was even a rumour, which proved untrue, of an MBO of Alletzhauser's interest in Penrose by these three directors

A day later, Alletzhauser announced he was ready to sell Penrose's core business to Caxton (He had already moved his offices to the new HQ of TimeLife where the *FM* contacted him) And so the boardroom dissension began, at which point Alletzhauser requested the JSE to suspend the share until matters were resolved

Alletzhauser says the theft claims were then made "as a takeover attempt without ownership" He adds that "once I have cleared my name I will decide whether to retain or sell my entire stake, depending on what is in the best interests of shareholders I have considered handing over my entire shareholding (32%) to a black empowered group and financing the deal myself"

But for now, any deal will have to go through Alletzhauser because of the size of his shareholding And, as he wants to "take to task those directors who have destroyed shareholder value and my name," the battle is sure to continue for some months

Meanwhile, negotiations for CTP/Hortors to acquire Alletzhauser's stake in Penrose is continuing And it is business as usual — or as much as it can be — for Penrose Holdings Logtenberg says interim results will be published this month Perhaps minorities can use this as a basis for deciding whether to continue holding their shares when — or if — the suspension is lifted *Kate Rushton*

JASCO

Loss-maker sidelined

Electronics group Jasco's share price has firmed since last month's announcement of a deal to temporarily rid itself of loss-making division Pascom to one of its major shareholders, Jasco Investments CC

Cable and connector supplier Pascom's problems began more than two years ago, when some former directors formed and financed a close corporation in direct competition with the division Litigation was resolved against the directors at the Febru-

BUSINESS

Mining giant Johnnies (232) (210) going out with a bang

ARG 7/9/94

DEREK TOMMEY

JOHANNESBURG — JCI, Johnnies, Johannesburg Consolidated Investment — three famous names for one of South Africa'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, Johnnies' 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 R912,9 million, attributable earnings are up 73 percent to R748 million, the final dividend is up 71 percent to 154c, and the total dividend for the year to June is up 51 percent at 200c 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 R84,5 million from the sale of Argus Newspapers and the reversal of R130 million previously written off against the company's investment in Joel.

Earnings from minerals and mining grew by more than a third from RR212,1 million to R324,6 million.

Platinum earnings rose 34,1 percent to R114,5 million, gold earnings rose 171 percent to R93,8 million, diamond earnings rose 31,6 percent to R104,2 million, and coal earnings increased almost 13-fold to R23 million.

Against this, mining finance and other earnings dropped 60 percent to R10,7 million and exploration absorbed R21,6 million — some R5,8 million more than last year.

Earnings from the industrial and property portfolio rose by R135,7 million to R367,7 million

The contribution from its industrial portfolio alone rose 47,4 percent to R361,7 million

Ferrochrome had a turnaround from a loss of R15,4 million to a profit of R4,9 million.

Earnings from fees, interest and treasury operations and net surplus on realisations increased from R84 million to R207,1 million

Equity-accounted earnings before extraordinary items were R912,9 million (1993 R582,4 million).

Attributable earnings amounted to 505c (293c) a share and equity-accounted earnings before extraordinary items to 616c (394c) a share.

Mr Retief said that as Johnnies would become three separate companies, the current final dividend could not be used a guide to future declarations and should be regarded as a one-off.

The three companies arising from the unbundling would together have a slightly greater net asset value than Johnnies had

AVI earnings boost is ninth in a row

BIDay 9/9/94

MICK COLLINS

ANGLOVAAL Industries (AVI) boosted earnings 18% to R407,1m for the year to June — its ninth consecutive year of earnings growth — as tight cost control offset thinning margins.

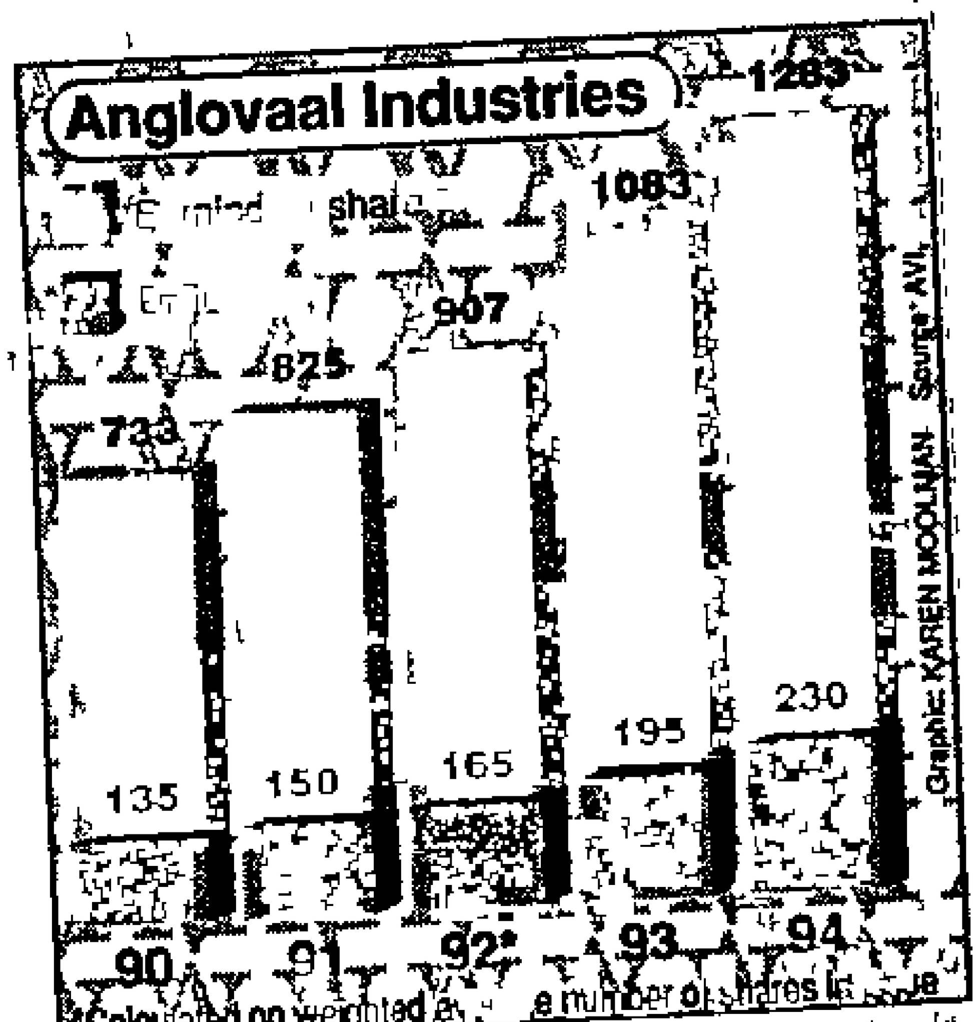
AVI, 60% held by industrial and mining group Anglovaal, saw turnover climb 16% to R9,6bn despite difficult trading conditions About 5% of turnover was generated by acquisitions. Operating profit rose only 13% to R747,9m, reflecting persistent pressure on margins. 210

MD Jan Robbertze said the moderate economic upturn would see the group recommission idle capacity. "It's a plus to have idle plant at present. As we bring it back into production, margins will improve without aggressive price increases."

Earnings a share rose 18% to 1 283c and the dividend was increased a similar percentage to 230c, giving cover of 5,6 times. Group profit before tax of R763,8m reflected an increase of 8%

The effective tax rate was reduced to 28,8% from 33,9% by exempt income, the effect of prior year adjustments and tax allowances following the acquisition of Willards by subsidiary National Brands.

Robbertze said the improvement in group profit was mainly attributable to



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AVI

BIDay 9/9/94

From Page 1

improvements in contributions of 31% by AVI Diversified Holdings, 42% by Grinaker Holdings and 3% by Irvin & Johnson.

"These contributions more than offset the decreases of 6% by Consol Limited and 3% by National Brands"

Grinaker's earnings rose 38% to R41,1m, I&J's 11% to R62,3m and National Brands' 14% to R101m. 210

In Willards, AVI had "bought a business with a strong growth record. In the first two months it was trading at levels significantly ahead of last year's."

AVI Diversified's engineering activities generally performed well, with listed Bearing Man producing exceptionally good results and the textile portfolio showing a substantial recovery off the modest base of the previous year. Grinaker's improvement was led by the recovery in construction and sound performances from information and technology interests.

The decrease in profit before tax reported by Consol and National Brands and the marginal increase by I&J again reflected the erosion of consumer spending power experienced during the period

Total group contribution from associated companies — distributed and retained — increased to R51,2m (R42,3m) mainly as a result of Anglo-Alpha's R10,3m contribution. The group balance sheet showed net cash resources of R196,2m with a gross debt-equity ratio of 14%. Although net funds decreased by R345,4m (R541,6m), R205m and R411m were paid by Consol and National Brands for their respective acquisitions of Interpak Limited and Willards. Robbertze said the Interpak acquisition was important in that it rounded out Consol's portfolio. As part of the deal Consol had acquired a long-term contract from SA Breweries.

The group had planned capex of R1,4bn over the next three years. "This will ensure the maintenance of a base of modern equipment and technology to address the anticipated increased international competition arising from newly negotiated GATT treaties."

Earnings were expected to increase this year, but the size of the increase would depend on the extent and sustainability of the economic recovery, and the speedy resolution of any labour conflicts. "This year has commenced satisfactorily. Most of the major wage negotiations have been settled and the exercise has taken place in a mature fashion."

Big fall in mining contribution

MICHAEL URQUHART

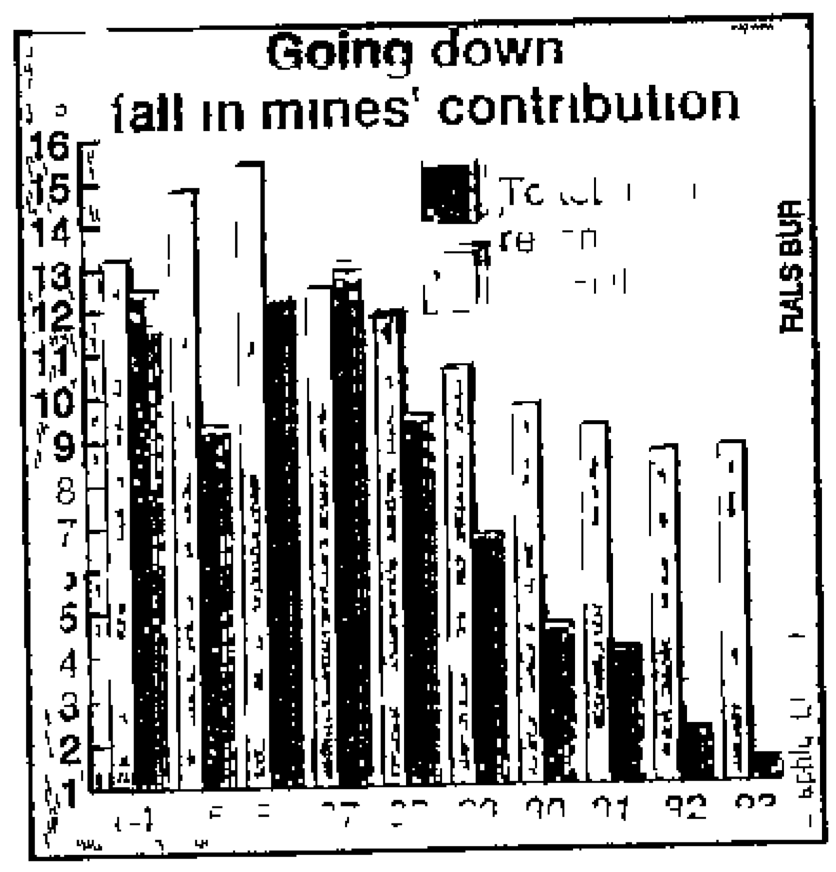
MINING and quarrying's contribution to state revenue had declined from 12,5% in 1987 to 1,5% in 1993, the Minerals Bureau disclosed in its annual report on the mining industry

Mining contributed 8,7% to the GDP, the first time the contribution had increased since 1986 The bureau said the steady decline in the industry's contribution to the economy could be attributed to rationalisation linked to shrinking profitability

The bureau predicted inflation of 8% for 1994 which, although it had declined, was still higher than SA's major trading partners and competitors in world mineral markets This meant the competitiveness of many of SA's minerals remained under threat on world markets, it said

But the industry was still the most important earner of foreign exchange in the country, with exports of primary mineral products accounting for 48,7% of the country's total exports

During 1993 domestic and international demand for most minerals produced in SA increased only marginally, the bureau said But the value of total mineral sales increased by



11,5% to R47bn, thanks to increases in precious metals and mineral prices and a weakening of the rand/dollar exchange rate

Mineral export revenues, which accounted for 81,2% of total mineral sales, increased by 15,3% to R38m Gold accounted for 60% of this total

A decrease of 2,6% in local mineral sales was attributed mainly to lower domestic sales of diamonds following new marketing measures introduced by De Beers Coal was the most important domestic revenue earner, accounting for 59% of domestic sales

The bureau said beneficiation ratios indicated that antimony, chrome ore, copper, nickel, tin and zinc had a relatively high degree of beneficiation, while iron, manganese and phosphate were mainly exported as raw materials

Factors such as structural changes in minerals markets, a declining intensity of minerals use, environmental considerations and oversupply would continue to exert pressure on markets

It predicted the demand for gold would exceed mine and scrap supply, although physical demand would continue to fall as the price rose The gold price would rise to a peak in 1995, before falling to 1993 levels by the turn of the century

SA's gold production was expected to decline to 600 tons in 1999, as some reserves became depleted and working costs escalated to uneconomic levels

210

The capacity of Richards Bay coal terminal was likely to be increased to 62-million tons a year to take advantage of the expected improvement in the world coal market, while the South Dunes coal terminal could come on stream at 8-million tons a year by 1999

Corporate income fall hits Minorco

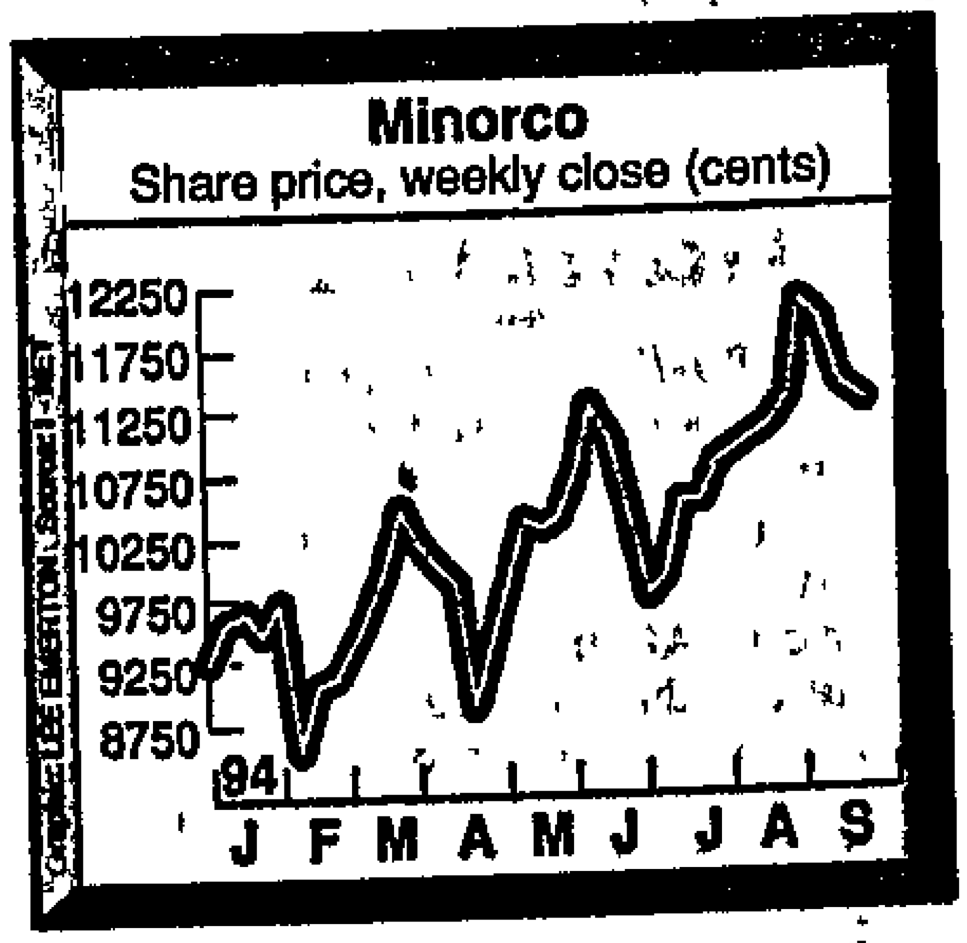
BDay 16/9/94

MICHAEL URQUHART

MINORCO, Anglo American's offshore arm, reported a 12% fall in attributable earnings for the 12 months to June, as a higher operating income was knocked by a fall in net corporate income and earnings from investments.

Operating income rose 44% to \$200m, on a 13% higher turnover of R3,1bn. But the strong performance from the operating side was offset by the lower corporate income and earnings from equity accounted investments.

Earnings a share came in at \$0,99 and an interim dividend of \$0,38 was declared. Together with the interim dividend declared in March this made a total dividend for the year of \$0,57.



The Minorco year-end had been changed to December, making this the second interim period. The final dividend would be declared in March 1995 for the 18 months to December 1994. Minorco said barring unforeseen circumstances the final dividend would not be less than the second interim dividend.

It said the past year had been dominated by the successful completion of the transaction that merged the non-diamond international assets of Anglo American and De Beers into Minorco.

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Minorco

BDay 16/9/94

☐ From Page 1

The company said it was committed to increasing the efficiency and profitability of each of its operating sectors, an example of which was the acquisition of Agricultural Minerals & Chemicals by Terra.

In this regard Minorco would be looking for acquisitions in its industrial minerals and paper and packaging segments, and investigating "highly promising" mining projects in South America.

Major developments so far had been the purchase of 50% of Aylesford Newsprint, which had begun construction of a £250m expansion project, the start of a \$350m redevelopment of Chilean base metals producer Mantos Blancos and the purchase by Hudson Bay of the remaining 56% in the Trout Lake mine in Canada.

There were significant improvements in all business segments apart from base metals, which suffered from lower metal prices. Acquisitions and favourable agricultural conditions lifted Terra's earnings to record levels, while gold companies benefited from higher gold prices and tighter cost control. Austrian paper interests were boosted by an improvement in international demand for pulp and paper.

Lower financial income and higher exploration expenditure meant corporate income declined from \$74m to \$34m. Exploration expenditure increased as a result of taking over the full responsibility for certain projects which previously had been shared with Anglo.

Minorco said the main reason for the \$18m fall in earnings from investments to \$74m was the sale of Charter in August 1993. Main contributors were Engelhard and Johnson Matthey.

Positive economic trends had continued, the company said, and should lead to an improvement in commodity prices. Minorco said it was well placed to benefit.

Six major mining prospects coming to fruition

Star 11/9/94

Minorco sitting pretty

■ BY DEREK TOMMEY

Anglo American must be feeling satisfied because after years of struggling to make overseas associate Minorco a major natural resources company, its efforts have been rewarded.

Minorco reported at the weekend that in addition to considerable growth in other areas, it was now in a position to bring to production six large mining projects within the next four to five years

This achievement would make it one of the world's major suppliers of copper and nickel and an important producer of gold.

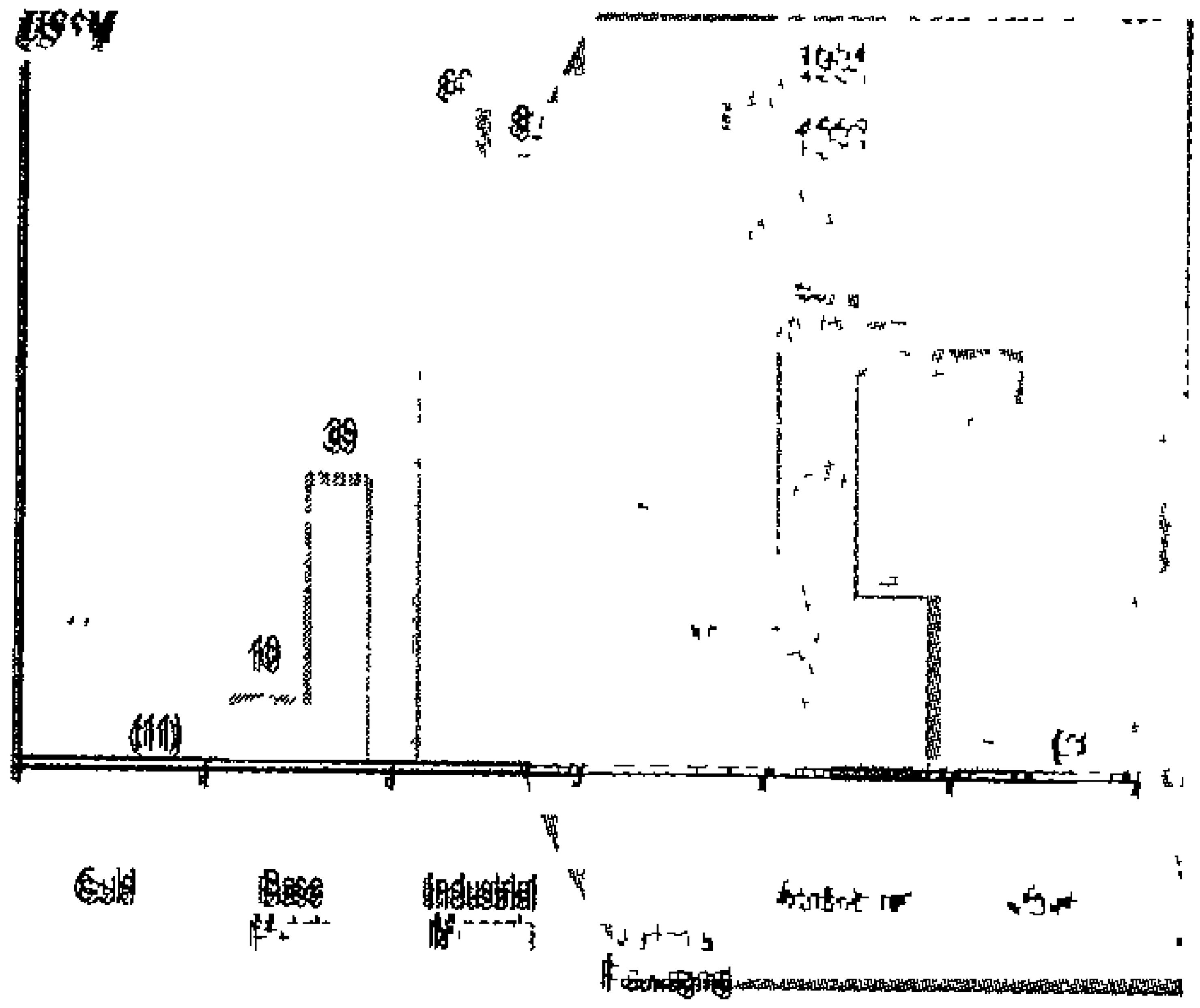
One of the projects is Cerro Vanguardia in Patagonia, Argentina, in which Minorco has a 49 percent stake Drilling has established an ore body containing 2 million ounces of gold and 16 million ounces of silver

"This was a real exploration success for Minorco as Patagonia was not known for gold production," a spokesman said

"We have a mine, but do not know how large," he added

It could be in production by mid-1998 and would probably produce six to seven tons of gold a year and a large tonnage of silver

Another project is Salobo in Brazil Minorco has a 37 percent interest in the mine, which contains 1 billion tons of ore with a grade of 0,96 percent copper and 0,52 percent gold.



Minorco's business segments with operating earnings of $201 million.

210

If the project is proved to be viable, it could be operating by 1999 and eventually produce 200 000 tons of copper a year and seven tons of gold

Because Salobo is in the Amazon jungle, discussions are being held with environmental authorities to ensure that it is cleanly mined

A third major project is Collahausi in Chile Minorco has a 29 percent stake in the operation, which is estimated to contain 2 billion tons of ore with a grade of 0,9 percent copper

A complication is that Shell is selling its one-third stake in the project Minorco will not know for another month who its new partner will be or whether it will exercise its pre-emptive right and to take over the Shell stake from the successful bidder.

Collahausi could be in production by the end of 1998

A fourth project is Quellaveco, situated near the southern border of Chile, and north of Minorco's 74,9 percent-owned Chilean copper mine, Mantos Blancos

Quellaveco is estimated to contain 388 million tons of ore with an average grade of 0 90 percent copper The first phase of the feasibility study should be completed by year-end It will take another two years to decide on how to treat the ore

Minorco also has a 5 percent stake in a major nickel deposit, Loma de Hiero, in Venezuela This is estimated to contain 30 million tons of ore averaging 1,5 percent of nickel

A decision to open the deposits will be taken in the first quarter of next year The mine could be in production in the first quarter of 1998

Ivernia West has won its court case over its pre-emptive right to acquire the remaining 52,5 percent of the Lisheen project in Ireland, which contains 22,3 million tons of ore averaging 11,6 percent zinc, 1,9 percent lead and 26g/t silver

Although there may be an appeal against the decision, Ivernia is confident it will not succeed.

Planning, therefore, can go ahead Planning should be completed by year-end, and production could start in 1998

Industrial division likely to lift Anglovaal earnings

BDay 22/9/94

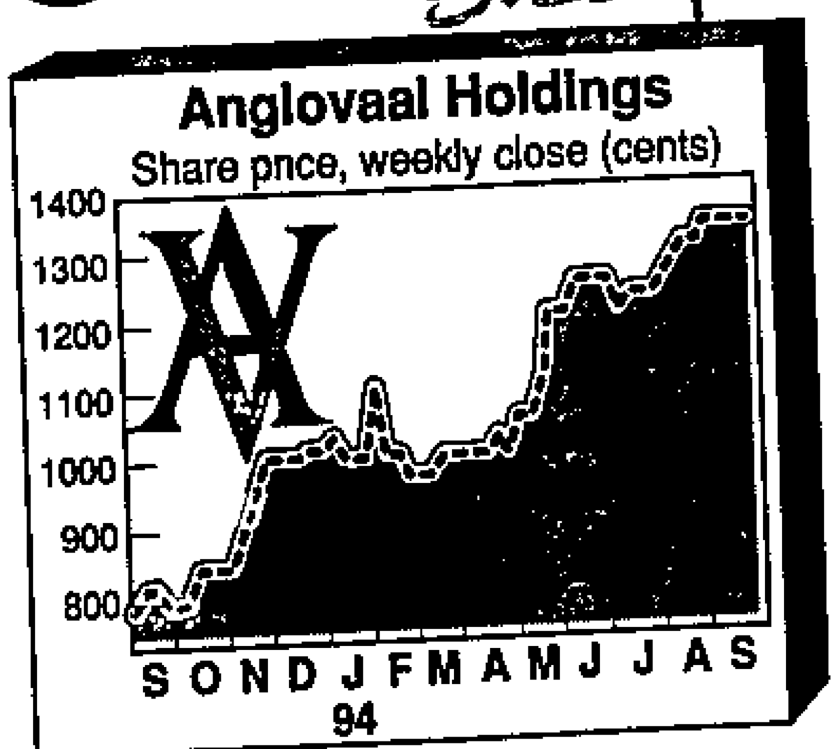
MICHAEL URQUHART

MINING and industrial holding company Anglovaal was expected to post attributable earnings of about R330m for the year to June, lifted 12%-14% on the previous year by strong results from its industrial division.

Anglovaal Industries, the main contributor to Anglovaal's earnings, posted an 18% rise in attributable earnings for the year. Other major contributor Middle Witwatersrand posted flat earnings for the year. Anglovaal is due to report today.

But analysts said dividend cover would remain high to build up the group's cash reserves. This cash would be used to fund the group's potential mining projects, especially the Slaaihoek nickel mine.

One analyst said having a substantial cash reserve for use when funding was needed to develop Slaaihoek would give the group greater flexibility on its funding options.



If the company did come to the market to raise funds for Slaaihoek it would be with a very good project. Anglovaal had raised R320m with the issue of 2,4-million ordinary shares in June this year to help fund the company's acquisition of Willards.

Capex on Slaaihoek — a joint venture between Eastern Transvaal Consolidated and Midwits — was likely to depress earnings for the 1995 financial year. Spending for the current financial year on the project is estimated to be in the region of R43m.

The major unknown in Anglovaal's results was the profit it would make from its trading portfolio and from its wholly owned mining subsidiaries.

Although Midwits — which receives its main earnings from De Beers' Venetia diamond mine via Saturn — posted flat earnings for the year to June 1994, analysts said earnings from Midwits would jump once Venetia had recouped the money it had spent developing the mine.

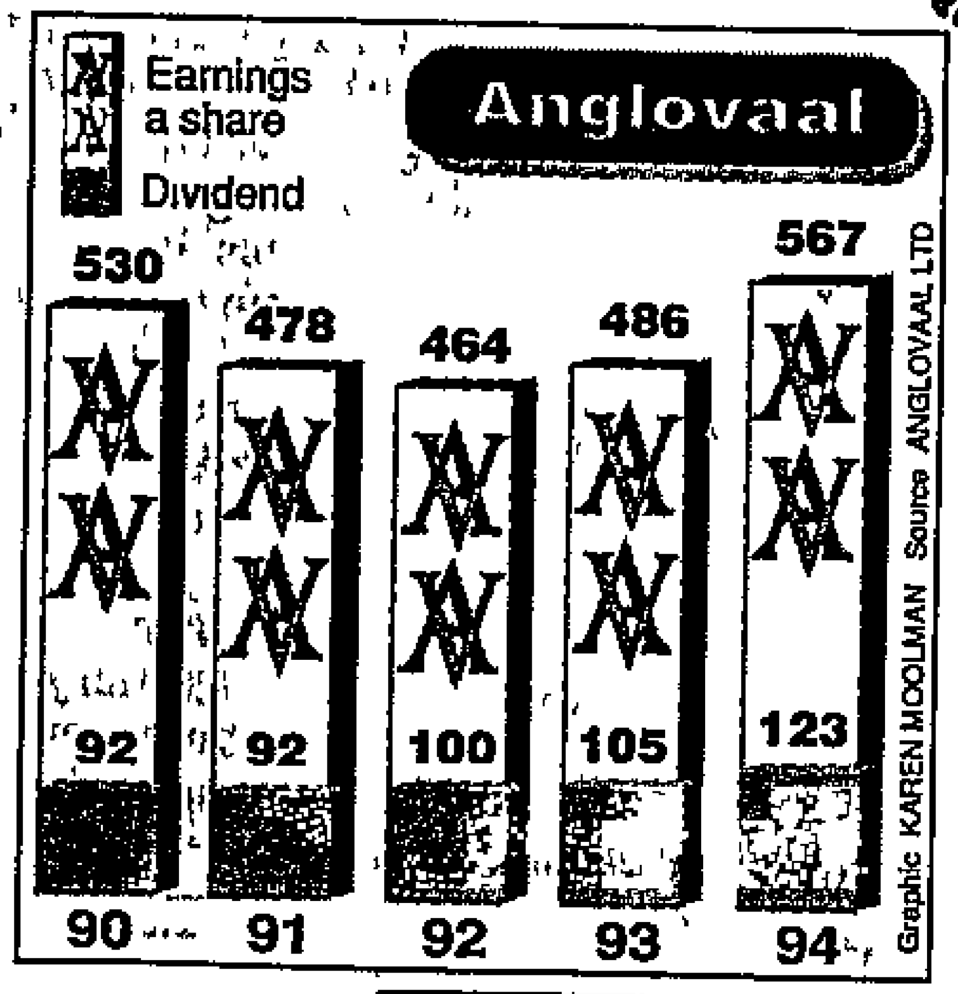
Venetia currently pays 12,5% of its earnings to Saturn, but once the mine has paid for its development costs this figure will jump to 50%.

An analyst said De Beers could delay this by carrying out additional capex. The Anglovaal share price had a very high rating as it had already discounted the increased earnings flow from Venetia, he said.

As a result any delay in the flow of earnings from Venetia would have a heavy impact on the Anglovaal share price. Anglovaal's share price closed at R135 yesterday. 210

Anglovaal lifts earnings 17%

BDay 23/9/94



MICHAEL URQUHART

MINING and industrial holding company Anglovaal increased attributable earnings 17% to R342m for the year to June, lifted by mainstay Anglovaal Industries.

The higher earnings were achieved on the back of a rise in turnover to R9,9bn, largely as a result of the industrial division's rise in turnover and an increased contribution from mining. 210

Anglovaal chairman Basil Hersov said better dividends had been paid by the group's gold mines, thanks to a higher gold price, while volumes rose at Associated Manganese Mines of SA (Assmang).

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Anglovaal

BDay 23/9/94

□ From Page 1

Dividend cover was maintained at the same level as last year, with a final dividend for the year of 88c, bringing the total to 123c, on earnings of 567c a share

Hersov said the group was sometimes criticised for its conservative dividend policies, but he felt it had been important in building the company's finances

The percentage rise in operating profit lagged turnover as pressure had been put on margins by Anglovaal Industries' surplus capacity Operating profit moved up 13% to R813m But a slight fall in the tax bill to R252m meant after-tax profit rose 21% to R622m Hersov said improvements across the board should lead to a further improvement in earnings this year.

The rise in the industrial division's importance to Anglovaal's earnings was not a deliberate policy, but a result of the long lead time of mining projects There would be decisions on a number of mining projects in 1996, and the income would restore the balance between mining and industrials to 50/50 The Slaaihoek nickel prospect and Target gold prospect were under way.

Anglovaal has a 12,5% royalty stake in De Beers' Venetia diamond mine, through subsidiary Saturn Mining, and this would increase to 50% of Venetia's attributable profit once De Beers had recouped its capital expenditure. 210

Hersov said earnings from Venetia would be flat until then, after which there should be a substantial growth. This would probably coincide with the coming on stream of Slaaihoek and Target.

Target is being explored via development from the adjacent Loraine gold mine. Hersov expected that there would be enough gold coming out of the development to repay development costs

The Sun project, north of Target, was too high-cost to develop as a separate mine, and would be developed only in conjunction with Target This would mean development from Target, or a separate shaft which served Sun and northern Target

Hersov said it would be too costly for Anglovaal to develop the projects by itself. Partners would be sought and the risk split. But a cash pile had been built up, putting the group in a position of strength when the projects were developed

Meanwhile, the third generation of the Hersovs and Menells have moved into Anglovaal with the appointment of James Hersov and Rick Menell as directors

Fm 7/10/94

GOLD FIELDS OF SA

On the edge of profound change

(210)

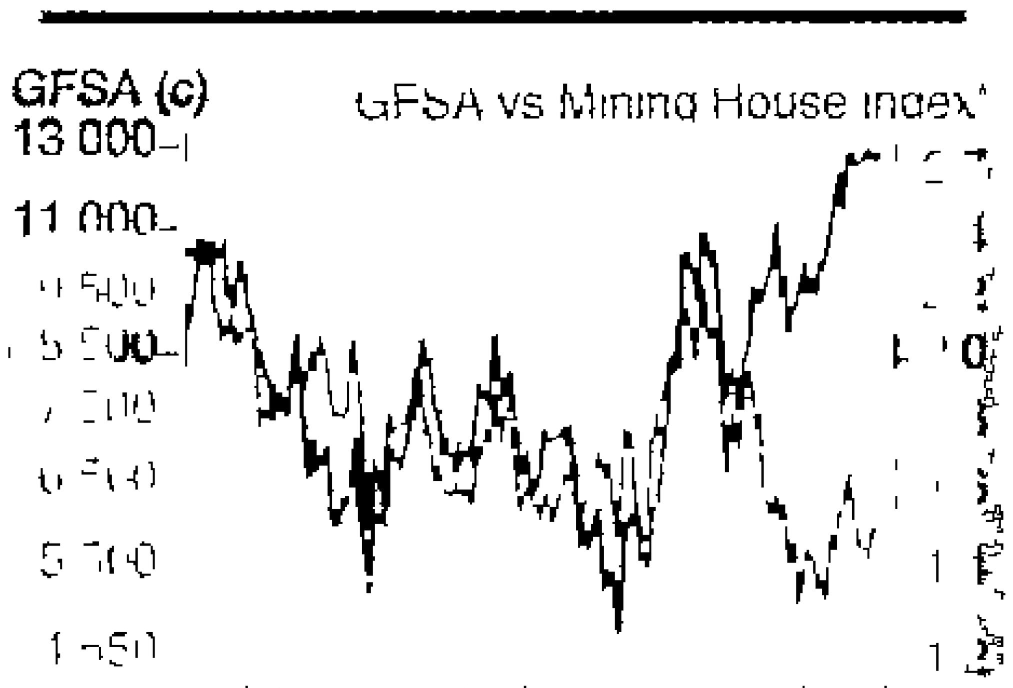
Activities: *Mining house. Principal interests in gold mining but also involved in platinum, coal, base metals with some exposure to finance and property*
Control: *Rembrandt, Liberty and Driefontein Cons*
Chairman & CEO: *R A Plumbridge*
Capital structure: *96,4m ords. Market capitalisation R12,1bn*
Share market: *Price 12 600c. Yields 1,7% on dividend, 2,9% on earnings; p:e ratio, 34; cover, 1,8. 12-month high, 13 000c; low, 7 200c. Trading volume last quarter, 1m shares*

Year to June 30	**'91**	**'92**	**'93**	**'94**
Investments				
listed (Rm)	1 716	1 765	2 098	1 556
unlisted (Rm)	1 120	997	1 646	1 274
Investment inc (Rm)	285	289	262	364
Other income (Rm)	212	215	193	153
Earnings (Rm)	314	302	290	357
Earnings (c)	328	314	301	370
Dividends (c)	200	200	200	210
Tangible NAV (c)	9 227	9 038	13 147	13 693

There is no denying that change is upon the great mining houses of SA. After years — decades is probably more accurate — of benign inertia, the floodgates have opened. A profound transformation is in progress. Nowhere will it be more significant when it comes than at Gold Fields of SA, one of the country's greatest mining businesses.

Already the Corner House has gone, at

Gold Fields



least in its former structure; Johnnies is labelled as the house to carry the banner of black economic empowerment into the next century. Who would have thought five years ago that such mutations were remotely possible? And, after the successful shareholder revolt in Randgold, the eyes of the investment community are now focusing on GFSA.

If there is one thing chairman Robin Plumbridge has accomplished with conspicuous success, it is the unshackling of UK control (formerly exercised through

Plumbridge *his departure may be the trigger*

ConsGold). In the process, he has made management and himself safe from predation by employing a shareholder control structure of unusual ingenuity (see organogram). A senior CE confesses he admires Plumbridge's architecture. "It works," he says in a tone which betrays awe.

But Plumbridge will turn 60 in April next year and GFSA has always enforced retirement at that age. Apart from the succession intrigue this must be invoking, his departure — if he does go — may herald a sea change in the life of the house.

Essentially, GFSA is controlled by Rembrandt and Liberty. At operating level, it will be impossible for any restructuring to take place without the co-operation of Anglo American Corp which holds 25%. After years of impregnability — and who would not be behind the ramparts of 15 grams a ton? — the main shareholders might want to restructure and perhaps shift it into the international arena.

The potential for mergers within SA seems remote because of the extraordinary concentration of financial power which would result. An alternative is a link with, perhaps a purchase of GFSA by, an international mining house. This possibility highlights the huge differences between SA and foreign houses in the manner in which they approach mining.

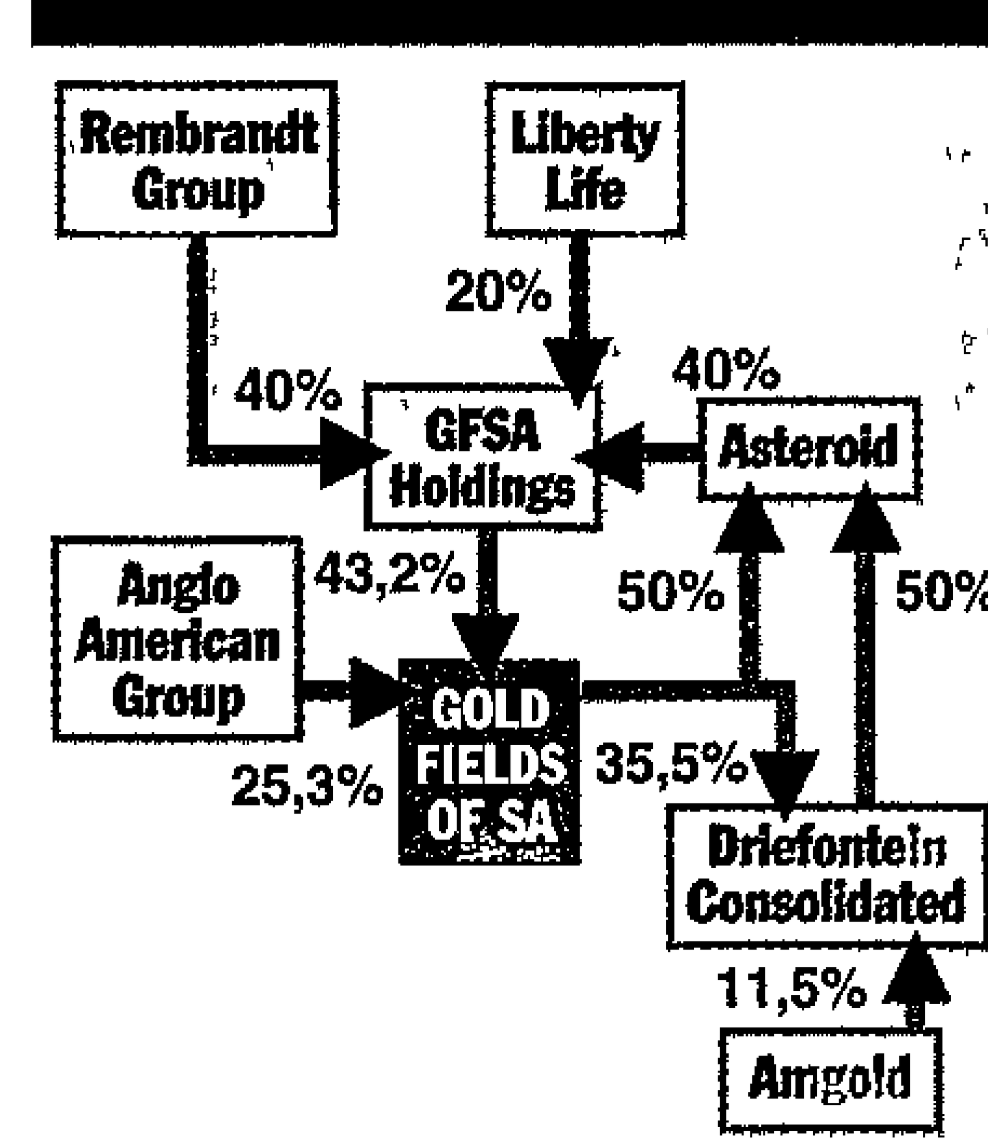
American Barrick, for example, started in 1983 and long treated with disdain by SA mining house managers, now has a market cap of US$7bn, serious money in anyone's lexicon. Much of Barrick's profits arise from intelligent hedging but its rise results just as much from the approach to its mines: a tiny head office, freedom for operational managers, the absence of a massive fee structure. Tied to this is the way gold mines are rated overseas. By comparison, SA mines are undervalued. The rating differential will narrow over time but its disappearance depends on the continuance of SA exchange controls.

Meanwhile, GFSA had a good year in financial 1994. Investment income rose 39% to R364m and costs were well contained at R183m (1993: R176m). Tax was low at R9m and after deducting R13m in pref dividends, attributable profit was R357m. That translates into 370c a share and the dividend was increased marginally to 210c. It had been 200c for five years, hardly inspiring for shareholders.

As an aside, I note GFSA's earnings from "fees and other sources," presumably management contracts with its mines, is now at R153m, 27% of total income.

All of this disguises, however, an im-

GOLD FIELDS' CONTROLLERS



portant aspect of GFSA's results over the last year. After a good 12 months — Plumbridge refers to his pleasure at reporting a strong recovery in earnings — shareholders' equity nevertheless declines to R2,54bn from 1993's R3,028bn.

This fall of R488m mirrors the decline in reserves and that comes, in turn, from the need to write R663m off the carrying value of GFSA's investment in Northam Platinum.

Much has been written about this project and the group's management of it, little of it good, and GFSA's executives must be sick of being castigated for it. Unfor-

P.T.O.

Fin 7/10/94

tunately, it will not go away Northam is a conspicuous failure Huge sums of shareholder wealth have been dissipated in this project, so far to little purpose This is not to say the group has taken it lying down Every effort is being made to resolve the problem and Plumbridge says a major technical investigation is under way to determine the mine's future But I'm glad I don't have to bet on the outcome

GFSA's principal area of investment (62% of assets) is in its gold mines These had a good 1994 (*Companies* September 30) with Driefontein and Kloof, probably the world's richest gold producers, turning in more than satisfactory performances This cannot be said, however, of the base metal operations, which grappled with the low point of the world commodity cycle Gold Fields Namibia lost N$10m, O'Okiep Copper R2m By contrast, Gold Fields Coal produced a profit of R30m, Zinc Corp R31m and Black Mountain R28m (a turnaround of R41m on 1993's result)

The house is trying to diversify outside SA but remains concentrated on gold, the area in which it feels most comfortable Plumbridge devotes a significant part of his annual statement to discussing the Tarkwa gold mine in Ghana and continued exploration in Venezuela and Ecuador

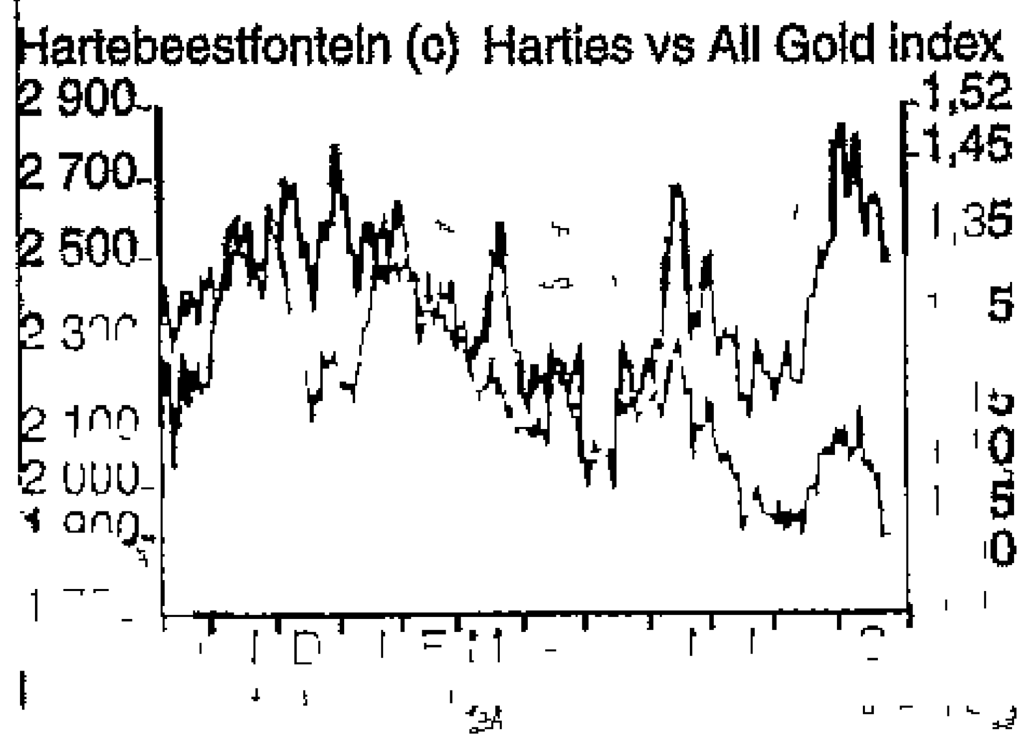
In the short term, the improvement in bullion prices, if sustained, must be good for the company This also applies to the turn in international commodity prices So investors can expect a good performance in 1995 — though I must express reservation about the p e of 34, which seems pie-in-the-sky Longer-term, the chances of significant changes appear certain *David Gleason*

ANGLOVAAL GOLDS

Longer life for Harties

Of the four Anglovaal gold companies to release their 1994 financial reports, investors' attention will be concentrated principally — as, indeed, it always is — on the house's Klerksdorp producer Hartebeestfontein (Harties)

Hartebeestfontein



This is a stable, solid performer whose results clearly demonstrate its enormous profit generating ability when the gold price moves upward (210)

That aside, press comment has focused in recent weeks on chairman Basil Hersov's announcement that Harties will produce about 20 000 t less over 1995 from underground sources (less than 1%) coupled with a fall in grade to 8,3 g/t from 1994's 8,9 g/t — about 7% less

However, their origin is simply that, as the mine ages (it has been in production for 40 years) so there is an inevitable drift away both from higher grade areas and from the shafts This combination (of increasing distance and falling gold content) means something has to give The silver lining is that the mine's life has been usefully extended previously analysts calculated it to be between 10 and 11 years Now it is, says Hersov, "Somewhere between 12 and 16 years"

Harties' Hersov ... *less production from underground*

1994's results speak eloquently of a company which employs good mining techniques and implements strong management disciplines The gold price helped too working profit of R403m compares with 1993's R237m By the same token, the contribution to the fiscus rocketed to R212m from the previous year's R100m, interestingly, the company paid dividends of 160c a share from earnings of only 152c, though Hersov explains the dividends were declared before the announcement of the 5% transition levy

In passing, my eye fell on the fees this company pays to Anglovaal in 1994 these added up to R17,9m compared with 1993's R14,5m It is a lot of money, enough to raise once again questions about the way the SA mining industry is structured

Zandpan mirrors Harties, since it derives most of its income from its investment which originates from the merger of Zandpan's mineral lease area with neighbour Harties in the early Seventies

Zandpan holds nearly 20% of Harties' equity and, though the company holds a number of other investments in listed mining counters, these account for comparatively little The share should track Harties accurately when differences occur, these present arbitrage trading opportunities to professional market users

The third gold mine in Anglovaal's stable is the remarkable Barberton district producer, Eastern Transvaal Consolidated (ET Cons), effectively an amalgamation of three operating mines which go back more than 100 years (the Agnes section was first worked in 1883)

The deposits are of the Archaean variety, very different from the Witwatersrand and a lot more difficult, and the ores have complex roasting requirements to overcome their refractory arsenical content

Nevertheless, these problems are well known, and this makes the 1994 result rather disappointing average recovery grade fell from 10,2 g/t to 9,4 g/t Not even the higher gold price combined with increased milled tonnage could compensate entirely for this The net result, after a doubling in the tax bill to R10,8m, is EPS of 12,5c compared with 1993's 12,3c Dividends of 14c were declared before the transitional levy was imposed

Over 1995 and 1996, capital expenditure is scheduled to be R47m, substantially higher than normal In the absence of a profound improvement in the gold price and in recovered grade, investors must assume the company's results will be average.

Finally, there is Village Main Reef, which stretches back to 1889 and is situated in the heart of Johannesburg Now solely a dump treatment operation, chairman Rob Wilson says at the present gold price it is unlikely the company will continue its operations "much beyond June 1995"

Over the years there has been desultory talk about the potential for dewatering and re-opening the mines of the Central Rand.

ANGLOVAAL PRODUCERS

Trading stats	Hartebeestfontein	E Tvl Cons
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	409
En[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
12 mon[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	5,4m	4,1m
Ch[illegible]	[illegible]	[illegible]
Year to Jun 30 94		
[illegible]	[illegible]	144
Cost [illegible]	867	107
Ta[illegible]	212	10
[illegible]	[illegible]	22
[illegible]	[illegible]	371
[illegible]	[illegible]	9,38
Gold [illegible]	[illegible]	3 480
[illegible]	[illegible]	12,5
[illegible]	[illegible]	
[illegible]		

MIDWITS/TARGET

Long range potential

Fm 7|10|94

Activities: *Mining holding company with interests in mineral prospecting companies*
Control: *Anglovaal 53,8%*
Chairman: *C S Menell*
Capital structure: *321,6m ords Market capitalisation R4bn*
Share market: *Price 1 250c. Yields 0,08% on dividend, 1,7% on earnings, p e ratio, 60,4, cover, 2 12-month high, 1 500c, low, 815c Trading volume last quarter, 6m shares*

Year to June 30	'91	'92	'93	'94
Turnover (Rm)	104,3	99,6	90,6	150,4
Pre-tax profit (Rm)	78,7	80,9	75,6	105,0
Tax (Rm)	34,9	27,3	16,0	31,4
Attributable (Rm)	46,6	54,1	63,9	66,6
Earnings (c)	14,5	16,8	19,9	20,7
Dividends (c)	6	7	7,8	10

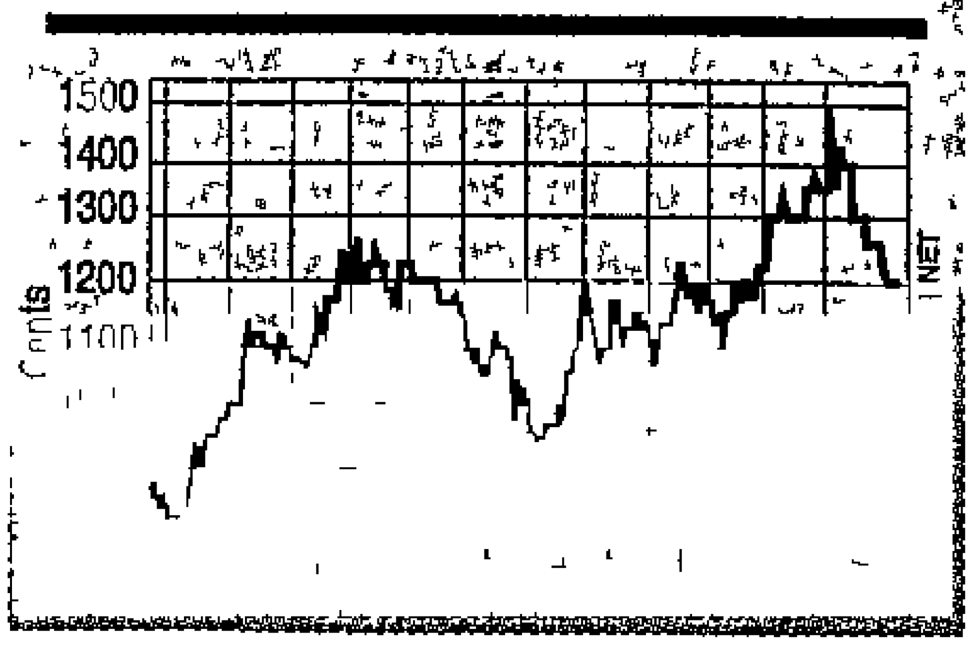
Tucked into mining house Anglovaal is Middle Witwatersrand (MidWits), a small but important mining finance company which holds a portfolio of listed counters, more notably, however, it holds positions in potential new developments which, if they come about, will secure its future for many decades (210)

The company is probably fairly valued if the conventional method of calculating NAV is applied; the portfolio of listed investments is concentrated almost exclusively in mining-related stocks

However, this ignores three important keys. The first is the large exposure to unlisted Saturn Mining, Anglovaal's vehicle for participating in the Venetia Diamond Mine in the Northern Transvaal, operated and managed by De Beers The importance of MidWits's 65,5% holding in Saturn is underscored by Venetia's royalty payment of R64,5m in 1994 (1993: R9m) The scope for steadily increasing value depends on the extent to which De Beers is able to regain control of the world diamond market and with that, when Venetia's full production can be sold

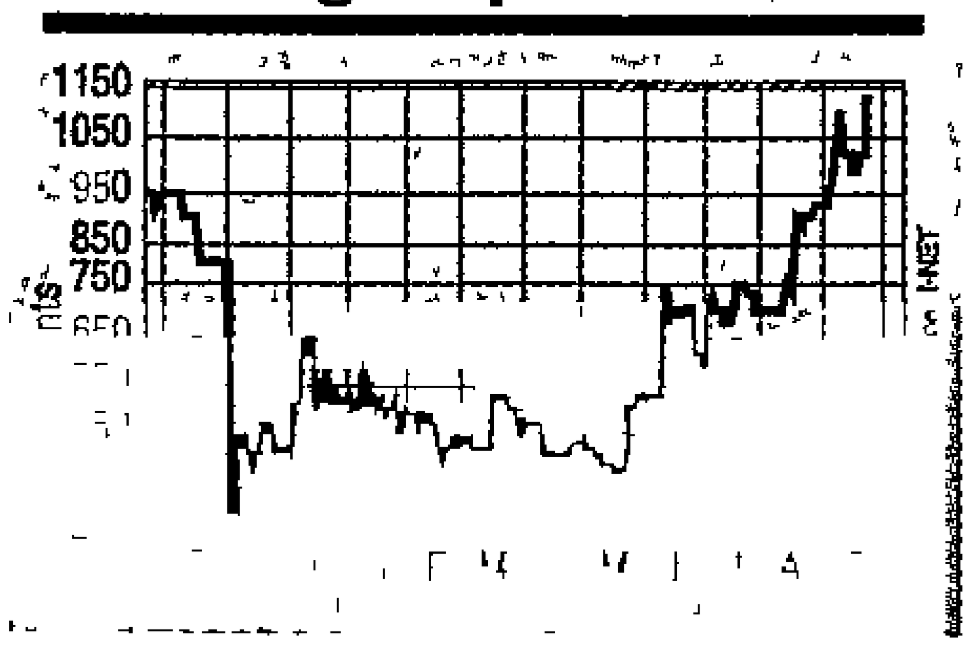
The second key lies in the Slaaihoek

Mid Wits

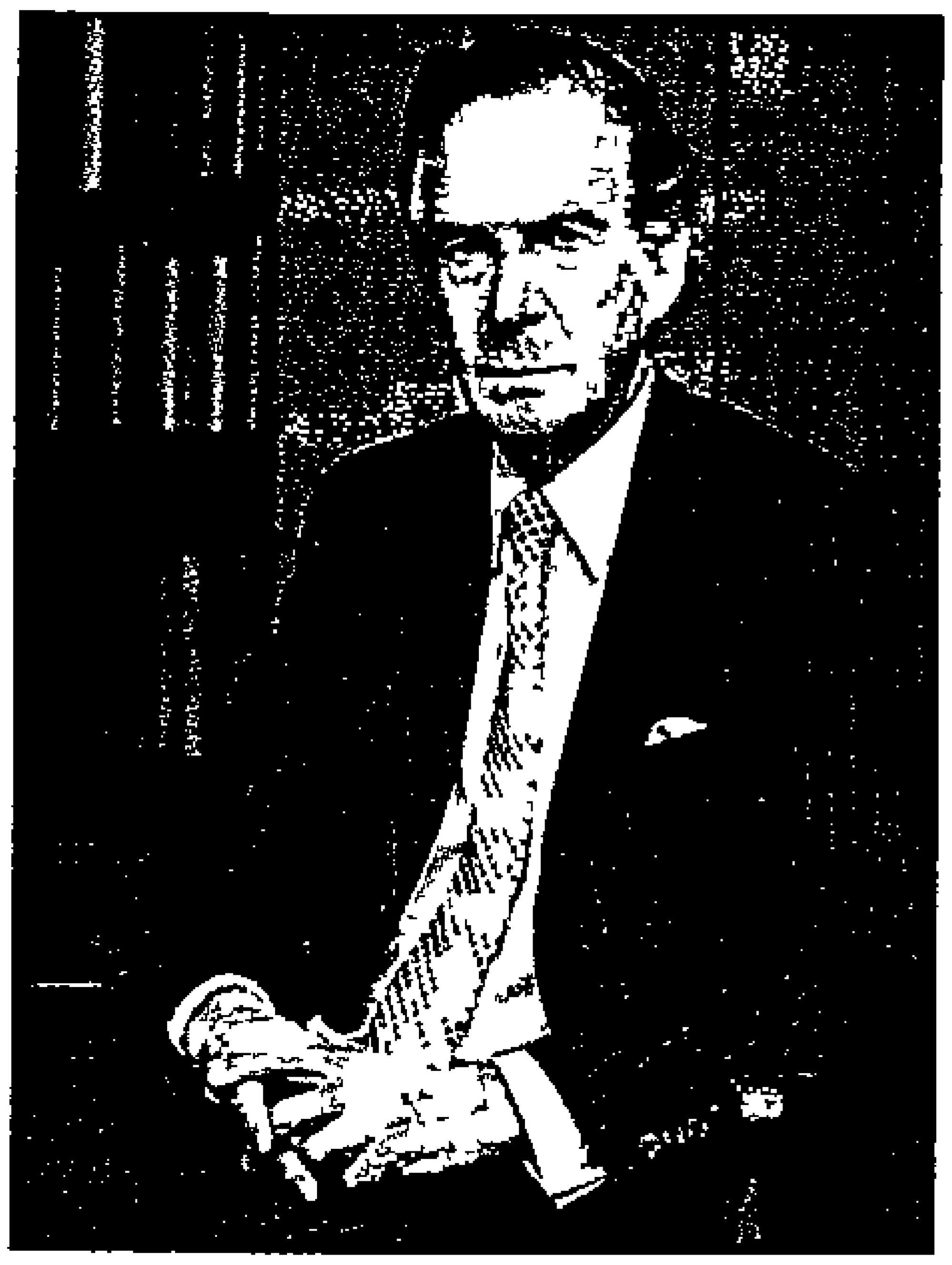


Fm 7|10|94

Target Exploration



project, now the subject of a detailed exploration programme. Not much is known about Slaaihoek other than that the farm, 50 km from the trout-fishing village of Dullstroom and not far from Waterval Boven, is host to an intrusion of magma of unknown origin but with similar characteristics to the Bushveld Igneous Complex, source of SA's fabulous platinum and chrome deposits. The Slaaihoek deposit contains about 10 Mt of ore believed to



MidWits *chairman Clive Menell spending more on exploration*

grade about 0,5% recoverable nickel along with traces of cobalt, platinum and copper R80m is budgeted for the initial examination, which includes an exploration shaft sunk to about 400 m.

This project illustrates another feature of Anglovaal's long-range game plan which is to acquire — as cheaply as it can — mineral rights which it can store for the future. Given the new government's anxiety to exploit these resources, that may not be possible indefinitely, but the house's scheme is good for the present. Slaaihoek is, in some respects, a repetition of its capture of the Sun project in the northern Free State And this is MidWits's third key **Target Exploration,** in which MidWits holds a 23,6% stake, owns important mineral rights contiguous to, and north of, Loraine Gold Mine where it is investigating in great detail two reef horizons of considerable complexity

It has completed the first phase of the programme, and has moved to the use of shafts provided by Loraine to gain access below the reefs through a long descending incline Interestingly, different reefs branch out from a common shore line, a feature which gives the deposit close similarities with JCI's South Deep project In keeping with Anglovaal's policy, Target is proceeding with unusual care and caution If this mine is ever developed, the likely capital cost will approach R2bn — good reason for prudence (210)

It will be two years at least before management has anything of gravity to say about the Target area. Even then, Anglovaal may persist with its general reluctance to tell minorities what's cooking

MidWits soldiers on with a strong balance sheet and practically no borrowings. However, the 1994 report reveals that, despite vastly increased income, mostly from Venetia, exploration activity consumed a substantial R37m (1993 only R7m); the bottom line is EPS of 20,7c (1993 19,9c) and a dividend of 10c, a lot better than last year's 7,8c.

It is impossible to avoid the conclusion that MidWits has considerable long range potential for those investors determined to stay in touch with mining developments and prepared to shrug off protracted lead times.

David Gleason

FM 14/10/94

JCI

Waiting for the knife

(210)

Activities: *Mining house with interests in gold, platinum, coal and base metals as well as industrial and property investments*
Control: *Anglo American Corp 40%*
Chairman: *P F Retief*
Capital structure: *148,7m ords Market capitalisation R15,54bn*
Share market: *Price 10 450c Yields 1,9% on dividend, 5,9% on earnings, p e ratio, 17,0, cover, 3,1 12-month high, 12 200c, low, 6 125c Trading volume last quarter, 1,2m shares*

Year to June 30	'91	'92	'93	'94
Investments				
Book value (Rm)	1 756	2 248	2 357	2 744
Market value (Rm)	8 252	9 761	10 744	15 149
Performance				
Investment inc (Rm)	351	370	357	559
Other income (Rm)	95	94	59	255
Attributable profit (Rm)	418	440	433	748
Earnings (c)	283	298	293	505
Equity earnings (c)	391	388	394	616
Dividends (c)	132	132	132	200
Tangible NAV (c)	6 100	6 886	7 595	10 707

Of all the SA mining houses, Johannesburg Consolidated Investments (JCI, affectionately called Johnnies) must be one of the most fascinating Founded in 1889 by the magnate Barney Barnato, its history is inextricably linked with the development of SA's mining industry And an unusual transformation awaits it in 1995

JCI is controlled and largely owned by Anglo American Corp but run by men who are fiercely independent It is no secret that JCI executives clashed with their masters at 44 Main Street and the rumoured conflict last year over UK platinum refiner Johnson Matthey must have played some part in finally prodding Anglo to unbundle its senior sister When Charter decided to sell its dominant stake in Johnson Matthey, JCI stepped in to pick up some of the holding — in opposition to Anglo's expressed wish that it should not JCI and Anglo bumped heads in other areas too, notably other parts of Africa

It isn't surprising that something had to give in this awkward relationship And give it did, but not until Anglo — some commentators say Harry Oppenheimer — decided JCI provided the perfect vehicle for black aspirations for successful entry into mining So this mining finance giant will be dismantled during calendar 1995 to create three new companies old JCI as the repository for gold, coal, ferrochrome and antimony interests, structured to provide black entrepreneurs with the opportunity to take control, another to house the substantial industrial and property interests; a third embracing JCI's platinum interests (tipped to be called Amplats) JCI's important holdings in the unlisted diamond trading companies will probably be warehoused within Anglo

JCI's business is constructed around mining — this sector accounts for 55% of the total net value of R15,8bn — though it also has a large investment in industry (R7bn or about 44%) The mining operations encompass almost every aspect of the SA industry and the house is the largest producer of platinum and platinum group metals in the world In financial 1994, it returned what chairman Pat Retief calls "a substantial improvement in performance" Attributable profit rose 73% to R748m EPS soared to 505c (1993. 203c) and the dividend was lifted 52% to 200c.

Retief .. *a substantial improvement in performance*

To complain about certain aspects makes me seem a party pooper Nevertheless, some areas of JCI's performance leave a lot to be desired Nowhere is this more evident than in the mining operations On platinum assets of almost R5bn, for example, equity earnings are R114,5m or a return of 2,3% This indicates the market has priced platinum stocks too high — or investors expect glittering commodity prices

This trend is evident throughout JCI's results, though some areas are notably better The diamond interests — legacies of Barnato's major involvement in De Beers and Solly Joel's close relationship with the Oppenheimers — carry a net value of R1,3bn and produced earnings of R104m, a return of 8% The gold mines show an equity accounted return on capital of 5,9% (R94m from R1,6bn).

The investment in coal is a different matter On the face of it, the result is good and much better than in 1993 — R23m compared with R2,5m But this disguises what may be a rather serious situation

Group sales in 1994 were 6,64 Mt This includes JCI's 50% share of sales out of the enlarged Arthur Taylor Colliery (which it shares with Total Exploration) of 1,89 Mt, and JCI's 40% entitlement to Middelburg's output of 5,77 Mt (Middelburg is operated by Randcoal) This gives the coal division a profit of R3,46/t If capex of R23m is taken into account, the coal sector actually produced zero It hardly seems worthwhile and may explain JCI's chagrin at losing the tender for Randcoal to Trans-Natal Bringing Randcoal into the JCI fold would have enhanced this sector's profitability and may have contributed significantly to a strengthening of managerial talent

It is important to return briefly to JCI's gold mines It manages two mines of high quality, Randfontein Estates and Western Areas (reviewed in this section), though Randfontein is ageing and the grades from the South reef, crucial to its future, are disappointingly below expectations At a third mine, H J Joel in the Free State, JCI took the brave course of restructuring operations after earlier plans proved unsuccessful It has emerged from a trying period with an enhanced reputation

However, the really important development is the South Deep Exploration (Soudex) project, a new gold mine in the making All the evidence is that this is being particularly well managed The market obviously believes so because the share price has moved almost R50 (to R69) in a year Proposals to merge Soudex with neighbour Western Areas are awaited Western Area's substantial tax base will be used for the benefit of investors

Of the industrial investments, JCI's

WHERE THE PROFITS COME FROM

	1993		1994	
Minerals & mining	212,1	36,4	[illegible]	[illegible]
Industrial & property	232,0	39,8	[illegible]	[illegible]
Fees interest & realisations	84 0	14,4	[illegible]	[illegible]
Tax adjustments	54,3	9,4	[illegible]	[illegible]
	582,4	100 0	[illegible]	[illegible]

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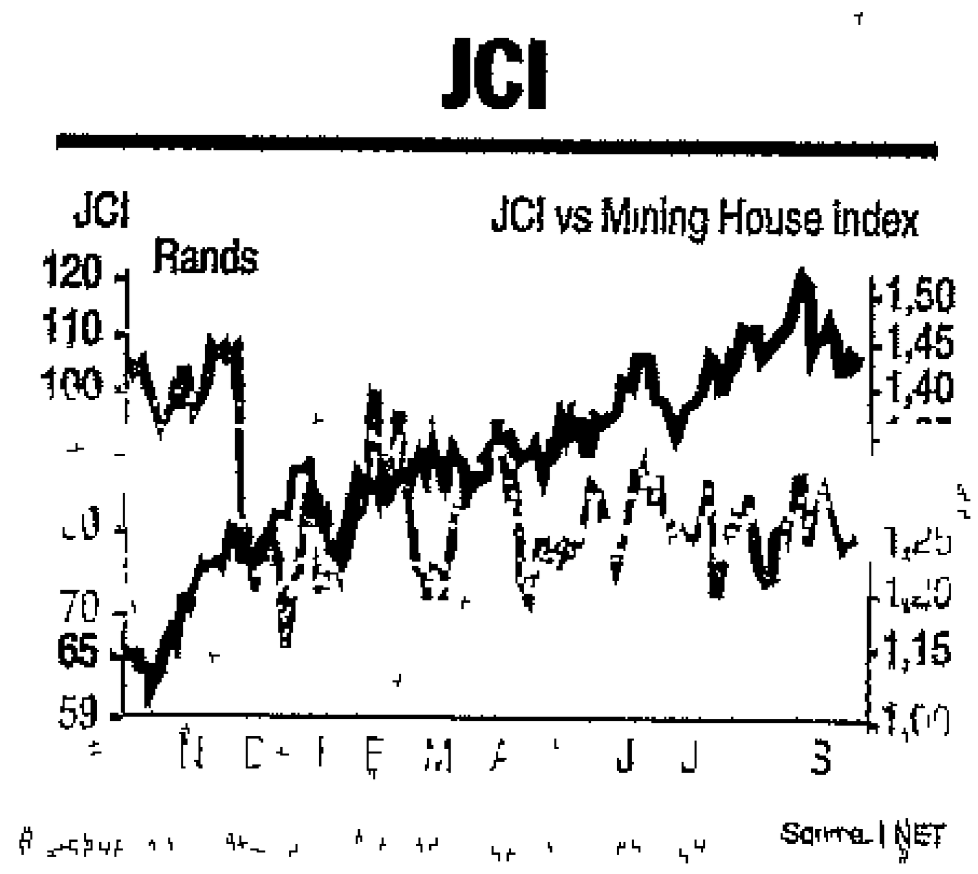

14,8% interest in SA Breweries is by far the most important Over time, efforts made within Breweries to diversify have been less than successful Beer remains Breweries' largest contributor and I think it unlikely that further acquisitions will be made outside its core business

I cannot leave this section without commenting on two other areas The first is Premier, in which JCI holds a 27,4% interest It has just revealed a debacle relating to its recently structured pharmaceutical distribution company, in which about R50m has been lost

The event has attracted widespread criticism and chairman-elect Doug Band's earliest task will be to restore investor confidence Second, the events surrounding the sale of Argus Newspapers and the subsequent restructuring of Argus Holdings (now called Omni Media) to include Times Media, the *FM*'s owner, have invited close attention from the financial press Sadly, these events are important to newspapermen but less so to investors

This is the last time JCI will be reviewed in its present form This year's annual report, tastefully produced, is likely to become a collector's item There is a sadness in this It can be argued that cutting JCI up this way is a travesty and that a fine old company deserves better But emotion has no place in business and it isn't possible to make an omelette without breaking eggs

David Gleason

JCI GOLD MINES

Encouraging reports

If there is any thread common to this year's annual reports from JCI's gold producers, it is the plunge in the importance of trackless mining, a system evolved with much fanfare in the mid-Eighties and which has now faded into obscurity

Trackless mining involved widening stopes to accommodate the machinery being employed Since it means mining more rock which contains no gold (waste), it means management accepted the inevitable dilution in the gold grade It also meant a substantial increase in the use of trackless (rubber-tyred) mechanical equipment to drill, load and transport ore

The system was predicated on the theory that it would, firstly, reduce labour needs and so all the high costs associated with a labour force whose productivity leaves much to be desired, secondly the speed of development would be such that smaller reserves could be mined and, as a result, less capital would be tied up

What stood against it were the depth of SA mines and the unusual hardness and abrasiveness of the Witwatersrand rock And it was a method which reduced mining flexibility The vaunted cost benefits failed to materialise Since the withdrawal of trackless mining, costs at JCI mines are falling, gold yields are rising and greater mining flexibility has been restored Elements of trackless mining have been retained, especially at H J Joel where ore transport is still handled in this way

H J Joel's Maxwell *positive change can be wrought*

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At **Randfontein Estates**, the West Rand producer which is JCI's flagship, an exceptional performance over financial 1994 justifies chairman Kennedy Maxwell's understated description of a "very satisfactory result" Net earnings rose 33%, despite a more modest rise of only 19% in the average gold price and a reduction in tonnage mined Dividends nearly doubled to 280c (1993 145c)

The main contributor was the higher grades mined from Cooke No 3 shaft Mining analysts do not believe this can be sustained Neither does Maxwell While gold output may decline in the near term, the mine's future hinges on the Doornkop subvertical shaft and South Reef development in that area, where grades are below expectation

Western Areas is really JCI's magic mine Its remarkable restoration has much to do with the introduction of a management philosophy of running individual mining areas as free-standing projects First results became evident in late 1992, when yields from the South division improved substantially

Net earnings (after capex) are 373c (91c), the dividend of 310c is 12,5 times greater (1993 25c) The stock has jumped from R1,70 in October 1992 to R73 The 1994 result would have been better had a winder drum shaft not broken The insurers rejected the claim in the first round but subsequently paid up R35,6m

Both have huge cash reserves Randfontein holds R153m net of borrowings, dividends and tax payments, Western Areas has a net R62m These can be used as defence against lower gold prices

The big news for Western Areas, however, is its imminent merger with neighbour **South Deep Exploration** (Soudex), which is developing what is described as one of the largest unmined ore reserves left in the Witwatersrand system

Preparations for the sinking of the first surface shaft are well advanced and the project has been given an impressive start by JCI's ability to gain access to areas underground through Western Areas' shafts This has enabled thorough evaluation of the reefs in South Deep's lease area and the design of back-fill programmes which will lend great stability to tight mining programmes in shaft areas

Merging the two companies will enable shareholders to benefit from the tax shield conferred by Western Areas It also raises old arguments about the ring fencing imposed by the tax regime on the mining industry and the effect this inevitably has on new mine development Terms of the merger proposals are still to be announced

JCI'S GOLD MINES

	Randfontein	Western Areas	H J Joel	Soudex
Trading stats:				
Capital Structure (ords)	122,3m	40,3m	196m	39,4m
Market cap (Rm)	6 390	2 962	1 215	2 719
Price (c)	5 225	7 350	620	6 900
12-month high (c)	5 850	7 450	750	7 025
12-month low (c)	3 500	2 450	165	2 500
Trading vol last quarter	9m	1,9m	10,4m	122 000
Chairman	K Maxwell	K Maxwell	K Maxwell	K Maxwell
Year to June 30 1994:				
Revenue (Rm)	1 302	634	139	7
Costs (Rm)	911	451	133	0,1
Tax (Rm)	172	7	—	0,1
Attributable (Rm)	376	233	3	n/a
Grade (g/t)	*5,79	7,01	5,73	n/a
Gold produced (kg)	32 262	15 877	3 567	511
EPS (c)	307	373	—	—
Dividends (c)	280	310	—	—

* Underground sources only

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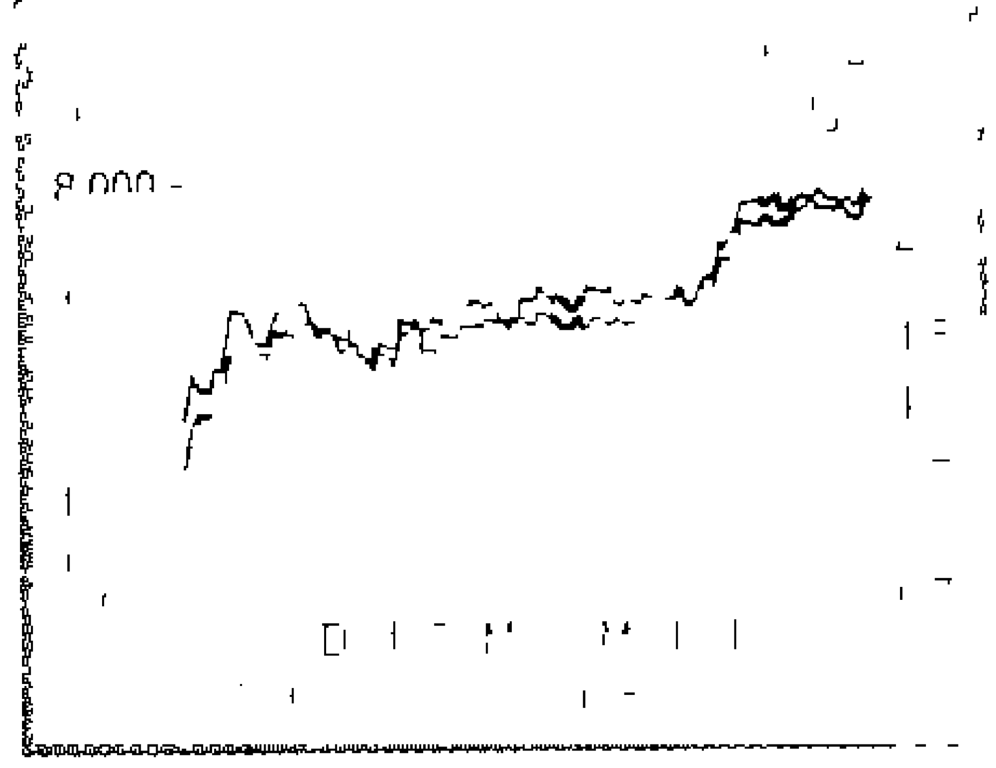
Western Areas



Nevertheless, I am left breathless by the surge in Soudex's share price from R2 in October 1992 to R69 now You would think it was already a major gold producer, not a mine without a shaft and it supports the theory that investment excitement in mining is always in the period preceding the boring years of steady production

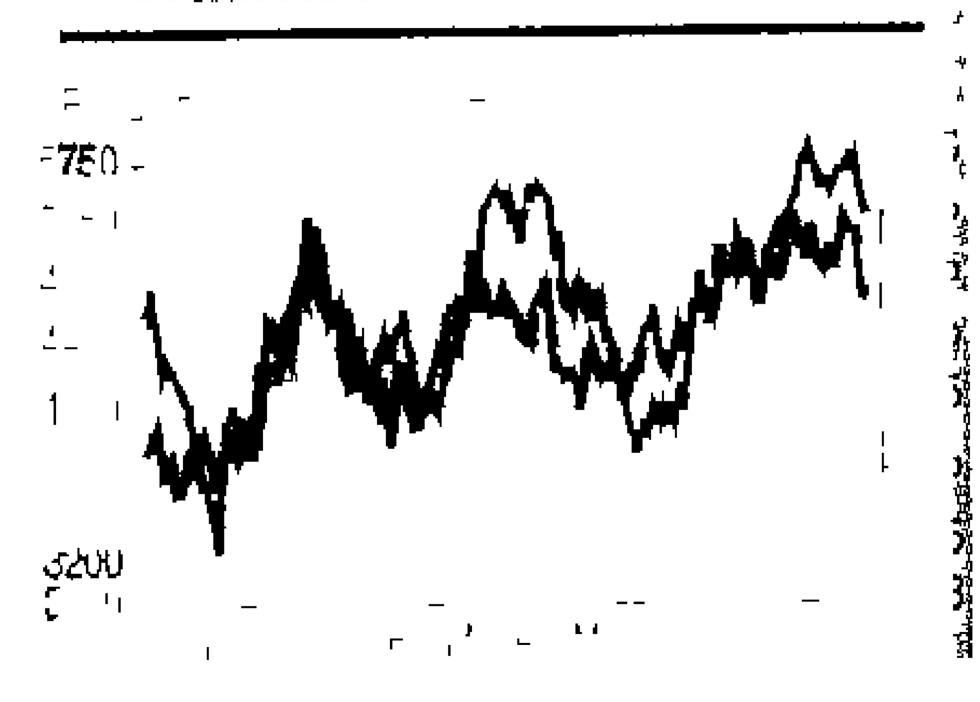
Finally, in the Free State, there is **H J Joel**, which many investors and analysts wrote off over 1992-1993, when large unpay areas were encountered Ore reserves were reduced significantly, stoping was cut back severely, JCI was roundly criticised for its mine planning 210

The house took it ~~on the~~ chin, it chose (sensibly) to devote 1994 to redevelopment This is an expensive exercise, not immediately revenue-productive But ore reserves are now at 351 000 t and the aim is to get them to 1 Mt by next June. JCI has funnelled substantial sums to Joel by following its rights in April's issue of R276m and through short-term loans since converted to subordinated longer-term debt

Maxwell, who chairs this company, is typically conservative It follows, therefore, when he says — as he does in the annual report, "I am confident that at last a positive change can be wrought in H J Joel's fortunes" — that its immediate future is in good shape

These are encouraging reports from mines managed by a house on the verge of fundamental change Since they will provide the core business of a future mining company that is to bear JCI's name and destined to carry the aspirations of black investors, their continued good management is vital. *David Gleason*

Randfontein Estates



FM 14-10 1994

AVI

Heavy spending ahead

Activities: *Holding company for Anglovaal's industrial interests*
Control: *Anglovaal 60%*
Chairman: *B E Hersov MD J C Robbertze*
Capital structure: *31,7m ords Market capitalisation R6,50bn*
Share market: *Price 20 500c Yields 1,1% on dividend, 6,3% on earnings, p e ratio, 16,0, cover, 5,7 12-month high, 24 000c, low, 155 000c Trading volume last quarter, 184 000 shares*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	200,1	250,7	157,8	320,8
LT debt (Rm)	278,7	105,7	168,4	290,8
Debt equity ratio	0,17	n/a	n/a	n/a
Shareholders' interest	0,46	0,58	0,54	0,58
Int & leasing cover	16,9	n/a	8,0	7,5
Return on cap (%)	20,7	13,9	17,6	14,2
Turnover (Rm)	7 386	7 958	8 319	9 667
Pre-int profit (Rm)	732	660	788	860
Pre-int margin (%)	9,8	8,2	9,5	8,9
Earnings (c)	825	907	1 083	1 283
Dividends (c)	150	165	195	230
Tangible NAV (c)	3 419	4 840	5 237	7 605

It is unreasonable to complain about a company which has become so monotonously predictable with its consistent earnings growth pattern — a position envied by many industrial companies — and financial 1994 is no exception to AVI's ninth-year record of real earnings growth

A balanced portfolio which avoids reliance on any one sector, strengthened by acquisitions to ensure dominance in its markets, is a key to the group's success

However, the results throw up some surprises, particularly in AVI's nonlisted interests. Diversified Holdings, encapsulating its engineering and textile interests, was a strong performer albeit off a low base, with earnings up 34%.

This came from a strong performance from Bearing Man and the return to profitability by Mooi River Textiles from the substantial loss of the previous year. AVI

AVI CE Jan Robbertze ... *benefits of a balanced portfolio*

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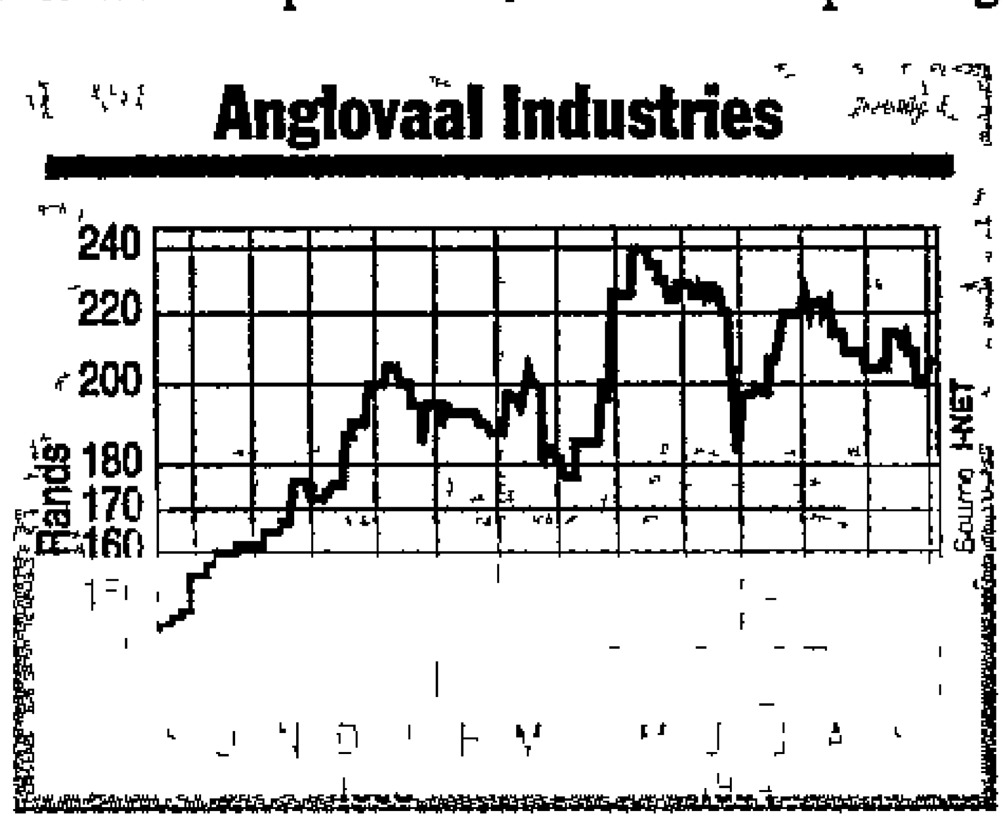
chairman Basil Hersov says further real earnings growth is expected, as engineering interests benefit from increased fixed investment and the performance of textiles continues to improve.

National Brands, AVI's maker and distributor of branded fast-moving consumer products, finally succumbed to reduced consumer spending after years of strong advance. This is particularly so of the Associated Biscuits division. Though NB sales were up 27%, this was mainly because of the R411m Willards Foods acquisition during the year. Lower interest received (cash resources were used to finance acquisitions) resulted in pre-tax profit down 3%. A full year's contribution from Willards should reverse the decline this year, though price cutting from competition over market share may squeeze margins.



Of the other divisions, Consol's earnings were affected by lower sales volumes. Excluding acquisitions, the turnover increase of 13% is reduced to 5%, indicating lower volumes and ongoing pressure on margins Consol remains the largest contributor to AVI's bottom line, and improved demand for its products during the final few months of the financial year suggests better earnings this year

The strategy of consolidation rather than growth adopted by Grinaker Construction in 1993 proved a success. Solid contributions from other subsidiaries such as Siltek, boosted Grinaker's earnings 38%.

Irvin & Johnson's performance was again affected by difficult local and international markets Hersov says the foundation has been laid, however, for potentially stronger profit growth in the current year.

Increased demand for associate Anglo-Alpha's products is reflected in the 24% increase in turnover. It will be interesting to note the effect on performance of government's decision to disband the cement producers' cartel.

Easing interest rates and a net reduction in AVI's cash resources resulted in a 12% decline in investment income to R112m. The R12,7m increase in interest paid was, however, partially offset by the decline in the effective tax rate from 34% to 28%.

The balance sheet remains solid, with gearing a conservative 14% Net cash resources of R196m are down R345m, after the payments of R205m and R411m by Consol and National Brands for their respective acquisitions.

Capital spending absorbed R415m during the year. Capex of R1,4bn is planned for the next three years, much of it going into modern capital equipment and technology — made all the more necessary by the newly negotiated Gatt treaties. AVI has proposed a 10-for-one share split, presumably in an effort to make the stock more marketable.

The share has been consolidating at around R210 for the past six months Prospects of earnings growth of 20% puts the counter on a forward p'e of 13,6, not unduly expensive in the current market However, with the dividend cover at a parsimonious 5,7, the yield is only 1,1%, offering little attraction on income grounds.

Marylou Greig

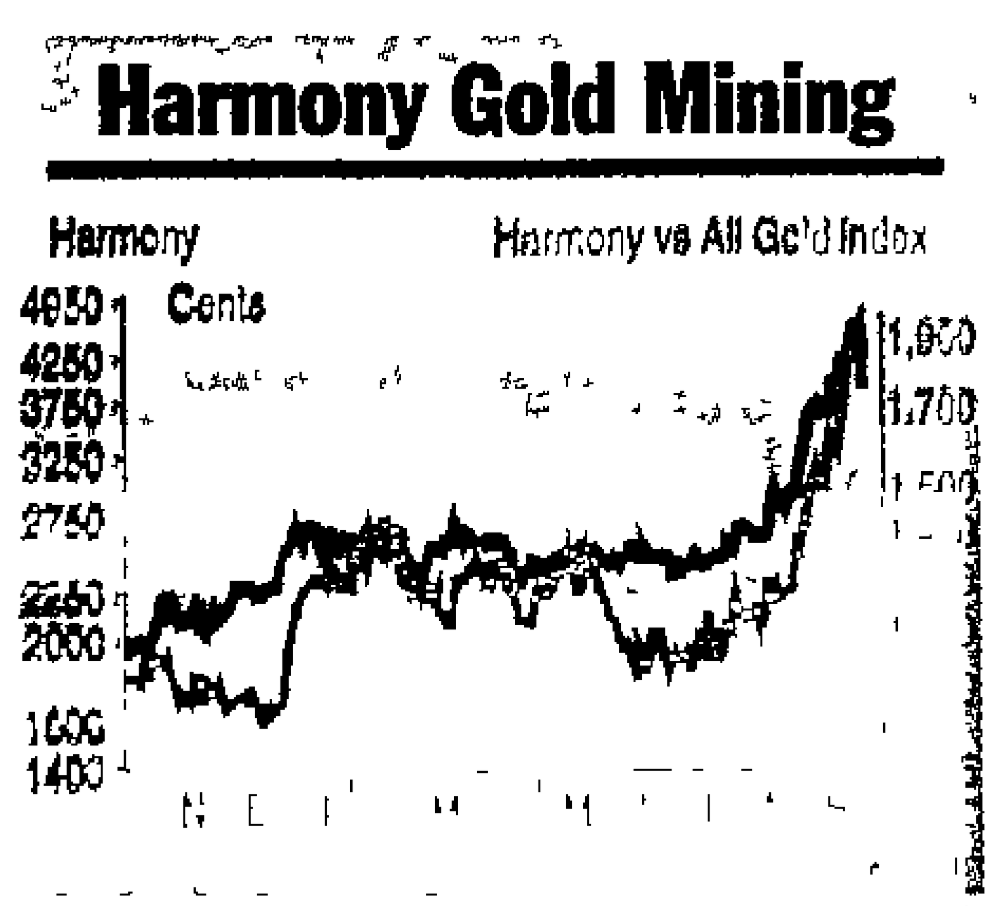
DIVISIONAL BREAKDOWN

	Turnover % '93	'94	Attrib earnings % '93	'94
Diversified Holdings	13	13	21	24
Consol	26	25	27	26
Grinaker	27	29	5	5
I & J	20	18	11	10
National Brands	14	15	25	23
Anglo-Alpha	—	—	8	9
Holding Company	—	—	3	3
	100	100	100	100

BLYVOOR/HARMONY

New opportunities

After all the fuss about Randgold and the momentous changes which have swept across the remnants of the old Corner House, reviewing the annual reports for two of its gold mines may seem fairly passé.



Duiker posts 81% rise in earnings

(210) CT 21/10/94

JOHANNESBURG — Lonrho's coal, anthracite and gold producer, Duiker Exploration, yesterday posted an 81% rise in earnings per share to 390,9c (216,1c) for the year ended September 30, on a marginally increased number of shares in issue

Duiker Coal (formerly Agipcoal) accounted for R7,1m of the improvement in mining income to R48,8m (R34,0m) and total income from operations for the year almost doubled to R85,8m (R43,5m)

Income before taxation rose 61% to R87,5m (R54,3m), although disposal of the company's investment in Eastern Gold Holdings in November 1993 reduced the pre tax income from associated companies from R10,8m in 1993 to R1,6m for 1994

After tax income for the year rose 81% to R56,2m (R31m) on lower company tax and the utilisation of tax losses in Duiker Coal

After an interim dividend of 50c, a final dividend for the year of 70c and a special dividend of 200c have been declared

GENCOR

Fm 21/10/94

Chasing after new assets

(210) (252)

Activities: *Mining house with investments in gold, platinum, coal, ferroalloys, mineral sands, aluminium and an expanding international base*
Control: *Sanlam and Rembrandt*
Chairman: *B P Gilbertson*
Capital structure: *1,4bn ords Market capitalisation R19,95bn*
Share market: *Price 1 425c Yields 1% on dividend, 3,2% on earnings, p e ratio, 31,4, cover, 3 12-month high, 1 495c, low, 585c Trading volume last quarter, 26,8m shares*

Year to June 30	*'91	*'92	*'93	'94
Investments				
Carry value (Rbn)	7,18	9,17	10,65	7,01
Market value (Rbn)	15,99	16,58	17,64	15,94
Earnings (Rm)	1 405	1 261	1 411	625
Earnings (c)	119,5	98,8	102,5	45,4
Tangible NAV (c)	1 473	1 341	1 354	1 189

* Year to August 31

Mining house Gencor has had a momentous 1994 Not surprisingly, it has also been a year in which chairman Brian Gilbertson's vaulting ambitions for the group have suddenly been revealed in sharper focus.

Gilbertson, first a physicist with CSIR, then a rising star with JCI until hand-picked by then chairman Derek Keys to take control of Gencor's mining interests before succeeding him, has long made it clear he intends to drive Gencor into the first rank of the world's natural resource companies It is the kind of good intention to which little attention is paid — until, that is, the news burst of Gencor's acquisitions, first of international base metals and minerals grouping Billiton, then within weeks the merger of Randcoal with Trans-Natal to form the world's third largest privately owned coal company The scope of these developments is breathtaking, coupled with Gencor's greenfields projects at home, they constitute a group seriously engaged in a widespread transformation

Curiously, all these changes come after Gencor blazed the trail of "unbundling" — a painful process in which the house shed its industrial and investment arms, Sappi, Engen, Malbak and Genbel Having scaled down, Gilbertson promptly began to expand, this time concentrating exclusively on mining and allied activities

Gencor has become a mining house focused on gold (17% of assets, 21% of earnings), platinum (15% and 12% respectively), coal (5% and 13% and set to mushroom), ferro-alloys (23%), titanium minerals (10% of assets, contributing 25% of earnings) and aluminium (7% and 1%) and now nickel through Billiton's Cerro Matoso mine in Colombia What is arguably missing from this compendium is copper and iron ore

Meanwhile, the house is heavily involved in SA projects such as Alusaf's Hillside Smelter project (R5,4bn), the Columbus stainless steel joint venture with Anglo American Corp and the IDC (R3,5bn, of which Gencor has a third share through Samancor), and the struggle to refinance the Oryx gold mine in the Free State All these, taken with the Billiton acquisition, mean that Gencor has undergone an important transformation Resources have been transferred on a huge scale from profit-producing operations to some (Alusaf, Columbus and Oryx) which — for now at least — will be net consumers of cash

The result is painfully obvious Attributable income is a modest R625m for 1994, 45,4c a share compared with last year's pre-unbundled 102,5c — though Gilbertson complains I am comparing apples with pears "What you forget is that shareholders benefit directly in the companies which we unbundled" Still, the dividend is now a miserable 15c after 1993's 45c.

To put all this into perspective, the house is a far cry from its attributable income of R911m in 1990 That was achieved from net assets of R10,8bn — a simple return rate of 8,5% It puts this year's performance — R625m from net assets of R16,6bn or a return of 3,8% into stark and unkind focus However, those soaring net assets also indicate a rampant stock market and, of course, in 1990 Gencor was a bundled group Gilbertson's brave new world won't kick in for some years yet

GENCOR'S EARNINGS

	1993		1994	
	Rm	%	Rm	%
Gold	106	17	131	21
Platinum	99	16	75	12
Coal	78	13	84	13
Ferroalloys	101	16	145	23
Titanium Minerals	85	14	157	25
Aluminium	7	1	3	1
International & other	(2)	(0)	35	6
Operations	474	77	630	101
Exploration & [illegible]	(99)	(16)	(82)	(13)
Investments & corporate	237	39	77	12
Total earnings	612	100	625	100

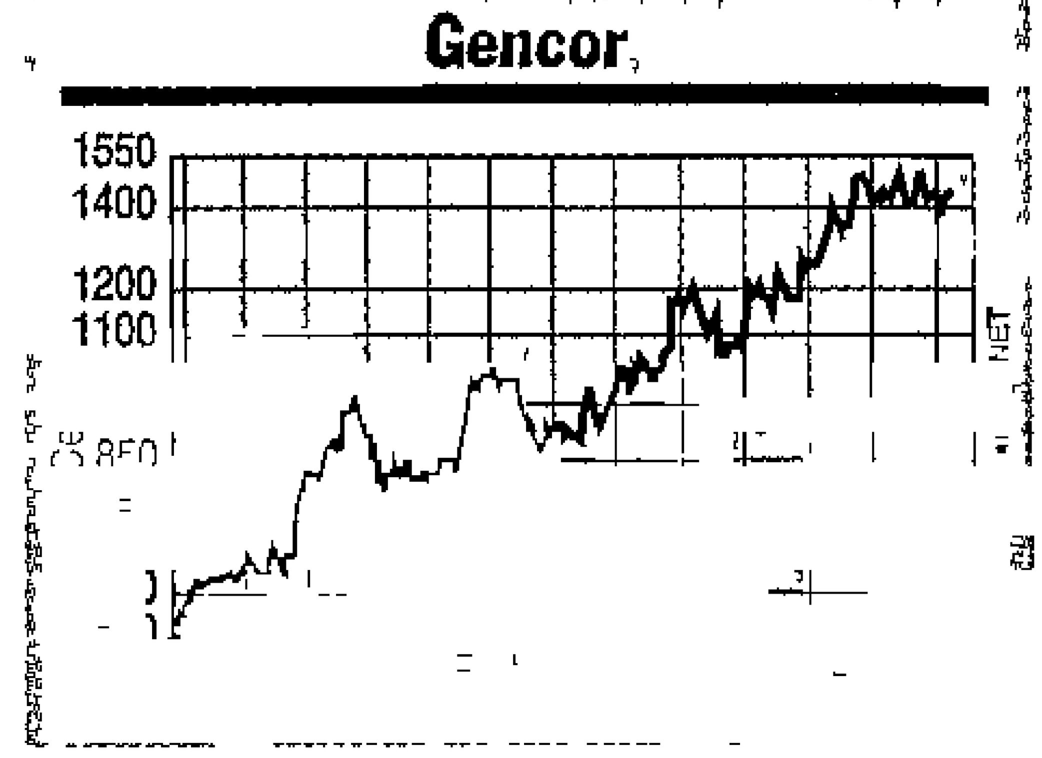
Also, Gencor's reporting period this time round is for 10 months only, as the company and its subsidiaries convert to a June financial year It is true, too, that operating income improved strongly from 1993's R474m, indeed, if the EPS of 45,4c is annualised, it produces 54,5c and, in that sense at least, Gilbertson can take some

Gencor's Gilbertson *a brave new world*

satisfaction

The balance sheet is something else Shareholders' interest has fallen to R7,4bn from 1993's R11,5bn, this is a reduction of R4,1bn, all of it chopped off the reserves — a massive R2,7bn of it off the nondistributables On the other hand, Gencor's investments in subsidiaries has a carrying value of R7bn against a valuation of R15,9bn Long-term loans of R147m are small beer in these orders of magnitude and illustrate, if nothing else, the unusual ingenuities applied in financing the purchase of Billiton from Royal Dutch Shell

This is another area of interest If you think, as I did, that Billiton is sealed and delivered, well, it's not Gilbertson says he doesn't expect the deal to be consummated before next month Billiton under Shell was strangely amorphous, its assets were owned by Shell's operating companies in those parts of the world where Billiton operated These have had to be extracted from, for example, Shell Brazil, and title transferred to Billiton It is clearly proving an ex-



FM 21/10/94

hausting administrative procedure

Then there's Trans-Natal's successful bid to merge with Randcoal It attracted criticism when announced, mainly from other bidders but also from large shareholder Liberty Since then, the dissatisfaction has become muted to the point of disappearing and it would seem little can stop the deal from going through except, however bizarre this may appear, if it fails to get EC approval

At the end of reading Gencor's annual report, and after having followed the company's fortunes this year with some concentration, I am left a bit bemused Here is a major SA mining house which has in a year shrunk appreciably in size and then immediately embarked on a massive expansion It is a bit bewildering But it also makes sense Gilbertson is demonstrating that, even if you start late, it is possible to catch up He is also making sure that as some of the company's assets deteriorate, notably the SA gold mining portfolio, others are put in place

In this respect, the tactics represent sound strategic planning for a group that has clearly delineated its long-term future

David Gleason

GENCOR GOLDS

Success with costs

Gencor gold mining company Gengold administers 11 operating gold mines, of which 10 are listed A review of the individual companies, given the number involved, is bound to be superficial

However, a number of common issues emerge from the annual reports First is the intense concentration on and success in controlling costs Over the year, working costs per kg of gold produced on Gengold mines increased by a mere 7,7% and, in an industry long inured to large cost increases, this success is important

Second is the forward sales contracts Generally, these were not well executed over financial 1994 but the group is out of them now and future policy is being re-evaluated However, if the gold price runs, Gengold will probably lock in some of its production to protect those of its mines which are delicately positioned

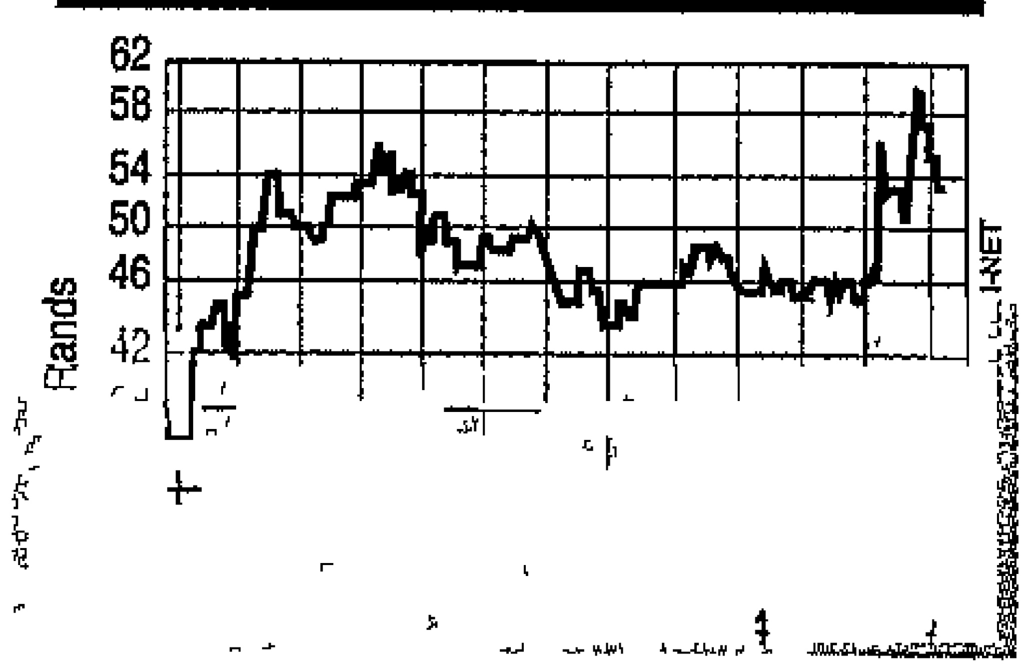
Finally, an aspect which can't please Gengold's managers much, is the share prices of these companies These are underrated relative to the management efficiencies which Gencor has exhibited and is probably due to the low market cap of Gengold's mines — these are small by comparison, for example, with Anglo and Gold Fields producers

Gengold's Maude *promising advances in productivity*

(210)

Of the individual producers (some of which report strange years this time as Gengold brings all its mines on to the same reporting period), **Buffelsfontein,** which used to be the group's Big Daddy is now a mine in decline. Focus from now on will be on shaft pillar extraction and dump treatment Reserves have declined markedly and some investors have been burned because they don't understand the concept underlying the phrase "Life of Mine" This share has become more of a trading stock than a counter for long-term collection

Buffelsfontein Gold Mining



Stilfontein is a stock about which investors can't afford to be misled, despite its startling profit profile over the last year. The company probably has dumps sufficient to provide material for no more than another two years' work, though it is possible it may access reserves owned by neighbouring companies There is some suggestion the mine's underground reserves may be re-examined

In the Free State, **Oryx** continues to be Gengold's problem child and Gencor chairman Brian Gilbertson describes it as "having a long and painful labour" In the market, the share is considered highly risky though that is probably a premature judgment The mine's problem is that across both the length and breadth of the lease area there are huge variations in the quality of the ore deposit, unusual in a Witwatersrand conglomerate Refinancing proposals have been delayed, probably until the year-end; however, the chances must be good that a rights issue of R750m will be required to retire debt and provide sufficiently for redevelopment

At **St Helena,** earnings have doubled and great improvements have been made in yield which rose 11% as a result of selective development — and the use of

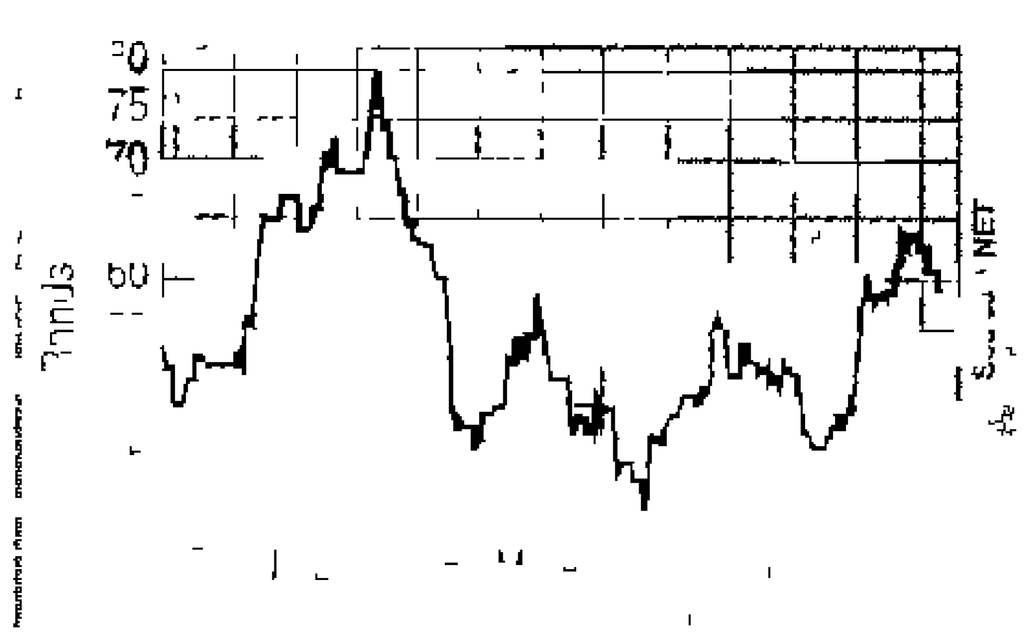
GENCOR GOLD MINES

	†Beatrix	Buffels	*Grootvlei	‡Kinross	‡Leslie	†Oryx	*St Helena	*Stilfontein	‡Unisel	‡Winkelhaak
To June 30 1994										
Trading stats										
Capital issued (shares)	94m	11m	11,4m	18m	16m	165m	96m	13m	28m	12,2m
Market cap (Rm)	2 585	577	145	1 302	130	1 073	470	117	378	714
Price (c)	2 750	5 250	1 275	7 400	810	650	4 900	900	1 350	5 850
12 month high (c)	3 100	6 000	1 375	8 450	940	800	4 950	1 000	1 850	8 000
12-month low (c)	1 925	3 700	700	5 400	500	250	3 250	425	625	4 300
Trading vol last quarter	2,4m	177 000	731 000	653 000	1,6	794 000	19 000	14 000	769 000	195 000
Chairman	G Maude	T G Dale	G Maude	G Maude	J E Olivier	G Maude	G Maude	G Maude	G Maude	G Maude
Year to June 30 1994:										
Revenue (Rm)	526,4	518,5	145,1	366,4	82,8	nil	281,6	67,7	114,6	312,3
Costs (Rm)	308,4	437,2	128,1	231,3	62,5	nil	234,8	54,5	96,4	249,8
Tax (Rm)	55,3	23,2	6,6	70,4	10,3	nil	47,1	5,4	4,5	33,5
Attributable (Rm)	82,3	32,2	10,5	55,0	8,8	nil	41,5	31,9	8,7	30,0
Grade (g/t)	6,29	6,37	5,48	6,57	6,69	1,69	6,80	1,06	6,02	6,66
Gold produced (kg)	13 220	13 098	3 845	9 075	2 048	316	7 415	1 790	2 847	7 735
EPS (c)	87,5	292,4	91,4	305,4	54,8	(272,3)	430,8	244	30,9	246,2
Dividends (c)	83,0	305,0	80,0	270,0	45,0	nil	370,0	180	25,0	200,0

† 10 months * 18 months ‡ 9 months

Fm 21/10/94

Winkelhaak Mines



industrial vacuum cleaners to gather fine particles of gold from the working faces By contrast, **Unisel** is really struggling, though the mine reports this year for nine months only The doubling of the share price can only have been on the basis of an increase in declared ore reserves Market sources say this quarter's results should reflect a handsome improvement

Beatrix has returned an exceptional year yields have been steady and tonnage mined is much the same The change is the sustained attack on costs total working costs rose only 6% over the year Even better, unit costs lifted a mere 5,5%

Returning to the Transvaal, **Grootvlei** is producing good profits but it is small and its life is uncertain **Kinross**, in Gengold's Evander field, continues to produce steadily, despite markedly lower stope values in the No 2 decline area, output is being increased from other declines which have proved highly cost effective in accessing additional ore reserves **Winkelhaak**'s short reporting period (nine months) reveals the mine with limited ore reserves which is occupying a good deal of management attention Further drilling is being undertaken to prove reserves in the No 6 shaft area, pillars at No 2 and No 5 shafts are being opened, development into the 2A subvertical area is being undertaken to secure reserves for the short term

For Gengold chairman Gary Maude the immediate problem — Oryx aside — is to resolve the long proposed Evander super mine, a merger of Kinross, Winkelhaak and Leslie mines (210)

That leads me, in conclusion, to **Leslie**, where Gengold's immediate excitement is greatest At this mine, the concept of two blasts a day is being tested with remarkable results where the industry average stope face advance is about 8 m a month, at Leslie the new system is producing advances of 18 m, and the plan is to get this as close to 30 m a month as possible

If it succeeds — and it is off to a good start — the portents for the industry's failing productivity will be dramatic, perhaps as important in its own way as the introduction of cyanide to gold extraction nearly a century ago

David Gleason

DATES TO REMEMBER

Last day to register for dividends:
Friday Oct 28: Aflife 9c; Anamint 94c; Carlcor 33c, Ellerine 19,8c; Namfish ▲45c; Namsea ▲40,5c; New Central 91c SA Druggists 30,5c; SA Reserve Bank [illegible] 17c; Seardel 17c.

Meetings:
Monday Oct 24: [illegible], Laser Transport (S) (Cape Town); Nictus [illegible] Mining, Sechold

Tuesday Oct 25 [illegible] Man (Durban), KWV Bel (Suider-Paarl).

Wednesday Oct 26: [illegible] (Cape Town) [illegible] Bracken, Buffels; [illegible] (S), Kinross; [illegible] Roberts [illegible] Rand [illegible] True [illegible] St Helena [illegible] [illegible]fontein, [illegible]

Thursday Oct 27 [illegible] Lipton, [illegible]

Friday Oct 28: [illegible] Barlows (S) [illegible] Modder [illegible] (Durban) [illegible] Saflife, [illegible]

▲ [illegible] tax

M&R's PROFIT SOURCES

(Pre-interest profit)

	1993 Rm	1993 %	1994 Rm	1994 %
Construction	43	8	42	7
Engineering	160	30	149	25
Standard Engineering	44	8	74	13
Suppliers & Services	62	12	66	11
Transport	56	11	68	12
Materials	140	26	186	31
Property	46	9	26	4
Head Office etc	(22)	(4)	(17)	(3)
Total	530	100	594	100

MURRAY & ROBERTS

Ambitious targets

Activities: *Diversified industrial group focused mainly on GDFI spending*
Control: *Sankorp (34,7%)*
Chairman: *D C Brink MD A M van der Colff*
Capital structure: *62,8m ords Market capitalisation R5,9bn*
Share market: *Price 9 475c Yields 2,2% on dividend, 5,7% on earnings, p e ratio, 17,5, cover, 2,4 12-month high, 10 650c, low, 4 300c Trading volume last quarter, 1,9m shares*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	80	207	252	219
LT debt (Rm)	123	453	671	729
Debt equity ratio	0,10	0,21	0,37	0,26
Shareholders' interest	0,34	0,40	0,38	0,40
Int & leasing cover	23,1	14,2	6,8	5,6
Return on cap (%)	14,4	12,5	11,5	11,5
Turnover (Rm)	4 604	5 842	6 779	7 765
Pre-int profit (Rm)	323	501	530	594
Pre-int margin (%)	7,0	8,6	7,8	7,6
Earnings (c)	500	485	531	341
Dividends (c)	156	180	200	210
Tangible NAV (c)	2 002	2 331	2 463	2 873

Analysts should have fun tracking Murray & Roberts (M&R) as it pursues an ambitious target of doubling in size in real terms by the year 2000, measured by turnover, net income and value created And as the base year for this programme was 1993, the fun starts now

To define the target more closely, if one assumes an average inflation rate of 10% over the seven-year period, M&R will have to achieve, in nominal terms, an average annual compound growth rate of about 21% to reach its goal

At a practical level, probably the most demanding aspect is in respect of turnover,

M&R chairman David Brink *clear objectives have been set*

which will need to grow from 1993's R6,8bn to around R26,5bn — almost a four-fold increase The targeted net income growth rate, by comparison, should be less problematic, as the bottom line is likely to benefit from better capacity usage (currently around 60% across the board, according to CE Andre van der Colff), which in turn will enable the group to normalise its profitability ratios — these, in 1994, were all substantially below stated objectives though key ratios such as asset turn and the gross return on total assets were showing signs of stabilising after three years' deterioration

Group commercial director Jeremy Ractliffe sees the success of the programme as depending on a combination of improving trading margins and sweating existing assets much harder than is the case now The long-term objective for the trading margin is to increase it from the present

Anglo concerned over absence of union discipline

Star 21/10/94

(210)

■ BY DEREK TOMMEY

Anglo American is seriously concerned about the failure of some labour unions to observe agreements

It is also worried about the impact next year's additional public holidays will have on profits.

This emerged at a briefing yesterday on the group's September quarter gold mining results, which featured sharply higher profits at Freegold and Western Deep and a slump in earnings at Elandsrand.

Clem Sunter, chairman of the group's gold and uranium division, said that while investment demand looked bleak, the outlook on the physical side was positive.

There had been strong growth in demand in India and there was still strong demand in the Far East.

Jewellery demand in the US was good and in Europe satisfactory Physical demand was providing a rising floor for the gold price.

"My personal view is that the current trading range has a mid-point of $385, a top of $405 and a bottom of $360

"It could go through $400 this quarter, but the more it goes up, the more there is a tendency for it to come back to that mid-point," he said.

Concern over the unwillingness of certain unions to abide by labour agreements, while expecting management to do so, came from Jim McLuskie, regional general manager, Western Deep Levels and Elandsrand.

He said the recent work stoppage at Western Deep Levels stemmed from the discharge of four shop stewards who had ignored the mine's safety regulations and had created a dangerous situation.

Serious unrest and illegal work stoppages had followed. The result was lost production of 220kg gold worth about R10 million.

Profits lost were equal to 12c a share, the tax man lost R3,8 million and the strikers a total of R1,7 million in pay, equal to R270 each

However, such stoppages could have even more serious consequences They had occurred at Western Deep Level's west mine, a marginal producer

Continued stoppages could lead to the mine becoming unprofitable and raise the spectre of closure, with the loss of 6 000 jobs

Work stoppages at a deep mine such as Western Deep, working the Carbon Leader Reef, could have a serious effect on operations.

The immense overhead pressure would quickly lead to workfaces closing, and after five days they would become difficult and dangerous to reopen

McLuskie said the indiscipline was not confined to Western Deep Levels, but could be found industrywide

Dick Fisher, regional general manager, Vaal Reefs, said the number of paid public holidays in the industry had been increased from four to 12

At Vaal Reefs, each public holiday cost the mine R2,7 million to R2,8 million in lost production and another R844 000 in services.

He warned that costs of this size could endanger the profitability and survival of several marginal shafts.

A new development in the quarterlies is the provision of estimates of the lives of group mines

At a gold price of R45 000/kg, Freegold has 1 450 tons of mineable gold, which should keep it going for 25 years Ergo's reserves contain 90 tons of gold, giving the mine a life of 10 years However, this life could be extended if it acquired more reserves.

Vaal Reefs has 1 620 tons of gold, which should keep it going for 30 years.

Western Deep has 1 170 tons, giving it a life of 30 years.

Elandsrand's 360 tons will give it a 20-year life

Sunter said that at current share market prices, the gold in Anglo's mines was valued at around $60 an ounce This is sharply lower than the $200 an ounce basis on which several US mines are valued.

Freegold increased earnings from 40c to 83c a share, Vaal Reefs' earnings fell from 375c to 249c, Western Deep's increased from 105c to 142c, Elandsrand's dropped from 18c to 7c and Ergo's dropped from 31c to 29c.

Samancor's Eurobond debut

LONDON. — Samancor, yesterday became the first SA mining group to use the Eurobond market with a 10-year issue of $100m, Swiss Bank Corp, the lead manager, announced here. (210) CT 22/10/94

The bonds are convertible into shares plus a 10% to 15% premium. The issue is expected to bear an interest rate of 6,625% to 7,125%, but the price will not be set until next week. Proceeds will be used to refinance the group's short-term debt and to finance future strategic alliances, the bank said — Sapa-AFP

'Holidays could put mines in crisis'

CT 24/10/94

Own Correspondent (2.10)

JOHANNESBURG — Public holidays next year would cost the country R1,5bn in foreign exchange earnings from the gold mining industry if no work was carried out, Chamber of Mines chief economist Francois Viruly said yesterday.

He said in a worst-case scenario, the holidays would cost the industry R829m in lost profit and would put 14 000 jobs in jeopardy

Anglo American had already sounded a warning at its quarterly presentation, saying the additional public holidays would lead to the curtailment of operations and the loss of jobs at marginal shafts, which were very sensitive to any disruptions

Results for the latest round of gold quarterlies were disappointing, in spite of the improvement over the previous quarter, analysts said

They said the fact that the gold price had not moved up as expected meant gold mines posted only mediocre results The gold price had taken off at the beginning of the quarter, but had not maintained its gains

Most mines had shown an improvement in available profit, helped by a fall in capex from last quarter, and many mines' tax bills had fallen as they no longer had to pay the transitional levy.

Production had staged a good recovery, helped by a recovery in the Anglo heavyweights, after a June quarter hit by labour problems

Frankel, Pollak, Vinderine gold analyst Trevor Pearton said the only element of the quarterlies which had exceeded expectations had been working costs He said this was a troubling phenomenon as the gap between revenue and costs, which should be opening up as the gold price rose, was being closed

Pearton said the dollar price of gold would have to rise or results in the industry would remain flat A rise in the rand price was not enough, he said, as this was soon countered by imported inflation

Commodity prices boost for SA BoP

B/Day 31/10/94

MICHAEL URQUHART

SURGING world commodity prices could help give SA the balance of payments (BoP) elbow room it needed to maintain growth in the critical year ahead, Standard Bank chief economist Nico Czypionka said at the weekend.

Czypionka said SA had suffered from declining commodity prices over the past ten years, but looked set to benefit from a new upward cycle New markets in China and India were opening up for commodities and the trend was being reinforced by the industrial world's economic upturn.

Minerals prices have been moving up strongly over the past year, with the aluminium price up 67% in dollar terms, cobalt up 120%, platinum up 18%, silver up 33,5%, lead up 81% and palladium up 27,1%

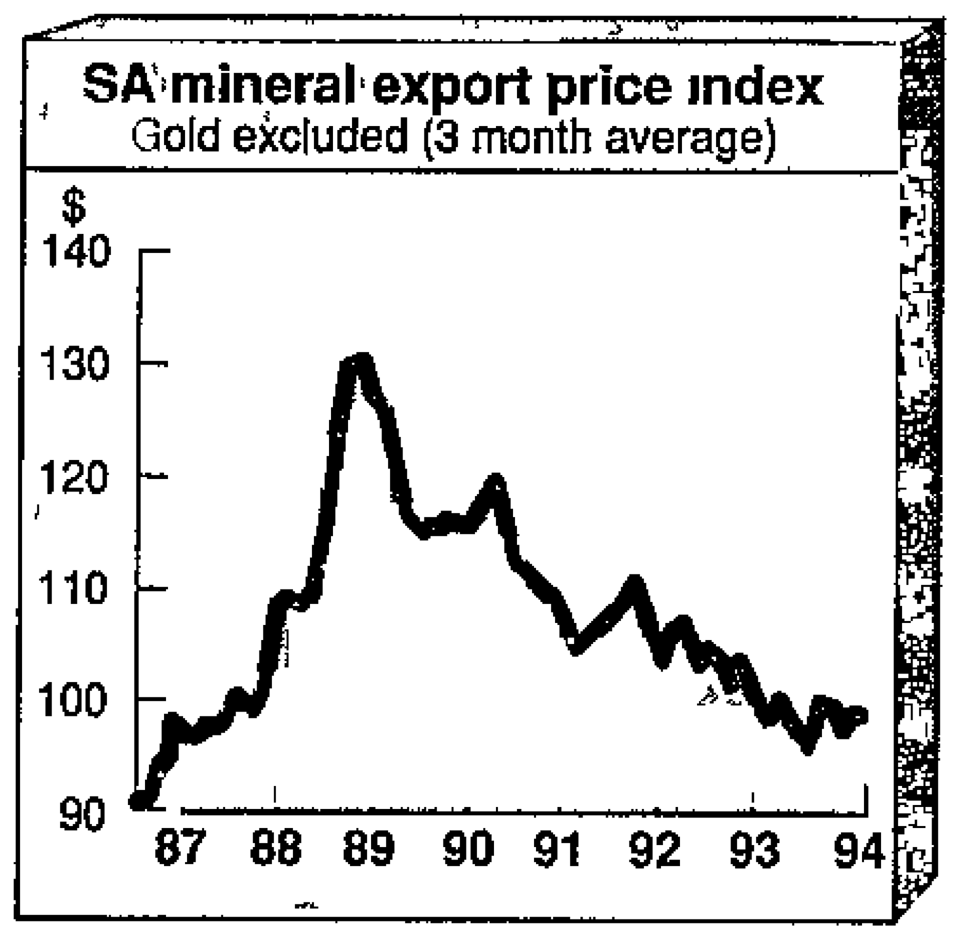
210

Oil prices have been the odd one out — because of a supply overhang — further aiding the SA BoP Brent crude was down 3,2% over the previous twelve months

Czypionka noted commodities and related products made up 70% of SA's exports He said higher commodity prices were not going to solve all the pressures on the balance of payments, but it would mean the authorities might be able to delay measures to support the balance of payments.

But SA commodity exports have not yet responded to the upturn in the price cycle. Mineral exports for the nine months to September 1994 were R5,68bn, only marginally up on the R5,67bn for the same period the previous year. Frankel Pollak economist Mike Brown said the reason was that the majority of SA's commodity exports were sold on contract These prices still had to catch up with rising spot prices

Gold, the biggest component of SA's commodity exports, had moved only marginally, he said



Mineral exports would receive a further boost next year as three large commodity-related export projects came into production. Namakwa Sands, Columbus and the Alusaf Hillside Smelter would all start producing next year, building up to full production by the turn of the century. At prices used at the time of the original estimates, the three projects were likely to produce about R1,8bn in exports in 1994 money by the turn of the century

An analyst said minerals were only twelve months into the current upward cycle, but if economists' predictions were correct the upswing had some way to go

He said the fundamentals for commodities were looking good, with the upswing spread across a wide variety of commodities and there was GDP growth in number of countries Eastern Europe, China and certain Pacific Rim countries which had previously not been included in Western cycles were now adding to the growth in demand for commodities

ANGLOVAAL FM 4/11/94

Long-range planning

(210)

Activities: *Mining and industrial group*
Control: *Anglovaal Holdings 50,7% of voting ords*
Chairman & MD: *B E Hersov*
Capital structure: *18m ords. 45,8m "N" ords Market capitalisation R7,9bn*
Share market: *Price 13 000c ords 12 200c "N" ords Yields 1% on dividend, 4,6% on earnings, p e ratio, 21,6, cover, 4,6 12-month high, 14 000c, low, 9 000c Trading volume last quarter, 1,3m "N" shares*

Year to June 30	'91	'92	'93	'94
Investments				
Market value (Rm)	1 037	1 504	1 533	1 656
Performance				
Turnover (Rbn)	7,74	8,21	8,51	9,97
Invest income (Rm)	39,1	49,4	56,9	60,8
Attrib earnings (Rm)	285,1	277,7	293,1	342,2
Earnings (c)	478	464	466	567
Dividends (c)	92	100	105	123
Tangible NAV (c)	8 300	10 400	10 500	13 700

Among the essential elements of discovery in man's march across the millennia are the telescope and compass. Not surprisingly, they adorn the cover of Anglovaal's 1994 annual report, so underlining an important characteristic of this group. It is tightly managed, and its managers know where they are headed

The parallel with Rand Mines highlights the difference· Anglovaal was founded in 1933, Rand Mines over a century ago. Anglovaal is comprehensively controlled by the two founding families, Hersov &

Anglovaal's Hersov . *family hands on the tiller*

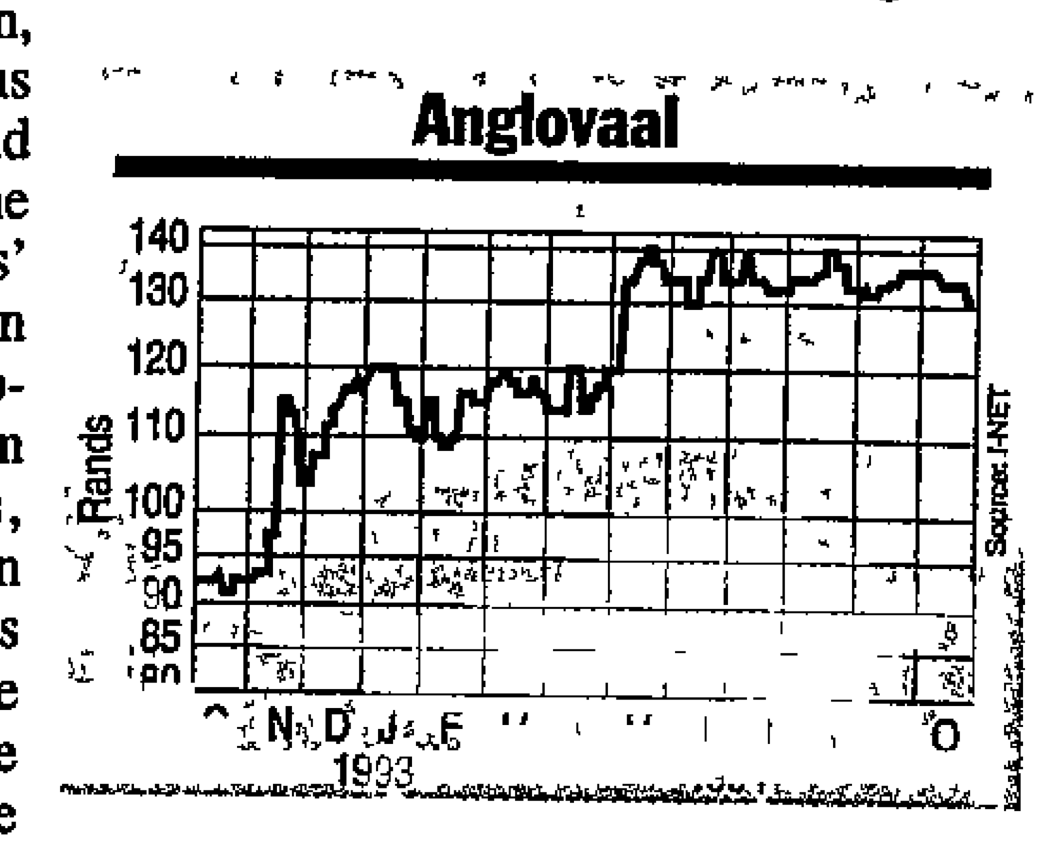
FM 4/11/94

Menell, whose hands have never left the tiller, for decades, Rand Mines was managed and run by professional managers. Anglovaal strides forward with confidence, Rand Mines is about to be interred.

The company has returned good results for financial 1994 turnover rose 17% to almost R10bn; operating profit increased 13% to R814m The tax bill fell marginally and the bottom line is EPS of 567c, up 16,7% or 81c on 1993. (210)

Unhappily for shareholders, the dividend rises only 18c to 123c; cover has been maintained at 4,6 times. This is high and I commented unfavourably about it last year Some observers have sprung to Anglovaal's defence the group is driven to this policy, they say, if it is to continue its growth pattern without a heavy recourse to borrowings

Borrowings currently total R699m (of which short-term is R321m); deposits and cash stand at R1,6bn, so the net position is a positive R899m and all predicated on the back of shareholders' interests of R5,7bn and a market cap approaching R10bn. In the circumstances, continued restraint on dividends appears mean. However, the innate strength of the company goes some way to explaining the extraordinary success of a private placing overseas of a little more than R300m N ords (limited voting rights), the offer was 2,6 times over-subscribed



The group must be examined from three perspectives first, through its major industrial vehicle, Anglovaal Industries (AVI); second, through its mining operations; and, lastly, from the prospect of Anglovaal itself AVI is, of course, an unqualified success story; for nine successive years, it has turned in real earnings growth. It has little debt (gearing of 14%), its return on capital employed is a healthy

FM 4/11/94

14,2% and its contribution to parent Anglovaal in 1994 was R241,2m or 71% of earnings. These statistics speak of conspicuous success over a long period

The group was founded on the basis of mining, a sector which now contributes only 25% to Anglovaal's earnings However, it is the way in which the group is positioning itself which deserves comment Middle Witwatersrand (MidWits), an investment holding company, is Anglovaal's primary vehicle. (210)

MidWits owns Sun Prospecting, Sun holds mineral rights adjacent to and north of rights held by Target What is unusual about Target is that exploration suggests the existence of a new mine, however, there are big risks in this game Target is making use, therefore, of contiguous Loraine gold mine's shaft systems to explore and delineate the ore body further

When that has been completed successfully, Anglovaal will be faced with the decision of turning Target into a full-blown mine, or soldiering on as a small, medium-sized operation. Assuming it decides on a new mine profile, then years down the line Target could be used as the vehicle to develop Sun, in the same way Loraine now provides assistance to Target.

That's not the end of it though; when (if), Sun becomes operational, the next move could be to bring Oribi to production using facilities developed for Sun (Oribi lies further north, around Bothaville) All this involves a time horizon of perhaps 50 years, it is certainly indicative of very long range planning by owner/managers and the same aspect occurs with MidWits's Slaaihoek project in the Eastern Transvaal, a nickel/copper/cobalt/platinum project.

Anglovaal's interest in diamonds is held mainly through Saturn Mining's stake in De Beers-managed Venetia. For now, and given the Russian proclivity to damage the world diamond market, Venetia's ability to spin larger profits seems to be delayed. But once marketing stability is restored, the probability of super profits from this source is on the cards

A reading of the market suggests that investors should see AVI as providing short-term opportunities Anglovaal and MidWits provide long range vehicles for investment in SA's mineral potential *David Gleason*

Holidays a great cost to mining

CT 9/11/94

(210)

JOHANNESBURG — Public holidays would cost the mining industry R829m in profits and the state R208m in tax revenue, outgoing Chamber of Mines president Mr Jurie Geldenhuys said at the chamber's annual general meeting yesterday

Mr Geldenhuys said if no work was allowed on holidays it would cost the country R1,5bn in foreign exchange earnings from mining and threaten 15 000 jobs

He called on government to resist promulgating measures which would inhibit the industry's capacity to remain internationally competitive

● Also at the AGM, President Nelson Mandela praised the achievements of the industry, while also criticising it for building its success on an unjust labour system

"The mining industry's impressive technological achievements still confront archaic social conditions, and a work-force built on a low-skills base and largely confined by illiteracy

"I do appreciate that efforts have been made to address these matters They are to be commended But I do not think that any one would claim that more than a start has been made in eradicating these profound problems," Mr Mandela said — Own Correspondent, Sapa

Minorco gets 50% of Irish venture

MICHAEL URQUHART

MINORCO, Anglo American's offshore natural resources arm, had acquired 50% of the Lisheen zinc-lead prospect in Ireland for $77m, the company said at the weekend. BDay 14/11/96

The acquisition follows completion of the exercise by Irish exploration company Ivernia West of its pre-emptive right to acquire Chevron's interest in the project.

Minorco funded Ivernia's exercise of its pre-emption right in return for a 50% interest in Lisheen and operatorship of the project. Minorco will enter into a joint venture agreement to develop the project with Ivernia, in which Minorco owns a 24,5% stake.

Chevron, the original joint venture partner with Ivernia, had put its stake on auction. Lac Minerals was the highest bidder, but Invernia claimed it had the right to pre-empt Lac's bid under the joint venture agreement.

The case was referred to an arbitrator, who ruled in favour of Ivernia. This was challenged by Lac, but the action was dismissed with costs by the Irish High Court.

A feasibility study of the project had been completed, and an application for planning permission was being prepared for submission.

Total reserves at Lisheen are estimated at 23-million tons. 220 (210) (382)

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Northam in bid for R500m relief

ct 15/11/94 (210)

From MICHAEL URQUHART

JOHANNESBURG — Northam Platinum, the Gold Fields platinum mine which has been threatened with closure, is to seek up to R500m in funding to keep it open with production at a scaled down level of 110 000 tons a month

Gold Fields base metals division chairman John Hopwood said yesterday Northam — which had already swallowed R1,7bn and had been returning consistent losses — would seek the money to fund the mine until it could become self-financing

The decision was taken after considering a comprehensive technical assessment, the company said This had shown that the original target of 150 000 tons a month was not achievable in the near term A revised target of 27 000m² of development on reef a month, equivalent to about 110 000 tons of production, was set

The company said attaining the revised targets for metal production, productivity and operating cost performance should result in a breakeven cash flow position

Hopwood said debt would not be considered as a form of financing, but declined to comment further on the refinancing But if shareholders were asked to cough up another R500m in a rights issue, it would mean a more than double dilution of the share capital Northam shares were valued at R5 yesterday, giving it a market capitalisation of R409m

Hopwood was also not prepared to elaborate on how productivity and cost performance targets would be attained, or what in the technical assessment had prompted Gold Fields to keep the mine open This would be disclosed later Yesterday's announcement was aimed at removing uncertainty about the mine's future, he said

The cost-saving measures included reducing the workforce from 6 400 to less than 6 000 workers

Northam was unable to meet its original target as geological faulting and problems with water fissures led to a lower than expected recovered grade, and tonnages below the level needed for the mine to break even It had to go back to the market for R350m in December 1992, and then raised R220m in bank loans late last year

The mine got R25m in bridging finance from Gold Fields to carry it through the period needed to complete the technical assessment Hopwood said further bridging finance had been supplied by Gold Fields to carry the mine until it had raised the next batch of finance

Hopwood said Northam was still in an area of geological faulting, but hoped this would be cleared as development moved out of the transitional zone

Trans Hex in China venture

210 ACG 29/11/94

TOM HOOD

TRANS Hex is building a plant to manufacture tile adhesive products in the Guandong province in China

The factory will be commissioned in the third quarter of 1995, about six months later than initially planned, reports chairman Edwin Hertzog.

The Parow-based diamond and mining group's interim report says surveys are being conducted about entering into joint venture agreements with third parties to achieve savings on sales and distribution expenses and also look at new poroduct planning

Referring to the sea diamond division, Dr Hertzog said various offers from Canada, South America, and Central Africa are under assessment for which offshore funding may be required.

The management structure of the industrial minerals division has been changed to focus its diverse activities more closely and also to simplify business procedures.

Improvements from this should materialise in the last quarter of this financial year but the full impact is only expected later, he says

Turnover improved to R145million to September, from R110 million a year ago Operating profit jumped to R44 million from R36 million Higher development costs and tax led to net profit of R20,6 million, up from R18,8 million

The interim dividend has been raised 3c to 33c from earnings of 133,3c (125,3c) a share

Oryx cuts jobs and reef development

BDay 29/11/94

MICHAEL URQUHART

GENGOLD's Oryx gold mine would reduce its labour force to 1 200 from 3 200 and scale back reef development from 2 500m to 1 800m a month until more reef development information was available, Gengold announced yesterday.

It was expected that retrenchments would be minimal, with Oryx employees being offered positions at other Gengold mines.

The reef information being collected would be used to decide the future of the troubled Free State mine, which had already swallowed up more than R1,9bn

The mine warned in October last year that poor initial grades had derailed its business plan, forcing its break-even point back three years

Should the decision be made to continue with the mine, it would probably need about R900m to finance it to break even. Oryx would probably approach the market for the necessary funds

Gengold said development of the reef — being used to obtain additional information about the ore body — had been hampered by considerable faulting.

About 2 000m of additional reef development would be needed to confirm a postulated high-grade channel in the main ore body, the company said This would be completed by December 1995

The hopes of the mine rest on a high-grade pay-shoot which had been indicated by underground drilling, but technical advisors of Oryx and independent consultants had indicated that additonal reef redevelopment would be needed to physically explore the projected pay-shoot.

Gencor would be underwriting the R12m a month needed to achieve the additional reef development, but this amount excluded financing costs The company said Oryx's bankers would be approached with respect to their loans (SAD) (214P)

The R979m of interest-free loans provided by shareholders — Genbel, Gencor, Sanlam and Anglo American — would be capitalised in the near future, it said

Stoping build-up would be deferred until greater certainty on the ore body was established

Both reef development and stoping had confirmed an unusual variability in the width and value distribution of the Kalkoenkrans Reef.

Oryx shares closed 5c down at 510c on the JSE yesterday, after having touched a 12-month peak of 800c on September 26

Interim earnings at Anglo rise 27%

BDay 30/11/94

MICHAEL URQUHART

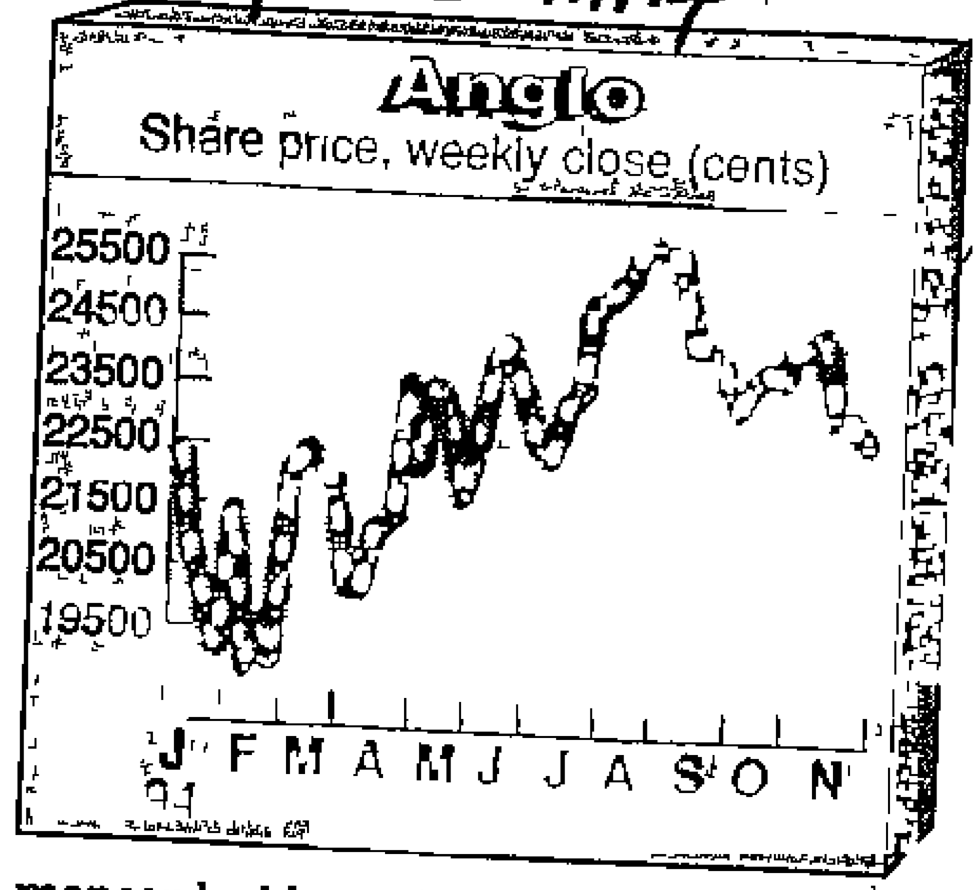
ANGLO American Corporation, SA's biggest group, increased net attributable earnings 27% to R794m for the six months to September, compared with R627m for the same period the previous year

Net earnings, including associates' retained earnings, rose 18% to R1,56bn, as JCI and Minorco weighed in with higher contributions (210)

The interim dividend was lifted 16% to 110c, on earnings a share of 341c, and was covered 3,1 times by attributable earnings and 6,1 times by net earnings

Anglo said results for the remaining half were likely to follow a similar trend of improving earnings

Amcoal had been a star performer with a 33% increase in attributable earnings Higher volumes of export coal had helped increase trading income 24% to R265m PPRust, Rustenburg Platinum and Samancor had been the main contributors to mining income



Surplus on realisation of investments had soared 96% to R149m, based on the continued switch by Amgold into long-life, high-grade gold mines and the sale of An-

☐ To Page 2

Anglo

BDay 30/11/94

☐ From Page 1

glo's interest in Argus Newspapers

Taxation was up 28% at R141m, mainly as the result of Amcoal's increased profit

Chairman Julian Ogilvie Thompson, commenting on general economic conditions and the overall outlook for SA, said privatisation could accelerate the reconstruction and development programme in a financially responsible manner, while helping address the deficit, debt and balance of payments constraints

In order to extract privatisation's full economic potential, including widespread black economic empowerment and the attraction of significant foreign investment, a carefully structured and sequenced programme of privatisation would have to include parastatals (210)

He said the fact that growth in SA would be closer to 2% than the hoped-for 3% showed how little scope for error there was, and how high the cost was of rectifying mistakes The difference between the two figures was more than accounted for by strike activity, extra public holidays and the one-off 5% transitional levy

But an encouraging sign in the latest upturn was that for the first time in decades it had been led by increased private sector investment, Ogilvie Thompson said.

All stakeholders had an obligation to look for measures which raised productivity in a mutually beneficial way SA could not afford the labour practices of the world's richest and most productive countries The SA mining industry was unique in facing regulatory restraints prohibiting work on Sundays, and the new calendar of public holidays threatened to reduce further the number of working days for the industry

Anglo would go to foreign financial centres to promote investment in SA, particularly in Anglo and its associates Ogilvie Thompson said the exercise was aimed at educating foreign investors about the changes in SA, and would not be used to raise funds for Anglo

'Commercialise energy parastatals'

ANC calls for greater state role in mining

BDay 1/12/94

MICHAEL URQUHART

THE ANC has called for a more active and radically expanded role for the state in promoting minerals development and black empowerment in mining.

In its latest document on mineral and energy policy, the ANC also calls for radical commercialisation of state-supported bodies — mainly the Atomic Energy Corporation but also Soekor, Alexcor and Sasol — to free up resources to fund new promotional agencies, including a small mines bureau

Extensive use should be made of tax policy in a "carrot-and-stick" approach to promote mineral beneficiation

The draft document, released yesterday for public debate, said the state should play a constructive, interventionist role in promoting black ownership

The Industrial Development Corporation could be given funds, possibly covered by the issue of government mining bonds, to facilitate ownership changes

Affirmative action should be the point of departure when distributing state-owned mineral rights. The participation of blacks in other aspects of mining such as marketing, exploration and beneficiation also had to be encouraged.

ANC policy head Cheryl Carolus said the draft document was not ANC policy, but was the first stage of a discussion and was probably the first of many drafts The document had been submitted to the national executive committee, and would be discussed with stakeholders in the industry

An extension of the formula tax used in the gold mining industry, and an imposition of a levy on the export of non-beneficiated minerals, was proposed to promote mineral beneficiation.

(210)

Tax deductible capital could be increased at the rate of inflation to the year of write-off, to compensate for the effects of inflation on the cost of capital

The document also calls for new promotional agencies to support the industry The new agencies — an R&D agency, a small mines bureau, an environmental management agency and a human resource development agency — would be funded by a "radical reduction" in the Atomic Energy Corporation's budget.

The document said the corporation operated three uranium processing plants, all at a loss The Cabinet had already approved the closure of the enrichment plant, but the document went on to say that the conversion plant should be commercialised, and if this could not be achieved within a year the plant should also be shut

The document said the allocation of 70% of Mineral and Energy Affairs' budget to the corporation was inappropriate in view of reconstruction and development programme objectives Other mineral and energy parastatals such as Soekor, Alexcor

□ To Page 2

Mining

□ From Page 1

and Sasol should also be commercialised, with no dependence on the fiscus

The proposed small mines bureau would play a supporting, facilitating and co-ordinating role in the development of a small-scale mining sector in SA.

A levy, mineral-specific and small enough not to raise the investment threshold, could be used to fund mine rehabilitation and mineral promotion programmes

The document called for a reassessment of ring-fencing, but said the removal of ring-fencing should be qualified and discretionary. Environmental management was largely neglected in the mining industry, according to the draft policy. Sustainable resource development should be fostered

This would include management of downscaling, environmental rehabilitation and the setting up of closure funds for retrenched workers But a balance would have to be struck between encouraging mine development and maintaining environmental standards The basic principle would be that mines should be responsible for the ecological damage they caused

The draft policy called for a tax on mineral rights, deductible against any exploration expenditure, to encourage the freeing up of mineral rights and their return to the state

'Expand state role in mining'

CT. 1/12/94.

(292)

Own Correspondent

JOHANNESBURG. — The ANC has called for a more active and radically expanded role for the state in promoting minerals development and black empowerment in mining. (210) (186) (210)

In its latest document on mineral and energy policy, the ANC also calls for radical commercialisation of state-supported bodies — mainly the Atomic Energy Corporation but also Soekor, Alexcor and Sasol — to free resources to fund new promotional agencies, including a small mines bureau.

Extensive use should be made of tax policy in a "carrot-and-stick" approach to promote mineral beneficiation.

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Miners focus on change

LUSAKA. — Changes in mining investment policies by 11 member states of the Southern African Development Community (SADC) will be a main topic at an international mining conference this week, organisers said yesterday.

The SADC-European Union Mining Forum to run from tomorrow to Friday will cover changes and opportunities in the region's mining sector to attract investment in mining technology, exploration and development of managerial skills, they said (210)

The programme says the conference was organised due to changes in government policies in the region in liberalising economies to promote private investment. CT 6/12/94

"Mining exploration and development in Sub-Saharan Africa has gone down the past two decades mainly because of policies of post-colonial governments of nationalisation which made overseas investors shy away," SADC mining economist Stephen Wapakwenda told Reuters

"There are now changes in policies and these have to be promoted to the international public, and this is what we are doing at this forum"

Participants include 100 mining companies from 12 European Union member states and plus others from Austria, Finland, Norway, Sweden, Canada, the United States and Japan

BUSINESS

Hermanus ordered to stop sand mining

2.10

JOHN YELD
Environment Reporter

ARG 7/12/94

A FAX message ordering Hermanus municipality to stop immediately all sand mining at the mouth of the Hermanus lagoon has been sent by the Department of Mineral and Energy Affairs

This was confirmed by Hermanus town clerk Thys van Rooyen, who said an application for a mining permit — as required by law — would be made soon

The sand is being used as fill for local building work and as bedding material for the new sewerage pipelines being laid in the town

Last week, in response to criticism of the mining operation at the popular Die Plaat beach at the mouth of Hermanus lagoon, Mr Van Rooyen said it had the the approval of the CSIR and has been continuing for years without causing environmental damage

"The new transitional local council met last night for the first time so I'm under tremendous pressure at the moment, but we do still want to take the sand when we start working again next year," Mr Van Rooyen said

"So we will be applying for a mining permit within the next week or two"

The department's action was welcomed by some concerned residents and visitors, including Gill Winshaw of Somerset West who said she was "absolutely thrilled"

Ms Winshaw had an attorney draft a petition against the mining, which has been continuing for years, and was about to start collecting signatures opposing it

"It was all drawn up and ready," she said

Referring to the CSIR's recommendation that sand could be taken from the area where the mouth of the lagoon was regularly opened, Ms Winshaw said she believed flushing the lagoon was a sound practice

"They must open it at the right time and, when they need to do this, they can use a bulldozer

"But I still want to see a lot more facts and figures about the lagoon and the beach area — we need to handle this correctly as a whole"

Plan to truck 20 000 tons of sand

Staff Reporter

THE Serina kaolin company intends moving 200 000 tons of sand from its new Chapman's Peak mine across the Noordhoek Valley to the old mine at Brakkekloof

Last night the Noordhoek local council met and decided a public meeting would be called soon to debate the issue

The operation would require relief from some conditions imposed on mining by the RSC

The sand would take about a year to move at a rate of 45 truckloads a day

Serina's chairman, Mr Sybrand van der Spuy, said in an interview yesterday that the company had suggested the move for aesthetic reasons

"It would be far easier and cheaper for us to leave the sand at the mine site" CT 8/12/94

It was only necessary to remove the initial quantity of sand Once the Chapman's Peak mine was in production, the kaolin-bearing sand would be pumped via an underground pipeline to Brakkekloof 210

If the council voted against the trucking, and insisted on moving the sand via the pipeline, Serina would have to start construction on the pipeline earlier than planned

"But that would be a disadvantage to the council because we had agreed to allow the council to put their proposed sewer line in the same trench, thus saving them costs 66

"But the council has ~~not~~ yet got approval for their sewer, so if we constructed our pipeline earlier, they would not be able to use the same trench"

Minerals policy proposal released

(210) BD 15/12/94

MICHAEL URQUHART

MINIMUM government intervention and security of tenure for mineral rights are principles on which a minerals and mining policy should be based, says a document released for discussion by the Mineral and Energy Affairs Department

This is in contrast to the ANC's draft minerals policy document, which calls for a more active state role in promoting mineral development, and a minerals tax to encourage the return of mineral rights to the state

The government document said a mining policy should "endorse free market principles and allow government intervention only to the extent of meeting the aims of the policy". Free enterprise had provided the impetus towards increased effort and efficiency, which had allowed the local industry to become a world leader in mineral supply, management and technology.

"The industry will remain competitive only if it is allowed to operate with a minimum of government intervention"

Mining required large amounts of capital and long lead times for projects Security of tenure of mineral rights, prospecting and mining authorisations were vital to attract further investment. Uncertainty would curtail foreign interest and lead to relocation of the exploration and investment activities of SA companies, it said

Existing mineral laws had stood SA in good stead and had helped to make SA a leading mineral producer Drastic changes would involve substantial practical problems and perceived inequities

The document does concur with ANC policy in encouraging small mining for job creation and minerals beneficiation to increase foreign exchange earnings

Mineral and Energy Affairs Minister Pik Botha said yesterday the draft principles and reaction to the document would be used to produce a draft discussion document This would be released early next

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Minerals

(210) BD 15/12/94

☐ From Page 1

year and would be followed by a White Paper on minerals policy.

Although he admitted there were differences between the department's document and the ANC draft policy document, he said the two concurred on most aspects. He hoped further discussions would lead to a confluence of opinions, which would produce a White Paper based on consensus.

The minerals industry was very important to SA, he said, and it was important that the industry was developed to the benefit of all stakeholders.

Nick Segal, chairman of the industry's Mineral Policy Steering Committee, said the document would be discussed by the committee and the Chamber of Mines The department had requested a response by the end of next month.

Govt proposes changes in mineral legislation

27/12/94

JOHANNESBURG — The Ministry of Mineral and Energy Affairs has proposed minimal government intervention, the promotion of small-scale mining, and security of mineral rights tenure in SA's mineral industry

In broad policy proposals, distributed for discussion, the ministry said· "The existing mineral laws of South Africa, which make provision for private and state ownership of mineral rights, have been instrumental in making the country a leading world mineral producer Drastic changes to this 100-year-old system cannot be made overnight

"Security of tenure with regards to mineral rights is vital in order to attract further investment," it said (210)

The ministry, headed by the National Party's Pik Botha, said the industry would only remain competitive "if it is allowed to operate with minimum intervention from government, which should be limited to protecting the national interest in the interest of all South Africans"

The policy should encourage and facilitate the development of the small-mining sector and mining activities in underdeveloped regions on the basis of sound business principles, the report stated.

"A flourishing small-business sector usually increases competitiveness and is an efficient vehicle for the creation of jobs," it added

The promotion of secondary and tertiary mineral-based industries would add much needed value to the mineral raw materials, helping to compensate for the real price declines of most minerals.

In a recent draft minerals policy discussion document, the ANC urged a tax on privately-held mineral rights and a licensing system for state-held mineral rights.

MINING - GENERAL

1995

Some proposals in ANC document challenged

Star 3|1|95

210

Draft mining policy called into question

BY DEREK TOMMEY

The authoritative London-based Mining Journal is not happy about the ANC's Draft Minerals and Energy Policy document issued a month ago

It says shortcomings of the South African industry implied in the document's introductory background are presumably intended to justify the proposal for change

Credibility

"However, the inappropriate comparisons serve to undermine the credibility of the document and the many positive proposals it contains."

The Mining Journal says the document notes the technological advances in medium-scale and small-scale mining in Canada and Australia and the success of the junior mining companies in those countries in developing the mining industries there.

But in South Africa, the document claims, research and development have been concentrated on large-scale deep mining.

However, the Mining Journal points out that although Witwatersrand remains the world's largest gold deposit, the shallower portions were mined many years ago and the remainder generally lies at depths of 1 000 metres to 3 500 metres.

It says it is hardly 'surprising,' therefore, that research and development in the gold sector have been concentrated on large-scale, deep mining.

It cites the document as stating that the South African system of private control of mineral rights has become an international exception

But the Mining Journal says the document fails to point out that the extremely large amounts of capital expenditure and long lead times required to develop a deep gold mine on the Witwatersrand are also rare by international standards.

The Mining Journal says that the growth of junior companies in the Australian gold mining sector was largely a result of the discovery of many relatively shallow deposits, suitable for exploitation by open-pit and heap-leaching methods, which require relatively low capital expenditure.

Management

It says that among the many positive proposals in the document are sound environmental management, the establishment of promotional agencies to support the industry, a levy on sales to fund international marketing organisations and the encouragement of adding value to mineral products by means of both an export levy, which declines through the stages of fabrication, and the extension of capital allowances in downstream expenditure.

However, this last point does not have great relevance to the gold mining industry Nor does the proposal of a sales levy for international marketing because many of the major producers aleady contribute to the World Gold Council, says the Mining Journal.

Ownership

It says the comments on the success of junior mining companies in Australia and Canada appear to be intended to prepare the ground for another important area of the document: ownership should be more representative of the population.

It is in this area that the aims of the ANC and the position of the industry seem most difficult to reconcile

The document says that the high corporate concentration — namely the mining house structure — should be addressed and measures should be introduced to increase competition.

The encouragement of smaller mining companies would allow a degree of ownership among the black population, hence the attention drawn to junior companies abroad

However, at best this can only allow participation in a fraction of the value of the industry, says the Mining Journal

"The basic problem, which is not addressed, is that the black populaton simply does not have the wealth to buy a significant portion of the industry

"Therefore, it is impossible to see how ownership can be truly representative of the population without purchase by the state"

This would seem to be at odds with earlier statements by the ANC on the industry's ownership

The ANC has made it clear in the past that nationalisation is not in its plans Indeed the latest suggestion is that certain state-owned industries may be privatised to help fund the RDP

President Nelson Mandela spoke recently of his hope that mining, under whatever ownership, would seek to uplift the most disadvantaged in society

Interpretation

This may hold the key to a more pragmatic interpretation of the intent behind the document, the Mining Journal says

The government needs to maximise its revenue to deliver the social improvements expected by an impatient electorate

However, the Mining Journal concludes on a more pessimistic note

The issue for the ANC is one of the conflicting aims of political principle — namely, its own perception of fair ownership versus political expediency in the form of delivering on its electoral promises

Given that it needs to satisfy the demands of the electorate to avert social unrest and to ensure re-election, it would seem likely that the latter (political expediency) will take precedence.

Business Report

Base metals should see another good year

(210) CT 11/1/95

Own Correspondent

LONDON. — Base metals are in for another hot year of rising but volatile prices as strong physical demand combines with investment dealing by international commodity funds.

A survey of 1995 forecasts by 16 analysts at metal trading firms, research companies and investment houses — published in the Financial Times — shows that average prices this year will show gains of between 17% and 35%.

This follows the sharp recovery of 1994 during which the average price of lead rose by 34%, aluminium 30%, copper 26%, nickel 20% and zinc 4%.

Alec Gordon at the Economist Intelligence Unit believes there will be shortage of nearly all base metals trade on the London Metal Exchange (LME) and prices will swing widely.

"This will be good news for speculators but bad for producers and consumers, for whom volatility turns the serious business of production into a gamble."

And most analysts are nervous about how commodity funds will affect the market after a year in which investor-buying produced a doubling of the aluminium price — for example

"At this stage of the economic cycle we ought to get excited about prospects," said Michael Cook, chief economist at Outokumpu, the Finnish metals and mining group.

"But there is need for caution. If the funds decide they have had enough of commodities and give up their positions in copper, there is a danger that people will look at zinc and nickel and we could see a solid downward move in prices

"I don't think the funds are in the metals market for the long-term, certainly not in the volume they are now — not with interest rates rising."

Jim Lennon of Macquarie Equities thinks that "when US growth starts to slow and the bond market starts to rally, this could be the signal for funds to switch out of metals."

Prices are still below the highs of the previous boom and last year's rally was from a depressed base of historically low inflation-adjusted levels.

In 1988 nickel quadrupled to nearly $24 000 a ton, the highest price ever paid for a ton of metal on the LME, copper touched $3 702/t and aluminium peaked at $4 300/t while zinc reached $2 138/t in March 1989.

■ ■■■

No analyst is prepared to suggest these levels will be seen again in 1995, although some feel copper could briefly challenge $3 700/t before mid-year.

At Hambros Securities, Chris Pearson believes the huge amount of infrastructural investment in south-east Asia will see demand bring down copper stocks from the equivalent of five weeks' needs to three weeks's consumption.

He does not believe increases in mine capacity in the second half of 1995 will have an immediate effect.

"These are capacity increases not supply increases"

Gencor's mines still profitable

(210) CT 17/1/95

From DEREK TOMMEY

THE good news in the Gengold quarterlies is that seven of the group's mines have held or increased their dividends, compared with their June declarations, to show they are still money-makers.

Increases come from Beatrix (60c), St Helena (190c), Unisel (35c), Winkelhaak (150c) and Kinross Unchanged are Grootvlei (25c) and Leslie (30c) Stilfontein reduced its dividend to 40c.

The bad news is that underground operations at Buffelsfontein have deteriorated.

The mine is trying to hold the line by reorganising operations and retrenching 1 500 of its 6 000 workers in what is its third downsizing operation.

But Gengold deputy chairman Tom Dale warns that even if the plan is successful, the operations at best have only a two-year life ahead of them If the plan is not successful, the mine could close much sooner

He says Buffelsfontein is an old mine, is experiencing considerable seismic activity and does not have much gold left

A recent setback was the loss of 600 000 m^2 metres of ore reserves caused by faulting

Seismic activity had led to the opening of a number of seals used to isolate mine fires and keep carbon monoxide out of the rest of the mine Efforts to mine some of the sealed areas were unsuccessful

However, the ending of underground operations does not mean the end of Buffels

Its multigold project, a cash-effective way of recovering gold from surface dumps, has started up and is planned to produce 120kg of gold a month at an average cost of R25 000 a kilogram

This will give Buffels a life of 11 years and possibly longer if the gold prices increases, enabling a lower-grade dump to be worked

Buffels had an attributable loss of R14,1million for the quarter (September, profit of R5,7million)

The good news from the other mines is that many appear to be developing new strategies in a bid to maintain profits in the face of rising costs, a lower gold price and in some instances, labour unrest

St Helena has introduced 12-hour shifts and seven-day working in areas where its Transvac industrial vacuum cleaners are employed It is now employing portable rock crushers to feed the vacuum cleaners

St Helena is also looking at a work-creating scheme at one of its shafts. The pay limit of the ore will be determined and, in consultation with the unions, wage and bonus rates will be calculated to enable the ore to be profitably mined

St Helena earned R10,3million (R9,5million)

Winkelhaak introduced "split" or "turbo" shifts during the quarter The shifts overlap, giving better continuity Blasting is put back from the afternoon to the evening

Although workers were consulted before the introduction of the system, some 440 out of the mine's 6 500 labour force staged a 36-hour sit-in underground and when they came to the surface went on the rampage A total of 45 were discharged and 25 charged by the police

Dale pays tribute to the Winkelhaak management for maintaining working profit at R24,9m (September, R30,3m)

Council has no power to evict vagrants

■ BY ZINGISA MKHUMA
CITY REPORTER

The Greater Johannesburg Transitional Metropolitan Council (TMC) says it has no authority to evict vagrants who have moved into an abandoned upper-class double-storey house in Rosebank. (210)

According to the director of Johannesburg's urbanisation department, Cedric de Beer, it was up to the owner to ensure that occupants of a private house adhere to health regulations and municipal by-laws

De Beer said the TMC had no authority to evict people on private property, but warned it had power to force the owner to abide by the health regulations

The disused house on Keyes Avenue looks like any other — high walls, bronze postbox, beautiful flowers and green trees towering over white walls — until you get inside

Grass is overgrown and a steel garbage crate stands next to the door. Stench from in and outside the house is nauseating. The walls are dirty and fitted furniture has been vandalised.

The occupants — men, women and a three-year-old child — said they have been staying in the house since September after some of them saw the previous tenants move out

Busi Mfeka, the mother of the boy, said the house had been vandalised before they moved in and that thieves had stripped the fittings and the doors

However, the tenants told The Star that the owner, "an Indian man", came to visit them recently and asked them to clean up the place

STAR 31/1/95

Bill to ban mining in wetlands under fire

(210) BD 1/2/95

TIM COHEN and MICHAEL MOON

CAPE TOWN — The Wetlands Conservation Bill which aims to outlaw mining in 225 000ha of SA's wetlands, including the St Lucia area, has been tabled in Parliament.

The legislation, immediately criticised yesterday by both pro- and anti-mining lobbies in the St Lucia dispute, was introduced as a private member's Bill — which means it does not necessarily have the support of any political party Some ANC MPs said it would probably be backed by a majority in their party

The Bill seeks to have the international Ramsar convention on wetlands written into SA law. Introduced by ANC Senator Stefanus Grové, it was initially formulated by former ANC MP Rob Haswell whose attempts to pilot it through the old Parliament were blocked for three years

The Bill was passed by the ANC-dominated parliamentary select committee on private members' proposals and will be referred to the Office of the State President because of its implications for state land. The Environmental Affairs select committee will then discuss it and hear public submissions

The Ramsar convention has designated 12 SA wetlands as internationally important sites, and the Bill seeks to have these and other areas protected from damaging activities such as mining

Richards Bay Minerals (RBM) said the Bill was an attempt to block the company's planned titanium dredge mining operations on the eastern shores of Lake St Lucia If the Bill was enacted and mining

☐ To Page 2

Wetlands

BD 1/2/95

☐ From Page 1

at St Lucia prohibited, jobs would be lost and the company would lose five years of economic life, "with concomitant ripple effects in the region's socioeconomics"

"RBM fully supports the conservation of wetlands, but believes that as the Environment Affairs Department is drafting new legislation which will probably give holistic support to this principle, the private members' Bill is superfluous."

The Bill contradicted constitutional principles which called for multiple land use, said RBM.

A spokesman for the Natal Parks Board, which has strongly opposed the mining plans, said the Bill was flawed in that it was too obviously focused on the St Lucia issue and wider protective measures were needed to cover all the country's wetlands.

Board planning head Trevor Sandwith said integrated environmental management legislation being drafted under the existing Environmental Conservation Act could achieve this.

A final decision on whether to allow dune mining in St Lucia rests with Mineral and Energy Affairs Minister Pik Botha, who has said land claims in the area have to be dealt with first. A commission to look into land claims was appointed last month.

Black-owned mining company established

(210)

BD 7/2/95

MICHAEL URQUHART

A BLACK-owned platinum mining exploration company has been formed by Trojan Exploration and a variety of black groups in Mokopane near Potgietersrus

The company, Mokopane Mining — believed to be the first of its kind in SA — is 42% owned by Trojan with the other 58% held by the Mokopane Civic Association, the local ANC branch, a group of local black businessmen known as the Khaas group and the Mokopane royal family

Mokopane Mining director Martin Brink said the company had applied for 5 000ha of platinum mineral rights in the area, which was on the Bushveld Igneous Complex.

He hoped the rights would be granted within the next six weeks.

Initially Mokopane would aggressively prospect the properties. This exploration work would be funded by shareholders.

If the results were positive, the company would start mining operations with a joint venture partner. Brink said an international partner had been identified.

The company would consider a listing on the JSE, or on a foreign stock exchange in conjunction with its international partner.

The company said once mining operations started the Potgietersrus community and black businessmen would benefit, while mining would also contribute to the reconstruction and development programme.

The creation of the new company was in line with the ANC's aim to encourage the entry of blacks into the mining industry, and part of this would include freeing up mineral rights to enable them to establish mining ventures.

SA 'not doing enough to attract mine capital'

(210)

CT 15/2/95

JOHANNESBURG. — SA mining houses and the government could do much to attract more mining investment capital, London analyst Julian Baring said

Baring, who stressed he was speaking in his personal capacity at the Frankel, Pollak, Vinderine investment conference and not as director of Warburg Asset Management, said despite recent falls, the value of SA gold mines rose to R54bn from R27bn over the last two years

Yet, he said, they were rated lower than their foreign counterparts The international mining fraternity had "migrated" instead to South America, where liberalising governments had set out to attract investment.

A lack of competitiveness by SA mines could be one reason, he said. another could be the lack of information on individual gold reserves — an important yardstick of value

Baring said international investors were prepared to pay a premium for gold companies that were growth companies

For some reason, he said, investors did not seem to place a value on the exploration expertise of SA mining houses They rated Ghana's Ashanti and the prospect of it finding additional reserves more highly than the reality of Driefontein Consolidated's existing reserves

"Perhaps the most controversial and unique aspect of your mining industry is the way the mines are controlled by means of management contracts rather than by shareholdings," he said

For the year to last June, Gold Fields of SA received R153m in fees before tax

"Nice work if you can get it"

The market placed little value on these earnings and the mining houses still sold at a sizeable discount to their assets, he said — Reuter

Weak rand a boost for Messina

30/12/95

MADDEN COLE

INDEPENDENT mining group Messina Investments reported a marginal rise in earnings for the six months to December after a boost to turnover by a weak rand (210)

Financial results published yesterday showed higher net income before an extraordinary item of R4,32m (R4,1m) on turnover of R17,5m (R16,6m) But after lower extraordinary items of R44 000 (R847 000), net profit dropped to R4,36m (R4,9m) Earnings a share came in at 32,7c (31,7c)

Executive chairman Anthony Buchan said operating income at Star Diamonds was adversely affected by grade and recovery deficiencies, but that of Messina Diamonds was in line with forecasts six months ago

Sapoa, Cosab unite against rising crime

CT 23/2/95

By MAGGIE ROWLEY
Property Editor

THE South African Property Owners' Association is joining forces with Cosab to mount a major campaign against soaring crime rates, which is threatening business and the country's tourism potential.

Sapoa president Colin Steyn said yesterday that Piet Liebenberg, CE of Cosab had written to President Nelson Mandela calling for an urgent meeting to address the issue

"While many in government have spoken out against the soaring crime rate we need government to take action and we need it now if it is not spiral out of all proportion"

Liebenberg and Sapoa CE Brian Kirchmann will spearhead the initiative on behalf of the interests they represent and invite other concerned bodies to join them in formulating a strategy and a united business front to insist that action is taken.

Steyn said Cosab and Sapoa would be holding a national workshop to get input from business and other concerned bodies and together try and arrive at solutions to the massive problem

"But in the end it is up to government to act and act firmly"

Steyn stressed it was not just white middle class people or business being affected

"People regardless of race, creed or colour are victims of this appalling culture of crime developing in South Africa The time has come for business to take steps, to implement strategies in order to combat the ever increasing lawlessness prevalent in South Africa"

Compounded the crime problem, he said, was the rising number of illegal immigrants who were unemployed and a solution to this problem also needed to be found

SA develops key mine support system

CT 23/2/95

JOHANNESBURG — South Africa has reaffirmed its position as a world leader in mining technology with the development of a revolutionary fibreglass support system capable of withstanding underground pressures exerted in deep level mines

A statement issued by the developers yesterday said the new system, which included a much larger load spreader for hydraulic props used to support the hanging walls of stopes, was likely to provide increased protection for miners against rockfalls resulting from seismic activity

A Verwoerdburg-based consulting firm, MMS, was commissioned by Anglo American's Western Deep Levels to develop the new headboards which improved the effectivity of hydraulic props. — Sapa

SA's November mineral exports

CT 23/2/95 (210)

JOHANNESBURG. — The following shows preliminary figures for South Africa's exports of gold, coal, diamonds, platinum group metals, silver, chromite, copper, lead, manganese ore, zinc, uranium ore and cobalt for November 1994, received here yesterday from the Minerals Bureau of the Department of Mineral and Energy Affairs

The commodity is followed, unless otherwise stated, by the export volume for November 1994, then in brackets the export volume for October 1994 and November 1993, then export value for November 1994 in rands and dollars.

The rand/dollar conversion uses the central Reserve Bank's average exchange rate for November of 28,25 US cents to the rand

Gold: Production (export volume not available) 48,424kg (51,863/51,368kg), R2,124bn ($600m)

Platinum group: 14,361kg (5,108/6,108kg), R451m ($127,4m)

Silver: 25,072kg (10,528/18,758kg), R11,42m ($3,22m)

Coal: 3,921 million tons (3,423/4 082 million tons), R335,01m ($94,64m).

Diamonds: Production (export volume and value not available) 805 789 carats (995 913/843 159 carats).

Chromite: 46 233 tons (42 837/18 889 tons), R9,35m ($2,64m).

Copper: 6 694 tons (7 766/6 819 tons), R57,61m ($16,27m)

Lead (metal-in-concentrate) 10 131 tons (8 937/15 436 tons), R11,05m ($3,12m).

Manganese ore: 93 190 tons (97 364/57 433 tons), R24,94m ($7,04m).

Zinc (metal-in-concentrate): 2 514 tons (October 1994 production 6 928/November 1993 exports 2 549 tons), R2,55m ($720 375)

Blacks investors sought for unbundled JCI

Mining house to be split into 3 groups

Star 27/2/95 (210)

BY DEREK TOMMEY

Black investors are being invited by Anglo American to participate in the ownership of two of the three companies created by the unbundling of Johannesburg Consolidated Investment (JCI).

Anglo is the principal shareholder in JCI, also known as Johnnies, one of SA's Big Five mining houses.

Despite the unbundling, the two companies for which black investors are sought remain substantial operations.

The news of the invitation to black investors accompanies an outstanding profit report by chairman Pat Retief.

Pat Retief ... attributable earnings up 20,7 percent.

In what looks like being his last group profit statement, he says attributable earnings in the six months to December rose 20,7 percent to 133c a share, that earnings after abnormal items doubled from 111c to 231c, and that equity-accounted earnings before extraordinary items rose 110 percent from 132c to 291c.

The interim dividend has been raised 8,7 percent from 46c to 50c a share.

The companies for which invitations have been issued are JCI Ltd, which, at January 1, had net asset value of R6,4 billion and Johnnies Industrial Corporation Ltd (Johnnic), which had net asset value of R6,9 billion.

JCI Ltd is a mining finance house and has investments in gold, coal, ferrochrome, base metals and mining exploration.

It also has a 10 percent stake in the third company, Anglo American Platinum Corporation, which is worth R5,7 billion, and will have interests in Societe Anonyme des Minerales, Johnson Matthey plc and in De Beers/De Beers Centenary.

Johnnic will be an industrial financial company, which will have interests in the Omni-Media Corporation, which has a major stake in M-Net and Times Media, and important holdings in SA Breweries, Premier, Toyota and in commercial property operations.

The third company, Amplats, will hold the platinum and unlisted diamond investments.

At January 1 this year, the net asset value a share of Amplats was R38,20, of JCI Ltd R43,18 and of Johnnnic R46,24.

It is proposed to list all three companies on the Johannesburg Stock Exchange on May 15.

More details are expected to be made available later today.

Anglo says one of the factors influencing its decision to unbundle JCI is its view, shared by JCI, that black South Africans should be given every opportunity to participate meaningfully in mining and industrial financial groups.

For some time, both Anglo and JCI have been interacting with a number of prospective investors from the black business community and they hope that investment proposals will be forthcoming that are attractive in business terms as well as representative of a broad spread of black interests.

They emphasise that proposals from interested parties must illustrate that they represent a broad spectrum of black interests and that those who play leadership roles should be fully supported by such a spectrum of interests.

A broad outline of the way in which they propose to structure and finance, the transactions should also be provided.

JCI says current management and staff have been allocated to each of the new groups to ensure that the relevant managerial, technical and financial skills are available.

It is the specific aim of the restructure to ensure that JCI's capabilities in project management, mineral processing and other specialist services be accommodated in the group in an appropriate manner.

(~~363~~)(210)

Mine may be revived

JOHANNESBURG-registered Falcon Investments is seeking to revive a disused mine that has entered the hall of fame as the second largest producer of gold in Zimbabwe. BD 3/3/95

Falcon's operating division in Zimbabwe, Falcon Gold, is negotiating to buy the historic Globe and Phoenix mine at Kwekwe from the hotel and tobacco group Tabex. Globe and Phoenix began production in 1904 and up to its closure in 1972 yielded 1 260 tons of gold at an average of 27g a ton. Only the nearby Cam and Motor mine, also abandoned now, yielded more — 1 400 tons

Mineral rights plan criticised

210

CT 3/3/95

JOHANNESBURG — Anglo American said yesterday it was concerned that the ANC still wanted to nationalise all mineral rights

Mr Clem Sunter, chairman of the corporation's gold division, said in an annual review the government's goals — to boost black ownership and encourage small-scale mining — could be met under private ownership

Mr Sunter said it was worrying that "despite continuing discussions and negotiations, the latest discussion document released by the ANC appears to have as its point of departure the notion that SA should convert to a system of state ownership of all mineral rights"

"The idea of a tax on mineral

Concern over harm to industry

rights in order to achieve this could cause grave harm to the industry," he added He said the ANC had shown signs of more flexible thinking in some areas since entering the political mainstream "It is hoped that a sensible policy will be evolved entailing minor changes The current system is essential to SA's economic development"

He said mining companies looked for security of tenure, a fair and stable tax regime and unrestricted repatriation of profits and capital

These could only be provided by a system of private ownership

"Changes to the current system should concentrate on lowering tax rates, which are high by international standards, and on removing exchange control restrictions," Mr Sunter said

He said the mining industry was preparing a formal policy paper to submit to the government

Mr Sunter said he believed world gold prices would remain in a fairly narrow trading range this year, close to recent levels — Reuter

Mines need safe tenure — Sunter

210

BD 3/3/95

MICHAEL URQUHART

THE mineral rights system gave the mining industry the security of tenure it needed for investment, Anglo American gold division chairman Clem Sunter said in his annual review of the group's gold mines.

He said if a country had mining potential, companies would invest in prospecting and mining provided three basic criteria were met — security of tenure, a fair and stable tax regime and unrestricted repatriation of profit and capital.

Changes to the system should therefore concentrate on lowering tax rates, which were high by international standards, and on removing exchange control restrictions.

Sunter said despite continuing discussions with organisations affiliated to the ANC, the ANC's draft minerals policy still had as its point of departure that SA should convert to a system of state-owned mineral rights.

On the upcoming wage negotiations, Sunter said in view of continuing pressures to contain costs and improve productivity, he hoped profit-sharing would regain acceptance.

On safety, Sunter said efforts in managing seismicity had shown a distinct improvement with a decrease in seismic-related accidents.

Sunter said Western Deep Levels had been unable to maintain the record levels of production achieved last year. He hoped it would be able to return to reasonable levels of production this year.

A change in the method of charging overhead costs to capital would increase working costs at Western Deep by 6% this year, with capital expenditure projected to be R259,1m.

A fall in grade at Afrikander Lease had led to the cancellation of the contract to mine underground. Only limited amounts of slime and sand remained for treatment, and these were being blended with non-Afrikander Lease material to be viable. A marginal profit was expected.

Rehabilitation of the old plant continued and was expected to be completed this year.

Forecast capex for Southvaal for this year was R88,7m. Sunter said production was not expected to differ significantly from the 37 tons achieved in 1994. The main shaft of the Vaal Reefs Moab project had now reached 2 109m.

GENCOR

FM 21/10/94

Chasing after new assets

Activities: *Mining house with investments in gold, platinum coal, ferroalloys, mineral sands, aluminium and an expanding international base*
Control: *Sanlam and Rembrandt.*
Chairman: *B P Gilbertson*
Capital structure: *1 4bn ords. Market capitalisation R19,95bn*
Share market: *Price 1 425c. Yields 1% on dividend, 3,2% on earnings, p e ratio 31 4 cover, 3 12-month high, 1 495c; low 585c Trading volume last quarter 26,8m shares*

Year to June 30	*'91	*'92	*'93	'94
Investments:				
Carry value (Rbn)	7 18	9 17	10 65	7 01
Market value (Rbn)	15,99	16,58	17,64	15,94
Earnings (Rm)	1 405	1 261	1 411	625
Earnings (c)	119 5	98 8	102,5	45 4
Tangible NAV (c)	1 473	1 341	1 354	1 189

* Year to August 31

Mining house Gencor has had a momentous 1994 Not surprisingly, it has also been a year in which chairman Brian Gilbertson's vaulting ambitions for the group have suddenly been revealed in sharper focus

Gilbertson, first a physicist with CSIR, then a rising star with JCI until hand-picked by then chairman Derek Keys to take control of Gencor's mining interests before succeeding him, has long made it clear he intends to drive Gencor into the first rank of the world's natural resource companies It is the kind of good intention to which little attention is paid — until, that is, the news burst of Gencor's acquisitions, first of international base metals and minerals grouping Billiton, then within weeks the merger of Randcoal with Trans-Natal to form the world's third largest privately owned coal company The scope of these developments is breathtaking; coupled with Gencor's greenfields projects at home, they constitute a group seriously engaged in a widespread transformation

Curiously, all these changes come after Gencor blazed the trail of "unbundling" — a painful process in which the house shed its industrial and investment arms, Sappi, Engen, Malbak and Genbel Having scaled down, Gilbertson promptly began to expand, this time concentrating exclusively on mining and allied activities

Gencor has become a mining house focused on gold (17% of assets, 21% of earnings), platinum (15% and 12% respectively), coal (5% and 13% and set to mushroom), ferro-alloys (23%), titanium minerals (10% of assets, contributing 25% of earnings) and aluminium (7% and 1%) and now nickel through Billiton's Cerro Matoso mine in Colombia. What is arguably missing from this compendium is copper and iron ore

Meanwhile, the house is heavily involved in SA projects such as Alusaf's Hillside Smelter project (R5,4bn), the Columbus stainless steel joint venture with Anglo American Corp and the IDC (R3,5bn, of which Gencor has a third share through Samancor), and the struggle to refinance the Oryx gold mine in the Free State All these, taken with the Billiton acquisition, mean that Gencor has undergone an important transformation Resources have been transferred on a huge scale from profit-producing operations to some (Alusaf, Columbus and Oryx) which — for now at least — will be net consumers of cash

The result is painfully obvious Attributable income is a modest R625m for 1994, 45,4c a share compared with last year's pre-unbundled 102,5c — though Gilbertson complains I am comparing apples with pears 'What you forget is that shareholders benefit directly in the companies which we unbundled" Still, the dividend is now a miserable 15c after 1993's 45c

To put all this into perspective the house is a far cry from its attributable income of R911m in 1990 That was achieved from net assets of R10 8bn — a simple return rate of 8,5% It puts this year s performance — R625m from net assets of R16,6bn or

GENCOR'S EARNINGS

	1993		1994	
	Rm	%	Rm	%
Gold	106	17	131	21
Platinum	99	16	75	12
Coal	78	13	84	13
Ferroalloys	101	16	145	23
Titanium Minerals	85	14	157	25
Aluminium	7	1	3	1
International & other	(2)	(0)	35	6
Operations	474	77	630	101
Exploration & projects	(99)	(16)	(82)	(13)
Investments & corporate	237	39	77	12
Total earnings	612	100	625	100

a return of 3,8% into stark and unkind focus However, those soaring net assets also indicate a rampant stock market and, of course, in 1990 Gencor was a bundled group Gilbertson's brave new world won't kick in for some years yet

Also, Gencor's reporting period this time round is for 10 months only, as the company and its subsidiaries convert to a June financial year It is true too, that operating income improved strongly from 1993's R474m, indeed, if the EPS of 45,4c is annualised, it produces 54,5c and, in that sense at least, Gilbertson can take some

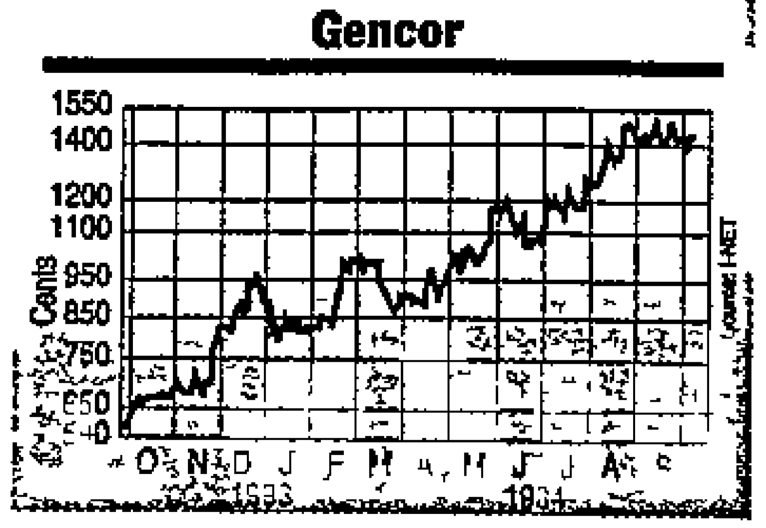
Gencor's Gilbertson *a brave new world*

satisfaction

The balance sheet is something else Shareholders' interest has fallen to R7,4bn from 1993's R11,5bn, this is a reduction of R4,1bn, all of it chopped off the reserves — a massive R2,7bn of it off the nondistributables On the other hand, Gencor's investments in subsidiaries has a carrying value of R7bn against a valuation of R15 9bn Long-term loans of R147m are small beer in these orders of magnitude and illustrate, if nothing else, the unusual ingenuities applied in financing the purchase of Billiton from Royal Dutch Shell

This is another area of interest If you think, as I did, that Billiton is sealed and delivered, well, it's not. Gilbertson says he doesn't expect the deal to be consummated before next month Billiton under Shell was strangely amorphous its assets were owned by Shell's operating companies in those parts of the world where Billiton operated These have had to be extracted from, for example, Shell Brazil, and title transferred to Billiton It is clearly proving an exhausting administrative procedure

Gencor



Then there's Trans-Natal's successful bid to merge with Randcoal It attracted criticism when announced, mainly from other bidders but also from large shareholder Liberty Since then, the dissatisfaction has become muted to the point of disappearing and it would seem little can stop the deal from going through except, however bizarre this may appear, if it fails to get EC approval.

At the end of reading Gencor's annual report, and after having followed the company's fortunes this year with some concentration, I am left a bit bemused. Here is a major SA mining house which has in a year shrunk appreciably in size and then immediately embarked on a massive expansion It is a bit bewildering But it also makes sense Gilbertson is demonstrating that, even if you start late, it is possible to catch up He is also making sure that as some of the company's assets deteriorate, notably the SA gold mining portfolio, others are put in place

In this respect, the tactics represent sound strategic planning for a group that has clearly delineated its long-term future

David Gleason

FM 21/10/94

GENCOR GOLDS

Success with costs

Gencor gold mining company Gengold administers 11 operating gold mines, of which 10 are listed. A review of the individual companies, given the number involved, is bound to be superficial

However, a number of common issues emerge from the annual reports First is the intense concentration on and success in controlling costs Over the year, working costs per kg of gold produced on Gengold mines increased by a mere 7,7% and, in an industry long inured to large cost increases, this success is important.

Second is the forward sales contracts Generally, these were not well executed over financial 1994 but the group is out of them now and future policy is being re-evaluated However, if the gold price runs, Gengold will probably lock in some of its production to protect those of its mines which are delicately positioned.

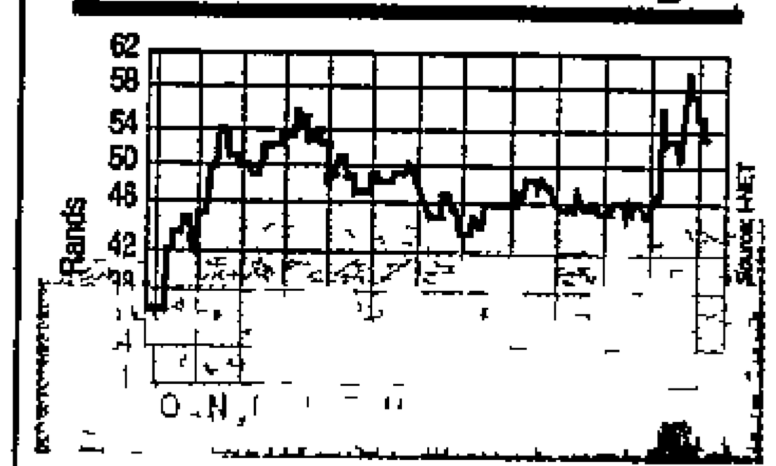
Finally, an aspect which can't please Gengold's managers much, is the share prices of these companies These are underrated relative to the management efficiencies which Gencor has exhibited and is probably due to the low market cap of Gengold's mines — these are small by comparison, for example, with Anglo and

Gengold's Maude *promising advances in productivity*

Gold Fields producers

Of the individual producers (some of which report strange years this time as Gengold brings all its mines on to the same reporting period), **Buffelsfontein,** which used to be the group's Big Daddy is now a mine in decline Focus from now on will be on shaft pillar extraction and dump treatment. Reserves have declined markedly and some investors have been burned because they don't understand the concept underlying the phrase "Life of Mine" This share has become more of a trading stock than a counter for long-term collection

Buffelsfontein Gold Mining



Stilfontein is a stock about which investors can't afford to be misled, despite its startling profit profile over the last year The company probably has dumps sufficient to provide material for no more than another two years' work, though it is possible it may access reserves owned by neighbouring companies There is some suggestion the mine's underground reserves may be re-examined.

In the Free State, **Oryx** continues to be Gengold's problem child and Gencor chairman Brian Gilbertson describes it as "having a long and painful labour" In the market, the share is considered highly risky though that is probably a premature judgment. The mine's problem is that across both the length and breadth of the lease area there are huge variations in the quality of the ore deposit, unusual in a Witwatersrand conglomerate. Refinancing proposals have been delayed, probably until the year-end, however, the chances must be good that a rights issue of R750m will be required to retire debt and provide sufficiently for redevelopment.

At **St Helena,** earnings have doubled and great improvements have been made in yield which rose 11% as a result of selective development — and the use of

GENCOR GOLD MINES

	†Beatrix	Buffels	*Grootvlei	‡Kinross	‡Leslie	†Oryx	*St Helena	*Stilfontein	‡Unisel	‡Winkelhaak
To June 30 1994										
Trading stats										
Capital structure (ords)	94m	1m	11 4m	18m	16m	185m	96m	13m	28m	12,2m
Market cap (Rm)	2 585		45	1 332	130	1 073	470	117	378	714
Price (c)	2 750		1 475	7 400	810	650	4 900	900	1 350	5 850
12-month high (c)	3 100	[illegible]	1 375	8 450	940	800	4 950	1 000	1 850	8 000
12-month low (c)	1 825	370	700	5 400	500	250	3 250	425	625	4 300
Trading vol last quarter	2,4m	177 00[illegible]	31 000	653 000	1,6m	794 000	19 000	14 000	769 000	195 000
Chairman	G Maude	T C Dale	G Maude	G Maude	J E Olivier	G Maude	G Maude	G Maude	G Maude	G Maude
Year to June 30 1994										
Revenue (Rm)	520,4	518,[illegible]	145 1	366,4	62,8	nil	281 6	67,7	114 6	312,3
Costs (Rm)	309,4	437,[illegible]	128,1	231,3	62,5	nil	234 8	54,5	96,4	249 8
Tax (Rm)	55,3	23,[illegible]	6,6	70,4	10,3	nil	47,1	5,4	4,5	33,5
Attributable (Rm)	82,3	32,[illegible]	10,5	55,0	8,8	nil	41,5	31,9	8,7	30,0
Grade (g/t)	6,29	6,3[illegible]	5,48	6,57	6,69	1,69	6,80	1,06	6,02	6 66
Gold produced (kg)	19 220	13 09[illegible]	3 845	9 075	2 048	316	7 415	1 790	2 847	7 735
EPS (c)	87,5	292,4	81,4	305,4	54,8	(272,3)	430 8	244	30 9	246,2
Dividends (c)	83,0	305,0	80,0	270,0	45,0	nil	370 0	180	25,0	200,0

† 10 months. * 18 months. ‡ 9 months.

Mineral policy is not serving needs

BD 3/3/95 (210)

MICHAEL URQUHART

THE fragmented nature of the debate on minerals policy was not serving the needs of the industry and its main stakeholders, the mining employer representative body, the Minerals Policy Steering Committee, said.

The committee, made up of members of the Chamber of Mines and other major mining companies and industrial associations, called on the government to establish a process to improve minerals and mining policy formulation This followed its scrutiny of the two separate draft minerals policy documents proposed by the ANC and the Mineral and Energy Affairs Department.

The chamber said yesterday it had begun discussions with Minister Pik Botha and ANC MP Marcel Golding with a view to establishing a focused and integrated approach to policy formulation and to ensure meaningful participation by all concerned.

The committee said it had informed the ANC that, despite the ANC's draft minerals policy document having some merit, it disagreed with many of the conclusions and recommendations of the document and therefore could not endorse it.

It had also informed the department it could not comment on its draft policy document "at this stage" Further comment would be deferred pending the establishment of more effective minerals policy formulation.

Nchaka Moloi, minerals policy coordinator of the Minerals and Energy Policy Centre, who is compiling the responses to the ANC's minerals policy, said a number of international companies and non-chamber members had responded

He said most of those who had so far responded had been in favour of the implementation of a mineral rights tax to free up mineral rights.

Moloi said most respondents had also agreed the ban on ringfencing should be lifted to encourage development of new projects, and were looking for more clarity on this issue.

But he said one area where the majority of respondents had disagreed with the ANC's draft policy had been on the implementation of a mineral beneficiation tax. The majority of respondents viewed this as forced beneficiation.

Reaction had also been mixed on whether the gold mining tax formula should be applied to the rest of the mining industry. Moloi said respondents had generally been happy with the rest of the policy.

The responses would be compiled in time for an ANC minerals conference which would be held around mid-July.

An updated document would come out of this conference, which would then be sent to the National Executive Committee for final approval as official ANC policy.

'Give untapped mineral rights to small miners'

(210) BD 10/3/95

MICHAEL URQUHART

SUBSTANTIAL mineral exploration possibilities were lying dormant in SA, ostensibly for commercial or strategic reasons, according to Association of Industrial Minerals, Metals and Mining (AIM) chairman Ron Weissenberg

Among these were a large pool of mineral rights not strategically exploitable by the mineral rights holders, but which could be utilised by small miners, he said.

These mineral rights should be freed up, and he recommended this on AIM's behalf in his response to the ANC's and the Mineral and Energy Affairs Department's draft minerals policies

AIM is a body representing mainly small and medium size miners, but membership is also drawn from mining exploration and minerals beneficiation companies and minerals marketers

Weissenberg said AIM's goal was "to promote and enhance the industry by abolishing any disenabling practice or statute" in a commercially meaningful way

He said AIM was not looking for free handouts of mineral rights. He believed holders of dormant mineral rights could use a viable tribute or lease agreement system to make mineral rights available

Encouraging the small mining sector would also require openness and cooperation between the groups to help identify what rights were suitable for exploitation

Weissenberg said most mineral rights holders, including government, knew of rights that could be exploited by small miners. He disagreed with the ANC's belief that a mineral rights tax should be used to return mineral rights to the state, as he believed government should not be a major holder of rights. Rather than acquiring more mineral rights, it should be selling off its holdings as part of the commercialisation of state assets

Rather than encouraging the mining sector through incentives which raised the general tax burden, Weissenberg said the mining sector could be encouraged by a decrease in its heavy tax burden.

The demands of the environmental management programme could also be simplified, he said. Currently numerous government departments were involved in the approval and implementation of the programme, resulting in rehabilitation costs many times higher than its value.

AIM would also like to see the Mineral and Energy Affairs Department change its stance to one of constructive input for the mining sector. He said most small miners viewed the department as obstructive.

But before the industry could make large scale investments, it would have to know it was operating under a set of consistent regulations. The constant shifting of the goalposts and lack of clarity on future minerals legislation which had arisen out of the policy debate had to be ended

New technology mines' answer

BD 13/3/95

(210)

MICHAEL URQUHART

NEW technology being developed by SA mining houses could be the answer to the productivity and high cost problems plaguing the industry, Gengold senior consulting engineer Kobus Olivier said at the weekend

Olivier said new mining techniques being developed were concentrating on the use of non-explosive methods to allow continuous mining and to improve safety.

The two new techniques which showed the most promise were Sunburst technology, being tested by Gengold in conjunction with RUC mining contractors, and diamond wire sawing being developed by Anglo American.

Mining houses were keen to develop a system of breaking rock which eliminated the need for explosives, as this would obviate the need to clear the face for a number of hours while waiting for the blast and the fumes to clear to allow re-entry.

Olivier said the elimination of the use of explosives would also improve the safety aspect. Without blasting there would be no fumes or handling of explosives, and less fracturing of the surrounding rock. If the new methods were successful, 24-hour operations would be possible.

Sunburst penetrating cone fracture technology made use of high pressure gas to break rock out of the working face. A hole was drilled into the rock, and high pressure gas was fired into the hole, causing the surrounding rock to fracture.

Olivier said Sunburst would not be used for actual mining of ore until it had been tested in other mining applications. If it was successful in this, Gengold would pioneer its application on the stope face.

Diamond wire sawing, which is being developed by Anglo American, consisted of diamond studded wires which were used to saw through rock to free the gold bearing ore.

Marc Buyens of Anglo's Technical Development Services said Anglo had seven diamond wire machines underground, with some already being used for production.

Buyens said the main advantage of diamond wire sawing was that it reduced the amount of waste rock when mining a narrow reef. The stope width in a mine using blasting was normally at least 85cm, the minimum needed to allow a miner to be able to work on the face

With the diamond wire the stope width could be reduced up to four times, which Buyens said would increase the yield four times and dramatically reduce the quantity of waste rock which had to be transported and processed

It would reduce the amount of fine material and rock fractures, leading to greater gold recoveries as fine material would not be lost in cracks at the base of the working face

NUM calls on ANC to nationalise SA's mines

(124)

The Argus Correspondent

JOHANNESBURG — More than 500 delegates representing the 320 000-strong National Union of Mineworkers (NUM) have called for nationalisation of mines which "continue to violate human and worker rights" (232)(210)

Their nationalisation call, though qualified, presents a challenge to the African National Congress and the new government, both of which have formally abandoned their support for nationalisation.

The NUM is the largest component of the Congress of South African Trade Unions (Cosatu), which shares power with the ANC in the government of national unity. ARG 13/3/95

ANC secretary-general Cyril Ramaphosa is a former NUM leader, and the reconstruction and development head, Jay Naidoo, is a former Cosatu secretary-general

They are now faced with the choice of supporting the ANC's decision — taken at its annual congress in Bloemfontein last year — to renounce nationalisation and to embrace privatisation, or supporting the huge NUM membership

An NUM central committee meeting earlier in Pretoria called for a basic minimum wage of R1 200 for surface workers and R1 325 for underground workers

'Nationalise mines'

NUM SPEAKS Union's opposition to unilateral reorganisation of mines:

(210)

Sowetan 13/3/95

MORE than 500 delegates representing the 320 000-strong National Union of Mineworkers have called for the nationalisation of mines which "continue to violate human and worker rights"

At a weekend central committee meeting held in Pretoria in preparation for negotiations with mining houses next month, the union also called for a basic minimum wage of R1 200 for surface workers and R1 325 for underground workers

The NUM said members were threatened by retrenchments and therefore an agreement had to be negotiated between management and the union to regulate sub-contracting — which usually led to the retrenchment of workers.

Saying worker participation in decision-making was essential for the new era of industrial relations, the union maintained that workplace forums suggested in the draft Labour Relations Act be adapted to frame a specific demand On privatisation, the union said it was opposed to companies' unilateral "reorganisation without negotiating with and the approval of unions"

It said although racist laws had been repealed, a Workplace Anti-discrimination Act may be needed to force "enterprises with a culture of racial domination to change their ways"

The union condemned all forms of corruption in all public and private institutions and said any person found guilty of such behaviour should be removed from office

Pledging support for Cuba's "struggle against the illegal occupation and economic blockade of Cuba by the United States of America", the union said the country must be accorded full preferential status by South Africa

Our phone number: (011) 474-0128

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COMPANIES

'Strong small mining is vital for development'

(210)

BD 20/3/95

MICHAEL URQUHART

A VIBRANT small mining sector could play a major role in rehabilitating impoverished rural areas, but the sector remained relatively underdeveloped, Mintek president Aidan Edwards said last week.

He said one "medium scale" gold mine with a staff of 360 supported about 6 000 people directly and indirectly. Extending the life of such operations and creating new ones was therefore vital.

Interaction with small mines had proved existing expertise and technology was as suited to small mines as it was to the larger ones. Most breakthrough technologies now used on a large scale, such as the carbon-in-pulp process for gold recovery, were proven at the small scale initially.

The small mining sector in North America and Australia made a significant contribution to the finances of these countries, and to job creation, he said.

Mintek had broadened its range of services for technological support for small mining in the gold and other sectors, Edwards said.

The ANC in its policy document had identified a lack of access for small mining to mineral rights, the lack of a comprehensive support system and an appropriate institutional and legislative framework.

It said lack of access could be addressed in the short term by direct negotiation with current holders, and in the medium term by the introduction of a system that would ensure that minerals rights reverted back to the state.

A small mines bureau was also mooted to provide a supporting role and provide co-ordination between the existing government structures and the private sector.

Amalia gold mine director Gerrit Potgieter said one of the barriers to entry facing a small venture like Amalia in raising capital was the cost of a listing. The Schweizer Reneke mine applied for a listing last week.

He estimated that the total cost of complying with all the regulations surrounding the listing was more than R1m. This was a substantial amount in a listing designed to raise R12,5m.

JSE president Roy Andersen said the JSE was aware of the problem, and small mines which wanted a cheaper listing should look to the Venture Capital Market. On the VCM only an abridged listing statement had to be published, professional fees would be lower and entry requirements were also lower.

A Mineral and Energy Affairs Department spokesman said the promotion of smallscale mining was currently being done on an ad hoc basis. He said the department was looking at its structure, and room would be made for a division to co-ordinate small mining support.

Minerals Policy Steering Committee chairman Nick Segal questioned the ability of the small mining sector to fulfil expectations of job creation. He said small mining did not have the ability to become a big contributor as the bulk of suitable deposits had already been mined out.

He said this form of mining had been practised at the turn of the century, leading to a substantial decrease in the number of deposits suitable for use in small scale mining.

Although mining houses were considering freeing up deposits that were too small for them to develop economically, and also to provide financial and technical assistance, Segal said this would only be done on a sound commercial basis.

Canadians sink R40m into SA mines

CT (BR) 23/3/95

(210)

Trillion Resources of Canada has broken the investment ice by acquiring large minority stakes in Cons Mining and West Wits

By John Spira
GAUTENG BUSINESS EDITOR

In a R40 million deal, Trillion Resources of Canada is to acquire large minority stakes in JSE-listed Consolidated Mining Corporation and West Witwatersrand Gold Holdings.

Canadian mining companies have long been examining involvement in SA operations. The Trillion transaction could well have broken the ice and may be the first of several similar future arrangements with JSE-listed companies.

An announcement by Nedbank Investment Bank reveals that Trillion, a company listed on the Toronto Stock Exchange and with a market capitalisation of C$57 million (R143 million), will subscribe in cash for:

☐ 41 million new ordinary shares in Cons Mining at 35c a share. The consideration will amount to R14,35 million for a 9,5 percent stake in Cons Mining.

☐ 9 million new ordinary shares in West Wits at 285c a share. The consideration will amount to R25,65 million for a 9,8 percent stake in West Wits.

In addition, Trillion will acquire further shares in Cons Mining from external shareholders in exchange for the issue of Trillion convertible redeemable preference shares.

Trillion will own 30 percent of Cons Mining. The company's activities comprise exploration, development and the acquisition of mineral properties on the African continent. It has 14 active exploration and development projects.

The proceeds of the R40 million that Trillion will subscribe for Cons Mining and West Wits shares will be used to expand, develop and increase the efficiency of the group's mining operations.

The expansion programmes include West Wits's R65 million semi-autogenous mill expansion programme and the group's extensive mineral rights in West Africa.

"Additional funding alternatives for the expansion programmes are currently being examined and could include rights offers by companies in the group."

Norman Lowenthal, non-executive chairman of Cons Mining, anticipates that the expansion programmes will enhance the profitability of Cons Mining and West Wits in their 1996 and subsequent financial years.

Had the Trillion subscriptions been effective at March 31 1994, Cons Mining's net asset value would have increased from 20,2c to 22,2c (10 percent) a share, while that of West Wits would have increased by 12,4 percent to 134,6c a share.

As part of the Trillion deal, the Cons Mining controlling consortium, which controls 51 percent of the company's issued share capital, has agreed to terminate its control agreement. Ronald Netolitzky and Jens Hansen will join the boards of Cons Mining and West Wits as Trillion's representatives.

Mining analysts have long regarded Cons Mining shares as undervalued. This belief is vindicated by the Trillion subscription offer, which values Cons Mining at 35 percent above its ruling share price and West Wits at 21 percent higher than its ruling share price.

Minerals 'must be utilised' (2.10)

AFRICAN countries needed to embark on a collective drive to utilise the continent's extraordinary mineral wealth and end dependency relations with the developed world, President Nelson Mandela said yesterday.

Delivering the opening address at the sub-Saharan Oil and Minerals conference in Johannesburg, President Mandela said more efficient use and processing of the continent's mineral resources could help alleviate widespread poverty.

"We need to make sure that the benefits of exploiting and processing our minerals and oil benefit Africa. Too often in the past Africa has derived little benefit from its resources," he said.

Although Africa produced the bulk of many valuable minerals it used only a fraction of those commodities itself.

He said African countries needed to replace short-term national interests with a co-operative approach towards mineral exploitation.

SA's achievement of democracy and the move towards peace in southern Africa had transformed the possibilities for co-operation towards this objective. BD 28/3/95

Local manufacture of more basic commodities, such as clay for bricks or ceramics, would reduce the import burden, create jobs and cut prices.

In order to facilitate this production, African countries needed to develop the necessary infrastructure by making full use of its raw materials.

"Instead of importing these value-added products at a massive cost, using scarce foreign exchange, why not turn to our own indigenous resources, enormous but still largely underdeveloped," Mandela said.

Africa also needed to develop appropriate industrial processes and technologies through ongoing co-operation between governments and the private sector.

While industrialised countries could offer valuable assistance to this end, it was the African entrepreneur who needed to lead the way.

"Africa needs to reclaim its minerals by way of indigenisation, by developing our own institutions, by enabling the African entrepreneur to come to the fore. It is our responsibility to relate to the existing game players in a way which ensures that we are at least equal partners."

SA was committed to sharing its substantial advantages over other African countries in mineral affairs and the associated scientific and technological fields.

"No longer will they be used to benefit our country at the expense of others or to enforce relations of dependency.

"Partnerships of mutual benefit must become the norm of relations between all our countries," Mandela said. — Sapa

BUSINESS

Coal discards 'can help launch small-scale mining'

(210)

BD 28/3/95

SA's large stockpiles of coal discards could form the basis for small-scale mining and be a source of low-smoke coal, says Mineral and Energy Affairs director-general Piet Hugo.

Hugo told the Sub-Saharan Oil and Minerals conference the country had about 500-million tons of coal discards, produced mainly as a result of beneficiation of run-of-mine coal for the export market.

"These resources are above ground and could form the basis for small-scale mining and a source of low-smoke coal."

Small-scale miners could serve the residential market, which could yet see regulatory intervention to prevent the harmful effects of coal-burning and air pollution, he said.

The promotion of small- and medium-scale mining enterprises and job creation was an explicit goal of government.

But formidable legal, technical and financial obstacles could impede the entry of new small entrepreneurs, Hugo said.

Potential coal mining presented low geological risks, but it would require technical and marketing skills to achieve better rates of return than other commodities. — Reuter.

Technology transfer 'vital to African mining industry'

(210)

BD 30/3/95

MICHAEL URQUHART

EFFECTIVE technology transfer is the most important issue Africa will have to tackle if it is to improve productivity in its mining industry, Mintek programme director Merrill Ford says

He said at the sub-Saharan oil and minerals conference in Johannesburg yesterday that technology was the biggest contributor to productivity gains, accounting for 40% of all such gains.

Although Africa had 21% of the world's land mass, it had only attracted 5% of total world spending on mining and exploration Although nationalisation, government interference and insufficient reinvestment had played their part in discouraging investment, the main reason was inadequate technology transfer.

Africa should look to the major multinationals for technology transfer.

Ford warned that one disadvantage of this route could be that local small-scale operators might be overwhelmed by the technology of multinationals.

Gencor business development senior manager Frans Prinsloo said electricity, of which sub-Saharan Africa had substantial capacity, was the most important input in the beneficiation of minerals But the region had to create a means through which power could be traded.

John Strongman, the principle economist of the industry and mining division of the World Bank, described, privatisation of state assets as one of the most important trends in African mining

The benefit to a company of being privatised was access to private sector capital markets and to modern technology, while the benefit to government was the removal of a loss-making industry.

The small mining sector could be a significant generator of employment, Mineral and Energy Standing Committee chairman Marcel Golding said

One of the main reasons SA did not have a small mining industry was that the best mineral terrains were held by the large mining houses, as well as the fact that the previous government had no policy to support the sector.

Council steps in to help mine squatters

(210)

Sowetan 6/4/95

By Joshua Raboroko

THE Greater Johannesburg Transitional Metropolitan Council has recommended that homeless mine workers and their families be allocated land on the West Rand and [illegible].

Acting Roodepoort Town Clerk Mr Carl Coetzee said yesterday that the council had provided tents, water and toilets for the families on a field near Leratong Hospital. The families were evicted from hostels at Durban Deep Gold Mine after they were retrenched by the mine [illegible] July. They were stranded [illegible] homeless when the council allowed them to stay on the field. The families claimed yesterday that they were being threatened by white farmers who want them to quit the area.

Mr Coetzee said the families feared the threat of being forcibly removed by right-wingers. Coetzee promised that the council would not allow anybody to evict the squatters. "They are living there temporarily until we find alternative land for them to build homes." He said the council would provide health care in the area.

GJTMC executive committee chairman Mr Collin Matjila said the council would speed the process to all informal settlement.

Confident Gencor looks towards expansion on the world stage

(210) CT(BR) 11/4/95

Gencor's outlook hinges on the commodity cycle A number of commentators believe the cycle's current advancing phase has petered out, however, Mick Davis, executive director of the unbundled, commodity-dependent group, disagrees

"If this is the case," he argues, "it will have been the shortest cycle in history

"If you look at the pattern over the past 30 years, during every cyclical upturn you've had a dip, either quarter of the way or halfway through the cycle, before the upswing continued We could be seeing that now

"But if I look at the physical demand for the commodities Gencor produces — coal, ferro-alloys, chrome, stainless steel, aluminium and others — demand is very buoyant I can't envisage conditions under which demand will dissipate," he says

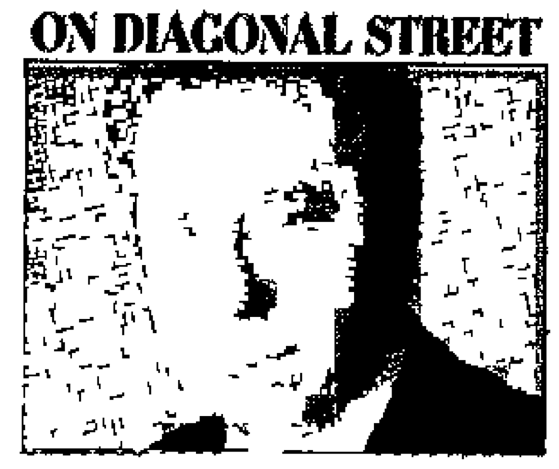
"The US economy, although likely to grow more slowly this year than last year, will nevertheless enjoy positive growth

"There is a question mark over Japan, but there has to be growth emanating from the Kobe earthquake.

"Europe is coming out of recession, and there's still some sustained growth out of South East Asia

"In short, the fundamentals are strong for a long commodity cycle run"

ON DIAGONAL STREET



Gencor's Mick Davis is buoyant on prospects for commodities, and the group itself

By John Spira

Davis is confident that the current commodity cycle has a long way to go

Davis suggests that concern over the continuation of the cycle stems from price behaviour different to that of previous cycles

He believes this can be ascribed to the fact that many international funds are now investing in commodities such as aluminium and nickel

"As a result, you've seen prices going up way ahead of any upturn in commercial demand The funds are now taking profits, thereby depressing prices Accordingly, you're seeing tremendous price volatility while the funds adjust their portfolios

"The sooner the funds are out, the better In any event, the firm underlying demand scenario has not altered"

Accordingly, Davis is confident that the current commodity cycle has a long way to go

On this score, therefore, the outlook for Gencor is positive, should Davis's expectations prove to be close to the mark.

Indeed, as the commodity cycle progresses, Gencor should enjoy large and growing cash flows How does it plan to deal with them?

"We will have to adjust from a situation in which Gencor's cash reserves were drawn down following the demands of Alusaf, Columbus and various other transactions," says Davis

"The challenge now is to rebuild that strength without necessarily going back to our shareholders to do it"

The larger cash flows being generated are also being absorbed by Gencor's continuing internationalisation programme

In particular, Davis stresses Gencor's involvement in a prospective copper/gold mining prospect in Indonesia, where "we're convinced that there are two to three really big mines to be developed"

However, he adds that these would require financing of "monumental proportions", because Indonesia has no infrastructure

"Although it's five years before we start doing something serious there, we have to start thinking about how we're going to finance it, especially since the domestic capital markets wouldn't be able to support it," Davis notes.

And there are several other prospects — in Ghana, Ivory Coast and Mozambique, where, again, the absence of infrastructure is a problem

"Given the lack of infrastructure in these regions, we obviously can't handle these prospects on our own," says Davis

"We need to get the World Bank involved We're already working on that"

In time, therefore, Gencor will increasingly diversify worldwide In the meantime, however, following the unbundling, the commodity focus implies considerably higher volatility in earnings than before — surely a negative for the share price outlook.

"Not necessarily so," counters Davis "We shall be managing the cyclicality via risk management and hedging

"That's important, because you don't want investors to think that Gencor's a great company when the commodity cycle is in an upswing, and a lousy company when the commodity cycle is in a downswing

"You can't avoid a downturn, but you can soften out the trough This will be something new in Gencor"

Specifically, Gencor will adopt two strategies It will

☐ Use the market to establish a floor in terms of its pricing, and

☐ Involve itself in more active portfolio management

"Generally, our holdings haven't changed over the years Yet there will be a time when we'll want to have a higher or a lower weighting in a company or commodity

"What I'm saying is that there's more to this company than just mining"

Would these strategies also apply to the group's gold mining interest?

"Yes There's a lot of gold sitting in the vaults of the central banks They aren't earning a return, so they're becoming increasingly involved in rolling forward contracts

"The central banks lease out the asset, thereby earning revenue, and the producers benefit via a floor for the price they receive, as well as from any spikes in the gold price movement That's the way we're moving"

But it isn't the only option The gold price has been constant for four to five years, during which period the industry has had to contend with severe cost pressures

The mines have met the challenge by raising their pay limits, ignoring non-pay areas, and strongly emphasising cost containment These measures, says Davis, have encouraged a profitable industry, but one which has gone exgrowth

"It seems to me that the industry is facing another crisis The increase in the number of holidays and the growing demand for housing, better working conditions and higher wages points to the need for the industry to look very carefully at its situation In particular, some of the marginal mines are once again at risk

"We must seek the means to unsterilise gold in the ground Some of the operations that have been closed could be opened on a different basis, some of the marginal ore can be made less marginal

"This will need a completely different remuneration system — a much lower basic, a much higher bonus consideration, continuous shifts seven days a week

"We need increased productivity without decimating the workforce We have to make our units of labour cheaper The unions have to go with us on this — for the long-term benefit of their members"

Risk management includes taking a view on currencies How does Davis see the rand?

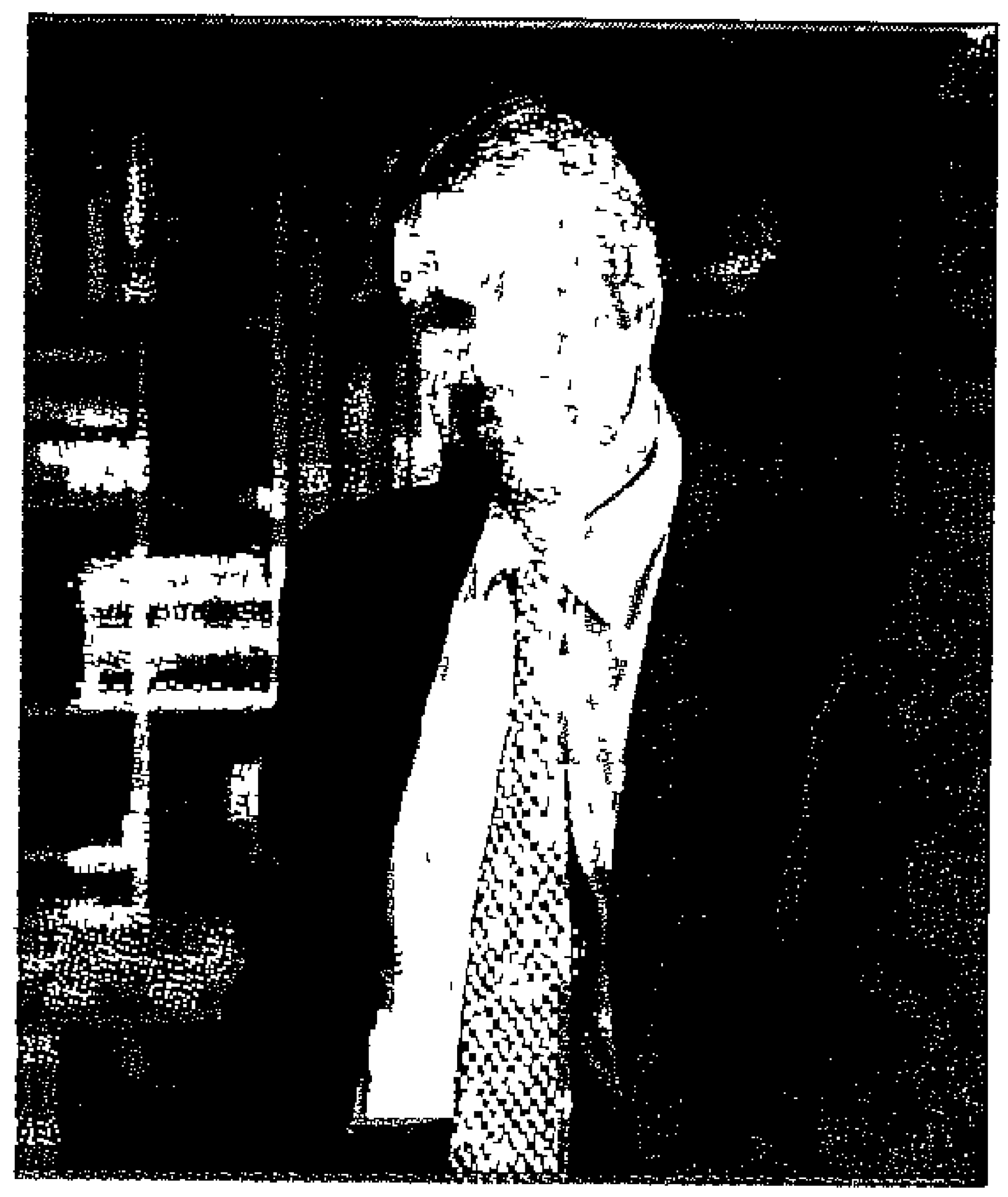
"Relatively strong against the dollar, because a number of US and European funds are buying into South Africa to meet index requirements

"There's been sustained buying of JSE equities and bonds Then, too, the outflow on the capital account has been stemmed"

But Davis's medium-term scenario is that the rand has to weaken against the basket of currencies because of the inflation differential

"The only thing to alter my prediction would be a change of heart among OECD countries, to the extent that they would inject large sums of money into South Africa

"But I can't envisage a dramatic inflow, because foreign investors aren't yet able to price South African risk They see too many imponderables"



MICK DAVIS *Gencor scores points for focus*

Will the March gold mining quarterlies be as bad as the share price action indicates?

"The share price declines have been overdone, although the results will no doubt be poor Gold shares should revive"

And the Gencor share price?

It recently went to a premium on net asset value, though it now stands at a small discount Why does the market hold the shares in such high esteem?

Davis believes the market has realised that Gencor has a large degree of focus built into what it is doing

"It appreciates the benefits of a diversified but focused mining house, trying to diversify geographically as well as by commodity We're getting points for that — and for our exploration initiatives"

The question which the investor must seek an answer for is whether or not the market will continue to award Gencor bonus points for its efforts Should the commodity cycle extend its upswing, the answer has to be in the affirmative

Radioactive contamination from uranium mining may be widespread

CT 19/4/95

(210)

SPECIAL CORRESPONDENT

JOHANNESBURG: The extent of radioactive contamination as a result of uranium mining activities in South Africa is unkown and may be wider than the 30 sites so far identified by the Council for Nuclear Safety (CNS).

CNS, the public's watchdog on nuclear safety, is virtually toothless. It does not have the staff or funds to conduct the investigation or to conduct clean-ups.

Since radioactive contamination by mines was first discovered in 1993, the mining industry collectively has made R5 million available for an investigation into the extent of the problem. The fund was almost finished and decontamination of even the first site at Katdoringbos, the most contaminated of all 30 sites, could not be completed, CNS general manager Mr Jeff Leaver said.

WeekendStar
April 22-23 1995

Mines must put house in order

THE Leon commission signals it is time mining houses and the Government cleaned up their act. JUSTICE MALALA reports.

(210) Star 22/4/95

THE South African mining industry is no stranger to controversy. In the first 93 years of this century more than 69 000 workers were killed and over a million seriously injured on mines. Since 1974, 128 575 mineworkers have been certified as having acquired occupational diseases.

Although living conditions in hostels — most of which used to house up to 90 people in a room — have improved considerably, they still apparently contribute to the spread of tuberculosis and other diseases.

This led the Leon commission of inquiry into health and safety in the industry — the first commission of its kind in more than 30 years — to call for urgent revision of the Health and Safety in Mines Act.

In its report, the commission, led by Judge Ramon Leon, took mining houses to task over their poor health and safety records and endorsed longstanding union recommendations.

If the commission's recommendations become law, the face of health and safety in the industry — and the traditionally strained relationship it has fostered between management and workers — is likely to change radically.

The commission said pleas by the National Union of Mineworkers (NUM) to act to reduce the scale of death and disease were well founded. It was inexcusable that full details of the industry's accident and disease records had not been published by mining houses since 1983.

The report concluded that the industry not only had a poor safety record but was also beset by grave problems. The combination of rockfalls and rockbursts in gold mines presented a threat that was unique in its severity. However, the solution to this problem would have to come from the industry.

Although SA took pride in being among the most advanced mining countries in the world, it could not make this claim in terms of safety.

"The commission observed with some disquiet that the tendency of many senior mining officials is to attribute the poor (accident) record to physical and human factors beyond the industry's control." This claim "does not absolve the boards of companies, the shareholders and management from the responsibility of caring and the need to make a special effort to overcome this problem".

The recurring excuse from management that safety systems at mines were "fine and the accidents are due to human errors" had no moral basis.

"Management must engineer the systems so as to minimise the opportunity for human error and train all ranks of the workforce to act in accordance with sound procedure."

Reviewing the safety performance of gold mines, which accounted for 86,55% of the 8 515 injuries and 72,7% of the 586 deaths in all mines in 1993, the commission said evidence left "considerable doubt with regard to the efficacy of the available measures for combating rockburst hazards".

The commission found there was no immediate solution to the hostel system, which was "essentially an unnatural one". It recommended that mining houses move towards family housing. In the meantime, steps should be taken to upgrade hostels.

This represented a victory for the NUM, which since 1982 had fought to improve workers' living conditions.

The recommendation comes at a fortuitous time for the industry: recent violence at Deelkraal and other mines has pointed to the problems inherent in the system.

Although for many years the Chamber of Mines had opposed apartheid, there existed a "hangover from that era in the mining industry", the commission said. This was illustrated by the preponderance of black workers at the bottom of the organisational pyramid.

The commission recommended that a new health and safety Act be drafted by a new body drawn from mining houses, the State and unions.

Black mining house on way: Talks on the creation of South Africa's first black mining house were proceeding apace, JCI's managing director, Bill Nairn, told a presentation in Johannesburg yesterday He added that the company was pursuing a number of encouraging gold exploration and mining opportunities in Africa The chief executive of its coal division, Con Fauconnier, said it was considering setting up two new coal mines.

(210)

CT (BR) 21/4/95

Botha paints bleak picture for minerals

PRETORIA — SA's mineral industry was "not all that healthy" and prospects for gold production were particularly bleak, Mineral and Energy Affairs Minister Pik Botha said in Pretoria yesterday. (210)

He told a meeting of government, labour and industry representatives the total value of mineral sales declined in real terms last year compared to 1993, with gold production decreasing 6,4%. BD 25/4/95

"The Chamber (of Mines) expects gold production to be down even further in 1995 and views the prospects for the industry as being particularly bleak."

Botha said the large number of public holidays and the probable loss of working hours during the November local government elections would exacerbate the problem.

"Taking into account income from gold sales still contributes some 58% of total mineral export revenue, the outlook for 1995 does not inspire confidence."

The total value of mineral sales last year rose by 6,5% compared to the previous year in spite of an 8,7 depreciation in the value of the rand against the US dollar. "Therefore, the value of sales declined." — Sapa-AP.

Mining contracts need to be re-examined — Maude

BD 5/5/95

(210)

MICHAEL URQUHART

THE mining industry in SA would have to re-examine the use of management contracts in the light of the changing nature of the industry, according to Gengold chairman Gary Maude.

Most SA mines are locked into a management contract with a major mining house in terms of which they pay the house a fee for the supply of certain centralised services But Randgold broke the mould recently when it sold its management contracts back to its mines in exchange for shares, as part of new management's philosophy to increase the mines' independence

The most recent sale was to Durban Deep, which announced yesterday that it would buy its management contract from Randgold for 420 923 new Durban Deep shares, valuing the contract at R16,8m

Maude said the structure of the mining houses and the use of management contracts had played their role in SA mines They had been necessary for the development of the deep-level mines characteristic of the SA industry These mines tied up a lot of capital, and required a great amount of expertise which the mining house system had supplied

The houses were able to attract top scientific people, whose cost was spread across a number of mines.

But, he said, as the mining houses moved into West Africa and other areas where deposits were shallow, most new mines started by SA mining houses would require less expertise and capital and would have shorter start-up times This could see SA mining houses becoming more like their international counterparts, with small head office structures and no management contracts

Gengold was re-examining the issue of management contracts, he said, especially at mines like Beatrix, which made minimal use of head office time for routine operations but made great demands related to major projects

Gold Fields of SA gold division MD Michael Fuller-Good said the work done for the mines as a part of the management contract had to be done somewhere. An enormous number of services were supplied by the house, which is what the mines paid for.

Randgold had said the thinking behind the decision to sell the management contracts to the mines was that the use of contracts hampered control and could lead to mines not getting value for money from the house

The contracts often led to a situation where a mining house controlled a mine even when it did not own a substantial part of that mine's equity.

Previously Randgold had drawn management fees as a straight percentage of the revenue of the mine, even when the mines were making a loss Randgold was now looking at what services the mines needed, and the market value of these. This gave Randgold a bigger stake in equity, but no guaranteed income. Randgold now had to share the risks on the mines, like all the other shareholders.

Relaxing forex controls 'could help SA mining'

(210.)

MICHAEL URQUHART

THE abolition of restrictions on the use of foreign exchange for investment in Africa would remove the major factor inhibiting SA competition in the international mining environment, industry sources said at the weekend

Gengold deputy chairman Tom Dale said with SA having been kept out of the international mining arena during the sanctions era, the country's mining industry had a lot of catching up to do.

He was reacting to a statement by Trade and Industry Minister Trevor Manuel, who said on Wednesday at the Financial Times/Business Day investment conference that government was likely to relax foreign exchange controls on SA investment into the rest of Africa

According to Reserve Bank exchange control GM John Postmus, the Bank views exploration as a current expense and therefore allows a certain amount of money to be taken out of the country for this purpose

If a mining house wanted to develop a deposit it would have to obtain permission from the Reserve Bank to take out the money needed.

Postmus said the Bank administered exchange control on behalf of the Finance Minister and would have to consider requests in the light of prevailing policy.

Dale said it was important for the industry to be able to take full advantage of its expertise in the international arena to remain competitive with its international counterparts

BD 8/5/95

An analyst said forex restrictions meant SA mining houses had to compete with foreign companies with one hand tied behind their backs

He said it was not a problem for SA mining houses to get financing for exploration but there were problems when it came to raising finance for developing a mine

If the mining house had an offshore source of finance, such as Anglo American with Minorco, then it could use this money to fund foreign ventures But if it did not it would have to come up with some other method of raising the capital needed It could do this by going to foreign stock markets or joining up with a foreign partner in a joint venture

The restrictions imposed by the Reserve Bank also meant it was easier to develop a venture from scratch than to invest in a project which was already running

Mining houses were also under a lot of political pressure to invest in SA, in order to create jobs in support of the RDP.

But he said despite the restrictions there was a lot of development taking place.

Black investors come one step closer to real participation in mining companies

CT(BR)16/5/95 (210)

By Derek Tommey
Mining Editor

Black participation in the running of the mining industry came a little closer yesterday with the unbundling of the R6 billion JCI mining house into three companies — JCI Limited, Johnnic and Anglo American Platinum — and their listing on the JSE

Late last year Anglo American invited black investment groups to submit proposals aimed at enabling them to acquire stakes in JCI and Johnnic after their unbundling Anglo American holds 48 percent of the capital of the two companies

Details of the unbundling and the assets each company holds have been known for some time so black investors knew what was available

Now that the two companies have been listed, black investors also have an idea of what a stake in the two companies is likely to cost

This should help to clear up a misunderstanding among certain black groups This was the belief that Anglo American, in a bid to woo black support for its black empowerment process, intended handing over shares in JCI and Johnnic to black investors at below market price

But this was never a possibility Anglo American has to protect the interests of its shareholders and anyone else with a stake in its operations However, Anglo American's offer nevertheless could represent an extremely generous move

A listed company and its shares have two prices One is for the ordinary investor who wants a stake in the company The other price, which is substantially higher, is what an investor has to pay to get control of a company

Securing control of a company brings numerous benefits These can range from the appointment of a company's directors and staff and the laying down of its policies (including, most importantly, deciding its dividend payments) to consolidating its accounts with those of its own.

Therefore when an investor surrenders control of a company it usually demands a premier payment

While Anglo American has not stated that it is prepared to waive this premium, there is a belief this could be the case if it would help to ensure widespread black participation However, this is probably as far as Anglo American can go in making it easier for black investors to acquire a stake in JCI companies

But payment is not the only matter Anglo American has to consider when considering black participation in the two JCI companies It also has to take into account their other shareholders and also their management

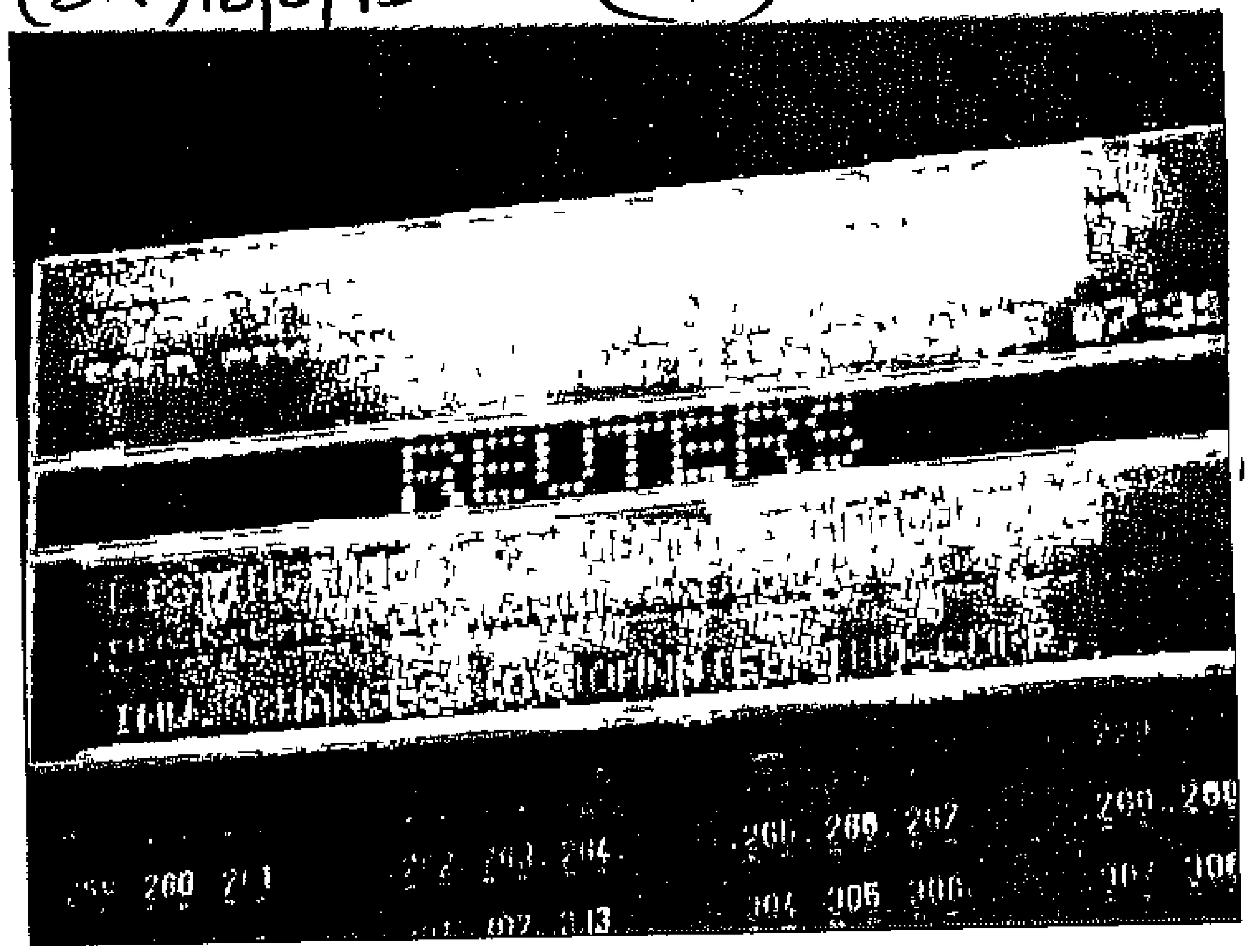
Anglo American is duty-bound to ensure that control does not pass to any group which might harm the interests of these other shareholders in JCI and Johnnic and also the people who run these companies

It is becoming clearer that finding the right parties to participate in JCI and Johnnic could take a considerable time Anglo American officials have been heard to speak about a two-year time span

So although there is some movement towards black empowerment in the JCI companies, it could be some time before it arrives at an acceptable solution

MAKING IT HAPPEN *The men who helped make the unbundling of JCI work rejoice as the shares of JCI Limited, Anglo American Platinum and Johnnic are listed for the first time. They are, from the left, Mike King, financial director of Anglo American, Bill Nairn, managing director of JCI Limited, stock broker Max Borkum and Leslie Boyd, deputy chairman of Anglo American*

PHOTO JOHN WOODROOF



TAKING A BOW *The JSE's indicator board announces the debut of JCI Ltd, Anglo American Platinum and Johnnic on the exchange*

PHOTO JOHN WOODROOF

Agricultural output falls 12,7% (210) (85)

BD 16/5/95

Poor mining, drought stunt GDP growth

Mungo Soggot

POOR mining and agricultural production hit GDP growth in the first quarter, squeezing annualised growth from the previous quarter to only 1,5%, Central Statistical Service figures showed yesterday.

The figure surprised economists as most had expected annualised growth of at least 2% after 6,4% in the last quarter of last year. But economists remained confident that 3% growth was still attainable this year, compared with 2,3% last year.

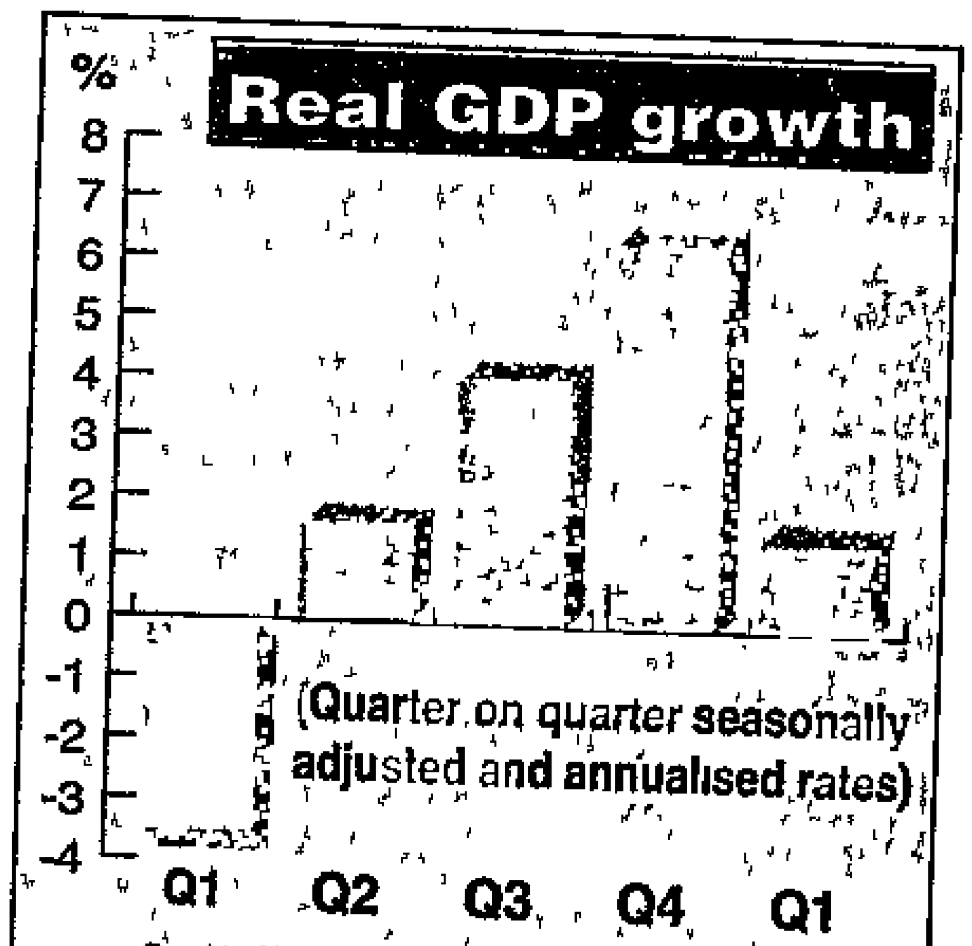
Figures are quarter-on-quarter seasonally adjusted and annualised unless otherwise stated.

Agricultural output shrank 12,7% in real terms as the drought took its toll. But Standard Bank's economics unit warned that the major effects of the drought would strike only in the second and third quarters when the maize crop was harvested. Mining was down 8,1%, mainly because of a fall in gold production.

Ed Hern, Rudolph economist Nick Barnardt said the weak agriculture and mining sectors could shave a percentage point off this year's growth. He said 3% was still within reach. The manufacturing sector was up 3,9% and economists said they expected continued strong growth. The sector grew 6% year on year and Barnardt said that the revised figures could end up showing an 8% year-on-year increase.

The CSS said excluding mining and agriculture the economy had grown 3,1%, while the non-agricultural sector had grown 1,9%.

Econometrix economist Tony Twine said the weak performance of major ex-



Graphic: KAREN MOOLMAN Source: CSS

port sectors like agriculture and mining was worrying. Evidence that the economy was more buoyant in the first quarter than the GDP figures suggested — in particular the rapid rise in imports — signalled rapid growth in gross domestic expenditure (GDE is GDP less the trade balance)

Barnardt said GDE appeared to be growing at least twice as fast as GDP. The pattern of growth in sectors experiencing strong demand for imports — such as manufacturing — and simultaneous decline in the export industries meant the current account of the balance of payments would probably deteriorate further.

Economists noted the small quarter-on-quarter increase in GDP had come off a high base — in the fourth quarter of last year the economy grew an annualised 6,4% Real GDP at market prices was up 3,5% year on year, helped by coming off a very low base from last year.

Anglo the largest in mining 'by far'

(210) CT(BR) 2/6/95

By Neil Behrmann

London Correspondent

Anglo American Corporation was by far the world's largest mining group, according to the latest edition of Who Owns Who in Mining

The study compiled by Raw Materials Group in Stockholm ranked British mining group RTZ second, followed by the state of Brazil which controlled the group CVRD. BHP, the Australian group was fourth, followed by the state of Chile, which owned copper producers Codelco and Enami

Having acquired international minerals group Billiton, Gencor was now the sixth biggest western mining corporation Iscor (22) and the Rembrandt Group (25) were among the top 25 while Anglovaal (29) and Barlow (34) featured among the leading 50 miners

The ranking was based on the value of mining production controlled by the companies in 1993 There was an 18 month time lag because of reporting delays More than 6 000 corporations were analysed in the 470 page report which is published annually

Competition

Anglo's share of western mining output was 8,6 percent, while RTZ accounted for 5,4 percent of the total Gencor's proportion was 1,5 percent

Six American companies, notably Freeport McMoran, IMCERA, Asarco, Cyprus Amax Minerals, Homestake and Newmont were among the top 25 Australian companies that featured were BHP, MIM and Western Mining Corporation, while the Canadians were Brascan/Noranda (12), Inco (17) and Placer Dome (18)

The study noted that the five largest companies controlled 22 percent of western world production

The top producers were in charge of 43 percent of western global output but within the group were nationalised mines that were controlled by South American nations, Morocco, Malaysia, France and India

The report said insufficient competition in South Africa was deterring foreign investment

Japanese interest, however, "is considerable" Nippon Denko formed a joint venture with Samancor and more Japanese equity participation was expected this year

The South African mining sector had neither experienced "a rush of new capital into existing mining companies, nor a great inflow of newcomers that were intent on exploration"

Politics

Foreigners were tentative because "most of the geologically interesting terrain is held by existing South African mining houses", the study said

Multinationals were also adopting a "wait-and-see" approach because they feared they would experience political problems Even though the reshuffle of JCI will float a black-controlled mining house, it will "strengthen the AAC grip over its core assets", the study said

"Of the major mining groups in South Africa, Gencor, Anglovaal and JCI have shown the best ability to adapt to the totally new political situation and to the increasing competition for the mining sector."

South African companies expanding abroad should accept deposits within South Africa would also be available to competitors, the study said

"After a decade of success and growth for junior, small and medium scale mining enterprises, the industry is being characterised by mergers and acquisitions"

In Canada, Barrick Gold's $1,6 billion takeover of LAC minerals was by far the biggest corporate deal in mining in the past year The second largest was Gencor's $1,2 billion purchase of Billiton from Royal Dutch Shell and the third, a $1 billion merger between WMC and Alcoa in Australia

"Previously, state ownership was used as a tool to harness the fast growing mining industry and to transfer profits to the host countries"

"Now governments in Latin America, Asia and Africa are actively selling their mineral resources to former (corporate) adversaries" Recent state sales have taken place in Peru, Greece, France, Portugal, Italy and Tanzania Planned investment in the CIS now exceeds $1 billion

SA mining in talks with Cuba

(210) ST (BT) 11/6/95

By PASCAL FLETCHER: Havana

GENCOR and Anglo American are negotiating large-scale mining projects in Cuba, mainly aimed at the island's extensive nickel reserves

Gencor's negotiations are the most advanced It is discussing two contracts in the central province of Camaguey One is for long-term assessment and development of a 120km² surface nickel deposit, the Meseta de San Felipe, and the other for a 2 010km² concession to explore mainly for gold

"The contracts are practically agreed," says Pedro Cruza, director general of the Cuban mining company Geominera, which will be Gencor's partner in the initiative He believes the final contracts could be signed in June A letter of intent already exists

Gencor negotiators Albert Mostert and Leon Liebenberg were in Havana at the end of May but declined to comment on negotiations

Anglo American has been involved in separate talks on a potential nickel project with another Cuban company, Caribbean Nickel It is understood to be looking at a large concession area in the Moa region of eastern Cuba, which contains the bulk of the island's nickel reserves — estimated at at least 13% of the world total

Anglo American has a confidentiality agreement with Caribbean Nickel under which neither party is permitted to disclose the details of the discussions. — Financial Times.

Mines urged to promote RDP

(210) (2FP)

ORKNEY: Mining companies needed to transform themselves from "agents of destruction" to contributors towards the RDP, North-West premier Mr Popo Molefe told mineworkers and management at the Vaal Reefs funeral service here yesterday.

Addressing a crowd of about 15 000, Mr Molefe said the 104 miners killed in the tragic accident on May 10 were victims of unjust mining practices

"Mines must no longer be seen only as providers of jobs where someone is likely to die, but as active contributors to the RDP"

In his address, Anglo American executive director Mr Bobby Godsell said the corporation was committed to learning from the findings of the official inquiry being conducted into the cause of the accident. — Sapa

CT 12/6/95

Mining rights distribution could boost living standards

0013/6/96 (210)

Sello Motlhabakwe

THE issue of mineral mining rights is likely to come into the spotlight following an economic development policy summit hosted by the Northern Province government with prominent mining companies operating in that region, at which ANC mineral and energy policy co-ordinator Nchakha Moloi floated the idea of re-examining mineral rights ownership as a means to boosting economic development in the region.

Northern Province representatives including premier Popo Molefe and finance MEC Martin Kuscus sat in on a day-long meeting with mining executives from 11 of the region's mines and listened to input regarding strategies to uplift the standard of living of the region's 3-million inhabitants — 27% of whom are unemployed.

Molefe's government, as much as those of the other eight provincial authorities, is hard pressed for an economic development blueprint which would deliver to the mass of the region's people.

The matter is made urgent by statistics which indicate that population growth levels were 3,5% a year, outstripping economic growth which was around 2,3% a year.

A staggering 53% of households in the area are subject to poverty and with a relatively low human development index of 0,59%, the province is placed sixth among eight others.

The point that this set of circumstances placed undue stress on resources and the continuing capacity of the civil and private sectors to sustain development was not missed by Molefe, who mentioned it in his keynote address.

The companies, whose activities range from mining and refining to exporting platinum, chrome, vanadium and other minerals, contributes 59,1% towards total economic output, significantly boosting the region's 6,9% contribution to national GDP.

The point that the mines would be a crucial ally in any development strategy is buttressed by the fact that they employ about 1,5-million people, and had in the past year alone spent more than R230m on sourcing raw materials from within the region while a further R225m was spent on supplies from other regions.

Most of the mines which responded to a Potchefstroom University research questionnaire on sourcing and social investment activity, revealed that more than half of the area's mines contributed to reticulated water to informal and rural settlements around them. Almost all provided education and health facilities to nearby communities while more than 80% contributed to housing projects.

The fact that the mines dominate economic life in the region is not lost on Moloi and Nafcoc North president and member of the region's economic advisory council, Gab Mokgoko, both of whom sat in on the commission which raised the issue of mineral rights at the summit.

Both stressed that while there was an urgent need to look at the issue with the view to ultimately diversifying mineral rights ownership in the province, the approach adopted should be "non-confrontational".

However, Moloi pointed out that not only was there an almost complete absence of small holding rights in provinces with mineral deposits, but that the rights were almost exclusively held by private companies.

Although the delegates, who included an enthusiastic group of mining executives, had by no means agreed on the very issue of diversifying mineral rights ownership, all were agreed that an economic development blueprint which would equitably serve the interests of all sectors ought to be found.

A task team chaired by Potchefstroom University economist and chairman of the Northern economic advisory council was brought to life and mandated with collating ideas on development and presenting them in two months time.

Holomisa calls for St Lucia mining debate

(SS) (210)

DURBAN — Interested parties must meet soon to discuss the future of Lake St Lucia, says Bantu Holomisa, Deputy Minister of Environment Affairs AR 6 8/7/95

"The national and provincial government, the relevant standing committees, Richards Bay Minerals (RBM), environmental groups and non-governmental organisations all need to meet," he said after he visited the St Lucia area of KwaZulu-Natal

Environmentalists are strongly opposed to RBM's proposal to mine dunes on the eastern shores of the lake for titanium

TECHNOLOGY

(210) 9/7/95

An opening for small miners

ST(BT)9/7/95 (210)

A mining company has developed a system to open the way for small miners to enter the industry JULIE WALKER reports on a new approach to mining in South Africa that may be right for our times.

…NCHISE mining is …key to getting small …es under way on a …e scale in Africa, …ording to Rick …dner of New South …ca Gold Mining …poration

…AGM intends to lease …e toll recovery (OTR) …s at individual mining … within the vicinity of …ral mining treatment

These OTR ma… will be operated by …ndent contractors …nsees) under the eye …ining management …ny such as Shaft …s or RUC

…h OTR operator will …ured to run his plant …ght hours a day and …vertime will be for …vn benefit The plants …andle up to 30 tons an … and the company is …ng at a 50-ton design …TR operator will be paid a percentage of the gold recovered

The plant is basic — a jig crushes the ore which is then fed along a conveyor belt into a gravity concentrator based on a centrifuge This is a sealed unit for security reasons

The feed is upgraded 50 or 60 times to give a concentrate of perhaps 6% gold This is transported to the central plant for further treatment The sophisticated bit is an electronic sensor system linked to a central computer which monitors when the plant is being operated and calculates the amount of gold produced

Only alluvial deposits, which can be mined opencast, will be suitable The tailings will be compacted and redeposited whence the ore came to rehabilitate the land All water used in the process will be recycled

Mr Gardner says South Africa is covered with alluvial gold deposits which have been ignored by the major mining houses because they were of no consequence to them on a large scale

NSAGM will screen potential OTR operators and give preference to those who live in the vicinity of a proposed mining area and who have had previous mining experience Each operator will in turn employ his own staff — perhaps 20 to 30 — to run the plant NSAGM will provide initial training

The OTR machinery will be leased to the franchisees through a bank if financing is required — several banks were represented at a demonstration of the process at Chamdor, west of Johannesburg, this week Estimates are for initial capital of R150 000 to R500 000 — some thought these figures seemed a bit high considering the simplicity of the machinery However, each operator will have daily access to a geologist, engineer and maintenance crew

Mr Gardner says three types of company are needed to make the system work — the OTR operators themselves, a transport company to take the gold concentrates to the central plant, and a third player to look after rehabilitation

Metallurgical testwork and research is undertaken by independently owned General Metallurgical Research and Services, whose managing director, Kobus van den Bergh, presented his findings at the demonstration

Roy Bermeister of NSAGM says the alluvial deposits occur in many small but fairly rich pockets He notes that South Africa has almost no small miners, whereas Zimbabwe has 150 000 and Brazil 500 000 — not that he advocates their ad hoc, disorganised mining methods

Mr Bermeister calls on the country's mining houses to release geological statistics compiled over the years and stored secretly

He says that a would-be miner in Australia, for example, can go to the state's geological survey office and scan computerised data on an area In South Africa, such information is privately held and locked away unused

"You have to reinvent the wheel every time and, after all, the mining houses have a tax write-off to pay for the survey work," he points out

Mr Gardner says OTR is also suitable for mining for metals other than gold, although this will be the initial thrust He aims to expand the concept throughout southern Africa

He says NSAGM will seek a listing in January, possibly in both London and Johannesburg

A respected independent mining consultant says that while NSAGM's intentions to promote "junior mining" are right for the times, he would like to see it backed by some of the country's leading bodies such as Mintek or a mining house

Similar ventures in the past have often been stymied by a shortage of capital and the inability to raise it because of no track record or a shortage of credentials to attract backers

THINKING SMALL mining consultants Kobus van den Bergh and Rick Gardner

A whole new world for mining

10/7/95 (210) CT(BR) 10/7/95 (210)

BY DEREK TOMMEY
MINING EDITOR

South African mining houses — or as many now prefer, international mining houses with South African roots — are aggressively expanding overseas.

Behind this drive is a feeling that they had been left behind during the sanctions years and needed to catch up with their foreign competitors and re-establish themselves in the international arena.

Also driving them on was the lack of mineral deposits in South Africa which could be inexpensively developed.

Most of the known but unworked gold deposits in this country lay at great depths, were expensive to reach and would be only marginally profitable at the present gold price.

On the other hand, by prospecting overseas there was always the chance of discovering a mine such as Anglo American's Sadiola Hill in Mali, which would cost a fraction of a new South African gold mine and, with shallow and easily mined and treated ore deposits, should prove extremely profitable.

While it might have been necessary to build an infrastructure in order to access these deposits, with organisations such as the International Finance Corporation on hand to help out, this need not be too expensive.

South African geologists have been pretty thick on the ground in West Africa and in Zimbabwe, Zambia and Namibia.

They are also plentiful in parts of South America, Eastern Europe, southern Asia, including Indonesia, and Australia.

Overseas prospecting raises the chance of a discovery such as Sadiola Hill

The latest development concerning prospecting outside South Africa had come from JCI which was to undertake a gold exploration programme in Swaziland where it had secured rights for over 10 000ha in the northwest of the country in the vicinity of the old Wyldsdale gold mine which, until about 30 years ago, worked a small but rich payshoot.

JCI reported that it was also about to sign an agreement with the Ghanaian government to acquire the Prestea gold mine, which appeared to have substantial potential.

The company was also actively prospecting in Mali, Burkina Faso, Ethiopia, Tanzania, Zambia, and Zimbabwe.

Anglo American was drilling four boreholes in Botswana to see whether it could find a continuation of the Witwatersrand system.

However, this was only a small part of Anglo American's prospecting effort. Julian Ogilvie Thompson, the chairman of the group, reported a few days ago that good progress had been made in establishing the Sadiola gold mine.

Exploration in several neighbouring West African countries had given hope that further gold projects would come to fruition and the region would become an important contributor to the group's earnings. He said Anglo American was widely prospecting elsewhere in Africa.

Anglo's offshore arm, Minorco, had a number of new mining projects in gold and base metals in South America and a zinc project in Ireland.

Its associate company, De Beers, had extensive prospecting programmes and was looking for diamonds in four continents including the Northwest Territories of Canada. But though it had some encouraging results, it had discovered no viable deposits.

Gencor was an active prospector, operating throughout Africa including Mozambique where it had a promising mineral discovery in its Moabase mineral sands.

It was co-operating with Lonrho in looking for gold in the Commonwealth of Independent States but its biggest effort was devoted to developing copper and gold deposits in the Indonesian island of Irian Jaya, which used to be known as West New Guinea.

The deposits lay as high as 5 000m in the mountains and were accessible only by narrow dirt tracks or by helicopter.

It was expected to be about four years before sufficient ground work had been done to evaluate the deposits, but Gencor executives were extremely excited about them.

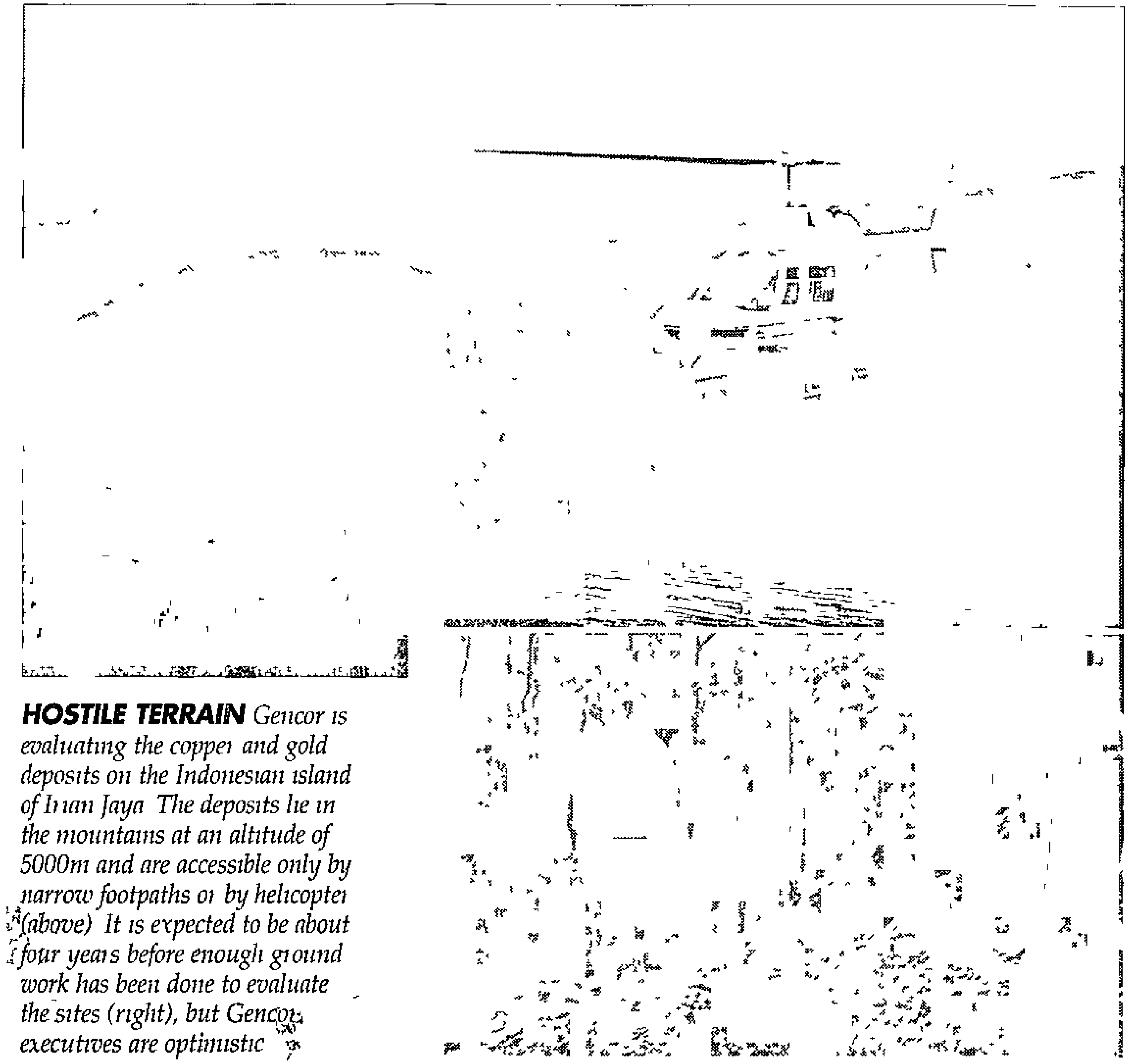
Gold Fields of South Africa had the Tarkwa mine in Ghana while Anglovaal was prospecting in Namibia and Ghana.

Randgold was extremely active in West Africa, prospecting in Burkino Faso, Mali and Senegal.

Smaller companies also had exploration programmes. Exploration company Lydex had received approval from the Reserve Bank to carry out prospecting operations in African countries, which were regarded as promising targets.

And Consolidated Mining, in association with a Canadian company, was looking for minerals in Botswana, Zimbabwe, Mozambique, Tanzania and the Ivory Coast.

The cost of all these prospecting activities was high. But the discovery of a major gold or other important mineral deposit could transform even a mid-ranking operation into a major mining house.



HOSTILE TERRAIN *Gencor is evaluating the copper and gold deposits on the Indonesian island of Irian Jaya. The deposits lie in the mountains at an altitude of 5000m and are accessible only by narrow footpaths or by helicopter (above). It is expected to be about four years before enough ground work has been done to evaluate the sites (right), but Gencor executives are optimistic.*

Security of tenure emphasised

BD 12/7/95

Mines call for hands-off govt policy

(210)

Michael Urquhart

MINING industry employers have called for government intervention in the industry to be limited, and for policies on mineral rights, minerals beneficiation and other areas to remain unchanged

A major new policy document prepared for employers by the Chamber of Mines said although employers welcomed government input in areas such as health and safety, education and downscaling at mines, running of the operations should be left strictly to the mines.

The document, released yesterday, is the industry's input into the debate on the formation of a new minerals policy for SA. The ANC and the mineral and energy affairs department released their draft policy documents late last year

The industry's policy document will be used with that of the department and the ANC in forming a new minerals policy.

Departmental mineral rights and management services chief director Jan Bredell said a working group consisting of labour, Parliament, the department and industry had set a July 1996 deadline for drafting a minerals policy White Paper.

The employers' document differs from the ANC's draft policy on a number of points, including security of tenure of mineral rights, ownership of the mining industry and mineral beneficiation

It said mineral rights held by mining houses were largely unsuitable for small-scale exploitation and were held as part of long-term, large-scale mining plans This system was suitable for the unique ore bodies in SA which required substantial investment over a long period

The industry also spent heavily on exploration and market promotion Without total security of tenure mineral rights these sums would not be forthcoming.

The document said arguments that private ownership of mineral rights created barriers to entry and left viable deposits unmined ignored the basic economic truths about mining in SA Transferring mineral rights would be inequitable given the large costs of acquisition, and would disrupt market conditions in some commodities and investor confidence

Large companies were currently identifying suitable deposits within their mineral portfolios and investigating how best to make these available to small-scale operators To increase small scale investors' access to new ventures it would be more profitable to focus attention on state owned mineral rights

Small scale mining should be developed through finance and support of the Small Business Development Corporation or similar funding organisations. These should be run on sound business principles and should not lead to a lowering of safety, health and environmental standards

The evolution of a better spread of ownership should take place through natural business activities and not through government intervention

Projects such as minerals beneficiation and minerals marketing should also be initiated on the basis of market forces

On migrant labour, it said that although the industry recognised its negative conse-

Continued on Page 2

Mining

(210) BD 12/7/95

Continued from Page 1

quences, this practice had brought many benefits to the industry and rural communities from which the labour was drawn.

The document said SA's neighbours were heavily dependent on migrant workers, and there should be no constraint on employment of labour by the mining industry.

On government structure, it called for a single, centralised government agency, which it said should be the department. Because of the need for consistency of policy across provincial and local boundaries, there should be minimum devolution to lower-level bodies

The department and the industry should work together to get the co-operation of other departments which had an impact on mining. One example was the use of land — if there were mineral deposits then mining should take precedence over housing, commercial or industrial activity.

The document said that mining needed a stable system of taxation which did not result in increases in working costs. Increasing costs led to the sterilisation of existing ore bodies and inhibited investment in new mining ventures. The document also urged government unconditionally to abolish ring-fencing.

The document said government needed to reconcile environmental concerns with the need for economic development. Government could not afford to follow the example of highly developed countries, where prospecting and investment had been dimished by ever higher standards.

Mining warns industry now at 'watershed' (210)

Star 12/7/95

■ BY ANDY DUFFY

The mining industry has warned that it has reached at a crisis point, and that the Government refrain from meddling if the industry is to survive as a major pillar of the economy

In a policy document released yesterday, the Chamber of Mines said the industry was at a "watershed'.

It decisively rejected any major state involvement in the industry's future, arguing instead that the free market should continue to be given free rein.

The document – Mining and Minerals Policy in the new South Africa – firmly ruled out state involvement in key areas such as mineral rights and widening black ownership

The Chamber, which claimed to speak for more than 90% of the industry, warned only the private sector could safeguard the industry

"It is no exaggeration to say that the country's mining industry as a whole is at a watershed

"The financial viability of a number of gold mines is going to depend on their ability to increase significantly the utilisation of the industry's huge capital assets

"The owners' needs are not in conflict with the other stakeholders and an understanding of the constraints on the industry must be argued on the basis of its long term viability for all interested parties "

The Chamber's central demands – largely a defence of the status quo – include demands that there be no state tampering with private mineral rights or minerals marketing; no state promotion of benefication, beyond projects supported by the market, and no state involvement in widening black asset ownership

But the Government could help by creating internationally competitive tax and labour conditions and a less vigorous environmental regime, taking more of the burden for retrenched employees; and widening access to state-owned mineral rights

The Chamber also argued against many of the major changes proposed by the Leon Commission into health and safety

The market, it said, should also be left to determine industrial relations

The report follows discussions that predate last year's election, when the ANC outlined various restructuring options The policy statement was formulated by the Minerals Policy Steering Committee, an industry-wide caucus set up last year

The Chamber also called for the creation of a statutory minerals advisory council, representing the state, labour and mining house to prevent future fragmented policy approaches

"This document calls for a collaborative approach with a mutuality of purpose on the part of the industry's stakeholders to the design and implementation of an integrated and forward-looking policy framework."

Free-market demands dominate paper

■ BY ANDY DUFFY

The mining industry stuck to its free-market guns in its official policy document for a new mining and mineral policy

The Chamber of Mines firmly rejected any state encroachment on private mineral rights, asset ownership or beneficiation, claiming the market should determine the industry's place.

But it said the Government should help shoulder the burden of industry retrenchments and could encourage small scale mining, providing such projects were left to the mercy of market economics

Effectively giving little ground to past ANC calls, the Chamber said the mineral rights system had "proved to be remarkably well-suited in allowing effective utilisation by the private sector of South Africa's unique ore bodies"

The presence of international operators and the financial responsibility of mining houses to turn profitable ore to account also ruled out any tampering with rights

Such action would be disruptive of market conditions and upset investor confidence

Instead, the Government should focus its fire on widening the access to public-owned rights While black asset ownership had been impeded by legislation, the chamber "believed the evolution of a better spread of ownership should take place through natural business activities".

N

Hands off, SA mines warn state

ET(BR) 12/7/95 (210)

By Andy Duffy

Staff Writer

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"It is no exaggeration to say that the country's mining industry as a whole is at a watershed

"The financial viability of a number of gold mines is going to depend on their ability to increase significantly the utilisation of the industry's huge capital assets"

This was the key to developing "fresh and in some cases radical approaches to all aspects of the organisation of work within the industry.

"If the required far-reaching changes can be achieved, the outlook for the industry could be transformed"

If the recommendations of the mine owners were not followed "the gold industry is likely to continue its present decline", the document said.

"The owners' needs are not in conflict with the other stakeholders and an understanding of the constraints on the industry must be argued on the basis of its long-term viability for all interested parties"

The chamber's central demands, largely a defence of the status quo, include

- ☐ No state tampering with private mineral rights or minerals marketing,
- ☐ No state promotion of beneficiation, beyond projects supported by the market,
- ☐ No state involvement in widening black-asset ownership, and
- ☐ A go-ahead for continuous mining operations

But government could help by:

- ☐ Creating internationally competitive tax and labour conditions and a less vigorous environmental regime,
- ☐ Taking more of the burden for retrenched employees, and
- ☐ Widening access to state-owned mineral rights.

The chamber also argued against many of the major changes proposed by the Leon commission into health and safety

The market, it said, should also be left to determine industrial relations.

The report follows discussions that predate last year's election, when the ANC outlined various restructuring options. The policy statement was formulated by the Minerals Policy Steering Committee, an industry-wide caucus set up last year

The chamber also called for the creation of a statutory minerals advisory council, representing the state, labour and mining houses to prevent future fragmented policy approaches A "collaborative approach with a mutuality of purpose" on the part of the stakeholders was required

'No surprises' in mining paper

Michael Urquhart (210)

BD 13/7/95

THE mining and minerals policy document released by the Chamber of Mines on Monday held few surprises, sources said yesterday

The policy document, prepared by the chamber on behalf of industry employers, contained recommendations for the formation of new minerals and mining legislation

Recommendations included the formation of a tripartite advisory body composed of labour, government and employers to discuss new policy, as well as changes in mining taxes and keeping a single regulatory body in the mineral and energy affairs department

The document called for the retention of the current system of mineral rights, minerals beneficiation legislation and migrant labour

Minerals and energy standing committee chairman Marcel Golding said he was disappointed the document contained little detail on what could be done to improve the industry He described the document as "not very forward looking". He did not want to comment on details as the document would be going into a debate on a new minerals policy

A policy which reformed the industry, but allowed it to survive in the long term was needed. The approach to the reform had to be people centred, Golding said

● Comment: Page 10

'No' to mining proposals

(210) Star 13/7/95

The mining industry's proposals to allow market economics to forge its future have drawn fire from the ANC and the National Union of Mineworkers

The Chamber of Mines' new policy statement – released on Tuesday – was dubbed disappointing and inadequate by ANC MP spokesman Marcel Golding

The NUM said it was clear employers merely wanted to maintain the status quo

Union, ANC slate mining industry plans

(210)

CT (BR) 13/7/95

By Andy Duffy and Ross Herbert

The mining industry's proposals to allow market economics to forge its future have drawn fire from the ANC and the National Union of Mineworkers

The Chamber of Mines' new policy statement — released on Tuesday — was dubbed disappointing and inadequate by Marcel Golding, ANC MP and the chairman of the mineral and energy affairs parliamentary committee

The union said it was clear employers merely wanted to maintain the status quo

The document spurned state encroachment in key areas such as mineral rights and beneficiation, but demanded greater government support through taxation and retrenchment measures

The proposals are to be combined with plans already tabled by the ANC and the government as a starting point in the debate to form new minerals policy

Golding said the document contained little new and little detail on transforming the industry beyond cutting costs and levies, while retaining the basic set-up. "It will certainly ensure vigorous debate."

☐ See next page

Cons Modder mines return working loss

By Derek Tommey
Mining Editor

The working loss at Consolidated Modderfontein Mines grew in the June quarter to R3,85 million, from R2,4 million in March

Revenue from gold and silver declined from R15,3 million to R14,1 million, while working costs rose marginally from R17,7 million to R17,98 million

However, as in the March quarter, the sale of assets enabled the company to show a distributable profit

The sale of surface material for R5,1 million resulted in the company finishing the quarter with a distributable profit of R1,0 million

In March, a capital recoupment of R2,9 million helped Cons Modder to show a distributable profit of R993 000

Chairman Tom Gibbs said the past quarter had been disappointing, with variations in ore grades from the four shafts marring any real progress

The results have forced the company to have another look at its operations Further scaling down and more selective mining are likely results

Grade at the NEP Shaft decreased sharply during the quarter, but development towards the Geduld channel should reach the predicted payshoot within three months and this should extend the life of the shaft for several years, said Gibbs

Until June, the results at No 9 Shaft had been a major disappointment But the intersection of the Kimberley Reef in two places had led to a dramatic rise in the grade of ore and the tons produced

The key to the shaft's success lay in the speed and effective opening of the Kimberley Shafts, Gibbs said

CT(BR) 20/7/95 (210)

LOW PROSPECTS *Interest in mineral rights being sold by SA Lands came from farmers, not miners*

PHOTO JOHN WOODROOF

Mineral rights sale attracts mostly farmers

By Derek Tommey

Mining Editor

The sale of 82 757ha of unwanted mineral rights by SA Lands in Johannesburg yesterday attracted more farmers than prospectors The withdrawal from the auction of mineral rights surrounding the old SA Lands mine, believed to have potential should the gold price increase, helped to make it a non-event

Most of the buyers merely wanted to recover the mineral rights to their properties, sold to SA Lands during various mineral exploration searches in the 1920s

The sales left them at a disadvantage as a land owner may not do anything on the land, including building structures or changing the use of the land, without first obtaining the mineral right holder's consent

The mineral rights holder can also enter the land, search for and mine minerals at any time

Most of the properties attracted only one bid A Delareyville farmer bought back the 5 214ha of mineral rights to his property for 50c a hectare He said he was satisfied with the price

The rights were sold to SA Lands in 1923 for 1d (a penny) a morgen

The highest bid received was R20 a hectare for 3 786ha in the Warmbaths area

A few properties were sold at R4, R5 and R6 a hectare but eventually bids of 50c a hectare were accepted by the auctioneer, John Chase, which gave speculators a chance to pick up rights reasonably cheaply

CT(BR) 28/7/95 (E) (210)

Miners to discuss political, economic change

ARG 29/7/95 (210)

JOHANNESBURG — The Southern Africa Miners' Federation says it will discuss the implications for labour of recent political and economic changes in the region at its three-yearly conference, which begins here tomorrow

The SAMF claims a membership of 1,5 million workers in the region's mining, quarrying and energy sectors

SAMF president James Motlatsi told a news briefing that the two-day conference would also address bread and butter issues and the SAMF hoped to develop a strategy for establishing equal standards across the region

"We believe that is the only way to avoid exploitation," he said He referred particularly to the expected opening of new coal mines in Mozambique now that the civil war was over

Mr Motlatsi said the SAMF was moving towards proposing the establishment of a regional economic forum consisting of labour, government and employers — Reuter

(210)

Good prospects for mutually acceptable mining policy

CT(BR) 31/7/95

Prospects were good for agreement between labour, employers and the government on a mutually acceptable minerals policy for South Africa, Pik Botha, the minister of mineral and energy affairs, said yesterday at a congress of the Southern Africa Miners' Federation

The process began with a meeting in April of interested parties to start talks on the procedure to be followed in formulating a new national mining and minerals policy

"Judging by the spirit of the stakeholders' meeting, the prospects of establishing a minerals policy acceptable to all look good," said Botha — Reuter

Mining starts at Noordhoek

(210)

STAFF REPORTER

CT 2/8/95

THE Serina kaolin company began mining operations at its Noordhoek site on the slopes of Chapman's Peak yesterday, with the full blessing of the local community.

Mr Ian Brownlie, chairman of the Save Chapman's Peak Action Group, turned the first sod of kaolin yesterday to mark the start of mining operations.

The two groups fought a long and bitter battle over mining on Chapman's Peak.

But Mr Brownlie said Serina and the Noordhoek community had established a "good relationship" as a result of the steps taken by the company to reduce the impact of mining on the environment.

Vednesday August 2 1995

THE NATION

Kaolin mine aims for Peak performance

ESANN de KOCK
Staff Reporter

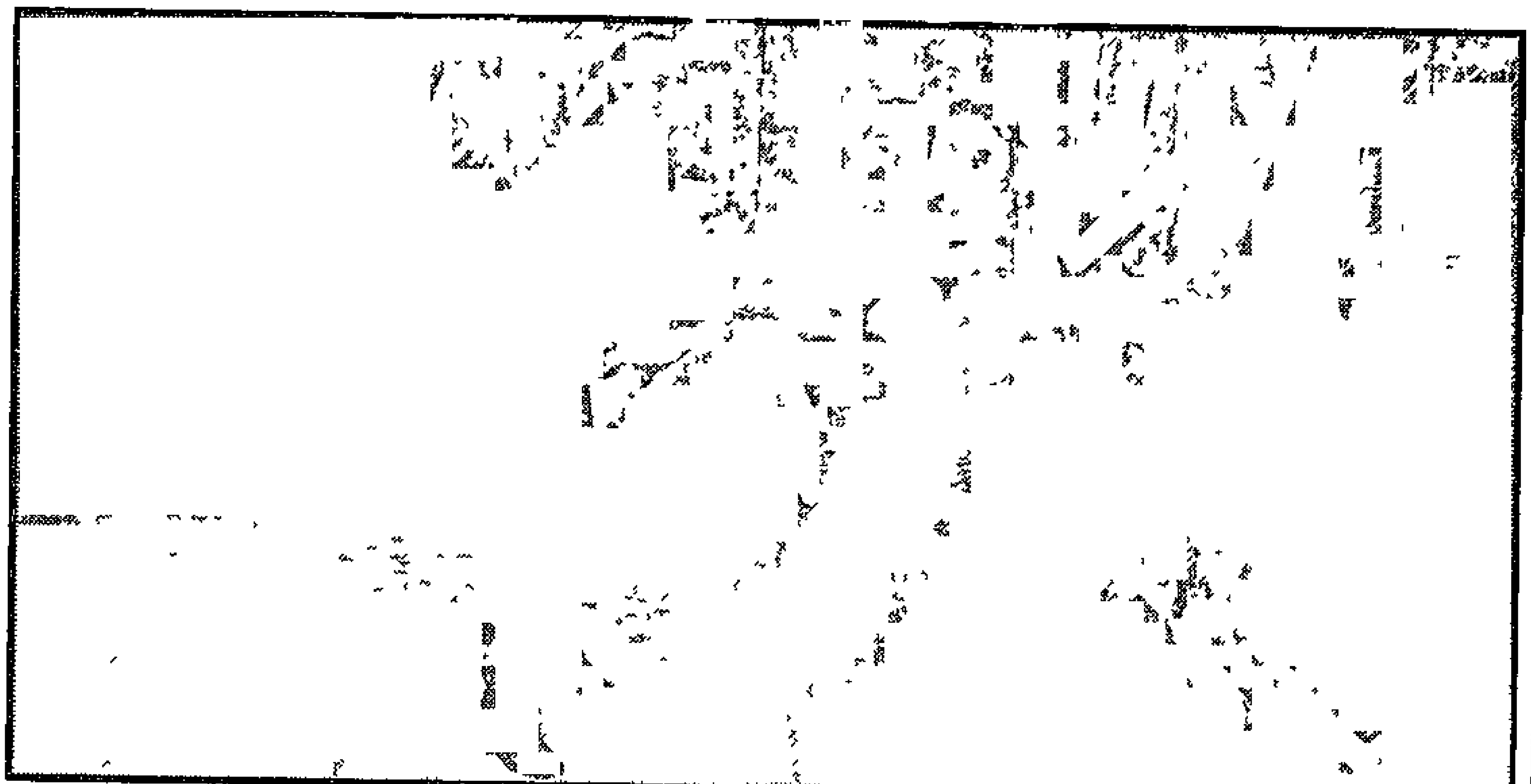
KAOLIN mining at the Chapman's Peak site has begun, and truck-loads of crude kaolin will soon be transported daily to the mining company's Brakkekloof drying plant at Fish Hoek

Full mining begins early next year and operations at the site were marked by a sod-turning ceremony yesterday

The mining company Serina has been given approval by the Noordhoek local council to temporarily truck kaolin between the sites, subject to technical conditions

A pipeline to carry slurry — a mixture of kaolin and water — from the washing plant at the new site to the drying plant at Brakkekloof is expected to be completed by year's end to prove a far cheaper option than trucking, according to Serina

The first sod was turned yesterday when Serina chairman Sybrand van der Spuy announced that mining — expected to last about 18 years — had begun on the 26 hectare site Rate of mining would be determined by market demand, he said



☐ **SERINA'S SOD:** Mining company chairman Sybrand van der Spuy, left, and chairman of the Save Chapman's Peak Action Group Ian Brownlie

ORG 2/8/95 [illegible] (210)

But, as the company was the only supplier of top grade kaolin, the buoyant South African market gave the company high hopes that the new mine would be able to supply South African demand

Already the company was exporting kaolin to African countries and Indian Ocean islands Further inquiries had come from Italy and the Middle East

Mr Van der Spuy emphasised the Chapman's Peak mining operation was a partnership between the company and the local community

He praised efforts by the University of Cape Town's Environmental Evaluation Unit and other concerned organisations such as the Save Chapman's Peak Action Group for the constructive role they had played to bring about a well-negotiated agreement

Action group chairman Ian Brownlie said "First prize would have been no mining at all, but this is a good second prize"

He said the manner in which the mining company had set about minimising the impact of their operation had been "first class"

Mining houses are selling technical skills for profit

BD 3/8/95

(210)

Michael Urquhart

MINING houses are increasingly looking for outside work to increase their technical departments' competitiveness and contribution to group profits

JCI technical director Graham Wanblad said the group's service department, which covered functions such as group purchasing, capital projects and geological services, was increasingly supplying specific project services outside JCI The service department was an independent profit centre which was expected to contribute to JCI's bottom line, and was run as a separate contracting business within the group

Wanblad said JCI decided four years ago to turn the service department into a profit centre rather than a cost centre Before this, services had been charged on a formula based on the cost of supplying the service

Now in-house work, based on the services contract with the mines, was done ona budgeted cost which was set with the mines If the mine was not happy with the cost, it could go to another service provider

Wanblad said the services division aimed for projects outside the company with an annual turnover of between R200m and R300m It would aim to keep this value more or less constant, because at this level the division was competitive

Anglovaal Minerals chief consultant Gerry Robbertze said Anglovaal's services department already supplied services outside Anglovaal on a limited scale It was supplying rock mechanics expertise in South America, geostatics expertise in Angola and doing research work for some European companies The department could expand its work outside Anglovaal, but it was not actively looking at this as it was tied up with Anglovaal's new projects such as Forzando coal mine, the Nkomati joint venture, and Target

An analyst said the use of a project consultancy could hone the services departments of the mining houses and also help justify their existence

With the mining industry in declineand the pool of skilled people growing, the mining houses had to look to sell these services

Internationally the mining groups tended to keep a small team of people, and source most services from contractors

The problem with the system was in making sure that people with the necessary skills were available when the mines needed them Certain skills were needed only occasionally, and a mine could not afford to keep specialists on a permanent basis But not having the skills on tap could also lead to training problems, the analyst said

Pik urges mine bosses to change

(210) sowetan 7/8/95

By Abdul Milazi

MINE management needed to shed its "archaic practises 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 rands per kilogram in the mid seventies to around R30 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 pratices, rigid structures and blinkered thinking"

He said people's lives and livelihood 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

Oppenheimer condemns govt interference

Star 10/8/95 (210)

■ BY THABO LESHILO
STAFF WRITER

Nicky Oppenheimer, deputy chairman of Anglo American and De Beers, has sharply criticised "some members of government" for wanting to forcibly unbundle the country's conglomerates

Such "kite flying", he said, would neither encourage foreign investment nor promote black empowerment and faster economic growth as suggested by proponents of the idea

Oppenheimer delivered the keynote address at the launch in Johannesburg this week of the Centre for Development and Enterprise, a new public policy research and advocacy body funded by business.

The centre will carry on the tradition of the defunct Urban Foundation.

"The idea of such governmental interference on how business is run would be extremely ill-judged on a number of grounds, but most importantly it would fatally undermine the only healthy market economy in Africa," Oppenheimer said

"We have an economy of size at the necessary developmental stage which generates savings, investment and wealth creation sufficient for us to contemplate an RDP"

He said it was ironic that some people in government wanted to use competition policy to break up monopolies, while 50 percent of the total fixed assets in South Africa were still owned by the state

He said South Africa needed a competition policy along the lines of its global competitors such as South Korea, Malaysia or Chile to curb any excesses and encourage sensible growth

"Such a strategy would immediately improve investor confidence, domestic and foreign, and would preserve and expand the role of the business sector in development, which is so vital for the RDP and our country's future," he said

Business wanted the government to reach its goals of socio-economic upliftment

"But," Oppenheimer said, "if the economy does not grow at an increasing rate, they will have great difficulty"

He endorsed the Cabinet committee on economic growth headed by President Nelson Mandela

"I always thought this was a critical omission from the RDP," Oppenheimer said

Ann Bernstein, the executive director of the Centre for Development and Enterprise, said the organisation was an independent body founded on the belief that democracy required public debate and that committed democrats could disagree on how South Africa achieved its national goals.

Capex the loser 'if mine profits do not improve' (210)

Michael Urquhart

BD 10/8/95

THE mining industry faces another capital expenditure squeeze if profitability does not improve, analysts believe.

They said the industry was already seeing the first signs of cutbacks in capex, with the most obvious example being the cancellation by Anglo American of phase two of its Freddies No 4 shaft sinking project and the restating of its expected capex for the remainder of the year

One analyst said with mines' profit margins under pressure, they would be looking for areas in which they could cut back spending, and one of the most obvious was capex

Chamber of Mines economist Roger Baxter said capex was up 5% in nominal terms in the first half of the year compared to the same period last year, which meant it was being held level in real terms.

But 15 of the Chamber's member mines had been unable to finance capital expenditure from earnings in the June quarter, and this situation was clearly unsustainable, he said

Baxter said the mines were keeping up the capex despite poorer results as capex was the lifeblood of the industry Sufficient capex was needed to maintain levels of ore reserves and the mines' viability.

Unless the mines continued to spend on capex they would see diminished ore reserves as well as less mining flexibility.

'SA's strategic minerals stockpile not important'

210 (25#) (25#) Star 14/8/95

BY NORMAN CHANDLER
DEFENCE CORRESPONDENT

A United States government official has burst the bubble on the importance of South Africa's strategic minerals — for years claimed as one of the main reasons why the West needed to keep open the Cape sea route in the event of war.

Joseph Nye, Assistant Secretary of State for Defence (international security affairs), said in Pretoria that the US had a "stockpile of strategic minerals left over from the Cold War" and therefore did not place much importance on South Africa's strategic production

The abundance of South Africa's strategic minerals has in the past been said by local and foreign politicians and military experts to be of vital importance to the West, particularly to Nato

During the Cold War, it was claimed that the route round the Cape had to be kept open in order to prevent the flow of South Africa's strategic minerals, as well as Middle East oil, from being interrupted

The Cold War, which grew out of distrust between the Western allies and the former USSR, ended with the fall of the USSR in 1989.

Nye, former chairman of the US National Intelligence Council, said during a lecture arranged by the Institute for Defence Policy that American strategic interest in sub-Saharan Africa in general was essentially in humanitarian assistance and how the country could provide help to the region

"We have no strategic (militarily) interest in Africa "

"We don't see Africa as being of strategic importance, but at the same time we take cognisance of the humanitarian side, such as in Somalia and Rwanda," Nye said.

"In a sense, the United States cannot turn its back on Africa as the unpredictable can surprise," he added

However, the US would support a regional defence strategy Such a strategy would be bolstered because South Africa possesses the most professional military machine in sub-Saharan Africa

Sound showing by manufacturing (216)

16/8/95

Agriculture, mining drag down growth

Mungo Soggot

ECONOMIC growth faltered to an annualised 0,8% in the second quarter from the first, fuelling hopes that the fragile recovery would cause the Reserve Bank to hold off on higher interest rates until next year.

Central Statistical Service figures released yesterday showed disastrous performances from mining and agriculture had dragged the overall figure down. But an encouraging feature was manufacturing, which had put in a sound showing.

The second quarter's sluggish performance followed mediocre annualised growth of 1,5% in the first quarter. However, economists said it was still possible to get 3% growth for the year, particularly if mining and agriculture picked up. Last year the economy grew 2,3%.

Bond market bulls immediately latched on to the figure — they saw the lacklustre pace of the economy as a positive signal for inflation. But not all market players were convinced, and even though long bond rates dashed through the 15,90% resistance level, profit-taking jerked them back up again. After touching a low of 15,83%, the yield on government's benchmark R150 closed at 15,98% from a previous 15,95%.

The figure also gave ammunition to economists predicting Bank rate would go up again at the beginning of next year.

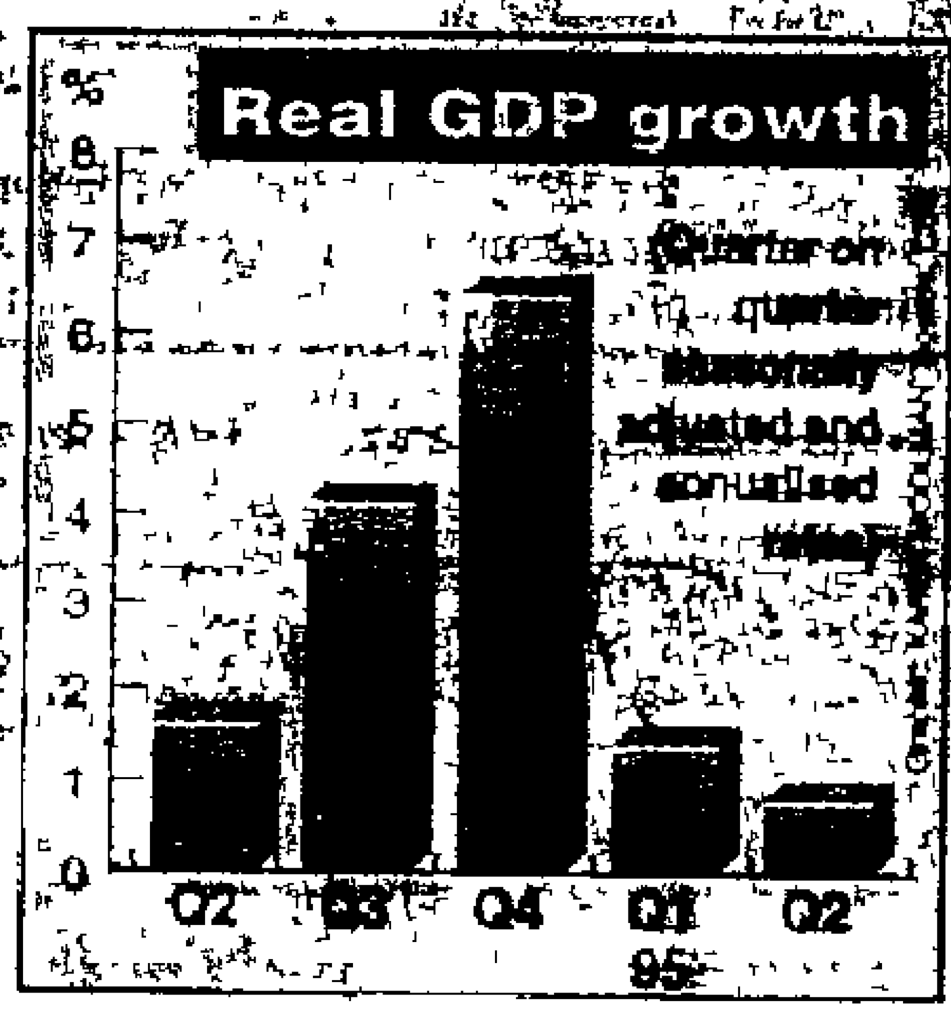
The figures showed the drought-hit agriculture sector had slowed 41,7% and the mining sector's labour problems had seen it shrink 11%. The manufacturing sector grew 7% and the financial sector 5,1%. All figures are seasonally adjusted and annualised quarter-on-quarter changes, unless otherwise stated.

Most economists said the annualised figure, which the bond market had homed in on, exaggerated the weakness of the economy. The year-on-year growth of 3,2% for the second quarter was more encouraging. Standard Bank's economics division said SA needed an average year-on-year rate in the second quarter of only 2,7% to bag 3% growth for the year. Most economists said 3% was likely, barring a further deterioration in the performance of the primary sector.

One economist said that excluding agriculture and mining, the economy had grown an annualised 5%. "The financial and industrial parts of the economy are roaring ahead. That's why corporate earnings have been so good."

Boner & Freemantle chief economist Gad Ariovich said the figures gave "very

Continued on Page 2



Growth (216)

Continued from Page 1

16/8/95

little reason for celebration". The relatively good year-on-year figure had come off a low base from last year when the economy had been hit by election fears.

Credit Guarantee senior economist Luke Doig said even a 3% growth rate for the year was unlikely to have an impact on "real economic variables such as employment creation". Another economist said SA needed growth of about 7% to stop the annual addition to the unemployed.

Standard Bank said it was heartening that the manufacturing, wholesale and retail sectors had performed so well, as they accounted for 55% of the economy.

Their strength indicated that the expansion was broad based and the gradual manner in which the economy [illegible] ng up meant it should be [illegible].

Economists have warned that the manufacturing sector, which has blossomed because of a surge in fixed investment and improved productivity, could be in danger of tailing off. Latest CSS figures showed that although manufacturing production volumes were up in the three months to May over the previous three months, June volumes were expected to show a significant decrease.

Sound showing by manufacturing

BD (216) BD 16/8/95

Agriculture, mining drag down growth

Mungo Soggot

ECONOMIC growth faltered to an annualised 0,8% in the second quarter from the first, fuelling hopes that the fragile recovery would cause the Reserve Bank to hold off on higher interest rates until next year.

Central Statistical Service figures released yesterday showed disastrous performances from mining and agriculture had dragged the overall figure down. But an encouraging feature was manufacturing, which had put in a sound showing.

The second quarter's sluggish performance followed mediocre annualised growth of 1,5% in the first quarter. However, economists said it was still possible to get 3% growth for the year, particularly if mining and agriculture picked up. Last year the economy grew 2,3%.

Bond market bulls immediately latched on to the figure — they saw the lacklustre pace of the economy as a positive signal for inflation. But not all market players were convinced, and even though long bond rates dashed through the 15,90% resistance level, profit-taking jerked them back up again. After touching a low of 15,83%, the yield on government's benchmark R150 closed at 15,98% from a previous 15,95%.

The figure also gave ammunition to economists predicting Bank rate would go up again at the beginning of next year.

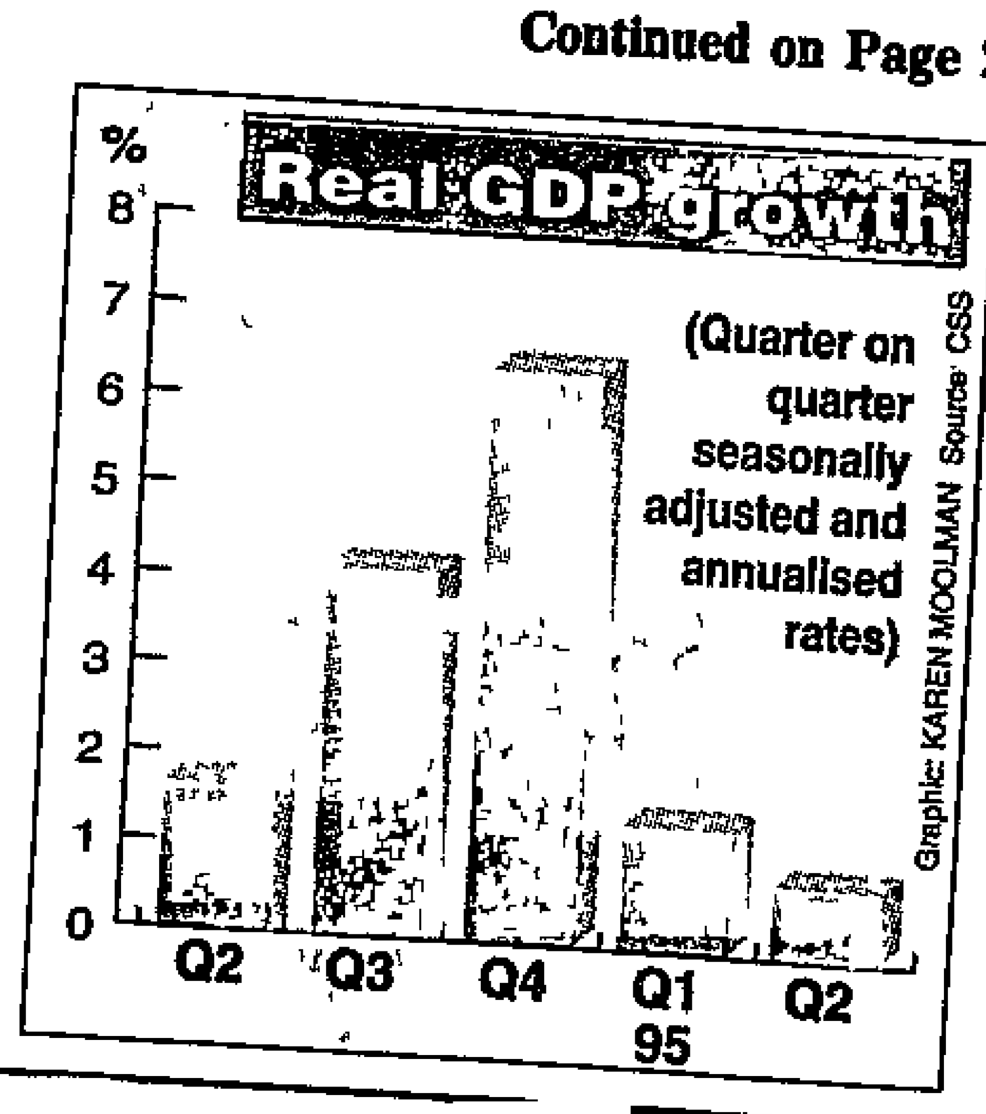
The figures showed the drought-hit agriculture sector had slowed 41,7% and the mining sector's labour problems had seen it shrink 11%. The manufacturing sector grew 7% and the financial sector 5,1%. All figures are seasonally adjusted and annualised quarter-on-quarter changes, unless otherwise stated.

Most economists said the annualised figure, which the bond market had homed in on, exaggerated the weakness of the economy. The year-on-year growth of 3,2% for the second quarter was more encouraging. Standard Bank's economics division said SA needed an average year-on-year rate in the second quarter of only 2,7% to bag 3% growth for the year. Most economists said 3% was likely, barring a further deterioration in the performance of the primary sector.

One economist said that excluding agriculture and mining, the economy had grown an annualised 5%. "The financial and industrial parts of the economy are roaring ahead. That's why corporate earnings have been so good."

Boner & Freemantle chief economist Gad Ariovich said the figures gave "very

Continued on Page 2



Growth

BD (216)

Continued from Page 1

BD 16/8/95

little reason for celebration". The relatively good year-on-year figure had come off a low base from last year when the economy had been hit by election fears.

Credit Guarantee senior economist Luke Doig said even a 3% growth rate for the year was unlikely to have an impact on "real economic variables such as employment creation". Another economist said SA needed growth of about 7% to stop the annual addition to the unemployed.

Standard Bank said it was heartening that the manufacturing, wholesale and retail sectors had performed so well, as they accounted for 55% of the economy.

Their strength indicated that the expansion was broad based and the gradual manner in which the economy was picking up meant it should be more sustainable.

Economists have warned that the manufacturing sector, which has blossomed because of a surge in fixed investment and improved productivity, could be in danger of tailing off. Latest CSS figures showed that although manufacturing production volumes were up in the three months to May over the previous three months, June volumes were expected to show a significant decrease.

GFSA needs to dig deeper in quest for value

ST 20/8/1995

(210)

JULIE WALKER

DIAGONAL STREET

WILL Gold Fields of South Africa have explored, discovered and commissioned enough projects to replace what it currently has or will it follow Rand Mines into obscurity?

At a presentation by GFSA's management to the Investment Analysts' Society this week, it was pointed out that replacing Driefontein's annual 60 tons of gold and Kloof's 30 tons with Tarkwa of Ghana's five tons is hardly a good swap

Robin Plumbridge, GFSA's acting executive chairman, says the group does not get 100% of its SA mines' gold — maybe 35% Although 35% of 80 tons is bigger than 85% of the five tons GFSA should get at Tarkwa, Kloof and Dries have long lives ahead of them and mines of their calibre are hard to find

Gold made up 64% of the group's R387-million income from investments in the year to June 1995 Base metals and coal made 11% and financial interests — Standard Bank, Liberty Life and Commercial Union — 12% Attributable profit of R395-million was R48-million more than in the year to 1994 before that year's R663-million write-off in respect of Northam (Northam is close to its production targets but at exorbitant cost)

John Hopwood, GFSA's executive director in charge of non-technical affairs, says the group is exploring in three regions South Africa, West Africa and Latin America Expenditure reached R55-million in the year to June

He says that, in terms of activity across a range of commodities GFSA is probably the most active mining house in South Africa The 150-million ton Gamsberg zinc deposit awaits a zinc price of better than $1 300/ ton before it can go ahead (zinc is currently $1 000/ton)

An exploration team is at Tarkwa, 280km west of Accra in Ghana, where a 20 000 tons-of-ore-a-month underground mine is operated at not much profit except valuable experience in dealing with the government, labour and unions

A considerable deposit, of 162-million tons at a grade of 1,4g/ton or better, has been identified elsewhere in Ghana, at Pepe, Mantraim and Akontasi East An open-cast mine of 4-million tons a month, rising to 8-million, is being considered there

Mr Hopwood says GFSA has a strong balance sheet, no borrowings and some none-core businesses to sell if money were required He says the coal and base metal divisions are operating well and they should benefit from another 12-18 months of good commodity prices

Three of GFSA's six SA gold mines are low-cost operators with long lives and Mr Plumbridge hopes for an increase in productivity, especially if continuous mining can be implemented

"Mines in SA blast on two days a week If they could blast every day, even allowing for 15%-20% downtime, the difference could be mind-boggling Currently day shifts are 70% productive, and night shifts 20%-25%

"We just don't compare with an open-cast mine working 24 hours a day at 95% productivity from men and 85% availability of equipment"

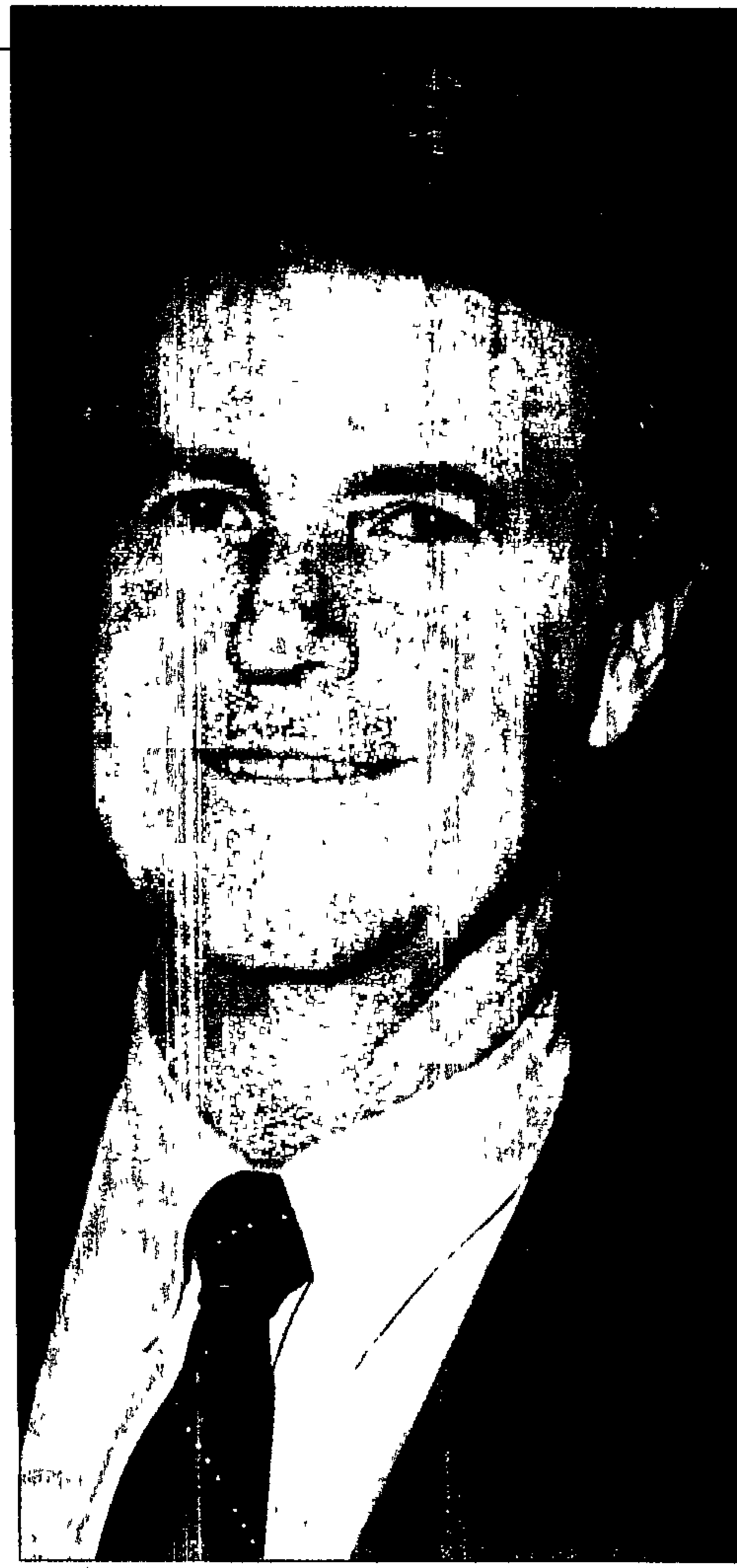
Even without continuous mining, productivity could be better

"We need to win back the hearts and minds of our employees Since last year's elections, they have undergone a crisis of expectations and have been encouraged to buck authority"

Mr Plumbridge was due to step down from July 1 in favour of Alan Wright However, Mr Wright was severely assaulted in a car-hijacking in June and his expected, full recovery will be lengthy

GFSA shares are currently R100 Net asset value is conservatively priced at R12,1-billion compared with a market capitalisation of R9,7-billion

The share will fly when gold does well but it's not for my long-term money



GOLD BUG .. John Hopwood, in search of greater productivity

Investment in Billiton pays off for Gencor

CT (BR) 30/8/95 (210)

By Derek Tommey
Mining Editor

Gencor, the mining house, increased its attributable earnings by an impressive 62,7 percent in the year ended June from R625 million (45,4c a share) to R1 017 billion (73,8c a share), chairman Brian Gilbertson said yesterday

Gencor declared a final dividend of 14c, making a total of 20c for the year — a 33,3 percent increase

Gencor's purchase of the Billiton mining group from Royal Dutch Shell last year was a major factor in Gencor's sharp earnings growth

Billiton contributed R463 million or 43 percent of Gencor's attributable earnings, while Billiton's contribution, excluding Richards Bay Minerals, was R292 million or 27 percent of total income

Billiton, excluding its Richards Bay interests, earned $190 million (R695,4 million) from operations on a group turnover of $746 million (R2,7 billion)

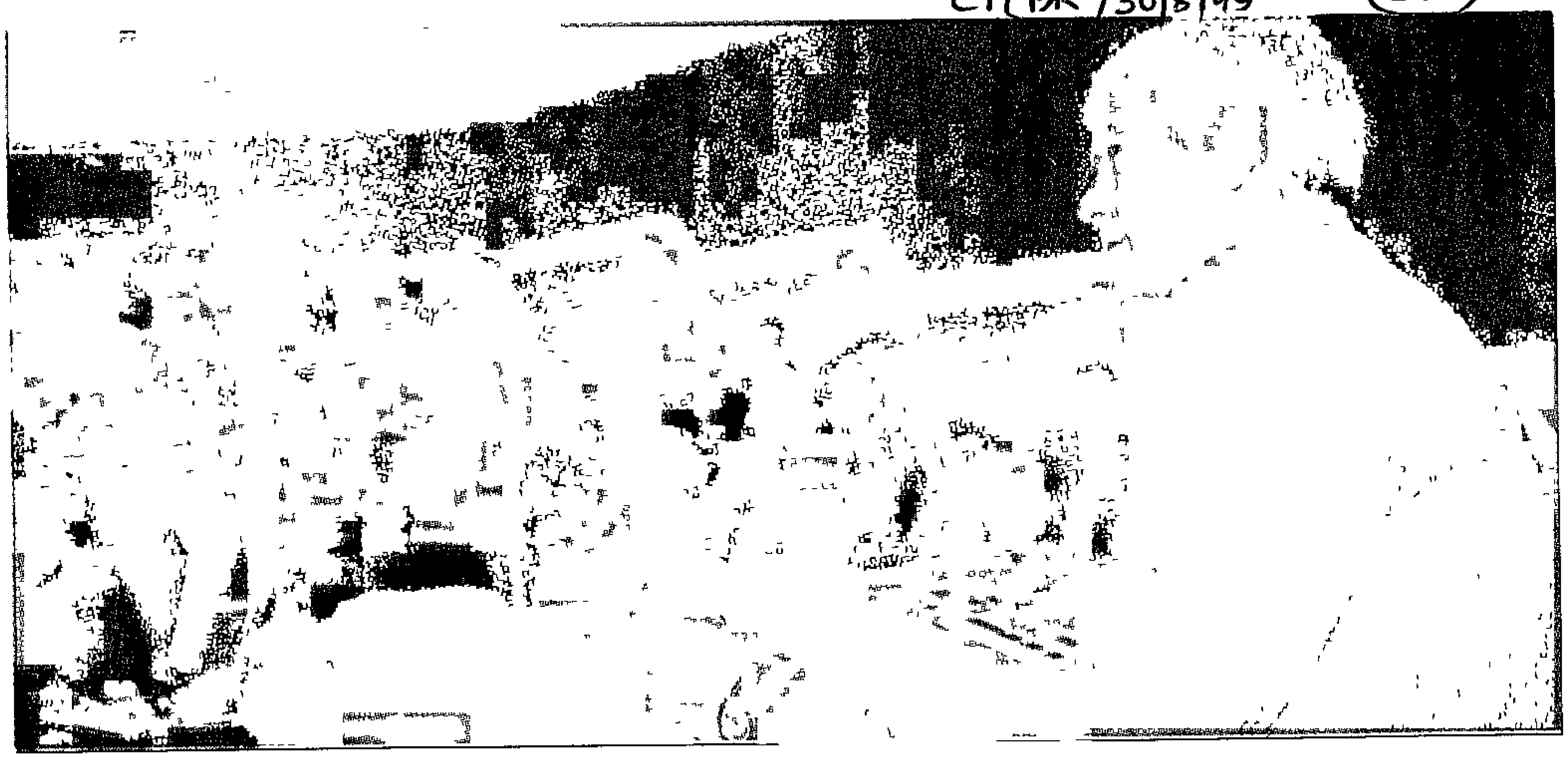
Gilbertson said the Billiton acquisition had so far proved to be an outstanding transaction and that Gencor was securing a 100 percent stake in the company

Gencor was paying Royal Dutch Shell $75 million (R274 million) in three annual instalments ending on July 1, 1997, in return for which Shell would abrogate its right to convert its Billiton note into Billiton equity The note was convertible into 30,11 percent of Billiton's equity up to June 30, this year, declining to 22,6 percent by July 1, 1997

Gilbertson said Billiton had refinanced its bank debt which would result in savings in interest and financing charges of $6,9 million (R25,3 million) a year over the next five years

The highlights of this year were the conclusion of the Billiton acquisition, the creation of Ingwe, the coal group, out of the Trans-Natal/Randcoal merger, the proposed merger of Impala and Lonrho's platinum interests to form the world's biggest platinum producer, the restructuring of the gold division, an increased stake in Samancor, and the production of the first metal from the Alusaf aluminium and the Columbus stainless steel projects

There were plans to strengthen the commodity lines, pursue the group's potential for mineral discovery and address the difficulties which a company like Gencor faced when it wished to finance major international acquisitions, he said



LOOKING GOOD *Brian Gilbertson, the chairman of Gencor, announces the mining group's annual results yesterday He said the Billiton mining group, bought from Royal Dutch Shell last year, contributed 43 percent of Gencor's attributable earnings*

PHOTO JOHN WOODROOF

GENCOR

A global mining play

FM 1/9/95 (210)

There's not much doubt that, with these annual results, the Marshall Street mining house has stolen the limelight.

Analysts say the out-turn is what they expected — but they have had plenty of opportunity, including a comprehensive visit to the group's international operations — to examine the potential. By any standards, however, an increase of 63% in EPS is startling For the first time, attributable income exceeded R1bn

Probably more significant is that the source of the largest slice of this huge increase is Billiton, the base metals and minerals company bought by Gencor last year from oil major Shell Billiton contributed 43% or R463m to total attributable income of R1,09bn This overstates the case because, as part of the deal, Gencor injected its holding in heavy sands producer Richards Bay Minerals (RBM) into Billiton — it alone contributed R175m this year by comparison with 1994's R146m

Gencor's Gilbertson *persistence with Billiton paid off*

Chairman Brian Gilbertson's persistence with the Billiton deal — it dragged on for an unconscionable time — has paid off in a big way, big enough to enable the group to renegotiate the terms of the tough financing package which enabled it to buy the company in the first place

The new arrangements relate to a restructure of the bank debt (faster repayments, halved interest rates) as well as a deal with Shell which enables Gencor to buy 100% of the international assets over two years Effectively, Gilbertson has capped Shell's right to convert its loans into equity.

This step follows logically on his declared determination to ensure the house has access, wherever possible, to the cash flows of its operating companies This will permit it to rebuild the balance sheet which has had to support a number of large and intensive capex programmes recently (Alusaf, Columbus, Oryx)

A bit sniffily, some observers say Gencor has been "lucky" with the price of its vital commodities It isn't a position Gilbertson would dispute and it is certainly true, for example, that Gencor predicated its development of Alusaf on a much lower aluminium price than the ruling US$1 900/t — some say it was as low as $1 300

Even so, what is beyond contention is that Gencor's principal products are all spinning money merrily Alusaf, through its Hillside smelter, the largest single site producer in the world, is bringing its new facility to production just as the aluminium market begins to slide (next year), but still at unexpectedly high prices This ties in with Billiton's predominantly aluminium-based commodities elsewhere in the world Colombian nickel producer Cerro Matoso is enjoying a similarly heady period

At the same time, Samancor is only now beginning to reap the rewards from increased demand and price for its ferrochromes and manganese alloys These are expected to contribute to an even greater degree over the next financial year. This occurs simultaneously with the commissioning of Columbus stainless steel, in which Samancor holds a third share

Other projects, perhaps less dramatic but still with promise, are the merger which produced Ingwe, the major coal producer (synergies still to be felt along with higher prices) and the recent merger of Impala and Lonrho Plats, effects of which are a long way in the distance

Gilbertson says the immediate future must be a period of consolidation "We have travelled a great distance," he says, "and we all need time to make sure these big projects work like watches"

He admits, however, that he pins his hopes on the group's exploration efforts in the Andean cordillera, Indonesia (Irian Jaya — copper/gold) and Ghana (gold) If any one of these comes off, it could translate into the need to raise $1bn for development, serious money in any language

Meanwhile, it is being said that Gencor is now the only international mining commodity play in town

How things have changed *David Gleason*

POWERFUL STUFF

Year to June 30	*1994	1995
Operating income (Rm)	601	1 080
Attributable (Rm)	625	1 017
Earnings (c)	45,4	73,8
Dividends (c)	15,0	20,0

* 10 months.

McCARTHY RETAIL

Financial benefits ahead

Strong growth in turnover filtered down to a solid 31% advance in EPS for McCarthy Retail (38% on diluted EPS), despite less buoyant markets for furniture and motor vehicles in the second half

The sales trend is hard to read but earnings should be maintained from expected lower interest payments and stocks in subsidiary Midas

The income statement has been distorted partly by the earlier disposal of McCarthy's 25% interest in Firstpref to First National Bank Firstpref, formed in 1990, was a joint venture whereby the bank funded 75% of the retailer's furniture book In June, McCarthy sold its share to First National, which also took over 3 000 staff to form Furniture Bank, a niche finance subsidiary

Deputy chairman Terry Rosenberg says that, because of the transaction, McCarthy did not use Firstpref as extensively as before, carrying the additional debt itself

LOOKING AHEAD

Year to June	1994	1995
Turnover (Rbn)	6,17	8,00
Operating income (Rm)	281	376
Attributable (Rm)	112	149
Earnings (c)	71	93
Dividends (c)	22,5	28,0

This, with the first-time consolidation of Midas (carrying high stocks and gearing of 93% at year-end), pushed net operating interest up by 75% to R63,6m

"We have budgeted for interest payments of R18,3m this year, which will raise our interest cover, exclud[illegible] [illegible]rtible debentures, from 5,[illegible] times [illegible]6,6, he says

The balance sheet shows the benefit of the disposal McCarthy was paid R424m for its share of Firstpref, leaving the group with cash, net of borrowings, of about R170m

Rosenberg continues to look for suitable

Trying to get its land back, a clan faces the parks board and mines

Trouble brewing over St Lucia land

Sowetan 1/9/95 (210)

By Joshua Raboroko

A MAJOR NEW ROW IS BREWING in KwaZulu-Natal after threats by the Mkhwanazi clan to occupy the eastern shores of St Lucia Lake unless their land claims are resolved soon

Alarm bells are already ringing after about 10 000 residents from Dukuduku, who were forcibly removed from their ancestral land, visited family graves recently and vowed to return

The people claim that the entire eastern area north of the Crocodile Centre up to St Mary's Hill belongs to them

After they were removed during the apartheid era, trees were planted on their land and wild animals introduced The area is now a tourist attraction

Forcibly removed

Chief Mzondeni Mkhwanazi said: "In the 1950s our people were forcibly removed from these areas. I have tried to fight for the return of our land, but without success.

"The people are deeply frustrated that they were deprived of their land while others are now benefiting. The people are ready to occupy the land."

However, the provincial government pleaded with them not to return before their land claims were resolved to avoid serious conflict that might result in bloodshed

The clan threatened to move to the park in the area, prompting the Natal Parks Board to seek police assistance.

The land is now being kept under constant vigil by the authorities, who before often conducted raids and arrested and prosecuted those who defied the order not to return.

Induna Samuel Ntuli ... his people want to return to their land near St Lucia Lake.

After they were removed, most of the residents found shelter in the forest near the Dukuduku ("a place to hide") forest They were not compensated and were left stranded and hungry

"Our cattle died because there was no water or grazing land," said Mkhwanazi "We also did not have fields to plant vegetables We depend on the land to earn a living"

Their homes were made of concrete blocks Malnutrition, poverty, unemployment, lack of water, sewerage, electricity and recreational facilities soon became major worries for them

Conservation of the forest became the priority of the National Parks Board, forcing some of them to flee to barren lands in Mtubatuba.

The claims of evicted residents for the return of their land has become a matter of great concern for the board and for Richards Bay Minerals

The board has recommended that the rightful landowners should be compensated for their forced removal, but should not be allowed to resettle

In their view, resettlement would conflict with plans to have the area proclaimed a 'World of Heritage Site" The ecotourism industry and foreign exchange resulting from this would be affected, the board's spokesman told a review panel

Represented at the panel were members of the board, tribal authorities, chiefs, the National Union of Mineworkers, evicted residents and Richards Bay Minerals

Ecotourism and mining

The company claims that, by mining the area, it will be able to provide homes, clinics, schools and creches as well as create jobs and wealth for the disadvantaged communities.

The board argues that ecotourism is a balanced compromise between the conservation of natural and cultural resources, tourism and economic benefit to local communities.

Ecotourism will encourage tourism to the benefit of disadvantaged rural communities without damaging the environment

However, RBM's communications affairs manager Mr Jabu Kubheka, they believe ecotourism and mining can go hand-in-hand.

The want to mine the ore in the area, but they also intend to plough back the interest into community projects such as schools, clinics, housing and the development of business

But will these projects actually benefit anyone or are they just meaningless buzz words?

A representative of the evicted people, Mr Phineas Mbuyazi, said "I am dissatisfied because we submitted a number of issues regarding our land

"We indicated that we were forced from our land by the Department of Forestry We were then forced to live under terrible conditions

"We were separated from our customs and from the areas where we actually communicate with our ancestors" Mbuyazi said he would not have any objections to job creation because the area he wants to occupy has "nothing to do with mining"

An *induna* of the tribe, Mr Samuel Ntuli said "We want our land back We also want additional land for agriculture and grazing"

Ntuli said the Natal Parks Board had no jurisdiction over the area

The KwaZulu-Natal government and the land claims court need to release their findings before there is bloodshed

> **"Our cattle died because there was no water or grazing land. We also did not have fields to plant vegetables. We depend on the land to earn a living"**

GROUND&ANALYSIS

Golding combines youth and experience

CT (BR) 7/9/95 (210)

BY BRUCE CAMERON
POLITICAL EDITOR

Pik Botha, the minister of mineral and energy affairs, thought when he swapped portfolios on entering the government of national unity that he would have a relaxing time

Nothing happened in those portfolios — he thought

The trouble was he judged the position from the years when his party was in power — when the energy industry basically operated in secret and mining was left to the mining industry

But during those years, members of the ANC who are now influential in the government, were in the industries watching and learning, seeing what was wrong and what needed to be put right

One of these people was Marcel Golding, now chairman of the parliamentary mineral and energy affairs committee

In the days when ministers of mineral and energy affairs were having an easy time, he was serving an apprenticeship as the assistant general secretary of the National Union of Mineworkers, then headed by Cyril Ramaphosa, now the ANC general secretary

Golding, who at 35 is comparatively young and full of the energy of youth, is, with his committee, driving a process of reform that reaches across both energy and mining

He has a grasp of his subject that few before him could claim

Although committed to a new social order, he is not tied in any ideological straitjacket as he searches for creative solutions

He said there were major problems in both areas of the portfolio but he believed there were constructive solutions — "we must just think creatively"

The policy of the department of mineral and energy affairs in the past was governed by a dictum which said "If you do not know where you are going, any road will do"

"We have tried to change that We have a view We want to have dialogue with different parties about the merits of this view

"We need a vision of transformation that provides the incentives, the reciprocity, the economic empowerment, a change in ownership patterns, modernisation, greater social partnership and greater social justice"

One of the major problems that affected not only the mining industry but all industry, was that apartheid had limited entrepreneurial spirit among blacks with restrictions placed on their ability to become businessmen

"Industry has been built on cheap disenfranchised labour with no investment in human capital Now people complain about productivity levels

"You cannot get profit without investing and one of the key areas of investment is human resources Many countries, without our natural resources, prosper because they

CREATIVE APPROACH *Marcel Golding, chairman of the mineral and energy affairs committee and former National Union of Mineworkers general secretary, does not take a strict ideological stance* PHOTO ANDREW BROWN

invested substantially in their people," said Golding

A multi-pronged approach was required to resolve productivity This included improved training and education together with the establishment of trust in the workplace and a rethink of compensation packages

Golding said the new Labour Relations Act would allow the committee to make the changes possible and would entail "gain-sharing negotiating" and change of ownership patterns so that workers identified with their companies

One way to achieve this would be to have three sources of income — a basic wage rate, clearly defined and honoured profit-sharing incentives, and the introduction of significant employee share option schemes.

A major part of the reform in both components of the mineral and energy affairs portfolio revolved around the preparation of two white papers, which should be ready by the end of the year

The reform was overdue, particularly in the mining industry

"It has taken many people a long time to realise that problems do exist The same officials I used to negotiate with four or five years ago on the need to reform health and safety in the industry rejected it

"After the Leon Commission report and the Vaal Reefs disaster there was a deathbed conversion"

But reform had to be fundamental, said Golding

"When health and safety legislation comes before parliament next year it will have a dramatic impact It will separate the conflicting areas of exploration and development of the minerals from the enforcement of health and safety"

Golding said legislation alone would not stop accidents What was important was to ensure the law was effectively implemented with an enhanced safety inspectorate

He was insistent that reform had to come from within the industry itself, particularly in relation to employment practices

The entire mining industry, and particularly gold mining, faced challenges which would result in further job losses

All resource based industries like gold mines, eventually had to close down "It is not like a coke factory where you mix syrup and water and turn out coke on the other side"

"The question is when it is closed down what options are available to those left behind We have got to make sure that when we build a mine we are able to ensure that we can fund some of the problems that come from the closure of the mines"

The country had to move down the path of industrialisation and beneficiation to create more value and jobs

Initially with beneficiation few new jobs would be created, but as downstream industries came on line the number of jobs created would rise rapidly

The process was, however, difficult with a number of problems, including investment and competition with the countries which were beneficiating minerals from South Africa

But Golding said tax incentives should be given to industry to invest and foreign beneficiators should be encouraged to open plants in South Africa

Mining should be opened up not only for foreign competitors but also to give blacks a stake in the industry One way would be to open an investment register of all mineral-right holdings, their owners and values

Golding said many major mining companies did not even know what mining rights they held or even if they were part of a core business In many cases the areas were considered too small to exploit

If a register was created this could be followed by a market on which mining rights could be traded, he said

The demand for fundamental reform was equally great in the energy, and particularly the liquid fuel, sector, he said

Energy policy had to be shifted from what was called energy security All investment had been driven by security needs resulting in the creation of uneconomic projects like Mossgas

Golding said the energy reform programme was based on three principles These were

- The need for social equity to overcome the huge disparity of an over-abundance of electricity while people in the townships lived in darkness,
- The efficient utilisation of energy including conservation with appropriate energy mixes, and
- Environmental sustainability, including issues such as pollution

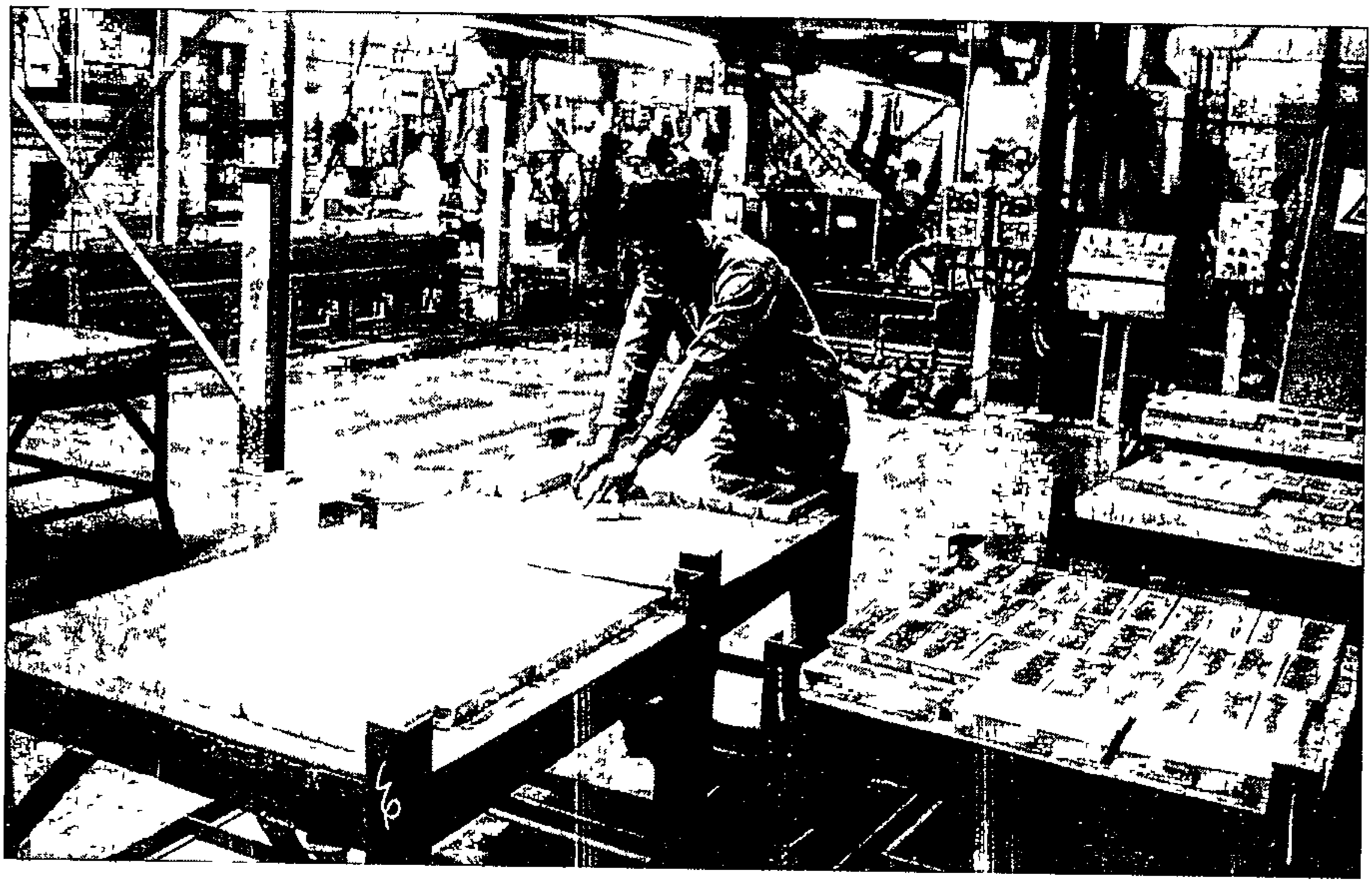
Golding said in the energy sector there was also a need for creative thinking Eskom was an internationally respected producer of cheap electricity but the question remained as to whether or not there should be increased competition

He said Eskom should remain a state asset to assist in meeting social goals of government but "this does not mean we should exclude the private sector from coming in"

There were a whole range of opportunities that would open up for both foreign and local investors as demand outstripped supply over the next three to four years

For example the private sector, in conjunction with a black empowerment programme, could be used to recommission mothballed power stations or to complete power stations on which construction had been interrupted

This would help achieve other targets such as social goals and the transfer of technology from abroad



UPWARD BOUND *South African companies should benefit from the weakening of the Japanese domination of the metals market*

Metals boom benefits SA companies

By Neil Behrmann (210) CT(BR) 19/9/95

LONDON CORRESPONDENT

The Japanese reflation should boost demand and prices of metals ranging from platinum to aluminium

Such trends would raise the profit of South African mining companies and the results of Gencor, Minorco and others, illustrate how companies are already benefiting from the metals boom

So far the depreciation of the yen has had a direct, favourable impact on precious metals and gold shares

As the yen slid, Japanese precious metals prices denominated by the currency began to soar

Dealers and speculators on Tocom, Japan's futures market, furiously bought gold, platinum and silver, says a Japanese precious-metals dealer

A falling yen raises the price of gold for Japanese investors and since the trend has been upwards, volumes on the exchange surged, the dealer says

These speculative purchases helped pull up the international gold price by $6 to $385 in the past 10 days

Now that the yen gold price is about 25 percent higher than its 20-year low seen in April, Japanese investors and jewellers are buying less gold, says the dealer

According to Gold Fields Minerals Services, first-half Japanese gold imports soared 88 percent to 154 tons on last year's figure

Individual investors were taking advantage of the low price and buying gold as a safe-haven investment following the Kobe earthquake They also feared a banking crisis

Platinum imports of 41 tons in the first seven months of this year are only marginally lower than last year's figures

Palladium imports soared to 60 tons from 46 tons in the same period because of its growing use in the electronics industry

Platinum and palladium are better indicators of Japanese reflation than gold, and the news is promising for South African producers

Efforts

About a month ago, most metals analysts were painting a gloomy picture about Japan Yet government efforts to revive the economy are occurring at a time when post-earthquake reconstruction is accelerating

For the moment, construction, the car industry and other metals users hold sufficient inventories, say dealers By next year, Japanese metals imports should rise sharply

"Japan will surprise the pessimists and grow much faster than expected next year," says Brendan Brown, the head of research at London-based Mitsubishi Finance International

Easy money, a lower yen and higher government spending will boost the economy and raise raw materials imports, he says

"Provided there's political stability and a return of business confidence, I am hopeful that demand for copper and other metals will improve," says a manager of a leading Japanese non-ferrous metals trading company Yet following Japan's deflationary recession, such an improvement will come from a lower base, he cautions

Ted Arnold, a specialist at Merrill Lynch adds 'Japanese efforts to spur its economy must be good for metals

"It will be a further motor for other Asian nations which are already experiencing high growth rates," he says

Illustrating the significance of the region in the metals market, Robin Bhar, head of research at Brandeis Brokers, London metals dealers, calculates that Japan accounts for a quarter of Western nickel output, 14 percent of copper and 13 percent of aluminium and zinc demand

Inclusive of other Asian nations excepting China, the region accounted for 31 percent of Western copper consumption and 30 percent of aluminium

Asia is the world's largest gold buyer and Japan by far absorbs most platinum and palladium

In the background is the growing metals demand from the Peoples' Republic of China

Some analysts are more cautious

Simon Hunt, the chairman of Brook Hunt & Associates, metals consultants based in Surrey, England, is extremely cautious about the prospect of marked Asian growth and metals demand

"It is too soon to be sure that the Japanese reflationary package will work," says Hunt, fearing that any recovery will be brief and peter out soon afterwards

He is also wary of being over-optimistic regarding metals consumption in the rest of Asia

"After a steep downturn in the construction industry, Taiwan is on the verge of recession," says Hunt, who is on a tour of the region

Following changes in China's export duties, sales to the nation from Taiwan, Korea and other Asian countries are falling

Earlier this year, copper, aluminium and other metals were traded in Asia at a hefty premium over the London Metal Exchange, says Hunt

Illustrating slacker demand, base metals premiums have since fallen sharply

Angus MacMillan, a metals analyst at Billiton, believes that it will take more time to kick-start the Japanese economy

The impact on metals demand will be minimal, he says

However, Arnold of Merrill Lynch, says the Japanese reflation implies that there will be "a synchronised low-inflation, global economic recovery and global stock market trends are already pointing in that direction"

"That revival will keep metals quotes firm," he says

Phillip Crowson, the chief economist of Rio Tinto Zinc, also believes that average prices of copper, aluminium, zinc, lead, nickel and tin will be higher next year despite an expected rise in supply

Into Africa in search of gold

wm(BM) 22-28/9/95

(210)

Mining company JCI is moving into Africa in a big way, reports **Karen Harverson**

UNBUNDLED mining company JCI Limited is vigorously expanding throughout Africa in the search for mineral deposits

Business development general manager Peter McKenna says most of JCI's projects in Africa are still in the early development stages, but if successful, he expects gold production from the continent to contribute significantly to the company's overall gold output within a number of years

The company has a new business development budget of some R60-million for the 12-month period ending in June 1996 While some of this will be spent on exploration in South Africa, most is destined for Africa.

Of its present gold exploration projects in Ghana, Mali, Tanzania, Zambia and Swaziland, the most advanced is the redevelopment of Ghana's Prestea gold mine and the potential of the near-surface gold deposits in its 10 900ha concession area

An agreement, signed last week with the State Gold Mining Corporation of Ghana (SGMC) and the Ghanaian government, gives JCI the right to undertake six to seven months of due diligence studies with a view to proving additional ore reserves and to increasing the existing 175 000t a year output of the mine

If the underground operations prove viable, JCI will take over the management of the mining operation and continue on a further exploration project to establish the extent of additional underground and near-surface ore reserves

A target deposit of at least a million ounces of gold is expected and JCI believes the potential is even greater

McKenna says the two-to-three-year work programme, prior to the decision to establish a mining operation, will cost several million dollars

If feasibility is confirmed, JCI will begin mining Initial capital costs are unknown but could be around $50-million to $100-million

Another JCI prospect in Ghana is a grassroots exploration project known as Japa. It is in the same geological area as newly established Ayanfuri mine, with potentially a similar type of deposit.

"We are still interpreting the preliminary geochemical results but expect that exploration drilling will begin by the end of the year," says consulting geologist Andy Killick

Also in Ghana, the company is about to launch a joint venture with Canadian company Patrician Gold Mines This has a number of exploration prospects in the early stages

In Mali, JCI is involved in a joint venture with Ashanti Goldfields Corporation and the Mali government to reopen the underground Kalana Mine, last operational in 1991 when it was run by the Russians

Killick says a shallow drilling programme began in July and a two-to-three-year exploration work programme is expected

Tanzania has vast potential for mineral development and competition among mining companies is fierce In the last two years, JCI has expanded its interests in the country to include prospects in the Lake Victoria area

Besides these, JCI signed a letter of intent with Canadian exploration company Tan Range two weeks ago, to acquire a strategic 15 percent of the company at a cost of $1,7-million

Tan Range has 12 exploration licences for gold and four for diamonds in Tanzania plus exploration licences in Zambia and Ethiopia.

The agreement, expected to be signed by the end of October, will entitle JCI to earn up to 51 percent of any projects which advance to the feasibility stage

To add to its Tanzanian interests, the company this week signed a second joint venture with Patrician, which has a number of exploration prospects in the country The agreement entitles JCI to earn the majority stake and management of any of Patrician's exploration projects

In Zambia, JCI is monitoring the proposed privatisation of the Zambian Consolidated Copper Mines (ZCCM)

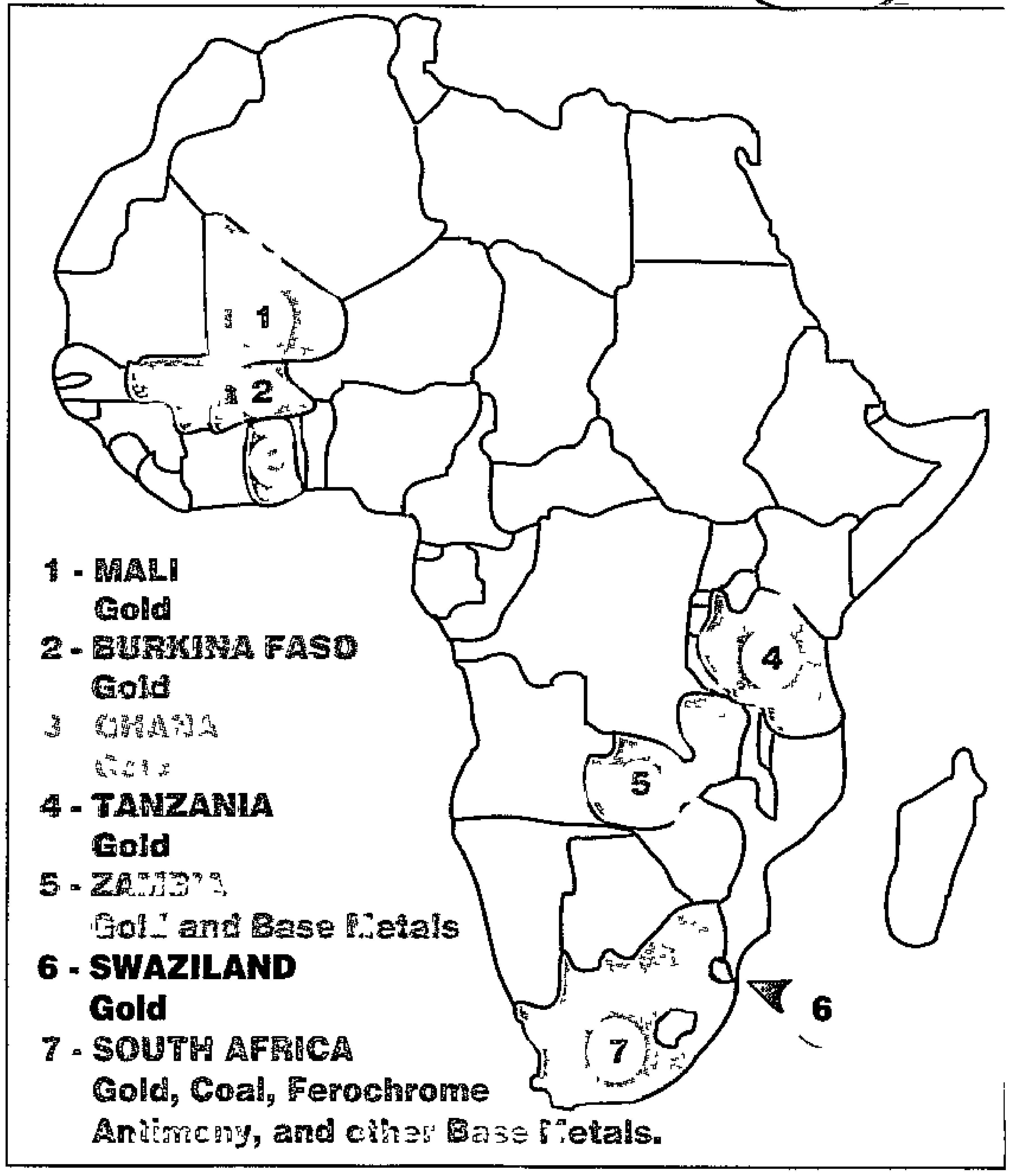
"We're primarily interested in the opportunities the privatisation would present as well as a number of gold and base metal prospects elsewhere in the country," says McKenna

Closer to home, JCI announced in July this year its award of a special prospecting licence in Swaziland for exclusive rights to explore 10 000ha.

"We know there's gold there — the project is at an advanced exploration stage — and we're trying to establish the extent of the mineralisation we know exists," says Killick.

Although it does not have a permanent presence in Burkino Faso or Ethiopia, JCI has undertaken reconnaissance field trips to those countries and is pursuing a number of opportunities relating to joint ventures and licence applications

"We're also assessing opportunities in Angola and Mozambique, both countries in which we had a firm presence prior to 1975 Our primary interest in re-entering Angola would be to explore for base metals and gold whereas previously our interests also included platinum and uranium," says Killick.



JCI's mineral interests in Africa

'SA must not let its experts be poached'

(210)(...)

FROM REUTER

South Africa had to prevent its mining expertise from falling into the hands of other countries, leaving the local industry stranded, a leading industry official said

"We have tremendous assets, the resources in the ground, the wherewithal and expertise to extract them Let's find ways to recognise these assets and turn them to account in our interests," said Alan Munro, the president of the Chamber of Mines and director of Gold Fields of South Africa

He told a mining conference that other countries realised and valued South African expertise more than South Africa did

"We must sustain the asset base here and prevent our people from being attracted from the country," Munro said CT(BR)22/9/95

But, commenting on exploration and development by South African mining houses in other countries, he said they were viable and would benefit local industry

"A balance must be struck this is not a second wave of colonisation, but there is a whole lot we can give each other, offer each other," he said

Both he and Anglo American's executive director, Bobby Godsell, said the local industry had the potential to thrive but had to overcome substantial difficulties

"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," said Godsell.

Move for liquidation of mines

ARG 23/9/95 (210)

Union owes us R551 000 — claim

ALIDE DASNOIS AND JOHN VILJOEN
Business Staff

AN application for the liquidation of JSE-listed Northern Cape manganese operation Union Mines is to be heard in the Supreme Court on Thursday.

The two companies bringing the application claim Union Mines cannot pay a combined debt of R551 000.

In papers F G Ilse Investments MD Friederich Georg Ilse said Union Mines owed his company R314 000. Rane Finance MD Geoffrey Ashmead said his company was owed R237 000.

The application was originally set down for Thursday this week but postponed for seven days by Mr Acting Justice Mitchell

Mr Ilse and Mr Ashmead are both former directors of Union Tin Mines, which was taken over by Nico Lotterie, renamed Union Mines and moved from the tin to the manganese sector of the Johannesburg Stock Exchange in 1993.

Speculation in the mining industry this week was that the application was postponed to allow former Penrose director Albert Alletzhauser, who has bought a major stake in Union Mines, to scout for a buyer for the company.

Mr Alletzhauser led a consortium which in May invested R1,36 million in a private Union Mines share issue He is believed to have increased his stake since then

Neither Mr Alletzhauser nor Mr Lotterie could be reached for comment yesterday

In his affidavit, Mr Ashmead alleged that Union Mines was insolvent and had failed to pay any of the amount due to his company.

Summary judgments for debt were made in the Cape Supreme Court in June, after Mr Lotterie had signed consent to judgment papers in May. The sheriff of the Stellenbosch district had tried to attach Union Mines assets at the company's Stellenbosch headquarters on August 10, but had been unable to find movable assets to meet the claim.

According to unconfirmed reports late on Friday from sources in the mining industry, Union Mines has also been sued for debt by Afrox.

The share has seen active trading this week, with nearly 350 000 shares changing hands in one day earlier in the week.

The share price has been volatile in recent months

In May Mr Lotterie promised shareholders "Things are going to happen" Deposits were promising, he said, and there were major overseas buyers for the mine's production.

One analyst questioned yesterday was still optimistic about the mine's long term prospects, provided it was saved from liquidation.

"Manganese must still take off," he said

Union Mines was in the news earlier this year when Mr Lotterie opposed the listing on the venture capital board of sea diamond exploration company Zenith, claiming Zenith did not have the right to mine diamonds on two of the West Coast concessions described in its prospectus.

The Johannesburg Stock Exchange rejected his claims

(210)

Star (BR) 25/9/9

ANC calls for mining 'revolution'

FROM REUTER

South Africa's mining industry has to modernise and enhance its development potential, and this "internal revolution" had to come from the industry itself, said Marcel Golding, the chairman of parliament's mineral and energy portfolio committee.

"If we have an attitude that says leave us alone, we're fine, then we're not going to make adequate progress," Golding, a leading African National Congress MP, told a conference.

It was fundamental to reconceptualise and restructure the wage package, including basic wages, productivity, profit sharing and employee share ownership schemes.

Full seven-days-a-week working had been agreed to in principle but details needed to be sorted out.

He said the number of public holidays in the industry were not a key problem in productivity and was in line with the rest of the world.

He said there should be an end to annual contracts and said two- or three-year contracts were a better way of managing operations

"With annual contracts we are hardly finished before the second one is due Three-year contracts will minimise potential conflicts," he said at the mining symposium

He said increased productivity had to take into account that there was no longer cheap labour

"Building the mining industry on cheap labour was a part of the past but cannot be part of the future," Golding said

He urged management to realise that mining was not about rocks but about people and reminded the newly enfranchised workforce that where they had rights they also had responsibilities and obligations

"We require some unity of perspective that takes us down the same road even if we're walking on different sides," he said

The workplace had to be depoliticised and information had to be freely available "People only support things if they see what is in it for them."

□ The South African gold mining industry faces further heavy job losses if better working relationships are not established, said Robin Plumbridge, the chairman of Gold Fields of South Africa

"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 in the company's annual report

A dramatic and rapid transformation of attitudes and work practices in the South African mining industry needed to occur, especially if gold mining was to continue to play an important role in the country's economy, he said

Plumbridge also called for the quick and resolute action on the continuous utilisation of extensive capital assets and cautioned that government economic priorities must be balanced to allow for the economic growth of more than 5 percent a year

(210)

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CT (BR) 25/9/95

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Marcel Golding, ANC MP and chairman of the parliamentary standing committee on mineral and energy affairs, speaks at the 1995 Mining Symposium which took place in Sandton on Friday. Picture SALLY SHORKEND

'Govt must lead way out of mining cul-de-sac'

(210)

Michael Urquhart

BD 26/9/95

AGAINST the prevailing background in the mining industry of a profit squeeze, loss of jobs and no substantial improvement in the conditions of employees, it was incumbent on government to lead the process of change in the minerals industry, ANC MP Marcel Golding said at the 1995 Mining Symposium yesterday

But Golding said a new policy could not change the culture in the industry This had to come from within the industry itself.

Golding, who is also chairman of the parliamentary standing committee on mineral and energy affairs, said a "leave us alone" attitude from the mining industry would not lead to change

He said the process of drawing up new legislation for the mining industry, which was currently under way, had to recognise that mining was not about rocks, but about people.

"We must disabuse ourselves of the notion that we can build an industry on cheap labour," he said

This would require a lifting of the standards of the labour force, and would include giving workers greater opportunities in terms of training, advancement and ownership

Golding admitted there was an intricate balance between jobs and standards, but said balance of opinion was a company's competitiveness was enhanced by higher labour standards

He said the policy process was also aimed at creating a predictable environment which would encourage investment and minimise the chance of sterilising mineral reserves, in an ecologically sustainable way

The new policy should also encourage the principal of reciprocity, where all parties gained from the changes

He said the industry should also look at the restructuring of the wage package, with the basic wage being complemented by some sort of productivity or profit sharing bonus Employee share ownership schemes which gave the employee greater reason to identify with the company should also be encouraged

Heated debate on minerals policy

BD 2/10/95 (210)

Michael Urquhart

THE next phase of the mining and minerals policy formulation process started after heated debate on Friday when the first public meeting was held in Pretoria to inform interested parties of the structure and timetable.

The steering committee, which will draft the minerals policy discussion document on which a future Green Paper will be based, was constituted at the meeting.

Some distrust was expressed at the meeting about the structure of the steering committee, as well as the way in which public input would be obtained.

As one person at the meeting put it, interested parties could make any inputs they wanted, but would then have no control over how these were treated.

Various groups, including the National African Chamber of Commerce, small miners, traditional leaders and the agricultural union called for representation on the committee. But Mineral and Energy Affairs Minister Pik Botha said a committee representing every interested party would push the timetable back three years

There were complaints that an initial chopping block document — setting out the positions of the parties who had released minerals policy documents — had not been made available for the meeting.

The SA Agricultural Union's Boet van Rensburg said it was difficult to approve a timetable when only the steering committee had seen the document on which future debate would centre

The main support from the floor for the structure of the committee came from the NUM, the parliamentary portfolio committee on mineral and energy affairs and the Association of Industrial Minerals, Metals and Mining — groups represented on the steering committee.

Botha made veiled threats that if there was no endorsement for the steering committee his department would have to ram through a Green Paper.

The steering committee consists of representatives from the department, the parliamentary committee, employers' organisation, the Minerals Policy Steering Committee (MPSC) and unions

These groups made up the working group, constituted in April this year by Botha, that had drawn up the chopping block document Main players are the parliamentary committee's Marcel Golding, Nick Seagal of the MPSC and the department's Jan Bredell.

The steering committee will draw up a discussion document for public input, hold public meetings for report-back and input purposes and draw up a Green Paper. This Green Paper would then lead to a parliamentary White Paper

It was envisaged the White Paper would be ready by October next year, but the steering committee undertook to try to complete the process more quickly.

Pik wants probe of gem industry

(216)

Michael Urquhart

BD 3/10/95

MINERAL and Energy Affairs Minister Pik Botha would propose to Parliament tomorrow an inquiry into the diamond industry, his Press secretary Roland Darryl said yesterday

The commission would look at the local diamond industry, with particular focus on the decline of the cutting industry and what could be done to turn this around

Government was not looking at rebuilding the local cutting industry, but at how it could help the industry rebuild itself, he said.

The request for the commission would be submitted first to Cabinet's economic committee. From there it would move to the full Cabinet the following week

Various interested parties such as the SA Jewellery Council have made submissions on the commission's terms of reference.

Employment in the diamond industry had fallen from 3 500 in 1990 to 1 500, with some parties blaming this on the lack of rough diamonds because of De Beers' monopoly, while others said the fall was because of a depressed world market and the collapse of the homelands subsidy system

Two mining houses plan to oust Anglo from No 1 spot

CT(BR)10/10/95 (210)

By Neil Behrmann

London Correspondent

London — Australian mining company CRA and its British-based parent company RTZ Corp plan to oust Anglo American as the world's biggest mining group by forging a partnership

RTZ, which already owns 49 percent of CRA, said the companies intended combining their businesses in a unified structure

Common boards would oversee the merged operations and management would be streamlined to avoid duplication

RTZ and CRA would reap the benefits and share the costs of a huge portfolio of mining operations encompassing copper, gold, diamonds, coal, iron ore and titanium, said RTZ chairman Derek Birkin

"It further reinforces our competitive advantages at a time when new mining prospects are opening up in Latin America, Eastern Europe, the Indian sub-continent and southeast Asia," said Birkin

About 18 percent of the group's £6 billion turnover will come from copper sales, 17 percent from aluminium, 12 percent from iron ore, 11 percent from borates, 9 percent from titanium oxide and 9 percent from gold RTZ owns 39 percent of Palabora, South Africa's leading copper mine, and 50 percent of Richards Bay Minerals It has a 56 percent holding in Rossing, the Namibian uranium producer

Voting

CRA said the new corporate structure would be similar to those successfully adopted by Royal Dutch/Shell Group and Reed/Elsevier, the international publishing corporation

The companies will continue to be listed on the London and Australian stock exchanges But there will be joint voting by shareholders in the companies

They will be partners in old and new resources, and have identical boards of directors and unified management

"The shareholders of RTZ and CRA will thus be substantially in the same position as if they held shares in a single enterprise," said Birkin

Ultimately, the partnership is expected to remove possible conflicts between the two companies in pursuing international expansion while offering cost savings and boosting earnings for shareholders

CRA said yesterday it had proposed the dual-listed-companies structure to RTZ following an extensive review of its local and international growth prospects

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JCI MINES FM 13/10/95

Startling shafts of light

WESTERN AREAS
Activities: *Gold and uranium mining operation*
Control: *Anglo American via JCI*
Chairman: *W A Nairn MD J F Brownrigg*
Capital structure: *89,6bn ords Market capitalisation R5,286bn*
Share market: *Price· 5 900c. Yields· 2,3% on dividend, 4,1% on earnings; p e ratio, 24,4, cover, 1,8. 12-month high, 7 850c, low, 3 950c. Trading volume last quarter, 3 672 720 shares.*

Year to June 30	'92	'93	'94	'95
Turnover (Rm)	388,5	467,1	633,8	734,1
Operating profit (loss)	16,1	61,9	182,6	143,7
Net profit (Rm)	22,0	66,2	189,9	156,9
Earnings (c)	52	164	471	269
Dividends (c)	—	25	200	45

RANDFONTEIN ESTATES
Activities: *Gold mining operations in the district of Randfontein, Westonaria and Roodepoort.*
Control: *Anglo American via JCI.*
Chairman: *W A Nairn MD· J F Brownrigg*
Capital structure: *61,1m ords. Market capitalisation: R1,405bn*
Share market: *Price· 2 300c. Yields· 8,5% on dividend; 11,8% on earnings; p.e ratio, 8,5; cover, 1,4. 12-month high, 5 275c; low, 1 875c Trading volume last quarter, 3 103 241 shares (none for two months).*

Year to June 30	'92	'93	'94	'95
Turnover (Rm)	1 038	1 076	1 302	1 122
Operating profit (loss)	203,1	230,2	390,6	204,7
Net profit (Rm)	196,5	208,5	276,3	177,0
Earnings (c)	321	341	452	290
Dividends (c)	85	145	280	195

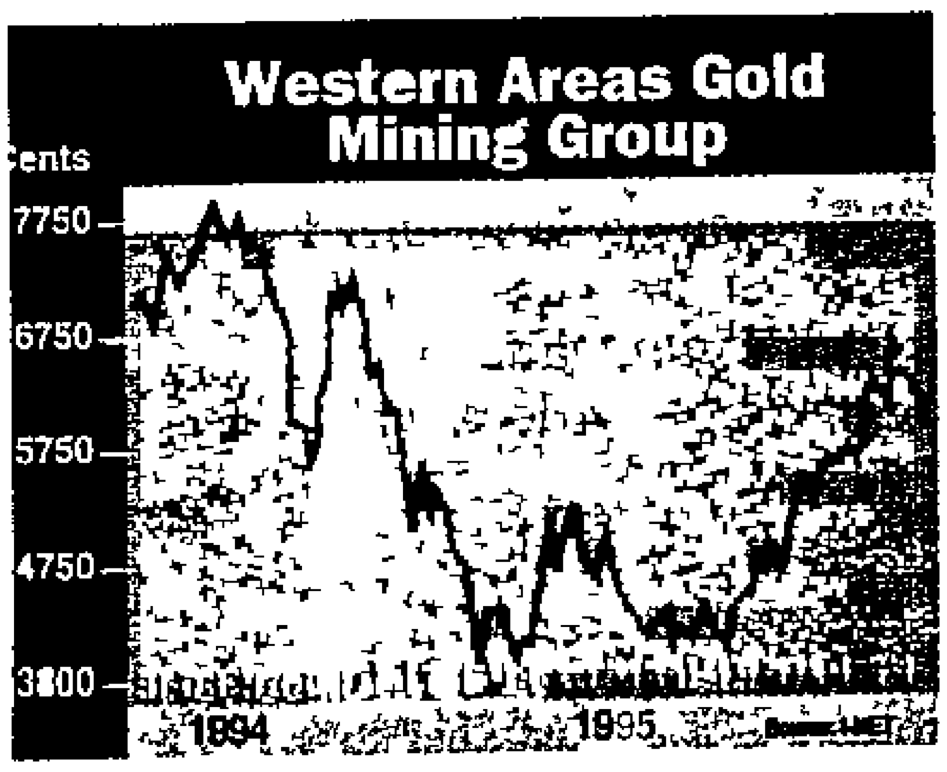
Reports from JCI Ltd, the pure mining house carved out of former conglomerate Johnnies, cover gold mines and Mpumalanga's Consolidated Murchison.

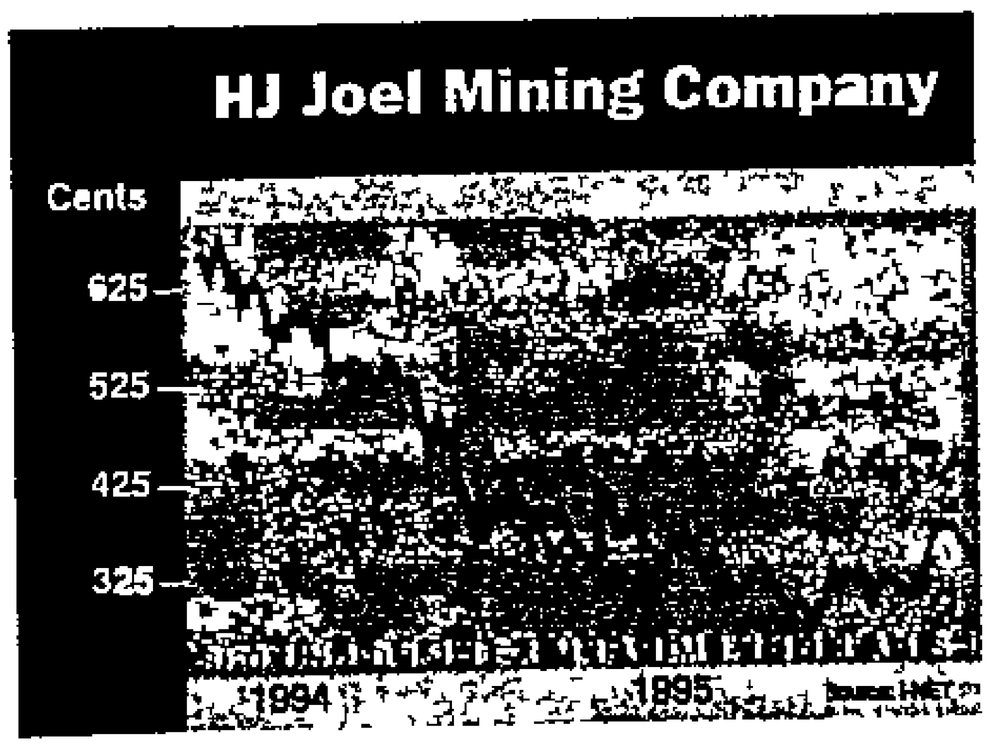
Two issues of note arise. The first is what will happen to **H J Joel,** the managed gold mine in the Free State which has been beset by unfortunate difficulties in its short life. The big question is whether it will merge with Gencor-operated neighbour Beatrix, now the industry's lowest cost producer.

Since Beatrix recently announced its intention to go ahead with its No 3 shaft at an escalated capital cost of R823m, some observers believe that the door may have been shut on the much talked about merger. This would be a pity, since Joel has a tax loss of about R1,5bn — a number which must be of great attraction to Gencor's planners

Joel's main problem was always inadequate knowledge of its ore reserves, coupled with insufficient emphasis in the early days on development. Results from initial boreholes have since been shown to be very contrary to experience The mine is now trying to build a reserve of about 1 Mt, with a grade of around 10 g/t *in situ*

Even without a link to Beatrix, Joel will probably survive but is unlikely — at current gold prices — to provide an acceptable return on the sums invested in it.





The second major matter is that JCI is far down the track to developing the South Deep mine, now part of **Western Areas.** The importance of South Deep can't be over-emphasised. As one analyst puts it: "They'll still be mining at Western Areas when the rest of the industry's been put to bed" The South Deep deposit is reckoned to be one of the richest unmined reserves in the world and provides JCI with an unparalleled asset of the highest quality.

The merger of the two operations was accompanied by a rights issue which raised about R510m With the help of the tax umbrella, that will probably tide the capital development programme through 1996.

JCI's traditional flagship **Randfontein** is exhibiting signs of faltering as reserves at Cooke section are waning and Doornkop shaft's ore reserves have been comparatively disappointing (though development values in the last two quarters have been a lot more encouraging on the deeper South reef).

At current gold prices and in this price environment — in which gold valued against a basket of currencies has remained stubbornly dull — Randfontein may have a short life of another eight to 10 years.

Cons Murch is something of an anomaly in the stable There has long been argument whether it is an antimony producer with gold as a by product or vice versa. Last year, antimony contributed the bulk of turnover — R59m, with gold providing R42m.

Cons Murch has struggled to survive in a hostile climate for some years, so an after-tax profit of R34,5m (1994: R13,1m) was thankfully received. That quickly turned to ashes in shareholders' pockets, however, when JCI decided to press on with a programme to enhance gold recoveries and refurbish the metallurgical plant — and spent R26m on it. The next project is R86m for developing Beta shaft That probably means no dividends for the foreseeable future

Read together, these reports faithfully reflect the parlous state of the mining industry, with gloom relieved by some startling but concentrated shafts of light *David Gleason*

AWB official in slanging match with Union Mines

Edward West (210)

BD 16/10/95

CAPE TOWN — A row has broken out between Northern Cape mining company Union Mines and a leading private shareholder — the AWB's head of public relations — over share sales

Union chairman Nico Lotterie said at the weekend that AWB official Fred Rundle had spread malicious rumours about the company and had dumped shares, pushing its share price lower

Rundle dismissed the claims, alleging that Lotterie had sold shares in a manganese mine, allegedly owned by Union, in his private capacity

The mine is listed in Union's 1993 interim figures as a wholly-owned subsidiary, but Lotterie said the deal never went through

The argument follows a recent Supreme Court application for Union's liquidation by former directors Frederich Ilse and Geoffrey Ashmead

Lotterie said, however, that an unnamed US investor had recently bought 800 000 shares and was poised to buy another 3-million, leaving the investor with a 19% stake in the company A R5m rights issue would follow

At its 21c share price, Union would need to issue 24-million shares, doubling its share base

He said Union was negotiating with another mining house to work its tin dumps A cautionary notice would appear this week

High noon for mine management contracts in SA

MICHAEL URQUHART

(210) BD 19/10/95

THE issue of management contracts — where mining houses are paid fees by the mines they manage in return for services — has come under increasing attention since the restructuring of Randgold to eliminate the system of contracts Adding fuel to the debate is the industry's falling profitability and the struggle to get a grip on rapidly increasing working costs.

Under the system of management contracts — unique to SA — a mine pays a fee to the mining house that holds its contract, in return for which the mine receives certain services from the mining house The fee is generally calculated as a percentage of the mine's turnover, and as a percentage of capital expenditure and of purchases made for the mine by the mining house

The main issue is whether a mining house is adding value, or sufficient value, for the fees it charges the mine

Can a group justify increasing the fees of a mine in serious decline?

An example is Anglo American's Freegold mine, where profit fell from R464,9m in the year to March 1994 to R307,9m in the 1995 financial year During the same period the management fee rose from R25m to R30,6m. Although the fee represents only a small percentage of total costs, on a marginal operation like Freegold, which logged a small loss in the June quarter, the fee can mean the difference between profit and loss.

The question of added value is difficult to quantify. Mines publish what they pay in management fees, but the mining houses do not break down what providing the services costs them

Another question is whether management fees lead to distortions in deciding to keep a mine operating If management were to close a loss-making mine, it would mean no management fees for head office

Why not merge the loss-maker with a profitable mine in the group, which could carry the losses? Management could claim it is doing this to save jobs and point to the tax benefits of linking a mine with a big assessed tax loss to a money-spinner

This sort of question is unlikely to be raised at the board meetings of any of the mines. Although the management contracts typically run for five years and could, in theory, be cancelled by the mine, a quick glance at the mine's board will show that it is usually nearly identical to that of the controlling mining house

At Freegold, the only director not drawn from the Anglo head office is Jurie Geldenhuys of Anglovaal, while at Anglovaal's Hartebeesfontein the only directors not from Anglovaal head office are Clem Sunter and Nap Mayer of Anglo. With this sort of set-up the chances of the mine not renewing its management contract are slim

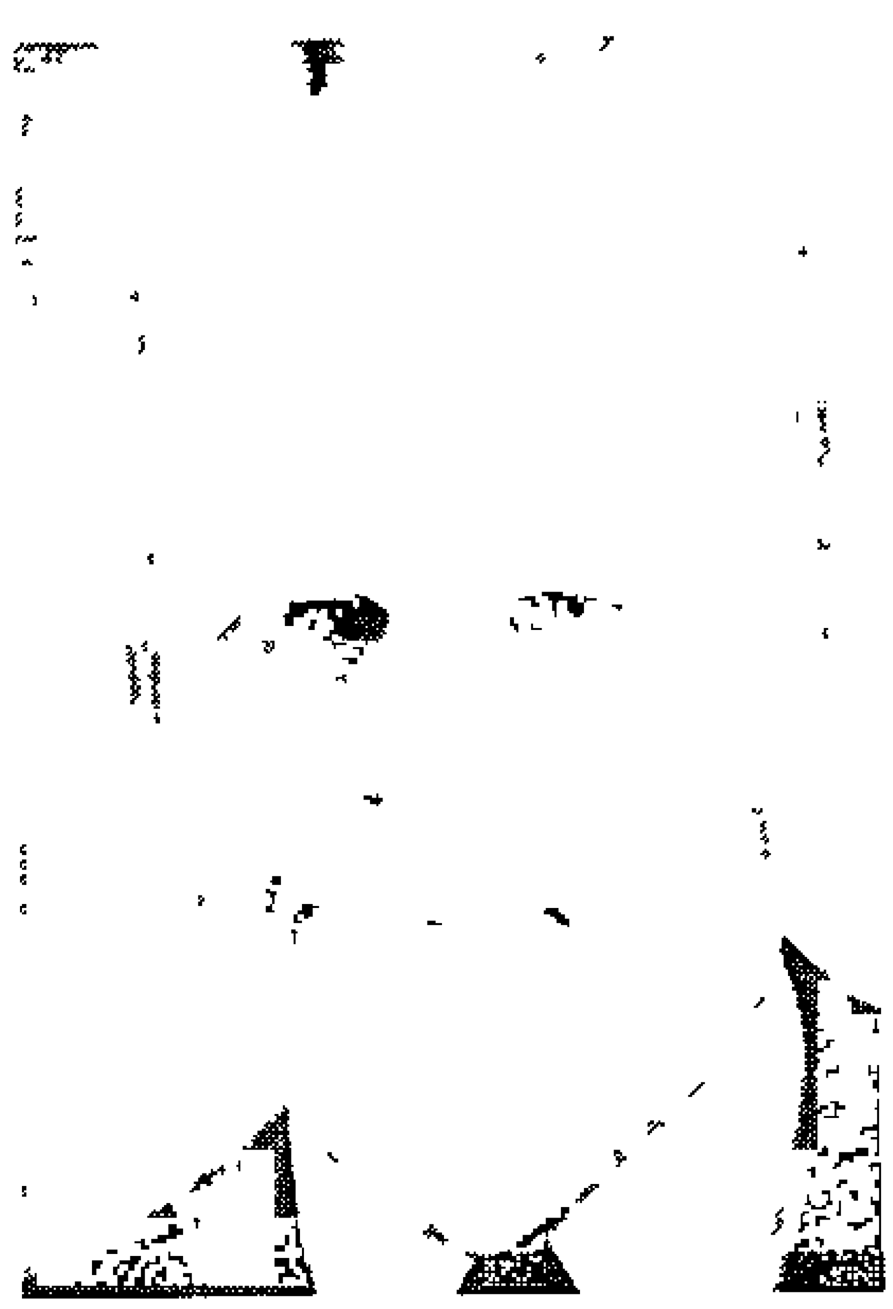
The mining house that brought the question of management contracts to the fore was Randgold Until its change of ownership in August last year, despite consistent losses, the four marginal gold mines in the Randgold stable continued to pay extensive fees to head office The money for this had to be raised either through borrowings or by running down retained earnings Randgold earned more in five years from management fees at Durban Roodepoort Deep than the mine paid in dividends during its 100-year life

Mine shareholders complain that management fees allow complacency, as the mining house's income is assured no matter what the mine's profit This was one of the factors leading to shareholders' replacement of Randgold's management

New management moved quickly to cancel management fees and cut head office numbers from 102 to 14 The new, smaller head office is now financed by ad hoc charges to mines for specific services — mainly treasury and labour relations.

Of course, the mines had to pay for this privilege Harmony, probably the best of the Randgold mines, paid R58,7m, settled by the issue of shares to Randgold

However, investors besides Randgold benefited from cancellation of the management contract For the first time in four years Harmony paid a dividend According to Randgold chairman Peter Flack, if the management fees had been in place Harmony would not have been



FLACK

able to pay this dividend

Flack says the issue of management contracts should be seen as only one part of Randgold's strategy to eliminate the group's discount to net asset value.

Cancelling management contracts put Randgold on an equal footing with other investors in the group's mines As Flack says "We now take our chances like other shareholders"

Randgold had approached the mines to see which services being provided by the house should be retained. Very few were

Flack believes management contracts can affect the relationship between labour and mining house He says it was difficult to persuade labour that it and management were working together when the house was drawing huge management fees to support head office

Management fees also affected the way foreign investors rated the industry, as they saw mining houses continuing to profit even when the mines' earnings were on a slide.

While Randgold totally eliminated management contracts, Gold Fields of SA says it is happy with the system In between are groups like Gengold, which has maintained the contracts but taken steps to cut back on the size of its head office and increase the autonomy of its mines, and JCI, which has moved to try to ensure that head office services are supplied on a competitive basis.

Supporters of the management contract system say the mining

P.T.O.

house provides important services to mines, including raising finance and allocating scarce skills Without this system it would have been impossible to raise the finance for or develop the technology to make deep mining possible, they say

Anglo gold division CE Bobby Godsell sees the debate as not about the size of the head office but the value it adds to mining operations which would otherwise not exist. He sees the main functions of head office as raising capital, allocating scarce and expensive resources and undertaking exploration

In its latest annual report JCI Ltd reaffirms its commitment to the system of a central head office linked to mines by management contracts MD Bill Nairn says that given SA's deep mining conditions and skills shortages, the structure consolidating core management and technological capbilities into a central team offers advantages, allowing economies of scale and transfer of technologies and skills from JCI into its operations, and from one operation to another

For this honour the JCI mines paid R21,3m in financial 1995. The operations also paid R26,7m for group purchasing on total purchases of R1,6bn, representing 1,7% of total purchases. JCI estimates that through the buying function it secured 9% discount on all purchases.

The large-scale expansion projects and the thrust to acquire new assets in Africa, which have considerable potential but lack development capital, infrastructure and skills, make this all the more important, Nairn says.

However, JCI does not assume that it added value to its operations. It is putting in place systems and structures "which provide an incentive to the corporate centre to maximise value, and that enable group operations to challenge the quality and efficiency of the services provided", says Nairn

While there might be arguments to retain and to scrap the the management fee system, perhaps the most revealing point is that mining houses which have changed the system of management fees are those with the most marginal mines This could reflect the industry's inclination to wait until its back is to the wall before implementing change

GENCOR ~~214~~ (210) FM 20/10/95

Ready for the next phase

Activities: *Mining house with investments in gold, platinum coal base minerals and metals in SA and an expanding international business base*
Control: *Sankorp 31 9% and Rembrandt Group 13,5%*
Chairman: *B P Gilbertson*
Capital structure: *1 387 2m ords Market capitalisation R18,73bn*
Share market: *Price 1 350c Yields 1,5% on dividend 5,5% on earnings p e ratio, 18 3 cover 3,7 12-month high 1 575c, low, 1 155c Trading volume last quarter, 27,8m shares*

Year to June 30	'92	'93	'94	'95
Investments				
Book value (Rbn)	9,17	10 65	5,93	8,58
Market value (Rbn)	16,58	17,64	14,86	19,71
Earnings (Rm)	1 261	1 411	625	1 017
Earnings (c)	98 8	102,5	45,4	73,8
Dividends (c)	45	45	15	20
Net worth (c)	1 341	1 354	1 208	1 392

The view from chairman Brian Gilbertson's new office is of the headquarters of Gold Fields of SA, manager of the two richest gold mines in the world It is a vista which underlines the single weakness in Gencor's armoury — that the quality of its gold mines, Beatrix excepted, doesn't meet his criteria of world-class assets

This is Gencor's centenary year and things couldn't really have gone much better for the group and Gilbertson The renaissance started by former Finance Minister Derek Keys is only now starting to mature and the benefits are clearly visible Indeed, so much has gone right that it is almost churlish to point to the one area which, when it is mentioned induces an involuntary fidget from Gilbertson

Gilbertson

A fortnight ago, the annual reports of Gencor's gold mines landed on analysts' desks By and large, there isn't much in these to cheer about (Beatrix excepted) and in the case of Buffelsfontein, the Klerksdorp producer, what is noticeable is the speed at which the cash pile has disappeared The mine's loss of R7m contrasts sharply with its profit over 1994 of R67m

When the parlous nature of the situation was first revealed, Gengold executives said they would close Buffels if it operated consistently at a loss This hasn't happened but cannot now be delayed for long A major problem will be how the labour force is handled — there are 5 400 employees and retrenching this number will cost a pretty penny, which Buffels no longer has

For the rest Beatrix is the industry's lowest-cost producer, Oryx is now reporting better development values than were expected and the merger of the Evander mines, trumpeted about for a decade, may be closer than many think Even so, Gencor's SA gold portfolio is the group's major vulnerability and how it is handled will be a crucial feature of the next year

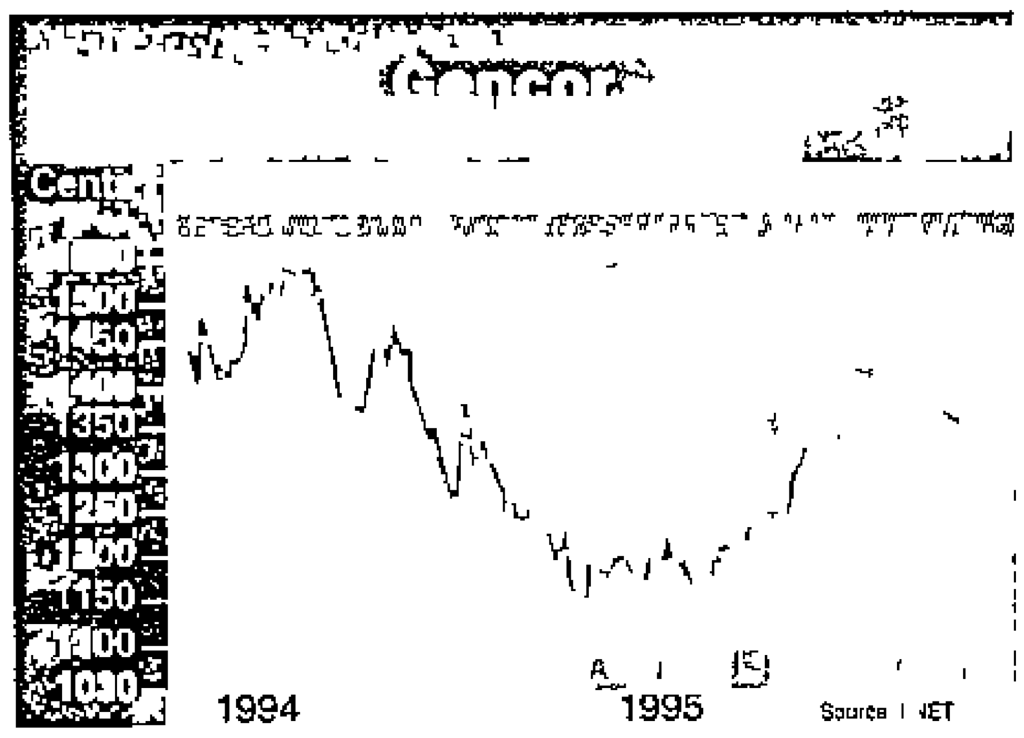
This should not detract, though from the group's excellent performance in every other division In particular, the contribution from Billiton, the international base metals and minerals company bought from Royal Dutch Shell, was outstanding of total group earnings of R1,017bn, Billiton contributed R463m (including Richards Bay Minerals)

It isn't surprising, therefore, that Gencor has moved to limit Shell's ability to convert its loans into equity or that important aspects of Billiton's bank debt have been renegotiated to Gencor's advantage Much of the early risk that lenders perceived in Billiton has been shown to be chimerical and further refinancing is on the cards

A further feature of the Billiton purchase is how this has already changed Gencor's profile the group's biggest business is now aluminium products (including alumina and bauxite) These accounted for R257m of operating income of R1,086bn or 24% Next year, as Alusaf's huge Hillside smelter increases its production, the contribution from this area will become even more important

Base metals (including coal and chrome) together now account for 70% of Gencor's income Gold is a paltry 12% and platinum only 11% How things have changed

A big issue for Gencor over the next year will be what Gilbertson calls "a degree of consolidation " This is "cautious-speak" for his wish to arrange the group along commodity lines and that means, in turn, that Billiton won't be the sole international arm Alusaf and Billiton's aluminium interests will, somehow or other, be put together, though that doesn't necessarily mean a separate listing Another issue is the continuing focus on exploration, centred principally on



the Indonesian island of Irian Jaya

Most important will be how Gencor manages the problems associated with international financing Only last week Rio Tinto (RTZ) and CRA announced a partial merger, the effect of which is to ensure the sisters no longer trip over each other This suggests that, in effect, the greater RTZ group is positioning itself for world leadership in mining in the next century Acknowledging this, Gilbertson says That's what we're up against "

His concern is how to overcome the difficulties associated with securing access to the finance necessary to execute the really big deals The recently announced decision by Falconbridge and Minorco to press on with their jointly owned Chilean Collahuasi copper project at an estimated capital cost of US$1,75bn is an example of the huge sums involved

Removing exchange controls will make things easier but won't be a panacea in itself SA houses will have to demonstrate leadership qualities in the toughest arena of all The Billiton deal showed that a revitalised Gencor has the commitment and aggression to compete successfully

Now for the hard part *David Gleason*

JCI LTD

Energy unleashed

Running through the first annual report from JCI Ltd is a tone of palpable enthusiasm To an extent that is unusual for an SA mining house, much effort is made to explain and justify the structure and strategy of the new company

Chairman Pat Retief contends JCI now comprises a coherent group of operations which has a well-defined focus on mining and minerals processing and which is favourably positioned for future exploitation of its strengths MD Bill Nairn cites the capital programme of R3,3bn and adds JCI

Duiker's bituminous mines give dividend a boost

(210) (BR) CT 27/10/95

By Charlotte Mathews

Johannesburg — Coal, anthracite and gold producer Duiker Exploration — part of the Lonrho stable — more than doubled its ordinary dividend to 250c in the year to September compared with last year, owing to a profitable performance from its five bituminous mines, it said yesterday

Last year, however, a special dividend of 200c was declared

Group turnover rose 28,4 percent to R450,8 million, which included a 3,8 percent increase in sales of bituminous coal to 7,2 million tons, a 3,5 percent increase in sales of anthracite to 295 000 tons and a 40,2 percent drop in gold sales to 193kg.

After-tax income grew 63 percent to R91,6 million

On a slight increase in the number of shares in issue, earnings a share rose to 634,6c (390,9c)

In the past year, the group has spent R59,7 million in capex including the acquisition of mineral and surface rights, shaft sinking at Klipwal Gold Mine, additional coal mining equipment and extensions to the coal benefication plants

Hugh Stoyell, the managing director, said the Ermelo collieries increased saleable production by 16 percent to 1,9 million tons while their unit costs rose 7,2 percent

The Tweefontein collieries sold a larger proportion of higher-grade products which helped to realise a better price, although sales were 8 percent lower

The production of higher-value products led to a 16,2 percent rise in the unit cost of sales

Inland sales of bituminous coal rose 2,5 percent to 3,6 million tons and export sales rose 5,2 percent to 3,6 million tons

In the anthracite mines, the loss was reduced because the average unit price realised grew 14,1 percent and the average unit cost of sales only rose 4,1 percent.

Klipwal incurred an operating loss of R2,1 million despite a 12,8 percent increase in the gold price

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DP slams 'inert' Transkei court

Own Correspondent

THE Transkei Industrial Court has not heard a single case this year, and the backlog now stands at 120 cases.

This was disclosed yesterday by DP Eastern Cape leader Eddie Trent, who said it was a "travesty of justice" leaving people who had been unfairly treated by employers with no access to justice.

He said he had been contacted by a person dismissed by Transkei University in 1993 who had been unable to get access to the court because there was no one to hear his alleged unfair labour practice case.

Constitutionally, Trent said, the court had to sit to hear all cases of unfair labour practices which had occurred under the former homeland government.

Trent said that there was a backlog of 20 cases "and no light at the end of the tunnel as to when the court will ever reconvene".

"The type of anarchy that is now allowed to reign in Transkei will not be tolerated by the DP. The fundamental rights in chapter 3 of the constitution make provision for every citizen's right of access to justice."

Trent said the DP would approach the minister to demand that presiding officers be appointed immediately to hear the cases, "failing which we will proceed to the Constitutional Court on grounds that this person's fundamental rights are being deliberately ignored".

BD 27/10/95

Wider southern African mining equity base needed — Holomisa

BD 27/10/95 (210)

Michael Moon

WAYS had to be found to widen the equity base of mining in the southern African region, Environment Affairs and Tourism Deputy Minister Bantu Holomisa said yesterday

This should be done through the promotion of appropriate technology and by devising administrative solutions, Holomisa said in a speech at a Southern African Development Community (SADC) conference on mining and the environment in Johannesburg

Holomisa conceded that the capital-intensive nature of mining limited the scope for small-scale entrepreneurial operations which would benefit "the poor majority"

He said the mining industry could also not be looked at in isolation It exploited a non-renewable resource and had a narrow equity base, whereas other sectors with a wider equity base and using renewable resources could be adversely affected by mining

The new approach to public policy in SADC countries meant decision-makers would have to trade mining off against activities such as agriculture and tourism with broader equity and exploiting renewable resources

The long-term environmental effect of mining on such activities was difficult to reduce to a cost-benefit analysis, which forced decision-makers into elusive value judgments

This meant "cruel decisions" had to be taken on a "micro-ethical level to attain macro-ethically acceptable transition from unsustainable to sustainable development", said Holomisa

Deciding at what point to close a marginal mine and retrench many workers in the face of mounting environmental conflicts was one side of the coin, while deciding when to open a new mine in the face of damage to agricultural land, tourism and water quality was the other There had to be administrative reform in SADC countries to deal with such issues

Narrow sectoral approaches and quick decisions by a single authority were unacceptable, he said

SADC countries were still driven by narrowly conceived and focused economic policies

They were moving towards integration of economic, environmental and equity impact assessments, compelling decision-makers to defend their choices in terms of economic, social and environmental sustainability, he said

Government announces environment awards

BD 27/10/95

Michael Moon

THE Natal Parks Board, Trees for Africa and Mpumalanga environmentalist Sue Hart were yesterday named as this year's recipients of government's Conserva Awards for achievement in the environmental field

The environmental affairs and tourism department said the Natal Parks Board played a key role in the preservation of natural resources and wildlife, and had also developed a dynamic neighbour relations policy in its sphere of influence. Through its community outreach programme, the board had improved the quality of life in its neighbouring communities

Trees for Africa was one of the first non-governmental organisations to play an active role in empowering people through community-owned projects, the department said. Through these projects, thousands of trees were bringing new hope to deprived people

Hart, the founder of Ecolink and recently appointed to the National Parks Board, was honoured for her work among poverty-stricken communities and for promoting environmental awareness

Political comment in this issue by J Jones, newsbills by C Pickard-Cambridge, headlines by V Strauss, all of 11 Diagonal Street Johannesburg

Iscor loses its rights to an 'unprofitable' mine

BD 6/11/95

Yuri Thumbran

(210)

THE Namibian government has decided not to grant the Rosh Pinah mineral rights to Iscor's wholly owned subsidiary Imcor Tin, but has granted them rather to P&E Minerals Rosh Pinah is a zinc mine near Luderitz on the Namibian coast

Iscor Mining MD Ben Alberts expressed his "surprise and disappointment" at the decision, saying Iscor had been responsible for the operation of the mine since it was established in 1989

Alberts said the Namibian government had, against all expectations granted the rights to P&E Minerals "A company that to our knowledge is neither involved in mining nor has a proven background of mining activities"

"Iscor intends to take all possible steps to ensure that the granting of the mineral rights is revised"

He said over many years considerable expertise was developed in operating the mine, which was in a very inhospitable part of the world

During this period Iscor's involvement in the area resulted in a variety of contributions including the development of local skills and the contribution to the Namibian economy, he said

Iscor was last year embroiled in a legal row with Namibian mining company Moly Copper over the Rosh Pinah mine. Iscor had a 51% stake in the mine and successfully applied to the Namibian High Court to have the mine liquidated. After the mine was wound up, Iscor, along with four other companies, made a bid for it. At the time Iscor said the mine was unprofitable and had no future

Mine deal welcomed

(210)

Michael Urquhart

BD 16/11/95

INTERNATIONAL natural resources group Minorco has welcomed the proposed merger of Normandy Mining with three of its partly owned gold mining subsidiaries, despite the fact that the move will water down its stake in the Australian gold mining group

A Minorco spokesman said yesterday the merger would leave Minorco with around 8% of the new merged company

Even though the merger represented a dilution of its holding in Normandy Mining, Minorco believed it would see a positive rerating of Normandy's shares. Minorco owns 19,9% of Normandy, as well as a 3,7% stake in one of its operating subsidiaries, Poseidon Gold, but has had no management say in Normandy.

The merged company would have a market capitalisation of A$3bn

Unbundling of Johnnies is highlight of mining's year

ST 19/11/95 (BT) (216)

THE SA mining industry was characterised by changing attitudes, working conditions and ownership this year

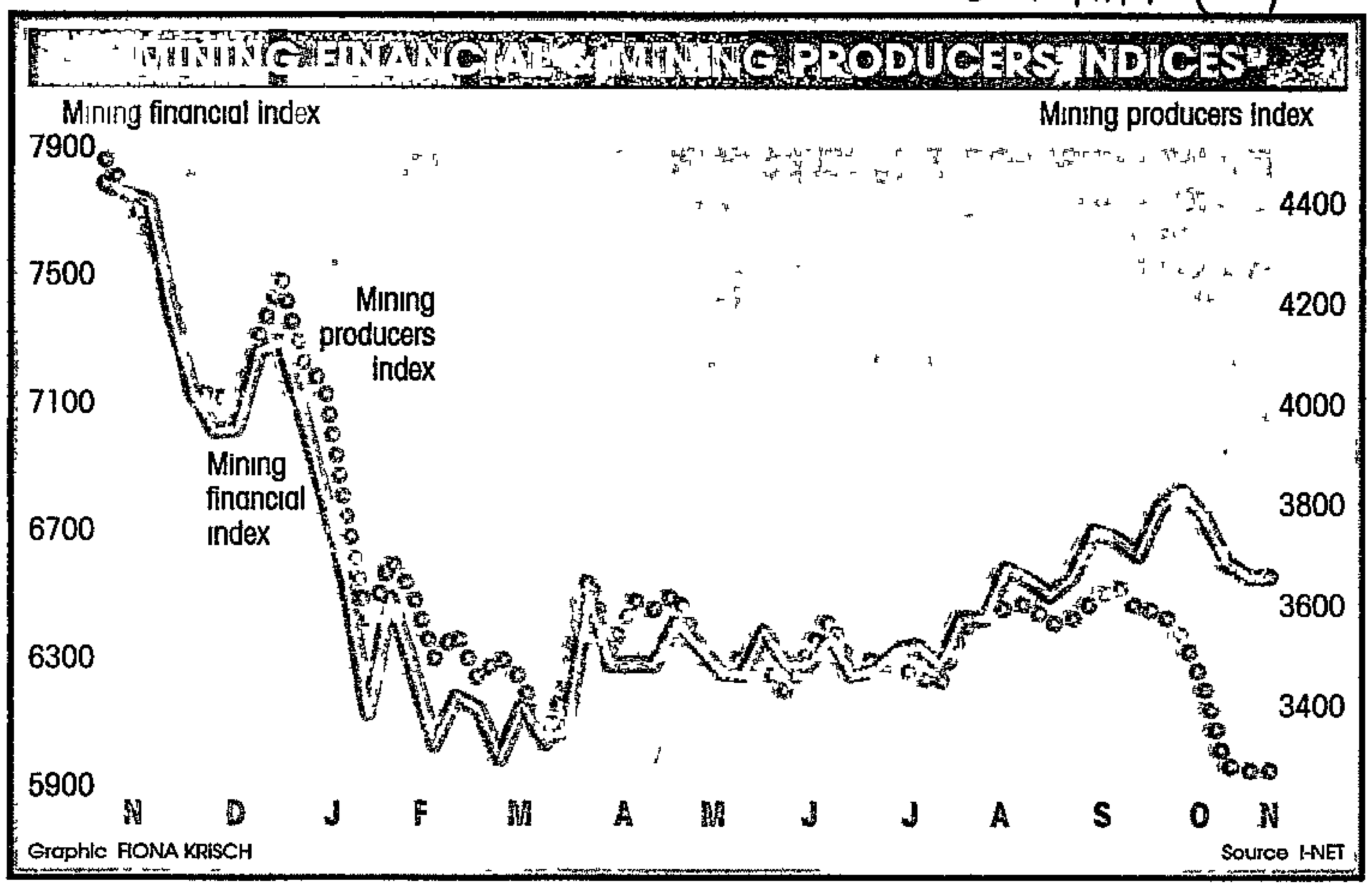
The most significant move came when Anglo American elected to unbundle 49%-held Johannesburg Consolidated Investments (Johnnies) into three entities, two of which are intended to be vehicles for black economic empowerment

The three new listed companies are Johnnic, which houses industrial and financial investments, JCI Ltd, which holds all the non-platinum mining interests — gold, coal and base metals, and Anglo American Platinums Ltd (Amplats), which holds Rustenburg, Lebowa, Potgietersrust Platinums and other related investments The sums involved in buying Anglo's JCI and Johnnic stakes are not small and change of ownership will not be an overnight event Several parties have expressed interest but nothing is signed

Anglo American's year was saddened by the accident at the Vaal Reefs gold mine in May when an underground locomotive jumped safety barriers and plunged down the No 2 shaft, landing on a cage carrying 104 men All were killed An official inquiry into the accident is still under way The tragedy followed an incident at the same mine in April when 13 hostel residents died in faction-fighting In June, another cage accident at Freegold Saaiplaas injured 11

The Leon commission of inquiry into health and safety on mines was released during the year and made some far-reaching recommendations, including the drafting of new legislation to provide an improved structure for health and safety. Workers, management and government should be involved in the draft

Other recommendations include the right of miners to elect safety officers and the obligation of mines to facilitate such elections Representatives would have the right to be trained to improve their effectiveness They will also be able to inspect undisturbed accident sites, any place of work and any document or record kept by



Graphic FIONA KRISCH Source I-NET

By JULIE WALKER

mine management on health and safety issues

Hostel accommodation must be upgraded on mines with 10 or more years of life remaining

Mine owners claim that few if any of their mines will have a 10-year life if they are not permitted to introduce full-calendar operations at all mines Until 1995, mines took only four public holidays and Sunday blasting was not allowed This year all workers are entitled to 13 This has caused costly disruption

In his statement in the 1995 annual report, Julian Ogilvie Thompson, the chairman of Anglo American, said the mines work on only 275 of the 365 days available "No other capital-intensive industry in the world works this way"

JCI has adapted well to the new system Bill Nairn took over as managing director when Ken Maxwell left unexpectedly earlier in the year JCI has been at the forefront of change in respect of worker participation and involvement and has generally avoided labour dissatisfaction The group's Western Areas gold mine took over South Deep in a share exchange and raised more than R500-million to fund development of what is the largest known ore reserve in the world Shares were issued at R40, Western Areas is now R51

JCI has been busy in Ghana, where it and Barnex have been appointed to manage the Prestea gold mine's rejuvenation JCI appointed Rob Still, formerly of independent group Rhombus, to develop its African and other new business

JCI's ferrochrome producer, CMI, sold an eighth of its capacity to Mitsui SA for R26,5-million The proceeds will fund a new 70 000-ton-a-year furnace

The blot on JCI's copybook is still the HJ Joel mine in the southern Free State, where the reversion from trackless to conventional mining has taken longer than expected The mine is a year behind schedule A merger with neighbouring Beatrix in the Gencor stable has not been ruled out

Gencor had an active centenary year The platinum operations of Impala were merged with those of Lonrho, with benefits for both — Impala got ground and Lonrho's cash needs were taken care of

Gencor appointed Gary Maude, formerly the Gengold chairman, to develop its global gold interests in places such as Irian Jaya in southeast Asia Tom Dale was appointed to succeed Mr Maude in South Africa

Financiers reached agreement to recapitalise the struggling Oryx mine, which had more than R1-billion of debt, although it is still not certain whether the mine will ever be fully developed Stilfontein finally reached the end of its life and was closed completely in the third quarter

Anglovaal entered an era of openness, making presentations to investors and publishing regular updates on its exploration efforts The workrate has been stepped up at the Nkomati joint venture, in which Anglo American became a partner, and pilot trials are under way to establish the viability of a nickel and base-metal sulphide-rich deposit in Mpumalanga

Its other joint venture with an Anglo company, namely De Beers at Venetia, has become the largest asset in the Anglovaal portfolio

Another R68-million is to be spent by Anglovaal this year on the Target exploration prospect north of the Loraine gold mine Anglovaal is also developing a greenfields colliery at Forzando, 25km northeast of Bethel, initially to produce 600 000 tons a year

Randgold also had a busy first full year under new officers Its share has been one of only a handful to outperform the crumbling mining indices on the JSE, having climbed from R11,60 to R15 by the end of October The Mining Production index fell by 22% to 3 291 in the 10 months to October and the Mining Financial yardstick by 10% to 6 555

Randgold has succeeded in halting the slides of its ageing mines Durban Deep was merged with neighbouring Rand Leases — one has infrastructure, the other reserves Harmony resumed dividend payments and Blyvoor took over the adjacent Gold Fields mine, Doornfontein, which had been losing money under Gold Fields management Randgold has also taken control of West Wits, the opencast and underground mine on the West Rand,

Randgold's future lies in the results of its exploration activities in west Africa and elsewhere It intends to sell a portion of those investments and float them in order to establish a market value Randgold looks after its shareholders

Sadly, nothing went right for Gold Fields of SA during 1995 Platinum mine Northam is still losing money although it seems to be turning around production-wise Kloof's Leeudoorn section has yet to make a cent in more than three years of full production Profitability at all its mines is decimated by the quarter Talk is of shareholder dissatisfaction — a motion by the directors to issue shares for cash was withdrawn at the annual general meeting when proxies indicated that it would be defeated

Smaller mines had a tough time Primrose went into liquidation but was partially reopened, Gazgold went under too after several years of government support But Lindum shaped up, and secured an extra seven years of life when Randfontein Estates granted it the right to treat some of its dumps

10 000 to move for mine

(210) Sowetan 20/11/95

Environmental organisations raise objections to plans for mining strip

By Russel Molefe

MORE THAN 10 000 people around the Madimbo Corridor, a unique strip of land which forms the border between the former Venda homeland and Zimbabwe, face removal because of plans to mine the area

Duo Corporate Developers, owned by Mr Richard Bluett and Pepsi-Cola chairman Mr Khehla Mthembu, was granted a permit by the Department of Mineral and Energy Affairs to mine the corridor, which has been unexplored for many years

The company is in partnership with one of Australia's largest diamond mining companies, Moonstrone Diamond Corporation

Environmental organisations, including the National Parks Board (NPB), have raised objections to the planned mining of the land on environmental grounds The company also has no plans to resettle the people living on the corridor.

The permit has so far been temporarily revoked after the NPB indicated it intended to appeal against the granting of the permit to the company

The NPB also contended that the company did not submit an environmental rehabilitation programme to the Department of Mineral and Energy Affairs as required by law

Spokesman for the Department of Mineral and Energy Affairs Mrs Elise Botha told *Sowetan* that the NPB had been given until November 29 to submit documents detailing why the company should not be granted the rights for mining in the corridor

Botha said the department's director-general would make a ruling as soon as the NPB submitted its arguments

Bluett and Mthembu could not be reached for comment yesterday as they were said to be "out of town until next week"

Minister of Environmental Affairs and Tourism Mr Dawie de Villiers, has objected to the mining of the area

Harry O acted to pre-empt threat by Federale Mynbou

JDF JONES

(210) BD 24/11/95

IN ITS centenary year Gencor has commissioned one of SA's finest corporate histories, Through Fortress and Rock Chairman Brian Gilbertson's brief to author JDF Jones was to write a gripping tale Gilbertson fears Jones has succeeded too well, that much he has unearthed might stir old emotions In this, the first of three edited extracts that focus on the deals of the past three decades that formed corporate SA, we look at Federale Mynbou's acquisition of General Mining in the early '60s and, particularly, Harry Oppenheimer's intervention designed as much to protect De Beers' diamond market dominance as to give Afrikaner business an entry into gold mining

THE takeover of General Mining by Federale Mynbou, which dominated the headlines through 1963 and 1964, has subsequently been presented as the wise and magnanimous decision of Anglo American, that is to say of Harry Oppenheimer, to "allow" — to "facilitate" — the emergence and arrival of the Afrikaners, after 75 years, in the first division of SA's mining houses These early 1960s were years when the Afrikaners were in unshakeable possession of national political authority, when the continuing domination of the mining economy by the English community (and by the "Hoggenheimer" empire of Anglo American in particular) was resented by the electoral majority of whites, and when the mining houses would be wise not to antagonise Pretoria and the NP any further

Harry Oppenheimer's decision to invite Tommy Muller (Fedmyn's CEO) to dinner in London and suggest a pooling of his General Mining holding with Federale Mynbou's Trans-Natal — with the evident intention of developing the relationship in due course — may therefore be seen as a "political" and far-sighted move by a statesman of business It was to be recalled in these terms 30 years later when, for similarly "political" reasons, there would be talk of the desirability of making it possible for black entrepreneurs in the new SA to have "their own mining house", on the unspoken argument that the cleverest way to defend an unpopular club is to invite your enemy to join

But the story of 1963-64 is much more complicated than that, and the Anglo American motives were not quite so disinterested and philanthropic At the heart of the strategy of 44 Main Street, the Oppenheimer headquarters in Johannesburg, was the constant and overriding concern of the Anglo-De Beers empire the matter of diamonds

Federale Mynbou, though still small, was known to be close to government and was approached with all sorts of mineral propositions — including diamonds, the sector in which, of course, De Beers cherished its monopoly control both of production inside SA and, through the Central Selling Organisation, of marketing worldwide Fedmyn's interest was first attracted in Namaqualand in 1960, but the more dramatic opening seems to have occurred off the coast of South West Africa where Sam Collins's Marine Diamond Corporation was developing a Texan-inspired project to dredge diamonds from the sea bed Jack Scott had always been a diamond buff, and he was probably responsible for General Mining holding 20% in the Collins operation

To one side of this, Fedmyn decided to push on into diamonds, in Namaqualand and offshore De Beers was clearly not going to be amused by these Afrikaner moves into the diamond sector it evidently took a decision to close the South West African door Furthermore, Anglo American, having seen how it was in its interest to co-operate with Fedmyn to get an Eskom coal contract, was at the same time increasingly concerned with the frailty of the management of General Mining, in which it held 23%

At this stage, according to memoranda unearthed by Federale Mynbou historian Dr Grietjie Verhoef, there were no clear ideas about the future relationship between Federale Mynbou, General Mining and Anglo American But on July 27 1963, William Coetzer was telling his Fedmyn board in a memorandum that the chief motivation for Harry Oppenheimer's plan for the closer Fedmyn/General Mining arrangement was an acceptable agreement on diamond interests Coetzer said that Fedmyn had been asked to help De Beers negotiate with Sam Collins's Marine Diamond Corporation (in which Fedmyn had 20%), in which Fedmyn/FVB/Sanlam were evidently seeking control, to the obvious alarm of De Beers A glimpse of the behind-the-scenes activity is revealed in a subsequent memorandum prepared by Sir Albert Robinson in 1982 "After a considerable struggle," wrote Sir Albert, he "had come to an agreement with Collins which put paid to the Afrikaner efforts "

But Fedmyn, in the early 1960s, had been developing diamond ambitions apart from Sam Collins's operation and, with several other Afrikaner companies, had formed the Terra Marina Diamond Corporation with the aim of obtaining diamond concessions in Namaqualand and on the sea-bed Sanlam was to be the principal shareholder, and Fedmyn, with 17,7%, would manage the project

De Beers, evidently concerned to maintain its long-standing control of international diamond marketing asked for a holding in Terra Marina (according to Coetzer's July 27 memo to his board) but was refused

However, Fedmyn agreed provisionally that Terra Marina's diamonds be marketed through the Central Selling Organisation This was not surprising — the SA government would certainly have wished it — but De Beers added the request that, should Fedmyn find other diamond propositions, Anglo/De Beers *must* have the option to acquire a 51% interest in them

This was later detailed in a letter of August 13 1963 from Harry Oppenheimer to the Fedmyn chairman De Beers, wrote Oppenheimer, played a "vital role" in the industry and it was important it should maintain "its dominant position in the Central Selling Organisation and in the production of diamonds generally" Oppenheimer acknowledged Fedmyn's interest in Terra Marina and proposed that the two groups would co-operate in any prospecting or producing activities, but, should Federale Mynbou — or General Mining — become involved in any new diamond venture, it must be offered to a *new* company owned 51% by De Beers, 49% by Fedmyn

The *other* reasons for allowing General Mining to be taken by the Afrikaners made strong sense — most of all the "political" bonus of Anglo being seen to accept the Afrikaners' demand for a voice in "their" SA gold industry, and the more "political" point that an Afrikaner mining house would have greater hope of government-inspired benefits But this precise understanding or agreement about the ongoing control of diamonds is clearly central to what ensued Here again, the point was to be relevant 30 years later when Anglo American in 1994 instructed JCI to unbundle in order to facilitate and make possible a fuller black participation in its activities, the diamond sector was specifically excluded, "reserved" for Anglo/De Beers' continuing control

With this understood by everyone, the negotiations by Fedmyn and Anglo could proceed This deal, announced in August 1963, was received positively on the whole The Afrikaans Press noted that this was a good example of collaboration between the two white communities, the English Press was complimentary about Fedmyn and about Coetzer and Muller

The agreement on diamonds had not been announced, but a couple of newspapers guessed that some sort of pact was involved The Fedmyn board was not unanimously happy, even when the directors were assured there would be further discussions and negotiations with Anglo The main opponent was Dr MS Louw (of Bonuskor), who refused to let Bonuskor be included in Tom Muller's agreement on diamonds

The more difficult — and more important — problem, which was not publicly known at the time but can be seen in the archives, was that Anglo (as expressed in a letter to Fedmyn's chairman from Harry Oppenheimer dated August 27 1964 summing up the result of the year-long negotiations) required that if either Fedmyn or Anglo had the opportunity to acquire "a position in any of the other established South African mining groups in terms of which it would participate in the management of such mining groups, we would discuss the matter with a view to the business being undertaken jointly "

A specific exception was noted for Anglo's relationship with JCI and Rand Mines Tom Muller replied the same day accepting this record

This part of the deal — not surprisingly — became an immediate sticking point After Coetzer had talked with Sanlam and other Afrikaner business leaders, he replied that such a restriction was unreasonable and unacceptable only when the possibility arose of *control* over another mining group, as opposed to an investment or board representation, would Fedmyn accept such a restriction

After much coming and going, the agreement was summed up in a letter from Coetzer to Anglo dated December 11 1964 "If either your group or ours acquires a dominant position in any of the above-mentioned mining houses, with the exception of Rand Mines and JCI, as far as your group is concerned, then it shall offer to the other group at current market prices, or cost, whichever is the highest, a participation of not less than 40% of the interest acquired "

This matter, which surely amounted to an attempt by Anglo to put shackles on Fedmyn's/General Mining's freedom of action, was to become extremely relevant 11 years later when General Mining did indeed cast eyes on another mining house

Miners may be 'poisoned by arsenic'

BD 22/11/95

A MINING community of more than 1 000 people living near Anglovaal's New Consort Mine near Barberton in Mpumalanga may be suffering from effects of arsenic poisoning, the National Union of Mineworkers said yesterday.

The union reported widespread diarrhoea, stomach cramps, headaches and rashes among the 600 mineworkers and their community, and said that the mine had confirmed drinking water could have been contaminated with arsenic trioxide.

No results from investigations carried out by the departments of mineral and energy, health, and water affairs, had yet been released to workers or their families," said NUM spokesman Judith Weymont.

Anglovaal's Eastern Transvaal Consolidated Gold Mines Ltd was aware of the NUM allegations and was involved, with the NUM, in the authorities' investigation, said spokesman Julian Gwillim.

He said the company was "very concerned" about the well-being of employees and the community, but could not comment further until the inquiry had reached a decision.

Weymont said water had been contaminated during October when the drought in the area forced residents to take drinking water from boreholes and other sources around the mine.

Most of the workers had experienced arsenic dermatitis, said NUM legal representative Richard Spoor.

Weymont said the mine started monitoring the poison two years ago, but no tests had been conducted on employees in the past six months.

"It is very worrying that workers are only tested every six months ... given the seriousness of this arsenic poisoning," said NUM regional representative S O Serothwane.

It was not known if the deaths of two young children had resulted from contamination, said Weymont. — Sapa.

Social welfare cuts its clot[h]

BD 22/11/95

Wyndham Hartley

CAPE TOWN — There is no more money for "underfunded" social welfare services in the short term, newly appointed welfare director general Leila Patel said.

Addressing Parliament's committee for welfare Patel said yesterday that approaches to Finance Minister Chris Liebenberg had resulted in an undertaking to discuss more money for social welfare services in the future.

But, Patel said, the main source of extra money for services would be from resetting the department's priorities, by eliminating waste and by combating nationwide fraud in pensions payouts and the administration.

Patel and Welfare Minister Abe Williams said more stringent means testing would be applied to pensions' applicants in the future.

Williams said that it was planned to access deeds registers to establish whether those granted pensions or applying for pensions were making money from properties other than those in which they lived.

"Some have income which they do not declare, and I don't think the state should support those who can afford to support themselves," he said.

Williams and Patel under[took] to continue efforts to equalise the conditions under which pensi[on]ers were paid and to eliminate th[e] long queues in certain areas on payout days.

They said that each and every file in the department of welfare and pensions would have to be reviewed and this would also s[ave] money and eliminate fraud. [He] said that all those who received [so]cial assistance would have [to] reregister in the future.

Cameron McConnachie [a]nd Bastienne Klein of the Black S[ash] in Cape Town said that it was [en]couraging that the Minister wa[s] target fraud in the welfare syst[em] because "people receiving so[cial] assistance grants should not [be] penalised by administrative [er]rors in the department"

They also supported the se[nti]ment expressed by Patel [a]nd Williams that welfare should [not] be the poor cousin of the budget process. They stressed that the [in]crease in pensions of 5% was [not] keeping up with inflation and p[en]sions of R410 a month were [not] enough to live on

10 000 jobs on the line as Cape mines face closure

ARG 24/11/95 (210)

ESTELLE RANDALL, Labour Reporter

UP TO 10 000 people could be left jobless in Namaqualand as mining companies scale down and stop their operations in the area over the next 10 years

This is when it is estimated financially viable diamond reserves in the area will be depleted

Loss of jobs on the diamond mines could also increase pressure on scarce land if people have no alternative employment to small-scale stock farming.

Anwar Carawan, energy affairs advisor to Northern Cape premier Manne Dipico, said the closure of major diamond mines in the area could put up to 10 000 people out of work and indirectly impact on 50 000 people, including families

Between 80 000 to 90 000 people live in the isolated, semi-arid region which is highly dependent on mining, mainly diamonds.

The mining sector employs about 41 percent of the economically active population

De Beers is the largest employer in the region

To avert a potentially devastating crisis, the Northern Cape provincial government has initiated a Minerals Development Task Team to explore and formulate plans for alternative sustainable development and economic growth for the region.

The task group is the first of its kind and consists of representatives from government, the private sector, labour, business and communities in the area

The Minerals and Energy Policy Centre and the Council for Scientific and Industrial Research (CSIR) have also been drawn in to help formulate policy, Mr Carawan said

Agriculture and ecotourism are seen as the main alternatives to sustain the regional economy but there are also plans to create small-scale mining ventures among local communities.

(210) FM 24/11/95

GDP

Mining bounces back

One of the more encouraging developments is growth in the mining sector in the third quarter. Figures released by the Central Statistical Service show, after shrinking by 8,9% in the second quarter and 13% in the first, value added in mining rose 5,2%.

The figures reflect physical volume and not revenue, so they are not affected by movements in the gold price (which has changed little quarter-on-quarter).

Chamber of Mines economist Roger Baxter says the third-quarter improvement is due to a "stabilisation in gold production, which makes up about half of total mining production. In the third quarter, it was 3,8% higher than in the second quarter. Among chamber members, output rose 5,6%. On member mines, tons milled were up 4,4% and the grade up 1,3%."

The better grade, he explains, is due to "better productivity underground. In the first two quarters, low grade surface material was used to supplement lower levels of underground production."

Baxter attributes the improvement to "fewer public holidays, better industrial relations and a focus on getting on with the job." He says the trend will continue in the final quarter. "October gold production, for the country, was 44 048,2 kg after 43 753 kg in September."

Encouraging third-quarter GDP figures make it clear the economic recovery has not flattened. The following are quarter-on-quarter changes, seasonally adjusted and annualised.

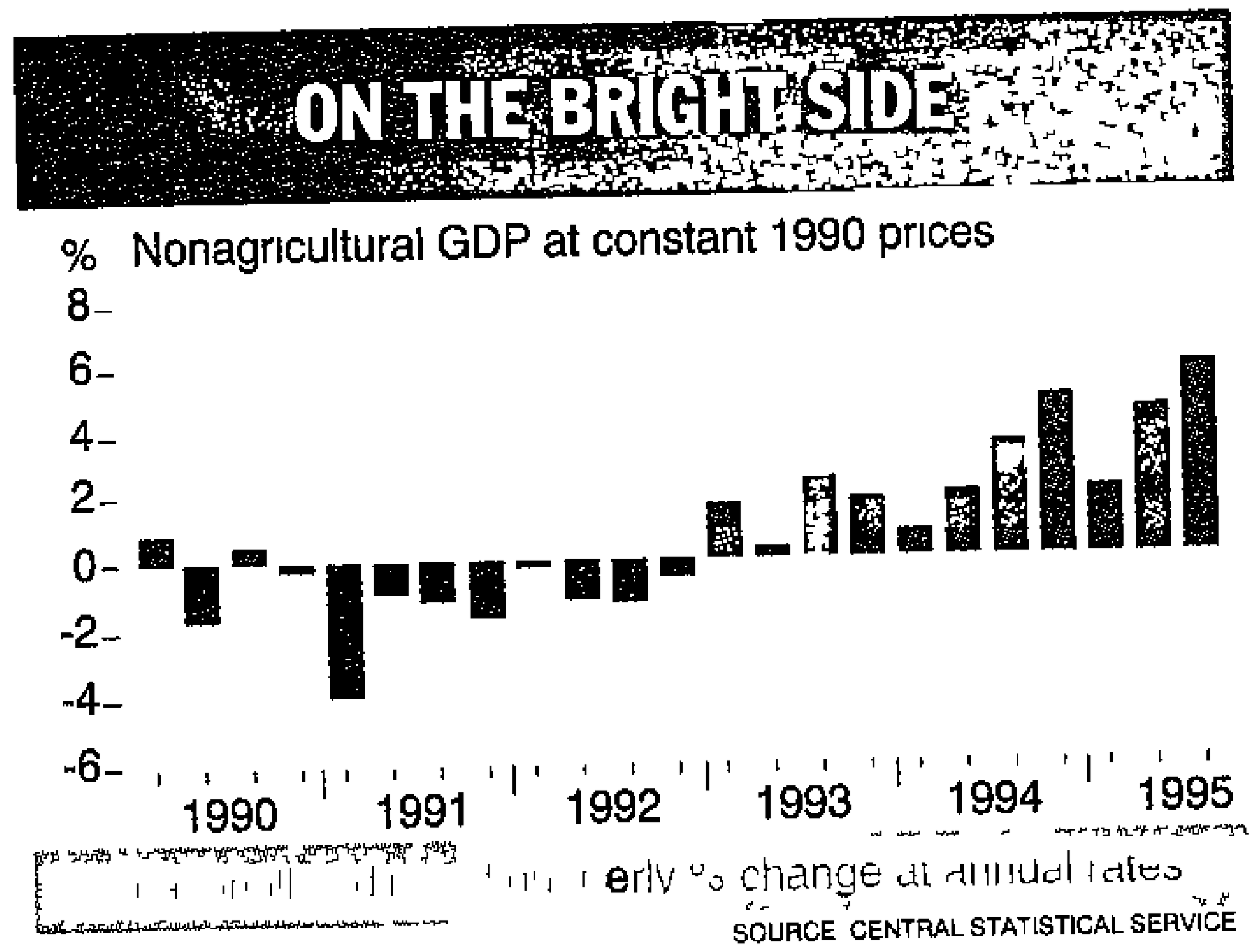
At market prices, GDP rose 3% in the third quarter, after 2,2% in the second and 1,6% in the first. At factor incomes (excluding taxes but including subsidies), growth was 2,3%, compared with 1,5% and 1,2% in the previous quarters.

This shows a more consistent pattern of growth than figures published previously. A release, three months ago, said second quarter growth (at market prices) was 0,8% in the second quarter and 1,4% in the first. At factor incomes, growth was 0,3% in the second quarter and 1% in the first.

When agriculture — which has been depressed by drought — is stripped from the figures, an even more encouraging picture emerges. Growth (at market prices) was 5,9% in the third quarter, after 4,6% and 2,1%. A year-on-year comparison (see graph) was made for the first time by Central Statistical Service. This shows a declining pattern of growth — 3,4%, 3,2% and 2,8% in the first, second and third quarters.

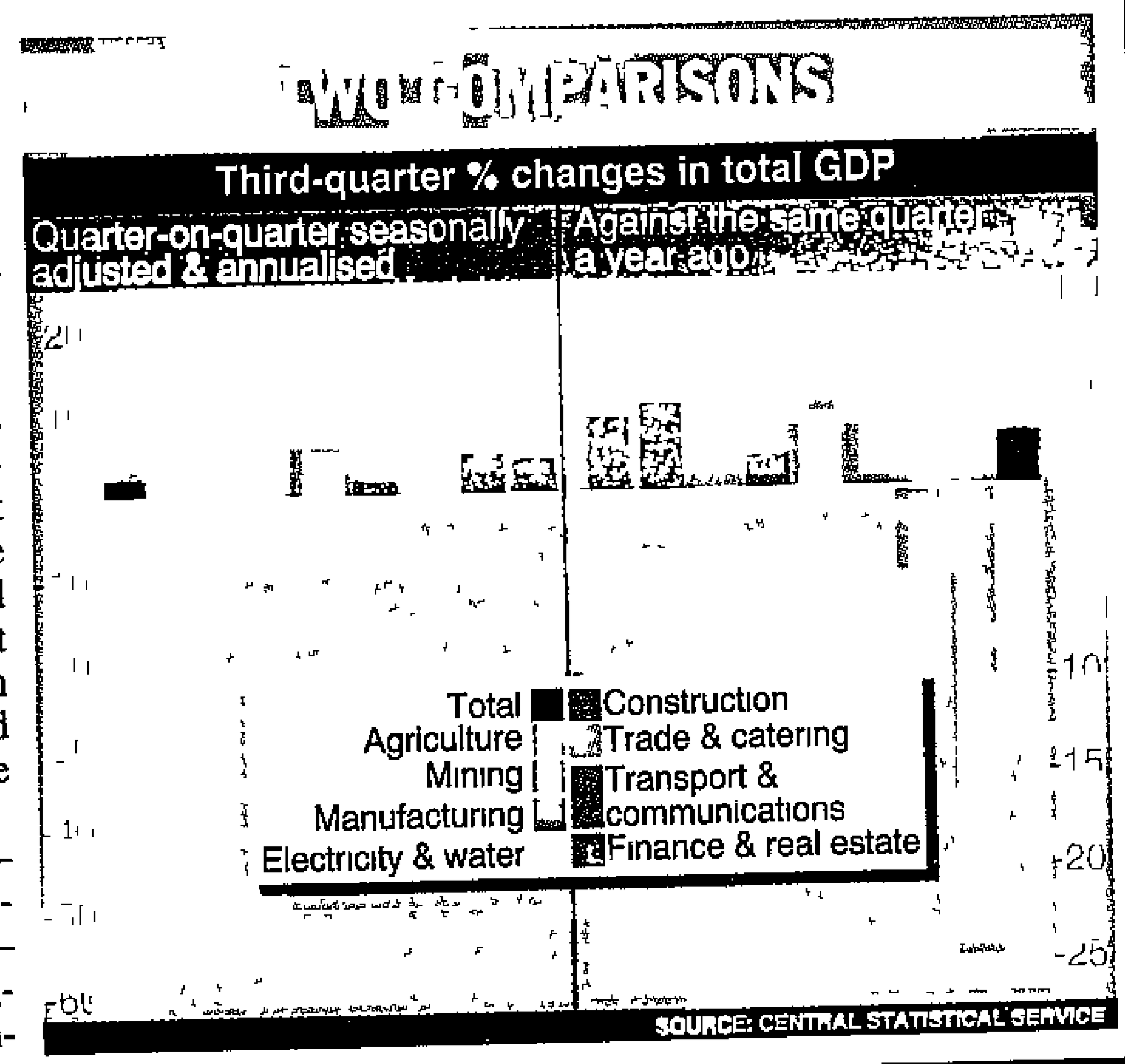
Quarter-on-quarter changes reflect more recent events and should, at least, reassure those who thought the business cycle was peaking. Even before the release of third-quarter figures, First National Bank's newsletter *Rand Focus* pointed out: "It would be highly surprising if we have reached a peak in this business cycle of the kind that can be compared with the last three or four business cycle peaks. There has been no excessive overheating as yet, in terms of spending and production, though the current account deficit — at 2,5% of GDP — is already impressive.

"Credit growth, wage behaviour and inflation have not developed in a way comparable with recent cyclical peaking experiences.



"Even more important, there are none of the political constraints that forced policy makers in earlier cycles to engineer a slowing that would end up as a recession." Agricultural activity, which contributed more than 4% of total GDP in the third quarter, is the most difficult to predict. The fourth quarter "contribution seems to be normal," says SA Agricultural Union economist Johan Pienaar.

"But despite recent rains, prospects for the summer grain season will remain uncertain until February (the pollination phase for maize, when rain is critical). Only then will it be possible to make any estimate of the contribution of agriculture to GDP in 1996." ■



GERMANY

Killing the golden goose

A work and savings ethic is all that keeps the German economy on a reasonably even keel. The *International Bank Credit Analyst* says "the prosperity earned by citizens may have permitted the inefficiencies in the economy to persist this long."

Germany is a model economy in two respects. Inflation is low. And the budget deficit is below 3% of GDP — Germany is one of only two European Union countries that meet the Maastricht criteria on this score. But, the *Analyst* points out, there has been no net new job creation in this business cycle because of structural rigidities.

"At the core of the inefficiencies," says the publication, "is an interventionist philosophy — typical of much of continental Europe — on the role of government in the affairs of the country."

The deficit has been restrained by an increase in taxes "which leaves Germany's overall tax burden, relative to GDP, the highest among the G7."

Rigidities in the labour market are destroying employment creation. "Unions retain enormous power and there is a strong tendency for one union's wage settlement to become the economy-wide norm, regardless of the differences in productivity between companies or industries."

The Organisation for Economic Co-operation and Development estimates that German unit labour costs were 70% higher than in the US in 1993 (see graph, P50).

"In the case of the car industry, personnel costs account for 70% of the net production

Continued on page 50

Mines: no common ground

ST (BT) 26/11/95 (210)

By JULIE WALKER

A DISCUSSION document published by the Department of Mineral and Energy Affairs this week shows wide differences between the three main contributors to efforts at establishing a new minerals policy

The document was prepared by the Department of Mineral and Energy Affairs and the Mineral and Energy Policy Centre and was drawn up after consultations with representatives from mining, business, labour and government departments

Employers say mining is risky, has to be internationally competitive, is effective only when privately undertaken, needs security of tenure, and that the supply capacity of the country should be approached with circumspection because of potential damage to mineral prices

The ANC's key themes are that minerals in the ground are part of the nation's wealth and workers and the people should get their fair share of wealth generated Access and ownership of minerals should be widened to those historically discriminated against, and skills, working and living conditions need to be improved

On tax the 16 policy proposals are widely spread some want tax only on profits, others want to tax mineral rights and impose levies on minerals extracted, beneficiated or exported Some want ring-fencing abolished, others suggest a qualified and discretionary relaxation

On competition, access and ownership, some views advocate measures to promote unbundling of the conglomerates or the extension of ownership through effective employee share-ownership schemes and management and worker buyouts These proposals are countered by a view that changes must be achieved voluntarily and not through government intervention such as quotas

On small-scale mining, one side wants lower barriers to entry to small and medium-sized exploration and mining groups while the other says small operators should be systematically targeted by government inspectorates to ensure they adhere to minimum conditions

OUR second edited extract from Gencor's frank centennial history, Through Fortress and Rock, covers the 1975 acquisition of Union Corporation Author JDF Jones has, after many protests, omitted the name of the Johannesburg stockbroker who led the secret "concert party" whose surreptitious buying of Union Corporation shares clinched the deal The broker remains concerned about repercussions of his deliberate contravention of London Takeover Panel rules Who now cares? South Africa was, even then, lustily independent of England, so why should a foreign country's rules affect a wholly South African takeover?

'Mystery buyers' enter the fray for control of Unicorp

(210)

JDF JONES

BD 27/11/95

THE role of Anglo American, it seems, was not at all straightforward According to the later recollections of the senior General Mining financial executives who were centrally involved at the time, Harry Oppenheimer had come to (Fedmyn chairman William) Coetzer and (General Mining chairman Wim) De Villiers at the time of the first GFSA bid, and had suggested that General Mining might like to enter the battle for Union Corporation in the knowledge that the 10% Charter holding was theirs

These executives insist that this proposal was unconditional So when (Genmin finance director) Jan van den Berg was buying in the market, he assumed that, unknown to his rivals, he had another 10% up his sleeve (that is, promised by Anglo) At the turn of the year, when everyone was on holiday and when the General Mining executives really thought they had won, they had another visit from Anglo American

Julian Ogilvie Thompson, one of Harry Oppenheimer's right-hand men, called on Wim de Villiers at his holiday retreat in Hermanus on the afternoon of January 5 1975, to tell him that Charter was going to accept the GFSA offer (in which the cash element expired in only four days' time)

This was a body blow for the General Mining team, which had assumed — both from the original visit from Oppenheimer and from Anglo's willingness to follow the General Mining rights issue the previous October (precisely designed to support the initial entry into the markets) — that Charter's 10% was theirs All might not be lost, it was intimated, if they agreed to pass on Union Corporation's paper (Sappi) and platinum (Impala) interests

"You want us to cut up the corpse while it is still alive," replied Wim de Villiers His answer was a furious "no"

The final battle in the war was to be conducted in a fog of mystery and rumour On December 20 General Mining had of course publicly rubbished the GFSA revised offer in a letter to Union Corporation shareholders, the chairman, Dr Coetzer, declared "No — 15,7-million times, no!" Predictably, (Union Corporation chairman) Ted Pavitt and (GFSA's) "Sugar" Louw, now finding themselves on the same side, issued a pre-Christmas statement that "the interests and motives of General Mining may well be different from those of other shareholders", leaving it to their readers to interpret that for themselves

The deadline for acceptance or refusal was now approaching fast, and the newspapers were full of large, paid advertisements from both sides The language was much rougher than anything commonly heard in the mining house boardrooms General Mining actually published a "form of withdrawal" in the Press to help wavering Union Corporation shareholders change their minds By 10 January it was being reported that GFSA had accumulated acceptances of 30% (which implied that Charter's 10% had indeed been voted for GFSA) by the next day the GFSA total was said to have risen to 40%

And then — January 11 1975 — "Mystery Buyer of Unicorp Comes Back" There was furious speculation as to the possible identity of a mystery man Was it Charter digging deeper into the new group? Was it a "large American institution"? Was it a "gold-bug millionaire"? Was it a friend of General Mining? The vital point in everyone's mind, of course, was that the London Takeover Panel would not tolerate buying by a partner or associate of General Mining

SAid the Rand Daily Mail on January 13 "A powerful, new mystery buyer has thrown the whole bid situation back into the melting pot In a few days of the most aggressive buying seen in London for many a long day the buyer, dubbed The Mystery Man, snapped up an estimated 10% of the (Union Corporation) equity "

The Mystery Man was required by Takeover Panel rules to reveal himself the following day A part of the mystery was therefore solved on January 14, when Volkskas announced that it had been buying in the market on behalf of a client So who was The Mystery Client? Could it be Sanlam? Lonrho? Slater Walker? The local property millionaire Bernard Glazer?

To compound the mystery, on January 17 Volkskas claimed that its purchases were not connected in any way with General Mining's efforts to block GFSA from control of Union Corporation

OPPENHEIMER

In a statement which with the perspective of history must be said to be rather odd, Volkskas said it had brought considerably less than 10% of Union Corporation and that the purchases were not on behalf of General Mining, Federale Mynbou, FVB, Sentrust, Sanlam, Bonuskor, or for its own account

This did not succeed in quelling speculation The question should rather be, was The Mystery Client acting in liaison with — with the knowledge of — General Mining, which would therefore surely be in breach of the City Code of the London Takeover Panel? (Again, there was a question overheard in Johannesburg — why should London decide the rules of a South African game?) In a little while, the main mystery would be solved and Wim de Villiers's strategy revealed

Trapped under the 29,9% ceiling and bereft of Anglo, General Mining had needed friends — or potential friends — to combat GFSA in the market Sanlam had been sounded out to help its chairman, Dr Wassenaar, who was a close friend of Coetzer, was exceedingly keen on the deal, but Sanlam discovered it could not find the funds it had initially offered

Fortunately for General Mining, it so happened that De Villiers had a personal friend and admirer, Anton Rupert, who controlled and ran the secretive and internationally powerful, cash-rich Rembrandt group from his base in Stellenbosch Rupert had for some time been interested in expanding in the mining sector, so he decided to enter the fray anonymously from Switzerland, using Volkskas as his agent, and made DM100m available

In this particular instance, Volkskas was able to assure the Takeover Panel that the client was independent of the General Mining group — which was true, and it got away with it Yet, the full story, as it came to light many years later, was even more tortuous The essential point is that there was not one mystery buyer, but several, in Johannesburg and overseas

When it was realised in General Mining on January 5 that the Anglo/Charter 10% was "unsafe" and that General Mining's own shareholding was trapped under the 30% ceiling, an emergency operation was launched — time was desperately short because the cash election option expired on January 10 That same evening, Wim de Villiers rushed across from Hermanus to meet Dr Wassenaar, the Sanlam chairman, at DF Malan Airport — where Wassenaar was on the point of leaving for Brazil to join a holiday cruise to the South Pole!

WAssenaar agreed that urgent steps would have to be taken to neutralise the Charter 10%, which would require an accelerated buying programme at home and overseas, and gave him carte blanche

De Villiers contacted Oppenheimer, who (according to General Mining sources) said he could do nothing because, he claimed, Charter was an independent company (It occurred to insiders that Anglo might be reckoning that their switched support to GFSA might itself be a deal in return for the Union Corporation's coveted platinum and paper)

Before he left, Wassenaar contacted Anton Rupert, who was in Europe, to solicit financial support — and the answer was positive cash would be available overseas, to the level of DM90m-DM100m This opened Rupert's door to Jan van den Berg, who then sat down at the Town House, a discreet hotel in the heart of Cape Town, to operate his whirlwind buying campaign in an ingenious and heavily disguised operation by "Friends" — not just Rembrandt One of the most important extra players in Johannesburg, the rumoured "Third Man", was Eric Tenderini, who had a double role his family London and Dominion Trust acted as one of the pivotal buying agents in Johannesburg (as Greenwell had in London and Drexel Burnham was doing in New York), while Unisec, a Johannesburg investment group of which he was CE, was an energetic client for Union Corporation's shares

The dramatic result was that Jan van den Berg and his team managed to "neutralise" the Charter 10% in three days In contrast with the Friends' hold of 31% on January 2, by January 10 (according to General Mining sources) that figure had soared to 41,57% General Mining still held its restricted 29% , but by January 10 Volkskas held 6%

Rupert, acting from Switzerland, had accumulated 5%, and Tenderini at that point had 1,5% which would rise to 5,3% a fortnight later Additional holdings brought that total closer to 47%

By then, January 25, with the deadline over, the Friends could show 49,87%, mostly acquired overseas (Rupert's holding had risen to 8,65%)

TEnderini would later explain that, when his own Unisec resources ran out, he went to Volkskas, where "bank facilities were made available" to him In these circumstances, GFSA obviously could not find 51% and on January 25 1975 it conceded defeat and announced that its offer would lapse

At this point, Jan van den Berg sent a coded but easily deciphered telegram to Dr Wassenaar on the Lindblad Explorer in the Antarctic *Weather fine temp steady 49 point stop Keeping close watch for change of course of which no sign yet stop Morale aboard ship appears to be declining present temp understood to be slightly over 40 after we handled two degree decline stop The thunderstorm in northern panel now no longer threatening stop Locals formally satisfied regards Jan*

Wim de Villiers and his friends now had their control and would proceed to mop up some of the other packets of shares such as Hambros

The end of the war was facilitated by a change in the London Takeover Panel rules, exempting companies like Union Corporation, which were listed overseas In consequence Federale Mynbou, in May 1976, after a R74m rights issue, bought an extra 21% of Union Corporation shares (including the Hambros' parcel and other holdings) Unisec unravelled its position over the next year or two, and Eric Tenderini sold his holding back to General Mining Rupert decided to stay, subscribing for new shares in Fedmyn as part of the 1976 issue, continuing to build up his position as "partner", as did Sanlam, which continued to stipulate that it did not wish to lose "control"

Battle rages for rich Madimbo

sowetan 27/11/95

(210)

Some argue that mining will force 10 000 inhabitants off their land

By Russel Molefe

KHEHLA MTHEMBU and his partner in Duo Corporate Developers, Richard Bluett, have brought the future of more than 10 000 people and the unique Madimbo corridor to the centre of a fierce environmental debate

Madimbo, which forms a border between the former Venda homeland and Zimbabwe and is very rich in archeological treasures, was used exclusively by the then South African Defence Force for many years

The company's interest in exploring the territory for diamonds sparked off a protracted battle between environmentalists and miners, which will only be ended by the Department of Mineral and Energy Affairs

The Department granted Duo Corporate Developers the right to prospect for diamonds, but environmentalists cried foul and argued that this would mean removing more than 10 000 people and damaging the area beyond rehabilitation

Mthembu believes high-quality diamonds are in abundance in the area, and that mining could bring jobs and economic prosperity to the impoverished Northern Province

He maintained that a full environmental impact study was conducted by experts and submitted to the province's Department of Environment and Tourism

Mthembu was asked whether the thousands of people nearby, among them some who were forcefully removed in the 1970s and resettled around Matshakatini, would be happy to be removed from their ancestral land

He replied "We have done proper consultation with the communities concerned The people there have given the thumbs up " However, he declined to be drawn into further discussing the plan to mine the area

If the Wildlife Society did not blow the whistle on the planned mining of the area Mthembu's company would have gone ahead as it was already granted the necessary permit

Several other environmental organisations joined the Society in opposing the plan Environmental Affairs and Tourism Minister Dawie de Villiers and the Northern Province government have also voiced their opposition

Khehla Mthembu ... believes mining could bring jobs and economic prosperity to the impoverished Northern Province.

Duo Corporate Developers' permit was temporarily revoked after the National Parks Board appealed against it on environmental grounds

The director-general of the Department of Mineral and Energy Affairs is expected to make a final ruling after studying submissions by environmental organisations

The Northern Province used to have mines in several areas such as Phalaborwa and Messina, which were closed when they ran out of minerals, resulting in thousands of people losing their jobs

The sight of the environment which surrounds those mines is pathetic today In some areas attempting to establish a vegetable garden is like trying to squeeze blood out of a rock

It was for this reason that the standing committee on environment and tourism in the Northern Province argued that mining in the province was not a sustainable development

Committee member Mr Joe Maswanganyi also said ecotourism emerged as a favourable development in the area during the committee's deliberations He claimed people near the Madimbo corridor favour ecotourism too

Maswanganyi said the area was rich with the remains of the Stone Age (14th century) and the Iron Age (the 17th century), which date back to the movement of the Venda-speaking people

"We cannot afford to destroy these treasures unless we want to destroy the heritage of our people and invite trouble from coming generations," he said

Ecotourism will also bring cash to the province because hotels and resorts may be built there and the area is suited for guided hikes as well We must not learn the hard way like other countries, where mining has polluted rivers and land beyond rehabilitation "

He pointed out that there were more than 500 kinds of endangered species of animals and birds in the area, and if they were destroyed, "they were destroyed forever"

The Northern Province government will again commission archeologists to conduct further studies in the area, Maswanganyi said

Real 'broedertwis' battle was between Sanlam and Rupert

JDF JONES

(210) BD 29/11/95

BY 1980 it was time to consolidate Afrikanerdom's position in the mining industry with the merger of General Mining and Union Corporation. In this, our final edited extract from Gencor's centennial history by JDF Jones, the squabbling that coincided with the merger showed the world that Afrikaner business was no longer a monolith. The drive for raw economic power had replaced the older tribal loyalties that had been important in achieving hegemony over large parts of SA's industrial landscape.

IN THE early 1980s, a colossal and unprecedented row erupted within the secretive ranks of Afrikaner business. Gencor — its control, its leadership, its philosophy — was the battleground as the two titans of Afrikaner business, Sanlam and Rembrandt, slugged it out. Exposed on the front line was Wim de Villiers, and he was to be the eventual victim.

Even more startling, the war was conducted out in the public eye, and for much of 1982 the newspapers were full of the vituperation and abuse of each side for the other.

The headline writers were correct to call this a "broedertwis" — for most of the combatants were, or at least had once been, members of the Broederbond.

It all began early in 1977 when General Mining acquired one-third of a small new computer company in Randburg, northern Johannesburg — Unicom. It would not have merited attention except that its MD was Dirk Wassenaar, son of Andreas Wassenaar, Sanlam chairman and the most influential director on the General Mining Board.

Unicom did not prosper. Several senior General Mining executives were not hostile to the idea of helping out Wassenaar.

They appreciated his strong support throughout the 1974 takeover; they realised he was threatened with personal bankruptcy, and they acknowledged that, for a big corporation, these amounts were peanuts.

But they became increasingly worried not only because Gencor was pumping in shareholder loans with the other shareholders defaulting, but also about the principle of not having these things sorted out through the proper procedures at board level.

De Villiers and Wassenaar at this early stage were still on good terms — De Villiers was the elected Sanlam vice-chairman — though that would change when Wassenaar (according to witnesses) said (words to the effect that) "I saved you, made you made you the boss of Gencor. What have you done for me?"

Unicom struggled on but De Villiers was increasingly worried about what he must by now have realised could be a conflict of interest for his Sanlam chairman.

De Villiers, who always prided himself on being a man of principle and integrity, and was being stiffened by his deputy, Ted Pavitt, bit the bullet. On June 4 1981 a Fedmyn board meeting decided to write off R2m in shareholder loans evidently to the benefit of the other shareholders.

A year later, at a crisis meeting of Gencor executives (on 10 August 1982), De Villiers gave his version of the personal clash: "I repeatedly offered to have this issue investigated by an impartial person.

"When I, in the interests of Gencor, decided not to proceed with this investment, Dr Wassenaar threatened that he would break me. After this I decided not to remain a vice-chairman of Sanlam."

(Fedmyn chairman William) Coetzer concluded the negotiations regarding Unicom with Wassenaar on behalf of management. This personality clash arising out of the faltering affairs of a minor computer bureau was — as historians like to say — the occasion rather than the cause of the broedertwis of 1982.

The deeper issues related, first to the role of Sanlam as 51% majority shareholder (and therefore to the protection of the interests of minority shareholders, that is to say, to the responsibilities and obligations of executive directors of a company like Gencor) second to the different philosophy of other SA holding companies — in this case the Rembrandt group of Anton Rupert holding 30% of Gencor and liking to think that it was a partner of Sanlam, third to the possible ambitions of that second party to outmanoeuvre Sanlam and thus win its own mining house.

This was the real battle in 1982 — between Sanlam and Rupert, not between Wassenaar and De Villiers.

The first shots were fired out of the blue on 6 May 1982 at the Federale Mynbou AGM with a resolution proposing that the number of directors be increased from 12 to 15. The reason for this resolution was not immediately clear to the public, and Rembrandt and Volkskas (which held a further 5%) immediately opposed, arguing that the matter required a "special resolution", meaning that it would need a 75% majority as opposed to the 50% required for an "ordinary resolution".

Coetzer, in the chair, replied that the resolution would proceed as an "ordinary resolution," and three Sanlam nominees were thereupon elected.

The minority made it clear the issue would have to go to the courts.

But why, everyone immediately asked, was Sanlam so keen to secure three more directors?

Sanlam's answer was that it had to ensure that control of Gencor would never pass to the minorities, and on June 17 Du Plessis spelled this out at a special news conference. There was, he explained a difference of "control philosophy" between Sanlam and Rembrandt. "If there is a clash of controlling philosophy the majority shareholder must dictate the situation and that is what the clash is all about."

But journalists and analysts were still baffled as to why the biggest powers in Afrikaner business had gone public about a technical disagreement which would previously surely have been settled inside the boardroom.

The Rembrandt response came at once. It attacked Sanlam's declared intention of passing amendments which would give it the power to dismiss directors of the boards of controlled subsidiaries. "Rembrandt regards it as important that the boards of controlled companies should be able to maintain a strong loyalty to their own company. Any diminution of their status or powers impairs their ability to look after the interests of their own company as a separate undertaking, especially where those interests may be different from those of the controlling company."

This was evidently a view shared by De Villiers, so confrontation over management philosophy was inevitably linked to the personality feud. His job was now on the line.

That situation would have been difficult enough even without the manifest and unusual anger wafting from Stellenbosch, where Rembrandt — remembering that its entry into the 1975 Union Corporation takeover battle had tilted the balance for General Mining and therefore for Sanlam — felt that it was being treated cavalierly.

In a most untypical public outburst on August 1 1982, Rupert declared that "the threat of Sanlam stretches across the country", he compared a director vulnerable to the power of instant dismissal which Sanlam was planning with having a noose around his neck, and denounced Sanlam for imposing "dictatorial management".

Du Plessis promptly retorted: "These are not the procedures followed by us at Sanlam ... it is possible for Dr Rupert to experience this nearer home."

In the meantime the English-language Press had floated a provocative theory to answer what remained, to the outsider, the mystery question — why was Sanlam so anxious, to the point of inviting nationwide hubbub, to appoint its extra directors? "Sanlam sources" were quoted as saying, sensationally, that Sanlam had discovered that three of its own Sanlam-appointed directors on the Federale Mynbou board were prepared to switch allegiance and support Rembrandt to seize control of Gencor. "In effect, Rembrandt had control of Fedmyn." Hence the urgent need to enlarge the Federale Mynbou board.

This "revelation" — although it was later to be denied by everyone — caused a stir, so much so that Gencor finance director Tom de Beer, in an internal memo, identified the allegedly "disloyal directors" as De Villiers, Pavitt and PE Rousseau and showed that their votes, together with those of the Rembrandt and Volkskas board members could put Sanlam in a minority of 5:6.

Meanwhile, De Villiers's own position was hardening. On August 4 he wrote formally to Wassenaar himself (who was scheduled to hand over the Sanlam chair to Du Plessis on October 1). He had apparently been "instructed" at a recent Sanlam board meeting that he must use his chairman's discretionary vote at the proposed Gencor shareholders' meeting in favour of the Sanlam position.

De Villiers wrote: "After consideration, I reached the conclusion that I, as chairman, could not vote in a manner which I did not believe served Gencor's interest ... I believe that (the chairman) should exercise his own unrestricted discretion as Gencor director and should not have to vote according to an instruction. This discretion, I believe, must be applied in Gencor's interests as a whole and not in the interests of one group of shareholders, even if it is the majority group ..."

With their chairman thus preparing himself for martyrdom, the Gencor executives were in turmoil. On August 10 De Villiers summoned them to a meeting and promised that Du Plessis and Coetzer would be there. Of the 86 people who attended, no one doubted that majority support was with their chairman and hostile to Sanlam and in particular to Du Plessis and Coetzer.

On the same day De Villiers handed over the chair to Pavitt and poured out the full detail of what he had been through.

He rejected the Press report that there were three "disloyal" directors "with absolute contempt", and pointed out that Rupert had also described the allegation as ridiculous.

Did Du Plessis believe it? he demanded. Du Plessis replied, "No." And was it not true, he asked Coetzer to his face, that he had been told to resign on the very day Du Plessis was publicly declaring their faith in him? Coetzer looked away and said nothing.

De Villiers must have known that he could not survive. On August 25 he announced his premature retirement.

He allowed himself a detailed public statement in which he described Wassenaar's "sustained personal hostility", repeated his rejection of "the concept that the CEO should be required at all times to act on the instructions of a majority shareholder, even when in his judgment this would not be in the interests of all shareholders", and reiterated that the allegations that Rembrandt with certain Sanlam-appointed directors plotted to acquire control of Gencor were totally unfounded.

Slimes nightmare enrages community

(210) M+G 1-7/12/95

Bronwen Jones

TEARS and righteousness make a potent mix in an angry young woman out to fight the wealth and might of big industry. Sitting atop a crumbledown dam looking over her community, Renée Smith, 21, adjusts blue rimmed spectacles and says: "We will not let them build their dam on our doorsteps. We will not let Merriespruit happen twice."

Working for a firm of engineering consultants, she has a better than average understanding of plans to construct a R16,8-million slimes dam at Fleurhof, in apparent disregard for those interred in the mud of Merriespruit and in the Bafokeng disaster 20 years earlier.

Rand Mines Properties (RMP) wants to clear 50 mine dumps around Johannesburg, reclaiming the gold and making industrial land available for building. To do so, it must dump the dirt at Fleurhof.

Smith says: "The Merriespruit court case is still pending and yet they expect us to happily accept Fraser Alexander, the same firm of engineers." She is angry at what she feels is RMP's and the Minister for Mineral and Energy Affairs' placing of the economy and the country first. "They are so convinced of their own importance they have forgotten we are important too.

"It may not have been me who bought a house in Fleurhof, but my parents did. They have been building up a legacy for me and my brother. Now it is worth nothing. Yesterday an estate agent told me, 'Fleurhof is a dead zone'."

The community is united in its opposition to the new dam, with each of the 450 households signing the petition delivered to Pik Botha, Minister for Mineral and Energy Affairs. They have a fighting fund and a committee fast getting a grip on environmental impact assessments and the finer points of dam building. They have employed a separate firm of consultants to independently assess the dangers of the massive structure.

While there are dumps nearby, they are a dusty irritation, not a looming menace, and were there before Fleurhof. RMP's plan is to merge a group of tumble down dumps not used in decades into one mega-dump. Again breaching engineering wisdom, it will place new material on an old structure. It will dump and process 24 hours a day, 324 days a year, for the next 12 to 15 years.

Slimes dams are not walled in by concrete. They have vast banks of earth and sand holding back a porridge of fine industrial waste. A porridge that, once it flows, is unstoppable.

Every year, on average, there are two slimes dams failures in South Africa. The year that they started to build the dams at Merriespruit, there was a major failure at Impala Platinum Mines, known as the Bafokeng disaster. The slimes poured into a mine shaft, killing the men below, and flowed on the surface for 25 kilometres.

Fleurhof is, at best, 300 metres from the site of the intended mega-dam. While RMP promises daily, weekly and monthly checks, there is always the possibility of human error.

In February last year, when the Merriespruit slimes dam burst, 17 people died and some who survived live lives of indescribable misery. The trial of officials for culpable homicide starts in March.

Community leader Eugene Marais says: "It's an accident waiting to happen. We will not let it be built."

The old slimes dams at Fleurhof were used in the 1920s. The community itself was not established until around 1974.

Fleurhof was established as a white community but, with Soweto too close for comfort after the 1976 uprising, residents fled. Indians turned the township down. But coloureds, used to being betwixt and between, moved in gladly.

"There is nothing you can say to convince someone who is frightened," says Dick Plaistowe, director of RMP's land clearing and gold recovery division. He is aggrieved that Fleurhof is attracting attention, and says RMP has had to produce a R28 000 video to explain how benign the scheme is, as well as spending tens of thousands of rands on models, brochures, consultations and helicopter trips for various committees.

Plaistowe argues the dumping ground is essential for RMP to continue to employ 620 people. But Fleurhof residents would sell their homes to RMP if they could. While Plaistowe insists the development will not cause property prices to drop, he says RMP doesn't want to buy the houses in Fleurhof, valued at R81-million. He says the company has no choice over its dumping ground. The gold processing is so marginal that it is not economic to take the debris further afield.

Work was due to start on the mega-dump last month, but has been delayed by the residents' protests.

"With the extraordinary safety measures being taken, living next to the dam is the same risk as living normal daily life."

Still not higher than the dump: Renée Smith on the roof of her house PHOTO HENNER FRANKENFELD

Marais says this is illogical, and if the dam fails, he believes RMP is underinsured, with only R3,5-million in its mine closure fund at the moment. "There are already miners' graves on top of the dam. We don't want a mass grave at its side."

The shadow of Merriespruit lies long on the ground of Fleurhof. Divided by a distance of several hundred kilometres, the living of one community and the dead of the other seem melded in their fear of what lies ahead: fear of the mud.

Shareholders oust South Wits board

CT(BR) 5/12/95 (210)

By Charlotte Mathews

Johannesburg — A group of South Wits shareholders headed by Jack Dorfan replaced the board of directors with the support of the majority of shareholders after an hour-long meeting yesterday at the offices of Mercantile Registrars

Former chairman Nick Stavrakis and directors J de Villiers and L Jacobs were replaced by Jack Dorfan, B Aires and W Karpas

The meeting attracted 20 attendees, better than average for South African shareholders About 75 percent of shares were represented in person or by proxy

South Wits, a mining exploration company, has been the subject of a tussle between management and shareholders after a letter was sent to shareholders by Dorfan in early November

Dorfan said there had been no dividends since 1986, a number of ventures undertaken by the company had been unsuccessful despite optimistic forecasts from management, and shareholder approval had not been sought for the disposal and re-acquisition of a stake in Black Wattle Colliery

The media were excluded from the first part of the meeting, during which the board was voted out, and attempts by Business Report on Friday to obtain a proxy so as to gain legitimate admission were unsuccessful Dorfan admitted the media to the latter part of the meeting

Stavrakis said after the meeting that shareholders had exercised their democratic right He said Dorfan could negotiate with the former board for the common good or could choose a path of confrontation with protracted litigation and a company which would be ungovernable

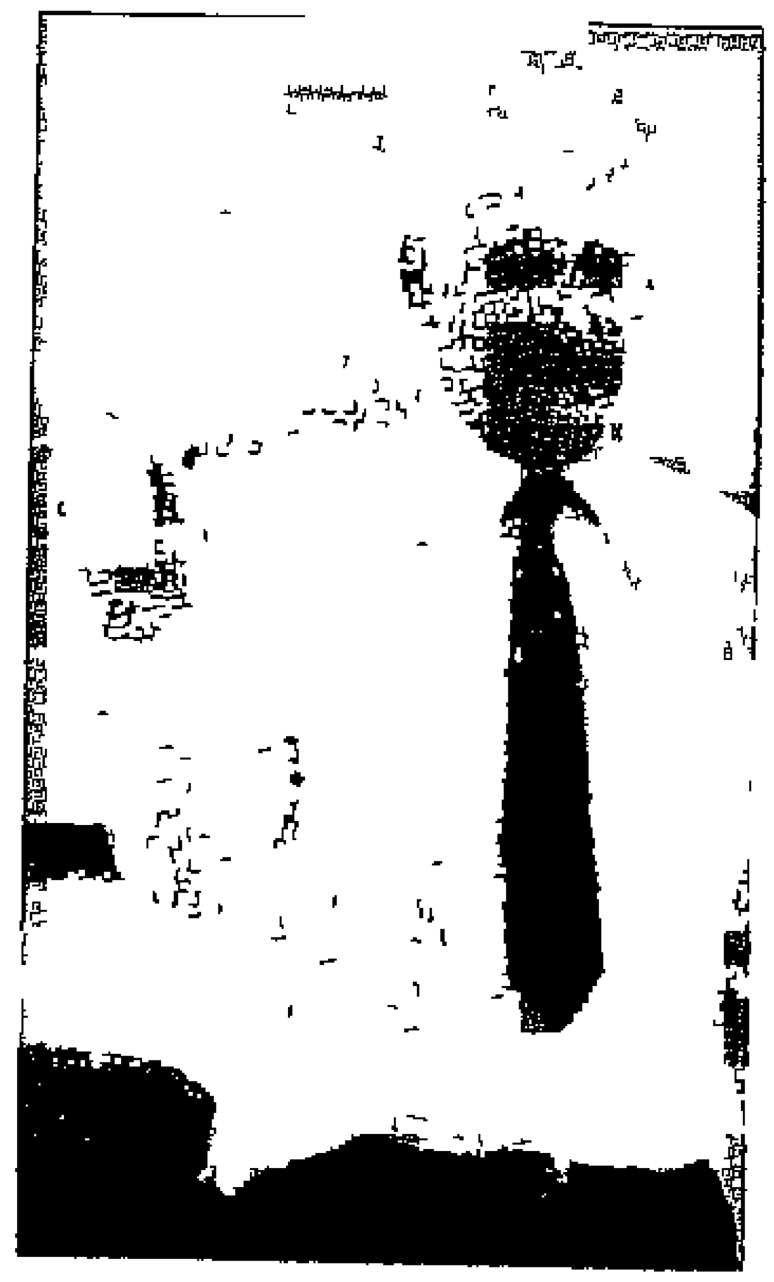
This would diminish the value of South Wits shares to zero

Stavrakis and his family hold about 20 percent of South Wits

The first step after the meeting would be a meeting between the old and the new boards to talk about making a smooth transition

Dorfan told the meeting that he and his co-directors would do everything possible to turn the company around In reply to a question, he said he hoped to advise shareholders of the position of the company by March 31 or before

Some of the issues that would be investigated included the contract between South Wits and its management company, South Wits Mining and Services, and the funding of Black Wattle Colliery to increase its production to 70 000 tons a month



THE VICTOR *Jack Dorfan, the new head of the South Wits board*

THE VANQUISHED *Ousted South Wits chairman Nick Stavrakis, right, addresses the media after yesterday's meeting* PHOTO: JOHN WOODROOF

Mining house milch cow may be your home

By Ross Herbert

(210) CT(BR) 5/12/95

Johannesburg — If Nelson Mandela wanted to build a toolshed or a granny flat in the back yard of his Houghton home, he would have to pay R8 000 to get permission from Johnnies Industrial Corporation (Johnnic)

If he wanted to subdivide his property, he would have to pay Johnnic about R20 000 To use his house as an office would cost him about R30 000 To add space for a business, he would have to pay about R50 a square metre

Although Johnnic does not own or lease Mandela's property and has not for years, it still controls rights over many Houghton properties through obscure, decades-old conditions written into title deeds when vast areas were owned by mining houses.

COLONIAL RULES

These are direct quotes from property deeds still in effect in Gauteng

Owners have no right to open...any canteen, restaurant or place for the sale of wine or spirituous liquor without consent

No kaffir eating house of any description

There are proper government bodies overseeing property and construction, but Mandela and thousands of landowners like him are unaware that they must get the permission of companies that act as shadow governments, controlling vast areas of economic activity

Unless the law is changed, Johnnic and other companies like it will continue collecting fees for activities occurring on properties across the country — thanks to rules written by those companies when the townships were being established

Some call it "blood money" Some say it is totally legitimate Critics say the practice is a form of feudal control and vow it must be stopped.

☐ Special report on Page 16

Title restrictions outrage landowners

CT 5/12/95 (210)

By Ross Herbert

Johannesburg — In Baragwanath extension one, no outdoor advertising can be posted without permission of Rand Mines Property In Rosettenville, no liquor can be sold without permission of South Village Deep

In Houghton, Yeoville, Berea and Westdene no liquor can be sold, buildings constructed, business conducted or property subdivided without the permission of Johnnies Industrial (Johnnic)

And permission means money, sometimes big money

Across the country, homeowners and businesspeople are often stunned to learn that obtaining permission from local councils or government is not enough.

Beyond the public authorities that regulate advertising, building construction and liquor sales, but a second, corporate authority also wields control

The control dates from the era when much of the nation's land was held by mining houses That control does not come from any statute but from restrictive conditions written into property deeds decades ago

In many locations, the companies that wrote the deeds have not owned the land for years But the deeds say all subsequent owners must obtain the permission of the original owners for a wide variety of actions

"These conditions exist from the Wild West days of South Africa when the rule was 'I have the gun and the power and get to set the rules' I don't think it's fair that they have the right (to collect fees) for the next 500 years," said Rick Raven, a town planner at Plan Africa who frequently negotiates with companies granted restrictive rights through title deeds

Some deed restrictions require permission to engage in business Others stipulate the type of materials that may be used for fencing, roofing or buildings

There are deed restrictions against steel buildings, boarding houses, restaurants and more commonly, racial groups

For example, property deeds for Roodepoort West still contain a restriction stating that "no business or kaffir eating house of any description shall be conducted"

Most property deeds include bans on ownership by "coloureds" or "non-Europeans"

Explicitly racist provisions have been declared invalid, but many other restrictions are still generating income for major corporations

There are no statutory limits on how much they can charge

"It's disgraceful, shameless monopolistic practice How is a small businessman like me to create jobs if I have to pay R100 000," said Luciano Di Domenico, owner of Luchi's Pizzaria in Westdene He obtained a proper liquor license, but Johnnic said permission to sell liquor would cost him R100 000, nearly three years rent He bargained the price to R10 000

Johann Strauss, an attorney who handles such cases for Johnnic said various rights, such as mineral rights, are often separated from the right to live on a property He said Johnnic pays rates on its rights.

"It doesn't in any way restrict your economic freedom. I understand the layman saying this is iniquitous, but the price of the property was far less way back (without the rights held by Johnnic)

"All we're saying is now you have 85 percent of the rights to the land. To achieve 100 percent of the rights you have to spend some money," said Strauss

FEUD(AL) DUES *Luciano DiDomenico, owner of a small pizza shop in Westdene, Johannesburg, was shocked to receive demands for R100 000 from Johnnic for its permission to sell liquor Restrictions written into property deeds decades ago give Johnnies Industrial Corporation and companies like it the power to collect hefty fees from small businesses and homeowners forever*

PHOTO JOHN WOODROOF

The right to collect fees based on such rights was upheld as recently as 1993 in the Supreme Court. These rights can be removed with court action, but compensation must be paid

However, several attorneys contacted by Business Report said they believed the practice could be successfully challenged in court when the new Bill of Rights comes into force

"I would think it's very difficult politically for Johnnic to defend those kinds of rules just based on their historical privileges,' said Wim Trengove, head of the constitutional section at Legal Resources Centre.

According to Raven, some companies particularly Johnnic, charge vastly more than others for the same rights RMP charges nominal fees for building approvals and liquor-related permissions 'JCI is notorious They are very, very strict They won't agree to anything without a fee"

Strauss said when a property is changed from residential to business use, Johnnic charges from 10 to 30 percent of the increase in assessed value He said it charges from 1 to 3 percent of annual turnover for permission to sell alcohol and about R10 000 to remove the restriction completely

The cost for liquor rights is disputed by Sean Snyman, an attorney who has negotiated with companies like Johnnic for seven clients trying to sell liquor One client paid R50 000, another R5 000 a year.

But he said those amounts did not buy the right to sell liquor in perpetuity from Johnnic. As soon as those businesses were sold, the new owner also had to pay

"The amount is completely arbitrary They'll take what they think they can get.

"If you open a big liquor store, they'll say they want R100 000 If you open a five-star hotel, God knows what they'll ask."

Why can companies command such steep fees? "Because licences are valuable and you are shouting from the cheap seats That's why It's absolute blood money It's extortion," said Snyman.

Raven said such restrictions affect property nationwide In the Johannesburg area they affect Booysens, Braamfontein, Orange Grove, Observatory, Park Town, Rowhill, Benoni, Westdene, Roodepoort, Auckland Park and many other areas

Companies holding these rights include Anglo American, Braamfontein Industrial Sites and Southern Life But enforcement of restrictions varies widely

Some restrictions in title deeds would be difficult to challenge

RMP said when it sells a development, it continues to approve building plans for adjoining tracts. The purpose is to prevent low-quality construction or business usage that could harm the value of property it still holds

Attorneys said they believed it would be impossible under recently passed land, deed and township laws for companies to insert restrictions such on liquor-sales. Critics complain restrictions to property imposed by individuals die when the individuals die But corporations don't die and thus pass on old rights forever

South Wits board and chairman ousted

BD 5/12/95

(210)

Michael Urquhart

SOUTH Witwatersrand Exploration shareholders ousted chairman Nick Stavrakis and his board yesterday over the company's failure to show profit.

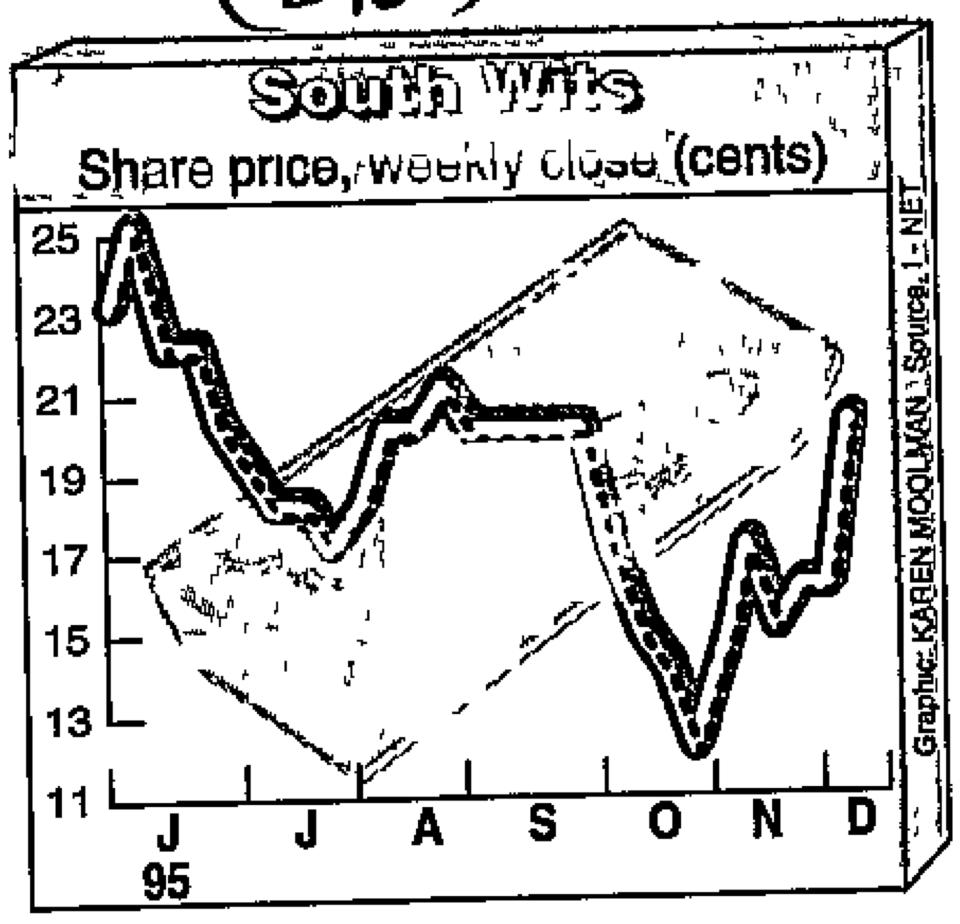
Investors in South Wits — who had paid Stavrakis' management company R4m in fees although the operation had lost R6,5m since its creation in 1988 — voted for the overthrow by 13,9-million shares to 8,2-million shares against at yesterday's extraordinary general meeting.

Stavrakis was replaced by Pretoria-based chartered accountant Jack Dorfan, who helped organise disenchanted shareholders before the meeting.

Dorfan vowed to examine the management contract between South Wits and South Wits Mining & Services, adding that the contract terms had never been disclosed to investors.

Stavrakis promised to co-operate if the new board did not do anything to "discredit the outgoing directors and provided they upheld contractual obligations to directors". If the new board sought confrontation, litigation would make the company "ungovernable" and would see South Wits's value "diminish to zero", he said.

The share price had fallen from 175c in 1990, when the company was worth R6,26m, to 12c in October, valuing it at just R4,2m. The share leapt 25% to 20c after yesterday's uprising.



Continued on Page 2

South Wits

(210)

BD 5/12/95

Continued from Page 1

The revolt follows similar moves by shareholders in Randgold, which ejected its management last year and stripped away management contracts on its four marginal mines.

Dorfan said he did not believe in management contracts. "Directors work for the company and are paid by it," he said.

The new board would investigate the terms of the contract and other aspects of the business and report back to shareholders by the end of March.

While he had not ruled out the exploration side of the business, South Wits would initially concentrate on the Black Wattle colliery, the company's major asset. A capital injection was needed for the mine as it was undercapitalised and just "putting out fires".

The mine currently produces between 20 000 and 30 000 tons of coal a month, against a targeted production rate of 70 000 tons.

Dorfan told shareholders that if the mine could get up to full production, it could produce a profit of R1m a month.

MPs want to overturn restrictive land deeds

CT(BR) 6/12/95

(210)

By Ross Herbert

Johannesburg — Restrictive property deeds that force property owners to pay substantial fees to former landholders should be overturned, political leaders and civil rights lawyers said in response to a special report in Business Report yesterday.

"We definitely should be looking at doing something about this in the constitutional assembly," said Willie Hofmeyr, an ANC MP and member of the assembly.

"I haven't heard of this before. This is almost a restraint of trade. It seems to me to be very much out of step with the broad thrust of this country.

"I would be very surprised if things like this could stand up under the new Bill of Rights," Hofmeyr said.

When much of the property in the country was developed around the turn of the century, major corporate landowners, principally mining houses, wrote a variety of restrictive provisions into property deeds.

These provisions mean that landowners must ask the permission of, and often pay substantial fees to, the corporations who wrote the original deed restrictions.

LAND RIGHTS *DP leader Tony Leon opposes deed encumberances*
PHOTO THEMBA HADEBE

Original property owners may not have owned the property for decades, but they can prevent property from being rezoned and block homeowners adding backyard cottages, operating businesses or selling liquor from their businesses.

In some areas of suburban Johannesburg it could cost R30 000 or more to buy permission from the companies named in deeds.

"I am a firm believer in property rights. But I do not believe one should be able to encumber a property through four generations," said Tony Leon, leader of the Democratic Party. "I have had lots of complaints about it."

So far, restrictive title provisions have been upheld in the Supreme Court and held to be real, albeit intangible rights.

Companies holding these rights argue that when they originally sold land they held back these rights.

This left later landowners with most of, but not all, the rights normally associated with land.

In some cases these rights are designed to prevent property values from falling.

In others they are merely an income stream for their holders and effectively allow them to veto government town planning.

"We would be very interested in a client who would like to challenge this sort of thing," said Norman Abraham, an attorney at the Legal Resources Centre.

"I think this might constitute a violation of the right to economic activity. It's clearly discriminatory," said Urmila Bhoola, an attorney and constitutional law specialist at Thompson Cheadle & Haysom.

Workshops to shape minerals policy

Michael Urquhart (210) BD 7/12/95

A PUBLIC meeting held yesterday by the Minerals Police Steering Committee approved two workshops to hammer out details of a minerals policy green paper in an attempt to achieve consensus on contentious issues.

Committee chairman Marcel Golding said the five main contentious issues were small-scale mining, downscaling of mines, mineral rights and taxation, security of land tenure and environmental issues. One of the workshops would focus on legal rights and investment issues, while the other would concentrate on public policy issues.

The debate at the public workshops would be used to refine the draft discussion document released last month, and would be the final step before drawing up a green paper.

Golding said any issues which could not be agreed on at the public workshops would have to be decided by government through the mineral and energy affairs department and the Cabinet.

The whole process is being steered by the working committee, which is chaired by Golding and composed of representatives of labour, government and the industry.

The process was kicked off in December last year when the ANC released its draft document on mineral and energy policy.

This had subsequently been followed by documents from the mineral and energy affairs department, the employers' representative body and the NUM.

The period before the workshops would be spent taking submissions from the public for input into the green paper.

Holiday delays energy decisions

CT (BR) 7/12/95 (210)

By Derek Tommey

Johannesburg — The start of the Christmas holidays had made it difficult for any government department to make a top-level decision for at least the next six weeks, Marcel Golding, the chairman of the government's mineral and energy affairs committee, was told yesterday

At a meeting in Pretoria he appealed to people interested in formulating a new minerals and energy policy to submit their views in not more than 1 200 words by January 15

But representatives of many government departments said this would be impossible as everybody of importance would be on holiday and unavailable

Reluctantly, Golding extended the deadline for written submissions to January 30

After some discussion the meeting decided to hold two two-day workshops early next year

Golding told the meeting that the energy committee rather than the minerals and energy committee would deal with matters relating to the ownership of gas deposits

Energy Africa gets all set for floating

(210)

ARG 9/12/95

GEOFF ELLIOTT
Business Reporter

SOUTH Africa's first listed stand-alone oil exploration and production company will probably be floated by the end of March, with a substantial chunk of the new company being sold to international investors, according to Engen chairman Bernard Smith

He told shareholders at Engen s annual meeting yesterday plans were well advanced for the shares of Energy Africa, which holds Engen's international exploration and production interests, to be listed on the Johannesburg Stock Exchange

"The listing will be accompanied by an international and domestic fund raising exercise to provide funds required for Energy Africa s new businesses' Mr Smith told shareholders

He confirmed speculation that Engen is expecting to raise about $80 million (R330 million) to $100 million (360 million) from the sale of 35 percent to 40 percent of the new company s shares, making for an expected total capitalisation of the new company at about $250 million (R900 million)

Engen will maintain control with the remaining stake of between 55 percent and 60 percent

The company expects to sell about half of the Energy Africa float, that is about 20 percent of the new company, to foreign portfolio investors via global depositary receipts

An Engen official told The Argus that the company has retained Merrill Lynch and Rothschilds, investment banks from the US and Britain respectively to handle the issue It is unclear which local brokers are working on the deal

Analysts are not expecting the new company to generate earnings in the first couple of years, in line with most exploration firms

But, Energy Africa will be generating cash flow through interests in producing fields, namely an eight percent stake in the Alba oilfield in North Sea, a 10 percent stake in the Bukha condensate field in the Oman and, a 2 5 percent stake in the Nkossa oilfield in the Congo which is due to come on stream next year

Rob Angel, Engen's chief executive officer, said in the company's annual report that Energy Africa will be a "financially self-sufficient, independent company, generating the cash flow it needs to fund its exploration and production activities"

Jacques Pickard, chemical sector analyst at Smith Borkum Hare, said the new listing was an exciting one for South Africa since it was the first of its kind in South Africa

That also made assessing the value of the company tricky since there was nothing else in South Africa to compare it with But he added sound management was the key measure in assessing oil exploration companies

'If you're confident and think they can deliver then invest," said Mr Pickard

And in spite of Engen's recent profit performance, which reflected the firm's extensive restructuring, management had done a good job, Mr Pickard said

Shareholders obviously think so too Egen s annual general meeting was all over in about 15 minutes yesterday with not one question from the 50 or so assembled shareholders over Engen s poor performance in 1995

The chairman held out some hope for them next year, with Mr Smith saying he expected an improved profit performance in 1996 but declined to be more specific

Soekor to lay off workers

(LB) (210)

FROM REUTER

CT (BR) 12/12/95

Cape Town — South Africa's state-owned oil exploration company, Soekor, said it planned to lay off workers and to step up restructuring aimed at eventual privatisation

Spokesman Francois Siebrits said the company was contracting its two drilling rigs to French-based Sedco Forex and planned to lay off about 100 of its 260 workers by the end of March

"Sedco Forex has already taken over the running, management and marketing of the Omega rig off Angola and will take over the Actinia rig in the South Seas off Malaysia in January," he said

Soekor planned to concentrate on exploration and production activities The drilling rigs were bought while South Africa was subject to economic sanctions

The next step would be to decide details of a joint venture with Engen to open up South Africa's first offshore oilfield

Discussions have already been held with Houston-based Oceaneering International

The project, which will cost $75 million, will be financed through foreign loans arranged by the Central Energy Fund and no government guarantee will be required

Siebrits could not provide a time frame for privatisation. But he said "The long-term aim is to be independent of government" institutions

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Siebrits could not provide a time frame for privatisation But he said· "The long-term aim is to be independent of governm[illegible]t"

Within this context of strict demand discipline, he wanted to rates in the United States fell and the shock of Mexico faded

'Conflict of interests' claim in Sowits uproar

(210) CT(BR) 14/12/95

By Charlotte Mathews

Johannesburg — The turmoil at mining exploration house South Wits continued this week as Bisichi Mining, the manager of South Wits' main asset, the Black Wattle Colliery, suggested there was a serious conflict of interests in the nominations made to the South Wits board by the dissatisfied group of shareholders.

At a special shareholders' meeting a week ago, a group of shareholders, led by accountant Jack Dorfan, voted out all but one of the previous board of directors, but the election of new directors has been nullified on a technicality

The shareholders' group was dissatisfied with the lack of any dividend declarations despite glowing reports about prospects from management

Besides the nomination of three directors agreed on at the meeting — now set aside — Dorfan has approached Glencore, an international coal group, to take representation on the South Wits board

Bisichi Mining's representative in South Africa, Andrew Heller, said there was a serious conflict of interest between the interests of Black Wattle and South Wits, and those of Glencore.

"One is obviously trying to get the highest price for coal and the other is trying to pay the lowest price

"Until this matter is satisfactorily clarified, Bisichi will, through the appointment of a quorum of directors, continue to manage that company," Heller said

Dorfan said Glencore had been approached because of its coal marketing expertise and because it was the largest recipient of Black Wattle coal in 1995 But so far Glencore has declined to accept board representation

Dorfan said he had spoken to other players in the coal industry because he believed it was in the best interests of shareholders to explore all options

Heller added that the proposed cession of mineral rights currently held by South Wits to Black Wattle was provided for in an agreement concluded in 1994

Bisichi has not initiated any further steps on the cession, but South Wits is bound to comply with its obligations

Uncertainty dogs Union Mines deal

ARG 16/12/95 (210)

JOHN VILJOEN
Business Reporter

UNION Mines, whose shareholders are awaiting details of a deal with Transvaal Mining and Finance Company, has announced an accumulated loss of R550 000 for the six months ended August.

Nico Lotterie, chairman of the Northern Cape manganese mine, which also owns land in the Northern Transvaal, has been promising investors news of the deal since October.

Union said yesterday it had signed an agreement to acquire 49 percent of Intercoal Mining, which owned 100 percent of Transvaal Mining and Finance Company, additional tin dumps and a tin smelter

A further press announcement regarding the deal would follow in due course

In interim figures, Union reported a loss of R294 593 for the period, with a further loss of R254 943 brought forward This translates to a loss of 1,4c a share

The company said it spent R2,7 million on prospecting over the six months Manganese production had not met budget due to "an appraisal of the correct plant requirements and a consequent shut-down"

A manganese analyst interviewed yesterday said Union Mines still had potential, but the market was growing tired of the problems surrounding rumoured deals in recent months.

It had also proved extremely difficult to get full financial statements from the company, he said

There was no shortage of manganese worldwide, he said. Samancor had several hundred years worth of reserves "That's huge."

Union Mines, he said, could be an alternative supplier "They've got a manganese deposit which by all accounts is OK — it's reasonable

"They've also got the Naboomspruit property That's a very attractive part of the world and any land there, apart from mineral potential, has farming potential, which is quite valuable."

More details of the deal with the Transvaal Mining and Finance Corporation would have to be revealed before it could be analysed accurately, he said

"They talk about a reverse listing but there are no details yet."

A lot had been said about Union, including talk of a deal with a Norwegian company. "But it seems it's very hard to put a deal together, when it comes to signing the bottom line there seems to be a breakdown

"But I still think, potentially, a deal could unlock value, although it is difficult to be 100 percent certain"

Mr Lotterie could not be reached for comment yesterday