MINING — GOLD

1992

SEPT. — DEC.

Union support needed

MATTHEW CURTIN (214)

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

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

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

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

Eick said unless the unions pitched their full support behind a management move to apply to government for a seven-day work week, the mine faced almost certain closure B/DAY 2/9/92.

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

The unions involved — the NUM and the Council of Mining Unions — were still discussing management's proposals yesterday.

Harmony shares dive as rescue bid talks begin

B/DAY 1/9/92. (214)

MATTHEW CURTIN

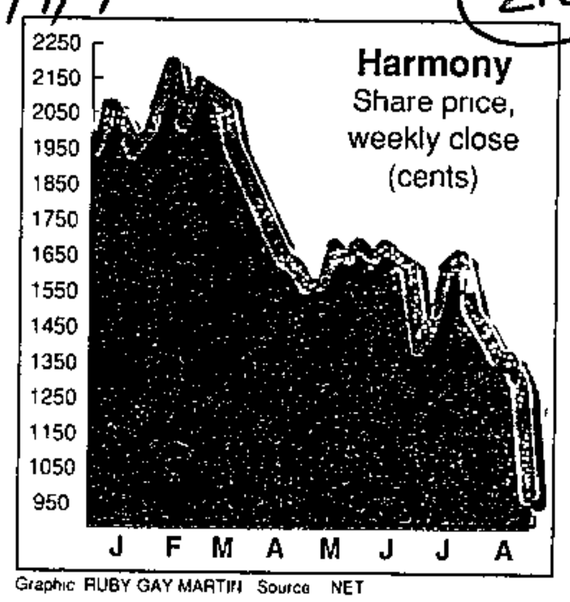
SHARES in Rand Mines' struggling Harmony gold mine plunged 23% or 300c to R10 on the JSE yesterday as workers and management began discussions about a new rescue plan designed to stave off the mine's closure

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

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

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

However, the penultimate clause states that such work is allowed if declared to be "in the national interest" by the Mineral and Energy Affairs Minister Harmony MD Karl Eick has said Harmony's survival was in the regional and national interest Harmony employed thousands of workers, and the economic



Graphic RUBY GAY MARTIN Source NET

life of the town of Virginia depended on the mine Mineral and Energy Affairs Minister George Bartlett was not available for comment yesterday

Chamber of Mines safety and technical services GM Johan Greef said the main disadvantage of the Sunday work ban was the "under-utilisation of capital" it represented It made sense to maximise the use of assets, given the multimillion-rand capital costs associated with gold mining "The chamber supports any means which will improve the viability of the industry," he added

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

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

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

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

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

The mine was currently mining ore with an average grade of 3,2g/ton across all stoping panels, but 20% of those had a grade of less than 2g/t By eliminating those panels, the grade could be increased to 3,74g/t

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

It would take time for the plan to take effect, with the average grade only reaching 3,74g/t in October, from 3,25g/t in September, 3,4g/t in August and 3,0g/t in July

Randfontein nets gold award for turnaround

JONO WATERS

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

In the year to January, profit increased threefold to R21,8m, and the cost a kilogram decreased by 14,7% to R25 475

The seriousness of Randfontein's fall in profits became evident in 1990 and the mine informed its 14 000 employees an improvement plan was needed (214)

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

Since January 1991, labour force turnover and absenteeism had both been less than 1% B/DAY 1/9/92

Harmony gold mine's fate in hands of unions

STAR 2/9/92 (214)

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

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

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

He said blasting on Sundays, currently forbidden in terms of existing legislation, was a vital element in a revised mining plan that could result in a R73 million turnaround at Harmony from a forecast working loss for the year of R42 million to a working profit of R31 million

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

"It would also secure the jobs of the mine's 13 000-strong labour force and prevent any need for salary cuts," said Mr Eick

Another important point was that the plan made no demands on employees to work extra shifts Everybody would continue to work 24 8-hour shifts (with six days off) per month

The success of the plan revolved around grade "At present, Harmony is producing 500 000 tons per month at an average grade of 3,2 g/t

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

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

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

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

"The net result would be a 0,54 g/t increase in average grade from 3,2 g/t to 3,74 g/t which, at a maintained tonnage of 500 000 tons a month, would yield an additional 270kg of gold a month — at no additional cost " — Sapa

B/Day 2/9/92

(214)

Mining firm liquidated

KLERKSDORP gold mining company New Machavie Gold Mine (Klerksdorp) Ltd, which owes R1m to a bankrupt creditor, was wound up provisionally in the Rand Supreme Court yesterday

Profit-sharing deal is holding up agreement

(214) DIRK HARTFORD

DIFFERENCES over the proposed profit-sharing deal on gold mines are holding up the signing of this year's agreement between the Chamber of Mines and the NUM. B/DAY 21/9/92

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

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

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

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

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

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

The proposed agreement is similar, except for wages and profit-sharing, to last week's coal agreement The chamber could not be reached for comment last night.

Sun gold mine on hold

CT 3/9/92 (214)

Own Correspondent

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

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

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

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

Analysts said yesterday the capital cost of establishing a new mine could exceed R2,5bn, given the depth — more than 4 000m below surface in some cases — at which drilling had intersected reefs on the Sun prospect.

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

New deal obviates uranium glut

MATTHEW CURTIN

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

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

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

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

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

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

Uranium output from SA's gold mines fell 30% in 1991 to 1 885 tons from 2 697 tons in 1990

The FT reported Uranium Institute director-general David Kay had said the agreement "ensures that not all the weapons-grade fuel will be entering the market at once, but will be released over many years

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

He said early estimates that dismantling nuclear weapons would provide about 100 000 tons of uranium — or about two and a half times last year's Western world sales of 38 000 tons — were proving wide of the mark.

Political uncertainty a damper

Anglovaal shelves Sun gold project

B/Day 3/9/92 (214)

MATTHEW CURTIN

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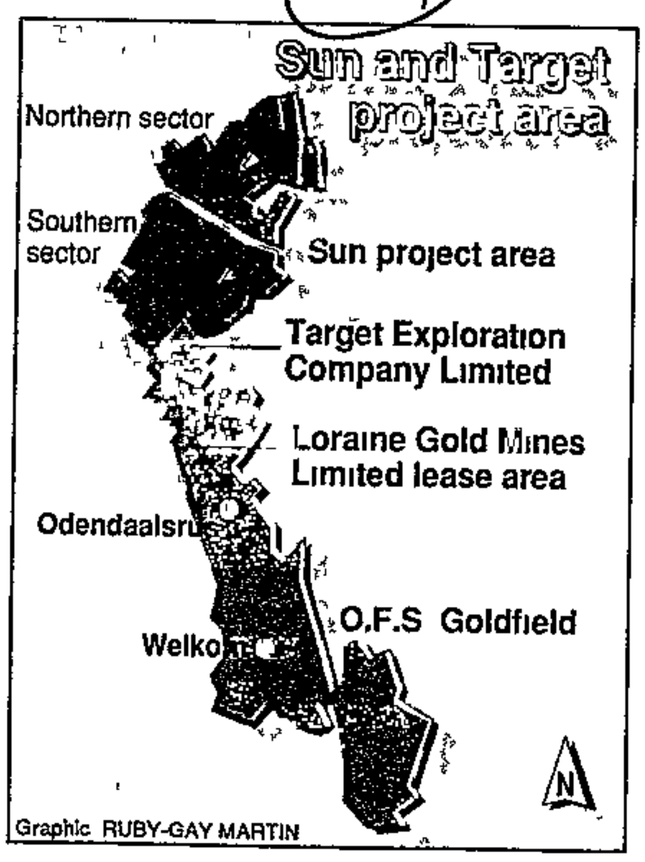
Analysts said yesterday the capital cost of establishing a new mine could exceed R2,5bn, given the depth — more than 4 000m below surface in some cases — at which drilling had intersected reefs on the Sun prospect

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

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



Financing of Gengold's new R1,3bn Oryx mine has become increasingly difficult, because weak gold prices have hit the profits of St Helena, against which management planned to offset Oryx's capital expenditure Anglo American gave the go-ahead to its R1,7bn Moab mine earlier this year, but analysts say there may be increasing pressure on the group to re-evalu-

☐ To Page 2

Anglovaal

B/Day 3/9/92 (214)

☐ From Page 1

ate the project in the light of the sustained weakness in gold prices

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

The Anglovaal spokesman said drilling results were good enough for Target Exploration to continue to evaluate the project. Target has spend R37m on exploration so far But, again, mining analysts question whether it can be developed as an independent operation or whether viability would depend on the use of Loraine's facilities or extraordinary tax breaks

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

Analysts said the results from Target showed the area had a similar geology to Loraine's, although the reefs were deeper at 2 000m-3 000m below surface

Loraine has proved to be something of a headache for Anglovaal, as its complex geology, multiple reefs and high underground temperatures have been exacerbated by high working costs and then low gold prices Loraine was originally planned as two mines Anglovaal's Riebeeck mine designed to exploit the Eldorado and Kimberley reefs but not the Basal, on which JCI held the mining title, and Anglovaal s Loraine to the north

The mines were merged in 1958, after which their separate shaft systems, 4km apart, were connected, but have not proved to be the most economic way of exploiting the mine's ore reserves

Target, by comparison, would be developed with a single infrastructure, exploiting all the reefs in its reach A new mine there might also facilitate the development of the north section of Loraine, as yet undeveloped from its northern No 1 shaft

Mine could still be Harmonious

B/DAY 3/9/92 (214)

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

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

NUM appeal for members

B/DAY 4/9/92

DIRK HARTFORD

NUM president James Motlatsi has appealed to miners to join his union "to ensure they receive the benefits to which they are entitled from employers"

He told a rally at Hartebeesfontein gold mine yesterday that "thousands" of miners were unaware of benefits resulting from cases of death, accident, dismissal or retrenchment

"Year after year unclaimed monies go into the coffers of the apartheid state, whereas the beneficiaries should be mineworkers' families," he said. (214)

He said the NUM took legal action against Genmin after 172 workers were killed in the Kinross disaster in 1986, only 93 of whom were NUM members Although "a considerable amount of money was won" the union could only trace 40 families because of their ignorance about the deceaseds' rights

He appealed to miners — especially those from Lesotho, Transkei and Mozambique — to join the union He described non-union members as "parasites" who benefited from the NUM's struggles.

Govt aid to Harmony could total R60m

MATTHEW CURTIN

POSSIBLE government assistance to keep Harmony gold mine afloat could consist of financial aid or soft loans of about R60m a year, analysts say B/DAY 4/9/92

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

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

Harmony reported a R36m after-tax and after-capex loss in the June quarter It turned in an R8m profit in the year ended June 1992, after a R39m loss in 1991

Analysts said government could not be thinking of tax concessions or pumping assistance for Harmony because it was a loss-making mine without any underground water problems (214)

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

Minorco buys stake in Aussie gold mine

(214)

CT 7/9/92

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

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

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

It is thought to be in BP's books at US$800m, suggesting a further US$500m write down following the Dlrs2bn interim figures purge last month

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

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

In normal times Western Mining might be expected to buy the stake

But that fact that BP is talking to Australia's Foreign Investment Review Board, suggest Western Mining will not move

Minorco has $1,6m of net cash and has been on the bid trail since its take-over of Consolidated Gold Fields was thwarted three years ago and it sold out to Hanson group

● According to the Mining Annual Review, Olympic Dam has invested $45m on increasing production During the last financial year it produced 48 250t of copper (set to rise to 66 000t), 32 000oz of gold (up 76% on the previous year) and 1 482t of uranium oxide

Gold industry pins hopes on jewellery

B/DAY 9/9/92 (214)

CHARLOTTE MATHEWS

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

He told the Association of Mining Analysts that physical demand for gold grew by 700 tons in the 1980s but, unless the gold price firmed, this would not be matched in the 1990s

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

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

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

Margins

In Europe, jewellery manufacturers were producing at between three times bullion's value, about $1 000 profit per ounce, to five or six times bullion's value, or $2 500 profit an ounce

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

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

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

Of about 119 000t of gold produced "since the beginning of history", Sunter said, SA had produced 43 900t or 37%

On the consumption side, 39% or 46 000t had been taken up by the jewellery industry and 39 000t or 33% by the "official sector", representing banks and government reserves

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

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

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

At a price of more than $600, SA gold production would rise but at its present level production would drop below 200t a year

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

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

Moab, Anglo's $595m gold venture under development in the eastern Transvaal, would produce about 13t of gold a year at a grade of about 11g/t

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

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

Sunter forecast a short transitional phase of interim government in SA followed by a properly functioning multiparty democracy — VWD

Krugerrand tender fully subscribed

JONO WATERS

THE Chamber of Mines' weekly Krugerrand tender of 6 000 ounces was fully subscribed for the first time since February this year (214)

Investors have shown a great deal of interest in the Krugerrands in recent weeks

On the two previous Fridays, 5 600oz and 4 050oz were successfully tendered for

Chamber of Mines senior GM Daniel Pollnow said investors were concerned about the depreciation of the rand

This pushed people to hard assets like Krugerrands.

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

Investec dealer Tubby Goodwin said the market for Kruggerands was "very active" 9/9/92

He said that because of the increased demand for the coins, the premium over the rand gold price was now above 3%

ETC: Gold production up 8%

214

Eastern Transvaal Consolidated Mines (ETC) chairman R A D Wilson, says that the expected combined mill throughput of the company's three mines and the overall recovery grade will remain relatively constant in the current year. CT 10/9/92

The current year's estimated capex will be about R11,7m

During the year under review, gold production from the company's three mines rose by 8%, mainly because of the higher throughput, but there was only a marginal increase in the average rand gold price. This was more than offset by higher working costs, with the result that the pre-tax profit was slightly down at R26,95m.

Higher capex and the new tax formula reduced the tax charge and, after appropriating R6,7m (R4,8m) for capex, earnings totalled R12,34m (R13,76m) — equivalent to 14,3c per share (15,9c). Dividend payments totalled an unchanged 14c per share.

Special rates under threat on SA flights

CT 10/9/92

JOHANNESBURG — Seats on the many airlines now operating out of SA could shortly begin diminishing, and with them the special fares already being offered.

"The number of airlines presently operating from Johannesburg to all parts of the world is beginning to take its toll," according to one travel bureau MD.

"Passenger volumes have remained stagnant. This is mainly due to political uncertainty which has kept the expected influx of overseas tourists from materialising."

Eric Thorne said economics would force airlines to cut the number of South African-bound flights.

Earlier it had made sense to establish an infrastructure to be competitive when SA became a popular destination. To keep their routes to the country viable until the expected rush, airlines began discounting to encourage outgoing South African travellers, he said.

But there were still too many empty seats, and airlines would probably be forced to cut the number of flights.

"This does not mean the airlines will abandon SA as a destination. Uneconomical flights will have to go for the moment, and with them some of the discounted fares," Thorne said.

● Meanwhile reports from London say SA's civil aviation industry's first display at Farnborough, the world's major airshow, is proving a big attraction — with high hopes that business will follow.

Because of the continuing UN embargo, military hardware and software is not on show, but the display co-ordinator Elaine Klingman said serious business had been impressed by the sophistication of the civil aviation products.

SA debts 'no effect on reserves'

CT 10/9/92

Own Correspondent

JOHANNESBURG — Foreign debt repayments of between $200m and $250m had been paid in August, Reserve Bank gold and foreign exchange GM James Cross said yesterday.

However, this had not had a marked effect on the reserves which rose by R591m to R5,3bn.

Although it was difficult to establish the precise reason for the unexpected rise in reserves in August, the increase could be a result of a weaker dollar which led to forex inflows as forward cover on long-term positions was rolled over, said Cross.

SABC-TV beams to rest of Africa

CT 10/9/92

Business Editor

A NEW TV station broadcasting to 50 countries in Africa will give local advertisers the chance to reach millions of prospective customers, says Lionel Williams, executive editor of SABC External Services.

The station — Channel Africa — will be launched on October 1, initially broadcasting for an hour a day, half in English and half in French.

Williams says the programmes will be available, free, through a multiple access satellite, to any African broadcasting company or organisation. "Initially we expect at least a dozen broadcasters to pick up the service and within the next six months this is expected to at least double."

The programmes will be aimed at an African audience and will contain news and items of interest about Africa which will not necessarily include anything about SA.

Williams says response from broadcasters belonging to the Union of National Radio and Television Organisations of Africa has been favourable. "We met most of the broadcasters at a conference in Dakar in May and they were very enthusiastic. They were particularly keen to explore avenues for co-operation."

The broadcasts will cover an area from Morocco and Egypt in the north to Lesotho and Swaziland in the south, with an estimated population of 600m.

According to the World Radio and TV Handbook there are more than 20m TV sets in Africa but the real figure could be double or even more.

For the first six months Channel Africa will build up an audience profile, before seeking advertisers. But Williams said some major SA companies doing business with Africa were already showing interest.

Gold mines brace for more job losses

B/DAY 10/9/92 (214)

MATTHEW CURTIN and MERVYN HARRIS

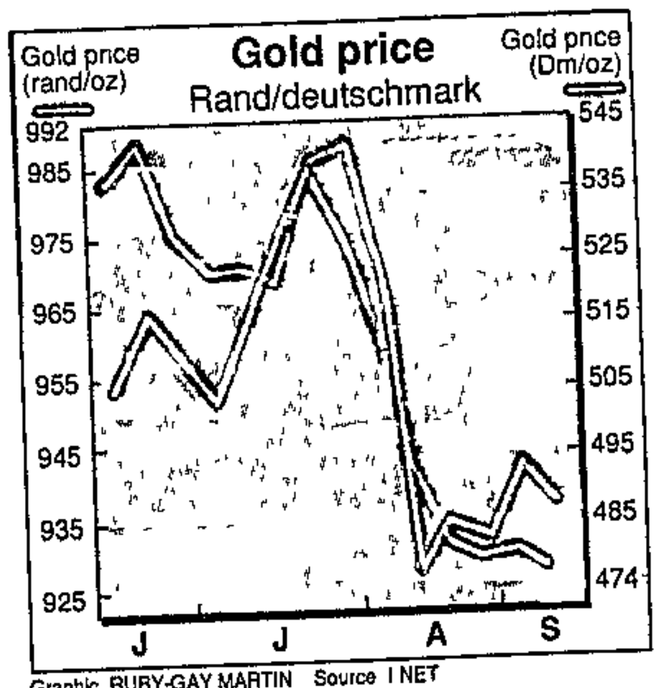
SA's gold mines are bracing themselves for another bout of retrenchments as pressure mounts on government to allow the mines to work a seven-day week in a bid to save thousands of jobs

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

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

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

Analysts said although Anglo's Freegold had borne the brunt of production cutbacks and retrenchments in the past two years, the focus would now be on loss-making



Graphic RUBY-GAY MARTIN Source I NET

shafts at Vaal Reefs and Western Deep Levels, particularly its western section.

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

☐ To Page 2

Gold mines

B/DAY 10/9/92 (214)

☐ From Page 1

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

Rand gold prices have fallen 6% in the past month to R30 150/kg, their lowest levels since early last year Falling dollar gold prices have combined with the rand's strength against the US currency to hit the gold mines' revenue

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

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

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

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

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

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

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

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

Gold shares bore the brunt of the selloff despite the metal rising $0,75 to a London close of $342,75

Free State Consolidated Gold Mines, one of the best performing mines, led the decline of heavyweight golds, falling 8,7% or 225c to R23,50 but a foreign purchase was noted at that price Vaal Reefs fell 5,3% or 700c to a new year low of R123

Among lightweights, Lindum Reefs slumped 50% (10c) to 10c, Winkelhaak Mines tumbled 23% or 600c to R20 and Harmony Gold Mining Company fell 21,6% or 200c to 725c

Gold Fields links up with Trade Net

DUMA GQUBULE 214

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

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

Trade Net MD Joe Brady said the development had become possible because of the recent installation of a new AS 400 computer system which had resulted in a massive increase (of about 30 times) in the electronic trading giant's processing capacity

Trade Net has about 3 000 supplying organisations and 4 000 buyers on its system. Major companies like Iscor and Eskom and the major mining companies use the trade information network but, Brady said, Gold Fields was the first major organisation to do all its buying through Trade Net B/DAY 10/9/92.

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

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

End of road for Village Main?

Star 10/9/92

(214)

By Derek Tommey

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

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

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

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

Lower gold production and higher costs in the year to June reduced pre-tax profit to R1,3 million from R3,18 million in the previous year

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

Investigations into treating the Robinson Deep dump and negotiations for the sale of the freehold title to the Meyer and Charlton North property are at an advanced stage

Mining shares cut losses, trade cautious

(214) CT 11/9/92

JOHANNESBURG. — Gold shares, which lost 5,06% of their value by midday, bounced off lows in steady afternoon trade yesterday as professional and overseas buyers returned to the market to nibble at selected stocks, dealers said.

"But investors remain cautious and nothing looks positive on the political front," a dealer said.

The gold index recovered from a 845 low to close 33 points weaker at 857 and the overall index fell 36 points to 3 049, after touching a 12-month low of 3 038. The industrial index also pared early losses to end 37 points lower at 3 991.

Dealers said buyers pulled back in early to midday trade as they expected further selling of local gold shares by US investors in the afternoon.

Heavyweight gold share Dries, which had been actively traded on Wednesday, slumped to R35,25, but later recovered to close at R36 versus R37,25. Vaal Reefs, which touched a low of R115, closed R5 off at R118.

But Freegold posted a R2, or 8,5% fall to R21,50. Dealers said the poor outlook for the gold mining industry and the recent strength of the commercial rand against the weaker dollar was adding pressure on local gold mines.

Platinum producer Impala remained under pressure as concern about the ANC's planned march in Bophuthatswana on September 19 took its toll.

The shares dropped another R2,50 to R37,50, to take its losses over the past two days to 11,8%.

The shares of companies in the Safren stable took a beating with Safren plunging R6,25, or 6,91% to R84,25 and subsidiary Kersaf falling R5 to R29, after hitting R28 earlier. Sunbop came off a R25 low to close at R25,50 versus R26,50.

Analysts said the the shares in the Safren group of companies were hit by a combination of factors including jitters about the ANC march in Bophuthatswana, the increase in unregulated casinos in SA and the expected drop in foreign tourists due to continued unrest.

Elsewhere, JCI shed R1,25 to R48 ahead of results and Anglos pared early losses to close R2,50 off at R85,75. De Beers recovered to R54, off 25c for the day.

Firm industrials were Barlows which added 25c to R47,50 and Richemont which gained 20c to R34,20. — Sapa

'SA can live

Closing gold prices

AVI beats slump

Harties to raise throughput

STAR 11/9/92. (214)

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

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

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

The area will also make a positive contribution to mine overheads, although the average recovery grade will drop slightly to 8,7 g/t

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

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

The lower recovery grade reduced gold production from underground sources to 26 859 kg (27 003 kg), even though mill throughput was increased by 20 000 tons

"Total operating costs," Mr Hersov says, "rose by 5,7 percent to R25 595 per kilogram produced (R24 225 per kilogram)

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

Zandpan Gold Mining Company — Anglovaal's investment company which holds 19,6 per cent of Hartebeestfontein's equity — received dividends totalling R20,9 million from these shares during the year to June, compared with R22 million in the previous financial year

The profit for the year (no taxation) declined to R20,2 million (R21,5 million)

This was equivalent to earnings of 15,5c per share (16,5c) The company therefore reduced its dividend payment to 15,25c per share (16,5c)

Harties plans to step up ore production

MATTHEW CURTIN

HARTEBEESTFONTEIN, Anglovaal's top gold producer, plans to increase underground production by 100 000 tons to more than 3,1-million tons of ore in the current financial year, says chairman Basil Hersov

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

The move would also make "a positive contribution" to existing mine overheads, he said

Harties' ore production was almost unchanged at 3,02-million tons in the year ending June 1992 compared with 1991, but down from 3,22-million tons in 1990, with gold production falling steadily from 1988 in line with declining grades Harties gold output was 27 tons at a yield 8,9g/t in 1992, compared with 31 tons at a yield of 9,6g/t in 1988 B/DAY 11/9/92

Hersov said the planned increase in production would lead to a further fall in yield to 8,7g/t

He added that the mine was involved with "a diverse programme of community investment in the surrounding Stilfontein area in an attempt to improve the socio-economic conditions prevailing there" The region has been hit by the closure of Gengold's Stilfontein mine, with the loss of hundreds of jobs (214)

Hersov said "A programme has also been embarked upon to identify and meet the mine's responsibilities with regard to the environment"

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

Zandpan, Anglovaal's mining investment company which has a 19,6% stake in Harties, received dividends of R21m in the year, compared with R22m in 1991 Other interest income fell sharply to R86 000 from R179 000 Zandpan's dividend fell to 15,25c from 16,5c a share

Unisel slumps on bad grades

B/Day 14/9/92.

JONO WATERS

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

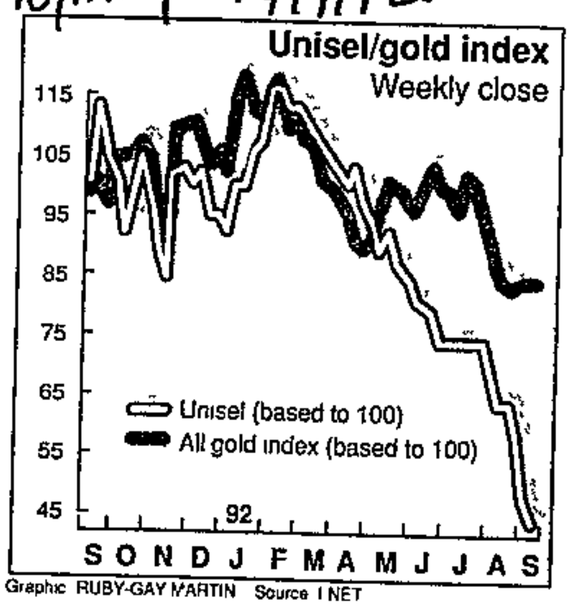
From a high of R11,25 in February, the share closed at R3,90 on Friday after touching a low of R3,25 earlier in the week

Analysts said investors had become disappointed with the mine's performance largely as a result of lower-than-expected grades However, they believed the grade had now levelled off at around 6,4g/t

Unisel started operations in October 1979, forecasting recovery grades of 12,9g/t with a life of 16 years at a milling rate of 90 000 tons a month Recovery grade never exceeded 7,2g/t a quarter.

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

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



Graphic RUBY-GAY MARTIN Source I NET

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

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

214

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

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

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

Unisel consulting engineer Peter Robinson said management had had problems in the Jurgenhof area because the Basal reef pinched out

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

Union presents plan to save Harmony

B/Day 14/9/92

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

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

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

(214)

It proposed that employees work 26 shifts from Monday to Saturday, instead of management's proposed 24 shifts, to increase production.

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

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

It dismissed reports that it would rather have the mine shut down than reach an agreement with management. — Sapa.

Mining revenue to state coffers drops

(214)

BIDAY 15/9/92

MATTHEW CURTIN

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

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

The figures reflect the further marginalisation of the industry within the SA economy as the mines faced another year of low commodity prices The chamber said average rand gold prices in 1991 were almost unchanged for the third year running at R998 an ounce

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

The chamber calculated that in the year-ended December the gold mines paid R957m in tax That compared with R827m paid by the industry in the year-ended March 1991, which was the lowest sum contributed to state coffers since the amount of tax paid doubled from R445m to R861m between 1978 and 1979

Government received only a little more than 1% of its total revenue from gold mines in 1991, compared with 2,2% in 1990, 4,5% in 1989, 10% in 1985 and 26% in 1981 Overall revenue from mining fell to 4,1% of total revenue in 1991, down from 4,6% the year before

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

Chamber figures showed that in 1991 SA's gold mines produced 559,2 tons of gold (1990 603 tons), after treating 93-million tons (102-million) of ore

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

The chamber said the average number of employees on the gold mines fell to 424 250 from 473 685 in 1990, the lowest figure since 1977

The chamber's safety statistics showed that the number of mineworkers who died on the gold mines fell sharply to 443, against 522 fatalities in 1990 The fatality rate per thousand workers fell to 1,18 from 1,24, although the reportable injury rate rose to 19,7 from 19,2

Nearly 5 000 workers have died on the gold mines from 1983 to 1991

West Driefontein fire still burning

B/DAY 15/9/92 (214)

MATTHEW CURTIN

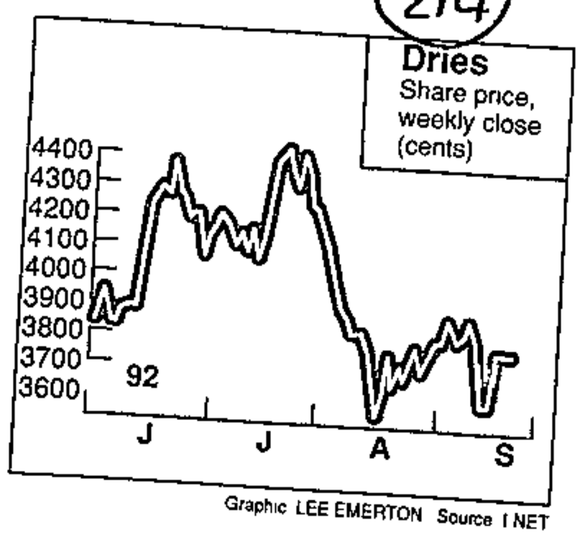
A FIRE burning at Gold Fields' West Driefontein gold mine was likely to keep a section of the mine normally responsible for a third of production out of business for at least a month, a gold division official said yesterday

The fire, which started 2 200m below the surface at the No 6 tertiary shaft west a week ago, was still burning yesterday

West Driefontein, one of SA's most profitable gold producers, mines more than 240 000 tons of ore and produces 2,75 tons of gold a month The official said output had increased from the mine's other sections to make up for shortfalls caused by the fire

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

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



Graphic LEE EMERTON Source I NET

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

Manager of the Chamber of Mines rescue training service Rowley Hooper said yesterday the causes of 40% of fires on deep-level mines were unknown

Unless the fires were detected quickly, evidence of their origins was destroyed quickly as timber supports ignited Otherwise, fires were mostly caused by electrical faults, blasting or cutting and welding, and in some cases arson

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

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

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

NUM backs Harmony rescue plan

MATTHEW CURTIN

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

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

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

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

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

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

NUM and CMU officials were unavailable for comment last night

NUM backs Harmony rescue plan

STAR 24 16-19-92

The National Union of Mineworkers (NUM) has given its official backing to a rescue plan to save marginal Harmony gold mine from closing.

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

This option included the introduction of blasting twice a day, with the night shift clearing in some areas, while Sundays would be confined to some cleaning, tramming and hoisting. 16/9/92

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

NUM supports Harmony rescue plan

MATTHEW CURTIN

THE NUM has agreed to Rand Mines' rescue plan for its ailing Harmony gold mine on the basis that it involves no wage cuts, retrenchments or increases in working hours

Union spokesman Jerry Majatladi said yesterday the NUM's national executive committee had also given its support on the basis that the plan was a temporary one "for this crisis period" If the plan was not successful by October 19, workers and management would meet again

He said mine management had agreed to join the NUM's campaign to change government policy on marginal mines and to allow union participation in planning meetings

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

Majatladi said NUM members had undertaken to work the normal 11-shift fortnight, with workers moved from low-grade to high-grade areas

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

B/DAY 16/9/92

Second fire at Western Deep

MATTHEW CURTIN

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

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

The fire was discovered mid-afternoon in a worked-out area of the south mine, at 79 level, 2 200m below the surface. It followed the outbreak of a fire last month at 112 level of the west mine, another worked-out area which had been sealed off

Duncan said the cause of the most recent fire was not known B/DAY 16/9/92

The fires come at a time when the mine has been hit by a spate of underground accidents in which more than 50 have died, more than 10% of deaths in the gold mining industry last year. (214)

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

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

They noted that there was a strong correlation between outbreaks of fires, and suspected arson, at times of political uncertainty and industrial unrest

Rand Mines considers plan to restructure

(214) JONO WATERS

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

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

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

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

Rand Mines chairman John Hall said last night that a full statement on the proposed restructuring would be issued by the middle of next week, but he would not comment further 17/9/92

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

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

He said it looked as if the 100-year-old mining house could soon be disbanded, adding that shareholders stood to be offered 4,88 Randcoal shares for each Rand Mines share at the current value

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

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

On the outlook for Rand Mines' other gold mines, Turner said the mines were efficient but suffered from low grades

Union accepts plan to rescue gold mine

STAR 17/9/92

By Thabo Leshilo
Labour Reporter

(214)

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

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

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

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

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

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

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

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

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

According to management, the plan would secure Harmony's future for at least two years at the current gold price and secure the jobs of the remaining 13 000 workforce Some 6 000 miners were retrenched this year

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

Harmony's monthly salary bill is currently R25 million, half of which is spent in the town and its surroundings The company buys electricity worth R6 million from Eskom and pays R1 million to the local municipality a month

(214) CT 18/9/92

Mine assesses losses

JOHANNESBURG. — Doornfontein Gold Mining said it was continuing to make operating losses, but it had arranged unsecured short-term lending finance from its bankers while still assessing its options.

Chairman Mike Tagg said in the company's annual report that the results of the current studies would dictate the future of the company, which made a working loss of R18m for the financial year to June 30, 1992.

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

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

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

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

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

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

He said long-term borrowings to fund on-going lossses had been ruled out at this stage. — Reuter

Gold Fields plans to cut production

MATTHEW CURTIN (214)

GOLD Fields plans to stop underground production from its struggling Doornfontein gold mine, or reduce underground output severely, in an attempt to keep the mine in business B/DAY 18/9/92.

Either option would involve the loss of several thousand jobs from the marginal West Wits mine which employed 6 350 workers at its year-end in June.

Chairman Mike Tagg said in his yearly review of the mine's operations that until a final decision was made, Doornfontein had arranged "unsecured short-term lending finance from its bankers and despite continuing losses, the company continues to operate within such facilities".

He said Doornfontein's alternatives were "to reduce significantly the rate of production from underground in an effort to increase the yield materially", or to stop underground operations soon and to treat only surface dump material. Management would not take out long-term loans to save Doornfontein at this stage, he said.

Late last year Doornfontein was hit by wildcat strikes by the NUM, which led to dismissal of thousands of workers, and a deterioration in its financial position, made worse by low gold prices. It reported a R14m after-tax loss in the year, as working costs rose above average rand gold prices, and gold output fell to 5,8 tons (7,5 tons), about 1% of annual SA production.

The news confirms the plight of SA's

☐ To Page 2

rather than genuine investment demand.

The gains dissipated towards midday as

Dealers said the market was underpinned by bullish sentiment, which was

Gold Fields (214)

B/DAY 18/9/92.

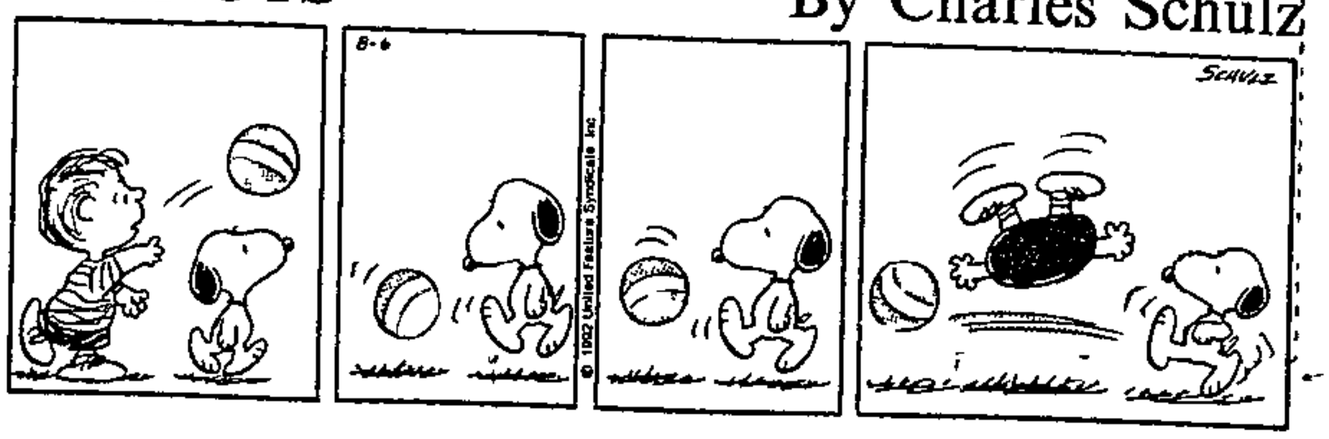
marginal mines and the prospect of significant further job losses in the sector this year Gold Fields found a solution for its other floundering marginal mines, Libanon and Venterspost, by merging them with neighbouring Kloof this year

In contrast to Doornfontein, Gold Fields' Deelkraal turned in a sharply improved performance in the year, with after-tax profit up 54% to R91m (R59m) Chairman Colin Fenton said in his review that with a slight increase in gold revenue and the "success of concerted managerial action to reduce the unit cost of gold production" the mine had made good progress in reversing the sharp decline in profits and dividends declared in 1990 and 1991

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

PEANUTS

By Charles Schulz



Bid to save marginal mine

W/Mail 18/9-24/9/92 (214)

Weekly Mail Reporter

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

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

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

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

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

The Goldstone inquiry into the Caprivi training, initiated after a *Weekly Mail* exposé, has heard evidence from former Inkatha Youth Brigade leader Mbongeni Khumalo that the trainees were later

which trainees were operating within the force.

All documents relating to KZP employment are to be presented to the commission.

Further testimony by Buchner indicat-

Mbongeni Khumalo

Ulundi "they ing incident in E funeral. They als that some of my p ed. I disputed the

Gold rises as sterling takes a pounding

By REG RUMNEY (214) W/Mail 18/9 - 24/9/92

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

Overnight the rand price of gold jumped around R17 to more than R984, on a dollar rise of only $3,10 to $349 at the London afternoon fix compared to the previous fix Gold settled at $350,75 at the Thursday morning fix, down almost $2 from the opening price of $352,50.

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

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

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

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

The uncertainty came after Britain and Italy temporarily withdrew from the European exchange rate mechanism, which is designed to keep exchange rates stable within the European community The pound fell to R5,1859 midweek, and by yesterday morning was trading around R4,90 with the prospect of further falls, certainly until Europe's politicians re-establish calm within the system.

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

The European currency system has run aground because of conflicting economic interests within the community (See *Guardian Weekly*)

BUSINESS BAROMETER

W/Mail 18/9-24/9/92

Gold mines sidelined further

2/4

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

The latest Chamber of Mines statistical review shows government got 1,2 percent of its total revenue from gold mines in 1991, compared with 2,2 percent in 1990, 4,5 percent in 1989, 10,2 percent in 1985 and 26,4 percent in 1981 Tax revenue from mining overall also fell from 4,6 percent in 1990 to 4,1 percent last year

Driefontein pressured by rising costs

(214)

CT 21/9/92

Own Correspondent

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

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

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

Driefontein paid a 165c dividend in the year ended June 1992, 10c up from the year before but well below the 200c paid in 1988 and 1989 Driefontein reported an after-tax profit of R551m (R502m) in the year

Harmony rescue crawls ahead

(214)

MATTHEW CURTIN

MANAGEMENT at Rand Mines' Harmony gold mine, fighting for its life because of poor gold prices and low grade ore reserves, was to continue talks with representatives of the Council of Mining Unions (CMU) today. B/DAY 21/9/92.

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

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

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

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

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

He said the NUM, the Underground Officials Association, the SA Technical Officials Association, and Mine Surface Officials Association, representing the vast majority of Harmony's 13 000-strong workforce, agreed to introduce a flexible shift system which would enable high grade stopes to be mined more frequently

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

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

Costs put Driefontein's dividend under pressure

B/DAY 21/9/92. (214)

MATTHEW CURTIN

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

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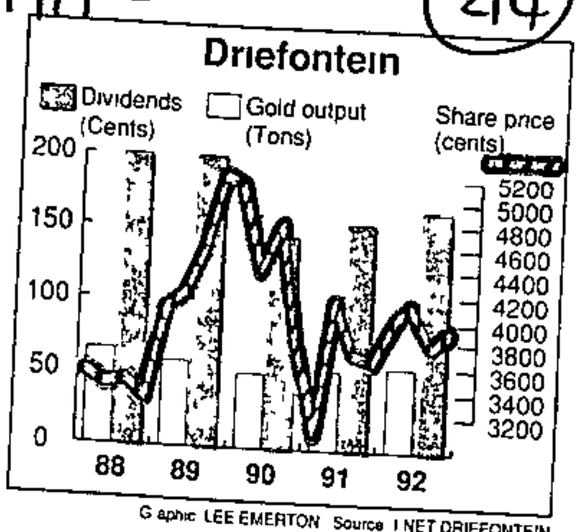
Fenton said that on balance fundamental market conditions pointed to higher gold prices in the current year "The performance of the major economies will influence the timing of this, but forward selling by producers may cap any strong recovery in the price," he said



Graphic LEE EMERTON Source I NET DRIEFONTEIN

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

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

There was also "substantial net disinvestment in gold" because of the generally deflationary environment worldwide

Fenton said milled throughput at the East Driefontein mine would not return to 240 000 tons a month and would remain at 235 000 tons Progress was made during the year in alleviating the shortage of mining face and problems in the No 4 sub-vertical shaft-E area, but there was still more work to be done

He said "A small increase in yield might be expected but this will depend on achieving better results in the aforementioned area" The mine planned R162m capital expenditure

West Driefontein made progress in addressing production difficulties in the second half of the year, and the target milling rate stayed at 240 000 tons a month, with capital spending projected at R166m Gold output from reclamation work would fall because work was starting on lower grade slimes dams

In the past two weeks the mine has been hit by a fire which has interrupted production from an area of the mine which normally contributes 33% of West Dries' output

BUSINESS DAY, Tuesday, Sep

Mine rescue scheme on rocks

B/Day 22/9/92 (214)

MATTHEW CURTIN

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

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

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

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

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

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

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

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

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

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

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

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

De Villiers said "Management does not believe that 789 Council of Mining Unions members out of a total workforce of 14 490 should be permitted to determine the fate of the mine and of the region of Virginia — not to mention the fate of the balance of the workforce"

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

Anglovaal seeking new investments

(214)

B/DAY 22/9/92

NANCY KEATES

ANGLOVAAL is increasing earnings and looking for new investments, despite tough trading conditions.

Analysts expect the company to report an increase in earnings a share for the year to June 30 of between 6,4% to 8,5% or between 500 and 510c from 470c in the previous period.

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

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

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

"These are times when opportunities arise because companies get into trouble. We're relatively liquid and on the lookout."

Anglovaal's liquidity comes primarily from Anglovaal Industries, which reported earlier this month a 10% increase in earnings a share to 907c from 825c a year earlier, moving to a net cash position of R469,5m at the end of 1992 from a net borrowing position of R271,8m

The company sold its stake in Cadbury Schweppes for R177,1m and raised R547,3m from a rights issue in the year

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

Its mining interests also performed well. Middle Witwatersrand, which has interests in gold, coal, manganese, ferrochrome and diamonds, reported a 16% increase in earnings to 16,8 cents a share from 14,5 cents a year earlier.

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

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

Analysts agree the postponement was a good decision, saying the gold price, which is below $350 an ounce, would have to exceed $400 to make the estimated R2,5bn development worthwhile.

"One could buy a top quality mine on the market now for less than it would cost to develop Sun,' said Davis, Borkum, Hare mining analyst Trixie Ingram

Anglovaal prospers from its role in De Beers' new R1,1bn Venetia diamond mine

The group's Saturn Mining is entitled to 12,5% of Venetia's net profit until the mine's full capital costs have been recovered. When the capital expenditure, to which Anglovaal makes no contribution, is recovered, Anglovaal will receive 50% of net profit

Venetia contributed R7m to Midwits' earnings in 1992. The mine is expected to reach full production of 5,9-million carats a year by the end of 1993 and recover capital by the end of 1994.

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

"Anglovaal's exposure to Venetia gives it potential for major growth," says Simpson, Mckie mining analyst Mike Wurth — AP-DJ

Venterspost investors at end of road

(214) MATTHEW CURTIN

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

Option holders are entitled to subscribe during November for six Kloof shares at R108,33 for every 100 options held, but their fortunes do not look bright, with Kloof stock trading at only R29,50

New Kloof options, replacing Venters options in terms of the Kloof merger deal which cleared its last obstacle after its sanction by the Rand Supreme Court, were listed yesterday B/DAY 22/9/92

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

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

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

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

New Kloof shares were issued to Venters and Libanon stakeholders yesterday, with Libanon shareholders receiving nine Kloof shares for every 100 Libanon shares held, and Venters shareholders receiving six

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

Rand Mines to take on a radical new look

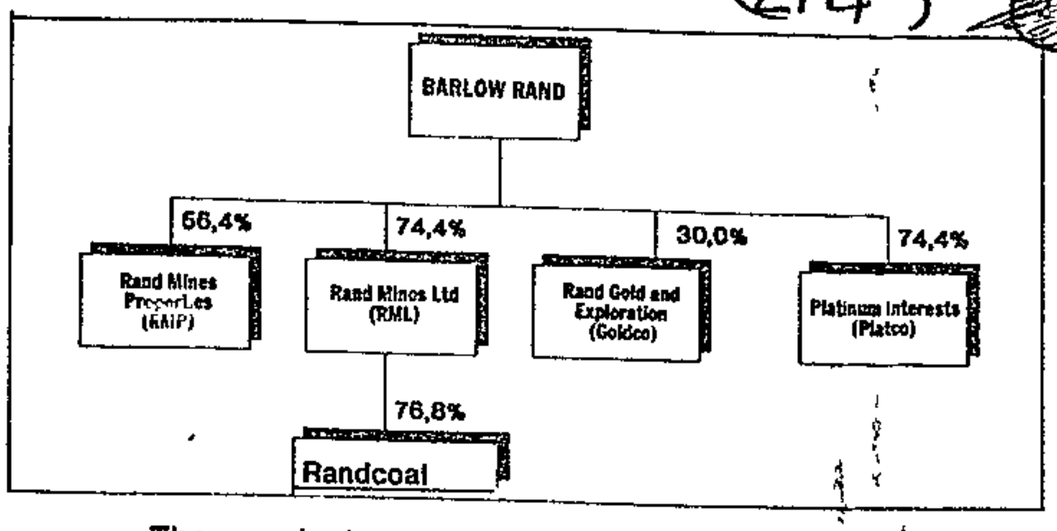
STAR 23/9/92 (214)

By Stephen Cranston

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

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

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



The new-look corporate structure of Rand Mines

Distribution

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

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

Rand Mines will dispose of its remaining coal interests, such as T & DB, and its mineral rights to Randcoal for the issue of 26,5 million new Randcoal shares, valued at R225 million at current market prices

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

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

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

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

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

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

Debt

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

Of this, R35 million will be accounted for by a loan to ERPM

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

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

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

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

Problems

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

But he said Rand Mines still had 500 000 hectares of mineral rights, including 200 000 in the promising Limpopo area

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

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

The divisions will form part of Barlow Rand Mineral Resources, which will also include Pretoria Portland Cement

Decades of slow decline catch up with Rand Mines

B/Day 23/9/92

MADDEN COLE

214

THE terse statement last week, that Rand Mines was considering restructuring the group, seemed an inadequate way of announcing the demise of a group which, in its time, was the greatest mining house in the world

John Hall, chairman of Rand Mines and now head of Barlow Rand s new minerals division, announcing the details at a news conference yesterday, put it as unemotionally "Rand Mines," he said, "to all intents and purposes, ceases to exist"

The decision closes a key chapter in SA mining history Without Rand Mines, the development of the Witwatersrand could have been delayed for many years

It was said that mining on the Witwatersrand really began with the formation in 1893 of Rand Mines by mining industry legends Alfred Beit, Julius Wernher, Hermann Eckstein, Lionel Phillips and Percy Fitzpatrick

After the South African War it accounted for 40% of SA s gold production, was the Transvaal's largest employer and its biggest landowner The company s budget was larger than that of the Transvaal administration of the period

During its heyday it controlled 15 of the biggest and richest gold mines in the world, including City Deep, Crown Mines, Durban Roodepoort Deep, Ferreira Deep, Geldenhuis Deep, Modder B, Rose Deep, Village Deep and Nourse Mines and later, ERPM In 1910, the market value of these mines, excluding ERPM, totalled £69m A 100% dividend was paid in 1904, 180% in 1906 and 200% in 1909

The formation of Rand Mines, which always operated from The Corner House (there were four Corner Houses in the past 100 years), changed the whole character of mining finance, and through its success SA s gold mines achieved international fame

In France at the turn of the century, Rand Mines shares were regarded 'with something approaching veneration The man in the street believed a good return on investment could always be expected from "a Corner House company"

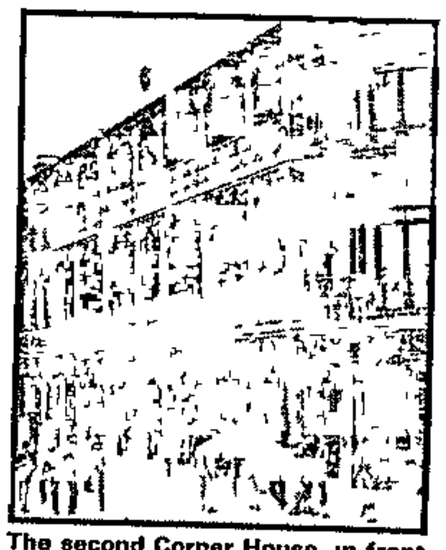
What went wrong? A P Cartwright in The Corner House and The Golden Age traces the history of this once illustrious mining house

When John Martin was appointed chairman in 1930, The Corner House's position as the biggest and best mining financial house in the world remained unchallenged But soon afterwards the company's fortunes tilted downwards The tilt was started by what Cartwright described as "the lost chance" and the "dropped option"

In the '30s, the company which was then controlled from London by the Central Mining and Investment Corporation (which had incorporated the interests of Wernher, Beit & Co and H Eckstein & Co) started to decline, albeit imperceptibly at first Its 15 gold mines had dropped to 11, and during that period it had failed to gain control of a single new profitable gold mine

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

Martin regarded the venture as "a prospecting gamble" and decided that it was 'advisable to leave it alone' Which was a pity, for 21 of the boreholes sunk by West Witwatersrand Areas struck what was described as 'highly payable reef"



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

Cartwright notes that Rand Mines then looked around for any crumb from Gold Fields' "banqueting table" The company managed to secure 724 morgen Blyvooruitzicht, "in the centre of the 4 000 morgen held by West Witwatersrand Areas"

There was another missed opportunity Cartwright recorded that after Sir Abe Bailey died in 1940, Martin was appointed one of the executors of his estate Included in the estate was the company Western Holdings, the first company to strike gold in the Free State goldfields Before his death Bailey had proposed Central Mining-Rand Mines take over all his interests Cartwright explained Western Holdings was still highly speculative, and Martin was not a gambler Anglo American then snapped up Western Holdings

What was known as the "dropped option" followed Rand Mines' options in the Free State covered three farms around Odendaalsrust In 1940 it was decided to drop the options on the farms north and south of the town, and keep those to the east The southern options bordered on what became the most profitable mine in the Free State, Free State Geduld The options taken out to the east, proved disappointing

One could speculate whether Alfred Beit, who was never averse to a gamble, or Lionel Phillips, who was reputed to have had "a nose for gold", would have let those opportunities slip

A new vitality was introduced into Rand Mines in 1958 with the appointment of American Charles Engelhardt as chairman So much so that the then deputy chairman and joint MD, Peter Anderson was able to say in 1968 that Rand Mines planned 'still to be in occupation of The Corner House in the year 2000" His prediction has fallen short by a little more than seven years

In 1971 Rand Mines merged with Thos Barlow & Sons in 1971 to form Barlow Rand In recent times the mining group s fortunes declined sharply, caused by unfortunate management decisions, the fall in international metal prices and deteriorating social and economic conditions in the country

Its four remaining gold mines — Harmony, Blyvooruitzicht, ERPM and Durban Deep — are all marginal and reported a combined after-tax loss of R40,9m in the June quarter Barbrook, commissioned by Rand Mines in 1989, was placed under liquidation before being delisted last month after ore processing difficulties and crippling industrial action pushed up costs It was the group's only new gold mining operation to come on stream in recent years The "little gamble" cost R126m

Former giant Harmony gold mine, struggling for survival, is trying to put together rescue plans to prevent closure Other reverses include the delisted Vansa which sold its vanadium mine last year, and the ill fated Barplats Rand Mines retained a stake in the latter, since sold to Genmin, but in the process had to take hundreds of millions of rands in debt

There is a finality about yesterday s announcement, unlike the lost opportunity and dropped option which allowed Rand Mines to continue operating from The Corner House Some management figures see it as an opportunity for renewal But ordinary members of the staff, especially those who started their careers in the third Corner House, think differently For them, the end of Rand Mines is akin to a personal bereavement

With hindsight, analysts believe the decline in group fortunes began because Rand Mines did not replace its gold interests in the '40s, '50s and '60s and made a series of poor decisions in the '80s They blame poor management decisions decades ago for the group's present condition

However, 20 years ago when major decisions, contributing to the decline and fall of the group, were taken, few people could have predicted the present global recession and the desperate political, social and economic events that have overtaken the country

But then forecasting in mining always has been difficult As Lord Baillieu, chairman of Central Mining from 1945 to 1958, once remarked, "there are no safe bets in mining"

SPOT DESK

JCI sends warning signals

(214)

STAR 24/9/92

By Derek Tommey

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

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

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

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

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

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

Mr Retief says the growth South Africa requires is potentially within reach, but only if "we fashion our society according to the political and economic institutions that have proved to be successful elsewhere".

H J Joel wants to increase production

B/Day 24/9/92 (214)

JONO WATERS

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

He said Joel would like to increase its production rate to 130 000 tons a month from 84 000 tons in order "to optimise its cost of mining" However, this would rely on the availability of financing, he said

Joel was indebted to JCI in terms of its preference shareholding of R150m plus the outstanding cumulative dividend of R34,1m It owed a further R82,2m

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

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

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

In the year to end June 1992, Joel increased its gold production by 44% to 5,91 tons (4,1 tons) as a result of a 36% improvement in grade to 5,9g/t (4,3g/t)

Working costs decreased by nearly 20% to R30 507 (R38 080) and the average price received a kilogram rose 3,4% to R33 439 from R32 334 in the same period last year Capex totalled R24,4m (R33,5m) over the year

Randex cutbacks go on

JONO WATERS

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

He said the mining industry continued to experience extreme difficulties, with the gold industry being in its "most precarious position" in more than 50 years As a result, he said, the exploration sector of the business had become even more inactive B/DAY 24/9/92

De Beer said major mining houses had cut back substantially on gold exploration in the Witwatersrand basin, where the greater majority of Randex's assets were situated Genbel has a 64% stake in Randex (214)

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

The company's cash balances remained virtually unchanged at R21,5m in the 1992 financial year even though the company spent R6,5m De Beer said the idea was to maintain cash resources at similiar levels

SA 'needs new policy to give it competitive edge'

B/DAY 25/9/92 (214)

MATTHEW CURTIN

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

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

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

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

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

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

Exploration

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

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

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

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

At June 30, 65% of the group's assets and 57% of its income derived from gold and platinum The market value of cash generator Driefontein Consolidated (R2,8bn) accounted for more than 40% of the value of the mining house's listed investments (R7bn) They included a 9,9% stake in Standard Bank Investment Corporation, a 2,3% stake in Sasol, a 2% interest in Liberty Life, and a 50% interest in mining exploration investment company New Wits

Gold Fields reported attributable earnings of R302m compared with R316m in 1991

Goldco looks to a low yearend rand

(214)

S/Times (BUSS) 27/9/92.

DIAGONAL STREET by JULIE WALKER

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

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

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

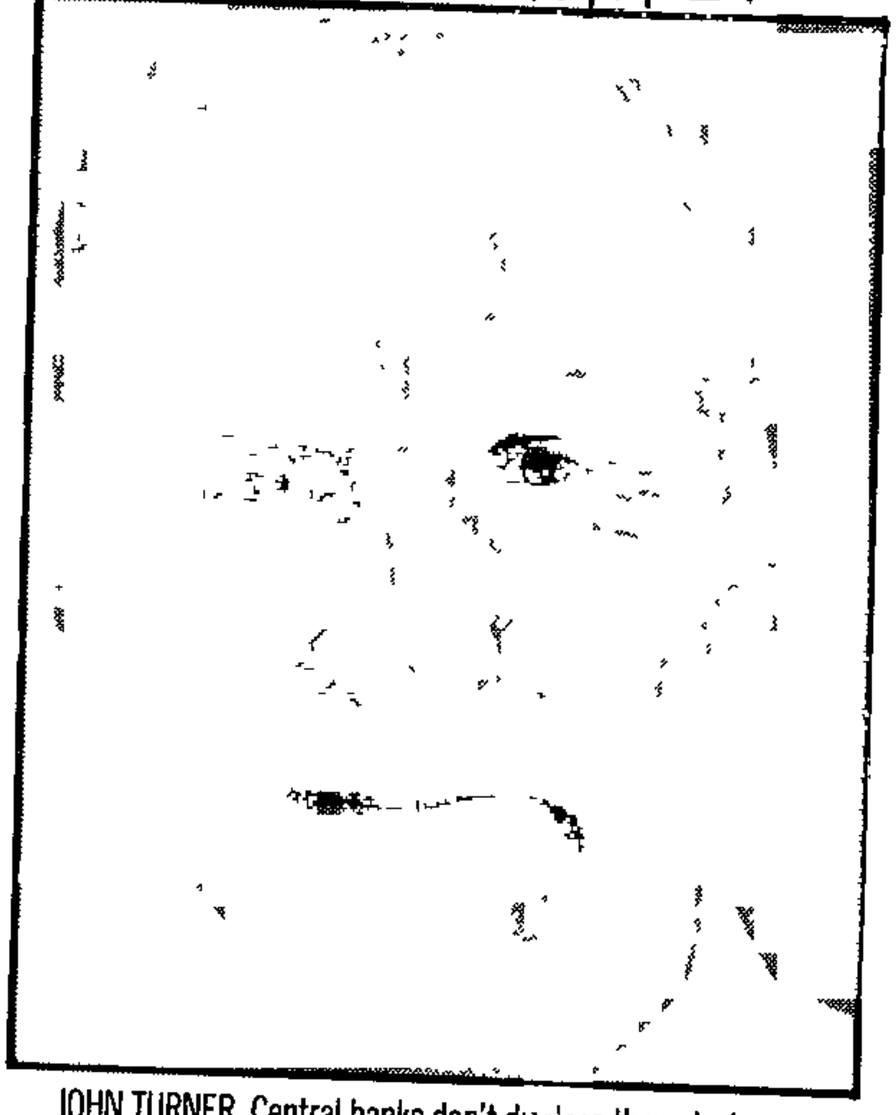
Mr Turner succeeded Clive Knobbs at the helm of SA's least-enviable gold division in mid-1991 after a long career in Rand Mines' coal division

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

He mentions four points — central bank sales, disinvestment by hoarders, forward sales and the numerous paper markets

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

His view reflects the mindset of the SA gold industry — hedging lowers the metal's price



JOHN TURNER Central banks don't disclose their strategies

Mr Turner believes that this year gold will not stray outside the $335 to $360/oz range and is unlikely to top $400 in the longer term

So having discounted hedging, the revenue account for gold sales can improve in rand terms only if SA's currency declines against the dollar Mr Turner believes this will happen towards the end of the year as the dollar improves after the American elections

Efforts are being made to cut costs through improved productivity

In the past few years, productivity at Rand Mines-managed mines has improved substantially

Take Harmony — tonnage mined a man has jumped from 267 to 387 since 1989 and the grade has been increased from 3g/t to 3,44g/t The target is 3,65g/t in 1993

Mr Turner says "We emphasise productivity through participation as being very important if we are to achieve changes in working practice Issues such as double shifts, blasting on Sundays and genuine profit-sharing by employees are discussed by management and union representatives

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

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

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

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

Its prospects depend on reaching the central payshoot of the new Far East Vertical shaft by early next year Mr Turner believes it will be able to repay its borrowings by the year 2002 In terms of the Melamet agreement, state assistance is being renegotiated

Durban Deep has a long life at low grade and has already shown productivity improvements

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

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

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

● Goldco is moving to the premises occupied by Rand Registrars in Ormonde, south of the Johannesburg city centre The whole group will leave Corner House because of its unbundling

Members of Rand Mines will receive as a dividend in specie 63 Rand Mine Properties shares, two Goldco and one Platco for every 100. Goldco will have a net asset value of R100-million. It and Platco will be listed

World Bank seeking to link cities

S/Times (BUSS) 27/9/92

By KEVIN DAVIE: Washington

WORLD Bank experts have begun a study on how to amalgamate SA's racially divided cities

They rank with those in the former Soviet Union as the most economically inefficient in the world

The Witwatersrand, Cape Town, Port Elizabeth and Durban will be studied in the first phase of a project designed to contribute to SA policy making

The study is intended to facilitate the process of urban reform, the bank being one actor in the process, says a bank source

The results of the study, which kicks off formally with the visit of a bank mission to SA in November, are intended to provide a technical tool for politicians, the source says

The study will include a full fiscal analysis of local government.

Conflict

It will consider housing strategies in the context of the overall urban economy

The study will include white local authorities, which are efficiently managed and largely self-financing, partly because they do not carry the responsibility for the low-income population as do most cities in other parts of the world

A World Bank position paper, Cities in Conflict, says an urban strategy for SA will need to be guided by three principles

Apartheid structures will have to be dissolved, decision making must be transparent and accountable and local governments must have the technical and financial ability to deal with inequalities in urban living conditions

Whites in the Pretoria-Witwatersrand-Vereeniging area, says the paper, enjoy an annual per capita expenditure of about $552 on the principal types of residential infrastructure

This is much higher than cities such as Stockholm ($223), Munich ($267), Hong Kong ($267), Melbourne ($335) and Singapore ($338)

Data for blacks, in contrast, suggests that more than 50% of them in urban areas are informally housed

About 40% of the land within a 10km radius of SA city centres — the focus of employment — is vacant

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

Urban transport subsidies are projected to cost R1,9-billion next year Black households will still spend more this year on transport than on housing, the paper says

The average distance travelled by urban commuters has grown from 24km 10 years ago to 37km

The paper says housing has been depressed by apartheid Housing investment at about 2,5% of GDP is much lower than the 4% to 9% in other countries at similar levels of income per capita

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

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

Demand

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

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

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

Prospects dimmer

POINTERS to recovery from one of the worst recessions of the century are diminishing and uncertain, says the Bureau for Economic Research (BER) in its survey of the manufacturing sector

The BER says domestic sales, new orders and unfilled orders in relation to sales have fallen from the previous mild positive expectations reported in the second quarter.

Stocks are still considered to be too high and there are indications of substantial spare capacity in the whole manufacturing sector. Production and employment are expected to remain under pressure, even after economic conditions start to improve S/Times (BUSS)

There was also a siginficant rise in the number of respondents reporting the general political climate as a serious constraint — both on day-to-day business activity and fixed-investment plans 27/9/92.

The BER says a downward spiral is identifiable because increased unemployment will have a negative impact on social unrest and political progress

Business confidence suffered in the process and reached a new low in the third quarter, it says

Kaye quits

LASER Transport managing director and executive chairman Dennis Kaye has resigned Peter Thomson will become executive chairman and Eric Puccini will fill in as managing director

Mr Kaye, who founded the company 23 years ago and took it to the JSE in 1986, says Laser has a competent management that can cope well without him He will retain his 56% shareholding

Seeff's latest

PROPERTY investor Seeff Holdings has launched Seeff Projects for project-related townhouse and cluster-home developments

It starts with a R300-million residential property portfolio, half of which is in up-market development in the Western Cape.

Seeff Projects will offer developers a one-stop project marketing service, which includes site procurement, building design, financial and legal considerations as well as sales and marketing input

St Helena cut

GENGOLD's St Helena gold mine, near Welkom, will reduce its staff complement by almost a half before the end of the year

Staff numbers will be cut from 5 700 to 3 000 in two phases In the first, 2 300 will be retrenched

Ore production will drop by half to 50 000 tons a month and gold output will fall by about 250 kilograms a month to about 360

M3 in tune

SOUTH Africa's broadly defined money supply, M3, showed a year-on-year rise of 8,72% in August, according to preliminary figures from the Reserve Bank. This is well within the bank's 7% to 10% guideline for 1992 and compares with a revised 10,11% for July.

S/Times 27/9/92

St Helena slashes 2 700 jobs

B/DAY 28/9/92 (214)

JONO WATERS

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

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

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

The rationalisation will entail reducing ore production by about 50% and gold production by 250kg to 360kg a month

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

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

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

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

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

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

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

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

Maude said costs were relatively high as the workers being laid off had been at the mine for several years

Barnex to expand beyond SA as joint venture partner of JCI

B/DAY 28/9/92. (214)

JONO WATERS

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

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

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

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

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

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

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

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

He said Freddev remained in a strong position and could participate in several new mining developments in the short and the longer term. It was gratifying to see the Moab Prospect, in which Freddev had a 6,8% participation interest, was going ahead

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

Customs must return gold

B/DAY 29/9/92

BLOEMFONTEIN — The Customs and Excise Commissioner has been ordered by the Appeal Court in Bloemfontein to return packages of unwrought gold to Frans Tieber of Victory Park, Johannesburg.

(214)

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

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

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

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

Yesterday Judge Richard Goldstone held that goods in transit were not imported into SA Tieber did not thus import the gold and could not have contravened any provision of the Act that related to the import of goods

Consequently, he held, the commissioner was not entitled to seize the gold. — Sapa

Gengold plans to boost mine values

B/DAY 29/9/92 (214)

MATTHEW CURTIN

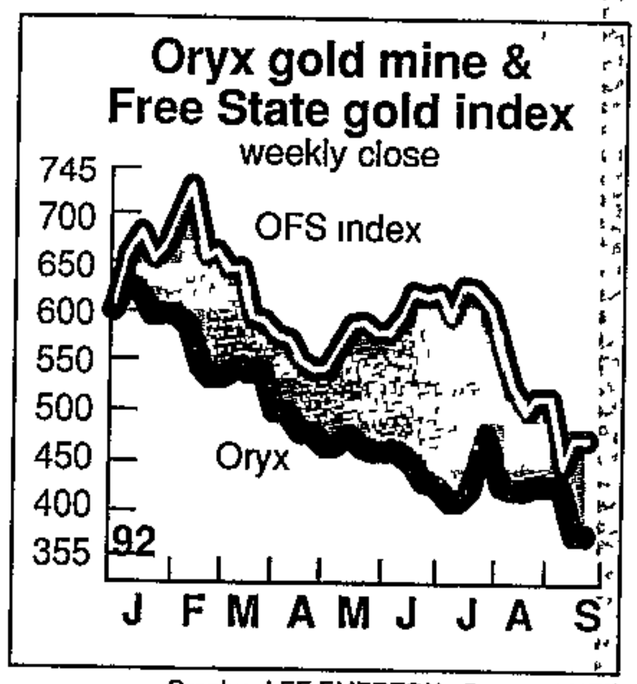
GENGOLD is planning to enhance the market value of four of its key mines in what amounts to a mini-unbundling inside the Gencor group's gold division The group wants to establish its Beatrix and Oryx gold mines as self-standing companies to improve their market rating

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

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

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

Beatrix gold mining company is effectively a mining investment vehicle, having



Graphic LEE EMERTON Source I NET

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

☐ To Page 2

Gengold

B/DAY 29/9/92. (214)

☐ From Page 1

are the two operating divisions of the Buffelsfontein mining company

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

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

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

Oryx, 97% owned by Gencor, Genbel, Sanlam and Anglo American, is scheduled to pay 15% of its distributable profit from its Beisa section to St Helena, plus 2,25% of the profit from the Ventures section

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

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

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

Gold output steady despite job cuts

CT 30/9/92

(214)

Own Correspondent

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

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

That has dashed hopes that a sharp fall in SA gold production would boost market sentiment and lift prices Gold fell further below the $350 mark yesterday, closing in London yesterday at $348,30/348,70 In New York gold ended at $348,40/348,80

Latest Chamber of Mines figures show that total employment on the gold mines at July 31 was 383 917 — the lowest level since 1975

Anglo-NUM pay deal

Own Correspondent

JOHANNESBURG — The NUM and Anglo American have reached agreement on the detail of a profit sharing scheme for the corporation's gold mines, which could add a maximum of 25% to 171 000 workers' basic earnings.

However, initial payouts, given the present circumstances of the industry, are likely to be low. The scheme will apply also to members of the Council of Mining Unions and the three officials' associations.

Fewer gold miners but output steady

B/DAY 30/9/92 (214)

MATTHEW CURTIN

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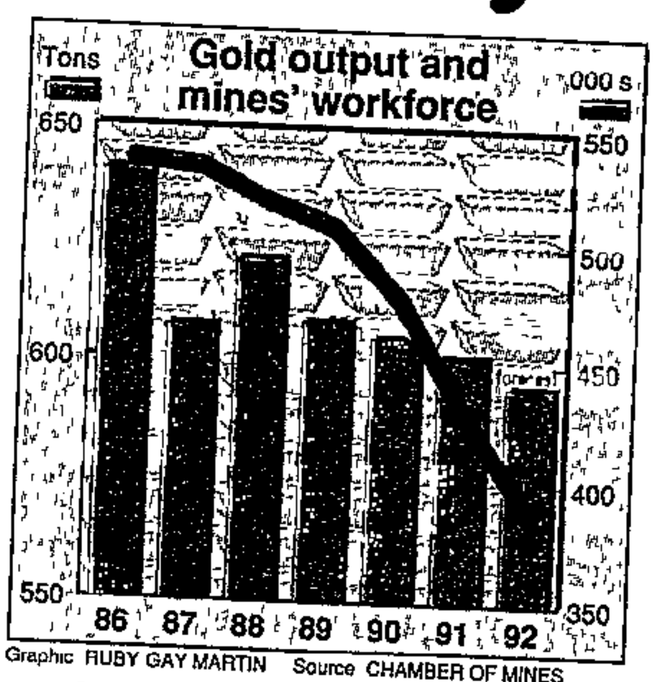
That has dashed hopes that a sharp fall in SA gold production would boost market sentiment and lift prices Gold fell further below the $350 mark yesterday, fixed in London yesterday afternoon at $347,50.

Latest Chamber of Mines figures show that total employment on the gold mines at July 31 was 383 917 — the lowest level since 1975 — compared with an average of 424 250 workers in 1991 The number of mineworkers in the lower eight job categories fell 10% to 320 510 at June 30, com-



Graphic RUBY GAY MARTIN Source CHAMBER OF MINES

pared with an average of 383 917 last year

Chamber economist Francois Viruly said yesterday the rate of job losses in the industry was slowing, although mineworkers had lost jobs since July or faced retrenchment before year-end, as cutbacks continued at mines like Gengold's St Helena and Gold Fields' Doornfontein.

Viruly said there had been a sharp drop in the retrenchment rate in the past 18 months. Whereas 60 000 workers lost their

☐ To Page 2

Gold

B/DAY 30/9/92 (214)

☐ From Page 1

jobs between May 1991 and May 1990, only 24 000 jobs had gone in the year to end-May 1991 He attributed the change to the success of many restructuring programmes at marginal mines and the willingness of workers to accept below-inflation wage increases Mines had absorbed inflation — unable to pass higher costs on to the end-user — and kept the increase in industry working costs to only 1,7% in 1991

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

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

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

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

In addition, production has been building up at other mines, such as H J Joel, Kloof's Leeudoorn section, and ERPM's Far East Vertical Shaft operation. Harmony's rescue plan depends on the mine being able to mine more than three extra tons of gold a year, while new projects at Freegold and Vaal Reefs are likely to keep gold output steady Small increases in grade at SA's major producers like Driefontein and Vaal Reefs have translated into significant increases in gold output

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

● See Page 3

Mines limit capex to essential projects

B/DAY 30/9/92 (214)

MATTHEW CURTIN

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

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

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

"The local industry faces aggressive international competition

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

Both mines reduced total working costs in 1992

Buffelsfontein shed 935 jobs in the year, with 8 802 workers employed at year-end

Beatrix lost 1 303 jobs, and had 7 636 workers on June 30

Buffelsfontein gold mining company's results reflected the profit from the Buffels mine and its 16% share of Beatrix's earnings It reported after-tax profit of R68m (R66m) in the year

The mine's gold output held at a little more than 12 tons as an increase in grade to 5,9g/t from 5,7g/t offset a fall in tons milled to 2,1-million tons (2,2-million tons)

Tremors

Gengold consulting engineer John Cockburn said although Buffelsfontein's safety record was improving, the severity of earth tremors was increasing with the possibility that ventilation seals could be ruptured

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

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

Pals Holdings shareholders' interest cut

B/DAY 30/9/92

LINDA ENSOR

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

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

Turnover rose 16%, but slashed margins saw operating income tumble 8% to R1,6m (R1,7m), a reversal counteracted by lower finance and tax charges

Chairman Selwyn Kagan said earnings were likely to drop as the economy slid deeper into recession

Shareholders' interest was cut to R7,9m (R8,2m) as a result of the write-off of a premium paid on acquisition of subsidiaries after group rationalisation. Net tangible asset value was unaffected.

Siltek looks to offshore arms

B/DAY 30/9/92

DUMA GQUBULE

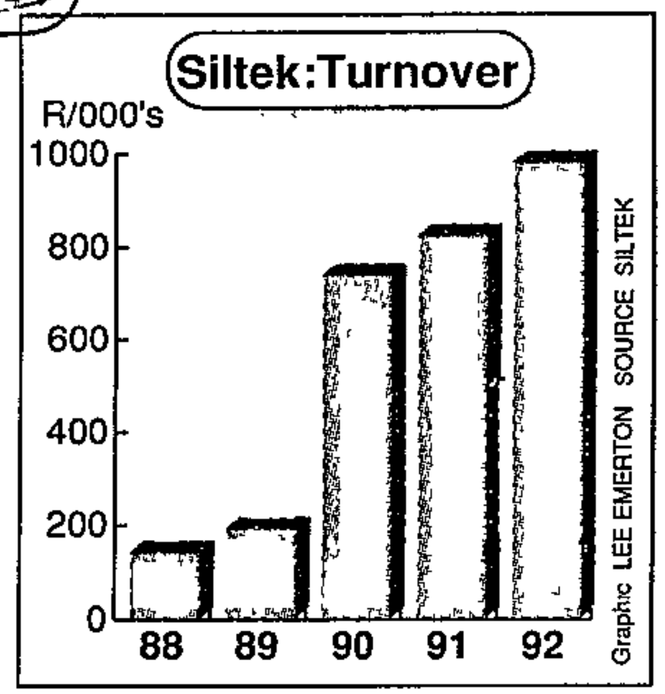
SILTEK, SA's second largest computer group, is confident its growing offshore companies will boost its profits significantly in the medium term

In its 1992 annual review chairman Jack Saulez said the group's offshore companies would open a important pipeline for group products into international markets

Hi-Performance Systems (HPS), recently appointed Hewlett Packard distributor for the subcontinent, had expanded to the UK HPS UK would serve as a platform for expansion into Europe Siltek recently reported a 30% increase in attributable income to R36,5m on a 19% increase in turnover to nearly R1bn for the year to June

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

Siltek's results were the brightest spot in holding company Grinaker Holdings' "most disappointing in a decade" Grinaker Holdings has a stake of 67% in Grintek, which in turn has 96% of Grinaker Electronics and 65% of Siltek



Grinaker, in its annual review, disclosed that Grinaker Construction, which reported a loss of R17,2m for the year to June, had created a special projects division to investigate opportunities in the housing, health and education sectors

Simmers cuts built-up loss to R26,2m

B/Day 30/9/92

JONO WATERS (214)

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

Simmers was paid R86,3m by Knights A dividend in specie of R82,2m distributed the majority of the revenue from the sale

Turnover increased marginally to R9,53m (R8,86m), but the operating loss increased four-fold to R4,52 from R1,03m in the comparable period last year

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

He said the continued operation of the eastern Transvaal gold mines looked doubtful as a result

JCI gold division confident

B/Day 30/9/92 (214)

MATTHEW CURTIN

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

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

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

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

Randfontein Estates was ahead of schedule in its efforts to build up a R90m cash reserve, and had retained R76m so far. Nairn said the focus at Randfontein in the current year would be developing high grade parts of the Kimberley reef from the Doornkop shaft and extending development down to the South Reef

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

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

Gengold pays out R2.6m for Kinross victims

RAY HARTLEY (214)

GENGOLD had agreed to pay R2,6m in compensation to families of 172 workers killed by gas from burning polyurethane in its Kinross mine in September 1986, NUM president James Motlatsi announced yesterday B/DAY 2/10/92

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

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

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

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

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

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

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

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

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

Motlatsi said NUM and SACP officials, including Chris Hani, would address a series of rallies on mine safety in the Transvaal and OFS on Sunday

Harmony rescue plan in full swing

MATTHEW CURTIN (214)

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

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

NUM and other staff associations have given their blessing to the plan, which depended on a seven-day working week, but the spokesman said workers were joined by volunteers from the CMU on Sunday. The CMU represents several hundred skilled white mineworkers at Harmony, who make up a small fraction of the mine's 14 000-strong workforce. B/DAY 2/10/92

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

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

Harmony shares have jumped more than 600c since plummeting to 300c after the announcement in early September that the mine was on the verge of closure. The shares closed 25c higher at 925c on the JSE yesterday.

Gold profit-sharing scheme

LABOUR BRIEFS (214) W/Mail 2/10-8/10/92

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

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

Leeudoorn banks on working profit

JONO WATERS (214)

KLOOF's Leeudoorn division expected to generate working profit in the current year, even if the average gold price received was no higher than in 1991/1992, chairman Alan Munro said in the company's annual report

Leeudoorn's total losses for the year amount to R27m, but Munro expects the division's planned milling rate of 100 000 tons a month to be achieved on a sustainable basis before the end of 1992 The milling rate was increased to 80 000 tons a month from 55 000 tons a month in the year ended June 1992 B/DAY 2/10/92

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

Although Kloof did not reach its tonnage target during the past financial year, gold production rose by 1,5 tons

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

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

Integration of the operation of the Libanon and Venterspost companies was not expected to significantly affect dividends, he said.

Disharmony in town over rescue plan

(214)

STAR 3/10/92

OWN CORRESPONDENT

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

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

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

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

Harmony managing director Karl Eick has devised a formula which he claims can turn the losses into profits of about R30 million a year The essentials of his plan are that for the next two years or so, mining must be concentrated on the richer areas of the mine (about 4 g/ton) To generate the required throughput of ore to the mill, seven days a week of blasting and hoisting would be essential

Everybody, unions included, agrees with his plan, except the Council of Mining Unions — a largely white union grouping with 700 members in the area. Their reason? The sanctity of the Sabbath.

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

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

Survival

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

"Thus Harmony is the main survival pillar of Virginia — paying wages of about R30 million a month and owning 32 percent of the houses in Virginia, which sees the local council receive over R1 million a year in rates"

DIAGONAL STREET

By JULIE WALKER

Randfontein's rainy-day chest

S/Times (BUSS) 4/10/92 (214)

PROSPECTS for JCI's ~~trio of~~ gold mines look fair, although the gold price will obviously influence their ultimate fortunes, says gold and uranium division managing director Bill Nairn

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

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

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

Randfontein's management is R76-million of the way towards a "rainy-day" chest of R90-million retained income to shield the mine against any possible sustained fall in the gold price.

Sister mine Western Areas is aiming for R50-million, but has reached only R20-million It had a poor first half-year because of flooding and other disruptions, but it made a profit of R21-million

Mr Nairn says Western Areas and the Rand Water Board have agreed to try to settle their differences over a R117-million claim outside the courts

The Joel mine in the southern Free State made an operating profit of R14-million against the previous year's loss of R37-million But after capital expenditure of R20-million, Joel's loans increased to R272-million

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

"The money is carefully spent," says Mr Nairn

Randfontein, one of the foreigners' favourites, added 35c to R11,45 after the presentation

Cost cutting saves 64 000

S/Times [Buss] 4/10/92. (214)

By CIARYN RYAN

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

Seven mines, employing 18% of the gold-mining workforce, are operating at a loss More than 285 000 mine workers would have found themselves on unprofitable or marginal mines had costs continued to rise at the rate of inflation, says the chamber

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

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

A study by the chamber shows that the real rand price of gold is unchanged from its 1968 level when it was fixed at $35 an ounce Working-cost increases far exceeded inflation in the mid- to late-1980s, resulting in a profit squeeze

Gold mines wrestled cost increases down from a high of 29% (against a producer price index of 13,6%) in 1987 to 1,7% (ppi 8,7%) in 1991 After a 0,2% reduction in the first quarter of 1992, working costs increased by 3% in the second

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

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

NEWS IN BRIEF

B/Day 5/10/92

Harmony improving

HARMONY gold mine's seven-day mining plan, approved by government, is already bearing fruit, says MD Karl Eick (214)

Eick said in a statement at the weekend that in the first 10 days of the new production month, September 19 to 28, during which the first Sunday blasting was carried out and double-blasting took place, Harmony produced 20 000 tons of ore over budget

However, he said there was no increase on grade, which would ultimately tell whether the mine could survive low gold prices

Rise in lease costs spurs gold demand

B/Day 5/10/92

MATTHEW CURTIN

THE cost of leasing gold has shot up in the past few days, tempting speculation of a sudden increase in demand for the metal

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

Gold fixed in London on Friday afternoon at $348 as the metal continued to yo-yo near the $350 mark

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

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

The SA source said that a growing mismatch between short-term and long-term lease rates would discourage producers from forward selling and encourage higher gold prices

He said there were two other possible causes for the tighter rates location swaps as gold was moved from London to other financial centres, and the effect of the September year-end, when some institutions might take gold back on to their books before relending it

(214)

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

The Financial Times said the last time something similar happened to the leasing rate it emerged that Portugal's central bank had lost 288 000oz of gold, worth $100m, which had been lent to Drexel Burnham Lambert, the financial services group which went bust in 1990

Unions decide on Harmony

CT 5/10/92 (214)

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

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

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

Eick said the government-approved seven-day mining plan was already bearing fruit In the first 10 days (September 19 to 28) of the new production month, during which the first Sunday mining operations were carried out and double blasting went into effect, Harmony had produced 20 000 tons more than budgeted for.

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

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

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

Sunday mining impasse holds

B/DAY 6/10/92 (214)

MATTHEW CURTIN

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

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

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

Harmony workers — most of whom have accepted the new work schedule — have now worked two Sundays as part of the new mining plan, using CMU volunteers to blast

Unless management and the CMU agree to accept arbitration or mediation to resolve the dispute, the CMU may ballot for a strike, while management can lock out CMU members

COMPANIES

Gold mine quarterlies expected to be non-event

(214)

B/Day 6/10/92.

JONO WATERS

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

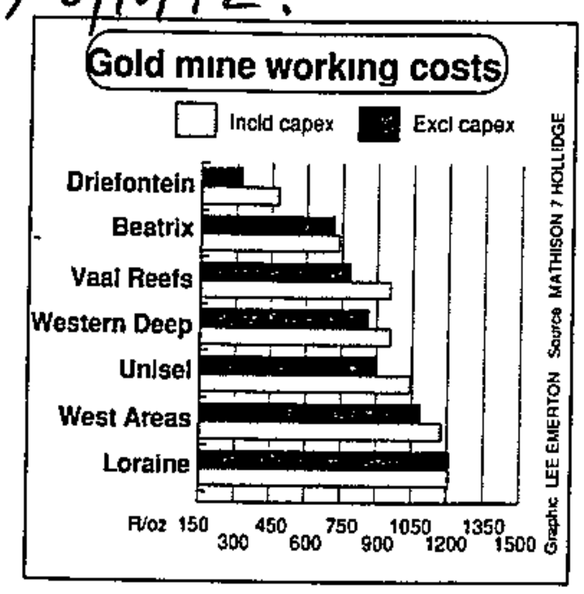
Gold Fields announces the first batch of quarterly results today

Most analsts felt earnings would be slightly down on the last quarter Overall earnings fell 24% to R303m in the June quarter, and average gold prices had been static quarter on quarter, at just over R960 an ounce

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

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

"We expect capex increases across the board as most capital projects have been put on hold for the past 24 months," Cunningham said The mines had done the bare minimum of development work, to conserve cash,



but without relief from higher gold prices and rising pay limits, the flexibility of their underground operations had suffered Capex in the last quarter rose 17% to R590m

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

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

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

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

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

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

E W Balderson analyst Nick Noodwin said Doorns might place its underground operations on a care and maintenence basis, but carry on working the dumps

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

Simpson Mckie analyst Rodney Yaldwyn said he expected the quarterlies to be "a non-event"

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

Yaldwyn said Gengold might elaborate on the possible separation of Buffelsfontein and Beatrix, and of St Helena and Oryx

Gold Fields shrugs off poor gold price

B/Day 7/10/92

(214) MATTHEW CURTIN

GOLD Fields' streamlined gold division shrugged off another quarter of weak prices thanks to sharp increases in grade at its Kloof and Leeudoorn mines.

The group's overall earnings after tax and capital expenditure jumped nearly 20% to R102m in the September quarter from R85m. The increase in average grade to 9,1g/t from 8,6g/t more than offset both a fall in the amount of ore milled and poorer gold prices, which fell to R30 865/kg from R31 086/kg. Gold output rose to 31,4 tons from 30,6 tons, lifting gold revenue to R969m from R952m.

The mines continued their successful cost containment of recent months, with total costs up only 4% quarter on quarter, at R676m against R653m. Unit working costs rose a paltry 1% to R21 558/kg.

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

The company, merged with the faltering Libanon and Venterspost operations in mid-year, paid no tax and reported a pre-capex profit of R115m, compared with R96m in the previous quarter.

● See Page 11

R60m slide in GFSA profit

CT 7/10/92 (214)

JOHANNESBURG — The Gold Field group reported a R60m fall in after tax profit from R287m to R227m for the quarter ended September 1992 compared to the previous quarter.

Working profit only declined by 2% to R296m and the lower after tax profit reflected a lower net sundry revenue and a substantial increase in tax and the State's share.

Net sundry revenue fell to R45m for the period under review from R46m in the quarter to end June this year while tax and the State's share increased to R61m from R55m largely because of the lower level of capital expenditure of R125m compared to R201m previously.

Results from Kloof and Leeudoorn, the two high grade divisions of Gold Field's new look Kloof gold mining company, stood out in the GFSA group gold results in the September quarter as the mine grades began to live up to expectation.

In contrast the group's loss making marginal mine Doornfontein has increased from the quarter to become on the brink of closure.

Driefontein consolidated turned in a table result with costs well contained but Deelkraal felt the squeeze of a drop in grade, lower gold recovery and higher total working costs as the mine increased milled throughput.

A 13% jump in grade at Kloof to 10,5g/t and a 5% increase at Leeudoorn to 9,8g/t were accompanied by corresponding increases in gold output.

Gold division chairman Ian Munro said earlier that the results were outstanding but that Doornfontein (R17m down to a R1m) was a significant blow.

Kloof division's working profit rose by nearly a third and Leeudoorn turned in its maiden working profit of R8,9m compared with a loss of R3,9m in the June quarter.

Munro said it remained to be seen whether Kloof could sustain its grade in the current quarter while Leeudoorn's underdeveloped mine had inherently less flexibility to keep its grade up.

Since Kloof's merger with the ailing Libanon and Venter portfolio last year the new company had an extra division. The new Libanon division consists of the Libanon and Venter mining leases and the mined out north western section of Kloof. — Own Correspondent and Sapa

Leeuwdoorn, Kloof grades up

(214)

B/DAY 7/10/92

MATTHEW CURTIN

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

In contrast, the group's last self-standing marginal mine, Doornfontein, has emerged from the quarter, teetering on the brink of closure

Driefontein Consolidated turned in stable results, with costs well contained, but Deelkraal felt the squeeze of a drop in grade, lower gold revenue and higher total working costs as the mine increased milled throughput

A 13% jump in grade at Kloof to 15,5 grams a ton, and a 35% increase at Leeudoorn to 9,3g/t was accompanied by corresponding increases in gold output

Gold division chairman Alan Munro said yesterday that the results were "outstanding"

Kloof division's working profit rose by nearly a third, and Leeudoorn turned in its maiden working profit of R8,9m, compared with a loss of R3,9m in the June quarter

Munro said it remained to be seen whether Kloof could sustain its grade in the current quarter, while Leeudorn, as a developing mine, had inherently less flexibility to keep its grade up

Since Kloof's merger with the ailing Libanon and Venterspost in mid-year, the new company had an extra division. The new Libanon division consists of the Libanon and Venters mining lease areas and the mined-out north-western section of Kloof

Gold Fields has mothballed the No 4 shaft project at Venters and mining was concentrated in high-grade areas at Libanon and Venters

However, the Libanon division's results in the quarter were knocked by a fire in the Harvie-Watt shaft, which cost the mine 32 000 tons in lost production

He said Libanon planned to produce 435 000 tons of ore a month and achieve a grade in the order of 5,4g/t.

West Driefontein was also affected by a fire in the quarter

The fire had knocked the mine's plans to return to full production, which slipped to 705 000 from 706 000 tons.

Doornfontein, plagued by wildcat strikes and other disruptions to production in the past year, successfull increased the amount of tons milled, but was unable to find sufficiently high-grade areas of reef.

Grade fell to 4,6g/t from 5g/t, with gold output down at 1,3 tons against 1,5 tons in the previous quarter Working costs soared to R44 411/kgfrom R34 992/kg

Munro said the mine's R17m after-tax loss was "a significant blow"

Deelkraal, which suspended its No 3 shaft project in 1990, was concentrating on contingency plans to open up new areas of reef

GOLD FIELDS OF SA September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	**705**	**9,4**	**6 621,8**	**173,8**	**18 505**	**30 852**	—	—	—
June	705	9,4	6 627,1	167,41	17 807	31 212	—	—	—
West Driefontein	**705**	**11,1**	**7 812,8**	**200,6**	**18 103**	**30 817**	**115 745***	**68 202***	**33***
June	706	11,4	8 046,5	191,7	16 824	31 087	161 545*	96 544*	47*
Kloof	**540**	**15,5**	**8 368,2**	**259,6**	**16 752**	**30 874**	—	—	—
June	540	13,7	7 375,2	255,6	18 713	31 105	—	—	—
Leeudoorn	**240**	**9,3**	**2 226,6**	**250,8**	**27 030**	**30 997**	—	—	—
June	235	6,9	1 616,7	224,7	32 668	30 872	—	—	—
Libanon	**444**	**5,4**	**2 664,2**	**186,4**	**34 563**	**31 086**	**115 302***	**48 325***	**38***
June	585	5,0	2 926,3	163,3	32 645	31 010	96 330*	10 211*	8,4*
Deelkraal	**405**	**5,9**	**2 376,0**	**153,1**	**26 098**	**31 020**	**12 635**	**2 541**	**2,6**
June	396	6,2	2 449,0	149,6	24 178	31 297	33 714	(4 780)	(4,8)
Doornfontein	**330**	**3,6**	**1 305,0**	**175,6**	**44 411**	**31 112**	**(16 915)**	**(17 058)**	**(43)**
June	299	4,0	1 534,2	179,5	34 992	31 227	(4 916)	(5 105)	(13)

* Combined results for Driefontein and Kloof mining companies

Lindum Reefs results give reason for optimism

JONO WATERS (214)

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

Lindum was formed to mine the old workings at JCI's Randfontein Estates in 1988

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

The opencast operation milled 30 704 tons at an average grade of 3,98g/t in September This produced 122kg of gold and a working profit of R799 000

However, the proven reserves on the Black Reef were limited at the present opencast site and additional exploration was needed to supplement the existing reserves B/Day 8/10/92.

In its sand and slimes operation, the ore milled was halved to 69 287 tons and grade fell sharply to 0,49g/t from 0,81g/t in the September quarter

As a result, gold production fell to 33,8kg (116kg) and the section reported a working loss of R756 000 (R119 000 loss)

The combined operations produced a working profit of R43 000, and sundry revenue of R560 000 (R539 000) pushed its net profit to R603 000 (R420 000).

Capex for the period amounted to R79 000

Higher production lifts Amgold earnings

(214)

STAR 9/10/92

By Sven Lünsche

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

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

"Higher production levels and the continuing ability of the mines to contain costs resulted in an improvement in earnings," the directors say

Investment income, reflecting the mines' dividend payments, rose by 16,4 percent to R127,2 million (R109,3 million), while interest earnings rose 20,4 percent to R40,8 million (R33,9 million)

Net income was up to R146,6 million (R119,9 million) and the interim dividend was raised by 50c to 525c

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

Mining industry in trouble – NUM

Sowetan 9/10/92

Sowetan & Radio Metro

*Talk*back

with Tim Modise

By Lulama Luti

ABOUT 150 000 mine workers have been laid off by mining houses in the past three years, the *Sowetan*/Radio Metro Talkback show was told last night.

Studio guest Mr James Motlatsi, president of the National Union of Mineworkers, said it was bad that there were still threats of retrenchment and mine closures from other mining houses.

"From the economic point of view the gold mining is bad, particularly the price of gold which is determined by overseas markets.

"I think the situation will continue to deteriorate unless some miracle happens regarding the price of gold happens," he said.

However, Motlatsi came out strongly against the lack of safety in the mines and said the conditions were still appalling and hazardous while mining bosses continued to come in their millions about profits.

"On average two miners die per day and we lose up to 900 annually. This is against the background of more than 10 000 who get seriously wounded."

The record of safety is not impressive at all. It hasn't improved an inch since the inception of the mines, more than a century ago," he told listeners.

He said the mining industry was run on military style with bosses still adopting aggressive policies against workers, especially black employees.

In fact it is worse than the military. Workers are still housed in single sex hostels, they don't have a say in matters of safety and are still underpaid," he said.

Quoting the Chamber of Mines as an example, Motlatsi said the chamber had reduced their research budget on safety by 43 percent.

"The mining houses are refusing to allow workers to participate fully in the determination of working conditions," he said.

He added that recommendations by the union were not heeded by the mines because they had to be sanctioned by the government.

"We believe political changes will bring about economic changes because we are not represented. our suggestions are not taken seriously."

Motlatsi said his organisation had clinched deals with some mining houses which had committed themselves to train retrenched employees.

Amgold announces 11% dividend growth

B/DAY 9/10/92 (214)

JONO WATERS

AMGOLD, Anglo American's investment company with gold interests, yesterday announced an 11% increase in its interim dividend to 525c

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

In the six months to end September 1992, investment income rose by 16,4% to R127m, compared with R109m in the same period last year The increase was attributed to higher dividends received from gold mines in which the company was invested, Oppenheimer said

Interest earned and other income rose 20,4% to R40,8m (R33,9m) — which included a surplus on the rationalisation of investments However, interest received was marginally lower during the half year under review

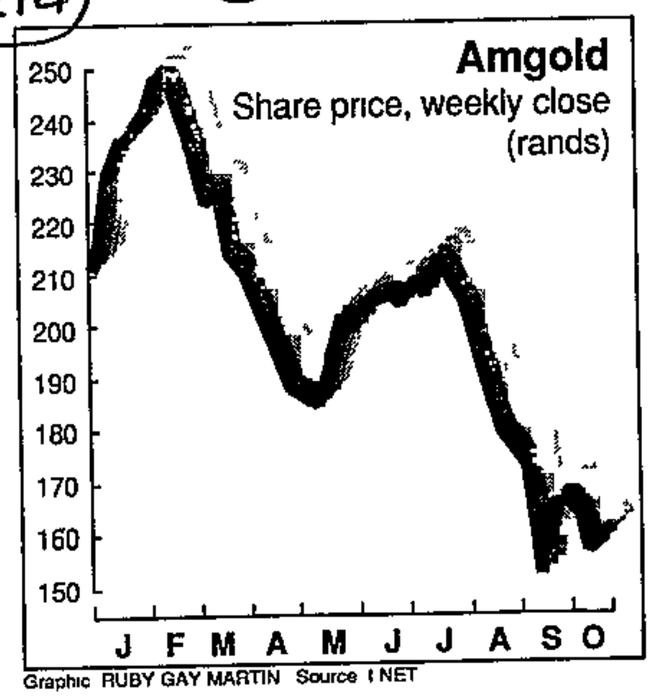
Income before administration and prospecting costs accordingly increased to R168m (R143m).

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

Net income rose by 22,3% to R147m (R120m), which translated into earnings a share of 607c, up 22% on the previous earnings of 497c

Net asset value a share fell to 18 264c (22 713c) as a result of a fall in the value of the company's listed investments to R3,76bn (R4,83bn)

Oppenheimer expected the results for the second half of the financial year would depend on the prevailing rand gold price



Graphic RUBY GAY MARTIN Source I NET

and the extent to which costs could be contained in the companies in which Amgold was invested Amgold has gold interests in SA, the US, Australia and in the Far East

The dollar gold price averaged $345/oz in the first six months of 1992, which was 5,7% lower than the average price received for the corresponding period last year, Oppenheimer said However, the rand price declined by only 0,6%

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

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

Mystery fires at GFSA

S/Times (Buss) 11/10/92

GOLD Fields' quarterlies look strange with only four gold mines to report on because of the merger of Kloof, Libanon and Venterspost

Other than that, it is more of the same from the predominantly gold-reliant mining house. Costs rose and gold revenue did not, maintaining the trend of five quarters Gold production increased by 800kg, thanks largely to better grades from the Kloof section

(214)

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

Mr Munro says Libanon's mining team is experienced at cleaning up and taking out remnants which were uneconomic at the time when they were left behind in the richer Kloof mine

The merger allows Libanon to tidy up the crumbs while Kloof presses ahead Operations at Venterspost, which was relying on giving birth to a section while the mother was still alive, are being run down

More than R180-million was spent on Venters' development, now mothballed

"The mother is dead, but there is now a foster mother and the baby is on ice," says Mr Munro

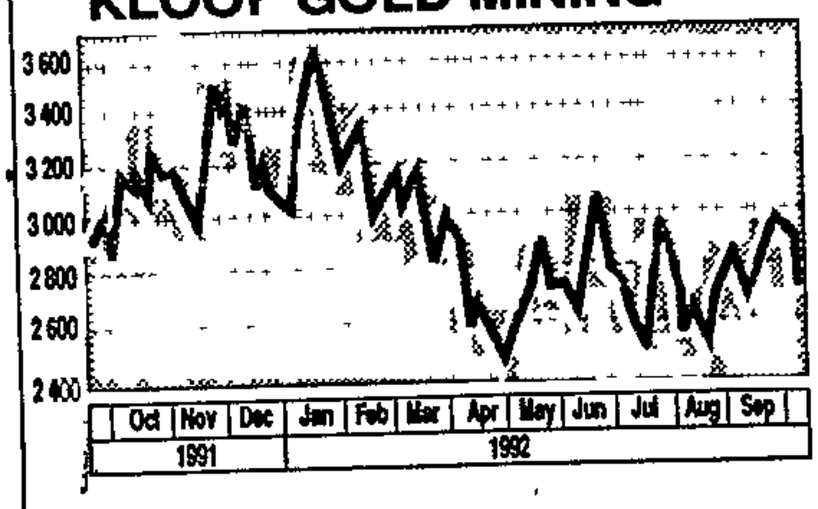
Money has not been thrown away — "speculate what a new shaft will cost in five years' time"

If the new Kloof was the star, then Doornfontein was the dog Expected to turn around in the quarter, Doornfontein quadrupled the June loss to R17-million, pushing short-term borrowings beyond the June yearend figure of R20-million

Mr Munro says the group is considering every avenue to prevent cessation of mining activity at Doornfontein, which employs 6 200

I asked him if there was to be a deal with Rand Mines-managed Blyvooruitzicht — also looking for salvation "You tell me," was his cryptic response

In common with the rest of our mining houses, Gold Fields remains confident about the medium- to long-term future of gold, if not the short The quarter's working profit was R293-million — an amount that puts the magnitude of the industry into perspective Few industrial companies can boast those earnings



Antimony market 'still oversupplied'

B/Day 6/10/92

JONO WATERS

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

Hawarden said the antimony market continued to be oversupplied as a result of price discounting by Chinese producers Cons Murch is the world's largest and SA's sole producer of antimony

Cons Murch's antimony concentrate stocks rose to 2 560 tons (2 045) in the year to end June 1992, as its sales of the concentrate declined by 16,3% to 5 950 tons Gold production increased by 41% to 1 016 tons as a result of a 19% increase in grade and an improvement in gold recoveries

Holders of ASA shares get a hiding

STAR 13/10/92

By Derek Tommey (214)

US investors who have been putting their faith in gold shares have been losing hand over fist in recent years

The latest quarterly report of blue chip ASA, which was created to enable Americans to put money into SA gold mines, makes depressing reading

Without the cushion afforded South African investors of a declining rand-dollar exchange rate and a firmer financial rand, the net asset value of ASA shares has been hard hit in the past few years..

At the end of November 1987, an ASA share had a net asset value of $82,84 A year later this had fallen to $54,44 Although the value recovered to $70,01 at the end of November 1989, it had fallen to $48,54 at the end of November 1990, to $44,71 at the end of November 1991 and to $36,01 last August.

Dividends have followed a similar downward trend They amounted to $4,50 a share in 1987, $3,50 in 1988, 1989 and 1990, $3 in 1991 and $1,50 for the first nine months of the 1992 financial year.

Investors cannot blame the drop in share value and dividends on ASA's investment advisers Money has been invested in the best gold shares available

At August 31, its biggest investment was R240 million in Driefontein, while its second-biggest was R134,5 million in Kloof

It has a further R80 million in Vaal Reefs and R58 million in Southvaal. Other golds in its portfolio are Western Deep, Harties, Zandpan, Winkelhaak, Beatrix and Kinross

It has R72 million invested in Rustenburg Platinum, R67 million in De Beers/Centenary and about R30 million each in Anglo American and Amcoal

Brendan Ryan

GOLD FIELDS FM 2/10/92

A longer plateau

(214)

FM 2/10/92 (214)

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

On the face of it, the fortunes of the two houses should not be so similar JCI holds a diversified portfolio of mining and industrial investments, Gold Fields continues to depend heavily on gold, which contributed 57% to group income in the 1992 year Largest contributor to JCI's earnings was its industrial portfolio, which provided 42,2%, while its

continue

COMPANIES 32 • 79

Activities: *Mining House with main interests in gold but also platinum, coal, base metals with limited exposure to finance and property*
Control: *43% held by Gold Fields Holdings in which Rembrandt and Asteroid each hold 40% Asteroid is controlled by GFSA and Drie Cons*
Chairman and CEO: *R A Plumbridge*
Capital structure: *96,3m ords Market capitalisation R6bn*
Share market: *Price 6 250c Yields 3,2% on dividend, 5,0% on earnings, p e ratio, 19,9, cover, 1,57 12-month high, 8 800c, low, 5 700c Trading volume last quarter, 500 000 shares*

Year to June 30	'89	'90	'91	'92
Investments				
Listed (Rm)	947	1 677	1 716	1 765
Unlisted (Rm)	1 000	1 160	1 120	997
Investment inc (Rm)	351	303	285	289
Other income (Rm)	55	187	212	215
Earnings (Rm)	330	361	314	302
Earnings (c)	403	393	328	314
Dividends (c)	200	200	200	200
Net worth (c)	7 665	9 362	9 227	9 038

platinum interests accounted for 21%

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

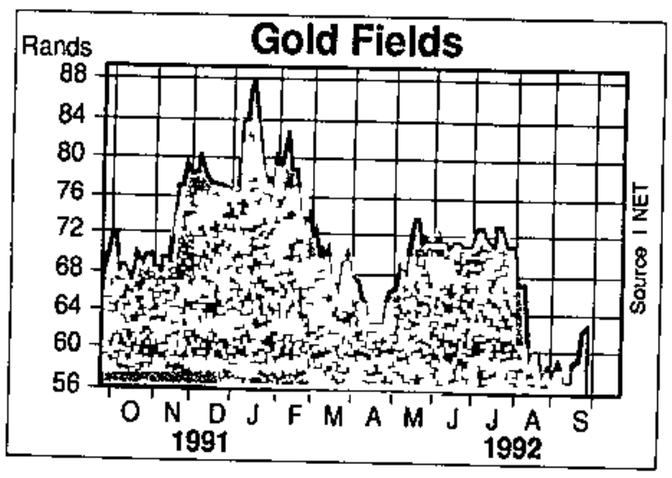
Despite four grim years for the gold industry, Gold Fields has maintained its expenditure on exploration to find new projects which are essential to the continued life of the house Prospecting expenditure rose to R42m in the 1992 year (1991 R37m), whereas JCI reduced its exploration spending from R41m to R25m over the same period

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

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

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

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



"There is an urgent need for all concerned to recognise that SA needs to establish not only in the mining sphere, but in industry generally, a set of policies which will make it competitive with the fast-emerging developing nations around the world "

A major development in Gold Fields' life this year is the start of metal production from Northam Platinum in which it holds a beneficial 63% interest However, the first dividend from Northam is due only in 1994, and another R300m is needed before the mine becomes self-financing Gold Fields could end up providing all that in loans, or about R190m through a debenture or equity rights issue There would be no problem finding this money — at June 30 the balance sheet held R530m cash and no debt

Still, gold will continue to dominate the group's fortunes for the next few years and, if the cost squeeze in the industry continues, one wonders how long even Gold Fields can maintain its dividend

Disappointingly, Plumbridge gives no specific forecast on earnings Instead, he offers shareholders generalisations about the serious short-term threats to the SA gold mines together with the sound long-term position of the gold business

The outlook is for another slight decrease in earnings and another maintained dividend Unless you are a gold bull, there seems little reason to buy the share because more diversifed houses like Anglo or JCI seem better investments at present Brendan Ryan

Wrong picture

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

Gold Fields' Plumbridge
looking elsewhere

Gengold rides out hard times

B/DAY 15/10/92. (214)

JONO WATERS

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

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

Maude said St Helena was "a hospital case in this quarter", but although the loss of 2 700 jobs was tragic, it was better than the mine making losses and being forced to close.

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

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

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

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

Maude said Unisel was "one of the best prospects for the future" The Basal reef was providing 95% of the tonnage and good results had been achieved from the sub-incline area in the eastern region of the mine

Leslie had done "remarkably well" in lowering its costs to R28 065, while Stilfontein showed a working profit for the first time in several quarters. Its surface operations could continue to operate profitably for six months to a year, depending on gold prices.

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

Overall income goes up

B/DAY 15/10/92. (214)

JONO WATERS

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

Investment income from dividends rose 4,7% to R1,44m and R97 000 was received from investments sold Overall income increased to R1,54m (R1,38m)

Net profit rose 5,8% to R1,38m (R1,3m), which translated into earnings of 77,9c (73,6c) a share Net asset value a share declined to 3 403c (4 204c)

Gold exploration on the Gerhardminnebron farm in the Potchefstroom district has been suspended.

Cost control lifts Gengold group profit

JONO WATERS

SUCCESSFUL cost control in the September quarter at the majority of the 11 mines in the Gengold stable lifted the group's overall after-tax profit by more than 3% in spite of weak gold prices

Working costs decreased 1,5% to R487m from R498m in the June quarter, and by 0,4% from the September quarter 1991

Income after tax rose to R72,9m (R70,6m), but was down 14,6% on the comparable quarter last year

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

Winkelhaak declared its first dividend in 18 months of 50c a share Other mines that declared final dividends were Kinross at 130c (120c) a share, Bracken at 30c (15c), while Leslie paid an unchanged 15c and Unisel declared at 10c a share.

Maude added that for the last five quarters, Buffelsfontein, Leslie and Unisel had increased their gold production

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

● See Page 6

B/Day 15/10/92 (214)

SOUTH DEEP EXPLORATION

Buying time

FM 16/10/92 (214)

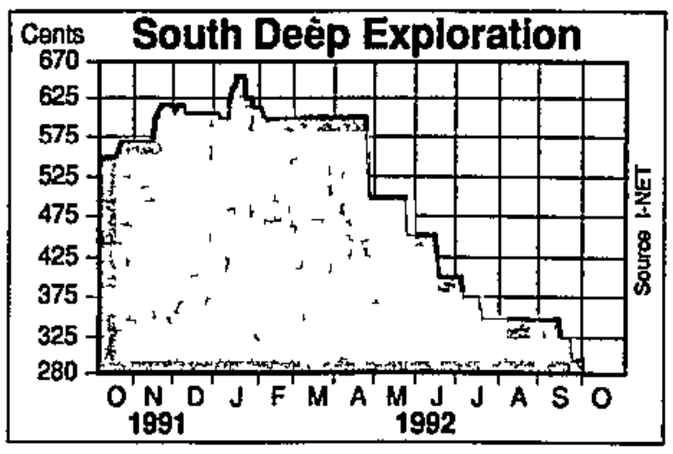
Activities: *Exploration company controlling the potential South Deep gold mine adjacent to Western Areas on the West Rand*
Control: *JCI 41%*
Chairman: *K W Maxwell*
Capital structure: *39,4m ords Market capitalisation R118,2m*
Share market: *Price 300c Yield 14,7% on earnings, p e ratio, 6,8, cover 12-month high, 650c, low, 300c Trading volume last quarter, 45 000 shares*

Year to Jun 30	'91	'92
Income (Rm)	13,7	16,5
Taxed profit (Rm)	11,9	15,0
Short-term investments (Rm)	172,0	132,4
Earnings (c)	46,8	38,0

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

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

FM 16/10/92 (214)



eventually be sunk from surface.

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

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

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

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

The prospectus estimated ore reserves at 115,9 Mt at average in situ grade of 9 g/t, which Simpson McKie analyst Peter Bahnemann calls "probably the largest accumulation of gold per hectare in the world "

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

A year ago, JCI estimated working cost at around R18 000/kg gold Bahnemann then put it at roughly R20 250/kg with recovery of 7,9 g/t Lourens now estimates working cost to be about R22 000/kg

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

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

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

AMGOLD FM 16/10/92 (214)

Temporary respite

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

Investment income rose 16,4% to R127,2m (previous comparable six months, R109,3m) because of higher dividends from a number of the top quality gold mines in which it has significant stakes, such as Vaal Reefs (16,8%), Hartebeestfontein (15,5%) and Driefontein (11,5%)

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

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

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

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

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

Brendan Ryan

HOLDING UP

Six months to	Sep '91	Mar '92	Sep '92
Investment inc (Rm)	109,3	110,6	127,2
Interest earned (Rm)	33,9	33,6	40,8
Net income (Rm)	119,9	115,6	146,6
Earnings (c)	497,0	478,0	607,0
Dividends (c)	475,0	500,0	525,0
Net worth (c)	22 713	22 595	18 264

Small profit for Rand Leases

JONO WATERS (214)

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

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

Ore milled at Rand Leases for the quarter nearly doubled to 43 896 tons (24 330 tons) and gold production was higher at 201kg (109kg) after a slightly improved grade of 4,59g/t (4,47g/t).

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

The company's total revenue amounted to R6,32m (R3,62m) and had working costs of R5,91m (R4,31m), which produced a small operating profit of R412 000 compared to a loss of R693 000 in the previous quarter.

The interest bill on borrowings of R4,03m was R223 000 and the rental provision of R169 000 reduced Rand Leases' net profit to R20 000 (R707 000 loss).

Capex for the period was higher at R524 000 (R226 000) as it was needed to access the lower level of the shaft pillar through the 6A incline. B/DAY 16/10/92.

Laing said this became necessary as a result of damage to the lower levels of the vertical shaft caused by the seismic event.

Duiker gets a 41% boost from Eastern

B/DAY 16/10/92

JONO WATERS (214)

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

Earnings a share rose to 153,7c (102,2c) and the company declared a final dividend of 32c a share, bringing the total dividend for the year to 50c (35c).

Mining income for the year fell by 19,1% to R19m due to significantly lower sales to the oversupplied inland and export coal markets

Other income rose to R7,5m (R1,93m) and the company received R4,75m in payment for royalties for the exploitation of anthracite rights Associate interests brought in R9,97m, bringing pre-tax income to R41,3m Tax and the state's share of profits amounted to R19,2m

Capex for the period nearly tripled to R20,3m (R7,67m), largely as a result of costs incurred on the expansion of the group's coal beneficiation facilities

Southgo gold mines mark time

JONO WATERS

PROFITS of the two operating gold mines in the South East Rand Gold Holdings (Southgo) stable were almost static in the September quarter

(214)

After-tax profit at West Witwatersrand (West Wits) was marginally lower at R2,71m (R2,89m), while Benoni slightly increased its after-tax profit to R1,57m (R1,53m) West Wits declared an interim dividend of 2c a share

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

Total tons treated at West Wits rose to 552 085 tons (515 540 tons), mainly as a result of an increase in the heap-leach operations, but the grade fell to 1,38g/ton (1,45g/ton). Gold production was higher at 761kg (745kg) and the gold price received rose marginally to R31 438/kg (R31 421/kg) Capex for the period amounted to R842 000 (R880 000)

Slimes and sand treated at Benoni also increased to 616 959 tons (570 933 tons), but the grade also fell to 0,6g/ton (0,66g/ton)

Gold production fell by 7kg to 370kg and Benoni received a lower gold price of R32 395/kg (R32 602/kg) Capex for the quarter doubled to R854 000 (R440 000)

Cleaning operations continued at Wit Nigel, which produced a net loss of R144 000, but capital recoupment amounted to R225 000

B/Day 16/10/92

BUSINESS

Grim Reaper still stalks the miners

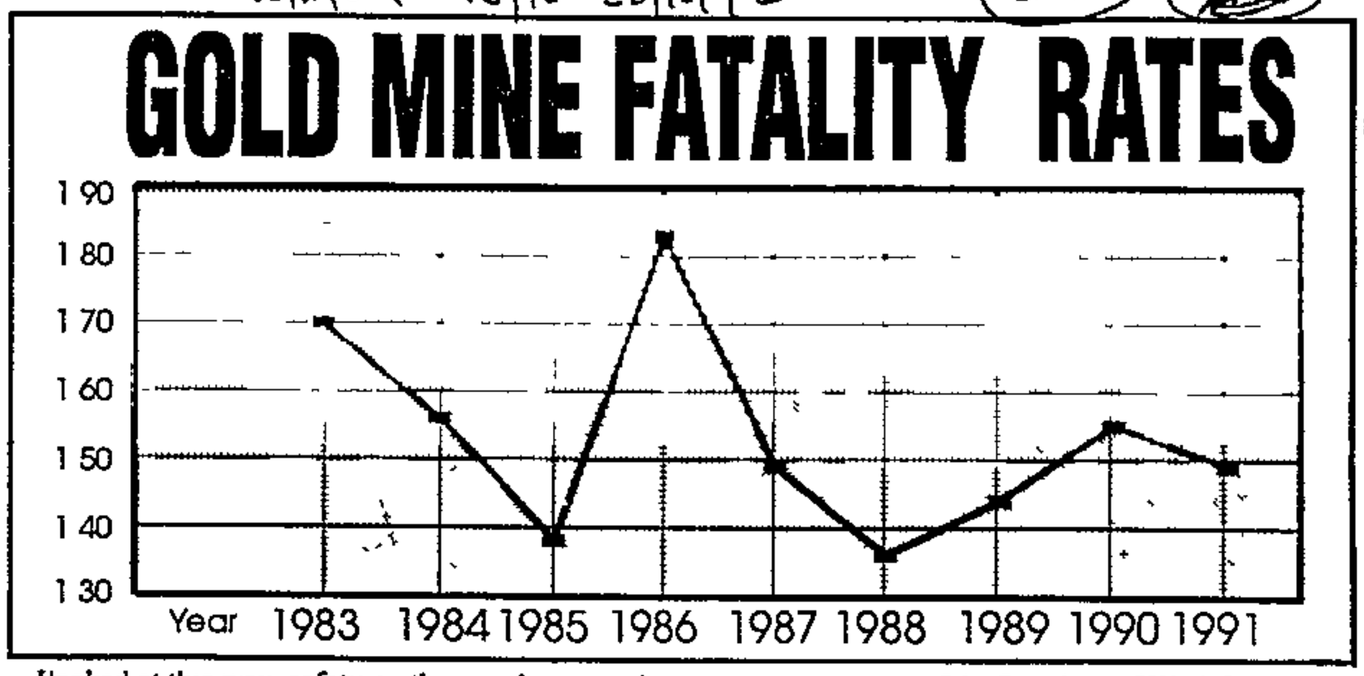
W/Mail 16/10-22/10/92 (214)

Last week's disaster at Doornfontein gold mine, in which nine miners died, puts mine safety under the spotlight again. **REG RUMNEY** *reports*

LAST year more than one miner a day was killed underground in South Africa's gold mines To be exact, 433 miners lost their lives in what in terms of human loss was a good year

Statistics on gold mine fatalities underground updated recently by the Chamber of Mines show only a marginal improvement in the fatality rate — deaths per 1 000 employees — over the past eight years.

The underground fatality rate in 1983, when 605 miners were killed, was 1,70 Since then the rate has not dropped below 1,36 and rose in 1986 to 1,83



Looked at this way, safety on the gold mines appears to give the lie to any commitment to the "in-house" side of social responsibility, that is caring for one's own workers

In the mines' defence, the underground fatality rate at coal mines has dropped sharply, from 2,32 in 1983 to 0,73 in 1991 And the accident rate at both coal and gold mines has fallen Moreover, the mines do not conceal their statistics They argue they are far from being callous about the loss of human life.

Chamber of Mines senior GM operations Horst Wagner says deaths are a tragedy but appears genuinely hurt that anyone might suggest the mining industry is insensitive to the issue "There are many dedicated people who go to great lengths to make mines safer," he says.

The accident and fatality rates must be seen against the background, adds Wagner, of mining being a big industry employing a huge workforce.

"In mine safety a single large accident can have a distorting effect on the overall trend," says Wagner

He cites disasters such as the fire at the Kinross gold mine in 1986, in which 177 miners died, and the coal mine disasters at Hlobane and St Helena.

Jean Leger, arch-critic of the mines' safety record and formerly of the Sociology of Work Programme at the University of the Witwatersrand, has pointed out that, far from being abnormal, mining in South Africa is characterised by such big disasters They are, in other words, part of the trend, not separate from it.

In a paper published by Elsevier Science Publishers, Leger says disasters remain a significant contributor to total fatalities, more disasters having occurred in the 1980s than in any other decade this century

Wagner says the reason for the intractibility of the problem on gold mines is the nature of the mining. Gold mines in South Africa are deeper than in the rest of the world, and rockbursts and rockfalls are common causes of death. For instance, last year, according to chamber statistics, 93 of the 433 miners who died underground were killed by rock bursts, 184 by other falls of ground.

Advances have been made, says Wagner, in controlling methane gas explosions in coal mines in South Africa.

But, unlike say UK coal mines, which are mainly longwall operations and are highly mechanised, coal mining in South Africa is a mixture of the more dangerous room-and-pillar and longwall mining It resembles coal mining in the US more closely And indeed, according to Chamber stats, the fatality rate, at 0,73 (17 deaths) was closer to the US norm last year

The "reportable injury rate" in coal mines has dropped steadily from 13,65 per 1 000 employees in 1983 to 7,48 in 1991 At the same time the reportable injury rate dropped from 37,38 to 24,10 on gold mines between 1983 and 1991

The reportable injury rate counts injuries which mean 14 or more days off work or involve permanent disability

What then can be and is being done to make particularly gold mining less hazardous to human life?

Wagner says the use of "backfill", piping tailings or waste ground into mined out areas to prevent rockburst and the use of lighter, easier to install hydraulic rockburst props.

And right now, Wagner says mine management with the safety division of the Chamber has started a new campaign concentrating on safety at the workface.

Leger recommends, among other things, the establishment of an independent (government) deep-level mining research institute and more thorough investigations of disasters and analyses of disaster trends.

"About 10 percent of the gold mine workforce is employed between 3 000 and 3 500 metres. These miners face a threefold increase in the fatality rate. One out of 11 miners working for 20 years at these depths is likely to be killed in an accident.

"While the Chamber of Mines has devoted considerable resources to rockburst research .. increased efforts aimed at ameliorating the rockburst problem at depth are urgently necessary"

More seriously, and pointing to a need for further investigation is Leger's claim that fatality rates in diamond mines remain at levels similar to those of the 1920s And in other mineral mines the rate has increased since the 1930s.

World recession offers Minorco opportunities

B/Day 19/10/92 (214)

JONO WATERS

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

Minorco spent $308m on acquisitions in the past financial year, of which $253m was in the industrial minerals sector, and Ogilvie Thompson said the group's balance sheet remained strong with total cash at June 30 amounting to $1,8bn, while debt was $528m.

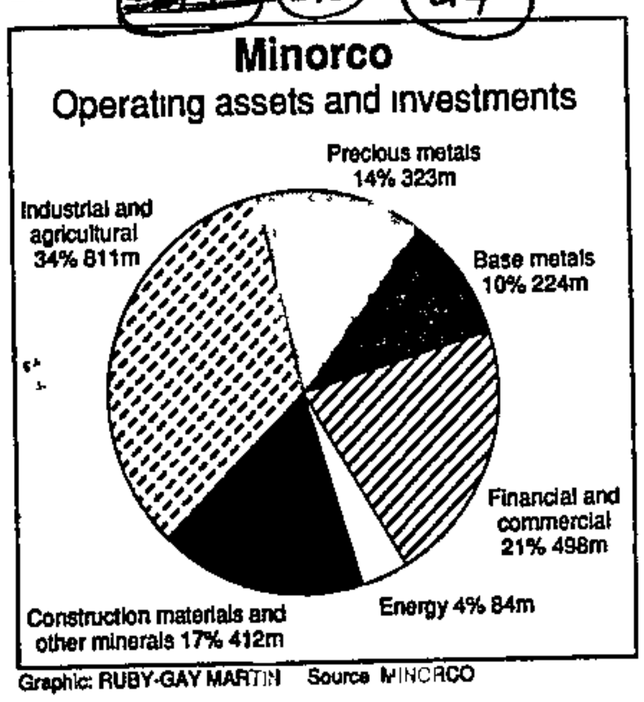
He said the short-term economic outlook was uncertain However, in the medium to long term, the achievement of the restructuring of the world economy without widespread economic and political disruption should create conditions for sustainable economic expansion "by a greater family of developed nations"

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

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

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

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



Graphic: RUBY-GAY MARTIN Source MINORCO

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

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

Minorco's principal investments are a 36% stake in Charter Consolidated, a 24% interest in Eastern Investments, a 20% stake in Normandy Poseidon and a 21% holding in Anglo American South America.

Gold heavyweights 'badly undervalued'

B/Day 19/10/92 (214)

MATTHEW CURTIN

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

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

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

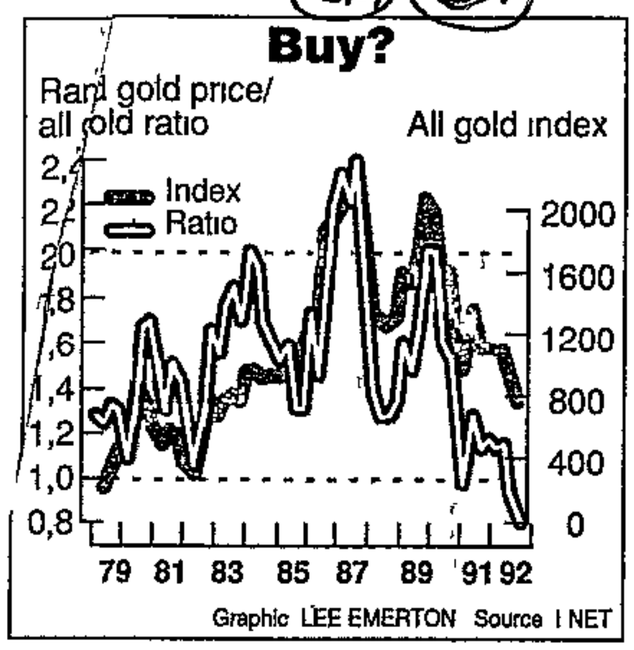
In contrast, outlook for shares in the marginal mines — which had little influence on the index — was more gloomy with poor short-term prospects for gold prices

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

In the past year gold prices have traded at an average of $349 an ounce, and in a narrow band between $340 and $357 Gold prices slipped again on Friday, with the London afternoon fix down 10c at $341,75

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

When the ratio fell below 1 it suggested that shares were undervalued as the inspired investor would have found to his benefit in the first half of 1982 had he started to buy gold shares In contrast, had he started to sell shares in late 1986 or early 1987 on the grounds that a ratio of more than 2 1 showed the shares were expensive, he would have beaten the late 1987 and late 1989 gold board crashes



Goodwin said that with the ratio presently down to a record low of 0,8 1, the question was whether the market had "any more downside potential" Investors tended to oversell when gold prices fell, and over-react when they soared, suggesting that with the index as low as it was, this was a good time to buy gold mining stock

"Analysts are in the business of avoiding blunders, anxious to sell near the top and buy near the bottom Buying and selling once prices have hit the bottom or the top invariably means you have missed the boat because the gold market moves so quickly," he said

Govt agrees to guarantee Harmony loan

JONO WATERS (214)

B/Day 19/10/92

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

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

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

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

Mineral and Energy Affairs director-general Piet Hugo said yesterday the tripartite agreement between the state, a commercial bank and Harmony had been agreed to in principle

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

Randgold and Exploration (formally Rand Mines gold division) human resources director Richard de Villiers said no interest subsidy had been discussed The group's ERPM receives an interest subsidy of 10% a year from the government on its debt of nearly R500m

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

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

☐ To Page 2

Harmony

B/Day 19/10/92 (214)

☐ From Page 1

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

In the September quarter, the four gold mines managed by Randgold and Exploration made a combined after-tax loss of R6,5m compared to a loss of R40,9m in the last quarter, said Turner

Underground tonnage dropped to 2,3-million tons compared to 2,6-million tons in the June quarter and surface material of just over 1-million tons was virtually unchanged from the last quarter Gold production declined from 11,2 tons to 10,4 tons

● See Page 8

Durban Deep, Blyvoor mines back in the black

(214) B/DAY 19/10/92

JONO WATERS

THERE was a return to profitability after capex at two of the four gold mines in the new-look Rand Mines gold division — Rand Gold and Exploration — for the September quarter.

The two mines to turn in small profits were Durban Deep and Blyvooruitzicht.

None of the mines made a profit after capex in the June quarter.

Chairman John Turner said the changes in work practices at Harmony of two blasts a day and Sunday operations came too late during the latest quarter to have any real effect on production

Although Harmony was expected to return to profitability in the quarter under review after R35m was paid out in retrenchment packages, difficulties in achieving the projected grade prevented this from happening The underground grade fell slightly to 3,19g/t (3,25g/t in June)

However, Turner said tonnage at the mine was ahead of schedule, and that the planned recovery grade should be achieved in the current quarter Capex for the December period was projected at R939 930

Blyvoor managed a return to profitability largely because of a marginal increase in grade

Treatment of rock from the waste dumps had been suspended as grades were declining Material from tailings dams was being treated instead

Sundry revenue of R1,65m was net of R500 000 (R1,1m) due to Driefontein for its share of profits in terms of a tribute agreement

Turner said in the company's annual report that Blyvoor was looking at a new tribute agreement to extend the life of the mine, which was scheduled to close in 1994

Durban Deep turned in a profit after capex in the period and increased gold production from both surface and underground operations

State pumping assistance for the quarter amounted to R2,1m, compared to R2,5m in the previous quarter Capex for the next quarter was budgeted at R159 000

East Rand Proprietary Mines increased its working profit, helped by an increase in its underground grade to 6,04g/t The grade was expected to increase as tonnages of comparatively richer ores becomes available from the development in the Far East Vertical shaft

However, the working profit was wiped out by an interest bill of R11,8m (R12,7m) on borrowings, which had risen to R492m (R478m)

Pumping assistance amounted to R1,7m compared to R1,8m in the previous quarter

Rand Mines* June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	312	5,97	1 863	189,99	31 817	32 031	1 458	1 422	5,9
June	319	5,89	1 878	199,21	33 839	32 523	(274)	(1884)	(7,9)
Durban Deep	312	4,05	1 263	135,37	33 440	32 330	1 056	565	24,3
June.....	307	3,84	1 180	126,91	33 017	32 120	1 006	(207)	(8,9)
ERPM	279	6,04	1 685	196,79	32 585	31 275	(3 390)	(5 653)	(34,0)
June ...	261	5,68	1 483	202,85	35 700	32 062	(6 068)	(9 986)	(60,0)
Harmony	1 483	3,19	4 727	110,44	34 650	32 434	(5 675)	(6 099)	(22,7)
June....	1 765	3,25	5 737	131,58	40 481	32 100	(35 560)	(35 880)	(133,4)

* Operating results from underground operations only

Mine's workers share R1,5m bonus

MATTHEW CURTIN

WORKERS at Western Areas gold mine received their first productivity bonus in the September quarter — a R1,5m payout — more than a year after a productivity scheme came into effect

At a news conference yesterday, Johannesburg Consolidated Investment gold division chairman Kennedy Maxwell said workers at Randfontein Estates earned a R2m bonus, after winning similar quarterly bonuses the previous year Workers had received below inflation wage increases of about 5% in the past two years.

Gold division MD Bill Nairn said productivity schemes were a good example of the new measures the gold mining industry had adopted — and would have to continue to find — if it was to survive weak gold prices in the short to medium term.

The industry would have to consider changes such as altering job allocations, increasing multi-skilling on mines, and a seven-day working week, he said.

In the quarter, the group's mines turned in good overall results, bolstered by a 3% increase in average gold prices received, to R33 708/kg from R32 823/kg

Overall after-tax profit fell 20% to R56m from R70m.

In contrast, the four mines in the Anglovaal group had a difficult quarter A spokesman said "Generally well contained unit costs failed to offset lower milled tonnages, grades and gold prices." The mines' total after-tax profit fell 42% to R26m from R45m

The group's marginal Loraine gold mine failed to return to profitability in spite of implementation of a drastic restructuring programme during the quarter.

● See Page 7

Anglo boss starts Moab with a blast

B/Day 21/10/92. (214)

JONO WATERS

ANGLO American chairman Julian Ogilvie Thompson officially started the the group's R1,7bn Moab gold mining venture yesterdayby triggering the blast to mark the start of shaft-sinking at the northwestern Free State site.

The ceremony was attended by former Anglo chairman Harry Oppenheimer, deputy chairman Nicky Oppenheimer, gold and uranium chairman Clem Sunter, gold and uranium MD Lionel Hewitt, former chairman Gavin Relly and Anglo American Industrial Corporation deputy chairman Les Boyd.

Ogilvie Thompson said that while some might question the decision to go ahead with a gold mining project on Moab's scale, especially in the current economic climate, they had perhaps forgotten Anglo's successful record in tackling large developments

He said new projects and capex were among the first expenses to be cut in bad times, but this was a "short-sighted and foolish approach".

He said that while such projects needed to be reviewed carefully and to proceed prudently, an opportunity such as that presented by Moab had to be taken

The mine was expected to produce about 13 tons of gold a year when it reached full production in 2004

Anglo still intended to list Moab as Eastvaal on the Johannesburg and London stock exchanges, but due to the depressed state of the world equity markets, would not seek such listings now, he said

In terms of an agreement between the holders of the mineral rights, Eastvaal Gold Holdings and Vaal Reefs, Eastvaal had undertaken to fund after-tax costs of capex necessary to mine the area.

In turn, Eastvaal — in which Vaal Reefs had been allocated a 30% holding — would be entitled to a royalty and the right to receive dividends equivalent to the after-tax profit, net of ongoing capex

Eastvaal would raise funds by rights issues and would pass these to Vaal Reefs by subscribing for redeemable preference shares in Vaal Reefs

Ogilvie Thompson said while there were advantages in delaying the Eastvaal rights issue, Vaal Reefs had agreed to provide interim funding on the basis of a firm commitment from Eastvaal to recompense Vaal Reefs for the after-tax costs of the capital and interest

At a presentation to journalists later, project manager Willie Smart said Moab would mine 26-million tons of ore at between 2 600m to 3 700m below surface at a monthly milling rate of 110 000 tons. Gold production would amount to 294 tons at a grade of 11,3g/t over the mine's 25-year lifespan

Senior regional manager Nap Mayer said Moab had already saved R122m on budgeted expenditure through cost-cutting methods, but he did not want revise the expenditure figure as all kinds of problems could be encountered He said Vaal Reefs' tax shield was big enough to cover Moab unless the gold price dropped below $300 an ounce

Weak gold prices hit future plans for Oryx

(214)

BDay 22/10/92.

MATTHEW CURTIN

POOR gold prices are taking their toll on future plans at Oryx, Gengold's developing Free State gold mine

Oryx shares, which react sharply to low volume trade because only 3% of them are outside the hands of the project's four main stakeholders, have fallen more than 15% in the past month, and 48% from a high this year of 625c The stock closed at 325c on the JSE yesterday

Some analysts said the major shareholders — Genmin, Sanlam, Genbel and Anglo American — might be putting pressure on Gengold to convert its multimillion-rand borrowings into equity in spite of the depressed market conditions in the sector.

They noted that financing of the R1,5bn phase 1 development at Oryx was originally planned on the basis that the new project would exploit the tax shield at nearby St Helena Oryx was set up as a division of St Helena for this purpose but St Helena had not reported sufficient profits, and the mine was fighting for its own survival at current gold prices.

The analysts said that at the same time, the bearish outlook for gold prices was such that Gengold would continue to defer phase 2 of Oryx's development

However, Gengold deputy MD Tom Dale said yesterday. "There is no pressure from Oryx's major stakeholders to have a rights issue in unfavourable market circumstances."

Dale said Oryx was designed in two phases and on the basis that the second phase would have "to coincide with favourable gold prices"

Mathison and Hollidge analyst Rob Gillan said Oryx's shareholders could be anxious "to unlock their loans" to the mine with a rights issue Oryx's original R200m in equity and R550m in bank loans ran out in May last year, and Genmin, Sanlam, Genbel and Anglo committed themselves to providing another R980m in interest-free bridging finance for the completion of phase 1.

The mine's No 1 shaft is scheduled to be complete by mid-1994, with production of 100 000 tons a month rising to 120 000 tons a month

Gillan said it was likely that average grades at Oryx would be slightly disappointing, with unofficial estimates of 5,5 to 6,0 grams a ton, against the forecast 7,5g/t

He and other analysts agreed Oryx remained a technically sound venture, likely to be one of the Free States' lower cost producers

One said Oryx had a unique risk profile in contrast with other gold mining counters The company should really be rated between purely exploration stock — currently at rock bottom — and other development projects such as South Deep, developing mines already in production like H J Joel and those mines in full production

Anglo's gold mines pay out bonuses

B/Day 23/10/92 (214)

MATTHEW CURTIN

MINES in Anglo American's gold division paid out bonuses worth up to R25 extra on a worker's monthly pay packet in the September quarter.

The payouts are the product of a complex bonus scheme thrashed out by management, the NUM and other unions after wage talks earlier this year.

Gold division MD Lionel Hewitt said at a news conference yesterday that workers at Freegold received a total quarterly bonus of R2,4m (equivalent to R29 a person), ERGO R1m (equivalent to 10% of workers' quarterly pay packets), Vaal Reefs R2,1m (R21 a person), Elandsrand R2,9m (R75 a person plus 5% of basic pay) and Western Levels R339 000 (R21 a person).

"The mines are relying on the support of all workers in return for job security and profit bonuses," he said

An announcement was "imminent" regarding an impending deal between Western Deep and Blyvooruitzicht, believed to involve a tribute mining agreement which would prolong Blyvoor's life

Gold division chairman Clem Sunter said strong demand for jewellery and gold bars developing in gold markets in the Far East was putting a floor to gold prices. However, it would take renewed investor confidence to lift prices significantly

● See Page 7

Hedging and cost control add shine to Anglo's gold

B/Day 23/10/92 (214)

MATTHEW CURTIN

SHREWD hedging and stringent cost control have again underpinned results from Anglo American's gold division.

The group's five gold producers reported a more than 10% overall increase in after-tax and after-capex profit at R153m (R139m) in the September quarter Freegold and Ergo declared unchanged interim dividends of 105c and 20c a share

Gold division chairman Clem Sunter said a combination of "savvy hedging" and increased gold output were responsible for the good results

The mines' gold revenue rose to R33 031/kg compared with R32 786/kg in the previous quarter Gold output increased more than 2% to 65,1 tons from 63,6 tons

In addition, Sunter said the mines were still on track to meet long-term cost containment targets, in line with the strategy adopted in 1990 when Anglo said it planned to keep cost increases down to zero for two years Sunter said the mines planned to continue the strategy for a third year

Average working costs fell nearly 1% to R26 671/kg (R26 868/kg) Total working costs rose only 1,6% in a quarter in which the mines absorbed 5% wage increases, to R1,74bn (R1,71bn).

MD Lionel Hewitt said the participation of all mineworkers was the key aspect in the division's successful cost control There had been a significant "mental shift" among workers in the past two years and they were increasingly aware of the importance of cost containment

Hewitt said Freegold pulled through a difficult July and August, after a poor June quarter, and turned in a much stronger performance in September Only four of the mine's 24 shafts were not covering full costs, compared with more than 12 when gold prices fell sharply last year

Underground production increased but the fall in yield was offset by a higher grade from the surface operations which milled less material Average grade rose to 4,28g/ton (4,16g/ton) and gold output rose marginally to 28,3 tons

Unit costs were well contained, but Freegold's marginal status was highlighted by the fact that an increase in revenue to R937m (R919m) was wiped out by the increase in total working costs to R846m (R819m) Working profit fell to R90m (R100m)

Sunter said the importance of hedging to an operation like Freegold was shown by the fact that capital spending effectively added R1 000/kg to its working costs, a critical amount in a quarter when nominal average gold prices fell below R30 000/kg Freegold's working costs stood at R29 945/kg in the September quarter

Hewitt said Vaal Reefs was gearing up its operations so that it could finance successfully finance the first stages of the R1,7bn Moab project

Western Deep Levels turned around from a poor June quarter due to higher underground production, improved grades and adequate cost control The mine reported an after-tax profit of R74m (R58m)

Hewitt said there was still room for improvement, and the mine planned to produce 41 tons of gold in the year Gold output so far this year stood at 28 tons, nearly 10 tons coming in the September quarter, 10% higher than in the previous period

He said Elandsrand had performed better than expected and turned in record gold production in the quarter, up at 4,8 tons from 4,6 tons

ANGLO AMERICAN September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	6 600	4,28	28 257	128	29 945	33 144	94 981	59 987	51
June	6 738	4,16	28 059	122	29 200	32 753	96 376	61 807	52
Vaal Reefs	3 143	6,00	18 870	146	24 380	33 303	133 517	53 529	280
June	3 021	6,25	18 868	153	24 537	32 606	148 950	48 567	254
Western Deeps	1 638	6,10	9 985	155	25 502	32 662	74 319	18 583	67
June	1 654	5,50	9 096	149	27 003	33 118	58 294	10 945	39
Elands Rand	516	9,36	4 832	189	20 156	32 546	59 917	15 731	16
June	534	8,58	4 582	198	23 075	32 376	42 571	12 063	13
ERGO.	10 542	0,30	3 161	—	—	32 304	14 676	4 960	10
June	9 640	0,31	2 985	—	—	33 845	23 932	5 079	10

Anglo's gold mines beat trend

(214) CT 23/10/92

From MATTHEW CURTIN

OHANNESBURG — Shrewd hedging and stringent cost control have again underpinned results from Anglo American's gold division.

The group's five gold producers reported a more than 10% overall increase in after-tax and after-capex profit at R153m (R139m) in the September quarter Freegold and **Ergo** declared unchanged interim dividends of 105c and 20c a share

Gold division chairman Clem Sunter said a combination of "savvy hedging" and increased gold output were responsible for the good results.

The mines' gold revenue rose to R33 031 a kilogram compared with R32 786/kg in the previous quarter. Gold output increased more than 2% to 65,1 tons from 63,6 tons

In addition, Sunter said the mines were still on track to meet long-term cost containment targets, in line with the strategy adopted in 1990 when Anglo said it planned to keep cost increases down to zero for two years Sunter said the mines planned to continue the plan for a third year.

Average working costs fell nearly 1% to R26 671 a kilogram (R26 868/kg) Total working costs rose only 1,6%, in a quarter in which the mines absorbed 5% wage increases, to R1,74bn (R1,71bn)

MD Lionel Hewitt said the participation of all mineworkers was the key aspect in the division's successful cost control

There had been a significant "mental shift" among workers in the past two years They were increasingly aware of the importance of cost containment Hewitt said Anglo's overall approach to cost cutting was a "global" one, rather than "a quick fix".

Sunter added that the group had limited off-mine costs — such as those associated with head office and the World Gold Council — to R2 200/kg

Hewitt said **Freegold** pulled through a difficult July and August, after a poor June quarter, and turned in a much stronger performance in September. Only four of the mine's 24 shafts were not covering their full costs, compared with more than 12 when gold prices dipped sharply last year

Underground production increased but the fall in yield was offset by a higher grade from the surface operations which milled less material Average grade rose to 4,28 grams a ton (4,16g/t) and gold output rose to 28,3 tons

Unit costs were well contained, but Freegold's marginal status was highlighted by the fact that an increase in revenue to R937m (R919m) was wiped out by the increase in total working costs to R846m (R819m) Working profit fell to R90m (R100m)

A lower tax provision and static capital spending led to only a small drop in available profit at R60m (R62m)

Sunter said the importance of hedging to an operation like Freegold was shown by the fact that capital spending effectively added R1 000/kg to its working costs, a critical amount in a quarter when nominal average gold prices fell below R30 000/kg Freegold's working costs stood at R29 945/kg in the September quarter

Hewitt said **Vaal Reefs** was gearing up its existing operations so that it could finance successfully the first stages of the R1,7bn Moab project Vaal Reefs has agreed to provide interim funding for Moab on the basis that Eastvaal Gold Holdings, which planned to finance the scheme through a rights issue and in which Vaal Reefs has a 30% stake, would recompense Vaal Reefs for the after-tax costs of capital and interest

Western Deep Levels turned around from a poor June quarter due to higher underground production, improved grades and adequate cost control The mine reported an after-tax profit of R74m (R58m)

Hewitt said **Elandsrand** turned in record gold production, up at 4,8 tons (4,6 tons) The mine's mill throughput fell to 502 000 tons from 528 000 tons, pushing the grade up smartly to 9,61g/t from 8,67g/t

A drop in unit working costs to R20 156/kg from R23 075/kg was achieved.

NUM blames Gengold for wage deal delay

DIRK HARTFORD (214)

THE NUM has accused Gengold of holding up a wage agreement with the Chamber of Mines by sticking to a racial pattern of wage settlements.

Gengold offered non-NUM unions and staff associations, who mainly organise white workers, an extra 1,5% on the 5% wage agreement with the NUM, provided they did not participate in the profit-sharing scheme.

The NUM is now demanding that the extra 1,5% be given to its members over and above the profit-sharing scheme. It said this would make a settlement fair to all workers.

Gengold said NUM could receive an extra 1,5% wage increase in lieu of a profit-sharing scheme.

Barlan P1

Cons Murch profit dives

B/DAY 28/10/92 JONO WATERS (214)

AFTER-tax profit at gold and antimony producer Consolidated Murchison (Cons Murch) was nearly halved in the September quarter largely as a result of a 23% drop in antimony revenue

After-tax profit fell to R866 000 compared with R1,69m in the June quarter as antimony sales decreased to R3,15m (R4,08m). However, gold revenue increased slightly to R9,29m (R9,16m)

Chairman Mike Hawarden said the fall in antimony revenue resulted from poor demand and a less favourable rand/dollar exchange rate The 9% increase in gold sales to 301kg (276kg) was negated by the lower average rand a kilogram gold price of R30 874 (R33 178/kg).

Operating income fell to R911 000 (R1,48m), but it was higher than the quarterly average for the 1992 financial year, Hawarden said

Capex for the quarter was lower at R270 000 (R1,04m), but was expected to escalate over the next three quarters as R2m had been budgeted for underground exploration development and drilling to maintain ore reserves Cons Murch is the world's largest and SA's only supplier of antimony, and the market is oversupplied

Gengold mine to forgo mining rights

B/DAY 30/10/92 (214)

JONO WATERS

GENGOLD'S West Rand Consolidated (WRC) would forgo its rights to mine for four years and dispose of a major portion of its assets to a consortium for R32,5m, Gengold MD Gary Maude said yesterday

In terms of the agreement, First Westgold Mining, First Westgold Properties and the Westgold Joint Venture, which comprised Fraser Alexander, Aurora Exploration and Time Mining, would buy WRC's surface assets and all but 160ha of land. The agreement still had to be approved by shareholders and would leave WRC as a cash shell with mineral rights

Maude said the consortium would be granted a mineral lease for surface deposits and the right to mine underground for a minimum of four years, after which WRC would be entitled to resume underground operations should it wish to do so

The consortium would also assume all rehabilitation obligations on WRC's properties unless WRC decided to mine the area again There was R1m in WRC's rehabilitation fund, he said

The 300 mine employees would be retrenched by Gengold, but the joint venture partners would employ about 80% of them

Consortium spokesman and Fraser

☐ To Page 2

KNIGHTS FM 30/10/92 (214)

Canadians come a-courting

Once a knight, a wag is reported to have said, is enough But, clearly, not when gold is the matter at issue

Knights, the listed gold mining company that recently merged with Waverley and Simmer & Jack, is back in the news, this time as the quarry of Canadian conglomerate Dundee Bancorp (Dundee) An unusual offer last week asks Knights shareholders to exchange their holding in the SA company for an equal number of shares in Dundee International, which Dundee intends to list on the London Stock Exchange (LSE) with a secondary listing in Johannesburg

That seems to contravene exchange control regulations, but Dundee has constructed the deal so that SA shareholders will receive a Dundee International depositary receipt freely tradeable here but not on the LSE Dundee International will hold, before its listing on the LSE, either US$9m in cash or 600 000 shares in Homestake Mining, one of the largest US gold mining companies, whichever is worth more

Dundee now holds about 26% of Knights' issued equity A few months ago it sold its 26% stake in International Corona, the North American (mainly Canadian) gold mining company it effectively controlled, to Homestake in exchange for shares According to director Bob Buchan, Dundee turned Corona into a large company and wants to repeat the exercise with Knights

Some Knights shareholders have criticised the deal for not being underpinned by a cash offer Buchan says the deal was constructed after exhaustive discussions with investors and advisers "We didn't put it together in isolation," he says "We were advised not to offer a cash underpin Now we're being told different Well, you can't please everyone "

Asked to enlarge on Dundee's plans for Knights' ultimate future, Buchan said he couldn't comment until the formal offer document became available, around mid-November

The options for Knights shareholders are to persist with the company as they know it, or to exchange this for partial ownership in a foreign company with the potential, perhaps, of sharing in offshore earnings at some indeterminate date Which will turn out more profitable is the dilemma *David Gleason*

BLYVOORUITZICHT (214)

Throwing a lifeline

FM 30/10/92

Blyvooruitzicht's tributing deal with neighbour Western Deep Levels means the struggling marginal producer has secured five years of extra life, but shareholders cannot expect much in the way of dividends

The deal essentially buys time for Blyvoor in the hope that the gold price might recover by the year 2000 to the point where some of the mine's lower grade reserves will pay once more Failing that, all that has been achieved is a stay of execution — though that will still be greatly appreciated by employees

The static gold price and rising working costs forced Blyvoor to go for higher grade ore to remain profitable but, as chairman John Turner pointed out last month, that cut the forecast life of the mine to just two years This deal adds another five years, as Blyvoor will exploit Carbon Leader Reef in a corner of the Western Deep lease which it can get to far more easily Average *in situ* grade is 1 500 cm g/t and production from the area should start in 1994

The capital cost of gaining access to the area, which is deep at between 2 500 m and 2 630 m, will be R50m This will be funded 55% by Western Deep and 45% by Blyvoor They will split working profits from the area in the same percentages

Despite its marginal status, Blyvoor will have no problems funding its share of the capex The mine has been salting away money over the past few years through heavy retentions, probably in preparation for the high closure costs, which involve retrenchment payments and rehabilitation work At end-August, Blyvoor had R53,7m in short-term deposits and investments and net current assets of R37,8m

Brendan Ryan

RMP profit dented by recovery operations

(214)

B/Day 30/10/92.

PETER GALLI

A SLIDE into the red by Rand Mines Properties' (RMP's) gold recovery operations saw its attributable profit plunge 30% to R13,11m in the year to end-September from R18,76m in the comparable period last year

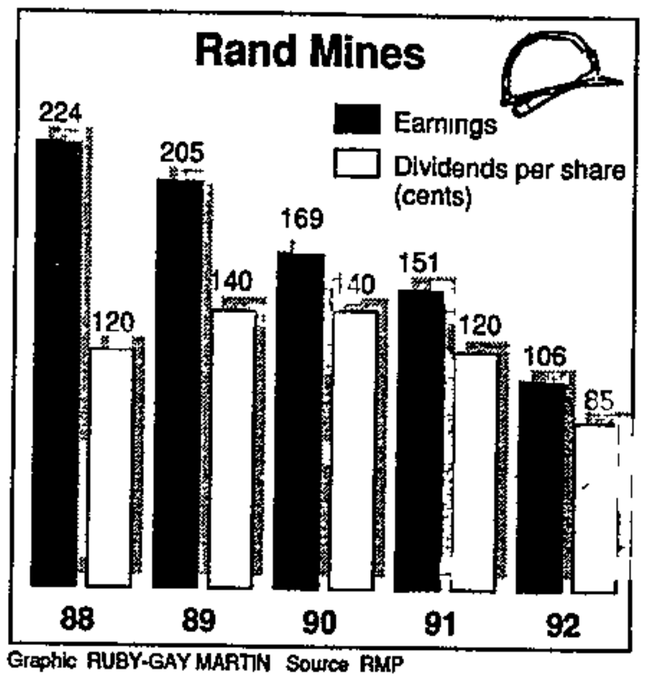
Turnover rose 5% to R189,49m (R180,6m) as large township land sales to major institutions and increased rental income pushed property operating profits up 35% to R22,48m (R16,63m)

"However, these benefits were offset by a turnaround in our gold recovery operations from an operating profit of R3,3m to a loss of R3,9m, further exacerbated by a 54% or R6m drop in net interest to R5,2m," MD Colin Steyn said

The lower interest bill was due to the almost halving of cash resources to R26,9m at the year-end from R53m previously following last year's special dividend payment of 100c and lower interest rates

Dividends were declared 29% lower at 85c a share (120c) on the back of a 30% fall in earnings to 106c a share (151c)

The downturn in the gold division was largely due to low rand gold prices received by the Crown Mines and City Deep recovery plants and an increased amortisation charge to them of R10,7m from R9m previously, he said.



Graphic RUBY-GAY MARTIN Source RMP

"Gold recovery operations now focus on the processing of those economically viable reserves and the release of land Reserves that do not fall into this category have at present been abandoned for processing purposes and will be reviewed on an ongoing basis," Steyn said

As a result, the book value of the recovery plants at Crown Mines and City Deep has been written down by R53,3m from October 1

Consortium gives new life to old mine

S/Times (BUSS) 1/11/92 (214)

By JULIE WALKER

AGEING gold mine West Rand Cons will deviate from the usual path of planned closure by Gengold after a R32-million deal with the Wesgold joint venture consortium led by Fraser Alexander

For several years, tight control at the Gengold-managed mine enabled it to more or less break even But in the past year, costs have jumped as the mine's flexibility petered out In the nine months to September, West Rand Cons lost R9,3-million

Gengold chief Gary Maude says that mining houses are good at starting and operating mines But he believes Fraser Alexander will do a better job of cleaning up and rehabilitating an old mine because it does not carry "head-office baggage"

In terms of the deal, West Rand Cons will sell its surface assets, all but 160 hectares of land, and its current assets and liabilites

It retains its underground mining and mineral rights It grants the consortium the right to mine for at least four years from underground and to treat surface dumps

Mr Maude says that a much higher gold price would be necessary before Gengold could go back into West Rand Cons on a year's notice

The consortium, comprising Fraser Alexander, Rand Merchant Bank, Aurora Exploration & Development and Time Mining & Industrial Services, will assume all rehabilitation liabilities

France

West Rand Cons directors believe it is in the best interests of shareholders to strike this deal now The price is a premium to market value

Mr Maude says it is too soon to know what the company will do with its cash and mineral rights

"More than 27% of its shareholders are in France Obviously we will take their interests into consideration, but members must be offered the choice of taking the cash or going with any new assets the company might buy"

Nothing will be distributed before February 1993, and only up to half the cash may be distributed before August

The deal is effective from August 25, 1992, and is subject to certain conditions

Most of the mine's staff has been retrenched and the remaining 300 will be dealt with by Gengold on identical terms The consortium has offered employment to 80% of those remaining

Incorporated in 1903 as West Rand Cons, the original operations were established in 1887 Forty years ago it became the first SA mine to produce uranium and did so for 30 years

Fraser Alexander's Peter Flack says his group has proved it is good at small-scale mining This move could open up a new area of business

Although there will be no material effect on earnings and asset value yet, he expects the benefit to come through in the next few years

Lessons from the Ruhr for SA gold

B/DAY 5/11/92

214

BOBBY GODSELL and JAMES MOTLATSI

ON OCTOBER 12 a joint delegation representing the NUM and the Chamber of Mines travelled to Germany and Brussels.

The delegation spent three days in the Ruhr area learning how the German coal mining industry has coped with a dramatic downscaling. In 1957 this industry produced 150-million tons of coal annually from 153 mines employing 607 000 people. Today it produces 64-million tons of steam coal and metallurgical coal from 26 mines employing 125 000 people

In 1968 most of the small independent mines were combined into a new company, Ruhr Kohle This, we were told, facilitated both downscaling and the enhancement of the productivity of the mines which remained in operation

We met both the company management and the leadership of the miners' union, the IGBE. From them we learned of the pervasive pattern of participation and shared decision-making at enterprise, company and industry level.

We were impressed by the extensive training and education efforts of both the company and the union, as well as the national "dual system" of technical education, in which a substantial proportion of young people spend two days a week in school learning practical skills and three days a week gaining practical competencies in the workplace

The future of the European coal industry is uncertain. In Germany, government — at federal and state level, together with employers and the union and the electricity suppliers — has agreed on a plan to guide the development of the steam and metallurgical coal-mining industry to the year 2005. The plan provides for a further reduction in coal production and employment. However, it seeks to achieve this in an incremental and systematic way.

The success of the German coal mines is a consequence of a deliberate political policy to preserve a domestic coal industry as a base for secure industry. The price tag for this policy last year was DM11bn as a state subsidy.

National interests superseded all narrow sectoral interests for the preservation of an important industry. The German example of labour-management co-operation in the coal industry is outstanding. The organisations remain distinctive. They continue to pursue their own divergent interests Yet they have learnt to build on the areas of agreement in the interests of the industry they share for the benefit of the entire German nation.

There was much in what we saw that was deeply impressive. Though we did not agree on everything, the experience gained was invaluable for finding our own solutions to the current crisis facing the gold mining industry. However, we are mindful that no country's institutions or practices are simply transferable.

South Africans will have to find their own path We will have to design institutions and practices that suit our needs and are appropriate to our history Yet we can be challenged by the German experience of co-operation in the midst of continuing differences and conflicting agendas. Without economic growth, political transformation is unlikely to bring the quality-of-life improvements South Africans rightly expect Experience in Germany shows that employers, unions and the state can co-operate in many areas, and in doing so effectively serve their members and the community at large.

Of course, we need our politicians to complete the transition to democracy Not only will this normalise social, political and economic relations inside our borders, but it will also allow us to take up our full role in our region, on our continent, and, indeed, in the world Our economy can ill afford any delay.

In the meantime, employer and union leaders can lay the foundation for sustainable growth and effective social development.

☐ Motlatsi is NUM president and Godsell is Chamber of Mines president.

REVIEW

GOLD QUARTERLIES FM 6/11/92

A hedge in time

(214)

The gold industry proved its mettle yet again in the September quarter, holding up well against the pressure on profit margins, but such positive fundamentals did not sway investors who have bailed out of the shares in recent months

The JSE All Gold index fell 18%, from 1 097 to 902, in the quarter and has continued to plumb seven-year lows around 784 before recovering to current levels around 867 A point has been reached where some analysts are seeing value in certain gold shares — Harties on a 9% dividend yield for example — but there are also sound reasons for the index to be where it is

The bottom line is still that, despite their successes with cutting costs, raising grade and deferring capital expenditure, the mines are fighting a temporary holding action Further attrition in the form of job losses and the closure of uneconomic shafts and mines seems inevitable if the gold price remains in its $336/oz to $353/oz trading range and the rand holds firm against the dollar

Some relief has come in the form of a renewed slide in the value of the rand, which is down to R2,94/$1 from the average R2,77/$1 in the September quarter

Latest hope from some quarters for a sudden jump in gold is that US presidential candidate Bill Clinton might win and do for the gold price what the last Democrat president, Jimmy Carter, achieved from 1976 to 1980 Gold industry executives are preparing for the worst, despite their belief in the long-term future of the metal, with the fundamentals pointing to a rising price — primary mine supply is dropping while jewellery demand continues to rise

Gengold MD Gary Maude says that while the fundamentals are favourable for gold he is not expecting any significant moves in the price in under two years Another two years of present conditions will be the end for several marginal mines, which have already been brought to death's door A number of those are run by Gengold

Bracken and **Stilfontein** are in their death

FM 6/11/92

(214)

throes, while **West Rand Cons** is being sold to a consortium including Fraser Alexander (see Companies) Maude says **Leslie, St Helena** and **Grootvlei** "may or may not" survive another two years of continued pressure

Bracken, it should be noted, is dying in style The grade has soared to 15,2 g/t (previous quarter — 12,5 g/t) as the last high-grade pillars are removed and the mine paid dividends of 50c in the year to September

One mine which does not look like lasting another six months, let alone another two years, is Gold Fields' **Doornfontein**, but Gold Fields executive director Alan Munro declines to spell out precisely what is being done about its future The options look limited

Anglovaal's **Loraine** remains another strong closure candidate, reporting losses of R3,4m (R3,4m), and it has sold forward 57% of its expected gold production this year at an average minimum price of R33 000/kg Trouble is, working costs were R36 503/kg and R37 750/kg respectively for the past two quarters

Rand Mines' **Harmony** was supposed to return to profitability in the September quarter after the heavy rationalisation programme, but failed to do so because of grade problems It now has a State-guaranteed

Gengold's Maude *fundamentals are favourable*

loan of R30m and its prospects do not look good, despite the hopes being pinned on the scheme to raise productivity through working a seven-day week

At the other end of the scale there were some impressive performances from the quality mines Ed Hern, Rudolph analyst Grahame Graham-Parker calculates industry profitability rose 22% despite the essentially unchanged revenue received of R32 376/kg of gold produced

That average revenue figure indicates the importance of hedging in the fortunes of a number of mines run by Anglo, Gencor and JCI Gold Fields' mines, which still do not sell gold forward, reported average gold revenue of R30 865/kg compared with R31 086/kg in June

If **Freegold** had received the Gold Fields average price and not the R33 144/kg it reported then the mine's working profit on gold would have been slashed to R26m from the actual R90,4m Some analysts comment the extent of hedging — which on Anglo and JCI mines is unknown because management will not reveal it — can be more important in assessing a mine's financial performance than the fundamentals of grade, production and costs

There were some good cost performances with Anglo American Corp's mines dropping average unit costs 0,7%, while Gengold's mines managed a 1,5% drop and Gold Fields reported a mere 0,9% rise in average unit costs In all, not a bad quarter given the circumstances which remain, as ever, poor

Brendan Ryan

BARNATO EXPLORATION

FM

Well funded

6/11/92

Activities: *Exploration company funding part of JCI's prospecting programme*
Control: *JCI 36,1%*
Chairman: *K W Maxwell*
Capital structure: *24,4m ords Market capitalisation R15,9m*
Share market: *Price 65c 12-month high, 80c, low, 55c Trading volume last quarter, 43 000 shares*

(214)

Year to Jun 30	'89	'90	'91	'92
Income (Rm)	5,5	4,3	5,8	5,5
Exploration expenditure (Rm)	7,2	16,8	7,9	6,6
Cash reserves (Rm)	68,2	55,7	50,7	45,6
Earnings (c)	8,6	11,4	8 1	(3,8)
Dividends (c)	—	4	—	—

Exploration shares — in particular those heavily exposed to gold — have been pounded in recent years due to the depressed mining business Share prices have collapsed to the point where some are bargains, if you believe mining in SA has a long-term future, and Barnato Exploration (Barnex) is arguably the biggest bargain of all

The share price at 65c is a 65% discount to cash deposits and short-term investments, worth R45,6m at end-June — 186c a share

Exploration companies are not "normal" corporate entities and net asset value considerations do not apply It is impossible to put

continue →

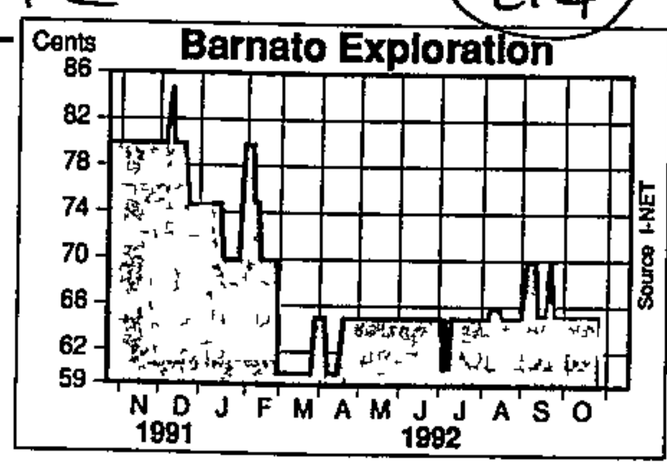
FM 6/11/92

(214)

an accurate value on the various exploration ventures while cash on hand is not destined to be distributed to shareholders The cash will be used to fund exploration joint ventures

However, the point is that Barnex's finances are rock-solid, especially as all the money it kicks into exploration is stretched as far as possible through the use of Randfontein Estates' tax shield Until now, Barnex has provided loans to fund Randfontein's share of exploration joint ventures with parent mining house JCI In return, Barnex gets 80% of Randfontein's rights in the joint ventures

Latest development is that JCI is extending exploration activities outside of SA — initially into Zambia and Ghana — and Barnex is going along for the ride It also intends to prospect for minerals other than



gold

JCI now proposes that Randfontein/Barnex will become entitled to contribute up to 50% of exploration expenditure in all its gold-related exploration prospects For projects outside of SA, this entitlement will be for Barnex only Chairman Ken Maxwell says Barnex has so far agreed in principle to become a direct joint venture partner with JCI in two non-SA projects

So far so good, but the downside, and one reason perhaps for the serious weakness of the share price, is the veil of secrecy thrown over the exploration projects by JCI, which refuses to accept the more open policies of other explorers such as Randex and Target

Shareholders, in effect, are asked to put their faith blindly in JCI because the house has provided no information in the way of drilling results and detailed geological assessments Given the competitive nature of the exploration game, that's understandable in situations where a scramble for mineral rights is still under way, but the worst example concerns the Doornrivier project

This is a key portfolio holding JCI has bought all the mineral rights required and fully evaluated the geology With the mineral rights secure, there is no valid reason for it to hold back borehole results *Brendan Ryan*

Cardboard coffins and paper houses

S/Times (BUSS) 8/11/92.

DIAGONAL STREET by JULIE WALKER

CORRUGATED cardboard coffins and paper houses are but two innovations from Nampak, the diversified packaging blue chip in the Barlows stable.

Not only does the group lead in SA, it is the 15th largest in the world, according to figures given by Nampak chairman Brian Connellan to a presentation for the Investment Analysts Society in Johannesburg this week.

Mr Connellan and his team described the activities of Nampak and the issues facing it in its drive to maintain world-class status.

"Virtually everything is packaged," says Mr Connellan, adding that packaging is sandwiched between big suppliers and large customers. In SA the business represents an inordinately large slice of gross domestic product — about 2,5% compared with 1,6% to 1,9% for other countries. Worldwide, packaging output is worth $250 billion to $300-billion a year.

Nampak is the most diversified packager, no single division accounting for more than 17% of sales

Mr Connellan says Nampak will benefit when SA's GDP resumes growth.

In the past five years the group has spent R1,2-billion on expansion and aims to spend another R2-billion in the next five years. By that time, managing director Trevor Evans expects Nampak's turnover to be R10-billion, of which 90% will come from existing businesses, 5% from SA and regional acquisitions and the rest from international trade

Nampak's capacity to borrow is strong — only 27% geared at the moment Five years from now, even after another R2-billion of capex, Nampak could take on another R650-million of debt and stay below its self-imposed 50% ceiling.

Turnover in the year to September 1992 was R4,4-billion. Existing business covers the entire packaging spectrum — glass bottles, metal cans, blow-moulding, cardboard boxes, tissues, paper, sacks, plastics and more.

Mr Evans outlines four key issues facing Nampak: beverages, asset performance, productivity and exports.

Metal cans for drinks face a challenge from Rheem's aluminium plant, due to open next year. Mr Evans says Nampak will stick with tinplate because it is cheaper and stronger Because Iscor has put in a new line to supply tinplate it will remain competitive

He says the paper and glass divisions are underperformers and efforts are being made to correct their shortcomings He expects the market share of glass bottles to shrink

Focus on productivity has been increased Most plants are running about 20% below capacity because of the economic downturn, but urbanisation is expected to boost organic growth

On export opportunities, Mr Evans says Nampak is improving the packaging of goods Technological alliances with foreign packaging leaders are being strengthened

Since 1987 Nampak's share price has climbed from a pre-crash R30 to R80, a price 1,5 times the industrial index Highly rated by analysts — the price-earnings ratio is 15 — the group looks to be in experienced hands.

Scharrig deal

S/Times (BUSS) 8/11/92

SCHARRIGHUISEN has bought 55% of three Transvaal operations undertaken by Cape-based Norman Mining for not more than R10,5-million

Norman has earthworks and soil-stripping contracts with Trans-Natal's Optimum Colliery and Rand Coal's Middelburg.

Hope lingers on for gold

S/Times (BUSS) 8/11/92 (214)

FIVE international investment-house brokers canvassed by the Mining Journal's Gold Mining newsletter believe that the worst is over for gold

SG Strauss Turnbull is encouraged by gold's hint of displaying safe-haven characteristics amid Europe's currency turmoil

In dollar terms, gold has been relatively tranquil Although Turnbull concedes that charts do not provide clear evidence of a reversal in the long-term downtrend, it believes the worst has passed

Williams de Broe agrees that gold was a safe haven in currency turmoil — the first occasion since the Persian Gulf war It attaches significance to the gold market's ability to absorb producer selling pressure

It expects the dollar price to consolidate in the short term at the current level, then to test $360/oz — a figure unlikely to be breached

Williams de Broe reiterates its view that gold has bottomed because jewellery demand is still strong and European investors are starting to look at it again

Maison Placements Canada says gold is a commodity and the short-term price swings reflect a sophisticated trading arbitrage market It says that although a well-defined trading range has been established, gold's uptrend is still intact Once gold breaches $365, it will rally upwards

Carr Kitcat & Aitken says that technically, gold's recovery since August has produced an important double bottom, although recovery will be slow

Credit Lyonnais Laing reminds investors that a year ago the fundamentals looked encouraging and gold rose to $370 by the end of November

What stopped the price from rising was the belief that governments were still firmly in charge of their destinies and that their aim of curbing inflation by keeping interest rates high was achievable

However, the last few months have been devastating and Laing says unemployment and the lengthening recession have replaced inflation as the main problem

When the economic turmoil is over, Laing believes interest rates will generally fall to allow recovery in economic growth and that inflation will be allowed to rise Gold might then recovery some of its popularity

NUM, Gengold mines in dispute

B/DAY 11/11/92 (214)

DIRK HARTFORD

THE NUM has declared a dispute with Gengold mines where its 25 000 members are recognised, after failing to reach agreement over a profit-sharing scheme.

The union is planning a march through Johannesburg on Saturday in support of its demand for a 1,5% basic wage increase — similar to that given to white workers — before the profit shares are calculated.

NUM assistant general secretary Marcel Golding said the NUM had hoped for a common approach to dealing with the problem. "But Gengold's racist and dictatorial attitudes leave us with no option but to take the matter to a conciliation board."

The dispute arose because Gengold offered a 1,5% additional increase to the unions organising white workers when negotiations with these unions deadlocked on profit-sharing.

Gengold says the NUM — like the white unions — is welcome to the extra 1,5% increase. However, this would have to be in lieu of the profit-sharing scheme.

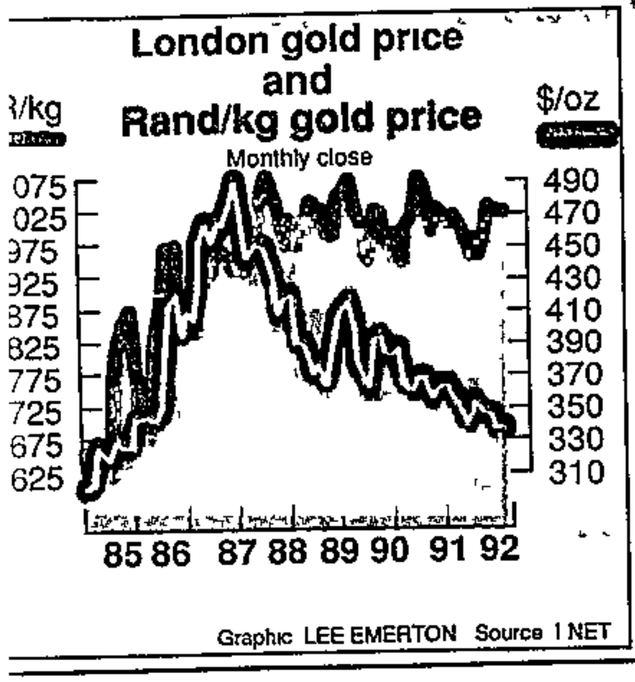
The NUM argues that combining the profit share with low basic wage increases is the best short-term reponse to the crisis in the industry

But the extra 1,5% to white workers — who generally earn much more than NUM members — affects costs and reduces the amount of profit available for sharing with black workers, says the NUM, which wants to "level the playing field" by insisting on the extra 1,5% wage increase and the profit-sharing arrangement.

The union says the increase for white workers represents between R60 and R70 a worker a month. But for NUM members it means between R7 and R21 a month.

The union also objects to Gengold's refusal to agree to monthly meetings at mine level to monitor any agreement on profit sharing.

The NUM has successfully negotiated profit-sharing arrangements — in line with an agreement reached during negotiations with the Chamber of Mines — at Anglo American and Rand Mines.



Gold sags to seven-year low after beating on world markets

(214) B/DAY 11/11/92

MERVYN HARRIS

THE gold price sagged yesterday to seven-year lows in volatile trading on global bullion markets

Gold's morning fix of $330,20 in London was its lowest setting since January 1986, after the metal slipped briefly below that level in Far East trading It closed $4,75 lower in London at $329,90, with a firmer dollar also weighing on the metal

Dollar strength against the commercial rand also pulled the rand gold price down R10 to R991,71/oz, but the recent higher trading range is good news for gold mines

EW Balderson analyst Nick Goodwin said the higher rand gold price over the past few weeks was more than offsetting the decline in the dollar price of the metal

"The average gold price for the September quarter was R962/oz and this should increase by about R40 to R1 000 in the December quarter, lifting industry profits by 22% to R219/oz from R179/oz in the previous quarter," Goodwin said

"Most people tend to look at the dollar price of gold, but in rand terms earnings from all gold mines in the December quarter should be up by about 20% to R1,07bn from R875m in the September quarter

"This means yields on gold shares are becoming more attractive ET Cons, for example, is on a forward yield of more than 10%, Ergo on a 13% yield and highly rated Dries is on a yield of above 6,5% "

Another analyst said the depreciation of the rand would lessen the chances of more gold mines going under with the consequent loss of jobs

JSE dealers reported no major sell-off of gold shares The market continued its recent pattern of low volumes as nervous investors remained on the sidelines

The all gold index fell almost 5% or 38 points to a seven-year low of 746 to brin the overall index down 18 points to 3 00 with platinum shares under pressure afte the metal fell in sympathy with gold, shed ding $12 to $350,75

Deutsche Bank director and head gol trader Fritz Plass said in Johannesbur yesterday that fund managers and specu lators who had gone into gold on expecta tions that a Bill Clinton victory in the U elections would boost the metal were no unwinding positions after the failure of th metal to perform

● See Page 7

Rand cushions SA gold mines

(214) CT 12/11/92

JOHANNESBURG — South African gold producers have been cushioned from the slump in the world gold price, with the recent higher rand more than offsetting the decline in the dollar price of the metal, analysts said

In fact, analysts expect sharply higher earnings for the gold industry in the current quarter to end-December, and said many gold shares were now at "bargain basement" prices with yields of 10% or more

"The mines have been protected by the depreciating rand against the dollar over the past few weeks," Duncan Ingram of stockbrokers Irish and Menell Rosenberg said

The price of gold slid to $330 an ounce on Tuesday, its lowest level since 1986, on heavy selling on short-covering overseas before rebounding slightly yesterday

But, analysts said even in the unlikely event of the world gold price continuing at these lower levels for the next six months, most of the country's 20-plus marginal mines would survive

"It's not going to give us any more problems than the ones we are used to, but with physical demand for gold high, we're keeping our fingers crossed that the price does recover," Ingram said

E W Balderson's Nick Goodwin predicts a 20% rise in total gold industry earnings after tax and capital expenditure to R450m in the quarter to December 31, 1992, from the preceding quarter's R361m, on the back of the higher rand gold price and hedging Costs would be virtually unchanged, he said

● **Silver** recovered ground yesterday to near the 370c level as a clearer picture emerged of the metal's sharp losses this week.

● **Platinum** closed down $4 at $348,50/$349,50 after shedding early short covering gains in Europe ahead of the nymex opening that had pushed the metal above $350 — Reuter

CONS MURCH (214)

Tail wagging the dog

Activities: *Produces gold and antimony concentrates at mine near Gravelotte in the eastern Transvaal* FM 13/11/92.
Control: *JCI.*
Chairman: *M W Hawarden*
Capital structure: *6,2m ords Market capitalisation R7,1m*
Share market: *Price 115c Yields 13% on dividend, 46,8% on earnings; p·e ratio, 2,1, cover, 3,6 12-month high, 160c, low, 85c Trading volume last quarter, 500 000 shares*

Year to Jun 30	'89	'90	'91	'92
Antimony concentrate produced (t)	8 838	8 113	7 533	6 465
Gold produced (kg)	902	531	722	1 016
Turnover (Rm)	54,6	34,3	39,2	48,3
Pre-tax profit (Rm)	11,1	(6,4)	(0,2)	3,3
Attributable prof (Rm)	4,7	(10,6)	(0,1)	3,4
Earnings (c)	75	(170)	(2)	55
Dividends (c)	30	—	—	15

Consolidated Murchison was set up as an antimony producer with some gold as a byproduct but management has turned the company into a gold producer with antimony as a byproduct. That action speaks volumes for the antimony business

Chairman Michael Hawarden points out that dollar prices for antimony have dropped for three consecutive years and the trend remains unbroken, as shown by the results for the September quarter The reason is the oversupply of antimony in all its forms, caused by heavy sales from China at discounted prices Cons Murch's antimony production dropped 27% from 1989 to 1992, while sales volumes are down 41% The balance has been stockpiled

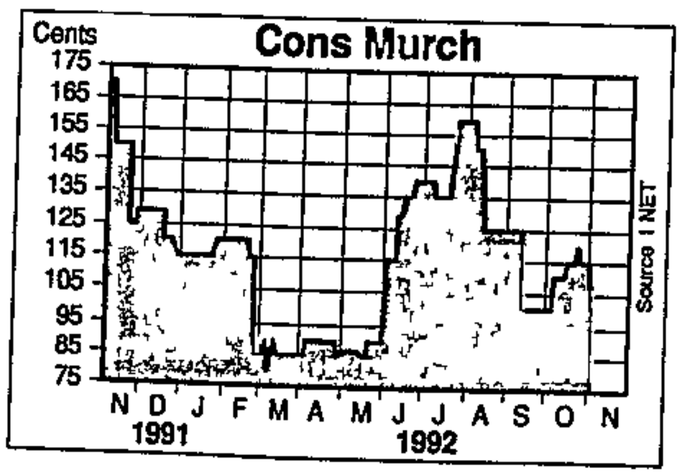
The group lost heavily in the 1990 year and returned to profitability solely by concentrating mining operations on sections of the orebody with higher gold values Gold production jumped 40,7% to 1 016 kg in the year to June (1991 722 kg) but at the cost of a sharp drop in antimony recovery Management hopes to improve antimony recovery efficiencies this year by changing the plant's pumping system and installing additional flotation capacity

The 15c final dividend was not expected by the market and sent the share price rocketing from the year's low of 85c in May to a 160c high in August It has since retreated to current levels as the home truths have sunk in The first is that, after spending little on capital expenditure for two years, Cons Murch has to start shelling out on drilling and development to maintain ore reserves

Money is also being spent on research to improve gold recoveries and on biological oxidisation, which could allow gold to be recovered from arsenopyrite ores This reserve has not yet been mined because the antimony customers will not accept the resulting residues of arsenic in the antimony concentrates The capex estimate for this year is R2m

A second factor, which is clear from the September quarter results, is that gold revenues were boosted by hedging last year The mine average revenue for the September quarter was R30 874/kg, compared with R33 178/kg in the June quarter Gold Fields, which does not sell gold forward on behalf of its mines, reported an average revenue figure of R30 865/kg for the quarter, compared with R31 086/kg in the June quarter.

There was clearly no hedging done in the



September quarter but Hawarden says modest benefits from resumed hedging should come through in the remainder of the financial year

Cons Murch's gold production continues to rise, up 9% to 301 kg (June quarter 276 kg) which, if maintained, indicates annualised gold output for the 1993 year of 1 204 kg

The company is going to need all the yellow metal it can produce because the depression in the antimony market has continued Given forecast lower antimony and gold revenues, and higher capital expenditure, profits and distributable income will

Cons Murch's Hawarden *oversupply of antimony*

drop in the 1993 year Recent gyrations in the share price have underlined Cons Murch's attraction as a speculative share which is now highly geared to movements in the gold price

Brendan Ryan

Gengold profit sharing falters

W/Mail 13/11-19/11/92

By FERIAL HAFFAJEE

THE National Union of Mineworkers this week declared a dispute with Gengold on 11 mines threatening to jeopardise the industry's fledgling profit sharing scheme

The union charges that Gengold's racial wage policy is eating into the pool of profits available for sharing and threatens the new scheme which is one of the key features in the joint union/employer restructuring of the mining industry.

The dispute was declared because Gengold paid an additional 1,5 percent increase to skilled white workers rather than including them in the profit-sharing scheme. At Anglo-American and Rand Mines, all workers and managers are part of the profit sharing scheme.

Gengold has refused to give 25 000 NUM members the same increase in order to "level the playing fields" before sharing the profits. The company says it is willing to pay the increase in lieu of the profit-sharing. The company also refuses to agree to monthly evaluations of the schemes at all mines. This is a key demand for the success of the scheme. Earlier this year, NUM abandoned profit sharing when miners became alienated from the highly technical plan they had no access to information about.

The union accused the company of "not being serious about exploring the broader potential of the profit sharing agreement".

In July, NUM agreed to low basic wage increases of five percent and profit sharing as the best short-term response to the crisis in the gold-mining industry. (214)

NUM was "flummoxed" by Gengold's move to grant additional increases to skilled white workers. "The additional cost of the whites' 1,5 percent basic wage increase will raise the mines working costs and reduce the profit available for sharing," the union said this week.

The increase represents an average R60 to R70 improvement for skilled workers and, if granted to NUM members, will represent an increase of between R7 and R21 The union agrees that when a profit is paid, the 1,5 percent increase can be deducted from the profit share.

"NUM's demand for a guaranteed 1,5 percent basic increase, in line with the white workers, is needed to complement the profit sharing scheme to make the 1992 settlement fair to all workers, black and white," believes the union.

In earlier negotiations, the Underground Officials Association, the Mine Surface Officials Association, the South African Technical Officials Association and the Council of Mining Unions opted for 1,5 percent increases instead of profit-sharing at the mining house.

The dispute will be taken to a conciliation board in the next month and Gengold refrained from further comment until then.

Miners want their share from Genmin
Photo: Justin Scholk

Gold production dips 1,9% during October

B/Day 17/11/92. (214)

GONO WATERS

GOLD production in October fell 1,9% to 50,7 tons from 51,7 tons in September, the Chamber of Mines said yesterday

The figure was 1,5% down on October's production last year, but the progressive total for the year was 1,5% higher at 507 tons compared with last year's cumulative total of 499 tons to October

However, the gold price, now riding above R1 000 an ounce as a result of the weak commercial rand, could produce an increase in dividends from several mines.

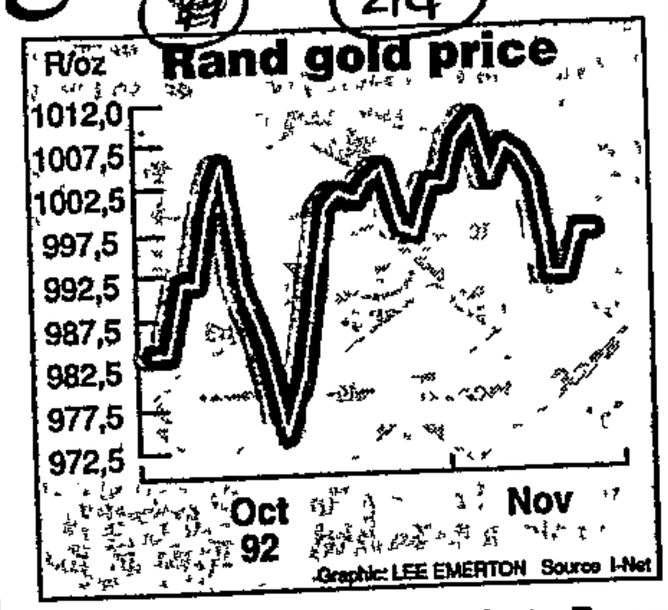
Gold was fixed at $335,40 (R1 005) in London yesterday afternoon, down $0,60 from the morning fix

The average gold price received in the past quarter was R963 an ounce and the average price for the quarter to date is R997/oz

EW Balderson analyst Nick Goodwin said the increase in the rand gold price made "quite a difference".

Goodwin said if the price was maintained at R1 000/oz, total earnings in the industry could increase more than 20% to about R440m from R362m in the September quarter

Most analysts agree that gold shares at the moment are extremely cheap and trading at huge discounts



Fergusson Brothers analyst Trevor Pearton said the gold index would be 30% higher if investors were not looking at gold in dollar terms.

"The gold price will help to maintain revenues and some mines could quite comfortably increase their dividends"

However, he expected "no fireworks" in the gold price before the end of the year

He said the recent gold price drop to below $330 was a result of investors taking positions before the American elections and he believed the price could easily go below $330 before the end of the year as there remained factors in the markets putting downward pressure on the price

Lower gold production augurs well for market

B/DAY 19/11/92 (214)

JONO WATERS

SA gold production was expected to decrease to about 470 tons by the year 2000 from current levels of about 600 tons, Gengold MD Gary Maude said yesterday

Speaking at the 1992 Canadian Mineral Outlook Conference in Ottawa, he said the market would respond favourably to the sharp decline in gold production, an increase in demand from the jewellery industry and the psychological effect of closure of world-famous marginal mines

"At the current gold price, the development of the new deep-level mines remain effectively stymied and will continue to be put on hold until the risk/reward ratio improves"

He said it had to be remembered that new deep-level ventures cost about $1bn and took anything from seven to 12 years for production to start or returns to be realised

However, SA mining houses remained optimistic that, in the medium term, a combination of factors would favour a moderate and sustained increase in the gold price, he said

Exploration had been cut back significantly over the past two years as a result of weak commodity prices and capex had fallen over three years in real terms by 50% to $675m last year

Some 51 000 employees in the gold mines had lost their jobs over the past 18 months, despite a rigorous effort to contain costs But, it was estimated that a further 60 000 jobs would have been lost if the mines had not successfully cut costs, he added.

Maude said there must be an end to violence and negotiations must be back on track if SA was to regain investor confidence, optimise its ample resources and fulfil its potential as the economic and industrial giant of sub-Saharan Africa, he said

The SA mining industry had been hit by financial and corporate isolation, but this was being reversed as politically-inspired international barriers and restriction were being phased out, especially in Africa, he said

The mining houses were best placed to assist neighbouring African states in exploiting their resources and had the financial muscle to do so even though much of the capital needs would probably be drawn from the countries concerned and organisations like the World Bank

Exploration

Countries under consideration included Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaire, Kenya, Ghana and the Ivory Coast

Most of the exploration work in these countries had been done by SA-based companies and international investors should keep this in mind when expanding their investment portfolios into Africa

Mineral resources were only one aspect of an investment decision and potential investors in SA would also consider exchange rate fluctuations, repatriation of profits and whether mining ventures were likely to be nationalised

"Investors want to be assured of the rules of the game in which they will operate and whether the government of the day will abide by those rules."

GOLD FM 20/11/92 (214)

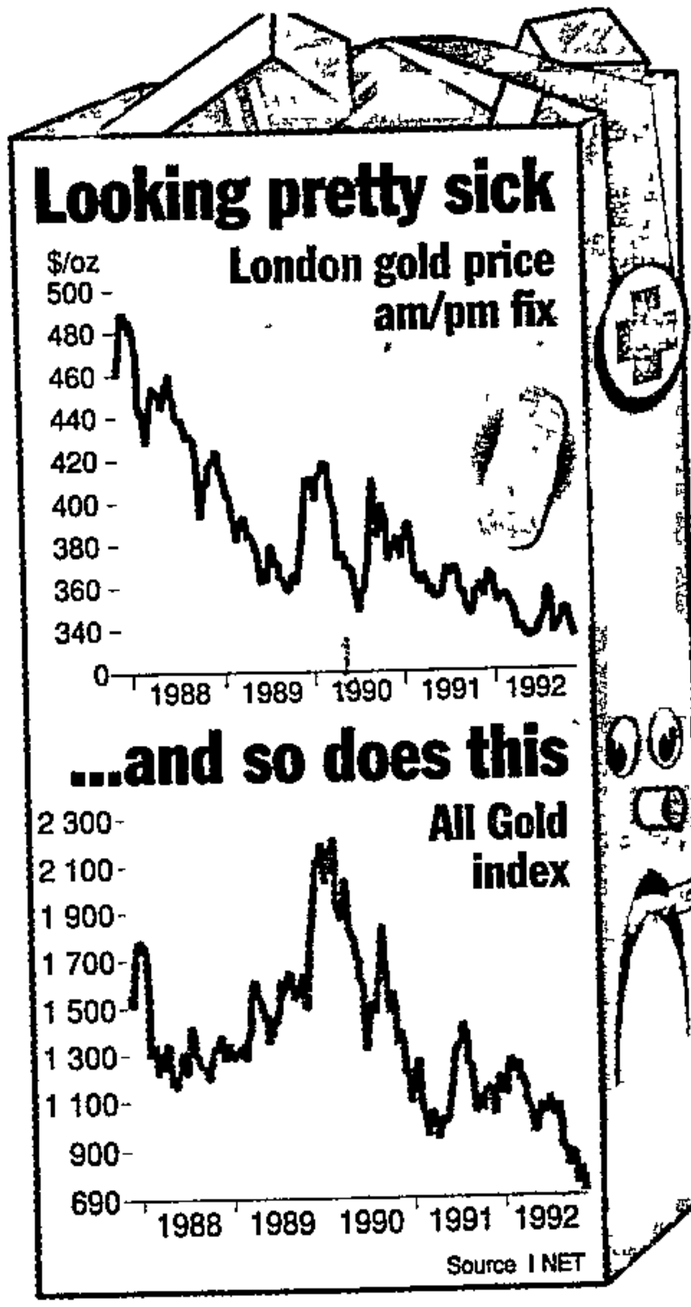
Little joy for investors

It's a perennial question where's the gold price going? For once, there's almost unanimity in analysts' responses nowhere fast

At the *FM* investment conference, chief consultant to Gold Fields Mineral Services, Timothy Green, believed a price of US$340-$350 is "well sustained by physical offtake," but then told mine managers they should operate "on the assumption that there will be no increase in real terms perhaps even for the rest of this century"

If that flattens hopes for a rapid and sustained increase in the metal price, Deutsche Bank senior vice-president Fritz Plass, who is responsible for its precious metals

→ continued



division, told the SA investment community last week he expects gold to fluctuate between $315-$360 for the next 18-24 months.

Green says the extraordinary news for 1992 is the substantial increase in physical demand for jewellery "Last year, jewellery fabrication alone passed the 2 000 t barrier, to 2 100 t This year it will be at least 2 000 t, probably significantly more."

Green admits the worrying feature is the possibility of steadily rising sales by central banks Belgium has already sold 200 t in an attempt to align government debt relative to GNP with EC requirements Canada has embarked on a 12-year sales strategy, selling 100 t this year He estimates total central bank sales will top 400 t for 1992

Plass says the Bundesbank is under mounting pressure to sell some of Germany's colossal reserves of 3 700 t to satisfy the increasing demands of re-industrialisation of former East Germany. London stockbroker Smith New Court senior mining analyst Steve Oke expects German economic growth next year to be negative or at best zero "The Bundesbank may be forced to sell some gold," he says.

"The Germans' options are to raise taxes, secure foreign loans, arrange gold swaps or do a deal with the IMF. But if they do sell gold, it's worth remembering they're very conservative central bankers The last thing they'll do is flood the market — they don't want to shoot themselves in the foot"

In international investment terms, Oke says the JSE All Gold index is again in buying territory "It's been an unmitigated disaster for people who invested in June/July last year In dollar terms, the index was 450 then Now it's 160, a level last seen in 1978"

Oke adds that the international perspective on gold and gold shares is clouded by general lack of confidence in the metal and "a distinct lack of enthusiasm for the SA

FOX FM 20/11/92 (214)

market — the mines' cost structure is worrying, and so is the political environment"

Oke's prediction for the gold price is $325-$360, "but this depends," he says, "on currency stability and on the actions of the new US administration"

In summary, international gold-watchers are predicting static, do-nothing prices "SA mines," says Plass, "will have to live with that for a while" Nor should they rely on continuing devaluation of the rand Reserve Bank Governor Chris Stals has indicated the Bank's policy will be to value the currency against a basket, not just one selected for business reasons

The answer for the mines lies in cost reduction campaigns and making the most of forward selling instruments But for the investor, there's not much relief in sight *David Gleason*

'Tourism could help small gold mines'

JONO WATERS (214)

SMALL gold mine operators could benefit from the expected tourist boom by selling gold to tourists as souvenirs, Mintek president Aidan Edwards said yesterday. B/DAY 20/11/92

At a conference on the viability of small gold mines, held at Mintek, he said a large number of small operations were located in areas of great scenic beauty and historical interest, such as the eastern Transvaal.

"Gold could be sold to tourists in the form of nuggets, either natural or cast, and suitably mounted."

Producers could earn an attractive premium on the gold price and no refining would be necessary, he said. The small operator would reap an enhanced return on revenue through the value-added sale of a finished product.

Edwards said Mintek could also assist operators in obtaining refining licences to extract base metals from crude gold and produce the required alloy for the manufacture of jewellery.

"Furthermore, I cannot see why small mining operators could not integrate their interests vertically by operating with a jewellery manufacturer in an ancillary operation." There appeared to be no legislation preventing this.

An operator could also receive export incentives through transforming gold into ethnic jewellery sought by tourists, or into standard products suitable for export.

Democrats good for gold

S/Times (Buss) 22/11/92. (214)

SINCE 1929, the average four-year gain in the Dow-Jones industrial index has been 39,6% under a Democratic administration and only 22% under a Republican one

International Gold Mining Newsletter also points out that the election of the last Democrat to presidential office in 1976 marked the start of a long bull run for gold, culminating in 1980's peak of $800 an ounce The newsletter does not forecast a repeat of that, but gives potential outlooks for metals under Bill Clinton, if he can get the American economy moving as promised

Gold should benefit in the medium term from renewed inflationary fears Except for the past 10 years, gold has been a consistent inflation hedge and the relationship has not been completely undermined

Platinum should benefit from more stringent environmental legislation and aluminium producers could win from the new US administration's aim to reduce fuel consumption through lighter vehicles

This might hurt steel, but demand should otherwise benefit it, base metals and construction materials if the economy revives

Although hard to assess how the policies shape, with Federal stimulus the American economy is expected to expand by 3% in 1993 This would probably trigger higher interest rates and inflation

More cynical commentators believe that America will continue to deteriorate in spite of Mr Clinton and that Federal debt will become the overriding concern, leading to an economic crisis.

This could precipitate a rush by investors into gold, says the newsletter.

NUM calls for govt subsidies

(214)

CT 23/11/92

KLERKSDORP — Calls for government subsidies for SA's gold-mining industry were made yesterday by the National Union of Mineworkers.

NUM vice-president Elijah Barayi, speaking at a rally at the President Steyn Gold Mine near Welcome, said subsidies were necessary to prevent further retrenchments in the industry

Finance should be provided jointly by the government and mining houses, with trade union participation in programmes to retrain retrenched miners and establish social security and job creation schemes

● Development of a mining policy should be a priority for the ANC if, as a possible future government, it wanted to enjoy stability, Barayi added

Reserve Bank puts paid to Dundee offer for Knights shares

STAR 26/11/92. (214)

By Derek Tommey

The Reserve Bank has refused permission for the Bermuda-based Dundee International to go ahead with its plan to form a company holding shares in Knights and the American Homestake gold mine and list it on the Johannesburg and London stock exchanges

The plan involved Knights shareholders resident in the South African monetary area receiving depository receipts representing an indirect interest in the equivalent Dundee International shares

Dundee International president Robert Buchan said last night that the Reserve Bank's decision came as a complete surprise.

As a result, Dundee International has withdrawn its offer for all the shares of Knights Gold Mining which it does not hold

Dundee International, is a subsidiary of Canadian firm Dundee Bancorp

In a statement last night it said that it had become clear from discussions with the Reserve Bank that the proposed bid would not be permitted under current control guidelines.

The Reserve Bank also told Dundee International that it no longer permitted new listings of non-South African companies on the Johannesburg Stock Exchange

Dundee Bancorp acquired 26 percent of Knights' outstanding shares earlier this year following the merger of Waverley Gold Mine and Simmer and Jack Mine into Knights

Insurer reluctant to meet JSE claim

STAR 3/12/92

By Derek Tommey

Creditors with just under R1 million in "general" claims against stockbroking firm Andrew Forbes, which defaulted in June owing R16,5 million, can expect to be paid soon, says the Johannesburg Stock Exchange.

But clients with "limited" claims may have to wait some time because the insurer which provides fidelity insurance cover has rejected the stock exchange's claim as it is currently formulated.

A "general" claim arises when the transaction has to be settled with the stockbroker within seven business days.

Transaction

A "limited" claim is when the transaction does not have to be settled in this manner, for example when a stockbroker manages his clients' portfolios.

The JSE has an R80 million guarantee fund which covers "general" claims in full.

But in the case of "limited" claims, the cover amounts to only R1 million for each stockbroker for equity transactions and a further R1 million for gilt transactions.

The JSE also has a fidelity insurance policy with aggregate cover which amounts to R100 million.

It was taken out on behalf of member firms and covers loss of securities or money as a result of theft, fraud or dishonesty

JSE president Roy Andersen said last night the JSE was reformulating its claim under this policy But should the claim ultimately be repudiated, the JSE may be compelled to institute legal proceedings.

The insurer's reluctance to accept the JSE claim relates to the principle that no one may insure against one's own unlawful acts.

Andersen said that as soon as the JSE had clarity on this matter (it is counsel's opinion that this principle is not applicable in this case) a further announcement would be made.

Three of the four JSE broking firms which defaulted in the past 12 months owe R22,8 million between them.

HG Crosby, which defaulted last December, owes about R2,9 million, Andrew Forbes R16,5 million and Ben Janse van Rensburg R3,5 million Claims against Kritzas, which defaulted last month, are believed to be small.

Andersen said the JSE had already paid "general" claimants R991 776 against Crosby out of its own funds, which it would recover from the guarantee fund when full payment was made.

The JSE is also about to pay Forbes "general" claimants about R957 000 Payment of the van Rensburg claims could be delayed as a liquidator has only recently been appointed.

Andersen emphasised that the JSE was doing all it could to speed up payments of claims against these companies.

It had spent R1 million on accountants and lawyers to expedite the investigations into the defaulting companies.

Forbes is being liquidated by Kessel Feinstein and Ernst and Young Another accountancy firm, Deloittes, is bringing Forbes' accounting records up to date and has nearly completed dividing claims into "general" and "limited"

After this, "general" claimants will be paid.

"Limited" claims will be paid when the final liquidation and distribution account of the insolvent firm has been confirmed by the Master of the Supreme Court and when the insurance proceeds have been received.

Proceeds

"Limited" claims against Crosby will also be paid out when the insurance proceeds have been received.

Van Resnburg is being liquidated by Coopers Trust and the investigating accountants, Ernst and Young, will shortly be able to determine "limited" and "general" claimants, after which the "general" claimants will be paid.

Although the claims against Kritzas have not been quantified, preliminary indications are that they should be covered by the provisions of the Guarantee Fund.

Mervyn Serebro

Philip Grover

Changes at OK Bazaars

By Stephen Cranston STAR 3/12/92

Mervyn Serebro, currently MD of OK Stores, becomes group MD of OK Bazaars from January 1 after the retirement of Gordon Hood.

Philip Grover, MD of the Hyperama, becomes group deputy MD on January 1

Serebro says he will act urgently to restore the group to profitability "The building blocks are already in place and I know what needs to be done."

He says that the OK has gone through an unfocused period and needs to deal more closely with customers in the C, D and E income groups.

He says at one time when competition was less significant it could afford to be all things to all people.

"We prided ourselves on carrying 60 000 items. We should no longer concentrate on carrying a breadth of merchandise, but rather on honestly carrying the commodities which best suit our consumers."

Serebro questions the group's decision to close 31 smaller stores and to focus on super stores, often in upmarket shopping centres.

"It made sense at the time, but I'm not prepared to comment further until I take over," he says.

Serebro says the OK is actively seeking sites in townships such as Soweto and Atteridgeville, but institutions are reluctant to commit their funds in such areas.

An active first day for SAB 2000

By Stephen Cranston

The newly issued SAB 2000 bond was first traded yesterday at a yield of 14,88 percent, two points short of the opening yield of 14,90 percent. STAR 3/12/92

The yield slid to 14,74 percent during the day before running up to a high of 14,86 percent amd closing at 14,82.

A dealer said it was an active day with R217 million worth of the bond trading on the JSE Gilts floor alone.

It is trading 90 to 100 points higher than the benchmark RSA 147, which finished trading at a 13,86 percent yield.

Quality golds finding favour

STAR 3/12/92

By Leigh Hassall

While the bulls and bears are tussling over the future of gold, some analysts suggest that quality gold shares now offer fundamental value and recommend cautious buying

"The rand price of gold has risen six percent since the crash of 1987, yet the JSE all-gold index has fallen 64 percent," says Andy Paterson, trading analyst at EW Balderson.

"This translates into a gap of 70 percent, the widest it has been in five years," he says.

"Gold's loss of favour with international investors, coupled with local political instability, has led to the reduced demand," adds Paterson.

The all-gold index, currently at 866, has lost 27 percent since this time last year

However, Paterson expects 15 percent upwards correcti to 1000 over the next few months.

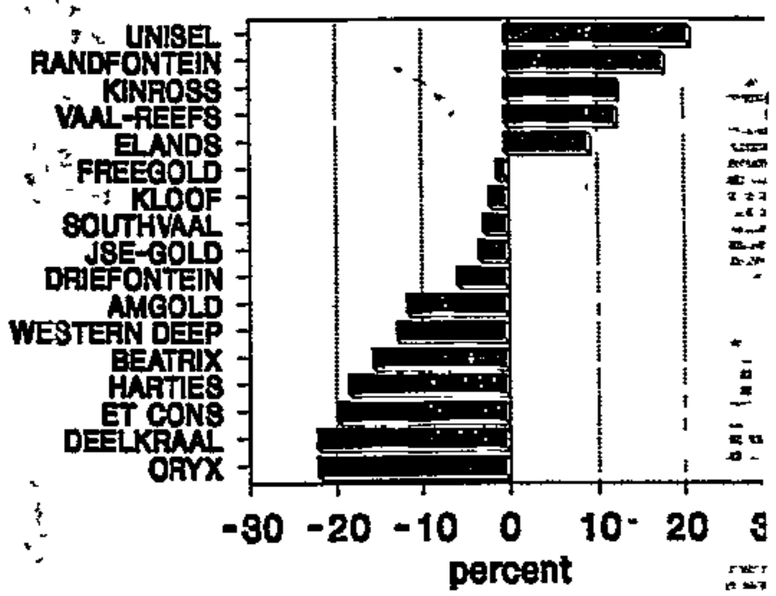
Ona technical analysis, t 1000-level marks the breakn point out of the index's curre medium-term bear trend.

"If the gold price strengthe to $355 we could see the ind rising above the 1000-mark a entering a much bigger bull market," says Paterson.

Since the beginning of t current quarter the index h dropped three percent, but few of the quality gold shat have out-shone the index.

Kloof, Elands, Randfonte Dries, Vaal Reefs and Weste Deep are on the steepest rec ery paths

Paterson notes that Weste Deep and Elands have come the lowest base (see graph).



Capital gains tax

Mostly down in the dumps for mining

S/Times (Buss) 6/12/92. (214)

By JULIE WALKER

Sunday Times TOP 100

THE virtual dumping of Rand Mines by controlling shareholder Barlow Rand was the feature of another year of relative unhappiness for SA's mining industry

The century-old mining house, once the greatest in the world, failed to renew reserves through exploration. It lost even more direction after 1971 when it became the only SA mining house to be controlled by an industrial group

Until then it had been tardy in identifying mining opportunities, preferring to milk its mines of the day. Rand Mines had no stomach for the West Wits Line and Klerksdorp which are prolific producers of gold today As its options ran out it found itself with a quartet of ailing gold mines — Durban Deep, East Rand Proprietary Mines, Harmony and Blyvooruitzicht

Expansions into platinum and vanadium ended badly, as did new gold mine Barbrook. Barlow Rand management decided to sell Rand Mines' chrome interests along with its holding in Middelburg Steel & Alloys to a Gencor-Anglo American consortium last year.

Rand Mines was reduced to a coal and minor gold outfit with a few properties. What is left is being unbundled to members and only for technical reasons does Rand Mines continue to exist. The Corner House premises in central Johannesburg are being vacated, ushering in the end of an era

TRIBUTE

Gold's reluctance to rise meant another tough year for a South African mining industry reluctant to sell its production forward for better prices. Instead, it continued to focus on the cost side of the profitability equation — with some success.

The year was one of co-operation between industry players. Miners settled for affordable pay rises with profit-sharing incentives built in Industrial relations improved from a solid base because of participative management.

Western Deep Levels gave Blyvoor a new lease of life by allowing it to mine part of its title area on a tribute basis

Another innovation is the path to be followed by ageing West Rand Cons, of which control and management will pass to a consortium led by clean-up specialist Fraser Alexander Gencor believes Fraser Alexander will do a better job of taking the last remnants out of the mine and rehabilitating it.

Anglo American went ahead with sinking a R1,6-billion shaft in the Moab area to the south of Vaal Reefs It believes gold's future is sound because of growing jewellery demand

The platinum industry hit harder times than previously Although the platinum price fell, its decline was not as harmful as that of rhodium's

The two main producers, Rusplats and Impala, both struggled under industrial action, Lebowa continued to battle on production targets and Northam fell behind its schedule in need of more money. How it will be funded is still being examined by Gold Fields of SA

Good reports came from Potgietersrust Platinum. Its directors say it will come into production under budget and at a cheaper level than originally expected.

This year it was the turn of the diamond industry to take a knock as the world refused to emerge from recession and hampered discretionary spending on luxuries such as beautiful stones

Low demand alone would have been manageable, but a torrent of diamonds were sold outside the Central Selling Organisation's area of influence, many from Angola and the former Soviet Union

News of a big Canadian find did little to boost confidence.

SURPLUS

De Beers was obliged to lay off employees at several SA operations All CSO member mines and countries were asked either to cut back on operations or to stockpile 25% of their production for a while

All in all it was not the ideal time for De Beers to bring on-stream a rich producer of its own, but that is what took place.

The R1,1-billion Venetia mine in the North-western Transvaal was officially opened in August It will ultimately replace the production from SA's ageing mines — some a century old. But for the time being, its output is surplus to requirements

Samancor, the world's largest ferroalloy company, took the unusual step of closing all its ferrochrome production capacity for several weeks early in the year in a bid to reduce stocks, cut costs and boost prices.

But continuing recession, large stocks and low demand for steel and particularly stainless steel, meant trouble for the world's iron and steel business

Some ferrochrome contracts were signed at 52c US/lb, but the market dictated otherwise — a large supplier outside SA willing to accept 49c led to lower prices.

Coal continued on an even keel, but prices did not climb Three mild European winters in a row have allowed buyers to accumulate surplus stocks — as reflected by the relatively low oil price

WRONG

Witbank Collieries changed its name to Rand Coal and moved its head office to Sandton Eskom's decision to suspend construction of three generating sets at Majuba power station knocked the Rand Coal share price to R4 It was R15,25 in February

Eskom took the decision because the coal deposit is faulted and Rand Coal's mining costs would have been much higher than expected

Finally, there were a few changes in the dimension stone industry It looked at one point as though the listed producers might reach a stage of cooperation or even merge

In the end, Kudu merged with Anglo American-controlled but unlisted Impala Granite. Keeley produced better results than expected, but Marlin battled Its high production ahead of an expected post Persian Gulf war boost in sales was unfortunately wrong

Minaco Granite, having acquired subsidiary Prairie, turned in a creditable set of results and the share price doubled to 40c late in November. It provided a glimmer of hope that the market for dimension stone might have bottomed

HIGH-FLYERS THAT FELL FROM GRACE

STimes (BUSS) 6/12/92. (214)

Sunday Times

TOP 100

By JULIE WALKER

THE only good thing to be said about the worst performers on the JSE in five years is that at least they have not gone into liquidation

Predictably, gold and mining exploration shares dominate the 50 worst performers table, but the wooden spoon goes to Barplats Mines (Barmines)

This noble venture started its life in 1987 as Lefkochrysos It was to be the first producer of platinum from the UG2 Reef only at a mine near Brits

In the same year, Rand Mines began development at Barplats Investments near Kennedy's Vale in the Eastern Transvaal It, too, was to produce platinum from the UG2 Reef The reef had never been mined and treated in isolation, although established platinum operations were tapping their own reserves of the ore to blend with easy-going Merensky Reef

Barplats' go-ahead added credibility to the would-be pioneer of UG2 mining — Lefkochrysos. When Lefko's management failed to raise more capital to complete development of the Brits mine, control of the company passed to Rand Mines Barplats became the pyramid holding company of Lefko, which was renamed Barmines

STREAM

But Rand Mines itself had underestimated the capital requirements of bringing the two operations on stream First, it mothballed Kennedy's Vale and was then obliged to sell to Impala Platinum Holdings, which mothballed the Crocodile River mine near Brits

Revolt from minority shareholders in the group is all that prevents the delisting of the shares Their worth is only speculative at the moment. From R25 the Barmine price has crashed to 15c and Barplats from more than R22 to 45c

Barmine was not the only platinum mine to struggle Messina Investments underwent a major change by selling its assets other than the rights to a platinum deposit at Zebediela Impala took 55% control of Messina, but progress at the mine was frozen because of the low platinum price

Over a single year, JCI's Lebowa Platinum Mines has shown the fourth-worst return Its price has dived on the mine's inability to meet production targets and make a profit JCI is developing the Potgietersrust Platinums mine on the Platreef which has better prospects than does Lebowa Plats.

But no fewer than 27 out of the 50 worst-performing shares since 1987 are gold-mining companies and a tenth are in mining exploration

No amount of mining-house backing, management, endorsement or integrity could halt the decline in heavyweights, such as Vaal Reefs, Harties, Winkelhaak, Randfontein, Durban Deep and Deelkraal

Independents also suffered badly — Cons Modder, East Dagga, West Wits and Rand Leases illustrate the point.

POOR

If producing mines ailed, there was even less future for the likes of Freddev and New Central Wits, where prospects of a new gold-mining development receded.

Poor mining fortunes were merely one of the reasons behind the showing of AECI — which incurred a negative return of more than 10% a year for shareholders

Competition in explosives, drought-hit fertiliser, a strong challenge from certain imports and unfavourable tax dispensations made life tough for South Africa's premier chemicals and allied business

The Frame group's downsizing was not accompanied by improving profits because of the absurdities of SA's structural adjustment programme (SAP) Aimed to boost exports, it was much abused and turned into a nightmare for textile companies such as Frame and Da Gama

Frame was caught in a Catch-22 position SA's new-found business philosophy dictates that companies must stand on their own, but not the farmers SA's cotton-growers have to be paid well above world prices for their crop, yet Frame et al must make fabrics in competition with Far Eastern exporters whose governments subsidise the cotton price.

Amendments to the SAP have been suggested almost since its launch, but nothing has been done about the iniquitous position.

Engineering group NEI Africa fared 17th-worst over five years. Significant fraud was uncovered in the former pale-blue chip in 1990, such as accounting entries of bank balances that were actually borrowings

DELIVER

A total of R55-million had to be written off in 1991 and recessionary conditions in general have been compounded by cutbacks in electricity-generating capacity — a business which was the backbone of NEI Africa Profit remains elusive, and the share has dived from R45-plus to R3,25

Unidev and Tollgate were Cape Town companies that failed for various reasons, principally overborrowing There are signs tha Unidev might start to come right under new management after a dive from glamour-stock status in the early years

Tollgate is also on an asset-selling exercise to reduce debt. Now controlled by SA-boy-made-good-in-England Julian Askin, the group has yet to deliver

Borrowings certainly cause doubts in investors' minds Take W&A — the Business Times top company two years in a row as recently as 1990, and now the 36th-worst.

Its businesses are holding up well in spite of the recession, but R1-billion of borrowings caused alarm in a long spell of high interest rates W&A has sold its hosiery division for R200-million and has other disposals in the pipeline. But until the bottom line looks consistent, investors will shy away from the company

ABSURD

Construction groups Basil Read and Grinaker fared worst of their sector, but on different counts. Basil Read has never been really well capitalised and has always struggled with high gearing, whereas Grinaker's electronics investments were hit by cutbacks in the defence industry

If ever a listing hit absurd heights, Fintech was it. On a euphoric wave of electronic-share hype, Fintech's share price hit R87 — about 10 times its worth. But after the 1987 crash it fell to R3 by 1990 It has since rallied to a realistic R17 on steady profit growth.

Over one year, granite share Keeley gave the poorest return to investors Its share price held up well while those of other granite producers — Kudu and Marlin — were failing, but eventually it succumbed to the same pressure World recession is hampering the export-oriented granite market.

Other features among the one-year decliners include Iscor (for failing to meet profitability forecasts), Anglovaal Insurance Holdings (for a disastrous investment portfolio and actuarial shortcomings), Saambou on write-offs and Board of Executors on perceptions of too much property; Berzack, Voltex and Elcentre, and Afcol as well as many gold mines

No fewer than 27 out of the 50 worst-performing shares since 1987 are gold-mining companies

Gold mines dash investor hopes for drop in supply

(214)

B/DAY 7/12/92

NEW YORK — Miners are hauling gold above ground as fast as ever, spurning investor hopes for a drop in supply that could bolster the metal's sagging price

Spot gold has fallen steadily in 1991-92, hitting a six-year low of $330/oz last month, and cutting deeply into the profits of gold mining companies

As prices have fallen over the past two years, gold promoters have argued repeatedly that tighter mine supply is just around the corner and is bound to rouse the yellow metal's slumping price soon

But a streamlined industry is proving them wrong, prolonging gold's low prices by cutting costs instead of closing shafts Total world mine supply in 1992 is now expected to equal or be slightly higher than last year's record 1 782 tons

The streamlining is especially dramatic in SA, where the first major shaft shutdowns were expected because mining costs are the highest in the world

Faced with the prospect of mine closures, the NUM has been forced to make major concessions to company managers

As SA mines trim their costs and keep gold output high, investors have become more disillusioned with their gold holdings, adding to the downward pressure on the precious metal's price

Slackened investor interest has left gold stagnating in thin trade, sliding to an average $345/oz in the first nine months of 1992 from $360 in 1991

Gold prices are already well below the cost of production at a handful of SA's highest-cost mines, where operating costs exceeded $370/oz of gold produced in 1991, says London-based research group Gold Fields Mineral Services (GFMS) The average cash cost in SA was $294, 14% higher than the worldwide average of $259

"People have been surprised with how resilient the SA industry has been," says GFMS's senior supply analyst Tony Sutton-Pratt "They had not realised how much fat there was in the system, and how much flexibility the mines have got to mine higher grade ore"

The Chamber of Mines now expects gold output to expand nearly 1% to 605t in 1992 from 1991's 601,1t

Analysts say this year's growth in output was possible thanks only to dramatic cost cutting at the mines, and since labour accounts for about 55% of SA mining costs, the quickest way to lower expenses has been to lay off workers

Over the two years to June 1992, more than 90 000 mine workers were laid off, says Chamber of Mines senior economist F M Viruly As a result, industry-wide employment fell 19% to 392 748 workers by mid-1992 from 482 968 two years earlier

And the union may be forced to accept more job cuts Chief NUM negotiator Martin Nicol says his union "appreciates that the gold industry is in a downphasing stage at present", and accepts that job cuts and lower real wages are "a necessary way of slowing down the contraction" — AP-DJ

Gengold, NUM end dispute

STAR 10/12/92

By Thabo Leshilo
Labour Reporter

The dispute between Gengold and the National Union of Mineworkers ended on Tuesday after they agreed on the profit-sharing scheme motivated in principle at the Chamber of Mines earlier this year, the company said yesterday

In terms of the agreement, two of Gengold's mines, Grootvlei and St Helena, will pay an additional 1,5 percent on top of their basic wage increases, while Gengold's other mines will implement the agreement on profit sharing

NUM last month declared a dispute with Gengold on behalf of 25 000 members employed by the company for allegedly blocking an industry settlement on wages and working conditions on gold mines.

The union has successfully negotiated profit-sharing schemes with Anglo American Corporation and Rand Mines.

● NUM has come up with a draft central "retrenchment agreement" for De Beers mines in a bid to protect its members.

This document comes after De Beers announced that more than 4 000 miners would be laid off in a cost-cutting move.

● The Miners' International Federation (MIF) presidium will meet for the first time in South Africa in Johannesburg tomorrow and again on Saturday.

Agreement on profit-sharing

13/DAY

WILSON ZWANE 10/12/92

THE agreement between the NUM and Gengold on a profit-sharing scheme would pave the way for a "comprehensive agreement" on wages and basic conditions of employment, union official Jerry Majatladi said yesterday.

The union and Gengold reached the agreement on Tuesday, ending a dispute which arose last month.

In terms of the agreement, two of the mining house's mines — Grootvlei and St Helena — will pay NUM members an additional 1,5% on top of their basic wage increases while other mines will implement the agreement on profit-sharing (214)

Oryx hopes for low-cost mining

JONO WATERS (214)

FREE State gold mine Oryx would become a low-cost producer by international standards once the mine had achieved a reasonable ore reserve in about 1995, chairman Gary Maude said in the company's annual report

Until the ore reserve had been established, forecasts of early gold output were risky in a developing gold mine, he said B/Day 10/12/92.

Sinking of the main subvertical shaft had been completed and extensive development through mid-shaft loading facilities achieved Trial stoping on the Kalkoenkrans Reef had commenced and initial values had been encouraging, though erratic, he said

NUM accepts low increases

(214)

S/Times (Buss) 13/12/92

AFTER nine months of protracted negotiations, the National Union of Mineworkers and the Chamber of Mines signed their 1992/3 agreement on wages and working conditions

The agreement, announced at a joint media conference in Johannesburg, affects 390 000 employees on 20 gold mines, 180 000 of whom are NUM members It comes at a time when the gold mining industry is facing unprecedented pressure

A key element of the agreement is the acceptance by the NUM of low wage increases, between 5% and 9%, in return for an innovative profit-sharing agreement on 14 mines

NUM secretary-general Marcel Golding says the agreement to keep basic wage increases low for the second successive year was an attempt to deal with the crisis in the gold mining industry

Mr Golding says "Small wage increases are the only way to save jobs when the gold price is low"

He says the profit-sharing agreement would help mines which were truly under pressure, as they would not be burdened with an inflexible wage bill and could therefore delay retrenchments

However, profitable mines would have to share some of their wealth with employees, depending on gold price and productivity

Chamber of Mines labour representative Bill Nairn says the modest wage increases would contribute to the containment of costs in gold mines

He welcomed the profit-sharing schemes as an innovative form of remuneration

Mr Nairn says 1993 promised to be tougher than 1992 and praised the NUM for being able to work with the chamber in "managing adversity" in the industry

Mr Golding says this year's agreement also contained important advances in the areas of health and safety, furthering the guarantees on working conditions and union rights which formed the main part of the path-breaking industry agreement of 1991

NUM gets profit slice for members

STAR 14/12/92.

By Thabo Leshilo
Labour Reporter

(214)

The Chamber of Mines and the National Union of Mineworkers (NUM) announced on Friday they had reached agreement on wages and conditions of employment for gold mines falling under the Chamber, after seven months of tough, often heated, negotiations.

The document affects 390 000 workers, 180 000 of them NUM members, at 20 companies.

Chamber labour portfolio holder Bill Nair said the agreement was an important accommodation between management and organised labour The modest wage increases — ranging between 5 and 6 percent — would contribute significantly to the containment of costs

NUM assistant general secretary Marcel Golding said the agreement's most innovative aspect was the provision for profit-sharing Though basic wage rises were low because of the poor gold price, 14 mines had agreed to share profits with workers

The deal was delayed by insistence that it include details of profit-sharing schemes at certain mines, that had to be negotiated at different forums

Golding said that despite the low wage rises the union had made many gains

- Anglo American had agreed to begin talks to make non-NUM members, who benefit from its bargaining power, subsidise the union's costs.
- Dismissals of sick or injured workers now required consultation with the union
- The Chamber had agreed to discuss provision of health care for black workers' families
- All the gold mining houses, except Blyvooruitzicht, had agreed to increase their contribution to the provident fund from 5 to 6 percent Goldfields had agreed to increase its contribution by 0,5 percent if workers agreed to do the same
- Goldfields would increase workers' holiday-leave allowance by 5 percent
- The NUM would get representation on the board of directors of the Rand Mutual Assurance Company, which pays compensation to miners
- A new, more favourable agreement for workers with occupational diseases would be applied

Miners' share could reach 20%

B/DAY 14/12/92

RAY HARTLEY

(214)

A GROUND-BREAKING 70-page wage agreement between the Chamber of Mines and the NUM, which includes profit-sharing on certain gold mines, was signed at the weekend

The chamber said the agreement included wage increases ranging from between 5% and 6% and an in-principle agreement on a profit-sharing scheme at certain gold mines owned by Anglo American, Genmin and Rand Mines.

"These principles provide for the sharing with employees of up to 20% of the profit available for distribution" The profit pool available for distribution to employees — negotiated at mining group level — differed across the industry

"These agreements are seen as a creative response to the particular circumstances facing the industry today," the chamber said in a statement The agreement included undertakings on security of employment, health and safety, and employee participation

The NUM said in a statement the length and complexity of the agreement reflected "the extraordinarily difficult circumstances of the gold industry at present and the efforts of the NUM to preserve jobs and protect standards

"Although basic wage increases are low, because of the poor gold price, 14 mines have agreed that when they make profits, these will be shared with their workers

"On some mines, the initial share of profit is tiny — only 5c in the rand — but 20c in the rand is shared after a trigger level has been reached," the union said

JCI gold division MD Bill Nairn described the agreement as "an important accommodation between management and organised labour in addressing the circumstances in our industry

"The modest wage increases afforded will contribute substantially to the containment of costs," he said in a statement

The tying of remuneration to company performance was positive, Nairn added

Loraine asks for seven-day week

JONO WATERS 214

IN A bid to stave off closure, Loraine gold mine had applied to Mineral and Energy Affairs Minister George Bartlett to operate the mine seven days a week, chairman Rob Wilson said in the company's annual report B/DAY 15/12/92.

He said if Loraine was allowed to operate on this basis, and if the support of the relevant unions and employees was obtained, the company's position would improve significantly

Free State producer Harmony was granted permission to operate a seven-day week by Bartlett in late September

Loraine might have to proceed with a phased closure — and abandon the R10m project to access a high grade block area of the Basal Reef in 3C shaft area — if the mine was not allowed to work a seven-day week, he said.

"The company may face unacceptable net losses during the current financial year, unlikely to be recouped by the 3C development project," said Wilson

The block was estimated to contain 2-million tons of ore at an average grade of 9,5g/t, which would contribute an average of 40 000 tons a month for milling over a period of three to four years

He said that in view of the uncertain outlook for the rand price of gold, the company had sold forward 3 110kg of gold at an average price of about R33 700/kg. A phased closure would enable the mine to produce sufficient gold to meet all outstanding sales commitments

Life still left in old dog Loraine

STAR 15/12/92

By Derek Tommey (214)

Loraine, Anglovaal's venerable marginal Free State gold mine, may be down, but it is not yet out

Chairman RAD Wilson said yesterday that even under current conditions Loraine could continue operating for another three to four years and could even show a profit if it were allowed to work a seven-day week

Wilson said that in October and November the mine had a net loss of R5,5 million because only a few forward sales were transacted.

The mine's ability to break even would improve — even at currently obtainable forward rand gold prices — if it could work a seven-day week and the unions and employees supported the move

Potential

However, if seven-day working were not introduced, the mine might face unacceptable net losses and would have to start a phased closure

Wilson said that Loraine, which employs about 6 000 people, would be most unhappy to do this because it had found a relatively high grade block of Basal Reef with the potential for low-cost extraction

It is estimated thst the block contains about 2 million tons of ore with an average grade of 9,5 grams a ton — worth about R20 million at present prices — and would be capable of contributing an average of 40 000 tons a month to production over a period of three to four years.

Some R10 million would be needed to access the area However, stoping operations could not start before next December at the earliest

But profits from the block should provide an adequate return on all funds invested in the interim, including capital expenditure and near-term operating losses

Wilson said the mine had sold forward 3 110kg of gold, equal to roughly 70 percent of production, at an average price of R33 700 a kilogram

It had started work to access the Basal Reef and had applied to the Government for authority to operate the mine seven days a week

South Africa's 4 million unemployed will be watching developments at Loraine with considerable interest

Anglo likely to bid for Peru copper mine

STAR 16/12/92

LIMA — This week marks the end of an ignominious chapter in Peruvian mining history

After more than 20 years of neglect, state-owned mining company Mineroperu will relinquish control over the first of a series of rich deposits.

Quellaveco, first under the hammer, is expected to be hotly disputed by two big names in the mining world Southern Peru Copper Corporation (SPCC), a subsidiary of Asarco Incorporated, and the South-African giant Anglo-American through its Chilean subsidiary Mantos Blancos.

Joint venture

Rio Anglom of Canada is also expected to put in a bid, as is Chile's Pudahuel.

Logic suggests that SPCC is the most likely buyer The Quellaveco copper deposits lie between the corporation's two huge open-pit copper mines, Cuajone and Toquepala which produce two-thirds of Peru's copper

Developing Quellaveco will almost certainly involve use of SPCC's infrastructure. The railway that ferries concentrates from the mines to the smelter and port of Ilo as well as the water and electricity supply, both operated by SPCC

Without using the existing SPCC infrastructure, the investment demanded for Quellaveco would be astronomical, said a senior Peruvian mine manager "If Southern doesn't get it, then the winning bidder might have to come to some joint venture agreement with them."

Quellaveco is in the province of Moquegua, 930 km south-east of Lima, on western slopes of the Andes and about 3 600 metres above sea level Reserves are estimated at 388,5 million tons with 0,85 percent copper at a cut-off grade of 0,45 percent.

The deposit is characterised by a large percentage of secondary sulphide reserves Experts say prospects for heap-leaching are very interesting

Cash minimum

While this could mean a smaller outlay than that associated with a traditional concentrator plant, Mineroperu conditions for bidding require the buyer to process a minimum of 10 000 tons of ore a day

The cash minimum fixed by Mineroperu for Quellaveco is a modest $9 million, intended to cover the state's investment in studies and surveys over past years. The deposit will go to the bidder who offers the most attractive cash-plus-development package

SPCC executives familiar with the deposit say integral development at Quellaveco would involve investment of between $300 million and $350 million

The corporation could find it hard to come up with that sort of money It has already committed itself to investing $300 million in Peru over the next couple of years to construct electrowinning plants at both its mines and on essential environmental improvements at its Ilo smelter

Despite SPCC's track-record of profitability, the corporation has had difficulty in persuading US banks to come up with financing. It is going ahead with its Peruvian investment programme with an initial $100 million from its own resources and a $60 million loan recently approved by the Andean Development Corporation.

Early next year Mineroperu will be embarking on the separate sale of its four operational units; The Cerro Verde copper deposits, the copper refinery at Ilo, Cajamarquilla's zinc refinery and the San Antonio de Poto gold deposits.

Technical assessments for all these have now been completed by British-based International Mining Consultants and promotion will be handled by Morgan Grenfell in association with Minproc, a Peruvian-Canadian company — Financial Times

West Rand Cons fights for foreign listings

By Derek Tommey (214)

STAR 16/12/92

West Rand Cons (WRC), the ailing mine on the West Rand which has disposed of most of its operating assets and freehold land to a consortium for R32,5 million, is fighting to retain its London and Paris share market listings.

The transaction, which leaves WRC with R28,5 million, equal to 495c a share, was approved by WRC shareholders at a general meeting in Johannesburg on Monday

The Reserve Bank made it a condition of the transaction that WRC terminate its overseas listings within six months of the general meeting.

But WRC's chairman, Gary Maude, said last night that the company had appealed against this decision because 42 percent of its shareholders were foreigners, and there was still value in WRC having overseas listings

WRC is not a cash shell It has the right to resume mining operations on its property after four years.

It could exercise this right, start a new mine and become a functioning mining company again if the gold price improved, said Maude.

WRC has already won one listing battle. The JSE originally proposed to delist WRC once the transaction was approved.

Transfer

But it subsequently agreed instead to transfer the company's listing to the "curtailed operations" sector from December 21

Maude said the R32,5 million would be paid to WRC by the consortium in two tranches — half in six months' time and the balance in a year

The consortium wanted guarantees that there would be no complications in acquiring freehold rights

Gencor, which is the major shareholder in WRC, was not prepared to give guarantees, so it was decided instead to split the payment.

WRC's directors are now evaluating strategies that will allow the company to pay out the proceeds of the transaction to shareholders.

A complicating factor is that its foreign shareholders are opposed to a cash distribution

Maude said it was not intended to retain cash to finance a possible new mine. If conditions warranted a new mine, the cash would be forthcoming from shareholders.

The consortium comprises First Wesgold Mining (Pty), First Wesgold Propertieds (Pty) and the Wesgold Joint Venture.

way through the system

ness units. — Sapa-AP

W/Mail 18/12-22/12/92

Gengold dispute ends

THE National Union of Mineworkers (NUM) and Gengold have

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(211) (212) (214)

BRIEFS

W/Mail 18/12-22/12/92

ended their dispute on profit-sharing. The union accepted an additional 1,5 percent increase at two mines and opted for profit-sharing with no guaranteed additional increase at nine Gengold mines.

White miners at the company opted for additional increases instead of profit-sharing at Gengold. The NUM criticised the two-pronged wage policy alleging that the additional increases ate into the profits available for sharing.

NORTHAM (214)

Right on

FM 18/12/92

Far from being at a deep discount, Northam's R350m rights issue is in line with analysts' expectations and Gold Fields' corporate policy The only questions concern which parties, on limited volumes, drove up the share from R15,75 when Northam announced its intention to hold a rights issue to R17 a week later when details were disclosed It has since dropped to R16,25

Northam will issue 42 shares per 100 held at R14,75 a share Chairman Alan Wright says the 13,2% discount on the market R17 is in keeping with Gold Fields' policy of pitching rights at a discount of 10%-15%

The actual numbers are less important than the decision to go for a rights issue rather than fund the balance of Northam's requirements through debt

Northam is tightly held, Gold Fields owning 65% and three major institutions — Sanlam, Liberty and Alan Gray Investment Advisors — about another 19%

If these had agreed to follow their rights, fewer shares could have been issued at a higher price and the offer would still have succeeded But the discount favours any minorities who want out, as there will be more of a market in the nil-paid letters (NPLs)

The decision to go for more equity means Northam should still pay a maiden dividend in 1994 Had the company borrowed the R350m, dividends would have been delayed and reduced by the need to repay the loans In the extreme case of management deciding to repay the loans fully before declaring a dividend then the maiden dividend payment could have been delayed until 1997

Capital expenditure to end-June totalled R1,3bn The mine has run a year behind schedule because of delays in shaft sinking and underground development The delays

FM 18/12/92.

pushed Northam over budget and forced it into this final rights issue to finance the mine till operations become self-funding

But Wright says Northam is on target to sell its first refined platinum group metals (PGM) in January and leach mill throughput of 150 000 t/month by July

Analysts' valuations of the NPLs vary from 70c-170c General feeling is that the worst is behind Northam and the share should start to recover once PGM sales flow and the market accepts the risk is out of the operation

Brendan Ryan

Golden Christmas present

STAR 18/12/92 (214)

By Derek Tommey

Struggling gold mines have received a small Christmas present

In a suprise development, the gold price jumped more than $3 on Wall Street late on Wednesday and rose 80c yesterday to reach $388,65 — its highest dollar price since November 2

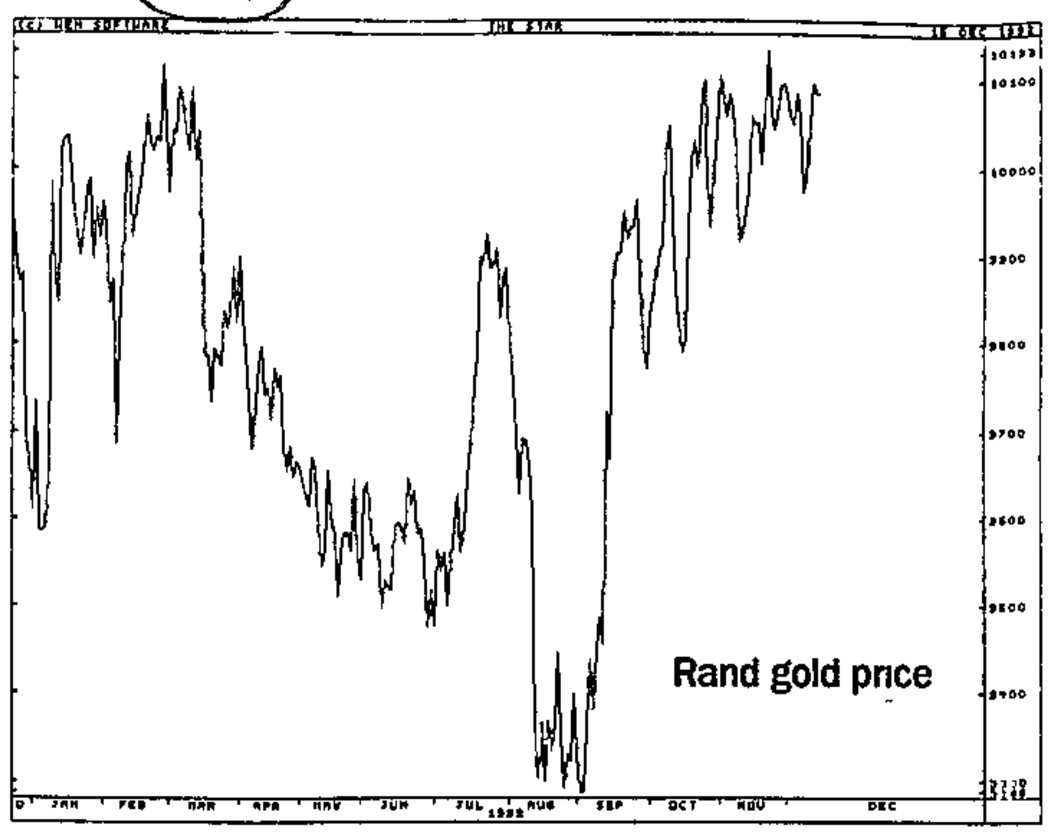
With the rand trading at R2,99275 to the dollar, the move lifted the local gold price some R5 to R1 013,50 an ounce — which is about the highest it has been since the middle of last year

This brings the increase in the local gold price to R85, or about 9 percent, since the beginning of September

The spurt in the dollar gold price is attributed to developments in Russia, which could lead to that country withholding gold from the market

One suggestion going the rounds in the London bullion market is that Russia wants to build up its gold holdings in order to facilitate raising loans abroad

This talk has been confirmed to some extent by Russia's success in rescheduling its $11,2 billion of German debt and Germany's commitment to supporting Russia in a bid to reschedule its European debts



The Financial Times reports that Russia and Germany settled their most important financial dispute on Wednesday, clearing the way for a debt rescheduling package for Russia in the Paris Club this week

A series of agreements came after two days of talks between Chancellor Helmut Kohl of Germany and Russia's President Boris Yeltsin

They included a deal to defer for eight years repayment of the Dm17,6 billion ($11,2 billion) owed by Russia in transferable rouble debts to the former East Germany

For his part, Mr Yeltsin renounced all claims to massive compensation for Soviet military installations in East Germany

These signs of a healthier Russian foreign financial situation next year suggest that Russia may be able to cut back on its gold sales and start rebuilding its reserves

As yet there have been no signs of this happening

But any significant reduction in the supply of gold to the market could give the price a needed boost

Milestone accord for gold mines

W/Mail

18/12 - 22/12/92

By FERIAL HAFFAJEE (214)

THE longest and most sophisticated wage and working conditions agreement ever was clinched in the gold industry last week, ushering in a new industrial relations order in the sector

Concluded after seven months of hard bargaining against the backdrop of a tumbling gold price, the agreement is remarkable for its degree of give and take

The union has settled for low increases of between five and nine percent and a share of the profits in return for wide-ranging social rights for its members These include increased trade union rights, improved compensation for injured and disabled workers and participation in decision-making

The Chamber of Mines and the National Union of Mineworkers (NUM) will make joint representations to the government on new compensation legislation and for the first time, the union will be represented on the Rand Mutual Assurance Company which pays benefits to injured miners and their families.

The mines will also increase provident fund contributions and will no longer charge unions an administration fee on subscriptions The chamber will recommend that its member mines pay the cost of full-time shaft stewards and also pay stewards for lost shifts spent in negotiations

NUM assistant general secretary Marcel Golding calls the profit-sharing agreement "a creative and innovative" solution to the crisis in the gold mining industry "It secures a basic wage increase but where profits are made, workers gain in the upswing on the mines "

Profit sharing is restricted for now because profits will only be shared when trigger levels are reached and these levels differ from mine to mine

To prevent a rehash of the problems faced by last year's productivity schemes, the mines have agreed to full disclosure of information to enable the NUM to keep its members informed

The NUM says "There will be training courses to allow workers to participate in monitoring mine results and monthly meetings will be held on all mines to review progress "

The agreement includes a resolution by the mines to discuss the agency shop — a type of closed shop to deal with "free riders", a term given to miners who do not join the union but benefit from bargaining

In terms of an agreement at Harmony mine, all non-NUM members pay one percent of their wages into a Collective Bargaining Fund and half of the money goes to the NUM The union hopes to extend this agreement to the entire industry

The medical repatriation of disabled workers will be subject to arbitration and the NUM will be allowed to bring in independent doctors to examine workers The chamber has agreed to study rehabilitation programmes for injured, sick or disabled workers

The agreement marks a new strategy on the part of the union According to Golding, it "opens up a new terrain of struggle giving miners greater control at the workplace by giving them a role in the efficiency of mines and other enterprises"

FM 18/12/92 (214)

RAND MINES PROPS (214)

Down in the dumps

There is a sadness about Rand Mines which permeates, it seems, to all its companies Rand Mines Properties (RMP) is no exception For the fourth successive year this company's profits, earnings and dividends have declined It is not a happy picture

The decline in 1992 is due almost totally, says MD Colin Steyn, to the gold price received and is significantly cost related Rand Mines Milling and Mining (RM3), a wholly owned subsidiary, operates gold recovery plants at Crown Mines and City Deep "We've taken all the action we can to reduce costs," says Steyn, "and we continue to examine our cost structures on an ongoing basis"

Activities: *Reprocesses gold dumps and markets, develops and administers property*
Control: *Barlow Rand 56% from early 1993*
Chairman: *J C Hall, MD C G Steyn*
Capital structure: *12,4m ords Market capitalisation R74,4m*
Share market: *Price 600c Yields 14,2% on dividend, 17,7% on earnings, p e ratio, 5,7, cover, 1,2 12-month high, 1 350c, low, 600c Trading volume last quarter, 73 000 shares*

Year to Sep 30	'89	'90	'91	'92
Gold Produced (kg)	3 937	3 856	4 165	4 282
Turnover (Rm)	165,7	172,2	180,6	189,5
Operating profit				
Gold (Rm)	25,3	4,4	3,3	(3,9)
Property (Rm)	9,5	17,7	16,6	22,5
Taxed profit	25,7	21,0	18,9	13,6
Earnings (c)	205	169	151	106
Dividends (c)	140	140	120	85

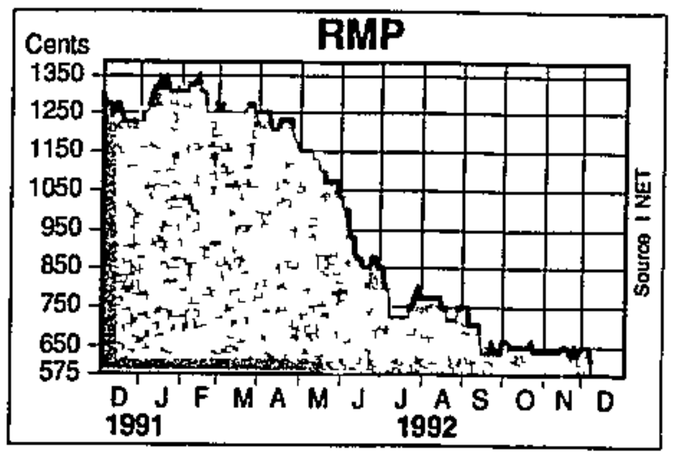
Despite that, working profit fell by 52% to R5,8m and amortisation charges of R10,7m tipped the gold recovery operations into a net loss of R4,9m for the year The continued decline in the gold price has brought something more ominous in its wake as costs rise and revenues fail to compensate accordingly, so more of the reserves of sand dumps and slimes dams become uneconomic

RMP says it now has abandoned reserves totalling 38 Mt It has written R53,3m off the value of its recovery plants in consequence Steyn says that, at R32 000/kg, remaining viable reserves have diminished to the point at which the continuance of RM3's operations must be seen as extending for not more than five to seven years Of course, if the gold price rises to a meaningful extent, then the reserves available for economic treatment will again expand and the life of the company will lengthen

RMP's white knight continues to be, surprisingly in a time of acute recession and socio-political unhappiness, its property operations Its core business in this area is the conversion of mining land to property which can be utilised in other businesses

The bulk of its land is close to the Johannesburg CBD and has easy access to motorways "We were fortunate," says Steyn, "to get some industrialists to locate in our areas during 1992 Another feature was the extent to which some institutions were prepared to bank in land for the future"

Steyn agrees that the immediate future remains gloomy However, he says RMP is benefiting from changes which have followed naturally in the wake of the removal of the



FM 18/12/92 (214)

Group Areas Act "A community bank has purchased 86 ha in the Ormonde area where it's considering establishing about 550 free-standing homes and 350 cluster-type dwellings" In addition, land necessary for schools, shopping centres and community-centred activities is readily available

"We are focusing," says Steyn, "on delivering land for a variety of projects scheduled for 1993" These are concentrated on the provision of housing facilities, as such, the land will need to be "affordable."

So, in the absence of a positive improvement in underlying economic conditions, RMP's immediate prospects are for more of the same uncertain gold recovery operations, bailed out by unexciting property transactions This is not a stock for the faint of heart

David Gleason

Randgold forecasts profit of R4,6m

(214)

B/DAY 22/12/92

Business Day Reporter

RANDGOLD, which is to be listed on February 1, was forecast to show an after-tax profit of R4,6m on a turnover of R35m for the year to end-September 1993, according to its proposed pre-listing statement released yesterday

PGM Investments' statement forecast that it would show an after-tax profit of R1m for the year to end-September

Randgold, formed after the recent splitting up of Rand Mines, with Harmony, Blyvooruitzicht, Durban Deep and ERPM in its stable, would retain sufficient income to fund future exploration, forecast at R5,9m, and to take advantage of any opportunities that arose

At the current gold price, no dividends were expected to be declared in 1993

Randgold and PGM, now part of the new mineral resources division of Barlow Rand, would be debt-free as they were to be capitalised via a R110m Rand Mines redeemable preference share issue This would enable them to meet existing liabilities and short-term commitments, the statement said The mineral resources division of Rand Mines had assets of about R3bn and the ability to generate profit of more than R400m a year

Randcoal shareholders would be asked to approve the acquisition by the company of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines. This would place the group's coal interests under Randcoal's control

Analysts forecast tough year ahead for gold mines

B/DAY 23/12/92.

JONO WATERS

(214)

GOLD producers are in for another tough year, with the dollar gold price expected to remain low, say analysts

Looking ahead to 1993, they saw little interest being shown in gold shares, given the expected low dollar gold price Continuing high production costs could result in mine closures, and operational mines would be under pressure to catch up with capital expenditure postponed during the past years

However, an improved rand gold price could be expected to provide some relief

The forecast follows on the back of what Frankel, Max Pollak, Vinderine analyst Adrian Finch described as an uneventful year, apart from the Kloof merger and the announcement of Moab

"Compare this to Australia, where the gold sector has hardly stayed the same, with larger firms merging with smaller ones and many joint ventures"

Although the only closure in 1992 had been Sallies, about 17 000 workers had been laid off in the industry

Fergusson Brothers analyst Trevor Pearton said the mines had coped over the past year, despite the lower than expected gold price

Finch said there were no expectations of a rise in the gold price Primary supply would continue to rise until the end of next year and so gold would probably trade within the $330 to $350 range next year

However, by the end of 1993, there could be some "interesting movements" in the gold price

E W Balderson analyst Nick Goodwin forecast the metal would trade between $330 and $370 The rand price would be higher at between R1 000 and R1 100, which could mean potentially higher dividends over the next year

Pearton expected a relatively flat price in dollar terms and a domestic average gold price of R1 050

Mathison & Hollidge analyst Rob Gillan said SA still remained the highest cost producer, and this could lead to mine closures and to a drop in world production

Finch believed two obvious closures next year could be Doornfontein and Lorraine "Lorraine has had negative earnings for the last four quarters and the only reason for keeping it open is for time to assess the northern area of the mine's lease," he said

However, Pearton thought Doornfontein would be rationalised further by closing two shafts

A senior mining house source said no further developments in deep level gold mining in SA could be expected in the next few years

Gillan said the industry would be under pressure to devote capex to projects it had put on hold over the past few years Any rise in the rand gold price, therefore, would be offset by an increase in capex, pegging any earnings increases

A trader on the floor of the New York Stock Exchange blows a bubble during the closing minutes of trading on Monday Although the Dow Jones Industrial Average fell 81 points on the day, the market hit a milestone, exceeding 50-billion shares traded during the year. Picture AP

Start-up sum for Doornkop

B/Day 28/12/92.

RANDFONTEIN Estates Gold Mining Co Witwatersrand Ltd is budgeting R65m for the first phase of its Doornkop subvertical shaft project, including 400m of development on the reef intersection. (214)

The first blast of the shaft to explore the South Reef values at the company's Doornkop section was triggered last Monday The subvertical ventilation prospect shaft is being developed to evaluate the South Reef ore body 1 857m below surface and 890m below the kimberley reef, currently being mined.

Intersection of the south reef is scheduled for July 1993 and the company expects it to yield 8-10g/ton of gold — Reuter.

A testing time ahead for gold

(214) STAR 28/12/92.

By Neil Behrmann

LONDON — Gold could encounter a tricky period in the first quarter of next year, with producers who postponed sales in November and December for tax reasons expected to be sellers.

In the closing months of this year, gold was helped by buoyant Far Eastern demand, ahead of the Chinese New Year

The World Gold Council estimates that China's gold demand is running at 250 tons a year, 50 percent up on 1991

But this demand has not succeeded in lifting the price because the Chinese tend to buy when the price is depressed

The Chinese New Year will be over at the end of January and the subsequent weeks may prove to be a testing time

The key next year will be the action of central banks

Clearly central bankers want to mobilise more of their huge stockpile, but they are fearful they will unsettle the market Gold will thus be a topic at a key central bank conference at the end of January

About 450 tons of central bank gold was sold this year, according to Gold Fields Minerals Services

The sales placed a ceiling on the market and central banks are concerned that their actions will be self-defeating

There is little point in selling an asset if the sales depress its price unduly

This is the dilemma of the Bundesbank, the German central bank

It is under political pressure to sell or lend a portion of its huge gold reserves to help finance costs of unification

The Bundesbank has sole control over Germany's gold and foreign exchange reserves

Yet with costs mounting on the reconstruction of the East, members of the ruling Christian Democratic Party, opposition party politicians and trade unions are calling for sales of at least a fifth of its gold

The Bundesbank holds around 3 700 tons of gold, including 700 tons set aside to back the European Exchange Rate Mechanism

The 3 000 tons in its possession is currently valued at Dm4 500/kg, according to Die Welt, a German newspaper

Market value

This is about a quarter of the market value

So, in theory, substantial profits can be made if the gold is sold In practice, it is another matter

Die Welt recommends two ways to mobilise the gold reserves

Sales can be made either directly to central banks or on the market

According to a German bullion dealer, such sales can be made without having a major impact on the price

He cites the recent 200-ton sale by the Belgian central bank as an example

That view may be a trifle optimistic If the market gets wind of an impending Bundesbank sale or detects large amounts of gold offered at the London fix, it will become suspicious

Other gold holders will be anxious to sell, buyers will withdraw and the price could tumble

The second alternative, suggested by Die Welt, is for Germany to issue gold-backed bonds.

The advantage of these bonds would be a lower interest rate and parts of the borrowings could be repaid in bullion

The disadvantage of gold bonds, however is the risk of a price increase some time in the future

France, for example floated the Giscard gold bond when the price was depressed and was forced to repay the gold when quotes were surging.

Nevertheless, even though gold's leading role in international currency and monetary markets has been over for two decades, says Die Welt, the large gold reserves are still viewed by most politicians as sacrosanct

German bullion dealers contend that this view may well be changing and future sales by the Bundesbank cannot be ruled out.

Rough road ahead for SA gold mines

(214)

CT 29/12/92

From MICK COLLINS

JOHANNESBURG — An analysis of third-quarter results from gold mines continued to highlight the extremely difficult conditions being experienced by the industry, the Chamber of Mines said yesterday

In its latest Quarterly Bulletin, the chamber said despite a strong increase in gold jewellery demand, the gold price could not be expected to recover until investor sentiment towards gold improved

The chamber said the "precipitous" decline in prices was of "great concern" to the industry

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The chamber said the industry had managed to contain the rise in working costs successfully, with 1992 third quarter costs per kilogram 0,16% lower than last year

Referring to a recent statement by chamber CE Tom Main, the Bulletin quoted him as saying it was essential that labour-intensive industries were not driven to mechanise by unrealistic wage demands which would make them uncompetitive

Main warned that failure to remain competitive internationally could force severe currency depreciation which was "a slippery slope with potentially disastrous consequences, including inevitably high general inflation rates"

● With the London market closed yesterday, gold opened in Zurich at $334,15/65 The metal lost early gains on speculative selling in quiet European business to close at $333,25 In Hong Kong, the metal rose by $1,09 to close at $334,25 The metal opened in New York at $334,30 and closed at $333,35 ■

Results highlight difficult conditions in gold mining

B/DAY 29/12/92. (214)

MICK COLLINS

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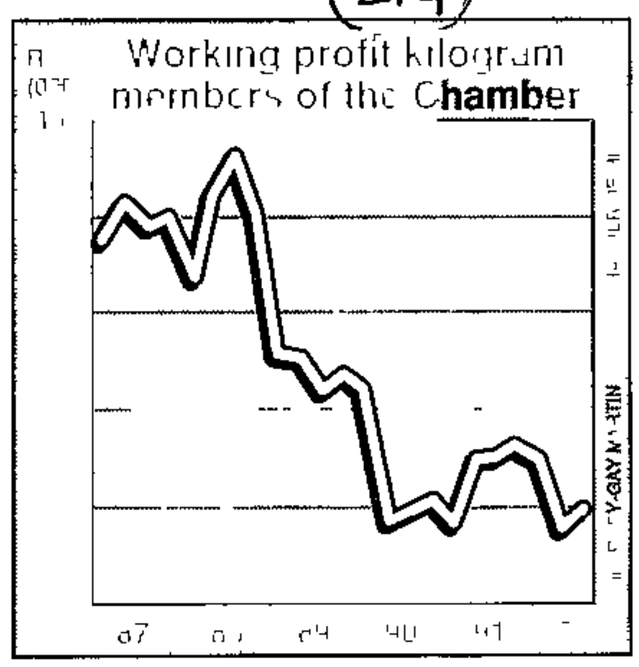

general inflation rates".

"In the face of these pressures there is an overriding need for progress toward achieving pragmatic and equitable working relationships between employers and labour"

For the mining industry, Main said, this process centred on the establishment of more productive collective bargaining approaches and the creation of new sustainable partnerships for the future

He said these aspects were being pursued by the industry through tripartite negotiations which were continuing between employers, labour and government within the forum of the Mining Industry Summit

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Sunday mining decision delay

(214)

ALAN FINE

MINERAL and Energy Affairs Minister George Bartlett has delayed a decision on whether to permit Sunday work at Anglovaal's Loraine gold mine, sending management and the whites-only Mineworkers' Union (MWU) back to the negotiating table

The MWU opposed the application by the marginal Loraine for an exemption from the relevant sections of the Mines and Works Act

Another of SA's most marginal gold mines, Rand Gold's Harmony, was earlier granted the exemption for an initial six-month period from October against MWU objections It is understood the new arrangements have returned Harmony to profitability

Organising secretary Krappies Cronje said the MWU proposed a compromise last week that certain mining processes — gully scraping, tramming, hoisting and crushing, but excluding blasting — be permitted on Sundays Sunday work should be voluntary

Anglovaal mining executive director and Loraine chairman Rob Wilson confirmed yesterday that the company had considered the proposal and would be communicating its views to the MWU and Bartlett He declined to disclose Loraine's attitude to the proposal, but said he was looking for a quick resolution

"Unless the matter is speedily resolved we may have to close the mine," he said

The MWU proposal would shelter the bulk of its mining industry membership — the blasting certificate holders — from Sunday work, although the services of certain smaller groups of MWU members would be required

A mining expert said that under normal mining conditions the MWU proposal would not assist much in improving operational efficiency because the key function of blasting would not be carried out

Loraine had already rejected as inadequate an initial MWU proposal for six-day-a-week operations In addition, many black workers were opposed to regular, full-day Saturday work The norm in the

☐ To Page 2

B/DAY 30/12/92

Mining

B/DAY 30/12/92 (214)

☐ From Page 1

industry is an 11-shift fortnight.

Wilson said the mine's application enjoyed the broad support of the NUM, which had also backed the Harmony application The mine had agreed to a rotating shift system of 12 days on, three off, which gave black miners the regular full weekends they preferred

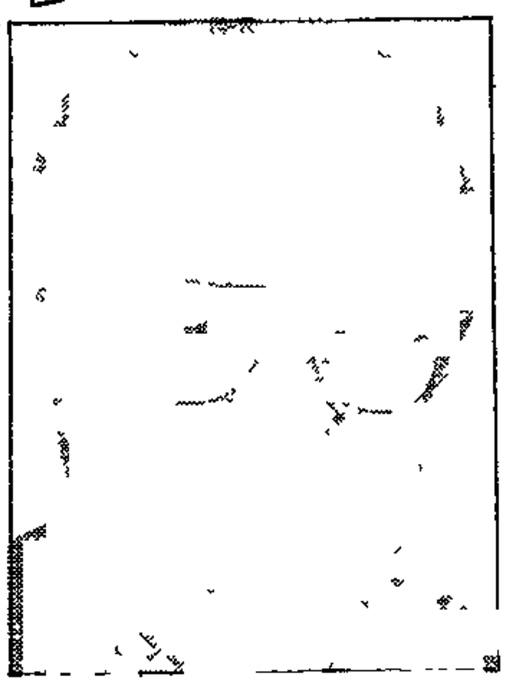
Asked why the MWU was now willing to permit almost all mining operations on Sunday, barring underground blasting, Cronje said the union feared Sunday work would spread throughout the industry The MWU's objections to Sunday work were based primarily on religious grounds.

Deputy government mining engineer John Eades confirmed yesterday that Bartlett was awaiting new submissions from Loraine and the MWU, which he would probably study next week.

Cuts in production could lift gold price

(214)

STAR 31/12/92



By Gary Maude
managing director, Gengold

Outlook '93

South African mining houses, are optmistic about the outlook for the gold mining industry, if not in the short term then certainly in the medium term, because we expect that a combination of factors will favour a moderate and sustained increase in the gold price.

All our mines have cut costs to the bone and many marginal mines, with no flesh left to cut, may have to close down, unless rescued by a gold price surge.

Production, as a consequence, is expected to decrease from the current 600 tons a year to about 470 tons by the year 2000

We expect that market reaction to a sharp decline in gold production, the psychological effect of the closure of world-famous marginal mines and an increase in the demand from the jewellery industry, already greater than the annual new gold mined, will soon start having a favourable impact on the market.

While the picture in the gold mining industry is certainly not as rosy as we would have liked it to be, other sectors of the minerals industry are in a less critical situation.

Coal

The coal industry's future is charactised by two issues.

The first is the slowdown in the rate of power generation by Eskom, South Africa's electricity utility, because of a surplus generating capacity of some 4 700 megaWatts.

Power stations generating some 5 000 megaWatts have been mothballed Factors which might reverse this situation include:

- Increased demands from electricity intensive mineral beneficiation prospects, such as Alusaf and Columbus.
- Plans to electrify three million more South African homes by 1996.
- Eskom's ambitions to establish a Southern African power grid
- A $94,2 million plan to rehabilitate the Cohora Bassa power scheme in neighbouring Mozambique

The export potential of the coal mining industry will receive a major boost from the additions to the export loading capacity at Richards Bay, but intense competition from Australia, Indonesia, Colombia, Venezuela and the United States in the world markets will curb prices and opportunities for

Platinum

The market for platinum group metals has been confounded by a weak global industrial demand, falling jewellery consumption and persistent rumours of the discovery of substitutes for PGM metals in catalytic converters

Platinum prices have reacted accordingly, but the expansion programmes of the industry have, however, remained at a high level, presaging better market conditions ahead

Diamonds

The diamond industry is, of course, dominated by De Beers Consolidated Mines in South Africa.

Expansion projects have focused on the conversion of the Finsch mine to underground production and the establishment of a new mine at Venetia in the Northern Transvaal

Substantial capital is required by the Central Selling Organisation to ensure that they are able to buy stocks of diamonds available from producers around the world which, if brought on to the market at inappropriate times, would result in an oversupply, thus depressing prices

Exploration

Exploration expenditure by South Africa's six major mining houses has been more than $135 million a year since 1989

It is probably fair to conclude that exploration spending has been cut back significantly over the past year or so because of weak commodity prices

Substantial additional exploration expenditure will, of course, depend on a revival in commodity prices and a strong economic recovery in the industrialised nations

New look

In general the mining industry has also been hit by financial and corporate isolation, a trend that is in the process of being reversed rather rapidly as the dawn of the new South Africa unfolds and politically-inspired international barriers and restrictions are being phased out, particularly in neighbouring African states

As a result South African mining houses and companies are taking a new look at the rest of Africa

South African mining houses and companies are best placed to help neighbouring African states to exploit their minerals resources

I say this with some authority since we have the technical and financial expertise, know-how and experience to operate in and under Africa's unique conditions, certainly more so than any other mining company or concern in the world.

We are not only the largest producer of gold, but also of platinum and ferro-alloy metals, a world leader in diamond mining and the fifth — sixth, if Russia is included — largest producer of coal

We also possess the financial muscle to do so, although much of the capital needs for these developments will probably be drawn from the concerned countries themselves, the World Bank, the International Finance Corporation and other international capital markets and sources

The countries under consideration include Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaire, Kenya and in West Africa, in particular Ghana and Ivory Coast.

MINING — GOLD

1993

JAN. — JUNE

GOLD SHARES FM 8/1/93 (214)

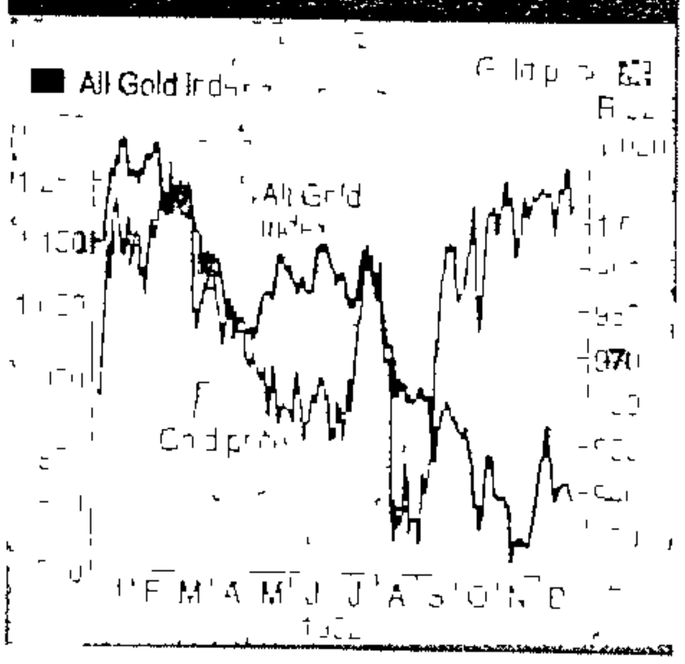
Signs of value returning

The dollar gold price entered the new year on a sour note, hitting a seven-year low, but the outlook for gold shares appears more promising The rand gold price is rising and the industry continues to keep costs under control.

Some JSE analysts are putting out cautious buy recommendations, given the outlook for maintained or slightly improved dividends which — coupled with the fall in share prices as reflected by the decline in the JSE All Gold index — has restored some value to the sector

Off the floor

All Gold index & rand gold price



The dividends announced in December underline the necessity for investors to be selective. Randfontein increased its interim to 35c/share (previous interim — 25c) and Kloof to 45c (40c), but Deelkraal dropped its payout to 5c (15c) while Driefontein managed a 60c (65c) distribution.

Davis Borkum Hare analyst David Giese comments. "The dividend yield on the All Gold index has increased to 6,5% and that means gold shares can be considered to be in cheap territory The dividend yield has reached this level twice before in the past five years and each time there was a correction in the form of rising share prices"

Ed Hern, Rudolph analyst Graham Grahame-Parker says the trend in the All Gold index is finally coming back into line with the trend shown by the industry's distributable earnings This is after a four-year period in which the index ran way ahead of industry profitability. His buy recommendations are Driefontein, Kloof, Randfontein and Beatrix

The rand gold price in the December quarter averaged about R1 000/oz, compared with R962/oz in the September quarter In early January it remained above the December quarter average, reaching R1 016/oz at the beginning of the week

The industry's cost performance has been excellent over the past year According to Giese, the cost of producing 1 kg of gold has risen by just 0,85% in the year to September, while the cost of milling a ton of ore increased by 3,3% over the same period

Simpson McKie analyst Rodney Yaldwyn expects costs to continue to be well contained during 1993 He says a number of gold shares offer value, especially when compared with industrial shares "Kinross and Beatrix are on 9% and 10% historical dividend yields respectively and I expect these mines to maintain their dividends," he says

As a rule, investors should stay with the quality gold shares such as Vaal Reefs, Kloof and Driefontein. There are, however, a number of mines which have underperformed the index for no apparent reason other than negative investor sentiment These could be reasonable recovery buys Giese puts Elandsrand and Ergo in this bracket; Grahame-Parker recommends Eastern Transvaal Consolidated

JSE analysts are generally cautious on prospects for the dollar gold price, pointing to the lack of investment interest, the threat of central bank sales and renewed forward sales by producers whenever the price shows any strength (see *Economy*)

They also do not expect the mines to distribute fully to shareholders any windfall profits earned Instead, they will retain money to fund essential capital expenditure that is running way behind schedule That's one reason for the low interim from Deelkraal, while Randfontein continues to salt away funds as it builds up its strategic cash reserve towards the stated target of R90m by June.

Improvements in profitability are all very well But, to produce a sustained recovery in the investment attractions of gold shares, there will have to be fundamental changes — such as a markedly more bullish trend in the dollar gold price and, preferably, a continuing decline in the inflation rate

In London, James Capel analyst John Taylor is taking a more sanguine view than most He forecasts a price of US$370/oz by the end of this year He calculates current all-in costs for the SA industry at R910/oz of gold produced which, set against a gold price of R1 005/oz, gives a profit margin of R95/oz

Assuming gold reaches $370/oz by end-1993, industry costs rise by 12% this year and the rand holds a value of US$0,30, then Taylor says the gold price would be R1 233/oz and costs R1 020/oz That would give a margin of R213/oz which would more than double gold industry profits Here's hoping he's right!

Brendan Ryan

STAR 8/1/93

Lindum Reefs lifts earnings

Finance Staff

Lindum Reefs' switch to opencast mining in September last year more than tripled its taxed earnings in the December quarter to R2,05 million from R600 000 in the previous quarter

Lindum discontinued its treatment of sand and slime dumps, but lifted opencast production from 31 tons to 77 tons during the quarter (214)

Higher production levels were further boosted by a strong recovery in the grade to 3,3 g/t (1,56 g/t), lifting gold production to 254 kg (156 kg)

Working costs rose to R6,6 million (R4,8 million)

Doornfontein running down its underground operations

STAR 12/1/93

214

By Derek Tommey

The Gold Fields Group gold mine, Doornfontein, which was one of the major post-war successes on the Far West Rand, is to run down underground production

Heavy debts — the mine owes about R50 million — and continuing operating losses are behind the decision.

However, two other Gold Fields mines, Driefontein and Kloof, report significantly higher profits in the December quarter and another gold producer Deelkraal, also increased its earnings

Fire

And all three would have done even better had operations at these mines not been affected by fire.

Doornfontein has been operating at a loss for some time, but was able to reduce the loss to R6,05 million in the December quarter from R16,9 million in the September quarter.

However, it further increased the mine's net liabilities to over R50 million.

Alan Munro, head of the Gold Fields Group's gold division, said yesterday that following a reassessment of the underground tonnage and the financial situation of the company, it had been decided to start selling the company's assets

"Underground mining will continue in the short term to enable the company to maximise the return on the recovery of its underground assets," he said.

Analysts point out that this does not mean that the mine will cease production completely because it has about 16 million tons on low-grade surface dump averaging about one g/t.

Munro warned at the end of the September quarter that Doornfontein might have to close.

But at the same time he pointed out that this did not necessarily mean that the mine's 6 000 workers would have to be retrenched because efforts would be made to place them in other mines belonging to the group

It was an outstanding quarter for Kloof which increased its pre-tax profit to R130,4 million from R116,4 million

Tax took R5,2 million (R1,1 million)

The increased profit was achieved in spite of a fire which reduced underground production by 24 000 tons and a R7,6 million loss in the Libanon division.

Factors responsible for the higher profit included an increase in working profit at the Leeudoorn division from R8,8 million to R12,1 million, a higher gold price and well-contained costs

Driefontein increased its pre-tax profit to R205,6 million from R195,0 million in the September quarter.

A drop in tax paid from R79,2 million to R68,2 million resulted in taxed profit rising from R115,7 million to R137,4 million

Increase

Dries was also helped by an increase in the gold price received.

The East Dries division had a working profit of R65,2 million (September, R81,8 million), the West Dries division a working profit of R106,0 million (R99,3 million) and the West Dries reclamation plant a working profit of R3,4 million (R3,6 million)

Deelkraal earned R14,6 million (R13,5 million) before tax and R13,7 million (R12,6 million) after tax A fire cut production by 7 000 tons

Northam Platinum stoping move pays off

STAR 12/1/93

By Derek Tommey

The decision by the Northam Platinum to go for a 120cm stoping width instead of the 100cm initially proposed appears to be paying off by producing more ore with a high platinum content.

Development figures for the six months to December show that despite the 20 percent increase in the stoping width and tonnage mined, the grade of ore mined dropped by only 8,6 percent.

In the six months to December, Northam mined 301 682 stope tons at an average grade of 8,5 grams over 120cm.

In the same period, 1 400 metres was developed on reef with an average in-situ grade of 9,3 grams over 100cm.

Concentrator rates were better than expected. However, because of the high proportion of reef development tonnage milled, the 357 050 tons of ore milled in the six months period averaged 5,9 g/t.

The smelter and base metal removal plant have been commissioned and are operating well. The first product was shipped for refining last October and the first sale of metal took place this month.

The company says a steady build-up of stoping square metres is taking place and every effort is being made to meet the planned milling rate of 150 000 tons a month by the end of the current financial year.

At December 31, Northam had net current liabilities of R201,8 million This will be financed by the rights issue which will raise R350 million and which closes on Friday

Doornfontein earmarked for closure

JONO WATERS (214)

GOLD Fields of SA (GFSA) said yesterday the faltering Doornfontein (Doorns) mine was likely to close in a year's time.

Announcing higher after-tax and capital expenditure earnings for its gold mines in the December quarter, executive director Alan Munro said Doorns was to dispose of its assets, but underground mining would continue in the "short term". The mine has debts in excess of R30m B/Day

Group after-tax and capex earnings rose 20% to R123m from R102m in the September quarter. This was largely as a result of the lower tax and lease payments of R74m (R81m) and higher net sundry revenue of R43m (R15m) which offset the 18% increase in capex to R147m 12/1/93.

Tonnage milled by the group fell to 3,42-million tons from 3,45-million tons because of the "unusually" large number of fires at the mines Gold production fell to 30,7 tons (31,4 tons) as result of a marginal drop in overall grade to 9g/t from 9,1g/t

Production costs were virtually unchanged at R680m (R676m), but the fall in gold production resulted in a 3% increase in working costs a kilogram to R22 175 (R21 558/kg)

GFSA's average gold price received was R31 988/kg from R30 865/kg the previous quarter

● See Page 7

Ailing Doornfontein destined for closure

B/DAY 12/1/93. (214)

JONO WATERS

GOLD FIELDS of SA's Doornfontein gold mine's closure date had not been decided, but the mine was not expected to be operating a year from now, gold division executive director Alan Munro said yesterday.

Presenting the group's December quarter results in Johannesburg, Munro said Doorns' performance in the quarter was a vast improvement on the September quarter, but losses of R6,05m were "intolerable" GFSA was not reluctant to say when the mine would close, it just "did not know". There was no intention to retrench the 6 000 employees and the group would "do its damndest" to find employment for the mine's workforce.

On the possibility of other options for Doorns such as selling the mine, Munro said the door was open to reasonable bidders He would neither confirm nor deny rumours that GFSA had been approached by Rand Gold

Management fees were negligible and there was no possibility of disposing of the mine to outside contractors to do the rehabilitation, as had happened with Gengold's West Rand Consolidated

Among the options were a tribute agreement with Western Deep Levels, and Sunday blasting which had been discussed with the Government Mining Engineer

GFSA believed the fires at the group's mines were "abnormal", and management was not "complacent" about trying to get to the source of every fire "The fires are not normal underground mining problems"

Capex

The drop in ore milled at East Driefontein as a result of fires had spoilt the good run the division had over the last year. It was not a bad quarter for both divisions of Driefontein, but the improvement in the rand gold price had not yet flowed through

The increase in capex to R65,7m (R47,5m) was from ongoing requirements for the No 5 shaft at East Drie and the No 9 shaft-w at West Drie. The latter was expected to come into production just before the end of the century with a grade slightly lower than West Drie's average.

Asked if capex requirements might result in a cut in Drie Cons's dividend, Munro said it would be held at its current level for as long as possible

Kloof remained the group's lowest cost producer for the second quarter in a row and continued to mill at the planned rate The mine's Leeudoorn section, in its second quarter of profitability, had started to increase its monthly milling rate to the 100 000t target from the present 80 000t and the yield seemed to be "holding-up"

Kloof's Libanon division would have shown a better result were it not for a fire The objective remained to make the division profitable

The milling rate at Deelkraal, where fire broke out yesterday, was slightly down, but management had reduced the working cost

The mine was continuing with its capital programme to gain access to deeper, richer ore bodies by the turn of the century "This would obviously place dividends under pressure and we will continue to review the project as the year progresses" Operations would be concentrated in higher paying areas

GOLD FIELDS OF SA December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	**658**	**9,1**	**5 960,4**	**190,8**	**21 065**	**32 007**	**—**	**—**	**—**
September ..	705	9,4	6 621,8	173,8	18 505	30 852	—	—	—
West Driefontein	**703**	**11,2**	**7 873,5**	**207,6**	**18 538**	**32 002**	**137 384***	**71 715***	**35***
September .	705	11,1	7 812,8	200,6	18 103	30 817	115 745*	68 202*	33*
Kloof	**540**	**15,0**	**8 105,2**	**259,4**	**17 281**	**32 097**	**—**	**—**	**—**
September	540	15,5	8 368,2	259,6	16 752	30 874	—	—	—
Leeudoorn	**245**	**9,4**	**2 302,5**	**251,4**	**26 755**	**32 007**	**—**	**—**	**—**
September	240	9,3	2 226,6	250,8	27 030	30 997	—	—	—
Libanon	**500**	**5,2**	**2 608,3**	**182,5**	**34 985**	**32 059**	**125 159***	**55 263***	**43***
September	494	5,4	2 664,2	186,4	34 563	31 086	115 302*	48 325*	38*
Deelkraal	**398**	**5,7**	**2 263,2**	**151,9**	**26 714**	**32 067**	**13 726**	**1 496**	**1,5**
September	405	5,9	2 376,0	153,1	26 098	31 020	12 625	2 541	2,6
Doornfontein	**296**	**4,2**	**1 547,5**	**185,8**	**35 539**	**31 747**	**(6 051)**	**(5 196)**	**(13)**
September ..	330	3,6	1 305,0	175,6	44 411	31 112	(16 915)	(17 058)	(43)

* Combined results for Driefontein and Kloof Mining Companies

GFSA division's results 'poor'

B/Day 12/1/93. (214)

JONO WATERS

WEAK commodity prices were responsible for poor results from Gold Fields of SA's (GFSA's) coal and base metal division, executive director John Hopwood said yesterday

Unlisted lead and zinc producer Black Mountain had had the "worse quarter ever" financially, reporting an after-tax loss of R7,5m compared to a profit of R7,12m in the September quarter. Production of copper, lead, silver and zinc concentrates was higher than the previous quarter, but sales were all lower except for copper. After-tax profit at Gold Fields Coal fell to R5,01m (R6,98m), which Hopwood attributed to local and export coal market conditions

However, company performance was underpinned by the stable contribution from its 50% interest in the low-cost producing Matla colliery The current year was expected to be even tougher for coal

Coal and base metal division GM Richard Robinson said the fall in the Rooiberg tin production was because of metallurgical problems The company produced an after-tax loss of R689 000 (R466 000 profit).

Zinc Corporation remained in the black with an increase in sales to 25,2 tons of zinc compared with 19,2 in the September quarter.

Gold Fields of Namibia experienced metallurgical problems, and Robinson said the turnaround in the company's operating profit to a loss of R4,58m was worrying, but GFSA would pay out a 15c a share dividend.

Northam chairman Alan Wright said he was confident this would be the company's last report in the pre-production stage.

Rand Mines shareholders back restructuring

JONO WATERS

THE restructuring of the Rand Mines group was approved by 99,9% of shareholders at a special general meeting in Johannesburg yesterday B/DAY 13/1/93.

At a separate meeting, 98% of Randcoal shareholders voted in favour of the acquisition of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines

A spokesman for the group said the final step in the Rand Mines restructuring process would be the listing of Randgold & Exploration and PGM Investments on the JSE on February 1 (214)

"Randgold and PGM Investments, together with Randcoal, Rand Mines Properties and PPC, are the key components of the new mineral resources division of Barlow Rand, which has assets of around R3bn and the capacity to generate profits of over R400m," he added

Weaker rand to dollar brightens prospects for marginal mines

B/Day 13/1/93

JONO WATERS and JOHN DLUDLU

THE future for marginal mines was "optimistic" following the fall in the rand to around R3,07 to the dollar, analysts said yesterday

Gold was fixed in London yesterday afternoon at $329,20 (R1 009), up $0,70 on the morning fix of $328,50

Depreciation of the rand would enable mines to find sanction in a higher rand gold price as other methods of survival, such as cost control and improvements in grade, had left little scope for more profitability

A senior industry source said the fall in the rand would not affect forward positions some mining houses had taken out

"We are not uncomfortable or regretful about any positions we have taken out as we have not lost any money" He expected the rand to average about R3,15 this year, which would extend the life of some marginals if they could keep costs down

Mining houses, notably Anglo American, JCI and Gencor, hedge certain amounts of their gold production, but the figure is not usually over 20% Independent marginals hedge larger amounts

Fergusson Brothers analyst Trevor Pearton said economists expected the rand to depreciate and some mining houses could have lost money

"Gengold's average price received for gold in the September quarter was higher than revenue received for gold, which could be as a result of taking out positions and then having to square them up"

The weaker rand would further reduce the possibility of casualties among producers

EW Balderson analyst Nick Goodwin expected a rand/dollar exchange rate of between R3,13 and R3,20 and an average rand gold price of about R1 050

214

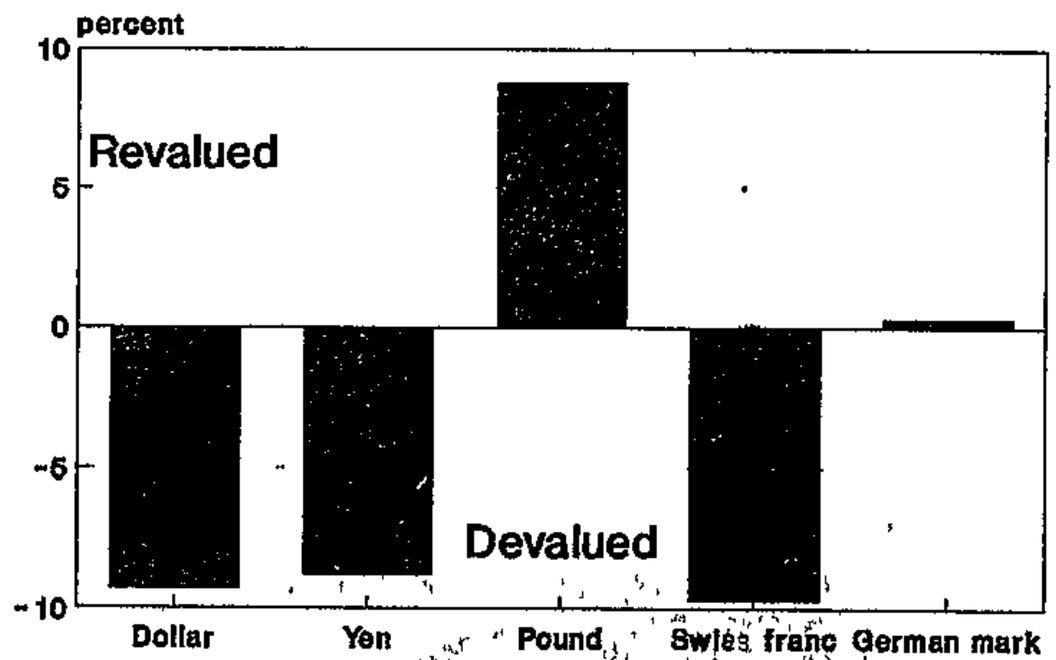
Doubted

But Davis Borkum Hare analyst David Giese said while the improved rand gold price was likely to increase mine earnings, a more substantial increase of about 20% would be needed to save the marginals

Giese doubted if an increase in the rand/dollar exchange rate to R3,10 would make marginals profitable

"Mines such as Loraine, Western Areas, Doornfontein and St Helena would still be in trouble if the rand fell further to R3,10"

A beneficial devaluation



Rand moves since June 1992

STAR 13/1/93

By Derek Tommey (214)

Three major gold mines yesterday reported higher earnings and profits for the December quarter, despite a steady drop in the dollar gold price — and several other gold mines are also expected to announce better results in coming weeks

This happy improvement in the state of the troubled gold mining industry is the result of the rand's quiet devaluation in the past six months.

It has lifted the rand price of many key exports by around 10 percent — and should lead to an upturn in industrial activity in coming months, if it has not done so already.

Appreciated

Since the end of June the exchange rate of the rand has fallen by around 10 percent against the US dollar and by a similar amount against the Japanese yen

However, the rand has appreciated fractionally against the German mark and gained around 10 percent against the British pound

The rise against sterling was not the result of action by South Africa, but stemmed from Britain's decision to devalue its currency by 18 percent

The area where the rand's devaluation against the dollar has shown up most clearly is in the gold price

Although the dollar price of gold dropped from $343,40 at the end of June to $333,20 at the end of December, the rand price climbed from R951,83 to R1015,61.

The devaluation of the rand has obviously benefited the gold mining industry and should also help producers of other minerals

Export prices of coal, platinum, palladium, diamonds, copper, manganese, ferro-alloys, and products such as plastics, paper and packaging materials, chemicals and timber products have all risen by about 10 percent

The benefits should soon start showing up in increased business activity and in the profits of these producers

Brokers say platinum producers Impala and Rustenburg, chemical manufacturers Sasol, AECI and Sentrachem, and paper and pulp producers Mondi and Sappi should see some better results this year.

As the main recipients of the higher earnings from these products are the large mining houses such as Anglo American, JCI, Gencor, and Anglovaal which have substantial share holdings in these producers, brokers are also forecasting that it should be a good year for their shares as well.

However, there is nothing free in this world and South Africans must expect to pay for the increase in economic activity from the devaluation in lower living standards

For example, petrol and other dollar-denominated imports will cost more, as will Japanese electronic goods and anything imported from the US

The Reserve Bank can be expected to keep a tight rein on the economy to stop inflation taking off

In fact, only if the devaluation results in increased exports and the generation of greater wealth will it be worthwhile in the long run.

Forward selling helps West Wits' profits

Star 15/1/93.

Finance Staff (214)

The two key operations in the Southgo stable maintained steady profits in the December quarter

West Wits' policy of selling part of its production forward boosted the gold price received to R32 610/kg (R31 438/kg) This offset declining gold production of 747 kg (761 kg) and lifted taxed profits from R2,71 million to R2,77 million

Benoni Gold benefited from both higher production at 407 kg (370 kg) and a higher gold price received to offset rising royatly payments of R1,74 million (R713 000) and boost taxed profits to R1,81 million (R1,56 million)

Clean-up operations at Wit Nigel continued in the December quarter and the net loss was reduced by R17 000 to R127 000

The two mines in the Golden Dumps group reported mixed results during the quarter.

Cons Modder boosted its earnings from R517 000 to R2,2 million, based mainly on a rise in gold production to 427,1 kg (382,9 kg) While the yield was down at 4,84 g/t (5,33 g/t) working costs were contained at R28 164/kg (R29 598/kg)

Losses at South Roodepoort fell to R1,24 million (R1,6 million) but high working costs continued to offset better production results

GF Property slashes payout

Finance Staff (214)

Gold Fields Property reported sharply reduced earnings per share of 51c (151c) in financial 1992, leading to a substantial cut in the dividend from 213c to 50c a share

GF Props' results were hard hit by a lower surplus of R1,4 million (1991 R8,9 million) on the realisation of investments and assets, while interest earned on gold royalties and interest income dropped from R3,4 million to R1,2 million

Only income from rent and sale of profits was up at R8 million (R7,9 million), leaving total revenue R10 million lower at R11,9 million.

Taxed profits thus fell sharply to R5,2 million (R15,4 million

GFSA's mining financial group New Wits reports a fall in earnings per share from 32c to 21c in the six months to end-December

However, New Wits, whose investments cover mainly mining shares in GFSA stable, has maintained its interim dividend at 17c. STAR 15/1/93.

Investment income fell R9,75 million to R7,69 million (R9,75 million)

GOLD QUARTERLIES

Another closure looms

FM 15/1/93 (214)

December quarterly results from Gold Fields underline the shaky state of the industry's marginal producers and also that the need to fund essential capital expenditure is going to take priority over dividend payouts on some mines

Marginal mine Doornfontein is now heading for closure of its underground operations within the next 12 months, though chairman Alan Munro remains coy about the exact status of the operation Munro says Doorns' continuing losses are "intolerable" and the mine is selling equipment such as hoists, but he says a final decision to close has not yet been taken

He says Gold Fields is negotiating with interested parties over bids for the mine but won't name them The obvious candidate is Randgold marginal gold producer Blyvooruitzicht, which shares a common boundary with Doorns and can access parts of the mine from its shaft systems

Blyvoor, having largely exhausted its own ore reserves, is keen to extend its life through negotiating tributing agreements over portions of its neighbours' ore bodies Such a deal was struck with Western Deep Levels last year Randgold MD John Turner declines to comment on whether Blyvoor is negotiating with Doorns

Analysts say that even if such a deal is struck, it will not save Doorns, which has huge financial liabilities At end-June it had net current liabilities of R30m and distributable reserves of R700 000 Since then, the mine has lost another R23m Then there's the rehabilitation costs, which will easily exceed R10m, and against which Doorns

continue →

FOX FM 15/1/93.

(214)

appears to have made no provision

Munro says the sale of assets will cover the mine's losses while profits from retreatment of surface dumps — to continue after closure of the underground mine — will help pay for rehabilitation

Deelkraal cut its interim dividend to 5c from 15c because management is giving priority to the capital expenditure needed to ensure the mine's long-term future Munro says the final dividend will be under pressure and could be passed, though management would strive to avoid this

Flagship mine Driefontein trimmed its interim to 60c from 65c for the same reason, though the dividend stream from this top quality mine is much more secure Dries could, in fact, easily have maintained the interim despite the higher capital expenditure After providing for capex of R113m and the interim dividend of R122,4m in the six months to December, Dries still retained R17,5m in distributable earnings — equivalent to 8,5c a share

A striking feature is the continuing number of underground fires which have plagued the group for the past three quarters Munro believes the incidence is abnormally high for normal underground mining operations. However, he won't say whether he thinks the fires are the result of a deliberate arson campaign against the group, which is what some analysts seem to believe *Brendan Ryan*

FM 15/1/93. (214)

GOLD FM 15/1/93

Silver lining (214)

Though gold has been trading at price lows — of under US$330/oz — last seen seven years ago, the underlying supply-demand picture is encouraging provided news of the Dutch government sale of 400 t last year does not tempt other central banks to follow suit

Early estimates for 1992 set total demand at 2 635 t Fabrication demand is expected to have broken the record set in 1991 when, according to *Gold 1992*, it reached 2 543 t, of which jewellery comprised 2 111 t. Jewellery demand alone is now running about 500 t ahead of current Western mine output, which — on past experience — is a long-term bullish indicator

Because of gold's past monetary role and its durable nature, stocks above ground — both in central bank and in private hands — dwarf mine output Gold held above ground (mostly by central banks) is estimated in *Gold 1992* to be about 55 000 t However even taking these holdings into account, supply is declining

In 1991, total supply of 2 815 t included such items as net sales from communist countries of 226 t, official sector disposals of 105 t, supply of old gold scrap of 410 t, forward sales of 51 t, which implies sales of bullion or coin melt from the private sector of 241 t So supply other than newly mined gold was around 1 000 t.

Western mine output in 1992 is expected to have been around 1 783 t, virtually unchanged from 1991, suggesting the supply surge, particularly from major producers in the US, Canada and Australia, over the past few years is flattening

Eastern bloc sales are projected at 140 t, and old gold scrap 240 t. This was supplemented by central bank sales which, annualised from the nine months' figures, would reach 359 t net for the year (see table.) But the Dutch government sale would have boosted the total

In 1993, total supply — at an estimated 2 635 t — could be lower, especially if all former Soviet gold pledged to Western banks has already filtered into the market Mining has been disrupted by the economic crisis in the former USSR, continued price weakness has reduced prospecting in the West; and the exhaustion of easily mined surface deposits suggests 1993 output could be unchanged or lower than 1992

An important factor in the pricing of gold is the opportunity cost of holding it instead of paper assets (now including derivatives). For a decade, developments in financial markets have detracted from gold's investment value At the start of the Eighties, the US Federal Reserve Board implemented a highly restrictive monetary policy, re-establishing real interest rates, strengthening the dollar and breaking the spiral of speculation that drove gold to $850/oz in January 1980

Another factor came into play Throughout the Eighties, the US borrowed enormous sums abroad to cover the internal budgetary and the trading account deficits During the Reagan presidency, America shifted from being the world's largest international creditor to being the largest debtor Net US liabilities to the rest of the world are now estimated at roughly $600bn, growing by as much as $150bn per year

The need to borrow and the desire to contain inflation kept the Fed's policy restrictive and ensured American paper assets maintained significant real returns

But this is no longer the case The key US three-month Treasury bill rate is now 3,07%, while the inflation rate is 3,5% Over the past year, to reduce interest rates to this level, the Fed has followed an accommodative monetary policy, staving off serious economic decline during a Presidential election year US M1 has increased by 14,3% over the past year (as yet unmatched by a significant increase in M2)

Another factor working in gold's favour is that the Japanese economy is still in the throes of a painful asset deflation, with GDP showed only 1,5% growth over the 12 months to December (compared with 2,2% in the US)

While the latest news from America indicates the start of a recovery, Japan appears to need a strong monetary and perhaps also a fiscal stimulus The inflationary potential of such actions should increase the attraction of gold as a store of value

But despite this longer-term prognosis there will be no early resurgence in the gold price Economic growth in industrialised countries should take place without an immediate renewal of inflation There is surplus capacity throughout the industrial world, coupled with weak commodity prices, notably oil (now trading under $18/barrel) *The Economist*'s dollar commodity index (on December 1) has lost 0,9% over the past year

Stimulus to the gold market in 1993 should come from a significant increase in fabrication demand from the industrial world and a strong Asian growth trend A recent analysis by London stockbroker, Société Générale Strauss Turnbull, shows forward sales by producers are more than 1 000 t, a figure so large in relation to current mine output that it suggests the market is significantly oversold ■

ROUGHING OUT THE YEAR

Gold supply in 1992

Demand t*		Supply t*	
Jewellery	2 300	Western mines	1 783
Industrial .	270	Eastern bloc sales	140
Coins	65	Old gold scrap	240
		Official sales	359
		Balancing item (implied net (private disinvestment)	113
Total	2 635		2 635

* Estimates based on nine months' figures
Source. World Gold Council and Societe Generale Strauss Turnbull

Cons Modder quadruples profit

JONO WATERS

PROFIT at Golden Dumps' Consolidated Modderfontein (Cons Modder) increased fourfold, but South Roodepoort remained in the red in the December quarter

After-tax and capex profit at Cons Modder rose to R2,21m (R517 000), but South Roodepoort made a loss after capital recoupment of R973 000 (R1,5m)

Ore milled at Cons Modder increased to 88 324 tons (71 820 tons), but the grade dropped to 4,84g/t (5,33g/t), resulting in gold production of 427kg (383kg)

The gold price received rose to R33 388/kg (R30 979/kg) set against lower working costs of R28 164/kg (R29 598/kg)

Revenue amounted to R14,2m (R11,8m) and after working costs of R12m (R11,3m) there was a profit of R2,23m

Additional revenue increased operating profit to R2,96m (R1,12m) and a lower interest bill of R142 000 (R251 000) resulted in a net profit of R2,82m (R855 000)

South Roodepoort's tonnage milled dropped to 29 767 tons (33 890 tons) but the grade increased to 2,1g/t (1,9g/t), producing 62,4kg (64,2kg) of gold

The average price received rose to R34 311/kg (R32 414/kg), but did not cover costs of R58 025/kg (R58 614/kg)

Revenue of R2,14m (R2,08m) and costs of R3,5m (R3,76m) resulted in a loss of R1,36m (R1,68m) Additional revenue of R158 000 (R150 000) and lower interest charges of R51 000 (R68 000) reduced the net loss to R1,24m (R1,6m)

Southgo stable's quarterly report shows steady figures

(214)

B/DAY 15/1/93.

JONO WATERS

THE two operating gold mines in the South East Rand Gold Holdings (Southgo) stable maintained steady profits in the December quarter.

After-tax and capex profits at West Witwatersrand (West Wits) increased to R1,94m compared with R1,87m in the September quarter; Benoni's after-tax and capex profits rose marginally to R782 000 (R720 000)

Southgo, a division of independent producer Consolidated Mining Corporation, operates an underground and opencast operation at West Wits, dump-retreatment at Benoni and clean-up operations at Witwatersrand Nigel (Wit Nigel) Total tonnage treated at West Wits fell to 530 663 tons (552 085t) as a result of a fall in opencast and heap-leach operations However, the New Reef project yielded an additional 15 000t from underground during the quarter

The grade increase to 1,41g/t (1,38g/t) was not enough to offset the fall in tonnage, resulting in gold production falling to 747kg (761kg).

However, the average gold price was marginally higher at R32 610/kg (R31 438/kg). Working revenue of R45,90/t (R43,34/t) set against working costs of R40,72/t (R38,36/t) produced an operating profit of R5,18/t (R4,98/t).

West Wits' working revenue amounted to R24,4m compared with R23,9m the previous quarter; working costs rose slightly to R21,6m (R21,2m). Operating profit was static at R2,75m and after-tax profit rose to R2,76m (R2,71m)

Slimes and sands treated at Benoni dropped slightly to 601 569t (616 959t), but the grade increased to 0,67g/t (0,60g/t), resulting in a 37kg increase in gold production to 407kg

Benoni's gold price rose to R32 971/kg (R32 395/kg) Working revenue increased to R22,31/t (R19,43/t) and with working costs of R16,46/t (R15,76/t), gave an operating profit of R5,85/t (R3,67/t)

Working revenue increased to R13,4m (R12m) and working costs rose to R9,9m (R9,72m) Benoni had to pay increased royalties and toll payment on the group's larger operating profit of R3,52m (R2,26m), but after-tax profit still increased to R1,81m (R1,56m)

Cleaning-up operations continued at Wit Nigel and the operation produced a net loss of R127 000 (R144 000) in the quarter.

Barlow shareholders say yes

STAR 19/1/93

Barlow Rand shareholders have unanimously supported the distribution by way of a dividend in specie of a portion of Barlows' entitlement to 22,2 million shares in Randgold and Exploration

The shareholders gave their backing for the distribution, which will maintain Barlows' 35 percent interest in Randgold at a general meeting in Johannesburg yesterday

The distribution will be in the ratio of six ordinary shares in Randgold for every 100 Barlows shares held at the close of business on January 29

Randgold is one of the companies recently created by the restructuring of the old Rand Mines group into the Barlows Mineral Resources Division

Its shares will be listed on the Johannesburg Stock Exchange on February 1 1993

At the group's annual general meeting, chairman Warren Clewlow said trading conditions had remained difficult during the first quarter of the 1993 financial year (214)

"Should these persist at the current depressed levels in the second quarter, earnings for the half-year to March 31 1993 will be below those of the corresponding period in 1992," he said — Sapa

Gold's long-term outlook positive

B/DAY 19/1/93 (214)

JONO WATERS

THE gold price was unlikely to improve in the next six months, but the metal's outlook towards the end of the year was more positive, analysts said yesterday

E W Balderson analyst Nick Goodwin said Italy was the only country that still wanted to reduce the amount of gold it held as a percentage of its reserves.

Last year, Holland reduced its stocks by 400 tons, Belgium by 202 tons and Canada by 65 tons. Italy wanted to reduce its 2 692-ton gold stock to 45% from 49% of its reserves

"By June this year, all the central bank sales will be out of the way which will provide positive sentiment for gold. It has been most encouraging to see the way the gold has so far been absorbed," Goodwin said

However, Frankel Max Pollak Vinderine analyst Adrian Finch doubted whether the Italians would go through with the rumoured reduction in their gold stocks as EC finance ministers yesterday agreed to lend Italy 8bn ecus to finance its balance of payments problems

Fergusson Bros, Hall Stewart and Co analyst Trevor Pearton said: "If the Italians were to reduce their reserves of gold, we probably would not know until it was over"

Goodwin said it was unlikely the French and the Germans would reduce their gold reserves. "However, the psycholgical impact of the central bank sales has placed a lot of negative sentiment in the market."

Pearton said the overhang of negative sentiment could do a great deal of damage to the gold price

The gold dollar price was likely to drift quietly in the period to mid-year and the rise in the second half of the year, Goodwin said But, the rand gold price would average R1 50 an ounce for 1993 and mines should see maintained or improved earnings.

The Clinton administration would be good for the gold price as his policies were likely to be inflationary. The Democrat Carter era had resulted in the Federal Reserve printing money and pumping it into the economy.

Finch agreed the dollar gold price was unlikely to improve in the short-term because the psychological overhang of central bank selling had "put people off gold" However, he expected the metal's price to improve in the second half of the year.

AP-DJ reports that total world mine supply in 1992 is expected to be even with or slightly higher than last year's record 1 782 tons and SA's production will be about 1% up on 1991's figure of 602 tons

Analysts said this year's growth in output was possible only because of dramatic cost cutting at the mines; since labour accounted for about 55% of SA mining costs, the quickest way to lower expenses had been to lay off workers

NUM chief negotiator Martin Nicol said the union "appreciated that the gold industry is in a downphasing stage at present", and that job cuts and lower real wages were "a necessary way of slowing down the contraction".

Political inequalities had also helped SA mines to cut costs, said Nicol. "What is happening in the SA gold industry today could not happen in a country where every worker has a vote" he said.

One observer said the mines could keep output up well into next year, even if gold prices stayed low

Barlow Rand earnings may drop

BARLOW Rand said yesterday that if tough trading conditions persisted, earnings for the first half to end-March would be lower than those of the corresponding period in 1992 B/Day 19/1/93

Chairman Warren Clewlow told the annual meeting local and international trading conditions remained difficult in the first quarter of the current financial year

"Should these persist at the current depressed levels in the second quarter, earnings for the half-year will be below those of the corresponding period in 1992."

Clewlow's comments follow his warning last November that it would be difficult to show growth in earnings this year as a meaningful improvement in the economy was unlikely in 1993.

Barlows shareholders voted at a general meeting for a dividend in specie of a portion of Barlow Rand's entitlement to 22,2-million shares in Randgold Exploration (Randgold). Randgold is to issue 29 820 610 shares. 214

The distribution will be in a ratio of six ordinary shares in Randgold for every 100 Barlows shares held on January 29, and will result in Barlows' interest in Randgold being maintained at about 35%, Barlows said in a statement.

Randgold is due to be listed on the JSE on February 1 — Reuter

Anglovaal gold mines do better

Star 20/1/93

(214)

Finance Staff

Improved rand gold prices — including a small amount of hedging — and generally well-contained costs in the December quarter were the main factors leading to improved performances at all Anglovaal gold mines

Total taxed profits of the three mines — Eastern Transvaal Consolidated (ETC), Hartebeestfontein and Village Main Reef — rose 47 percent to R38,167 million (September quarter R25,940 million, while Loraine's loss (no tax paid) fell to R2,875 million (R3,401 million)

Hartebeestfontein: the main plant's mill throughput was unchanged at 756 000 tons, as was the average grade at 8,6 g/t Gold recovery totalled 6 525 (6 502) kg Unit costs dropped to R238,97 (R242,42) a ton and, combined with higher gold prices received, led to revenue of R278,84 (R269,40) a ton and thus a working profit of R39,87 (R26,98) a ton and a total working profit of R30,146 million (R20,398 million)

Throughput

ETC: there was another slight increase in mill throughput to 94 800 (94 520) tons, and the yield rose to 10 (9,8) g/t

Consequently, gold recovery was 21 kg higher at 946 kg

An improved average gold price received caused revenue to rise to R326,61 (R312,00) a ton, which more than offset the unit costs increase to R243,31 (R233,10) a ton, and resulted in a working profit of R83,30 (R78,90) aa ton

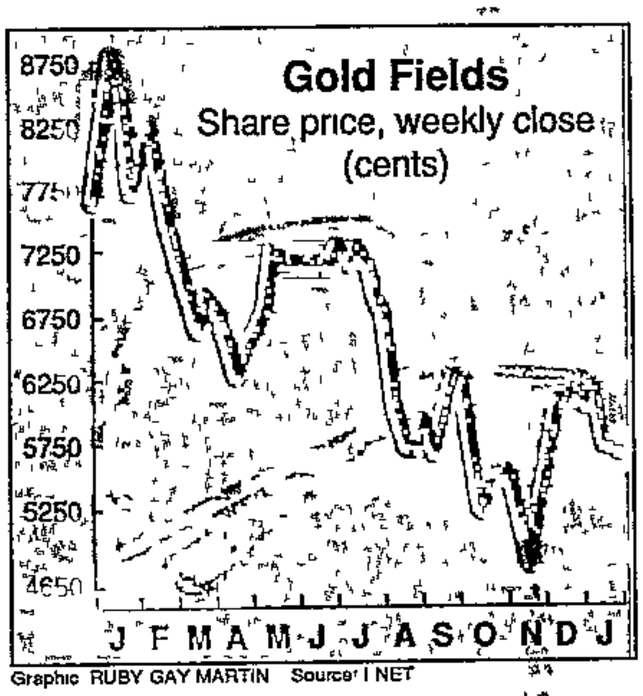
Total working profit was therefore R7,897 million (R7,457 million)

Loraine: the total tonnage milled rose to 411 000 (397 000) tons

With the average value remaining unchanged at 3,3 g/t, gold production rose slightly to 1 338 (1 306) kg

Revenue was fractionally better at R106,82 (R106,72) a ton, but the treatment of the low-grade ore and higher mill throughput brought costs down to R118,03 (R120,08) a ton

This reduced the unit loss to R11,21 a(R13,36) a ton and the total aworking loss to R4,609 million (R5,305 million loss)



Graphic RUBY GAY MARTIN Source: I NET

Dividend held as GFSA profit dips

JONO WATERS (214)

GOLD Fields of SA's (GFSA's) after-tax profit fell 10,8% to R124m (R139m), but an unchanged interim dividend of 70c a share was declared for the six months ended December 31 1992

Earnings fell 10,8% to 123c (138c) a share. B/DAY 20/1/93.

Chairman Robin Plumbridge said the group was negotiating with Newmont Mining for the establishment of a 60-40 joint venture for mining concessions in Ghana

He said a GFSA offshore subsidiary had been awarded exploration rights for mining concessions held by Ghana's Prestea and Tarkwa gold fields.

A initial investigation, which included an evaluation of the medium-term viability of the existing mines on the property, was near completion

In its 1992 annual report, GFSA said had said subsidiary Gold Fields International was negotiating for exploration rights in extensive gold-bearing areas of West Africa.

The group's revenue for the six months fell R8m to R223m and expenditure rose R10m to R87m as a result of increased administration, technical and general expenses. Pre-tax profit was 11,6% lower at R136m (R154m)

Plumbridge said the group's earning would remain under pressure and his views expressed in the chairman's review last September remained unchanged.

"Subsequent events have done nothing to alter the view that the world economy as a whole, and hence commodity prices, will continue to be depressed in the short term."

GFSA to embark on joint mining venture in Ghana

STAR 20/1/93

By Derek Tommey (214)

Gold Fields of South Africa (GFSA) is planning to mine gold in Ghana in a joint venture with Newmont Mining of the US

GFSA says that exploration rights in respect of mining concessions held by Prestea and Tarkwa Goldfields have been awarded to an offshore subsidiary

"An initial due diligence investigation of these extensive properties, which includes an evaluation of the medium-term viability of the existing mines, is nearing completion"

Negotiations are in progress with Newmont for a 60-40 joint venture in respect of the concessions

In its interim statement, GFSA says it has declared an unchanged interim dividend of 70c a share, which absorbs R67 million

Income from investments in the six months to December dropped from R123 million to R115 million, while income from fees and other sources fell from R108 million to R104 million However, it made R4 million (nil) on the realisation of investments

Gross income was R223 million (231 million), while expenditure was R87 million (R77 million), producing a pre-tax profit of R126 million (R154 million) and a taxed profit of R124 million (R139 million)

The directors say they expect the world economy as a whole to continue to be depressed in the short term As a result the group's earnings are expected to remain under pressure.

GFSA had net current assets of R508 million at the end of last December (R558 million at the end of last June and R547 million at the end of December 1991)

GFSA has large investments in gold shares, and the decline in gold shares prices last year must have been a major contributor to the drop in the market value of the group's portfolio from R7,6 billion at the end of December 1991 to R6,97 billion at the end of last June, and R5,8 billion at the end of last month

Net asset value of GFSA shares last December was 7 706c (9 038c six months earlier and 9 784c at the end of 1991)

HJ Joel wants to blast on Sundays

JONO WATERS (214)

JCI's struggling H J Joel gold mine is to apply to government for permission for Sunday drilling and blasting to prevent retrenchments B/DAY 20/1/93

Gold division MD Bill Nairn said yesterday the mine would send some employees in certain job categories on unpaid leave for up to three months and revert to a six day week in an attempt to contain costs

Joel is the third mine to apply for blasting rights on Sunday Harmony was granted rights in September and Loraine applied for Sunday rights late last year

The mines in the JCI stable reported a 41,7% increase in after-tax profit to R25,2m (R17,8m) in the December quarter Gold production rose 3% to 12,7 tons (12,3 tons) Overall group working costs fell 2,1% to R28 761/kg and employees were paid R4,4m in cost-containment bonuses

Randfontein declared a 35c (25c) interim dividend

Anglovaal's three gold mines produced a profit after tax and capex of R18,8m down on the September quarter figure of R20,3m

No announcement was made by the group on the future of Loraine, which lost R6,01m (R3,47m) in the quarter

Net profit after tax increased 47% to R38,2m (R25,9m), but Hartebeestfontein increased its capex requirement four-fold to R13,3m (R3,31m)

● See Page 6

GFSA to mine gold in Ghana

ARG 20/1/92 (214)

Business Staff

JOHANNESBURG. — Gold Fields of South Africa (GFSA) is planning to mine gold in Ghana in a joint venture with Newmont Mining of the US

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The directors say they expect the world economy as a whole to continue to be depressed in the short term As a result the group's earnings are expected to remain under pressure

GFSA had net current assets of R508 million at the end of last December (R558 million at the end of last June and R547 million at the end of December 1991)

■ JCI's HJ Joel mine is in difficulties The mine said last night that the lack of payable ore reserves had forced it to cut back the milling rate from 90 000 to 65 000 tons a month and to introduce cost-cutting measures

It is considering the possibility of Sunday working, but has no plans to retrench.

Bill Nairn, head of JCI's gold division, said the decision to cut production at Joel was the result of disappointing development results in the past two quarters It was unfortunate that the mine had run into unpayable ore before it had had the time to build up adequate reserves

The 23 boreholes that were sunk before the mine was begun had intersected the Kimberley Reef 93 times. The Kimberley Reef was unpredictable.

Reef sampled had dropped from 1 293 metres in the September quarter to 978 metres in the December quarter, while grade fell from 816cm-gm to 645cm-gm a ton

He said the rate of 650 00 tons of ore a month was likely to be maintained until payable ore reserves were available.

To strengthen its financial situation and to avoid retrenchments, the mine was negotiating to work Sundays, to reintroduce the six-day working week in place of the current 11-shift, two-week system, to contain costs as much as possible, and to ask all workers to accept two months' unpaid leave in the present calendar year

He said it was essential to reduce working costs to a level which would enable the mine to remain profitable, while continuing reef development.

Negotiations had already started with the unions on the introduction of Sunday working

HJ Joel cuts its losses to lift JCI

B/DAY 20/1/93 (214)

JONO WATERS

A DECLINE in H J Joel mine's losses lifted JCI gold mines' profit after tax and capex by 41,7% in the December quarter

Gold division MD Bill Nairn said yesterday Joel would maintain its efforts to curb costs as a means of avoiding retrenchments The mine hopes to do this by winning government permission to drill and blast on Sundays, reverting to a six-day week and asking employees in certain job categories to take unpaid leave of up to three months

Nairn could not comment on the progress made in talks with unions as these were still continuing

An 11% improvement in grade at Joel came as a result of improved dilution control, but tonnage fell as the mine encountered new areas of unpay ore "The reduction of tonnage was not by choice but by force of circumstance as there was no face to mine," Nairn said.

Randfontein turned in another steady performance with the grade increasing for the seventh successive quarter to 3,85g/t (3,8g/t) Nairn said this yield was last achieved in 1987 and was a result of higher grades from the Cooke No 3 shaft The mine milled 2,2-million tons of ore — last achieved in 1985

Working costs a kilogram fell 1,5% and included a cost-containment bonus of R3,7m paid to employees

Randfontein achieved its target of R80m in cash reserves in the last quarter. The mine needed the cash as a buffer against a sustained fall in the gold price and had only planned to reach this level by the end of the June quarter

Western Areas increased its grade to 6,22g/t (5,84g/t), a level last achieved in 1976, with improved yields from its north and south divisions Uranium still provided significant income for the mine, Nairn said

The mine managed to decrease its working costs a kilogram by 2,2% and paid a cost containment bonus of R700 000 to employees

The increase in capex to R5,95m (R4,55m) was necessary for development on 90 Level, needed to get close to South Deep.

At South Deep the excavations for the backfill and crusher plant were complete and the mechanicals were being installed. Full-scale stoping production would begin in June and full production of 25 000 tons should be achieved by the end of next year

Nairn was not bullish about the gold price this year "We could see a small blip in the next few months as there has been a great deal of short-selling by the major operators"

However, he said gold's rand price would increase as there was a general feeling the rand would go to R3,50 to the dollar by the end of the year

□ Consolidated Murchison (Cons Murch) reported an increase in profit after-tax and capex to R972 000 (R616 000) in the December quarter as a result of an increase in gold revenue from a slight increase in gold production.

Chairman Mike Hawarden said the world antimony market remained "very depressed" and sales dropped by 34%. However, a 9% depreciation in the rand resulted in a 27% net decline in antimony revenue to R2,29m (R3,15m).

Gold revenue increased by 8% to R10m (R9,29m), which brought Cons Murch's total mining revenue to R12,4m (R12,5m) placed against costs of R11,1m (R11,6m)

JCI December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**2 098**	**3,85**	**8 076**	**102,77**	**26 698**	**33 213**	**48 454**	**22 766**	**37,2**
September	2 037	3,8	7 745	103,03	27 097	33 653	47 371	22 441	36,7
Western Areas	**530**	**6,22**	**3 296**	**201,78**	**32 447**	**33 268**	**8 953**	**3 005**	**7,5**
September	545	5,84	3 185	193,87	33 175	36 671	8 076	3 524	8,7
HJ Joel	**214**	**6,27**	**1 342**	**201,42**	**32 119**	**33 778**	**5 166**	**(533)**	**(0,5)**
September	250	5,63	1 408	187,52	33,295	34 092	775	(8 152)	(8,3)

Joel gold mine runs into trouble

STAR 20/1/93.

By Derek Tommey (214)

JCI's HJ Joel mine is in difficulties The mine said last night that the lack of payable ore reserves had forced it to cut back the milling rate from 90 000 to 65 000 tons a month and to introduce cost-cutting measures

It is considering the possibility of Sunday working, but has no plans to retrench.

Bill Nairn, head of JCI's gold division, said the decision to cut production at Joel was the result of disappointing development results in the past two quarters It was unfortunate that the mine had run into unpayable ore before it had had the time to build up adequate reserves

The 23 boreholes that were sunk before the mine was begun had intersected the Kimberley Reef 93 times

The Kimberley Reef was unpredictable.

Reef sampled had dropped from 1293 metres in the September quarter to 978 metres in the December quarter, while grade fell from 816cm-gm to 645cm-gm a ton

To strengthen its financial situation and to avoid retrenchments, the mine was negotiating to work Sundays, to reintroduce the six-day working week in place of the current 11-shift, two-week system, to contain costs as much as possible, and to ask all workers to accept two months' unpaid leave in the present calendar year

At developing mine **South Deep**, the 490 metres developed on the Ventersdorp Contact Reef in the six months ended December had averaged 15,6 grams a ton over 109cm, giving 1700cm-gm a ton

Ledging was continuing while production was building up The mine is expected to reach full production of 25 000 tons a month by the end of next year.

South Deep is being worked from a twin haulage from a Western Areas shaft Production can increase only when a shaft is sunk

South Deep was still cash-rich at the end of December, having net current assets of R119,5 million (R133,4 million at the end of June)

Randfontein performed well in the December quarter, increasing the milling rate from 2,037 million tons in the September quarter to 2,098 million in the December quarter, raising its yield from 3,80 to 3,85 grams a ton — the highest figure since 1987 — and increasing gold production from 7745kg to 8076kg

Revenue from gold increased from R260,6 million to R268,2 million, while working costs, which included a cost-containment bonus of R3,7 million (September, R2 million) increased from R209,9 million to R215,9 million

Profit from gold was R52,6 million (R50,8 million) and taxed profit was R48,5 million (R47,4 million) Capital expenditure took R25,7 million (R24,9 million)

Nairn said Randfontein had built up its reserve against a lower gold price to R90 million.

Western Areas's unit working costs fell for the seventh consecutive quarter and the mine reported earnings from gold of R2,7 million (R1,6 million) and profits from uranium of R5,8 million (R6,1 million)

Gold faces new threat as banks dump reserves

B/Day 20/1/93. (214)

KENNETH GOODING

GOLD mining companies are casting a nervous eye at the world's central banks. They are beginning to realise that the huge stocks of gold in the banks' vaults, which they hoped were permanently locked away for protection against some unimaginable disaster, are for sale after all

The industry's fears intensified last week when the Dutch central bank disclosed it had sold a quarter of the gold in its reserves — 400 tons, equivalent to more than 20% of all the gold mined last year.

The world's central banks hold 35 000 tons of gold — a mountain that dwarfs annual production of about 1 750 tons It represents a substantial potential new source of supply which threatens to depress gold prices further, even though they are near their lowest levels for seven years.

The Dutch bank sold its gold towards the end of 1992. It followed the example of Belgium's central bank which sold 202 tons earlier in the year Canada's central bank has been steadily reducing its gold stocks for 10 years, selling about 10 tons a month. Between them, these three banks contributed more to total world gold supply in 1992 than output from SA, the biggest producer.

"The gold market has been transformed," says Andy Smith, precious metals specialist at the Union Bank of Switzerland "For 150 years central banks built up a big buffer stock of gold which kept the price artificially high." But in recent years forces for change have emerged. Most important, gold finally lost its formal role in the international monetary system when the US authorities stopped exchanging it for dollars during the '70s.

Central banks rarely change their policies quickly. But growing pressures on the banks from their governments to earn a return on their reserves have increased their willingness to reduce gold stocks which are earning no interest. Pressure to reduce bullion holdings has also increased because of the poor investment gold has represented.

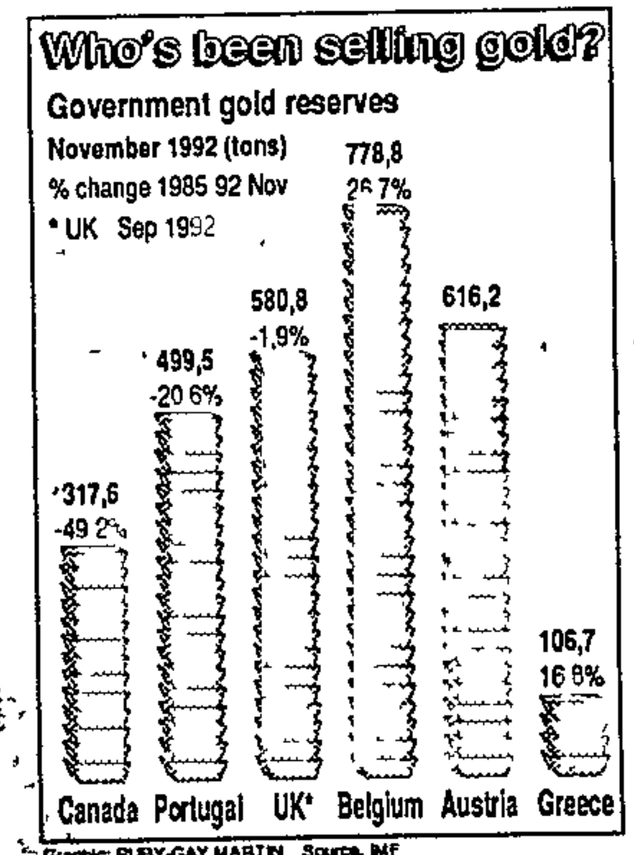
Ricky Hall, assistant GM of the Bank of International Settlements, the central bankers' bank, says that, even at a modest compound interest rate of 6%, gold bought 10 years ago at $459,25/oz would be worth $823/oz instead of today's $330.

Smith estimates that if the reserves of the eight largest holders, which together account for more than 85% of officially declared central bank gold, were invested instead in bonds at current international interest rates, they would yield about $20bn a year. Switzerland's reserves would yield more than $550 for each citizen every year.

With this in mind, some central banks have started to "mobilise" their gold by lending some to the market Up to 800 tons of central bank gold is on loan to commercial banks and producers at any one time. Producers have been keen to borrow this gold because with interest rates typically only 0,5% it costs much less than borrowing money, while the banks are willing to lend when they are sure producers will be able to repay from future mine output.

Recently, central banks began offering "call" options on gold. As these give the option holder the right to buy at a future date at a predetermined price they indicated the central banks' increasing willingness to sell rather than merely lend. Another indication of such willingness has been the use of metal from official reserves to produce gold coins Belgium, for example, began issuing gold ecu coins in 1987.

The first big outright sales of central banks' gold started last year. Until then, their total holdings had remained fairly constant. Gold Fields Minerals Services CE Steward Murray says there had been little change in the '80s. But he adds that "the proportion of gold within total reserves has declined because of the explosion in foreign exchange holdings and a weaker gold price"



Graphic: RUBY-GAY MARTIN Source, IMF

European central banks, which own about 40% of the world's official gold reserves, have a special reason to reduce their gold stocks. Smith points out that moves towards a single European currency would reduce the principal need for reserves — intervention in currency markets

As a result, many bullion market analysts have been predicting that some European central banks will seek to reduce their gold holdings before the implementation of legislation for a new European central bank which may require each EC member to deposit a proportion of its reserves with the institution. Such thinking seems to have been in the minds of the Belgian and Dutch central banks.

Smith points out that the sales did little to increase government income. Only a very small proportion of the proceeds is transferable to finance ministries — and in both cases this represented less than 2% of the country's budget deficit

The Dutch central bank said this week it had acted after "several months of deliberation' so, says Smith, "this was not a panic sale. It was premeditated. It was strategic, not tactical." Smith believes central banks may become net sellers of about 700 tons of gold a year in the '90s "Selling gold will be just part of a day's work for a central bank, not an admission that the financial world, as investors know it, is about to end" Investors in the gold market are unlikely to feel reassured. — Financial Times.

LETTERS

Anglovaal's Loraine doubles losses to R6m

B/Day 20/1/93. (214)

JONO WATERS

LORAINE gold mine's after-tax and capex losses nearly doubled in the December quarter to R6,01m (R3,47m), with Anglovaal's two other producers maintaining a steady performance.

At the release of the results yesterday Anglovaal did not comment on the Free State producer's fate The mine has reported losses since the June quarter of 1990

Total tonnage milled increased to 411 000 tons (397 000t) resulting in a 22kg rise in gold production to 1 338kg, at an unchanged average grade of 3,3g/t

A spokesman for the group said revenue was fractionally better at R106,82/t (R106,72/t), but treatment of low-grade ore and higher mill throughput brought costs down to R118,03/t (R120,08/t). As a result the unit loss fell to R11,21/t (R13,36/t)

Pyrite sales' increase to R797 000 (R76 000) and a gold price of R36 256/kg (R36 503/kg), could not stem the mine's overall working loss of R4,61m (R5,31m)

Development of higher grade ore reserves at the 3C shaft pushed up capex

Hartbeestfontein's tonnage milled and grade was unchanged at 756 000t and 8,6g/t Gold production rose marginally to 6 525kg Unit costs dropped to R238,97/t (R242,42/t) and the higher gold price received generated revenue of R278,84/t (R269,40/t) with a profit of R39,87 (R26,98/t)

The mine's low grade gold plant treated 461 000t (467 000t). Yield was higher at 1,68g/t (1,36g/t) from the 27 700 tons of low grade underground ore production with a grade of 5,7g/t Milling of the underground ore would be increased to about 54 000 tons a quarter until the end of the June quarter

Eastern Transvaal Consolidated marginally increased its tonnage, grade and gold production, and revenue improved to R326,61/t (R312/t).

This more than offset working cost of R243,31/t (R233,10/t) resulting in a working profit of R83,30/t (R78,90/t)

Slimes and sands operation Village Main turned in an after-tax and capital recoupment profit of R393 000 (R339 000)

The spokesman said Village had entered into an agreement to sell its freehold title to the Meyer and Charlton properties for R2,5m

ANGLOVAAL December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties*	**756**	**8,6**	**6 525**	**238,97**	**27 687**	**32 307**	**31 984**	**18 715**	**16,7**
September	756	8,6	6 502	242,42	28 187	31 324	20 701	17 396	15,5
ET Cons	**95**	**10,0**	**946**	**243,31**	**24 383**	**32 730**	**5 793**	**2 645**	**3,1**
September	94	9,8	925	233,10	23 819	31 881	5 053	2 639	3,1
Loraine	**411**	**3,3**	**1 338**	**118,03**	**36 256**	**32 811**	**(2 875)**	**(6 014)**	**(36,7)**
September	397	3,3	1 306	120,08	36 503	32 441	(3 401)	(3 473)	(21,2)

* Underground Production Figures Only

Gengold mines show fine flair for survival

STAR 21/1/93. (214)

By Derek Tommey

Some Gengold mines have declared higher-than-expected dividends, or declared dividends where none were expected, again showing the group can survive and even prosper in difficult times

Buffelsfontein is paying a sharply higher interim of 150c a share, against 90c a year ago

Ailing St Helena is managing to pay a dividend of 20c a share, although this is sharply down from the 150c a year ago

Stilfontein has resumed dividend payments after a year's break with 30c, and Grootvlei has declared an unchanged final of 25c

But the fight continues, managing director Gary Maude said in Johannesburg yesterday

Important

He said the group was not optimistic about a better gold price in the next six months

Therefore it was important that the group's mines be put in a position to face a fairly extended low gold price

However, he said he believed that the fundamentals for gold would get better

The industry would have to live with 200 to 300 tons of official gold sales, as it had been doing in recent years

But demand for gold in Asia was increasing India could take 500 tons this year, and demand was also strong in China and India

He said that production was not increasing and could decline when the low gold price led to some of the world's major producers throwing in the towel

Ailing mines were to be found in Australia, Canada and South Africa, but not in the Gengold group

Gengold's working costs were down by 1,1 percent, compared with the previous quarter, and by 2,8 percent, compared with a year ago

Income after tax and capital expenditure was up 0,1 percent on the previous quarter and 115,5 percent on a year ago

The stars of the December quarter were Unisel, Beatrix and Bracken, though Bracken was more like a shooting star, said Maude

Unisel increased its income before tax and lease from R4,2 million to R6,8 million and its profit after tax and lease from R3,3 million to R5,8 million

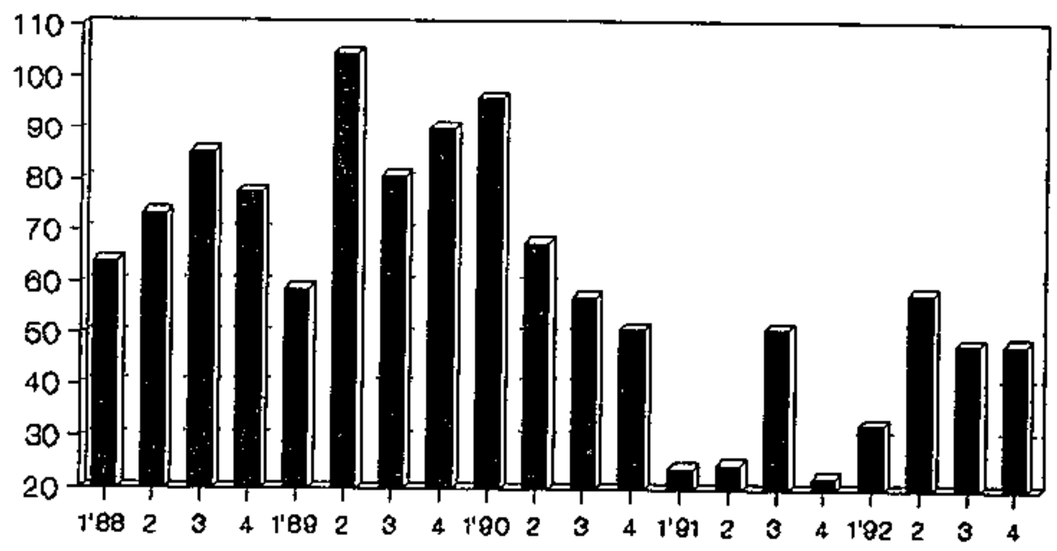
Beatrix's income before tax and lease was R18,1 million, against R11,7 million in the September quarter, while income after tax and lease was R12,7 million (R7,9 million)

Development results were good, with 2 378 metres advanced on reef and averaging 1 082 cm-gm a ton

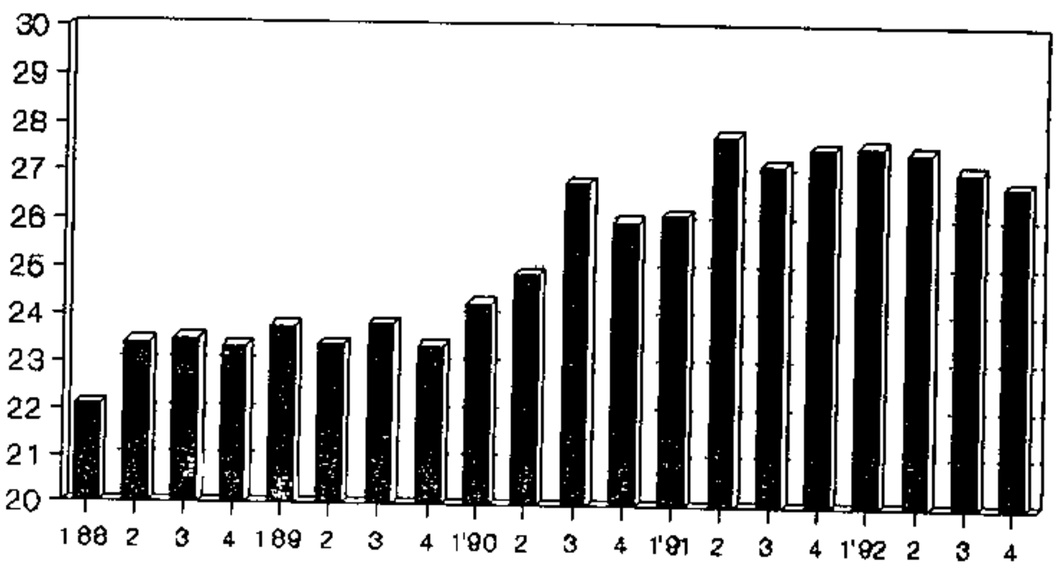
Bracken, in what is probably its last working quarter, reported a milling yield of 24,5 grams a ton and an income before tax and lease of R8,8 million (R7,1 million)

Production is expected to stop this quarter Mine complement is down to 267 people

Grootvlei earned R1,26 million (R1,86 million) after tax and lease



Distribution income (quarterly) R/millions



Cost per kilogram R/000s

Subsidy

The authorities have agreed to provide it with a pumping subsidy without imposing any restrictions on dividends

Stilfontein, which is now working only surface dumps, earned R2,07 million in the December quarter after paying R1,67 million in retrenchment costs

Maude said the mine could continue operating for about 18 months

Buffelsfontein earned R9,3 million (R10,2 million) after tax and lease, helped by a R1,3 million (R952 000) dividend from Beatrix Development results were also good

St Helena ,which has sharply reduced operations, had taxed earnings of R5,2 million (R4,1 million) before taking into account retrenchment costs of R8,6 million

Winkelhaak earned R13,5 million (R15,6 million), **Kinross** earned R19,3 million (R20,2 million) and **Leslie** R2,4 million (R3,2 million)

E

COMPANIES

West's gold output sets record

JONO WATERS

WESTERN world gold output increased by 60 tons in 1992 to reach a record high of 1 842 tons, in spite of the continued fall in the average gold price

The International Gold Mining Newsletter reported in its January edition that the overall world supply was expected to be far smaller this year if production in the Commonwealth of Independent States declined as expected B/Day

The largest increase in production was forecast from the US, where output increased by 27,6 tons to 328 tons SA production was expected to increase by 12,8 tons to 614 tons and Australian output by 8,5 tons to 243 tons 21/1/93

Production from Canada was forecast to fall by 13,6 tons to 163 tons, and output from Brazil to drop by eight tons to 72 tons

Largest contributors to SA's increased supply were GFSA's Kloof (up 3,8 tons) and Driefontein (up 1,8 tons), Anglo American's Elandsrand (up 2,5 tons) and JCI's Randfontein (up 1,9 tons) Strike action at GFSA's Doornfontein resulted in a loss of 1,6 tons, and fires and technical difficulties in a 3-ton drop at Anglo's Western Deep

There were five significant closures in the US last year, 16 in Australia, 18 in Canada and none in SA (214)

The report said that in spite of having higher average operating costs, the SA industry remained "buoyant".

Gengold wins battle to cut working costs

B/Day 21/1/93. (214)

JONO WATERS

GENGOLD has managed to cut working costs for the last four quarters and MD Gary Maude believes the group can keep this up for some time

Reporting yesterday on the group's results for the December quarter, Maude said the "star performers" in the stable were Bracken, Beatrix and Unisel

Operations at Bracken were likely to cease during the quarter. Extraction of the shaft pillar lifted the December quarter's grade to 24,5g/t from the September quarter's 15,2g/t, but this was a flash in the pan Some of the mine's 267 employees had been found jobs at Leslie and Winkelhaak (Winkels), but the rest would be retrenched

Profits increased by R4,8m at Beatrix and working costs decreased further to R22 326/kg (R23 356/kg), making it one of the lowest cost producers in the industry. Development continued at a high rate, grades were good and Beatrix was likely to remain profitable.

At Unisel gold production rose for the sixth consecutive quarter and profit after-tax and capex rose to R4,1m (R2,3m).

Discussions were under way with St Helena employees to mine on Sundays to lift productivity If the employees agreed, Gengold would approach government to remove restrictions on Sunday working

Rationalisation at the mine was starting to show the results hoped for. The mine was making a working profit, but retrenchment costs of R8,59m resulted in a bottom-line loss during the quarter

Oryx is equipping its shaft and plans to commission it in March

Stilfontein was "back in the black" and Maude hoped dump retreatment operations would go on for another 18 months. Dividends resumed after a break of three years

Tax and lease payments of R3,78m (R2,45m) "caned" Buffelsfontein (Buffels), but an increased dividend from Beatrix kept profits up.

Buffels had introduced "business units" and would use business managers instead of mining people to run the sections If this worked out, the concept would be extended to other mines in the group

Grootvlei remained marginal despite a drop in working costs to just under R30 000/kg

Profit fell at Winkels as a result of a drop in sundry income, artifically boosted in the last quarter by a R7,7m insurance payment

The grade at Leslie rose to 6,7g/t (6,0g/t) after measures which included better dilution control and.

The Reserve Bank wanted West Rand Consolidated to delist from the London and Paris stock exchanges, but Gengold had objected as it was not advantageous to overseas shareholders to distribute the mine's cash reserves

He said the central bank feared the company could be used for other purposes such as "round-tripping on foreign exchange"

Gengold mines show better profit

(214) JONO WATERS

GENGOLD was in a good position to face the coming year as, compared with 1991, its mines were again generating reasonable profits, MD Gary Maude said yesterday B/Day 21/1/93.

In the December quarter the group's gold mines increased their total distributable profit fractionally to R48,3m from the September quarter's R48,2m profit after tax and capital expenditure. But that was more than double the distributable profit of 1991's December quarter.

Grootvlei declared a final dividend of 25c, the same as its interim, St Helena absorbed the cost of retrenchments and cut its final to 20c after an interim of 100c, Stilfontein, eking out an existence by treating surface dumps, has resumed dividends with a 30c final declaration, and Buffelsfontein has declared an interim of 150c against the previous year's 190c total

The average cost of producing each kilogram of gold was reduced again with the help of a higher average gold recovery grade Working costs were R26 812/kg in the December quarter against R27 099 in September. The average gold recovery grade rose to 6g/t from 5,6g/t in part because of selective mining which led to a reduction in the tonnage milled to 2,92-million tons from September's 3,20-million. As a result the quarter's gold production fell to 17,5 tons from 18 tons.

At the individual mines, Bracken was likely to close in the present quarter and St Helena's management was discussing working on Sundays with the mine's employees, Maude said.

● See Page 5

Gengold mines surprise with higher dividends

(214)

ARG 21/1/93

Business Staff

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New taxi association welcomed as 'healthy'

STAR 21/1/93.

Stan Hlophe

The formation of a new taxi body, Taximax, was yesterday welcomed as healthy competition by the giant Southern African Black Taxi Association (Sabta).

Sabta spokesman Mike Ntlatleng, yesterday said Taximax — formed recently with two former Sabta executives James Chapman and Enos Makena among its directors — posed no threat to Sabta Both resigned from Sabta last year amid controversy

A Taximax spokesman said that the new organisation was not set up as a rival to Sabta. Its main objective was to assist legal taxi owners in Pretoria, irrespective of their affiliation

Ntlatleng said competition would serve the interests of its membership and the industry

Asked about the resignation of top executives, he said problems which had plagued the organisation had been resolved and the executives were looking forward to turning Sabta into a profitable organisation

A meeting to resolve a dispute over the Durban/Johannesburg route between Sabta and Eagle Liner bus company was postponed until February 4 after talks deadlocked yesterday

This followed allegations by passengers that gunmen had forced them to leave a Johannesburg-bound bus and board minibuses at twice the price of the bus trip

Passengers who attended the meeting said they had been threatened and accused of supporting white businesses. Many of them had lost their luggage and food parcels

A bus company spokesman said it was the right of passengers to choose their mode of transport

'Poison' killer jailed for 15 years

A taxi driver who shot dead a former policeman and taxi owner from a rival faction, yesterday told a Springs Circuit Court that he committed the deed to "rid the community of poison"

Petrus Khumalo (38) was sentenced by Mr Justice J F Myburgh and two assessors to an effective 15 years' jail for the murder of Pascallas Mea of KwaThema and for unlawful possession of a firearm and ammunition. — East Rand Bureau.

11 appear over R30-m gold theft

STAR 21/1/93

214

By Anna Louw
East Rand Bureau

Eleven former employees of Rand Refinery appeared briefly in the Germiston Magistrate's Court yesterday in connection with the theft of unwrought gold valued at more than R30 million

The accused are Jan Botha (25) of Germiston, Jan Fourie (45) of Germiston, Louis Snyman (27) of Johannesburg, Johan Fourie (30) of Primrose, Johann Smit (21) of Springs, Eduard Pieterse (23) of Prieska, Rudolph Olivier (23) of Springs, Johan Volschenk (25) of Meyerton, a 17-year-old youth of Elsburg, Andries Swart (32) of Elsburg, and Henry Howell (26), of Rosettenville. 21/1/93.

Bail of between R1 000 and R5 000 was granted Some were released on warning

Two other former employees recently appeared in the Kempton Park Regional Court in connection with the same theft

Jacques Jonck (23) of Heidelberg was jailed for nine years. Reuben Lezar (29) of Elsburg was jailed for five years

The 11 accused will appear again in March — Sapa.

Accused 'not trusted enough to get guns'

STAR 21/1/93

By Peter Davies

A Goldstone committee chairman investigating attacks on police yesterday told former Umkhonto we Sizwe member Brandon Samson it was unlikely that former ANC security boss Joe Nhlanhla had ordered him to Piet Retief, in the eastern Transvaal, to kill policemen because Samson was not trusted by the ANC

Chairman Gert Steyn said, in Pretoria, that, despite Samson's insistence that Nhlanhla had provided him with weapons from ANC headquarters at Shell House in June last year, it was logically "dangerous to hand out weapons to people you don't trust".

Samson claims Nhlanhla ordered him to Piet Retief to monitor certain policemen, and later to return and kill them He said only he and Nhlanhla, whom he referred to as "the old man" knew about the mission

Samson admitted he had been considered a spy by the ANC after returning as a dissident from exile in 1991 He said that Nhlanhla had indicated his "case was still open" and that Samson must "show commitment to the movement" by "proving himself" on missions to Piet Retief

He was also sent to Natal where he was to monitor the movements of alleged Inkatha man Pat "McGregor" Hlongwane Hlongwane is the head of the returned exiles committee which campaigns on behalf of ANC dissidents

ANC lawyer Azhar Cachalia said that Nhlanhla did not have the authority to dispatch weapons, and that Samson was lying

Court records in Piet Retief indicated that Samson previously admitted he had received weapons from a man known as Mthobi

Cachalia said Nhlanhla had admitted to "bumping into" Samson on a few occasions, but said they had never discussed any Piet Retief mission

When quizzed by Cachalia, Samson said the ANC had an official and an unofficial policy towards the assassination of policemen

He said the official version, as documented by Nhlanhla in Durban last year, was that the ANC opposed any campaign to kill policemen

Samson insisted that this official policy was for "public consumption" and that there was an unofficial ANC policy which tacitly condoned attacks on policemen

Cost cuts boost Anglo gold profits

B/Day 22/1/93. (214)

MADDEN COLE

COST reduction, combined with a higher gold production and the cushioning provided by hedging, pushed up Anglo American's gold division's available profit by 33% for the December quarter

Available profit increased to R202,7m (R152,8m), with gold production reflecting a 2% rise to 66 399kg (65 105kg). Average revenue for the quarter was 3% higher at R34 040/kg (R33 031/kg)

Average unit costs dropped 1% to R26 387/kg (R26 671/kg), and working costs were contained at R1 752,1m (R1 736,4m)

Capex amounted to R292,4m (R235,9m)

Gold division chairman Clem Sunter described the quarter as satisfactory and as "a good New Year's gift to SA"

MD Lionel Hewitt said Freegold had reported an improved performance across the board, with only two shafts not covering full costs

Total gold revenue's increase to R990,5m (R936,6m) was production driven — production rose to 28 950kg (28 257kg), assisted by a 3,2% increase in revenue to R34 215/kg (R33 144/kg).

South Region's gold production of 15 380kg (14 906kg) was the highest recorded since the merging of the Freegold operations, Hewitt said

Freegold came through the holiday season "quite well" and was back to full production Production should be maintained for the foreseeable future

In the past 18 months the mine had been "cutting out" marginal ore, but No 1 shaft with better grades would be coming on stream next year Present grades did not have much "upside scope" Hewitt said

Vaal Reefs continued to improve in the quarter and Hewitt predicted a relatively stable 1993 The quarter's results included a half-yearly dividend from Southvaal Holdings and therefore were not directly comparable with the previous quarter

Western Deep Levels was returning to normal production volumes, but Hewitt said grade was below what was expected

Hewitt said Elandsrand's selective mining was improving the grade

Shaft sinking at the Moab project was going according to plan

Ergo's grade had a degree of flexibility as a number of dams could be accessed

● See Page 8

Loraine granted exemption

Govt pressed to end Sunday mining ban

B/DAY 22/1/93.

(214)

ALAN FINE

INTENSE pressure is building on government to scrap the provision of the Mines and Works Act which forbids Sunday production work.

Yesterday both the Chamber of Mines and Northam Platinum chairman Alan Wright called for the repeal of the law which permits Sunday work only by ministerial exemption if it is determined to be in "the national interest".

This follows exemption applications to Mineral and Energy Affairs Minister George Bartlett by three marginal mines — Harmony, Loraine and Joel A six-month exemption was granted to Harmony last October, and a similar notice appears in the latest Government Gazette as regards Loraine.

The Loraine exemption, opposed by the whites-only Mineworkers' Union (MWU), has also prompted an outcry from the NUM which says that, in contrast to the Harmony case, it was not consulted.

Sapa reports that, speaking at the opening of Northam's R1,5bn platinum mine Zondereinde near Thabazimbi yesterday, Wright warned that unless the SA mining industry changed its working practices it would be starved of further large-scale investment. The industry had to remain internationally competitive "Our competitors elsewhere in the world do this by working 20 out of a possible 21 shifts per week, thereby achieving optimum use of the assets employed In contrast SA mines do not work even half of those shifts

"There is now an urgent need for the introduction of enlightened work patterns if the SA mining industry is to remain viable. Further investment on a large scale will only be made in the new mines if such changes take place"

Wright urged government to review without delay the statutory restrictions preventing the industry running 24 hours a day, seven days a week

Chamber industrial relations GM Adrian du Plessis said the industry had, for many years, "petitioned for a seven-day week production cycle to enable optimal use of the infrastructure on mines, and to reduce unit overhead costs This need is now aggravated by depressed commodity prices We believe working hours should be left to agreement between employer and employee parties directly affected."

One mining source said mining was almost the only sector where the permissibility of Sunday work was dictated by law

NUM assistant general secretary Marcel Golding said yesterday the union was not averse to negotiating changes to legislation. The key was that any arrangements be made through negotiation But the union was firmly opposed to the Minister's discretionary powers regarding Sunday work "Bartlett has gone against a previous agreement to negotiate any alterations with us We wrote to his department asking to be consulted, and our letter was not replied to. His surreptitious Loraine decision will cause confrontation"

In the Harmony case, management and the union negotiated an agreement on matters such as working hours, health and safety and wages before the NUM supported the Harmony application

☐ To Page 2

Mining ban

B/DAY 22/1/93 (214)

☐ From Page 1

The MWU said the decision would place "a murderous burden on workers", and hinted that it might try to prevent implementation of the plan, Sapa reports "The decision does not mean that Sunday production may continue, because an agreement must first be reached with the union to change existing labour practices"

Bartlett and senior departmental officials were unavailable for comment on the Loraine matter However, Government Mining Engineer Jan Raath confirmed government was aware the question of Sunday work was under discussion in a committee of the mining summit — the industry's tripartite negotiation forum

JONO WATERS reports that at the opening of the mine, Finance Minister Derek Keys said unless SA could create growth in the primary and manufacturing sectors, the economy would not achieve the high growth rates it needed

Economic growth had been low in the past decade and whatever expansion had occurred had been "suspect" Half the growth had been created by the increased size of general government and the other half through financial services and property. Even though mining grew smaller as a contributor to the economy, it was still of fundamental importance to SA.

The mine has cost in excess of R1,5bn, will employ 6 500 people and earn R600m in foreign exchange a year

● Picture: Page 3

GOLD FIELDS FM 22/1/93 (214)

Base metals still down

After skating on thin ice for much of last year, base metal prices plunged in the December quarter That left Gold Fields' base metal producers facing another arduous year, despite the renewed weakness of the rand against the US dollar

Gold Fields executive director John Hopwood says prices were supported in the September quarter by market manipulation and speculative buying, but the fundamentals of weak demand, oversupply and excessive stocks reasserted themselves in December

Some analysts see little prospect of increases in dollar base metal prices over much of 1993, with leading world economies still battling to emerge from recession Any recoveries in commodity prices look likely to be capped by additional sales from the Commonwealth of Independent States (CIS), which still seems intent on earning hard currency at the expense of profits

Average value of the rand dropped 7% to US$1/R2,97 in the December quarter, from $1/R2,77 in the September quarter The rand copper price received dropped 5,8% over the same period while lead was 20% down and zinc 14,7% lower

The drop in the lead price was catastrophic for Black Mountain and Gold Fields Namibia (GF Namib), while O'oKiep Copper is reeling from the lower copper price and the damage to the mine caused by the backfill accident on November 14, when four miners were killed The full extent of the damage has only now been revealed The mine was effectively closed for a month and it's going to take most of this year to get production back where it should be

O'oKiep, not surprisingly, passed its dividend, as did Black Mountain, which slumped to a R7,5m loss in the December quarter

continue

FM 22/1/93 (214)

from a R7,1m profit in September, it made a R500 000 profit for the year Black Mountain's financial results are particularly disappointing because this was an excellent production quarter for the Northern Cape mine

GF Namib lost R4,4m (previous quarter R7,2m profit) but finished the year with profit of R10,7m After capex of R9,75m, it had R1m available for distribution, but is paying R2,4m in dividends which, given the grim outlook, seems unduly generous

Cash retention is normal in these market conditions, especially for a group as conservative as Gold Fields GF Namib director Richard Robinson says much of the dividend will be funded by a reduction in working capital

Financial effects on Gold Fields will be limited Group income is dominated by gold, which accounted for 57% in the year to June, with other minerals contributing only 5% Most of that came from Zincor and Gold Fields Coal, which in 1992 paid dividends only marginally lower than in 1991 Black Mountain and GF Namib passed their dividends in 1991

Brendan Ryan

Fm 22/1/93

(214)

Fm 22/1/93

LYDENBURG EXPLORATION

Taking it on the chin

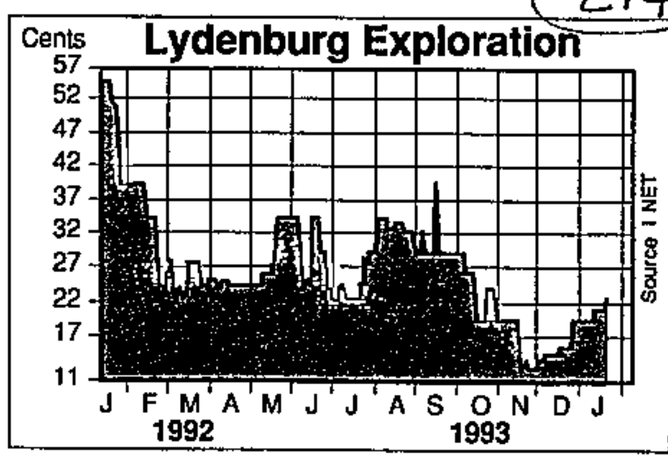
(214)

Activities: *Mining exploration*
Control: *Old Mutual 34,5%, Lydenburg Platinum 20,9%*
Chairman: *E P Bieber*
Capital structure: *124,3m ords Market capitalisation R24,9m*
Share market: *Price 20c 12-month high, 60c, low, 13c Trading volume last quarter, 500 000 shares*

Year to Sep 30	'89	'90	'91	'92
Exploration Exp (Rm)	3,3	3,7	9,1	0,6
Cash available (Rm)	20,2	14,2	16,7	18,4
Earnings (c)	(0,5)	(2 8)	(0,7)	(23,6)
Dividends (c)	—	—	—	—

Holders of exploration stocks have shed many a tear while watching the value of their shares dwindle over the past few years, and there is little comfort for Lydex shareholders in the latest annual report Faced with the certainty that there will be no developments on most of its gold projects over the next five years, Lydex has written off R37m in capitalised mineral, subscription and participation rights That represents the value of cash spent and shares issued to take up those rights

Chairman Peter Bieber says "Given the outlook for new, deep-level gold projects, we felt it was better to take it on the chin now and make these provisions Should there be any developments in the longer term, we would write back the value of the rights, but



it's unlikely anything will happen within the next five years"

Lydex is fortunate in that its financial position is strong It is about to start receiving earnings from Project Pluto — the treatment by East Rand Gold and Uranium (Ergo) of the slimes dams that Lydex acquired from ERPM Bieber expects Lydex to earn about R40m over the next four years as its share of profits from the treatment of these dumps It is already earning revenue from the 5A/8 dump being treated by Benoni Gold Holdings

These cash cows mean Lydex will be able to survive the current tough times and live to fight again once conditions improve in the gold mining industry When that will be is anybody's guess "Conditions in the minerals and commodities markets are the worst since 1932 and I don't know how long this is going to last However, I believe in commodity cycles and Lydex will sit this one out until conditions improve," says Bieber

The only other asset in Lydex's portfolio being turned to account is the rights that have gone into Anglo American Corp's Moab extension to Vaal Reefs Lydex had a 9,375% subscription right interest in the farm Cyferfontein 163, which has been incorporated into Moab, giving Lydex a 1% interest

Bieber points out that Anglo intends listing Moab on the Johannesburg and London stock exchanges when market sentiment is more favourable

If Lydex sticks to its intention of passing the benefits of new ventures through to its shareholders, there should eventually be a distribution of Moab shares Shareholders last year received eight Knights shares for every 100 Lydex held, after the sale of the Cason sand dump to Knights for 11,5m Knights shares

The company is looking to diversify from gold into base metals but is saying little about it now It is considering three projects, of which Bieber will only identify one This is the Chalumna heavy mineral sands project in the Ciskei, a joint venture with Malabar Mining Lydex has a 37,6% beneficial interest The project has to be re-evaluated after Anglo's decision to go ahead with its Namakwa Sands heavy mineral sands project

Lydex shares stand at 20c, up from their all-time low of 13c The counter is in a classic recovery position, but the wait could be long Shareholders should expect no distribution of income from Pluto because that will all be retained

Brendan Ryan

Loraine gets government nod for Sunday working

By Derek Tommey (214)

Struggling Free State gold mine Loraine has won government approval to introduce Sunday working STAR 22/1/93

In terms of a notice published in today's Government Gazette, the Minister of Mineral and Energy Affairs says Loraine can conduct normal mining operations on Sundays for a period of six months

But Loraine is not yet out of the woods

The Government's approval does not automatically mean that Sunday mining can be introduced It now has to hold discussions with all employees and interested parties to get their approval

The outcome of these discussions will determine the timing and potential benefits of implementing Sunday working

Sunday mining could make a significant improvement in Loraine's financial situation.

It reported a working loss from gold mining of R4,6 million in the December quarter, down slightly from the R5,3 million lost in the September quarter

Loraine wants to work on Sundays because it has found some high-grade deposits The sooner it can develop these and get the ore to the mill, the more chance it has of operating at a profit

December development results confirm the presence of the higher-grade deposits Values on the Eldorado reef jumped from 8,5 g/t to 19,5 g/ton, giving 1 989cm-gm/t, against 809cm-gm/t in September

Anglo American gold mines cut a fine dash

STAR 22/1/93.

By Derek Tommey (214)

Anglo American's gold mines are showing the world that the yellow metal is still a growth investment.

Together they boosted their available profit by R49,2 million (33 percent) to R202,7 million in the December quarter

Gold production boss Lionel Hewitt said yesterday the improvements were production-driven and aided by a small increase in the rand gold price He expected these results to be maintained this year

Anglo gold and uranium division chairman Clem Sunter is fairly optimistic about the outlook for gold and expects improved demand towards year-end

The gold market's reaction to sale by the Dutch central bank of 400 tons in the December quarter has been encouraging Although the volume of gold flowing to the market rose 80 percent to around 900 tons in the December quarter, the gold price has stayed around $330

This is a sign that the market, especially the Chinese segment, is capable of absorbing fairly large tonnages

Sunter said yesterday central banks were rational and would not want to push down the price and devalue the rest of their holdings

Clem Sunter fairly optimistic about the outlook for gold

He expected an improvement in the price towards the end of the year as the US economy and jewellery demand picked up

Improved profits at the mines have resulted in several increased dividends

Elandsrand is paying a final of 35c which, with the interim, makes a total of 60c for the year (35c last year)

Afrikander Lease is paying 17c (12c) Vaal Reefs is paying a final of 610c, making 1 110c for the year (1 035c)

Southvaal is paying a final of 140c, making 285c for the year (250c)

Western Deep is paying an unchanged final of 210c after cutting its interim from to 100c from 180c a year ago to make a total payment of 310c (390c) for the year

Shareholders are not the only ones to benefit from the improved results

In terms of the group's profit-sharing scheme, R25 million was paid out in bonuses, representing an average increase of 4,25 percent over and above the wage and salary awards made in the middle of 1992

A feature of the quarterlies was a marked improvement in profits at **Freegold**, the world's largest gold mine It increased production to 28 950 kg from 28257 kg in the September quarter

Pre-tax profit rose from R106,6 million to R154,0 million, while taxed profit rose from R94,9 million to R124,2 million

The improvement in production was spread across the board, said Hewitt He said there was no reason to expect that production this quarter would be any different from the December quarter

He believed the mine should be able to maintain this rate of production for the foreseeable future

Vaal Reefs, the group's biggest Transvaal mine, had consolidated taxed profit of R163,9 million — a 22,8 percent increase on the R133,5 million earned in the September quarter

Production rose from 18 870 kg to 18 916 kg, while working costs fell from R24 380 to R24 183 a kg Pre-tax profit was R169,6 million (R147,9 million)

Western Deep Levels, whose operations were affected by seismic activity in the first half of the year and later by an underground fire, earned R99,7 million (R74,3 million in the September quarter)

The mine is back to normal production levels, but the grade is less than hoped But there are encouraging signs of improvement

Ergo, which operates a dump-retreatment plant, had a profit of R18,1 million (R11,7 million)

Southvaal reported taxed profit for the year to December of R74,4 million (R65,7 million) and **Elandsrand** earned R68,2 million (R59,9 million)

Elandsrand is planning to increase the capacity of its treatment plant from around 190 000 tons a month to 200 000 tons a month

Profits surge at Anglo gold mines

CT 22/1/93 (214)

From MADDEN COLE

COST reduction, combined with a higher gold production and the cushioning provided by hedging, pushed up Anglo American's gold division's available profit by 33% for the December quarter.

Available profit increased to R202,7m (R152,8m) with gold production reflecting a 2% rise to 66 399kg (65 105kg). Average revenue for the quarter was 3% higher at R34 040/kg (R33 031/kg).

Average unit costs dropped 1% to R26 387/kg (R26 671/kg), and working costs were contained at R1 752,1m (R1 736,4m).

Capex amounted to R292,4m (R235,9m).

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South Region's gold production of 15 380kg (14 906kg) was the highest recorded since the merging of the Freegold operations, Hewitt said.

Freegold came through the holiday season "quite well" and was back to full production. Production should be maintained for the foreseeable future.

In the past 18 months the mine had been "cutting out" marginal ore, but No 1 shaft with better grades would be coming on stream next year. Present grades did not have much "upside scope", Hewitt said.

Vaal Reefs continued to improve in the quarter and Hewitt predicted a relatively stable 1993. The quarter's results included a full quarterly dividend from Southvaal Holdings and therefore were not directly comparable with the previous quarter.

Western Deep Levels was returning to normal production volumes, but Hewitt said grade was below what was expected.

Hewitt said Elandsrand's selective mining was improving the grade.

Shaft sinking at the Moab project was going according to plan.

Ergo's grade had a degree of flexibility as a number of dams could be accessed.

● The following dividends were declared:

Vaal Reefs Exploration and Mining — final 610c, total 1 110c (1 035c).

Western Deep Levels — final 210c, total 310c (390c).

Elandsrand Gold Mining — final 35c, total 60c (35c).

Southvaal Holdings — final 140c, total 285c (250c).

Afrikander Lease — annual 17c (12c). — Reuter

Sunday nod for Loraine

INTENSE pressure is building on government to scrap the provision of the Mines and Works Act which forbids Sunday production work.

Yesterday both the Chamber of Mines and Northam Platinum chairman Alan Wright called for the repeal of the law which permits Sunday work only by ministerial exemption if it is determined to be in "the national interest".

This follows exemption applications to Mineral and Energy Affairs Minister George Bartlett by three marginal mines — Harmony, Loraine and Joel. A six-month exemption was granted to Harmony last October, and a similar notice appears in the latest Government Gazette as regards Loraine.

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The industry had to remain internationally competitive. "Our competitors elsewhere do this by working 20 out of a possible 21 shifts per week. SA mines do not work even half that."

Mines' twin boost for Anglo

B/Day 22/1/93

MADDEN COLE

FREEGOLD and Vaal Reefs made a major contribution to the improved performance of Anglo American gold mines in the December quarter

"Results were satisfactory with the mines coming through the quarter really well," gold division chairman Clem Sunter said yesterday

Freegold's across-the-board improvement saw a 25,8% increase in available profit to R75,5m (R60m), gold division MD Lionel Hewitt said

Total gold revenue rose to R990,5m (R936,6m) from higher gold production of 28 950kg (28 257kg) and revenue up 3,2% at R34 215/kg (R33 144/kg)

Freegold's metallurgical scheme increased gold production to 612kg (504kg), with acid production increasing to 87 861 tons (75 744 tons)

Freegold had managed to "put its house in order" and now had the ability to maintain production for the foreseeable future

Vaal Reefs' available profit increased 15,7% to R61,9m (R53,5m), resulting in an increase in earnings a share to 323c (280c)

Improved production and higher revenue/kg raised Western Deep. Levels' available profit sharply to R40,1m (R25,5m)

The east section was on course while the west section mine was doing well In spite of being marginal the west section had covered its cost in full

Hewitt said Elandsrand had an excellent quarter with gold production up 6,9% at 5 164kg (4 832kg)

Final dividends were declared by Vaal Reefs (610c), Western Deep Levels (210c) and Southvaal Holdings (140c)

Sunter said R25m had ben paid out across the division in bonuses

This represented an average increase of 4,25% over and above wage and salary awards concluded in the middle of 1992

ANGLO AMERICAN December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 586**	**4,40**	**28 950**	**129**	**29 422**	**34 215**	**124 190**	**75 489**	**64**
September	6 600	4,28	28 257	128	29 945	33 144	94 981	59 987	51
Vaal Reefs	**3 011**	**6,28**	**18 916**	**152**	**24 183**	**33 051**	**163 895**	**61 827**	**323**
September	3 143	6,00	18 870	146	24 380	33 303	133 517	53 529	280
Western Deeps	**1 640**	**6,27**	**10 277**	**156**	**24 856**	**34 307**	**99 722**	**40 134**	**145**
September	1 638	6,10	9 985	155	25 502	32 662	74 319	18 583	67
Elandsrand	**564**	**9,16**	**5 164**	**194**	**21 143**	**34 952**	**68 232**	**17 572**	**18**
September	516	9,36	4 832	189	20 156	32 546	59 917	15 731	16
Ergo	**10 501**	**0,29**	**3 092**			**36 047**	**26 078**	**7 673**	**15**
September	10 542	0,30	3 161			32 304	19 676	4 960	10

Dancing the gold contango

(214) S/Times (BUSS) 24/1/93

THE market capitalisation of American Barrick, at almost R20-billion (converted in financial rand terms), is about the same as that of the entire JSE gold board, currently R24-billion

The irony is that Barrick produces 50 tons of gold a year — compared with SA's 600 tons Barrick's production has grown rapidly over the past few years, whereas SA's market share of world production has halved since 1970

That Barrick is so highly rated is encapsulated in the chairman's statement.

It can afford to be operationally aggressive because it is financially conservative

Barrick fixes its revenue through hedging almost all its production and funds its capital requirements through gold loans, thus reducing cost of capital

In a nutshell, Barrick and mines like it have outperformed SA's gold mining industry by revenue management and a businesslike approach.

SA's miners came through two decades of rising rand gold prices, insulated first by the sharp dollar rise from 1968 onwards and, secondly, by the dive in the rand during the 80s

But for the last five years the rand gold price has stagnated while cost increases continued apace

SA's tack was to try to cut costs while doing nothing about the revenue side of the profit margin equation

The latest quarterly results show that SA's gold mining industry is finally coming to terms with the principles of hedging gold sales in order to lock in revenue

Long an opponent of forward selling of gold, due to the belief that hedging caps the gold price, Gengold has hedged about a third of its production at a price of R34 238/kg over the next 12 months

The contango — or premium received above the spot price — is about 8% in rand terms This means that, at a spot gold price of R1 000/oz, a forward seller can receive R1 080/oz 12 months' hence.

In many cases, due to the profit squeeze of the past four years — during which the flat rand gold price and high local inflation combined to reduce margins — this premium is more than the current profit margin.

The risk is that if the dollar price rises, or the rand depreciates against the dollar, a higher rand gold price can result — which would make those who earned only R1 080 look remiss

The rand is expected to fall. Gencor agrees with JCI's view that it might get to 350c to the dollar in 1993. In dollars the gold contango is about 2% — hardly worthwhile.

Gengold has sold about a third of its 1993 production forward, and Anglovaal varying amounts — more than half for ailing Loraine

Gold Fields sells none at all, whereas JCI is also active, although reluctant to quantify the extent.

Anglo American's Clem Sunter says the group's hedging policy has achieved its objectives in providing a cushion against a downturn in the gold price and by enabling it to keep all its shafts open.

Rand Gold has not yet reported quarterly results

SUCKING UP DUSTY PROFITS

S/Times (BUSS) 24/1/93 (214)


GENGOLD'S GARY MAUDE

GENGOLD'S St Helena gold mine is using high-powered industrial vacuum cleaners to suck up gold formerly lost in carbonaceous dust at the No 2 shaft

General manager Howard Leycock says five cleaners are in action 24 hours a day at the shaft and that another six are on order

They cost about R170 000 each, but the vacuums are providing a solution to a problem that has plagued St Helena and other miners of carbonaceous reef for years (Gengold chief Gary Maude estimates that 400 tons of gold, two-thirds of SA's annual production, have been lost at West Rand Cons over its lifetime)

Only about half the gold expected at St Helena's No 2 shaft reports to the mill. The rest is lost as dust down cracks in the stopes. Leycock says that since the vacuums have been employed, more than 140kg of lost gold has been recovered

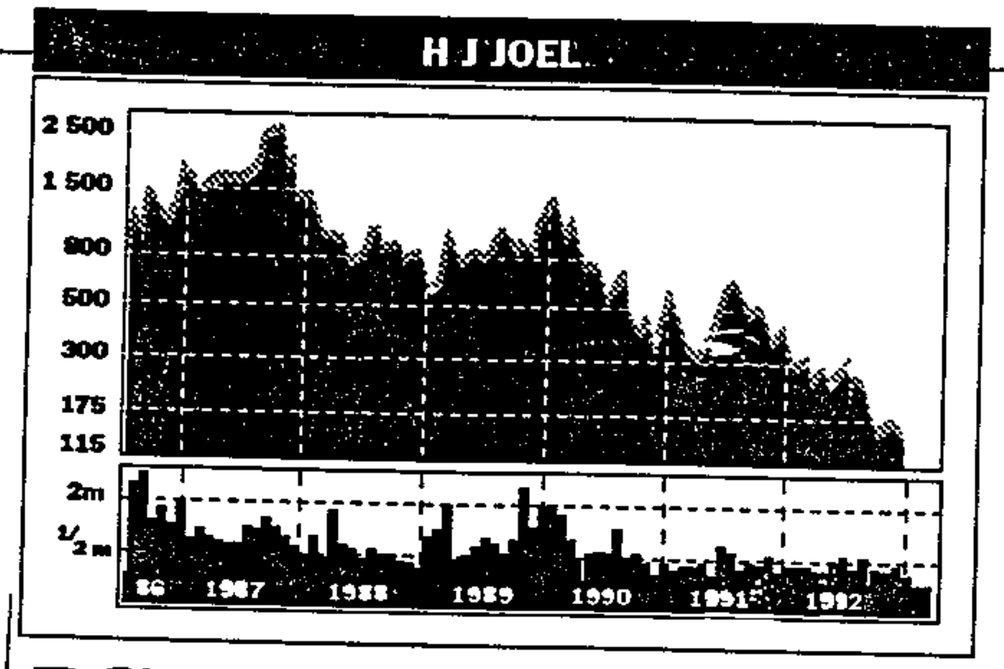
The machines can suck rocks the size of cricket balls. The suckings are dumped directly into an ore carrier and delivered to the mill. They already account for 12% of the production at St Helena.

Gengold has introduced another innovation at its Buffelsfontein mine. Instead of operating the mine in the conventional way, Buffels's management has been reorganised into business units, each of which is run by the best person for the job

One area of the mine is managed by a former administrative manager, another by an ex resident engineer and a third by a mining engineer

Gengold's mines fared well in the December quarter and are in reasonable shape to face up to a period in which no one expects the gold price to rise. Fundamentally, says Maude, gold is okay in the longer run. Central banks have been sellers for several years and sales of 200 or 300 tons a year are something we have to live with.

Other gold-mining nations are feeling as much strain as South African mines and Maude believes some mines will throw in the towel.




JOEL'S BILL NAIRN

JCI stocks its war chests

S/Times (BUSS) 24/1/93 (214)

SHARES in JCI's Free State gold mine Joel hit a new low of 135c on Tuesday ahead of the company's disheartening quarterly report. Joel was R30 in 1987

Managing director Bill Nairn says that the disappointing development results of the last two quarters have necessitated a drop in production to 65 000 tons a month.

Chairman Kennedy Maxwell's report to shareholders for the year to June 1992 said that, ideally, the mine would like to expand its production rate to 130 000 tons a month to optimise mining costs, but that progress towards this end depended on the availability of financing

At that time, Joel was heavily dependent on a recovery in the gold price — something Nairn is not sanguine about this year He says that, in the near term, covering of short positions might help gold to rally a little but expects no sharp increase in dollar terms.

Nairn's view is that the rand could reach 350c to the dollar this year, which would provide a cushion. It is selling part of its production forward and building war chests at individual mines as further insulation against a fall.

At June 30, Joel owed JCI R150-million principal plus cumulative preference dividend of R34-million, and owed another R88-million to various financial institutions.

In the past two quarters, Joel has spent R14,6-million on capital items while making operating profits of less than R6-million.

Nairn says Joel does not have a funding problem at present. It is essential to reduce working costs to a profitable level while continuing with reef development.

Discussions have commenced with the mine's 2 400 employees on ways to cut costs without cutting jobs. Permission will be sought for Joel to drill and blast reef development on Sundays, a six-day week to replace the 11-shift fortnight and an agreement for certain job categories to take up to two months' unpaid leave.

Nairn says that bad results have been coming for so long that, statistically, things had to change for the better

He says that 23 boreholes drilled from surface before the mine went ahead made an unprecedented 92 reef intersections, adding that the Kimberley reef tends to be unpredictable.

Other than Joel, JCI's stable had a few highlights.

Randfontein's grade rose and is sustainable, working costs came down, the workers got a R3,7-million bonus to share and the members can look forward to improving dividend.

Western Areas lifted its working profit margin 76% to R5,11 a ton and continues to make good money out of uranium. Sampling results at South Deep are consistently better than expectations, but a green light for the development of a mine will not be given until gold improves.

● JCI gold division chairman Ken Maxwell is abroad on business following a skiing holiday somewhere in Switzerland. Perhaps he will nip into Italy and dissuade its central bankers from selling bullion. It is harming the price.

Worldwide gold demand on the up

214

CT 25/1/93

From JONO WATERS

JOHANNESBURG — Worldwide gold demand was expected to increase by 4% to 2 635 tons in 1992 from 2 526t in 1991, the World Gold Council said in the first edition of its Gold Demand Trends.

The prediction is based on figures up to September last year.

Total [illegible] demand for jewellery in 1992 [illegible] to rise 9% to 2 [illegible]t from 2 111t in 1991, industrial gold demand was set to rise 1% to 270t (267t) and demand for gold coins [illegible] fall 57% to 65t (150t).

Gold demand for jewellery continued to [illegible] in the Far East with cumulative [illegible] in the third quarter [illegible] tons higher than the same period in 1991.

The council said gold demand for jewellery in Asia which it defined as Hong Kong, Taiwan, Thailand, Malaysia, Singapore and South Korea, rose 23% to [illegible]t in the first three quarters of 1992. Demand in China, a category on its own, rose 50% to 165t.

Demand in [illegible] was mainly in Singapore (up 79%), Thailand (up 73%) and Taiwan (up 43%).

Taiwan is the largest market for gold in the Asia with 119t in 1991, but gold imports to the third quarter had already surpassed this figure by one ton. Strong growth of gold imports to Taiwan in part, reflected the lifting of the ban on gold exports on August 1.

Sapa-Reuter reports demand for gold for jewellery accounts for three quarters of manufacturing buying. While gold demand in south east Asia is flourishing the new market unleashed in China by economic and legislative change appears to be voracious.

But analysts are reluctant to forecast future Chinese buying because of a fluctuating gold price, persistent problems in trying to predict China's economic performance and the absence of a trade body in the country to record import-export figures. They said China, due to rising personal incomes, had the potential to become the world's largest consumer.

Gold demand for jewellery in the developed countries, which comprised the US, Japan, France, Italy, Germany and the UK, fell by 3% to 398t in the first three quarters of 1992 when compared to the same period in 1991.

Japanese demand

The largest drop was in Japan, where demand fell 17% to 75t and demand in the UK dropped 9% to 23,9t. Japanese sales were level with 1991, and the fall in demand was attributed to retailers reducing stocks.

The US recorded an increase of 5% to 158t and demand from France grew by 4% to 28,7t. Jewellery sales in the US remained strong and in the May to July period last year, sales reached an all-time high since data collection started in 1988.

Sales of gold coins increased sharply in the third quarter to 16,6t compared to 3,4t in the same period last year. Total sales for the first three quarters amounted to [illegible] up 31% on the comparable period in 1991.

The report said the IMF placed central banks' gold reserves at about 29 000t at the end of August last year. Reserves had declined by 248t since the end of 1991.

Gold demand set to grow by 4% this year

B/Day 25/1/93 (214)

WORLDWIDE gold demand was expected to increase by 4% to 2 635 tons in 1992 from 2 528t in 1991, the World Gold Council said in the first edition of its Gold Demand Trends

The prediction is based on figures up to September last year

Total gold demand for jewellery in 1992 was forecast to rise 9% to 2 300t from 2 111t in 1991, industrial gold demand was set to rise 1% to 270t (267t) and demand for gold coins was set to fall 57% to 65t (150t)

Gold demand for jewellery continued to grow in the Far East with cumulative sales in the third quarter 344 tons higher than the same period in 1991

The council said gold demand for jewellery in Asia, which it defined as Hong Kong, Taiwan, Thailand, Malaysia, Singapore and South Korea, rose 23% to 322t in the first three quarters of 1992, while demand in China, a category on its own, rose 50% to 165t

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The report said the IMF placed central banks' gold reserves at about 29 000t at the end of August last year Reserves had declined by 248t since the end of 1991

Harmony turns loss into a profit

ALAN FINE (214)

RANDGOLD and Exploration's Harmony gold mine has turned a third quarter loss of R5,7m into a fourth quarter profit of R8,5m, thanks largely to seven-day-a-week operations

Harmony chairman John Turner said yesterday Harmony had faced closure until Mineral and Energy Affairs Minister George Bartlett granted permission for Sunday blasting, which began in October "With the co-operative atitude adopted by employees and their unions to support voluntary mining, the risk of closure has diminished," he said

He added, though, that the encouraging results did not mean the mine was out of the woods, and Sunday blasting remained an "integral part" of maintaining profitability at fourth quarter levels

The ministerial exemption from the requirements of the Mines and Works Act, which forbids Sunday operations, expires on March 8 when it is up for review

The mine had received the required departmental permission to carry out twice-a-day blasting in areas where this did not affect health and safety standards

In a presentation at the mine in Virginia yesterday, Harmony south division GM Dan Jordaan said the additional Sunday and alternative Saturday work (mines nor-

☐ To Page 2

Harmony

B/Day 26/1/93 (214)

☐ From Page 1

mally work an 11-shift fortnight) produced an additional 243kg of gold and the twice-a-day blasting 320kg, giving a total of 563kg

Overall tonnage, at 1,567-million tons, was only marginally higher than in the previous quarter (1,544-million tons), with the gains made by concentrating the extra operations in high grade areas. This raised average grade from 3,133g/t to 3,477 The extra 563kg of gold mined was produced at an additional marginal cost of R9 094/kg, compared with the mine's average working costs of R31 337/kg for the quarter

Additional savings of R300 000 to R400 000 a month were achieved through reduced unit power costs. Jordaan believed this could be raised to R600 000.

Randgold human resources director Richard de Villiers attributed the success of the Harmony survival plan to sound labour relations He said this was achieved through full disclosure of information to workers and their representatives, negotiation of changes, and incentives such as the mine's profit-sharing scheme

Both the NUM and the officials' associations had supported the change to Sunday work. While the Council of Mining Unions, which includes the Mineworkers' Union, had not, it had not attempted to prevent members volunteering for Sunday work.

JONO WATERS reports that Harmony's turnaround resulted in an after-tax profit of R6,7m in the December quarter for the Randgold group, compared with a loss of R6,5m in the September quarter

The group increased gold production to 10,8 tons (10,4 tons) and combined tonnage from underground and surface operations rose marginally to 3,4-million tons

● Picture Page 3
● See Page 7

Sunday shift swings mine into profit

(214)

ARG 26/1/93

Business Staff

SUNDAY working at Harmony gold mine, together with improved cost containment and a better grade, helped Randgold and Exploration — the new name for Rand Mines — to turn a R6,5 million loss in the September quarter into a R6,7 million taxed profit in the December quarter.

Harmony swung a loss of R5,7 million in the September quarter to a profit of R8,5 million in December

Mineral and Energy Affairs Minister George Bartlett gave the mine permission last October to blast on Sundays when it was faced with closure This permission will be reviewed in March

Harmony chairman John Turner said yesterday Sunday mining operations were a key element in the mine's profitability and its future existence

Gold production increased from 4 727 kg to 5 305 kg and the grade improved from 3,19g/t to 3,57g/t

Working revenue increased more than R20 million to R177,3 million

Costs were R170,8 million, leaving a working profit of R6,5 million

Gold production at ERPM fell from 1 685 kg to 1 539 kg after a fall in grade from 6,04g/t to 5,27g/t, although underground tonnage milled increased

The working profit was R261 000 (September R4,8 million).

The heavy interest burden of R11,6 million wiped out the profit and sundry revenue of R4,3 million resulted in a loss for the quarter of R7 million (R3,4 million loss previously)

Durban Roodepoort Deep produced 1 263 kg (1 197 kg) of gold and earned R45 million (R47 million). Working profit was R1 million

Profit after a larger tax bill was R963 000 (R1 million previously)

Blyvooruitzicht had a working profit of R3,7 million (R500 000) following a small increase in gold production Taxed profit rose from R1,5 million to R4,3 million

■ Rainbow Chickens is to report a significant loss for the year ended March 31, 1993, and no final dividend will be declared.

In a cautionary announcement to shareholders, Rainbow said Hunt Leuchars and Hepburn Holdings would take over the management of the poulty group with immediate effect

Randgold soars back into profit

(214) CT 21/1/93

JOHANNESBURG — The Randgold & Exploration group turned a R6,5m loss in the September 1992 quarter into a reported R6,7m after-tax profit in the December 1992 quarter.

The [illegible] largely [illegible] the Harmony [illegible] cost containment and improved [illegible]

Harmony gained [illegible] after-tax profit of [illegible] in the quarter of 1992 [illegible] profit.

The [illegible] sure but [illegible] Mineral [illegible] George [illegible] October [illegible] March [illegible]

Harmony chairman [illegible] said that [illegible] were [illegible] and of the future existence of the [illegible]

[illegible] and [illegible] grade and [illegible] current levels and Sunday operations beyond [illegible] part of [illegible]

[illegible] went up from 4 727 [illegible] 5 [illegible] 2 19[illegible]

Working revenue [illegible] R20m [illegible] R170,8m [illegible] R6,5m Sundry revenue [illegible] the quarter

The [illegible] in the Randgold group [illegible] production to [illegible] kg from [illegible] from a little [illegible] tonnage of 2,0[illegible] increase in grade [illegible]

[illegible] the September [illegible]

FRPM [illegible] grade [illegible] milled

The [illegible] profit of [illegible] the [illegible] the profit [illegible]

Durban Roodepoort Deep [illegible]

Tax bill

[illegible] the profit [illegible] the September [illegible] R[illegible] [illegible]

Blyvooruitzicht [illegible] bill [illegible]

[illegible] the [illegible] revenue [illegible] from R1,5m — S [illegible]

Randgold turns scarlet into black

STAR 26/1/93.

By Derek Tommey (214)

Sunday working at Harmony gold mine, together with improved cost containment and a better grade, helped Randgold & Exploration — the new name for Rand Mines — to turn a R6,5 million loss in the September quarter into a R6,7 million taxed profit in the December quarter

Harmony had a profit swing of R14 million — from a loss of R5,7 million in the September quarter to a profit of R8,5 million in December

Mineral and Energy Affairs Minister George Bartlett gave the mine permission last October to blast on Sundays when it was faced with closure This permission will be reviewed in March

Harmony chairman John Turner said yesterday Sunday mining operations were a key element in the mine's profitability and its future existence

To remain profitable, grade and production must stay at current levels Sunday operations beyond March 1993 were integral to this

Gold production increased from 4727kg to 5305kg and the grade improved from 3,19g/t to 3,57g/t

Working revenue increased more than R20 million to R177,3 million

Costs were R170,8 million, leaving a working profit of R6,5 million

Gold production at **ERPM** fell from 1685kg to 1539kg after a decline in grade from 6,04g/t to 5,27g/t, though underground tonnage milled increased

The working profit was R261 000 (September, R4,8 million)

The heavy interest burden of R11,6 million wiped out the profit and sundry revenue of R4,3 million resulted in a loss for the quarter of R7 million (R3,4 million loss previously)

Durban Roodepoort Deep produced 1263kg (1197kg) of gold and earned R45 million (R47 million) Working profit was R1 million

Profit after a larger tax bill was R963 000 (R1 million previously)

Blyvooruitzicht had a working profit of R3,7 million (R500 000) following a small increase in gold production Taxed profit rose from R1,5 million to R4,3 million

Randgold turns in mixed results

B/Day 26/1/93. (214)

JONO WATERS

RANDGOLD's Harmony and Blyvooruitzicht (Blyvoor) mines produced good results in the December quarter, but poor performances by Durban Deep and ERPM marred group results

Harmony managed a turnaround to an after-tax and capex profit of R8,46m from a loss of R6,1m in the September quarter, while after-tax and capex profit at Blyvoor nearly doubled to R2,61m (R1,42m).

Durban Deep slipped back into the red, reversing its R565 000 after-tax and capex profit in the September quarter to a loss of R414 000. Losses at ERPM resulted in the mine's total debt topping R500m

Harmony's yield increased to 3,57g/t (3,19g/t previously), costs a kilogram dropped to R31 859 (R34 650/kg) and revenue increased to R32 535/kg (R32 434/kg).

Chairman John Turner said the results reflected the effect of rationalisation and productivity plans "In order to maintain profitability, grade and production must remain at current levels, and Sunday operations beyond March 1993 are an integral part of this."

The grade at Blyvoor increased to 6,78g/t (5,97g/t), more than offsetting a drop in tonnage. Gold production rose marginally to 1 886kg (1 863kg)

Development in the Western Deep tribute area was proceeding Blyvoor was to close in 1994, but an agreement with Western Deep would extend the mine's life beyond 2000.

ERPM remained in the red as the mine's interest payment of R11,6m on borrowings of R513m wiped out the company's small working profit and sundry revenue. The mine continued to receive a water pumping subsidy of R1,7m from government

ERPM had also applied for continuation of a state interest subsidy of 10%, which expired at the end of 1992 An answer was expected soon. However, ERPM had the resources to meet immediate requirements

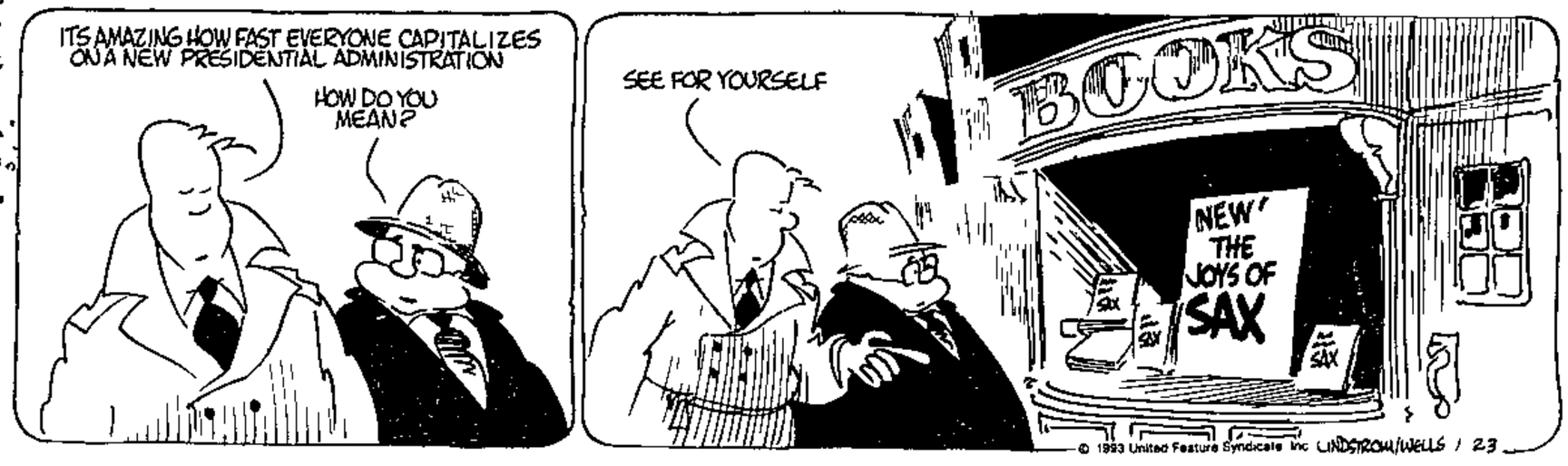
Durban Deep, which was getting a R2,1m water pumping subsidy, turned in a small after-tax and capex loss. The mine was forced to cease operations in some areas As a result, tonnage fell to 295 000 tons (312 000t)

RANDGOLD* December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**278**	**6,78**	**1 886**	**208,44**	**30 725**	**32 557**	**4 252**	**2 606**	**10,9**
September	312	5,97	1 863	189,99	31 817	32 031	1 458	1 422	5,9
Durban Deep	**295**	**4,06**	**1 197**	**139,68**	**34 424**	**32 588**	**963**	**(414)**	**(17,8)**
September	312	4,05	1 263	135,37	33 440	32 330	1 056	565	24,3
ERPM	**292**	**5,27**	**1 539**	**191,82**	**36 395**	**32 188**	**(7 042)**	**(12 547)**	**(75,4)**
September	279	6,04	1 685	196,79	32 585	31 275	(3 390)	(5 653)	(34,0)
Harmony	**1 486**	**3,57**	**5 305**	**113,81**	**31 859**	**32 535**	**8 503**	**8 462**	**31,5**
September	1 483	3,19	4 727	110,44	34 650	32 434	(5 675)	(6 099)	(22,7)

* Operating results from underground operation only

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



Mines have good quarter

From JONO WATERS (214) CT 27/1/93

JOHANNESBURG — Gold mines in SA had benefited from the increased rand gold price and higher grades which led to a satisfactory December quarter, analysts said yesterday.

Fergusson Bros, Hall, Stewart and Co analyst Trevor Pearton said it had been an acceptable quarter and showed that the industry was in good shape. "This indicates that the industry is hell bent on survival"

The higher gold price saw distributable profit rise to R411m from R344m in the September quarter.

The gold price received by the industry increased 2,7% to R33 128/kg over the past quarter, but the average spot price rose 4,2% to R32 267/kg. Pearton said this showed the extent of hedging.

The 2,1% increase in grade in the industry to 5,41g/t offset a 1,2% fall in tonnage milled to 26,8-million tons Gold production rose 0,8% to 145 tons

Frankel Max Pollak Vinderine analyst Adrian Finch said if the rand/gold price improved during the year, there would be more good quarters for producers

Capex at the mines had risen as expected, but some mines still came in with "fantastic results". Capex in the industry rose R89m to R505m in the December quarter

E W Balderson analyst Nick Goodwin said the star performer had been Anglo American

Finch regarded Gengold and Anglo as the best performers. They were managing to increase their grades and contain costs.

Pearton singled out Harmony, Harties and Beatrix as good operations in the quarter, but pointed out the results of ERPM, Deelkraal and Driefontein had suffered.

Gold mines experience good December quarter

B/Day 27/1/93. (214)

JONO WATERS

GOLD mines in SA had benefited from the increased rand gold price and higher grades which led to a satisfactory December quarter, analysts said yesterday

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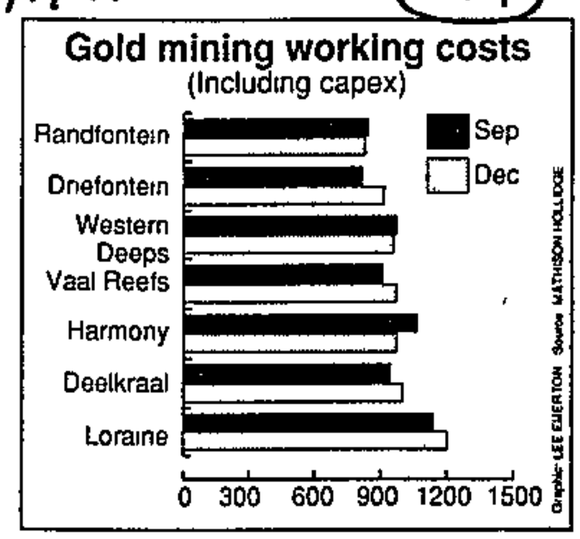
The gold price received by the industry increased 2,7% to R33 128/kg over the past quarter, but the average spot price rose 4,2% to R32 267/kg Pearton said this showed the extent of hedging, adding that some of the mining houses held positions that were "running down"

The 2,1% increase in grade in the industry to 5,41g/t offset a 1,2% fall in tonnage milled to 26,8-million tons gold production rose 0,8% to 145 tons

Pearton said the industry had managed to increase grades for the past three quarters

Frankel Max Pollak Vinderine analyst Adrian Finch said if the rand/gold price improved during the year, there would be more good quarters for producers However, the mines were increasing pay limits and this was damaging in the long run



The 0,38g/t grade increase at Harmony showed how marginal the mine was "Harmony can probably keep this up for the next six to nine months, but can't go on forever."

Mathison and Hollidge analyst Rob Gillan said Harmony should not bank on making a large profit as government could stop seven-day a week operations The mine was likely to trim profit in the current quarter and increase capital expenditure

Capex at the mines had risen as expected, but some mines still came in with "fantastic results" Capex in the industry rose R89m to R505m in the December quarter

E W Balderson analyst Nick Goodwin said the star performer had been Anglo American, but generally all the mining houses had a good quarter

Finch regarded Gengold and Anglo as the best performers. They were managing to increase their grades and contain costs

Pearton singled out Harmony, Harties and Beatrix as good operations in the quarter, but pointed out the results of ERPM, Deelkraal and Driefontein had suffered

He believed the rand gold price would remain flat in the current quarter with grades not increasing by as much as in the previous quarter

"We will see a lot of marginal variations in the current quarter and there is little potential for dividend growth"

Gillan expected the current quarter to be much the same as the last, except for higher capex.

The outlook for the current quarter was positive, said Goodwin, even with the gold price static in dollar terms as the rand was expected to weaken further

Most analysts see the gold price averaging about R1 050 this year as the rand gets weaker Mining house executives, who include JCI's Bill Nairn and Gengold's Gary Maude, see the rand reaching R3,50 to the dollar before the end of the year

Analysts expect GFSA's Doornfontein to close before the end of the year and an announcement on the fate of Anglovaal's Loraine mine.

Randgold's debt-ridden ERPM mine would not be allowed to continue operations if it could not stem its losses, an analyst said

Sechold rises to challenge

B/Day

DUMA GQUBULE

SECHOLD reported an 18% rise in attributable earnings to R9,5m for the six months to end-December

The banking group said its four deposit-taking institutions — Securities Investment Bank, Secfin Bank, NDH Bank and District Securites Bank — had all improved profits under challenging conditions

Sechold would increase its holding in District Securities Bank to 75% on Saturday Executive management would acquire the remaining 25% from Boland Bank. 27/1/93.

The group's income statement showed net income after tax and internal reserves transfers of R9,5m, equivalent to 40,6c (34,4c) a share The interim dividend rose 7% to 15,5c (14,5c) a share

JCI 'unlikely to go it alone'

B/Day 27/1/93.

JANE ARBOUS

JCI has been widely tipped to buy a major stake in Johnson Matthey, but SA analysts doubt that it will go it alone on a deal of that size

To buy the 38% offered by Charter Consolidated, analysts said JCI would have to raise about R2bn

JCI's Rustenburg Platinum Holdings has a long-standing marketing contract with Johnson Matthey Like Charter and its major stakeholder Minorco, both companies are part of the Anglo American Corp-De Beers Consolidated Mines family

Analysts said a more likely scenario would be for JCI to take a small stake along with other parties connected to Anglo, which would be loathe to see the shareholding leave its controlling ambit

"I don't see how JCI can take on that kind of additional debt, but there are a number of other permutations," said Rene Hochreiter of Anderson Wilson Partners

Analysts said an offshore rights issue was possible, but such a large placing would be difficult to achieve

JCI has so far declined to comment on whether it has made an offer for the Johnson Matthey stake A spokeswoman said it would issue a statement this week.

Analysts said strict foreign exchange regulations were a major stumbling block to financing the deal, as were fears of anti-trust legislation in the EC and US

Dave Russell of stockbrokers Irish & Menell Rosenberg Inc said there were no overwhelming strategic reasons for JCI or Rustenburg to buy the entire stake on offer. Most of the platinum technology and contracts developed by Johnson Matthey for Rustenburg were legally protected, Russell said.

"I have been told Rustenburg considers Johnson Matthey a 'hollow shell'

"There is nothing much in there that they are frightened of losing, although they obviously would want to keep the close links," Russell said

Speculation that the Charter sale, coupled with cash flow needs in Anglo/De Beers, could mean a wider shake-up in interlinked Anglo/De Beers shareholdings was "off track", analysts said

Analysts said the ANC remained critical of the potential controlling and monopolistic influences of companies such as Anglo — Reuter.

Absa slashes estate agents' fees

ANDREW KRUMM

BANKING and finance group Absa yesterday announced a large cut in membership fees for its Multi Listing Services subsidiary, intensifying the battle for estate agents' computer listing business.

Absa deputy CE Mike de Blanche said MLS would slash estate agents membership fees by 70% from May 1 and offer members automatic access to advanced property administration software — all for R88 a month. Estate agents would also be offered the lease of a PC and printer.

De Blanche said the full computerisation of MLS had made the cut in membership fees possible. However, industry sources said the move was designed to win market share from arch-competitor Comprehensive Property Services B/Day

CPS was backed by most major financial institutions in SA, with the exception of Absa, they said 27/1/93

CPS MD Stefan Swanepoel said he was not concerned by the move, which was a "desperate attempt" by MLS to gain business. "This is the third or fourth cut in fees MLS has made in the past two years. All they have done is bring their fee structure in line at long last"

Swanepoel said the MLS fee would undercut his company's but said CPS was "fully booked for the next six months."

He said CPS's membership fees ranged from R150 to R250 a month, while the company leased out a range of computer hardware and software for between R280 and R340 a month

De Blanche said MLS's service included the electronic processing of bond applications, the earlier registration of the property in the new owner's name, faster financial settlement to the seller and prompt payment of commission to estate agents

Telkom joins capital market's major league

B/Day 27/1/93.

TIM MARSLAND

TELKOM has emerged as the third biggest player in the capital market, after government and Eskom, with turnover from its market-making activities reaching R160bn in the current year.

Telkom GM Treasury Willie Landman said yesterday most of the funding for 1993/94 had been completed.

About R1,3bn had been sold through the medium-dated TK05 and the TK07 bonds to pay for the TK02 which falls due on March 31 Less than R1bn remained to be funded.

Landman said funding was done in the medium area as this was where the demand was. This area also offered the best opportunities on the yield curve.

Telkom currently has R4,525bn issued in bonds This was reduced from R7,7bn through buy-back operations and switching out of money market investments into its bonds Landman said Telkom might issue two new bonds in 1993/94. One could mature between 1998 and 2008 and the other around 2015.

A dealer said Telkom could be considering a high coupon bond in order to make it more attractive to foreigners

Telkom was also developing an options market in its stock.

He said Telkom was also increasing its offshore marketing drive. About 4% of its bonds are held by foreigners and 90% by local institutions

Landman said a number of offshore banks had approached Telkom with a view to making a market on its bonds Telkom had taken no decison on this

DM200m in German bonds matured in July, he said Telkom would consider rolling over the loans, depending on costs It had no plans at present to raise further cash offshore.

He said Telkom would be keen to roll over the bonds to retain its presence in offshore bond markets

Finance costs, now projected at R1,5bn for 1992/93, were reduced by about R250m through Telkom's marketing operations. Revenue was projected at R7,5bn and expenditure at R5,2bn.

Telkom also plans to issue commercial paper in the current year. Landman said the extent to which this method of financing would be pursued depended on interest rates Telkom had the advantage that its paper was guaranteed by government.

Hanson gold-for-coal swap

LONDON — Anglo-US industrial conglomerate Hanson announced yesterday it had agreed to swap the gold assets of its US unit, Gold Field Mining Co, with the coal and quarry assets of Santa Fé Minerals Corp, which is linked to the US's Santa Fé Pacific Corp. (214)

Hanson said it expected no significant gain or loss from the trade, which is subject to government approvals The Santa Fé mines and quarries have a tangible net asset value of about $131m, while the Hanson gold assets have a similar value of $150m

Among the assets Hanson will receive are Santa Fé's Lee Ranch coal strip-mine in New Mexico. Hanson said some of those reserves were subject to leases that generated royalty income. B/Day 27/1/93.

EXECUTIVE SUITE

Crisis management gives Harmony a new lease on life

B/Day 27/1/93 (214)

ALAN FINE

HARMONY gold mine's transformation of a third-quarter R5,7m loss into a fourth-quarter R8,5m profit due to more flexible operating methods is just the latest manifestation of a remarkable socio-industrial experiment launched at the mine nearly a year ago

The experiment was born in the midst of Harmony's slump which has seen the workforce halve to 14 500 in just three years A central feature of the mine's crisis management is an increasingly sophisticated process of negotiation which both management and the NUM see as moving ultimately to a system of extensive and formalised joint decision-making

The first sign of these developments emerged early in May as the then Rand Mines gold division mine was thrashing out details of the latest round of layoffs which were to cost 6 000 miners their jobs

As part of its proposal to alleviate the effects of the retrenchment programme, and possibly slow it down, the NUM proposed to Harmony and to Rand Mines that they jointly approach government for financial aid

This, the union proposed, would be used to subsidise operations, help to train those laid off in other marketable skills and reduce the impact of the layoffs on the economies of nearby Virginia and those parts of Lesotho from which Harmony migrants originate. It was willing to discuss flexible, more productive work practices to improve efficiency

Rand Mines, sensitive to charges that it had wasted taxpayers' money in the subsidy scheme granted earlier to its ERPM mine, was reluctant to go along with the NUM proposal However, it eventually partially supported the idea, and late last year government agreed to guarantee a commercial loan for Harmony of up to R30m if required

So far the mine has not drawn on the facility and, says MD Karl Eick, "I hope we never will" But the government subsidy debate did, in hindsight, mark the beginning of serious negotiation over the mine's survival.

The next step was the annual wage negotiations. In late May Rand Mines (now Rand Gold and Exploration) withdrew Harmony and Bl/- voorutzicht from participation in the annual wage talks — as it had done the previous year — and proposed a temporary wage freeze beyond July 1, saying discussions should continue in September if conditions permitted

Two weeks later, in a more comprehensive "survival plan" for Harmony, management added proposals for a ban on strike action, a union commitment to flexible work practices and a revised productivity bonus That plan, not surprisingly, was not accepted in toto by the NUM. But two months later Harmony and the union signed an agreement described by both as "pathbreaking", containing rights and obligations on both parties unprecedented in SA industrial relations

The agreement included wage increases averaging less than 2,5%, a profit-sharing scheme in terms of which 20% of profits after capital expenditure would be distributed to workers, a provision that political stayaways be arranged so as not to affect production (the August 3 and 4 stayaway was conducted in that way), that new work practices and technology be introduced only by agreement, enhanced skills training; and SA's first agency shop system whereby non-union members (then about 15% of the total) would pay a "collective bargaining fee", part of which would go into union coffers.

But that was insufficient to return the mine to profitability, and in late August management begun structured and formal discussions with employees and their representatives on flexible mining operations, including Sunday work. This would permit operations to focus on higher grade areas and hence improve gold output without increasing tonnages

There was stiff opposition from the Council of Mining Unions (including the Mineworkers' Union) which represents about 650 skilled, mainly white, workers However, the acceptance by the NUM and the officials' associations (representing white-collar employees) was sufficient to convince Mineral and Energy Affairs Minister George Bartlett to grant exemption from the Mines and Works Act.

The NUM and the associations' acceptance hinged on Sunday work being voluntary and paid at overtime rates, on ordinary working hours not being increased and on assurance that health and safety standards would be maintained

Higher profits are not the only measure of Harmony's improved performance, which began in 1991 after a disastrous 1990/91 when strikes and violence contributed to its first annual loss In the 1991/2 financial year productivity, in terms of square metres [illegible] underground worker, increased by 11,6%, and in the six months to December 1992 it increased by another 20%

And working costs have improved substantially relative to the industry average in the same 18-month period. The cost of mining a ton of ore fell by 7% while the industry average rose by 6%

Of course, that was achieved partly through the huge retrenchment exercises, the rate of attrition being far higher than in the rest of the industry Now, however, while mine management is reluctant to make an unconditional commitment, no further layoffs are foreseen in the next two years which are seen as being crucial to the mine's survival.

Further layoffs would be uneconomical given the mining conditions, says one official In any event, the previous exercise cost Harmony R30m in severance and other payments, and the mine can ill afford that again

If profitability can be maintained for the next two years, improvements in the gold price thereafter are expected to change circumstances substantially and extend the mine's lifespan by, perhaps, another 10 years

That, however, raises the question of how the still marginal mine will survive for the next 24 months in the face of a stagnant gold price and continuing inflation And Eick says he expects renewed wage pressures [illegible]

has returned to profitability

Management believes there is room for further benefits from Sunday and twice-a-day blasting Eick points out that the new system began operating only halfway through October and continued in December, a relatively unproductive month Of the additional 563kg of gold produced through flexible blasting, 44% was processed in November Increased power supply savings should also accrue.

Great hopes, though, are pinned on improved manpower utilisation through, for example, reducing the traditionally British strict divisions of labour still existing on the mines, especially in the skilled workforce

This would have to be achieved through new forms of management, the term "co-determination", generally used to describe the German system of participative management, is being broached increasingly This would require breaking down those traditional job divisions and would bring management into conflict with the CMU whose members practise them

But the Sunday blasting issue — where there has been no shortage of volunteer labour — has demonstrated that the CMU workforce does not hold tradition as dear as does its union leadership

Mine management and Rand Gold human resources director Richard de Villiers have begun to float participative management ideas with a combination of enthusiasm and caution The enthusiasm is based on the evidence that it has worked — if in an informal and preliminary form

The caution is due to the recognition that any form of participative management cannot, if it is to be credible, be imposed by management. No foreign model can be transplanted into SA, warns Eick It must develop according to local needs, and devising it must itself be a joint exercise

Such an approach is unlikely to offend the NUM which has long demanded a voice at both industry and mine level

The alluring question for SA as a whole is whether advanced new forms of management/worker co-operation must be precipitated by a crisis, or whether they can be applied before the crisis strikes

GFSA, Anglovaal not on for community fund

(214)

CT 28/1/93

MINING companies in the Gold Fields of SA and Anglovaal stables are among the most prominent companies which the newly formed unit trust, the Community Growth Fund (CGF), has pinpointed as "inappropriate" investment vehicles

Tobacco products manufacturers Rembrandt and United Tobacco and hotel group Kersaf have also been declared undesirable for investment

The CGF, whose investments are managed by Syfrets, was launched in June at the initiative of the Labour Research Service and seven unions affiliated to Cosatu and Nactu

The trend-setting fund produced an overall 9% return for investors over the six month period — showing up brightly against the JSE's Overall Index decline of 11,9%

The CGF was designed as an investment vehicle primarily for union members' retirement funds — and for the general public It invests in listed companies selected for their performance in the fields of labour relations and social responsibility, as well as financial performance

Other "rejected" companies include Clinic Holdings, Richemont, Safcor and Berzack Brothers

The report for the half-year shows the fund invested R6,6m of its R20,9m in assets in 11 companies — Stanbic, Malbak, Murray & Roberts, Safmarine and Rennies, City Lodge, LTA, Lenco, Delta Electrical, Hudaco, Foodcorp and Unitrans

The criteria for choosing these companies include a good industrial relations record, on-the-job training, profit retention and affirmative action

Syfrets Managed Assets MD Leon Campher said he expected the bulk of CGF assets to be invested in equities by mid-year While pointing out that a six-month period was insufficient for a proper comparison, he noted that between July and December the CGF (8,77%) had outperformed both the Syfrets Growth Fund (4,56%) and Syfrets Trustee (1,9%)

Tommy Olifant, chairman of the selection committee, Unity, pointed out "the construction of the portfolio was aimed at socially responsible companies with high growth potential"

Surprisingly approved companies outnumbered rejected companies by 2 to 1 Those that were rejected showed hostility towards trade unions or otherwise were singled-out for producing luxury products or services — Business Staff and Own Correspondent

December gold output shows fall

STAR 29/1/93.

By Derek Tommey

South Africa produced 1,598 million ounces of gold in December — 75 291 ounces below the November figure.

The decline was to be expected because of production lost over Christmas (214)

But the mines, many of which are struggling to stay alive, clearly did their best to reduce the effects of the holidays, for production was 36 097 ounces, or 2,9 percent, higher than in December 1991.

For the year as a whole, the mines produced 19,563 million ounces — an increase of 339 018 ounces on 1991.

The Chamber of Mines does not specify the value of the output.

But with gold currently selling at around R1 000 an ounce, it would seem that the mines earned an additional R36,1 million in December.

JSE gold shares soar as investors rerate stocks

(214) CT 29/1/93

JOHANNESBURG. — Gold shares soared by the close yesterday as bullish investors shrugged off a lacklustre bullion price and extended their rerating of gold stocks

Dealers said other shares were bogged down by a stronger financial rand

"Gold and the financial rand were the two factors today," a dealer said

The Overall Index added nine points to 3 415 and the Industrial Index climbed five points to 4 512. The Gold Index soared by 31 points to 875.

Gold shares fared well despite a fall in the gold price back below $330 an ounce, and a reluctance to break above it again

A dealer said gold shares were offering attractive yields to foreign investors because of the financial rand discount to the rand, especially after better than expected quarterly results frim the mines.

Among the large moves was Vaal Reefs, which added R5,50 to R155 and Kloof, which climbed R1 to R28,25

Charter shares were over 4% down as a stronger finrand and speculation on group infighting took their toll following recent sharp rises The shares fell R225 to R49,50

Dealers said the shares were coming under pressure on reports that companies linked to Charter were wrangling over the proposed sale.

"It is not being taken very well down here I mean, they are all in the same group anyway aren't they?" was one dealer's comment.

Charter was not the only share to come under pressure from the stronger financial rand, with market leader De Beers shedding R1,50 to R67,25 A dealer said the market was uncertain of short term direction "There is a fair amount of diversity about where this market is going," a dealer said.

Banking stocks continued to feature as Nedcor added 50c to R19 and Investec climbed R1 to R28

A rerated Harmony climbed 40c to R6,50 and Rainbow climbed 10c to R2,35 as it dragged itself off recent lows

● On the **London Stock Exchange** a barrage of bad news kept share prices under pressure pushed the FTSE 100 index down by 15,6 points to a closing 2 816,9

UK trade figures for December showing a wider than expected current account deficit, news of rights issues from food retailer ASDA and leisure group Stakis and continuing weakness in the pound all hit market sentiment.

The December current account deficit was £1,54bn against an expected £1,3bn deficit, and the December trade gap was £1,74bn, also greater than forecast.

Production of gold edges up

JOHANNESBURG. — South Africa's gold production last year gained 1,76% to 608 485 tons from 597 941 tons in 1991, the Chamber of Mines said in a statement yesterday.

However, gold output dropped 4,6% in December last year to 49 734 tons from 52 076 tons in November 1992.

Gold production in December last year was 2,3% higher than the same month in the previous year of 48 12 tons. — Sapa

CT 29/1/93

Guide to

Platinum outlook poor

B/Day 29/1/93 (217)

MERVYN HARRIS

EARLY warnings are being sounded that the platinum price may not live up to expectations this year

The average price of platinum in 1992 was $360/oz and hopes were kindled that it would rise to $400/oz after Johnson Matthey said demand was picking up and supplies not increasing

Another bullish point was that all new cars in Europe had to be fitted with catalysts from the beginning of January But most new cars were fitted by August last year and latest information indicates lower car sales in Europe.

However, supplies from SA have generally been increasing with new producers like Northam and PP Ruyst coming on stream Now Russia's Norilsk Combine has estimated that nickel output at its mines in 1992 was 240 000t compared with 250 000t the previous year (nickel output is directly related to platinum output) This astonished Western analysts who had expected output last year to be about 20% lower

Moreover, Japan, which consumes 50% of Western platinum demand, is not expected to start restocking until the end of the second quarter

An indication of the ravages wrought by lower commodity prices last year is shown in the results of Lonrho's platinum producers in their recently released annual reports for the year to September 1992 Western Platinum's after tax profits fell to R81m from R149m and the dividend payment of R97,1m in 1991 was passed in 1992.

The other component of Lonrho, Eastern Platinum, increased its loss to R42m from R32m in 1991

Implats' stake in Lonrho's platinum producers entitles it to a 27% share of Western Platinum's profits and the passing of the dividend could affect its results for the half year to December which are due to be released on 15 February Rusplat's results will be released next Wednesday and are also expected to be hit by the lower price of the metal

Analysts are now expecting the price of the metal to remain flat during this year

Miners learn to live in harmony

W/Mail 29/1/-4/2/93. (214)

A labour relations initiative, allied to higher productivity and cost control, has turned around the marginal Harmony mine.

By **FERIAL HAFFAJEE**

VIRGINIA in the Free State looks so much like one of those deserted, boarded-up towns in cowboy movies that you expect tumbleweed to come rolling down the main road

Rows of brick houses stand empty, their windows broken, their sewage pipes, electrical fittings and doors carried away Hopeful "To Let" signs gather dust in empty shops and salesmen in those stores still doing business swat more flies than serve customers

You may not be able to see the crisis in the mining industry at the Chamber of Mines headquarters in Johannesburg It really only hits home with the grimness of a town like Virginia

Virginia is built around and on top of the Harmony mine, its destiny inextricably tied to the well-being of the 39-year-old mine which spans 1 000km underground.

Last year many started counting the mine's days, sure it would join the ominous mine obituaries on the front page of *Business Day* In just three years, it shed more than half its work force, scaling operations down to a skeletal 11 000 workers

But the retrenchments were not enough; by August last year the mine still showed a loss

This week, beaming mine managers unveiled a remarkable turnaround at the mine in three months, it showed an after-tax profit of R8,5-million At the end of September last year, it was in the red for R5,7-million.

The mine also yielded 13 percent more gold in the same quarter while the working cost margin was reduced by 173 percent in the same period The mine has also managed to build up R6,9-million in retained surplus

Its resuscitation is significant because it marks the first success of a new brand of labour relations in the industry

For the first time in the industry's history, employees were shown all information relevant to the mine and together with management, workers hammered out a survival plan for the mine

Joint working groups looked at areas like housing, maintenance, production control and fuel consumption where costs could be cut Workers agreed to support exemptions from mining regulations which would mean blasting more than once a day and working a seven-day week in return for a share of the profits.

Efficiency or productivity improved by 20 percent and workers were paid profit shares of about R85 a month, seven percent of their wage The mine paid out R300 000 of the mine's profits to workers in November last year and R1,3-million in December

Harmony was also the first mine to agree to full-time paid shaft-stewards and to institute joint union-company training schemes.

"An industrial relations exercise, not a technical exercise saved the mine," says Rangold human resources director Richard de Villiers "It is a form of co-determination — it's a getting together to seriously tackle the problems at the mine

"The sense of urgency and crisis focused minds towards co-operating," says De Villiers, adding, "unions are genuine stakeholders and genuine partners "

Martin Nicol, of the National Union of Mineworkers (NUM), believes Harmony is a long way away from co-determination, but "welcomes the mine's different attitude to industrial relations"

Workers were paid "substantial bonuses We did not envisage payments at that level", says Nicol, adding, "profit-sharing is the route to go in an ailing industry".

Multi-blasting and Sunday work are "vital to the survival" of the mine and the company will apply to extend their exemptions beyond March 8 when it runs out

In September last year, the NUM and various officials and technical associations approved Sunday work at Harmony

Hours worked do not exceed regulations and only 10-12 percent of the work force is affected by Sunday work, which started in October last year Because of the double time pay rates, there have been more volunteers than required for weekend work

Harmony's effective use of Sunday work prompted two other marginal mines, the JH Joel and Loraine mines to apply for exemptions, the latter's exemption was granted this week

But it has attracted the ire of the NUM, which had not been consulted about the latest exemption

In a statement, the union said "Piecemeal responses, exempting one mine and then another, are not appropriate," and stressed that Sunday work should not sacrifice "hard-won minimum standards"

The Council of Mining Unions has a general religious objection to Sunday work and declared a dispute with Harmony because of the practice

But it is a position of the union leadership alone, they have been unable to stop their members from working on Sundays

...porary tariffs, jeopardising the entire deal.

"This is despite the fact that the consignment was im-

"There are some gaps in management," says Mr Morris "It is hard not to be critical but a number of com-

according to ours but there is certainly no collusion"

Other steps include increasing exports to niche markets such as the Far

...although Central Statistical Service figures show that chicken prices at the retail level increased 218% between 1985 and 1992 compared to 131% for beef

A rescue plan for Joel

S/Times (BUSS) 31/1/93. (214)

By CHERILYN IRETON

THE call for troubled Free State gold mine H J Joel to merge with its neighbour Beatrix has resurfaced.

This time the proposal comes from mining analyst Hilton Ashton of stockbrokers Senekal, Mouton & Kitshoff.

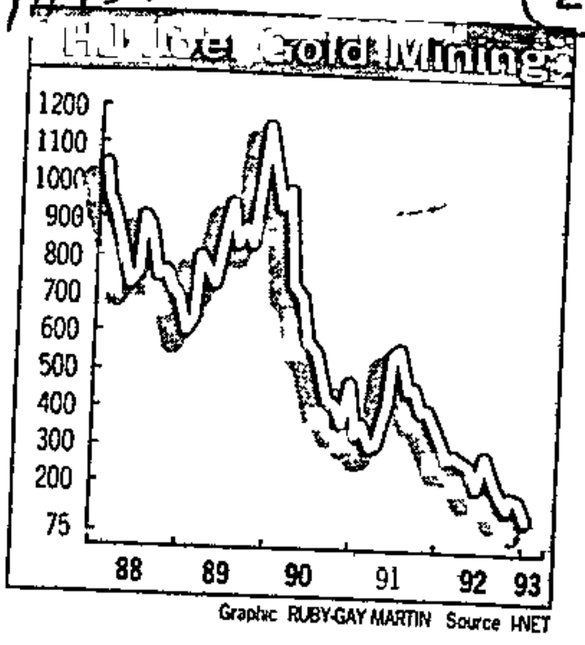
Joel will be forced to close, without reaching its full potential, unless the gold price increases dramatically, Ashton warns in a research report.

Joel is owned by Johannesburg Consolidated Investment while Beatrix is the most profitable mine run by rival mining house Gencor

"The mining industry is facing its worst financial squeeze in decades," Ashton says. "Unless the gold price increases to well over $400 an ounce and maintains that level in real terms, Joel will be forced to close and more jobs will be lost. It is in everybody's interest that Joel be merged with Beatrix as soon as possible."

Beatrix and Joel share a common boundary of almost 5km and both exploit the same reefs.

If operations are merged, output will be in the region of 18 tons a year creating a gold mine the size of Elandsrand.



Graphic RUBY-GAY MARTIN Source HNET

Joel has been a gold producer since June 1988 but has struggled to reach its potential because of underground faulting, excessive dilution and an inconvenient shaft position.

The mine was initially designed for trackless mining but is now being converted to conventional methods — at great expense.

Ashton reckons the debt build-up in the changeover period will be so high it could take up to 13 years to repay

"If the gold price remains constant in real terms then Joel is undercapitalised and under-designed to achieve enough cash flow to pay back its outstanding debt and may well have to close in a few years' time"

Shareholders should not expect any dividend before the borrowings are eliminated, says Ashton.

Aside from the reduction in overhead costs, both mines would be able to exploit deeper levels from a single shaft system if operations were merged Beatrix has already pre-cemented the site for its No 3 shaft and is waiting for an improved gold price to complete the sinking

An estimated two tons of gold — worth around R60-million — could be realised just by eliminating gold lock up in the boundary pillar Beatrix is already mining on Joel's boundary and could assist in developing Joel's deeper levels.

Tax advantages would flow from bringing forward the use of Joel's tax loss which amounts to almost R2-billion.

At present Joel employs around 2 700 workers while Beatrix has over 7 500

A JCI spokesman says there are no moves afoot to merge the two mines

Contract

Arson suspected in Gold Fields fires

(214) JONO WATERS

FIRES at Gold Fields of SA's (GFSA's) mines in the last quarter have been described by management as abnormal, and analysts suspect arson

However, gold division executive director Alan Munro said GFSA had not discovered any reasons for the fires. "I don't think any purpose will be served by going into the matter."

However, an analyst with sources at the mines said the positioning of the fires had shown human involvement

"Fires have been lit in areas where no one has been working They have been lit against dry packs where there is a great deal of ventilation"

In two cases, fires had been lit about 250m apart "Fire one acted as a smokescreen for the second fire that had been lit around the same time When they put out the first fire, they only realised much later that there were actually two fires."

Another analyst said GFSA had to flood working areas to put out the last two fires.

"The pattern indicates there is intelligence behind the fires," he added.

Analysts speculated that the reasons for the fires were as a result of GFSA's refusal to enter into profit-sharing schemes with its workers

Sunday 11/2/93

Star 4/2/93

Declining dividend income hurts Zandpan

214

Zandpan posted a sharp fall in profit for the six months to December as the value of dividends received declined

The gold investment company reported a profit of R6,2 million (R10,7 million previously)

Income from dividends tailed off sharply from R11 million to R6,6 million.

Zandpan has declared an interim dividend of 4,75c a share

Earnings were 4,8c a share (8,2c).

Zandpan's main investment is 22 million shares in Hartebeesfontein. The market value of that holding declined from R313,5 million in 1991 to R149,6 million at the end of last year — Sapa

Two more miners die at Western Deep Levels

B/Day 4/2/93 (214)

DIRK HARTFORD

ANOTHER two mine workers died and five were injured in a rockfall more than 3km underground at Anglo American's Western Deep Levels west mine near Carletonville yesterday

This brings to 10 the number of workers killed on Western Deep's mines this year

Last year 63 miners died at Western Deep mines, compared with 33 in 1991 and 58 in 1990

Anglo American spokesman James Duncan said yesterday's rockfall occurred at 116 level, 3 300m below the surface, after a tremor measuring 3,0 on the Richter scale

The NUM condemned the "waste of lives" on the mines and said the sooner the independent commission into safety on the mines was established, the sooner the safety problems leading to the "tragic loss of lives" would begin to be addressed

Duncan said Western Deep Levels mines suffered the most fatalities of any mine in SA because of the depth at which mining was taking place.

The problems at Western Deep were being addressed by providing 100% backfill on the Carbon Leader reefs on its east and west mines. The 100% target had virtually been reached

On the shallower Ventersdorp Contact reef on its south mine, 15% backfill had been provided. This would be adjusted according to necessity, said Duncan

In addition, the integrated seismic system had been expanded and upgraded The computer and geophone-based intelligence gathering device already enabled mines to be alerted to potential dangers It covered the whole mine and had increased the accuracy of the information available

However, Duncan said, it was not yet possible to establish in advance where seismic events might occur

A new stope support system — with hydraulic props of increased density and new lightweight headboards — was being implemented. And backfill was being moved closer to the working face as an added support system

Zandpan hit by Harties dividend cut

B/Day 4/2/93.

JONO WATERS (214)

EARNINGS at Anglovaal's Zandpan gold mining company fell to R6,2m in the six months ended December 31 1992 from R10,7m during the same period last year

The company, which derives nearly all its income from Hartebeestfontein (Harties) dividends, paid an interim dividend of 4,75c (8,25c) a share on earnings of 4,8c (8,2c) a share

A statement from the company said earnings dropped as a result of a sharply reduced dividend from Harties

Income amounted to R6,67m (R11,1m), of which R6,62m was from dividend payments and R48 000 (R49 000) from interest

Expenditure amounted to R476 000 (R415 000), providing a net profit of R6,19m (R10,7m) as the company was not liable for tax

The market value of Zandpan's Harties shares on December 31 had fallen to R150m compared with R313m on the same date in 1991

Net asset value at December 31 was 117c a share.

Anglo considering mining gold in Mali

JONO WATERS (2/4)

ANGLO American was in the final stages of a feasibility study to establish a mine in Mali in west Africa which would produce seven tons of gold a year, sources said yesterday. B/DAY 4/2/93.

However, the corporation said it had entered only into an option agreement with a Canadian partner to undertake exploration in Mali This would result in Anglo "earning a participation in any mine that might result from a successful exploration programme and feasibility study"

A spokesman said "The project is in the early stages of development and it will probably be of the order of 18 months before any decision is taken as to whether or not it will be feasible to develop a mine in the area."

The deposit had been known for hundreds of years, sources said The mine would be opencast with reserves of about 100 tons of gold

Sources inside the corporation said the project would be low-cost and could prove to be more viable than the R1,7bn Moab project launched in October last year

Low coal prices hit Trans-Natal

B/DAY 4/2/93

TRANS-NATAL Coal had been hit by lower world steam coal prices despite increased sales, and was expected to report lower first-half earnings, analysts said (214)

Second-half prospects were poor, but analysts expected interim dividend to be maintained at 23 cents, to prepare shareholders for an expected big cut in the final dividend at the June financial year-end

"Trans-Natal is having a torrid time," said Keith Bright of Edey, Rogers Co, despite expected increased exports to Europe and improved forward exchange rate cover.

Company exports were 5,5-million tons in the previous first half and it has been pushing hard to find new markets as sanctions against SA had fallen away

"Managing director Mike Salamon spelt it out in the year-end results six months ago, that it would not be able to maintain earnings this year The stark reality is that conditions are worse now than they were then."

Analysts said the rand was currently weaker against the dollar — boosting earnings — but was not expected to decline sufficiently in the second half to offset the decline in the dollar price of coal — Reuters

FM 5/2/93.

GOLD QUARTERLIES

(214)

	Gold: Produced kg*		Working cost R/kg	Working cost $/oz*†		Cost incl Capex R/kg	Cost incl Capex $/oz*†		Revenue R/kg	Revenue $/oz†	Milled 000 t*		Recovery g/t*		Profit: Gold R'000	Uranium & other R'000	♣EPS(c) Dec
ANGLO AMERICAN																	
Elandsrand	5 164	(4 832)	21 143	224	(226)	27 825	294	(312)	34 952	370	564	(516)	9 2	(9,4)	71 312	2 219	34 8
Ergo	3 092	(3 161)							36 047	381	10501	(10542)	0 3	(0,3)	27 362		19,3
Freegold	▲29 562	(▲28 761)	29 422	311	(335)	31 092	329	(349)	34 215	362	6 586	(6 600)	4 4	(4,3)	138 700	15 300	64 5
Vaal Reefs	18 916	(18 870)	24 183	256	(273)	31 169	330	(326)	33 051	350	3 011	(3 143)	6 3	(6,0)	167 700	2 200	166,4
Western Deep	10 277	(9 985)	24 856	263	(286)	30 807	326	(350)	34 307	363	1 640	(1 638)	6 3	(6 1)	97 100	4 500	139 3
ANGLOVAAL																	
ET Cons	946	(925)	24 383	258	(267)	27 710	293	(296)	32 730	346	95	(95)	10,0	(9 8)	7 897	−677	3 1
Hartebeestfontein	7 298	(7 136)	26 209	277	(304)	28 028	296	(309)	32 251	341	1 217	(1 223)	6 0	(5 8)	44 090	783	16,7
Loraine	1 338	(1 306)	36 256	383	(409)	38 602	408	(409)	32 811	347	411	(397)	3,3	(3,3)	−4 609	1 734	−36 7
GENGOLD																	
Beatrix	3 152	(3 102)	22 326	236	(262)	◊22 903	242	(268)	32 366	343	516	(517)	6 1	(6,0)	31 645	−13 572	—
Bracken	477	(350)	16 140	171	(192)	◊11 709	124	(184)	32 378	341	20	(23)	24 5	(15 2)	7 820	1 010	30 0
Buffelsfontein	3 310	(3 302)	29 036	307	(321)	◊29 211	309	(322)	32 290	341	528	(527)	6,3	(6 3)	10 771	2 306	15 6
Grootvlei	647	(624)	29 983	317	(339)	30 326	321	(351)	32 370	343	111	(112)	5,8	(5 6)	1 555	176	9 1
Kinross	3 230	(3 236)	24 275	257	(268)	26 902	284	(295)	32 310	345	482	(483)	6,7	(6 7)	26 166	2 514	60,1
Leslie	661	(601)	26 546	281	(314)	27 109	287	(327)	32 403	342	98	(100)	6,7	(6 0)	3 882	368	12 9
St Helena	1 157	(1 743)	37 446	396	(369)	◊37 523	397	(371)	32 184	345	168	(316)	6,9	(5 5)	−6 088	3 630	−36 3
Stilfontein	381	(413)	31 727	336	(357)	◊25 609	271	(330)	32 152	342	296	(387)	1,3	(1 1)	162	1 908	33 7
Unisel	1 434	(1 370)	27 303	289	(326)	◊29 336	310	(334)	32 506	344	235	(224)	6 1	(6 1)	6 267	518	14,5
Winkelhaak	3 010	(3 027)	28 006	296	(309)	§30 639	324	(359)	32 171	341	463	(480)	6 5	(6 3)	12 542	1 830	§45 7
GFSA																	
Deelkraal	2 263 2	(2 376,0)	26 714	283	(292)	32 118	340	(340)	32 067	339	398	(405)	5,7	(5,9)	12 116	2 508	1,5
Doornfontein	1 547 5	(1 305,0)	35 539	376	(497)	34 987	370	(499)	31 747	336	371	(363)	4,2	(3,6)	−5 869	−182	−13 0
Drie Cons	14 139,0	(14 740 6)	19 658	208	(205)	24 302	257	(241)	32 009	339	1 961	(2 025)	7,2	(7,3)	174 637	30 961	35,2
Kloof	13 016,0	(13 259,0)	22 505	238	(247)	27 875	295	(304)	32 073	339	1 285	(1 274)	10 1	(10,4)	124 546	5 816	43,3
GOLDEN DUMPS																	
Cons Modder	427 1	(382 9)	28 164	298	(331)	29 581	313	(341)	33 388	353	88	(72)	4,8	(5,3)	2 231	586	4,5
South Rood	62,4	(64,2)	56 025	592	(656)	51 731	547	(638)	34 311	363	30	(34)	2 1	(1,9)	−1 356	117	−5,6
JCI																	
HJ Joel	1 342	(1 408)	32 119	340	(373)	36 366	385	(444)	33 778	357	214	(250)	6,3	(5,6)	2 226	2 940	−0,5
Randfontein	8 076	(7 745)	26 698	282	(303)	29 879	316	(339)	33 213	351	2 098	(2 037)	3,9	(3,8)	52 615	7 682	37 2
Western Areas	3 296	(3 185)	32 447	343	(371)	34 252	362	(387)	33 268	352	530	(545)	6,2	(5 8)	2 707	6 246	7,5
RAND MINES																	
Blyvoor	1 992	(1 981)	30 718	325	(356)	31 544	334	(356)	32 557	344	558	(531)	3,6	(3,7)	3 664	1 452	10,9
Durban Deep	1 385	(1 452)	32 406	343	(355)	33 400	353	(359)	32 588	345	580	(581)	2,4	(2 5)	253	1 125	−17,8
ERPM	1 967	(2 139)	32 055	339	(325)	34 854	369	(337)	32 188	340	790	(765)	2,5	(2 8)	261	−7 303	−75,4
Harmony	5 449	(4 837)	31 337	331	(382)	31 344	331	(383)	32 535	344	1 567	(1 544)	3 5	(3,1)	6 531	1 972	31,5
INDEPENDENT																	
Benoni Gold	407	(370)	24 322	257	(294)	26 843	284	(320)	32 971	349	602	(617)	0,7	(0,6)	3 520	−1 696	0,4
Gazgold	60,07	(68,86)	32 925	348	(319)	36 563	387	(370)	32 469	343	21	(18)	2,9	(3,9)	−27	−268	−1,0
Knights	378	(381)	26 301	278	(279)	41 883	443	(339)	32 664	345	849	(857)	0,5	(0,4)	2 403	−525	−1,5
Lindum Reefs	254	(156)	25 988	275	(344)	26 689	282	(349)	33 614	355	77	(100)	3,3	(1,6)	1 937	114	10,2
Primrose	231,2	(204,2)	32 933	348	(343)	33 218	351	(352)	36 259	383	43	(40)	5,4	(5,1)	769	−302	2,2
Rand Leases	201 00	(201,39)	27 348	289	(328)	29 075	307	(358)	32 015	339	39	(44)	5,2	(4 6)	938	−587	0
West Wits	747	(761)	28 925	306	(312)	30 025	318	(324)	32 610	345	531	(552)	1 4	(1,4)	2 753	28	2,1

* Figures in parentheses refer to previous quarter † Calculated at R1=$0,34 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure § Includes capital appropriation
◊ Includes retrenchment costs ▲ Including Metallurgical Scheme

GENBEL INVESTMENTS

FM 5/2/93

Contrary view

(214)

This is a tale of the theory of contrary expectations At a time when nearly all fund managers are putting as much space between their portfolios and gold shares as possible, the management of Genbel Investments have elected to increase their exposure

Genbel picked up shares in Kloof, Kinross, Southvaal, Unisel and Winkelhaak along with an easily explicable exposure in Alusaf By contrast, it got rid of shares in Engen and a colossal 750 000 shares in Malhold (which explains the higher surplus on realisation of investments of R27m (R6m)

This is totally contrary to market sentiment, which is that while gold shares have bottomed, fundamentals remain poor There is a recognition in the marketplace that gold sales by central banks have become a real possibility, nevertheless, the risk of wholesale dumping is heavily discounted Still, it all adds up to a major supply overhang

Genbel executive director Peter Cronshaw explains the company's move is related to its perceptions of gold share prices in general, these have underperformed and are now at levels which will yield historically high earnings and dividends

Having lightened its load in this sector ahead of the last downturn, Genbel has decided to get back into gold mines before other investors recognise the same fundamentals Cronshaw adds that Genbel's considered view, rather like Minorco's, is that the next cycle to catch will be in resource-orientated rather than industrial sectors

Meanwhile, the results for the six months to end-December show a mere 2% (11%) growth in distributable earnings and this, says Cronshaw, was almost entirely due to Genbel following rights in TransAtlantic and successful forward cover on TransAtlantic earnings These gains more than offset the reductions from Impala and Samancor Dividend income from its major income source, Unisen, was unchanged at R15m

Distributable earnings rose to R84m, from a comparable R82m in 1991 NAV fell to 591c from 693c a share With 58% of Genbel's portfolio in commodity or precious metal exporters and little chance of significant improvement in sales volumes and prices, Genbel is expected to do little more than maintain earnings For the year, manage-

continue →

FOX FM 5/2/93 · (214)

most forecasts at least R25m dividend income from Unisen and earnings in the region of R25m-R27m from TransAtlantic *Marylou Greig*

Bartlett not a cut above his fellows

B/Day 5/2/93.

Political Staff

CAPE TOWN — Have you ever wondered why Mineral and Energy Affairs Minister George Bartlett does not consider himself a cut above his fellow man?

The NP's Natal leader went to great lengths at a news conference to convince foreign and local media of his respect for various cultures

He said "I understand the Zulus," and "I respect their cultural accoutrements, which some people call dangerous weapons"

From the Zulus, he turned to the British "If you go to Scotland you may find a Scotsman walking around with a woman's clothes on, but he also will have a dagger at his side"

But it was Bartlett's next assertion that raised eyebrows "I respect Jews being circumcised," he said before making his startling disclosure "Not that I was"

By last night Bartlett was being referred to in political circles as the uncircumcised member for Amanzimtoti

Sunday blasting law will not be changed

B/Day 5/2/93.

(214)

TIM COHEN

CAPE TOWN — Legislation banning Sunday blasting would not be changed, but exemptions would be granted if it was in the national interest, Mineral and Energy Affairs Minister George Bartlett said yesterday

He said government would help marginal mines survive if they could be viable There was no virtue in giving long-term financial support to fundamentally unviable mines

Government was doing what it could, he said This week Cabinet had agreed to provide Gazgold with bridging finance because of the difficulties it was facing

A pumping subsidy had also been agreed for Rand Mine's Durban Roodepoort Deep, he said He declined to give details of the assistance, but said the subsidies took the form of repayable loans granted on evidence of a viable development or recovery programme

Durban Deep received a quarterly pumping subsidy of about R2,1m

Reuter reports that Bartlett said "Gazgold has asked for a little bit of extra bridging finance because of various problems They have gone to a seven-day shift and they have put in some improved plant that is going to improve extraction and recovery In the case of Durban Roodepoort Deep, it's in my budget for next year We have agreed to assist with pumping subsidies there"

Bartlett said he was aware of the support for allowing blasting on Sundays, but if changes to legislation were permitted, this would not be done without the support of all parties including the trade unions

He said he had agreed to allow blasting at Harmony and Loraine gold mines after extensive negotiations with all parties Harmony had since become profitable

No other mines had applied and there were no plans to change legislation to allow mines to decide on Sunday blasting on their own accord

□ Our political staff reports that Bartlett denied that government had seen the results of a study into the impact of the proposed dune mining of Lake St Lucia's eastern shore — and urged others not to prejudge the issue

His comments came amid increasing speculation that government was poised to give the nod to the controversial project when the results of the environmental impact assessment were made public on March 18

"I don't know what is in it," he said'

He described the assessment as "the most intensive ever done in the world" and repeated assertions that government would not approve the project if it was shown irreparable damage would result

Dalling predicts that the DP will be crushed

TIM COHEN

CAPE TOWN — Independent MP and ANC member Dave Dalling yesterday predicted the DP would be "crushed", and the ANC and SACP would separate.

Dalling said at a media briefing he did not regard the DP as an enemy and felt it would have a future role. But fighting corruption and advocating "puritanical" free enterprise was unlikely to win the party the 5% popular support necessary to gain representation in Parliament B/Day 5/2/93.

The major difficulty facing the DP was that it contained three camps· one inclined towards the ANC; one inclined towards the NP; and another faction which wanted the party to retain its independence to support liberal values

The problem was that each camp felt so strongly about its position that if the party shifted towards the view of any one of the camps, it would have to shed the supporters of the other positions

The party appeared to be taking the independent path and if it maintained this position "I think it will be crushed", he said

On the SACP, Dalling said he was not a communist — he never had been and never would be Although he realised whites considered the connection between the ANC and the SACP to be a problem, surveys had shown that blacks did not. "Quite the opposite."

The connection occurred for historical reasons and the policies of the organisations would probably cause their separation in time, although this was not imminent, he said

Meanwhile, Sapa reports that Labour Party leader Allen Hendrickse said his party was seeking a further alliance with the ANC He said the matter would be discussed at a meeting with the ANC on February 15.

Hendrickse emphasised that the Labour Party would not support the NP in an election. — Sapa.

I A

427/06

year ended
992

Unaudited 31 December 1992 R000	1991 R000	Track record for years ended June
		EARNINGS/DIVIDENDS
		Turnover

Genbel's hopes for gold

(214) S/Times (Buss) 7

GENBEL, the investment arm in the Gencor stable, has turned mildly bullish on gold

Managing director Anton Botha bought a million Kloof and other shares in Kinross, Southvaal, Unisel and Winkelhaak. 7/2/93

Mr Botha believes we are close to the bottom of the current gold-price cycle and forward dividend yields look good. About 15% of the R2,5-billion assets is in gold.

Genbel has lent R80-million out of a committed R141-million in interest-free loans to developing mine Oryx. Another R25-million will go in the remainder of the financial year

Genbel also bought in to Alusaf, and sold a few Engen — still the largest holding — and 750 000 Malbak.

Its interim earnings and dividends were barely changed on 1992. At 525c it is trading at 89% of net asset value

B/DAY 10/2/93.

Gazgold still in the red

(214)

JONO WATERS

INDEPENDENT producer Gazankulu Gold (Gazgold) remained in the red, making a loss of R295 053 (R309 391) in the December quarter. Gazgold milled 20 784 tons (17 805), but at a lower grade of 2,89g/t (3,87g/t)

Revenue amounted to R93,84 (R112,73) a ton milled against costs of R95,16/t (R110,18), producing a working loss of R1,32/t (R2,55/t profit)

A company spokesman said production was hampered by the lack of available ore reserves

The introduction of a seven-day working week encountered some problems, but the benefits of this programme should be evident in the next quarter, he added

Star 11/2/93

US buyers send gold shares soaring on JSE

(214)

By Derek Tommey

Gold share prices soared on the Johannesburg Stock Exchange yesterday following a sharp increase in American buying.

Although these shares ran into profit-taking later in the day this did not stop the gold share index closing 99 points or 11,1 percent higher at 990

It was one of the biggest one-day-rises for several years and represents a R3,3 billion increase in the market value of JSE-listed gold shares to around R33,0 billion.

Yesterday's rise matched the entire capital gains made by gold shares since the start of the year

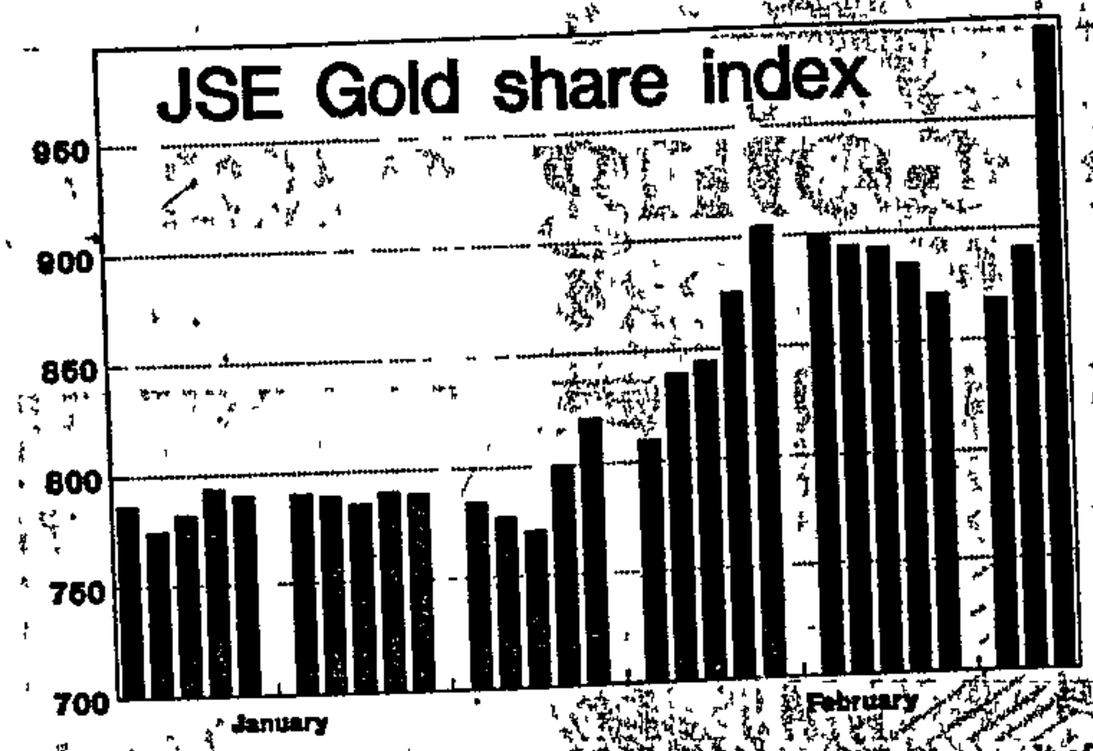
However, the market value of all the gold shares still has a long way to go before recovering to the levels of even two years ago when it was R52,1 billion.

Demand was mainly for the "blue-chip" golds although one or two marginal mines had good gains Among these were Durban Deep which added 150c to 1300c and Grootvlei which rose 25c to 375c.

Although Stilfontein has ceased underground mining, it showed the biggest percentage gain yesterday with its shares jumping 66 percent from 165c to 275c.

Among the "super-golds" Western Deep rose 875c to R67,75, Vaal Reefs R17 to R180, Dries 385c to R35,50, and Kloof 250c to R29,50.

Analysts are a little chary about the upsurge in US demand. Although the rand gold price has been rising steadily recently and is now R1028 an ounce (against R930 an ounce at the end of June, last year) this rise is not seen as sufficient justification for the huge American buying interest.



This rise is mainly the result of a fall in the rand's value against the dollar. While this helps producers it reduces the value of dividends paid to American investors.

Rodney Yaldwyn, gold analyst at Simpson, McKie, said the rally in gold shares at the moment was not underpinned by fundamentals. "There has been no improvement in the dollar gold price. Unless something happens to sustain the rally it will collapse like an empty paper bag."

However on CNN Business News yesterday Michael Metz, chief strategist with the highly respected Oppenheimer investment bank, said he believed gold was now a good investment.

This was a repeat of his comment on CNN last October when he said the trigger for a higher gold price would be the collapse of the Russian government.

This has not happened. But he is now arguing that the sharp decline in interest rates has reduced the cost of holding gold. This had made it much easier to invest in the metal and to show a profit should the gold price improve.

He dismissed the possibility that central banks would sell gold, arguing that if it paid the ordinary investor to hold gold it would pay the central banks to do so as well.

With the gold price gaining $3,50 in New York yesterday and reaching #332,30 in Hong Kong this morning — its highest price this month — someone obviously has begun buying the metal.

Metz said the strength of Wall Street in recent weeks was not the result of expectations of improved profits but was caused simply by the weight of money seeking investment outlets.

Brokers on the JSE in fact report that the American buying is not being confined to gold shares but is going into good quality industrials such as Barlows and Sasol.

American buying of JSE stocks will not bring foreign capital to South Africa as these transactions are being conducted through the financial rand.

But this buying is helping to strengthen the financial rand which will improving SA's image overseas — and will make South Africans with gold shares feel a little better off.

This in itself could lead to greater economic activity.

Star 12/2/93

Gold's spurt gives new hope to marginal mines

(214)

Derek Tommey

rise in the London gold to $322 an ounce will South Africa's strug- marginal gold mines a lease of life, industry men said last night.

dollar price is equivalent local gold price of just under an ounce, which is the high- industry has received in mal times" since February

in August 1990 when the invaded Kuwait and in Au- 1991 when the Communists a coup in Russia did cal gold price reach these But it was accepted by the then that these prices the result of external shocks would be only temporary. In this time the industry that the current price held.

gold price of R1040 an ounce mean a great deal to the mal mines in the Gengold said Kobus Olivier, senior engineer.

Helena, Grootvlei and would certainly benefit. Stilfontein was now a operation and it would not this mine's life

y sources said that though of R1040 has so far been achieved on only one day, the industry is likely to derive considerable benefits from this for some time to come. The higher gold price has triggered considerable forward selling by producers here and overseas and especially in Australia.

This will result in their being able to sell, for several months to come, a substantial portion of their output at the current price of R1040 together with a premium for selling forward. A large number of marginal mines can now look forward to a period of increased profitability and a chance of surviving for another year or so.

In the light of the heavy forward selling bullion dealers are closely watching the behaviour of the gold price.

A major dealer said last night that the rise to $332 an ounce was encouraging. But it still had some way to go before breaking into a new price bracket.

He said the American funds were the major buyers of gold at the moment. If they were doing this to cover short positions then the current price could hold. But if they were buying to manipulate the market into giving them a quick profit, then a return in the gold price to its floor-level of $327 an ounce could easily occur.

From London, Neil Behrmann reports that brokers and bullion dealers believe the gold share rally has further to go

If gold rises to around $337 bears who sold gold "short" in the hope that prices would slump would be forced to cover, said a London bullion manager

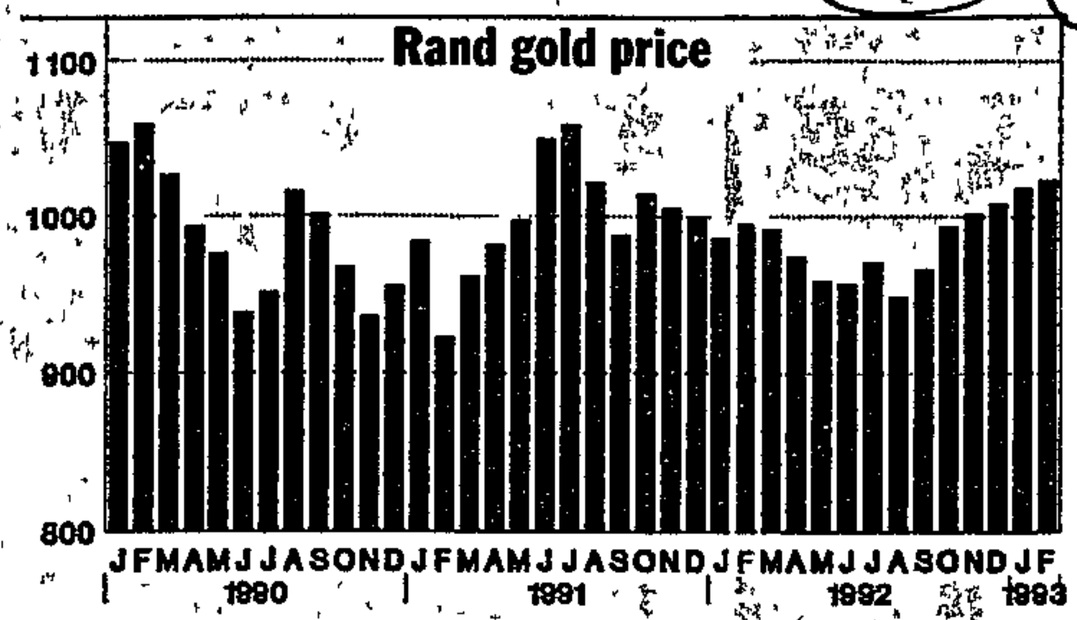
Speculators on Comex, the US futures exchange are beginning to buy gold as a result of platinum and palladium's rally

Gold fund managers in the US are like "slow reacting wildebeest", commented Michael Spriggs of Warburg Securities So despite the recent surge, the gold share rally could continue, he said.

Fund managers have also at last realised that chances of political settlement in SA are good, said another broker.

Gold shares on the London market were on yields of around 15 percent to 18 percent at their lows and following this week's rise, even yields for foreign investors at 11 percent are far better value than their Australian and North American counterparts, said Mr Spriggs.

With the "double whammy" of an appreciating financial rand and falling sterling, the Financial Times gold share index has soared by 50 percent from its low point of 60 points in the final quarter of last year.



The graph shows monthly averages. The dollar gold price yesterday equalled just under R1 040 an ounce.

Relief for marginal gold mines

B/Day 12/2/93

MATTHEW CURTIN and JOHN DLUDLU (214)

GOLD prices strengthened towards the upper limit of their recent trading range to touch $332 in London yesterday afternoon, up $2,15 from $329,85 on Tuesday.

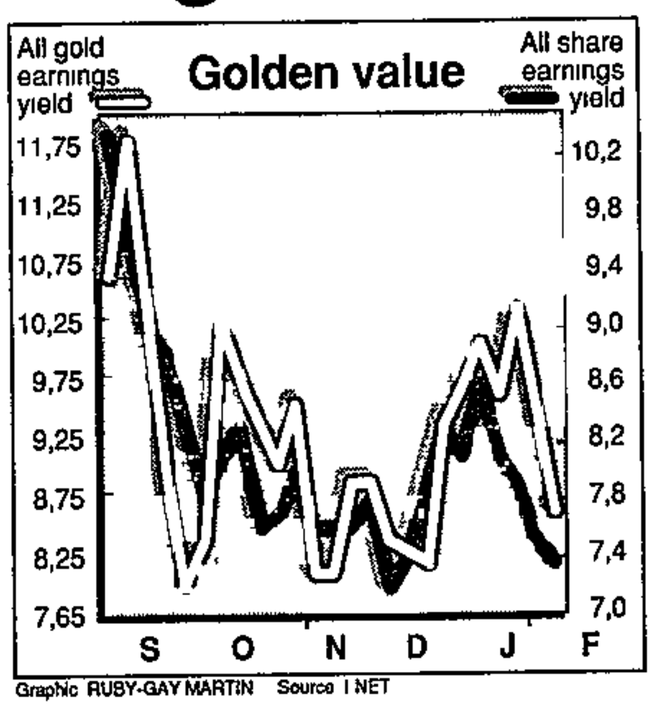
The rand's weakness against the dollar thrust the rand gold price to R1 039, its highest level for more than a year and it provided welcome relief to marginal gold mines, whose shares showed the largest gains yesterday.

The rally in the all gold index slowed, but the index finished strongly, up 26 points or 2,6% higher at 1 016.

Market sources said growing optimism about the speed of the US economic recovery had increased confidence across precious metal markets

Platinum prices hit $370,50 in London and New York yesterday for the first time since November last year

Sources said it was increasingly clear small US investors had woken up to the value of gold shares, particularly in SA, faced as they were with over-rated, expensive US shares In addition, local gold shares represented good value compared with industrial counters



Graphic RUBY-GAY MARTIN Source I NET

However, the sustainability of the upswing was still in question, although a higher rand gold price would support market confidence.

GOLD SHARES (214)

A sea change?

All that glisters is not gold At least, that's how the saying goes — which doesn't do much to explain what exactly has been the driving force behind the 13% increase in the All Share index to 1009 last week

A few analysts point to Clinton's troubled honeymoon. "He lost his way before starting out on the road" Most gold bugs, however, believe it's the "well trodden story" and not a new phenomenon

Gold shares have undergone severe derating since early 1990 and have now reached relative yield levels last seen in 1970. Though the dollar price of gold has been in a bear trend, depreciation of the rand has resulted in a dramatic divergence between share prices and the rand gold price. Added to this, a stronger dollar allows non-US producers to enter into favourable forward contracts

So, US-based income and general funds have been buying better-quality high-yielding shares, from which they will benefit most if the finrand discount narrows Vaal Reefs is a favourite, as are Western Deep, Free Gold, Randfontein, Dries and Amgold

But none of this explains the headlong rush after so many years of near dormancy "The sea change had to come some time" says one analyst Improved productivity and cost containment measures together with better than expected quarterly results (and better dividends) have helped.

"When the index is as low as 800, all it takes is one substantial buyer to move it 150 points, which will inevitably cause a bandwagon effect It's happened before"

But fundamentals for gold remain poor Gold sales by central banks have become a real possibility though the risk of wholesale dumping is heavily discounted on grounds that not even central bankers want to shoot themselves in the feet. Nevertheless, it adds up to a major supply overhang

Gold shares should improve short- to medium-term An important buffer will be a slow and gradual increase in the dollar gold price to about US$345-$350 by year-end That's when analysts expect the gold share rally to run out of steam

Marylou Greig

FM 19/2/93 (79) (214)

STAR 26/2/93.

Little sparkle at Mid Wits

By Derek Tommey (214)

Mid Wits may have to delay its expectations of substantial profits from its stake, through its subsidiary Saturn, in the new Venetia diamond mine. Saturn receives 12,5 percent of Venetia's profits before capital expenditure

An interim report from Mid Wits says that Venetia, in response to a request by the Central Selling Organisation, is slowing down the build-up of production. Calculations based on Mid Wits figures show that Venetia's profits rose 67 percent to R37,6 million in the six months ended December

Mid Wits reports attributable earnings of R31,8 million (9,9c a share) in the six months ended December, against R24,9 million (R7,7c) a year earlier.

An interim dividend of 2,2c (2c) has been declared

Helping to boost profits were a rise in investment income, a profit on the realisation of investments, the increasing contribution from Venetia, and a drop in tax payments.

China leads upsurge in Asian demand for gold

STAR 1/3/93 · (214)

By Neil Behrmann

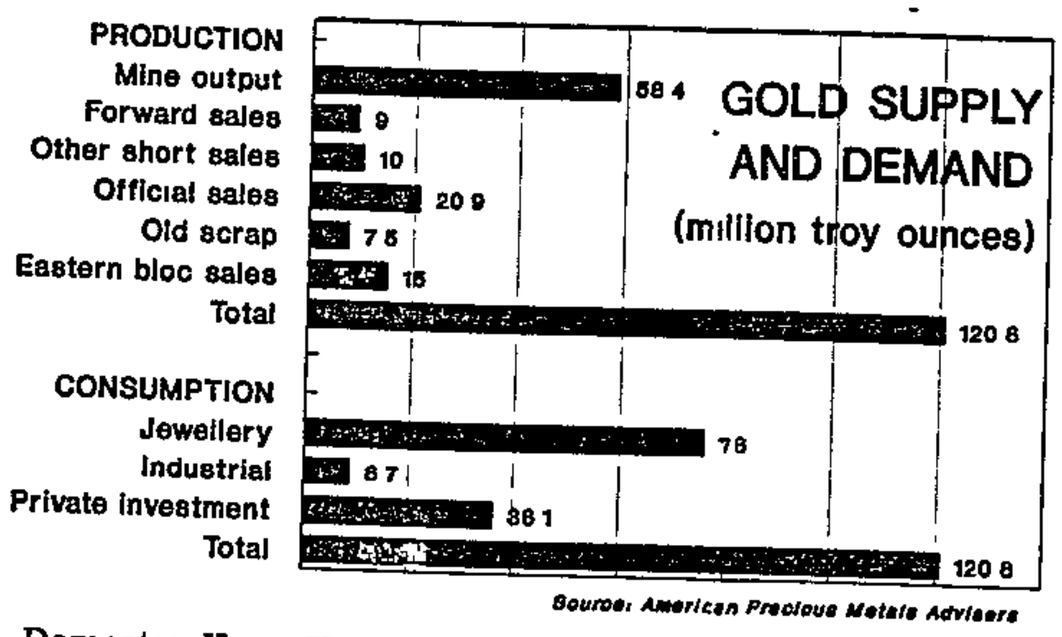
LONDON — Asian gold imports surged by 40 percent to 944 tons last year, according to the World Gold Council.

The strong demand is attributed to buoyant economic conditions, a strong cultural affinity for gold jewellery and the trend towards liberalisation of the local bullion markets.

The council, which promotes gold for South African and other international producers, says "This growth in total gold demand continues to be driven by the growing appeal of Chuk Kam, or pure gold jewellery, bought for both adornment and investment purposes"

A large proportion of this gold was routed to China, where total gold demand rose by 47 percent to 250 tons

Demand in Taiwan is estimated to have risen by 18 percent to 191 tons, South Korea by 34 percent to 74 tons and Singapore by 35 percent to 25 tons



Domestic Hong Kong consumption (excluding sales to China) rose 27 percent to 57 tons

However, demand fell by 8 percent to 87 tons in Thailand and by 20 percent to 23 tons in Malaysia Pro-democracy riots hit sales in Thailand in the first half, while tax changes in Malaysia affected demand there

Meanwhile, Dubai and Turkey's gold imports jumped 50 percent to 414 tons last year, largely because expatriate workers sent bullion back to India.

Bryan Parker head of strategic planning at the council, says "We expect to see a continued movement of gold from West to East and steady demand this year"

Mainly as the result of Far and Middle Eastern demand, the council estimates that worldwide jewellery demand rose by 14 percent to 2 400 tons last year

Industrial consumption remained constant at 267 tons, while purchases of medals and coins fell to 110 tons in 1992 from 173 tons in 1991

Total fabrication demand worldwide is thus estimated to have risen by 9 percent to 2 777 tons last year Including bar hoarding, worldwide demand reached a record 3 057 tons.

- "For the fourth year running, and despite the worldwide recession, demand for gold jewellery continues to rise," says Parker

"The price failed to perform because supplies from producers, scrap and central banks matched the demand"

Despite the recession, the council estimates that trade purchases of gold in the US, Japan, France, Germany, Italy, Britain, Spain and Greece fell by only 1 percent to 645 tons last year

Japan was down by 17 percent but demand in the US and Europe was higher, it says

Star 2/3/93

Glamour mine hits the 100 000-ton mark

(214)

By Derek Tommey

In the current troubled economic climate South Africa can boast at least one success story

It is establishment of Leeudoorn, one of the country's most promising new gold mines, which has reached a milling rate of 100 000 tons a month

Dr Anton Rupert, who was guest of honour at a function yesterday to mark the event, said that the Leeudoorn mine was "a golden ray of sun shining through the dark clouds of our present economic climate"

Leeudoorn is now planning to increase the milling rate to 120 000 tons a month

Alan Munro, chairman of Kloof of which Leeudoorn is a division, said at the function that while employment was contracting elsewhere, Leeudoorn had created more than 7 000 new jobs, produced nearly 13 tons of gold in its build-up to its present milling rate and was doing this at a profit

The expansion will provide jobs for a further 1 500 people in the next 18 months

At the same function, in a reminder to the world that the Rembrandt Group is a major investor in gold, the group's chairman, Dr Rupert unveiled a plaque marking the achievement of the 100 000 tons-a-month milling rate.

The Rembrandt group stake in the gold mining industry follows the acquisition of a 10 percent interest in Gold Fields of SA in 1987. But following the take-over of Consolidated Gold Fields (CGF) by the Hanson Group in 1989, Rembrandt together with a number of Gold Fields of South Africa companies and Liberty Life acquired CGF's shares in GFSA The Rembrandt group's stake today amounts to 17,4 percent worth over R1 billion

At a function to mark the 100 000-ton achievement yesterday were (from the left) Alan Munro, chairman of Kloof, Dr Anton Rupert head of the Rembrandt group and Robin Plumbridge, chairman of Gold Fields of South Africa.

When milling reaches 120 000 tons a month gold production should amount to more than 10 tons a year

Dr Rupert revealed that he had been a gold bug since 1932 when South African "went off the gold standard" and he realised what the true value of paper money was — only a promise to give one new bank note for an old one

People who delighted in denigrating gold seemed to forget that gold was the one object which was scarce and indestructible It was cherished and never cast away It never diminished except by outright loss

Gold was a hedge against inflation, he said But not only had it retained its value over the past 400 years but it had increased its purchasing power during depressions

"I firmly believe that gold may prove to be the only international store of wealth which is not an IOU,"

Mining analysts say that the achievement of a milling rate of 100 000 tons a month should significantly increase Leeudoorn's contribution to Kloof.

In the three months ended December last year, Leeudoorn milled an average of 82 000 tons a month at an average grade of 9,4 grams a ton It produced gold worth R73,7 million in the quarter Working costs were R61,6 million production a profit for the three months of R12,1 million

The increased milling rate should lift gold production and revenue As working costs are not expected to rise in line with this, unit profits and total profit should grow quite significantly

Leeudoorn celebration

B/Day 2/3/93 (214)

DIRK VAN EEDEN

THE Leeudoorn gold mine, a division of Gold Fields' Kloof gold mining company, celebrated its official opening yesterday as the mine reached operational profitability and a target milling rate of 100 000 tons of ore a month

Kloof chairman Alan Munro said the mine had already sold 13 tons of gold since mining began two years ago The mine was now running at a profit for the first time

Leeudoorn employed more than 7 000 people This would rise to 8 500 next yearwhen it reached a milling plateau of 120 000t a month It should yield about 10t of gold a year.

Gold gurus to gather

LOUIS BECKERLING (214)

PERTH — Gold gurus from around the world are to meet next week to review the outlook of the industry

The keynote address at the Australian Gold Conference will be delivered by Gold Fields of SA chairman Robin Plumbridge Gold Corporation of Australia CE Don Mackay-Coghill will update the case for gold investments he presented at the 1990 conference

SA Chamber of Mines CE Tom Main will present one of four regional perspectives BDAY 3/3/93.

Attending a meeting of the World Gold Council that will coincide with the conference, will be Anglo American gold and uranium division chairman Clem Sunter.

Gold Corporation officials said last night that in the case for gold made in 1990, they had said the metal would re-emerge as an important financial asset, based on economic events in the US, Japan and Germany

"Mackay-Coghill's thesis will be that nothing much has changed If anything, the events in Japan and Germany are worse than we forecast And while there are signs of revival in the US, that country's deficit and debt problems are so great that pressure will remain on the dollar

"The upshot is that hard assets will again come to the fore, particularly if you bear in mind that physical demand outstrips supply by about 1 000 tons a year"

Harmony MD quits to manage ERPM

B/DAY 3/3/93 (214)

MATTHEW CURTIN

HARMONY gold mine MD Karl Eick, who played a key role in talks last year which led to an emergency rescue plan being implemented at the Free State mine, has resigned

Eick, 60, will remain with Rand Gold & Exploration, concentrating on managing the group's struggling debt-laden ERPM, until he retires from the group in August

He will be succeeded by former Barplats Mining MD Eddie Crocker. Barplats was taken over by Impala Platinum in 1991 and mothballed.

Eick said yesterday he had always intended to retire from Randgold — formerly Rand Mines gold division — at the end of 1993

"I returned from three weeks leave on Monday, and after a meeting with chairman John Turner, it was decided I could best spend my last six months with the group concentrating on ERPM," Eick said

Eick was appointed Harmony MD in April 1991, in the middle of a long and difficult process of restructuring at the mine. Harmony employed 35 000 workers in 1987, 6 500 were retrenched in January 1991 The mine now employed 14 600 workers.

Eick said the mine, blighted by its low grade ore reserves and weak gold prices, was "now over the hump" and it was time for new management to be phased in.

The rescue plan has ensured that Harmony, on which the town of Virginia is dependent, will stay in business for perhaps as long as two years, in spite of depressed gold prices

NUM collective bargaining head Martin Nicol said Eick played an important and helpful role in the intensive talks last year during which management and trade unions thrashed out the rescue programme, involving productivity schemes and a seven-day working week

Crocker said he was not yet in a position to comment on Harmony's long-term future, but he said no changes to its current mining plan were envisaged

The mine remained a marginal producer, and management's objective was to look after the interests of all Harmony's stakeholders — including shareholders and employees Harmony's experience showed there was "always room for productivity improvements", he said.

However, a market source said it was not clear yet whether Randgold and its parent Barlow Rand were committed to keeping Harmony going in the hope gold prices would recover, or whether they were intent on closing the mine down once the rescue plan had run its course during the next two years

Minorco hopes to buy Aussie mine dashed

JOHN CAMILL

LONDON — Minorco, the £1,5bn international arm of Anglo-De Beers, has been thwarted in its ambitions to buy 49% of Olympic Dam, the giant copper-gold-silver-uranium mine in South Australia.

Yesterday Wesern Mining Corporation of Perth, which owns 51% of Olympic Dam, said it will exercise its pre-emptive right to buy the 49% stake from British Petroleum (BP) for which Minorco had bid $456m ($240m equity and $216m loans).

Olympic Dam would have been Minorco's second-biggest investment since it launched its worldwide buying spree after its takeover of Consolidated Gold Fields was aborted in 1989.

Minorco reached agreement with BP on November 4 last year but in terms of the joint venture agreement Western Mining had 90 days in which to consider taking up its pre-emptive option for the 49%.

A spokesman for Minorco, which holds £1,8bn in cash, yesterday said "We are naturally disappointed — we were looking forward to being a partner in one of the word's major copper mines.

"But we are not really surprised. We obviously obtained such a good deal with BP that Western Mining could not resist the opportunity to buy complete control at our negotiated price," the spokesman said.

Lonrho/Gencor 'deal' confusion

MATTHEW CURTIN

CONFUSION surrounding the future of Western Platinum, Lonrho's debt-heavy platinum mines, intensified yesterday as the troubled international trading company denied a report that a deal between Western Platinum and Gencor was imminent.

Reuter reports Lonrho deputy chairman Paul Spicer said the report by the London Financial Times — which said Gencor might be about to increase its 27% stake in the platinum mines to 49% — was "purely speculative" He would not comment on whether talks were in progress, but dismissed suggestions, which the Financial Times said had come from a senior Lonrho source, that discussions had narrowed to three options, one involving a deal with Gencor

Although Gencor and Lonrho spokesmen in SA remain tight-lipped, it is not the first time conflicting accounts have emerged about the future of two parties' relationship in SA. Lonrho said it had walked away from a possible merger with Gencor last year, opting for the involvement of German businessman Dieter Bock

In contrast, Gencor has argued it was interested only in increasing its stake in Lonrho's SA platinum assets and other African mining interests, rather than any deal involving Lonrho's varied non-mining interests which range from hotels, and vehicle distribution to tomato farming

Analysts said yesterday the irony of the situation confronting Western Platinum, Gencor and Impala Platinum was that while the depressed platinum market was putting pressure on Western Platinum to lighten its debt-burden, weak market conditions prejudiced the chances of a rights issue succeeding and Gencor-/Implats' ability to pay a satisfactory price for an increased share in Western Platinum.

Frankel Pollak Vinderine analyst Peter Davey said Western Platinum was struggling to cover interest payments The group reported sharply reduced after-tax profit of R81m (R149m) in 1991/92, and passed its dividend payment, R97,1m in 1991.

Davey said doing a deal with Gencor, as opposed to trying to list the platinum mines on the JSE in their own right or via a quoted mining holding company, would be "the cheapest route out of their troubles"

However, cash-strapped Implats was unlikely to be willing to inject the finance Western Platinum would want. It could argue that investing in Western Platinum was sound in the long-term, but parent Gencor would be required to put up the necessary cash at a time when it faced multi-billion rand capital commitments in Alusaf and the Columbus Stainless Steel joint venture.

Simpson McKie analyst Rodney Yaldwyn said "Both sides are in a pickle"

Guardian earnings rocket 20% | Strong dema

thinking on consumer rights, because the most effective consumer protection can only be achieved by educating the consumer and creating awareness of his rights

Some legislation is necessary to protect the consumer, but as I have said, legislation can also harm the consumer Legislation, and particularly poorly enforced legislation, creates a false sense of protection for the consumer He is lulled into believing that since there is legislation to protect him, he is relieved of the responsibility to take care of himself

Consumer codes of self-regulatory bodies are being formulated in consultation with consumer bodies [Time expired]

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

Question standing over from Wednesday, 24 February 1993

Robben Island: future of prison

*4 Mr D J DALLING asked the Minister of Correctional Services

(a) (i) How many prisoners are being held on Robben Island at present and (ii) in respect of what date is this information furnished and (b) when is it anticipated that the prison on the island will close? B129E

†The MINISTER OF CORRECTIONAL SERVICES

(a) (i) 723

(ii) 3 March 1993

(b) During 1991 the Government approved that the interests of the Department of Correctional Services on Robben Island should be scaled down on a phased basis As Correctional Services, who up to now has been the main role player on Robben Island, will thus eventually phase out its interests on Robben Island, the Regional Development Advisory Committee (RDAC), Region A (Western Cape) was requested to advise the Government on the future utilization of Robben Island as well as the identification of a future chief role player The RDAC has since delivered its report which was duly considered by the Government Consequently the following decisions were reaffirmed/taken by the Government on 3 March 1993

— that a Ministers Committee and the Administrator of the Cape Province shall oversee and report back to the Government from time to time,

— that the Cape Provincial Administration be appointed as chief role player to take further initiatives with regard to a utilization plan for Robben Island which includes a management and development plan,

— that a Robben Island Advisory Committee be established to assist the Cape Provincial Administration in the drafting of a management and development plan for Robben Island This Advisory Committee should comprise experts from the public and private sectors concerned,

— that in the drafting of the management and development plan, the Robben Island Advisory Committee must consult as widely as possible (with all interested parties),

— that particular attention be given to the establishment of a museum on Robben Island in which the eventful history of Robben Island will be incorporated, preserved and depicted,

— that an expert consultant can be utilized to assist the Cape Provincial Administration, and

— that the following elements be contained in the management and development plan

- the intensifying of a programme to protect the fauna and flora,
- the development of a programme to extend the cultural-historical interests of Robben Island, the protection and preservation of shipwrecks in the territorial waters of Robben Island,
- a plan which will ensure maximum involvement of the community in the development of Robben Island,
- the promotion of educational programmes to offer the youth maximum exposure to the historical heritage of Robben Island,
- the establishment of a tourism component which will make the sights more accessible to the public without detrimentally affecting the nature conservation and cultural-historical interests, and
- greater accessibility to and the better utilization of Robben Island's harbour by the seafaring community in general

Given the high occupancy level of prisons country-wide in the Western Cape in particular, it is imperative that the prison accommodation on Robben Island be utilized until alternative accommodation is obtained in the Western Cape However, financial realities will determine when this alternative accommodation will be available It is therefore not possible to indicate when exactly the prison on Robben Island will be closed but a target date has been set for the end of 1996

Mr D J DALLING Mr Chairman [Interjections]

†The CHAIRMAN OF THE HOUSE Order! Hon members place questions on the Question Paper, and in many cases it demands an enormous amount of time and work from the Ministers and their staff to reply to these questions thoroughly There are hon members who are interested in the information that the hon Ministers are providing If there are hon members who are not interested in it, I am not going to allow their loud conversation to make it impossible for other hon members to hear the information I shall ask those hon members to leave the House We cannot carry on like this The hon member for Sandton may proceed

Mr D J DALLING Mr Chairman, arising out of the hon the Minister's reply, I would like to ask whether he can give us the assurance that those organisations such as the ANC and the PAC, whose members stayed on the island as involuntary prisoners for many years, will be fully consulted in the planning of the redevelopment or the development of Robben Island in the future, involving such aspects as the museum, the recreational issues etc

The MINISTER Mr Chairman, the answer is yes As I have pointed out in my reply, all interested parties will be consulted

†Mr D G H NOLTE Mr Chairman, further arising out of the hon the Minister's reply, could he perhaps tell us what has become of Lucky Malaza?

†The MINISTER Mr Chairman, that has nothing to do with this question, but I should like to say to the hon member that legislation will be tabled in this Parliament later this year so that we can remedy and rectify the matter of Lucky Malaza, in which an error was made

†Adv C H PIENAAR Mr Chairman, further arising out of the hon the Minister's reply, could consideration not be given to making the hon member for Simon's Town a tourist attraction on Robben Island? [Interjections]

New questions

Mines: work on Sundays

*1 Mr P J PAULUS asked the Minister of Mineral and Energy Affairs † 214

(1) Whether he at any stage granted exemption to mines that had applied for permission to carry out blasting operations and other work on Sundays, if so, (a) when, (b) to which mines and (c) in terms of what legal provisions and/or other regulations,

(2) whether he has since received any further applications from mines in this respect, if so, from which mines? B197E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Yes

(a) (i) with effect from 20 September 1992

(ii) with effect from 15 January 1993

(b) (i) Harmony Gold Mining Company Limited

(ii) Loraine Gold Mines Limited

(c) Section 9(1)(f) of the Mines and Works Act, 1956 (Act No 27 of 1956)

(2) Yes

(i) St Helena Gold Mines Limited

(ii) Hartebeestfontein Gold Mining Company Limited

†Mr F J LE ROUX Mr Chairman, arising out of the hon the Minister's reply, I should like to inquire whether he has consulted the relevant trade unions in this regard and what their attitude was in regard to this matter

The MINISTER Mr Chairman, I would like to tell the hon member that I had both the National Union of Mineworkers and the Mineworkers' Union in my office a week or two ago to discuss this particular matter I assured them that there would be no change to the existing legislation in this regard without my discussing it with them They were concerned that there was a trend towards Sunday work, and they were concerned that this might affect the working relationships of mineworkers of all races, those of both Cosatu's unions and the Council for Mining Unions I can assure the hon member that I am in close contact with all unions concerned with mining

Sugar industry: financial assistance

*2 Mr A A B BRUWER asked the Minister of Agriculture †

(1) Whether the State has rendered any financial assistance to the sugar industry in the latest specified period of 12 months, if not, why not, if so, (a) when and (b) what was the (i) nature and (ii) extent of this assistance,

(2) whether he will make a statement on the matter? B236E

†The MINISTER OF AGRICULTURE

(1) Yes, as announced on 7 May 1992

(a) Since May 1992

(b) (i) and (ii)

Interest subsidy on loans of sugar farmers at the Land Bank for crop loss loans, re-establishment loans and production loans

(2) No, it has already been done

*3 Mr L F Stofberg—Foreign Affairs † [Question standing over]

Local authorities: amalgamation

*4 Mr A GERBER asked the Minister of Local Government †

(1) Whether his Department has launched an investigation in order to determine the financial implications of the possible amalgamation of local authorities, if not, why not, if so, (a) what in broad outline were the results of this investigation and (b) what financial implications will such amalgamation have for the White taxpayer,

(2) whether he will make a statement on the matter? B243E

†The MINISTER OF LOCAL GOVERNMENT

(1) No special investigation has been conducted, but the Department is aware of the factual financial position of local authorities based on various surveys and the implications it might have with regard to amalgamation

(a) and (b) fall away

(2) Yes The matter was discussed by the Council for the Co-ordination of Local Government Affairs last year I also refer to a press statement issued by my predecessor on 27 March 1992

Due to the policy directions of the past, economic activities were almost exclusively concentrated in white local authority areas and naturally benefited these areas This factor, together with the lower income abilities of residents in Black towns and backlogs relating to service rendering in these areas, resulted in Black local authorities not being financially viable The financial position of Black local authorities furthermore became intolerable due to political pressure on councillors to resign and the fact that boycotts and malpayment of services and other levies were abused as political instruments

Of course one can continue with the current racially based system, which is not only unacceptable to the larger majority of the broad community, but which also places a heavy burden on the general taxpayer to support non-viable Black local authorities by way of intergovernmental grants Such intergovernmental grants only address the symptoms of the actual problem Unless the actual problem is solved, one may expect that the burden of intergovernmental grants on the general taxpayer will increase annually

The other option is to move within the broad political reform process (and thus through negotiations) towards a system of amalgamated non-racial local authorities Unrest, boycotts and malpayment can only be addressed through a legitimate political dispensation and effective administration Such an approach will indeed have cost-implications for the existing White local authorities With greater rationalisation of service rendering, improved utilisation of resources as well as better understanding for the needs of the broader community in general, stability can be restored, which will without doubt contribute towards making the cost-implications in the long term for the country's taxpayers, seen as a whole, much smaller than they are at present

In conclusion I would also like to point out that Government accepts that the eradication of backlogs and socio-economic upliftment in general cannot simply be devolved to third-tier authorities and that a system of intergovernmental grants will have to remain an important facet of the financing of local authorities However, such grants can be applied with greater impact in a stable atmosphere and with an effective administrative base

†Mr H J COETZEE Mr Chairman, arising out of the reply of the hon the Minister, may I ask whether this means that a study was not done on what the financial implications will be for White local authorities? Is he saying that the White taxpayers and White municipalities should take responsibility for the costs of the Black town councils that have failed?

†The MINISTER Mr Chairman, I refer the hon member to the reply in the statement I made

Pact: talks between TPA/ANC

*5 Mr A GERBER asked the Minister of National Education †

(1) Whether at the end of 1992 the Performing Acts Council of the Transvaal was directly or indirectly involved in talks between the Transvaal Provincial Administration and the ANC, if so, (a) to what extent and (b) what, in broad outline, was discussed and/or agreed upon during these talks,

(2) whether similar talks have taken place since then, if so, (a) when and (b) what, in broad outline, was discussed and/or agreed upon on these occasions,

(3) whether he will make a statement on the matter? B244E

The MINISTER OF NATIONAL EDUCATION

I would like to point out that I have no formal jurisdiction concerning this matter and that the details provided in the answer were obtained from the Administrator of the Transvaal

(1) Yes, the Performing Arts Council of the Transvaal was indirectly involved,

cont — p

Star 4/3/93

Mines seek Sunday work

St Helena, Hartebeesfontein, Lorraine and Harmony mines have applied for permission to blast and do other work on Sundays, Mineral and Energy Affairs Minister George Bartlett said in Parliament yesterday.

(214)

20 Joyce Edna Wrankmore—230829 0013 08 0—12 Hillside, Vans Road, Tokai—***Joy Edna Mary.***

21. Marietta Martin—450709 0012 08 9—11 Gourmand Street, Scottsville, Kraaifontein—***Marietta Harriet.***

22 Cheryl Williams—570406 0175 08 2—4 Salie Street, Lentegeur, Mitchells Plain—***Shafieka.***

23. Sylvia Frieslaar—330831 0074 08 7—6 Tottenham Close, London Village, Mitchells Plain—***Salama.***

24 Ramiro Da Silva Gouveia—630322 5121 08 8—94 Weber Road, Lambton, Germiston—***Ramiro Gouveia.***

25. Paul Robert Ryder—470212 5595 18 8—47 Rietfontein Road, Glen Marais, Kempton Park—***Paula Rebecca.***

26 Alveda Vivian Engelbrecht—670526 0168 08 1—20 Tempest Close, Rocklands, Mitchells Plain—***Inshaaf.***

27 Antoinette Leigh Jeppe—690506 0246 08 3—7 Beatrix Road, Manenberg—***Aiesha.***

28 Magdelena Jaftha—580502 0206 08 9—24 Jakaranda Avenue, Ashbury, Montagu—***Cheryl Magdelene.***

29 Kishore Osman—671207 5074 08 2—Flat 42, AEL Building, 15 Thomas Street, Pietermaritzburg—***Thahir.***

30. Marie Muthu Govender—690517 5374 08 5—P.O. Box 210, Port Shepstone—***Daryll.***

31. Deon Donovan Andre van Rensburg—710910 5290 08 6—10 Baywater Street, Sandiago, Eerste River—***Ashwaan.***

32 Andrew Finger—541006 5154 08 6—6 12th Avenue, Rusthof, Strand—***Andrew Anthony.***

33 Christian Daniel Swanepoel—471102 5051 08 5—32 Hull Street, Wannenburghoogte, Germiston—***Chirstiaan Daniel.***

34 Albert Malherbe Scholtz Uys—410116 5006 08 3—P O Box 614, George—***Albert Malherbe Scholtz Ratings.***

35 Paulus Josua Johannes Julies—550604 5065 08 4—468 Raven Street, Bergsig, Caledon—***Paul Josua.***

36. Petronella Lourentza Zurich—460202 0031 08 3—8 Hiddingh Avenue, Newlands, Cape Town—***Ronell.***

20 Joyce Edna Wrankmore—230829 0013 08 0—Hillside 12, Vansweg, Tokai—***Joy Edna Mary.***

21 Marietta Martin—450709 0012 08 9—Gourmandstraat 11, Scottsville, Kraaifontein—***Marietta Harriet.***

22 Cheryl Williams—570406 0175 08 2—Saliestraat 4, Lentegeur, Mitchells Plain—***Shafieka.***

23. Sylvia Frieslaar—330831 0074 08 7—Tottenham Slot 6, London Village, Mitchells Plain—***Salama.***

24. Ramiro Da Silva Gouveia—630322 5121 08 8—Weberweg 94, Lambton, Germiston—***Ramiro Gouveia.***

25. Paul Robert Ryder—470212 5595 18 8—Rietfonteinweg 47, Glen Marais, Kempton Park—***Paula Rebecca.***

26 Alveda Vivian Engelbrecht—670526 0168 08 1—Tempest Slot 20, Rocklands, Mitchells Plain—***Inshaaf.***

27. Antoinette Leigh Jeppe—690506 0246 08 3—Beatrixweg 7, Manenberg—***Aiesha.***

28 Magdelena Jaftha—580502 0206 08 9—Jakarandalaan 24, Ashbury, Montagu—***Cheryl Magdelene.***

29 Kishore Osman—671207 5074 08 2—Woonstel 42, AEL-gebou, Thomasstraat 15, Pietermaritzburg—***Thahir.***

30. Marie Muthu Govender—690517 5374 08 5—Posbus 210, Port Shepstone—***Daryll.***

31. Deon Donovan Andre van Rensburg—710910 5290 08 6—Baywaterstraat 10, Sandiago, Eersterivier—***Ashwaan.***

32. Andrew Finger—541006 5154 08 6—12de Laan 6, Rusthof, Strand—***Andrew Anthony.***

33. Christian Daniel Swanepoel—471102 5051 08 5—Hullstraat 32, Wannenburghoogte, Germiston—***Christiaan Daniel.***

34 Albert Malherbe Scholtz Uys—410116 5006 08 3—Posbus 614, George—***Albert Malherbe Scholtz Ratings.***

35. Paulus Josua Johannes Julies—550604 5065 08 4—Ravenstraat 468, Bergsig, Caledon—***Paul Josua.***

36. Petronella Lourentza Zurich—460202 0031 08 3—Hiddinghlaan 8, Newlands, Cape Town—***Ronell.***

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No. 316 (212) **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by

DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGSONTWIKKELING

No. 316 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende

direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993

(212)

The mine known as **Venetia Mine,** on the farm Venetia 103 MS, situated in the Magisterial District of Soutpansberg, Province of the Transvaal, which at present is worked by De Beers Consolidated Mines Ltd, P.O Box 668, Messina, 0900

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date

Excavations Any work in underground or open workings

On the surface Any work—

(i) where the moving, transfer or handling of stone, rock, ore or other minerals takes place;

(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water,

(iii) on or at waste dumps, ore dumps or slimes dams, except where the materials are being deposited in the form of slime,

(iv) in drill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing;

(vi) where samples of crushed ore or other minerals are graded in a dry state; and

(vii) where rock-drilling is done.

No. 317 (212) **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director. Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as **Potgietersrust Platinums Limited,** on the farms Sandsloot 236 KR, Vaalkop 819 LR, Zwartfontein 818 LR and Overysel 815 LR, situated in the Magisterial District of Potgietersrus, Province of the Transvaal, which at present is worked by Potgietersrust Platinums Ltd, Private Bag X2463, Potgietersrus, 0600

I hereby in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date

Excavations Any work in underground or open workings

On the surface Any work—

(i) where the moving, transfer or handling of stone, rock, ore or other minerals takes place,

namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn

Die myn bekend as **Venetia Mine,** op die plaas Venetia 103 MS, gelee in die landdrosdistrik Soutpansberg, provinsie Transvaal, wat tans deur De Beers Consolidated Mines Ltd, Posbus 668, Messina, 0900, ontgin word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk.

Uitgrawings Enige werk in ondergrondse of oop delfplekke.

Bogronds. Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, erts of ander minerale plaasvind,

(ii) waar die vergruising, sif of klassifisering van klip, rots, erts of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, ertshope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word,

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee,

(vi) waar monsters van vergruisde erts of ander minerale in 'n droe toestand gegradeer word, en

(vii) waar rotsboorwerk gedoen word

No. 317 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No. 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as **Potgietersrust Platinums Limited,** op die plase Sandsloot 236 KR, Vaalkop 819 LR, Zwartfontein 818 LR en Overysel 815 LR, gelee in die landdrosdistrik Potgietersrus, provinsie Transvaal, wat tans deur Potgietersrust Platinums Limited, Privaat Sak X2463, Potgietersrus, 0600, ontgin word

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk

Uitgrawings: Enige werk in ondergrondse of oop delfplekke

Bogronds: Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, erts of ander minerale plaasvind;

(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water;

(iii) where pelletising is done, 212

(iv) at smelt-houses;

(v) on or at waste dumps, ore dumps or slimes dams, except where the materials are being deposited in the form of slime,

(vi) in drill-sharpening shops or at any other place where drills are sharpened;

(vii) in change-houses where persons performing risk work, change their clothing,

(viii) in assay laboratories, except in separately ventilated parts thereof where only wet assays are done and no treatment of dry stone, rock, ore, or other minerals takes place;

(ix) where samples of crushed ore or other minerals are graded in a dry state; and

(x) where rock-drilling is done.

No. 318 **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK 212

I, Pieter Jozua Aucamp, Chief Director: Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993:

The mine known as **Rietvly Silica Myn,** on the farm Rietvly Portion 98 and Rietvly Portion 90, situated in the Magisterial District of Rustenburg, Province of the Transvaal, which at present is worked by Rietvly Silica Myn, P O. Box 1211, Rustenburg, 0300

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

Excavations: Any work in underground or open workings.

On the surface Any work—

(i) where the moving, transfer or handling of stone, rock, ore or other minerals takes place;

(ii) where the crushing, screening or classification of stone, rock, ore or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, ore dumps or slimes dams, except where the materials are being deposited in the form of slime;

(iv) in drill-sharpening shops or at any other place where drills are sharpened;

(v) in change-houses where persons performing risk work change their clothing;

(vi) where samples of crushed ore or other minerals are graded in a dry state; and

(vii) where rock-drilling is done.

(ii) waar die vergruising, sif of klassifisering van klip, rots, erts of ander minerale plaasvind, uitgesonderd waar dit onder water geskied,

(iii) waar pelletisering plaasvind,

(iv) by smelterye;

(v) op of by afvalhope, ertshope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word,

(vi) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word,

(vii) in kleedhuise waar persone wat risikowerk leed-huise waar persone wat risikowerk verrig, hulle verklee,

(viii) in essaiëringslaboratoriums, uitgesonderd in afsonderlik geventileerde dele daarvan waar slegs nat essaiërings uitgevoer word en geen behandeling van droë klip, rots, erts of ander minerale plaasvind nie;

(ix) waar monsters van vergruisde erts of ander minerale in 'n droe toestand gegradeer word; en

(x) waar rotsboorwerk gedoen word.

No. 318 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as **Rietvly Silica Myn,** op die plaas Rietvly Gedeelte 98 en Rietvly Gedeelte 90, geleë in die landdrosdistrik Rustenburg, provinsie Transvaal, wat tans deur Rietvly Silica Myn, Posbus 1211, Rustenburg, 0300, ontgin word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk:

Uitgrawings Enige werk in ondergrondse of oop delfplekke.

Bogronds: Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, erts of ander minerale plaasvind;

(ii) waar die vergruising, sif of klassifisering van klip, rots, erts of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, ertshope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word;

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee;

(vi) waar monsters van vergruisde erts of ander minerale in 'n droë toestand gegradeer word, en

(vii) waar rotsboorwerk gedoen word.

No. 319 **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as **Macalman Colliery,** on the farm Macalman 15567, situated in the Magisterial District of Klip River, Province of Natal, which at present is worked by CBR Mining (Pty) Ltd, P O Box 1007, Dundee, 3000.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

Excavations. Any work in underground or open workings.

On the surface. Any work—

(i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated in the mining area,

(ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime;

(iv) in drill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing;

(vi) in coal laboratories, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place,

(vii) where samples of crushed coal or other minerals are graded in a dry state; and

(viii) where rock-drilling is done

No. 320 **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mine and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as **Strip Mining CC,** on the farm Chelmsford 87642, situated in the Magisterial District of Newcastle, Province of Natal, which at present is worked by Strip Mining CC, P O Box 3670, Durban, 4000.

No. 319 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as **Macalman Colliery,** op die plaas Macalman 15567, gelee in die landdrosdistrik Kliprivier, provinsie Natal, wat tans deur CBR Mining (Pty) Ltd, Posbus 1007, Dundee, 3000, ontgin word

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk:

Uitgrawings: Enige werk in ondergrondse of oop delfplekke

Bogronds. Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, steenkool of ander minerale plaasvind, sowel as laaiwerk by ondergeskikte sylyne wat in die myngebied geleë is,

(ii) waar die vergruising, sif of klassifisering van klip, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, steenkoolhope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word,

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee,

(vi) in steenkoollaboratoriums, uitgesonderd in afsonderlik geventileerde dele daarvan waar slegs nat ontledings uitgevoer word en geen behandeling van droe klip, rots, steenkool of ander minerale plaasvind nie,

(vii) waar monsters van vergruisde steenkool of ander minerale in 'n droe toestand gegradeer word, en

(viii) waar rotsboorwerk gedoen word.

No. 320 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as **Strip Mining CC,** op die plaas Chelmsford 87642, gelee in die landdrosdistrik Newcastle, provinsie Natal, wat tans deur Strip Mining CC, Posbus 3670, Durban, 4000, ontgin word

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date:

Excavations Any work in underground or open workings

On the surface· Any work— (212)

(i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated in the mining area;

(ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime,

(iv) in drill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing,

(vi) in coal laboratories, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place;

(vii) where samples of crushed coal or other minerals are graded in a dry state; and

(viii) where rock-drilling is done

No. 321 **5 March 1993**

DECLARATION OF A CONTROLLED MINE AND RISK WORK (212)

I, Pieter Jozua Aucamp, Chief Director· Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No 78 of 1973), hereby declare the following mine to be a controlled mine with effect from 1 March 1993.

The mine known as **Klipfontein Colliery,** on the farm Klipfontein 566 JR, Portion 6, situated in the Magisterial district of Witbank, Province of the Transvaal, which at present is worked by Klipfontein Colliery, P O Box 83, Kendal, 2225.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mine to be risk work with effect from the same date

Excavations Any work in underground or open workings.

on the surface. Any work—

(i) where the moving, transfer or handling of stone, rock, coal or other minerals takes splace, including loading operations at subsidiary sidings situated in the mining area,

(ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water,

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk

Uitgrawings· Enige werk in ondergrondse of oop delfplekke.

Bogronds Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, steenkool of ander minerale plaasvind, sowel as laaiwerk by ondergeskikte sylyne wat in die myngebied geleë is,

(ii) waar die vergruising, sif of klassifisering van klip, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied;

(iii) op of by afvalhope, steenkoolhope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word,

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word;

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee;

(vi) in steenkoollaboratoriums, uitgesonderd in afsonderlik geventileerde dele daarvan waar slegs nat ontledings uitgevoer word en geen behandeling van droe klip, rots, steenkool of ander minerale plaasvind nie;

(vii) waar monsters van vergruisde steenkool of ander minerale in 'n droë toestand gegradeer word, en

(viii) waar rotsboorwerk gedoen word.

No. 321 **5 Maart 1993**

VERKLARING TOT 'N BEHEERDE MYN EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No. 78 van 1973), die volgende myn met ingang van 1 Maart 1993 tot 'n beheerde myn:

Die myn bekend as **Klipfontein Colliery,** op die plaas Klipfontein 566 JR, Gedeelte 6, gelee in die landdrosdistrik Witbank, provinsie Transvaal, wat tans deur Klipfontein Colliery, Posbus 83, Kendal, 2225, ontgin word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myn met ingang van dieselfde datum tot risikowerk

Uitgrawings Enige werk in ondergrondse of oop delfplekke

Bogronds· Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, steenkool of ander minerale plaasvind, sowel as laaiwerk by ondergeskikte sylyne wat in die myngebied gelee is,

(ii) waar die vergruising, sif of klassifisering van klip, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied,

(iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime;

(iv) in drill-sharpening shops or at any other place where drills are sharpened,

(v) in change-houses where persons performing risk work change their clothing,

(vi) in coal laboratories, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place,

(vii) where samples of curshed coal or other minerals are graded in a dry state, and

(viii) where rock-drilling is done.

DEPARTMENT OF REGIONAL AND LAND AFFAIRS

No. 312 **5 March 1993**

AMENDMENT OF THE GUIDE PLAN FOR THE CAPE METROPOLITAN AREA PAARL/WELLINGTON

Under section 6A (19) of the Physical Planning Act, 1967 (Act No 88 of 1967), read with section 37 (1) (d) of the Physical Planning Act, 1991 (Act No 125 of 1991), I, Andrew Fourie, Deputy Minister for Regional Development, hereby amend the Guide Plan for the Cape Metropolitan Area Paarl/Wellington, as made known by Government Notice No. 2192 of 6 September 1991, by changing the designation of a portion of Erf 176, Wellington (Onverwacht), as indicated by approximation on the map in the accompanying Schedule, from "agriculture" to "recreation and tourism" with the emphasis on holiday development and with thorough consideration of the rural character of the environment

A. FOURIE,

Deputy Minister for Regional Development

(iii) op of by afvalhope, steenkoolhope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word,

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word,

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee,

(vi) in steenkoollaboratoriums, uitgesonderd in afsonderlike geventileerde dele daarvan waar slegs nat ontledings uitgevoer word en geen behandeling van droe klip, rots, steenkool of ander minerale plaasvind nie,

(vii) waar monsters van vergruisde steenkool of ander minerale in 'n droe toestand gegradeer word, en

(viii) waar rotsboorwerk gedoen word.

DEPARTEMENT VAN STREEK- EN GRONDSAKE

No. 312 **5 Maart 1993**

WYSIGING VAN DIE GIDSPLAN VIR DIE KAAPSE METROPOOL· PAARL/WELLINGTON

Kragtens artikel 6A (19) van die Wet op Fisiese Beplanning, 1967 (Wet No. 88 van 1967), gelees met artikel 37 (1) (d) van die Wet op Fisiese Beplanning, 1991 (Wet No 125 van 1991), wysig ek, Andrew Fourie, Adjunkminister vir Streekontwikkeling, hierby die Gidsplan vir die Kaapse Metropool Paarl/Wellington soos bekendgemaak by Goewermentskennisgewing No 2192 van 6 September 1991, deur die gebruiksaanwysing van 'n gedeelte van Erf 176, Wellington (Onverwacht), soos skematies op die kaart in die bygaande Bylae aangedui, vanaf "landboudoeleindes" na "ontspanning en toerisme" te verander met die klem op vakansie-ontwikkeling en met behoorlike inagneming van die landelike karakter van die omgewing.

A. FOURIE,

Adjunkminister vir Streekontwikkeling

whole page.

(214)

Tree spinach will add some muscle to agriculture

SURROUNDED by rich agricultural land, the FGF Development Centre is assisting agricultural industries to contribute more to the gross geographic product of the Free State

With its policy of encouraging the greater development of secondary industries, the FGFDC has also made a breakthrough in the production of a new and high yielding food crop with value-added spinoffs

Not only will it attract canning factories and food processing plants to the region, but the new crop will benefit the subcontinent

Following an experiment involving researchers, farmers and the FGFDC last year, a tree spinach that is more drought resistant than maize and yields a crop about 10 times greater than ordinary spinach has been introduced

Although the plant has been popular among South American tribes it was "rediscovered" by Daan Calitz of Pretoria

CSIR tests found it to have a much higher calcium, lysine, iron, magnesium and protein content and general nutritional value than spinach and maize

Moreover, says FGFDC MD Dawid Vermeulen, tree spinach is suited for consumption by humans, livestock, poultry and pets and it has medicinal properties

Last month, Dries Goosen of the farm Gelykvlakte harvested the first crop in an experimental project in the Bothaville and Hennenman districts

Vermeulen says many growers and marketers, some from as far as Zaire, have made inquiries, while the FGFDC is investigating marketing channels Black businessmen, the mines and Operation Hunger have also shown interest

Encouraged by the results and response to the first phase, the project is progressing towards establishing a processing plant

"This is where we will play a crucial role and where job opportunities are created for the people in the region," he says

Based on the assumption that 30% of the Free State's almost 3-million people would consume an average of 50g a day, this could create a food processing industry of R30m as year and provide 3 700 jobs in the region, says Vermeulen

"Time is of the essence and we hope to have a processing plant by year-end"

Investigations into processing machinery are being undertaken by food processing engineers, involving academics from the Pretoria and Potchefstroom universities

While local experts are designing the processing plant, the Italian-SA Development Corporation and the SA Embassy in Milan are furnishing the FGFDC with information on Italian technology

FGFDC chairman Rais Vermaak says every effort will be made to establish a processing plant

"With this phenomenal plant's potential to solve hunger problems and to create jobs and wealth, the FGFDC will try to maximise its potential not only in favour of this region but for SA as a whole," he says

The establishment of the Free State Goldfields Development Centre is the first joint effort by the private and public sectors to broaden the investment location's economic base Managing the initiative is a board of directors — 15 business and community leaders — and spearheading the operation is the full-time team of (from left), MD Dawid Vermeulen, Hanlie Ryan, Lynette Coetzee and Karel van der Walt.

Democracy to be introduced to decision-making process

THE newly-formed Free State Goldfields Development Centre (FGFDC) is democratising the decision making process involved in attracting new industries to the region

This is the response of FGF MD Dawid Vermeulen to calls by black business wanting to become more involved in the initiative

Hopes that new industries in the FGF region will use local black sub-contractors and traders have been expressed by the Thabong Business Chamber

Chamber chairman Jac Moloi says this is a way of getting their participation and support for broadening the FGF economic base

He says some local black businessses are more cost competitive than larger firms

"We can provide builders, electricians, plumbers, carpenters, metal workers and suppliers of goods — some of whom are self-employed while others are members of syndicated businesses"

The chamber has about 600 members in Thabong, Kutlwanong and Bronville's coloured sector

Members believe they should be involved in any economic expansion, including being offered the option of shares in companies They also want to be kept informed of proposed developments

And many consider that they too should be considered for development incentives offered by the FGFDC to attract what are ostensibly new white business ventures

Moloi says they are under the impression that all concessions apply only to white business, and without financial backing, blacks would be unable to start their own new ventures

Vermeulen says the FGF will support the informal sector in establishing certain businesses and will consider applications for incentives on the same basis as all other applications

However, certain white and black business in the tertiary sector are excluded from qualifying for incentives These include cafés, agencies and traders

Incentives are primarily for manufacturers, he says

"The FGF has embarked on a programme to invite black and white businesses, organisations and individuals to become FGF members to give them co-ownership of the decision-making process, says Vermeulen

A helping hand for developing businesses

A NUMBER of local businessmen have expanded or entered into new ventures because of the Free State Goldfields Development Centre's help in obtaining development incentives

Since its inception in February 1992 as a Section 21 company (association not for gain), the centre has increasingly helped with the successful establishment of small enterprises in the region

This has been mainly the result of a media advertising campaign and exhibitions at all major agricultural shows, says MD Dawid Vermeulen

The campaign has resulted in about 150 prospective entrepreneurs showing interest in and a willingness to establish industries in the region

Last year, five local entrepreneurs were granted five-year incentive packages — believed to be the best available

SA Gems & Crafts' Jan Bezuidenhout opted out of his business in the construction industry, and with the assistance of the centre and Welkom City Council established a gem processing plant

"I am pleased I entrusted them with my problems for today I am a profitable entrepreneur creating more jobs as my business expands," he says

Welkom Plastics was another to benefit from the centre's help, extending its factory and range of plastic products, and Burren Plastics, which exports money bags

Vermeulen says existing or prospective entrepreneurs — whether local, national or international — qualify for incentives provided they are bona fide manufacturers

Striving to promote the many attractions of Welkom

THE Welkom Publicity Association is striving for a more co-ordinated and cost-effective publicity effort to promote the attractions and image of the city to investors, visitors and local residents

Association vice-chairman Johan Smith says co-operation is being achieved through a series of information sessions being conducted with other leading local organisations

These include the Goldfields Chamber of Commerce & Industries, the Afrikaanse Sakekamer, the FGF Development Centre, and various business organisations

Chaired by Francois Aucamp, the association's primary aim is to enhance the image of the greater Welkom area and its inhabitants in particular, to show that it offers a sound working living and business environment

But it also considers the bigger picture of promoting investment and tourism in the entire Orange Free State

To capture the interest, support and participation of inhabitants and businesses in its publicity drive, the association has been focusing its attention on tackling various types of projects that meet with community approval

"We have 34 projects under way or recently completed But we need to get more people and businesses in Welkom involved in projects if we are to reap the full benefits of such positive undertakings"

Projects include weekend steam train tours, underground mine tours, bus tours, outings to rich bird watching spots, farm holidays, organising accommodation for supporters of major rugby matches staged in Bloemfontein and the Goldfields, gliding and parachuting competitions and organising flea markets

"We are also looking at the possibility of staging seminars for small business people and other projects," he says

— Free State Goldfields

(214)

Strategy to develop a fifth metropolis in SA

INCENTIVES are being offered to business ventures as part of an initiative aimed at broadening the economic base of the Free State Goldfields (FGF)

At the helm is the newly-formed Free State Goldfields Development Centre (FGFDC), whose MD Dawid Vermeulen says the determined aim is to develop this region into SA's fifth metropolis

The development strategy follows an in-depth feasibility study by management consultants Deloitte Touche, with emphasis on attracting manufacturing industries

Combining

The scheme is a team effort combining local authorities and community leaders representing all population groups, the mining houses, commerce and industry, as well as Eskom, the Water Board, Telkom and Spoornet

"The emphasis is to establish wealth creation opportunities and we offer the most comprehensive and attractive incentive schemes in the country," says Vermeulen

Formally launched in September 1991, the programme centres around the city of Welkom and embraces 15 towns covering an area of 6 000km² Its total population is 500 000 people in urban areas, 250 000 rural people and 200 000 on the mines

The FGFDC's mission and that of its backers is to broaden the FGF economic base through the establishment of industries that are independent of mining

Vermeulen says this will be achieved by using a regional approach to multidimensional development and marketing the area's attractive development potential

"We can no longer depend for our long-term economic future on gold production, regardless of higher prices for the metal

"If we are to create economic growth, job opportunities and social responsibility programmes, we have to widen our economic base

"This not only includes the development of a sound, larger and varied secondary manufacturing sector, but also a strong informal sector," says Vermeulen

The FGFDC also intends to encourage industries that are capable of providing goods and services that meet both national and export demands

Success

Its board of directors are confident of ultimate success as the development region has much to offer wealth creators who invest in the FGF

They cite its substantial but under-utilised infrastructure, surplus housing and the attractive and well-managed five-year input incentive scheme as some of the main features

SA's fifth metropolis also boasts an abundance of manpower and highly competitive rentals and property prices

Feature

"An additional feature is that being only 250km from Johannesburg means we are strategically placed to conduct business throughout the PWV area as well as in nearby Bloemfontein In fact, we are also within easy reach of most main sea ports," says Vermeulen

"The FGF is acutely aware that maximum support and participation by all population groups and their representative organisations in the region is paramount for success"

For this reason some influential organisations have been consulted and given their approval for the scheme

DAWID VERMEULEN

He says they include black business organisations such as Nafcoc and Fabcos the Chamber of Mines, local Sacob-affiliated chambers of commerce and the Afrikaanse Sakekamer

Other backers with representation on the FGF are the Regional Services Council and local authorities of Welkom, Virgina, Odendaalsrus, Bothaville, Hennenman, Allanridge, Bronville, Theunissen, Kutlwanong, Thabong, Phomolong, Kgotsong, Nyakallong, Masilo and Meloding

Black groups to play increasingly important role

BLACK organisations are expected to play a leading role in the ultimate success of any new business ventures being established in the Free State Goldfields

Fabcos regional representative James Lenyehelo says black backing will help to create successful ventures and social stability in the region

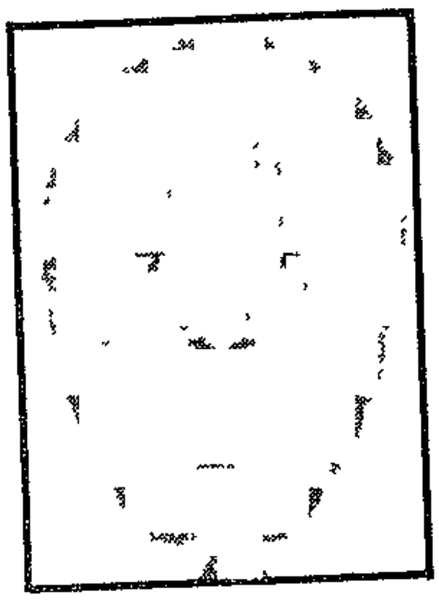
Lenyehelo, an FGF Development Centre board member, says this should be an immediate and long-term guiding principle of the FGF

"While the pace of progress in broadening the economic base depends heavily on macro-economic, political and social developments, local support by trade unions, civic and business organisations is vital"

Reliability

Describing the FGF initiative as "noble", he says sustained local black support would ensure future work force reliability, which is increasingly important when attracting industries and businesses

"Public opinion on whether a new project may be welcome will also rest on the extent a venture will



JAMES LENYEHELO

create job opportunities for blacks over and above that of ordinary unskilled and semi-skilled employees"

Lenyehelo says a continuing public relations exercise would be advisable to inform blacks about promotion and management opportunities

"As many black organisations and the community as a whole remain unclear on prospects, new investors in the region should be advised to seriously consider the future job aspirations of blacks if they are to succeed," he says

Development Centre MD Dawid Vermeulen acknowledges that community involvement in the scheme is important He has established black representation at FGF board level to inform the community of all progress

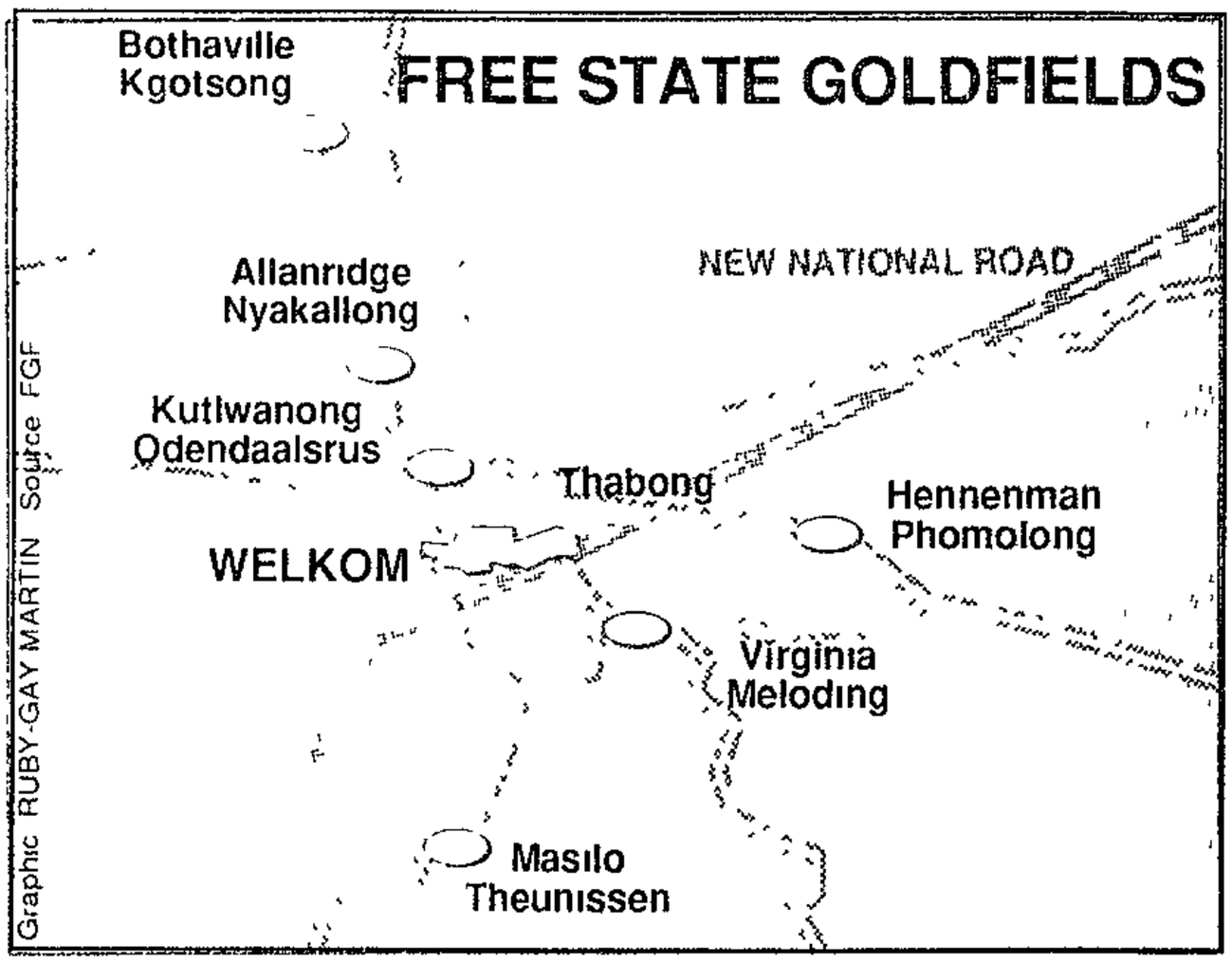
Essential

He says many people do not yet fully understand the region's problem, which stems from its total reliance on gold mining, and how essential it is to attract secondary industry

"However, they are being progressively consulted on the immediate need to develop a secondary sector with wealth-creating and job opportunities for all"

Business Day SURVEY

The Free State Goldfields can no longer depend exclusively on gold production for its long-term economic future. It needs to widen its economic base to stimulate growth and job opportunities. The newly formed Free State Goldfields Development Centre aims to develop the region into SA's fifth metropolis. ***LYNN CARLISLE*** *reports*



Town planning eradicates problems of older cities

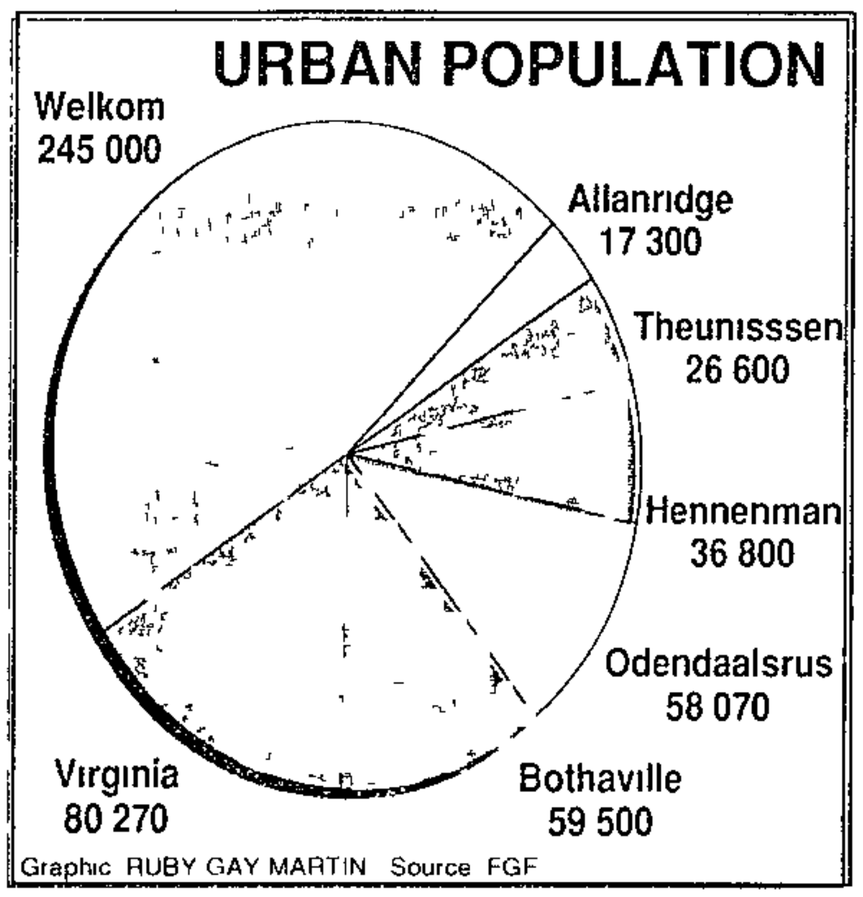
OLDER towns and cities are synonymous with congestion and high rentals, but thanks to sound town planning these features are absent in the main centres of SA's youngest development region, particularly Welkom and Virginia

When Sir Ernest Oppenheimer planned to develop this region into one of the world's greatest gold producers, he employed London town planner William Backhouse to design the main centre of Welkom

What has emerged since the 1940s are two modern towns blessed with unusually wide streets and spacious access roads

Instead of robots they are served by traffic circles, which up to now have proved to be more conducive to traffic flow

FGF Development Centre manager (development) Karel van der Walt, a town planner by profession, says a major feature of all seven towns of varying populations (see pie chart) is space



In these modern centres of SA's fifth metropolis no building reaches beyond six storeys, with the average about two or three

Another advantage is the lack of variation in rentals which, notwithstanding the present office vacancy rate of 10%, he says are "much cheaper" than those charged in, for example, Bloemfontein

With Welkom comprising nine industrial areas, the furthest factory is sited no more than 6km away — or a maximum 10-minute drive from the CBD

Factories in both towns are medium-sized or smaller, with the largest probably AECI's Zomerfeldt explosives factory 8km outside Virginia

However, most are engineering firms which concentrate on servicing the mines Some of the remainder export their products

Van der Walt says much progress has been made in other member towns of the development region

☐ Bothaville is well known for the huge Vetsak/Nalva factory where agricultural implements, tractors, harvestors and trailers are manufactured,

☐ In Virginia, Vesco Plastics is a world leader in the manufacture of plastic bushes and is exporting worldwide,

☐ In Hennenman, the Bremmer Milling Company produces a famous flour brand,

☐ In Welkom, Conloo Joineries imports a special wood with which it produces huge barrels used in tanneries These are exported to Europe and Africa

A new industrial area, Urania, is being developed Comprising 270ha with another 400ha in immediate reserve, it is ideal for attracting secondary industries to Welkom

As part of its overall development strategy, the FGF is to conduct a survey of all factories, commercial enterprises and retailers "We need to accurately establish their physical aspects, markets, suppliers, numbers of employees and their skills, and to what extent regional businesses support each other

"As planners and with our role to encourage the right type of secondary industry to the region, we need to know not only to what extent they buy elsewhere, but why"

Development attracts international interest

A VARIETY of local and international organisations have shown interest in the Free State Goldfields (FGF) fledgling development scheme, which is working on becoming SA's fifth metropolis

The development plan and incentives are so progressive that they are viewed as a possible development model for SA

"Our inward investment opportunity is already being marketed in SA and overseas," says FGF Development Centre (FGFDV) MD Dawid Vermeulen

Since its launch, the FGF initiative has attracted growing interest, while a Parliamentary co-ordinating committee has decided to visit the area for a first-hand assessment

To date, Namibian and Vaal Triangle delegations have visited the region on fact-finding missions

Most encouraging is that the FGFDC has received about 150 inquiries — some from overseas industrialists and international marketing organisations

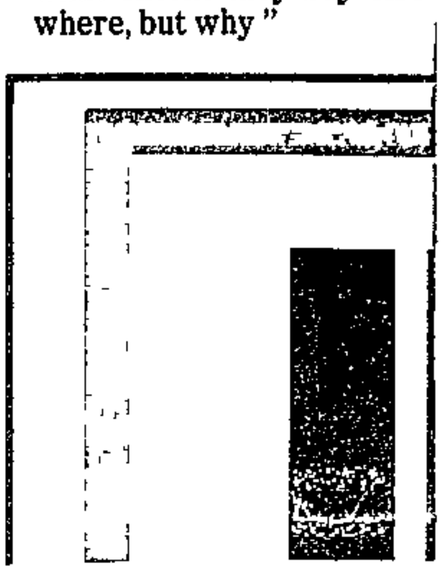
Vermeulen says a cornerstone of the scheme is to expand with minimal reliance on government assistance outside of provision of communication infrastructure such as roads

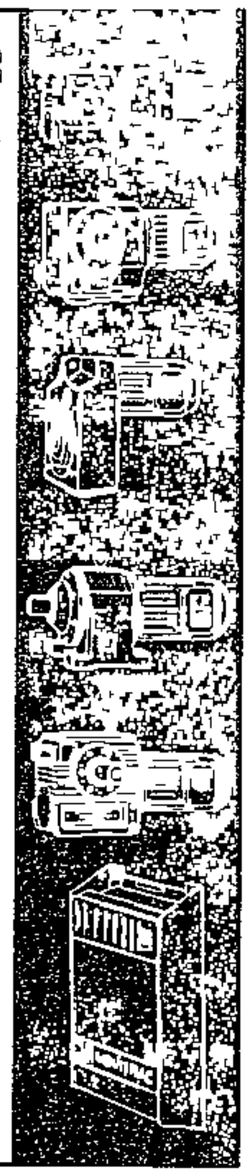
Goldfields Chamber of Commerce and Industries president Ian Auret says while there is a more than adequate water supply from Balkfontein on the Vaal, a better domestic water supply is required

"We are negotiating with the authorities for water which can be diverted from the Highlands Water Scheme en route to the PWV " says Auret

Vermeulen says that apart from attracting new ventures, the FGF aims to encourage mining houses with local vested interests to diversify into viable and locally-based non-mining operations

"We see this as a viable opportunity for those organisations which have continued to diversify into different industrial ventures in other parts of the country," he says





Infrastructural basis for industrial giant

SA CANNOT afford to allow the Free State Goldfields to become a region of ghost towns as there has been far too much investment in its infrastructure

This is the view of Nafcoc Central Region president Lemmy Mule, who says that apart from surpluses in infrastructure as a foundation to build an industrial giant, the area has too many other inherent strengths including

- ☐ Actively involved city and town councils,
- ☐ Labour availability,
- ☐ A politically stable environment and,
- ☐ Good land readily available for development

He says the region has "done its homework and has exposed the fact that the broad planning of the FGF is in line with government expectations" for the region

Local weaknesses — such as the need to re-route the N1 highway from the PWV via Welkom to Bloemfontein — have been brought to the attention of government and are receiving attention

"The broadening of the economic base to reduce dependence on the gold mining industry is the only logical route to follow"

The FGF Development Centre (FGFDC) will act as the facilitator to all prospective entrepreneurs

"I believe the spirit of teamwork and co-operation in the region should be encouraged for it is the only way to future prosperity,' Mule says

(214)

Better road link would do much to boost region

AN IMPROVED freeway linking the Free State Goldfields with the PWV, and extending to Bloemfontein, would do much to boost economic development in the region

Since 1944, Welkom and adjacent Virginia have combined to become one of the world's richest gold producing areas — at one time accounting for about 25% (Welkom alone 23%) of the West's gold production

Yet, almost 50 years on, the country's leading gold producing region of nine mining groups lacks a modern road connection, says Goldfields Chamber of Commerce & Industries chairman Ian Auret

FGF Development Centre MD Dawid Vermeulen says urgent representations to the Transport Minister have led to the rerouting of the N1 to run through the heart of the FGF region instead of bypassing it, as does the existing N1 route through Winburg to Bloemfontein

"The need for the N1 and other road upgradings would be a definite boon for the region," he says

Regional Development Association chairman John Calitz, Welkom Publicity Association vice-chairman Johan Smith and Auret also have strong cases for upgrading the existing route

Calitz regards upgrading the existing two-lane tarred link of 65km to Kroonstad as top priority while the N1 link-up is meanwhile planned

"It is particularly justified as a lion's share of the funds that fill Treasury coffers continue to come from local gold production, as well as being regularly accumulated from the country's motorists and transportation system," says Calitz

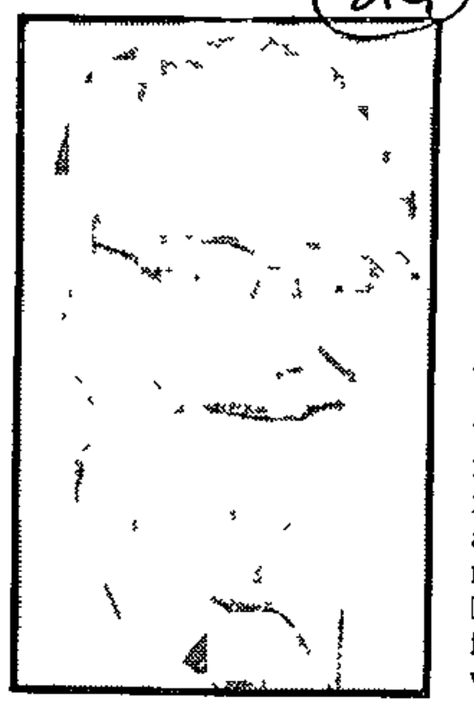
The existing roads between Welkom and Kroonstad and between Hennenman and Kroonstad are to be rebuilt to an undivided four-lane standard in phases

Stimulate

Although he regards this as second prize, Auret says he is satisfied this will help stimulate growth and stop the retarding effect that the lack of a major inter-city road link previously had on the FGF

The upgrading of existing roads does not imply that the plans for the N1 is to be scrapped, he says

Transport Minister Piet Welgemoed believes in the longer term it will be vital to build the N1 in order to complete the north-south link between the PWV and Cape Town "This will directly link the FGF to the economic powerhouses of the country"



IAN AURET

Auret says the rebuilding of the existing roads to a four-lane standard will end the embarrassing situation of nearly 50 years of the country's leading gold producer not having a modern road connection

"Such a link will emphasise the central location of the FGF region in SA and will greatly enhance the smooth and efficient distribution of goods to all parts of the country," he says

Welkom's lack of a four-lane highway has been perhaps the only missing link for a city which offers wide internal roads and a surplus of quality infrastructure — a feature of Virginia as well

Says Smith "We would attract more tourism, but main road and rail connections are a bit of a disincentive at the moment"

Diversified interests encouraged

MINING houses which have been diversifying their business interests in the PWV area are to be encouraged to do this in the attractive Free State Goldfields (FGF) region

Many business leaders in the FGF are puzzled that mining houses have not already done so, particularly as SA's youngest development area offers

- ☐ A surplus of superior infrastructure compared with overcrowded roads and facilities of the PWV,
- ☐ An abundance of prime and cheap land close to CBDs and industrial sites,
- ☐ Spare capacity in housing and manpower,
- ☐ Easy access to major markets
- ☐ An unmatched package of investment incentives

Government and FGF local authorities originally created much of the existing infrastructure for the massive mining operations

Now, however, surpluses have arisen mainly because mines have been rationalising their activities in recent years in line with the lower gold price and increasing demands for higher wages

Meanwhile, leading mining houses have been diversifying into other industrial and business ventures — but mainly in the PWV area These range from motor vehicle assembly plants to packaging materials manufacturing

"Why not also in support of the FGF — a region which was developed to support gold mining activities as recently as 1949?" asks FGF Development Centre MD Dawid Vermeulen

Goldfields Chamber of Commerce & Industries president Ian Auret agrees, saying the area has been totally dependent on gold mining and agriculture

"What we now need is a broader industrial base to uplift the local economy, create more job opportunities and higher standards of living," he says

Goudveld Afrikaanse Sakekamer chairman Tienie Bekker says in addition to the need to attract new and big company investment, further potential exists for new mines, including coal mining

"There is also considerable potential for smaller business entrepreneurs"

Development body a link with govt

THE Regional Development Association (RDA 30) is helping to attract more manufacturing concerns to the Free State Goldfields development region

RDA chairman John Calitz believes it can play a major role as it is the link with central government through the Regional Development Advisory Council (RDAC)

"We have already taken steps in this direction, including representations for the N1 highway from the PWV area and Bloemfontein to be extended to Welkom," he says

With its authority covering the entire Free State, comprising about three times the 6 000km² of the FGF, the RDA believes the FGF could become SA's fifth metropolis

While serving the total development interests of the Free State's mining, agricultural, industrial, tourism and other sectors, the RDA sees this as a golden opportunity to create a broader economic base

It is hoped this base will be further justified and encouraged by exploitation of minerals other than gold in the FGF

One possibility to the north of Welkom and Hennenman is coal mining following the purchase in recent years of coal reserve rights by Sasol and Gencor

With about 30% of the labour pool out of work in the FGF, according to a survey late last year, development of a broader manufacturing and mining sector would offer many job opportunities

Calitz says that, like Welkom and Virgina, Hennenman also has an abundance of good, affordable land for factories and housing

"We are ideally positioned for new industry and Hennenman is aiming to attract the smaller entrepreneur and is open-minded to their plans

"This is an ideal opportunity as Hennenman has the infrastructure and manpower It is also close to main markets"

Latest in cement technology

WHILE the Blue Circle Cement factory built at Whites in 1912 is an historic landmark, it has just achieved a breakthrough for its Free State customers

Last week it reached a milestone when it received an SABS award for its new technologically advanced blended cement product called PC25FA

Suitable for use in most applications, it is a blend of 75% of ordinary Portland cement mixed with 25% fly ash supplied by modern power stations

In its dry form fly ash is inert, but when blended with cement and with the addition of water, it becomes cementitious, says Blue Circle Cement manager (Whites) Johan Terblanche.

He says so blended it enhances the quality and performance of concrete in a number of ways.

- **☐ Uses less water than a conventional mix;**
- **☐ Less tempering is required,**
- **☐ It bleeds less,**
- **☐ Is more workable**

The Whites factory now supplies a number of cements bearing the SABS mark of approval, including PC25FA, PC15FA, ordinary, and blast furnace cement.

Range of tax-free incentives available for first five years

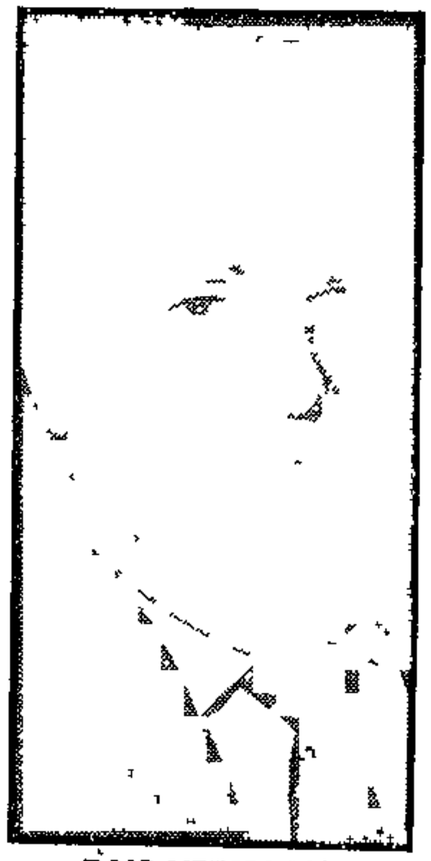
MANY good reasons exist for businesses and entrepreneurs to invest in the Free State Goldfields region, says FGF Development Centre chairman Rais Vermaak

The Odendaalsrus-based attorney says many things make the FGF more attractive and lucrative for potential investors than other metropolitan areas

☐ A broad range of tax-free incentives for the first five years These are regulated by the revised Regional Industrial Development Programme to qualifying new industrial developments,

☐ The most comprehensive variety of incentive schemes available in SA,

☐ An open-ended approach where the needs of the individual industrialist are negotiated on merit,



RAIS VERMAAK

☐ A development centre aimed at broadening the FGF's economic base through the establishment of non-mining industries is available to assist investors, manned by staff who have access to myriad resources,

☐ City and town councils which finance the development centre,

☐ Hundreds of industrial plots and unlimited additional industrial land that is readily available

Vermaak says incentives include up to 100% subsidies for industrial property purchase

"There is also a variety of free and subsidised municipal services, while the FGF provides financial help for projects and assistance with the establishment of industries'

Merit

He says applications for the relocation of manufacturing undertakings from outside the Rand Monetary Area will be considered on merit

Approved foreign undertakings may also qualify for the reimbursement of relocation costs up to R1m per project

Other attractive features on offer are that the FGF region has a very central location in the sub-continent

"A high quality of life with clear, unpolluted air and short travel distances between work, home and recreation facilities add to the value of working and living in the FGF region," says Vermaak

GENCOR DIRECTORS

Moving on board

FM 5/3/93. (214)

Miklos Salamon is a man with a big future That's what Samancor MD Hans Smith believed back in 1989 when he was interviewed by the *FM* Smith thought Salamon, then recently appointed to lead Trans-Natal, was enthusiastic, vigorous and going places

Indeed he has Salamon (38) was appointed last week to Gencor's main board, in addition, and in a curious irony, he was simultaneously appointed CE of Samancor while Smith, the man who earmarked Salamon in 1989, was moved to the mining house's new business division

Salamon is one of three new main board appointments at Gencor, signs of a flexing of the muscles by CE Brian Gilbertson The others are Rob Angel (Engen) and Mike McMahon (Impala)


Salamon


Angel


McMahon

Hungarian-born, Wits University-educated mining engineer Salamon has worked his way up the mining ladder since 1975, first with De Beers and then with Anglo American at one of its Free State gold mines Along the way, Salamon picked up an MBA from the London Business School and then joined Shell's coal division

In 1985 he accepted an appointment as marketing manager for Trans-Natal, Gencor's big coal producer and exporter, finally becoming its MD in 1989 when he was 34

His rise has been nothing short of meteoric "He is," says a colleague, "entrepreneurial and profit-orientated That means he's highly motivated He is a natural manager " And it shows in the way he has led Trans-Natal, a company which was addicted to the industry's traditions, into a new era of modern and dynamic management

His new position at Samancor, one of Gencor's most important investments, puts him at the forefront of the development — in partnership with Anglo American — of the Columbus stainless steel project, itself intended to drive SA into the ranks of the world's top producers

Double Springbok Mike McMahon (46), MD of Impala Platinum, collected his BSc in mechanical engineering from Glasgow University in 1968 and immediately joined Roberts Construction as a site engineer

Like all true Scots, he retains his distinctive northern accent along with a cheerful approach and an inclination to dismiss humbug Asked during an *FM* interview when he was appointed MD of Impala Platinum to confirm his membership of the prestigious Rand Club, McMahon's response was he understood that was reserved for those with one foot in the grave This will not have won him friends at the main bar in Loveday Street

McMahon's career path has been anything but smooth With Roberts from 1968 to 1970, he then joined Industrial Heat Engineering for little more than a year before enlisting with Gold Fields for which he worked in various positions until 1973

Rejoining Roberts, McMahon worked as a project engineer in SA before being seconded to a Roberts project in Frankfurt In 1977, McMahon moved to JCI, becoming the group's consultant mechanical and electrical engineer in 1981 In 1988, he was tempted into Gencor, probably because of Gilbertson's earlier translation (though poaching at high level in the industry is, of course, a delicate matter), as the group's CE of technical services He was appointed MD of Impala Platinum in 1990

McMahon is something of a water athlete, though his natural modesty leads him to dismiss his considerable achievements Taking up rowing at Wemmer Pan, Johannesburg, McMahon's natural ability and strength were quickly realised

In 1970 and 1971 he represented SA in rowing fours and was a member of the team that beat the British national team in the 1970 Wyfold Cup race at, of all places replete with rowing history and tradition, Henley on Thames

Transferring his attention later to watercraft powered by wind rather than muscle, McMahon was selected as a Springbok Flying Dutchman class yachtsman to represent SA in the European championships in 1982 at St Moritz "I'm afraid," says McMahon ruefully, "we competed with no great distinction "

He concedes the platinum industry has been through a trying time, "But I'm sure we are at the bottom of the price cycle now Things will get better " McMahon is confident his company, Impala, will do well — but then it would be strange if he were not

Engen's Rob Angel (51) is another contrast An Australian, Angel holds an honours degree in chemical engineering from Adelaide University and began his career at Mobil's Adelaide refinery in 1967 Later he worked in Melbourne and was transferred to Singapore in 1975

In 1978 he became Mobil's area co-ordinator in New York for Australasia before becoming chairman and MD of the company's operations in Cyprus Two years later, in 1981, he became refinery manager of the Coryton refinery in the UK, an operation described by a colleague as being in "a state of comprehensive chaos when Angel arrived to set it straight "

After a second period with Mobil in New York, Angel took up residence in SA in 1986 and became chairman and MD of Mobil's SA operation in 1987

Two years later, Mobil decided to follow the route hallowed by a number of other distinguished American companies and sold its operation to Gencor

"Angel's vast experience," says Engen chairman Bernard Smith, "and his comprehensive knowledge of the oil and energy industries, make him vital to Gencor's expansion plans "

Mobil had other ideas and Angel was tempted by offers which he shouldn't have been able to ignore It's possible his decision to remain in SA — and to switch employers — has much to do with his SA wife and commitment to Western Province cricket and rugby, an affection which will be puzzling to many others But Angel can play it rough too he is an exponent of Australian Rules football and represented South Australia at cricket

Between them, it seems Gencor's trio of new directors will lend an innovative sense of urgency and spice to the board's deliberations ■

Star 5/3/93

Gold hedging boosts Anglo

By Derek Tommey (214)

Gold hedging by mines in the Anglo American group enabled them to obtain significantly more for their output last year, reports Clem Sunter, chairman of Vaal Reefs, Western Deep Levels and Elandsrand

He says the average spot rand price of gold for 1992 was R31 489 a kilogram, which was two percent below the average price of R32 200 in 1991. However, successful hedging contracts enabled Western Deep to achieve an average price received of R33 333, Elandrand R33 141 and Vaal Reefs R32 978 a kilogram

Sunter says the companies will continue to sell forward a portion of their gold production

The average fix for gold last year was $344 an ounce, compared with $362 in 1991

"Unfortunately, the US dollar remained weak for much of 1992 and the rally in the latter half of the year came too late to compensate for the lower dollar price of gold."

COMPANIES

Mine moves to counter tremors

MATTHEW CURTIN

WESTERN Deep Levels, the Anglo American gold mine where 27 workers died in a series of earth tremors in the first quarter of 1992, has spent at least R37m on a backfilling programme designed to improve the mine's safety record

In his 1992 annual report, chairman Clem Sunter said "Combating of seismicity and the general improvement of safety performance at Western Deep will continue to be management's top priority during 1993" B/DAY 8/3/93.

In 1992, the mine's after-tax profit fell 21% to R297m (R377m) Overall capital spending was reduced to R219m (R269m)

A set of poor quarterly reports coupled with the deaths at the mine, knocked the mine's stock market rating in the first half of 1992 The shares have picked up in recent weeks in line with the recovery in the JSE's gold board, and closed 125c higher at R66 on Friday

Frankel, Pollak, Vinderine analyst Adrian Finsch said the mine's prospects were improving as it started to make headway in tackling its rock engineering problems and moved into higher grade areas in its east and west divisions, after encountering disappointing values in 1992.

Gold division spokesman James Duncan said at the weekend that 63% of main mining areas on the Carbon Leader Reef, the deep level ore body mined from Western Deeps' Number 2 and 3 shafts, had been backfilled at a cost of R37m so far.

He said backfilling, through which underground workings were supported by reinforced bags of tightly packed waste material, was proceeding as fast as the mine was able to train staff to install the supports. (214)

Sunter said the mine expanded and upgraded its integrated seismic system to improve the identification of mining areas which needed special attention from rock engineers and mine designers.

He said although injury and fatality rates were higher in 1992 than the year before, fatality rates fell significantly after the first quarter

Prospects brighter for ailing gold mines as rand crashes

(214)

ARGUS 9/3/93

DEREK TOMMEY

PROSPECTS for South Africa's struggling gold mining industry have greatly improved

This follows the slide in the value of the rand against the dollar, resulting in the industry receiving what is a near record price for its product

The rand gold price has been rising steadily for the past six months in the wake of the slump in the rand from around R2,80 to the dollar last August to R3,185 yesterday, almost reaching R3,20 earlier in the day

The weakness has pushed up the local gold price from around R928 an ounce last August to over R1040 an ounce It even reached R1050 an ounce for a while yesterday — equal to an increase of 13 percent in the local gold price in the past seven months

The current R1040 is noteworthy because it is the first time the industry has received that price without the assistance of a major overseas political crisis

The only two other times when gold reached such a level were in 1990 when Iraq invaded Kuwait and in 1991 when Russian communists tried to overthrow then — Soviet prime minister Mikhail Gorbachev

However, those events gave gold only a temporary boost This time, the high current price is expected to remain — and possibly even rise more as the year wears on

The current average price is also noteworthy in that it should get many marginal mines out of immediate difficulties

In the December quarter last year the average price received by the mining industry - including the benefits of forward selling — was R1021

A continuation of the current price plus benefits from further forward selling could possibly produce an average price this month and next quarter as high as R1100

The prospect is creating optimism among brokers Martin Lowenthal of Lowenthal and Co said last night 1993 was going to be a great year for gold shares

The view was shared by Nick Goodwin of EW Balderson who said the upward move was only just starting However, he felt a spurt in the dollar gold price was needed if the market were to be set alight

The dollar gold price reached 329,70 on Friday before falling back to 327,50 last night,

However, the decline is not a matter of concern, bullion dealers say It probably reflects a build-up in forward sales yesterday as mines took steps to lock in the R1050 price and the forward sale premium as far ahead as possible

B/Day 4/3/93

(214)

Gengold job cuts

GENGOLD's Winkelhaak mine near Secunda announced a further downscaling affecting about 700 workers The retrenchment exercise should be completed by the end of March

Gold hits new lows as 'SA sells'

LONDON. — European gold fixed at its fourth successive seven-year low at $326,10 per ounce after New York comex April futures fell to life-time lows on sell stops.

(214) CT 11/3/93

But both London and Comex gold closed at $326,45 although some analysts predicted a further fall.

Continued foward selling in the physical markets by South Africa undermined an already weak market amid perceptions that funds still favoured gold as a short play, US analysts said.

Floor analysts said sell-stop orders were triggered at $326,50 an ounce in most-active April delivery.

April gold settled off $0,30 at $326,90, up from a new nadir of $325,80 set at midmorning. June delivery also slipped $0,30 to end at $328,10 after scoring a life low of $327,10.

European gold fixed at its fourth successive seven-year low, 40c below the morning fix, at $326,10 per ounce.

Below that $320 beckons and then the psychological clash at $300, analysts said.

Gold conference hears of need to exploit new markets

B/DAY 12/3/93 (214)

Business Day Reporter

IF CENTRAL banks sell considerably less gold in coming years than they did in 1992, then the only way the market can balance this is by gold prices rising to a level at which extra supply is drawn into the market, says Gold Fields Mineral Services CE Stuart Murray

Reuter reports that Murray, speaking at the Kalgoorie gold conference in Australia yesterday, said jewellery demand would then be depressed by the "price-elastic effect"

"When this starts to happen, the fundamentals will start to look very important, initially to speculators and then to investors," he said

The conference heard that specialists estimated net gold sales by central banks and quasi-official institutions last year amounted to between 600 and 800 tons SA mines produced 600 tons of gold in 1992

World Gold Council chief economist for the Americas Richard Scott-Ram said he believed last year's sales were not the continuation of a trend

It was too early to establish to what extent central bank sales last year represented a large-scale movement towards disposing of official reserves

However, Union Bank of Switzerland precious metals analyst Andy Smith said it was a question not of whether there would be further sales, but when, how much, and by which method

World Gold Council chairman Fraser Fell said the developing markets of south-east Asia held the key to increased world gold demand Fell, chairman of US mining group Placer Dome, urged delegates at the conference to focus on the potentially huge demand in the Asian and Indian markets

"At a time when the Western world is in recession, it is these developing markets which are emerging with the greatest potential," he said

The markets already consumed high levels of gold, but there were indications they could consume much more. "There are some people who are convinced that consumption in China itself could be the single most powerful driving force in the gold market before too long," Fell said

He emphasised the importance of the gold jewellery market, but said strong demand for gold jewellery and small bar formats had been offset over the past few years by prevailing unfavourable factors the absence of inflationary pressures throughout the Western world, unlikely to change in 1993, net selling by central banks and official institutions, a 10-year low in private investors' and portfolio managers' investment holdings in gold, which appeared unlikely to change without significant new inflationary pressures in key industrial countries

By William Wells and

EXECUTIVE SUITE

UMAN

REX MINING FM 12/3/93.

Risky venture (214)

Given the abysmal track record of so many small mining ventures listed in recent years, it's not surprising that investors are treating potential diamond producer Rex Mining Corp (Rexcor) with extreme caution

Even the JSE Listings Committee has insisted on a warning emblazoned on the cover of the prospectus, stating "Prospective investors' attention is drawn to Rexcor's profit history on page 20 of this prospectus" Rexcor actually has no profit history — it made net losses of R1m in the year to end-February 1992 and R2,6m in the 10-months to end-December respectively

The diamond deposits it proposes to mine near Theunissen in the Orange Free State have been worked on and off since 1912 Rexcor has been working the deposits on a small scale for the past two years and is now asking investors to pay R2,25m, to expand operations It's planned to lift ore production from about 1 200 t/month to 6 000 t/month

Operations so far have been hand to mouth with minimal development Rexcor has no proven reserves — only an estimated eight years' life on "probable" reserves and a further 13 years on "possible" reserves

Frankel Pollak Vinderine's Kevin Kartun says the share should be listed in the mining exploration sector, not the main diamond board Not so, counters Rexcor executive chairman Peter Shaff He reckons diamond recoveries from mining so far have been enough to establish the estimated reserves should be there

Fissure mining of diamonds is notoriously erratic, which is why some analysts are sceptical over the average grade of 25 carats/100 t ore estimated for both probable and possible reserves The grade could turn out considerably different

Diamonds produced so far have been of 90% gem and near gem quality and the prospectus puts an average value of R551,6/carat on sales across the spectrum Shaff says sales this year have averaged R823 a carat

These are surprisingly high figures Average revenue earned by Star Diamonds, adjacent Rexcor's mine and managed by Messina Investment (Minvest), is just R450 a carat

FM 12/3/93. (214)

The mine and mineral rights were bought by Rexcor subsidiary RDC for R6,5m — R4m for the mine, R2m on development work so far and a net R500 000 for the mineral rights RDC has sold these assets to Rexcor for R15m in Rexcor shares, more than doubling the paper value of the underlying asset Whether that's justified remains to be seen

It's worrying that there is no undertaking by the recipients of the Rexcor shares that they will not sell them for quick profits on the market Shaff says such an undertaking was not requested because "it's a free market and people must be able to do as they please with their assets But these shareholders are fully aware of the underlying value of the operation and are unlikely to sell"

This is a high-risk venture which could go either way, depending on whether the estimated reserves are there *Brendan Ryan*

Winkelhaak's shaft right on schedule

B/DAY 12/3/93. (214)

JANE ARBOUS

EVANDER — Gencor's Winkelhaak gold mine says its new No 2a sub-vertical shaft will be commissioned in May on schedule, with the full benefits set to flow by May 1994

"When 2a is in full production, things will really start to improve at winkelhaak," GM Johan Louw told Reuters

Winkelhaak, a mature mine desperate for new payable reserves, was forced to shelve its major No 6 shaft expansion project in 1990 because of the low gold price

"It was a major setback. Everyone's hopes were pinned on it, so we had to find a way of revitalising the mine instead to sustain production into the next century," Louw told visiting mining analysts

The cheaper alternative 2a project would extend the life of the mine by 11 years from now, he said

Budgeted capital expenditure for the 1 800m-deep development was R41m, 75% of which had been spent already

He said the expected sustainable grade of at least 9g/ton in the new area was way above the average 6,4g/ton for the rest of the widelyspread mine

The new section, which would replace less cost-effective capacity elsewhere in the mine, would enable the mine to produce marginally more than the current 1 000kg of gold a month in the current financial year to end-September 1993 on increased development Use of a revamped system of noxious fume extraction was already allowing the mine to conduct multiblasting to generate ore reserves at a higher rate, he said

"With the new ground coming in, efficiency will obviously increase," Louw said

Winkelhaak, which announced a further cut of 700 jobs in its 8 000-strong workforce this week, mines the Kimberly reef in the Evander goldfield

It is situated about 140km east of Johannesburg

Like other mines in the SA gold mining industry trying to combat rising costs and sinking revenue, Winkelhaak is vacating unpayable areas, selecting higher grade reserves and reducing tonnages Stoping widths in the working areas have been reduced

"The emphasis is on quality rather than quantity," said Alan Field, consulting engineer for all Gencor's Evander field gold mines

Louw said Winkelhaak was making major cost savings in its recycling of materials and equipment It had also introduced a multiskills training campaign to enable workers to do more than one type of job

Estimated capital expenditure for the current year would drop to R5,7m compared with R29,4m in 1992/93 and R62,8m in 1991/92, he said — Reuter

It's tons of golden gloom at Kalgoorlie

(214)

S/Times (BUSS) 14/3/93

By JULIE WALKER

THE best way to save 60 000 mining jobs has been to lose 29 000, according to Tom Main of the SA Chamber of Mines

Speaking this week at the Australian Gold Conference to celebrate 100 years of mining in Kalgoorlie, Mr Main told delegates that 60 000 jobs would have been at risk if it had not been for the industry's severity in cost-cutting measures to keep in the black

Mr Main estimated South African gold production to fall from last year's 608 tons to about 470 tons by the turn of the century

He added that 11 mines, with a combined production of more than 90 tons a year and employing 80 000, were in loss-making positions last year

Blasting

For SA to lose 138 tons of production in seven years, the highest-cost mines are most at risk unless the gold price jumps or cost-savings can be effected through, for example, Sunday blasting and improved productivity

Mining Journal statistics show that South African mines fill the top ten slots for highest production costs

At the end of December 1992, costs at South Roodepoort were $486/oz In descending order come Doornfontein, Loraine, Stilfontein, Harmony, Western Areas, St Helena, Durban Deep, Blyvoor and the developing Joel mine at $338/oz

Driefontein is the sole representative among the lowest cost producers, in 10th place at $198/oz

The cheapest, Papua New Guinea's Highlands Gold, produces gold for only $92/oz

In 1992, 270 tons of gold were produced around the world at a cost below $200/oz

Marginal

Mr Main noted that the grade of ore mined had increased steadily over the last three years from 4,99g/t to 5,37g/t, whereas the number of tons milled had decreased

The improvement in grade was necessary to counteract rising working costs and declining revenues

"However," he warned, "the flexibility of many of our marginal mines to further improve grades is limited"

Several of SA's mines are entering a phase of planned closure, while others are merging or entering tributing arrangements with their neighbours in order to make the best of the available resources

Stilfontein is treating only surface dumps after underground operations ceased a year ago Control of West Rand Cons passed from Gencor to clean-up specialist Fraser Alexander when Gencor could no longer mine at a profit

Blyvoor has entered a tribute agreement with neighbouring Western Deeps to extend its life, and Bracken is in the break-up category

Mining Journal gives the life of Buffelsfontein's underground operations as about five years

Cons Modder, also a short-life marginal mine, is mining on tribute from Gencor and is expected to reap some benefit from this in 1993

Doornfontein announced that it cannot be restored to profitability and must be closed down or sold

Ergo stopped gold production at its Simmergo division last June Grootvlei and Leslie have a short life, as does Harmony, where extensive cutbacks have been made Hartes and St Helena are short-medium

Absorbed

Kloof recently absorbed Libanon and Venterspost to reduce overheads and save jobs, and there is talk that Kinross and Winkelhaak could be merged

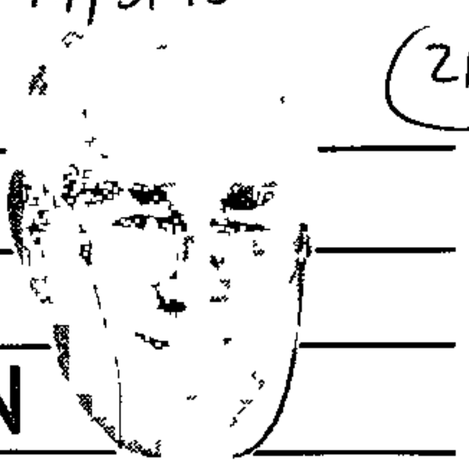
Mr Main said there is as much gold still to be mined as has already been taken out of South African ground — some 44 000 tons But the prospects of developing any of 15 new deep-level gold mines are on hold until the risk-reward ratio of gold mining improves

Gold lacks bounce

S/Times (BUSS) 14/3/93.

(214)

JOHN CAVILL IN LONDON



HALF a world separated the two southern African gold producers who spoke this week on the vexatious subject of where the bullion price is likely to go next after its fall to a seven-year low Their views were a universe apart

In Perth, Western Australia, Robin Plumbridge, chairman of GFSA, with annual output of some four-million ounces, announced that conditions had never been more favourable for a new bull phase in the market

On the same day in London, Algy Cluff, chairman of Cluff Resources, whose Zimbabwean mines produce just over 72 000oz, was apologising to his shareholders

"In the circumstances of the company's after-tax loss and the *unlikely prospect of a significant rise in the gold price in the foreseeable future*, the board has decided reluctantly that it would be imprudent to pay a dividend this year," he said, revealing that 1992 had been a year of write-offs against the value of Cluff's gold investment in Spain

Now all miners could be diagnosed as psychotic optimists Otherwise they would not be in the business of investing millions in producing something when there is no way of knowing what it will sell for But the difference between GFSA and Cluff Resources is not simply that of a giant having a better overview than a pigmy It fairly reflects the Babelic confusion of opinion and "facts" in the market

Few analysts share Plumbridge's view that gold is poised to make a big comeback as a popular investment hedge against economic uncertainties, exchange rate fluctuations and inflation That may be the case in countries such as Russia, where annual inflation is 2 000%, or China, which is allowing a creeping devaluation of the yuan

In the big money markets of the West, however, the precious metal is regarded with apathy by investors, apart from the professional traders

Inflation has receded as a factor in investment decisions, equity and bond markets are buoyant, and, in any case, there are shoals of financial instruments — from swaps to options and crude oil futures — to offer shelter from any storms Moreover, these derivative markets are far more liquid and tradeable than the precious metals

'WE are in a situation where gold has been by-passed as an investment instrument in the Western world It is now just used for jewellery," according to Lawrence Eagles of the futures brokers, GNI, in London Just for jewellery, just another commodity

Yet gold suffers a serious disadvantage, which makes it unique among commodities

If the current fundamentals of bullion — production and consumption — were applied to aluminium, copper or zinc their prices would be heading heavenwards A 17%-2% deficit gap (depending on whose estimates you read) between supply and demand normally has a volcanic impact on markets

Even in a bad period, however, other metals normally have no more than three months' consumption in stocks in the hands of producers or consumers And weak prices see capacity being mothballed

In the case of gold, the world's central banks alone have hoards equal to no less than 10 years of 1992's record off-take of 3 057-tons — estimated by the World Gold Council And the central banks are increasingly looking for ways to mobilise their bullion holdings which, apart from a little interest earned on loans of the metal, represent a massive, sterile 40% of average foreign exchange reserves

Last year's big sales of 650-tons by central banks — most prominently Holland, which quietly off-loaded 400-tons, or a quarter of its total, to bring its bullion forex reserves ratio into line with other Europeans — were the biggest since the 70s

Now strong arguments are being put forward for further "activation" by the central banks The Economist recently pointed out that if all official gold was swapped for gilt-edged securities it would earn more than $20-billion a year

"In Switzerland (which has 2 666-tons, or 50% of forex reserves), for example, the 'cost' of holding gold amounts to $550 a year for every taxpayer," said The Economist, which claimed that if central banks were to start all over again they would hold little bullion Taiwan, which has accumulated the biggest holdings of foreign exchange in the world, keeps just 7%

The situation produced by history is "ludicrous", according to The Economist While it agreed that the central banks were unlikely to all sell at once — which would be counter productive in terms of maximising their assets — The Economist reckoned that this very forbearance was an artificial and wobbly crutch for the gold market Its parting comment "For private investors the conclusion is plain sell"

This may be overdoing the gloom, even though "facts" on the market can confuse For example, how much gold was absorbed last year? American Precious Metals Advisers, an oft-quoted authority, say 3 872-tons, the World Gold Council makes it 3 057-tons

HOW much went to China, the world's fastest growing market? APMA put the figure at 800-tons, WGC's figure is 245-tons

It may not matter much Most analysts reckon China is the main factor supporting bullion and has the biggest potential market If 500-million Chinese, less than half the population, buy just three grams of gold a year that adds up to 1 500-tons of off-take

The technical picture is not promising, especially if $325oz fails to prove a barrier, but many analysts are clinging to the "gut belief" that, like a piece of stretched elastic, bullion will rebound

Not many, however, are prepared to put their heads on a block and name the price at which it will bottom or when that will be seen

Gold mines 'weather recession'

JONO WATERS

SA's gold mines showed an extraordinary degree of resilience in 1992, overcoming what had been expected to be a dismal year for the industry, Chamber of Mines senior economist Francois Viruly said in the chamber's latest newsletter

The mines had notched up several record achievements despite difficulties and pressures on the industry These included

- Rising gold production, even though tonnage fell,
- An increase in grade, even though one-third of chamber members operated marginal mines providing little scope for increasing yield,
- Working cost increases limited to well below the domestic inflation rate, and
- Increased capital expenditure in nominal terms in spite of pressure on profits

A similar performance in the future would depend on gold mines being able to contain working costs, he said

Viruly added that gold's remarkable staying power in the face of all the negatives which had influenced the gold market in 1992, suggested a more positive outlook for gold in the medium to long term

"Even those who tend to have reservations about gold must concede that the gold price performed relatively well under the circumstances"

Meanwhile, the newsletter also reported that 118 037 coins were sold by the Rand Refinery last year This brought in R60,8m in revenue and the refinery earned a gross premium of R2,47m on the coins

The most popular coin size was the one-tenth Krugerrand of which 55 440 coins were sold, accounting for 9,2% of ounces traded Sales of the 1oz coin amounted to 50 630, accounting for 84% of total ounces sold

Production on the rise against expectations

B/DAY 16/3/93. (214)

JONO WATERS

TOTAL gold output in SA continued to rise, increasing to 51,9 tons in February from 49,9 tons a year earlier, the Chamber of Mines reported yesterday

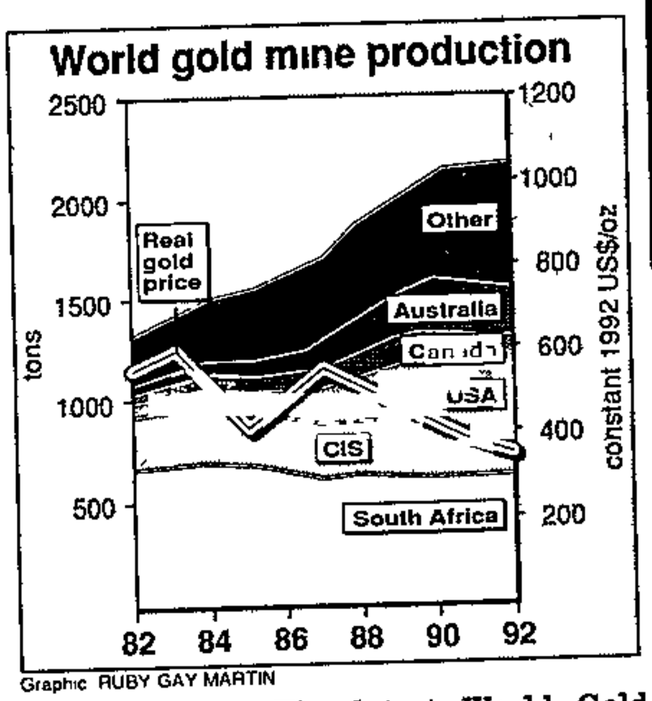
The improvement was attributed to a 1,8-ton increase to 49,6 tons in gold production by chamber members Production in February 1993 increased by 2,25 tons over the amended January figure of 49,6 tons The figure was revised as output from the chamber's nonmembers was 1,81 tons instead of 844kg as reported in January

SA's total gold production continued to rise against analysts' expectations that output peaked for the century in 1992

The chamber reported that 102 tons of gold was produced in the first two months of this year compared with 98,5 tons in the same period last year Total gold production for SA and Bophuthatswana in 1992 was revised to 614 tons from the 608 tons reported in January Output amounted to 598 tons in 1991

Gold Fields Mineral Services CE Stewart Murray said at the Australian Gold Conference in Kalgoorlie last week that although the current gold price was little changed in real terms from its level a century ago, gold production, excluding SA had risen about tenfold

"The increase in output from the traditional, producing countries flattened off in 1990 but there have been continuing increases from some of the newer producers in the 'other' category such as Indonesia, Papua New Guinea and Ghana"



Graphic RUBY GAY MARTIN

He said demand had been increasing and if the price remained at current levels, demand would continually grow faster than supply

To remain profitable at current prices required either the discovery of many new low-cost deposits or the development of a superior extraction technology which could be applied to some existing resources which were uneconomical

In the longer term, he believed sentiment would again give way to the basic economics of supply and demand This could see gold once again touching $850 an ounce, Stewart said

The latest World Gold Council's quarterly publication Gold Demand Trends said gold demand was expected to rise by 9% in 1992 to 3 057 tons Jewellery demand, which made up the lion's share of gold demand, was expected to increase by 14%

Selective mining spurs gold output

(214) By ARI JACOBSON CT 17/3/93

SA's gold output increased by about 4,4% in February to 51 900kg compared with January's 49 600kg as gold mines showed that selective mining lowered costs and provided more profits.

The Chamber of Mines' economist Francois Viruly said that this trend was symptomatic of SA's generally improved production performance.

He said that improved production levels had been brought on by the lower gold price which forced mining operations to mine selective, high grade ore

Viruly added that the increase in gold output was based on the continuous improvement in the grade of ore milled

The minerals department said in a statement that the rise in gold output in 1992 was mainly due to an increase in the average grade to 5,4 grams per tonne compared wiuth 5,2 grams per tonne in 1991

However, export revenue from gold declined by 2,7% to R18,8bn in 1992

On the fundamentals of demand and supply Viruly also said that supply was on the wane worldwide while demand was expected to rise — driven by demand in the Far East, especially in China.

Viruly mentioned that gold bullion had proved to have "remarkable" staying power in the face of numerous negative factors in 1992 and suggested a more positive outlook for gold in the medium to long term.

The resilient performance of local mines could be maintained in 1993 as long as they continued to constrain working costs, he said

Viruly pointed out that that working costs had fallen below a 1% increase in 1992, while the inflation rate in that period was measured at about 14%.

Modest earnings rise for Minorco

B/DAY 18/3/93

JONO WATERS

MINORCO, Anglo American's cash-flush mining and minerals associate, reported a modest 3% rise in earnings before extraordinary items and increased its interim dividend by 6% in the six months ended December 31 1992

Earnings before extraordinary items rose to US$0,60 a share compared with $0,58 a share in the comparable period in 1991 The dividend was increased to $0,19 ($0,18) a share

Turnover amounted to $608m ($558m) and Minorco reported pre-tax earnings of $109m ($106m) The Luxembourg-based group paid $17,1m ($13,9m) in tax resulting in marginally improved after-tax earnings of $92,1m ($91,7m)

Minority interests in subsidiary companies brought in $9,3m ($6,3m) in earnings before extraordinary items increased to $101m ($98m)

Extraordinary losses resulted from the decision to sell the remaining non-agricultural business in US-based Terra Industries, the sale of the remaining WestGold mining operation and the restructuring of the Beralt tungsten mining operation in Portugal

These were offset by extraordinary gains recorded by associates Charter Consolidated — the UK industrial group — and Anglo Earnings after extraordinary items fell marginally to $99,6m ($107m)

Chairman Julian Ogilvie Thompson said the company was in a strong financial position with $1,67bn in cash and short-term deposits

However, analysts have questioned the pace of the group's transition from an investment to natural resource-based operating company, given Minorco's huge but idle cash bundle

Minorco and Empresa Minera de Mantos Blancos SA jointly purchased a one-third interest in the Collahuasi joint venture in Chile for $190m in October last year

However, the group's offer to buy BP's interest in the Australian copper and uranium mine Olympic Dam for $456m failed as Western Mining, which had pre-emptive rights on BP's share, announced it would buy the stake

Ogilvie Thompson said Minorco's healthy balance sheet and continuing efforts to improve the efficiency of its operations had served to protect the company during economically uncertain times which were characterised by weak commodity prices It would benefit from an improvement in the economy

In the year ended June 1992, turnover amounted to $1,67bn and pre-tax earnings stood at to $253m Earnings after tax and extraordinary items amounted to $216m equal to $1,22 a share Minorco declared a final dividend of $0,54 a share

B/DAY 18/3/93

Bank will still accept BAs

THE Reserve Bank said liquid bankers' acceptances (BAs) would still be discounted by the Bank, in spite of the fact that they had lost their liquid status

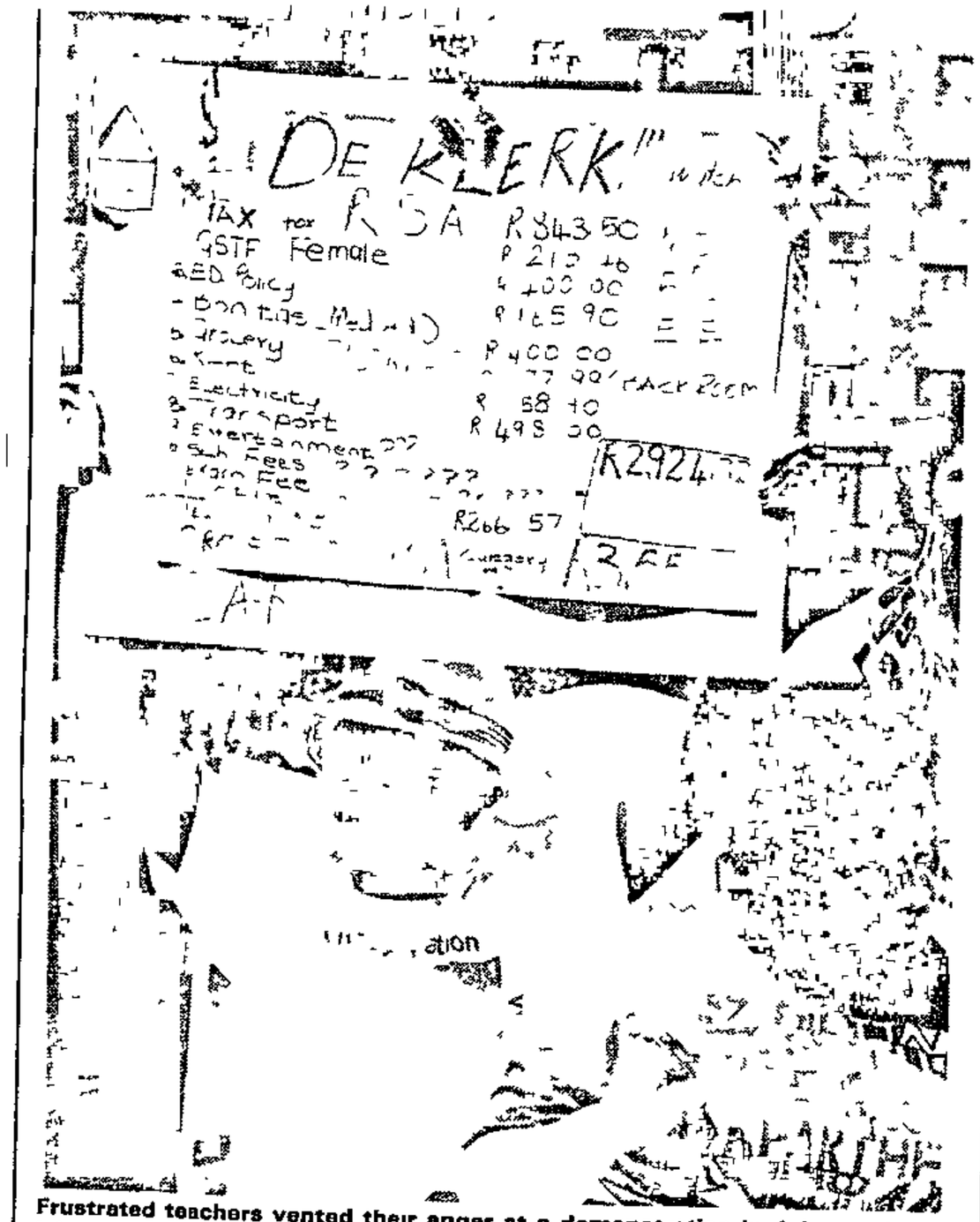
Reserve Bank GM Andre Kok said in spite of notice of the scrapping of liquid BAs in the Deposit-taking Institutions Amendment Act 1993, published in the Government Gazette of March 10, the Bank would "for the time being" continue accepting BAs at the discount window

"The Act was promulgated last week so legally speaking they (BAs) no longer qualify as liquid assets, but we have always had accommodation arrangements separate from the Act," said Kok

He added it was likely Reserve Bank Governor Chris Stals would spell out the new accommodation procedures at a meeting with bankers next Wednesday

The Bank proposed in a discussion document released last June that liquid BAs lose their status at the discount window — Reuter

EXECUTIVE SUITE By William Wells and Jack Lindstrom



Frustrated teachers vented their anger at a demonstration in Johannesburg's Library Gardens yesterday, over government's refusal to increase their pay beyond 5% They demanded a "living wage" for all teachers Picture BRIAN HENDLER

Business welcomes new dual company tax format

B/DAY 18/3/93.

Business Day Reporters

ORGANISED business yesterday gave the new dual company tax structure the thumbs-up

Sacob welcomed the reduction of the corporate tax rate to 40% and said with tax on distributed profits it should encourage expansion and employment, as well as increase SA's attractiveness as an investment destination

"The Budget is positive for the longer-term economic and employment growth prospects of SA," a Sacob statement said "However, the failure of government to exercise adequate control over state spending in the past now places a harsh burden on consumers and individual taxpayers in the short term"

The Afrikaanse Handelsinstituut agreed that the corporate tax plan would boost business confidence locally and abroad Describing it as "innovative", the Steel and Engineering Industries Federation said it could stimulate new capital investment, while National Productivity Institute executive director Jan Visser said it "can only have productivity benefits"

Leading stockbrokers felt the Budget would be neutral to slightly positive for the JSE

JSE executive president Roy Andersen said "We are pleased that there is no increase in individual taxes and that there is a fairer distribution of the tax burden Although we are disappointed that Minister (Derek) Keys was unable to keep to government commitment to abolish marketable securities tax, we welcome proposals to give qualified exemption from stamp duty for the unbundling of pyramid structures"

Frankel, Pollak, Vinderine MD David Shapiro said the reduction in corporate tax rates was the biggest factor in the market moving higher in an initial favourable reaction to the Budget Bond prices weakened on the back of the Budget reversing earlier gains, but dealers said this was an initial reaction

Keys said last night he had put the deficit at R40bn since this accurately reflected the entire government deficit Addressing a tax seminar, he said he had "gone for the biggest deficit I could find"

Economists expressed mixed views on the Budget, but most agreed Keys had achieved a measure of credibility through it Rand Merchant Bank economist Rudolf Gouws said Keys had reached a compromise between his goals of reducing the deficit without causing the recession to deepen

Nedcor Bank chief economist Edward Osborn said SA was caught in the public debt trap, clearly reflected by the burgeoning interest payments The rise in VAT "had to be done" FNB assistant treasurer Mike Law said the Budget was in line with what was expected, except for the decrease in company tax

Absa economist Dominick Sutton warned that Keys might have been a "little optimistic" concerning both income and expenditure The deficit might be more than the predicted 6,8% of GDP before the year ended.

Little room for hotel industry

MARCIA KLEIN and KELVIN BROWN

B/DAY 18/3/93

THE hotel industry would receive only modest relief from Finance Minister Derek Keys's budget proposals for tourism expenditure, industry sources said yesterday

They were reacting to Keys's proposal that in addition to the R85,1m in the printed estimate, a further R25m would be made available for tourism

The Minister said that for income tax purposes, the depreciation period for certain refurbishments of tourist accomodation would be reduced from 20 years to five

Satour director Ernie Heath said that with the present low occupancy levels, the depreciation allowance was welcomed.

The additional R25m would be used mainly for Satour to promote SA overseas This came at an opportune time to get the tourist industry on a meaningful growth path in line with the three-year plan which followed last year's White Paper on tourism

Sources said that hotel groups had been hoping for other forms of relief, including allowances for hotel development and export incentives

Government had indicated it would give serious consideration to incentives for a new tourism infrastructure, but this had not materialised, they said

Gold mines now given tax options

B/DAY 18/3/93

(214)

JONO WATERS and MATTHEW CURTIN

GOLD mines could opt out of the proposed dual company tax system which is set to apply to mining and non-mining companies, Finance Minster Derek Keys said yesterday

Keys said gold mines could choose between their current tax regime and the new 40% company rate and 15% dividend tax, to avoid any prospect that the sector would be put at a disadvantage

Under the existing tax structure, gold mines pay taxes on profits, against which they are able to offset all their capital spending, and lease taxation, effectively a royalty paid to government for mining precious metals

Keys made no mention of plans to lift "ring fencing", the mechanism which prevents one mining company offsetting the cost of development work at a separate sister mine against its own profits

A Chamber of Mines spokesman said the organisation wanted to take a closer look at the Budget proposals before commenting

Analysts said gold mines were unlikely to take up the option even if gold prices showed a sharp and sustainable rise

E W Balderson analyst Nick Goodwin said the only mine likely to benefit from the new structure would be Driefontein, SA's most profitable gold producer He said that in the six months ended December 1992, Dries paid R147m in tax Under the new system with the dividend tax, the mine would have paid R133m

Simpson McKie analyst Peter Bahnemann said that as mines paid out all their bottom line profit in dividends, accepting the new company tax system would bring their tax rate to 55%, a rate they had not paid since recording super-profits in the early and mid-80s

FM 19/3/93 (214)

RAND LEASES FM 19/3/93

Dividend in sight

(214)

With its January gold grade at 6,7 g/t, compared with the industry's December quarter average of 5,5 g/t, little Rand Leases gold mine has something to smile about February's figure of 5,99 g/t leaves directors certain they will achieve an initial dividend payment in the next financial year

The board has been strengthened with the recent appointment of former Altron financial director Neil Davies as chairman With a predicted average grade of 6 g/t for financial 1993 rising to 6,5 g/t the following year, MD Roger Kebble says the intention is to reduce gearing to low levels ahead of resuming dividend payments

Formerly controlled by Anglovaal, Rand Leases was taken over by the Severin group in 1986 after an intense shareholder struggle for control with the mining house Between 1986 and 1991, the Severins managed it on the basis of a traditional underground operation supplemented by an important and novel open-cast venture

When viable surface ores were exhausted, the company's fortunes declined and its debt burden grew That gave new entrepreneurs an opportunity and control changed in 1991 Kebble, previously an executive with RUC, the mining contractor owned jointly by Gencor and Murray & Roberts, was appointed last year

Current operations are predicated on shaft pillar extraction concentrated on the No 11 shaft pillar, where proven reserves are about 750 000 t grading about 8 g/t That programme received a setback in April when a severe seismic shock extensively damaged the main producing shaft It has taken the best part of seven months to restore profitability

Now that has been achieved, Kebble says he is confident the mine's forecasts will be met or bettered A payment of R1,25m from the insurers has bolstered cash resources

At 13c (12-month high 30c, low 9c), the share reflects investor concerns with a trailing gold price and dissatisfaction with independent gold mining operations When the *FM* last considered this company (*Fox* May 29 1992), the price was 20c and investors will want to see a few more quarters with solid results before committing themselves any further

David Gleason

NO HELP FOR MINES

FM 19/3/93

Keys is offering gold mining companies the opportunity of choosing to apply a new tax formula. But a senior mining analyst says. "I can't see any reason for a mine to accept, in present financial conditions, there are no real advantages"

Under the formula 49-244/x, which equates effectively to a flat rate of 40%, Keys will also expect mines to pay a 15% tax on dividend distributions. That adds up to a combined rate of about 48%

Under the existing system of formula tax only, few gold mines make large contributions to the fiscus. Only four contribute meaningfully at present gold prices and costs Driefontein, Kloof (and not next year after the effect of the Libanon and Venterspost takeover works its way through), Hartebeestfontein and Kinross

An early calculation shows that applying the new tax regime to Driefontein would reduce its distribution to shareholders by 2%-4% The negative effect declines as the gold price increases

214

ERPM asks govt for help

JONO WATERS

RANDGOLD & Exploration's debt-ridden ERPM gold mine had asked government for bridging finance for two years to meet cash flow requirements, ERPM MD Karl Eick said at the weekend (214)

The mine's state interest subsidy of 10% a year expired at the end of last year

However, government undertook in 1990 to make available a maximum of R33m either as a loan, guarantee or subsidy after January 1 1993 B/DAY 22/3/93.

Eick said the mine, in talks with government since September, had applied for a further loan from government, and its proposal had been presented to Cabinet

He said ERPM was unlikely to receive another interest subsidy

ERPM, which owes more than R500m, has made an operating profit in the past four quarters, but this was wiped out by its interest bill of more than R10m a quarter

The mine, which will be the only gold mine in SA to have reached a century of non-stop operation in May, has pinned its hopes on the Far East Vertical shaft (FEV), for which government had secured loans of up to R200m for its development in late 1986 However, the development eventually cost taxpayers R300m

Eick said FEV mining operations were going "extremely well", with the recovery grade of 8,5g/ton being in line with expectations ERPM was given until 2002 to clear its debt Eick said it had made its first repayment of R10m and would be debt-free by the date set down

Central banks will continue to mobilise their gold reserves

B/DAY 22/3/93

MATTHEW CURTIN (214)

CENTRAL banks have sold hundreds of tons of gold in the past four years — a small fraction of their overall gold reserves, but enough to send regular shivers through the gold market

Gold prices and market confidence have not recovered from the Netherlands central bank's announcement on January 12 that it had sold 400 tons of gold in 1992, equivalent to two thirds of yearly SA production

The banks hold more than 35 000 tons in official reserves, equivalent to 60 years of SA mine output at current levels, but the doomsday scenario of the gold market flooded by this metal, driving prices down to below $100 an ounce, is an improbable one Massive selling by banks would be self-defeating as it would devalue what remains of their key assets

Yet, the threat of central bank sales — meeting the gap between good gold jewellery demand and slowing increases in world mine output, but spoiling the metal's investment and speculative appeal as they trap prices either side of $350 an ounce — is all too real

The jury is still out on central banks' motives for selling gold, how they are able to offload considerable amounts of metal without panicking markets, and whether sales will continue and at what pace.

Union Bank of Switzerland analyst Andy Smith has tried to pin down these issues in his latest precious metals bulletin, saying the day the Netherlands announced it had sold 400 tons may be one the gold market will rue for years Ask not whether banks will sell more gold, but how much and when, he says

Anglo American gold division marketing director Kelvin Williams says there is no single reason for the spate of central bank gold sales The Canadian central bank is known to be committed to reducing its gold reserves, but Belgium first sold gold — 127 tons in 1989 — to raise money for regional social welfare financing German commentators have asked whether now is the time to mobilise the country's 3 700 tons of gold to finance re-unification

Smith says the Netherlands sale was similar to Belgium's second gold disposal, 202 tons announced in July last year, in that it was not a distress sale Brazil and other countries have made those to remedy immediate balance of payment problems in the past The sales were more likely designed to improve banks' investment returns — explained by the Dutch central bank governor as a simple case of having too much gold (1 700 tons) — and spurred by the currency dislocation in the EC

In other words, sell gold now because it is better to have high interest rates in Deutschmarks while the going is good In addition, there is the bonus of "selling gold first" before Europe's restructuring of its gold holdings gets under way in earnest, ahead of the creation of a European central bank

A central bank gold analyst adds that the banks are increasingly staffed by a new class of bankers, more sensitive to the merits of "active portfolio management" Market sources agree that central bank sales have been carried out responsibly

One says "Central banks acted in a fundamentally different way from US gold producer Newmont Mining which announced in 1988 that it had pulled off a 1-million ounce gold loan, only to find that gold prices had plunged $25 below the level at which the loan had been planned"

Williams says offloading hundreds of tons of gold without disturbing the market is not easy, especially because the IMF makes monthly assessments of its members' assets including gold

One way round may be to borrow gold from the Bank for International Settlements (BIS) — the central banker's central banker — sell that metal, and then repay the BIS after the disposal is complete. Because the BIS is only lending gold, its gold holdings will not change while the gold sale is in progress.

However, Williams says the market always knows something is afoot because of inevitable changes in liquidity that such sales cause Amgold chairman Nicholas Oppenheimer noted in his 1992 annual review that there were "substantial volumes of gold offered in the market often from unidentified sources" early in the year

Williams says he will be "astonished" if central banks do not continue to mobilise their reserves — selling, lending or raising call options on their gold — for some time "One should not see what are limited sales from independent banks as general dissatisfaction with the metal, but a re-evaluation of their existing portfolios," he says

The implications for gold prices if this is the case is less clear

Smith, who has argued that the '80s gold prices spike is an historical aberration by the which the gold market should not be judged, says "One step forward, two steps back, three steps sideways — the drift of the dollar gold price has by now a familiar rhythm Mines stay on their feet. Western investors leave the floor And though physical demand rarely misses a beat, central banks threaten to step on everyone's toes Gold will remain a wallflower until late autumn, when investors might pluck up courage and ask her to dance"

Tango? More of a shuffle Smith forecasts a $340 gold price in the fourth quarter this year, averaging $320 in the year, and falling to $290 in the second half of 1994

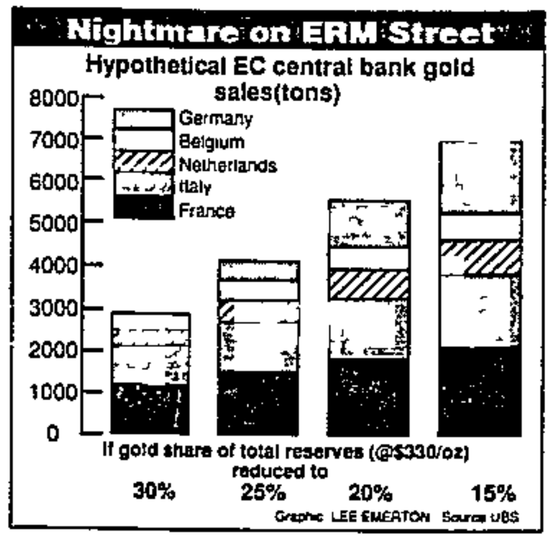
In contrast, Gold Fields Minerals Services CE Stewart Murray suggests gold prices may climb back to more than $800 an ounce in the medium-term, if central banks sell no more gold That's a big "if", not backed up by Murray who declines to offer alternative scenarios based on continued or increased central bank sales.

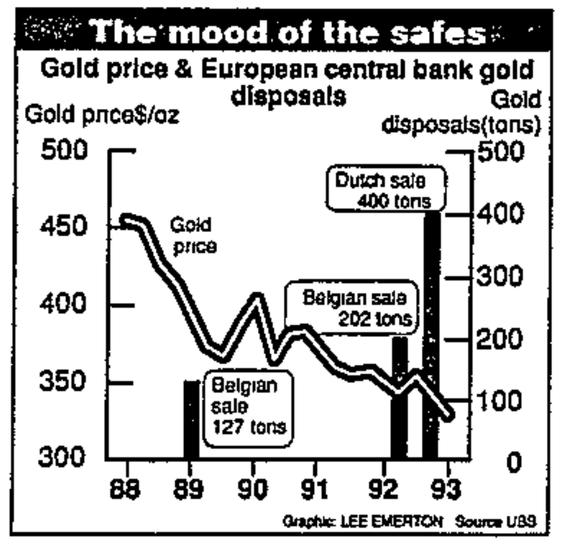
Williams says gold prices are influenced today by merchants — jewellers, and the professional lenders and borrowers of the metal — rather than the alliance of speculators and investors who drove prices to more than $800

The central bank gold analyst says it is vital to remember central bankers are "naturally risk averse"

Gold prices do not respond in the way they used to to political and economic upheaval — they barely react at all — but official gold sales are increasingly likely to be coordinated

He says central bankers may not consider buying gold as an investment today, but they are going to manage the gold they have inherited to their best advantage Banks will sell some gold, but retain much if only as insurance against the unknown





ERPM (214) in bid for govt bridging finance

CT 22/3/93

Own Correspondent

JOHANNESBURG — Randgold & Exploration's debt-ridden ERPM gold mine had asked government for bridging finance for two years to meet cash flow requirements, ERPM MD Karl Eick said at the weekend

The mine's state interest subsidy of 10% a year expired at the end of last year

However, government undertook in 1990 to make available a maximum of R33m either as a loan, guarantee or subsidy after January 1 1993

Eick said the mine, in talks with government since September, had applied for a further loan from government, and its proposal had been presented to Cabinet

He said ERPM was unlikely to receive another interest subsidy

ERPM, which owes more than R500m, has made an operating profit in the past four quarters, but this was wiped out by its interest bill of more than R10m a quarter

The mine, which will be the only gold mine in SA to have reached a century of non-stop operation in May, has pinned its hopes on the Far East Vertical shaft (FEV), for which government had secured loans of up to R200m for its development in late 1986 However, the development eventually cost taxpayers R300m

Eick said FEV mining operations were going "extremely well", with the recovery grade of 8,5g/ton being in line with expectations

ERPM was given until 2002 to clear its debt Eick said it had made its first repayment of R10m and would be debt-free by the date set down

SA's short term gold investors cautioned

(214)

CT 22/3/93

A LEADING unit trust fund manager called for investor caution over the weekend as gold bullion looked set for the umpteenth time to test new heights.

"Short term investors should be wary of gold's sharp rally late last week," says Adrian Allardice, Old Mutual unit trust fund manager.

While gold shares have rebounded creditably on world markets, with the JSE gold board on Friday climbing 62 index points to near nine-month highs at 1 130, Allardice warns that the short-term outlook should be viewed with caution.

He points to among others cyclically depressed jewellery demand and likely gold sales that would dampen the gold price

Allardice says that the drive for JSE-listed gold shares, prior to the weekend, came from a stronger dollar which inflates local gold revenues, while the run was sustained in New york as President Bill Clinton's economic policies came under scrutiny.

Gold was fixed in London on Friday afternoon at $331,65, up $1,40 on Thursday's fix of $330,25 In New York on Friday, gold closed at $331,85, up $1,20 On Saturday in Hong Kong the metal closed at $331,75, up $1,08.

Gold Fields' struggling Doornfontein showed the largest gain of 28,5% to close at 90c. Anglovaal's marginal producer Loraine rose 22% to 220c.

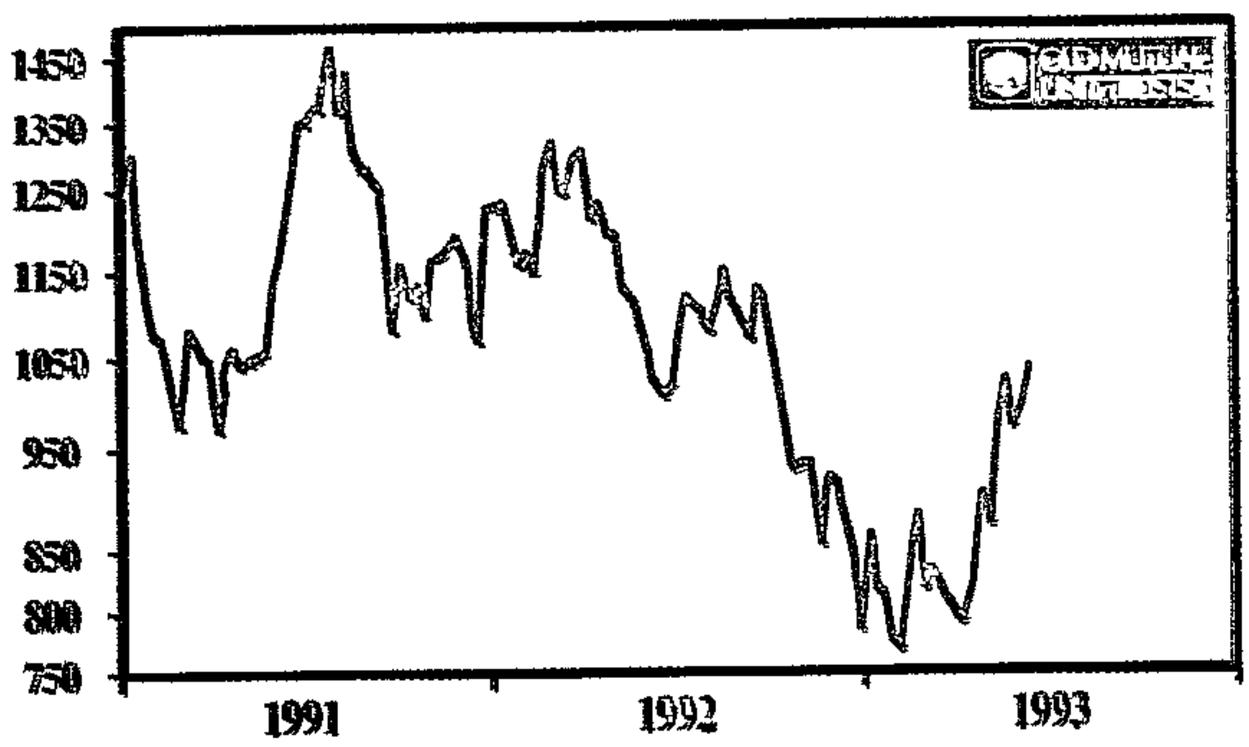
E W Balderson analyst Nick Goodwin said the discount between gold shares and the dollar gold price had now closed. Any increase in share prices would be a result of a move in the gold price in dollar terms. "Perhaps a gold bull run is on its way."

He said since the Gold Index bottomed at 742 in November, it had risen 53% and the shares could rise further if the mines reported good results in the March quarter

Frankel, Pollak, Vinderine analyst Adrian Finch said increases in the gold price for quarter would outstrip rising costs, but he said the index was "overheated".

Fergusson Bros Hall Stewart & Co analyst Trevor Pearton said the market had now revalued the gold shares "However, we could well see a correction in the index back to the 1 000 level." — Business Staff and Own Correspondent

ALL GOLD INDEX



Gold Fields deals close to obtaining green light

(214)

B/DAY 23/3/93

MATTHEW CURTIN

TWO MULTIMILLION-rand zinc and gold mining ventures are close to being given the go-ahead by mining house Gold Fields, says chairman Robin Plumbridge

Plumbridge said yesterday a new gold mine in Ghana or Latin America, or the Gamsberg zinc project in the northwestern Cape were the most likely new mining projects to which the mining house would give the green light

He said Gold Fields policy was to have two major ventures "on the go" at any one time to ensure the group maintained "real earnings growth".

The group had just completed a period of intensive investment, in which it had spent more than R3bn on bringing the Northam platinum mine and the Leeudoorn division of Kloof gold mine into production

He said the Gamsberg mine, near the group's Black Mountain base metal mine, was the project nearest approval The zinc deposit was the largest of its kind in SA, but its exploitation had been hindered by the problems of treating Gamsberg ore with the existing refining process.

The final go-ahead for the mine depended on finding solutions to the few technical difficulties in the recovery process

"Signs are that the second new mine will most likely be a non-SA operation, and could be a gold mine in Ghana or in Latin America," Plumbridge said

SA's geology had been comprehensively documented and new gold mines were marginal at prevailing gold prices, whereas shallow ore bodies in West Africa and Latin America could be more viable

Plumbridge said countries in these regions offered more attractive tax regimes for new mining ventures than in SA

Gold Fields had offshore assets and borrowing facilities with international agencies to finance new projects outside SA, an important factor given the restrictions on the use of the financial rand for long-term overseas investment

Durban Deep mine struggles

JOHANNESBURG — Durban Roodepoort Deep gold mine would continue to struggle in the coming year, chairman JPS Turner indicated in the 1992 annual report

(214)

"The company remains extremely vulnerable to adverse changes in production parameters and the gold price," he said

The expected depressed gold price would continue to maintain a narrow working profit margin, but was dependent upon improvements in productivity and yield

CT 27/3/93

The mine's profit fell last year to R376 000 from R1,4m previously, although it produced 17% more gold at 5 467kg

The government was providing pumping assistance for extraneous water which would continue until March 1994 and no dividend would be paid in this period

Capital expenditure is limited to R7m in the current financial year, up from last year's capex of R4m, for essential items and development. — Sapa

Solid profits seen for gold mining industry

(214)

ARGT 29/3/93

DEREK TOMMEY

JOHANNESBURG — Gold mining industry profits this quarter should be the best for more than a year, says Nick Goodwin, gold mining analyst with E W Balderson.

Profits for the quarter after tax and capital expenditure could reach R500 million, he says

This is about R61 million, or almost 14 percent, more than the industry earned in the December quarter.

It is also R100 million, or 25 percent, more than the R399,7 million it earned in the March quarter last year.

Mr Goodwin says that the average gold price for the March quarter this year was R25 an ounce higher than in the December quarter.

This makes the industry's average gold price for the quarter, including hedging profits, around R1 050 an ounce

As working costs an ounce are expected to show little change from last quarter's R819 an ounce, the industry's average working profit from an ounce of gold should be in the region of R236

This compares with R211 an ounce in last year's December quarter, R180 an ounce in the September quarter, R168 an ounce in the June quarter, R210 in the March quarter and R223 in the December 1991 quarter

Working profit from gold this quarter should be around R1,15 billion — up from R1,03 billion in the December quarter

Assuming a profit of R25 million from uranium oxide (December quarter R27,1 million), other profit of R50 million (December R52 million), pre-tax profits could be in the region of R1,22 billion — up from R1,1 billion in the December quarter

Mr Goodwin says that at the present gold price, gold shares are fairly valued

At one time last year gold shares were standing at a discount of about 50 percent to their worth But their subsequent rise has eliminated this gap

The future direction of the gold share market will depend on what happens to the dollar gold price

If this should start to ease, gold shares are likely to decline

But if the gold price breaks through the $334 an ounce level, then gold shares could rally strongly

Mr Goodwin says demand for gold is strong

But a fear that a central bank might sell gold is making both the share market and the bullion market cautious

However, he does not think central bank selling would depress the gold market and the gold price

Whenever central banks have sold gold in recent times they have done so outside the market in order not to influence the gold price

Central banks own about 33 000 tons of gold and the last thing they want to see is irresponsible selling depressing the balance sheet value of their gold holdings

Healthier profit for gold mines forecast

Star 29/3/93

(214)

By Derek Tommey

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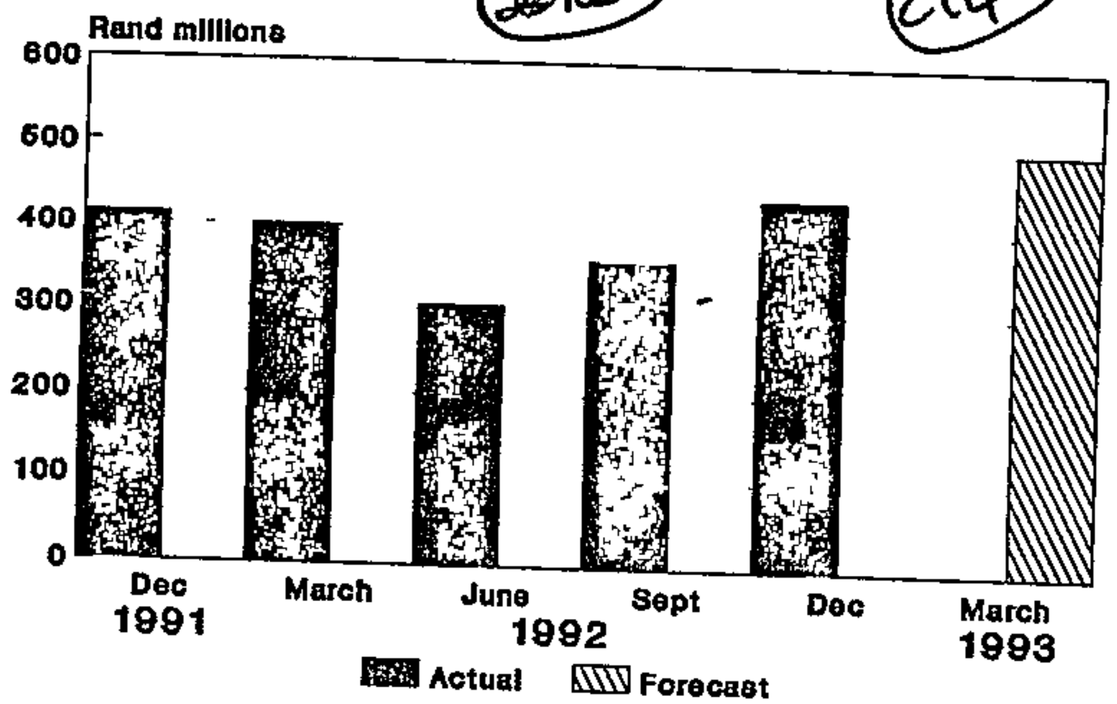

March quarter gold mining profits after tax are expected to be around R500 million, the highest quarterly profit figure for more than a year

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Star 29/3/93

Countering gold's reduced contribution

(214)

B/DAY 29/3/93

JOHN DLUDLU

THE declining role the gold industry was playing in the economy called for the adoption of price risk management strategies, Gengold MD Gary Maude said at the weekend

Addressing a conference in Johannesburg on derivative markets, Maude said gold had lost its status as the country's economic mainstay

"In 1980 gold earned about 45% of SA foreign exchange This has declined to about 20% — an equivalent of R20bn in 1991 The central government raised more than 25% of its revenue from the gold mines in 1981 By 1991 this had fallen to below 2%"

Total direct employment in the industry, which peaked at between 500 000 and 550 000 in 1985, had declined to 400 000 by 1991 The SA market share of newly mined gold had also been eroded from 80% in 1980 to below 30% in 1991

"Because of the decline in the dollar gold price since 1980 to its current level below $330/oz, local average industry profit margins have declined from well above 50% to less than 20% during the past 20 years"

Maude said investment returns and survival had both become "critically sensitive to successful" gold price risk management

Outlining several hedging strategies, Maude said they included forward sales or futures market, put options and minimum-maximum (min-max) strategy The min-max strategy entails selling a call option and buying a put option

The programme is usually structured so that the sale of the call option finances the purchase of the put option and thus the producer incurs no costs

He said the foundation of a hedging strategy to be adopted had to be historical dollar gold price graphs — such as rand/dollar exchange rate and rand gold price — as the rand gold price was an important parameter for bullion producers.

He mentioned three "acid tests" to be used to evaluate performance for the producer

"You have to compare your futures with local currency spot prices, prices received by foreign and local competitors, and do comparisons of real prices with those in business plans"

3 miners killed in cave-in

Star 31/3/93

Three diamond miners were killed in a freak accident at a diamond mine at Holpan near Windsorton in the northern Cape yesterday Willem Phil Boshoff (57) and J S van der Westhuizen (28) were standing on the wall of a prospecting trench being dug by a mechanical shovel, when the earth collapsed under them When three workers rushed in with shovels to free the victims, another part of the trench wall caved in, burying Boshoff and Van der Westhuizen alive as well as one of the would-be rescuers, Khetelo Giyam (51)

(212)

Boost for SA gold mines

(214) ARG 31/3/93

Business Staff

The rand gold price jumped R14 to R1068 an ounce last night

This is its highest price since mid-1991 and is the result of a rise in the London gold price and a slight easing in the rand-dollar exchange rate

The rand gold price has risen R138, or 14,8 percent, since it hit a low of R930 last August

Fears that gold supplies could be affected by Russia's critical political situation sparked the London gold price into rising just over $4 to $335,75, its highest since the beginning of December

Similar fears about Russian platinum supplies led to a rise in the London price It was quoted in London at $360,50 This is a significant recovery from the $341,85 an ounce at which platinum was trading at the beginning of the month

Yesterday's $4 spurt in the London gold price suggests that the heavy forward sales of the past few weeks, which have tended to retard the rise in the metal price, must have eased significantly

One possible reason is that after their recent efforts, many marginal mines have little gold left to sell

It would not be surprising, therefore, to see the dollar gold price spurt even higher in coming weeks

■ Prospects look brighter for a major expansion of coal exports through Richards Bay Richards Bay Terminal Company (RBTC) handles all current coal exports through Richards Bay

Managing director M B Dunn says in the company's annual report that a number of potential new coal exporters as well as existing RBTC members (the Coal Export Joint Venture, Coalex) have asked for export capacity through Richards Bay

After discussions with Coalex, RBTC offered to carry out a feasibility study on behalf of the Joint Venturers aimed at accommodating their requirements in a greenfields terminal

Mr Dunn says that at the time of writing, RBTC's offer had not been accepted by the Joint Venturers

Instead, they are understood to be carrying out a study for a 10 to 12 million tons a year independent facility

He says that coal railed to RBTC in 1992 reached a record tonnage of 48,3 million tons — up from 46,2 million tons in 1991

Exports through the facility were also at a record, rising from 45,3 million tons in 1991 to 48,6 million tons

A stockpile rearrangement enabled an additional 1,5 million tons of capacity to be achieved

This re-arrangement was completed in August and the throughput capacity of RBTC has been uprated to 54,5 million tons a year without further capital expenditure

GFSA gold mines disappoint

Star 16/4/93

By Derek Tommey

Any hopes that investors might have had about the higher gold price setting mining profits soaring have been dashed by the March quarter figures of Gold Fields of SA (GFSA)

Alan Munro, head of GFSA's gold division, says the results of the group's four gold mines are disappointing, given the improvement in the gold price and the containment of working costs

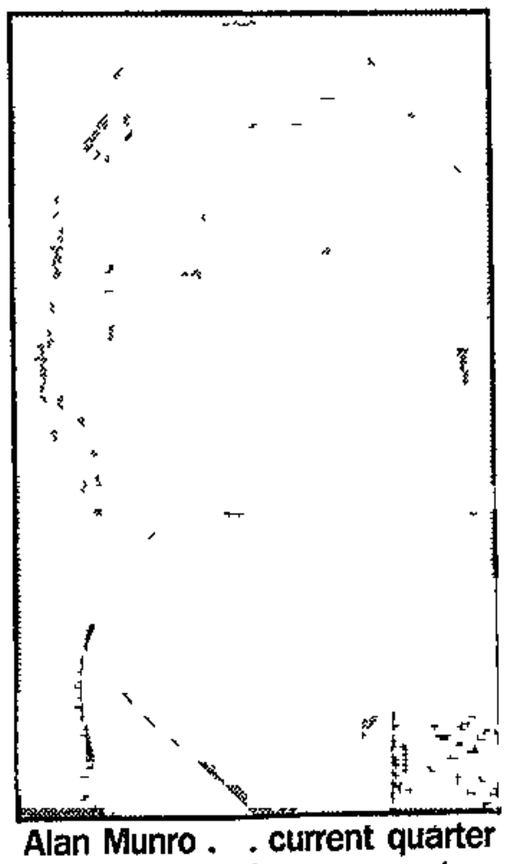
Although working profit from gold rose 10 percent from R302 million to R330,8 million, taxed profit fell almost R3 million to R267,4 million

In previous quarters the group's activities could have been described as "battening down the hatches" in trying to curb cost

In the March quarter the group was "trying its damndest to prevent any leaks through those hatches", he says.

However, Munro expects the current quarter's results to show an improvement, even without a further increase in the gold price

But in view of the low gold price in the September quarter, results for the year to June are unlikely to show any improvement on the previous year's figures.



Alan Munro . . current quarter should show improvement

Munro says the group is exploring the prospect of working extra shifts The intention is to arrange operations so that there are no slack periods

The response from the workforce had been mixed, but many workers understand the benefits arising from this move

The group's clear objective is to utilise its capital assets to their fullest extent

Measures have been taken to prevent a further outbreak of fires, which have hurt operations at Driefontein, Deelkraal and Libanon in recent months

The group milled 3,33 million tons (December quarter 3,42 million), producing 30 575 kg (30 661 kg) of gold worth R1 14 billion (R981,9 million) The average price received was R32 716 (R31 988) a kg and the average yield was 9,2 g/t (9,0 g/t)

Working profit was R330,8 million (R302,0 million) and tax took R77,4 million (R74,3 million)

Munro says **East Driefontein** is "back on track" after the problems of the December quarter Working profit rose from R65 2 million to R87,2 million

West Driefontein showed an improvement, but not enough, says Munro Working profit rose from R106 million to R113,1 million

(214)

Overall, the Driefontein mine reported a disappointing taxed profit of R139,7 million (R137,4 million).

After a series of losses, struggling **Doornfontein** reported a profit of R3,4 million (losses of R6,1 million in the December quarter and R16,9 million in the September quarter)

Munro says this profit is somewhat flattering to Doornfontein as much of the increase in earnings rose from clean-up operations in sections being closed down.

Munro says Doornfontein is still on a knife edge However, its cash flow has been helped by the sale of assets worth R12,8 million.

Deelkraal had a poor quarter, its taxed profit falling from R13,7 million to R3,45 million Two fires affected production and the tonnage milled dropped from 398 000 tons in the December quarter to 320 000 tons

Working profit fell from R12,1 million to R2,86 million

The **Kloof** division of the Kloof mine increased its working profit from R120,1 million to R127,4 million

The **Leeudoorn** division's working profit dropped from R12,1 million to R7,5 million because of a reversion in the yield to a more run-of-the-mine level

The **Libanon** division had a working loss of R10,5 million (loss R7,6 million) But by the end of the quarter it was back on track.

Kloof's taxed profit was R120,8 million (R125,1 million)

Total group capital expenditure for the quarter was R127,1 million (R146,9 million)

Little shine on results of Gold Fields' base metals

214

B/Day 16/4/93.

ANDY DUFFY

LOW commodity prices led to a lacklustre performance in the three months to March for the base and metals operations owned by Gold Fields of SA

Hardest hit in the period was unlisted lead and zinc producer Black Mountain, though copper company O'okiep and tin operation Rooiberg also suffered losses Gold Fields Coal and Zinc Corporation turned in slight profit rises

Black Mountain cut its aftertax loss to R5,6m (R7,5m) as production rose and sales costs dropped to R34,9m (R45,7m) — a pro rata fall of 12%

But a quarter-on-quarter dip of 7% in lead prices to R1 304 a ton shaved revenues for the period It also cost Black Mountain R3m for adjustments on previous quarter sales only finalised in March

"The metal price," coal and base metal division GM Richard Robinson said, "was disastrous" Such post-sale adjustments would continue, Robinson added, as lead prices retained their downward spiral

Black Mountain exploited other base metal price rises only through its zinc operation, where sales rose from 6,2 tons to 8,4 tons Overall sales fell 13% to R29,3m

O'okiep was recovering from the collapse of backfill at Carolusberg, but still lost R11m after tax, against a R7,9m loss in the three months to December

Mining lower grade tonnage cut the grade to 1,05% copper (1,31%) Sales fell 34% to R23,1m, and O'okiep's European market was also under pressure from exporters from the CIS

O'okiep's cost of sales fell to R34,7m (R44,2m), but on a pro rata basis costs rose 19% The operation was "doing everything it can to contain costs"

Difficulties

Gold Fields Coal fared better After-tax profit was slightly ahead at R5m, as declining costs offset a 17% fall in sales to R68,5m The results were boosted by its 50% share in the low-cost producing Matla colliery, but the company said domestic and export conditions were tightening

Although sales fell from R90,4m to R77,2m, zinc price rises and falling sales costs enabled Zinc Corporation to raise after tax profits to R7,5m (4,4m)

Rooiberg cut its aftertax loss to R0,4m, against R0,7m last time, despite a fall in sales to 109 tons (149 tons) The tin company said plant difficulties were responsible for cutting recoveries from 112 tons to 110 tons, but the grade rose above expected levels to 0,82% tin (0,78%)

Doorns in danger despite 'flattering' turnaround

B/DAY 16/4/93. (214)

JONO WATERS

GOLD Fields' battling Doornfontein (Doorns) gold mine was likely to cease underground operations despite recording a good March quarter, gold division executive director Alan Munro said yesterday

Presenting the group's results for the quarter, he said the mine's after-tax profit of R3,41m (R6,05m loss) was flattering because it reflected the one-off benefit of an underground and surface clean-up operation He added the mine would probably end up as a surface operation

Doorns's profit was a welcome relief for the group, but the mine was still in danger of closure Munro said "Doornfontein is bailing furiously and will now trim its sails and head back to port"

Talks aiming at an alternative strategy to closing the mine were under way, but Munro would not elaborate Analysts have suggested the mine might strike up a tribute agreement with Anglo American's neighbouring Western Deep Levels

The workforce had been reduced significantly at Doorns, but no one had been retrenched

Munro said Deelkraal had a poor quarter as a result of "a hangover" from a fire in the December quarter and another fire in January The combined effect of the fires and other problems resulted in a sharp fall in tons milled

The mine needed capex for development and, as a result, had been targeting high-grade areas However, a rise in grade to 5,9g/ton (5,7g/ton) failed to make up for the unexpected loss in tonnage The subsequent lower gold production had led to a sharp increase in unit working costs to R31 056/kg (R26 714/kg)

Deelkraal was examining Sunday mining as a way of improving productivity, but the mine was already working double shifts

East Driefontein was "back on track" as it had achieved its target milling rates and grade West Driefontein had shown an improvement, but the performance was "a little disappointing", with a slight fall in gold production knocking the benefit of higher gold prices

Capex was still below budget for the year as Driefontein had been slow in getting started with its shaft-sinking programme, he said

Kloof division experienced another good quarter, but the company had a great deal of ground to make up after its large investment in Leeudoorn

Leeudoorn reported "the inevitable fall in grade" as it had reached target tonnage of 100 000 tons a month in March The division was likely to turn in a profit for the financial year ended June 1992

The Kloof company's overall performance was marred by the Libanon division, which Munro said had made an "unacceptable loss" However, he believed the division could break even by the end of the year

The gold division, plagued by a number of underground fires in the last few months, had achieved much in improving the prevention, detection and fighting of fires

The group's mines had not been effected by Wednesday's mass action and operations were expected to continue as normal over the next few days, Munro said

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	705	9,2	6 473,7	175,9	19 185	32 662	—	—	—
December	658	9,1	5 960,4	190,8	21 065	32 007	—	—	—
West Driefontein	715	11,0	7 852,5	202,5	18 434	32 837	139 675*	67 822*	33*
December	703	11,2	7 873,5	207,6	18 538	32 002	137 384*	71 715*	35*
Kloof	540	15,3	8 247,3	265,2	17 367	32 783	—	—	—
December	540	15,0	8 105,2	259,4	17 281	32 097	—	—	—
Leeudoorn	290	7,7	2 235,5	227,1	29 456	32 790	—	—	—
December	245	9,4	2 302,5	251,4	26 755	32 007	—	—	—
Libanon	425	5,8	2 458,6	214,0	36 986	32 729	120 831*	63 367*	50*
December	500	5,2	2 608,3	182,5	34 985	32 059	125 159*	55 263*	43*
Deelkraal	320	5,9	1 895,2	183,9	31 056	32 566	3 450	(7 166)	7,2
December	398	5,7	2 263,2	151,9	26 714	32 067	13 726	1 496	1,5
Doornfontein	253	4,2	1 412,5	169,3	30 316	32 755	3 409	16 233	41
December	296	4,2	1 547,5	185,8	35 539	31 747	(6 051)	(5 196)	(13)

* Combined results for Driefontein and Kloof mining companies

SA's marginal mines win gold price relief

(214)

CT 1/4/93

GOLD reached a five-month high yesterday after rising $6 to breach the $341 level in London shortly after noon

The metal slipped back later to close $2,25 up at $338,05 It closed in New York at $337,45

Analysts said the gold price, now riding at R34 465/kg, would provide some welcome relief to SA marginal mines due to report their March quarter results soon

Gold shares followed the rise, with marginal operations recording the largest gains Among the heavyweights, Driefontein was up 60c to R39,50, while Vaal Reefs rose 600c to R208 and Kloof closed unchanged at R35. The Gold Index closed up 35 points to 1 205

Frankel, Max, Pollak, Vinderine analyst Adrian Finch said the rise was caused by a weak dollar, a bank in the London market buying 27 tons of the metal and the end of Ramadan which meant it was back to business in the Middle East

"The feeling is that at a price of $338, gold has run out of steam The metal will consolidate at this level and then probably drift down again"

Senekal, Mouton, Kitshoft analyst Hilton Ashton said the rise could be attributed to the yen's strength, making gold cheap for Japanese buyers, as well as lower production in the Commonwealth of Independent States

Platinum prices also continued rising and the metal was last quoted in London at $363, up $2,50 from Tuesday's close

Closing gold prices

(In $ an ounce)

NEW YORK
337,30 337 60

LONDON
337,80 338 30
Fixing am 336,90
Fixing pm 337,80

ZURICH
337,00 340,00

— Reuter

Rentals, tax aid turnover

B/DAY 2/4/93.

JONO WATERS

214

HIGHER rental income from Witwatersrand Gold Mining's properties resulted in a 14% increase in its turnover in the six months ended December 1992

Earnings rose to 5,6c a share compared with 4,9c a share in the same period in 1991 and the company declared an unchanged interim dividend of 1c a share

Turnover improved to R1,63m (R1,43m) and operating profit increased to R824 000 (R705 000). Interest income was halved to R93 000 (R179 000) and pre-tax income amounted to R918 000 (R885 000)

Tax was lower at R391 000 (R425 000) After-tax profit rose to R527 000 (R460 000), pushed to R757 000 by an extraordinary item of R230 000

The directors said a dividend payment amounting to R101 980 from Knights Gold Mining company was not included as it was received in January

The company gets all of its income from rentals, tributing and royalties

Man with an eye to spot top rocks

S/Times 4/4/93 [BUSS] (214)

By Julie Walker

THE mine Eersteling hardly springs to mind as being among the lowest-cost producers in the South African gold mining industry Under new management since July last year, the mine is producing about 8,5kg of pure gold a week at a cost of R25 000/kg Eersteling has sold at an average of R31 700/kg — not many mines can boast such a handsome margin before capex and development

Chief executive officer Stefan Hayden was called in last year by Standard Merchant Bank, one of the ailing mine's biggest creditors, to assess what the plant was worth in liquidation Hayden is an industrial broker, his business being the buying and selling of mining and other equipment

Says Hayden. "What I saw at Eersteling was too good to go under the hammer piecemeal, but the mine's ore reserves were not good enough to support a viable operation."

He bided his time while securing the financial backing of Swiss businessman Max Glauser, on whose behalf Hayden visited Anglo American Anglo had conducted extensive exploration on neighbouring properties

He struck a royalty deal with Anglo which will result in Eersteling acquiring the right to mine its ground Already, two adit shafts are being pushed into the koppie at Zandrivier in which Anglo identified several hundred thousand tons of reasonably assured ore at about 6g/t.

When operating at the projected rate, Eersteling's production will climb from the current 300 tons a day to 700 tons at more than 4,5g/t recovered Zandrivier will provide 300 tons, and 100 tons will come from the Dog shaft. Plans for refractory ores will add a further 250 tons a day during 1994

Greenstone reefs are renowned for variation in grade and seam width Hayden has introduced a weekly "Spot the Rock" contest to encourage miners to mine on reef and not off it

A rock is halved, one part sent for assay and the other made available for all miners to guess the grade Closest gets R100 and to wear the gold safety helmet for a week. The most consistent guesser throughout the year gets R1 000, as does his team. This is not a matter of fractions of a gram per ton, the samples displayed went from 0,1g/t to greater than 150g/t yet to my eye looked remarkably similar "There is a core of miners who are within 3% of the correct grade every time. This has helped management to select team leaders from among those who are best able to follow the reef," says Hayden

Eersteling has the potential to make about R8-million a year when the production rate is achieved

It has approached the JSE to relist and will probably come to the market simultaneously with a rights issue

More than 2 000 minorities hold 5,24% of Eersteling and, in terms of the rights offer, will be given the opportunity to round up their holdings to multiples of 100 It should take about two months Eersteling has no material debt, and ore reserves provide for at least a seven-year life.

Where did Hayden and his team, comprising Zimbabweans John and Jack Muir, Robin Stubbs, Donn Jowell and mine manager Nick James, succeed where previous management failed?

"You have to have flexibility When we moved in here only one shaft and two stopes were available and a single end was being developed. Now we have more than 10 stopes available in seven development ends on that shaft alone, so we can tailor the grade mined The two new shafts will start production in April and May respectively to provide additional tonnage"

Another problem was over-capitalisation. Hayden likens the over-design of the metallurgical plant to chartering a Jumbo to travel from Johannesburg to Vereeniging.

Hayden has an eye for decreasing costs and the knowledge of how to procure equipment to allow the mine to do so He reckons the electricity bill could be cut by R50 000 a month by replacing equipment, such as the winder, with a smaller, more efficient system. Electricity is one of the biggest single expenses out of monthly costs of R850 000

At the gold pour, the dinky bar of 8,5kg looks small reward from the sweat of 320 employees, but it supports probably 10 times that number of people

There is a batch of small mines awaiting the arrival of a magic wand such as has been waved at Eersteling For shareholders in those operations, hold thumbs that your mine is first on the list.

MODESTY FORBIDS . . .

I CAN'T resist mentioning that my portfolio of shares selected at the start of the year has appreciated by 34% in only three months.

In percentage terms, SPL has been the biggest riser, in at 350c and now 650c for an 86% rise.

In real rands, Ellerine is up from R58 to R96 — a 66% jump — while Nedcor has gained 665c, or 40%, to R23,25 Nine out of my 10 choices are showing gains, only ICS being a loser, off R2 at R14.

Any unit trust management company not matching my figures over the quarter can consult me . . . for a small fee.

Lack of incentives 'a kiss of death for SA mining'

B/DAY 5/4/93. (214)

MATTHEW CURTIN

THE absence of competitive fiscal incentives for new mining investment in SA is ensuring that investment by mining houses is directed overseas, says Gold Fields executive director Bernard van Rooyen.

In an interview, Van Rooyen said by the same token SA remained an unattractive prospect for foreign mining companies, dismissing the suggestion that such investment was stifled by any stranglehold mining houses had over undeveloped mineral rights in SA SA's effective 49% mining tax rate compared, for example, with 34% in the US and 13% in Chile

Nevertheless, Gold Fields, given its long-life, low-cost gold mines and new Northam Platinum mine, would continue to be a primarily SA-based mining group, he said.

In the past two years, Gold Fields had investigated mining opportunities as far afield as Ecuador, Ghana, Kalimantan, China and Vietnam

Potential projects in Latin America and West Africa were facilitated by the existence of shallow ore bodies, attractive tax regimes and political stability

Van Rooyen said mining opportunities in the developing world had been "opened up" by the demise of the Soviet Union, leaving governments, eager to earn hard currency and exploit their natural resources, with no alternative but to look to Western companies and international agencies for new investment

The Soviet Union and its allies had been an alternative investment source, but one offering second-rate equipment and backing for projects of dubious commercial value, with little exploration completed since the '40s Gold Fields had begun its quest for overseas mining opportunities in earnest only in mid-1990, but progress had been rapid

The group had secured gold mining joint ventures in Zaire, Ghana, Venezuela and Ecuador, typically offering its mining and management expertise in exchange for a sizeable stake in projects to be managed with local, often state-run, companies.

Given the political stability and free market-orientated economic policies in Ghana and among Latin American countries, financial backing from the World Bank and its private sector offshoot — the International Finance Corporation — was likely to be forthcoming

Common to these ventures was the shallow mineralisation of the gold-bearing ore bodies It could take as short a time as 18 months to prove the resource and four years to start full-scale mining as a low-cost opencast operation, vital if the mines were to be economic at current gold prices Profits from these ventures would in turn finance future exploration

Van Rooyen said inadequate infrastructure and high transport costs tended to confine economic targets in these countries to high-value, low-bulk commodities such as gold Gold Fields was interested in other commodities, and had made an offer for a high-grade zinc project in Bolivia

Gold Fields had examined diamond deposits in Venezuela and central Africa, but few economic platinum-bearing ore bodies had been discovered outside existing deposits in southern Africa, Australia and Russia, he said

Higher gold price a relief for mines

(214)

B/DAY 5/4/93.

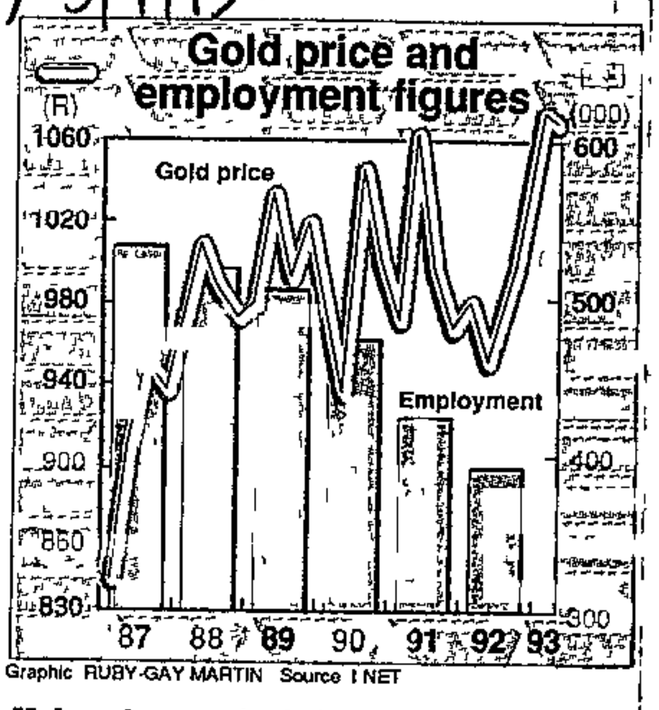
JONO WATERS

HIGHER rand gold prices, which hit R1 079/oz on Friday, have lifted the profits of SA's gold mines to such a degree that only two major producers are losing money at current prices

Chamber of Mines chief economist Francois Viruly said at the weekend higher prices had brought welcome relief to marginal gold mines and their 80 000 workers

Based on December quarter working cost figures, only Anglovaal's Loraine and Gold Fields's Doornfontein (Doorns) have working costs higher than the yield at current average gold prices

This compares with average rand gold prices of R1 006/oz in the December quarter when Loraine, Doorns, JCI's H J Joel and Western Areas, and Randgold & Exploration's Durban Deep and ERPM all had working costs above or close to the average gold price In addition, shafts at larger profitable mines such as Anglo's Freegold and Vaal Reefs and Gengold's St



Graphic RUBY-GAY MARTIN Source I NET

Helena have risked closure because of poor prices, but are now likely to win a reprieve should prices be sustained

Anglo gold and uranium division chairman Clem Sunter said "The gold division's

☐ To Page 2

Mines

B/DAY 5/4/93.

(214)

☐ From Page 1

hedging policy has fulfilled its objective of providing insurance for our many marginal shafts Hence we are able to take full advantage of the recent rise in gold prices as our annual production capacity of 250 to 260 tons of gold remains intact" Anglo still had several aging shafts and in seeking "further efficiencies" would consult with workers in minimising retrenchments

Viruly said the rise in the price was of particular importance to SA's marginal operations which produced 90 tons out of SA's annual gold production of just more than 600 tons The most important target for mines this year would be to keep their working costs down, after containing average increases to only 0,9% in 1992

The turnaround in the gold mining sector followed a rally in dollar gold prices, up $10 to more than $340 in the past month, the rand's weakness against the dollar, and mining success in cutting costs

However, labour has borne the brunt of the industry's restructuring

Viruly said chamber figures showed that employment in the gold mining sector had shrunk by about 140 000 employees to 392 548 workers in the past six years

Gold prices climbed above the $340/oz level on Friday, reaching a fresh five-month high for the second time in a week. Gold closed $1,90 higher in New York at $340,15 In Hong Kong it ended marginally higher at $341,05 on Saturday

Viruly said "The prospects for SA's gold mines and especially the marginal operations look more promising if the price remains at this level or goes higher"

ERPM strikers go underground again

214 KATHRYN STRACHAN

WORKERS at the ERPM gold mine, near Boksburg, returned to work yesterday after a two-day strike sparked by an underground shooting in which a black worker was wounded by a white colleague B/DAY

The wounded man is recovering in the Rand Mutual hospital

Police said a man would appear in court today 7/4/93

NUM spokesman Fabian Nkomo said more than 5 000 workers went back to work after management agreed to meet their demands for stricter security checks and a commitment to address alleged racism on the mine

Nkomo said that at a meeting on Monday night ERPM management agreed to step up its searches on workers going underground, and added that workers would be involved in monitoring the process.

Black workers had complained that white workers were exempt from searches

Management agreed to look into the problem of racism, said Nkomo, who added that reports of racial discrimination had failed to reach the appropriate levels

An inquiry, headed by an independent investigator, was to be established to address the problems of discrimination and violence at the mine

There would be no disciplinary action against the strikers, but management refused to pay them for the two days of the stoppage, Nkomo said.

Lindum exploration encouraging

JONO WATERS

LINDUM Reefs' taxed profit climbed 67% in the March quarter after an increase in tonnage and grade pushed up gold production. B/Day 8/4/93

Taxed profit amounted to R3,43m (R2,05m) and earnings after capex rose to 18c (10c) a share. (214)

Ore milled rose marginally to 81 000 tons compared with 77 000 tons in the December quarter The grade increased to 3,95g/t (3,3g/t), resulting in gold production of 320kg (254kg)

Revenue a ton rose to R133,56 (R110,88) and working costs a ton to R93,80 (R85,71) Profit a ton increased to R39,76 (R25,17).

Gold revenue was higher at R10,8m (R8,54m) and working costs increased to R7,6m (R6,6m), resulting in a gold profit of R3,22m (R1,94m)

Interest received and sundry revenue nearly doubled to R204 000 (R114 000). The company did not pay tax. Capex requirements were halved to R90 000 (R178 000).

There was an improvement in the gold price received to R33 810/kg (R33 614/kg).

The directors said Lindum's reserves were sufficient to sustain operations for more than one year at the current gold price and working costs.

"Exploration and evaluation of additional potential mining areas to supplement the reserves is ongoing and the results continue to be encouraging."

The current opencast site on the Black reef had nearly been mined out and ore in the June quarter would come from new opencast sites, they said.

Star 8/4/93

Opencast payoff for Lindum Reef

By Derek Tommey (214)

Lindum Reefs' switch to opencast mining continues to pay off.

Helped by a strong rise in revenue, a drop in working costs and a boost in sundry income, it increased taxed profit by 67 percent to R3,425 million in the March quarter from R2,051 million in the December quarter

Earnings a share rose from 10c in the December quarter to 18c. No dividend has been declared.

Gold production rose 66 kg to 320 kg.

This and a marginally higher gold price of R33 810/kg boosted gold revenue by 27 percent to R10,819 million

Working costs dropped from R25 988/kg to R23 743/kg

Net interest and sundry revenue increased almost 80 percent to R204 000 Lindum says it has sufficient reserves to sustain operations for at least one year.

The mine had to suspend underground operations because of the low gold price.

Bull run keeps Gold Fields shares on upward trend

B/DAY 8/4/93. (214)

MATTHEW CURTIN

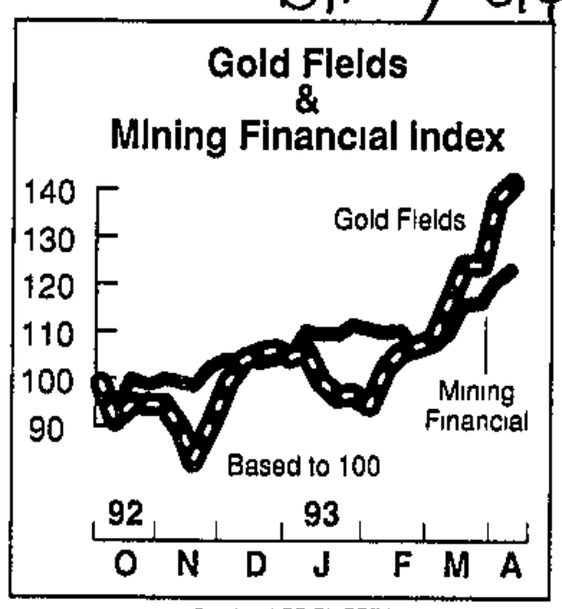
SHARES in Gold Fields of SA showed the only gain among mining financial stock on the JSE yesterday, continuing a bull run which has seen the mining house's share price jump 75% in three and a half months.

The stock closed 200c up at R84 compared with its most recent low of R48 in November last year

Gold Fields shares usually show a good correlation with the all gold index. Recently they have performed more strongly, as the rand's weakness against the dollar has sent rand gold prices towards record levels.

Frankel Pollak Vinderine analyst Peter Davey said yesterday the good performance of the mining financial shares most exposed to gold — Gold Fields and Amgold — could reflect "just-in-case" buying by local institutions.

They were keen to increase their limited exposure to gold, but were not convinced current enthusiasm for gold shares was warranted



Graphic LEE EMERTON Source I NET

He said overseas institutions continued to buy gold mining shares, attractive but high risk investments which represented only a small part of their overall portfolios

Local institutions, in contrast, had for some time shied away from mining financial and gold mining shares

However, confidence in the mining house's paper contrasts with its gloomy earnings prospects. Chairman Robin Plumbridge said at the announcement of the group's 11% drop in interim earnings in January that profits would "remain under pressure" until the year-end.

Although higher rand gold prices would lift working profits at the group's mines — moneyspinners Driefontein Consolidated and Kloof, as well as struggling Doornfontein and Deelkraal — it may take longer and sustained price increases for this profitability to be shown in higher dividends.

Gold Fields' Northam Platinum mine was only starting production, and the slump in base metal prices continued to dent profits at unlisted lead and zinc producer Black Mountain, the O'okiep copper mine, and Gold Fields' Namibian copper producers.

Gold Fields shares remained highly priced with a dividend yield of 2,4

Barbrook mine sold to Hayden

B/Day 8/4/93. (214)

JONO WATERS

BARBROOK gold mine and its mineral rights were sold yesterday to Eersteling CEO Stefan Hayden for slightly more than R10m, market sources said

It is understood that the rest of the mine's assets will be sold separately to pay debtors

Barbrook has 12 townhouses in Barberton, mine stores valued at R1,9m, vehicles and office furniture.

The mine was placed under liquidation in January last year and put up for sale by tender in May last year.

The shares, which last traded at 4c shortly before the mine was declared insolvent, were delisted from the JSE in August.

Barbrook was commissioned ahead of sched by Rand Mines in June 1989 at a cost of R126m with proven ore reserves of 250 000 tons at an average in situ grade of 6,8g/t.

However, gold values in the reef failed to live up to expectations and its plant was over-capitalised.

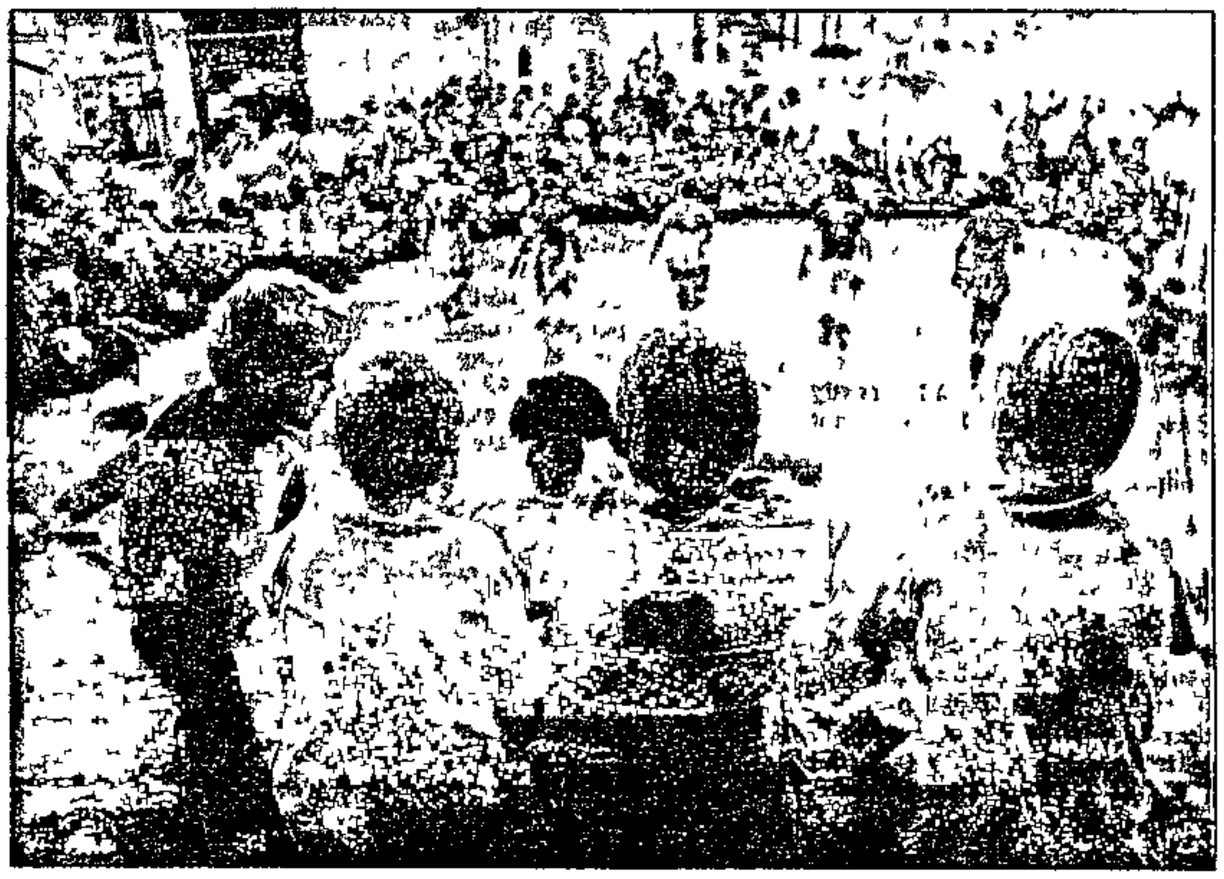
Barbrook was placed on a care and maintenance basis in December 1990 when its borrowings stood at R60,4m

Sources said that Hayden, who has turned Eersteling into a profitable operation and is looking to relist the operation, also wanted to recapitalise and relist Barbrook in the future

Some miner changes to gold's history

W/Mail 8/4 - 15/4/93 (214)

At Gold Reef City, you can ride the Crazy Cocopan in the Victorian Funfair At a renovated migrant hostel in Newtown, you will see how miners really lived **MARK GEVISSER** *looks at two very different approaches to Johannesburg's 'golden' history*



Play park .. Mining the tourist industry at Gold Reef City, where glitter has been added to gold history

'PACK a hundred years' fun and excitement into a day!" exclaims a Gold Reef City tourist booklet and, indeed, the million-odd visitors a year at Johannesburg s premier tourist attraction have a century of possibilities before them

They can whizz through the reconstructed white miners houses and enter the earth s nether regions, entertain the kiddies at the Victorian Funfair, ride the Raging Rapids complete with canned bush-sounds, exercise their vocal chords at Des Lee s Karaoke Bar, watch a local version of the Chippendales at Rosie O Grady's Pub, experience the thrill of those pioneer days at Digger Joe s Shooting Gallery and Video Arcade

And, of course, shop until they drop latter-day miners scratching for gold-dust among the chattels of times past at the myriad concessions, from Schwartz Jewellers to the Egoli African Village Curio Shop

Perhaps the message — and the spirit — of Gold Reef City was best summed up by the retired white miner giving the underground tour "I'll tell you," he said, "there's a lot of money to be made from mining!" He was giving expression, of course, to the hardy entrepreneurial spirit upon which Johannesburg was built, the foundation myth of this fool's-gold metropolis

But Egoli was built on more than just the glitter of gold — and historians have taken issue with Gold Reef City Cynthia Kros, of the University of Witwatersrand, has written that its past is one "without compounds and segregation , that "it invites its patrons to sample the bawdy heady fun of an early Johannesburg preferring to be frivolous and attractive to the casual day tripper

National Union of Mineworkers assistant general secretary Marcel Golding dismisses Gold Reef City as "kitsch, a play park rather than a reality park"

It would be tempting to label people like Golding and Kros the "anti-fun lobby Imagine taking the kids off to Gold Reef City on a Saturday afternoon to "EXPERIENCE A CENTURY OF OPPRESSION, HARDSHIP AND SUB HUMAN LIVING CONDITIONS IN ONLY ONE DAY! " How popular would a Ye Olde Pap-n-Gruel Canteen be in place of Peppino's Pizza and Gelati shop, incongruously placed in the centre of Main Road?

Kros is at pains to stress that she has nothing against funfairs or even in finding fun in history But, she says, the problem is that Gold Reef City purports to be history — and people go there for the history as much as for the fun

Reality park Bunks in the hostel the Workers' Library wants to transform into a museum of labour history

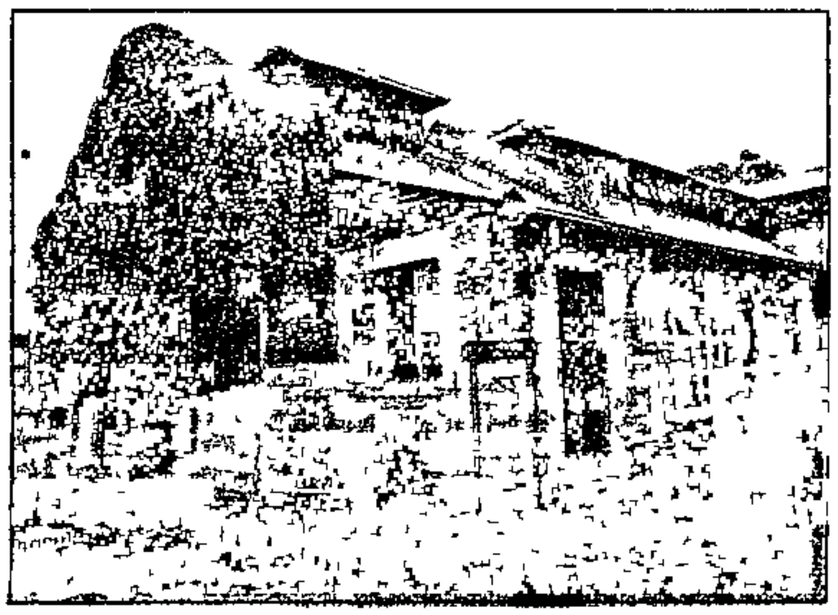
Follow any white family through the reconstructed white miners' houses — studies in timeless nostalgia — and you'll see this at work I visited a reconstructed home one step behind the Brand family from Pretoria "Look at those chalk-boards! Just like we used to have!", "Remember those old Singer sewing machines!", "Look at that bath! It's just like Ouma's!"

"We just love it here," said paterfamilias Martin Brand "We've been six times already and we keep on coming back We keep on finding something new to marvel at " Amid the Victorian whimsy, Brand and his brood find their history and imagine where they might have come from they are presented with a sanitised, depopulated Biggie Best version of their past, and it is an escape as compelling as a ride on the Crazy Cocopan

A doctor, Sibusiso Nkono, and his daughters also came looking for their past, but they had less luck than the Brand family "My father grew up right here," said Nkono, pointing at some Victorian Coffee Shoppe or other ' I have to ask myself, what really went on?"

Certainly not the tableau vivant that Gold Reef City presented them, the SAB beer ad come to life You can almost imagine happy groups of multi-coloured yuppies roaming around, raising their glasses and toasting 'To Charles! '

Despite the fact that Gold Reef City draws much of its clientele from neighbouring Soweto there is almost nothing in the complex to indicate the role of workers in the mining industry The only real black inhabitants of Gold Reef City are the sweepers and cleaners who are obliged to clean up the dross of modern times while wearing Victorian outfits and lacy hats



Miners' hostel History without the glitter Photos GUY ADAMS

On Main Street, a group of "tribal dancers ', pretty much making it up as they go along, perform for a barrage of cameras Every now and then a doughty German tourist will step out of the firing squad and pose with the dancers a snapshot of her brush with primitivism to place next to the images of lions and elephants in the photo-album

What's so enticing about Gold Reef City is that the images are already framed all you need to do is snap the shutter On the underground visit, for example, you ll be asked to shine your mining lamps — supplied with the entry-ticket — up a stope. And there, poised, will be The Black Miner He'll attack the rockface with a hammer and chisel to "show you how they used to do it ' Then, he'll move over, the tour-guide will yell "Shaya!", and he ll let loose a power drill, "but only for a second because it can make you deaf!"

The only other thing we hear of the discomfort underground is that "there are no teabreaks underground everyone wants to get out as quickly as possible because of the poison gases It s worth it, though, because — once again — ' there's big money to be made!"

Back to Johannesburg, to Newtown where, just off Jeppe Street and across from the Market Theatre parking lot, is a dilapidated migrant workers' hostel It is a handsome old red-brick building, built circa 1910, with blackjack forests and flowering creepers outside and row upon row of concrete bunks within

The Workers Library has proposed transforming this hostel, and the row of white workers cottages in front of it, into what Golding might call a "reality park", a museum of labour history If, at a crucial meeting on April 13, the Johannesburg City Council buys culture czar Christopher Till's plan to turn Newtown into a "Cultural Precinct ', work will begin in earnest The process will cost more than R1-million, and the Workers' Library has started fund-raising frantically The NUM has set the ball rolling with a donation of R20 000

The plan is to enable visitors to pass through a range of workers residences first they will walk into the cottages and see how white workers lived, then they ll go through a domestic servant's room, and finally they'll enter a reconstructed dormitory in the hostel There will also be, housed in the refurbished hostel, a conference centre and library for the use of trade unions.

"The point," says historian Luli Callinicos, who is spearheading the project, "is to show people in their real situations, but not just as victims, also as survivors, responding creatively to the conditions in which they found themselves."

It's a welcome antidote to the gold-dusted candy floss of Gold Reef City, but it does carry some dangers with it just as Gold Reef City mythologises a Golden Era, this museum might mythologise resistance and fall victim to triumphalism, with every faltering step of the workers way some Major Victory for Class Struggle

'History, of course, is a lot more complicated," says Callinicos "There's accommodation and adapting to one s circumstances as well as resistance, and that all has to be reflected too "

So here's the acid-test it's a Saturday afternoon some time in the new South Africa You and the kids want to go on an excursion The Raging Rapids and the Victorian Funfair beckon, glittering to the south Will it be the Play Park or Reality City?

If the oohs and aahs of the Brand family at Gold Reef City are anything to go by, there's no reason why the Nkono family might not be equally entranced by a little dose of the real thing And perhaps the schoolbuses streaming in the Gold Reef City parking lot will divert their route and stop in Newtown on the way to Wonderland

Key to gold supply situation

JONO WATERS (214)

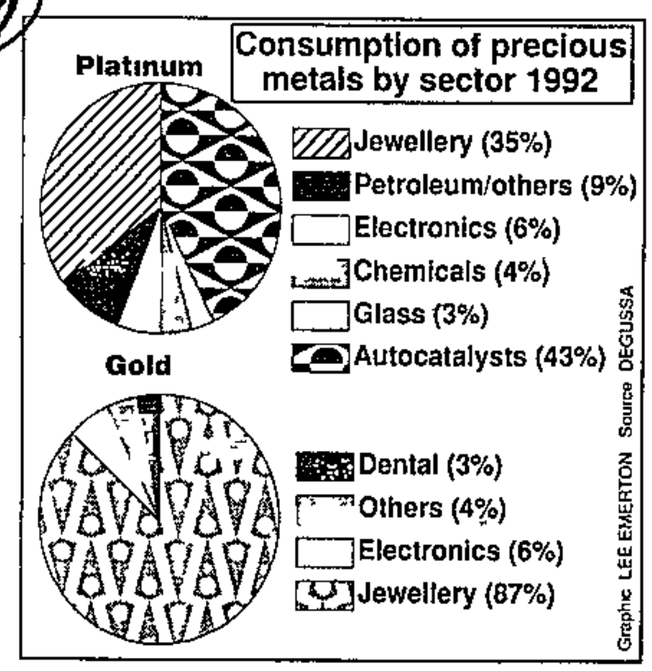
GOLD exports from the Commonwealth of Independent States would determine whether the gold market remained oversupplied in 1993, said German precious metals refining company Degussa, in its 1992 report B/Day 13/4/93.

Oversupply in the industrial market fell to 243 tons in 1992 compared with 385 tons in 1991, with this excess turned into coins and other gold investments to bring the overall market into balance

Commonwealth sales fell 23% to 270 tons in 1992 and strong demand from Asian gold markets, especially China, was expected to have a positive effect

Total industrial gold demand in the Western world rose 2,2% to 2 246 tons (2 197 tons) compared with a 3,6% fall in total supply of 2 489 tons (2 582 tons) Jewellery remained the largest component of demand with an increase to 1 955 tons (1 900 tons), but demand for dental applications showed the largest rise of 8,5% to 64 tons (59 tons)

Industrial demand for platinum rose 1,2% to 130 tons (128 tons) Total supply fell 4,6% to 136 tons (142 tons) and the imbalance in the market of 6 tons (14 tons) found its way into coins, bars and other investments Degussa said the narrowing of the gap between supply and demand could continue this year



The autocatalyst market remained the largest consumer of platinum, recording a 7,1% increase in demand to 55,8 tons (52,1 tons) This was largely as a result of stricter emission controls in Europe

Lower commonwealth production of palladium resulted in a narrowing of the surplus to 17,1 tons in 1992 from 20,7 in 1991

Total palladium supply amounted to 143 tons (145 tons) and industrial demand rose to 126 tons (125 tons) The rise was because of a 7,7% increase in dental applications of the metal to 36,3 tons (33,7 tons). Demand for use in electronics fell 2,4% to 55,9 tons (57,3 tons)

Southgo set to pay record dividend

JONO WATERS

SOUTHGO mining group, which had seen the share prices of its two gold operations double in the last six months, was expected to pay record dividends this year B/DAY

Operations director John Donald said yesterday he expected total gold production at West Witwatersrand (Westwits) to increase further this year The mine had a life of more than 25 years 14/4/93.

Benoni Gold, Southgo's other operation which treated dumps, had a current life of about 10 years.

Westwits's production would produce about three tons of gold this year, Donald said.

Westwits was expected to pay a final dividend of 5c a share in the year ended March 1993, bringing the dividend for the year to 7c a share

The mine's R7,2m carbon-in-pulp plant was constructed at the end of 1990 Westwits had an average grade of 1,41g/t in the last quarter

Westwits's share price hit a low of 40c a share in August 1992 Its shares closed down 3c on the JSE yesterday at 85c 2/4

Benoni is expected to pay an increased final dividend this year. Annual production amounts to about 1,6 tons of gold a year and is set to rise

Benoni touched its low of 10c a share in October last year The share lost 1c to close at 22c yesterday

Anglo to unbundle gold holdings

JONO WATERS and MATTHEW CURTIN

ANGLO American is to unbundle its gold investment companies Ofsil and Welkom Gold Holdings, it said in a statement today

Anglo is the first corporation to take advantage of the Budget proposals aimed at facilitating unbundling

Anglo proposed that shareholders in the two companies receive Freegold shares and that Ofsil and Welkom be delisted, liquidated or deregistered

The two companies have either direct or indirect stakes in Freegold Ofsil has a 49,9% direct stake in Freegold, while Welkom has a 5,22% direct interest However, Freegold has a 19,9% stake in Welkom which in turn owns 30,4% of Ofsil

Anglo's move follows recent comments by Finance Minister Derek Keys clearing up concerns that the introduction of the secondary company tax (STC) could prejudice shareholders in gold mining holding companies B/DAY 14/4/93.

Gold mines were given the option of retaining their mine and lease tax formula — equivalent to an effective tax rate of 48% — or the lower 40% company tax and new 15% levy on distributable profit

Keys allayed fears that the investment companies would have to pay the STC on dividend income, effectively already taxed, from gold mines. (214)

He told Parliament "The majority of shareholders of gold mining companies are companies, and in order to achieve the objective of leaving those gold mines which elect to retain the present formula basis of taxation in the same position they presently are, it is necessary to allow credit to their corporate shareholders for dividends declared."

Anglo said the distribution of the companies' shares in Freegold could be accomplished at little cost to shareholders.

The discount to the net asset value of the share would be released to shareholders

Shareholders in Freegold, Ofsil and Welkom were advised to exercise caution in dealing with their shares.

Unbundling proposal for Welkom and Ofsil

Star 14/4/93

By Derek Tommey

Welkom and Ofsil shareholders could find the value of their investments increasing sharply if proposals to unbundle the companies and distribute their Freegold shares to shareholders get the go-ahead

The three companies said last night that this move was being considered

(214)

Should it happen, it would be followed by the delisting and liquidation or deregistration of Welkom and Ofsil

However, the arrangement is dependent upon the appropriate legislation being passed by Parliament as proposed by Finance Minister Derek Keys in the Budget last month

Welkom and Ofsil shares stand at a discount to the value of their companies' underlying investments.

But for this discount, the market value of Ofsil's shares would be R135 million, or R6 a share, higher

The market value of Welkom shares would be about R110 million, or R3,10 a share, higher.

Ofsil holds 58,76 million Freegold shares, while Welkom holds 6,14 million shares in Freegold and 6,8 million shares in Ofsil

The directors of the companies involved say the proposal would be of considerable value to shareholders as

- The discount to underlying net asset value at which the Welkom and Ofsil shares have traded in the past would be released to shareholders,
- The administration costs of Welkom and Ofsil would be eliminated, and
- The recent announcement by Keys suggested the arrangement could be accomplished at very little cost to shareholders

Shareholders in Welkom and Ofsil are advised to exercise caution (code do not sell) in dealing in these companies' shares

There will be more news when the unbundling legislation is promulgated

Who bears the burden of helping jobless miners?

B/Day 14/4/93. (214)

ERICA JANKOWITZ

WITH more than 100 000 jobs having been shed just in the gold mining industry and the ever present threat of further retrenchments, a question being asked is who should take responsibility for alleviating the situation of unemployed, unskilled miners who cannot find alternative jobs?

A recently published study commissioned by Randgold and Exploration and undertaken by Gay Seidman of Wits University's Sociology of Work Project looks at the social impact of Harmony gold mine's downscaling

Virginia has been almost entirely dependent on Harmony gold mine since it was founded in the '50s Over the past five years, the town has been hard hit by reorganisation which has cut the workforce from more than 32 000 to about 14 500

Downscaling affects not only mine workers and their families — inside and outside SA — but the rest of the community too

Harmony still relies very heavily on migrant labour. In 1992 about 50% of its diminished workforce came from Lesotho, 10% from Mozambique and 20% from Transkei About 9% of Lesotho's GNP was made up of Harmony workers' remittances in 1992

The study looks at the complexity of the transformation of a largely long-distance migrant labour system to a smaller, more stable and productive workforce consisting, in the main, of career miners This organisational change over the past five years has transformed the mine from a position of near bankruptcy to one of short-term viability

The mine has controlled costs by cutting the labour force while changing the labour process to maintain production levels

Productivity bonuses, Sunday blasting, narrower stopes and other changes have raised monthly rock removal per worker from 27,5 tons in 1990 to 35,4 tons this year Yields have been increased from an average 3,25g/t to more than 3,5g/t — against an average of more than 5g/t for the industry

The study concentrates on four areas the predominently white Virginia business community; the formal township Meloding and mine hostels; the informal settlement Mandela Park, and Lesotho.

Businesses are severely depressed, with some reporting falls of up to 80% in turnover since the downscaling began Many chain stores have closed and others are on the verge of following suit Most commercial property landlords have been forced to cut rents — some by 75% — and yet empty stores are a common sight in the town and its suburbs

Despite this, there is no evidence of changing business strategies Shopkeepers display a persistent dependence on the mining community and hope for a better gold price to restore their previously thriving profit margins, without realising Harmony's boom days are over

There is also evidence of a persistence of "an extraordinary level of racism" which permeates the white community. Integration of facilities and the proposed administrative amalgamation of Virginia and Meloding are unlikely to be a smooth process

Most white-owned businessmen say they will leave Virginia unless conditions improve As Harmony will not increase its workforce — certainly not to its 1988 level — it appears the remaining concerns will, over the next few years, leave Virginia. Some are already looking at areas with opportunities such as Richards Bay

In contrast, most respondents from the black community say they will stay in the area even if the mine closes Mandela Park residents fall into three main categories past and present miners and their families; farm workers who have been retrenched or who are no longer given accommodation on the farms; and those who cannot find residential space in Meloding A R15 monthly levy is charged for basic services

It is an overcrowded and squalid area with over 50% unemployment and a median household income of less than R250 a month.

Most parents send children to school in other areas — mainly where members of the extended family live — and so strong links with rural areas are perpetuated even if workers relocate to be closer to the mine

Retrenched workers and other unemployed people have resorted to working in the informal sector to survive However, their lack of business acumen and financial resources has meant most barely scrape a living The study found most hawkers and tuckshop owners had less than a Std 3 education, were barely literate and so had no idea of how best to use their limited resources. They also displayed little originality in selecting the type of business they would run and overtrading was the norm

Any perception that informal business activity will rescue the unemployed is incorrect

Although hardest hit by retrenchments, more than 60% of black hostel dwellers interviewed said they would like to bring their families to settle in Virginia but the shortage of accommodation precluded this.

Retrenchment is always a fear. But workers' distrust of mine management is more deep-seated than a mere concern over retrenchment. The mines' perceived history of exploitation has led to a general view among workers that downscaling is used to get rid of troublesome employees and is not a reaction to economic necessity And yet, miners expect employers to provide services beyond the direct employment relationship: housing, medical services, training and education

And so the question arises who should bear the responsibility for alleviating the social impact of downscaling? Government has never pursued a comprehensive social welfare policy and the economic recession means this will not change

Companies have been concerned with social responsibility only since the '80s and many are not in a financial position to do much

The NUM's Martin Nicol says the union has been calling for a national study to investigate the effects of downscaling

It has also proposed to the Chamber of Mines for negotiation this year the establishment of an industrywide social fund, based on a German equivalent, for this purpose Seidman's study, Nicol says, is "a brave effort on the part of a mining house to expose the conditions surrounding the downscaling of mines, and Harmony should be seen as an example of the wider process"

The study concludes that planning is required for the downscaling of mines involving "large-scale job creation rather than reliance on an informal sector or small businesses alone"

Such a plan would require the full participation of all parties government, companies and unions as well as subsidies, diversification and training It also suggests that individual severance packages without any advice on how best to utilise this limited resource are inadequate.

Randgold human resources director Richard de Villiers, who initiated the study financed by the group's social responsibility programme, says the group has concluded that all stakeholders and involved parties must participate in planning "orderly, phased downscaling" Existing resources must be mobilised and additional resources made available to address the effects on workers and communities

De Villiers concludes "The responsibility for adequately addressing these issues cannot be left solely to individual mine managements as far-reaching social plans have to be developed which go hand in hand with managements' business plans"

SPOT DESK

Beatrix mine removes 400 Zulu miners

ERICA JANKOWITZ

GENGOLD's Beatrix gold mine has again removed about 400 Zulu-speaking workers from mine property after another violent incident in a hostel on Tuesday night left one dead and 12 injured

This occurred on the day the Zulus returned to the Theunissen mine after a two-week absence They had been removed after fighting between Pondo and Zulu workers last month resulted in 10 deaths

Despite a strong police presence, fighting broke out again on Tuesday

Mine spokesman Andrew Davidson would not disclose yesterday where the Zulu-speaking workers were being accommodated now

He said police had arrested 32 people and warned that any worker found with a weapon would be arrested and immediately dismissed

Davidson said the mine was operating normally and consultations with the peace monitoring team, established after the first bout of fighting, were continuing

The NUM was not available for comment yesterday

(214) B/DAY 15/4/93.

Gold Fields reports profit growth

JONO WATERS

GOLD Fields of SA yesterday reported an increase in after-tax and capex profits to R143m in the March quarter compared with R123m in the December quarter

Gold revenue amounted to just over R1bn (R982m) and costs fell to R671m (R680m), producing a working profit of R331m (R302m) Capex fell to R127m (R147m) B/Day 14/4/93.

Ore milled by the group fell to 3,3-million tons (3,4-million tons) as a result of a fall in production from Deelkraal and Libanon The rise in grade to 9,2g/t (9g/t) did not make up for the fall in tonnage and gold production fell marginally to 30,6 tons (30,7 tons)

Net sundry revenue fell sharply to R14m (R42,5m) Sundry revenue in the December quarter was boosted as a result of fire insurance payouts and dividends

Gold division executive director Alan Munro said Kloof's Libanon division and Deelkraal caused the "leaks" in the group's overall performance The troubled Doornfontein operation, despite turning in an after-tax profit, was likely to cease underground operations (214)

Tax and lease payments rose to R77,4m (R74,3m) After-tax profit fell marginally to R267m (R270m), which Munro said was disappointing given the increase in the rand gold price and reduction in costs

The group received an average gold price of R32 716/kg (R31 988/kg)

It was unlikely final dividends for the year ended June 30 would be increased, Munro said

● See Page 8

Healthy showing from Gold Fields

CT 16/4/93 (214)

Own Correspondent

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NEWS IN BRIEF

(214)

Mine 'pre-emptive'

THE NUM yesterday accused management at Gengold-owned Beatrix of not taking "incidents" at the gold mine seriously enough after one miner died and 24 were injured in fighting there on Tuesday.

B/DAY 16/4/93.

NUM assistant general secretary Marcel Golding also said management had been "pre-emptive" in allowing 400 Zulu-speaking workers to return to Beatrix on Tuesday following last month's fighting in which 10 miners died.

Golding suggested local management was trying to "push" Inkatha-linked trade union Uwusa, but Gengold spokesman Andrew Davidson said all unions representing workers at the mine were treated equally.

Seven-day week means more jobs

JONO WATERS (214)

SA GOLD mines could create 150 000 more jobs if government allowed a seven-day working week, Kaplan & Stewart analyst John Handley said yesterday

This would result in a production increase of about 200 tons of gold a year, worth more than R6bn in foreign exchange

Many overseas gold producers operated about 20 shifts a week. SA mines were working between six and 11 shifts a week.

Handley said a seven-day week would see an increase in underground tonnage. This would fill "hungry mills" and replace waste with higher grade ore in mills working to capacity

A fall in operating costs because of economies of scale would convert millions of tons of marginal ore into payable ore.

In addition, a rise in production would increase demand for mining supplies and equipment, creating jobs in peripheral industries

Anglovaal's Loraine mine was granted permission to mine on Sundays in January, which could result in an increase in its workforce. Employee numbers had fallen to 6 000 last year from nearly 10 000 in 1989. B/DAY 20/4/93

Randgold & Exploration's Harmony mine was granted approval for Sunday mining in September last year It had since reported an after-tax profit of R8,5m in the December quarter after heavy losses in previous quarters.

Gengold's St Helena, JCI's H J Joel and Anglovaal's Hartebeestfontein have applied to government to work a seven-day week.

Calls for ending operating restrictions on the mines have been made by members of the Chamber of Mines

Seven-day week set to resurrect Anglovaal's Loraine

214 CT 21/4/91

Own Correspondent

JOHANNESBURG — Loraine, Anglovaal's marginal Free State gold mine, was likely to reap the rewards of a seven-day working week in the current quarter after reducing its losses in the March quarter, a group spokesman said yesterday

Loraine, which has failed to produce after-tax profits since the 1990 June quarter, reduced its after-tax and capex losses to R5,24m (R6,01m) in the March quarter The mine has reported losses since the June quarter of 1990

The spokesman said a new cycle of operations had been completed following the government's approval for full Sunday mining operations

Management believed a new mining programme, based on Sunday mining, could result in the mine breaking even this year It would give the mine time to access a high-grade block of the Basal reef in the 3C shaft area by the end of the year

The 3C project could increase the mine's life by three to four years, the spokesman said

An increase in total tonnage milled to 414 000 tons (411 000t) in the current quarter with an unchanged grade of 3,3g/t, resulted in a 46kg rise in Loraine's gold production

The working loss from gold mining fell to R3,22m (R4,61m) Pyrite sales revenue was more than halved to R305 000 (R797 000)

The spokesman said improved production, lower costs of R35 297/kg (R36 256/kg) and a slightly higher average gold price of R32 974/kg (R32 811/kg) led to the fall in losses

Hartebeestfontein (Harties) had not received word on its application for Sunday mining

The spokesman said the mine's increase in after-tax and capex profit to R30,8m (R18,7m) was due to a rise in gold production at both plants, contained operating costs and a marginal increase in the average gold price

The low-grade plant milled 45 000 tons of underground ore at an average yield of 5,7g/t The treatment of lower underground grade ore through this plant was expected to continue at current rates until the end of June The mine would then resort to processing low grade surface dump material

Harties profit before tax rose to R65,5m (R44 9m) However, contributions to the state's coffers more than doubled to R29,1m (R12,9m), reducing after-tax profit to R36,4m (R32m)

Eastern Transvaal Consolidated (ET Cons) turned in unchanged bottomline earnings for the third successive quarter as capital spending slowed alongside lower profitability

Tonnage milled fell to 84 395 tons (94 800 tons) as a result of a slowdown in production in the Princeton area The grade rose to 10,7g/t (10g/t), and gold production fell marginally to 905kg (946kg)

Low profit from gold operations and an increase in prospecting expenditure led to the fall in ET Cons' after-tax profit to R4,21m (R5,79m) Capex requirements fell to R1,58m (R3,15m) Slimes and sands operation **Village Main** turned in a profit, after tax and capital recoupment, of R485 000 (R393 000)

Long week to benefit Loraine

B/Day 21/4/93. (214)

JONO WATERS

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ANGLOVAAL OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties	776	8,9	6 906	235,74	26 489	32 900	36 413	30 780	27,5
December ..	756	8,6	6 525	238,97	27 687	32 307	31 984	18 715	16,7
ET Cons	84	10,7	905	271,37	25 306	32 146	4 218	2 643	3,1
December . ..	95	10,0	946	243,31	24 383	32 730	5 793	2 645	3,1
Loraine	414	3,3	1 384	118,00	35 297	32 974	(1 991)	(5 240)	(32,0)
December . .	411	3,3	1 338	118,03	36 256	32 811	(2 875)	(6 014)	(36,7

Anglovaal mines' profit nearly doubles

JONO WATERS

ANGLOVAAL's gold mines nearly doubled their after-tax and capex profit to R28,3m in the March quarter, compared with R15,4m in the December quarter

The increase resulted from a sharp rise in Hartebeestfontein's after-tax profit and a marginal decline in Loraine's after-tax and capex losses Eastern Transvaal Consolidated reported unchanged earnings

The group's total tonnage rose marginally to 1,27-million tons (1,26-million tons) and average grade rose to 7,2g/t (6,9g/t), resulting in an increase in gold production to 9,2 tons (8,81 tons)

A group spokesman said the improved results were due to cost containment, an increase in gold production and a marginal increase in the average gold price Management expected Loraine to show benefits soon from Sunday mining operations

● See Page 6

B/DAY 21/4/93 (214)

Star 21/4/93

Anglovaal shows good profit rise

By Sven Lünsche

A strong performance at its Hartebeestfontein gold mine allowed Anglovaal to almost double its profits, after tax and capital expenditures, to R28,3 million in the March quarter.

This compares with a profit of just over R15 million in the preceding three months.

Harties' was the star performer of the group raising its net profits from R32 million to R36,4 million.

(214)

Anglovaal attributed the improved performance to increased gold production at both plants, well contained operating costs and a higher gold price received.

The cost per kilogram of gold produced fell to R26 489/kg from R27 687/kg while the price received rose to R32 900/kg (December: R32 307), including forward sales.

ET Cons' profit after tax fell slightly from R5,8 million to R4,2 million as a result of a fall in the tonnage milled to 84 400 tons (94 800 tons). Costs also increased to R25 306/kg (R24 383/kg)

Loraine's losses were reduced from R2,9 million to R2 million as a result of a slightly higher gold price, improved gold production and well contained costs.

The mine expects improved results after it was given the go-ahead to proceed with Sunday production for a period of six months.

Gold production at Loraine increased to 1 384 kg (1 338 kg) yielding an unchanged 3,3 g/ton.

Village Main's net profits fell further to R125 000 (R390 000)

All 10 Gengold mines turn up trumps

(214) B/DAY 22/4/93.

JONO WATERS

GENGOLD, Gencor's gold mining division, reported a 19% jump in overall profit in the March quarter All of the group's 10 mines turned in profits after tax and capex for the first time in two years

Bottom-line profit rose to R57,3m (R48,3m) as management contained increases in unit working costs to 0,4% Costs increased to R26 699 a kilogram, compared with a 2% increase in average gold prices received to R32 942/kg

Unisel declared an interim dividend of 20c a share compared with 5c a share for the same period last year. Kinross declared an interim dividend of 120c (115c) a stock unit, Bracken 40c (20c) a share, Leslie 20c (5c) and Winkelhaak, which passed its interim dividend last year, 70c a share

The overall amount of tons milled fell to 2,86-million tons (2,92-million tons) with the average grade unchanged at 6g/t This resulted in a 1,7% fall in gold production to 17,2 tons (17,5 tons)

● See Page 4

Gengold projects get go-ahead

B/DAY 22/4/93 (214)

JONO WATERS

GENGOLD has earmarked R200m for smallscale capital projects at three of its mines to maintain gold output at current levels The group has delayed several major capital projects in recent years because of low gold prices

Reporting the group's results for the March quarter, Gengold MD Gary Maude announced the go-ahead for a new R77m decline shaft at the Free State high-grade producer Beatrix mine

The shaft would provide replacement tonnage given the group's decision not to proceed with the mine's R450m No 3 shaft project The No 3 shaft was difficult to justify at current gold prices, Maude said

He said the secondary shaft would give Beatrix a breathing space before a decision had to be taken on the No 3 shaft The decline shaft would provide the mine with five years' production with grades of about 6,8g/ton

Maude said management had given the green light to the R74,6m "multigold" project at Buffelsfontein (Buffels), involving the treatment of the surface dump at the Pioneer shaft

Current dump retreatment at Buffels produced only a 40% gold recovery, so the mine was effectively "throwing gold away" The multigold project, which involved the construction of dump retreatment facilities, would improve recoveries to 80%

Buffels consulting engineer Jim Cockburn said the project would reach full production in May 1994 About 330 000 tons of ore a month would be processed at an average grade of 0,56g/t, producing 130kg of gold a month

However, he believed higher grades could be achieved and the project would give an 18% real rate of return at conservative gold prices, with forecast costs of R17 000/kg

The third phase of the two decline shafts at Evander mine Kinross had started, with board approval for R45,9m for the projects over the next two years

Maude said Bracken was in the final stages of closing down Blasting had ceased at the end of March and the plant was being dismantled Any ore that required processing would be fed into the mill at neighbouring Leslie The mine's grade rose to 36,1g/t (24,5g/t)

St Helena returned to profitability, albeit at a lower level following the cutback in the workforce last year, Maude said The mine reported a profit after-tax and capex of R3,83m (R3,5m loss)

Development work was accelerating at Oryx The shaft was equipped and commissioned and 108kg (68kg) of gold had been produced in the quarter

There was very little control over Stilfontein's grade which fell to 1g/t (1,3g/t) However, costs fell and the dump retreatment operation turned in a bottomline profit of R3,02m (R4,4m)

Grootvlei had "done well", increasing its after-tax and capex profit to R1,69m (R1,04m) However, its costs had risen to R30 251/kg (R29 983/kg), Maude said

Mining at Unisel was hit by low grades and a lack of immediately accessible ore on the Basal reef which would lead to a monthly fall in gold output to 400kg from 480kg, he said

Winkelhaak turned in a good performance as the grade rose to 6,7g/ton (6,5g/ton) Maude said the benefits from the new 2A sub-vertical shaft would show only after June Bottomline profit was steady at R5,34m (R5,57m)

Leslie was a "marvellous mine" which had gone from strength to strength Four years ago the mine was battling to hold up a grade over 4g/ton, but now was achieving a steady average grade of 6,6g/ton Leslie had a great deal of leverage with a higher gold price, he said

Total capex for the group of R19,3m would be spent only on essential development

On the outlook for the gold price, Maude believed the gold price had reached its true bottom floor six months ago There was no doubt the price was set to rise, but he could not forecast when

GENGOLD March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	525	6,1	3 200	135,14	22 171	33 002	10 961	—	—
December	**516**	**6,1**	**3 152**	**136,38**	**22 326**	**32 366**	**12 275**	—	—
Bracken	6	36,1	220	830,16	22 973	32 940	1 300	1 310	9,4
December	**20**	**24,5**	**477**	**394,82**	**16 140**	**32 535**	**2 079**	**4 193**	**30,0**
Buffels	533	6,4	3 403	184,80	28 945	33 126	12 940	12 680	115,3
December ...	**528**	**6,3**	**3310**	**182,02**	**29 038**	**32 290**	**9 296**	**8 174**	**79,2**
Grootvlei	112	5,8	645	174,21	30 251	32 887	1 781	1 691	14,9
December	**111**	**5,8**	**647**	**174,77**	**29 983**	**32 386**	**1 260**	**1 038**	**9,1**
Kinross	475	6,7	3 183	165,87	24 752	32 731	18 698	12 527	69,6
December	**482**	**6,7**	**3 230**	**162,67**	**24 275**	**32 376**	**19 308**	**10 822**	**60,1**
Leslie	100	6,6	660	175,07	26 579	33 034	3 074	2 511	15,7
December....	**98**	**6,7**	**661**	**178,87**	**26 546**	**32 419**	**2 428**	**2 056**	**12,9**
St Helena	148	7,3	1 085	236,81	32 302	32 827	4 655	3 829	39,8
December	**168**	**6,9**	**1 157**	**257,89**	**37 446**	**32 184**	**(3 409)**	**(3 498)**	**(36,3)**
Stilfontein	282	1,0	290	31,52	30 655	33 175	1 735	3 017	23,1
December	**296**	**1,3**	**381**	**40,82**	**31 727**	**32 152**	**2 070**	**4 401**	**33,7**
Unisel	225	6,4	1 450	169,15	26 248	32 810	5 751	4 893	17,5
December	**235**	**6,1**	**1 434**	**165,42**	**27 108**	**32 506**	**5 795**	**4 073**	**14,5**
Winkelhaak	453	6,7	3 020	189,23	28 384	32 969	15 734	5 341	43,9
December.... .	**463**	**6,5**	**3 010**	**182,07**	**28 006**	**32 172**	**13 493**	**5 567**	**45,7**

Profits all round for Gengold's operations

(214)

CT 22/4/93

Own Correspondent

JOHANNESBURG — Gengold, Gencor's gold mining division, reported a 19% jump in overall profit in the March quarter All of the group's 10 mines turned in profits after tax and capex for the first time in two years

Bottom-line profit rose to R57,3m (R48,3m) as management contained increases in unit working costs to 0,4% Costs increased to R26 699 a kilogram, compared with a 2% increase in average gold prices received to R32 942/kg

Unisel declared an interim dividend of 20c a share compared with 5c a share for the same period last year. Kinross declared an interim dividend of 120c (115c) a stock unit, Bracken 40c (20c) a share, Leslie 20c (5c) and Winkelhaak, which passed its interim dividend last year, 70c a share

The overall amount of tons milled fell to 2,86-million tons (2,92mt) with the average grade unchanged at 6g/t This resulted in a 1,7% fall in gold production to 17,2 tons (17,5t)

Gengold has earmarked R200m for smallscale capital projects at three of its mines to maintain gold output at current levels The group has delayed several capital projects in recent years because of low gold prices

Reporting the group's results for the March quarter, Gengold MD Gary Maude announced the go-ahead for a new R77m decline shaft at the Free State high-grade producer **Beatrix** mine, and the R74,6m "multigold" project at **Buffelsfontein** (Buffels), involving the treatment of the surface dump at the Pioneer shaft

The third phase of the two decline shafts at Evander mine **Kinross** had started, with board approval for R45,9m for the projects over the next two years

Maude said **Bracken** was in the final stages of closing down

St Helena returned to profitability, albeit at a lower level following the cutback in the workforce last year, Maude said The mine reported a profit after-tax and capex of R3,83m (R3,5m loss)

Development work was accelerating at **Oryx** The shaft was equipped and commissioned and 108kg (68kg) of gold was produced in the quarter

There was very little control over **Stilfontein's** grade which fell to 1g/t (1,3g/t) However, costs fell and the dump retreatment operation turned in a bottomline profit of R3,02m (R4,4m)

Grootvlei had "done well", increasing its after-tax and capex profit to R1,69m (R1,04m) However, its costs had risen to R30 251/kg (R29 983/kg), Maude said

Mining at **Unisel** was hit by low grades and a lack of immediately accessible ore on the Basal reef which would lead to a monthly fall in gold output to 400kg from 480kg

Winkelhaak turned in a good performance as the grade rose to 6,7g/ton (6,5g/ton) Maude said the benefits from the new 2A sub-vertical shaft would only show after June Bottomline profit was steady at R5,34m (R5,57m)

Leslie was a "marvellous mine" which had gone from strength to strength The mine had achieved an average grade of 6,6g/ton

Total capex for the group of R19,3m would only be spent on essential development

Gengold fortunes take a turn for the better

Star 22/4/93

(214)

By Derek Tommey

The fortunes of Gengold, the gold mining arm of the Gencor group, are improving after several lean years

The evidence can be seen in

- The five dividend increases announced by the group mines
- The increase in working income to R110,4 million in the March 1993 quarter from R96,2 million in the December 1992 quarter and R90,3 million in the March 1992 quarter — and expectations of further increases this quarter
- The decision by Buffelsfontein, Beatrix and Kinross to embark on medium-sized expansion projects.

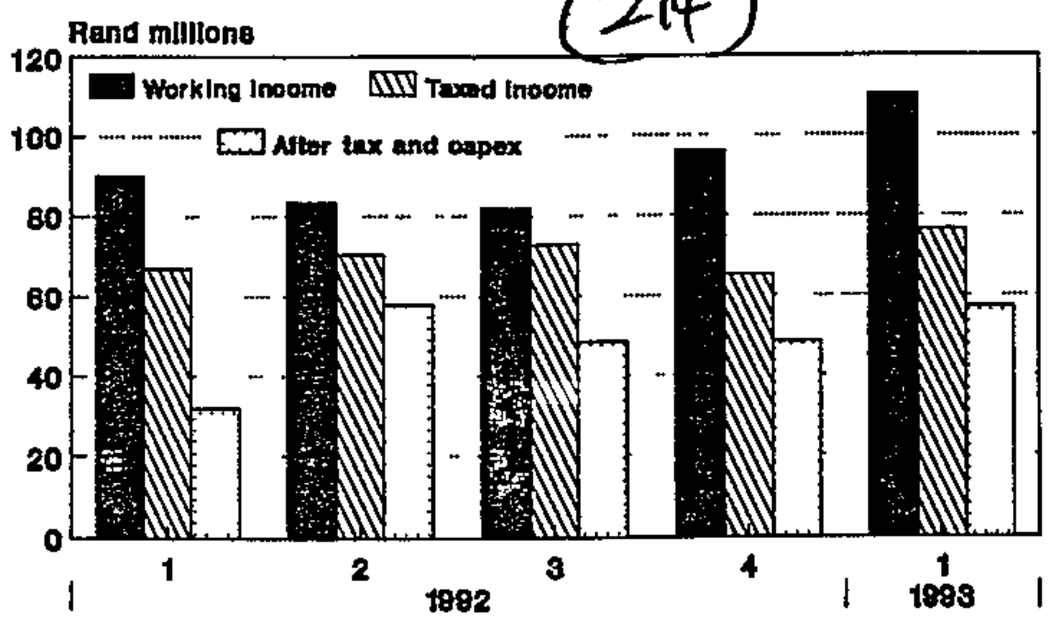
Some of the dividend increases are substantial, others small

Kinross is paying an interim of 120c a share (115c last year); Leslie is paying 20c (5c); Unisel is paying 20c (5c), Winkelhaak is paying 70c (previous interim passed)

Bracken, where blasting has stopped and clean-up operations have started, is paying 40c (20c)

The expansion at Buffelsfontein is aimed at enabling it to recover gold from the sands in its surface dumps instead of only 40 percent at present.

This will lift production from dumps from the current 25kg a month to 135kg a month from May next year. It will be spending R76,6 million on this multi-gold project The internal rate of return is estimated at 18 percent.



Gengold group earnings

Beatrix is to put down two declines at a cost of R77 million in January 1993 money terms

Gengold chairman Gary Maude said yesterday the declines would enable the mine to maintain production at current levels until 2005

It means that full-scale work on the proposed No 3 Shaft, needed to keep the mine in production after 2005, could be delayed for about five years

Should conditions in five years' time not justify the sinking of a shaft, the declines could be further extended.

The initial estimated cost of No 3 Shaft was R736 million, but is now expected to be R450 million.

Kinross is to embark on the third phase of its decline programme at a cost of R45,9 million.

The decline has been a great success, with the pay shoots on the Kimberley Reef continuing well.

Maude said that current conditions of narrow profit margins made it difficult to justify large capital expenditure programmes

However, the move by the mines to working higher grade ore to remain profitable, meant they would have to spend more on underground development to maintain ore reserves

The only mine to sound a discordant note was Unisel.

Continued low values on the Basal Reef means production will have to be reduced from about 450kg to 400kg a quarter

Profits at individual mines were helped by the higher rand gold price, boosted by the proceeds of forward selling and the containment of costs

Stilfontein earned R1,7 million (R2,1 million in the December quarter) from treating surface dumps

Grootvlei earned R1,8 million (R1,3 million), and Winkelhaak R15,7 million (R13,5 million)

Buffels had profits of R12,9 million (R9,3 million), while Beatrix, hit by much higher tax and lease charges, earned R11 million (R12,7 million)

Bracken had earnings of R1,3 million (R2,1 million), while Unisel earned an unchanged R5,8 million.

Kinross had earning of R18,7 million (R19,3 million), Leslie R3,1 million (R2,4 million) and St Helena, which had a loss of R3,4 million in the December quarter owing to incurring R8,6 million in retrenchment costs, had a profit of R4,7 million.

Maude said it was the group's policy to sell forward about a third of group production.

Gengold projects get go-ahead

B/DAY 22/4/93 (214)

JONO WATERS

GENGOLD has earmarked R200m for smallscale capital projects at three of its mines to maintain gold output at current levels The group has delayed several major capital projects in recent years because of low gold prices.

Reporting the group's results for the March quarter, Gengold MD Gary Maude announced the go-ahead for a new R77m decline shaft at the Free State high-grade producer Beatrix mine

The shaft would provide replacement tonnage given the group's decision not to proceed with the mine's R450m No 3 shaft project The No 3 shaft was difficult to justify at current gold prices, Maude said

He said the secondary shaft would give Beatrix a breathing space before a decision had to be taken on the No 3 shaft The decline shaft would provide the mine with five years' production with grades of about 6,8g/ton

Maude said management had given the green light to the R74,6m "multigold" project at Buffelsfontein (Buffels), involving the treatment of the surface dump at the Pioneer shaft

Current dump retreatment at Buffels produced only a 40% gold recovery, so the mine was effectively "throwing gold away" The multigold project, which involved the construction of dump retreatment facilities, would improve recoveries to 80%

Buffels consulting engineer Jim Cockburn said the project would reach full production in May 1994 About 330 000 tons of ore a month would be processed at an average grade of 0,56g/t, producing 130kg of gold a month.

However, he believed higher grades could be achieved and the project would give an 18% real rate of return at conservative gold prices, with forecast costs of R17 000/kg

The third phase of the two decline shafts at Evander mine Kinross had started, with board approval for R45,9m for the projects over the next two years.

Maude said Bracken was in the final stages of closing down Blasting had ceased at the end of March and the plant was being dismantled Any ore that required processing would be fed into the mill at neighbouring Leslie. The mine's grade rose to 36,1g/t (24,5g/t)

St Helena returned to profitability, albeit at a lower level following the cutback in the workforce last year, Maude said The mine reported a profit after-tax and capex of R3,83m (R3,5m loss)

Development work was accelerating at Oryx. The shaft was equipped and commissioned and 108kg (68kg) of gold had been produced in the quarter.

There was very little control over Stilfontein's grade which fell to 1g/t (1,3g/t). However, costs fell and the dump retreatment operation turned in a bottomline profit of R3,02m (R4,4m)

Grootvlei had "done well", increasing its after-tax and capex profit to R1,69m (R1,04m). However, its costs had risen to R30 251/kg (R29 983/kg), Maude said

Mining at Unisel was hit by low grades and a lack of immediately accessible ore on the Basal reef which would lead to a monthly fall in gold output to 400kg from 480kg, he said

Winkelhaak turned in a good performance as the grade rose to 6,7g/ton (6,5g/ton) Maude said the benefits from the new 2A sub-vertical shaft would show only after June Bottomline profit was steady at R5,34m (R5,57m).

Leslie was a "marvellous mine" which had gone from strength to strength. Four years ago the mine was battling to hold up a grade over 4g/ton, but now was achieving a steady average grade of 6,6g/ton Leslie had a great deal of leverage with a higher gold price, he said

Total capex for the group of R19,3m would be spent only on essential development.

On the outlook for the gold price, Maude believed the gold price had reached its true bottom floor six months ago. There was no doubt the price was set to rise, but he could not forecast when

RMS Property Holdings lifts its dividend 1,6%

B/DAY 22/4/93 PETER GALLI

PROPERTY loan stock company RMS Property Holdings posted a 1,6% increase in dividend and interest payment to 26,65c in the six months to end-March from 26,22c in the previous six months

Net rentals rose 5,7% to R9,54m (R9,02m), but interest received fell 24% to R1,15m (R1,52m).

Director Peter Gerard said the increase in net property income was expected to continue in the present six months

"Market conditions remained tight in the period under review, but we expect the upward trend in net property income to continue as certain one-off costs were incurred in the first six months," he said

Debenture interest of R10,5m (R10,32m) was paid, and pre-tax income of R179 000 (R203 000) was declared A tax bill of R72 000 left taxed profits of R107 000 Dividends of R93 000 and R14 000 in STC were paid and no income was retained for the year.

At the end of September, vacancies stood at 10,45%, which had risen to 11,94% by the end of March.

Gerard said he hoped this would be reduced by the end of the present six-month period.

"While some of our leases are coming up for renewal during this six months, many of these have already been renewed and we are negotiating with the others Unless a major tenant goes under, we do not expect any surprises," he said

The share reflected a buyer at 365c and a seller at 375c but was not traded This is off an annual low of 335c reached on March 8 1993

CMC lifts earnings, dividends

Star 23/4/93

By Sven Lunsche

(214)

The holding companies of gold mines in the Consolidated Mining Corporation Group (CMC) boosted good returns for shareholders in the year to end-March

CMC's revenue improved sharply from R139,8 million in 1991/2 to R160,2 million last year, while attributable income surged to R7,5 million (R4,3 million)

Dividend payment on ordinary shares was resumed with a distribution of 1c a share, while preference shareholders received an unchanged 1,8c

At Egoli turnover was up to R153,4 million (R137 million) and bottom-line earnings to R7,6 million (R4,7 million) A dividend of 7,5c (3c) a share was paid.

South East Rand's dividend was lifted from 2,25c to 4c on earnings per share of 8,3c (7,2c) Revenues were up by R20 million to R149,7 million

The release of annual results coincided with the January quarterly results of CMC mines.

Benoni Gold's taxed profit in the quarter rose to R1,9 million from R1,8 million in the December quarter, as lower tax and royalty payments offset lower working revenue at R12,9 million (R13,4 million) The mine declared a dividend of 2c for financial 1992/3

West Wits boosted profits from R2,8 million to R3,6 million on a rise in gold production to 795 kg (747 kg) and a higher gold price The annual dividend was 5c per share

Another good quarter for Anglo gold mines

Star 23/4/93

(214)

By Derek Tommey

Anglo American gold mines had a good March quarter

However, this is not immediately apparent in all cases because the previous quarter's results, with which the March ones are compared, were also good.

The March results reflect group policy of containing unit costs and hedging gold production, Clem Sunter, chairman of the corporation's gold and uranium division, said yesterday

Anglo's Free State mine, Freegold, which employs 82 000 people, was the star performer

This is reflected in the 10c-a-share increase in the final dividend to 140c, making a total payment of 245c (235c) a share

Freegold increased gold production by 3,8 percent in the quarter to a record R30 054 kg.

Available profit increased by 22,8 percent to R92,7 million from R75,5 million in December — a 1992 quarterly average of R72,5 million.

Freegold's high-grade shafts performed well, said Sunter

Helping the mine improve its profits was an increase in the milling yield, a slight decline in working costs and a significant rise in revenue from R34 215 a kg to R35 101 a kg

Working profit was R173,7 million (R138,7 million)

Forecast capital expenditure this year is R156 million, but this could rise or fall, depending on the gold price, said Sunter

Vaal Reefs increased its working profit to R181,4 million from R167,6 million in December.

However, taxed profit dropped to R116,9 million from R163,9 million, reflecting year-end adjustments to December quarter figures which included a R9,1 million dividend from Southvaal.

It also reflects a drop in capital expenditure in the March quarter, which led to a higher the tax bill Available profit dropped from R61,8 million to R55,6 million.

At the current gold price, Vaal Reefs should be able to finance all its capital requirements, including its investment in the new gold mine Moab out of working profits, said Sunter

Western Deep is back to previous production levels and management hopes to maintain them.

"All credit is due to the people at the mine," said Sunter.

Working profit rose from R97,1 million in December to R98,5 million

The profit improvement stands out when compared with the average 1992 quarter profit of R71,4 million.

Elandsrand's operations were affected by the closure of one of its three mills for refurbishment.

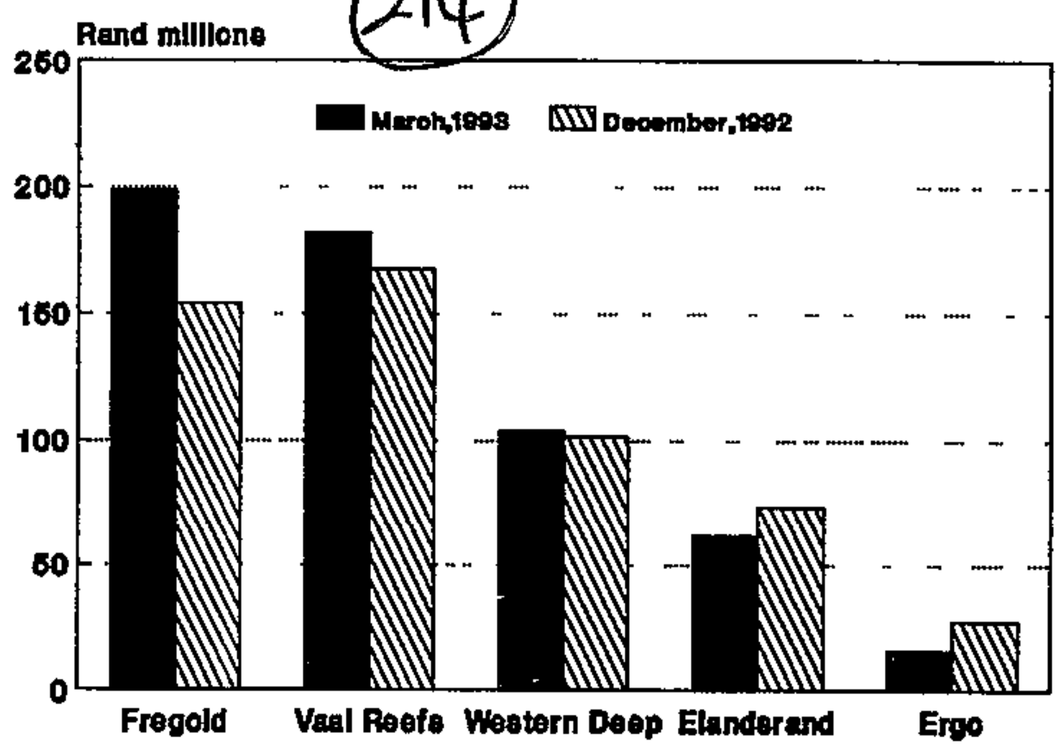
This resulted in the mine milling 541 000 tons in the quarter against 564 000 tons in December

But the mill is now back in operation and the mine is milling 200 000 tons a month.

Working profit dropped from R71,3 million to R59,2 million, while pre-tax profit fell from R73,5 million to R61,8 million But this is still some way above the 1992 average quarterly figure of R54,25 million

Available profit after tax and capital expenditure was R19 million (R17,6 million).

Gold recovery company Ergo had a pre-tax profit of R15,6 million (R27,4 million), but a drop in capital expenditure resulted in available profit rising from R7,7 million to R9,9 million.



Pre-tax profit of Anglo American gold mines

Steady showing by Southgo's twins

214

B/DAY 23/4/93

JONO WATERS

SOUTHGO's two operating producers, West Witwatersrand and Benoni Gold, maintained their steady performance in the March quarter with both operations reporting a rise in bottomline profit

West Wits reported an increase in profit after-tax and capex to R2,66m from R1,94m in the December quarter and declared a final dividend of 5c (3c) a share This brought the total dividend for the year ended March 1993 to 7c (4c).

Benoni's bottomline profit rose to R1,75m (R780 000) and a total dividend of 2c (1c) a share for the year ended March 1993 was declared

West Wits' tonnage rose to 540 629 tons (530 663 tons) and the increase in grade to 1,47 grams a ton (1,41g/ton) pushed up gold production to 795kg (747kg)

Increased production and a higher average gold price of R33 543/kg (R32 610/kg) lifted West Wits' working revenue to R26,7m (R24,4m). Working costs rose to R23,2m (R21,6m) and operating profit rose to R3,49m (R2,77m) Interest payments lifted aftertax profit to R3,56m (R2,77m).

A spokesman for the operation said the New Reef project was on schedule and yielding a steady increase in underground tonnage

Tonnage at sands and slimes operation Benoni fell to 560 109 tons (601 569 tons) and with and unchanged grade of 0,67g/ton, gold production fell to 375kg (407kg)

Lower production resulted in lower revenue of R12,9m (R13,4m) despite a higher gold price of R34 465/kg (R32 971/kg) Working costs were unchanged at R10m and operating profit fell to R2,88m (R3,52m)

Freegold the only jewel in Anglo's golden crown

B/DAY 23/4/93. (214)

ANDY DUFFY

A STRONG showing from Freegold lent a respectable sheen to an otherwise lacklustre set of quarterlies from Anglo American's gold division.

Unveiling results reflecting firmer gold prices and slim production gains, gold and uranium division chairman Clem Sunter said the overall performance had been good, and that it had reaped the benefits of hedging and cost containment

But it was left to Freegold to reap the benefits at the after-tax level.

The company, which also posted results for the year to March yesterday, boosted earnings after tax in the quarter from R124,2m to R159,2m

Production was up from 28,9 tons to 30 tons — a record for the company — combined with a 2,6% increase in revenue to R35 101/kg to push total revenue from R990,5m to R1 055m Total available earnings rose from R75,5m to R92,7m

Though material treated slipped back 2,8% to 6,4-million tons, this was deflected by a yield up from 4,4g/t to 4,69g/t The rise in working costs was contained at 3,5% to R881,2m.

Both North and South Region posted sizeable increases in profit, yields and gold production

For the year to March, however, there was less glister to Freegold

It registered a 3,8% rise in available profit to R290m, and a final dividend of 245c (235c) But the improvement was due largely to a 23,4% cut to R186,7m in capital expenditure, which cut capex appropriation by more than a quarter to R184,7m Pretax profit dropped 10,8% to R537,5m

Freegold's quarterly figures also overshadowed the less impressive performance of its stablemates

Vaal Reefs produced a 10,2% fall in available profit to R55,6m, dragged down by a R31,7m tax provision and a royalty of R46,6m to Southvaal Capex appropriation, however, fell from R102m to R61,3m

Difficult

The company said comparisons quarter on quarter were difficult, because Vaal Reefs had received a half-yearly dividend of R9,1m from Southvaal for the three months to December.

Regional manager Nap Mayer said that Vaal Reefs was "likely to run steadily for the rest of the year"

Ergo sustained a R10,5m fall to R15,6m in after tax profits as revenues lower at R108,4m (R119,6m) cut into operating profits The continuing operations — Ergo and Daggafontein — both endured falls in operating and pretax profits

Ergo's higher available earnings — R9,9m (R7,6m) — were mainly due to a near 70% cut in capex appropriation to R5,6m (R18,4m)

For the year ended March Ergo paid a dividend of 55c (50c) as available earnings moved up 10% to R27,6m Material treated rose nearly 5%, while revenue was up 8,7% at R446,2m

Western Deep was returning to normal — after fires and rock falls dented performance in 1992 — and yields had risen 4,8% to 6,57g/t, pushing gold production up 1,6% to 10,4t

But a marginal rise in pre-tax profit to R103,8m was hit hard by a tax provision of R18,4m (R1,9m) Available profit fell R7,5m to R32,6m

Elandsrand produced available earnings 8,2% higher at R19m, mainly due to a 24,9% cut in capex appropriation to R38m and a lower tax provision

Profit after tax was down from R68,2m to R57m as lower gold production and falling prices cut revenues by 11,6% to R159,5m

In line with its peers, Anglo said it believed the gold price had found a floor and was moving upward — possibly to the $350-$370 price range

But Sunter added it was difficult to forecast the timing of any bull phase, and that the division would continue to use hedging to cushion itself.

ANGLO AMERICAN December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	6 404	4,69	30 054	138	29 322	35 101	159 150	92 669	79
December	6 586	4,40	28 950	129	29 422	34 215	124 190	75 489	64
Vaal Reefs	3 031	6,24	18 901	156	25 064	34 661	116 866	55 581	291
December	3 011	6,28	18 916	152	24 183	33 051	163 895	61 827	323
Western Deeps	1 588	6,57	10 441	163	24 739	34 176	85 350	32 576	118
December	1 640	6,27	10 277	156	24 856	34 307	99 722	40 134	145
Elandsrand	541	8,65	4 680	185	21 431	34 074	57 060	19 012	20
December	564	9,16	5 164	194	21 143	34 952	68 232	17 572	18
Ergo	11 330	0,27	3 015	—	—	33 847	15 579	9 912	20
December	10 501	0,29	3 092	—	—	36 047	26 078	7 673	15

Freegold glitters in Anglo's gold stable

B/DAY 23/4/93 (214)

ANDY DUFFY

HIGHER earnings from three of the five companies in Anglo American's gold division provided a slim rise in total available earnings to R209,8m in the March quarter

The division's mainstay — Freegold — raised available profit in the quarter by 23% to R92,7m, as gold production edged forward 3,8% to more than 30 tons, and its gold revenue rose to R1 055m from R990m

Elandsrand and Ergo turned in earnings rises to R19m and R27,6m respectively, though these owed more to falling capital spending than operating performance Vaal Reefs and Western Deeps suffered lower available earnings, due in part to a leap in taxation provisions

Total gold production for the division nudged ahead 1% to 67,1 tons while average revenue rose to R34 705/kg (R34 040/kg) Capital expenditure over the period fell from R292,4m to R224,6m

Gold and uranium division chairman Clem Sunter said the results reflected the benefits of hedging operations and moves to contain costs Average unit costs rose 1% to R26 731/kg Total working costs moved up 2% to R1,8m

● See Page 9

BIG SHIFTS AMONG TOM LEADERS

FM 23/4/93. (214)

Further wild swings in the All Gold index saw several significant shifts on the leader board The Wits team grabbed first place last Wednesday, but fell back by Friday to let Genbel's Lucien Verrezen stay in the lead for the fifth consecutive week. With the mysterious Phin shooting into third place and RMB slipping into ninth, Kaplan & Stewart and Elephant have been knocked from the Top 10

The All Gold index, which hit a high of 1 278 before the Easter weekend, fell back to a 1 161 low by last Wednesday. This 10% move saw All Gold index 1 200 May put options shoot from R367 per contract to over R800 — a 118% move. De Beers 7 500 June calls fell from R601 to R337 and Rusplat 6 000 June puts rose from R381 to R604

Several traders benefited from writing options on the April All Share and All Gold index options prior to last Thursday's expiry. Writers earn premium income from options, but bear a potential liability because they are obligated to perform in terms of the contract This liability ends on the expiry of the option, leaving writers with the cash benefit of the premium income earned.

With less than three weeks to go, Genbel and Wits could be in an unassailable position, but the tussle for third place, worth R10 000, should prove interesting

NEW FACES

		% Return
1	Lucien Verrezen, Genbel	523,5
2	University of the Witwatersrand	373,3
3	Phin	268,2
4	Lurie Johnston	206,9
5	Davis Borkum Hare (DAV)	189,3
6	D Boyiatjis	123,9
7	Frankel Pollak Vinderine	103,5
8	Bus Ad, Univ of Natal PMB	43,1
9	Hartmut Przybylski, RMB	26,5
10	Pandora	23,1

CLEM SUNTER More fizz in the market

New glister in gold a tonic for mining house spirits

S/Times (Buss Times) 25/4/93

(214)

By CHERILYN IRETON

THE stirrings in the gold market have started to lift miners' spirits First-quarter results of mines managed by Anglo American, Gencor, Gold Fields of SA and Anglovaal, suggest a quiet confidence returning to those producers that have been able to contain costs and emerge from the downturn relatively unscathed The mood change can be sourced to the uptick in the gold price to about $340 an ounce on signs of increased demand for jewellery, particularly from China.

"There is no doubt that there is more fizz in the market," says Clem Sunter, chairman of Anglo American's gold and uranium division

Gengold director Gary Maude believes that the gold price started forming a true bottom six months ago

"That's got to happen before there is a reversal of the downtrend"

The improved fortunes of many mines can be traced to the rand's decline against the dollar in the first quarter It fell 3% to about R3,17 to the dollar Coupled with a slightly higher spot price, this increased the rand gold price by 6% from the start of January to R34 457 a kilogram at the end of March

Sustained benefits from the expensive reorganisation and rationalisation of the past few years also contributed But some mines, particularly Vaal Reefs, showed signs that cost control could be slipping

A gold-share analyst says cost increases of between 2% and 3% on mines like Beatrix are good if they are isolated, but could look more menacing if compounded for the rest of the year

A feature of the quarter was the success certain mine managers achieved through multiskilling, says another gold analyst Multiskilling is the use of a small labour force trained to tackle all aspects of mining as opposed to the industry's traditional single-skill approach to job categorisation.

Bolstered

Casualty of the quarter thus far — JCI and Rand Mines are still to report — is Gold Fields of SA's Doornfontein In spite of showing a bottom-line improvement, it is likely to stop underground operations. The mine has large net liabilities and gloom in the market surrounding its future is reflected in its 14% share-price fall to R1,50 this week.

Anglo American's mines lifted output by 1% to 67 091kg and available profit was up 3,5% at R209,8-million Total working costs rose 2%

Anglovaal's bottom-line results were bolstered by a strong performance by Hartebeestfontein Available profit rose to R28,6-million from R15,7-million after a 4% increase in gold production to 10 264 kilograms.

Gencor mines lifted available profit to a combined R57,3-million, up 19% on the previous quarter

Gold Fields' combined profit was up at R143-million from R123-million in the December quarter in spite of a dip in gold output

alty narrows gap

S/Times (Buss. Times) 25/4/93

By TERRY BETTY

the retail sector This gap will narrow only if the group fulfils its promise in the current year and achieves real earnings growth

Listing the individual stores separately would improve tradeability, but Mr Cohen says this is unlikely to happen for a few years

Despite the high turnover, operating income increased by only 1% Mr Cohen attributes this to the company's markdowns and high promotional costs to keep stock moving

The group, which has moved from the department-store concept to targeting niche markets and going for higher turnover on a narrower range, continued its expansion

It opened three Milady's, one Hub and 12 Mr Price shops in the Transvaal and Natal It will open 15 Mr Price stores and another three Milady's in the current year

Analysts say this rapid growth should be reflected in the bottom line once the economy turns

Mr Cohen says expansion of the credit-based Milady's chain is partly financed through the cash operations of Mr Price. This cash flow has obviated the need for a rights issue.

He says the cash operations and improved working-capital management helped to bring finance costs to a 18% increase in the year after being 45% up at the half-year

Cash sales will account for 40% of the group's turnover in the current year In 1990, they accounted for 25% of sales The aim is to get a 50 50 balance between cash and credit sales

The group has exercised strict control over stock, which increased by only 7% in the past year

Mr Cohen says many things are starting to fall into place, such as people and systems The group is poised to achieve real earnings growth

If that is the case, analysts mark Specialty as a worthwhile investment.

ny round-up

% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
+28 5	380 4	+12 3	262 0	−15 9	160 0	−20 0
+61 4	24 8	+21 9	29 0	+31 8	9 0	+28,5
+2 2	4 1	+158,4	11 7	+160 0	4 2	—
—	0 46	—	—	—	0 05	N/C
+9 0	10 6	+17 0	23 2	+20 0	9 3	N/C
+26 0	24 3	−4 0	84 9	+2 0	31 5	+5 0
+14,5	17,7	+35 8	1 74	+75 7	1 0	+100 0
+12 0	17,7	+32 6	15 3	+39 0	7,5	+150,0
+15 4	18 7	+13 9	8 3	+15 2	4 0	+77 7
−32 2	−2 6	—	−2 5	—	—	—
—	0 179	−11 8	—	—	0 23	−11 5
+8 4	1 6	+18 2	3 8	+19 3	—	—

Safto for Morocco

S/Times (Buss. T.) 25/4/93

SAFTO will send its first trade mission to Morocco in June (G&G)

Morocco has become a major export market for South Africa in the past year and is one of its top 10 partners in Africa.

Safto believes SA companies will find opportunities in agriculture, packaging and mining, as well in shipping, freight forwarding and banking

Morocco has an average annual economic growth rate of 4% and inflation of 6%

No money from Barbrook

B/Day 26/4/93 (214)

JONO WATERS

ORDINARY shareholders in Rand Mines' ill-fated Barbrook will get no money back as liabilities exceeded proceeds from the sale of the eastern Transvaal gold mine to Eersteling CEO Stefan Hayden.

Hayden's offer has been accepted by the liquidators and fell far short of creditors' claims of R94m. Hayden's offer is believed to be about R10,5m

Coopers Theron du Toit Trust liquidator Clive Lansdown believed that Hayden's offer represented the best realisation of Barbrook's assets

Lansdown said there was no intention to relist Barbrook If shareholders cancelled all the shares in Barbrook, Hayden's Maid 'O The Mist company would become its sole shareholder. Rand Mines and Anglo American are the two largest shareholders with a combined 82% stake and are creditors to 98% of its debt

Harmony battles to maintain grade

JONO WATERS (214)

RANDGOLD & Exploration's marginal Harmony gold mine slipped back into the red at operating level in the March quarter as the Free State producer struggled to maintain its grade in its second quarter on Sunday operations B/DAY 26/4/93.

The mine made a working loss of R1,73m compared with a working profit of R6,53m in the December quarter. However, capital recoupment and sundry revenue resulted in a bottom-line profit.

Harmony, granted Sunday mining rights in September in an attempt to save the mine from closure, expected short-term fluctuations in grade, chairman John Turner said at the weekend

As a group, the four Randgold mines increased their overall bottomline loss R9,34m (R1,89m) as a result of the fall in Harmony's profit and greater losses at ERPM Total gold production by the four fell fractionally to 9,84 tons (9,93 tons) as lower grades at the two largest producers, Harmony and Blyvooruitzicht, cut the group's average grade to 4,1g/t (4,2g/t) and outweighed an increase in the quarter's mill tonnage to 2,42-million tons (2,35-million tons).

● See Page 7

Star 26/4/93

Randgold shows quarterly losses

(214)

Finance Staff

The four mines in the Randgold stable slipped back into the red in the March quarter, as ERPM continued to be the major drain on group profits

However, results were also hit by a sharp R9 million turnaround at the group's largest mine, Harmony.

Randgold reported over the weekend that the bottom-line of the four mines fell from a R6,7 million profit in the December quarter to a R10,5 million after tax loss in the first three months of this year

ERPM posted a loss of R13,8 million in the March quarter, largely because the planned increase in productivity in terms of grade and tons had not been achieved and an increase in costs

The current mining and financial plan at ERPM was being reviewed, Randgold said

It added that the Government has offered the struggling ERPM mine financial assistance with a R9 million loan at market-related interest rates and a two-year extension on repayment of pumping loans

Any future Government assistance to the mine would be less than what was currently in place

Total production of the four mines at10 728 kg of gold from surface and underground mining operations was slightly lower that the 10 793kg of the previous quarter

However the resultant revenue of R35,5 million (December quarter R35 million) was offset by costs totalling R35,6 million (R34 million)

The profit earners in the group were Blyvooruitzicht, which earned R3,14 million (R4,25 million), and Durban Deep with R542 000 (R963 000)

Harmony posted a loss of R442 000, against a profit of R8,5 million in the previous quarter

Production at the mine was hit by a fall in the yield to 3,39 g/t (3,57 g/t) and losses surged by R10 million to R180,6 million (R170,8 million)

The mine however had a capital recoupment of R5,9 million, which improved the bottom-line during the quarter

Strong performances by JCI gold mines

JONO WATERS (214)

JCI's gold mines reported a 44,7% increase in profit after tax and capex in the March quarter as a result of improved performances by Randfontein Estates and Western Areas, and lower capital spending

The group paid productivity bonuses of R2,3m to mine workers in the quarter

Overall bottom-line profit rose to R36,5m compared with R25,2m in the December quarter. The mines achieved an increase in average grade to 4,59g/ton (4,47g/ton), as the amount of ore milled fell to 2,72-million tons from 2,84-millions tons. Gold output declined to 12,5 tons (12,7 tons)

Gold division chairman Kennedy Maxwell said the group's drive to contain costs resulted in unit costs falling to R28 334/kg from R28 761/kg Average revenue a kilogram rose 1,5% to R33 774 (R33 287)

The troubled HJ Joel gold mine had implemented its survival plan, expected to make the mine profitable within 18 months, he said This included development blasting on Sundays, a reorganisation of underground shifts, and sending some workers on extended unpaid leave coupled with some retrenchments

● See Page 10

B/Day 28/4/93

HJ Joel mine is set to move into the black again

B/DAY 28/4/93. (214)

JONO WATERS

JCI's troubled HJ Joel gold mine would move back into the black in 18 months once sufficient ore reserves had been developed, gold division MD Bill Nairn said yesterday.

Speaking in Johannesburg at the release of the group's results for the March quarter, he said results from accelerated development of ore reserves, facilitated by blasting on Sunday, were "encouraging"

Gold division chairman Kennedy Maxwell said the low grades encountered in the western part of the mine were possibly not as bad as expected.

Maxwell said talks about merging Joel with Gengold's Beatrix were continuing and both mines could gain through co-operation

Signs that Joel, JCI's newest mine at which the group has unsuccessfully tried to pioneer would-be low-cost trackless mining, was starting to reach its potential early last year have been dashed by low grades

Nairn said Joel had implemented its system of extended unpaid leave in certain job categories but some of the mine's 2 700 workforce would still have to be retrenched

Money-spinner Randfontein increased its profit after tax and capex by 19% to R27,1m (R22,8m) Nairn said this was due to lower capex and well-contained costs.

The mine managed to increase its grade for the eighth successive quarter to 3,97g/t (3,85g/t) but this did not make up for the fall in tonnage to 2 million tons (2,1 million tons) Gold production fell to 7,94 tons (8,08 tons)

Development in Doornkop's north-eastern section was slow as the mine had hit a dyke

The Doornkop south reef project was progressing well.

Western Areas increased its bottomline profit by two and half times to R11m (R3m) The mine achieved its highest grade since 1976 of 6,35g/t (6,22g/t) because it intersected some good grades in the Ventersdorp Contact Reef

Western Areas GM John Brownrigg said the mine could sustain current profits when its uranium contract runs out in June next year

Asked about the gold price, Maxwell said he was concerned that the "fizz" in the gold price might turn into a "bubble" and burst However, he believed the recent move by billionare speculator George Soros to invest $400m in Newmont Mining was a sign the West was beginnning to realise the fundamentals were in favour of an upward movement in the gold price

Consolidated Murchison (Cons Murch), which falls under JCI's coal and base metals division, reported an almost unchanged bottomline profit of R922 000 (R972 000) in the March quarter

Chairman Mike Hawarden said antimony revenue increased 67% to R3,82m (R2,29m), but gold revenue dropped to R9,06m (R10m) as a result of a fall in gold sales to 273kg (307kg)

Total mining revenue rose to R13m (R12,4m) against costs of R11,7m (R11,1m), resulting in an operating profit of R1,24m (R1,23m)

JCI March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**2 001**	**3,97**	**7 944**	**106,07**	**26 718**	**33 903**	**49 848**	**27 110**	**44,3**
December	2 098	3,85	8 076	102,77	26 698	33 213	48 454	22 766	37,2
Western Areas	**536**	**6,35**	**3 406**	**198,38**	**31 218**	**33 734**	**17 362**	**11 002**	**27,3**
December	530	6,22	3 296	201,78	32 447	33 268	8 953	3 005	7,5
HJ Joel	**185**	**6,23**	**1 153**	**192,88**	**30 948**	**33 001**	**1 671**	**(1 605)**	**(1,6)**
December	214	6,27	1 342	201,42	32 119	33 778	5 166	(513)	(0,5)

Star 28/4/93

JCI's Joel still ailing

(214)

By Derek Tommey

Increased efficiency and a higher milling yield enabled JCI's Transvaal gold producer, Western Areas, to report an almost fourfold increase in attributable profit in the March quarter

The group's other Transvaal mine, Randfontein, also had increased earnings

But JCI's third mine, Free State producer Joel, again had disappointing results.

The improved results at Randfontein and Western Areas resulted in group attributable earnings rising R11,3 million (44,7 percent) to R36,5 million

Western Areas increased its milling rate and milling yield

Gold production rose from 3 296kg to 3 406kg The gold price received rose by 1,4 percent to to R33 734 a kg, while working costs dropped 3,68 percent to R31 218 a kg

Net taxed profit rose 93,9 percent to R17,3 million and net profit after tax and capital expenditure jumped 266,1 percent to R11 million, equal to 27,3c (7,5c) a share

Gold division chairman Kennedy Maxwell yesterday that Western Areas had built up a "war fund" of R33,8 million to safeguard against a possible drop in the gold price

Development was going well on the 90 level in the South Shaft area and stoping should start in June, he said The area had a 12-year life

Randfontein's profit from gold rose from R52,6 million to R57,1 million.

Tonnage milled was down slightly, owing to greater dilution control efforts The milling yield improved from 3,855 grams a ton to 3,97 grams a ton, but gold production fell from 8 076kg to 7 944kg

Gold revenue increased from R33 213 a kg to R33 903 a kg, while costs were R20 a kg higher at R26 718

Profit after tax and capital expenditure was 19,1 percent higher at R27,1 million (R22,8 million), equal to 44,3c (37,2c) a share

Underground development at Doornkop and the sinking of the new Doornkop shaft are going ahead at the maximum rate

Profit from gold at troubled Joel rose from R2,2 million to R2,34 million.

But a drop in sundry revenue reduced operating profit to R2,4 million (R5,8 million) and net profit (no tax payable) dropped from R5,2 million to R1,7 million

After capital expenditure the mine had a loss of R1,6 million (loss of R533 000)

MD Bill Nairn said operations at Joel had been replanned and restructured with the intention of providing enough ore reserves within 18 months to allow for increased production at low cost levels

China's new prosperity boosts demand for gold

Star 28/4/93

(214)

HONG KONG — When the Belgian and Dutch central banks sold big chunks of their gold reserves last year, observers reckoned that the price of gold had only one way to go: down

What they may not have taken into account was the amazing rise in the demand for gold in Asia, especially among the Chinese

In each of the past two years, about 2 800 tons of gold has been sold worldwide — much of it not from mines but from hoards such as central bank vaults

About 230 tons was sold to Indian buyers in 1991. Another 705 tons was sold in Southeast Asia, and more than 200 tons in China

So Asia accounted for more than 10 percent of world gold buying And its share is rising

Buying gold in OECD countries is low and stagnant about one gram per head per year But Asians are growing ever more infatuated

Annual buying per head even in relatively poor China in 1992 was half a gram In Singapore it was eight grams, in Taiwan and Hong Kong nearly 10

30 percent

Jonie Lai, head of the East Asian office of the World Gold Council, a gold-producers' lobby, says gold purchases in East Asia rose by a fifth last year and will rise by 30 percent this year.

Hong Kong's imports of gold rose by 90 percent between 1990 and 1992, Taiwan's by 80 percent, Singapore's by a third.

All these countries have close economic and family ties to mainland China. Traders reckon that perhaps half the gold they import ends up in China.

Lai thinks that China may have taken close to 500 tons in 1992 and could buy 700 tons this year. That would be a quarter of likely world gold sales in 1993

Practically all of the gold trade in China is covert. China's mines, all government owned, last year produced 130 tons of gold.

The central bank bought it at a fixed price (about $300 an ounce) and put all but 20 tons into its reserves. It sold the 20 tons to jewellery makers

By the time the jewellery reaches Chinese shops, it sells for $550 an ounce

Not surprisingly, more than half of the gold sold even in the official gold shops in China is smuggled into the country by overseas Chinese.

The trade is increasing sharply — and not only because of the wide gap between official and market prices.

China is getting rich fast. Inflation and currency depreciation add to the allure of gold. Indeed, China's gold hunger belies the optimists who maintain that the country is not about to suffer a bad bout of inflation

In the long run, demand for gold even among financially conservative Asians may tail off Japanese sales of gold for investment fell from 125 tons in 1990 to around 70 tons last year

Four times

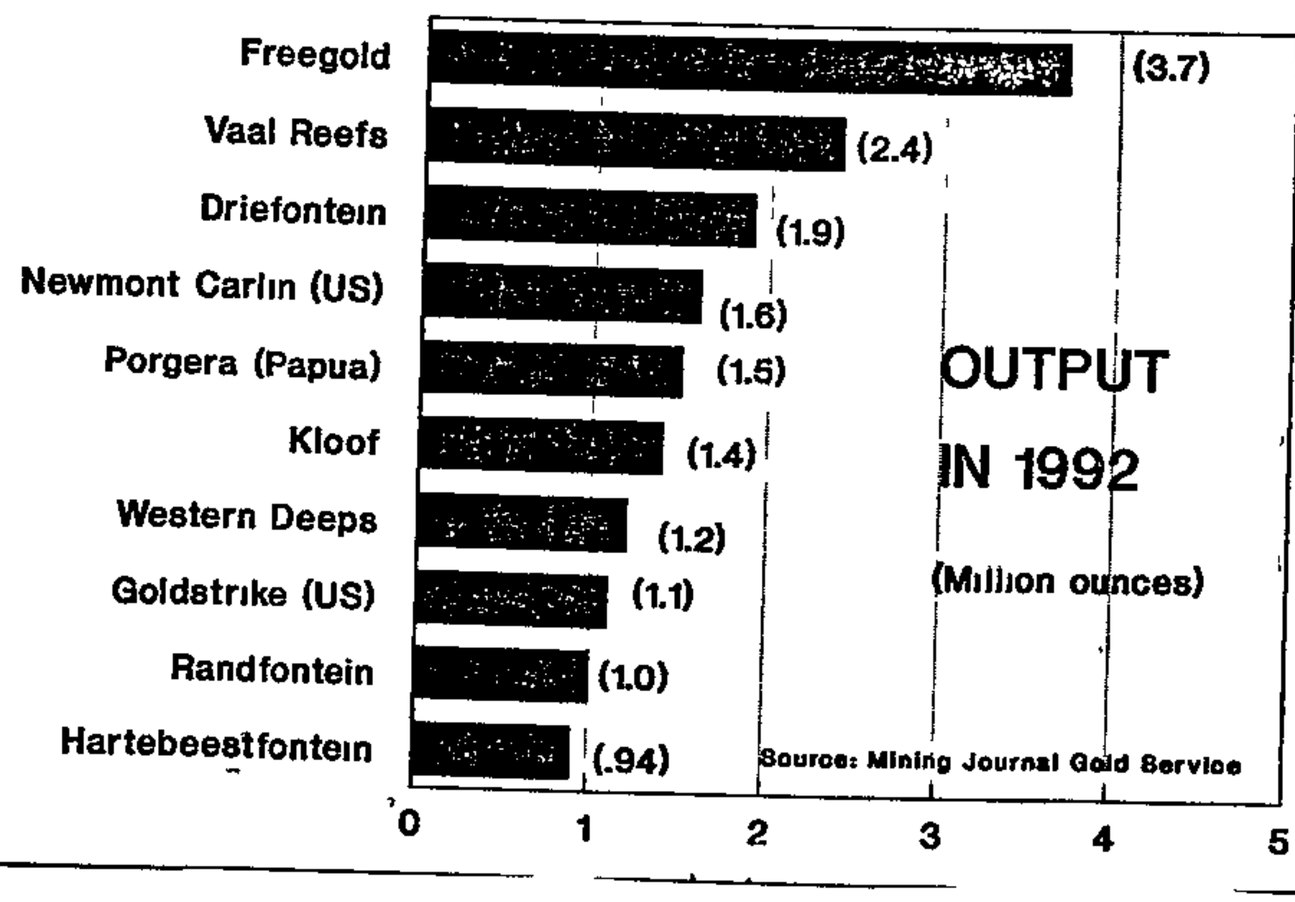
But the experience of Hong Kong and Taiwan suggests that the Chinese have to become very rich indeed before they lose their traditional fondness for the metal.

Lai points out that if gold buying per head in China were at Hong Kong levels, China would absorb four times this year's world gold sales

It will not come to that. But booming Chinese demand does provide a bright gleam in the market for gold — The Economist.

World's top gold producers

South African mines predominate among the world's 10 top gold producers, with seven companies turning out 12,54 million ounces in 1992, against the 4,2 million ounces produced by two mines in the United States and one in Papua.



Brakes put on Venetia's production

B/DAY 29/4/93. (214)

MATTHEW CURTIN

PROBLEMS associated with the build-up in production at Venetia, and De Beers' attempts to combat depressed demand for diamonds, have put a brake on diamond output from the new R1,1bn diamond mine

Venetia recovered 1,87-million carats in 1992 compared with 303 041 carats in 1991 De Beers' 1992 annual report showed the mine's status as a high-grade producer, turning in average recoveries of 118,5 carats a 100 tons, compared with Finsch (73), Premier (35,3), and 157,1 at Debswana's Jwaneng mine

The mine is still likely to fall short of its target of 5,9-million carats at full production, to have been reached at the end of 1993 or early 1994

De Beers chairman Julian Ogilvie Thompson declined to comment on the mine's production prospects in his yearly review of the group's results

Signs of difficulties at Venetia emerged with the report of interim results from Industrial Commercial Holdings (ICH) earlier this year

ICH — entitled to dividend income from Venetia from its 12,5% stake in Saturn Mining, which will receive half Venetia's profits after capital spending is recouped — showed income from Saturn of R276 000 in the half-year ended December It was R604 750 in the same period in 1991

The Central Selling Organisation decision last September to invoke deferred purchase clauses in its quota agreements with diamond producers has affected the speed of Venetia's move to full production The move was designed to meet the problem of oversupply in the diamond trade because of weak retail demand and a flood of illicit Angolan diamonds

De Beers director Bertie Lincoln said earlier this week that, in addition to the 25% reduction in the CSO quota, something of a bottleneck had developed at the mine as it tried to sort the increasing number of diamonds being produced That led to Venetia's sales falling below output

Edey Rogers analyst Keith Bright said that might not tell the whole story He noted the CSO's sales agreements were with diamond producing companies, not diamond mines, so the impact of the 75% and now 80% quota could be spread throughout De Beers Consolidated's operations

He said lower than expected output from Venetia might reflect a political decision by De Beers

He suggested the group would have been keen to show non-De Beers producers that they were not being prejudiced by the CSO quota which came into effect only weeks after Venetia was opened

Harmony and ERPM run into deeper trouble

B/DAY 26/4/93 (214)

JONO WATERS

RANDGOLD & Exploration's marginal Harmony and ERPM mines ran into further trouble in the March quarter with both extending their working losses.

Randgold chairman John Turner said at the weekend Harmony's grade reduction to 3,39 grams a ton from 3,57g/t in the December quarter was in line with short-term fluctuations. He would not, however, be drawn on likely fluctuations in future The increase in ore production which followed Sunday mining and which had been needed to curb unit costs had reduced the mine's grade flexibility

Harmony made a bottom-line profit as a result of the sale of assets for R7,9m (December R1,9m)

Adding to ERPM's woes had been the discovery of a fault in the Far East Vertical (FEV) shaft which was expected to affect production within two years Randgold had pinned hopes on the FEV to restore profitability to the debt-laden mine, which owed R517m (R513m) at the end of the quarter The FEV's ore body was accessed in the March quarter and grades of 8,5g/t were in line with expectations

ERPM MD Karl Eick said yesterday the fault was not of major concern and he was confident ERPM could make a profit after-tax and interest by year end

The fall in ERPM's tonnage to 286 000 tons (292 000 tons) was as a result of operations moving out of low grade areas sooner than expected, he said. Eick hoped ERPM would be drawing 30% of its ore from the FEV section within three years

The state had granted the mine a further loan of R9m at market-related interest rates during the quarter An application to government for a further interest rate concession had been turned down and the earlier 10% interest rate subsidy had come to an end at end-1992 Turner said the government would review assitance to ERPM during the year but any future aid would be less than already granted

Eick believed that as tonnage from the FEV built up, the mine's average recovery grade would rise beyond the latest 5,54g/t. But he warned bluntly that if the grade did not rise in line with expectations, ERPM would be "dead"

A grade drop to 6,1g/t from December's 6,78g/t resulted in a lower profit after tax and capital spending for Blyvooruitzicht The quarter's bottom line profit fell to R1,39m from R2,16m.

Blyvoor's own underground reserves were expected to be exhausted next year, but a tribute agreement with Anglo American's Western Deep Levels had extended the operating life to the year 2000

Durban Deep's vulnerability to operating cost changes was shown by the fact that a small drop in the ore milling rate lifted unit costs by 3,3% a ton Nevertheless, a higher underground ore recovery grade offset the higher unit cost and a lower dump reprocessing recovery grade to give an operating profit of R303 000 against the previous quarter's R253 000

RANDGOLD* December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**303**	**6,10**	**1 847**	**195,95**	**32 148**	**33 129**	**3 138**	**1 389**	**5,8**
December	278	6,78	1 886	208,44	30 725	32 557	4 252	2 606	10,9
Durban Deep	**291**	**4,13**	**1 203**	**144,23**	**34 888**	**33 169**	**542**	**(540)**	**(23,2)**
December	295	4,06	1 197	139,68	34 424	32 588	963	(414)	(17,8)
ERPM	**286**	**5,54**	**1 584**	**209,39**	**37 807**	**32 910**	**(13 753)**	**(15 595)**	**(93,8)**
December	292	5,27	1 539	191,82	36 395	32 188	(7 042)	(12 547)	(75,4)
Harmony	**1 537**	**3,39**	**5 205**	**116 33**	**34 350**	**33 120**	**(442)**	**5 410**	**20,1**
December	1 486	3,57	5 305	113,81	31 859	32 535	8 503	8 462	31,5

* Operating results from underground operations

ET's owners

Gold mines 'leaner and meaner'

B/Day 29/4/93. (214)

JONO WATERS

SA's gold mines were in much better shape than a year ago after experiencing a good March quarter, analysts said yesterday

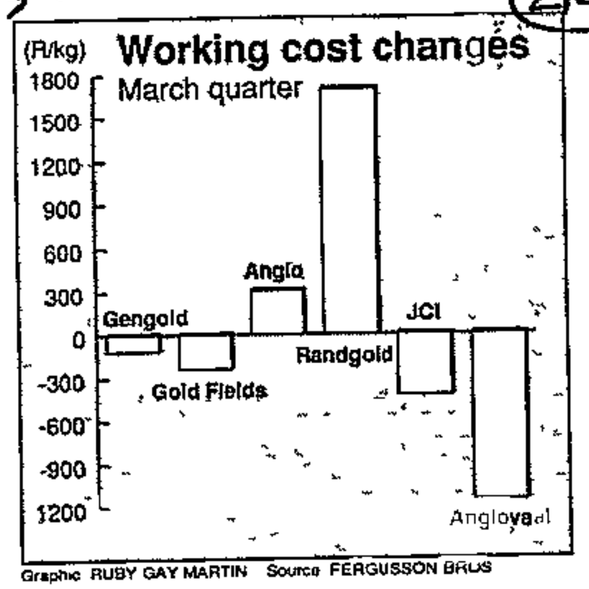
Five of the six mining houses turned in better results Anglovaal reported the best performance, nearly doubling its bottom-line profit, while Randgold & Exploration increased its losses fourfold.

Fergusson Bros, Hall, Stewart & Co analyst Trevor Pearton said it was a good quarter with an all-round improvement by the gold mines. The industry increased distributable profit to R492m (R411m).

Gengold received the largest gain in the average gold price — R832/kg — while Anglovaal received the lowest increase of R386/kg. However, Anglovaal's cost cutting showed the best results, with group costs falling by R1 156/kg Randgold showed the worst — an increase of R1 698/kg after operating losses at Harmony and ERPM

The mines increased overall profit after capex by R575/kg.

Pearton said the taxman had been the biggest winner in the quarter with payments to state coffers rising R87m to R285m Vaal Reefs' tax bill



Graphic RUBY GAY MARTIN Source FERGUSSON BROS

showed the largest increase, rising R25,7m to R31,7m.

The mines' capital expenditure fell to R400m (R505m), largely as a result of Vaal Reefs cutting its requirements by nearly half to R61,3m (R102m)

E W Balderson analyst Nick Goodwin said the industry improvement in the last quarter was expected and would continue Mines were still vigorously cutting costs and the rising gold price would provide further potential for profits

The bonus scheme introduced was working well for management and employees, Goodwin said

Irish, Menell, Rosenberg analyst Duncan Ingram said Anglo American's Freegold and JCI's Western Areas were the "star performers" in the quarter

Frankel, Max Pollak, Vinderine analyst Adrian Finch said there had been a huge effort to contain costs and increase grades

Pearton said Doornfontein (Doorns) would still close as the rise in the rand gold price had come too late The orebody could be sold to Randgold's Blyvooruitzicht and Doorns could treat sands

Finch said Anglovaal's Loraine might be able to turn in a profit in the current quarter after the introduction of seven-day operations

Pearton said the outlook for the current quarter was good as rand gold prices had already risen 5% compared with 2,2% in the March quarter Most mines were likely to increase dividends

Goodwin said the industry was now "leaner, meaner and cleaner" and profits should continue to rise in the next quarter

Finch believed investors in gold shares had overbought with the recent rise in the gold price and, with one or two exceptions, shares were overpriced He said the gold price was likely to come down again.

Randgold, PGM likely to achieve modest targets

ANDY DUFFY (214)

FIRST interim figures for Randgold & Exploration Company and PGM Investments showed both on course for forecast earnings this year but neither was likely to pay a dividend for 1993

B/Day 29/4/93.

The companies, created last September following the demise of Rand Mines, made a total R3,16m after-tax profit in the six months to March

There are no comparable figures, but prior to their listing on the JSE in February, the companies had forecast a total R5,6m after tax profit for the full year

Although they were likely to hit their target, chairman Allen Sealey said final dividends were unlikely

Randgold had decided to retain its cash reserves rather than pay out to shareholders It had also set aside a R26,2m provision for loans to its already debt-laden East Rand Property Mine (ERPM)

Randgold's after tax profit of R2,7m lent heavily on its investment activities, which contributed R3,3m, compared to net operating income of R3,1m Capital expenditure of just R1,9m also helped improve the bottom line

Sealey said that a final dividend from PGM was dependent on those received from its investments in Impala Platinum Holdings and Rustenburg Platinum Holdings

Although the companies' performance was in line with forecasts, such an achievement overshadowed a tough first six months outside the Rand Mines stable.

Randgold's Harmony, ERPM, Blyvooruitzicht and Durban Deep have been plagued by high costs and volatile grades Harmony's R8,5m bottom line profit for the December quarter saw a drop in yield and rising costs cut it to R5,4m in the second quarter ERPM ran into a fault on its Far Eastern Vertical shaft

Star 29/4/93

Randgold living up to forecast

(214)

By Derek Tommey

Randgold, which holds the gold mining investments previously belonging to Rand Mines, has reported taxed profit of R2,7 million, equal to 9,1c a share, for the six months to March.

This is more than half the R4,6 million forecast for the full year and is the result of lower expenditure. No dividend is being paid.

Chairman Allan Sealey says the company expects to achieve its profit forecast.

Randgold derives its income mainly from its investments in the four marginal gold mines, Harmony, Blyvoor, Durban Roodepoort Deep and ERPM, and from the sale of services to these mines.

It also receives interest income from its R75 million in cash holdings

Sealey says the company may be required to provide additional loans of up to R35 million for ERPM.

The company's cash resources are being retained to meet its obligations to ERPM, to pay creditors, to fund exploration and to take advantage of investment opportunities.

Randgold's sister company, PGM Investments, which holds Rand Mines's platinum investments, earned R459 000, equal to 2,2c a share, in the six-month period.

Sealey, who is also chairman of this company, says the achievement of the forecast R1 million taxed profit for the full year will depend on final dividends declared by PGM's two major investments, Impala and Rustenburg

PGM's other platinum interests include shares in the developing mine PPRust, shares in Leplats and an effective 45 percent interest in Barplats.

This company's subsidiary Barmine has two prospective platinum mines PGM has a 50,3 percent shareholding in Vansa

Interest from PGM's cash holdings amounted to R724 000 in the six-month perod, taking total income, including dividends from Impala and Rustenburg, to just under R1 million Expenses were R529 000

RMP pays same dividend

Star 30/4/93

By Derek Tommey (214)

Rand Mines Properties (RMP) is maintaining its interim dividend at 30c

This is an acknowledgement that the slump in taxed profit to R731 000 in the six months to March from R7,6 million a year ago does not indicate the true position.

MD Colin Steyn says the profit figures have been distorted by certain property sales being brought to account only in the second half

These profits, together with those expected from negotiations now in progress, could result in the taxed profit for the full year approximating 1992's R13,1 million

Gold production remained high at 2 071kg, against 2 087kg in the six months to last September.

The average gold price received was R33 159 and the working profit from gold was R4,6 million However, a rise in amortisation costs caused an operating loss of R1,6 million.

Platinum and silver prices soar

JSE swept by new wave of gold fever

B/DAY 30/4/93

(214)

MATTHEW CURTIN

GOLD fever resurged on the JSE yesterday Bullion prices bounced back above the $350 mark, then passed $355, to give the all gold index a 104-point boost

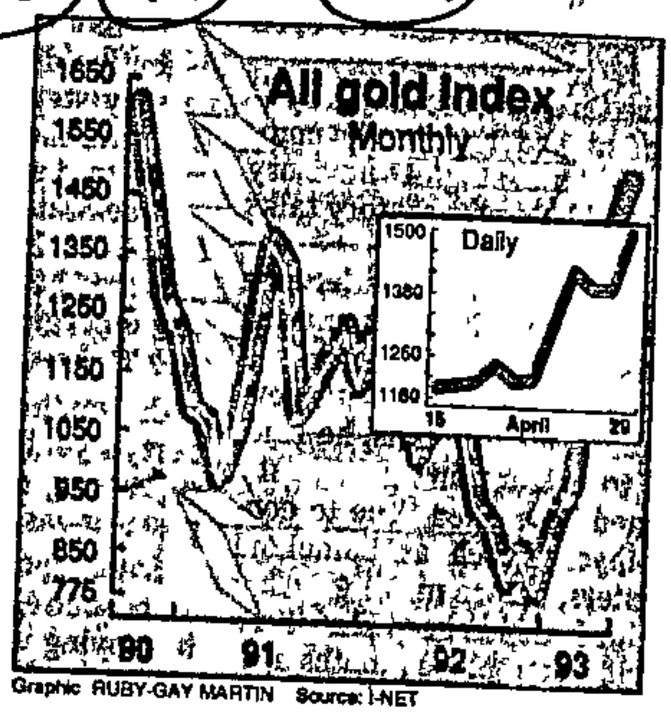
The index raced passed the 1 500 mark, its highest level since October 1990, but profit-taking in late afternoon trade saw the gold board close below the day's highs at 1 497, compared with the previous day's close of 1 393.

Gold rose to nine-month highs of $355,60 in London yesterday afternoon and closed at 354,80, up from $349,70 on Tuesday and $351,65 on Wednesday The metal was quickly followed by platinum which also hit a nine-month peak of $384,50 at its London afternoon fix, up more than $10 from the previous day.

Silver prices surged towards two-year highs, continuing their run above $4,00 to reach $4,36 in afternoon trade

Reuter reports of strong Middle East demand for silver on Comex in New York, which sent gold futures scudding towards $358 before closing lower, coincided with rumours of heavy demand for gold in Hong Kong, with the Bank of China being a possible buyer

Precious metals were buoyed by the dollar's weakness against the yen and Deutschmark, but market sources attributed confidence in the bullion market and hectic trade in gold shares to the "Soros factor" — the decision by Hungarian billionaire George Soros to buy a $400m stake in US gold producer Newmont Mining The



Graphic RUBY-GAY MARTIN Source: I-NET

market was torn between two schools of thought: Soros's move was market manipulation on an unprecedented scale, or another shrewd decision which had caught the gold market at a crossroads.

One analyst said: "Soros went in and went in big. Perhaps he realised that with gold languishing at $320 to $330 many SA and US mines were running into trouble Add that to a fragile bond market in the US, fears about US and world economic recovery, long-standing sentimental factors such as potential crisis in Russia, plus investor disaffection with gold That gave Soros the perfect opportunity to invest in gold and turn the market around"

He added that at $355 gold shares were expensive, but as long as there was confidence bullion prices could rise higher,

To Page 2

Gold

B/DAY 30/4/93 (214)

From Page 1

there would be buyers for gold shares.

However, there were still no fundamental reasons to justify the bull run, especially as the $30 increase in prices in recent weeks quickly transformed the profitability of marginal producers, eliminating any threat to mine supply.

Simpson McKie analyst Rodney Yaldwyn said the scramble for gold shares was astonishing, with small players picking up lightweight counters, and overseas institutions buying heavyweight stock. "Many investors seem to have been caught with their pants down and now don't want to miss out on the bull run, but they have left the market hugely overvalued."

National Futures and Options MD Brett Stacey said trade in gold futures contracts had been "very hectic" but the gold market was suffering from "too much hype The market has moved up so fast that it is now just an accident waiting to happen"

A dealer said "The gold market is overpriced, and it's reflected in the futures market in which gold contracts are trading at a 30-point discount to spot, the first time in many months"

Sustained price surge sparks new sense of optimism

Golden life for many mines

Star 30 July 86

By Sven Lünsche

A new sense of optimism prevails in the gold mining industry as the gold price continues to rise

Gold traded at a nine-month peak of $356,70 an ounce in New York yesterday and settled at $356 in Hong Kong this morning

Industry spokesman stressed that the recent consistent rise in the price of the metal — if sustained — would throw a lifeline to many of the country's marginal gold mines

Gold's boom has also lifted spirits on the JSE

Not only has the JSE's all-gold index firmed by 281 points, or 23 percent, since gold fever hit the market a week ago — volumes of shares traded last week were at their highest in more than 18 months, providing stockbrokers with a boon in commission and fee income.

Humphrey Borkum, a senior partner at one of the JSE's leading stockbroking firms, Davis Borkum Hare, says the past week or two have been the busiest experienced on the market for some time.

He is also optimistic that the firmer trend both in gold and gold shares can be maintained.

"I believe the metal's price will consolidate at these levels before rising again over the next few months," Borkum comments

'Rationality suspended' in gold market — Page 20

The all-gold index yesterday soared by 104 points, or 7 percent, as both local and foreign investors were active in the market

In particular, commodity funds from the United States — the driving force behind the recent rally — poured millions of rands into gold counters. The financial rand, subsequently, firmed by 7c to R4,57

And the surge in gold equities lifted the overall index by 55 points

It is in the mining industry, however, that analysts believe the benefits will be felt most

Employment levels in the gold mining industry have fallen by roughly 150 000 over the past 2½ years as the industry embarked on rigorous rationalisation programmes

It is the performance of the rand gold price — the price received by local gold mines — which is cause for great optimism

The rand gold price yesterday rose to a highest-ever R1 120 an ounce on the back of the firmer dollar price but, more importantly, reflecting the weaker rand-US dollar exchange rate

"Two years ago, when the rand gold price was at R950, many marginal mines were threatened with closure," says Tom Dale, deputy managing director of Gengold, Gencor's gold mining arm

"If the current price is sustained it will take a lot of pressure off these mines."

'Slump forced mining rethink'

B/Day 3/5/93

GERALD REILLY

PRETORIA — The long slump in the gold price and other precious commodities had forced the mining industry to look downstream to beneficiation, according to a report on structural changes in mining disbursements

The report, compiled by Unisa's Bureau for Market Research, says the Columbus stainless steel project was a case in point

The report contains the findings of a study updating major income and expenditure items of all large mines and quarries from 1986 to 1990

214

In little more than a decade — 1980 to 1991 — the mining sector's share of GDP plummeted almost to its 1970 level, from 22% to 10,4%

The sector's importance in the economy was shown by its 29% share of total exports in 1991 and by its consumption of goods and services

Total salary and wage payments the mines' second largest disbursement, amounted to R10,268bn in 1990 The share of this item in total disbursements rose from 21,5% in 1980 to 33% in 1990

The share of dividends paid by the sector declined from 21,8% in 1980 to 14,1% in 1981 and 9,8% in 1990

In contrast to the relatively sharp increase in the total salary and wage index, the dividend index dropped substantially It stood at 62,7 in 1990 compared with the 214,9 of the total salary and wage index and the CPI's 203,7

This implied labour remuneration more than kept pace with inflation while the return on capital decreased considerably

The report says that as a percentage of major disbursements, mining tax paid dropped from 19,3% in 1980 to 9,7% in 1990 The contribution of mining tax as a percentage of the country's total tax was at its lowest level in 15 years

"Stores consumed" increased its share in disbursements from 37,8% in 1990 to 47,5% in 1990 More was spent on working costs and less on capital expenditure, the report said Stores consumed rose at an average annual rate of 15,4% in current rands in the 10 years

The gold mines represented 58,6% of the total market for stores in 1990 Efforts to control the escalation of working costs had been successful The annual percentage increases in working costs a kilogram of gold plummeted from 25% in 1987 to 1,6% in 1991

This, with a slight increase in the average grade of ore, pushed up working profits a ton by 3% between 1990 and 1991

Firmer bullion boosts JSE share prices

MATTHEW CURTIN

THE all gold index broke back above the 1 500 level yesterday as gold shares on the JSE were buoyed by firmer bullion prices which edged towards $360/oz

The index closed 43 points higher at 1 504 The all share index rose 44 points to 3 777 on the back of the stronger gold shares, while platinum shares went to levels last seen in July 1992

Rustenburg Platinum and Impala Platinum each rose to 400c to close at R79 and R62 respectively

Public holidays closed financial markets in London and Tokyo, but gold closed higher at $357,60 in Zurich, after trading at $358,50 during the day The metal traded close to one-year highs at more than $358 in New York.

Renewed enthusiasm pushed platinum to a $391 close in Zurich, compared with London's Friday close of $386,75 (214)

Reuter reports that bullion prices were boosted by strong Asian buying following weekend news that the IMF had reservations about an EC suggestion that the fund sell some of its gold stocks to finance cheap loans to poor countries

On the JSE, where blue chips Driefontein and Anglo American Gold Investment Corporation (Amgold) led the list of best-traded stock by value, interest focused on marginal and independent gold mines

B/Day 4/5/93

High expectations worry industry

Gold surge raises miners' wage hopes

B/DAY 4/5/93. (214)

ALAN FINE and
ERICA JANKOWITZ

WORKERS at mines participating in the industry's profit-sharing scheme have begun to reap the benefits of the higher gold price, and are looking forward to further improvements if the high gold price is sustained.

The change in the industry's fortunes comes as the NUM and Chamber of Mines prepare for the 1993 wage talks The industry is concerned about the effect of the improved gold price on workers' expectations, while the union is convinced it will improve members' bargaining strength The NUM has just forwarded its detailed proposals to the chamber

In the March quarter, workers on Anglo American gold mines received bonuses averaging 6% of basic pay — up 30% on the previous quarter Benefits were unevenly spread, though, with bonuses almost doubling at Freegold and Western Deep Levels and declining nearly 40% at Vaal Reefs In total Anglo mines have paid out R66,2m in bonuses since July last year, according to figures supplied by gold division industrial relations manager Fanie Ernst

At Gengold, according to spokesman Andrew Davidson, workers received on average bonuses equivalent to 4% on basic pay over the past three quarters

Bonus payments at Harmony, in contrast, were little more than 1% The mine had poor results in the last quarter. However, the figure for April had increased to more than 3% due to a combination of the improved gold price, and better tonnages and grade, according to RandGold human resources executive Richard de Villiers

A spokesman pointed out that where a mine has sold gold forward the effects of the current high price would be diluted

Anglo employees are entitled to a maximum of 25% on basic pay in bonuses, while at Gengold the "cap" is 15%.

Both Anglo and Gengold said although the gold price was an important factor in determing bonuses, so were factors such as reduced working costs

Ernst warned that widespread reports about the improved gold price had created worryingly inflated expectations of profitability among the workforce.

NUM assistant general secretary Marcel Golding said yesterday he believed the better gold price, if sustained, would improve the union's bargaining position in wage talks The union would seek the removal of the caps on bonuses.

The Anglo scheme is based on the average profit made over the previous four months being used as the trigger. From

☐ To Page 2

Mine wages

B/DAY 4/5/93. (214)

☐ From Page 1

zero to the trigger 5% of total profit is paid; thereafter 20% of total profit. The cap of 25% of pensionable income had not been reached to date, Ernst said.

The NUM wage proposals, based on a central committee policy paper published in February, will be discussed in talks beginning at the end of May

On gold mines the union has demanded wage increases in the 20%-25% range Part of the strategy is to reduce the wage differential between the groups that pay higher rates in the lower categories and those that operate a steeper wage curve. The union's wage demand for collieries is substantially higher — about 40% in the higher wage companies and up to 90% in the low wage ones. The goal is a R900 monthly minimum for surface workers and R1 000 for underground miners.

The proposals contain no reference to the profit-sharing scheme but this, according to general secretary Kgalema Motlanthe, is because the scheme is already in place. The union envisages profit sharing continuing subject to certain amendments such as the removal of the cap.

Of the 12 other main items on the NUM list of demands, Motlanthe and Golding identified those relating to a "social plan for restructuring" and "adult basic education" as the most crucial. The union believed the former should include financing the training of retrenched workers and minimum severance pay, and the latter should aim to eliminate illiteracy within five years.

Miners suspended

(214)

BIDAY 4/5/93

GENGOLD said yesterday 450 Zulu-speaking miners at its Beatrix mine near Theunissen were still technically suspended from work after faction fighting in March which left 11 miners dead and several injured in March.

Talks between representatives of the Zulu-speakers and other parties were continuing and management "was confident of a successful conclusion soon", spokesman Andrew Davidson said.

Reserve Bank 'helped to scupper Gencor strategy'

B/DAY 5/5/93.

(214)

MATTHEW CURTIN

RESERVE Bank exchange control policy and the politically sensitive and shaky finrand have combined to undermine the drive by mining house Gencor to establish itself as an internationally based resources group

Chairman Brian Gilbertson admits the group "failed" in the past year to achieve what remains a key objective ensuring Gencor becomes a conglomerate internationally diversified in its assets and shareholders. The group's increasingly high profile new business team has little to show for its efforts

Coal producer Trans-Natal almost clinched a deal to acquire a controlling stake in Australian colliery Oakbridge Coal in December last year. The deal would have turned the coal group into one of the world's biggest coal exporters But Trans-Natal was unable to get Reserve Bank approval for financing the deal from SA.

After a Finance Ministry directive in late November aimed at curbing the alarming descent of the finrand, the Reserve Bank said it would approve only offshore acquisitions yielding an immediate benefit to SA New investments or deals already signed would have to be financed with loans raised abroad

Gilbertson says resources projects, by their nature, have a long lead time before they generate cash, there are few commercially viable deposits up for grabs, while Gencor's limited financial resources overseas make raising funds offshore difficult. He says a second deal was also scuppered by the Bank's new policy

In contrast, Anglo American and JCI already have significant offshore interests, Gold Fields has strong links to the US gold mining industry, while Anglovaal has moved towards consolidating its successful industrial and consumer businesses in SA.

Sappi's successful acquisition of German paper producer Hannover Papier in June 1992 was a step forward for Gencor.

However, the subsequent collapse in pulp and paper markets, the finrand's plunge and a crash in Sappi's share price sent foreign investors scuttling Analysts believe most of the new Sappi shares acquired by European institutions have returned to SA investors

However, Gencor is pressing on even if the current exchange controls amount to "a blanket veto on finrand deals", says one analyst The policy leaves mining houses in an unenviable position because significant local opportunities — Gencor is already involved in new aluminium, gold and steel projects — are limited Their gold and coal operations will "waste away" without gaining access to new offshore resources

Minerals projects which provide immediate returns are rare, but they do exist, and Gencor theoretically has no difficulty in handling an offshore acquisition financed 100% by borrowings The problem is it is impossible to service the debt from SA.

Finding a project which has a significant self-funding component is not impossible, but such a venture is likely to be high-risk, exposed to fluctuations in commodity prices, and deterring commercial banks from providing necessary finance

The World Bank's private sector arm, the International Finance Corporation, has backed new gold projects in Ghana and Zaire, but its resources relative to major new developments like a Columbus or Alusaf are small.

Exploration can be financed through the commercial rand, and management services can be supplied in exchange for equity in a project. However, greenfields mining projects are likely to take at least three or four years to develop

IB Joffe sells off three loss-makers

ANDY DUFFY

BESIEGED retailer I B Joffe has sold three loss-making businesses as part of its strategy to strip itself back to the core.

The company, which in the 12 months to December 1992 suffered attributable losses of R2m, raised R1,75m by selling kitchen furniture manufacturer Telek, leisure chair subsidiary LLB, and the operations' holding company Joffe Saddlery to private individual Goos Lustig. B/DAY

I B Joffe, which had flagged up the disposals in its year-end results, said Telek had underperformed since its acquisition in 1988. The poor economic climate had led to the other sales.

Had the sales gone through during 1992, Joffe said this would have cut its losses a share from 12,8c to 4c. Net asset value would have slipped from 33,2c to 23,2c.

The disposals, effective from January 1, reduce I B Joffe to a manufacturer and seller of leather, camping, backpacking and outdoors products. 5/5/93.

Experts expect Nedcor to record strong growth

B/DAY 5/5/93.

NEDCOR is expected to report strong growth in first-half earnings tomorrow and may declare an alternative scrip dividend to a higher interim cash payout, analysts said

"We'll see good results from them," Doug Ellish of stockbroker Anderson Wilson Partners Inc told Reuter.

Wider interest rate margins before the current squeeze affecting the second half, and recent tax changes, would more than offset its continued high level of bad debt as the recession dragged on, analysts said

Analysts forecast growth in share earnings of at least 15% to 117 cents plus in the six months to March 31, 1993

The interim dividend was expected to be increased to 24c per share from a previous 21c

Analysts said Nedcor may offer a scrip dividend as an alternative to the usual cash payout as this would escape the new 15% secondary company tax on distributed profits (cash dividends)

The recent reduction in the company tax rate to 40% from 48% would be a windfall for Nedcor, as seen recently in First National Bank Holdings Ltd's first-half results, they said

An analyst who declined to be identified said although Nedcor had half the size of First National's deferred tax reserve, the corporate tax change would allow it to release a substantial amount "The final results depend how they show the tax windfall. They will be cautious anyway in the first half"

David Southey of Edey Rogers Co forecast continued heavy growth in expenses because of its computerisation programme despite the fact that its three-year rationalisation plan was coming to an end. Expenses were R846m in the previous first half

Analysts did not expect a major increase in Nedcor's specific and general risk provision from last year's R103m

"The Perm Building Society is not the problem child it used to be, although it is not out of the woods yet," Ellish said — Reuter

Randgold may hold own wage talks with NUM

(214)

B/Day 6/5/93.

ERICA JANKOWITZ

RANDGOLD is likely to discuss negotiating wages separately from the Chamber of Mines again this year when the chamber and the NUM meet for the first time on May 24

Randgold human resources executive Richard de Villiers said this would be for the third consecutive year, as this route had proved successful in the past

The four Randgold mines were all marginal and their vulnerability to any variation in revenue factors necessitated this move, he said

Basic wage increases were built into fixed costs and, as the mines operated within very narrow margins, changes in grade, tonnage, gold price or any other factor could "blow the margins", he said.

At present Randgold operates two bonus schemes one based on efficiency and the other on profit Both are paid monthly

The profit bonus has a cap of 20% of pensionable earnings — up from 15% last year However, payments have never come anywhere near reaching this cap, De Villiers said

Other chamber members operating similar schemes are Gengold and Anglo American Gengold's cap is 15% and Anglo's 25%, both paid quarterly.

The setting of limits is likely to be a major debating point at this year's wage round as the NUM is determined to lift it

NUM assistant general secretary Marcel Golding said the union would be seeking to extend bonus schemes to all mining houses and to renegotiate the built-in trigger levels which "prohibit workers from sharing profits from the start" The union was pushing for a "uniform and equitable profit sharing system" and wage parity across mining houses

Gengold spokesman Andrew Davidson said the group's cap was inflation-related and set last year when the inflation rate was perceived to be around 15%

Anglo's gold division industrial relations manager Fanie Ernst said bonuses were a high-risk portion of a worker's salary and, as such, a high cap should be set to give incentive to workers to produce The present structure of low basic wage increases combined with bonus schemes had meant the mines negotiated from a relatively low base, he said Also, bonuses are not pensionable although the officials' associations had requested 10% of their payments to be added to the pension scheme

This gave mines a greater degree of flexibility dealing with fluctuations in the gold price

(214) FM 7/5/93

GOLD QUARTERLIES

	Gold														Profit		
	Produced kg*		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Gold R'000	Uranium & other R'000	♣EPS(c) Mar
ANGLO AMERICAN																	
Elandsrand	4 680	(5 164)	21 431	213	(224)	26 890	268	(294)	34 074	339	541	(564)	8,7	(9 2)	59 169	2 604	32,5
Ergo	3 015	(3 092)							33 847	337	11330	(10501)	0,3	(0,3)	15 579		7,0
Freegold	▲30 719	▲(29 562)	29 322	292	(311)	31 630	315	(329)	35 101	349	6 404	(6 586)	4,7	(4,4)	173 700	24 700	76,3
Vaal Reefs	18 901	(18 916)	25 064	249	(256)	28 459	283	(330)	34 661	345	3 031	(3 011)	6 2	(6,3)	181 400	−32 800	275,7
Western Deep	10 441	(10 277)	24 739	246	(263)	29 853	297	(326)	34 176	340	1 588	(1 640)	6,6	(6,3)	98 500	5 300	115,5
ANGLOVAAL																	
ET Cons	905	(946)	25 306	252	(258)	27 046	269	(293)	32 146	320	84	(95)	10,7	(10,0)	6 190	−1 720	3,1
Hartebeestfontein	7 795	(7 298)	24 787	247	(277)	25 510	254	(296)	32 796	326	1 242	(1 217)	6,3	(6,0)	62 428	3 106	27 5
Loraine	1 384	(1 338)	35 297	351	(383)	37 645	375	(408)	32 974	328	414	(411)	3,3	(3,3)	−3 215	1 224	−32,0
GENGOLD																	
Beatrix	3 200	(3 152)	22 171	221	(236)	§22 622	225	(242)	33 124	330	525	(516)	6 1	(6,1)	35 051	−14 124	34,0
Bracken	220	(477)	22 973	229	(171)	◊22 927	228	(124)	33 827	337	6	(20)	36 1	(24,5)	2 388	1 281	9,2
Buffelsfontein	3 403	(3 310)	28 945	288	(307)	◊29 021	289	(309)	33 273	331	533	(528)	6,4	(6,3)	14 729	3 930	51,6
Grootvlei	645	(647)	30 251	301	(317)	30 391	302	(321)	33 102	329	112	(111)	5,8	(5,8)	1 839	1 134	14,8
Kinross	3 183	(3 230)	24 752	246	(257)	26 691	266	(284)	33 006	329	475	(482)	6,7	(6,7)	26 271	3 614	69,6
Leslie	660	(661)	26 579	265	(281)	◊27 432	273	(287)	33 186	330	100	(98)	6,6	(6,7)	4 361	583	15 7
St Helena	1 085	(1 157)	32 302	322	(396)	◊33 064	329	(397)	33 069	329	148	(168)	7,3	(6 9)	832	6 708	39 8
Stilfontein	290	(381)	30 655	305	(336)	26 234	261	(271)	33 528	334	282	(296)	1,0	(1,3)	833	902	23,1
Unisel	1 450	(1 434)	27 271	271	(298)	27 863	277	(310)	32 907	328	225	(235)	6,4	(6 1)	9 656	1 076	17 5
Winkelhaak	3 020	(3 010)	28 384	283	(296)	§31 825	317	(324)	33 174	330	453	(463)	6,7	(6 5)	14 465	2 362	§43,9
GFSA																	
Deelkraal	1 895,2	(2 263 2)	31 056	309	(283)	36 658	365	(340)	32 566	324	320	(398)	5,9	(5 7)	2 861	1 204	−7 2
Doornfontein	1 412 5	(1 547,5)	30 316	302	(376)	21 237	211	(370)	32 755	326	338	(371)	4,2	(4,2)	3 445	−36	40,6
Drie Cons	14 661 7	(14 139,0)	18 827	187	(208)	23 728	236	(257)	32 740	326	2 020	(1 961)	7,3	(7,2)	203 984	10 752	33 2
Kloof	12 941 4	(13 016,0)	23 182	231	(238)	27 623	275	(295)	32 774	326	1 255	(1 285)	10,3	(10,1)	124 126	−1 582	49,6
GOLDEN DUMPS																	
Cons Modder	397,9	(427,1)	32 857	327	(298)	35 670	355	(313)	33 234	331	86	(88)	4 6	(4,8)	150	229	−1 5
South Rood	94 5	(62,4)	33 640	335	(592)	33 090	329	(547)	34 148	340	30	(30)	3,2	(2,1)	48	−9	0,5
JCI																	
HJ Joel	1 153	(1 3[illegible]2)	30 948	308	(340)	33 789	336	(385)	33 001	328	185	(214)	6,2	(6,3)	2 367	−696	−1,6
Randfontein	7 944	(8 076)	26 718	266	(282)	29 581	294	(316)	33 903	337	2 001	(2 098)	4,0	(3,9)	57 079	6 157	44 3
Western Areas	3 406	(3 296)	31 218	311	(343)	33 086	329	(362)	33 734	336	536	(530)	6,4	(6,2)	8 569	8 793	27 3
RANDGOLD																	
Blyvoor	1 954	(1 992)	32 051	319	(325)	32 946	328	(334)	33 129	330	610	(558)	3 2	(3,6)	2 107	1 650	5 8
Durban Deep	1 387	(1 385)	32 950	328	(343)	33 730	336	(353)	33 169	330	583	(580)	2,4	(2,4)	303	501	−23,2
ERPM	1 986	(1 967)	33 788	336	(339)	34 715	346	(369)	32 910	328	757	(790)	2,6	(2,5)	−1 743	−12 010	−93,8
Harmony	5 401	(5 449)	33 441	333	(331)	32 357	322	(331)	33 120	330	1 628	(1 567)	3 3	(3,5)	−1 731	1 289	20,1
INDEPENDENT																	
Benoni	375	(407)	26 768	266	(257)	27 128	270	(284)	34 485	343	560	(602)	0,7	(0,7)	2 894	−908	1,0
Knights	371	(378)	26 967	268	(278)	41 083	409	(443)	33 361	332	845	(849)	0,4	(0 5)	2 383	−626	−1,3
Lindum Reefs	320	(254)	23 744	236	(275)	24 025	239	(282)	33 810	337	81	(77)	4,0	(3,3)	3 221	204	18,2
Primrose	203 2	(231 2)	35 433	353	(348)	36 009	358	(351)	36 156	360	40	(43)	5,0	(5,4)	147	−331	−2,5
Rand Leases	221,91	(201,00)	25 294	252	(289)	27 543	274	(307)	32 905	328	37	(39)	6,1	(5,2)	1 689	−697	0 4
West Wits	795	(747)	29 148	290	(306)	30 260	301	(318)	33 543	334	541	(531)	1,5	(1,4)	3 494	96	2,9

* Figures in parentheses refer to previous quarter † Calculated at R1=$0,32 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure § Includes capital appropriation
◊ Includes retrenchment costs ▲ Including Metallurgical Scheme

GOLD QUARTERLIES (214)

Kiss of life

FM 7/5/93.

Message from the March quarterly results is that fundamentals for SA's gold mines are looking good — but that's not the only reason for soaring gold share prices on the JSE These are being driven primarily by overseas investors believing the long-awaited gold bull market has at last arrived

The All Gold index has roared from 1 200 through 1 500 in the past two weeks and a number of shares, particularly the highly geared marginal producers, have shot ahead of movements in the gold price as investors anticipate better times

However, gold share prices on average are roughly in line with expectations, according to Fergusson Bros analyst Trevor Pearton, who estimates they are discounting a gold price of about R1 120/oz "If you expect the gold price to move to R1 150/oz, which is not unreasonable, some shares look undervalued The worry is there could be a limited pullback because the shares have risen so swiftly"

So far foreign buying has made the running, because SA golds look cheap compared with their Australian and North American counterparts Ed Hern Rudolph analyst Grahame Graham-Parker points out that when the index was at 1 200, the average dividend yield on SA golds of 4,4% compared with 1,2% for Canadian gold and silver shares, and 2,8% for Australian gold shares

After the stringent efforts to improve productivity and break the cost spiral, profits of many SA gold producers are surging the industry held the cost increase to a mere 0,3% R26 293/kg in the March quarter, while distributable profits after tax and capex rose R81m (20%) to R492m This was thanks to the good cost control, as well as a 1,9% rise in average recovery grade to 5,51 g/t and a 20% drop in capex to R401m

That's the stuff to give the troops, but not all the mines are doing so well The jump in share prices of several, including **Doornfontein, Harmony** and **ERPM**, looks suspect given the fundamentals of these mines

Though **Doorns** quintupled from 45c on Jan 2 to 225c last week, the recovery in the gold price has probably come too late to save the mine Gold Fields executive director Alan Munro remains vague on its future but to all appearances it's being closed The No 2 shaft has been closed and the winders sold, recovery grade was boosted by clean-up operations underground and on surface

In the December quarter **Harmony** announced it had been saved by higher gold production from the introduction of seven-day-week mining operations That claim was premature judging by the March quarter results, which reveal management has fallen into an old trap In the drive to fill the mills, costs per ton milled have risen 2,2% while yield is down 5%, and the mine is back in the red The share looks on thin ice at 1 825c compared with 575c in January

cont →

FM 7/5/93 (214)

ERPM, submerged in R482m debt, is again making operating losses while government intends reducing financial aid If the gold price holds up maybe the mine could get back on its feet in about 10 years Yet ERPM's gold bug French shareholders have more than trebled the price to 1 550c this year *C'est la guerre*

One share that had lagged the general rise is that of troubled **H J Joel**, though it started moving this week, reaching 220c from 185c on Friday and 145c on April 22 There is speculation about a merger with neighbouring Beatrix (*Fox*, January 29), but feeling is the share price is simply catching up to the rest of the market Joel chairman Kennedy Maxwell denies any agreement over a merger but says discussions continue between the two mine managements on projects of mutual benefit

Particularly good performances in the March quarter came from **Western Areas, Hartebeestfontein** and **Freegold**, while Gengold's mines generally did very well, with average working costs per kg of gold produced down 0,4% on the December quarter and 3,4% on the March 1992 quarter Gengold has announced plans to spend capital on new projects at **Buffels, Beatrix** and **Kinross.**

The rejuvenated gold price has breathed life back into the mines, many of which stand to reap large benefits, but investors should not forget factors which will limit dividends If gold holds up, management will reduce grade on many mines in line with lower paylimits, while capital expenditure must increase to make up for shortfalls over recent years

In the short term some mines, such as **Loraine**, may also record gold prices below the ruling spot levels because of their hedging programmes Others may want to accumulate cash — like **Randfontein**, which achieved its R90m target in the March quarter, while sister mine **Western Areas** has R33,8m of its R50m target

Still, the resurgent gold price has been a tonic for jaded gold bulls, who will doubtless be refreshed at having different worries over their chosen mines after three years of concern about their survival

Brendan Ryan

Moab link boosts Freddev shares

JONO WATERS

SHARES in Freddev have risen five times in value since February as investors have bought up the stock on the back of strong gold prices and the mining exploration and investment company's 6,8% interest in Anglo's new Moab gold mine.

Freddev shares have soared from the low of 50c in February It closed at 240c on the JSE on Friday

Market sources said at the weekend that JCI-owned Freddev's exposure to Moab, Anglo's R1,7bn gold project, was the main source of the share price's strength given the recent rises in gold shares.

Anglo has been able to offset the cost of the Moab development against the tax base of its neighbouring heavyweight producer, Vaal Reefs The mining house gave the go-ahead to Moab in October last year when rand gold prices were languishing near R30 000/kg but management said the high-grade mine would achieve an acceptable rate of return at prices over R30 000/kg. Rand gold prices have since climbed to more than R36 000/kg

Vaal Reefs has been one of the better performers of the blue chip gold shares in the bull run of the past two weeks The stock hit R265 on Friday from its low of R115 in September last year

A Freddev spokesman said he believed the surge in the shares was largely a result of the $30 increase in gold prices in the past month There was probably expectation in the market that a few more projects would become viable. "We have a number of projects that have potential."

However, he said the share price was valued at more than R10 two years ago and was recovering from its low of 50c

Freddev has mineral rights over a number of areas that include the properties adjoining Vaal Reefs and Freegold's President Brand lease area.

Chairman Vaughan Bray said in September last year the area adjoining the President Brand lease could be turned to account given the right economic climate.

BUSINES

Canadian gold miner sees virtue in hedging

STAR 10/5/93. (214)

By Neil Behrmann

LONDON — Gold mines should continue to hedge their production in the present buoyant market by selling forward, say directors of American Barrick Resources, a Canadian company that has carried out a successful hedging campaign over the past few years.

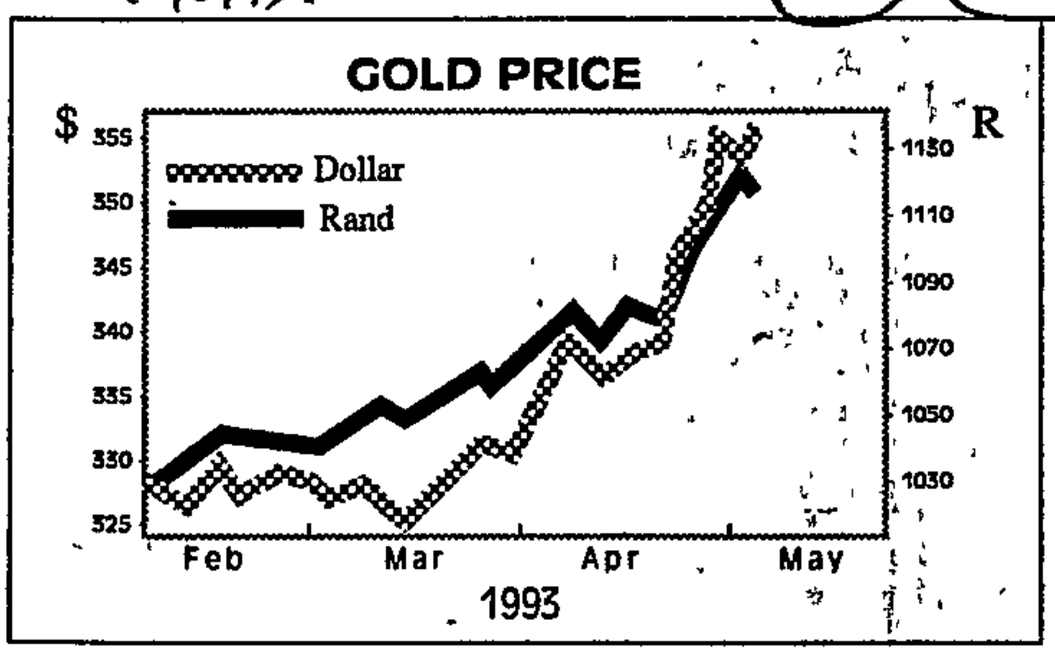
Hedging is a form of insurance. Through various means, mines sell their output at forward prices, locking in certain revenue. When the forward contracts expire, the gold is delivered

When the gold price falls, the mines are guaranteed a certain forward price The lower price of delivered gold is offset by the higher forward price.

When the gold price rises, the mines receive a higher price for the physical gold delivered, which offsets the loss on the forward sales In other words there is a guaranteed price

The technique of forward sales is to sell during market strength and to reduce activity during market weakness The mines must also take a view on the rand

A higher dollar gold price, for example, might be offset by a stronger rand and vice versa. The aim is also to be as flexible as possible.



With the exception of Gold Fields of South Africa, SA mining houses hedge part of their gold production, a policy which, according to bullion dealers, has paid off

The mines have not been caught out by the latest gold rally, they say Gold, after all, is only nine percent higher than its recent seven-year low

American Barrick officials are adamant that hedging pays off over time.

Even if gold were to continue to soar, American Barrick would continue to hedge, or insure its production against price gyrations, company officials say

The company has sold the bulk of its current and future production through "spot deferred contracts".

In terms of these arrangements, future production is sold forward at specified prices and can be delivered at any time within a ten-year period.

Officials deny European dealer claims that the company was forced to cover some forward sale positions during the recent price surge by buying back gold.

"We don't need to tinker with a highly successful company strategy of hedging against price risk," says Randle Oliphant, company treasurer, in charge of the transactions

The mine is forecast to produce 1,5 million ounces this year, against 1,3 million ounces in 1992, he says With gold reserves of 27 million ounces, the company has outstanding forward gold sales of 6,4 million ounces.

These hedge transactions were negotiated at average prices of $410 an ounce. This compares with American Barrick's production costs of $164 an ounce

At present gold prices, for example, the forward premium places gold for three-year delivery at $407.

Barrick's hedging policy has certainly worked. Net income doubled to $46 million in the first quarter of this year on revenue of $144 million.

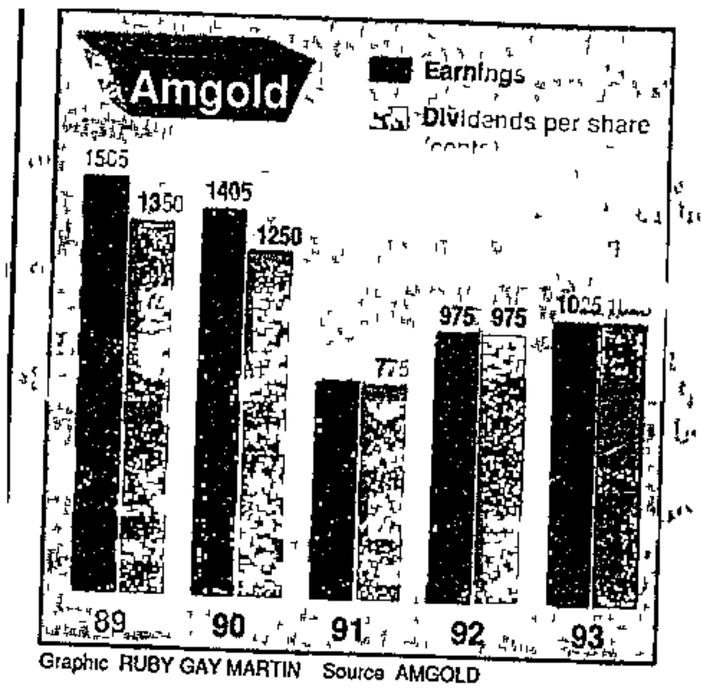
Total net taxed income in calendar 1992 was $175 million, against $144 million in 1991.

George Soros's Quantum Fund wanted to buy a large stake in Barrick, company chairman Peter Munk said at the annual meeting last week.

But there was not a large block available in the Toronto-based company, said Munk.

Soros, who bought a holding in Newmont Mining Corp, had given gold a boost and market sentiment had changed fundamentally, said Munk.

After being bearish for years, Munk said he was much more confident about gold's prospects



Graphic RUBY GAY MARTIN Source AMGOLD

Amgold's total dividend up 5,1%

(214) (223) JONO WATERS B/DAY 11/5/93.

ANGLO American Gold Investment company (Amgold) declared a final unchanged dividend of 500c, resulting in a 5,1% increase in the total dividend of 1 025c for the year ended March 1993

Investment income was 6,1% higher at R233m compared with R220m for the year ended March 1991 but net interest earned fell to R54,3m (R63,1m) Surplus on realisation of investments brought in R15,4m, lifting total income to R303m (R283m)

Prospecting costs rose marginally to R35m (R33,1m), investment and loan provisions increased to R15m (R10m) and educational grants were R5,5m (R4,4m)

Net income amounted to R248m (R236m) or earnings of 1 025c (975c) a share

Amgold's listed market value improved to R5bn (R4,82bn) Net asset value increased to R5,73bn (R5,45bn) or 23 731c (22 585c) a share

Amgold listed its five largest shareholdings in terms of value in its report as Driefontein, Vaal Reefs, Gold Fields of SA, Hartebeestfontein and Ofsil Its five largest shareholdings in terms of issued share capital are Welkom Gold Holdings, Elandsrand gold mine, Buffelsfontein gold mine, St Helena gold mine and the East Rand Gold and Uranium company (Ergo)

The shares closed 50c down on the JSE yesterday at R259,50

Amgold lifts total dividend

Star 11/5/93

Finance Staff (214)

Anglo American Gold (Amgold), the investment holding company of Anglo's gold mines, increased its total dividend for the year to end-March by 5,1 percent to R10,25 (1991/2. 975c) a share.

This follows on an unchanged final dividend declaration of 500c.

The improved dividend payment reflects a 6,1 percent rise in investment income from R219,9 million to R233,4 million as a result of higher dividends paid by Amgold's subsidiaries.

Provision

Interest earned, after administration expenses, declined to R54,3 million (R63,1 million), although there was a R15,4 million surplus on sale of investments during the year.

Prospecting costs increased by R1,9 million to R35 million and provision against investments and loans was increased from R10 million to R15 million

That left net income 5,1 percent higher at R247,6 million (R235,5 million), which was distributed to shareholders.

The directors' valuations of listed and unlisted investments, including loans (at market value), show an increase of 5,4 percent to R5,37 billion (R5,09 billion).

Amgold's net asset value at the end of March rose by 5,1 percent to R5,73 billion (R5,45 billion), equivalent to R237,31 (R225,85) a share

Joel, Beatrix merger 'sensible'

JONO WATERS

A MERGER between JCI's troubled H J Joel gold mine and its Free State neighbour Gengold's Beatrix was logical and sensible, G O'Flaherty & Co analyst Mark Madeyski said BDAY 13/5/93.

Madeyski was commenting on the mines' joint cautionary this week that discussions which could affect the share price were under way

Joel shares have been climbing in recent weeks, fuelled by speculation of a merger The stock closed at 255c on the JSE yesterday

It had climbed from a low of 85c a share in February Analysts said there would be benefits from merging, but this was a long way off

Both Gengold MD Gary Maude and JCI gold division chairman Kennedy Maxwell said recently they were looking at ways of "co-operating".

Madeyski said Joel had massive debt, probably equal to the market capitalisation of the mine, with ~~its~~ R150m loan from JCI (214)

"I don't think we'll ever see a dividend from Joel There are many advantages in running the two mines as one operation," Madeyski said

Mathison & Hollidge analyst Rob Gillan said if the mines were to merge, it would probably be on Beatrix's terms, but there were other problems

Beatrix was a division of Buffelsfontein (Buffels) and would have to separate itself from its parent first Beatrix used Buffels's tax shield for its development work

The market would know the two mines intended to merge when Gengold announced it was cutting the link between Buffels and Beatrix

A merger would see Beatrix issuing additional stock in lieu of Joel shares, Gillan said

GOLD 1993 FM 14/5/93 (214)

Finding cause for comfort

Perhaps the most striking conclusion to be drawn from the authoritative *Gold 1993* report produced by Gold Fields Mineral Services is how resilient the market was last year, when it coped with the largest official gold sales since 1968, as well as record levels of hedging

The official sector, made up of central banks and institutions like the IMF, supplied a net 599 t to the market in 1992 That easily beat the 544 t recorded in 1979 when the US Treasury sales and IMF gold auctions were in full swing

Gross official sales totalled 910 t, the largest seller being the Netherlands central bank, which sold 400 t Purchases by central banks amounted to 311 t, of which 250 t were apparently taken by various Asian central banks, particularly China's Hedging in 1992 resulted in a net accelerated supply to the market of 155 t

New mine production also increased to 1 841 t from 1991's 1 775 t, despite the weakness of the gold price, so that total Western gold supply rose 11,6% to 3 182 t (2 852 t) On the demand side, jewellery demand rose 329 t — 15,4% — to 2 461 t, total fabrication demand was 11% up at 2 859 t

FM 14/5/93 (214)

(2 571 t)

The crucial factor here is the price elasticity of demand for gold jewellery in the booming Asian markets, the worry being that demand might fall if the gold price rises too far

The *Gold 1993* report for the first time takes a stab at estimating global gold supply figures, including the CIS, China and other former communist bloc countries It estimates total supply of gold in 1992 at 3 480 t, compared with 3 094 t in 1991

Key statistic from the global tabulation is the booming gap between demand from fabrication plus bar hoarding, and supply from mine production plus scrap That gap rose from 187 t in 1990 to 725 t in 1992 and is being met by official sales, dishoarding and other means of using gold stocks on surface It again underlines the resilience and strength of the physical gold market

The report, as usual, does not make a specific forecast on the gold price However co-author Kevin Crisp, speaking at this week's presentation in Johannesburg, said "If the correction to the latest surge in the dollar gold price is only a modest one, then the prospects that gold has turned the corner will improve enormously"

He adds that the response of gold producers to the price increase is encouraging, because, so far, they have not reacted with increased gold hedging Greater hedging would indicate the producers felt this was yet another spike in the market, as opposed to the long-awaited turnaround for gold

Brendan Ryan

Gold survives large sales by central banks

S/Times (Buss) 11/5/93

(214)

JCI gold chief Ken Maxwell and I agreed on this it was a much happier Kevin Crisp presenting the Gold Fields Mineral Services annual review this year than in 1992

Mr Crisp presented Gold 1993 in Johannesburg as part of a simultaneous launch in the world's gold centres

It is the 25th year of the survey, and Mr Crisp's first in a time of rising prices. He is one of four senior analysts who compile the report. They, and top consultants, visited 60 countries this year for information

A year ago he said it was tempting to be bullish about the price because many of his audience directly or indirectly relied on gold's fortunes for their own.

Jewels

This week he was able to report a deluge of inquiries from potential investors, anxious to know the findings of the GFMS research

In a nutshell, although net central-bank sales of gold in 1992 at 600 tons were the highest since 1968, worldwide offtake was great enough to cope with them There was only a 5% fall in the average dollar price

Jewellery fabrication accounted for 86% of demand. Most of the growth was from developing Asian countries, but America and Europe held up in spite of recession

The deregulation of gold imports by India led to a near-trebling of bar hoarding, mainly of 10-tola (tt) bars Chinese hoarded 33 tons of gold, with a large increase in the purchases of one-tael bars

China became the world's largest user of gold, buying a good part of the Netherlands central bank's 400-ton sale late last year

James Cross of the SA Reserve Bank's gold department asked Mr Crisp if that sale had been counted in the 1992 sum He said his information was that 100 to 200 tons had been carried over until February 1993.

Mr Cross was assured it had all been counted in the report

Hedging contributed a net 155 tons of accelerated supply last year Although gold-loan repayments doubled, forward selling and options positioning grew sharply.

The three main central-bank sellers were Canada, Belgium and the Netherlands — all self-declared Their combined sales were 700 of the total of 900 tons

Mr Crisp was mildly surprised that mine production grew by 66 tons to 1 841 tons in spite of the lower dollar price. But currency considerations meant only a 2% decline in the average rand price and a 1% lift in Australian dollars.

South Africa's grade improved and America opened seven mines and expanded others Russian sales fell because of production problems

Mr Crisp said that in many developing countries, gold was sought as a hedge against inflation and currency depreciation

Swallow

In the first four months of 1993, gold rose in all currencies save the yen, and sentiment about it had turned more favourable

"The cynics point out that one swallow doesn't make a summer," said Mr Crisp, "especially as gold was at a seven-year low only a few months ago."

However, the price appeared to be recovering from what was increasingly regarded as a cyclical low, a trend which could be determined by the reaction of central banks and the hedging activities of producers If such supply were not overwhelming, the prospect of gold's finally having turned the corner would be much higher

Mining houses wary despite gold's run

B/DAY. 17/5/93 (214)

SENIOR mining executives say they are not sure whether gold will sustain its recent gains and their mining houses are likely to continue hedging by selling gold forward

"We will continue our hedging programme because one doesn't know whether this is a spike or a bull run," says Anglo American gold and uranium division chairman Clem Sunter

By selling their production forward, mining houses lock in at today's prices and protect themselves against any future drop in the gold price

As gold slumped to seven-year lows in 1992 and early 1993, mines increased their forward sales in order to protect the large number of higher-cost mines that have been especially vulnerable to low prices

That in turn helped to keep the gold price low, because mines have had to maintain output at high levels in order to meet their forward commitments

As gold has rallied in recent weeks, hedging becomes less attractive if the mines believe they can wait to achieve still higher prices down the road

"If producers see this as the start of a bull market, they will start to close out their positions," says Stewart Murray, an analyst at Gold Fields Mineral Services

But SA's big producers remain cautious

"We like the trend of the gold price but I think its still very speculative," says Ken Maxwell, head of JCI's gold division

Gold has rallied more than $40 from its seven-year low of $326,55 reached in early March and in rand terms the rise has been even stronger, because of the depreciation of the SA currency

In a report released last week, Gold Fields Mineral Services said forward sales by producers rose sharply last year, mainly as a result of a substantial increase in hedging

Increased hedging resulted in a net accelerated supply of 155 tons to the market in 1992, the report said

Detailed figures for forward sales by SA mines aren't available, and mining executives refuse to comment on the specifics of their hedging activity

But Graham Graham-Parker of brokerage Ed Hern, Rudolph estimates that SA's gold mines sell forward an average of about 25% of the gold produced — or around 5-million ounces annually

Despite the increase in SA activity last year, Gold Fields Mineral Services says SA hedging positions are still below levels in North America and Australia, both in absolute terms and in terms of the percentage of future production hedged

Gold Fields said the hedging activities of gold producers would be one of the major determinants of the gold price during 1993 Producers will only reduce their forward sales if they are convinced that the gold price can be sustained at current levels, the research group said

Some big SA producers say that will take a while longer

"It's going to take several months until we build up enough confidence, says Gary Maude, head of Gencor's gold division "It's going to be a bumpy ride, and there will be corrections, profit taking and the unwinding of forward positions," he said

Producers say they are concerned that the higher

prices could reduce demand for gold jewellery in Asia, a major factor behind the metal's recent strength

Maude suggests that producers could dampen the effect of their forward sales on the gold price if they switched to the options instead of the futures market

Maude says Gencor hedges when the gold price is expected to fall in order to protect its marginal mines But Gencor also sells forward in a bull market to lock in profits for mines where production costs are lower.

"Hedging into a bull market is a tricky affair and I could see producers using options under these conditions," Maude says

However, some analysts say the effect of options can be equally detrimental to the gold price, since a large number of sell positions, or puts, will quickly translate into a price drop in the volatile options market.

"There are a lot of arbitragers in the market, so if mining houses go in and buy a lot of puts, there will be a lot of pressure on puts," said an analyst who asked to remain anonymous

Analysts suggest the producers could increase the length of their hedges, seeing the current gold price as indicative that a floor has been set on the metal

The amount of years a producer sells gold forward depends on the mine's quality and quantity of reserves and the strength of its balance sheet, but the maximum is around 10 years, says Gold Fields Minerals' Murray

Analysts say the rise in the gold price so far isn't likely to prompt SA producers to mine the more marginal areas of existing mines Instead they are likely to increase capital expenditure and open up whole new mines that have a range of high- and low-cost reserves

Producers say they won't move to the more marginal areas — where the amount of gold produced per ton of ore milled is lower — until they are sure the recent gold price rise isn't just a speculative run That could take several months, they say

"Rather than our existing mines moving into marginal areas, we'll look at developing other gold prospects," says Anglo American's Sunter.

Sunter says Anglo will increase capital expenditure at its mines and will look at furthering development at its Moab project, which began last year and has already soaked up R19,2m — AP-DJ

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BDay: 17/5/93 (214)

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Output of gold highest since 1986

Star 18/5/90

By Derek Tommey

Gold production last month reached 1,69 million ounces, Chamber of Mines figures show.

This is believed to be the highest monthly figure since 1986

The value of the output, at the average April price of R1 079, was about R1,82 billion — almost certainly the greatest amount the industry has received in nominal terms in any one month.

But allowance must be made for large forward sales by several mines. This will reduce their estimated earnings if receipts from forward sales are less than the current price

Production by major mines (all chamber members) dropped by 39 094 ounces between March and April to 1,59 million ounces — only fractionally higher than the year-ago figure of 1,53 million ounces.

214

Offset drop

But a 59 964-ounce rise in production by non-member mines more than offset the drop.

In April last year, total gold production was 1,64 million ounces which, at the then-price of R954 an ounce, was worth R1,64 billion — some R180 million less than the industry earned in April this year.

In dollar terms, gold output in April last year was worth about $562 million. In April this year it was worth about $574 million, so the real improvement in the balance of payments was slight.

But with gold now trading at $30 (R95) an ounce more than last month's average price, foreign exchange reserves should soon be getting a boost.

Mining houses fearful of price flash in pan

Star 26/5/90B

(214)

By Derek Tommey

Buyers of gold went wild yesterday and, in the almost complete absence of selling, pushed up the price by $16 at one stage to a 28-month high of $384.

It was later fixed in London at $381,90

The rise brought the price increase in the past 10 weeks to $56 If this price is maintained, the fortunes of the mining industry and SA will greatly improve

Gold shares boomed on the higher price and the JSE gold index closed 213 points higher at 1817, making a strong contribution to the 111-point jump in the overall index to a high of 3984.

The overall index has now risen 925 points, or 22 percent, since the beginning of the year, and the value of shares listed on the JSE has risen R60 billion to R408 billion.

But while the gold mining industry welcomes the higher price, it remains extremely cautious

"We would have to see this price maintained for at least six months before we made any policy changes," Tom Dale, deputy MD of Gengold, which manages 10 major mines, said yesterday.

He said some of Gengold's mines were in "survival" mode and for the present there was no thought of altering their status.

Officials at other mining houses also expressed delight at the higher price, but added they were nervous about the prospects for it continuing at current levels

Bullion dealers said that yesterday's market was notable for the lack of selling.

It appears that gold producers worldwide withdrew from the market in the hope of getting a better price later This did not deter buyers, generally believed to be US investment funds, which jumped in with abandon.

Behind the buying, said dealers, was the compelling need for these funds to perform well

Low interest rates in the US (some savers are getting only 2 percent) has led to an inflow of money into unit trusts in search of a better return.

But the poor outlook for the US economy means that American shares have little attraction and funds have been looking to other investments

When they discovered that the gold market had become tight and that a small purchase could result in a large price increase, they became heavy buyers

This is one of the factors making bullion dealers nervous For any move by the funds to take profits could lead to a sharp drop in the price — especially if it coincided with renewed sales by the producers

Dealers take the view that there must be more prolonged buying at the present price and a greater "depth" of buying — that is other people must acquire gold — before they can relax

However, they see some hope for a sustained increase in the continuing heavy buying by the Chinese.

Also encouraging is the fact that many investors and users still regard gold as cheap at $380

Gold, after all, traded at above $400 for much of 1989 and 1990, so to users the current price would not be regarded as excessive.

So far the higher price has not had much effect on the mining industry.

But it has already put a lot of money in the pockets of investors who are now R60 billion richer as a result of the rise in share prices

A lot of them are also cash rich through trading in gold shares as the gold price rose Turnover on the JSE last week exceeded R1 billion

This indicates large-scale buying, but also large-scale selling as investors took profits and built up their cash holdings

SA's gold output

'well below capacity'

(214) CT 20/5/93

JOHANNESBURG — SA's gold industry is producing well below capacity, but analysts rue out any rapid rise in output in response to the surge in world prices for the metal

A number have yet to be convinced the higher prices are sustainable — yet even if they were, it was unlikely production this year would differ much from the roughly 610 tonnes mined in 1992, analysts said

"I certainly don't expect much change," said David Giese, with stockbroking firm Davis, Borkum Hare and Co

Gary Maude, MD of Gencor's gold division, said he believed the industry was producing at 70%, while his division lagged even that

He said there were no specific price levels which would trigger a decision by mine owners to raise output.

"It would be more a case of producers becoming sufficiently confident that the market was into a genuine bull run," he said

Giese said it could then take months for reviewed mining plans, involving increased capital spending and relocation of equipment and people, to take effect

Moreover, analysts noted, the price surge could encourage the mainly black National Union of Mineworkers to pitch for hefty pay hikes in annual negotiations expected to start soon and last for some months

Francois Viruly, chief economist at the Chamber of Mines Mine Owners' Association, said wages account for more than half of working costs on a mine, and costs would figure in any review of mining plans along with higher gold prices

Giese and others said many mines attempting to take advantage of higher prices would, while raising capital expenditure on development, probably turn to mining lower grade ore

This would prolong the life of the mines, while enabling them to maintain gold output from higher volumes of ore milled

However, an Anglo American spokesman said that instead of its existing mines moving into marginal areas, it might prefer to focus on developing other prospects if the gold price pierced and was able to hold above R40 000 a kg

He cited the R1,7bn Moab project given the go-ahead last year — South Africa's biggest and highest-grade deposit still to be exploited

The rand gold price, which has benefited not only from the recent rise in world prices but also from a gradual depreciation of the local currency against the dollar this year, reached a record R38 850/kg yesterday when converted at the $380 an ounce posted in Europe

But anxieties persist over gold's recent rapid rise, although Viruly echoed the view of many analysts in saying longer term fundamentals favouring gold were now in place

These included a levelling off of new global gold mine supply, strong jewellery and other physical demand and liberalisation of emerging markets which had major potential, such as India and China

Anglo spokesman James Duncan said the speculative demand which had helped boost prices recently appeared to have come from a fairly small speculative community, which could be unable to sustain prices at its latest levels

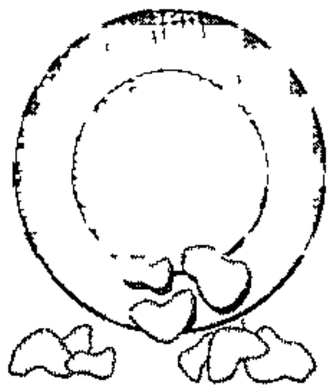
"We still feel that we want to see a broadening of the base of investor interest," he said "As quickly as speculators come to the market, they can leave" — Reuter

GOLD RUSH '93

Surviving the good times

(214) FM 21/5/93.

Complacency would be the most dangerous response



In an unusual turn of events, gold mines are beginning to reap the rewards of careful husbandry over four tough years, just as the gold price has initiated a startling and welcome recovery from years in the doldrums

Significant improvements in mining practices and management philosophies, coupled with substantially improved revenues — if these new price levels are sustained — mean that benefits will flow through to shareholders in the forms of higher dividends to support the already better share prices

However, what has become clear is that the reform process under way at most gold mines still has far to go, with even more radical changes in train, all aimed at ensuring the longer-term viability of the mines If observers are worried about anything it is that a tendency to complacency may develop as a resurgent gold price eases the pressure on profit margins

SA gold mines went from being the world's cheapest producers to the most expensive in the 20 years from 1970 During that time SA's share of annual new gold supply fell from 79% to 35%

Until the late Eighties, the standard approach adopted by management was to concentrate on digging gold out of the ground Marketing was ignored

"Competition was an alien concept to us In the end, we were taken to the cleaners by better businessmen elsewhere who managed to achieve real growth in their gold output at our expense," says a senior industry executive "They were first into gold loans and hedging and they looked after their investors through capital and dividend growth"

The penalty incurred by the industry's lack of foresight was that foreigners deserted SA gold shares in favour of better-managed, more cost-effective operations elsewhere, for which they are prepared to pay premiums that often look unjustified

US mining group American Barrick is a particularly good example Before the latest price surge its market capitalisation at finrand rates was about R29bn which was more than treble the market capitalisation of SA's best mine — Driefontein — which produced 1,9m ounces last year compared with Barrick's 1,2m

True, a host of problems have plagued our mines working costs have been forced up by the increasing depth of operations, the cost of capital soared out of control because of inflation, and wages have increased without any consideration of the vital need for corresponding increases in productivity

Too often, though, those entirely valid reasons have been used as excuses to cover a deeper malaise The fact that management has finally woken up bodes well for the future, but doesn't guarantee the industry won't again become complacent

Until last week's jump above US$360/oz the rise in the rand gold price to above R37 000/kg from a trading range of R30 000-R32 000/kg had come largely through rand weakness — which means the respite is temporary A depreciating currency inevitably causes increasing inflation, which puts pressure on working costs and eats into bottom-line profitability

"Though the anxiety over survival of our marginal shafts has passed, we cannot relax Our target is a zero increase in working costs for the third consecutive year during 1993," says Clem Sunter, chairman of Anglo American's gold & uranium division

Gengold was the first mining group to react decisively to the industry's changed circumstances with a programme of rationalisation, retrenchment, higher pay limits and reduced capex — all techniques designed to keep its mines profitable at reduced real gold prices Producers such as Stilfontein, which still couldn't make the jump to viability after surgery, were closed

Gengold chairman Gary Maude points out the survival strategy was imposed by management in a top-down approach Now, however, the group is busy transferring the decision-making processes to the miners at the face Maude and his team believe that's the way productivity will be increased For added effect, large gold mining complexes are being reduced to more manageable and autonomous "business units" The aim is to improve worker participation, motivation and morale

Says Maude "Traditionally, the SA mines have been run on very militaristic lines Employees were indoctrinated to shut up and obey orders When gold mining was highly profitable you could manage as badly as you liked and get away with it Now we are fighting for our very survival we have to manage correctly, which means focusing on results and not on how people do things"

Given the high risks involved, Gengold first experimented with the new approach on its small, unlisted Barberton gold mine in the eastern Transvaal "The workers held a stope should have five miners The mine did away with supervisors and also with worker 'labels' — nobody, for example, was designated a winch driver They were given a production target and told how they achieved it was up to them If they beat the target they would receive a generous bonus, the only conditions were they had to work safely lawfully and execute one blast a day in their stope," says Maude

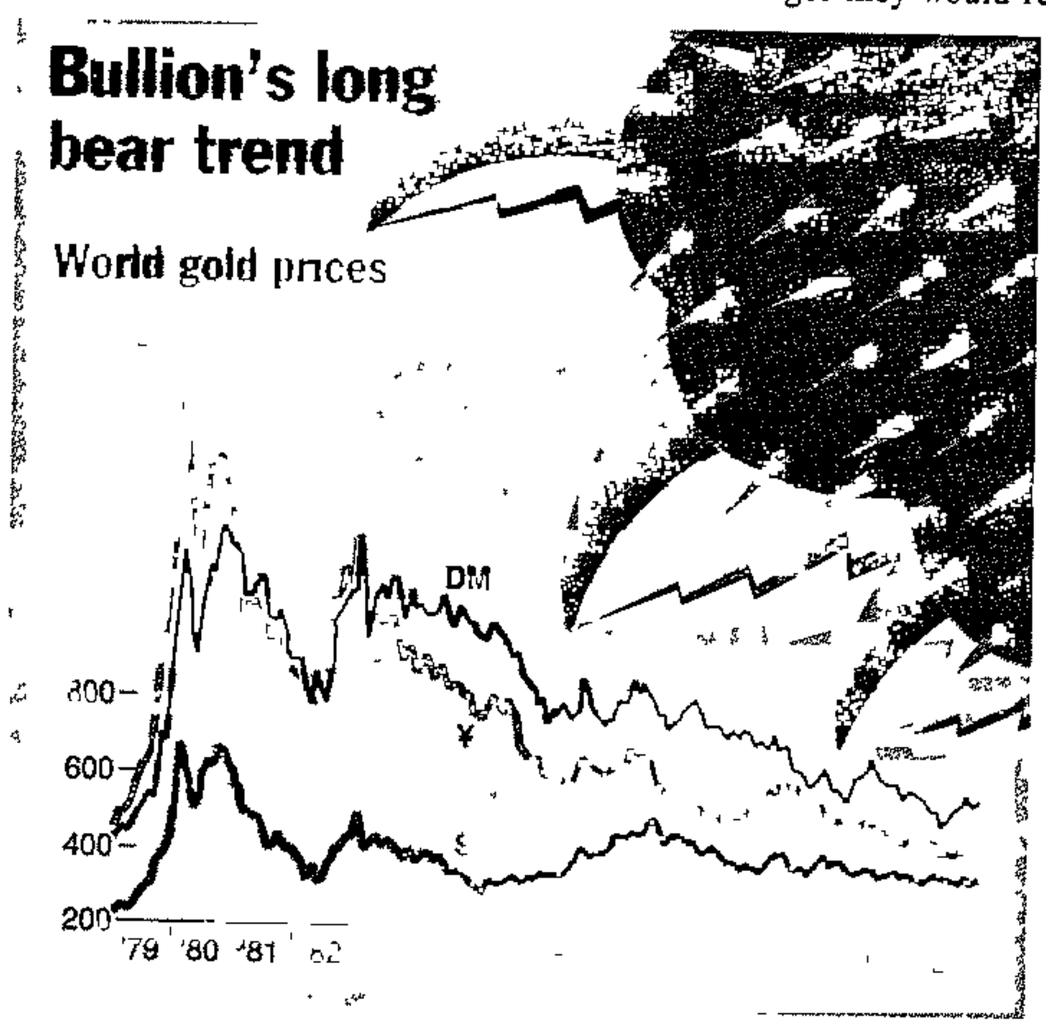
Results were eye-opening Management had sized the labour force to produce 10 000 t/month ore but production rapidly grew to 14 000 t/month

Maude is quick to acknowledge certain special features of Barberton It's a small operation with a homogenous labour force and industrial relations have traditionally been good

"However, there are certain principles we felt could be applied to the rest of our mines

"One is that the average SA gold mine is too big to be run effectively as a management unit, and the industry tradition that only mining engineers can manage mines is wrong Five hundred people is the limit if employees are to feel part of a closely-knit unit in which spirit and morale can be developed

Continued on page 25



Continued from page 22

"Second, good businessmen should run mines The legal requirement is that the person responsible for mining operations must have a mine manager's ticket, but the real boss can be a metallurgist or industrial relations specialist with a mining engineer reporting to him," says Maude

This new approach, tantamount to a sacrilege in the traditions of the industry, is spreading around the group — initially to Buffelsfontein, Unisel and Beatrix Buffels has been broken into four units — three mining units and the surface plants and offices — each under a business manager

"What's really exciting is that I feel we are only just scratching the surface Our people have so much more to contribute, provided we allow decisions to be taken where the action is," says Maude

Having been the first to bite the bullet four years ago on mine rationalisation programmes, Gengold outperformed the other mining houses until they followed suit Last year Gengold's quarterly results were generally poorer than those of competitors like Anglo American

Analysts thought Gengold had run out of solutions, meaning costs would inevitably rise and threaten the continued existence of much of the industry Gengold's December and March quarter results showed otherwise

The lesson learnt the hard way is that it's going to take more than a depreciation of the rand to re-establish boom times for the industry What's needed is a sustained upward movement in the dollar gold price, or a major jump in productivity — preferably both

Sunter says a dollar-driven gold price of between R40 000/kg and R50 000/kg in today's terms — which he must be convinced is sustainable — is needed before he considers new mining projects He agrees with Gengold's management approach, but Anglo is more conservative in implementation The group has reduced the ratio of nonproduction to production staff, but not flattened its overall management structure

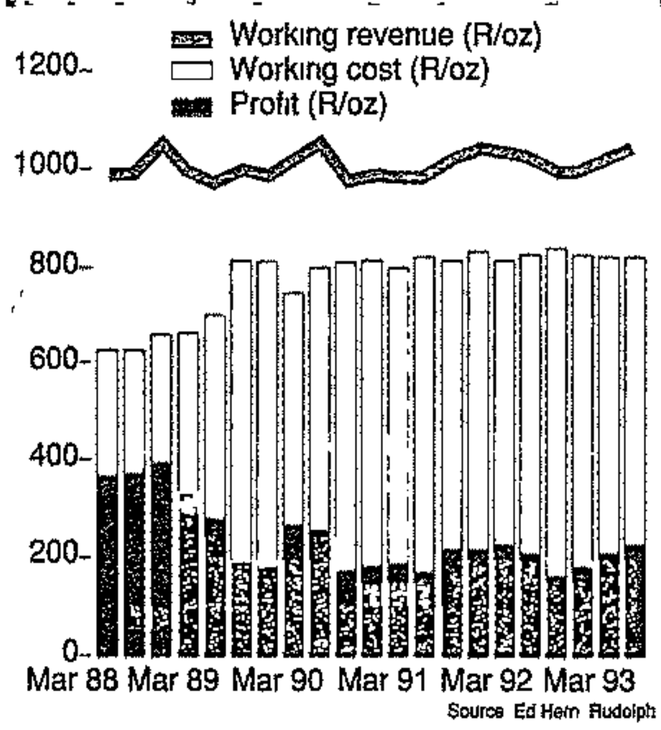
Some analysts reckon that, despite four tough years, the industry still suffers from a "fat cat" syndrome and much more can be done to improve productivity further

"The whole mindset is not as tough and committed to saving money as you find on North American operations Also, the SA mines still go in for too many frills You don't find fancy recreation clubs and sports stadiums being built on North American mines Neither do you find too many plush houses for staff — American miners frequently live in mobile homes," comments Ed Hern Rudolph analyst Grahame Graham-Parker

The critical challenge remains to lower the pay limit through greater productivity and to boost ore reserves, without which the industry's life is being shortened by the need to mine the limited reserves of richer ore Average yield dropped from 5,33 g/t in 1988 to 4,99 g/t in 1989, before rising steadily to 5,37 g/t last year

Improving fundamentals

Gold mine cash-flow trends



That's where the proposals for a seven-day working week instead of the current 11-shift fortnight could be important On the present system the mines lose 27% of potential mining time compared with overseas competitors working a seven-day week

The full working week holds out the possibilities of raising yield, by replacing low-grade surface material with underground ore, and pushing up production through greater underground development and stoping work

Analysts point out that even well-run mines currently lose about 15% of possible production through "lost blasts" — stopes which for a variety of reasons are not blasted every day as they should be A seven-day week could allow better organisation of underground operations to reduce lost blasts

But it's just not that simple, according to Anglo gold division MD Lionel Hewitt He's in favour of the seven-day week, but points out that the benefits will vary from mine to mine and it cannot be assumed they will be attained uniformly

Bitter experience has shown attempts to increase underground production swiftly are fraught with dangers, such as grade dilution in the rush to fill the mills Harmony's poor performance in the March quarter is the latest example

The resurgent bulls piling into gold shares, however, are being motivated more by sentiment than an appraisal of the favourable mine fundamentals The *Gold 93* report by Gold Fields Mineral Services supports this by underlining just how resilient the bullion market was last year despite heavy official sales and hedging

Local and overseas analysts are still arguing whether this really is the long-awaited turn in the gold market The longer the price holds above $350, the greater the probability that it is

Gold mining shares have surged ahead of bullion and reached levels where they look fully valued, despite being viewed through rose-tinted finrand spectacles Smith Newcourt analyst Steve Oke reckons SA gold shares are back into fully priced-to-expensive territory Shares in some marginal producers — Doornfontein, ERPM and Harmony — seem over the top

With the JSE all-gold index now above 1 600, Fergusson Bros analyst Trevor Pearton says gold shares are looking a bit expensive but he feels the downside is limited "It looks more than just a rally in a bear market to me"

So far, the resurgent gold bugs are on a roll It is to be hoped the industry will support them with continuing fundamental improvements in operations *Brendan Ryan*

A LONG TIME AGO

Among subjects discussed in the *FM* in June 1959

☐ The fall in world raw material prices in mid-1957 triggered the current deep recession in SA The *FM* said that coinciding with lower export earnings was an increasingly heavy import bill following the relaxation of import control

This reduced the gold and foreign exchange reserves from £136m in early 1957-1958 to £73m by May 1958 To remedy the position government preferred a credit squeeze to tightening import control or forcefully using the interest rate mechanism Banks' capacity to lend was curtailed by the Reserve Bank increasing the supplementary reserves which had to be deposited with it Curtailment of credit hurt the economy

An *FM* survey revealed high unemployment among all race groups,

☐ Afrikaans-controlled mining finance house Federale Mynbou is coming to the market to list 4m 10s shares, after a public offer of 380 000 shares at 11s a share, underwritten by Federale Volksbeleggings The prospectus reveals net tangible assets of 12s,

☐ The JSE is debating raising the rate of commission (brokerage) but many brokers wish to link this with the granting of rebates to a select list of approved institutions

The *FM* says higher commissions would slightly raise dealing costs to the public and make the Johannesburg market less competitive with other arbitrage markets; and

☐ In a progress report the *FM* discloses that at end-April, after two months, circulation had reached approximately the point hoped for after a full year of publication Average net paid circulation for March-April was 4 128 copies an issue

NIGEL GOLD MINE FM 21/5/93

No pot of gold here

(214)

In the fine print of its latest quarterly results, Witwatersrand Nigel (Wit Nigel) announced the purchase of Droogebult Gold

FM 21/5/93 (214)

Mine from liquidated Nigel Gold Mining Holdings (Nigel) on March 24 Surprised Nigel shareholders cannot believe that Wit Nigel is investigating reopening Droogebult before their company's corpse is cold

And, in particular, they're asking why Droogebult wasn't put on hold pending a recovery in the gold price

Though the recent surge in bullion leads to a temptation to job backwards — always an exact science — Nigel shareholders now believe the company was liquidated prematurely Chairman of Consolidated Mining Corp (CMC), Wit Nigel's holding company, Gerald Rubenstein says the mine was making large losses when it was liquidated in March 1992.'

Nigel stakeholders are also saying Wit Nigel will reap the benefits of the increased gold price while leaving the original shareholders to the never tender mercy of the liquidators Rubenstein says this is not so "Nigel was kept going as long as possible The liquidation was a year ago Remember what the gold price was then," he says "As for benefits, Droogebult will just be an operating mine making small contributions"

But the history of Droogebult doesn't lend itself to this cavalier diminution of the role it's capable of playing In January 1990, when Nigel bought Droogebult from the Vlakfontein Gold Mining Company, 13 000 t were expected to be milled a month — a vast difference from the 8 000 t Rubenstein has announced He says at 8 000 t, the mine will make small profits in contrast to the losses that were being made when 13 000 t were milled

In 1990, Nigel paid R16m — or 32m Nigel shares — for Droogebult Wit Nigel paid R450 000 two months ago — for only the mining title and operations That raises, of course, the matter of how extensively the sale of Droogebult was canvassed The mine was purchased at a widely publicised auction Rubenstein says that, "in due course," shareholders will be advised of what will be done with Droogebult

Droogebult is a fairly new mine with new equipment and infrastructure An angry shareholder says the mine's low gold values will be offset by low working costs encouraged by a shallow ore body which can be exploited by incline shafts That should make it a money spinner, he says.

On the face of it, it seems Wit Nigel has fortuitously acquired a gold mine the potential of which might, in time, prove significant

Kate Rushton

Gold thieves taking R400m from mines

S/Times [Buss] 23/5/93

214

GOLD theft could be costing mines more than R400-million a year, but the complex nature of the recovery and refining process is such that it is impossible to quantify the losses

Mine managements and security divisions fight a constant battle against ingenious thieves who develop innovative ways of tapping the golden flow

A dangerous development has been the incidence of assaults by armed gangs on gold plants at mines such as Western Deep Levels and Vaal Reefs

By BRENDAN RYAN

Anglo American gold division managing director Lionel Hewitt says "It's a big problem Wherever we scratch, we find something going on The people we catch are the tip of the iceberg We don't know how big that iceberg is

"An estimate that we could be losing up to 2% of our gold production through theft would not be unreasonable"

Anglo has made Brigadier Dirk Lamprechts, retired head of the SAP Gold and Diamond Branch, chief of its security section

Anglo mines produce about 250 tons of gold annually and 2% of that — five tons — is worth R180-million

South Africa's gold output last year was 608 tons If up to 2% of that is being stolen, then 12 tons of gold worth about R430-million are being lost

Although management systems in recovery plants can detect loss of gold, they cannot swiftly pinpoint the cause There are three main possible reasons for a drop in gold recovery "lock-up" in plant equipment, such as mills where it is trapped, lower plant efficiencies which result in gold ending on waste dumps, or theft Checking the first two takes time and lock-up is hard to quantify

Mr Hewitt says "Sometimes you get a feeling things are not right On one of our mines we eventually changed an entire shift on the gold plant Gold recoveries improved immediately"

The most difficult thefts to detect are those which siphon off a steady amount of gold because no variances show up in the production statistics to alert management

Examples uncovered include a plastic hose taking carbon loaded with gold out of a carbon-in-pulp (CIP) plant and a T-piece containing mercury added to piping transferring crushed ore Mercury traps free gold from the ore in a process known as amalgamation and are still used by several small mines

Uncovering those tricks took weeks of effort It was impossible to discover how long the thefts had been going on

LIONEL HEWITT. We don't even know size of the iceberg

A security consultant says "Who pays attention to another pipe or hose among the plethora found in every gold plant?"

Another feature of thefts is that they result from collusion between mine security personnel and plant workers

Although the loss of gold is serious for large mines, it can be life threatening for smaller operations which do not have sufficient financial resources to deal with the problem

Greedy

Tiny East Rand producer Primrose reported the theft of between 10kg and 15kg of gold in the March quarter

Chairman Simon Malone says "They took about 2kg a month for the first two months, then they got greedy and lifted about 10kg in one month"

Ten kilograms of gold is worth about R360 000 and Primrose's net income for the December quarter was only R470 000

Stefan Hayden, managing director of Eersteling mine near Pietersburg, says the penalties for dealing in unwrought gold are too lenient He would like them raised from the maximum fine of R50 000 to the R250 000 that can be imposed for illicit diamond dealing

"The fines are trivial compared with the profits made in gold dealings The criminals view the penalties as merely another normal business expense"

Mr Hayden estimates that Eersteling is losing hundreds of thousands of rands annually He expects the figure to rise as the mine increases production and has to hire more workers

He says the losers are not only the shareholders but the Government through lower tax receipts and the economies of Pietersburg and Potgietersrust.

Once stolen, the gold is usually crudely refined in backyard smelters and smuggled out of the country A security consultant says it is possible to retort amalgam, which contains 40% gold and 60% mercury, on a kitchen stove The process drives off the mercury and leaves 80% pure sponge gold

It is, however, dangerous and the refiner could die of mercury poisoning

Wage talks on mines start

Sowetan 25/5/93

■ Chamber opens negotiations with four percent offer:

THE Chamber of Mines opened this year's wage negotiations with the National Union of Mineworkers yesterday with a four percent offer for gold and coal miners

NUM demands a 20 percent increase on gold mines and a basic wage of between R900 and R1 000 for coal miners

The union has apparently decided to press for an industry-wide agreement and rejected attempts by the chamber to continue negotiating individual agreements on certain mines

According to a source close to the talks, yesterday's three-and-a-half-hour round ended with the chamber having to go back to the Randgold, Gengold and Anglo-Vaal groups to secure wage mandates from 10 mines which had not made offers available to the chamber negotiating team

The union presented its demands a month ago.

A union source said NUM was certain the chamber would be seeking, as it did last year, a "single-digit settlement"

This, the spokesman said, would be unacceptable

St Helena to step up gold production

WELKOM — Gengold's St Helena gold mine plans to increase gold production by 55kg a month to 520kg a month by vacuuming gold underground (214)

The Transvac process, unique to St Helena, is currently allowing the mine to recover 65kg a month St Helena wants to increase its Transvac recovery to 120kg a month by the end of 1993.

To achieve this, St Helena is counting on government granting its request to extend its working week to seven days

St Helena says it plans to reduce costs to R22 000/kg from the current R29 000/kg by increasing the amount of gold produced per ton milled and by streamlining its management structure to improve productivity B/DAY 26/5/93.

However, St Helena geologist Gary Chapman says the mine has already cut its costs to the bone, and is relying heavily on the Transvac system to increase the amount of gold it produces.

"We can't rationalise any more unless we close shafts," Chapman says

St Helena has reduced its workforce to 3 000 from about 12 000 in 1989. — AP-DJ

W&A boss promises return to profitability

B/DAY 26/5/93

MARCIA KLEIN

THE W & A group would return to profitability and dividend payment in 1993 on its strengthened balance sheet and association with Trencor, executive chairman Jeff Liebesman said in the annual review

Earlier this year the group announced an attributable loss of R11,5m (profit of R129m) for the year to end-December. It also announced a R650m rights offer, which would result in Trencor gaining joint control of the group.

Liebesman said the R650m raised and the Trencor deal had been appealing as the process of selling non-core interests "and applying the funds to group debt had proved a long, slow one"

The group received an immediate cash injection of about R650m and a partner, Liebesman said Now degearing and focusing would proceed from a financially secure base and at a steady pace Gearing after the rights issue was 44% from 139,6% at year-end

He said the principle of acquiring underperforming assets and turning them into good businesses remained a sound philosophy But as the group had started with no equity, it had to borrow to acquire and had needed quick returns on its investments

High interest rates and the severe recession had placed strain on the group, and the debt burden was an obstacle to growth In an attempt to degear the group and improve its focus, W & A began to dispose of non-core interests, but progress was slow

Liebesman said financial results to end-December were poor, but it was a good year for getting the group into shape

UK-based AAF, the tyre division of Gentyre, The Fabric Library, Form-Scaff/SGB, the housewares division and JD group had perfomed well.

The consumer distribution division's contribution to W & A had declined, and National Bolts had turned in a loss

The motor dealership business had returned to profitability, and the automotive replacement parts investments had been incorporated into a new listed company Varex Corporation

The offshore scaffolding, shoring and formwork operations were expanded through a R116,8m acquisition, and AAF had made a number of acquisitions FSI Holdings was listed on the Zimbabwe Stock Exchange The group sold its interest in Noristan and, since year-end, had sold Sembel-It for R18m

Liebesman said the operating environment was unlikely to improve in the short term, but the group was confident about the future Core businesses had the resources to withstand and even prosper in arduous circumstances, and the balance sheet had been strengthened

NEI Africa merges two divisions

B/DAY 26/5/93.

ANDY DUFFY

ENGINEERING group NEI Africa has combined two of its 10 divisions in an effort to weather depressed market conditions

The UK-owned group, which in the year to December suffered attributable losses of R18,1m, merged its troubled Ical division into boiler manufacturer John Thompson Africa

The R120m-a-year company would be headed by JTA MD Garth van Nierop

Ical MD Terry McGowan would leave, and further staff losses were expected as NEI salvaged Ical's profitable business

NEI MD and CE Laurence Hyslop said closures and retrenchments would be decided by the division's management soon

The combined operation would be profitable by the year end

The merger was in line with plans outlined by NEI earlier this year to restructure after a deterioration in its performance

Ical, which at one time accounted for more than half NEI's turnover, had seen orders for utility boilers dry up

NEI planned to sell two other divisions However, Hyslop said there had been no movement on these proposals since the company reported its results in March

Once again I

Dividends unchanged

Star 27/5/93

Anglovaal's three gold mines have declared largely unchanged dividends for the year to June.

Hartebeestfontein increased its final dividend to 65c (45c) a share, leaving the total for the year uncharged at 95c. (214)

The total dividend at Village has been maintained at 20c, but ET Consolidated has reduced the total from 14c to 12c.

The final dividend declaration at Zandpan has been adjusted to meet the requirements of the Secondary Tax on Companies — Finance Staff.

Hartebeestfontein recovers lost ground

(214) ANDY DUFFY

HIGHER gold prices and improved production allowed Anglovaal's Hartebeestfontein mine to pay a second half dividend of 65c, 44% up on the same period last year

Though the final dividend of 95c was unchanged, the later payout enabled Harties to recover ground lost at the half-year stage when it sliced its interim dividend from 50c to 30c

Anglovaal's Eastern Transvaal Consolidated mine also limited the damage of a cut in the interim dividend, its second half payout of 7c bringing the full dividend to 12c (14c) B/DAY 27/5/93

Anglovaal said it had adjusted the timing of the dividend for gold share investment company Zandpan to meet STC requirements, ensuring STC did not result in a reduced dividend for shareholders.

Survey predicts cut in Bank rate

B/DAY 27/5/93

TIM MARSLAND

THE odds favour a one percentage point cut in Bank rate by October, according to economists polled by SPL Treasury Services.

SPL said this should see the home loan rate dropping the same amount to 15% between July and October. Its worse case scenario was for the rate to remain unchanged, while its best case showed the rate coming down in June and continuing to fall to 14% by April next year.

However, while the sharp drop in home loan rates over the past 15 months seemed to be over, two more cuts in rates in the next 12 months were possible

SPL said the overall downward trend in interest rates remained intact, although further movements in rates would be relatively small.

The uncertainty in the country was reflected by the big difference between the expected, high and low forecasts.

Longer-dated capital market rates were unlikely to decline much in the next 12 months Any closing of the gap between long- and short-dated interest rates would be due to short-dated rates rising to meet the longer rates, which would remain flat.

Graphic RUBY-GAY MARTIN Source

Forecasts are gathered from a panel of economists and the figures are fed into SPL's interest rate forecasting system.

Economists who took part in the survey were Louis Fourie (Boland Bank), Nick Barnardt (AHI), Ulrich Joubert (Transnet), Adam Jacobs (Absa), Dennis Dykes (UAL), Wikus Marais (Johan Marais Brokers), Eddie Lindeque (Eskom) and Rudolf Gouws (Rand Merchant Bank).

Mine safety 'compromised'

EDWARD WEST

SUPPLIERS of raw materials for specialised cement for the mining industry claim that imported cement from China is compromising mine safety

Since the beginning of the year mining houses have been using calcium sulphonate alumina cement imported from China by Fosrock, which had established a joint venture with the Chinese for the export of the cement, said Fosrock chairman Anthony James

This specialised cement maintains its strength in the humid conditions undergound

Fondarge MD Cecil Seymor, one of the suppliers of the specialised cement, said no long-term tests were conducted on the properties of the cement because of its recent introduction But he claimed initial tests had indicated the cement induced corrosion in structures.

Another competitor who did not wish to be named claimed the sulphur content in the cement reacted with water and rusted steel This had dire consequences for underground mining which used the cement for rockbolt grouting to prevent rocks from collapsing

James denied the cement compromised mine safety and said he was considering legal action against companies making such claims.

B/DAY 27/5/93

St Helena mine 'cautious' about gold price rise

(214)

B/DAY 27/5/93

WELKOM — Marginal St Helena Gold Mines said it needed sustained gold earnings of about R40 000/kg for at least six months to feel benefits

"We're very cautious about the gold price and its current volatility," Gencor consulting mine engineer Peter Robinson told mine analysts.

The mine received R33 100/kg for April which includes undisclosed revenue from long-term forward sales positions Current spot earnings would be about R39 000/kg

St Helena is currently mining only its richest ore areas after massive down-scaling since 1989

"We're at a point now where we can't rationalise more unless we close shafts," acting mine manager Jaap Storm said.

The workforce was reduced to 3 000 from 12 000 three years ago

Robinson said sustained higher gold earnings of about R40 000/kg would allow the mine to re-enter the bulk of its ore reserves This would not entail much capital expenditure

Last October the mine turned its full focus on A-grade sections, such as the pillars in the worked-out areas of No 10 shaft which still have spectacular grades of 50 to 100g/ton

St Helena also began using transvac suction units to recover gold dust that was washed into cracks in the carbonaceous rock of the No 10 shaft area — the first SA gold mine to use them in full production

Officials said the contribution by the giant vacuum cleaners had significantly reduced losses.

Robinson said the mine aimed to cut current costs of R29 000/kg to R22 000 by using transvac units, and by cross-training workers for a variety of jobs to improve productivity

St Helena was still operating well below capacity, with 68 000 tons a month being mined from its peak of 240 000 tons 10 years ago

However, current gold production of 380kg a month was expected to rise to 520kg even if B-grade areas were not re-opened, he said

The mine has applied for government permission to work seven days a week. — Reuter.

Gold's rise won't affect wage talks

214

W/Mail 28/5-3/6/93

By FERIAL HAFFAJEE

THE rocketing gold price will not change the National Union of Mineworkers' (NUM) bargaining strategy.

But it will strengthen the union's hand and help it push for a bigger wage increase, says NUM assistant general secretary Marcel Golding. "Gold mines are still in serious trouble," he said, adding that the metal's price needed to show a "long and sustained increase".

Industry negotiations between mining unions and the Chamber of Mines got under way this week. They cover 400 000 workers, half of whom belong to the NUM.

Golding said: "The higher gold price puts us in a better position." The NUM is looking for a double-digit, inflation-busting increase this year. The union will seek to augment the profit-sharing agreements it has with a number of mining houses.

In addition, it has also tabled a number of innovative non-wage demands. Broadly, the NUM is seeking a R900 minimum wage for surface workers and R1 000 a month for underground miners and for basic increases ranging between 20 and 25 percent.

Workers should get an annual service increase — a minimum of 0,5 percent — plus full holiday pay. The NUM is pushing for employers to bump up pension contributions to 11,75 percent of the monthly wage to bring its members into line with pension contributions made to white miners.

A spate of mining accidents in the past fortnight in which more than 60 workers have been killed will fuel the union's demand for permanent health insurance.

This will provide a life-long pension — equal to the miners' wage at the time of the accidents and adjusted for inflation — to indigent miners. The pension should be transferable to miners' widows.

The union is also demanding that employers pick up the full tab for assurance and benefit schemes. These demands are part of the NUM's proposed safety net for indigent and retrenched workers.

Also part of this theme is the union's call for an increase in the Income Security Agreement from six to 12 months.

It also provides that workers not be demoted by more than two grades in the interests of job flexibility. "This is to avoid all injured workers becoming just cleaners," said the NUM this week. Five percent of a mine's workforce should be disabled workers who have been injured on the job.

In one of the most recession-tainted demands, the union asks that any downscaling or change in a mine's activities (such as the introduction of Sunday work) be negotiated and a "social plan" be drawn up.

Such a plan would encompass a reasonable notice period, fair procedures for selecting workers for retrenchment and two weeks' severance pay for every year of service.

Workers should also receive retrenchment counselling which would include exploring other employment opportunities.

Training demands cover calls for an industry-wide demand for workplace based literacy and numeracy schemes. The union also wants officials to be given five days' paid leave for union training courses and 15 days' training time for shaft-stewards.

The chamber has tabled a wage offer of four percent on gold and coal mines. Negotiations ran into an early storm this week when the chamber noted its intention to respond to only some of the union's demands.

These are adult basic education, the social plan proposals and service increments. The parties have also set up a working group on health and safety.

The union's demand for an agency shop — a type of closed shop — will generate sharp debate.

A kerfuffle was narrowly averted when nine mines announced their attention to hold their negotiations outside of the chamber, but were persuaded by the NUM to use the central negotiating forum.

"As times get hard, each mine wants to cut its own deal. This is not acceptable to the NUM which aims to preserve and protect hard-won standards across the industry," said the union.

FM 28/5/93. (214)

from P25

Australia, Canada, Chile, Colombia, Ghana, Indonesia and SA However, Billiton's profitability is linked significantly to the commodity cycles — last year its net income was a miserable $12m, eloquent testimony to the severe recession in base metals and minerals

Spicer

Of considerable interest to observers is how Gencor will finance a deal of this kind, prohibited as it is from the use of the financial rand It's possible, of course, that the group may have found a willing overseas partner ready to supply the cash, while Gencor brings to the party its considerable management expertise and technical competence However, there's considerable scepticism in the marketplace about Gencor's ability to pull off a deal of this kind, apparently without ready access to overseas cash resources Gilbertson himself says he doesn't rate the chances of success as much better than 50.50

JCI, according to Nick Segal, group consultant for strategy and public affairs, has a "modest" presence in Ghana and Zambia and is watching developments in a number of other selected African countries The group has had a general look around South America but Segal says JCI will not be pursuing anything there for the time being

Anglo is just about everywhere, to the point where its various operations almost overlap Anglo American Corp of South America (Amsa) operates in Brazil, Chile and Argentina In Brazil, Amsa associate Mineracao Morro Velho runs mines which produced 12 t of gold in 1991 while, in Chile, Amsa's Mantos Blancos mine produces about 78 000 t of copper annually

Anglo's New Mining Business division covers Africa from Johannesburg, Australasia is covered through joint ventures with Normandy/Poseidon — and then, of course, there is Minorco

As Anglo's principal overseas arm, Minorco is primarily concerned with Europe and the Americas But the group made an unsuccessful play for a big part in the Australian Olympic Dam project last year

There remains the tricky issue of how any overseas developments would be financed, particularly given the restrictions placed last year on the use of the finrand SA is in a forex squeeze and the authorities seem unconvinced of the need for the mining groups to expand overseas

The really important criterion for permission to use the finrand is that such investments must bring immediate benefits to SA Unfortunately, that is rarely the case with long-range mining projects

"We should be free, like international mining groups such as RTZ, to go where the best opportunities are We have not been able to do this until now because of political and financial constraints and have some catching up to do," says Spicer

But none of the groups believes that finding money will be a problem, because funds should be forthcoming from multilateral agencies such as the World Bank's International Finance Corporation, which is keen to promote suitable mining developments in Third-World countries

According to Segal "The IFC is typically prepared to provide as much as 60% of the cost of a good quality project, through loans and also to help syndicate any equity funding involved

"They will accept the project itself as the only collateral required on the loans These are attractive terms for an SA company because they do not require guarantees through the finrand system"

Says Spicer "The IFC and other agencies see the SA mining groups as agents for development in the rest of Africa They are keen for us to get involved and their support is a major factor in our plans"

Our mining houses appear just as keen in return — clearly, with good reason

Brendan Ryan

FM 28/5/93.

Wherever growth can be found

214

Labour costs and exhausted deposits are spurring expansion abroad

A great conundrum for SA is that it is a country that has lost sympathy with the powerhouse of its economy. It has been built largely on the foundations of a secure mining and natural resource industry — but this industry holds diminishing attractions for the country's mining houses.

On the face of it, this may not seem a major problem — after all, decisions taken last year will result in nearly R12bn being ploughed into three huge new projects — Alusaf, Columbus and Namakwa Sands. But the truth is that SA's world-renowned mining houses are stepping up their search for new projects outside SA's borders.

The houses have adopted this policy because it is becoming increasingly difficult to find projects in SA. This means, in turn, that the economic growth SA so desperately needs from new mining developments will instead be conferred on West African countries such as Ghana, or any one of a number of nations in South and Central America, as well as along the Pacific Rim.

That's where Gold Fields, Anglo American, JCI and Gencor are increasingly focusing their exploration efforts. Anglovaal, so far, has restricted its exploration work outside SA to Namibia — but it is involved in international exploration through offshore associate Anglo Pacific Resources Plc.

Gold Fields appears the closest to announcing a new overseas mine. The house's long-

P.T.O.

More miners die in fighting

ERICA JANKOWITZ

FOUR more miners have died after fighting at Hartebeestfontein mine on Tuesday night, bringing the death toll to 11

Nine of the more than 100 workers injured were still in hospital, according to reports B/DAY 28/5/93.

An Anglovaal spokesman was unable to confirm these reports or a police statement that the fighting involved Shangaan and Xhosa workers

He said mine management and employee representatives remained locked in discussions "attempting to get to the bottom of the problem". The cause of the fighting was unknown, he said

However, as far as he could ascertain, production was continuing as normal

Meanwhile, the situation at Gengold's Beatrix gold mine, where 15 workers had died in four incidents of fighting, was peaceful, a Gengold spokesman said

It appeared that peace had been restored and the situation normalised, he said No decision had been made concerning recruitment or re-employment

NUM assistant general secretary Marcel Golding said conflict on the mines was directly related to the migrant labour system and miners' repressive working and living environments

He said most mines housed workers according to ethnic origin, entrenching language divisions. Small differences could precipitate conflict which, when escalated, would be galvanised along language lines

Golding said this was exacerbated by management's lack of sensitvity in dealing with the issue of violence A code of conduct, such as that negotiated between the union and Anglo American, would go some way towards defusing the situation

The national peace secretariat had proposed that all parties meet as soon as possible to discuss the parameters of free political activity on mines, as political parties were recruiting members in hostels This could add to the volatility of the situation, Golding said

Gold cushions blows to Anglo's other interests

Buss. day 11/6/93

(214)

MATTHEW CURTIN

ANGLO American would declare an unchanged total 345c dividend today, after a year in which improved receipts from its gold and financial interests would have cushioned the blows to its diamond and platinum businesses, analysts forecast at the weekend

Anglo turned in attributable earnings of 724c and equity accounted earnings of 1 124c a share in the 1991/92 financial year, when results were significantly boosted by an increased R222m investment surplus

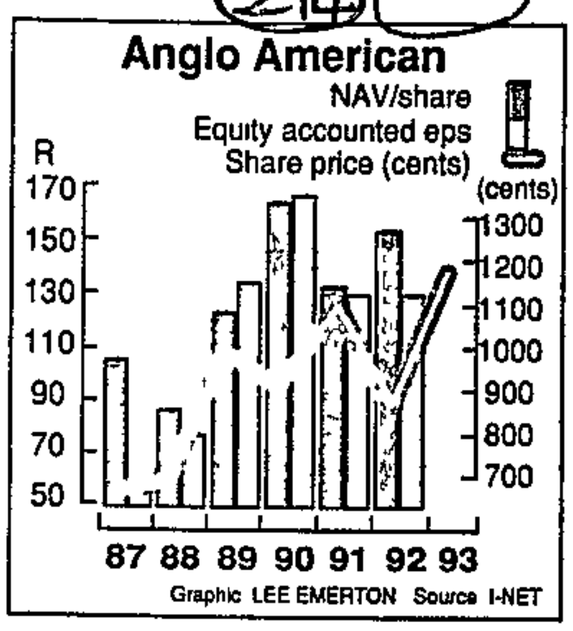
However, chairman Julian Ogilvie Thompson warned in December Anglo's performance would deteriorate further in the second half, after the release of interim results showing an 11% drop in attributable earnings to 251c and a flat 90c interim payout.

Analysts expected no surprises from the preliminary results, though news might emerge of progress on the Gamsberg zinc mining project with Gold Fields and Anglo's possible return to the Copperbelt with the planned privatisation of Zambian state mining company ZCCM The corporation has already dismissed any prospect of unbundling

Fergusson Brothers analyst William Bowler said Anglo would emerge from 1992/93 in a powerful position to take advantage of improvements in the domestic and world economies

He forecast a 12% decline in attributable earnings to 624c and an unchanged final dividend

The only shadow hanging over the group was the "big challenge" facing



De Beers in reviving growth in diamond jewellery consumption worldwide The diamond cartel was likely to start a "large promotional drive" to sustain diamond demand in its major markets and spur consumption in new ones

Anglo has a direct 6,7% stake in De Beers and an indirect one through its 52% holding in diamond investment group Anamint, which in turn has a 25,8% interest in De Beers De Beers has holdings in Anglo and Anamint.

Bowler said Anglo's new Columbus stainless steel expansion project, a joint venture with Gencor and the IDC, had the best prospects of producing rapid growth

Simpson McKie analyst Rodney Yaldwyn, forecasting a 16% drop in equity accounting earnings to 943c, said that although Anglo had more new projects "on its plate than normal", they were small in comparison with the group's size.

He noted the only new greenfields project under way was the R1,1bn Namakwa Sands venture in the Western Cape. The R1,7bn Moab gold mine could be seen as replacement tonnage for neighbouring Vaal Reefs Anglo's market value currently stood at R32bn

Edey Rogers analyst Keith Bright, predicting a 11% fall in equity accounted earnings to 1 004c, said that the significance of Namakwa Sands, Columbus and Moab would be dwarfed by the cost of developing a Vaal Reefs gold mining complex or metals group Highveld Steel and Vanadium at today's prices

However, Anglo did remain financially powerful at its centre, contrasting with Gencor's ambitious expansion of recent years, its weak earnings growth and reduced dividend cover Bright added Anglo might consider a small token dividend increase.

Mathison & Hollidge analyst Barry Sergeant, forcasting attributable earnings of 651c and equity accounted earnings of 955c, said the unknown quantities in the past year's results would be income earning in the continued tidying up of Anglo's investment portfolio and the contribution from its unlisted offshore interests

Anglo subsidiaries contributing to its attributable earnings include Amgold, which declared higher dividends in the past year, Anamint, Amcoal, copper producer Palamin and ferro-alloys group Samancor

Its major associate companies, whose contributions are equity accounted, include JCI, offshore resources arm Minorco, De Beers, Rustenburg Platinum, industrial holding company Amic, South American Investments, First National Bank and Southern Life

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

on incident basis

DIAGONAL STREET

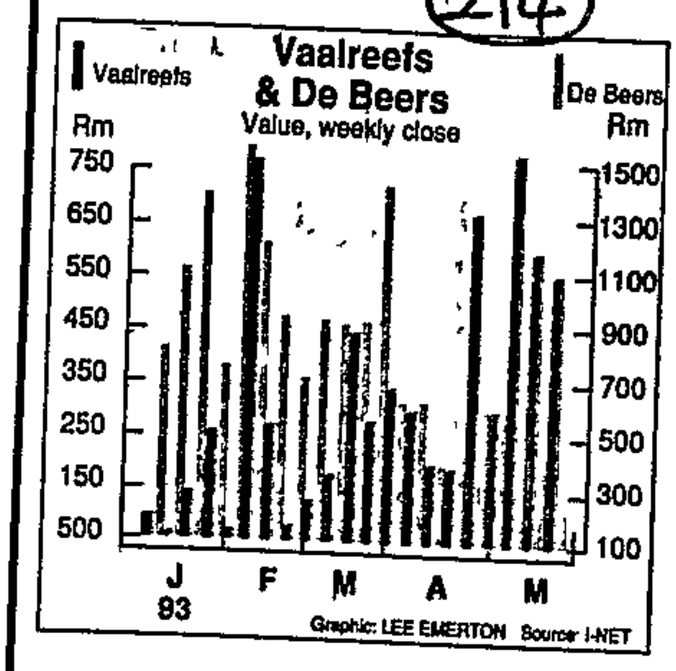
Stampede into gold demotes busiest shares

DE BEERS' position as the most actively traded share in value terms on the JSE has been challenged by the stampede into gold shares over the past few months. Buss. day

De Beers is still way ahead in turnover over the past year with 47,5-million shares worth R3,1bn changing hands in 22 600 deals. The price overall fell sharply, but ended R10 down on the year at just above R80.

It is followed by Richemont with a trade of 35-million shares worth nearly R1,3bn in 13 600 deals — the price has risen by almost R5 to R42,50 — and Anglos, which has seen trade of 11,5-million shares worth R1,2bn in 12 000 deals. The price has risen R17,50 to R139.

But all three shares have recently been overtaken by golds with De Beers falling back into fourth place in trade over the past month with 2,7-million shares worth R224m changing hands. (214)



Top of the pops is Dries with 6,5-million shares worth R325m changing hands in 2 450 deals over the past month. Vaal Reefs is second with 920 000 shares worth R278m changing hands in 1 400 deals followed by Kloof with 4,8-million shares worth R240m traded in 2 450 deals.

The gap has narrowed even more over the past week with Vaal Reefs' high price of R335 pushing it into top spot with shares worth R75m changing hands followed by Dries with a trade of R64m and the price rising to R61,50.

De Beers slipped back behind several other gold shares into seventh place with shares worth R36m changing hands.

Much of the heavy trade in De Beers several months ago came on the sell-off on news of a dividend cut and the subsequent recovery of the shares.

Steel group Iscor is still streets ahead in the volume stakes on a yearly basis with 230-million shares changing hands But the gap has narrowed over the past month as lightweight gold and platinum shares have come to the fore.

Knights, the most popular gold share in volume terms, with a turnover of more than 23-million shares over the past month, is now hot on the heels of Iscor, which has seen 26,7-million shares change hands during this period.

The huge trade in gold shares has come on renewed foreign interest following the surge in the gold price, which is testing two-and-a-half year highs above $380.

Stockbrokerage Martin & Co's coup in teaming up with UK merchant bank Robert Fleming could strengthen its position as a global player in SA equities, and broaden its product base.

Martin's ability to plug into Fleming's global network, which includes its association with Jardine Fleming in Hong Kong and other Far Eastern countries, will further enhance its international reach.

This will place the firm in a strong position when foreign demand for SA equities opens up once a transitional executive council is in place. The demand will be fuelled by international fund managers measuring their performance against the world equities index.

The increased level of foreign interest in gold shares has seen a net inflow of close on R2bn on to the JSE this year. But this figure is a big underestimate of offshore trade in SA shares Much of the trade in gold shares has been between non-residents and does not go through the JSE. It is therefore not included in the statistics on daily and weekly turnover.

MERVYN HARRIS

Firestone pins hopes on new Firehawk range

Buss. day 16/93

TRACY SCHNEIDER

IT WAS hoped the launch of Firestone SA's new high performance tyre range would give the company "a new lease on life after a difficult two-year period", MD Gavin Hardy said at the weekend.

Hardy said the Firehawk range would replace the previously unsuccessful high performance tyre range, drawing on technology from Firestone's new international owner, Bridgestone Japan

Firestone SA — now in the Murray & Roberts Engineering fold after being bought from Federale Volksbeleggings, had invested more than R100m in technology and expansion for the Brits plant over the past three years "This has resulted in the development of a tyre offering both performance and longevity," said Hardy

Marginal mines give small investors some rich pickings

Star 1/6/93

(214)

By Derek Tommey

Since the beginning of the year the value of JSE-listed gold shares has risen by R35 billion.

Brokers say small investors have had a fair share of the gains

"They have not been as big as they were in 1987, probably because they do not have the money," a broker said. "But there is no doubt that small investors have been riding on the gold boom.

"You just have to look at the performance of the marginal mines to see this," he added.

There is a view that those with lots of cash to invest do not buy the highly volatile shares of marginal mines.

They can afford to be choosy and do not have to take the risks which arise from investing in such shares.

Moreover, because the size of their investment is large, they are content with small capital gains, which can translate into fairly large cash gains.

On the other hand, the small investor has only a limited amount of money to put into the market and therefore goes for the more risky and volatile shares in the hopes of making a killing.

Happily, some small investors have done just that.

"Top of the pops" for the small player has been Doornfontein The shares of this marginal mine have risen 1 200 percent this year from 45c to 590c.

Investors have tended to ignore the fact that its chairman said just seven weeks ago that the mine's future was on a knife edge.

The second most popular share has been Lindum Reefs, whose shares have risen 850 percent from 20c to 190c

Third is Loraine, whose shares have risen 750 percent from 100c to 850c

Other shares to attract have been Western Areas (629 percent capital appreciation, Gazgold (450 percent) Durban Deep (394 percent) and Wit Nigel and Sub Nigel (350 percent)

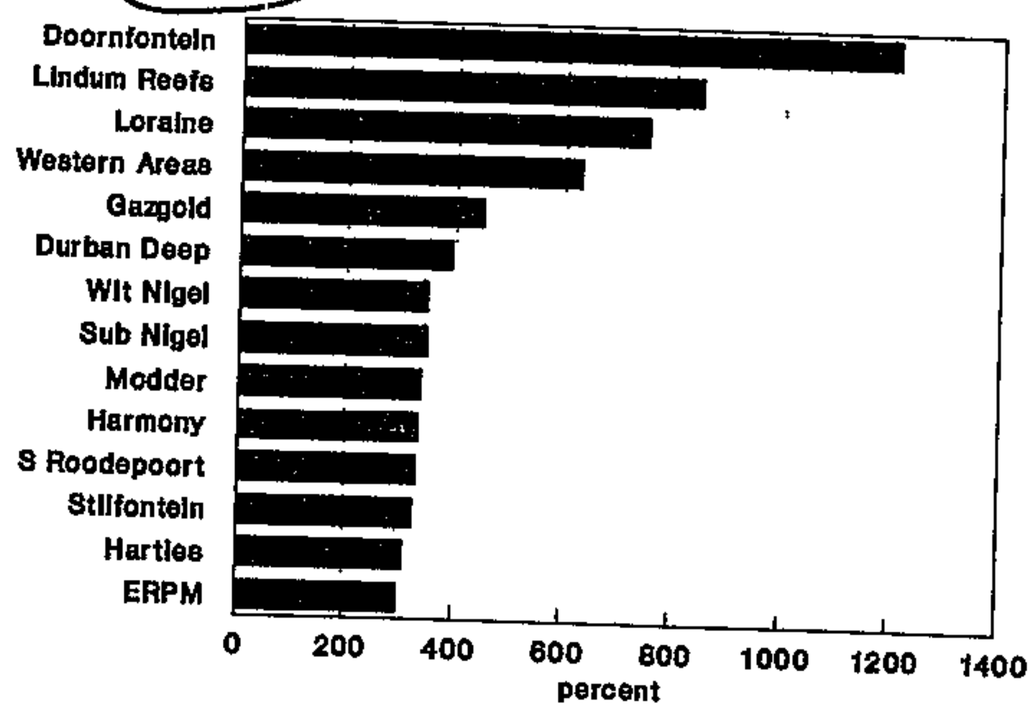
Some brokers now suggest that the small investor who has made large sums on such shares should consider switching to less risky counters.

They say any decline in the gold price could badly knock the prices of marginal mines.

The biggest profits in this year's gold boom have been made by professionals such as brokers trading on their own account and UK and US investment funds.

Major institutions have generally been out of it. "They have missed the boat and don't know what to do about it," a broker said.

The institutions did not believe gold would continue to rally and in the first quarter of this year they were net sellers



Major gold share moves this year

By the time they realised gold was in a bull phase, most share prices had risen significantly

Now they have to decide whether to buy at current prices and run the risk of large losses if the professionals pull out and share prices plunge

Gains made by gold shares this year are as follows

- More than 300 percent. Doornfontein, Lindum, Loraine, Western Areas, Gazgold, Durban Deep, Wit Nigel, Sub Nigel, Modder, Harmony, South Roodepoort, Stilfontein, Hartebeestfontein, ERPM.
- More than 200 percent Wes-Wits, Elandsfontein, Deelkraal, Zandpan, Joel, ET Cons, Unisel, Afrikander Lease, Randfontein, Southvaal, Leslie, Village, Beatrix, Grootvlei, Vlakfontein
- More than 100 percent Welkom, Benoni, Western Deep, Primrose, Ofsil, Buffels, St Helena, Rand Leases, Ergo, Vaal Reefs, Kinross, Kloof, Winkelhaak, Fregold, Driefontein.
- Less than 100 percent Bracken, Oryx, Knights, WR Cons, Wit GM.

Total dividend maintained

Anglo takes earnings blow in its stride

MATTHEW CURTIN and ANDY DUFFY

ANGLO American chairman Julian Ogilvie Thompson said yesterday the corporation would maintain its total dividend at 345c a share for the year ended March 31 1993.

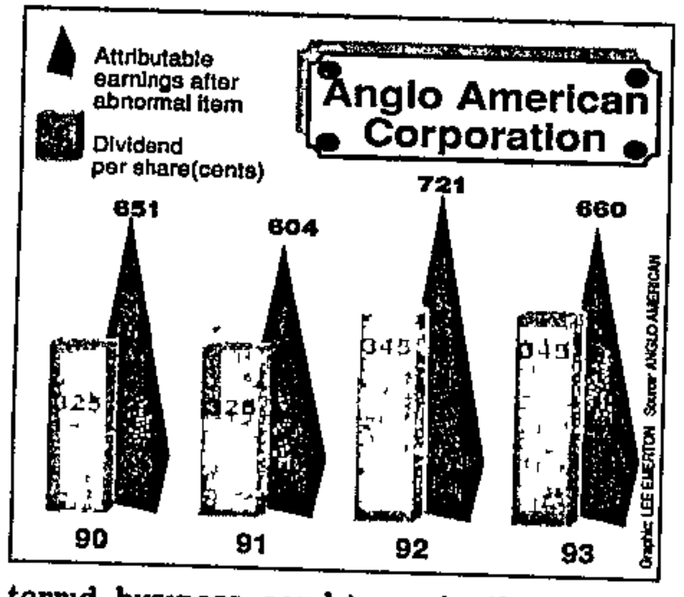
He told a news conference in Johannesburg that attributable earnings were down at 660c a share from 721c in 1992

The corporation's business spread only partly offset falling income from diamond and platinum interests, and a lower surplus from the realisation of investments. Equity-accounted earnings fell 5% to R2,461bn (1 060c a share) from R2,6bn (1 121c), buoyed by contributions from Minorco and the group's other offshore interests, particularly in Latin America

Pre-tax income dropped 14% to R2,12bn, with investment income down 11% to R1,46m and surplus on the sale of assets down 79% to R46m, after the previous year's one-off sale of shares in Gencor and First National Bank.

Ogilvie Thompson said that given the recession gripping most of the company's markets and political uncertainty in SA, "profits had held up well"

The group's six new ventures reflected "the same logic of business and geographic diversity" that had enabled it to weather



torrid business conditions in the 1992/93 financial year

The multibillion-rand spread of new projects looks set to restore Anglo American's position as one of the world's major copper producers, while adding international stainless steel and branded foods businesses to its portfolio and confirming its status as the top gold producer

The presentation of the group's results, attended by all five deputy directors, emphasised the breadth of Anglo's mining interests and growing non-mining activities. The upbeat message follows the corporation's robust rebuttal last month of suggestions that it would re-evaluate the

To Page 2

Anglo

Buss. day 2/6/93

From Page 1

way it did business after Gencor said it would unbundle its non-mining assets.

Ogilvie Thompson said there were high risks associated with the projects, which only a group of Anglo's size could undertake. The projects, flowing from Anglo's technical expertise, the exchange of ideas within the group and the "best use of the country's limited technical skills and financial resources", were.

- The $442m capital spending programme at Mantos Blancos, the Latin American copper mining group 74,8% owned by Anglo American South America (Amsa);
- The R1,7bn Moab gold project next to Vaal Reefs;
- The R1bn Namakwa Sands project on the western Cape coast;
- The R3,5bn Columbus Stainless Steel expansion project, a joint venture with Gencor and the IDC;
- The R726m investment in the Del Monte/Royal acquisition, and
- The multimillion-Deutschmark high energy battery project, a partnership with Germany's AEG and Daimler-Benz.

Trading income fell 5% to R484m, but other income rose 79,7% to R124m Income from associates dipped R2m to R929m.

The tax charge was down 15% at R266m, and included secondary tax on companies of R14m After-tax profit was lower at R1,85bn (R2,14bn)

The contribution from diamonds, the mainstay of bottom-line earnings last year, was cut by 23% to R494m, while earnings from platinum were down 37% to R148m, after they were lifted in 1992 by Rustenburg Platinum's special dividend.

Mining finance made the largest contribution, worth R617m and a quarter of total earnings The other major improvement came from financial services and property, up at R262m from R222m

Attributable earnings were lifted by a R114m abnormal item related to a reduction in deferred tax at subsidiary Amcoal after the cut in the company tax rate announced in this year's Budget

Ogilvie Thompson said Anglo had adapted the concept of a mining finance house to Latin American conditions with the development of Amsa — "a sort of mini-Anglo" Its assets of $1bn were set to grow significantly in the years ahead

Deputy technical director (metallurgy and research) David Deuchar said the four expansion projects on the go at Mantos Blancos would establish the group as a major copper producer.

Mining at Collahuasi in Chile was expected to start in 1997/98 and see the creation of "one of the world's great copper mines" The mine was being developed as a joint venture between Amsa/Minorco and Royal Dutch Shell's Billiton and mining group Falconbridge Deuchar said should Gencor acquire Billiton, Anglo was likely to exercise its pre-emptive right to buy Billiton's interest, if the price was right

Ogilvie Thompson said Anglo was conducting talks with the Zambian authorities about the proposed privatisation of state-run copper producer ZCCM However, details of privatisation were not clear Anglo was awaiting the terms of any offer of shares in the company, but was clearly interested in increasing its stake.

Picture Page 3

World gold giant mines record 115,3 tons in year

ARG 3/6/93

TOM HOOD
Business Editor

(214)

A STAGGERING 115,3 tons of gold were mined in a year by Freegold, the world's largest gold mining group.

This was a record and 3,5 tons more than in the previous year, said Mr Clem Sunter, chairman of Freegold (Free State Consolidated Gold Mines).

It was achieved mainly because of the continued practice of reducing the quantity of marginal ore being treated, he reported in his annual review

The unit cost of R29 470/kg, only two percent above that achieved two years ago, reflected "the excellent cost control which has been a feature of Freegold in recent years," he said.

The group paid its workers R32 million in profit-sharing bonuses and ended the year with a bottom-line profit of R290 million.

Mr Sunter said the physical demand for gold was likely to remain important to the health of the market in the future.

The strongly favourable picture of future demand compared to the potential supply had been responsible for attracting investors back to the market, he said, and circumstances for gold in the year ahead looked favourable.

Looking at the gold market in the past year, Mr Sunter said it changed from one priced and driven by investor and speculator interest to one sustained by "the underlying interests of the physical users of gold".

He added. "The change indicates an important shift in the centre of gravity of the market from the developed economies of the West and Japan, to the developing countries of the Middle and Far East"

An estimated 24 percent increase in demand for gold in the major markets of the world during the first quarter of 1993 was due entirely to a 36 percent rise in demand from developing countries.

Mr Sunter discounted the likelihood of large-scale gold dishoarding by the world's central banks.

"Although there may continue to be some mobilisation of central bank gold reserves through sales, swaps, loans or option programmes, actions to date have been orderly and well managed. Future central bank transactions in gold are therefore not expected to disrupt the market."

Higher gold production, well-controlled working costs and lower capital expenditure saw Freegold's earnings increase by four percent to R290 million.

Freegold's fatality rate dropped by 24 percent compared with the previous year and there was a decrease in the number of "fall of ground" and seismic-related incidents, Mr Sunter reported.

The company's disabling and reportable injury rates showed slight increases, however. Efforts to reduce injuries arising from falls of ground and seismicity include extending the implementation of the international safety rating scheme and improving support at the working face.

Commenting on taxation, Mr Sunter said given the option of remaining on the current tax system or converting to the new dual tax rate system announced by the Minister of Finance in his Budget, Free State Consolidated Gold Mines (Operations) would elect to remain with the status quo

Having carefully evaluated the alternatives open to the company, he said, it had been decided that the disadvantages of the dual tax rate system's secondary tax on companies (STC) outweighed the advantage of its more favourable mining tax formula.

Freegold itself automatically fell under the new dual tax system. The tax rate for the 1993/94 financial year would drop from 48 percent to 40, while dividends would be subject to STC at 15 percent The company would qualify for an STC credit on its dividend income, however.

Mr Sunter pointed out that corporate shareholders (such as Freegold) receiving dividends from gold mines which had opted to remain with the status quo (such as Freegold, Operations) would be entitled to claim an STC credit for such dividends. This would ensure that the tax position of all shareholders of such gold mines would remain unchanged.

Relations between management, employees, unions and employee associations were generally constructive, he said.

Buss. Day 4/4/93

Profit-share scheme pays dividends

(214)

MATTHEW CURTIN

WORKERS at Anglo American's Freegold and Ergo gold producers earned R32m and R4,2m respectively in profit-sharing bonuses in the year ended March 31, chairman Clem Sunter said yesterday.

The bonuses, negotiated between unions at company level during wage talks with the Chamber of Mines, were equivalent to average 3,7% and 10% additions to workers' paychecks in the two companies

However, the employment level continued to fall at Freegold which employed an average of 87 673 staff and contractors compared with 92 588 the previous year. Staff numbers at Ergo were almost unchanged at 1 654.

Sunter said in his yearly review of the companies' performance: "Employees' understanding and acceptance of the (profit-sharing) scheme has been recognised as fundamental to its success and considerable effort is being made to ensure that the relevant information is disseminated among the workforce."

He said industrial relations at Freegold were "generally constructive" in the year.

"The parties have reached a common understanding of the company's problems and challenges, and have obtained general consensus on ways of tackling these issues," Sunter added

Extensive talks had taken place between management and workers after 86 deaths during the anti-VAT stayaway in November 1991 Hostel residents had elected boards of governors to two of Freegold's three hostels by mid-May this year, with elections pending at the third, following points raised by the Goldstone commission

In addition, the Anglo/NUM negotiated "individual dismissal dispute and adjudication procedure" was fulfilling its role as a speedier, cheaper process for the resolution of disputes arising from individual dismissals.

Good progress was also made in the year in labour relations at an industry level, Sunter said.

However, Freegold's safety record was mixed in 1992/93

Disabling and reportable injury rates showed "slight increases" and seven workers had died in rockfalls at the Western Holdings mine in January. However, the overall fatality rate had dropped 24% in the year

Lower capital spending helped Freegold lift after-tax and capex profit to R290m (R279,5m) after poorer operating profit in the year

Ergo's bottom-line profit rose marginally to R27,6m from R25,1m as increased capital spending ate into improved operating and after-tax performances

DIAGONAL STREET

Many eggs in different baskets good for Anglo

S/Times [Buss] 6/6/93

A LITTLE diversity does Anglo American good Chairman Julian Ogilvie Thompson says the group has limited an earnings decline in the recession because of its wide geographic and business spread

In the year to March 1993, group attributable earnings slipped only 8% to R1,5-billion, albeit partly due to a deferred-tax bonus of R114-million from 52%-held Amcoal

Equity-accounted earnings fell 5% to 1 060c a share because of higher retained earnings from associates, and Anglo's dividend was maintained at the previous year's 345c

Grade

This week's announcement in Johannesburg of Anglo's results was accompanied by presentations by key executives about six projects

Gold-division chief Clem Sunter spoke about the Moab project, the major deep-level gold mine which will furnish replacement tonnage for Vaal Reefs

Anglo had spent R155-million by the end of 1992 on the project, which is likely to cost R1,7-billion in 1992 money The recovered grade is forecast at 11g/t and the working cost about R180/t. Gold production will reach 13 tons a year

Group gold-mining costs crept up by 1,8% from 1990 to 1992, and a target of zero rise has been set for 1993

Mr Sunter says turnover in futures and options on the gold market peaks at about $600-billion — a trifle compared to the currency markets of $190-trillion.

"It doesn't need much to switch into gold as an alternative currency to push the price higher," says Mr Sunter

The group's hedging programme is under review in the light of a rising dollar price of gold But he warns that gold mining is not out of the woods

Graham Boustred spoke on three projects — Namakwa Sands, Del Monte Foods International and Batteries

Namakwa Sands is a R1-billion project (in 1992 money) to recover mineral sands from the Namaqualand coast near Saldanha Bay The first furnace will be commissioned in 1995 at a cost of R785-million, of which the IDC will lend R300-million

Mr Boustred hopes that lessons learned will hasten installation of the second furnace, due in 2000

Annual revenue is expected to be R360-million ($104-million) in 1992 money.

Mr Boustred says the seemingly short 35-year project life worries him, but additional reserves can be sourced.

The main product is ilmenite, which will be made into high-grade titanium slag Co-products are zircon, rutile and high-grade foundry pig iron

"That takes me back to my roots," says the former steel man

Roots 214

The products are used in paint, demand for which increases with the rising standard of living

"A fresh coat of paint will cheer us all up enormously," says Mr Boustred

Mr Boustred says many people wonder how Anglo American executives get on with the young and vigorous entrepreneurs at Del Monte Royal He says they get on extremely well, and he obviously holds Del Monte Royal's chief executive Vivian Imerman in high regard

He believes the marketing of Mars products in South Africa has much potential.

His last topic was the high-energy battery, which although far from perfection is making progress A 450-battery-a-year pilot project is to be commissioned in September, partly in Derby, England, and Berlin and Ulm in Germany, in partnership with AEG and Daimler-Benz.

A Mercedez-Benz MB 190 can reach 130km/h, have a range of 150km at an average speed of 80km/h, and at 80% depth of discharge has a power of 20kW — something Mr Boustred says is important

Leslie Boyd spoke about Columbus, the R3,5-billion stainless-steel project in which Anglo American holds stakes through Amic (Anglo American Industrial Corporation), Highveld and Samancor

Columbus will earn R16-billion (in 1993 money) in its first 25 years It will be the world's largest single-site producer, making 500 000 tons a year at full capacity

Mr Boyd defended the placing of R1,15-billion of contracts abroad, saying SA did not have the expertise to handle them However, of this amount, R230-million would be placed in SA in addition to the R1,63-billion to be spent directly

Mr Ogilvie Thompson and David Deuchar spoke about Anglo American South America (AMSA) — a sort of mini-Anglo American, according to the chairman

AMSA owns 74,9% of Mantos Blancos, which has committed $442-million to capital expenditure in the next five years Mantos Blancos is heavily invested in copper production and is upgrading plant and extraction methods to remain competitive

Anglo's Pick Six look like winners and the chairman has a point. one advantage of a big group is the spread of risk. If one fails, the others compensate

JULIAN OGILVIE THOMPSON: It pays to spread the risks

Gold props up NCW portfolio

MATTHEW CURTIN

THE outlook for New Central Witwatersrand's (NCW) gold investments was more promising than the other sectors covered in its portfolio, chairman Michael King said in his annual review

However, no exploration drilling for gold on farms the company owned in the southern Transvaal was planned "in the forseeable future". (214)

NCW's exploration programme was suspended in January 1992, a decision taken in the light of ruling gold prices and drilling results. Conditions had not changed significantly since then, he said. 71613

At March 31, one of the company's biggest investments by value was its R13,9m stake in Anglo American Gold Investment (Amgold), plus stakes in Driefontein, Kinross, Vaal Reefs and Winkelhaak gold mines Buss. Day

King said the recent rally in dollar gold prices was encouraging The rise could be attributed to several factors, ranging from renewed investment interest in the metal, expectations that central banks would "not be disruptive in oversupplying the market", to anxiety about longer term implications of economic policies in some Western countries.

In contrast to gold, other sectors in the NCW porfolio were affected by the poor prospects of rapid recovery from recession given slow world growth, an austere SA Budget and political uncertainty World economic recovery was necessary to sustain the recent recovery in the diamond trade

NCW sold its small holdings in Anglo American Industrial Corporation and Barlow Rand in the year, and reduced its investment in Samancor from 35 000 shares to just 4 600

The company increased its interests in Lebowa Platinum and Potgietersrust Platinums, and copper producer Palabora Mining

Its largest investment by value remained its 200 000 shares in De Beers valued at R14,3m. The market value of NCW's portfolio stood at R68,5m at year-end, the lowest since 1988.

Metal's rising heat summons memories of burnt fingers

Buss. Day 8/6/93

JONO WATERS

THE recent rise in gold prices could lure entrepreneurs back into high-risk gold mining ventures, analysts said yesterday (214)

However, Fergusson Bros, Hall, Stewart & Co analyst Trevor Pearton said that of the 20 operations listed in the buildup to the 1987 bull run, less than half were operating today

A senior market source said Osprey, which announced its intention to relist yesterday, might be the first of many to come to the market if gold prices, now at record rand prices, looked sustainable.

"The problem is that during gold booms there are small prospects worth vitually nothing, but which appeal to and catch the wrong end of the investor spectrum," he said

Many analysts had their fingers burnt by advising people to invest in reopened mines or start up dump-retreatment operations in the last bull run "However, the broking community is wiser and this is likely to make new high-risk operators price their ventures more realistically when coming to the market"

E W Balderson analyst Nick Goodwin said a good example of the gold frenzy in the mid- to late-80s was Sub Nigel gold mine, which had been reopened and listed at 200c The shares shot up to above R10 before it was discovered that the remaining reserves were not as large as expected The shares crashed to 6c before the operation was moved to the curtailed sector on the JSE

Former JSE president Tony Norton said although the JSE had laid down a number of conditions for the listing of a new share, investors were often caught in the frenzy of a gold bull market "The mining market is not for widows and orphans Don't listen to your hairdresser"

Norton said the market was for professionals, and the private investor should look only at ventures promoted by major mining houses

However, one of the shares to list in the late 1980s rush was Rand Mines' Barbrook, which began operations in 1989 and was mothballed 18 months later The mine's share capital was cancelled last month and ordinary shareholders lost their investment

In April, Eersteling gold mine CEO Stefan Hayden paid R10m for Barbrook Hayden, who said he had made Eersteling, another marginal operation, profitable, said he could do the same for Barbrook

Star 9/6/93

140 000 jobs lost on gold mines

(214)

By Derek Tommey

Bobby Godsell, president of the Chamber of Mines, expressed optimism about the outlook for gold at the chamber's annual meeting in Johannesburg yesterday

He said "Whether or not the recent increases are maintained, the fundamentals of supply and demand, the resurgence of both inflationary fears and currency uncertainty suggest a stronger gold price in the medium term."

This was cause for optimism about the industry which had "suffered the pain of this difficult decade"

Some 140 000 jobs had been lost in the gold mining industry in the past six years, profits had been halved in real terms, tax receipts had dropped sharply and dividend payments had declined

The mining industry could make a major contribution to the economy in the years ahead But to do this it needed an enabling environment.

This required political progress, social stability, a market-friendly economic environment, constructive and co-operative labour relations and industry-appropriate regulation.

Significant progress had been made in numerous key areas, but South Africa also urgently needed a broadly acceptable set of transitional arrangements.

These would include the key principles of a new constitution, an election open to all adult South Africans — to be followed by a government of national unity. Also needed was an end to crime and violence and a return to stability in the schools.

Jurie Geldenhuys, general manager, mines, Anglovaal . . . elected new Chamber of Mines president.

Gold mining job attrition reaches 140 000 in six years

Buss. Day 9/6/93

Godsell

JONO WATERS

ABOUT 140 000 jobs had been lost in the gold mining industry in the past six years, Chamber of Mines president Bobby Godsell told the chamber's annual meeting in Johannesburg yesterday

He said the industry's real profits had halved, dividend payments had decreased sharply and contributions to state coffers had fallen dramatically

Gold prices had fallen in 1987 money terms by 45% to the equivalent of R31 500/kg today from R56 700/kg six years ago Real current prices of about R39 000/kg did not make up for the fall over the past few years, he added

However, there was cause for optimism in the recent surge in gold prices which would help ease the pain experienced by the industry over the past decade

Godsell believed gold's supply and demand fundamentals, increasing inflationary fears and currency turmoil suggested a stronger gold price in the medium term.

"Jewellery fabrication exceeded new production and scrap supply by a margin of 700 tons. Under these circumstances price appreciation seems inevitable" He added jewellery fabrication had increased by 13% a year over the past 10 years

He called on government to scrap resource taxes, mineral levies and royalties and tax the industry only on profit

Special notice should be taken of the long lead time in generating returns on mining investment This merited special tax concessions such as accelerated capital write-off provisions

"In areas of tax, company law, research and technology, regulation, education, health, housing, safety and labour relations, we must create the framework in which shareholders, managers and employees can turn SA's mineral resources into realised wealth"

Johannesburg Consolidated Investment (JCI) director Kennedy Maxwell said high local labour costs had undermined efforts to develop a globally competitive gold jewellery export industry

Maxwell, who is also chairman of JCI's gold and uranium division, said a few smaller jewellers were actively seeking niches in overseas markets Aside from these, however, there appeared to be little enthusiasm among manufacturers to find and establish such opportunities abroad

This was not only because of the difficulty and expense of establishing outlets, but more importantly because the cost of SA labour in the jewellery manufacturing business was high compared with the southeast Asian nations and Italy

Maxwell said large foreign manufacturers had, from time to time, looked at establishing operations in SA but had stayed away because of the high cost of labour and concerns over political and social stability.

● See Pages 3 and 7

Star 9/6/93

Doorns' future still shaky

(214)

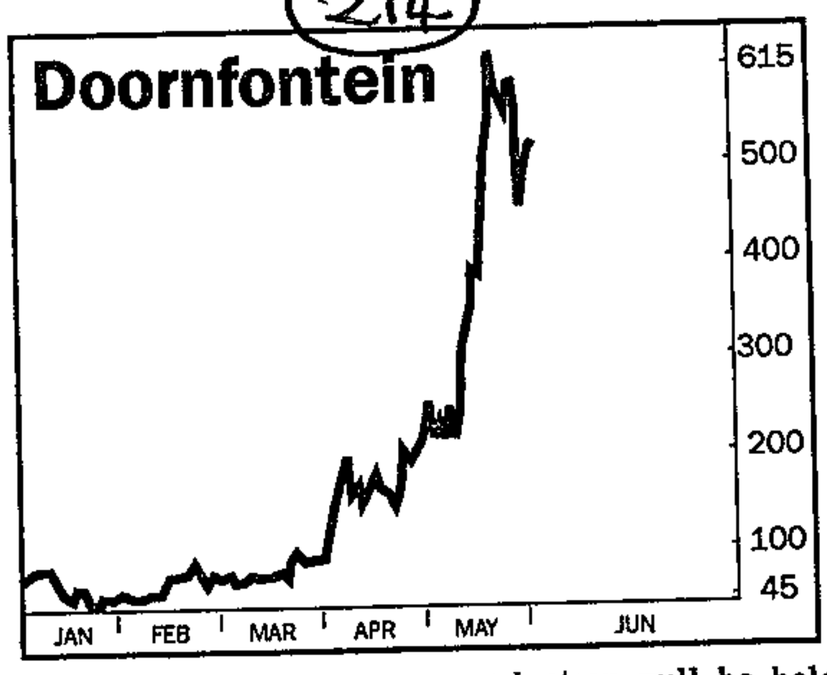
By Derek Tommey

Shares of Doornfontein, the struggling Gold Fields group gold mine, have shown the biggest rise of all the gold mining counters since the gold price started climbing this year.

Yet a somewhat terse statement from the mine suggests that in spite of the higher gold price the mine's future is still in doubt.

In January the mine's management was doubtful about whether the mine would be operating in a year's time And in April, when the run in the gold price had already started, the mine was described as still being on a knife edge

The plan for the mine was to reduce underground production sharply in order to cut costs and concentrate mining in the richer areas.



This appears to have been done as the statement says the mine is now producing at a rate of 50 000 tons a month — well down from the March quarter's average of 84 000 tons a month and the December quarter's almost 100 000 tons a month

The statement adds that in view of the higher gold price underground production will be held at this level for the time being, but that greater use will be made of contract labour.

The inference is clear. Doornfontein's management considers that operations at the mine are still so marginal that taking on permanent staff is not warranted

So the last rites could still be read over Doorfontein.

Meanwhile, dividends declared by two other Gold Fields' group mines, Driefontein and Kloof, should please investors as they are ahead of most market expectations

Driefontein, which was expected to pay a final of 85c, is paying 90c But this is still below's last year's final of 100c. Driefontein's total payment for the year is 150c, down from last year's 165c

Kloof is paying a final of 65c against market forecasts of 55c and a final last year of 50c Total for the year is 110c, up from 90c last year.

Deelkraal had no surprises for the market The mine, whose operations have been affected recently by fires, is paying a final of 5c a share, down from 15c last year Total payment for the year is 10c against 30c last year

Star 10/6/93

New lease of life for Krugerrand

By Derek Tommey

The Chamber of Mines and some mining houses are considering re-promoting the Krugerrand, although nothing specific has been decided, says Kennedy Maxwell, director of JCI's gold and uranium division. (214)

He said last night the Krugerrand was still well known overseas and he believed that sales of the coin could be increased.

He had no knowledge of plans by the World Gold Council to launch a coin to exploit the renewed interest in gold

Maxwell said that the gold mining industry was active overseas seeking a possible niche market for the metal.

He said this was an excellent time for for gold producers to market gold as a store of value.

He deprecated the failure of attempts to create a major gold jewellery export industry in South Africa and suggested that another attempt should be made, once there was a climate of stability

Slow six months at Lydex

B/Day 10/6/98 JONO WATERS

LYDENBURG Exploration (Lydex) reported a profit of R116 000 in the six months to March, compared to R5,33m in the same period last year. Last year's profit was artificially boosted by the sale of the Cason sand dump.

Revenue amounted to R2,82m (R6,6m) and exploration expenditure rose to R2,11m (R2 000). Administration expenditure was lower at R599 000 (R1,27m).

Wholly owned subsidiary Potchefstroom Gold Areas (PGA) received R2,74m from Benoni gold mining company for treatment of sands. PGA also purchased slimes dam material on the East Rand for R1,5m which it then sold to Anglo American's East Rand Gold and Uranium company in exchange for 322 000 Ergo shares.

214

Gold industry 'can look forward to healthy year'

B/Day 11/6/93

JONO WATERS

SA's gold mining industry could look forward to a healthy performance in the year ahead, Anglo American Gold Investment Company (Amgold) chairman Nicholas Oppenheimer said in his annual review

Recent improvements in the gold price to a record of more than R39 000/kg were likely to be maintained

"The gold market in 1992 showed resilience under trying circumstances Offtake of gold at lower prices reached record levels in several regional markets, and a strong floor was maintained even in a year in which exceptional tonnages of metal were offered to the markets"

Firm physical demand for gold would remain important, but the recent interest shown by speculators and investors had led to a strong recovery in prices

"While physical demand for jewellery in particular and for bullion in general remains important to the health of the market in the future, the strong favourable balance between supply and demand for gold has also been responsible for attracting investors back to the gold market during the past month, and the circumstances for gold in the year ahead look favourable" It was likely some central banks would sell reserves, but there was every reason to believe these activities would continue to be managed with discretion

Forward sales strategies were unlikely to be a strong influence on the dollar gold price as producers could hedge against moves in the dollar

Oppenheimer said the company had maintained its 20% participation in Anglo American's gold exploration programme but the "tempo and level of expenditure were being reduced"

The exploration programme was concentrated on the search for Witwatersrand-type geology, both within the Witwatersrand basin and in outlying areas

The exploration emphasis had switched to new areas where target reefs were expected to be encountered at shallow to medium depths (214)

Gold prospecting was continuing in Turkey, Brazil and Argentina. A feasibility study on a gold deposit in Sadiola, Mali, had commenced.

Amgold has an interest of 13% in the R1,7bn Moab (Eastvaal) project To date, about R168m had been spent on the project Capital expenditure would total R78m in 1993

Oppenheimer said Amgold shareholders' tax position would remain unchanged despite the Finance Minister's announcement in his 1993 Budget speech of a new dual tax rate system

"Gold mines have been given the option of remaining on the current tax system, which involves a more favourable gold tax formula and a lower tax rate of 40% on non-mining income, but includes a secondary tax liability of 15% on dividends distributed The directors of gold mining companies have evaluated carefully the alternatives, and we believe that most, if not all such companies, are likely to agree that the disadvantage of secondary tax outweighs the advantage of the more favourable tax formula"

Good times ahead for SA gold industry

(214) CT 11/6/93

From JONO WATERS

JOHANNESBURG — SA's gold mining industry could look forward to a healthy performance in the year ahead, Anglo American Gold Investment Company (Amgold) chairman Nicholas Oppenheimer said in his annual review

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Oppenheimer bullish on gold

Star 11/6/93

By Derek Tommey

Nicholas Oppenheimer, chairman of Amgold, which holds most of Anglo American's gold investments, is bullish about the outlook for gold and for the gold mining industry.

He says in his annual statement to shareholders that it is likely the current higher gold price will be maintained.

He says the SA gold mining industry, in particular, should be able to look forward to a healthy performance in the year ahead.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels.

Demand from the Middle and Far East — the new centre of gravity for the physical market — showed no signs of abating in the first quarter of the year.

It is likely that some central banks will follow a policy of more active management of their reserves

(214)

However, there is every reason to believe the activities of these banks will continue to be managed with discretion.

They can be expected not to disrupt materially the value of what remains one of their major assets.

The physical demand for gold, in particular, and for bullion in general will remain important to the health of the market in the future.

But the strong favourable balance between supply and demand has also been responsible for attracting investors back to the gold market.

Circumstances for gold in the year ahead look favourable

The renewed interest in gold on the part of investors and speculators has lifted the dollar price.

This, combined with a weaker rand, saw gold reach an all-time high of R39 000 a kilogram in May.

He says the renewed interest in gold has come largely from speculators and investors new to the market.

It is by no means sure that the factors that influenced investor thinking in the 1980s will play the same role in determining investor decisions in the future.

A better understanding is needed of consumer motivation in the developing markets, he says.

He says that the outlook for uranium producers has improved following the imposition of restrictions by the US on Russian dumping SA uranium production fell from 5 300 tons in 1986 to 1 800 tons in 1992.

Labour relations continue to improve and 1992 wage negotiations were concluded amicably

GFSA FM 11/6/93 (214)

Message for shareholders

The dividends announced for Gold Fields of SA gold producers illustrate the acute dichotomy facing the industry On one hand, shareholders expect to be rewarded after the long years of drought, on the other, many of the stalled capital expenditure programmes vital to the long-term wellbeing of the mines cannot any longer be delayed Something has to give, inevitably, it is the short-term interests of shareholders

The 5c/share final by **Deelkraal** was much as expected in the market However, the company was probably saved by the resurgent gold price last quarter "If it hadn't been for the gold price," says Irish & Co gold analyst Duncan Ingram, "it's entirely possible the final would have been passed"

Deelkraal's half-yearly interim of 5c was declared against earnings which hadn't even achieved 5c a share at the end of the third quarter On that basis, it's plain the final payout was a near run thing

Kloof's 65c/share dividend was a disappointment to some analysts "The gold price averaged about R975/oz over the first half," says one observer "It is expected to exceed R1 075 for the full year because of the surge in the last quarter I was expecting a better final"

However, Kloof needs to pay recoupment tax totalling about R120m in respect of its purchase last year of Venterspost and Libanon It is obliged to make adequate provision, and this may be partly responsible for the subdued final dividend What's more, Kloof's cash reserves have been depleted over the years by the need to fund the Leeudoorn expansion, and 1993's gold price bonus may have presented an irresistible opportunity to rebuild

Driefontein paid a final of 90c/share, certainly less than the market expected Capital expenditure requirements seem to have been the principal culprit At the start of the year, Driefontein's directors said they expected the capex programme to absorb about R360m

By the end of the third quarter, the mine reported expenditure of as little as R185m — ample evidence of the compelling need to restrict spending The restrained level of Driefontein's dividend probably has much to do with a sudden and dramatic acceleration in the capex programme in the last quarter

The lesson is clear renewed activity in world bullion markets and accompanying improvements in revenue won't necessarily find their way into stockholders' pockets

David Gleason

Getting the sums right

(214)

FM 11/6/93

If a windfall really does happen, we won't blow it

SA's political fortunes may hang in the balance with its economic outlook uncertain, but the dramatic rise in the gold price — from R1 043/oz early in March to more than R1 180 in recent weeks — has been an unexpected stroke of luck And its benefits are tangible

The dollar price is showing resilience on international markets, in the face of repeated bouts of profit-taking at important psychological barriers And confidence in gold's future value is increasing SA might be able to look forward to much higher export revenue than expected at the start of the year

In an economy built on gold mining, the implications of improved profitability in the sector are considerable Says Gengold's Tom Dale "A rule of thumb is that for every person directly employed on the mines, there is probably one person making something the mines use"

But, if the fortunes of gold are improving, the benefits of a higher price are likely to take longer than they did in the past to ripple through to the rest of the economy

One reason is that mines have been selling output forward to ensure a steady income stream in bad times SA producers have never sold more than half of production forward Anglo American's Kelvin Williams says this compares favourably with levels of cover reported by North American and Australian gold producers To the extent it has been done, however, the practice will delay the benefits of a higher price

A second reason is that, though the JSE gold board has responded with enthusiasm (rising from under 1 000 early in March to around 1 700 last week), the industry will treat a recovery in the rand gold price with caution After five lean years, gold is no longer seen as a reliable source of wealth

The price is perceived as vulnerable to fickle investor sentiment, central bank sales and the fortunes of the commodity cycle

The price of the precious metal fell from an average US$446/oz in 1987 to $343 in 1992 and less than $340 in the first five months of 1993 Though the impact of the dollar decline was cushioned by depreciation of the domestic currency — in rand terms the price remained relatively stable but depressingly low at R900-R1 000 — revenues have been depleted

Over much of this period, SA's producers continued to face demands for higher wages — a pressure that could be accommodated when the price was buoyant but which dangerously eroded profits when the price fell

At the Chamber of Mines AGM this week, president Bobby Godsell summed up "All the stakeholders in the gold mining industry have felt the pain Over the past six years, 140 000 jobs have been lost, reducing employment from 535 000 in 1987 to 395 000 Profits have halved in real terms Dividend payments have declined even more severely Tax receipts have declined dramatically"

This squeeze on margins created a different management mind-set — which slowed the growth in working costs per kilogram of gold produced, from 25% in 1987 to 1,6% in 1991 and 0,9% in 1992

Eventually, when crisis threatened, a new ethos emerged among workers Wage increases moderated and, for two years, many employees agreed to a flexible remuneration package linked to mine profitability

As a result, marginal mines have survived and better ones have made profits, despite the price This frugal approach is likely to be maintained even if the present trend in prices continues Simpson McKie analyst Rod Yaldwyn says there will not be a return to past practices of accumulating inventories or to the days of 1980-1990 when working costs rose at an average annual rate of 15,4%

"The industry has moved into a new era of management where, for instance, a tight control of stores is viewed as essential"

As to capital expenditure, he estimates it will take about two years, with the price above R1 200/oz, before managements are tempted into major new ventures With a price just over $370 at the start of the week and the rand at around 31c, that level has not yet been reached, though it is close

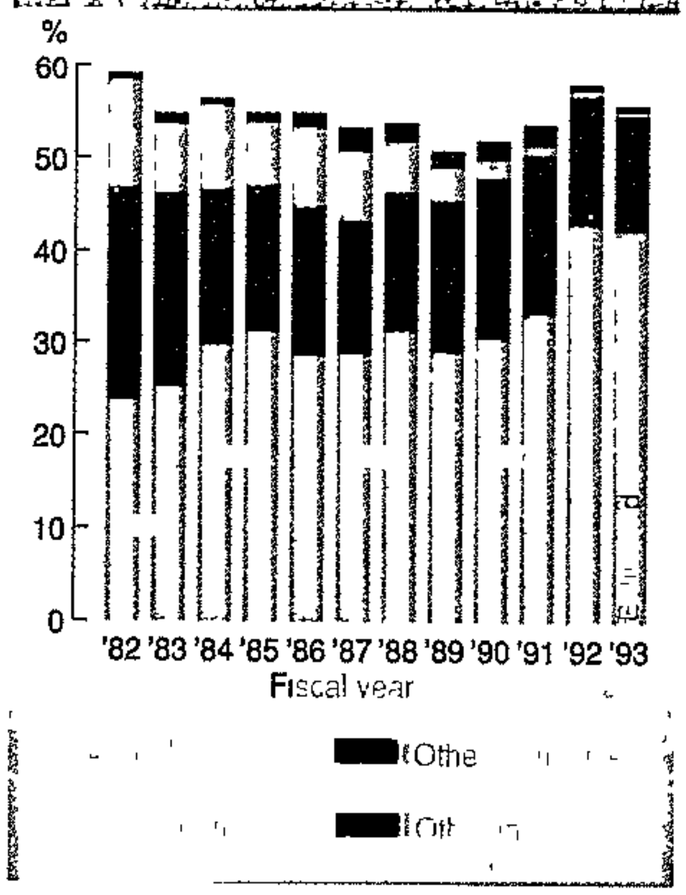
Of course, short-term effects are already working their way into the system

For now the impact of higher dollar export earnings will be seen in the level of gross gold and foreign reserves These were disappointingly low in May (see page 30) but would have been lower without the boost from gold earnings As they build up over time, more foreign exchange becomes available to import capital goods

It will also be seen in the take-home pay of employees on mines which have profit-linked wage agreements The bonuses are paid quarterly "Bonuses in the March quarter were 30% higher than in the December quarter," says Anglo's James Duncan But profits that quarter were driven mainly by a higher rand price, hedging strategies, improved production and cost containment The first proceeds of the higher dollar price will come through this month

Fiscal flop

% contribution of different income taxes to total tax revenue



"With JCI, Anglo American and Gencor gold mines all on bonus schemes, the bulk of the workforce employed on gold mines will benefit directly," says Yaldwyn

Even those who don't benefit through wages and salaries will feel the effect If the present price is sustained, it will stay the axe hanging over 11 marginal mines, employing 80 000 people and producing 80 t of gold a year, and restore some of them to profitability Chamber of Mines chief economist Francois Viruly estimates that if the price reaches $396 and maintains the level for a year, at present working costs and the present rand/dollar exchange rate, all will be profitable But he points out "It must be remembered that certain mines are reaching the end of their working lives"

Next to be caught up in the ripples will be the industry's suppliers — electricity, steel & engineering, timber, chemicals & explosives, and food These have been casualty areas as stores consumed by the total mining sector declined in real terms between 1986 and 1990 Hendrik Steenkamp of Unisa's Bureau of Market Research says the trend "probably gained momentum with the closure of selected low ore-bearing gold mines"

The steel and engineering industry has been devastated by the fall in consumption Michael McDonald, economist for the Steel & Engineering Industries Federation says average monthly retrenchments by members rose steadily from 1 300 in 1989 to 2 700 in 1992

Worst hit has been the Free State Goldfields area, where the gold mines are the industry's main customer Peter Schoeman, assistant general secretary of the National Industrial Council for the Iron, Steel, Engineering & Metallurgical Industry, says "In the two years of June 1991-1993, 142 general engineering firms closed" The industry will be among the first to benefit when income streams to the mines strengthen

Despite the need for caution, Yaldwyn predicts that additional spending on development underground is likely to start soon "Some of these decisions will have been taken already" And though major new ventures will still be several years down the pipeline, some impetus will come from capital expenditure

At some point expansion becomes inevitable Anglo American chief economist Jim Buys points out that while the gold price was low, the industry survived by concentrating on high grade ore "which shortens the life of a mine" When it becomes financially feasible, companies will return to mining lower grade ore — to conserve reserves This will raise working costs but, by expanding the scope of operations, will also recycle gold mine earnings to other sectors

Mothballed plants will be brought back into operation and new undertakings will start

The process will be helped by the tax structure Marius van Blerck, Anglo American tax consultant and author of *Mining Tax in SA*, says "Most capex is fully tax deductible So there will be an incentive to expand or make capital investments that prolong the life of the mine This will have substantial positive effects on suppliers"

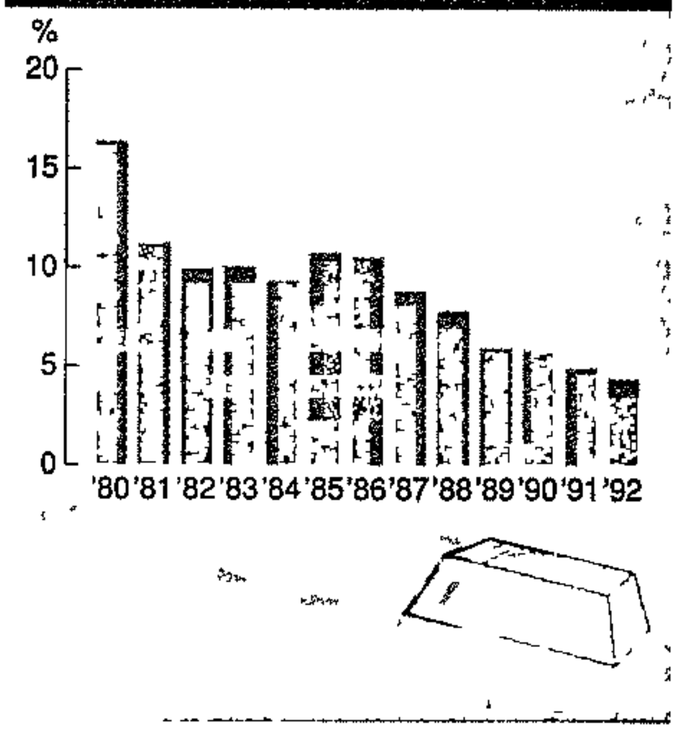
What the tax collector loses will be more than recouped by the higher taxes garnered from the satellite industries involved in the mines' capital expansion

Whatever the capital decisions of the mines, there will be a favourable effect on the fiscus Because of the steeply progressive nature of the tax formula applied, for any given increase in profit revenue ratio, there

cont'd

Fading fortunes

% contribution of the gold mining industry to SA's GDP



Five keys to mining goodies in new SA

S/Times [Buss] 13/6/93

(214)

CHAMBER of Mines president Bobby Godsell has outlined a five-point plan for the mining industry to prosper in the new South Africa

He did so this week in his presidential address to the chamber

Needed are political progress, social stability, market-friendly economic management, a constructive and co-operative approach to labour relations and appropriate regulation

Under each of these common-sense headings is a clutch of sub-clauses detailing what is necessary Mr Godsell says mining has responded to the challenges facing producers of gold and coal (as represented by the chamber) in noteworthy manner

Cost control in gold production has been, in his view, a contributor to the fall in SA's inflation rate Basic wage rises have been held at 5% to 7% in favour of profit or production bonuses and the total rise in working costs was held at 1% in 1992

SA has spent R40-billion on new gold mining in the past decade and about R10-billion on coal — indications of a sound future

Improved co-operation between management, government and labour bore fruit. One example is the tax exemption of the first R30 000 of retrenchment payouts The industry has shed 140 000 jobs in six years because of a gold-price decline of 45% in equivalent terms since 1987

The chamber and National Union of Mineworkers sent a team to Germany's coal mines last year The most important lesson was the extensive relationships between all stakeholders

Shed

But, says Mr Godsell, it is neither possible nor appropriate to imitate others

"There can be no prospect of a R22-billion-a-year subsidy for SA's gold-mining industry — the equivalent of the DM11-billion received by the German industry in 1992."

The chamber has made a presentation of the mining industry's future to members of Parliament and extra-parliamentary parties, such as Inkatha and the PAC, and to labour groups

Mr Godsell says SA producers are key members of the World Gold Council, which can claim some credit for the sustained and dramatic increase in jewellery off-take — it has climbed by 13% a year compound for 10 years

Anglovaal's Jurie Geldenhuys will succeed Mr Godsell, but his term of office

BOBBY GODSELL

starts in November because the date of the annual meeting is being moved

Mr Geldenhuys will have to make do with a 13% smaller budget because of cost cutting. The chamber's research organisation, Comro, has been merged with CSIR's mining division

The chamber's functions now comprise operations (including safety), health care, external relations (including education and industrial relations), corporate services and Teba — The Employment Bureau of Africa

Teba is said to be the world's largest employment agency, paying R706-million in 1992 to 345 000 Southern African miners

● **Mr Godsell introduced President de Klerk largely in Afrikaans When Mr de Klerk left, Mr Godsell inquired whether the audience had appreciated his adventure in the other official language: "I just wanted the president to know there is another contender for the chairmanship of the SABC."**

World mints push gold coin sales

B/Day 14/6/93

JONO WATERS

SEVEN of the world's major mints had joined forces to launch a global multimillion-dollar marketing programme aimed at promoting gold coins, the World Gold Council (WGC) said.

The council, a non-profit organisation of which the SA mining industry is the biggest funding member, made the announcement at a gold conference in Istanbul at the weekend

The news comes as figures released by the WGC show a 56% increase in the number of gold coins sold in April and May, due to a 68% rise in European and North American sales to 241 012oz The WGC said sales of coins in the first quarter of 1993 had climbed 17%

"We have forecast — based on first-quarter data — that western investor demand is awakening," AP-DJ reports World Gold Council CE Elliot Hood as saying "Now we have the figures to show that this trend is accelerating rapidly

"Individual investors are telling us they are interested in gold and that the vehicle they prefer is gold bullion coins," he said

"Liquid Solid Gold" is the theme of the new WGC marketing campaign which will promote coins from the participating mints, including SA's Krugerrand, Australia's Kangaroo Nugget, Austria's Vienna Philharmonic, Canada's Maple Leaf, Mexico's Liberstad, the UK's Britannia and the American Eagle.

WGC international investment manager David Enloe said co-operation between the mints was a historic step "Through the WGC's leadership and unifying effort, these major mints, although competitors in every other sense, recognise the importance of promoting gold bullion coins collectively During this time of heightened demand, everyone stands to benefit."

(214)

Advertisements will appear from today in the worldwide edition of the Financial Times

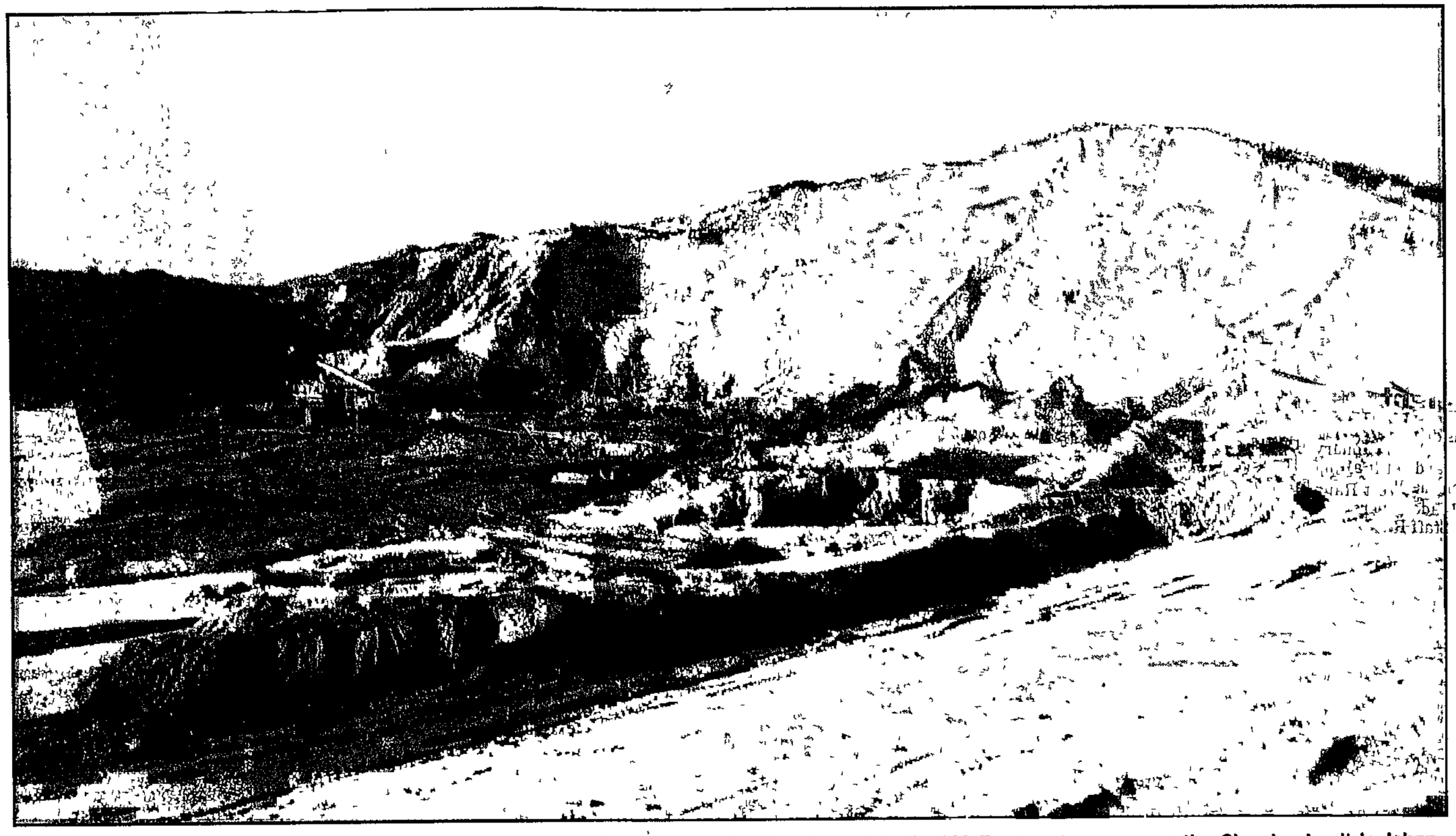
Other publications targeted in the advertising campaign are The Wall Street Journal, The International Herald Tribune, The New York Times, USA Today, Germany's Frankfurter Allgemeine Zeitung, Handelsblatt, Süddeutsche Zeitung, Die Welt, Bild and Canada's Globe & Mail

Gold Fields Mineral Services said in its Gold 1993 report that sales of gold coins fell in 1992 to its lowest level since 1973 Some 88,6 tons of gold coins were sold last year compared with 139 tons in 1991

Austria topped the table with 23,7 tons of coins sold in 1992, followed by Canada (16,7 tons), the US (16 tons), Australia (14,7 tons), Mexico (8,8 tons) and the UK (2,2 tons).

SA was 14th on the list with sales of 200kg Although Krugerrand sales have dropped in recent years as a result of sanctions, nearly 50-million coins are in circulation and Krugerrand demand has strengthened over the past two months However, only 100oz of coins were successfully tendered for in Friday's weekly Chamber of Mines 6 000oz tender

● See Page 8



Going, going . . . soon it will be gone. A mine dump which has been a landmark next to the M2 East motorway near the Cleveland exit in Johannesburg is in the process of being removed. Several old dumps are being processed to extract residual gold. Picture: Etienne Rothbart

Dumps go so gold can make SA richer

Star 14/6/93

By Michael Shaffo

Faith can move mountains, so the saying goes

For mine dumps, seemingly, you need a little more than faith — you need three or four earth-removal machines and a couple of high-powered water hoses thrown in for good measure

Among the less attractive of Johannesburg's heritages, the mine dumps that surround the city on its eastern, southern and western sides are systematically disappearing — and it is all in the interests of making the country richer.

Travelling east from the city centre on the M2, just before the Cleveland turn-off, on the left of the highway is a typical example of a disappearing dump.

Moonscape

Spectacular gouging of what was once a hillside of dun-coloured grass has exposed the yellow mine-dump sand beneath It might almost pass for a moonscape or an eerie-looking canyon.

Water pipes lie about the floor of the valley like giant skeins of black ravelled wool. Water from the hoses blasts at the ravaged hillside, creating slurry, which is pumped to a processing plant and from which residual gold is extracted.

What is left over is pumped to new dumping grounds on the East Rand, says a mining expert.

The land, owned by the individual mining houses, will be — or has already been — sold, thus clearing the land for future redevelopment.

As one informant put it "The higher the gold price, the quicker the dumps will disappear."

Soros in for long term, say analysts

B/Day 15/6/93

(214)

ISTANBUL — George Soros and Sir James Goldsmith, the influential investors who sparked the gold market to 28-month highs last month, are in the commodity for the long term, say leading gold analysts

The massively wealthy, clout-carrying US investment funds also saw gold as a long-term item in their portfolios, analysts at the Financial Times World Gold Conference said

Although the gold price has stalled at around $370 an ounce recently and was set in London yesterday at $366,30, after climbing to $384,50 last month, 18% above the seven-year lows plumbed in March, the bull run was not necessarily over yet, the market experts said

"I would be happy seeing prices in the $360s," said David Pryde, head of commodity trading at J P Morgan, New York. That would attract more liquidity to a market which had risen too fast and was correcting itself.

Omega Advisors' Frank Veneroso said "Soros is not in gold for the short term If he was he would not have bought 13,5% of Newmont (Mining from Goldsmith) That is now a registered stock which he has to hold for six months For a short-term investment he would have bought 9% "

Goldsmith invested part of his sale of Newmont stock in gold options

Pryde noted that while some investors had taken profits, they would have an investment in gold that they would use for trading and a "core" investment for the long term

Veneroso emphasised two factors behind the investment funds' fundamental view of gold

"Mine supply has increased on average by 1,7% a year over the past two decades," he said "Meanwhile, the Far East has seen the fastest growth in the economic world, averaging 9% a year against a Western average of about 2% And the Far East consumes 10 times as much gold per unit of income as anywhere else "

The gold supply-demand balance is in deficit of more than 600 tons this year, according to Gold Fields Mineral Services' Gold 1993 survey

Further, it is unlikely that the market will see much additional supply from mine-company forward sales — Sapa-Reuter

Soros wedded to long-term gold

Star 15/6/93 (214)

ISTANBUL — George Soros and Sir James Goldsmith, the influential investors who sparked the gold market to 28-month highs last month, are in the commodity for the long term, leading analysts say

The massively wealthy US investment funds also see gold as a long-term item in their portfolios, say analysts attending the Financial Times Gold Conference in Istanbul

Although the gold price has stalled at around $370 recently and was fixed in London yesterday at $363,00, after climbing to $384,50 last month, the bull run is not necessarily over, market experts say

"I would be happy seeing prices in the $360s," says David Pryde of JP Morgan, New York

That would attract more liquidity to a market which has risen too fast and is now correcting itself, he says

Gold prices began to climb in March on fears that economic policies in leading countries would rekindle inflation, while political unrest in major producing countries such as South Africa and Russia also stimulated buying

Then news broke that Hungarian-born financier Soros had bought a 13,5 percent stake in leading North American gold producer Newmont Mining from Goldsmith, who in turn invested the proceeds in gold options

Stock

"Soros is not in gold for the short term If he was he would not have bought 13,5 percent of Newmont," says Frank Veneroso of Omega Advisers

"That is now a registered stock which he has to hold for six months If he wanted a short-term investment he would have bought nine per cent"

JP Morgan's Pryde notes that while some of the investment funds have taken profits, they have an investment in gold that they can use for trading and a "core" investment that will be held for the long term

"The fund managers are very clever They look at the fundamentals of all commodities, looking for deficits," he says, citing the funds' recent sortie into timber, which was suffering from legislation-induced short supply, while the US housing market — a key end-user — was about to increase its activity

Prices boomed and the funds took their profits, but timber prices are still higher than they were before, Pryde adds

Veneroso emphasises two factors behind the investment funds' fundamental view of gold

"Mine supply has increased on average by 1,7 percent per year over the past two decades," he says

"Meanwhile, the Far East has seen the fastest growth in the economic world, averaging nine percent per year, versus a Western average of about two percent And the Far East consumes 10 times as much gold per unit of income as anywhere else"

The gold supply-demand balance is in deficit of over 600 tons this year, according to Gold Fields Mineral Services' "Gold 1993" survey

Last year's deficit was largely balanced by sales from the Dutch and Belgian central banks, totalling 600 tons, but that is unlikely to happen again in 1993

"Last year's central bank sales were an aberration," JP Morgan's Pryde says "Central banks are more likely to sell when prices are either flat or falling"

Handful

Further, it is unlikely that the market will see much additional supply from forward sales, used by mines to lock in high prices

A leading South Africa-based market analyst says "A handful of our mines produce 80 percent of our gold and they will still be there in 50 years' time

"It's only the smaller marginal mines which would take advantage of forward sales if they thought it would help them stay open," he says — Sapa-Reuter

PROJECT PROFILE: MAG COMMUNITY GARDENS

PROJECT	RESOURCES: ENABLING FACTORS						
	FINANCE	LAND	SUPPORT SERVICES	SKILLPOOL	NUMBER INVOLVED	PRODUCTION MIX	DEST. OF OUTPUT
Vegetable Gardens, Ashton (1983)	1 MAG - fencing 2. Irrigation	1. 85 plots 2 15m X 10m	1 MAG Agricultural Development	1 488 ex farmworkers on	22 8-9 core members	Potatoes, Beans, Cabbage, Onions, Beetroot, Carrots, Squash, Pumpkins	1.Household consumption 2.Local Market

Sday, June 15 1993

Gold production set to drop 20%'

Sday 15/6/93

JONO WATERS

SA GOLD production was likely to fall by about one-fifth to 500 tons by 2000, Anglovaal finance and administration manager Rick Menell told the Financial Times World Gold Conference in Istanbul yesterday.

Speaking on the outlook for SA's gold mining industry he said no significant output from new projects was likely before the turn of the century. Undergound tonnage increases were possible and were included in the estimated 500 tons (214)

Although production had fallen, it was still 34% of western world production or 28% of total world output The industry contributed about 28% to SA exports and nearly 5% to GDP.

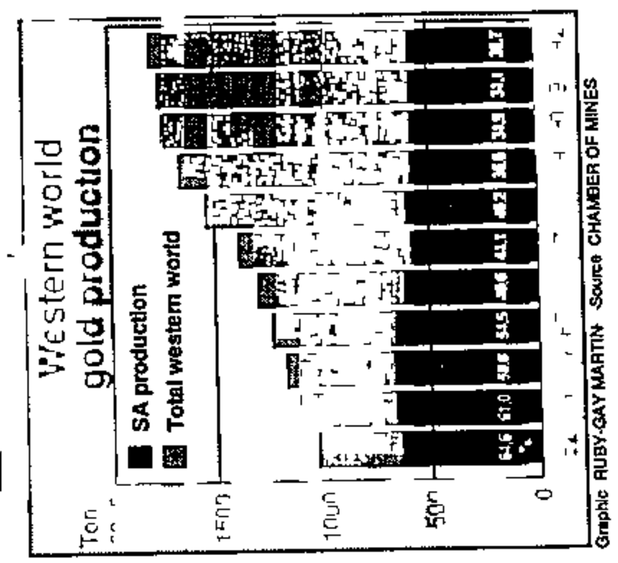
The 120-ton production fall from the current 620 tons could result in a decrease of approximately R4,6bn in foreign currency in 1993 terms.

Menell said major new projects wouldbe started only if there were higher gold prices and a stable investment environment. Policies that would attract investment included the elimination of political violence, an acceptable political system, a market-based economy, a predictable and competitive tax regime, disciplined government spending, the abolition of exchange control, a responsible exchange rate policy and mining title security.

Menell said the most important way government could assist marginal mines, which had produced 90 tons of gold last year and employed more than 80 000 people, was to allow a seven-day working week

☐ Outgoing Chamber of Mines president Bobby Godsell told the conference SA's transition to democracy could be as successful and as sustained as that of Portugal or Spain. Economic restructuring could rival that of Mexico or Argentina

The new SA would be no paradise, but it could have a sustained democracy and a robust economy, he said



SA 'at mercy of dollar price'

B/Day 15/6/93

SA WAS at the mercy of world dollar gold prices, Anglovaal said in its presentation to the Financial Times World Gold Conference in Istanbul yesterday.

"However, our costs and dividends are denominated in rands, and it is the rand gold price that is of primary importance in determining the viability of the industry. Although the rand gold price has increased significantly in nominal terms over the past 20 years, this increase is very slight in real terms.

"It is critically important to the industry that the rand continues to devalue against the US dollar in line with relative inflation.

"The current two-tier rand exchange rate continues to be carefully reviewed. Any move to a single official exchange rate would likely lead to a significant devaluation of the commercial rand rate and great benefits to industry profitability."

Anglovaal said increased availability of hedging tools and greater latitude by the Reserve Bank had enabled SA gold mines to protect and improve revenues.

"This activity has reached significant levels. The mining houses have differing views on the long-term effectiveness of hedging. However, hedging will continue to play a significant role in revenue management." — Sapa.

JCI still keen on Free State merger

B/Day 18/6/93

ANDY DUFFY

JCI was still keen to merge its troubled HJ Joel mine with Gengold's Beatrix operation, but Gengold remained unconvinced, it emerged yesterday

Following the suspension of talks earlier this week, JCI said yesterday that the "synergy" between the two Free State mines and the capacity to rationalise meant the merger was just a question of price

"If we can agree terms," JCI finance director Vaughan Bray said, "then yes, we'll do it"

However, Gengold said it saw no "short-term advantage" in the merger, and it could not justify the expenditure needed to bolster the Joel operation "It's not urgent for us," Beatrix consulting engineer Peter Robinson said "There is no advantage to be gained from the venture"

The negotiations were shelved last week following several months of discussions The companies have not disclosed details of the proposed terms or reasons for the breakdown, but sources suggest JCI was looking for a one for six share swap — a price Gengold was not prepared to match

The proposed merger had been seen by industry analysts as the only avenue open to Joel to bolster its tonnage and profitability

Temperamental grades and high costs have kept the trackless mine in a post-capex loss for the past three quarters

Although Joel lost had R1,6m after capex in the three months to March, JCI said the mine could move into the black within 18 months once sufficient ore reserves had been developed

O'Flaherty analyst Mark Madeyski said Joel would have to find about R200m to fund such development But Joel's massive debt — including a R150m loan to JCI — would hamper such fund plans

JCI had said during the talks that it wanted to convert Joel from a trackless to a conventional operation after the merger

Beatrix found this level of capex hard to stomach, given Gengold's decision to hold off on major investment on its own operations until a higher gold price was sustained

Industry sources said JCI was also uncomfortable with the prospect of handing over the management of Joel mine to Beatrix

The recent surge in the gold price, which should lift June quarter figures, may also have encouraged JCI to hold out for a higher price

FM 18/6/93

(214)

"The strong favourable balance between supply and demand for gold has also been responsible for attracting investors back to the gold market during the past month, and circumstances for gold in the year ahead look favourable."

Abridged Chairman's review

An abridgement of the annual review in respect of the year ended 31 March 1993, by Mr N F Oppenheimer, Chairman of Anglo American Gold Investment Company Limited

GOLD

In the financial year under review gold traded in a lower price range than the previous year and averaged US$338 per ounce, and the total price range of US$33 on the London fixes was the narrowest in over twenty years.

The performance of the gold price during 1992 was determined predominantly by the business in physical bullion While firm physical demand for gold will remain important for the market, the recent interest shown by speculators and investors in gold has led to a strong recovery in the gold price Nevertheless, for the period under review, the gold price remained confined to a narrow trading range, supported on the downside by strong physical offtake for metal in the Middle and Far East and supplied on the upside by a strong flow of metal on to the market from producers, central banks and from other sources of gold liquidity

On the demand side, jewellery consumption was once again the dominant factor. Estimated jewellery offtake worldwide reached 2 662 tons in 1992, up by 16 per cent on 1991.

In contrast to the strong interest in gold jewellery, investors in the West remained largely absent from the gold market during the year under review, and the West was a source of net disinvestment by central banks and private individuals More recently, however, strong interest from investors in gold shares has moved also to the gold market itself, and there has been buying by investors and speculators of gold futures and options contracts

cont

FM 18/6/93 (214)

The robust demand for physical gold in 1992 was met by a small increase in the production of newly mined gold, by dishoarding, and by two major sales of 400 tons and 202 tons by the Netherlands Bank and the National Bank of Belgium, respectively Worldwide, central banks still hold some 35 000 tons of gold bullion reserves, and it is probable that these Dutch and Belgian sales will be followed by other central bank sales, or by other forms of mobilisation of some of their gold reserves through swops, loans or options programmes. To date, however, the actions of central banks in this regard have been orderly and well managed, and future central bank transactions in gold will not necessarily disrupt the market significantly

However, the renewed interest in gold during the past two months has come largely from speculators and investors new to the gold market, and it is by no means sure that those factors which influenced investor thinking in the gold market of the 1980s will play the same role in determining investor decisions about the purchase or sale of the metal in the future Certain of the factors, such as inflation, which were assumed to drive investor interest in gold in developed markets also influence buyers of gold in the developing economies, but a better understanding is needed of consumer motivation in developing markets.

The World Gold Council in Geneva bears the responsibility for promoting gold, and it is reassuring to note that South African gold mining companies have maintained their support for this organisation during a difficult period for the local industry, although it is worrying that gold producers elsewhere are less committed to this responsibility.

MANPOWER

The 1992 wage negotiations were concluded amicably, with basic wage increases below the inflation rate. Profit-sharing bonus schemes were also agreed in respect of a number of mining companies in which Amgold is invested.

Many thousands of employees in the gold mining industry are now receiving a share of the profits which their efforts help to generate.

This, together with more effective information sharing, has meant that the principles of wealth creation and distribution are becoming better understood and accepted

Significantly, there were no major disputes resulting in extended work stoppages in 1992 During the highly publicised stayaway called by Cosatu for 3 and 4 August in support of mass action, there was no increase in absenteeism on gold mines

Following the 1991 Mining Summit, a joint approach was made to Government for tax exemption on a portion of packages paid to such workers and this was acceded to in the recent Budget

The summit also stimulated discussion on marginal mines, downscaling of mining operations and regional development, the monitoring, enforcement and interpretation of industry-level labour agreements, and a proposed commission of enquiry into health and safety

MOAB PROJECT

It was reported previously that agreement in principle had been reached to proceed with the development of a major new deep-level gold mining operation at a cost of approximately R1,7 billion (in January 1992 money terms) in the Moab area, to be mined as an extension of the Vaal Reefs lease area The formal agreement between the holders of the mineral rights, Vaal Reefs and Eastvaal Gold Holdings, has been approved recently by Vaal Reefs' shareholders

Vaal Reefs will be allocated 30 per cent of the share capital of Eastvaal, and the mineral right holders the remaining 70 per cent Eastvaal will raise the funds it needs in order to fulfil its commitments in terms of the agreement by way of rights issues to its

FM 18/6/93 (214)

FINANCIAL SUMMARY
(Figures in R millions unless otherwise specified)

	Year to 31.3.93	Year to 31.3.92
Earnings and dividends		
Net income for the year	**247,6**	235,5
– cents per share	**1 025**	975
Dividends – cents per share	**1 025**	975
Balance sheet		
Shareholders' funds	**952,5**	952,4
Represented by		
Investments	**517,7**	[illegible]
Mineral rights	**32,2**	31,2
Loans	**74,6**	65,3
Net current assets	**328,0**	329,7
	952,5	952,4
Net asset value		
Including investments at market		
valuations	**5 295,6**	5 027,4
cents per share	**23 731**	22 585

shareholders It is intended that in due course Eastvaal will seek a listing for its shares

To date, some R168,4 million has been spent on the project Pre-sinking has been completed and the shaft has reached a depth of approximately 749 metres below the collar It is anticipated that capital expenditure totalling R78 million will be incurred during 1993.

Amgold will have an initial interest of some 13 per cent in Eastvaal.

EXPLORATION

Amgold maintained its 20 per cent participation in Anglo American Corporation's gold exploration programme which is concentrated on the search for Witwatersrand-type mineralisation, both within the Wits Basin and in outlying areas The tempo and level of expenditure are being reduced but the emphasis has switched to new areas where target reefs are expected to be encountered at shallow to medium depths

International gold prospecting was continued in Turkey In Mali a feasibility study on a gold deposit at Sadiola has commenced Anglo American Corporation of South America's gold exploration programmes were continued in Brazil on the Guapore Shield and in Argentina at Cerro Vanguardia where an epithermal vein system with gold and silver mineralisation has produced encouraging results A programme of drilling for resource delineation is in progress at this site

CONCLUSION

The gold market in 1992 showed resilience under trying circumstances, and a strong floor was maintained even in a year in which exceptional tonnages of metal were offered to the market.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels, and demand from the Middle and Far East has shown no sign of abating during the first quarter of 1993

While physical demand for jewellery in particular and for bullion in general remains important to the health of the market in the future, the strong favourable balance between supply and demand for gold has also been responsible for attracting investors back to the gold market during the past month, and circumstances for gold in the year ahead look favourable The renewed interest in gold by investors and speculators has lifted the dollar price of gold, and this price increase, combined with a weaker rand, saw gold reach an all-time high price of over R39 000 per kilogram in May 1993 It is likely in the current circumstances that this improvement in the price will be maintained, and the South African gold mining industry in particular should be able to look forward to a healthy performance in the year ahead

N. F. Oppenheimer
Chairman

25 May 1993

Miners forced to sign away jobs, says agency

Argus Africa News Service

MAPUTO — Several thousand Mozambican miners at the Hartbeesfontein mine near Klerksdorp have been forced to sign papers saying they were voluntarily giving up their jobs, according to the official Mozambican news agency Aim

ARG 19/6/93

The agency said the miners were forced to sign under threat that if they did not police would be called to end their strike

214

About 3 700 Mozambicans have been striking in an attempt to get the mine management to provide protection against attacks by South African miners at the Anglovaal-owned mine At least 17 miners, mostly Mozambicans, were killed and about 80 injured in clashes on May 25

Mr Stan Mabizela of the ANC's international department attended a meeting at the mine on June 15 with Pedro Taimo, the Johannesburg representative of the Mozambican Labour Ministry, and representatives of Cosatu, to which NUM is affiliated, of Anglovaal and of Teba, the mine recruiting agency

The agency said Mr Mabizela was representing ANC president Mr Nelson Mandela, who was said to be shocked by the May 25 killings and to have said the ANC would not allow Mozambicans to be murdered on South African soil He had recalled the assistance given to the ANC by Mozambique in the liberation struggle

Limited growth expected in gold mining payouts

B/Day 24/6/93

ANDY DUFFY

THE growth in payouts from gold mining houses in the June quarter was likely to be limited, despite the surge in the metal's price, sources said yesterday

Though gold's 11% price gain over the quarter would lift distributable profits from the R492m March quarter total, analysts said hedging and higher capital expenditure could restrict the rise to less than 10%

A rise in the average spot price would mean that profits for five of the six houses — Anglo American, JCI, Gengold, Anglovaal and Randgold & Exploration — would be hit by their hedging policies

Companies were also likely to use revenues from higher gold prices to dust off development schemes put on hold when the metal was subdued. This could lead to capital expenditure for the period rising around 25% on its R400m total in the March quarter

"(Previously) all mines have cut back on their capex programmes to try and minimise the decrease in dividends," said Irish, Menell, Rosenberg analyst Duncan Ingram. "They have to catch up to safeguard their long term futures"

Anglo's Freegold and Western Deeps, Anglovaal's Hartebeestfontein and Gengold were tipped by analysts for a strong showing in the quarter

(214)

Fergusson Bros, Hall, Stewart & Co analyst Trevor Pearton also said Randgold could show the largest relative improvement

But sources cautioned that though payouts would rise, they would be unlikely to justify the enthusiasm which has lifted the gold index 486 points to 1 718 since gold began its ascent in April

Around 25% of total SA gold production is hedged, but analysts said its impact was likely to vary between companies and was difficult to quantify

According to sources, only Anglo and JCI had hedging prices close to the current average R36 500 spot price In other cases the hedged price was 10% less than the spot price.

Companies were also expected to begin releasing the brakes on capital expenditure Gengold were expected to review its decision to shelve expenditure on No 3 shaft at its Beatrix mine Analysts anticipate Freegold and Vaal Reefs to push ahead with developments

VAAL REEFS FM 25/6/93

Orkney snork nie (214)

Why would the legal advisers to an Anglo American gold mine, in this case Vaal Reefs, seek to muzzle the press from reporting on an arbitration concerning a purely commercial affair? The matter of an argument between Vaal Reefs and one of its contractors, Constantia Mining Services (CMS), is in the throes of due process

When I sought more information on the nature of the disagreement, first from Anglo's regional GM in Orkney, Napoleon Mayer, and then through the corporation's PR officials, I was met with one of those impenetrable walls "We feel," said an official tartly, "that comment at this stage would be inappropriate "

Vaal Reefs' lawyers went one step further The *FM* learns that Vaal Reefs' counsel specifically petitioned the arbitrator to prohibit the mine's opponents from relaying any information about the arbitration to other parties Apparently, the arbitrator decided neither party should speak to anyone, a neat enough riposte

CMS was employed by Vaal Reefs to handle mining-related work on a contractual basis, apparently for as long as seven years However, in 1990 and 1991, relations between the mine and CMS cooled to the point at which CMS felt it had no alternative but to abrogate its contractual arrangements

As a result, the company has suffered losses and is claiming about R7,5m from the mine. In turn, Vaal Reefs alleges that CMS's method of calculating its monthly certificates against which the mine was required to pay, was such as to result in an overstatement of work done The mine is, it is believed, claiming R5,3m in a counteraction against CMS

cont-d

The situation is clouded by subsequent events The *FM* understands that another contractor, appointed to replace CMS when it departed, is now in liquidation and owes Vaal Reefs sums which one informant claims are huge and another says are trifling

Now, Vaal Reefs is reported to be taking the unusual step of setting up its own contracting organisation to stand in for the company in liquidation If that's true it means Vaal Reefs will, in effect, be contracting with itself, ostensibly at a profit, to replace the services which formerly were supplied by independent contractors

Isn't that just a trifle bizarre? *David Gleason*

NORTHAM PLATINUM

Still more delays

FM 25/6/93

Market reaction in general to the storm over Northam Platinum's financial difficulties seems to be that it's overdone — which is why the share price has held up, dipping just 50c over the past week to R16,50

Having said that, there is much speculation in the market that Gold Fields is not dispelling now A full report will be released in about a month when Northam's preliminary results for the year to June are published Chairman Alan Wright declines to comment before these results, other than to say Northam is having a few teething problems but they are not serious

214

However, it appears Northam will not reach its planned throughput of 150 000 t/month by end-June as stated in the December rights offer circular to shareholders, who kicked in R352m then, bringing total money spent on the project to nearly R1,7bn This target will be reached later in the year, perhaps by end-August The mine is not getting the ore from underground fast enough to fill the mills and one report claims there are problems with ore clogging up pass systems underground

Revenues have also been hit by disappointing platinum group metal (PGM) prices, particularly rhodium Management was forecasting a rhodium price of US$2 500/oz, but it has fallen to around $850/oz

The other major concern is about technical problems in the base metal refinery causing a lock-up of rhodium Depending on who you talk to, the magnitude of the problem varies from minor to serious That's why an official comment from Gold Fields is needed

Plainly the point where Northam becomes financially self-sufficient has been delayed and perhaps another R200m in bridging finance is required Payment of the maiden dividend is likely to be pushed back a year to financial 1995

That's embarrassing for Northam, whose directors claimed in December the money being raised was enough to finance working capital and capital spending requirements at that time, and it is worrying for shareholders But it would be a lot more worrying were it not that a mining house of the stature of

FM 25/6/93

Gold Fields is standing behind Northam

"Another R200m is not a big number in the overall context and I'm fairly relaxed about it " says a broker's analyst "You have to expect problems starting up a new mine "

Analyst opinion on Northam, though, remains divided "Northam is out on a limb as a high-cost producer because so far the expected high grades have not been forthcoming It's a technical success but so far not a financial success," says Frankel Pollak Vinderine's Kevin Kartun Irish Menell Rosen-

Northam's Wright *a few teething problems*

214

berg's Dave Russell says "Northam is a first-class operation and I remain convinced Gold Fields will get over these unpleasant teething problems "

An analyst at a big institution says "Their problem is they are not getting the product out of the mine If they were producing as they were supposed to, they would be cash-positive already The key factor at Northam is grade If the forecast grade does not materialise, the mine will be a disaster I rate Northam a buy at R16 and will give Gold Fields the benefit of the doubt because of its mining expertise "

At least until there are more details from the house, this seems the best view to take

Brendan Ryan

AMGOLD

FM 25/6/93

Baleful stocks or healthy flows

(214)

Activities: *Investment holding company with large interests in major SA gold mines and a 20% stake in Anglo American Corp's exploration programme*
Control: *Anglo American Corp 50,5%*
Chairman: *N F Oppenheimer*
Capital structure: *24,2m ords Market capitalisation R6,8bn*
Share market: *Price R280 Yields 3,7% on dividend, 3,7% on earnings, p e ratio, 27,3, cover, 1,0 12-month high, R315, low, R138 Trading volume last quarter, 1,3m shares*

Year to March	†'90	*'91	'92	'93
Net income (Rm)	308,5	178 2	235,5	247,6
Earnings (c)	1 405	788	975	1 025
Dividends (c)	1 250	775	975	1 025
Market value of investments (Rbn)	8,4	4,5	5,0	5,3

† Year to February
* 13 months to March

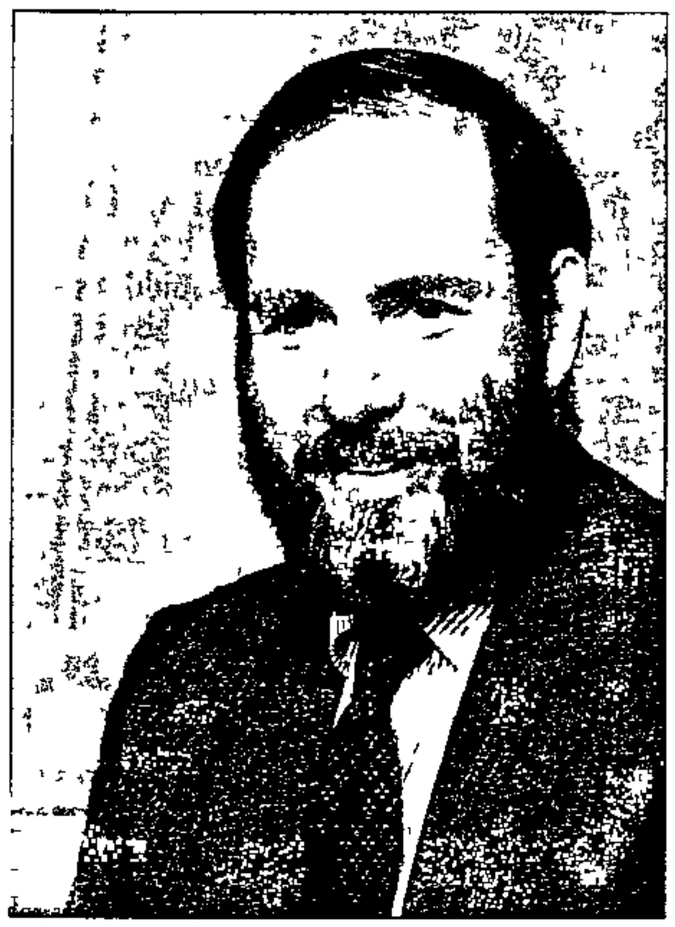
This prince among mining holding companies is already reflecting in its dividend income the profoundly better performance of SA's gold mines Amgold is an investment company specifically structured to hold significant segments of Anglo American Corp's widely diversified gold mining portfolio

As such, it is a litmus for the fortunes of the industry as a whole, these have been in decline in recent years as bullion has fallen progressively from favour, and as SA mines have struggled with high cost structures and falling grades

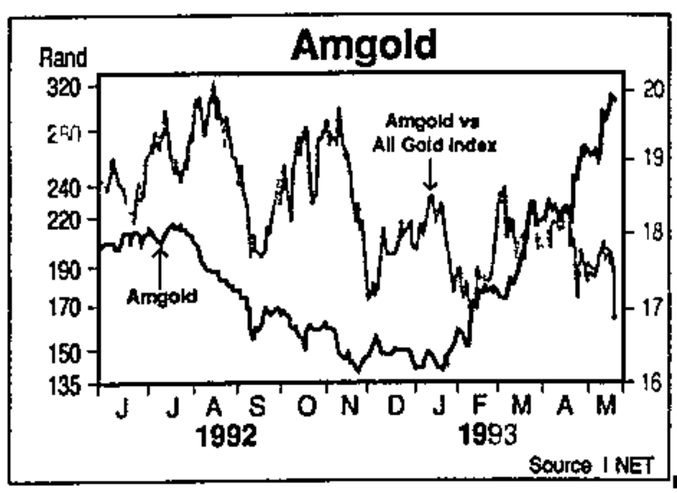
The concerted and concentrated attack mounted over the past three years on overmanning, appalling productivity and the legacy of a profligate past is now showing results Soaring cost escalations have been contained, productivity is rising, profitability is improving It has all come together, fortuitously, at just the time when bullion, after years in the wilderness, has suddenly discovered a new-found popularity

Amgold faithfully records this, first in its share price which turned in January and reached a 12-month high in May, and second in its annual results which reflect higher dividend proceeds from its investments and a significantly better EPS — up 5%, which doesn't sound much but actually is useful

Where to from here? One speaker at last week's annual *Financial Times* gold conference suggested that, despite selling last year by Central Banks, bullion will continue to form an important part of European Community reserves National Bank of Belgium spokesman Agnes van den Berg said the sale of 202 t last year by Belgium merely brought the gold element of the country's reserves into line with EEC requirements (it also had the effect of increasing Belgium's foreign exchange holdings by 30%)



Amgold's Oppenheimer *improvement in the price will be maintained*



A Swiss commercial banker takes the view that physical gold transactions have diminished in importance in the face of increasing trade in over-the-counter options Investors are now able to extract much better performance from gold by making use of leveraged derivatives

If you're wondering what all this means for Amgold — well, it depends on whether your personal philosophy is driven by the stock or flow theories as the real motivators of the gold price The flow theory is that demand for physical gold is growing The best current example is probably in the Far East (China) where purchases continue unabated Meanwhile, supply of new gold continues at current levels There is an increasing gap between fabrication demand and supply and that, in turn, is reflected in higher gold prices

The stock theory derides all that There are 35 000 t of gold above ground in official reserves If you add that to the bullion in private hands and in jewellery, the quantum is as high as 109 000 t On that basis, supply/demand theories simply don't apply, and the gold price is going nowhere fast Take your pick

Chairman Nicky Oppenheimer is clear where his personal choice lies his forecast is that bullion will continue to perform well In current circumstances, he says, "this improvement in the price will be maintained" and he expects SA's gold mines to experience a healthy year So Anglo has nailed its colours to the flow theory mast — and, to be fair, if you're a gold mine owner it's certainly the easiest theory with which to live

Meanwhile, the company's balance sheet continues to reflect its usual strength, with cash reserves deposited with Anglo American at R458m An amount of R15m is provided in the income statement as a provision against investments and loans That's R5m up on last year's provision and, perhaps embarrassingly, some of it is applied against Anglo's marginal Erfdeel project which is held through Eastern Gold Holdings

Amgold is one of the few SA stocks which are Swiss-certificated (the others are Kloof, Gold Fields and Anglo American), and that gives it a special advantage in a rich country Swiss investment managers trade in large quantities in the counter and see it as a natural and uncomplicated purchase when interest in gold turns

Smith New Court senior mining analyst Steve Oke believes Amgold is undervalued in relation to other comparable stocks (GFSA for example) and investors should switch into the counter His view is supported by a JSE broker, who says Amgold is trading at a discount to its NAV of about 13% "Over a five-year period, Amgold's usual discount is about 6%, so there's some upside potential"

For investors seeking gold mine exposure with a good safety net, Amgold appears to be among the better alternatives *David Gleason*

PEP LTD FM 25/6/93

Unrealistic expectations

With 1 021 outlets, Pep Ltd (Peplim) is the major chain in the Pepkor stable Though its turnover is slightly less than a quarter of that of stablemate Checkers/Shoprite, its operating profit for the year to February 28 was more than four times as much

In the past four recessionary years (1989-1993), Peplim's pre-interest profit has grown at a compound rate of 13,5% a year This is arguably less than the average annual rate of inflation, implying real growth has been negative The EPS picture is worse compound growth was 7,6% That could be one reason the share price has levelled off

Over the same period, taking into account the five-for-one share split last year, the

→ cont

Sharing the good times

FM 25/6/93

(214)

Every year at this time a curious ritual is undertaken in Hollard Street Taking the form of a complex negotiating dance, the principal actors are representatives of the National Union of Mineworkers (NUM) and officials of the Chamber of Mines representing the mining houses. The onlookers are shareholders and employees, stakeholders in the engine room of the economy — the gold mining industry.

It is time for the annual wage bargaining disco And this year there are some interesting spillovers from the introduction last year of profit-sharing schemes That was the first time employees at all levels on gold mines were introduced to the process of sharing in their own mine's success — or failure

Profit sharing was introduced, says Anglo American Gold Division's Fanie Ernst, because it became essential to stop making annual wage awards substantially in excess of the inflation rate That policy sought to reduce the yawning gap in earnings between white and black employees Unfortunately, it also contributed significantly to the rapid demise of SA gold mines as the world's cheapest producers

If there's one thing that's become clear in the past decade it is that SA is no longer the most efficient producer of gold On the contrary, it has become among the most expensive — and the country's total annual production has declined with it Hundreds of thousands of jobs have been lost, shafts have been closed and marginal mines are under the constant threat of closure

Not all of this can be laid at the door of the industry's wages policy It is certainly true, for example, that productivity is abysmally low That may be as much a feature of antiquated management methods as it is of recalcitrant labour

To compound matters, the mines — generally — have become progressively deeper, hotter and more prone to seismic disturbance And, to cap it, the fabulous grades that left observers speechless with awe and envy are just about gone

Profit sharing was introduced as a measure which mining executives hoped would help stop the rot. At Anglo American gold mines, for instance, 5% of profits on each mine are shared among employees

But the employees' share can increase. it depends on a trigger point, which is the average level of profits achieved by a specific gold mine over the preceding four quarters If a mine's profits exceed its average, then all employees on that mine are entitled to share in its super-profits

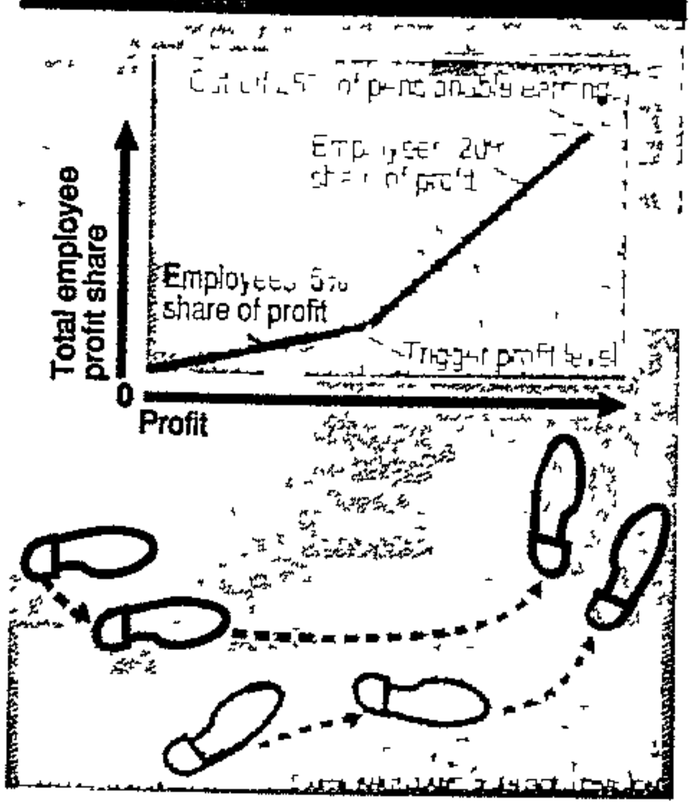
This share increases to the extent of 20% of those profits, divided among employees relative to their earnings — from the mine manager down There is a limit, however. an employee's share of the profits cannot rise above a sum equal to 25% of his pensionable earnings

Since the scheme was first introduced last July, employees have strolled off with R66,2m, of which R32,4m was paid out to Freegold employees and R12,8m to those working at Elandsrand

The NUM's acting general secretary Kgalema Motlanthe says the underlying rationale behind the union's acceptance of profit-sharing is complicated Essentially, however, it boils down to an acceptance that profits are necessary, that gold is a finite asset, and that jobs with a variation of wages are a whole lot better than fixed wages and fewer jobs "The fall in the gold price," says Motlanthe, "was the catalyst which persuaded us to give careful consideration to the matter Stop-gap measures were needed because so many mines were under threat of closure"

Profit-sharing polka

How Anglo distributes goodies



This approach is not uniform, however Of the mining groups, Anglo, Gencor and JCI have all instituted a form of profit-sharing. Gold Fields (GFSA) and Anglovaal have not. And the difference is material. the negotiation between NUM and the Chamber last year produced a wage award across the industry of about 5%, thereafter, NUM negotiated separate agreements relating to profit-sharing with three of the houses

When it came to GFSA and Anglovaal, those negotiations took the form of an agreed increase in wages of about 6,5% Asked why his group takes such a different view, GFSA deputy chairman Colin Fenton says "We believe in a similar wage for our employees in all our mines We believe it's inherently wrong to pay at one level on a rich mine and another, lower, level on a poorer mine The effect is to disadvantage some employees while enriching others"

For shareholders, of course, the issue is whether the scheme works There's no doubt about it, according to Elandsrand mine manager Ian Cockerill "The really important thing," he says, "is that employees are suddenly aware of the financial health of their company The need to produce profits in which they can share is well understood In fact, it's become paramount This is a win-win solution to our cost problems"

This time around, industry executives expect to be able to settle at around last year's 5% award, then rearrange elements of their profit-sharing schemes NUM isn't so sanguine Motlanthe says "We've accepted low wage increases for two years The high inflation rate has whittled away some of the benefits we got in earlier years It would be wrong for anyone to assume we'll simply go along quietly with mining house proposals"

As for GFSA and Anglovaal's position outside the main thrust of the negotiations, the general view of other mining houses, as expressed by one executive, seems to be that they "will continue with their policy for as long they can afford the premiums"

One thing comes clearly through the murk and fog of the negotiations both sides are acutely aware of the imperative need to restore SA's competitive edge

Star 29/6/93

Gold mines expect higher profits

(214)

By Derek Tommey

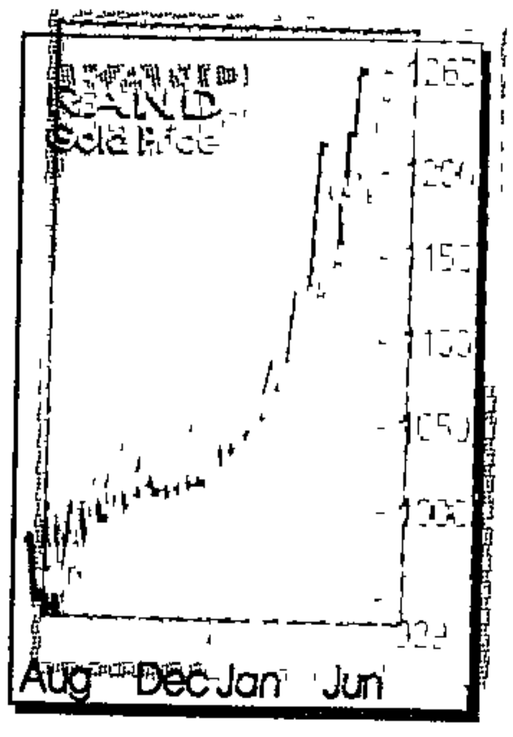
June quarter gold mining profits, to be announced in the next few weeks, should show strong growth

Estimates are that global working profits could be 40 to 45 percent higher

But by the time mines have met their tax bills and reserved funds for expenditure, the increase in distributable profits is likely to be far less

The jump in working profits follows the steady rise in the rand gold price, which reached another record high yesterday of R1 262,85 an ounce after a spurt in the London gold price and a fall in the rand/dollar exchange rate

However, a drop in the gold price from $378,10 to $375,35 and a slight firming in the rand exchange rate from R3,34 to R3,33 to the dollar reduced the rand gold price to R1 250 — still a record close



Since the start of the current quarter, the rand gold price has risen by almost R200 an ounce

The average gold price for the June quarter is R1 150 — about 10 percent more than the R1 045 received in the March quarter However, this includes receipts from forward sales

If the industry maintains production at March levels, it should earn R5,4 billion this quarter (R4,9 billion in the March quarter)

This should result in working profits of R1,57 billion (R1,08 billion previously) But several factors could lessen growth in working profits

One is that because some mines might have an obligation to sell forward at prices below the market price, they will not receive the full benefit of the higher price

Some might have started mining lower grade ores to reduce tax liability and prolong their lives

There is also a question-mark over whether the mines have been able to hold down costs Nonetheless, there is no doubt that distributable profits at most mines will be higher this quarter

Star 29/6/93.

Boost for gold mining earnings

(214)

The gold mining industry is continuing to enjoy a bonanza. The steady increase in the rand gold price is expected to boost gold mining earnings this quarter by about R500 million to R5,4 billion.

Gold mining working profits should rise from R1,08 billion in the March quarter to R1,5 billion The extra R500 million will give the economy a sharp boost.

The rand gold price rose to a new high of R1 263 an ounce yesterday before closing at R1 250.

● Report — Page 21

Venetia mine . . . destined to become South Africa's largest diamond producer when it reaches full production in the mid-1990s.

Star 30/6/93

Anglo American bullish on gold

By Derek Tommey

The world's biggest gold producer, Anglo American, is bullish on gold, but cautious about diamonds (214)

It says in its annual report that the continuation of strong demand for gold in the Far East for the purpose of both adornment and investment bodes well for the market in the mid-1990s

Over the past year, the market changed from one priced and driven by investor and speculator interest to one sustained by the underlying demand of physical users

The year also saw the centre of gravity of the physical market continue to move to the developing countries of the Middle and Far East

Regional markets in these countries have provided the bulk of new demand for physical gold in recent years and it is likely this trend will continue into the next century

Although central banks still hold 35 000 tons of gold and may continue to mobilise these reserves in various ways, their actions to date have been orderly and well managed

Consequently, future central bank transactions are not expected to disrupt the market

Anglo American says its policy of maintaining rigorous control of costs on its gold mines will remain and that profit margins will continue to be preserved as far as possible by the judicious use of forward selling

It says it will be in everyone's interest if the industrial peace which has prevailed over the last two years endures, and if wage awards continue to be a sensible combination of a modest basic increase coupled to a share of profits

By early 1993, the balance between supply and demand for rough diamonds had been restored and a 1,5 percent CSO price increase was readily absorbed

CSO sales at the first four sights this year were good, though influenced by exceptional factors But such sales cannot be sustained without a general recovery in consumer spending, which requires a more broadly based economic upturn than is discernible.

Anglo sees gold's gains sustained

B/Day 30/6/93

GOLD's recent gains should be sustained over the next 12 months, but there was little chance of a recovery in the fortunes of the diamond industry, Anglo American said in its 1993 annual report. (214)

ANDY DUFFY

The corporation, which in the year to March reported an 8% slide in attributable earnings to R1,532bn, said that although the metal price had risen on the back of uncertainty in developed economies and speculators' activities, underlying demand was also growing stronger.

China and the Far East were now the growth engine room, and if costs were controlled and wage awards restrained, the SA gold mining industry could look forward to a "healthy performance in the year ahead".

But Anglo warned that encouraging diamond sales by the Central Selling Organisation in the first four sights were due to "exceptional factors," such as falling supply from Angola and Russia. The momentum, which would boost earnings, could not be sustained without a recovery in consumer spending

Anglo's gold interests, which include Vaal Reefs, Freegold and Ergo, increased equity accounted earnings from R245m to R258m for the year, 10,5% of the total

The market had shifted through 1992 from one driven by speculator interest to one sustained by underlying demand, Anglo added.

The centre of gravity for the market had continued to shift from developed economies of the West and Japan to developing regions, such as the Middle East and China.

"Regional markets in these developing countries have provided the bulk of new demand for physical gold," the group added. "It seems likely that this trend will continue into the next century."

Supply and demand was in the suppliers' favour, so prices for the year ahead "look favourable"

The contribution from diamonds, last year Anglo's mainstay through its holding in De Beers, was cut by 23% to R494m for the year under the strain of lower CSO sales and higher rough diamond stockpile.

The CSO's efforts to stabilise the market had allowed a 1,5% price increase in February to be absorbed Demand in the US had held up well.

But current sales relied on a shortfall in diamond supply from Angola and Russia, and increased demand from India and the US, Anglo added.

A sustainable recovery depended on a "more broadly based upturn in world economies than is at present discernible".

On coal, it said although supplies to Eskom were expected to remain static this year, falling contributions from exports were expected to cut 1994 earnings from Amcoal to below the 1993 level It sustained a 6% earnings drop to R252,3m for the year before abnormal items, as sales to Eskom declined 1,8-million tons to 28,1-million tons, and steam coal exports came under pressure.

The corporation, which had maintained its total dividend at 345c a share, awarded its board a 25% increase in remuneration.

This lifted the total payout for services as directors, alternate directors and managers from R20m to R25m

MINING — GOLD

1993

JULY — DEC

Gold shares pay higher dividends

Star 1/7/93

By Derek Tommey

The fruits of the higher gold price are beginning to reach investors in gold shares

Two JCI mines have announced dividends that should please shareholders

Randfontein has almost doubled its final dividend, paying 110c against 60c a year ago.

Altogether, the mine is paying a total of 145c for the 12 months to June (85c previously)

Western Areas, whose last dividend was 16c for the 1986-87 financial year, is paying 25c for 1992-93

The Randfontein dividend was not too much of a surprise, Nick Goodwin, gold analyst with EW Balderson, said yesterday

(214)

At the current gold price, the mine is earning big enough profits to pay dividends of 250c to 270c a year.

The Western Areas dividend did catch the market unawares. The mine had been expected to use its greater profits to build up a cash reserve

Attractive

Presumably this was not considered necessary, given the current gold price, said Goodwin.

Randfontein's share price rose 55c to R37,80 on the dividend declaration, while Western Area's price jumped R1,65 to R16,75

Goodwin said that while the higher dividends were putting gold shares on an attractive 7 percent dividend yield, or a yield of around 10 percent if bought through the financial rand, this was not what attracted foreign investors

They buy on price, and with many shares one-and-a-half times what they were earlier this year, foreigners are more likely to sell than buy at this stage.

Investor attention is now likely to centre on the five Gencor mines which should announce their dividends on July 21, on the five Anglo American mines on July 22, and on the four Rand Mines operations on July 26.

The rand gold price continues to hover just below its high at R1 260 an ounce — indicating that gold mining profits should remain high.

FM 2/7/93 (214)

EERSTELING FM 2/7/93

On the right track (214)

Since buying control of Eersteling Gold Mine and taking it out of provisional liquidation, new owner Esor has got the operation back on the right track, judging by the results for the six months to December

Details of the R6,2m rights offer reveal the new management has made two strategic acquisitions that should provide major benefits to the mine near Pietersburg These are the purchases of additional mineral rights on the adjacent farm Zandrivier, from Anglo American Corp, as well as another treatment plant, with the capacity to handle 6 000 t/month of ore, bought second-hand from a Botswana gold mine

This plant will be set up at Eersteling to treat exclusively the gold-bearing refractory ores found on parts of the mine's lease area and in the new Zandrivier ground Refractory ores contain arsenic and cannot be succesfully treated through the normal cyanide process They have to be either roasted or bio-leached first

Plans are to set up a bio-leach plant with technical help from Mintek, which will treat the concentrate produced from the refractory ores Until this plant is operating, Eersteling's refractory concentrates will be sold to Barbrook mine, which has a roasting plant

Esor bought Barbrook in April for R10,5m from the liquidators, after developer Rand Mines had sunk R148m into setting up the eastern Transvaal gold mine Barbrook will remain unlisted

As Swiss-based Esor controls 95% of Eersteling, it will be paying almost all the rights issue money The carrot for the remaining minority shareholders to follow their rights is that the company will be relisted on the JSE from July 5 Those who may still want out can sell their shares to the underwriter at 80c, the rights issue price

The money is to pay for the acquisition and development of the Zandrivier rights, the acquisition of the treatment plant for US$288 896 and the R1,2m purchase of the overhead powerline supplying electricity to the mine from the Pietersburg municipality That will save Eersteling R300 000 a year in interest charges and capital repayments on the line

In the six months to December, Eersteling made a net profit before capex of R1,7m and had distributable earnings of R600 000 In the year to June 1992, when the provisional liquidators ran the mine for 11 months, Eersteling made a net profit before capex of R100 000 and had a negative cash flow of R100 000

Eersteling MD Stefan Hayden says the mine is producing 32 kg/month of gold and this will increase to 60 kg-70 kg by next June as the new shafts start working *Brendan Ryan*

Three Randgold mines show loss

Star 5/7/93

Business Staff (214)

Only one of Randgold's four gold mines showed a profit for shareholders in the June quarter, with the higher gold price received being insufficient to offset falling yields, the disruption of production and capital expenditure

Blyvoor's earnings a share were 6c (8c in the previous quarter) **Harmony** showed a loss of 2c a share (profit of 29c a share), Durban Deep a loss of 80c (3c profit) and **ERPM** a loss of 111c (83c loss)

The group, which is paying no dividends for the quarter, says hedging remains an important strategy in securing revenue

Durban Deep's future reviewed

B/Day

ANDY DUFFY

RANDGOLD & Exploration is reviewing the future of its Durban Deep operation and may have to refinance its ERPM mine after a June quarter in which the rising gold price did little to protect the company's figures.

5/7/93

Falling grades and production, coupled with higher working costs, pushed Durban Deep to a net loss of R2,185m for the quarter against a previous R0,54m profit

Chairman John Turner said Durban Deep would have to cut costs and boost margins or the "future of the operation will have to be reviewed".

ERPM also suffered as grades dropped from 5,54g/t to 5,17g/t, and production dipped from 1 584kg to 1 462kg Its losses had "raised the possibility of a funding problem being experienced", Turner said.

Harmony left Randgold with some consolation, a rise in yield helping it reverse from a R0,4m net loss to a R1,2m profit

But earnings were swamped by a return to capital expenditure rather than by recoupment.

(214)

Net profits at Blyvooruitzicht were lifted from R3,1m to R5,5m, despite falling yields. But a leap in capex related to its Western Deep Levels tribute cut back earnings a share from 5,8c to 1,3c

No dividends had been declared, Randgold added, and capex was now being restricted to projects deemed vital to continuing operations

● See Page 7

Losses at Randgold despite gold price

B/Day 5/7/93

(214)

ANDREW DUFFY

BURGEONING costs and dipping yields knocked Randgold & Exploration into losses on three mines and cut profits on its fourth for the quarter ended June

This was despite gaining an across-the-board rise in revenues as a result of the soaring gold price

Durban Deep, ERPM and Blyvoor sustained falling grades, and all the mines produced less gold Only Harmony and Blyvoor limited rising costs

Randgold blamed much of its showing on politically inspired disruption to production. Production was most heavily affected on Durban Deep, where gold tonnage was cut from 1 203kg in the March quarter to 1 080kg

Durban Deep's production was also hit by the relocation of some mining operations to prevent falling yields. The grade was still down, from 4,13g/t to 4,04g/t.

A rise in revenue from R33 169/kg to R34 635/kg did little to offset higher costs, leaving Durban Deep with a working loss of R2,86m (R0,3m profit)

The Far Eastern Vertical shaft, formerly vaunted as ERPM's passport back to profitability, continued to underachieve. A deterioration in grades from 5,54g/t to 5,17g/t and declining tonnage cut gold produced back from 1584kg in the March quarter to 1 462kg

ERPM's costs rose to R41 780/kg from R37 807/kg. This left ERPM with a working loss a kilogram of R6 181, against R4 897 last quarter A hike in capex from R1,8m to R8,4m pushed losses to R26,8m

Though the state had granted ERPM a further R9m loan in the first three months of 1993, Randgold chairman John Turner said ERPM's June quarter performance had derailed funding plans

Harmony's grade recovered from an earlier slide, clawing back from 3,39g/t to 3,45g/t But this was still far short of its December grade, and a drop in tonnage left gold produced at 5 181kg (5 205kg)

A marginal rise in underground costs to R34 895/kg (R34 350/kg) and higher revenues cut Harmony's working loss from R1 230/kg to R697/kg

Non-operating profits again lifted Harmony's pre-capex figure, up from a R0,44m loss to a R1,8m profit But a reverse from the recoupment in the March quarter to capex of R1,9m pushed earnings back from a 20c per share gain to a 2,6c loss

The decline in grades at Blyvoor continued, dropping from 6,1g/t to 5,88g/t, with tonnage slightly up at 305 000 tons

Higher revenue coupled with limited cost rises pushed working profit to R1 835/kg from R983/kg Non-operating profits lifted pre-capex profit to R5,58m (R3,13m) But a rise in capex from R1,75m to R5,25m cut Blyvoor's earnings to shareholders from 5,8c in March to 1,3c

CMC plans gold expansion

B/Day 5/7/93 ANDY DUFFY

CONSOLIDATED Mining Corporation (CMC) was poised to expand its gold production in the wake of the metal's recent price surge, the company said in its annual report

The gold, diamond and asbestos group said that provided gold's gains were sustained through the year, it could proceed with plans to develop virgin ore reserves at its moribund Witwatersrand Nigel mine

The company has also opted to proceed with contract mining at its Droogebult Gold Mine (214)

Attributable earnings for the year to March were 48% higher than those stated in April's profit announcement. Chairman Gerald Rubinstein said this was because results included the market value of stock shares in Consolidated Mining Management Services Net attributable income was R11,2m (1992 R4,3m) Turnover rose to R160,1m (R139m) and pre-tax income was R20m (R13m)

Randgold has lessons for investors

Star 6/7/93

By Derek Tommey

Brokers say investors have learnt valuable lessons from the disappointing Randgold mining quarterlies issued yesterday — three weeks earlier than is normally the case

With the gold price rising strongly, there was optimism that the group's four mines would produce attractive figures

But after capital expenditure, Blyvooruitzicht reported distributable earnings of 6c a share for the quarter, Durban Deep a loss of 80c, Harmony a loss of 2c, and ERPM a loss of 111c.

The market's dismay at the Randgold quarterlies is reflected in the Randgold share price.

It fell 85c, or 13 percent, to 550c to show one of the biggest losses of the day (214)

Harmony's price dropped 100c to R24 and ERPM's 100c to R17,50. Durban Deep's was unchanged at R48 and Blyvooruitzicht's rose 25c to 825c

Brokers said yesterdy that one lessons was that a higher gold price may by itself not be enough to keep some of the more marginal mines going

Operations at all four mines, and especially at ERPM, were affected by lower recovery grades

Another lesson is that the practice of selling gold forward may save a mine when the gold price is low, but it can be a major drag on profits when the price rises

All four mines have sold large amounts of gold forward

This gave them a small premium on the selling price at the time of the sale. But the market price is now well above the forward price

It is estimated that the average market price for gold for the quarter is around R36 973 a kilogram

But Blyvoors received only R35 243 a kilogram, Durban Deep R34 635, Harmony R34 198 and ERPM R35 579

And this depressed gold price situation will persist for some time, as they have all sold substantial amounts of gold forward at below the ruling price until at least the end of the year.

Some small gold mines demonstrate the Midas Touch

Star 8/7/93

(214)

By John Spira

R1 000 invested in Lindum Reefs Gold Mining Co a short six months ago would today be worth more than R20 000 — a lot more than you'd have made on Saturday had you put R1 000 on Dancing Duel

Yet even if you hadn't been blessed with the foresight to buy Lindum at the beginning of the year, you could have done almost as well with more than a dozen other shares that have been riding the crest of the gold boom.

The accompanying table lists those that have soared by 286 percent or more in this period — a list calculated to turn those who missed the gold boat a deep shade of green

Lindum shot into orbit after it demonstrated that its switch from underground mining to opencast operations was the right way to go.

Remarkable

Cashing in on the steeply increasing gold price, its profit in the March 1993 quarter climbed 67 percent And the gold price has risen a lot more since then

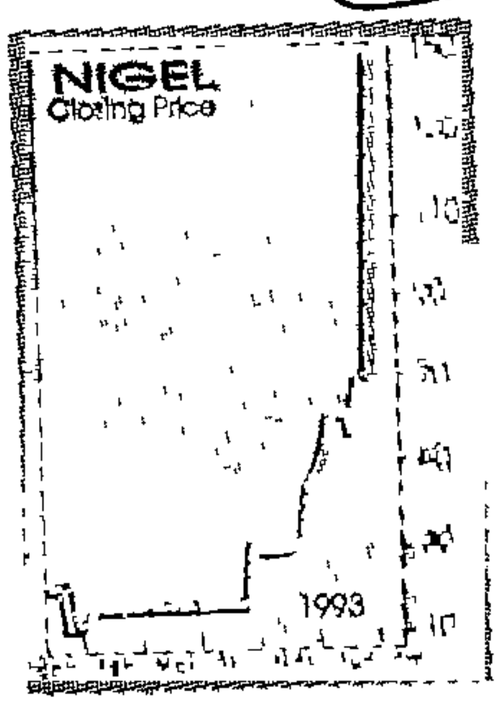
What's remarkable about Wit Nigel's headlong advance is that until a few weeks back it was lagging the gold boards. A month ago it stood at 50c (now 150c)

Then news leaked out that it was looking anew at the prospect of mining what is a substantial virgin orebody and everyone pushed the buy button at the same time

The bottom line is that you could have trebled your money in a month — a fair return for having no more than a sharp nose

Wit Nigel is a member of the Consolidated Mining group, as is operating gold company West Wits, which has surged 412 percent in the past six months

Add the two together and it isn't surprising to find Consolidated Mining among the gold market's jackpot shares, along with other group holding companies Southgo and Egoli



Gold share jackpot

	% advance since Jan 1
Lindum	2025
Loraine	932
Doornfont'n	750
West Areas	709
Wit Nigel	650
Southgo	633
Freddev	500
Egoli	431
West Wits	412
Soudex	383
Af Lease	360
Durb Deep	357
Leslie	339
Gazgold	329
Randex	295
Cons Mining	286

Also featuring on the list are mining exploration counters Randex, Freddev and Soudex — predictably, because the higher gold price renders increasingly viable the many mineral rights comprising their asset portfolios.

Many of these prospects have been extensively drilled and some are surely potentially profitable mines at the ruling gold price

Militating against an imminent green light is uncertainty as to whether or not gold will hold its gains

For the rest, the 300 percent-plus gainers are shares in marginal mines (with Loraine, Doorns and Western Areas prominent among them) whose earnings can be expected to enjoy quantum rises, should the gold price remain at current levels

These are the mines whose earnings are described as being heavily leveraged to the gold price — an enigmatic label which can, however, be easily explained

Simply compare a high-cost (marginal) mine with a low-cost (non-marginal) mine

At a gold price of (say) R900, the low-cost mine, with costs of (say) R450 an ounce, is making R450 an ounce produced.

At a gold price of R1,300, its profit rises to R850 for an 89 percent improvement in earnings

At a gold price of R900, the high-cost mine, with costs of (say) R800 an ounce, makes R100 an ounce produced At a gold price of R1 300, its profit rises to R500

Increase

That's less than the profit earned by the low-cost mine, but it represents an earnings increase of 400 percent — considerably more than the 89 percent achieved by the low-cost mine

Hence the leverage factor contained in marginal mines Hence the reason why the shares of marginals have risen farther and faster than those of low-cost mines

Not that the shares of the low-cost producers haven't gained ground It's just that Driefontein's 107 percent and Vaal Reefs' 167 percent appear derisory in comparison with those on the jackpot list

Have the marginals run too far ahead of themselves?

A lot depends on how gold performs in the months ahead

It is nevertheless worth noting that in the mini-boom of 1987, when gold hit $500, Wit Nigel peaked at 470c (now 150c), Western Areas topped at 2975c (now 1900c), Loraine made a high of 3650c (now 1135c) and Doorns touched 6500c (now 595c)

And it wasn't all that long ago

Daggafontein is set to reap rewards of past expenditure

B/Day 8/7/93

ANDY DUFFY

GOLD recovery holding company East Daggafontein Mines held the rise in its production costs to 7,4% for the year to March, and said it could begin reaping the reward of previous capital expenditure.

The company in the 12 months to March sustained a 23% decline in earnings per share to 47c and was hit by lower gold prices last year which overtook a marginal rise in gold recovered from its slimes dam and sand dump

But chairman Peter Bieber said in his annual report that costs had been "well contained"

(214)

Cost per kilogram at the Daggafontein plant rose from R16 957, against R18 218 in 1992

The cost control would continue in the current year, Bieber added, and combined with the resurgent gold price, would have a major impact on earnings for the current year.

"The consequential positive implications for the earnings potential of the company, one of the lowest cost producers in this country, cannot be overemphasised," he said

East Daggafontein was also likely to see the benefit of capital expenditure which in recent years had held earnings back.

The treatment of gold-bearing material contained in slimes dams bought from Gold Fields in 1991 had started, after a R23,3m capex programme

Revenue, which will be split 50 50 with East Rand Gold and Uranium, began to feed through in the second quarter of the year

East Daggafontein was also drawing revenue from Project Pluto, the high grade slimes dams in which it had a 9,5% interest.

According to the annual report, more than 80% of the project's material had an average grade of 0,53g/t

Suspension

The site, bought by East Daggafontein, Lydenberg Exploration and Potchefstroom Gold Areas from Randgold's ERPM operation in 1991, had been hit by production problems which forced a three-month suspension last October.

It was now back to full production of 600 000 tons of material treated a month.

Bieber said the rise in gold prices could also lead to the company pushing ahead with the treatment of slimes contained in its wholly owned subsidiary, Dumpco's Withok dam.

It was also evaluating the viability of treating platinum group metals and gold contained at its low-grade 6L13 slimes dam

Forward sales help Lindum

Star 13/7/93

Opencast gold mine Lindum Reefs lifted after tax profit to R4 million in the quarter to end June this year from R3,425 million in the previous quarter

A higher gold price of an average R34 819 per kilogram, which includes forward sales, combined with increased gold production and grade lifted gold revenue by R2 million to R12 million

(214)

Lindum Reefs said ore reserves, along the Black Reef which it mines on the West Rand, were now estimated to be sufficient to sustain operations for over two years — Sapa

Goldfields gains little from recent surge in bullion price

Star 13/7/93

By Derek Tommey

Any investor who expected the increase in the gold price in the June quarter to add sparkle to the working profits of the Gold Fields group mines will be sorely disappointed

Although the group does not sell gold forward and received a nine percent gold price increase compared with the March quarter, the group's combined working profit rose only 2,1 percent from R330,8 million to R337,8 million

(214)

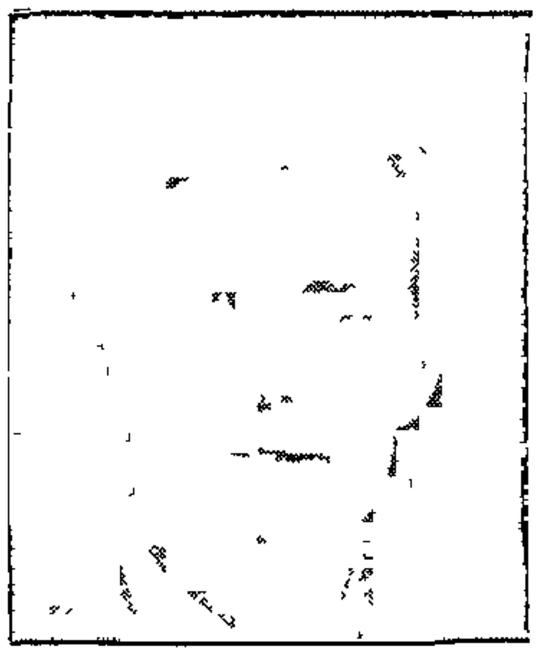
Reasons for the lack of buoyancy in the profit figures include a fire at West Driefontein and lower grades at Kloof and its two dependencies, Leeudoorn and Libanon Grades were also down slightly at Deelkraal

However, the group's net sundry revenue increased from R14,0 million to R41,2 million (partly as result of R14 million in insurance payments) while total tax paid dropped R5 million

Distribution

These developments helped the group increase its taxed profits by 14 percent from R267,4 million to R306,6 million Capital expenditure took R142,6 million (R127,1 million) leaving R142,6 million (R140,3 million) available for distribution

The insurance payments relate to fires at the group's mines Gold Fields director Michael Fuller-Good says that there had been a number of fires in the past three years, but in no instance had it been possible to prove that arson had been the cause



John Hopwood

The future of Rooiberg Tin Mine is under a cloud The continuation of operations is being reviewed says the company's director, John Hopwood The company's loss after tax rose to R674 000 in the June quarter from R384 000 in the March quarter. Part of the loss was incurred by the rehabilitation programme, he said

The review had been prompted by the very low tin price and the lack of consistency of the tin grade at the mine

The local price of tin dropped to R17 200 a ton from R18 100 a ton in the March quarter

He said the fire at **West Driefontein** was in an awkward spot. It was much deeper than normal and particularly difficult to control owing to the closing of the hanging wall It has now been extinguished and stoping crews are returning to the affected areas

Fuller-Good said the mine had made a splendid effort in maintaining production by mining lower grade areas But the lower yield had affected profitability and the mine had a working profit for the quarter of R110,1 million against R113,1 million in March

East Driefontein, which increased its working profit by 13,5 percent to R99,0 million, had a very good quarter says Fuller-Good

Dries's total working profit, including revenue from the reclamation plant, was R214,1 million (R204,0 million).

Profit after tax was 15 percent higher at R162,0 million

Profit available for distribution after capital expenditure was R68,3 million (R67,8 million)

The **Kloof** mining group had a taxed profits of R114,1 million (R120,8 million) Operations at the Kloof division were affected by a drop in grade from 15,3 grams a ton to 13,7 grams a ton and working profit dropped from R127,1 million to R114,5 million

Grade at the **Leeudoorn** division dropped from 7,7 grams to 7,0 grams but the higher gold price and increased production resulted in a working profit of R8,1 million (R7,5 million)

At **Libanon** the grade dropped from 5,8 grams to 5,2 grams a ton and the working loss rose from R10,5 million to R15,2 million

Fuller-Good said he hoped the lower yields at the Kloof mines were a passing phase

Deelkraal was the star of the quarterlies Its working profit more than doubled rising from R2,9 million in the March quarter (when it experienced two fires) to R7,4 million in the June quarter in spite of seismic activity But it has some way to go to match December's R12,1 million

Taxed profit rose to R15,2 million from R3,5 million in March and R13,7 million in December Efforts are being made to increase the milling rate from its present 351 000 tons a quarter to around 400 000 tons a quarter

A R11,4 million drop in working costs at **Doornfontein** together with the higher gold price lifted its working profit to R13,9 million from R3,4 million in the March quarter

However, Fuller-Good warned that it was doubtful whether the mine would be able to maintain its yield of 3,8 grams a ton, or its costs at the current level of R31,4 million

ore

No reprieve for Doornfontein

B/Day 13/7/93

(214)

ANDY DUFFY

THE HIGHER gold price would bolster Gold Fields of SA's performance, but would not herald a new phase of capital expenditure, the group said yesterday.

While discussing June quarter results, director Michael Fuller-Good said a sustained rise in revenues would underpin the group's bottom line, specifically loss-making Libanon, which would be led back into profitability. But Gold Fields had no plans to increase capital expenditure as it was not clear whether the metal's gains would be sustained.

There would be no reprieve for Doornfontein, which is to close its underground mining operations. Fuller-Good said Gold Fields was trying to keep it running as long as possible.

Despite a fractional rise in the mines' overall gold revenue to R1,02bn from the March quarter's R1bn, the group's operating performance was hit by lower yields and production disruptions.

At Driefontein Consolidated's East Drie, unit costs a ton milled were sharply higher, rising by 8,3% on the quarter to R190,70 a ton from R176,16. Fuller-Good did not offer an explanation for the sharp cost increase, but a higher recovery grade and a 9% increase in the rand gold price resulted in a higher working profit.

At West Drie a fire in the No 6 tertiary shaft forced the mining of lower-grade areas.

This was accompanied by an insignificant increase in mill throughput and a 2,4% rise in unit costs to R207,37 a ton from March's R202,45. West Drie's gold production dropped to 7 201,4kg from 7 852,5kg.

Fuller-Good warned that a full recovery could take another six months.

Fire also hit Libanon. Shifting operations to areas not affected by fire contributed to the grade drop to 5,2g/t from 5,8g/t despite a higher tonnage. The working loss was 45% higher at R15,2m. Kloof's Leeudoorn division also reported a lower recovery grade — 7,0g/t against 7,7g/t.

The original Kloof division suffered a major recovery grade collapse to 13,7g/t from 15,3g/t. Fuller-Good dismissed this by saying the yield had "come off a bit" after a "splendid run".

The result of the lower grade was a drop in the division's working profit to R114,5m from R127,1m, despite a sharply higher rand gold price of R35 468/kg (March R32 783/kg).

A rise in tonnage, higher revenues, and an insurance claim of R8,8m lifted post-capex earnings at Deelkraal from a 7,2c loss to a 0,2c gain for the period. But Deelkraal's recovery from fires in December and January was less rapid than had been expected as seismic activity combined with shortages of working face to curb production.

Doornfontein, which is closing its underground operations, had a "very good quarter" Fuller-Good believed. Unit costs continued to fall sharply as underground production declined further and mill throughput was sustained by drawing on surface dump material.

But Fuller-Good warned that profit gains were unlikely to be maintained as production increasingly depended on processing low-grade surface material.

The rising gold price would allow the mine to remain in operation at present, he added, and he was unable to set down a specific timetable for the closure.

GOLD FIELDS OF SA June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	705	9,3	6 556,5	190,7	20 505	35 610	—	—	—
March	705	9,2	6 473,7	175,9	19 185	32 662	—	—	—
West Driefontein	720	10,0	7 201,4	207,3	20 734	36 025	161 952*	68 315*	33*
March	715	11,0	7 852,5	202 5	18 434	32 837	139 675*	67 822*	33*
Kloof	540	13,7	7 380,0	272,6	19 952	35 468	—	—	—
March	540	15,3	8 247,3	265,2	17 367	32 783	—	—	—
Leeudoorn	300	7,0	2 114,7	227,0	32 215	36 024	—	—	—
March	290	7,7	2 235,5	227,1	29 456	32 790	—	—	—
Libanon	432	5,2	2 243,7	219,4	42 251	35 470	114 084*	38 044*	27,4*
March	425	5,8	2 458,6	214,0	36 986	32 729	120 831*	63 367*	50*
Deelkraal	351	5,7	2 015,4	183,2	31 907	35 585	15 199	2 210	0,2
March	320	5,9	1 895,2	183,9	31 056	32 566	3 450	(7 166)	(7,2)
Doornfontein	139	3,8	1 263,7	95,3	24 814	35 816	15 340	33 970	84,9
March	253	4,2	1 412,5	126	30 316	32 755	3 409	16 233	41

* Combined results for Driefontein and Kloof mining corporses

Surging gold price assists Gold Fields

B/Day 13/7/93

ANDY DUFFY

SURGING gold prices helped lift an otherwise uninspired and sometimes troubling performance by Gold Field of SA's gold mines in the three months to June

An average 9% rise in revenues to R35 672/kg offset a drop in gold production, pushing combined after-tax profit up nearly 15% to R305,6m (214)

A 30% hike in capital expenditure left attributable earnings 2% higher at R142m and costs were up to R689m from R670m

Although the group pushed tonnage up to 3,37-million tons (3,33-million tons), its mines' average grade fell to 8,5g/t (9,2g/t), with yields dropping at mainstay Kloof and the struggling Deelkraal mine

Continued losses at Libanon again retarded Kloof, but the worst effect was a sharp unexplained drop in the Kloof mine's recovery grade Kloof's Leeudoorn division's grade drop was another drawback

Despite a very "good quarter" from East Driefontein, the division was hit by a fire at West Driefontein which damaged production and costs The company has suffered 10 fires in the past year

Doornfontein's closedown continued to flatter its figures, lifting attributable earnings to R33,9m (R16,2m) But gold division director Michael Fuller-Good said the performance could not be sustained

● See Page 9

Gold dash boosts top four's value

B/Day 14/7/93

(214)

ANDY DUFFY

THE DASH for gold shares has boosted the net asset value of the top four mining financial houses on average by more than 30% in the past five months

Figures compiled by Business Day show investors' attempts to tap into the burgeoning gold market has cut the average discount at which Anglo American, Gold Fields of SA, JCI and Gencor trade to their net asset values by the same proportion since the start of March

The gains indicate that the houses' share prices are advancing far faster than the gains made by their underlying assets, including their gold mine interests which themselves have seen meteoric rises

Analysts said the rises suggested that although investor sentiment now firmly favoured gold stocks, buyers were still looking to spread their risks by getting into the houses' other assets

Major investors might also be reluctant to buy heavily into individual mines, given that current high prices could not justify the underlying level of risk

The individual level of gains nevertheless pointed to gold as the major attraction

Gold Fields, which has at least 60% of its assets in gold, made the greatest gain, its net asset value rising 47% over the period Despite disappointing results for the three months to June, its net asset value stood at R124,15 a share on Monday, against R84 57 a share at the start of March Its discount to net asset value dropped from 25,8% to 11,4%

Anglo American surged forward nearly 40% over the period to R192,88 on Monday, though its discount slipped back only slightly from 30% to 26,9%

JCI moved forward 25% to R77,39 over the period, though its discount slipped marginally to 18,6%

Gencor, which has less of an exposure to gold, moved ahead 13,6% to R14,82, despite the uncertainties surrounding the group's unbundling plans

"The mining finance sector is back in favour," Fergusson Bros analyst William Bowler said "There's been a realisation by investors that the discounts earlier this year were too wide They want some exposure to gold, but they are wary of direct producers"

Frankel Pollak Vinderine analyst Peter Davey suggested that the gains could also be linked to larger investors avoiding pure mining stocks to pick up the "more highly tradeable" gold financial stocks

Sources added that the narrowing discounts underpinned market concerns that shares were overheating Gold Fields was dubbed "outrageously overpriced" by one analyst

Other analysts, however, added that the discounts would continue to narrow before the shares were deemed too expensive

For the whole sector over the period, the average discount dropped back from 29% to about 24%, just above the 22% average of the past five years

None of the four houses had so far broken their two-year discount lows since gold began its gold run, though Gold Fields had come close to its 4,7% barrier

Gencor positioned to expand offshore

B/Day 15/7/93

ANDY DUFFY

THE decision by Gencor to cut its industrial holdings and add to its portfolio of oveseas interests leaves the mining house well placed to expand its international presence, market sources said yesterday

The R862m deal with Genbel places the 4,8%-stake in TransAtlantic Holding, the UK-listed property and insurance group 54%-owned by Liberty Life, directly in Gencor's hands

The stake, which together with Genbel's other offshore interests is valued at around R512m, was likely to be a useful "bargaining chip" in Gencor's attempt to buy offshore assets to sustain long-term growth, sources said

"They (Gencor) have done well to get this (TransAtlantic)," one analyst said "It will give them far more substance outside SA, which is exactly what they have been looking for"

Gencor is also in talks to buy Royal Dutch Shell's mining and minerals division Billiton, in a deal rumoured to be worth about $1,8bn

In the past, the company has been stymied in attempts to expand overseas by Reserve Bank restrictions on finrand funding

Though the Billiton deal would clear this obstacle because it could service its own borrowings, other companies have preemptive rights over certain parts of Billiton, which could force Gencor to pay over the odds

"One of the key problems in bringing it (the deal) to a successful conclusion is the raising of the funding," Gencor chairman Brian Gilbertson said

The stake in TransAtlantic could help, but he refused to be drawn on whether deploying it was now a key option "We view it as a strategic investment"

Gilbertson said the share swap, the first major step in its unbundling, had dealt with Gencor's thorniest problem

While other subsidiaries Engen, Sappi and Malbak effectively stood alone, Genbel — as portfolio manager and financing partner — was well entwined with Gencor "We wanted to get these shares returned to Gencor That was the principle purpose of the transaction," he said

The deal bolsters Gencor's control over Kinross, Winkelhaak, Impala and Trans-Natal, in line with the company's aim to focus on its mining operations

Under the terms of the deal, Gencor swaps 8,9-million Engen shares, 12,4-million Sappi shares and 5,1-million shares in Beatrix, cutting its holdings in each by roughly 5,8%, 8% and 6% respectively

Genbel in turn has cut its resultant overweighting in Sappi and Engen by swapping a portion of the shares for a 5% stake in Murray & Roberts, a 1,8% stake in Absa, 10% of Mercedes Information Technology, and a minute stake in Malbak Sankorp supplemented the R385m share deal with a R50m cash offer to Genbel

Genbel chairman Tom de Beer said the transactions would "accelerate the transformation of Genbel from a passive investment trust to an actively managed and growth-oriented company"

The investments in Sankorp companies such as Absa would widen the spread of Genbel's business away from the commodity cycle "We see Absa as a recovery situation," executive director Peter Cronshaw said "The spread of investments now represents a good cross section of SA business"

B/Day

Gold producer halts hedging

GOLD producer Gencor said it had stopped selling production forward as it believed the gold market had entered a sustained bullish phase, but it was considering other ways of locking in higher prices

"We stopped forward sales in May, but are searching for a strategy under the changed circumstances as it is still only the beginning of a bullish phase," Gengold division MD Gary Maude said

Possible new ways of locking in a proportion of future output at higher prices included the use of put and knock-out put options (214)

"We were hedging for survival up to three months ago," he said The group had hedged about one-third of total production until May 1994 15/7/93

An Anglovaal spokesman said it had a flexible hedging policy and further hedging was likely Anglovaal had sold forward 320 000oz of gold over the next two years

Gold Fields does not hedge It said this week the gold price rise was not sustained enough yet for its mines to increase capital expenditure

Anglo American said it had not increased its hedging position since April "Anglo has not added to its hedging position since it perceived a more favourable trend in the gold price" — Reuter

Absa to recruit top corporate bankers

B/Day 15/7/93

JANE ARBOUS

ABSA's new CE Danie Cronje says the group is looking for new corporate banking expertise

Attracting bankers from rival groups would also be a strong signal to the market that things had settled down at Absa after the rationalisation of the past two years, he said

"We've had some very interesting inquiries from top bankers," he said in a interview

Dismissing criticism that Absa's corporate culture was too Afrikaans for such a broadly-based group, Cronje said it was well balanced

Absa, SA's biggest banking group with an asset base of R83bn, has completed the most difficult par. of its rationalisation and digestion of two major mergers, he said

As a result of losing customer focus, Absa recorded no growth in advances in the past financial year to end-March while advances in the rest of the banking industry rose 9%-10%

Analysts say the area of corporate banking is where Absa has lost the biggest market share

Planned expansion in corporate banking was tied to providing a comprehensive international service, and Absa also wanted to increase its non-rand income, he said

Absa's priority after the disruption of the past two years was to stem the loss of market share and resume sustained growth — Reuter

Hedging still a strategy

B/Day

ANDY DUFFY

GENGOLD's decision to stop selling forward part of its gold output was unlikely to herald an industry-wide shift in policy, market sources said yesterday.

Though fellow mining houses Anglo American and Anglovaal agreed with Gengold that the metal's price was sustainable, they said hedging remained a necessary strategy to shield marginal operations

Randgold & Exploration, which is thought to have sold forward around 80% of its production, said this level of hedging would continue JCI declined to comment ahead of its results for the June quarter due next week 16/7/93

Gengold said on Wednesday that it had halted in May its policy of selling forward around 35% of its production. (214)

MD Gary Maude said Gengold would instead deploy knock out put options, initially covering around 20% of its production, to shield itself against a deterioration in prices

Though Anglo had not increased its forward selling since April, effectively cutting the amount sold forward, hedging would continue, it said

Anglovaal mining division finance and administration manager Rick Menell said the group retained a flexible hedging policy and was considering other options.

Analysts also said that companies might also want to use hedging to guarantee revenues which could help capital expenditure plans

CMC gold operations in good shape

B/Day 16/7/93

ANDY DUFFY

HIGHER gold production and a tight control on costs helped CMC's three gold mining operations to a healthy improvement in the three months to June (214)

The strongest performance came from West Witwatersrand Gold Holdings (Westwits), which pushed after-tax profit up to R4,8m from R3,5m, while Benoni Gold Holdings improved from R1,8m to R1,9m

Moribund Witwatersrand Nigel West (Wit Nigel) cut its losses on the quarter from R140 000 to R100 000

Westwits — which treats underground, opencast and heap leach ore — increased the tonnage treated, raising gold production from 795kg to 821kg, despite a marginal fall in yields Working costs were cut from R42,86/ton to R42,46/ton, leaving operating profit up at R4,7m CMC said West Wits' New Reef project was one month from completion

Despite a marginal fall in tonnage, a rising grade on Benoni's sand and slimes operation lifted gold production from 375kg to 384kg Working costs rose from R17,92/ton to R18,93/ton, nibbling at revenues hit by the company's hedging policy. Operating profit rose from R2,8m to R3,4m Wit Nigel's improvement was due mainly to a fall in expenses CMC's decision to reopen Droogebult stems from the higher gold price The operation, which will use mining contractors with the ore toll treated at a third party's plant, is expected to commence in the current quarter

A year's gold at R1 500 means higher payout for many mines

S/Times [Buss] 18/7/93

AT a sustained real gold price of R1 500 an ounce, beginning in the next six months and continuing for a year, 29 mining companies would be able to at least double their dividends, three would increase them and nine could start to pay them

Ed Hern, Rudolph gold analyst Grahame Graham-Parker says that although the bull run is fundamentally and technically intact, the questions are how far shares can rise and what will be the effect on dividends

Mr Graham-Parker says "Although we do not forecast gold at R1 500 in two months' time, it is nevertheless an achievable scenario Few would have forecast the rand gold price to have climbed by R200 to R1 300 in the past two months, which it has done"

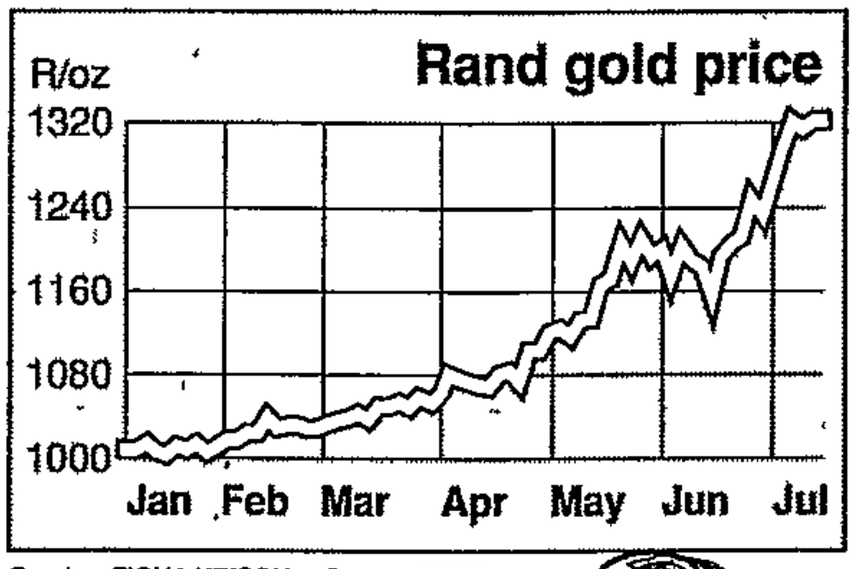
Benoni, Western Areas and West Wits would be able to lift their dividends by more than 500% if gold held at R1 500 for 12 months

Another 10 companies — AF Leases, Deelkraal, Elandsrand, Kloof, Knights, St Helena, Unisel, Western Deep, Winkelhaak and Unisel could pay between 250% and 500% more than at present

Sixteen other companies could lift payouts by 100% to 250%

(214)

Mr Graham-Parker says such a gold price would not help companies such as ERPM, Primrose and South Roodepoort to restore dividends in the short term Investors who believe that further rand weakness and higher dollar prices for gold can be expected should take note of other opportunities in the gold market



Graphic FIONA KRISCH Source I-NET

The average historical dividend yield of the all-gold index since 1971 is 6,7%, and the current yield is 2,7%

Mr Graham-Parker says "Based on our higher real rand gold price of R1 500/oz, the one-year forward dividend yield, weighting the constituent yields accordingly, would be 6,8%

"As with individual shares, the dividend yield of the index is not likely to rise that high, rather share prices would climb, increasing the index and decreasing the yield"

If that one-year yield were to fall to 6%, the all-gold index would gain 13% to 2 370 points

"We would view this as a minimum increase We see fair value at 3 384 points, yielding 4,2% But a really bullish market, assuming today's 2,7% yield a year's hence, would push the index to beyond 5 000 points"

Leading earners exceed 20%

S/Times [Buss] 18/7/93

THERE were three contenders for the top general equity unit trust performer in the year to June — Board of Executors Growth, Guardbank and Norwich — all exceeded 20% returns

This is according to figures compiled by the University of Pretoria's Hugo Lamprechts They assume a lump-sum investment on a repurchase-to-repurchase basis

Worst general performer over a year was Old Mutual Investors, which returned only 4,7% But Old Mutual scored with its gold fund, which gave an all-in return of 85,9% — by far the best over the year

Syfrets Growth remained tops over three and five years, during which annual compound returns were respectively 20,7% and 28,6%

In the longer run, all funds in existence for 20 years have run closely either side of the 20,6% rise in the JSE all-share index and well ahead of inflation

In the past quarter, seven funds which provided me with information about portfolio changes bought Amgold There were no sellers of the gold leader

Unit trust fund managers were unanimous in selling Rusplats and buying Dalys and Suncrush They were divided on Potgietersrust Platinums, where Sage and UAL were buyers and IGI a seller, and on Genbel, sought by Norwich, Southern and Sage

Only the Old Mutual mentioned Barlows, of which it was a buyer As a major shareholder, Old Mutual is believed to be partly behind Barlows' unbundling restructure and could be putting its money where its mouth is

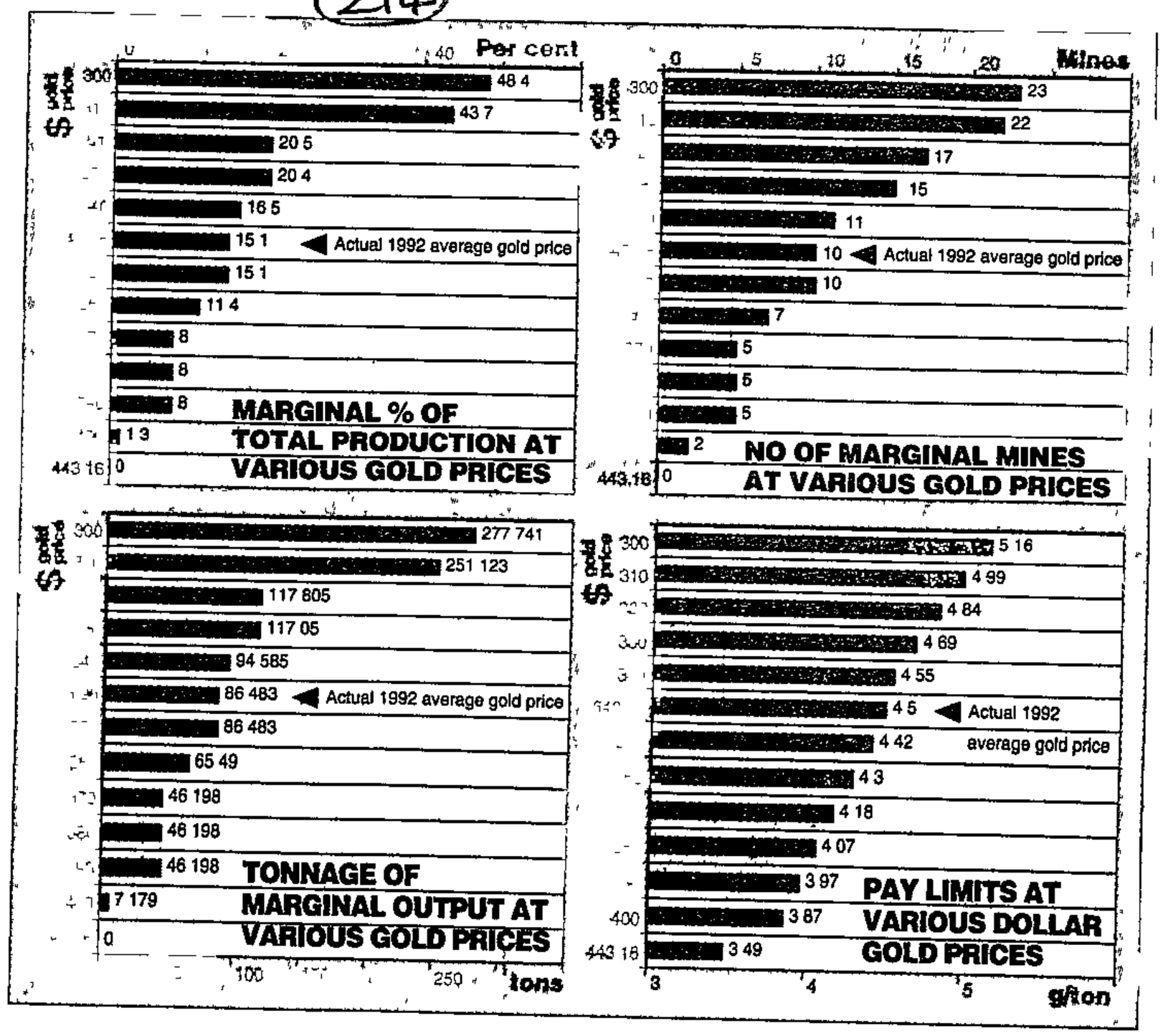
Old Mutual also sold Richemont in spite of claiming a 50% rand-hedge portfolio component

Star 20/7/93

Gold miners still under pressure

By Derek Tommey

(214)



The Chamber of Mines takes pains in its latest newsletter to pour cold water over expectations that the recent increase in the gold price will restore the industry to a high level of profitability

In spite of the higher gold price many gold mines still have a struggle remaining profitable, says the Chamber. And interestingly, it discounts the weakening in the rand-dollar exchange rate as a source of increased benefits for the industry

The rise in the dollar gold price from around $328 to $390 an ounce has not ended the industry's problems "The rally has not done enough to dispel the mining industry's long-range revenue concerns," says the Chamber's economist, William Houtman, in the Chamber's latest newsletter

Financial squeeze

Even if the gold price were to remain around $380 an ounce for the rest of the year, one out of every four gold mines would still not be certain of making a profit, he continues

Houtman says a gold price rally attracts good press in South Africa It also prompts observers to question whether the relief afforded to the mines via the the firmer gold price signals the end of the industry's financial squeeze

"Unfortunately, a careful examination of the likely longer-term implications of a price development of the magnitude experienced in the recent rally dispels the optimism."

Houtman says the average dollar gold price for the first five months of 1993 was $338,96 an ounce which was still below last year's yearly average of $343,98 an ounce

Even if the gold price were to average $380 for the whole year there would still be five marginal mines against 10 at the first quarter's gold price. And marginal mine production would drop to 46 tons from 86 tons

Houtman says that at last year's dollar-rand exchange rate and level of costs the gold price would need to average $443,16 an ounce before there were no mines categorised marginal

Houtman bases the rand gold price on last year's dollar-rand exchange rate He admits that revenue calculations based on the recent weakening rand-dollar echange rate might paint a different picture of the mines' position

But he says there are a number of reasons for focusing on the dollar price of gold instead of the rand price when assessing the industry's prospects

One is that the mining industry's revenue is determined by the international gold price. Another is that the rand gold price can be influenced by a wide range of factors external to mining and the gold market

International price

"It is therefore no match for the dollar gold price when viewed as an indicator of short or long-term revenues

He says that improvements in the rand gold price, when not accompanied by improved dollar prices, have limited benefits for South Africa

"It is as a result of the shortcomings of the rand gold price that local gold producers can be expected to await both a significant and a sustained lift in the average gold price — regardless of the rand's performance — before concluding that the gold mining industry's profitability is on the mend"

FOOTNOTE The discounting by the Chamber of the effects of the weakening rand exchange rate seems odd — unless it believes that this might not be a lasting development In view of the recent improvement in the country's trading position this is possibly the case

Gold mines still under pressure

ARG 20/7/93

DEREK TOMMEY (214)

JOHANNESBURG — The Chamber of Mines takes pains in its latest newsletter to pour cold water over expectations that the recent increase in the gold price will restore the industry to a high level of profitability

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"It is therefore no match for the dollar gold price when viewed as an indicator of short or long-term revenues"

He says that improvements in the rand gold price, when not accompanied by improved dollar prices, have limted benefits for South Africa

'Many mines still in danger'

B/Day 20/7/93

ANDY DUFFY

THE price of gold would have to rise above $440/oz before all SA gold mines could be taken off the danger list, the Chamber of Mines said yesterday

Although the metal's recent gains had bolstered the industry's fortunes, the chamber said in its latest newsletter that the long-term impact on revenues should not be overplayed

Chamber economist William Houtman said gold's rise in the first five months of 1993 had lifted the average dollar gold price to $338,96, but that was still well down on the price for the same period in 1992

Even if gold averaged $380 for the rest of the year, the average price for 1993 would still be just $363,31 — a level at which a quarter of chamber member gold mines could still suffer losses

(214)

And assuming the rand/dollar exchange rate remained at the 1992 average this year, gold had to rise to $443,16 before a level of profitability was sustained in which there were no marginal producers

Euphoria

The chamber's comments are likely to dent the euphoria that has lifted the gold index by nearly 60% to 1 901 since the metal began its ascent in April

The downbeat report is also in line with disappointing June quarterly results from Randgold & Exploration and Gold Fields of SA

But analysts responded sceptically to the chamber's comments, adding that the main reason why some mines' revenues had been held back was because of their hedging, which had locked mines such as Randgold's ERPM into lower prices

There was also some doubt about whether such theoretical figures could be applied to the actual movement in prices and revenues

Simpson McKie analyst Rodney Yaldwyn said that even at $443,16/oz, there were at least five mines, such as GFSA's Doornfontein, that would close, simply because their reserves had been exhausted

Fergusson Bros analyst Trevor Pearton said the chamber may be downplaying its members' gains in a bid to put pressure on the NUM, with which it is in a wage dispute, to accept lower wage rises "This sounds horribly political," he added "You can't have a 30% rise in revenues and claim you are battling to survive"

Houtman conceded that his calculations did not take into account the likelihood that revenues would gain a boost from the rand's weakening against the dollar

But he said the industry should focus on the dollar gold price because it served as the primary market indicator, while the rand price could be influenced by factors external to the gold market

"Under ruling conditions," he added, "rand gold price movements have a technical rather than material significance in the fortunes of gold producers"

The benefits of a weak rand also had to be weighed against the increased cost of imports which would force up costs. "Such a gain simply serves to import inflation which puts more pressure on working costs, increases industry pay limits, reduces workable ore reserves and jeopardises mining viability, production and employment"

The chamber also reported yesterday that its gold mines members cut their tax payments by nearly a quarter last year, compared to 1991

In a breakdown of value added by the sector, the chamber said its members paid a total R726,6m in tax in 1992, 24% lower than then R957,8m it paid in 1991

Dividend distribution to shareholders in 1992 rose from R1,3bn to R1,39bn — the first rise in six years, the chamber said.

The industry's employees also enjoyed a rise over the period, receiving R8,2bn last year, against R7,9bn in 1991

The chamber said its members had capital expenditure of R2,17bn last year, nearly 6% ahead of the figure for 1991

Total turnover for the chamber's member mines was only marginally ahead, rising from R18,65bn in 1991 to R18,99bn last year

B/Day 21/7/93

JCI to decide on South Deep

(214)

ANDY DUFFY

JCI would decide over the next six months on the funding plan to transform its South Deep exploration project into a listed mine, the group said yesterday.

Reporting a strong performance for the three months to June, gold division chairman Ken Maxwell also said JCI would decide by the end of the year on refinancing its troubled H J Joel operation.

South Deep, adjacent to JCI's Western Areas mine, is believed to have the largest undeveloped gold deposit in SA, with estimated reserves of about 115,9-million tons and an average grade of 9g/t.

A further R300m would be needed to allow H J Joel to develop vital payable ore reserves.

Joel, JCI's newest mine, ended nine months of losses with its June quarter results. Ore milled was stable at 186 000 tons, though the yield slipped from 6,23g/t to 6,12g/t. This brought gold production down to 1 138kg (1 153kg).

A fall in working costs to R29 809/kg (R30 948/kg) combined with a higher gold price to lift operating profits to R7,4m (R2,4m).

Joel was concentrating on building up ore reserves, which declined because of low-reef payability, while maintaining stoping at a reduced rate, the company said.

Grades remained disappointing, though there had been some improvements in current development, it said.

Western Areas achieved its highest grade in 19 years as the mine gained from higher recoveries on its Ventersdorp Contact Reef and its elimination of low-pay ore. The higher grade and tonnage pushed gold production up 12% to 3 823kg.

Working costs were brought down to R29 843/kg (R31 218/kg), while revenue edged forward nearly 5% to R35 403/kg.

The development on 85 and 90 level, which would extend the life of SV2 and SV3 shafts to 12 years, was proceeding well, JCI added.

Mainstay Randfontein limited its rise in costs to a 2,1% hike to R26 169/kg. Though tonnage slipped as the mine concentrated on increasing yields, the lift in grades to 4,12g/t (3,8g/t) left production unchanged at 7 902kg.

The company said the sinking of the subvertical Prospect Shaft at Doornkop was progressing well, though water had again been a problem there.

Maxwell said JCI was reviewing its hedging policy, but that gold would have to remain at current levels for several months before JCI made significant changes. "It will be a flexible policy," he added. "I don't take the view that the gold price is definitely going to continue straight upwards."

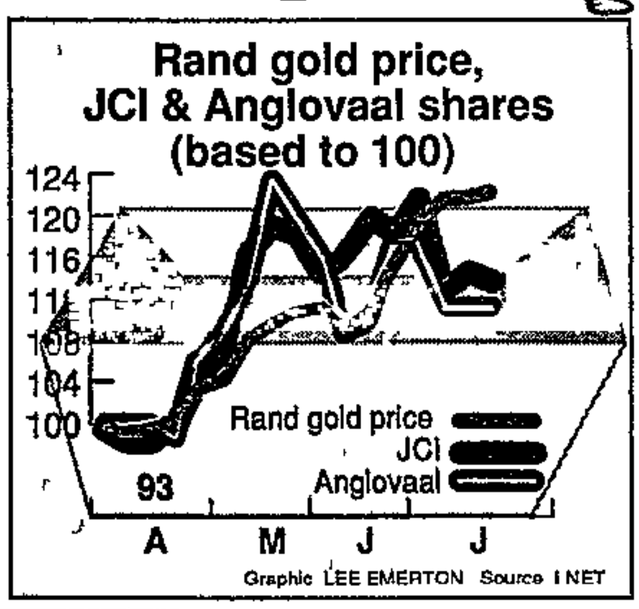
JCI OF SA June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	1 918	4,12	7 902	107,82	26 169	35 065	59 078	34 358	56,2
March	2 007	3,97	7 944	106,07	26 718	33 903	49 848	27 110	44,3
Western Areas	573	6,67	3 823	199,11	29 843	35 403	31 765	22 198	55,1
March	536	6,35	3 406	198,38	31 218	33 734	17 362	11 002	27,3
H J Joel	186	6,12	1 138	182,38	29 809	35 241	6 277	2 227	2,3
March	185	6,23	1 153	192,88	30 948	33 001	1 671	(1 605)	(1,6)
ANGLOVAAL									
Hartbeesfontein*	777	8,9	6 939	238,87	26 748	37 974	56 144	45 413	40,5
March	776	8,9	6 906	235,74	27 489	32 900	36 413	30 780	27,5
ET Cons.	83,7	10,3	864	282,22	27 340	36 552	5 439	2 589	3,0
March	84,4	10,7	905	271,37	25 306	32 146	4 218	2 643	3,1
Loraine	469	3,8	1 799	123,12	32 097	36 710	9 409	7 552	46,1
March	414	3,3	1 384	118,00	35 297	32 974	(1 991)	(5 240)	—

* Underground operating results only

Gold price hike boosts JCI

B/Day 21/7/93

ANDY DUFFY



JCI's strategy of pursuing strict cost control and high grades let it reap the benefit of gold's recent price gains, and it turned in a 61% hike in attributable earnings for the three months to June (214)

The group said yesterday it was contemplating rights issues to push ahead with its multibillion-rand South Deep project, and to refinance its weak link, HJ Joel mine Analysts believed the South Deep project would require about R1,5bn JCI said it was looking for R300m for HJ Joel

Earnings across JCI's gold operations

☐ To Page 2

JCI

B/Day 21/7/93

☐ From Page 1

rose to 29,5c (18,3c) a share for the period, as yields were lifted nearly 5% to 4,81g/t, revenue a kg rose 4,2% to R35 181 and cost rises were curtailed to 2,7% (214)

The figures, the first June quarterly not to disappoint the market, leaned heavily on Western Areas and Randfontein

Anglovaal's three main gold producers also turned in creditable results, with marginal producer Loraine making a strong comeback, thanks to its first full quarter of a seven-day working week

However, the mines' results would have been better if a significant part of their output had not been locked into forward sales contracts, at prices lower than ruling rand gold prices A group spokesman said the opportunity cost to the mines of its hedging transactions stood at more than R4m, as it delivered gold to settle maturing contracts, and replaced the balance with higher priced contracts

JCI said the highest yield in nearly 20 years and a minimal rise in costs had pushed earnings at Western Areas to 55,1c a share — up 102% on March

Mainstay Randfontein moved ahead 26,7% to 56,2c a share, while HJ Joel crept back to an attributable profit of 2,3c, after losses in the three previous quarters

Gold division MD Bill Nairn dubbed the results "very acceptable" Chairman Ken Maxwell said if gold sustained its price for the rest of the year, the proportion of hedged production — currently 50% — would fall "dramatically"

● See Page 9

Loraine moves into the black, winning its battle for survival

B/Day 21/7/93

MATTHEW CURTIN

LORAINE has won its long battle for survival, in the shortterm at least, as a first full quarter of seven-day working restored Anglovaal's Free State producer to profitability

Back in the black, Loraine has improved chances of staying in business long enough to develop a block of high-grade ore at its 3C shaft, which is expected to extend the mine's life by three to four years.

A mine spokesman said Mineral and Energy Affairs Minister George Bartlett had, on July 16, approved Loraine's application for an extension to work on Sundays for another 18 months

The mine reported an after-tax and capex profit of R7,55m in the June quarter, equivalent to 46,1c a share, compared with a R5,24m loss in the previous quarter.

The increase in working hours enabled the mine to lift the amount of ore milled by more than 13% That was accompanied by a sharp increase in grade — as the mine relied less on low-quality surface material — to 3,8g/t from 3,3g/t

(214)

A higher rand gold price received and increased gold output at 1,8 tons saw unit costs decline, masking the overall cost increase associated with the more intensive underground mining programme

Higher rand gold prices and successful cost containment were the main feature of results at high-grade producer Hartebeestfontein and Eastern Transvaal Consolidated Mines

Spokesman Arno Steyn said the outbreak of violence in May, which left 17 workers dead and dozens injured, had not affected production at Harties because management had successfully reorganised underground shifts

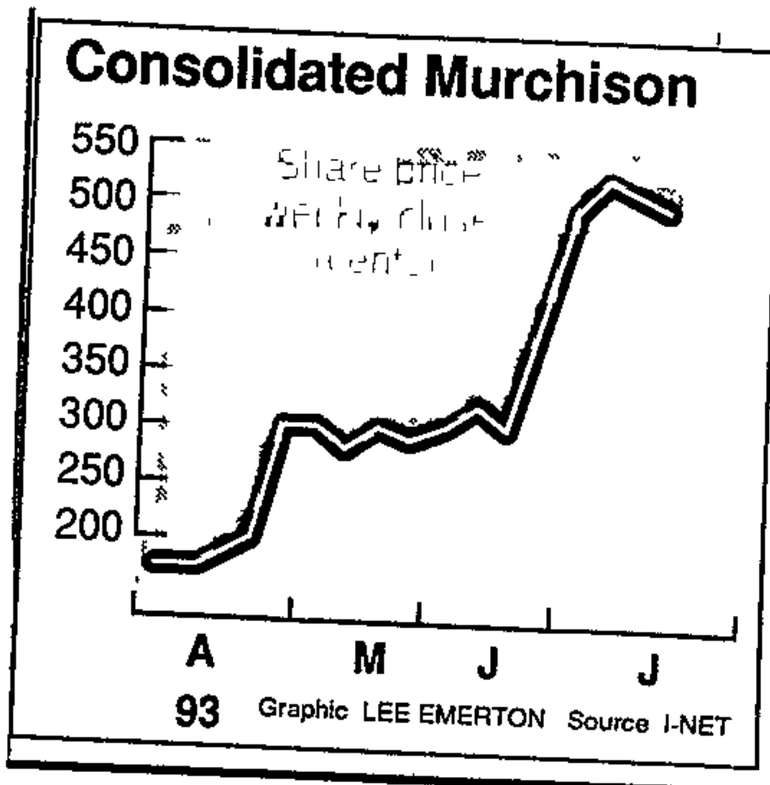
Issues surrounding the fighting at the mine's hostels still had to be resolved

Harties turned in an after-tax profit of R56,1m compared with R36,4m after working profit jumped to R99,6m from R62,4m

Sharply higher gold revenue received by the underground operation was partially offset by disappointing income from the mine's low-grade gold plant

Anglovaal, like Randgold and Exploration, was caught by the sharp rise in gold prices as a portion of its output was sold forward at lower-than-nominal gold prices

Steyn said the amount of ore milled, average grades and gold output fell at E T Cons because of "fluctuations related to mine areas" But higher gold prices saw after-tax profit climb to R5,4m from R4,2m in the March quarter



Strong showing by JCI's Cons Murch

B/Day 21-7-93

ANDY DUFFY

A SEASONAL boost in antimony sales and the higher gold price helped JCI's Consolidated Murchison (Cons Murch) to a 25% increase in pretax income to R1,7m for the three months to June

The strong showing in the company's final quarter brought full year earnings a share to 60c (52c) in spite of a leap in capex The final dividend rose from 15c a share to 17,5c. (214)

Chairman Mike Hawarden cautioned that there had been no underlying recovery in the oversupplied antimony market, to which Cons Murch was the world's largest supplier

The company, which had planned to switch its emphasis from antimony to gold, had also suffered an unspecified decline in grades from its gravity concentrator plant, which cut gold production

Antimony revenue during the quarter rose 35% to R5,1m as sales moved ahead 22%, and the company benefited from the rand's depreciation against the dollar

Despite a rise in price received for gold to R36 125/kg (R33 201/kg), the production fall blocked benefit being passed on to revenue, which edged forward just 2,4% to R9,2m

Costs moved ahead from R11,7m to R12,8m, though the company did not split the rise between gold and antimony operations

The company cut capex for the quarter back to R0,2m, against R0,3m in the three months to March This still brought total capex for the year up to R1,1m, against recoupment last year of R0,15m, reflecting the company's strategy of developing ore reserves to push up gold output

Analysts said the final year result should go some way towards rehabilitating the company, which three years ago was under threat of closure because of a declining antimony market.

The payment of a dividend, in spite of the impact of capex on cashflow, was also deemed to be a point in the company's favour.

However, sources cautioned that the slippage in yield could be a cause for concern, given the parent's stipulation that Cons Murch boost grades.

Gengold drops hedging in favour of put options

Star 22/9/93

(214)

By Derek Tommey

A higher gold price and improved operations helped the Gengold gold mines to have a good June quarter with most of them reporting higher profits

Buffelsfontein, Stilfontein and Grootvlei have declared increased dividends while St Helena's dividend has recovered strongly from that declared earlier in the year

Some of the points made at a press briefing by Gengold MD Gary Maude yesterday were.

- Gengold believes its shareholders want it to be more open about its financial operations such as its hedging policy, especially in a bull market

As a start it is telling them that it has halted forward selling and instead will protect itself against a lower gold price by taking put options on the price.

- If the current gold price is maintained for the next six months the group could embark on new projects involving an investment of R2 billion.
- Also in response to shareholder pressure, the group intends to give priority to stabilising dividend payments It hopes to achieve this by closely controlling capital expenditure

Future capital works will carried out on a "switch-on switch-off" basis so dividends can be protected in the bad times

- Gengold's income after tax is up R24 million but only R3 million after capital expenditure This reflects the R60 million capital programme.

The group is making a big effort to cover the cost of capital programmes with increased production so that it does not hit the dividend

- The group will strongly resist cost increases and is giving this renewed attention Pressure will be tremendous both from the unions and manufacturers "It would be very sad if we were to throw the advantage of a higher gold price out of the window by making our mines uneconomical and uncompetitive internationally
- Poor labour morale at Grootvlei — which is engaged in wage negotiations — is threatening the mine's future

Buffelsfontein has declared a final dividend of 165c against 100c a year ago making a total for the year of 315c (190c)

Stilfontein is paying an interim of 30c It paid 30c a share in December but nothing in the previous 12 months

Grootvlei is paying 30c against 25c a year ago

St Helena is paying 85c after 20c in December and 100c a year ago

Stilfontein, which is working only surface dumps, earned R2,1 million (R1,7 million) before tax and lease in the June quarter At the current gold price the mine has a life of about two years

Grootvlei's income before tax and lease dropped fron R3,0 million to R2,1 million partly owing to a drop in tonnage milled and increased costs

Grootvlei is highly unionised and there is a feeling that the miners have not been working as well as in the past. The closeness of the mine to Springs makes the workers more sensitive to political pressures

However, management has held discussions with the miners and there seems to be a turnaround, says the mine manager, Peter Noble

Winkelhaak earned R14,8 million (R16,8 million) before tax and lease in the June quarter It has had a difficult few quarters, said Maude, as it has been doing a capital programme on the 2A Sub-vertical shaft and has had to produce from the older area of the mines It is starting to produce from 2A sub-vertical and there should be an increase in Winkelhaak's production

Buffelsfontein increased its earnings before tax and lease from R17,3 million to R22,9 million The higher gold price has increased the internal rate of return on the R74 million multigold project from a highly profitable 18,7 percent to 33,6 ppercent.

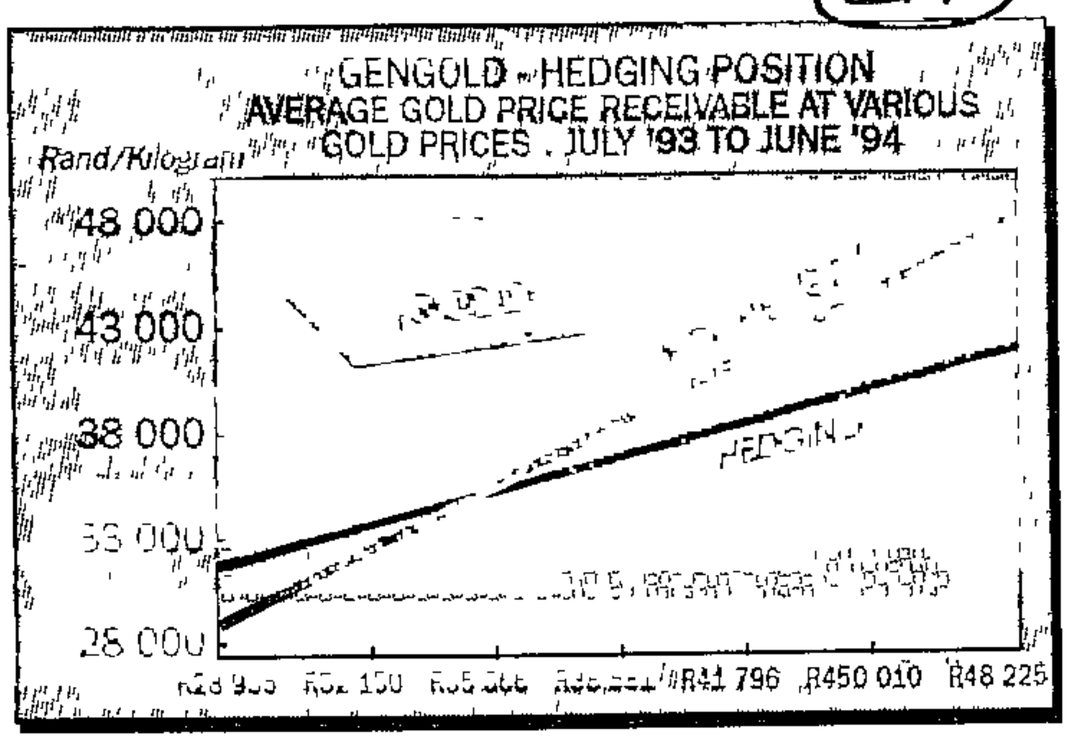
Beatrix earned R30,3 million (R20,9 million) before tax and lease and the improved production is expected to continue.

Bracken has ceased production, earning R4,9 million from break-up operations

Kinross had a good quarter, earning R37,7 million (R29,8 million)

St Helena earned R11,4 million (R7,5 million) before tax and lease and Leslie R6,6 million (R4,9 million)

Unisel's earnings dropped to R7,5 million (R9,2 million) but results should improve towards the end of the year



Forward selling in the September quarter last year helped several Gengold mines to survive. The gold price was R28 935 a kilogram (left hand side of the graph) at the time. Forward selling boosted the group's average gold price to just under R33 000 a kilogram. However, with the gold price now around R42 000 a kilogram the need to fulfil its forward contracts is costing the Gengold group about R1 700 a kilogram.

Gengold drops hedging in favour of put options

(214)

ARG 22/7/93

DEREK TOMMEY

JOHANNESBURG. — A higher gold price and improved operations helped the Gengold gold mines to have a good June quarter with most of them reporting higher profits.

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■ Gengold believes that its shareholders want it to be more open with them about its financial operations such as its hedging policy especially in a bull market

As a start it is telling them that it has halted its forward selling and instead intends protecting itself against a drop in the gold price by taking put options on the gold price

■ If the current gold price is maintained for the next six months the group could embark on new projects involving an investment of R2 billion

■ Also, in response to shareholder pressure, the group intends to give priority to stabilising dividend payments It hopes to achieve this by closely controlling capital expenditure

Future capital works will carried out on a "switch-on switch-off" basis so dividends can be protected in the bad time

■ Gengold's income after tax is up R24 million but only R3 million after capital expenditure This reflects the R60 million capital programme announced last quarter.

The group is making a big effort to cover the cost of capital programmes with increased production so that it does not hit the dividend.

■ The group will strongly resist cost increases and is giving this renewed attention.

Pressure will be tremendous both from the unions and manufacturers. "It would be very sad if we were to throw the advantage of a higher gold price out of the window by making our mines uneconomical and uncompetitive internationally.

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Stilfontein, which is working only surface dumps, earned R2,1 million (R1,7 million) before tax and lease in the June quarter. At the current gold price the mine has a life of about two years

Grootvlei's income before tax and lease dropped fron R3,0 million to R2,1 million partly owing to a drop in tonnage milled and increased costs.

Grootvlei is highly unionised and there is a feeling that the miners have not been working as well as in the past. The closeness of the mine to Springs makes the workers more sensitive to political pressures

However, management has held discussions with the miners and there seems to be a turnaround, says the mine manager, Peter Noble

Winkelhaak earned R14,8 million (R16,8 million) before tax and lease in the June quarter It has had a difficult few quarters, said Mr Maude, as it has been doing a capital programme on the 2A Sub-vertical shaft and has had to produce from the older area of the mines It is starting to produce from 2A sub-vertical and there should be an increase in Winkelhaak's production.

Buffelsfontein increased its earnings before tax and lease from R17,3 million to R22,9 million. The higher gold price has increased the internal rate of return on the R74 million multigold project from a highly profitable 18,7 percent to 33,6 percent

Beatrix earned R30,3 million (R20,9 million) before tax and lease the improved production is expected to continue

Bracken has ceased production, earning R4,9 million from break-up operations

Kinross had a good quarter earnings R37,7 million (R29,8 million).

St Helena earned R11,4 million(R7,5 million) before tax and lease and **Leslie** R6,6 million (R4,9 million)

Unisel's earnings dropped to R7,5 million (R9,2 million) but results should improve towards the end of the year.

Gengold could give mines a R2bn boost

B/Day 22/4/93

ANDY DUFFY

GENGOLD could give the green light to projects worth more than R2bn if the gold price sustains its real-term growth over the next six months

Unveiling June quarterlies underpinned by the metal's gains, Gengold said the schemes — including the R800m Poplar mine on the East Rand, the R450m No 3 shaft at Beatrix mine and the R450m No 6 shaft at Winkelhaak — were all possible at current gold prices. (214)

Recommissioning the R470m Weltevreden open cast mine, mothballed last year, was also being considered

Gengold was forced to put the brakes on capex after gold prices deteriorated Three months ago it announced small-scale capex projects worth around R200m to supplement shelved schemes But MD Gary Maude said yesterday the projects had been "dusted off and redesigned".

Though gold had fallen short of penetrating the $400 barrier, Maude expected the metal to restart its climb from the end of next month, and possibly reach $450.

Even at the current gold price of $392, he added, several projects looked good

The company said funding was likely to come through debt and/or rights issues, though Gengold had still to test investor reaction to the plans

Maude cautioned that Gengold would have to regain its confidence in the gold price achieving real and stable growth before the button was pushed. It had had its "fingers burnt in the past".

The development of the schemes would be such that they could be halted quickly if Gengold's fortunes deteriorated. Gengold was discussing one-month notice clauses with suppliers and contractors.

Maude said programmes were unlikely to be decided on before the year-end.

The funding for all the projects would have to be structured so that they were covered by improved operating performance from the mines. The company was not prepared to endanger shareholders' dividends in expanding its operations

Should Gengold push on with such expenditure, it would represent a sharp turnaround in its fortunes from 12 months ago when the company was slashing staff and operations in a desperate bid for survival.

For the three months to June, capital expenditure rose 105,3% to R39,6m.

● See Page 7

Improved prices lift mixed results

(214) CT 22/1/93

Own Correspondent

JOHANNESBURG — Gencor subsidiary Gengold relied on improved gold prices to revive an otherwise mixed bag of results for the three months to June

Eight of its 10 mines sustained a fall in tonnage, while gold production slipped, in some cases sharply, on six of the mines

The company's previously tight grip on working costs loosened, particularly at Grootvlei and Unisel, and Gengold said costs would come under further pressure from wage demands and mine suppliers

Gengold has also served notice on Grootvlei that it has six months to turn itself around, or face closure

Total net income surged nearly 31% to R100,2m for the period, on average gold prices 5,5% higher at R34 766/kg Average working costs rose a marginal 1,4% to R27 083 — the first rise since June 1992

Labour problems at Grootvlei cut into both tonnage and yield, which brought working costs up from R30 251/kg to R32 464/kg — perilously close to the gold price it was receiving, Maude added

Unisel cut production again, from 225 000kg to just 190 000kg as the mine was unable to maintain payable ore reserves

The Basal Reef development produced disappointing grades and wash out areas were higher than expected Working costs rose to R29 446/kg (R26 248/kg)

Beatrix bolstered production from 3 200kg to 3 250kg and would move even higher in the next quarter, Maude said The slight drop in tonnage was offset by a rise in yield to 6,3g/t, while working costs were pulled back to R21 182/kg (R22 171/kg) — the fourth consecutive quarterly fall in costs

The company had approved expenditure of R76,5m for the decline shaft to gain access to the reef in the higher grade No 3 shaft area

Winkelhaak's June quarter should be "the worst we'll see," Maude said Production dived from 3 020kg to 2 730kg, while working costs moved forward to R30 186/kg (R28 384/kg)

Buffelsfontein lifted gold produced to 3 582kg (3 403kg), on the back of a grade steady at 6,4g/t

St Helena produced excellent results, Maude said, maintaining gold production at 1 082kg (1 085kg), by pushing up tonnage to offset a sharp fall in yields Costs per ton milled were cut to R204,86 (R236,81)

Production at Kinross slipped in line with a fall in tonnage milled, while Leslie edged forward to 666kg (660kg), as the yield picked up from 6,6g/t to 6,8g/t

The rise in the gold price had lent a healthier sheen to the performance of both Stilfontein and Bracken, with the latter boosting the grade on its rehabilitation from 36,1g/t to 40,6g/t

Gengold leans heavily on improved gold price

B/Day 22/7/93

ANDY DUFFY

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He said that even at a higher gold price, the mine would close unless costs were brought down The heavily unionised mine had been warned that its fate rested in the hands of the employees

Unisel, which has already been forced to cut production because of lack of face in the old east section and poor grades, cut production again, from 225 000kg to just 190 000kg as the mine was unable to maintain payable ore reserves

The Basal Reef development produced disappointing grades and wash out areas were higher than expected Working costs rose to R29 446/kg (R26 248/kg)

Maude added that Unisel was "at the bottom of the dip" and would begin improving its performance by the final quarter.

Violence

Beatrix bolstered production from 3 200kg to 3 250kg and would move even higher in the next quarter, Maude said The slight drop in tonnage was offset by a rise in yield to 6,3g/t, while working costs were pulled back to R21 182/kg (R22 171/kg) — the fourth consecutive quarterly fall in costs.

Though production had been disrupted by the violence on the mine in which 24 employees died, 120 were injured and 1 700 resigned, Beatrix staved off the worst impact by using its reef stockpile.

The company had approved expenditure of R76,5m for the decline shaft to gain access to the reef in the higher grade No 3 shaft area, which would pave the way for the full No 3 shaft investment

Winkelhaak's June quarter should be "the worst we'll see," Maude said Production dived from 3 020kg to 2 730kg, while working costs moved forward to R30 186/kg (R28 384/kg)

But the costly production from No 5 shaft would be replaced by the stoping and development that had started at No 2A sub-vertical shaft, which would reach full production by the middle of 1994 (214)

Buffelsfontein lifted gold produced to 3 582kg (3 403kg), on the back of a grade steady at 6,4g/t The R74m Multigold project, designed to treat the surface dump at the Pioneer shaft, was expected to come on line next October, six months later than planned due to a delay in the delivery of the mills

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The rise in the gold price had lent a healthier sheen to the performance of both Stilfontein and Bracken, with the latter boosting the grade on its rehabilitation from 36,1g/t to 40,6g/t

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	520	6,3	3 250	132,39	21 182	34 733	18 622	9 555	—
March	525	6,1	3 200	135,14	22 171	33 002	10 961	9 517	—
Bracken	5	40,6	195	761,66	18 764	34 781	1 499	1 815	12,9
March	6	36,1	220	830,16	22 973	32 940	1 300	1 310	9,4
Buffels	557	6,4	3 582	188,86	29 368	35 158	22 050	9 857	89,6
March	533	6,4	3 403	184,80	28 945	33 126	12 940	12 680	115,3
Grootvlei	111	5,6	617	180,45	32 464	34 020	2 110	1 626	14,2
March	112	5,8	645	174,21	30 251	32 887	1 781	1 691	14,9
Kinross	466	6,7	3 120	160,95	24 039	34 364	22 988	15 114	83,9
March	475	6,7	3 183	165,87	24 752	32 731	18 698	12 527	69,6
Leslie	99	6,8	660	183,28	27 107	35 023	3 731	2 465	15,4
March	100	6,6	660	175,07	26 579	33 034	3 074	2 511	15,7
St Helena	173	6,3	1 082	204,86	32 755	35 314	5 628	5 576	57,9
March	148	7,3	1 085	236,81	32 302	32 827	4 655	3 829	39,8
Stilfontein	290	1,0	300	32,63	31 547	34 329	2 144	3 922	30,0
March	282	1,0	290	31,52	30 655	33 175	1 735	3 017	23,1
Unisel	190	6,3	1 200	185,97	29 446	35 194	5 950	3 174	11,3
March	225	6,4	1 450	169,15	26 248	32 810	5 751	4 893	17,5
Winkelhaak	419	6,5	2 730	196,68	30 186	34 497	15 544	7 507	61,6
March	453	6,7	3 020	189,23	28 384	32 969	15 734	5 341	43,9

Anglo tops the billion rand dividend level

Star 23/7/93

(214)

By Derek Tommey

The drought in gold mining dividends has at last been broken.

Following improved operating conditions and the higher gold prices, four Anglo American gold mines have declared sharply higher interim dividends.

Vaal Reefs is increasing its dividend by 32 percent from 500c a year ago to 660c.

South Vaal is paying 205c, which is 41 percent more than last year's 145c.

Western Deep Levels is paying 225c — up 155 percent on last year's 100c. Elandsrand is increasing its dividend by 100 percent to 50c from 25c last year.

Together these dividends, if annualised, amount to more than R1 billion, says Clem Sunter, chairman of the group's gold division.

This compares with total dividend payments of R715 million in 1992, R581 million in 1991, R569 million in 1990 and just over R1,0 billion in 1989.

Group gold and uranium profits rose 19,7 percent in the June quarter to R251,1 million, reports Sunter.

Gold production rose 1,1 percent to 67 803kg and the averge revenue for the quarter was 4,7 percent higher at R36 327 a kg.

Bonus payouts

The companies (excluding Ergo) paid R52,7 million in profit sharing bonus schemes which was a 64,2 percent increase on the R31,9 million paid in March.

Sunter said that Anglo American was keen to continue with the bonus schemes and to pay only low basic increases, because the gold price could stay where it is or even go down, and the group did not want to go back to the situation in the 1980s.

Then costs were rising 15 percent to 20 percent a year. He added that labour accounted for between 40 percent and 45 percent of total costs.

Anglo American had tried to keep its projects going at full blast during the gold price slump so the current gold price should not lead to a big step up in capital expenditure. But if the gold price were to go to $400 an ounce and stay there it would open up lots of interesting possibilities for the group in areas adjacent to existing workings.

By receiving a higher price through hedging gold sales, Anglo American had been able to produce an extra 110 tons of gold a year and preserve 70 000 jobs.

The group was no longer in a survival mode, so it had not sold any gold forward since April.

Gold division managing director Lionel Hewitt said that the higher gold price has resulted in lower pay limits but there was no intention of drastically reducing the grade of ore milled in the next six to nine months. However, replacement faces for existing ones would probably have a slightly lower grade.

Vaal Reefs had a good quarter with a profit before tax, including a R13,1 million dividend from Southvaal, of R201,8 million (March, 148,6 million). Profit after tax and capital expenditure was R70,7 million (R55,6 million) equal to 270c (291c) a share.

At Western Deep Levels the improvement in operations in the March quarter was sustained and profit before tax jumped from R103,8 million to R137,1 million. Profit available after tax and capital expenditure rose from R32,6 million to R38 million equal to 127c (118c) a share.

The mine has recently suffered a number of serious accidents from seismic incidents, but has had a dramatic turnaround in safety results and last week won the Millionaire Safety Shield.

Elandsrand increased its profit before tax by 26,5 percent to R78,1 million, while available profit rose 50 percent to R28,7 million. The mine is now capable of treating 600 000 tons of ore a month. In the June quarter it treated 574 000 tons.

Freegold had a highly satisfactory quarter, said Hewitt. However, a R16,9 million drop in net sundry income reduced the profit before tax by R3,9 million to R194,5 million. But, profit available for distribution rose from R92,7 million to R102,5 million.

Ergo, the dump retreatment company, increased its profit before tax from R15,6 million to R20,1 million. Profit available rose from R9,9 million to R11,1 million.

Anglo set to mine lower grades if gold price holds

B/Day. 23/7/93

ANDY DUFFY

ANGLO American's gold division would turn to mining lower grade ore in the next three years if gold remained at current levels, the company said yesterday

Reporting a steady performance for the three months to June, gold and uranium division MD Lionel Hewitt said the metal's gains had brought down the pay limit on previously inaccessible ore reserves

The higher metal price would now allow Anglo to pursue the ore, without increasing costs or production, he added

Though there would be "no dramatic decrease" in grades over the next 6-12 months, Anglo's strategy of pursuing replacement faces was likely to bring average group grades down from 5,5g/t to 5g/t over the next three years

Division chairman Clem Sunter added that should gold breach and stay above the $400 barrier, then several schemes, such as developing Freegold's Erfdeel area, could be an "interesting possibility"

Freegold's performance for the three months to June was the one disappointing point in an otherwise sound set of quarterly figures

Though ore milled rose to 6,6m tons (6,4m), a sharp slip in yields to 4,43g/t (4,69g/t) brought Freegold's production down from 30 354kg to 29 429kg

Hewitt said the deterioration in grade had been unexpected and that it was receiving attention But a full recovery in the yield was unlikely to come through before the December quarter

(214)

Freegold partly recovered from the damage by attacking working costs, which dropped back from R138 per ton to R135 per ton

A fall in capex from R66,5m to R25,8m lifted attributable earnings to 87c a share (79c)

Western Deeps maintained its steady improvement from damage inflicted by seismic disturbances last year Gold production climbed to 11 000/kg (10 441/kg) — the highest level since June 1991 — on the back of a higher milling rate of 1,6m tons (1,5m tons) and a 2,4% increase in grade to 6,73g/t

Working costs edged forward to R251 274/kg (R24 739/kg), reflecting the increased tonnage and employee bonus scheme

Seismic disturbances in the last few weeks had dented Vaal Reefs, and would continue to impact in the September quarter, Hewitt said.

Capex rose 79% to R114,9m, including expenditure on Moab ahead 86% at R32m, and capex would continue to rise over the next quarter.

But development on the No 11 shaft was held back by water problems, which cut the advance to less than a third of its March quarter level. Hewitt added that reducing marginal operations at the No 3 and No 4 shafts was continuing

Elandsrand's grade, though down at 8,6g/t (8,65g/t) with the slowdown in vamping on the western section, had still exceeded expectations Hewitt said a grade closer to 8g/t was "more realistic"

The yield and higher tonnage pushed production up to 5 014kg (4 680kg), and the company was now in a position to boost monthly tonnage to 200 000 tons

ANGLO AMERICAN June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold . ..	6 636	4,43	29 429	133	30 155	36 275	128 257	102 496	87
March.	6 404	4,69	30 054	138	29 322	35 101	159 150	92 669	79
Vaal Reefs	3 006	6,41	19 262	159	24 842	36 054	175 688	70 754	370
March.	3 031	6,24	18 901	156	25 064	34 661	116 866	55 581	291
Western Deeps....	1 635	6,73	11 000	170	25 274	37 140	114 577	38 066	137
March	1 588	6,57	10 441	163	24 739	34 176	85 350	32 576	118
Elandsrand . .	583	8,60	5 014	182	21 188	36 041	72 713	28 675	29
March .	541	8,65	4 680	185	21 431	34 074	57 060	19 012	20
Ergo .	11 563	0,27	3 098	—	—	36 084	14 468	11 073	22
March	11 330	0,27	3 015	—	—	33 847	15 579	9 912	20

Short-life Cons Murch looks up as gold runs

S/Times (Buss) 25/7/93

By Julie Walker

I WAS pleased to receive a stockbroker's report on Consolidated Murchison, put together by Peter Shotter and Philip Murphy of Rice Rinaldi

That producer of antimony concentrates and gold has many memories for me from my days as a metallurgical researcher with mining house and Cons Murch manager JCI

The challenge was to get as much gold as possible out the impossibly refractory ore. It was a filthy task, but rewarding for an eager novice In spite of ingrained blackened skin and the ever-present pong of cyanide, it gave much satisfaction to watch gold production climb in the early 1980s (214)

The mine that people have been referring to as "short lifer" for 50 years has brighter prospects than for some time, if Rice Rinaldi's research is accurate

Cons Murch is highly geared to the gold price, which has risen R3 000 to R42 000 since the report was compiled in June A R5 000/kg climb would double the mine's earnings

Rice Rinaldi recommended its purchase for short-term profits on a rising gold price. The share has risen from 300c to 500c.

Rinaldi forecasts earnings a share of 58c for the year to June 1993, but in 1994 this should rise to 96c with gold at R39 000/kg and to 150c with it at R42 000

The report says gold's recent run came too late to help Cons Murch in the 1993 financial year because of its high capital expenditure commitment.

The directors say the antimony market shows no signs of recovery However, Rice Rinaldi believes the antimony price has bottomed and any improvement will help earnings

The stockbroker concludes that Cons Murch has longer-term potential

Gencor learns home truths from the Turks

S/Times (Buss)

T/25/7/93

By JULIE WALKER

IT took a trot to Turkey and the Financial Times Gold Conference for Gengold chairman Gary Maude to learn what investors could have told him shareholders want to know what the position is about hedging

Gengold, JCI and Anglo American have come clean with investors about the amount of gold sold forward and at what price in the June quarter Gold Fields of SA sells nothing forward and Anglovaal has always detailed such transactions

Mr Maude says "Mining-house arrogance belongs in the past They must adapt or go under"

Mr Maude learnt from investors in Turkey that dividend stability and shareholder information were priorities, hence the new glasnost (214)

Gengold was a latecomer to the principle of securing a higher price for gold produced A year ago, says Mr Maude, many of its mines' operating expenses were close to the gold price

"We hedged to survive, and our view was to sell no more than a third of production forward for not longer than a year We had to keep the mines going through the period of low prices

"Now gold has risen, our hedging strategy is one of insurance against a fall by locking in the higher revenues available"

Anglo American's view is one of not to pay for such gold insurance, but to do little while the market consolidates

Gold division chairman Clem Sunter says Anglo hedged on two counts to protect marginal mines' production and to provide a tax shield to keep major capital projects afloat.

Generally, its mines had an excellent quarter But Mr Sunter is not as bullish as he was on the gold price because of lower Far Eastern demand

JCI's mines showed a big jump in profits in the June quarter, on both higher revenue and lower costs Western Areas lifted gold production and revenue and reduced costs to declare its first dividend — 25c — since 1986

Even HJ Joel made its first profit after capex — 2,3c a share But it remains a disappointment Trackless mining is to be abandoned at the mine in the next 18 months

Development results showed lower gold over a narrower channel width, although there were some improvements on the western side of the orebody

Mining houses lift the curtain

Star 26/7/93

(214)

By Derek Tommey

South Africa's gold mines have taken a major step forward in improving their public image by dropping the secrecy that until now has surrounded their forward selling.

Four mining houses — Anglo American, Anglovaal, Gencor and JCI — in a somewhat surprising move gave details last week of their forward selling commitments for the mines they manage and the prices the mines will receive.

Randgold moved part of the way towards giving these figures earlier this month. Gold Fields does not sell gold forward

One reason suggested for the industry's change of heart is the need to mollify shareholders. The steep increase in the dollar gold price in May and June sharply raised investors' dividend expectations.

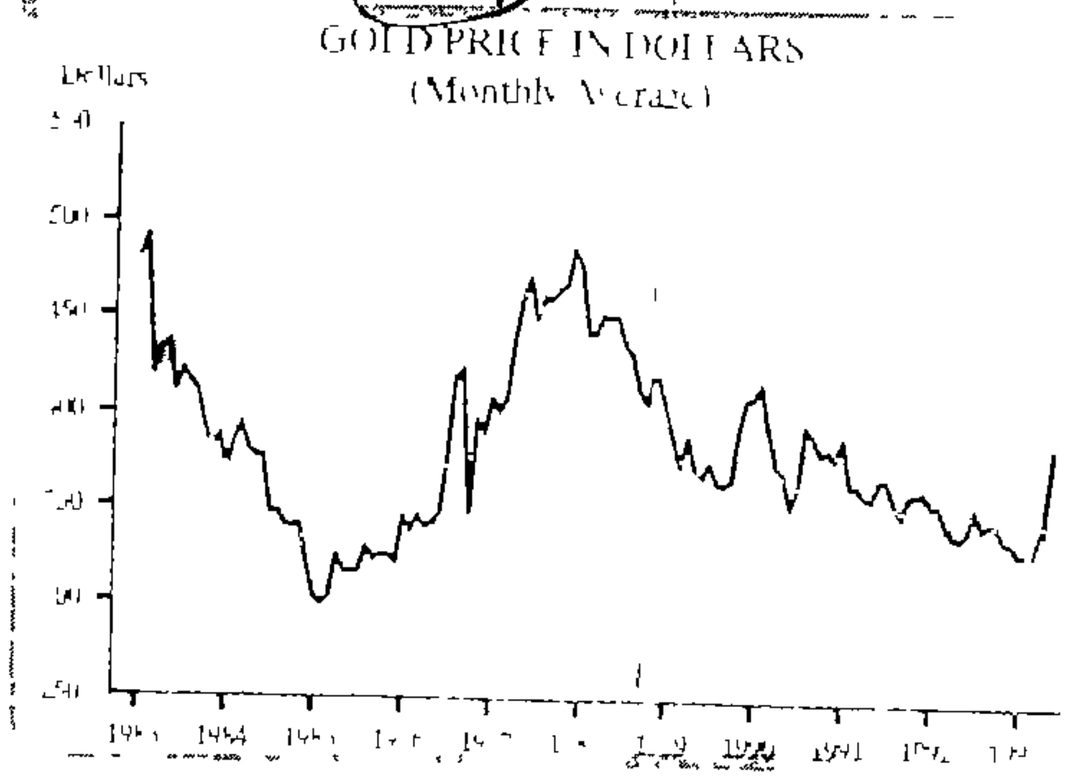
When the figures which emerged were nowhere near their hopes because of heavy forward selling at below the current market price, there was considerable disappointment.

Dissatisfaction

Now that the figures are being made public, investors will know what profits to expect in future and therefore will have less cause for dissatisfaction.

A second reason suggested is that it will help the bullion market

South Africa produces about 30 percent of world production A survey of the forward sales figures indicates that probably between 35 and 40 percent of the next 12 months' production by South Africa — or 12 percent of world production — has already been sold.



With such a substantial amount of gold being taken out of circulation, it means that the supply-demand position will be considerably tighter than production figures alone would indicate. It also means that even a small increase in demand would heighten the scope for a further rise in the gold price

A third reason put forward for the greater transparency in gold mining finances is the promise that large American institutional investors are interested in putting money into gold shares.

This marks a major change in attitudes towards gold shares

When the gold price was fixed and trading at $35 an ounce back in the early Seventies, the institutions were large investors The fixed price meant that profits and dividends would remain stable whatever happened to the economy

But the sharp fluctuations in gold mining profits that have followed the freeing of the gold price have caused gold shares to be labelled highly speculative and not an investment for institutions

But the message coming from the United States recently is that some institutions would like to invest in South African gold shares provided there was more certainty about future trends in profits and dividends

For this they will need to know more about what is happening in the industry And this is believed to be partly behind the decision to give details about future sales.

More certainty in dividends will also require better management of capital expenditure so that dividends are not suddenly reduced owing to capital expenditure commitments — as has happened in the past.

Any significant US institutional investment in the country's gold mines would lead to a rerating of the shares and greater capital profits for the mining houses

It would also make it easier for the industry to attract capital from overseas And it will soon need many billions of rands for new investment if it is to have a future in the 21st century

ERPM plans rights issue to rescue mine

(214) CT 26/7/93

From ANDY DUFFY

JOHANNESBURG — ERPM, the 100 year-old debt-laden and loss-making East Rand gold mine, is staring liquidation in the face as management plots a R500m rights issue in a last ditch attempt to rescue the operation

And more than 5 000 miners' jobs are in the balance today, as striking workers hold out for a 10% increase management says it cannot afford to pay

The strikers will be fired if they do not return to work this morning

"We are expecting the worst," group human resources director Richard de Villiers said on Friday

Cost-cutting measures have seen the workforce shrink from 20 000 five years ago to the current 5 800

Parent Rand Gold & Exploration is trying to persuade creditors to the troubled mine to agree to a R500m rights issue to wipe out its debts

Newly-installed ERPM MD Glenn Laing said at the weekend that a rights offer to pay off the mine's R520m borrowings was the "first prize" in debt restructuring talks currently underway.

A decision was likely within the next two weeks. Should the rights issue go ahead, he added, ERPM would cut its financial dependence on government, and would begin paying dividends to shareholders.

ERPM's stock has risen strongly with the surge in the gold price, leaping from a 12-month low of 450c in January to 1700c on Friday, pushing its market capitalisation from R75m to R283m

However, analysts questioned whether investors would take up a new share offer given the mine's chequered history They noted the two-year-long strategy pursued by Barlow Rand, Rand Gold's parent, of minimising its exposure to the mining sector

ERPM has been plunged into crisis again after a poor June quarter performance in which production problems hit mining at the Far East Vertical Shaft, an area of relatively high-grade ore on which the mine's future depends

A fall tons milled, lower grades cut gold output while sharply higher costs ate up any benefit ERPM received from higher gold prices In fact, the mine missed out on the rally in bullion prices because its output was tied to forward sales contracts at levels below ruling prices ERPM turned in a R18m net loss after interest payments

The latest upset to debt repayment plans follows a catalogue of errors in the 1980s Rand Mines gave the go-ahead to the Far East Vertical Shaft project in 1980 on the premise of over-optimistic gold price forecasts and over-ambitious feasibility studies

With the project on the ropes by the late 80s, government granted further state aid on the recommendation of the Melamet Commission's report, but Melamet's figures were based on unrealistic rand gold prices, still above current levels in spite of the revived gold market

Laing said the mine, unable to cover interest payments on its near R520m debt, had been badly financed from the start, and even on current gold prices would take 10 years at least to clear its borrowings

Unless an agreement could be reached then the mine could face liquidation, which would have devastating socio-economic consequences for the surrounding area.

Though the rights offer was the main target, Laing said it was not clear that all the creditors would agree, and that some other equity instrument would have to be tabled

The operations's banks are owed R300m, with First National Bank owed an additional R60m, while parent Randgold is owed R55m and government has pumped in R35m An additional R71m is owed in deferred interest, following an interest payment freeze which expired in December

He added that the monthly interest bill of R6m was double operating profits, and that ERPM could not continue under such conditions

Its attributable losses per share in the three months to June hit 158c (93,8c), as costs rose sharply and yields deteriorated

In operational terms, ERPM was "now on the verge of turning itself around" The Far East Vertical shaft had hit high grade ore, which would boost gold production by 20-25% over the next six months, he added

Gold fever takes root in market

Star 29/7/93

(214)

By John Spira

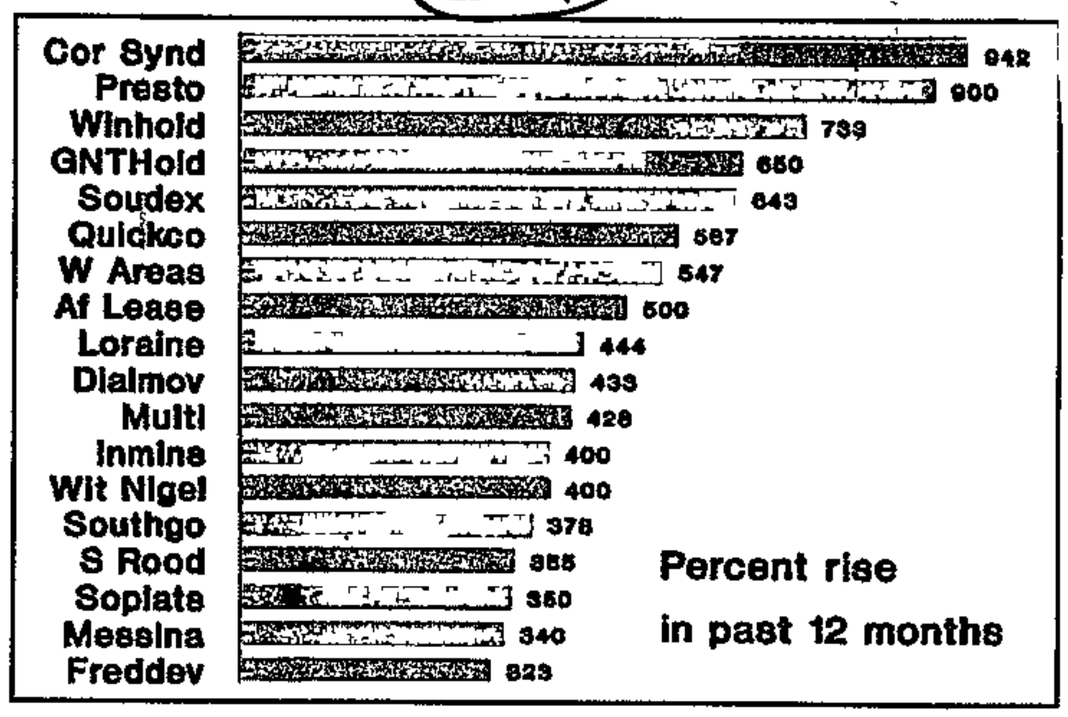
Time warp conclusions are inevitable as the shape of the Johannesburg Stock Exchange harks back to its mining camp roots.

For mining and mining-related shares are now ruling the roost, with 10 of them featuring among the 18 listed counters that have soared by more than 300 percent in the past 12 months

That as many as 18 JSE listings have rocketed by above this margin demonstrates just how much money can be made on Diagonal Street — though to pick 18 out of 730 requires consummate skill mingled with huge dollops of good fortune.

If your portfolio contains only a small sample of the magical 18, you have good reason to be happy If not, you have not necessarily been excluded from the bonanza, since a further 15 shares have advanced by between 200 and 300 percent in the past year And many more have doubled

The best place to have been is the mining exploration sector, where, of the 12 shares quoted, three — Soudex, Soplats and Freddev — have added more than 300 percent, a further two — Lydex and Randex — have gained more than 200 percent and another three have more than doubled in price.



Exploration

Investors are evidently banking on the mining exploration companies to produce a new mine or two in the wake of the strong recovery in the gold price, just as they are looking to the gold mines to generate much improved earnings (and have voted in this direction) for the same reason

That is why gold shares have recorded such substantial gains

But gold does not explain why a share like Coronation Syndicate has gone into orbit to the tune of 942 percent.

A year ago Cor Synd was an investment holding company owned by Lonrho Last September a consortium of merchant bankers acquired control and changed the nature of Cor Synd's activity to one of trading in the bonds and derivative markets, where vast sums of money are there for the taking by those who know what they are doing

Thus far the results have been dramatic and the share price has responded accordingly

Presto is a smallish transport company which encountered such deep-seated problems that its JSE listing was suspended towards the end of 1990 It was relisted last year after a change in control. The new management has converted huge losses into profits

Winhold's largest investment is Inmins, which, like Presto, has put horrendous losses behind it Inmins is a supplier of consumable products to the mining industry and should, accordingly, derive meaningful benefits from the gold price rebound

GNT and Quickco are listed on the development capital market sector of the JSE. The shares seldom trade and owe their price performances largely to a small number of deals from extremely low base price levels.

Soudex (South Deep Exploration) controls the potential of the South Deep gold mine adjacent to Western Areas South Deep owns the richest and most promising undeveloped gold deposit in South Africa, with the result that Soudex stands to reap super profits should the mine be given the green light.

As yet, no decision has been made (principally because its development would require some R2,2 billion), but with gold showing signs of maintaining its buoyancy, investors are clearly looking at Soudex through optimistic lenses

Losers too

It goes without saying that had the "high flyers" exercise been conducted for the past eight months (from the start of the bull market), gold shares would have been considerably more dominant, with some having increased in price by more than 1 000 percent over this shorter period

Any analysis of the high flyers tends to eclipse the behaviour of shares which have lost ground (some heavily) in the past 12 months

There is more than a smattering of these to be found and it would therefore be prudent to bear their performance, or lack of it, in mind with a view to appreciating that the JSE delivers losers as well as winners.

GOLD QUARTERLIES

Is this a new dawn for the mines?

FM 30/7/93

With the gold price now above R40 000/kg — in territory gold mine managers were only dreaming about at the beginning of the year — the industry has changed radically Implications are clear from the June quarter results If sustained, these gold prices will enable mining groups to restart various projects shelved in the past three years

Gengold MD Gary Maude says "We have dusted off plans for projects totalling nearly R2bn, including Poplar, Beatrix No 3 shaft, Winkelhaak No 6 shaft and Weltevreden It will take about another six months before we reach final decisions"

Also likely are decisions on large fund-raising exercises for operations like JCI's South Deep Exploration (Soudex), which has been starting to develop the potential South Deep mine near Western Areas Moves to list Eastvaal Gold Holdings — which is funding Vaal Reefs' Moab expansion — are in the pipeline Anglo American Corp gold division chairman Clem Sunter says "The documents are in preparation"

An immediate investor worry about such developments, and about the resumption of large-scale capital spending on existing mines to recoup enforced shortfalls of the past few years, is that dividend growth will be restrained Ed Hern, Rudolph analyst Grahame Graham-Parker says the industry shows a 27% jump in capex to R605,5m for the June quarter from R476,9m in the March quarter The June figure is 5% up on the June 1992 quarter's R578,4m

Some mining house managements have undergone a sea change in attitudes — they are at last paying attention to needs of minority shareholders (214)

Says Maude "The arrogant mining house attitude of the past has to go We have been making efforts to stay in touch with our shareholders worldwide, and are trying to be responsive to their needs We intend achieving greater dividend stability"

That runs completely counter to the traditional mining house attitude that capital growth takes precedence over dividends

One key to protecting dividends is to structure capital projects so they can be closed if the gold price turns sour "We will never again irrevocably commit capital up front to a project," says Maude "Contracts in future will be switched on or off so that the shaft sinkers, for example, will have no claims against us for damages if we close a project"

Another way is to lift productivity to ensure greater gold output will cover the cost of an expansion without affecting dividends

Greater sensitivity to foreign shareholder requirements also appears to be behind the decisions by Anglo, JCI and Anglovaal to disclose their hedging activities Gengold has always provided this information Now only Randgold is not revealing hedging details

Sunter says Anglo has published hedging

	Produced kg*		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Gold R 000	Uranium & other R'000	♣EPS(c) Jun
ANGLO AMERICAN																	
Elandsrand	5 014	(4 680)	21 188	204	(213)	28 476	275	(268)	36 041	348	583	(541)	8 6	(8 7)	74 471	3 677	37 3
Ergo	3 098	(3 015)							36 084	348	11 563	(11 330)	0 3	(0 3)	20 058		19 7
Freegold	▲29 976	(▲30 719)	30 015	289	(292)	31 116	300	(315)	36 275	350	6 636	(6 404)	4 4	(4 7)	184 200	10 300	81 4
Vaal Reefs	19 262	(18 901)	24 842	240	(249)	30 807	297	(283)	36 054	348	3 006	(3 031)	6 4	(6 2)	216 000	−14 200	318,1
Western Deep	11 000	(10 441)	25 274	244	(246)	32 282	311	(297)	37 140	358	1 635	(1 588)	6 7	(6 6)	130 600	6 500	135,0
ANGLOVAAL																	
ET Cons	864	(905)	27 340	264	(252)	30 639	295	(269)	36 552	352	84	(84)	10 3	(10 7)	7 959	−503	3 0
Hartebeestfontein	7 910	(7 795)	24 814	239	(247)	26 170	252	(254)	37 406	361	1 270	(1 242)	6,2	(6 3)	99 605	4 191	40 5
Loraine	1 799	(1 384)	32 097	309	(351)	33 130	319	(375)	36 710	354	469	(414)	3,8	(3 3)	8 299	1 110	46 1
GENGOLD																	
Beatrix	3 250	(3 200)	21 182	204	(221)	◊23 972	231	(225)	34 733	349	520	(525)	6 3	(6 1)	44 285	−13 956	—
Bracken	195	(220)	18 764	181	(229)	◊17 144	165	(228)	34 781	341	5	(6)	40 6	(36 1)	3 758	1 187	13 0
Buffelsfontein	3 582	(3 403)	29 368	283	(288)	◊32 772	316	(289)	35 158	346	557	(533)	6 4	(6 4)	20 739	3 680	16 9
Grootvlei	617	(645)	32 464	313	(301)	33 248	321	(302)	34 020	348	111	(112)	5 6	(5 8)	1 105	1 025	14 2
Kinross	3 120	(3 183)	24 039	232	(246)	26 563	256	(266)	34 364	344	466	(475)	6,7	(6 7)	33 225	4 468	84 0
Leslie	666	(660)	27 107	261	(265)	29 005	280	(273)	35 023	343	99	(100)	6,8	(6,6)	5 910	661	15 4
St Helena	1 082	(1 085)	32 755	316	(322)	32 803	316	(329)	35 314	348	173	(148)	6 3	(7 3)	2 933	8 496	57 9
Stilfontein	300	(290)	31 547	304	(305)	◊25 620	247	(261)	34 329	346	290	(282)	1 0	(1 0)	902	1 242	30 0
Unisel	1 200	(1 450)	30 184	291	(271)	◊32 498	313	(277)	35 194	346	190	(225)	6,3	(6 4)	6 098	1 389	11 3
Winkelhaak	2 730	(3 020)	30 186	291	(283)	33 130	319	(317)	34 497	337	419	(453)	6,5	(6 7)	12 872	1 924	61 6
GFSA																	
Deelkraal	2 015,4	(1 895,2)	31 907	308	(309)	38 352	370	(365)	35 585	343	351	(320)	5 7	(5 9)	7 413	10 874	2 2
Doornfontein	1 263 7	(1 412,5)	24 814	239	(302)	10 072	97	(211)	35 816	345	329	(338)	3 8	(4 2)	13 903	1 437	84 9
Drie Cons	14 077,6	(14 661,7)	20 692	200	(187)	27 344	264	(236)	35 897	346	2 045	(2 020)	6,9	(7 3)	214 051	15 376	33,5
Kloof	11 738,4	(12 941 4)	26 424	255	(231)	32 901	317	(275)	35 569	343	1 272	(1 255)	9,2	(10 3)	107 349	8 615	27 4
JCI																	
HJ Joel	1 138	(1 153)	29 809	287	(308)	33 368	322	(336)	35 241	340	186	(185)	6 1	(6 2)	6 181	96	2 3
Randfontein	7 902	(7 944)	26 169	252	(266)	29 298	282	(294)	35 065	338	1 918	(2 001)	4 1	(4 0)	70 291	11 605	56 2
Western Areas	3 823	(3 406)	29 843	288	(311)	32 345	312	(329)	35 403	341	573	(536)	6 7	(6 4)	21 258	10 507	55 1
RAND GOLD																	
Blyvoor	1 884	(1 954)	33 330	321	(319)	36 118	348	(328)	35 243	340	594	(610)	3 2	(3 2)	3 604	2 159	1 4
Durban Deep	1 278	(1 387)	36 872	356	(328)	37 402	361	(336)	34 635	334	582	(583)	2 2	(2 4)	−2 859	1 060	−123 1
ERPM	1 817	(1 986)	37 840	365	(336)	42 477	410	(346)	35 579	343	741	(757)	2 5	(2 6)	−4 109	−14 322	−161 5
Harmony	5 348	(5 401)	34 291	331	(333)	34 663	334	(322)	34 198	330	1 616	(1 628)	3 3	(3 3)	−500	2 064	−2 7
INDEPENDENT																	
Benoni	394	(375)	26 754	258	(266)	27 140	262	(270)	35 490	342	557	(560)	0,7	(0 7)	3 442	−1 497	1 0
Knights	355	(369)	29 471	284	(267)	31 347	302	(409)	36 635	353	839	(838)	0 4	(0,4)	2 559	−825	0 4
Lindum Reefs	365	(320)	24 356	235	(236)	24 721	238	(239)	34 819	336	90	(81)	4 1	(4 0)	3 811	366	21 0
Primrose	197,3	(203,2)	37 522	362	(353)	37 669	363	(358)	38 915	375	39	(40)	5,1	(5 0)	275	−57	0 5
Rand Leases	186,76	(221 91)	29 723	287	(252)	33 985	328	(274)	36 962	356	37	(37)	5 0	(6 1)	1 352	−1 510	−0 8
West Wits	821	(795)	29 196	282	(290)	30 183	291	(301)	35 007	338	565	(541)	1 5	(1 5)	4 771	127	4 4

* Figures in parentheses refer to previous quarter † Calculated at R1=$0 31 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure ◊ Includes retrenchment costs
▲ Including Metallurgical Scheme

Fm 30/7/93

details because, with a gold bull market under way, the house has not been selling gold forward since April It no longer considers it detrimental to shareholders' interests to reveal Anglo's positions

Some analysts feel the change of heart is in response to overseas investor pressure and SA producers' need to compete for capital internationally

Gold's 30% surge this year has dramatically changed the overall position of the industry Based on the June quarter figures, if all the mines had received an average price of R1 300/oz (R41 796/kg), the spot price now, only one mine — ERPM with costs of R1 321/oz — would not be covering its total working costs plus capital expenditure

At a price of R1 000/oz (R32 151/kg) — which ruled for four years to end-1992 — 18 mines would have been in the red The June quarter position was between these extremes On average gold revenue of R1 119/oz (R35 976/kg), five mines were unable to cover working costs plus capex That's why disclosure of hedging is crucial Anglo reveals it has hedged three years in advance for portions of expected production

A surprise of the June results was the poor price received by Gold Fields which has shunned hedging Its average revenue of R35 762/kg is 3,9% below the average spot price of R37 200/kg It seems Gold Fields closed off its mine quarterly accounts early in June, missing the price rise later that month

Most analysts — and gold mining executives — believe the gold bull market is continuing, though in consolidation now A temporary pullback is possible during August, the main northern hemisphere holiday period

However, as Fergusson Bros analyst Trevor Pearton points out, forecasting earnings and dividends for individual mines is going to be complicated in future because certain fundamentals are changing

One is that costs are likely to start rising again as unions push for higher wages and suppliers haggle for price increases with the price up

Next, grade should decline in line with lower paylimits on many mines — though it appears there is not going to be a rush to mine lower-grade ore Anglo gold division MD Lionel Hewitt says Anglo's mines will not suddenly drop grades over the next six to 12 months Instead, if the gold price holds, slightly lower grade areas would be exploited as current mining faces are worked out

Finally, capex must rise to recoup shortfalls of recent years Here, again, Hewitt says Anglo's mines will not be badly affected because the house kept its capital programmes going through hedging

Smith Newcourt gold analyst Steve Oke says overseas investors are looking at a 6% dividend yield on the JSE All Gold index, assuming the gold price is at least R1 250/oz over the next 12 months He says this makes SA gold shares reasonably attractive, given the political situation, compared with yields available on Australian and North American gold stocks Should gold reach about US$425/oz, he says, the All Gold index would jump to at least 2 500

A concern is that, if gold were to drop during the next month or so, the index could fall to around 1 600 before recovering along with gold Oke says this would, however, be a good buying opportunity

Overall, news from the SA mines and the gold market remains favourable for gold bugs, though mining costs will have to be watched It would be criminal for the mines to surrender benefits gained from recent belt-tightening (214)

Brendan Ryan

Buffels investors to get windfall from unbundling

Star 4/8/93

(214)

By Derek Tommey

Buffelsfontein shareholders are to receive a windfall following a decision by Gengold to delink Buffelsfontein and Beatrix gold mines.

Beatrix is planning to redeem Buffelsfontein's right to 16 percent of its distributable income by handing it 9,5 million shares, worth about R323 million

Buffels shareholders will receive 81,818 Beatrix shares for every 100 Buffels shares held.

As Beatrix shares are trading at R34, holders of 100 Buffels shares (worth about R5 400) will receive Beatrix shares worth about R2 782.

In exchange, Beatrix shareholders will receive an enhanced stake in the earnings of an increasingly profitable mine

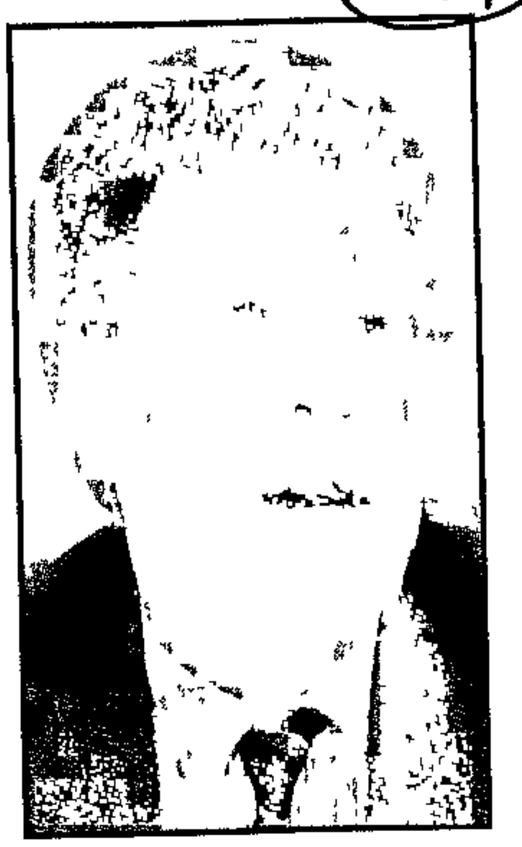
Dilution

The dilution of Beatrix's capital will not be large as the new shares to be issued are equal to about 10 percent of Beatrix's current issued share capital

The two mines have been financially linked since 1983, although Buffels is in the Klerksdorp area and Beatrix in the Free State.

The intention behind the agreement was to enable Buffels, at that time an established and profitable mine, to help finance out of its income Beatrix's capital expenditure, and reduce its tax bill

At the time of the link-up, Buffels acquired the assets and mining lease of Beatrix by issuing preference shares to its parent company, Beatrix Mines This is the company listed on the JSE.



Gary Maude .. better marketability of shares.

The preference shares entitled Beatrix Mines to 84 percent of the net distributable profits of Beatrix Buffels ordinary shareholders received the remaining 16 percent, which Beatrix is now buying back.

Beatrix Mines also receives a royalty of 15 percent of the gross annual revenue of Beatrix But now, with Beatrix becoming highly profitable, the agreement's tax advantages have disappeared and Gengold has decided the time is ripe to separate the two

Gary Maude, chairman and managing director of Gengold, said last night this should result in better tradeability of the shares of the two companies

Investors had not appeared to recognise the value to Buffelsfontein of its stake in Beatrix, he said The transaction should make Beatrix's shares more tradeable because it will simplify its structure.

Because of Beatrix's complicated financial structure, analysts have been wary of the share

The arrangement is subject to approval by various parties, including shareholders, the Reserve Bank, the London stock exchange and the JSE

Desirable

The transaction is clearly in the immediate interests of shareholders, but some analysts have suggested that it will make it easier to separate the two companies completely

This could be a desirable feature in the long run when Buffels, which has been operating for 36 years, starts running down

It means that when this time arrives its operations will not be subsidised by earnings from Beatrix, which result in a false picture of the mine's prospects.

Buffels has been putting up a stout performance lately, but Beatrix is undoubtedly proving a star Both mines are producing roughly the same amount of gold — Beatrix 3 250kg in the June quarter and Buffels 3 582kg

But costs are far higher at Buffels, and its working income was R20,7 million, while Beatrix's was R44,3 million

Golden Dumps left down in the dumps

B/Day 4/8/93

ANDY DUFFY

THE shutdown of underground operations at one of Golden Dumps' two mines capped a miserable year-end performance for the gold producer (214)

Total available income for the 12 months to June fell into a R0,47m loss (R14,8m profit), as the company continued to struggle with its temperamental grades and cost controls.

South Roodeport, an underachiever throughout the year, ceased underground operations during the quarter, cutting heavily into grades and bringing gold recovered in the three months down by 60% to 37,6kg Revenue also fell sharply from R34 148/kg to R20 212/kg

Depleted revenues were swamped by costs which more than doubled to R77 314/kg (R33 640/kg).

Net losses of R2,1m were brought back to available losses of R1,7m, as the company recovered R0,4m by selling plant

Net losses for the year stood at R4,1m, against a R2,3m loss last year.

A switch from capital expenditure to recoupment helped Consolidated Modderfontein recover from its March performance, turning in available income of R1,65m for the three months against a R0,7m loss last time

Director Loucas Pouroulis said the company was investigating plans to develop South Roodeport's property rights It was also studying the possibility of using the mine's remaining equipment to mine other mineral deposits

New Wits' sale of assets boosts kitty by 66%

BIDay 4/8/93

ANDY DUFFY

NEW Wits, the mining, exploration and investment company owned by Gold Fields of SA, staged a second half turnabout in fortunes, as asset sales lifted the company to a 66% rise in earnings for the year to June

Though investment income was cut 15% to R15,7m, New Wits netted R16,1m (R1,7m) through the sale of investments, to push total revenues forward 56% to R32m (214)

The sales also cut into New Wits borrowings, which sliced the interest bill from R1,1m to R0,6m, leaving pretax profit ahead two-thirds at R29,3m

Despite the surge in earnings a share to 95c (58c), New Wits held its dividend at 52c for the third consecutive year, replenishing reserves and bringing dividend cover up to 1,8 times (1,2 times)

The results represent a sharp turnaround in New Wits' fortunes in less than six months At the half year, its earnings had dropped 34% Hit last year by falling gold prices, it was forced to shelve exploration work.

At the half year, New Wits chairman Alan Wright warned the company would also embark on asset sales to cut its R9,3m overdraft Disposals in the period included the sale of 369 000 shares in Gold Fields' Driefontein business

Sales also helped Gold Fields' 49%-owned Vogelstruisbult Metal Holdings (Vogels).

Earnings a share for the six months to June moved ahead to 22c (20c), as a 9% rise in investment income to R3,9m was buttressed by a near tenfold rise to R0,7m in income from asset sales

Vogels spent R5,6m in the period to take up 378 000 shares in Northam Platinum, but sold 103 000 of these and 136 900 shares in New Wits Though pretax profit moved ahead 14% to R4,2m, the interim dividend was held at 15c

Vogels is heavily linked to the fortunes of Gold Fields' copper producer, O'okiep, which sustained net losses of R4m in the June quarter, and Zinc Corporation, which suffered a 12% drop in pretax profit for the June quarter

Anglo planning to list Eastvaal Gold Holdings

Star 13/8/93

BY DEREK TOMMEY

Anglo American is taking a fairly bullish stance on gold

It said last night it was planning to list Eastvaal Gold Holdings

This is a new mining company, which is providing after-tax finance for the group's new Moab gold mining project contiguous to the Vaal Reefs mine in the Klerksdorp area

Eastvaal's listing will be accompanied by an offer of R250 million worth of shares to shareholders of Anglo American, Amgold, East Dagga, Free State Development and Lydenburg Exploration — its current shareholders

The offer is still subject to a final decision But if it gets the go-ahead, details, including the number of shares to be offered, the ratio applicable to each company and the issue price will be published on August 23 A full prospectus will be issued on August 27

Initially, it planned to list Eastvaal in London as well as Johannesburg

But Eastvaal says its existing shareholders believe it would not be appropriate at this stage

Nor will the Eastvaal shares be registered in the US, Canada or Australia But the rights to the issue accruing to shareholders living in those countries will be sold for their account

The decision not to list Eastvaal overseas suggests that Anglo's directors have some doubts about the degree of support the issue would get from shareholders there

The Moab project, which has a lease area of 2 149 ha, is expected to cost about R1,7 billion and to start gold production in 1997.

The project is estimated to have 26 million tons of reef averaging the fairly high grade of 11 grams a ton

The reef lies at depths of up to 3 700 metres below surface and is good for 25 years of production at 13 tons of gold a year.

Moab is being developed as an extension of the Vaal Reefs area, and its twin shaft system (VR No 11) is sited in the South Lease of the complex.

The mine is expected to produce about 150 000 tons of ore a month.

The importance of Eastvaal/Moab is that it is about the only major gold mine now being developed.

Several mines are expanding production, but nothing is being done on the scale of Moab.

Anglo nudges Moab along

B/Day 13/8/93

ANDY DUFFY

ANGLO American has taken the first tentative step towards listing and refinancing its R1,7bn Moab gold mine project

In a cautious statement, Anglo proposed a R250m share offer for Eastvaal Gold Holdings, the company created last year to fund Moab, and said it planned to apply for a JSE listing for the Free State mine.

The move gives Anglo the lead in the industry's bid to use a higher gold price to push ahead with large schemes.

But the proposals stop well short of the group's original plans for Moab (214)

The R250m — a first tranche — is thought to be less than half that required by Moab The total equity needed is estimated by analysts to be about R650m Eastvaal confirmed there would be "more opportune" moments to raise the balance, but refused to be drawn on the amount

The plan to apply for a London listing has been shelved until the European market offers a healthier reception.

Anglo emphasised that a decision had yet to be taken to push ahead with the plan

Details of the share allocations will remain under wraps until the decision on the proposals is made public on August 23

Should the proposals get the all clear,

☐ To Page 2

Moab

B/Day 13/8/93

☐ From Page 1

the offer will be made to Anglo's own members, Anglo American Gold Investment Company (Amgold), East Daggafontein Mines, Lydenburg Exploration (Lydex), and the JCI-owned Free State Development and Investment Corporation (Freddev) (214)

In separate announcements East Dagga and Lydex said they would pass on their new shares to shareholders A statement from Freddev was also expected

The initial spread of the Eastvaal offer is the minimum required for a JSE listing — a move judged by analysts to reflect Anglo's plan to limit Eastvaal's exposure to market volatility

It emerged at the end of last month that the then rampant gold price and improved market sentiment had enticed Anglo to push ahead with the listing

Work on the 2 149ha site began last October, but prevailing prices forced Anglo to defer Moab's listing plans

Development work since then has been funded with loans from Vaal Reefs, a 30% — stakeholder in Moab Vaal Reefs' tax shelter, boosted by the higher gold price, is expected to provide the main source of funding for Moab

The mine is expected to start production in 1997, working on 26-million tons of ore with an average grade of 11,3g/ton to provide replacement tonnage for Vaal Reefs

Anglo's cautious go ahead is expected by analysts to be mirrored by its peers With the gold price rampant at the time of the June quarterlies, Gengold announced plans to go ahead with shelved projects worth more than R2bn, while JCI said it was considering the South Deep scheme — believed to be worth around R1,5bn — and a R300m refinancing for weak link HJ Joel

But such expenditure was predicated on the gold price sustaining its gains, at least in real terms, over the next six months

Gold Fields stakes its claim in Ghana

B/Day 18/8/93

MATTHEW CURTIN

GOLD Fields of SA has reported a fourth consecutive dip in earnings to 301c (314c) a share in the year to end-June 1993, after dividend receipts from its portfolio of gold and base metal mines were knocked by poor commodity prices.

But the mining house has successfully tied up a new gold mining and exploration venture in Ghana (214)

Chairman Robin Plumbridge said yesterday that Gold Fields' Ghanaian subsidiary had exercised its option on July 1 on rights to mine the Tarkwa prospect Activity would focus on exploring the mostly shallow gold-bearing ore body, but Gold Fields was managing an existing operation which would produce 50 000oz a year

The Ghana project and progress with other shallow prospects in Venezuela and Ecuador make up for Gold Fields' disappointing foray into Zaire in late 1991 The Kimin joint venture to mine gold in the northeast corner of the country is in limbo as World Bank financing has been delayed indefinitely because of civil strife

Gold Fields' revenue dropped marginally to R492m (R505m) in the year. Investment income slipped to R262m (R289m), reflecting the weak gold market for much of the period

Higher dividend receipts from the money-spinning Kloof mine were not enough to offset reduced payouts at Deelkraal and Doornfontein gold mines

Relief came in the form of a jump in profit on asset sales to R37m (R1m) The group took "share dealing profits" as good selling opportunities presented themselves, but he declined to give details

Other income declined to R193m (R215m) due to lower interest rates and a

☐ To Page 2

Gold Fields

B/Day 18/8/93

☐ From Page 1

reduced cash balance after the group followed its rights in Northam Platinum's rights issue

Expenditure climbed to R171m (R163) including higher administrative costs, a small increase in interest payments and almost unchanged exploration costs at R41m (R42m)

Pretax profit was lower at R321m (R342m), but a reduced tax bill saw after-tax profit fall to R303m (R315m) (214)

Attributable earnings, after preference share dividends, declined to R290m (R303m), from which Gold Fields paid dividends of R193m (R192m), equivalent to 200c a share

Plumbridge said current dividend cover of 1,5 times was "at the lower end of the range" with regard to group policy But the decision to maintain the payout reflected Gold Fields' measured confidence about gold prices in the year ahead

The belief that prices had sunk too low in 1992 was borne out by firmer bullion prices this year, but there was no "euphoria" about current price levels. The surge towards $400 had been determined by short-term factors, such as nervousness about the currency turmoil in Europe.

Plumbridge said while the flurry of technical interest in bullion was welcome, it was preferable for prices to consolidate their gains rather than gyrate at the risk of losing buyers of physical metal necessary to sustain prices in the longer term.

In contrast, base metal prices were at rock-bottom, stocks were high, and there was little prospect of improvement until the European and Japanese economies recovered

Gold Fields owns the unlisted Black Mountain lead and zinc mine, a number of copper producers in SA and Namibia in addition to marginal Rooiberg Tin, and Gold Fields Coal. Developing platinum mine Northam reports results tomorrow, expected by market sources to show the impact of weak platinum group metal prices and production difficulties.

Collapsed conveyor hits Harties output

B/Day 18/8/93

EDWARD WEST

HARTEBEESTFONTEIN Gold Mining Company (Harties), Anglovaal's top gold mine, could lose up to a third of its gold production this quarter after a structure carrying the main plant feed conveyor collapsed on Sunday night (214)

Initial estimates indicated that, after optimal use of the low grade gold plant and the No 7 shaft plant, gold production should not be less than two thirds of production before the incident, Anglovaal spokesman Arno Steyn said

Underground production was continuing and every effort was being made to minimise losses for the quarter

No one had been injured, he said

The company had not yet found out what caused the structure to collapse, what the cost of the disruption would be, or how long it would take to repair the damage

Further dip in GFSA earnings

(214) CT 18/8/93

Own Correspondent

JOHANNESBURG. — Gold Fields of SA has reported a fourth consecutive dip in earnings to 301c (314c) a share in the year to end-June 1993, after dividend receipts from its portfolio of gold and base metal mines were knocked by poor commodity prices.

But the mining house has successfully tied up a new gold mining and exploration venture in Ghana.

Chairman Robin Plumbridge said yesterday that Gold Fields' Ghanaian subsidiary had exercised its option on July 1 on rights to mine the Tarkwa prospect.

The Ghana project and progress with other shallow prospects in Venezuela and Ecuador make up for Gold Fields' disappointing foray into Zaire in late 1991.

Gold Fields' revenue dropped marginally to R492m (R505m) in the year. Investment income slipped to R262m (R289m), reflecting the weak gold market for much of the period.

Higher dividend receipts from the money-spinning Kloof mine were not enough to offset reduced payouts at Deelkraal and Doornfontein gold mines.

Relief came in the form of a jump in profit on asset sales to R37m (R1m). The group took "share dealing profits" as good selling opportunities presented themselves, but he declined to give details.

Other income declined to R193m (R215m) due to lower interest rates and a reduced cash balance after the group followed its rights in Northam Platinum's rights issue.

Expenditure climbed to R171m (R163) including higher administrative costs, a small increase in interest payments and almost unchanged exploration costs at R41m (R42m)

Pretax profit was lower at R321m (R342m), but a reduced tax bill saw aftertax profit fall to R303m (R315m)

Attributable earnings, after preference share dividends, declined to R290m (R303m), from which Gold Fields paid dividends of R193m (R192m), equivalent to 200c a share.

Star 18/8/93

GFSA earns less, maintains dividend

A healthy profit on the realisation of some investments lifted Gold Fields of South Africa's (GFSA) performance in the year to June

A R37 million inflow from the realisation of investments bouyed total revenue, which was dragged lower in the period under review by a nine percent fall in income from investments (214)

The decline in pre-tax profit was limited to six percent — from R342 million in the previous year to R321 million.

A third reduction in the tax bill resulted in attributable profit only four per cent lower at R290 million from R302 million a year earlier.

Earnings a share dropped to 301c from 314c a year ago

GFSA has declared an unchanged final dividend of 130c, raising the total for the year to 200c, unchanged from 1991-1992 (~~210~~)

The shares have advanced by 60 percent in the past 12 months and yield 2,1 percent at their ruling price — Sapa

GOLD MINING

No return to glory

Fm 20/8/93

Decline in production is inevitable — though it might be delayed

(214)

SA's annual gold production has fallen 39% since it peaked at just over 1 000 tons in 1970 In 1991, it reached the lowest level since 1958 599 t

Despite a reversal of the trend to 611 t last year, SA's declining production over two decades has been the equivalent of losing a mine like East Driefontein every year for 21 years

In cash terms, the loss of foreign exchange earnings is huge, the lost opportunity cost to shareholders is every bit as great Taking a gold price of about US$370/oz, the loss of 401 t a year is a reduction in earnings of $4,8bn At the present miserable exchange rate, that's R16,2bn a year Few countries would be capable of withstanding such losses

The underlying causes, not expressed in any order of importance, include such diverse factors as

- An explosion in working costs, particularly labour costs,
- The progressive deepening of SA's gold mines,
- Concomitant with that increasing depth, a reduction in the grade of the reserves available for mining,
- Increasing heat, longer distances of haulage of men, materials and rock,
- The failure of the mining houses over a critical period to increase and intensify their exploration programmes, and
- Finally, the fragility of the mining houses in securing future gold prices

Two main factors have contributed to the industy's problems The first is that the average grade of ore milled has fallen from 13,28 grams per ton in 1970 to 5,37 g/t in 1992 This is a 60% decline To some degree, the fall has been made up by a huge increase in the volume of material mined and treated in 1970, the industry milled 74,5 Mt, in 1992, it milled 106,4 Mt — a rise of 43% It has not been possible to mine such large increases in tonnage from deeper areas and, therefore, over longer distances without incurring unacceptable cost increases

Of course, over that same period the value of gold in local currency has soared from R26/oz in 1970 to R992/oz in 1990 But this is not what happened to the gold price in dollar terms it is a classic illustration of currency debasement riding to the rescue of an industry

The second major factor in hastening the decline in production has been labour An inescapable feature of the Eighties, a decade of growing labour difficulties, was the decline in productivity Ironically, that was accompanied by a chorus of demand for significant pay increases

Using information in Driefontein's last annual report, it is possible to work out that, in 1982, each employee mined about 45 m² of ore body at a rand nominal cost of R5 600 In 1992, a decade later, during which the character of the mine changed through mergers, each employee mined about 35 m² at a rand nominal cost of R16 800 In cold economic terms, therefore, gold mine industry employees produce less than they did a decade ago but at roughly three times the cost

Maude

The trade-off — there has to be one if mines are to survive — is that if miners are to be paid more, their skills must be enhanced so that fewer men are needed Over the 21 years from 1972 to 1992, the cash earnings of the lowest-paid black miner on Anglo American mines increased 55 times Critics will say that's off a low base, it is, but it is still a startling statistic

At their employment peak in 1985, the gold mines provided work for 534 000 people Assuming an arbitrary multiplier of five, then the mines provided direct support for at least 2,3m people in that year The comparable figure for 1992, just seven years later, carries a pointed message 392 539 employees, a drop of 141 716 or 27% That's a decline of about 20 000 people a year Applying the same multiplier, it means that in seven years, 700 000 people who had been supported by the mines had to look elsewhere Such options as may have existed were rapidly choked off when the recession began in 1989

It is in the area of cost escalation that SA's mines have performed worst In 1902, the cost of extracting and treating a ton of ore was R2,83 It took 61 years before that doubled to R5,88 in 1963 It is now R141,82 a ton In the 10 years since 1982, working costs have soared nearly R100 a ton To be fair, it's worth making the point that over the same decade, consumer prices rose threefold So the mining industry managed better than many other sectors

In 1992, gold mines together earned R18,7bn Of that, R6,8bn (36,4%) went to employees, R8,3bn was used to pay other costs (materials, electricity and so on), R727m went in tax, R2,2bn (11,8%) was used for capital expenditure projects and R1,4bn (7,5%) was paid to shareholders Based on that, being a mine owner does not hold many rewards

In 1970, SA's contribution to world new gold production was 79% Last year, this had fallen to 28% And the trouble is exacerbated by the huge increase in the production costs of SA gold mines These are now calculated by Gold Fields Mineral Services to be $324/oz — which means that SA's gold is at the cost-vulnerable end of the production scale

In other words, we are now acutely vulnerable to downward movements in world bullion prices Every time the international price of gold falls, unless it is matched quickly by a commensurate decline in the value of the rand, marginal SA gold mines face closure

What can be done to restore SA's position as the world's largest and most powerful supplier of gold? Precious little

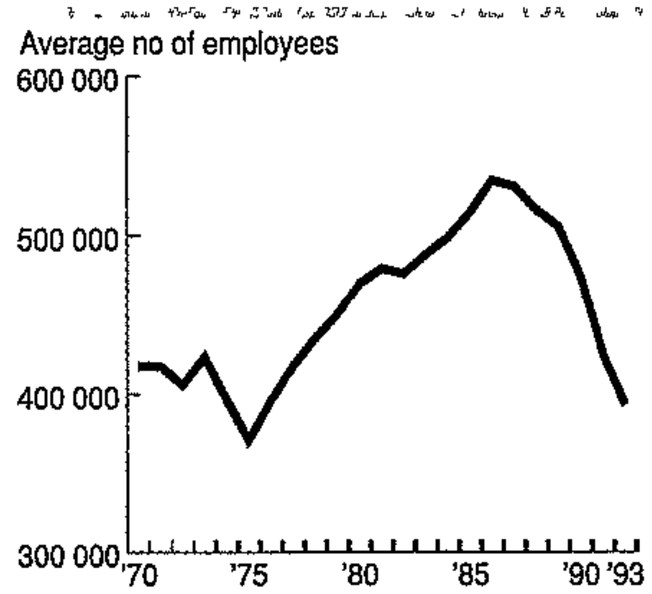
For a start, the cost profile of SA's gold mines is such that it doesn't favour the opening of new mines, given the huge capital investment required and the uncertainty about bullion prices

Anglo American gold division MD Lionel Hewitt says he will be comparatively satisfied if Anglo can hold production at its

Continued on page 23

Jobs at risk

SA gold mines



Continued from page 20

current levels (last year Anglo gold mines produced 248 t or 41% of total SA output) Speaking before the sudden plunge in bullion prices, Hewitt said "The gold price gives reason to be optimistic but that's a view which needs to be tempered with caution The issue is whether there has been a fundamental shift from a long bear trend I think the recent change is too young to inspire lasting confidence"

Hewitt believes the sustained attack by the industry on its cost profile has paid dividends in recent months Productivity has begun to rise, fat has been cut away, the mines are leaner and trimmer than they've been for years That said, Hewitt agrees that some of the benefits have arisen because development has been deferred

"The lack of development in recent years has to be paid for," he says Shareholders shouldn't expect that the recent increase in the rand price of gold will produce a symphony of dividends Development — the essential work which ensures that a mine has immediate reserves available so that it doesn't grind to a halt — will have to be resumed in areas at rates which prevailed before the great squeeze, if the lives of the mines are to be extended

Gold Fields executive director Alan Munro agrees "There's no doubt," he says, "that over the past five years the industry has certainly battened down on its costs Non-essential replacement capital expenditure has been reduced almost to zero The challenge now is to perpetuate these new attitudes, to induce a real and lasting structural change in the industry's cost equation"

Hewitt's caution tends to be supported by the events of the last few days in bullion markets However, a few months ago, SA's gold mines were working on the basis of receiving a rand gold price of R32 000/kg Since then, there has been a sustained devaluation of the currency coupled with a sudden surge in the dollar gold price Now SA mines are looking at a rand gold price of about R40 000/kg

The increase is enough to encourage Hewitt to concede that, if it's sustained, production from Anglo's gold mines could increase by 10% in aggregate from 1997 Meanwhile, Anglo has decided to press ahead with the huge Moab development, adjacent to Vaal Reefs, described as the richest and largest unmined source of gold on the planet That should provide Anglo with another 13 t of gold a year from 1997 onwards, to offset declines at other mines

At Western Deep Levels and Elandsrand, plans are well advanced for shaft deepening programmes The effect of these will be to hold production at current levels In the Free State, the introduction of the Freddies No 1 Shaft will secure Freegold's annual production at around 115 t a year

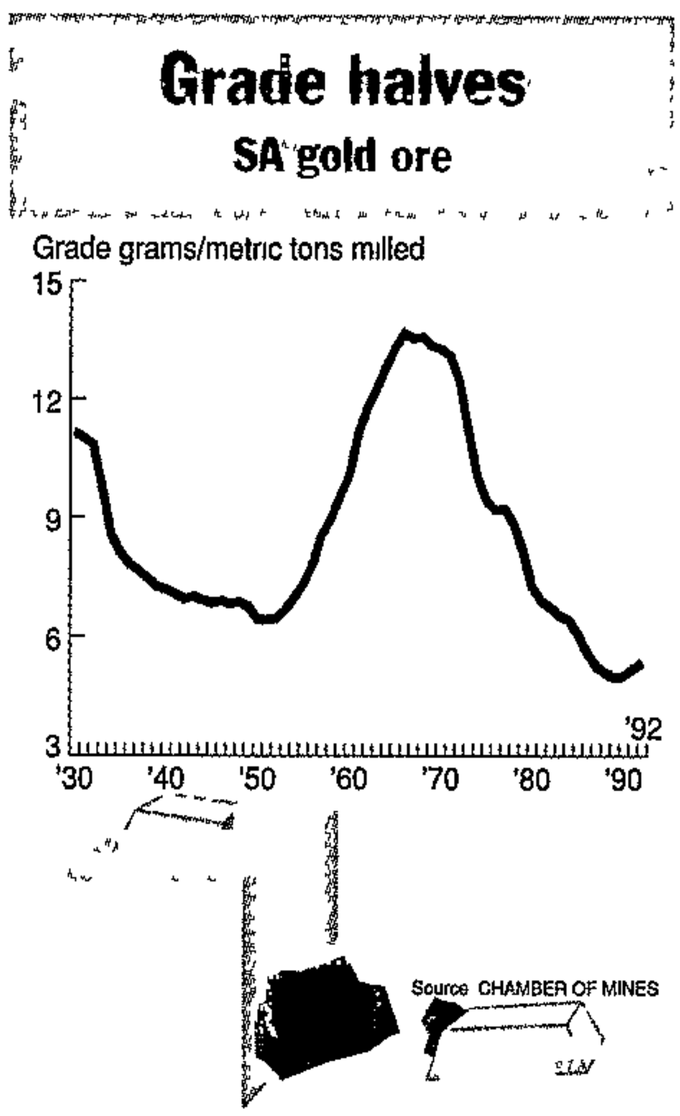
"You have to understand," says Hewitt, "that without a higher sustainable price very soon, we'll be in significant shaft pillar extraction programmes at Freegold and to a lesser degree at Vaal Reefs" (Shaft pillar extraction entails mining the ground surrounding and supporting a shaft system, often undertaken as a mine nears the end of its working life) "Under this scenario, I think we have to expect a dip after 1997, perhaps by as much as 20% By 2000 production at Freegold will have fallen markedly and the labour force will be down to about 80 000"

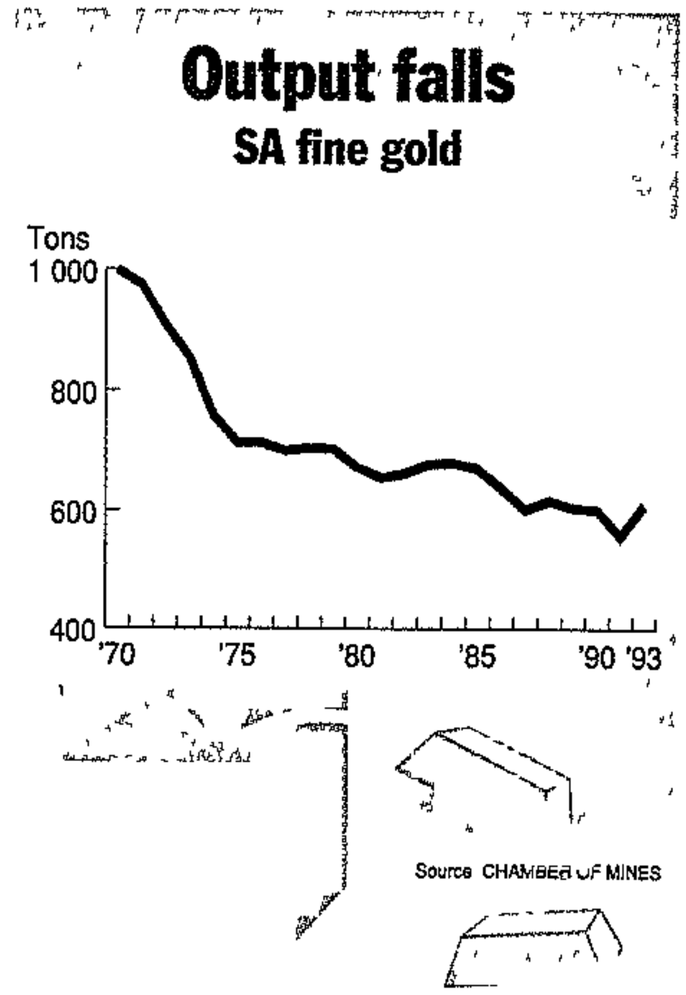
However, if the existing cost structure is sustained and there is a gold price of R50 000/kg, Hewitt thinks Anglo would be able to open "perhaps two new gold mines in the southern Free State They would be mines capable of extracting and milling about 2 Mt/year at a gold grade of about 5 g/t, producing about 10 t of gold a year" And they will cost about R2bn each (in 1993 money) to bring to production

Genmin executive director Gary Maude, widely credited with an innovative approach in an industry frequently constrained by tradition, agrees that SA's mining executives developed the habit of waiting for the exchange rate to cushion continuing cost increases "It certainly wasn't a policy with which I was comfortable I couldn't see how an industry as important as this could sustain itself based on continual rescue by monetary authorities

"What has changed over a long period in SA," says Maude, "is that a lot more tons are needed now to produce the same gold As the gold price escalated dramatically in the late Seventies, so grade declined The new equation meant that less gold was needed for the same money but more tons were needed for the same gold"

If Impala Plats and Richards Bay Minerals are included, then Gencor's track record over the last 30 years is that the group has introduced a new mine every three years "I doubt very much that we will be able to maintain that rate of new development," says Maude "The truth is that SA is well prospected Between ourselves and Anglo, we've spent a huge sum of money in recent years just to confirm there are no further outliers to the Witwatersrand deposit" Maude believes the future for SA mining concerns lies outside SA





Gold Fields' Munro says his group's consistent policy has been to ensure that it always has two new projects in the course of development If the gold price and cost structure justified it, Gold Fields could initiate its Sand River project in the southern Free State That could create another two mines, each producing about 10 t of gold a year However, in present circumstances, "it looks as though our new projects will be the Gamsberg zinc mine and a new gold project in Ghana," says Munro

Other new mine projects include Anglovaal's Target mine in the Free State, about which an announcement is said to be imminent, and JCI's South Deep mine which is being developed through the southern boundary of Western Areas

It is always difficult to make a reasonable diagnosis So many factors could change, the imponderables are huge, the past is not to be relied upon in foretelling the future However, a guess is that SA's gold production will probably carry on at current levels (around 600 t/year) for the next decade After that, it will begin to slide again Four decades from now, SA will be producing no more than about 250 t/year — a level last seen in the early Twenties

At the end of the day, what is clear is that SA will never again produce 1 000 t of gold in a year, nor will it again produce more than half the world's annual supply of new gold Perhaps that is a blessing in disguise A slow reduction in gold output might encourage SA to direct its energies to other, value-added areas instead of perpetuating a reliance on an old safety net *David Gleason*

Tax deadline for gold mines

B/Day 23/8/93

CHARLOTTE MATHEWS

GOLD mining companies, especially the smaller ones, may need to be reminded that they have only until August 31 to ask the Commissioner for Inland Revenue for an exemption from secondary tax on companies (STC), Gencor senior manager taxation Neil Crafford-Lazarus said

In terms of the Income Tax Act "any company which on March 17 1993 was engaged in mining for gold may by notice in writing furnished to the commissioner not later than August 31 elect to be exempt from the payment of secondary tax on companies"

Crafford-Lazarus said the provision did not allow the commissioner any discretion to condone late applications The decision was binding on the company in respect of all future dividends declared (214)

Chamber of Mines members have been reminded of the need to apply for the exemption, but some concern has been expressed by Inland Revenue that the smaller companies, which possibly do not have in-house consultants, may not be aware of the provision

Crafford-Lazarus suggested the reason gold mining companies were allowed to choose whether or not to pay STC — a tax intended to encourage companies to reinvest and expand their operations — was that deep level mines were normally single-sourced The mine's operators would spend capital as long as operations were economically viable The principle of ring-fencing prevented mine operators from deducting funds invested in one mine from the income received from another mine

Gold mining companies now have two options They may elect to remain under the old tax dispensation, under which income from gold mining is taxed at the old formula and non-mining income, such as investments, is taxed at the old company tax rate of 48% Under this system they will automatically be exempt from STC

Unless a company informs the commissioner of its decision by the deadline, it will automatically be subject to the new lower formula tax for gold mining income, with non-mining income taxed at 40% and all income distributions subject to STC

GFSA rethinks offshore route

CT 25/8/93 (214)

JOHANNESBURG — Gold Fields of South Africa said its move into high-risk high-reward exploration projects in remote Third World areas was likely to create a "very significant" offshore operation within the next five years "We're got to re-orientate our thinking and it's not easy," chairman Robin Plumbridge told investment analysts in reference to the offshore process

"We do not have the privilege, like our international competitors, of significant offshore assets — we've got to go the bootstraps route," he said

Since it began looking further afield three years ago, Gold Fields had become involved in a variety of programmes, mainly gold projects, in the Southern African region, Venezuela, Equador and Ghana Its Kimin project in Zaire had been temporarily set aside because the political risks were too high, he said

He said Gold Fields engineers had to look at smaller operations and relearn more appropriate technology and metallurgy

With offshore financing a constraint, he said "We'll have to think in terms of project financing, an absolute taboo for most of us in South Africa, and stretching our equity dollars " — Sapa-Reuter

Moab expected to be self-funding by 1999

ANDY DUFFY

ANGLO American's R1,7bn Moab gold mine was likely to begin generating cash by the turn of the decade, the company said yesterday B/Day 27/8/93

Unveiling the prospectus for the JSE listing and share offer for Eastvaal Gold Holdings, the financing vehicle created for Moab, Anglo said capex required to bring the mine to full production would be R3,1bn in escalated terms. (214)

The initial share offer — to raise R250m — would cover after-tax capex on the mine until 1995, at which point more cash would be needed But the project, believed to have the largest high grade gold deposit in SA, would begin production in 1997 and become self-funding by 1999, producing profit until 2024

Mining costs are expected to average R204/ton milled, well above the costs on Anglo's current mines, while a base gold price of R36 000/kg has been used to determine revenues Tonnage drawn from the Moab lease area should hit 80 000 tons a month by 2000, and stabilise between 90 000 and 95 000 tons a month until 2020

Conventional mining methods would be used, and a stoping rate of 18 000m² a month is expected by 2003 The mine should hit full production in the same year, turning out an annual 13 tons of gold

Eastvaal will be listed on the JSE next month, with an initial value of R947m The company is also issuing 100m new shares to raise the first R250m tranche

GOLD FIELDS OF SA

Fm. 27/8/93

Marking time

The dividend from Gold Fields of SA will again be 200c This is the same level of dividend as for 1989 and it has been replicated every year since with unusual faithfulness The annual results were almost exactly what the market expected what comes through is that this is a group which seems to be marking time (214)

The dividend is worth a little more discussion, 200c this year, discounted at a modest 12% a year back to 1989, produces 120c In

Fm 27/8/93

real terms, shareholders have seen their dividend diminish by 40% over the past four years The counterargument is what can investors really expect in an environment which has been downright hostile to commodities in general and gold in particular? That, in turn, questions the feasibility of an investment in GFSA (214)

This company is justifiably proud of its long and excellent record in mining But it has done little in recent years to capitalise on that An example is its reluctance to use derivative instruments to lock in forward gold prices to protect earnings of the mines over which it is the steward

EPS of 301c compare with 1992's 314c This was achieved on revenue of R492m (1992 R505m) and reflects lower income from fees and other sources That was probably caused by a steady fall in capex at Northam, from which GFSA would earn consulting fees, but cushioned partly by fees on higher gold revenues Group expenditure of R171m was held remarkably well

GFSA is characterised by its low profile its managers prefer to say little and to avoid unwelcome attentions This week's presentation to analysts by chairman Robin Plumbridge was unusual in itself, quite aside from what he said Essentially, Plumbridge's analysis of precious metal prices is that these have undergone a long and savage downturn, however, that has ended and the industry should prepare for a welcome respite In some degree, says Plumbridge, that is true also of base metals and minerals

GFSA's immediate plans for development in SA relate to the Gamsberg zinc project and to its Sand River gold prospects in the Free State Plumbridge says Gamsberg has been delayed because of metallurgical difficulties related to removing manganese ahead of electrolysis; that's been resolved with a new pyro-metallurgical process, but the project must be re-evaluated. He is strangely reluctant to say much about the Sand River gold prospect.

Abroad, GFSA is concentrating its efforts in South America on Venezuela and Ecuador Two major prospects in Venezuela are being evaluated, in Ecuador, prospecting work is centred on examining major structural formations African development projects include exploration in Ghana combined with a small mining operation to extract known reserves, a potential mine in Zaire, close to the Ugandan border, has been shelved for now

Short-term prospects aren't much to get excited about GFSA's biggest problem over the next few years will be waiting for Northam to kick in with fresh earnings As investors know, that has been delayed a few years (see *Torque*)

Market analysts estimate that if the gold price were to average about US$390/oz over the next year, then, at current exchange rates, GFSA's EPS would be about 350c Based on that, shareholders can probably safely assume the dividend for 1994 will be yes, 200c

David Gleason

EASTVAAL/MOAB

Creative financing for new gold giant

Fm 27/8/93 (214)

Finally, the last touches have been added to the financing structure for the development of the Moab lease area by gold producing giant Vaal Reefs Anglo American Corp has released information about the first tranche of R250m in after-tax capital expenditure, which it has called for the R1,7bn project

Eastvaal, which has ceded the mineral rights to the Moab area, immediately south of and adjacent to Vaal Reefs' mining operations in the OFS, is to issue 100m new shares at R2,50 each In the process, its share capital will rise to 378,7m shares, listed on the JSE It will be possible to trade the shares in London, though they won't be listed on the London Stock Exchange

Without this arrangement, in terms of which Vaal Reefs provides a tax base, it's clear the Moab project wouldn't have progressed much further than the drawing boards Applying Vaal Reefs' tax base reduces the effective capital cost from a sum approaching R2bn to a more manageable and essentially profitable R650m

It is understood Vaal Reefs' expenditure on the project, incurred on behalf of Eastvaal, already stands at about R160m On this basis, it seems likely Eastvaal will need to call for another rights issue, perhaps around R350m, in 1995 or 1996

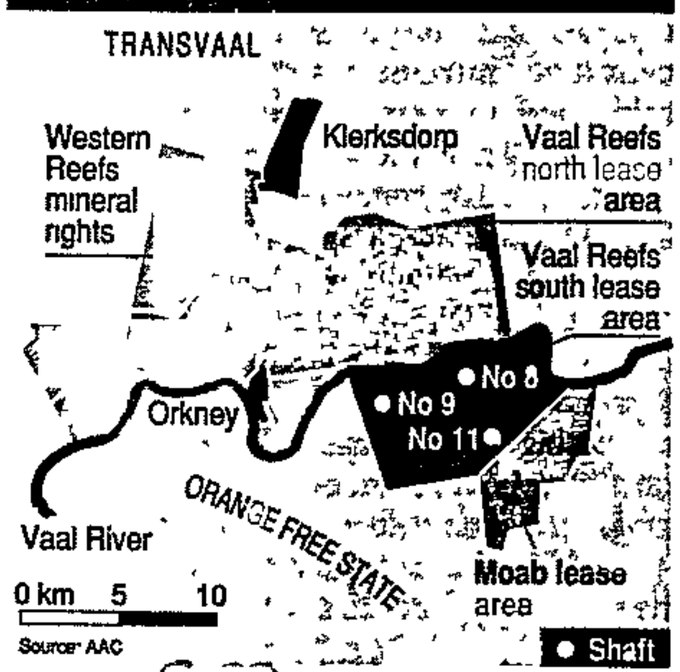
Shareholdings in Eastvaal ahead of the new issue show Anglo and associates owning 58% and Vaal Reefs with 30% The balance is spread between East Dagga, Lydex and those companies' members (1,5%), Duiker Exploration (0,5%), JCI and its associate Freddev (3,8%) and other members of Eastvaal and designated persons (6,2%)

In exchange for providing the tax base, infrastructure and management, Vaal Reefs has acquired 30% in Eastvaal with the obligation to maintain its holding at that level Eastvaal funds the after-tax cost of the project by subscribing for new preference shares in Vaal Reefs. Vaal Reefs will maintain its holding by providing 30% of Eastvaal's funding requirements It is probably fair to describe the scheme as financial creativity which ensures growth for shareholders

Broking analysts say Anglo's calculations appear to have been based on a gold price of about R1 100/oz, that produces a value of about R2,50 a share for Eastvaal At US$370/oz, coupled with the existing exchange rate, the gold price is now more than R1 200/oz

Moab has been described as SA's largest and highest-grade gold deposit still to be exploited. Reserves are calculated as 26 Mt, with a recovered grade of about 11,3 g/t, that implies, because of wastage and losses inevitable in a large-scale mining operation at depth, a gold grade in situ of perhaps as much as 16 g/t.

Locating Moab



The mine is planned to produce about 13 t of gold a year from 150 000 t of material mined and milled each month Maximum depth will be about 4 000 m and most of the lease area will be accessible only from the twin sub-vertical shaft system being installed from the main shaft, Vaal Reefs No 11

It will be 11 years before full production is achieved — indication of the long lead times involved in deep level mining projects in SA. The build-up programme indicates production from surface shafts by 1997, from the sub-verticals by 2000, with full production reached four years later

As planned now, Moab will be in production until 2022 Over that period, it will produce about 294 t of gold and will provide direct employment for about 5 000 people Analysts estimate that, the past five years excluded, the project will produce an NPV at 5% in real terms of about R400m to Vaal Reefs

Moab is the single largest mining project to be undertaken in SA recently. It should certainly provide encouragement for patient shareholders who have stuck with their investments in companies such as Lydex and East Dagga Isn't it nice when a plan comes together?

David Gleason

TRENCOR

Delivering as expected

When Trencor chairman Neil Jowell announces yet another EPS advance of 24%, nobody raises an eyebrow Even in this recession, the market has come to expect nothing less than exceptional results from this group. Notably, the latest performance was not dragged down by the performance of FSI/W&A Investment Corp

Jowell reports all Trencor's operating divisions made good contributions in the 1993 financial year Though the transport and trailer manufacturing operations suffered because of the difficult local economy, the basic business of container manufacturing and exporting prospered

The container factory has been working at full capacity but some production was lost because of civil and industrial unrest Textainer, the US-based container marketing organisation controlled by Trencor, had a successful year's trading and was responsible for a significant offtake of Trencor's containers Depreciation of the rand against the US$ boosted earnings

During the year Trencor initiated a new container service operation in the US known as Prime Source Its activity differs from Textainer's in that its rental service fee incorporates all services, whereas Textainer charges a basic rate and all other services are separately billed Jowell says the Prime Source concept is "progressing well"

The investment earlier this year in W&A, in which Trencor gained joint control, was only effective for two months of the year. Jowell says in that time W&A traded profitably and made a positive contribution to earnings This was achieved largely because of interest savings after W&A's rights issue and the corresponding retirement of debt

Trencor's cash position was strengthened by the sale of its tyre interests in Contred for R210m Its financial position remains strong, with gearing no more than 5%

The chart shows no sign of the price topping out Its long-term trend remains intact Based on the group's history of earnings growth, signs that international trade is strengthening and the rand's weak prospects, the share should be accumulated *Gerald Hirshon*

SAMANCOR

Fm 27/8/93

A desperate market

Preliminary results for the 1993 financial year from manganese and ferroalloy producer Samancor reveal just how desperate the market has been The Gencor-controlled company's bottom line fell R101m, or 37%, to R176m That's reflected in EPS of just 93c (1992 151c)

Turnover fell rather more modestly down only 13% to R1,8bn For a fall of only 13% in turnover to translate into this kind of bottom line disaster indicates just how sensitive Samancor's cost structure really is

MD Mike Salamon is quick to emphasise the attributable income is declared only after

Cont →

Gold Fields explores prospect

ANDY DUFFY

GOLD FIELDS of SA was still a long way from deciding whether gold prospect Sand River was a viable project, the company said yesterday B/Day

Gold Fields had begun investigating the Free State scheme and had expanded the site through recent land swaps with Anglo American, the company said

A viable development depended on work under way on the land It could take a year before a decision on the viability of the low-grade site was known

"Had the site been viable we would have done something by now," a senior official said "Sand River is not a proposition."

Sand River has been vaunted by some market sources as one of Gold Fields' next major SA investments

Development of the low-grade mine had been ruled out because of the languishing gold price. 2/9/93

However, with the rand gold price retaining much of its recent gains, the market expected some signal from Gold Fields on its plans for Sand River.

The company, so far, has been reluctant to oblige (214)

Market sources suggested the site would support a medium-sized mine, roughly on a par with JCI's HJ Joel, needing capital expenditure of at least R1,2bn

Given the scale of expenditure against the potential low grades, analysts believed Gold Fields would want to strike some sort of agreement to develop Sand River with adjacent mines, such as Gengold's Beatrix.

Loraine back in black

Star 2/10/93

"Loraine gold mine's return to profitability after the introduction of seven-day operations in January has allowed management to ditch its short-term survival planning.

"We had waited to see if the operation could continue to be profitable before we made any announcements," an Anglovaal spokesman said yesterday. The mine has now been able to revert to more normal mining strategy (214)

Loraine's return to profitability in the last quarter after three years of losses has created more jobs in an industry where employment is generally falling

The Free State producer has taken on an extra 620 people and average employment figures in 1992 were nearly 6 200

Working costs have dippedd to R30 000/kg after being R40 000/kg the month before the the seven-day week was implemented

Gold production has risen to an average 550kg a month from 435kg a month before the introduction of the plan. — Sapa

Mine ditches survival plan

B/Day 2/9/93

LORAINE gold mine's return to profitability after the introduction of seven day-operations in January has allowed management to ditch its short-term survival planning

"We had waited to see if the operation could continue to be profitable before we made any announcements," an Anglovaal spokesman said The mine had been able to revert to more normal mining strategy

Loraine's return to profitability in the past quarter after three years of losses had created jobs in an industry where employment generally was falling. The Free State producer had taken on an extra 620 people, and average employment figures in 1992 amounted to nearly 6 200

Working costs had dropped to about R30 000/kg from more than R40 000/kg the month before the seven-day week was implemented. Gold production had risen to an average 550kg a month from about 435kg before the plan was introduced

"We could never quantify the benefit (of working a seven-day week) before The way mines operate in this country is ridiculous It is like shutting down a huge ship every Saturday and then starting it up again on Monday, by which time everything is a mess," the spokesman said.

Loraine was turning out production it could "never have dreamed of"

(214)

The mine was hoisting 90 000-100 000 tons from underground while the balance of its monthly 150 000 tons was drawn from surface dumps.

Loraine was granted the right to operate on Sunday by Mineral and Energy Affairs Minister George Bartlett on January 15

In July permission to continue Sunday operations was renewed for a further 18 months.

While the Anglovaal spokesman suggested the legal constraints on mining should be removed, he did not believe Sunday operations would neccessarily mean every producer would benefit from blasting if they had an additional day

However, if the plan had not been implemented in January, Loraine probably would not have caught the upturn in the gold price in April

Loraine had not built up any debt in the years it recorded losses as it drew on the large cash reserves it built up in the 1980s — Sapa.

Eastvaal gold mine shares offered at 20 percent discount, broker claims

Star 7/9/93

(214)

■ BY STEPHEN CRANSTON

Shares in Anglo American's new Eastvaal gold mines have been offered at a discount of at least 20 percent, says Dave Giese, a gold analyst at brokers Davis Borkum Hare.

Giese says in a report that the Vaal Reefs dividend could be increased by 10 percent as a result of its investment in Eastvaal

Vaal Reefs will manage and mine the Eastvaal lease area and has a 30 percent holding

The remainder of the equity is owned by the mineral-rights holders, which gives Anglo American a 26,2 percent direct stake in the undertaking

The mine is one of Anglo's three flagship projects, along with the Columbus Expansion project and Namakwa Sands mineral project.

Output

Clem Sunter, chairman of Anglo American's gold and uranium division, says that Eastvaal will come on stream at a time when the world moves out of recession

Anglo American has increased its gold output from 254 tons a year to 264 tons and is determined to maintain production at this level

Sunter believes that after the year 2000 there will be an annual deficit between gold consumption and production of 1 000 tons, particularly as there is little new output coming from producers in Australia, the US and Canada.

He points out that if China's per capita consumption of jewellery reaches the same level as that of Taiwan, it will require a further 9 000 tons of gold a year

Total capital expenditure to bring Eastvaal up to full production will be R1,7 billion in January 1992 money

Once the development expenditure has been spent by the year 2005 it is expected that ongoing capital expenditure will be financed out of taxed profits.

Eastvaal begins mining operations in 1997

The first dividend in expected in the year 2000

28 years

The mine has a life of 28 years and it is estimated that 26,2 million tons of ore will be mined at an average yield of 11,21 grams per ton

A total of 293 tons of gold will be produced

Giese estimates that working costs will be in line with those at Vaal Reefs' number eight and number nine shaft, with a mining cost of R204 a ton, including capital expenditure at R10 a ton

Costs have been kept to a minimum by the use of existing employee accommodation, plant and workshop facilities and the existing management expertise of Vaal Reefs

Giese estimates Eastvaal's internal rate of return to be 30,3 percent, compared with 14,5 percent for Vaal Reefs, 13,3 percent for Southvaal and 8,3 percent for Deelkraal

He values Eastvaal at R800 million, a figure he says that might be on the conservative side.

Gengold looks abroad for new mining plans

B/Day 10/9/93

ANDY DUFFY

GENGOLD, Gencor's gold mining operation, is swinging its development plans to international exploration. MD Gary Maude said yesterday the intensive development of SA gold mining in the past 30 years meant Gengold had to look abroad for new mining schemes

The strategy would lead Gengold next year to devote three-quarters of its R100m annual exploration expenditure outside SA, a reversal of the approach it had just four years ago

(214)

The company was already poised to begin gold production in a mine on the Ivory Coast, in partnership with the French group BRGM

A decision giving the mine the all clear and on its scale of production would be taken in January.

Gengold was also pursuing opportunities in Ghana, and had identified South America as another region for exploration

Its interests on that continent already include the Sao Bento gold mine in Brazil, and Maude said Chile was particularly enticing.

Maude said Gengold wanted to establish an overseas "pipeline" similar to the one it had operated in SA, where a new mine had been brought on stream every two-and-a-half years

"The door has opened in other countries," Maude said. "It's unlikely there are going to be any new gold mines in SA, so the emphasis will be greater outside SA"

Finrand restrictions and the company's plan to safeguard dividends meant the schemes would have to hit positive cash flow early in their development Gengold's strategy would rely heavily on overseas joint ventures.

Maude added that Gengold was making progress in its plans to restructure its SA operations

The first stage of the reorganisation — merging Evander mines Leslie, Kinross, Winkelhaak and Bracken into one company — had been given a good reception from US fund managers Maude would put the plan to European investors next month The merged company would provide a tax shelter enabling projects such as the R450m No6 shaft at Winkelhaak to go ahead as planned.

The new company also would provide investors with a "growth vehicle" "A single mine with a limited lease area is dying from day one," Maude said

"This would be a company with limitless boundaries, with much more exciting growth prospects"

Should the plan get the go ahead from investors, the merger could begin next year Depending on its reception, Gengold would proceed with merging its Free State operations, Unisel, St Helena and Oryx under developing mine Beatrix

Gengold would retain stakes in such companies, but they would operate independently, Maude said

The redirection overseas and reorganisation at home continued the company's rehabilitation from its desperate fight for survival last year.

Gencor had dusted off capital expenditure plans totalling R2bn, with the caveat that gold should retain its real term growth over the next six months before the all clear was given

Despite the fall in the gold price since then, Maude said the metal had not done anything to derail such plans

Banks stall on ERPM issue

CT 9/9/93 (214)

JOHANNESBURG. — Debt-laden gold producer East Rand Proprietary Mines (ERPM) has been given the all clear for its refinancing plans by most of its shareholders, but its banks remain unconvinced.

The company, which wants to pull together a R500m rights issue to save itself, said ERPM's European shareholders, which hold 62% of the mine, had made it clear they would back the plan. Parent Randgold and Exploration, a 30% stakeholder, was also committed

The mine had spent the past two weeks canvassing reaction to the prospective rights issue, and was now tracking down an underwriter But it had failed to gain agreement from its banks, which are owed R300m before deferred interest, to a debt for equity swap as part of the refinancing. Although First National Bank favoured the plan, Standard Bank and Absa remained unconvinced

ERPM MD Glenn Laing said Absa, which was owed R110m, had made it clear it was not interested in the proposals.

The mine, which in the June quarter suffered attributable losses of 158c a share, has monthly interest payments double its operating profits. ERPM's borrowings total R493m. About R220m of the banks' debt is underwritten by government. FNB, the mine's original lender, is owed R60m, Randgold is owed R55m and government has put in another R35m. A further R71m is owed in interest

Laing said the Mineral and Energy Affairs Department had indicated it wanted to cut the mine loose.

Gold still below ground equal to gold already mined

Star 17/9/93

Resources abundant

SUCCESS in exploiting remaining reserves will depend largely on containing working costs

BY THABO LESHILO

South Africa has as much gold remaining under ground as it has already mined

And, says Chamber of Mines economist Roger Baxter, the unmined gold has the potential to provide SA with a significant economic boost

However, in the absence of a strong upsurge in the gold price, the industry's success in exploiting remaining gold assets will depend largely on containing working costs, a new study by the chamber has found

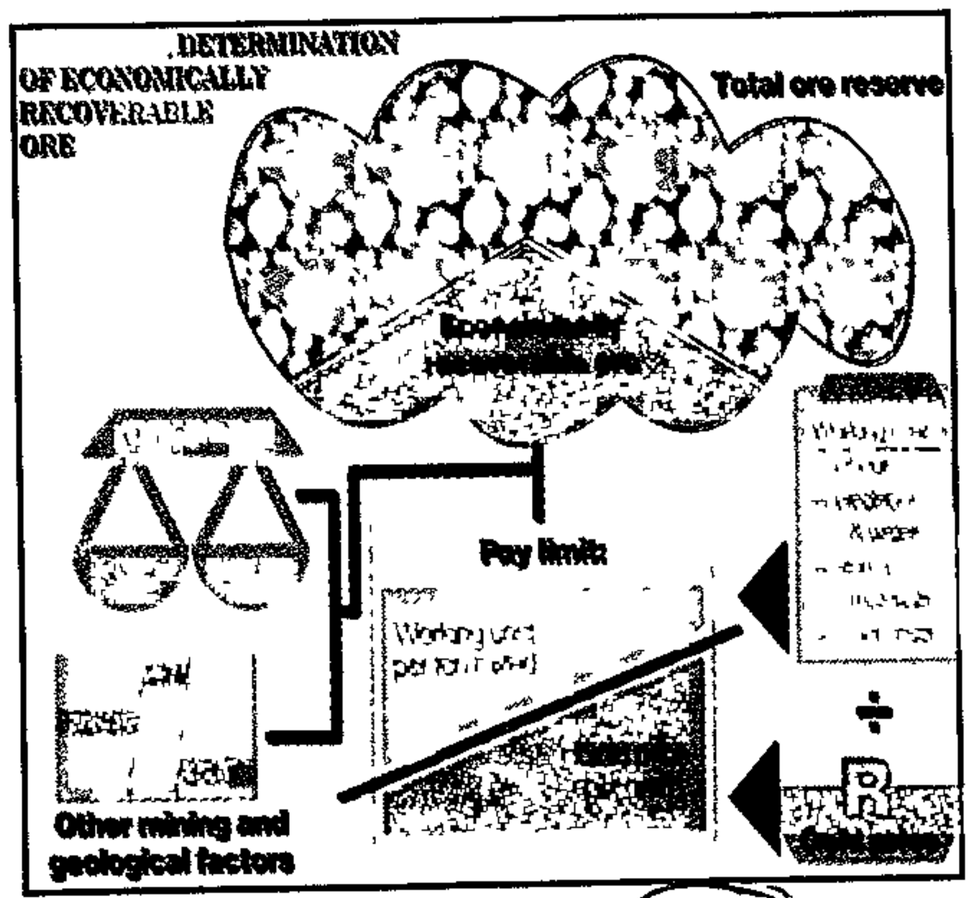
Producers

The study emphasises that producers would need to undertake and manage the exploitation of the remaining reserves with great care to maximise the economically recoverable portion

It counsels against the tendency of past years to allow industry working costs to rise faster than the gold price

This, the study says, not only detrimentally affects the short-term fortunes of individual gold mines, but also influences the long-term prospects for the entire industry

(The accompanying graph shows how revenue levels and working costs combine to prescribe the size of the economically recoverable ore)



214

Commenting in the chamber newsletter, Baxter says "The report stresses that working costs must be managed within parameters set by the gold price

"Only if all parties are fully focused on accomplishing this will SA secure the maximum benefit from, and return on, its gold ore reserves"

Otherwise, he warns, a lot of the unmined reserves could be rendered sterile by becoming uneconomic to mine

Of crucial importance to industry prospects, the report says, is the industry measure of viability known as the pay limit

For each gold producer, the pay limit is assessed as the minimum amount of gold that has to be recovered from each ton of ore milled, in order for the mining operation to break even at the mine's current working cost and revenue realisation levels

Research shows that unit working costs have been rising steadily in recent years

Coupled with a lacklustre gold price, this places management under pressure to mine higher grades of ore to comply with a rising pay limit

The result of this pay limit-induced switch to higher-grade mining is, however, that a greater portion of ore reserves is rendered uneconomic to mine

Research also reveals that at the end of 1992 about 41 percent of the declared, operational gold reserves of chamber members comprised ore which was not economically recoverable under cost and revenue conditions pertaining at the time

The situation reflects the results of the flat rand gold price of recent years, coinciding with rapidly increasing unit working costs

In combination, these factors steadily lifted the average industry pay limit, which increased by 50 percent between 1986 and 1992

"To an extent, the economic sterilisation of as much as 41 percent of the ore reserve must be viewed as the penalty mining industry stakeholders must face for failing to find ways to manage and control working cost increases within the dictates of the ruling price," says Baxter

Of concern is a forecast that, should a pay limit increase of the magnitude experienced in the period 1986-1992 be repeated, the portion of the reserves no longer economically recoverable would increase to about 65 percent of the total

"This," the report warns, "would invariably reduce gold output levels and the life of South Africa's gold mining industry, with major implications for mining employment and the economy"

The study notes, however, that there has been a dramatic slowdown in year-on-year unit working cost increases to around four percent per year in the last two periods, compared wh the 13,2 percent of the past decade

This raises hopes that 1993 might be the year in which the industry succeeds in arresting the deterioration in average pay limits

The improvement has also helped to ensure that recoverable reserves are in a better state than they might otherwise have been

Production hitches may curb Kloof gold output

B/Day 20/9/93

MATTHEW CURTIN

KLOOF Division, mainstay of Gold Fields' enlarged Kloof gold mining company, is heading for reduced gold output in the current financial year unless it can solve problems associated with the blasting and sorting of underground ore

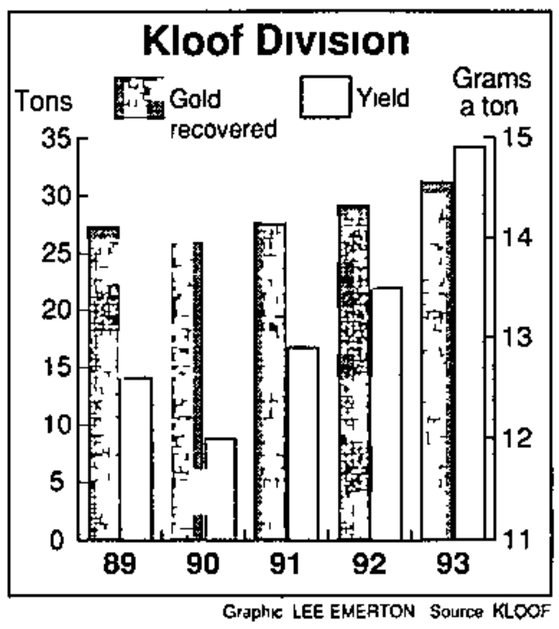
Chairman Alan Munro said in his annual review that maintaining gold production at 32,1 tons would be difficult "unless the fragmentation of underground ore is reduced to allow surface sorting to be reintroduced"

It is understood that ore blasted at Kloof ends up the size of small rocks — about 10cm in diameter compared with an optimal 30cm — which cannot be hand-sorted efficiently by workers, with the result that wastage rates are unusually high

Munro said the division's milling rate would be maintained at 180 000 tons a month with the bulk of 1993/94 capital spending of R167m focused on opening up the No 4 shaft area

Production at the Leeudorn division would expand to 120 000 tons a month in the second half of the year after consolidation in the first six months Gold yield would decline as mining moved into new areas

The division would show working



Graphic LEE EMERTON Source KLOOF

profit for the year if gold prices remained stable at 1992 levels Capital spending was budgeted at R151m

The year was one of "considerable success" for the company but the new Libanon division, made up of Libanon and Venterspost, had not met expectations (214)

"The division will be hard pressed to cover its working expenditure, even if the gold price received exceeds that of the June quarter," Munro said. Higher gold prices were necessary for Libanon to cover planned capex of R30m The money was worth spending if only to ensure the division contributed to the costs of pumping which would have to continue even if gold mining stopped

Gold Fields does not sell gold forward and the three divisions received average gold prices of between R32 700 and R32 900 a kilogram in the year ended June 30

Gold output at Driefontein Consolidated would increase in 1993/94, chairman Colin Fenton said

Improved output would result from West Driefontein as production returned to 240 000 tons of ore a month East Driefontein expected a small drop in yield, and capital spending of R175m was planned at both mines Any increase in dividend payments would depend on improved gold prices, Fenton said

Munro said Deelkraal had a disappointing year with "intolerable increases" in unit working costs as gold production slipped to 8,5 tons from 9,8 tons in 1992

The mine aimed to restore milling rates and yields to 1991 levels this year, "targets (which) will prove very difficult to achieve initially but all indications are that they will be as the year proceeds"

Redesign of Deelkraal's No 1 tertiary shaft project showed capex could be financed internally without restricting future dividend growth as long as gold prices improved from 1992 levels of R32 700/kg.

Reprieve for Doornfontein

Star 21/9/93

GFSA's Doornfontein gold mine, which was expected to close by the end of this year, will continue to operate for as long as it is feasible, chairman Mike Fuller-Good says in the annual report

Although contractor performance fell short of expectations in the year ended June 1993, it is now improving, he says.

In the current year, Doorns had planned to mill 50 000 tons from underground and draw 60 000 tons from the surface dump

"Despite the higher gold price, the mine remains marginal and additionally, vulnerable to setback or disruption because of its weak financial position."

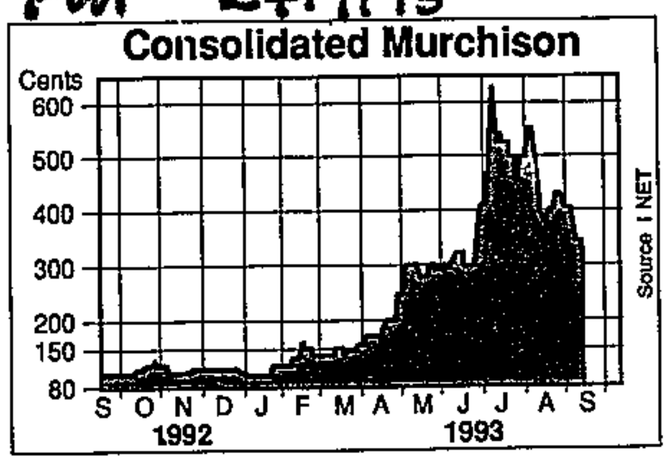
(214)

He says if the overall financial improvement is jeopardised in anyway, underground operations are likely to be curtailed

However, Doorns will not immediately close as it will continue dump operations on a larger scale

Costs are likely to increase in the current year as the cost of development, replacement and repairs cannot be deferred any longer, says Fuller-Good — Sapa.

Fm 24/9/93



That is still double the high for 1992, so this traditionally volatile share must have delivered the goods to punters prepared to speculate The reason is that management decided two years ago to concentrate on mining those areas of the lease with better gold grades Chairman Michael Hawarden confirms the policy continues (214)

"We keep a close eye on our gold pay limits but do try to strike a balance given that we have contractual obligations to our antimony customers," he says

This year saw another record gold production of 1 138 kg, 12% up on the previous record of 1 016 kg set in financial 1992 This is despite a dip in average gold head grade to 3,19 g/t (1992 3,22 g/t) Higher gold output resulted from a 6% rise in tonnage of ore milled and an improvement in plant recovery efficiency to 82,84% (81,41%)

A rule of thumb on the Cons Murch ore body is that ore rich in gold normally has low antimony grades and vice versa The latest results bear this out again Antimony head grade rose to 1,1%, from 1,07%, and antimony concentrate production increased 10% to 7 102 t

Conditions in the antimony market remain as depressed as ever, with Cons Murch continuing to survive in the teeth of heavily discounted sales of material from the Chinese and Russians

Hawarden does not see much improvement for another year "I think a slow recovery is under way because the markets in the US are a little better and there seems to be more activity in the Far East Hopefully, a year from now we will see some areas going well and the laggard nations starting to recover" (214)

Fm 24/9/93

Hawarden, however, retires in October and will be succeeded by technical director Con Fauconnier

Provided the rand gold price holds up, Cons Murch should increase its earnings this year Not all earnings will be available for distribution as dividends, because capital expenditure will rise sharply to about R2,5m (R1,6m) The mine will continue to spend on prospecting and development and on catching up on capital projects previously deferred

Investors should treat Cons Murch as a marginal gold share and trade the stock If the gold price rises again, the share price is going to run and then it's a question of when to take profits

Brendan Ryan

Consolidated Murchison's Hawarden *a slow recovery under way*

CONSOLIDATED MURCHISON

Fm 24/9/93

Going for gold

(214)

Activities: *Produces gold as well as antimony concentrates at mine near Gravelotte in the eastern Transvaal*
Control: *JCI 24,1%*
Chairman: *M W Hawarden*
Capital structure: *6,2m ords Market capitalisation R20m*
Share market: *Price 325c Yields 5,4% on dividend, 24,4% on earnings, p e ratio, 4,1, cover, 4,5 12-month high, 650c, low, 100c Trading volume last quarter, 1m shares*

Year to June 30	'90	'91	'92	'93
Antimony concentrates prod (t)	8 113	7 533	6 465	7 102
Gold production (kg)	531	722	1 016	1 138
Turnover (Rm)	34,3	39,2	48,3	52,4
Pre-tax profit (Rm)	(6,4)	(0,2)	3,3	5,1
Attributable prof (Rm)	(10,6)	(0,1)	3,4	3,7
Earnings (c)	(170)	(2)	55	59
Dividends (c)	—	—	15	17 5

Though nominally a producer of antimony concentrates, Consolidated Murchison to all intents and purposes is now a gold share — and its price has gyrated over the past year like that of a marginal gold mine From a low of 100c, Cons Murch soared to 650c on the wings of this year's gold bull market before the bubble burst last month to bring down the price to around 325c now

Harmony reduces working loss

Bday 29/9/93

ANDY DUFFY

RANDGOLD & Exploration's marginal gold mine Harmony would have to continue cutting costs to secure its future, chairman John Turner said in his annual review yesterday

The unpredictable gold price meant Harmony would have to boost productivity and pinpoint higher grades

Hedging a major part of Harmony's production would remain a priority

The mine made a working loss of R2,9m for the year, more than two-thirds better than its loss in 1992. Dogged by fluctuating grades, it cut staffing, and began selective mining to shore up the yield (214)

In the June quarter this gave it a pre-capex profit of R1,8m against a R0,44m loss in the three months to March Working costs fell slightly to R33 876/kg, while square metres mined by each underground employee rose by a fifth

Alhough Harmony had boosted productivity, Turner said it would have to repair its balance sheet before shareholders reaped the benefit in payouts

He added that Randgold's Blyvooruitzicht mine would begin developing its tribute agreement with Western Deep Levels next year

Tonnage and yield from the company's own reserves would decline next year, he said, but the tribute would stabilise at about 900 000 tons

Turner added that the 45% of the R67m capex required for the project would also limit the prospect of dividends being paid to shareholders

SA's economy hasn't lost its heart of gold

WM 24-30/9/93 (214)

Gold might not be as important to the South African economy as it once was, but it is still vital to the country's prosperity, writes **Mike Brown**

THE South African economy has often been described as balancing on a "golden fulcrum", with the gold price and the fortunes of the gold mining industry holding the key to the performance of the overall economy

Of course, this analogy was of far greater impact in the past To illustrate this point, the contribution made by the gold mining industry to the total gross domestic product (GDP) of the economy was nine percent in 1992 compared with an average of 27 percent between 1940 to 1965

But the pivotal role of the gold price should not be understated An example occurred recently Because of the contribution of both a higher dollar gold price and a weaker rand (a combination which would probably not have occurred in the past when the gold price and the rand inevitably moved in the same direction), the value of the net gold exports rose from R18,2-billion (annualised and seasonally adjusted) in the fourth quarter of 1992 to R22,2-billion in the second quarter of 1993

This sharp rise in gold receipts, together with the alleviation of drought was the main reason for the economy's improvement during the first half of this year

So gold still does matter Two simple "rules of thumb" for gold's contribution to the economy are·

●For every $10 an ounce increase in the gold price, the annual receipts of foreign exchange rise by some $200-million

●For every $50 rise in the average annual gold price, total GDP will rise one percent

These gold price increases have to take place over an entire calendar year to achieve the results shown above

But, before we become too excited by old man gold, it must be cautioned that the gearing effect that gold has on the economy is far less pronounced than it was Some examples

●**Employment.** In the past five years, the number of people employed in the gold mining industry has declined by nearly 30 percent, from 530 000 workers in 1988 to around 380 000 at present So wages paid by the mining industry have a more limited multiplier effect on overall spending in the economy

●**Taxation.** The total tax payments made by the gold mining industry only accounted for one percent of the total tax revenues received by the government last year In the 1960s and 1970s, some 30 percent of taxes were paid by the gold mining industry

●**Balance of Payments.** Less than a decade ago, gold exports accounted for more than 50 percent of total export earnings, but this figure for 1992 was down to 27 percent.

●**Exchange rates.** As a result of the reduced role played by gold in our total export earnings, it is less prominent in exchange rate determination The gold mining industry discovered this to its cost, during the 1988 to 1992 period, when the dollar gold price was flat to falling, but the rand failed to depreciate in accordance.

Consequently, the gold miners had to sit through more than four years of a constant rand gold price, whereas in the past, a falling gold price in dollars would have meant a concomitant weakening of the rand and a probable rise in the rand gold price

Earlier this year, we saw the other side of the coin — a rising dollar gold price and a weaker rand — which pushed the rand gold price up from R1000 to R1300 an ounce

So the mines got an early Christmas present, something the leaders of the National Union of Mineworkers (NUM) were quick to turn to the advantage of their members in negotiating good productivity and profit-sharing bonuses, before the gold price started falling

At the rockface ... Unexploited reserves abound — but a much higher gold price is needed to mine them PHOTO FREEGOLD ANNUAL REPORT

The gold mining industry's role in the economy is lessening in importance but can still, as we saw recently, help stimulate the performance of the economy on an incremental basis, as well as making a significant contribution to general confidence and investor sentiment

But what about the industry's future role?

Despite the poor gold price of the past decade, the gold mining industry has been able to maintain production levels at 600 tons a year This has been achieved by· advances in mining methods, sharp cost controls, and a rising level of overall productivity However, in the remaining years of this century, some old mines are likely to run out of payable ore reserves (unless the gold price rises sharply) and production could drop back to around 550 tons or less by the end of the century

Fortunately, there are ways of arresting this expected decline

●Productivity and cost-saving improvements could be augmented by a continued drive towards efficiency — and here the productivity agreements between the NUM and the industry will be critical

●Mines could shift to a seven-day working week At present, the massive capital infrastructure of the mines lies idle for three days of every fortnight, under the 11-day fortnight agreements Of course, the labour force would need to operate on a roster basis Machinery can work seven-day weeks, but not human labour

This would require an increase in the total employment capacity of the mining industry, which should be welcomed by the labour movement

Seven-day weeks are being tested on some mines, with impressive results, and negotiations are under way between management, labour and the government to look at the extension of this system South African gold production could actually rise under a seven-day working week system

●If a gold price of over $400 an ounce could be sustained, extensions to existing mines could be considered in a number of cases, where payable ores lie within, or alongside, existing mine lease areas. Such expansions could replace production lost by the closing of old mines

●Most analysis suggests that gold reserves still lying unexploited in South Africa are probably equal to the gold production that has already occurred

The bad news is that these reserves lie at considerable depths, pose major new technological problems in mining because of depth, heat, rockbursts, and so on, and require sustained gold prices upwards of $500, if they are to be brought to account

Mining methods will necessarily be capital intensive — and require a greater degree of mechanisation — and will require enormous sums of capital investment.

However, we need to exercise care that, in the current talk of "unbundling" mining companies and encouraging small-scale mining, we do not destroy the industry's capability of undertaking the research, developing large-scale mining expertise (which these deposits require), and accumulating the capital that will be needed to exploit these gold mining deposits, in due course, for the benefit of future generations of South Africans.

■Mike Brown is economic consultant at Frankel Pollak and Vinderine

R900m gold mine plea set to rock JSE

CT 1/10/93

(214)

From ANDY DUFFY

JOHANNESBURG — Gengold, Gencor's gold business, has warned Oryx shareholders that they may have to pitch in an additional R900m before the Free State mine makes a profit.

In a statement likely to rock the JSE, Gengold warned last night that the value of ore extracted so far from the Free State mine was nearly 80% below expectations, forcing Oryx's breakeven target back by at least three years

The additional cash was only slightly less than the cash Gengold originally borrowed to bring the mine into profit

Oryx had been described as a Gencor showpiece and had been expected to be one of the lowest cost producers in SA

Gengold said alternative courses of action were being considered, and shareholders should exercise caution in dealing in the Oryx counter

MD Gary Maude said last night it had become clear in the past month that the ore so far extracted from the site was well below previous expectations

Gengold had borrowed R979m in interest-free loans from major shareholders Genmin, Genbel, Sanlam and Anglo American in February 1991 to fund the first stage of its development.

The Free State mine was equipped and commissioned in March, and was supposed to reach production of 100 000 tons a month by next April, by which time the loan would be fully spent and the mine would begin to be self-funding

But Maude said grades on the reef had deteriorated progressively as the company moved down the levels

Initial average reef values for the 1 216m developed so far were 274cmg/ton, against previous estimates of 1 245cmg/ton for the total ore body suggested by initial borehole values

Inadequate

"These actual grades are inadequate to support meaningful gold production and hence the expected contribution of stoping operations to the funding requirements of Oryx will not materialise," the company said

Maude said it was not clear at this stage whether the full R900m would be needed, but he had had to make a "judgment" on whether to warn shareholders now, or wait until he was totally sure and risk springing the news on shareholders just before the original loan ran out

Gengold said reef development to date represented less than 1% of that expected during the life of the mine, so the original estimate could not be rejected yet.

"However, even with the expectation that better grade reef with value closer to the estimated ore body average will be exposed at the deeper levels of the mine, it is unlikely that breakeven will be achieved much before 1997," the company said

The warning represents a stark turnaround in Gengold's fortunes, after a year in which the group brought its 10-mine operation through a fight for survival by redirection overseas and reorganisation at home

Gengold is poised to merge its Evander mines to provide a growth investment vehicle for shareholders Merging the Free State mines, including Oryx, had been seen as the next step

Gengold cautions shareholders

Oryx setback could cost extra R900m

B/Day 11/10/93

ANDY DUFFY

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(214)

Maude said it was not clear at this stage whether the full R900m would be needed, but he had had to make a "judgment" on whether to warn shareholders now, or wait until he was totally sure and risk springing the news on shareholders just before the original loan ran out.

Gengold said reef development to date represented less than 1% of that expected during the life of the mine, so the original estimate could not be rejected yet

"However, even with the expectation that better grade reef with value closer to the estimated ore body average will be exposed at the deeper levels of the mine, it is unlikely that breakeven will be achieved much before 1997," the company said

The warning represents a stark turnaround in Gengold's fortunes, after a year in which the group brought its 10-mine operation through a fight for survival by redirection overseas and reorganisation at home

Gengold is poised to merge its Evander mines to provide a growth investment vehicle for shareholders. Merging the Free State mines, including Oryx, had been seen as the next step.

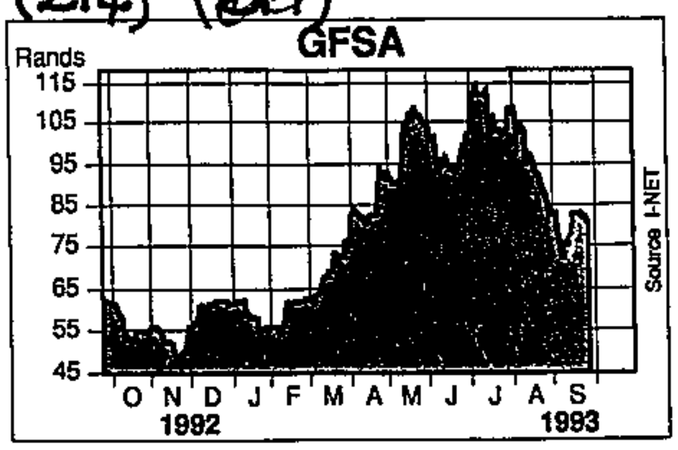
Oryx had been described as a Gencor showpiece and had been expected to be one of the lowest cost producers in SA.

GFSA Fm 1/10/93

A need to break out

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

(214) (207)



Fm 1/10/93 (214) (207)

Plumbridge *handing out pills*

Activities: *Mining house with main interests in gold but also platinum, coal, base metals with limited exposure to finance and property*
Control: *Rembrandt, Liberty & Drie Cons*
Chairman and CEO: *R A Plumbridge*
Capital structure: *96,4m ords Market capitalisation R7,52bn*
Share market: *Price R78 Yields 2,6% on dividend, 3,9% on earnings, p e ratio, 25,9, cover, 1,5 12-month high, 11 500c, low, 4 800c Trading volume last quarter, 1,8m shares*

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

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

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

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

Any hesitation within it is compounded by the lack of really good, flying, projects SA's mineralisation is, by and large, well established The projects on GFSA's books are modest (the Sand River gold project in the Free State and the Gamsberg zinc undertaking), more important, they are schemes — technical considerations aside — which must be supported by profound confidence about future product prices Despite chairman Robin Plumbridge's enthusiasm for his view that the long commodities winter has ended, it is possible to detect residual doubts

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

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

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

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

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

David Gleason

Bleak outlook for Randgold

B/Day 5/10/93

ANDY DUFFY

LONG-suffering shareholders in the four gold mines operated by Randgold & Exploration were offered little comfort in the three months to September

Already largely missing out on firmer gold prices because they sold output forward before the bull run, the mines suffered higher operational or financing costs, which kept three of them firmly in losses The immediate outlook for Blyvooruitzicht, Durban Deep, ERPM and Harmony is less encouraging still

Durban Deep will close unless it bolsters its productivity and cuts costs, while ERPM's future hangs on refinancing its R523m debt Marginal producer Harmony staged a healthy reversal in fortunes, but Randgold said its grades would continue to decline until capex increased.

Blyvoor managed to limit the damage of falling tonnage only by targeting high yield areas. Randgold said that its grade, too, would deteriorate

Analysts said Randgold's results were unlikely to set the pattern for the September quarterlies, expected to show a sturdy sector performance

The weakest card in the Randgold hand was Durban Deep Reduced capital expenditure in the past had cut the mine's flexibility, which hampered its attempts to pursue higher yielding areas

Though the fall in tonnage was slight, the grade — in line with fluctuations over the past nine months — dropped from 4,04g/ton to 3,71g/ton, cutting production from 1 080kg to 954kg

Durban Deep's fate for the quarter was sealed when working costs leaped to R44 728/kg (R39 686/kg), leaving it with a R5m working loss (R2,8m loss)

Chairman John Turner said the mine had until December to turn itself around MD Peter Vos said without underground operations Durban Deep would last three years at current milling rates (214)

ERPM began to meet expectations with the grade from its Far East Vertical shaft, which brought the yield up to 5,93g/ton (5,17g/ton) This lifted production to 1 689kg, while a 7% fall in costs to R38 921/kg brought ERPM into a R5,5m working profit — a R9,6m turnaround on the previous quarter

But the bottom line was hit by a R16,6m interest payment The mine had still to finalise refinancing plans The funding problem hinted at in June would become reality in December, Vos said

Improved production, at 5 395kg (5 181kg), and a minimal rise in working costs let Harmony reap the benefits of a rise in revenues to R37 192/kg (R34 198/kg) But the recovery in the June grade proved to be shortlived, as yields dipped back to 3,33g/ton (3,45g/ton) Grades were expected to continue sliding

With payable reserves at Blyvoor now fast running out, tonnage dropped 20% to 242 tons, though a higher grade minimised the fall in production to 1 624kg (1 792kg) A rise in working costs cut net profit from R5,5m to R2,5m

Blyvoor's R3,7m capex bill included R1,1m for its contribution to developing the Western Deep Levels — the tribute agreement it had signed with Anglo American

RANDGOLD September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**242**	**6,71**	**1 624**	**240,87**	**35 893**	**36 479**	**2 516**	**(1 229)**	**(5)**
June	305	5,88	1 792	196,29	33 408	35 243	5 581	328	1,3
Durban Deep	**257**	**3,71**	**954**	**166,03**	**44 728**	**35 911**	**(3 882)**	**(4 738)**	**(203,7)**
June	267	4,04	1 080	160,63	39 686	34 635	(2 185)	(2 862)	(123,0)
ERPM	**285**	**5,93**	**1 689**	**230,66**	**38 921**	**36 762**	**(9 388)**	**(19 426)**	**(114,3)**
June	283	5,17	1 462	215,74	41 780	35 579	(18 431)	(26 859)	(158,0)
Harmony	**1 622**	**3,33**	**5 395**	**116,85**	**35 130**	**37 192**	**16 936**	**16 492**	**61,3**
June	1 502	3,45	5 181	120,00	34 895	34 198	1 261	(725)	(2,6)

Harmony turns in star performance

Star 5/10/93

■ BY JOHN SPIRA

Harmony shines brightly among Randgold's figures for the September quarter; taxed profit soared to R17 million from the previous quarter's R1,3 million.

Chief executive John Turner is at pains to point out that Harmony treats the lowest underground grade in SA's mining industry. In the past quarter the yield declined from 3,45 to 3,33 grams a ton.

However, the mine is reaping significant ongoing productivity improvements (at R116,85 its costs per ton milled are the lowest of all SA's gold mines), with the result that the quarter's tonnage milled rose to produce 5 395 kg (previous quarter: 5 181).

Working profit was R14,4 million (loss of R500 000 in the three months to June).

Turner says that in current circumstances Harmony has a life of at least ten years.

Blyvooruitzicht's bottom line deteriorated from R5,6 million to R2,5 million as production tailed off and costs rose. Working profit was down to R1,8 million (R3,6 million).

The yield improved from 5,88 to 6,71 grams a ton, but Turner expects the figure to decline in the near term.

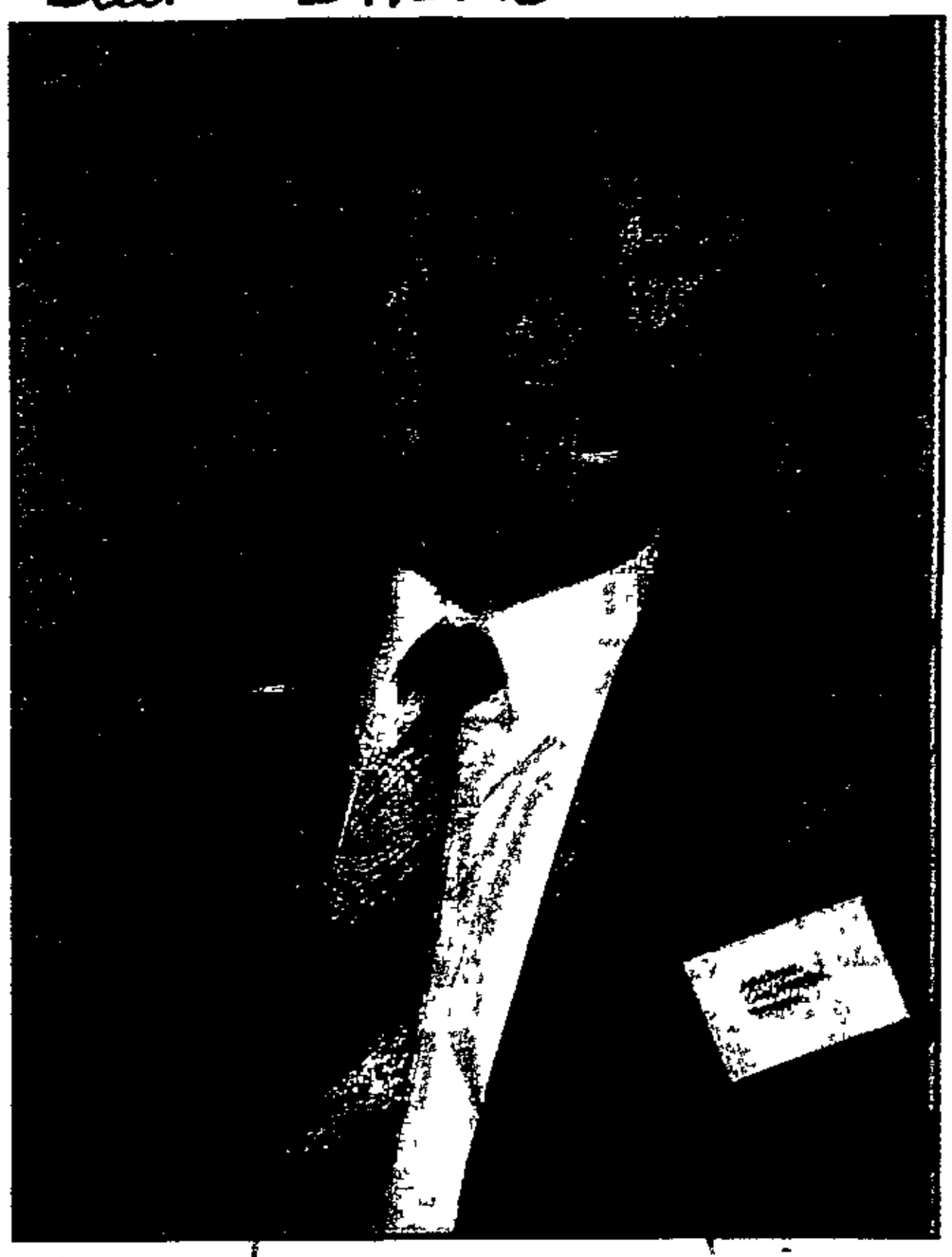
Blyvoor's future, bedevilled by an ongoing depletion of underground tonnages, is dependent on development related to the Western Deep Levels tribute

ERPM trimmed back its taxed loss from R18,4 million to R9,4 million, thanks to a higher yield and reduced costs

Over the three months it actually produced a working profit of R5,6 million (R4,1 million loss in the June quarter), but the heavy interest burden depressed the bottom line into the red.

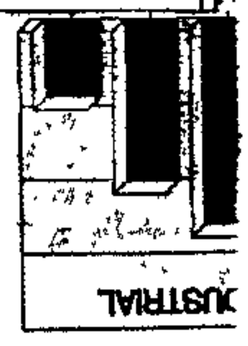
ERPM will experience a funding problem two months hence and negotiations with the Government and the consortium of banks are in progress (214)

It has just instituted a 30-shift continuous mining plan to allow mining to be concentrated in the higher-yield areas



John Turner . . Harmony treats the lowest underground grade in the mining industry.

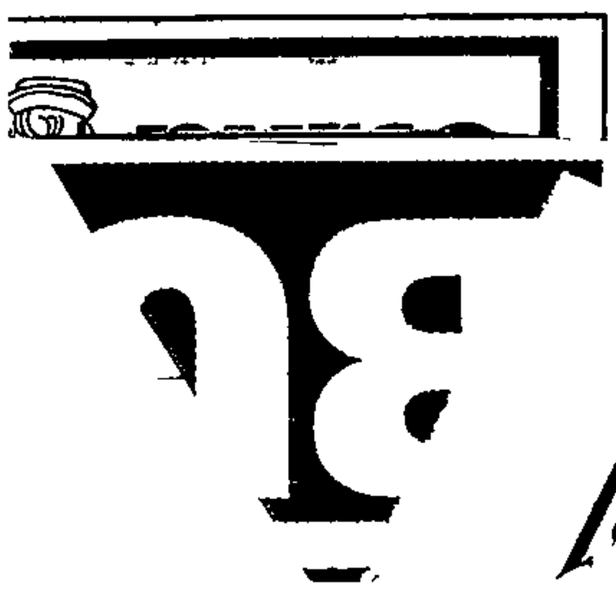
Home loans for blacks on way back



JUSTRIAL

Index slips back

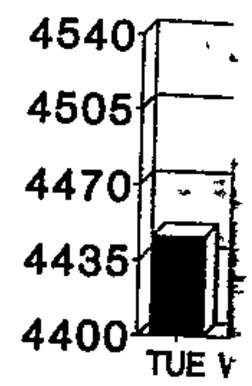
After firming strongly through most of last week, the industrial share index shed 40 points yesterday as profits were taken against a backdrop of low yields.



PAGE 32

The Star BUSINESS

Edited by John Spira



4 700 jobs at stake at 98-year-old mine

Closure looming for Durban Deep

Star 5/10/93

(214)

THE percentage of payable ores is lower than those of most SA mines

■ BY JOHN SPIRA

Unless production and productivity rise to acceptable levels in the December quarter, Randgold will consider closing the Durban Roodepoort Deep mine.

Some 4 700 jobs are at stake The mine was started in 1895

Randgold chief executive John Turner is, however, cautiously optimistic that production will come right

He notes that Durban Deep is a low-grade underground mine, with limited ability to conduct a high-grade operation.

Quarterly fluctuations in grade over the past 30 months have been from 3,6 to 4,1 grams a ton. The September quarter grade of 3,7 was just below average.

"Towards the end of the June quarter, increased faulting was encountered in the Saxon area, which affected production and yield. Mining was relocated to address the problem," says Turner.

He says Durban Deep has a percentage of payable ores lower than those of most SA mines

The static gold price of the past five years has restricted capital expenditure, resulting in an adverse impact on mining flexibility and a reduction in tonnages.

Accordingly, during the three months to end-September Durban Deep suffered a taxed loss of R3,9 million (previous quarter R2,2 million loss).

It's a performance that has exacerbated the mine's negative retained profit, with the loss having to be funded from low cash reserves, which are likely to be sufficient only to carry the mine through the current quarter.

Employees have agreed to work an additional Saturday a month — part of the plan to get production back to planned levels. Productivity discussions are in progress

After hitting a high of 5100c earlier in the year on the back of the spike in the gold price, the share has slipped back to 2700c

Muted response to JCI bid to rescue Joel mine

B/Day

ANDY DUFFY

JCI's plan to raise R100m to rescue its struggling H J Joel gold mine has met with a muted response from the market

The cash call is for just one third the amount JCI had said was needed to revive Joel, leading market watchers to suspect the money will be used as a stopgap, rather than to secure Joel's future

Analysts added that Joel might also have to use the cash to shore up its balance sheet, given its total borrowings of around R260m

The subdued sentiment toward gold, repressed still further following the Oryx debacle, could also count against the rights issue.

JCI gold division chairman Ken Maxwell said last week that the mine would need to raise R100m to begin developing vital payable ore reserves

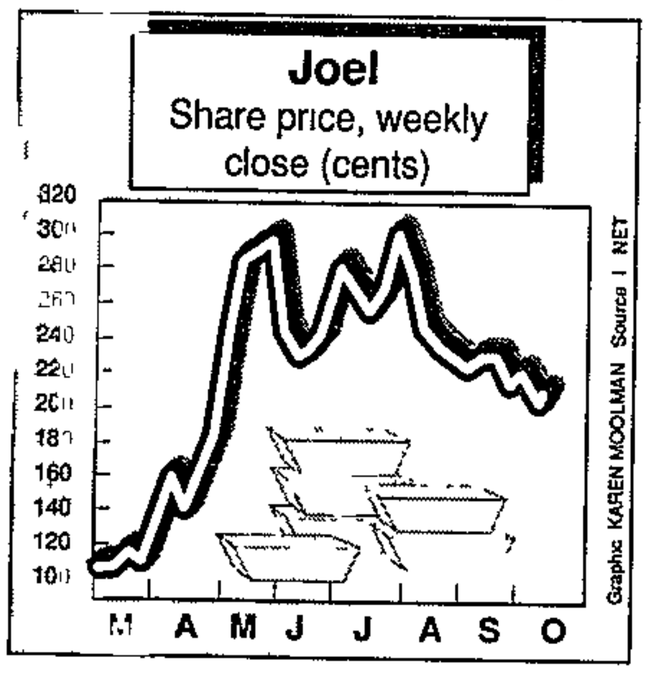
The Free State operation, the newest in JCI's stable, has been hit by poor grades and the impact of aborted production methods, which have cut its earnings and hiked up its debts Production was cut by one third to 60 000 tons a month earlier this year 7/10/93

The market had been expecting a refinancing plan after JCI's attempt to merge Joel with the adjacent Gengold mine Beatrix fell through

Maxwell said in July that the company planned to exploit the then rampant bullion price to raise R300m, which would put Joel on a sounder footing. (2/4)

Though Joel's share price hit a year high of 340c in August, the share has consistently underperformed the gold index. It traded 15c up yesterday at 220c, ahead of September quarterlies due over the next two weeks

Simpson McKie analyst Rodney Yaldwyn said the R100m was probably the most Joel could hope to raise, given the state of the gold index and Joel's own lacklustre performance



Pace

"You can't raise a large amount of money if the stock is totally stuffed," he added The rights issue would also have to be deeply discounted

Frankel, Pollak, Vinderine analyst Trevor Pearton added that the cash would not be enough to meet Joel's original development plans, but that it should enable Joel "to get up to speed. That's the biggest problem," he said

Pearton added that it was likely Joel would swing away still further from production, to focus on increasing the pace of development Exploiting Joel's deep-level reserves was a long way off

Kloof gold mine comes up with R73-m profit rise

Star 12/10/93

(214)

■ BY DEREK TOMMEY

Kloof's shareholders have a lot to cheer about today.

The GFSA mine, helped by the higher gold price and the growing benefits of the merger with problem mines Venterspost and Libanon, lifted taxed profit in the September quarter by R73,4 million (64 percent) to R187,5 million.

More good news is that it should be able to keep ahead of the taxman and maintain quarterly profits at the new level for the next three quarters, says Alan Munro, GFSA executive director in charge of gold operations.

Revived

Kloof received R41 704 a kilogram for its gold in the September quarter (R35 468 in the June quarter) It also benefited from a R7,7 million profit from a revived Libanon.

Munro said at a press conference yesterday he expected gold to remain between R39 000 and R41 000 a kilogram for the financial year to next June.

He had important news for Driefontein shareholders Driefontein, the group's other star mine, is preparing to spend R350 million on shaft-sinking and development in the southern parts of its western and eastern operational areas

The development will allow it to mine the high grade Carbon Leader reef

Munro said the operation was akin to opening a new mine. It would be a replacement for existing operations and would extend Driefontein's life for several decades.

A less pleasing development is the news that the **Rooiberg** tin mine is to be shut immediately.

After 85 years of operation, and after making profits of R11 million a year as recently as 1985, the collapse in the tin price had dealt it a death blow, said Helgo Kahle, GFSA general manager, coal and base metals.

In the nine months to September, Rooiberg received R5,4 million for metals, which had cost it R8,4 million to produce.

The staff complement has been greatly reduced in recent years. The remaining 250 workers were notified yesterday of the closure.

Shareholders will have to wait about 12 months for the rehabilitation of the mine area to be completed before they know whether any funds will be available for distribution.

Better news for shareholders is the increase in **Gold Fields Coal's** taxed profit from R5,2 million in the June quarter to R7,1 million

John Hopwood, executive director in charge of coal and base metals, said there were some signs of improvement in the export coal market

Russian railways were starting to charge economic rates on coal shipped from Siberia, resulting in a decline in export sales. He believed Russian coal sales could end in the next year or so.

Driefontein had a working profit of R300,4 million (June. R214,1 million). After tax of R142,5 million (R67,5 million), it was left with a profit of R186 million (R162 million)

Programme

As it embarks on its new capital expenditure programme tax payments should decline.

Doornfontein had a profit (no tax payable) of R4,6 million (R15,3 million in the June quarter).

But the June figure was inflated by clean-up operations. As long as Doornfontein makes a profit, it will be able to keep going. But it would have to spend some money on development, said Munro.

Deelkraal continued to recover from recent fires and increased working profit to R20,5 million (R7,4 million)

Taxed profit was R18,6 million (R15,2 million) Deelkraal was still battling to keep its mill full, said Munro, and that it needed to generate more profit than at present.

Gold Fields earnings leap on gold price

CT 12/10/93 (214)

From ANDY DUFFY

JOHANNESBURG — The benefits of a sharply higher gold price fed through to Gold Fields' bottom line for the September quarter, as earnings leaped 30% to R396m despite rising working costs

Though production was ahead only marginally at 29 258kg, revenues across the seven mines jumped 20% to R1,2bn

Working costs rose to R728m (R689m) after the wage settlement and as Gold Fields geared up for increased underground production The company was also hit by a doubling in its tax bill

But this detracted little from its performance "This is a vast improvement on the previous quarter," Gold Fields executive director Alan Munro said

The higher gold price had been the most "outstanding feature" of the quarter, Munro said But the rising costs were "not really acceptable"

Gold Fields' star performer was the two-mine Driefontein division, which boosted yields and production to push pre-tax profit ahead 43% to R328m

Kloof had an "unremarkable quarter", but Libanon performed well, with revenues up 30% at R103m and costs cut 8% to R42 251/kg, pushing the mine to a R7,7m working profit (R15,2m loss)

Deelkraal had still to hit the right mix of earnings to capital expenditure Earnings at Doornfontein, which was existing on a month-to-month basis, dropped back from R15,3m to R4,5m

Munro said Gold Fields would spend R350m during the next two years to begin establishing a replacement mine for its Driefontein division

He said the expenditure would be split between East and West Dries as they each cut a shaft and vertical subshaft

For the September quarter, the division fought its corner well At East Dries the No 4 subvertical shaft area had hit its target level, and the mine was "going like a bomb", Munro said Tons milled remained unchanged, but a grade ahead at 9,4g/t pushed production to 6 626kg

The rise in unit costs was contained to 3% to R21 211/kg, though this was bettered by its sister West Dries, which managed to bring costs down to R20 713/kg (R20 734/kg)

With the mine now recovered from the fire in No 6 tertiary shaft, grades rose to push production to 7 482,5kg, leaving it to exploit revenues ahead 11,5% at R41 418/kg

Munro said the division had been the "star performer", but Kloof was a close second

v York last night and opened $4,65 up at
5 in Hong Kong today.

Western Areas chief holds out rich promise

Star 13/10/93

(214)

■ BY DEREK TOMMEY

Gold mining analysts have been trying to figure out in the past few days how much of an increase in profit is a "dramatic" increase, because a lot of money could be riding on their answer.

Triggering the question is a bullish forecast for Western Areas' September quarter profits by chairman Ken Maxwell.

He says in his annual statement to shareholders that the mine expects to improve on its production of gold in the 12 months to next June.

"Indeed, for the first quarter, gold output has increased very substantially," he says.

He continues: "If the gold price holds firm, taxed profits should show a dramatic improvement."

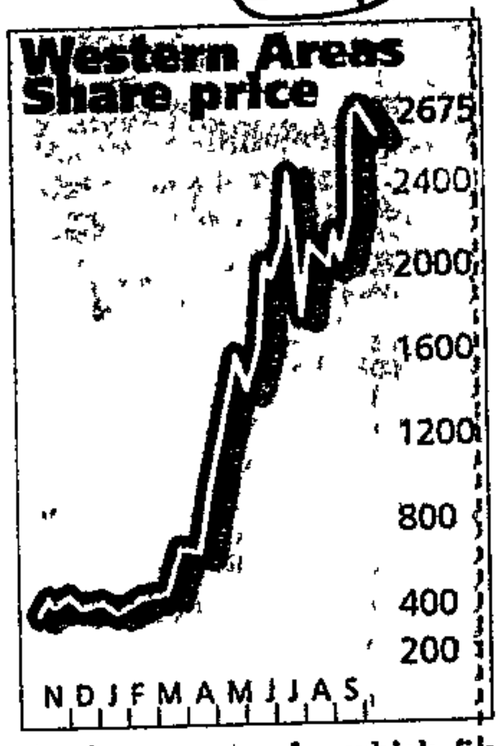
Western Areas shares have been a major performer on the JSE this year.

Starting in January at around 200c, they rose to 2500c in July after an excellent June quarter report.

For a while they fell back on profit-taking

But the publication of Western Areas annual report a few days ago sent them racing upwards to peak at 2675c on Monday before either profit-taking or second thoughts saw them easing to 2550c yesterday

Western Areas has undoubtedly been doing well this year and should have done even better in the Sep



tember quarter for which figures are still being awaited.

It reported operating profit of only R8,5 million for the December 1992 quarter.

But it pushed this up to R29,4 million in the June quarter. This is the figure which is to be dramatically improved.

Since June, the mine has benefited from a higher gold price. It received R33 734 a kilogram in that quarter.

But this quarter it should receive several thousands of rands a kilogram more.

The September quarter also saw an increase in gold production, says Maxwell. If this came from an increase in tonnage milled, the added revenue would not be all profit as working costs also would have risen But if it came from an improvement in the gold content of the ore mined, it would be pure profit.

Gengold seeks audit on mine

B/Day 14/10/93

ANDY DUFFY

GENGOLD, Gencor's gold business, is to call in independent auditors to check the viability of its Oryx mine, as part of its efforts to rescue the struggling Free State operation.

MD Gary Maude said yesterday that the company wanted to reassure shareholders Gencor, Genbel, Sanlam and Anglo American that any rescue plan put forward was not based solely on Gengold's own assessments of the mine

It emerged earlier this month that Oryx could need an additional R900m to fund development needed to take it into profit.

Its original financing plan, under which the four shareholders had put in R979m, had been derailed by initial grades far below previous estimates

Gengold detailed the mine's problems to the major shareholders in a series of meetings last week.

The company had still to finalise a rescue plan for the operation, but Maude said that it would be supported by an independent check on Gengold's figures

Maude said the aim of "having the thing audited" was to promote confidence in the options which were put forward

Market sources believed one of the shareholders, possibly Sanlam, would have asked for the independent audit

But Maude said Gengold had taken the decision itself

The Gengold staff responsible for previous estimates for Oryx would also be called on to re-check their findings.

Maude said shareholders had been "understanding" during last week's meetings. (214)

Genbel, a 15%-stakeholder, said yesterday it could be prepared to provide more cash for development, given that only a fraction of the reef had been developed to date

"I don't think you can make a decision on the mine on the strength of information known today," MD Anton Botha said.

Industry sources expected Sanlam and Anglo would take a similar line. Though Gengold has said it wanted to resolve the funding problem as soon as possible, the mine had sufficient funding to continue through to March at present development rates.

Maude said that finding a plan to suit the four major shareholders, the mine's banks which were owed R550m, and JSE investors who held 2,5% of Oryx was likely to prove difficult.

"Each of the interested parties has their own preference, and it's a job to find a solution that suits everybody the best."

Anglovaal 'plans to restructure assets'

B/Day

ANDY DUFFY

finalised 19/10/93

MINING and industrial group Anglovaal is planning a radical restructure of its mining assets, according to industry sources

It is understood that the main option under discussion is for Anglovaal to put its direct stakes in its gold, base metals and coal operations into its 54%-owned investment company Middle Witwatersrand

A listing for Saturn Mining and Prospecting, which holds a stake in De Beers's developing Venetia mine, is also thought to be on the table

A spokesman for the group said several options were being discussed and that the plans had still to be

He added, however, that transfer duties — charged at 0,5% of market value — could prove an obstacle Anglovaal's listed mining investments alone are worth R6,4bn at yesterday's market value

The operations — which include gold mine Hartebeestfontein, exploration company Target and ferroalloy company Associated Manganese — provided just under a third of the group's R293m attributable income in the year just gone

Restructuring the division had been discussed for several months, after Anglovaal reorganised its industrial stakes to create Anglovaal Industries, the spokesman said

Analysts said the move could provide better management focus on the mining operations, and a clearer route into pure mining for Anglovaal investors (214)

Fergusson Bros' William Bowler said there was a strong argument for Anglovaal to list Saturn Mining separately Saturn currently receives 12,5% of the royalties from Venetia, which totalled R9m in the last financial year

W Areas boosts JCI gold profits

(214) CT 20/10/93

JOHANNESBURG — The three gold mines in the Johannesburg Consolidated Investment Company yesterday reported over 20% jump in net profit after tax and capital expenditure for the September quarter on the back of cost containment and better gold revenue

Combined net profit after tax and capex increased to R75,5m for the three months to end September from a previous R58,8m as gold revenue gained 7,3% to R37 744 per kg (R35 181/kg)

JCI director Ken Maxwell expressed his satisfaction with the results, saying a very healthy position was re-emerging in the gold market following the gold price's sharp gains and falls over the last six months

He said it was not "good news" for gold producers to see rapid rises in the gold price, and he hoped for a gradual and a sustainable long-term increase in bullion

Maxwell did not expect central banks to sell additional gold this year, although he said there had been some selling by lesser developed countries.

The improvement in the performance of JCI's gold mines was helped further by the best ever quarterly gold production of 13,2 tons for the group, although the grade has declined slightly

A convincing performance from Western Areas dominated the September quarter figures

The mine, which in recent weeks has proved a popular gold counter, hit its highest grade in 20 years — 6,84g/t — as it continued to reap high pay ore on its Ventersdorp Contact and Elsburg reefs.

Combined with a rise in tonnage, this lifted gold production 7,4% to 4 104kg, while costs were pulled down to R29 511/kg (R29 843/kg).

Working costs rose 1,4% to R201,85 a ton as the mine absorbed the recent wage settlement and a R5m (R3,9m) cost containment and metal price bonus. JCI said Western Areas was likely to continue extracting such grades for at least five years.

JCI's fortunes on its other mines was less impressive.

The continuing fight for survival at HJ Joel pushed JCI's newest mine back into the red The mine had cut monthly production by a third, while moving to a seven-day week in a bid to build up payable reserves.

The fall in tonnage combined with a slip in grades to bring production down to 1 004kg (1 138kg). The focus on development, plus the wage settlement, pushed unit costs up nearly 8% to R32 174/kg. Reef development pushed capex to R6,3m (R4m).

Gold division MD Bill Nairn said grades on reef development had shown a "dramatic improvement" over the quarter.

Grades to the north and the east were averaging 5,5g/t and 5,7g/t, but it would need at least five months of further exploration development before the mine was ready to commit itself, Nairn said

The rise in the gold price had enabled Randfontein to pursue lower pay ore, which cut the grade to 3,95g/t (4,12g/t), while unit costs moved from R26 169/kg to R28 138 kg.

Unchanged div from Voltex

CT 20/10/93

CABLE manufacturer Voltex, the main profit contributor to the Berzack group of companies, has paid an unchanged dividend of 6,75c a share in the year to end-June in spite of a 14,8% dip in earnings to 15,03c (17,75c) a share

Last week Voltex sold loss-making UK subsidiary Bennet & Fountain Had Bennet's results been incorporated, Berzak's results would have been much worse, with 1993 earnings 4,16c a share lower and 1,86c less in 1992

Turnover climbed 9% to R1bn (R923,2m) and operating income was slightly lower at R95,2m (R98,9m)

Sanlic's turnover rose 9% to R52,9m (R48,6m), but operating income was almost 70% down at R672 000 (R2,2m) This translated into a 4c (2,5c) loss a share

Earnings at Elcentre, with 51,4% and 81,4% holdings in Voltex and Sanlic respectively, were down at 38,6c (42,6c) a share with the dividend lower at 6,25c (10c)

Taxed income at Berzack Brothers Holdings rose 27,1% to R17,5m, but attributable income from associated companies fell 17,8% to R16,9m, leaving attributable income 19,3% lower at R23,05m The annual dividend was 18,8% lower at 32,5c a share

Earnings at Berzack-Illman Investment Corporation, with a 51% stake in Berzacks fell 19,4% to 61,5c a share and the dividend was reduced by 17,9% to 23c a share

More finance on pages 12, 13 and 14

Working costs dent Anglovaal profits

(214) CT 20/10/93

JOHANNESBURG — A fraught fight with working costs dented the performance of Anglovaal's gold operations for the three months to September

Though average gold revenues were ahead nearly 10% to R39 730/kg (R36 402/kg), gold production fell on two mines, while costs leaped forward on all three

Anglovaal's four gold mines reported a 3,2% increase in profit after capital expenditure of R57m from R55,2m in the previous three months

Gold production dropped from 10,7 tons to 10,6 tons and costs per kg increased considerably, excepting at Village Main

Hartebeesfontein lifted profit after capex to R49,4m (R44,6m) due to the higher gold revenue as production was largely unchanged and working costs crept up slightly

Eastern Transvaal Consolidated achieved a nominal gain in profit after capex to R2,9m (R2,7m) as gold production dippedand costs increased but gold revenue was higher

Loraine's profit after capex plummeted to R3,8m(R7,6m) as costs escalated and gold revenue registered only slight gains on the back of largely unchanged production

Village Main was the only mine to reduce costs in the Anglovaal stable as it improved profit after capex to R807 000 (R288 000)

Loraine's move back to normal operations in the last three months cut deeply into its figures

Tonnage dropped sharply to 448 000t (469 000t), which knocked gold production back to 1 727kg, despite a slight improvement in grade

Unit costs jumped from R32 097/kg to R36 191/kg, reflecting wage increases, a profit-sharing bonus and increased development

Wage increases and strike action at Sheba combined to hit Eastern Transvaal Consolidated across the board, leaving it dependent on gold revenues ahead 10% at R39 904/kg to keep working profit just ahead at R8,5m (R7,9m)

Hartebeestfontein lifted production to 7 118kg (6 939kg) The effect of the wage rise and profit share bonuses helped lift unit costs from R237,63/t to R255,65/t

Village Main Reefs cut costs and boosted production

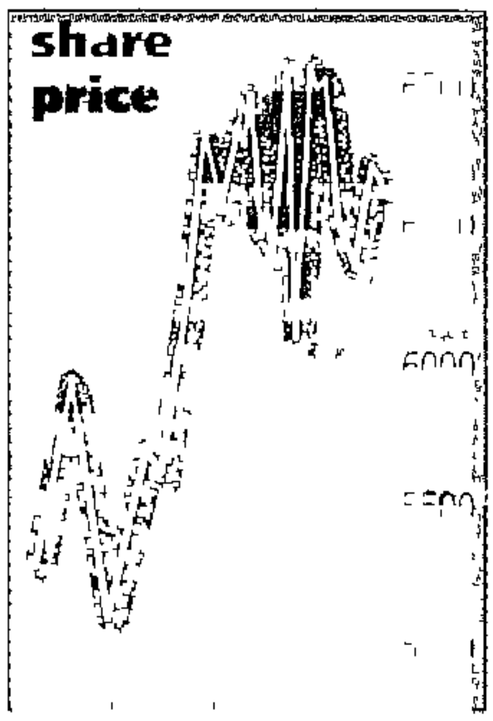
Loraine posted a pre-capex profit of R10,1m (R1m loss) for the year to September Though gold production dipped slightly to 6 248kg (6 524kg), rationalisation trimmed unit costs to R34 828kg (R35 342/kg)

Mine lifts profit to R38-m from R22-m

Western Areas plays starring role for JCI

Star 20/10/93

REVENUE at JCI's three gold mines rose 10,3 percent to R499,3 million as a result of higher production and a 7,3 percent rise in the gold price



■ BY DEREK TOMMEY

Further signs that the gold mining industry is in a strong upward trend are contained in JCI's September quarterlies.

The star, Western Areas, increased attributable profit by 70 percent from R22,2 million to R37,7 million, helped by an increased recovery grade and higher production rate.

Further good news is that the mine is expected to maintain both grade and production at present levels

Randfontein's attributable profits rose 8,3 percent from R34,4 million to R37,2 million, even though the grade of ore milled was reduced after lowered pay limits

HJ Joel had an attributable loss of R2,5 million, against an attributable profit of R2,2 million in the June quarter

But this reflects the decision to increase development at the expense of the stoping rate in order to sustain a higher milling rate in the future

Bill Nairn, MD of JCI's gold and uranium division, says a conventional mine is beginning to emerge at Joel

Together the three mines increased gold production by 2,8 percent to 13 229kg They increased production by 5,5 percent to 2,8 million tons of ore, but the average recovery grade was 2,5 percent lower at 4,69 grams a ton

Gold revenue rose 10,3 percent to R499,3 million as a result of the higher production and a 7,3 percent rise in the gold price (214)

Although Randfontein and Western Areas felt the full effect of the 8 percent pay rise (workers at Joel received a 3,4 percent increase), higher working costs a ton were held to 2,1 percent and, in rands a kilogram, to 4,7 percent

Contributing to **Western Areas'** profit increase was the rise in the recovery grade to 6,84 grams a ton — the highest achieved at the mine since 1973

Total gold production rose to 4 104kg, the highest since the December 1986 quarter, when the milling rate was 71 percent higher

Although the pay limit was reduced at Western Areas, the effect was not as noticeable as at Randfontein because of the greater difference in the values of the various reefs mined

Development at 90 level has indicated enough ore to keep the mine going for 12 years

At **Joel**, reef development is rising strongly — 600 metres in the first quarter of this year, 756 metres in the second quarter and 1 485 metres in the September quarter

Development grades have also shown an improvement

Joel has renewed its arrangement with the labour unions and associations to carry out stoping six days a week and development seven days a week

Randfontein increased production 2,8 percent after a 7,2 percent increase in tons milled and a 4,1 percent reduction in grade

The sub-vertical prospect shaft at the Doornkop section intersected the South Reef on August 27, giving values of 420 cm g/t

These low values are accounted for by the shaft being located on the outer limit of the expected payability zone of 600 cm-g/t. A prospect haulage is being developed to intersect the South Reef in the vicinity of surface borehole DK4 where the grade is indicated to be 2 736 cm g/t

The underground backfill plant is in operation at South Deep and the specific gravity of the fill of between 2,1 and 2,5 is believed to be a world first

Anglovaal gold profits up

Star 20/10/93

Anglovaal's four gold mines have reported a 3,2 percent rise in profit after capital expenditure of R57 million for the September quarter (R55,2 million previously)

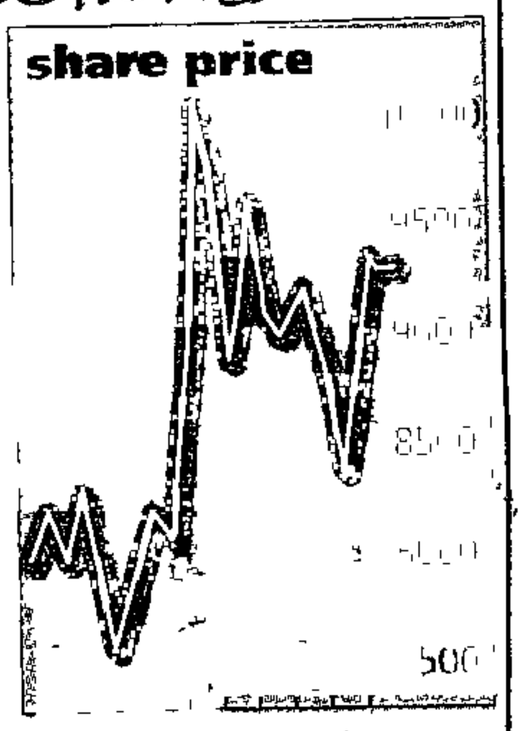
Although the group's mines on average enjoyed a 9,1 percent improvement in the rand gold price received of R39 730 per kg (R36 402/kg), gold production dropped from 10,7 tons to 10,6 tons and costs per kg increased considerably, excepting at Village Main

Hartebeestfontein lifted profit after capex to R49,4 million (R44,6 million) thanks to higher gold revenue (214)

Eastern Transvaal Consolidated achieved a nominal gain in profit after capex to R2,9 million (R2,7 million)

Loraine's profit after capex plummeted to R3,8 million (R7,6 million) as costs escalated and gold revenue registered only slight gains on the back of largely unchanged production

Village Main was the only mine to reduce costs as it improved profit after capex to R807 000 (R288 000) — Sapa.



(214)

Western Areas perks up JCI

ANDY DUFFY

A CONVINCING performance from JCI's Western Areas enlivened an otherwise unremarkable set of September quarter figures from the group's gold division

The mine, which in recent weeks has proved a popular gold counter, hit its highest grade in 20 years — 6,84g/t — as it continued to reap high pay ore on its Ventersdorp Contact and Elsburg reefs

Combined with a rise in tonnage, this lifted gold production 7,4% to 4 104kg, while costs were pulled down to R29 511/kg (R29 843/kg)

Working costs rose 1,4% to R201,85 a ton as the mine absorbed the recent wage settlement and a R5m (R3,9m) cost containment and metal price bonus JCI said Western Areas was likely to continue extracting such grades for at least five years

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The continuing fight for survival at HJ Joel pushed JCI's newest mine back into the red The mine had cut monthly production by a third, while moving to a seven-day week in a bid to build up payable reserves

The fall in tonnage combined with a slip in grades to bring production down to 1 004kg (1 138kg) The focus on development, plus the wage settlement, pushed unit costs up nearly 8% to R32 174/kg Reef development pushed capex to R6,3m (R4m)

Gold division MD Bill Nairn said grades on reef development had shown a "dramatic improvement" over the quarter

Locating replacement reserves for the Cooke sections at mainstay Randfontein was still proving a challenge Nairn said reserves being explored were likely to produce a maximum of 50 000 tons of ore a month

The subvertical prospect shaft at Doornkop had intersected the South Reef in August and development had begun An initial assessment of the grade would be tabled next January

Grades to the north and the east were averaging 5,5g/t and 5,7g/t, but it would need at least five months of further exploration development before the mine was ready to commit itself, Nairn said

The rise in the gold price had enabled Randfontein to pursue lower pay ore, which cut the grade to 3,95g/t (4,12g/t), while unit costs moved from R26 169/kg to R28 138/kg

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Village Main Reefs cut costs and boosted production

Loraine posted a pre-capex profit of R10,1m (R1m loss) for the year to September

JCI September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**2 056**	**3,95**	**8,121**	**111,14**	**28 138**	**37 642**	**57 220**	**37 215**	**60,9**
June	1 918	4,12	7,902	107,82	26 169	35 065	59 078	34 358	56,2
Western Areas	**600**	**6,84**	**4,104**	**201,85**	**29 511**	**38 091**	**45 244**	**37 739**	**93,6**
June	573	6,67	3,823	199,11	29 843	35 403	31 765	22 198	55,1
HJ Joel	**167**	**6,01**	**1 004**	**193,43**	**32 174**	**37 142**	**3 808**	**(2 503)**	**(2,6)**
June	186	6,12	1 138	182,38	29 809	35 241	6 277	2 227	2,3

ANGLOVAAL September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeesfontein*	**778**	**9,2**	**7 118**	**255,65**	**27 943**	**40 252**	**56 264**	**48 423**	**44**
June	777	8,7	6 939	237,63	26 609	37 678	55 575	44 635	40,3
Et Cons	**86,3**	**9,7**	**835**	**287,77**	**29 623**	**39 904**	**4 841**	**2 921**	**3,4**
June	83,7	10,3	864	281,61	27 281	36 461	5 738	2 699	3,1
Loraine	**448**	**3,9**	**1 727**	**139,51**	**36 191**	**38 942**	**5 615**	**3 802**	**22,7**
June	469	3,8	1 799	123,12	32 097	36 710	9 409	7 552	45,5
Village Main	**141**	**1,14**	**161**	**35,29**	**30 907**	**39 050**	**787**	**807**	**13,3**
June	143,6	1,00	143	35,13	35 286	35 881	176	288	4,7

R10-m turnaround for Loraine mine

ARG 20/10/93 (24)

MARC HASENFUSS
Business Staff

LORAINE gold mine, which was teetering on the edge 12 months ago, posted a healthy R10 million profit before capex in the year to end September — an impressive turnaround from the R1 million loss previously

The improved rand gold prices received, the introduction of a seven-day working week, and further rationalisation of operations helped to resuscitate the mine

The performance justifies the recovery in Loraine's share price from under R1 to its current level of R14 Most of the gains on the JSE were made during bullion's "big run" earlier this year as speculators piled in

Mill throughput rose to 1,7 million tons (previously 1,4 million tons) but the average grade was reduced to 3,6 (4,5) g/t — mainly because the mine increased its treatment of low-grade material from the surface dumps

Gold production declined slightly to 6 248 (6 524) kilograms in the review period However, increased gold prices and the mine's hedging operations enabled it to obtain an average price of R35 664 (R33 866) for a kilogram of gold

Directors said strict management control of costs, combined with the benefits of the mine's rationalisation programme, reduced costs to R34 828 (R35 342) for every kilogram of gold mined

This resulted in in a unit profit of R836 (previously R1 476 loss) for every kilogram, which translated into a working profit of R5,2 million (previously R9,6 million loss)

Capital expenditure was up sharply at R10 million (previously a R205 000 recoupment) — effectively burying statements made by Anglovaal directors last year about the possible closure of Loraine

Loraine's after tax profits in the quarter to end September were a hefty 40 percent to R5,6 million on the back of a marked increase in working costs

■ **South African Druggists** (SAD) shrugged off increased pressure on the health care market to notch up a remarkable 84 percent gain in attributable profits to R65 million in the year to end August

Although turnover growth was more pedestrian at 22 percent to R1,8 billion, a significant cut in the interest bill to R23 million provided the necessary boost to bottom line

Directors said the group's pharmaceutical division experienced an improved supply from manufacturing and a rejuvenated marketing drive realised increased market share The division increased its operating profit contribution by 42 percent to R86 million

The chemical division increased its profit contribution by 36 percent to R20 million on the back of improved productivity and increased market share.

The group's distribution division was knocked by lower industry volumes The division's profit donation was down 35 percent to R17 million

A total dividend of 51,5c was declared, slightly higher than the 50c dividend paid last year

JCI relies on Western Areas for sparkle

ANDY DUFFY

JCI's gold division lifted earnings nearly a quarter in the three months to September as higher production and revenues largely offset pressure on costs B/Day

Revenues at the group's three mines rose 10% to R499,3m on the back of record production of 13 229kg and a 7,3% increase in averaged revenues to R37 744/kg 20/10/93

Although unit cost nudged forward nearly 5% to R28 870/kg, post-capex earnings hit R72,4m (R58,7m), leaving earnings a share at 36,3c (29,5c) The showing was "all in all a very satisfactory result", gold division chairman Ken Maxwell said (214)

But it relied heavily on Western Areas, which combined higher tonnage, grades and production with lower costs to post earnings 70% ahead at R37,7m

HJ Joel, JCI's newest mine, dropped back into a R2,5m loss (R2,2m profit) as its focus on development ate into production and lifted costs. Former mainstay Randfontein edged forward 8,3% to R37,2m as grades slipped, costs pushed forward and its tax bill jumped to R29,1m (R22,8m)

Anglovaal's four gold operations posted a similar mixed bag, with higher gold prices called on to offset rising costs

Repeating its June quarter comeback proved too much for Loraine, which dropped back to R3,8m (R7,5m)

Strike action at Sheba knocked Eastern Transvaal Consolidated's grades and costs, cutting pre-capex profit 16% to R4,8m

Hartebeestfontein fared better, exploiting higher yields and production to produce earnings ahead 10% at R49,4m

A rise in yield at treatment company Village Main Reefs pushed gold production up 12% This, combined with falling costs, pulled earnings up to R0,8m (R0,2m)

● See Page 12

Cash amount for Oryx still to be determined

B/Day 21/10/93. (214)

ANDY DUFFY

GENGOLD had still to determine how much extra cash developing mine Oryx would need to bring the operation into profit, the company said yesterday

MD Gary Maude said the R900m already tabled for Oryx was based on potential operating income from the mine as estimated at end-August

But yields at the Free State mine had leapt in the last month, lifting the average grade since development began from 5,3g/t to 6,9g/t

This could allow Oryx to begin stoping next January, with subsequent gold sales used to cut funding needs "We're not saying that suddenly the picture is rosy," Maude said "But we've done so little reef development so far that the grade can jump from month to month"

Gengold said three weeks ago that Oryx's performance had fallen well short of the breakeven targeted for next March Production problems and low grades on upper levels had forced a three-year delay, pushing funding requirements up to R2,2bn — R856m more than the cash available to the mine

The refinancing plan — to be agreed with Oryx's major shareholders Gencor, Genbel, Sanlam and Anglo American — had still to be finalised, Maude said

It is believed several options are on the table, including concentrating on development, and rescheduling the mine's R550m bank loan

Maude said an announcement on the mine's future was likely by the end of the year He was optimistic that Oryx would come right

"It has a short-term funding problem There's no reason to believe that the long-term outlook is any different to when Oryx was floated"

Oryx overshadowed an otherwise strong set of figures from the Gencor company Though costs edged forward slightly, higher production and revenues at Beatrix produced the earnings needed to fund the R76,5m decline shaft to No 3 shaft area.

Winkelhaak redeemed its dismal June quarter performance, pushing gold production ahead while cutting working costs back to R29 222/kg (R30 186/kg)

Maude said Winkelhaak was investigating a revised plan for developing the R450m No 6 shaft A statement was likely by March

St Helena managed to boost tonnage and production, while trimming costs from R32 755/kg to R30 799/kg The company said St Helena should be able to sustain the performance

It had gained the go-ahead from employees for a seven-day working week, and the mine was waiting for a response to its application to the Mineral and Energy Affairs Department

Lack of face and poor grades again forced Unisel to cut production, from 190 000 tons to 170 000 tons

The grade slipped from 6,3g/t to 5,3g/t, gold production was cut by a quarter to 907kg and unit costs jumped from R29 446/kg to R33 774/kg

Maude said production would remain at current levels until the end of the year, but Unisel was pursuing more face

Grootvlei, Gengold's other problem mine, had begun attacking high working costs, which in the June quarter led to a closure warning

But unit costs still edged up to R33 680/kg (R32 464/kg) "A mine that produces at R33 680/kg can't feel secure," Maude said

He wanted unit costs to be brought closer to R30 000/kg

The performance at Buffels, Kinross and Leslie remained steady

Stilfontein and Bracken, on the home run to closure, were both well into rehabilitation

GENGOLD September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	527	6,4	3 375	142,12	22 194	39 056	28 893	12 149	79,5
June	520	6,3	3 250	132,39	21 182	34 733	18 622	9 555	—
Bracken	0	234,7	65	—	13 846	38 870	341	1 038	7,4
June	5	40,6	195	761,66	18 764	34 781	1 499	1 815	12,9
Buffels	573	6,4	3 666	188,65	29 487	38 383	17 725	10 773	97,6
June	557	6,4	3 582	188,86	29 368	35 158	22 050	9 857	89,6
Grootvlei	119	5,2	621	175,75	33 680	38 400	3 384	2 168	19,0
June	111	5,6	617	180,45	32 464	34 020	2 110	1 626	14,2
Kinross	469	6,7	3 160	163,38	24 249	38 372	25 682	20 740	115,2
June	466	6,7	3 120	160,95	24 039	34 364	22 988	15 114	83,9
Leslie	101	6,7	677	181,46	27 072	38 770	6 516	4 374	27,3
June	99	6,8	666	183,28	27 107	35 023	3 731	2 465	15,4
St Helena	202	6,2	1 250	190,58	30 799	36 528	6 906	6 206	64,5
June	173	6,3	1 082	204,86	32 755	35 314	5 628	5 576	57,9
Stilfontein	293	1,0	292	33,05	33 168	36 880	2 200	3 279	25,1
June	290	1,0	300	32,63	31 547	34 329	2 144	3 922	30
Unisel	170	5,3	907	180,19	33 774	39 356	5 014	2 196	7,8
June	190	6,3	1 200	185,97	29 446	35 194	5 950	3 174	11,3
Winkelhaak	421	6,5	2 738	190,04	29 222	38 330	20 584	10 796	88,6
June	419	6,5	2 730	196,68	30 186	34 497	15 544	7 507	61,6

Westwits boosts CMC's results

ANDY DUFFY

A STRONG showing from West Witwatersrand (Westwits) lent gloss to an otherwise patchy set of September quarter results for the gold mines operated by Consolidated Mining Corporation B/Day

The mine — which treats underground, opencast and heap leach ore — pushed net earnings up nearly a third to R6,3m, on the back of a higher tonnage and yield.

Westwits's production rose from 821kg to 882kg, exploiting a gold price ahead 6,3% at R37 220/kg, to leave operating profits ahead at R10,37m (R8,45m) 21/10/93

The mine's contribution was not matched by sister company Benoni, where earnings dropped from R1,9m to R1,4m

The sand and slimes operation was hit by a plant breakdown which led to a three-week loss of production at one of its mills

Though supplementary slime cushioned the impact on tonnage, the yield was forced back to 0,65g/t (0,71g/t), cutting gold production from 394kg to 361kg.

CMC said Benoni was now treating higher grade material, which would boost gold production in the December quarter

Mining at the Droogebult section of Witwatersrand Nigel started in July, following the recovery in the gold price The operations had been contracted out and the ore was being toll treated The formerly moribund mine again cut its losses, from R101 000 to R31 000 for the period (214)

Gengold posts solid 20% earnings rise

ANDY DUFFY

GENGOLD, Gencor's gold business, combined a solid operating performance and higher gold revenues to lift its earnings by a fifth in the September quarter B/Day

It limited its average rise in costs to 1,1% at R27 377/kg, while higher gold output exploited an average gold price up 10,5% at R38 414/kg, leaving total distributable earnings at R73,6m (R60,6m)

Four of the 10 mines brought costs down, while seven enjoyed healthy production increases "Our bottom-line figures are much better," Gengold MD Gary Maude said "A lot of it is due to the gold price, but certainly not all of it" 21/10/93

Maude said Winkelhaak had proved to be the star performer Buffelsfontein, Leslie and St Helena also provided strong showings, but costs and grades at Unisel slipped as the mine brought its production down, cutting earnings 40% to R2,1m

Maude said developing mine Oryx had shown a strong improvement in grades in the past month, although it was still unclear what impact this would have on plans to refinance the struggling mine

Gengold was pushing ahead with plans to expand capex on various mines The gold price had slumped, but Maude said there was "still underlying strength in the market The overall trend is upwards"

● See Page 12 (214)

Gengold mines come up with bumper earnings

Star 21/10/93

BY DEREK TOMMEY

Gengold mines produced bumper profits in the September quarter, with several paying sharply higher dividends

Taxed income of the producing mines jumped 17 percent from R100,3 million to R117,3 million, while distributable income rose 22 percent from R60,6 million to R73,7 million

This is more than half as much again as the R48,3 million earned by the mines nine months ago. (214)

Unisel has declared a final of 20c, making 35c for the year (15c last year)

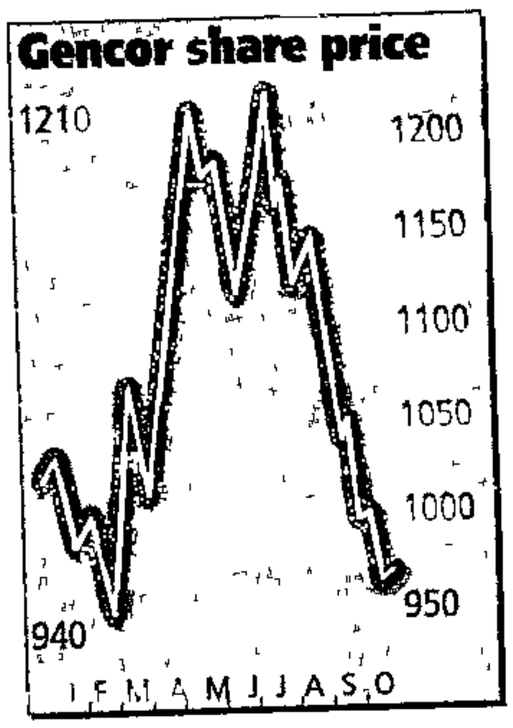
Kinross is paying 180c, making 300c for the year, against 245c last year

Bracken, despite being extremely near to closing, is paying 30c (70c for the year against 50c last year)

Leslie is paying 35c, making 55c for the year, against 20c last year

Winkelhaak is paying 130c, making 200c for the year, against 50c last year

The improvement in profitability has led to greater group confidence in gold and to a greater willingness to make new investment



The group spent R43,6 million on capital expenditure in the September quarter — an increase of 9,8 percent from the June quarter

Gengold MD Gary Maude says three of the mines have projects under way which will cost about R200 million

The star of the quarter was **Winkelhaak** which increased distributable profit from R7,5 million in June to R10,8 million

Beatrix increased distributable income from R9,6 million to R12,1 million, despite increased capital expenditure

The unrest at Beatrix has ended and the mine has settled down well The 10 percent pay rise was well received

Bracken had earnings of R1 million (R1,8 million) and is likely to close in about two years' time

Buffelsfontein is doing well and earned R10,7 million (R9,9 million).

Grootvlei, which was given six months' notice to improve last quarter, lifted earnings from R1,6 million to R2,6 million

But the mine is still marginal, says Maude.

St Helena, helped by the introduction of huge vacuum cleaners to suck up gold particles, increased its distributable income from R5,6 million to R6,2 million.

Nine months ago the mine was running at a loss.

Plan to increase JSE ownership of Target

B/Day 22/10/93

(214)

ANDY DUFFY

ANGLOVAAL wanted to increase the JSE ownership of its Free State gold exploration company, Target, the group said yesterday

Detailing the terms of Target's R393m rights issue, mining house Anglovaal said the cash call could boost minority ownership from just under 2% to around 18%

This would make Target more attractive to investors, and help pave the way to a far larger cash call should Target opt to put down a fully fledged mine

Anglovaal's Loraine gold mine, which holds 25% of Target, was likely to be diluted back to just 4%, after taking a decision not to follow its rights

But the combined stake held by Anglovaal and Anglo American would rise from 73% to 78% Anglo American would move from 17% to 30%, and Anglovaal, underwriting the offer, should be cut back from 56% to just 48%

Anglovaal confirmed it would take three years of exploration before a decision could be taken on whether pursuing reserves at the site was viable

The R393m would be used to finalise a detailed evaluation of the site and quantify the technical risks The reefs would be accessed from adjacent Loraine gold mine.

Anglovaal consultant mining engineer Roger Dixon said the development could take three possible routes forward

It could sink a new shaft system at a cost of R1,5bn, with production beginning in 1998 In full production the mine would mill 135 000 tons a month, grading 11,58g/t down to 8,85g/t as it reached the end of its 20-year life

The development could be restricted to Dreyerskuil Reef south and the Eldorado main fan, where production would be 45 000 tons a month, grading 11,64g/t over 20 years

In the worst-case scenario, Target would focus on the main fan, which would yield 41,8 tons of gold. This would cost just R331,6m.

Target's financing matches the cautious pace of its development Shareholders will be offered 200 linked units, consisting of one new ordinary share and one unsecured automatically convertible debenture, for every 100 Target shares held

Though Target wants to raise the cash now, it will draw on the R393m in three tranches The first R130m will be used to fund decline development and underground drilling from the start of next year. The second tranche to extend work and begin predevelopment will be raised in 1996, when convertible debentures worth R130m will be converted into shares.

The decision about Target's direction would be taken before the third tranche was converted in 1997 The debentures could be redeemed in the event of Target deciding to abort the development

Freegold shaft 'to protect 3 000 jobs'

B/Day 22/10/93

ANDY DUFFY

ANGLO American's decision to spend R371m on sinking a new shaft at its Freegold operation would provide replacement reserves for the mine and safeguard 3 000 jobs, the company said yesterday.

(214)

The shaft — Freddies No 4 — would access 13,65-million tons of reserves on Basal Reef, grading an average 7,24g/t on 80 000 milled tons a month. It would produce 106 tons of gold in its 19-year lifespan.

The escalated cost would be R540m, funded using Freegold's tax shelter, and possibly drawing on a $20m borrowing facility Shaft sinking would begin by next June with the stoping build-up starting in 1999. It should hit full production by 2002.

Anglo said the project had been evaluated at a base gold price of R37 000/kg, though it could cover its R202/t working costs at a gold price of R27 930/kg.

The company gave the go-ahead yesterday, before unveiling September quarter results led by Freegold's performance.

But it was a performance underpinned by higher revenues. Freegold's tonnage dropped 7% to 6,1-million tons, after deteriorating grades forced the President Brand gold plant to close three months early

Though the average grade moved ahead 4,67g/t (4,43g/t), reef grades again slipped, from 5,65g/t to 5,47g/t. Gold and uranium division MD Lionel Hewitt said management had attacked slipping grades following the decline in the June quarter, but yields only came back on track in the last month of the quarter

Gold production fell back to 28 820/kg, while unit costs — inflated by the wage settlement — rose nearly 5% to R31 455/kg The mine declared an interim dividend of 190c a share, up 81% on the same period last year.

Industrial action hit production at No 2 and No 5 shafts at Vaal Reefs which, combined with a slight drop in yields, cut the mine's gold production to 18 708kg (19 262kg) The disruption and the wage settlement lifted costs 10% to R27 327/kg. The mine's tax bill jumped 83,1% to R47,8m, after capex fell from R114,9m to R63,6m.

Western Deeps lifted tonnage 3,2% to 1,6-million tons, and reaped revenues 6,5% higher at R39 577/kg. But low grades on the Ventersdorp Contact Reef (VCR) knocked production back to 10 755kg (11 000kg), while costs bounded forward 7,8% to R27 255/kg

Hewitt said figures suffered from comparison with a very strong June quarter.

With its stockpile depleted, Elandsrand was focusing on increasing tonnage to compensate for its falling yield. In the last three months, however, its tonnage dipped slightly, the grade sharply, and production more sharply still

Ergo too suffered the pain of transition. The Daggafontein division was pursuing lower grade material at several smaller dumps, which pushed unit costs up 10% to R27 049/kg, and cost of materials more than a third to R5,1m.

The material now being treated by the Ergo division was highly acidic, which also pushed unit costs forward, from R27 705/kg to R29 904/kg

Treated material dipped marginally, leading to a slight fall in production to 3 020kg (3 098kg) Ergo's interim dividend rose 125% to 45c

ANGLO AMERICAN September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 176**	**4,67**	**28 820**	**147**	**31 455**	**39 201**	**171 059**	**121 426**	**103**
June	6 636	4,43	29 429	133	30 155	36 275	128 257	102 496	87
Vaal Reefs	**2 963**	**6,31**	**18 708**	**173**	**27 327**	**39 332**	**127 101**	**63 818**	**334**
June	3 006	6,41	19 262	159	28 842	36 054	175 688	70 734	370
Western Deeps	**1 688**	**6,37**	**10 755**	**174**	**27 255**	**39 577**	**111 345**	**42 480**	**153**
June	1 635	6,73	11 000	170	25 274	37 140	114 577	38 066	137
Elandsrand	**580**	**7,71**	**4 470**	**179**	**23 212**	**39 106**	**70 934**	**29 393**	**30**
June	583	8,60	5 014	182	21 188	36 041	72 713	28 675	29
Ergo	**11 327**	**0,27**	**3 020**	**—**	**—**	**39 785**	**18 208**	**12 107**	**26**
June	11 563	0,27	3 098	—	—	36 084	14 468	11 073	22

Star 22/10/93

R500-m project for Freegold

(214)

■ BY DEREK TOMMEY

Anglo American is to spend R500 million on a project at Freegold, its Free State mine The operation comprises a new shaft — Freddies No 4 Shaft, which should be in full production by 2002

This, together with sharply higher dividends from Freegold and Ergo, are the features of the group's September gold mining quarterlies

Freegold has declared an interim of 190c a share — 81 percent higher than the 105c paid a year ago

Ergo has increased its dividend by 125 percent from 20c last year to 45c

The Freddies No 4 Shaft will have a capacity of 100 000 tons a month and produce 106,1 tons of gold over 19 years at a recovery grade of 7,24 grams a ton.

The project is based on a gold price of R37 000/kg and should break even with working costs of R27 930/kg and working costs plus capital of R30 589/kg

Clem Sunter ... increase came from a high base.

The operation should save R300 million a year in foreign exchange, provide 3 000 jobs directly and many more indirectly, and give business to suppliers of goods and services

The group's available profit from gold rose by 7,2 percent from R251,2 million to R269,2 million

Gold division chairman Clem Sunter says the increase came from a high base

Gold production dropped by 3 percent from 67 803 kg to 65 773 kg But average revenue was 8,2 percent higher at R39 320 kg (36 327 kg).

Average unit costs, reflecting the pay awards granted during the quarter, rose by 7,2 percent from R26 982/kg to R28 930/kg

Capex

Total working costs were up 4 percent from R1,83 billion to R1,90 billion

Capital expenditure fell 12 percent from R265,5 million to R233,6 million

Sunter says the recent rise in the gold price reflects greater US investor interest

Low returns on equities and fears that inflation could knock the bond market are making investors seek alternative investment avenues, he feels.

Another possible factor is that the continuing world recession, which has lasted much longer than expected, is leading to concern about the stability of many parts of the world This could also be leading investors to show greater interest in gold

Freegold increased its available profit by 18,4 percent to R121,4 million.

Ergo's available profit rose 9,3 percent to R12,1 million, while **Vaal Reef's** available profit dropped from R70,7 million to R63,9 million.

This was mainly the result of labour unrest at two shafts, which cost about 500 kg of gold in lost production.

The mine's total production dropped from 19 262kg to 18 708kg

Western Deep had an available profit of R42,5 million (R38 million) and **Elandsrand** an available profit of R29,4 million (R28,7 million).

Target makes R393-m rights offer

Star 22/10/93

■ BY DEREK TOMMEY

Target Exploration, which owns mineral rights to the north of Free State gold mine Loraine, is raising R393 million by a novel rights issue to finance further exploration.

Target is offering shareholders the right to subscribe for 200 linked units for every 100 Target shares held at R9 a linked unit.

Loraine is passing its rights to the linked units to its shareholders, who will have the right to subscribe for 67 linked units for every 100 Loraine shares held

Each linked unit comprises one new ordinary Target share at R3 a share and and one unsecured 11,25 percent automatically convertible subordinated debenture of R6, bearing interest at 11,25 percent a year. Target shares are trading at R8 (214)

The unit is structured so that should initial development indicate the mineral rights will not support a large mine and therefore warrant no further exploration, the debenture-holder will be repaid the nominal cash value of his investment

Should Target go ahead with its mining plan, then each debenture will be convertible into two Target shares

So far, 17 surface boreholes and four deflections have been drilled in Target's mineral area and significant gold grades have been found

These boreholes are to be followed up with underground exploration

Should this exploration reveal substantial ore reserves, a gold mine milling 135 000 tons of ore a month and costing R1,5 billion, will be established.

Should no additional ore reserves be found, Target will mine from Loraine the 2,5 million tons of known reserves at a rate of 30 000 tons a month

Duiker's earnings rise again

MATTHEW CURTIN

DUIKER Exploration, the Lonrho-owned coal and gold producer, reported a fourth successive quarter of improved earnings, which rose to 77,6c (67,2c) a share in the three months to September 30.

The company declared a 45c final dividend, taking the total payout in the year to end-September to 63c (50c) B/Day

The steady improvement in results — due to better export coal sales, higher gold output, firmer bullion prices and the weakness of the rand — lifted earnings for the full year to 216,1c (150,1c) a share

A 50% jump in after-tax profit to R31,1m (R21,6m) was accompanied by a similar fall in capital spending to R10,9m (R20,3m)

Duiker followed its rights and secured a small stake in Eastvaal Gold Holdings, the company through which Anglo American is developing its R1,7bn Moab gold mine

Chairman and MD Terence Wilkinson, appointed an executive director to the Lonrho board this week as part of the group's boardroom reshuffle, and technical director Hugh Stoyell were unavailable for comment yesterday

Quarter-on-quarter steam coal sales climbed by nearly a third to 1,38-million tons (1,07-million tons) with Duiker's first shipment to Taiwan Power Company spokesman Tony Howard said anthracite sales tumbled to 10 513 tons (110 584 tons) because of delayed shipments. Gold output from the group's Klipwal mine was unchanged at 83kg 22/10/93

Sales revenue was not disclosed, as usual, but operating profit improved to R15,6m (R13m) as mining income rose to R13m (R10,7m) (214)

Income from Duiker's associate company, the 36%-held Eastern Gold Holdings that has a stake in the Erfdeel division of Anglo's Freegold, fell to R3,21m (R3,39m)

Pre-tax profit was R18,8m (R16,4m) and with higher tax provisions, after-tax profit stood at R11,2m (R9,67m).

Taxman to reap bonanza

(214) ARG 23/10/93

■ Several gold mines have "pawned" tons of gold and hope to get record earnings

TOM HOOD, Business Editor

THE taxman is about to rake in a bonanza from the country's gold mines

Profits at several mines soared in the September quarter, helped by a combination of higher international gold prices, astute forward selling by mining companies and a lower rand rate boosting earnings

And even more tax could be raked in even if gold prices drop, because mines this week revealed the huge amounts of forward production they have sold at sharply higher prices than today's

Tax paid by Anglo American's Free State gold mines, for example surged by 33 percent or R41 million to R167 million in the quarter after allowing for a drop in tax paid by some mines

But individual mines paid whopping increases

Freegold paid R78,4 million — a jump of 18 percent on the June quarter

Vaal Reefs paid almost R49 million — a leap of 83 percent and Western Deep paid R30,9 million, up 37 percent

Chamber of Mines figures show the gold price averaged $375 an ounce in the September This represented a $25 percent or seven percent premium on the $350 average for the June quarter

With the lower rand boosting export earnings, Anglo's Free State mines received an average of R39 320 a kilogram for their gold — up a whopping R2 993 or 8,2 percent

And this was achieved while gold production dropped two tons (3 percent) to 65,8 tons to

However these mines have sold forward 17,75 tons at prices between R40 157 and R44 994 a kiolgram

This amount of gold equals about eight months of current production

Freegold, the world's largest gold complex, disclosed this week it had sold forward 92 000kg of its production at prices of up to a record R47 000 a kg

September quarter's production was 28 820kg

Vaal Reefs hedged 52 242kg against production of 18 708kg in the last quarter

Western Deep hedged 26 113kg (10 755kg produced in Septemeber quarter)

Part of these sales consists of US dollar-priced spot deferred contracts which had been converted to rand prices at a forward rand value based on a spot rand/dollar exchange rate of R3,38 available on 1 October 1993, said Freegold's directors

Additional short-term trading positions were not included In the event that such positions were converted into outright forward sales, they would be included in future reported hedged figures

"The previous quarter was really outstanding," gold division chairman Clem Sunter said "It was difficult for us to improve on that, but we have done it and that's due to the gold price"

However, he warned of continued volatility in the gold price as investment demand from the United States would remain stronger than fabrication demand from the Far East

"We're feeling good about the gold market, but it would be nice if the Far East came back into the market, particularly China, with jewellery demand"

ST Times (Buss)

New shaft looks a winner

24/10/93

By JULIE WALKER

ANGLO American's Freegold mine is to sink a shaft in the north-east of its lease area between Welkom and Odendaalsrus

Freddies No 4 shaft, due to reach full production at the end of 2002, will provide replacement ore as other areas are worked out. It will ensure employment for 3 000

Clem Sunter, chairman of Anglo American's gold and uranium division, says the shaft will cost R371-million in today's money and R540-million in escalated terms It will be sunk 2 930m below surface and hoist 100 000 tons of ore a month, 80 000 of which will be milled to yield 7,24 grams a ton over 19 years.

The project has been evaluated assuming a gold price of R37 000/kg It breaks even at the operating level at R27 930/kg and can service capital at R30 589/kg The current gold price is above R42 000/kg

Mr Sunter says Freegold's tax shield will partly offset the cost of the shaft. Loan facilities total $20-million

The week's rising gold price — to above $370 oz — was complementary to a good set of quarterly results from Anglo American, JCI and Gencor

Anglo's mines achieved more than R39 000/kg revenue for their gold, dump retreater Ergo receiving top price of R39 785 Freegold lifted its interim dividend by 81% to 190c and Ergo's rose by 125% to 45c

Only Beatrix among Gengold's mines topped R39 000/kg Most of its mines received more than R38 000 although St Helena and Stilfontein received less than R37 000/kg (214)

JCI's trio ranged from Joel's R37 142/kg to Western Areas' R38 091/kg

Western Areas closed the profit gap on sister and JCI flagship Randfontein Estates In the three months to September, Western Areas earned R45,2-million after tax Randfontein made R57,2-million out of more than treble the number of tons milled

Counting output from HJ Joel, JCI gold production for the quarter was a record 13 229kg, fetching an average price of R37 744/kg including forward sales

On behalf of its mines, Anglo has sold some gold forward until 1996 at more than R45 000/kg JCI has contracts until June 1995 for more than R41 000

Gengold has no such contracts beyond next May at R37 020 Gengold ceased forward sales this May as the gold price began to rise

Gengold's Gary Maude says the group does not sell more than 12 months' forward and will concentrate on puts — options on price movements — to hedge its revenue

The Gengold XI had a fair quarter

Grootvlei changed for the better, although it is not out of the woods St Helena has flourished since vacuum cleaners were brought in a year ago to help recover gold being lost underground

Mr Maude had better news from St Helena's Oryx division, tempered with the warning that monthly development figures should not be seen in isolation

Oryx has run into hot water — literally Intersections are common in Free State mines and the water is 56° C Each of the 169 intersections has had to be plugged with cement

No report was made on dormant West Rand Consolidated

A MINE AMONG THE MEALIES: Anglo's gold and uranium division chairman Clem Sunter and MD Lionel Hewitt turning No 4 shaft's first sod

Quarterlies show rising trend in profits

Gold mining on mend

Star 25/10/93

(214)

BY DEREK TOMMEY

THE drive for greater efficiency and cost containment is beginning to bear fruit

The gold mining industry is enjoying a major recovery, quarterly results show

After years when the key concern of a major part of the industry was just to survive, revenue and profits are starting to rise

The lessons learnt during the bad years — particularly the need to contain costs — are beginning to pay off

The drive for greater efficiency, so essential when the gold price was weak, is making a major contribution to profits now that the price is higher

Perhaps the most welcome aspect of the recovery is that the industry is pumping more money into circulation than ever before, which should boost the languishing economy.

The industry is again making a major contribution to the Treasury.

The Government can take up to 58 percent of the industry's profits and the higher earnings are providing a tax bonsella

The revival of the industry as a major taxpayer might lead to some reduction in the tax burden on individuals

Initial figures indicate that revenue from gold rose by about R470 million, or 8,8 percent, in the September quarter to around R5,8 billion

The increase in working costs was held to R180 million, or 4 percent This is considered an exceptional achievement in the face of pay rises averaging 9 percent given to most of the industry's workers

However, at mines still in difficulty, such as Joel in the JCI group, the pay rises were well below this figure

Higher earnings boosted tax payments to about R482 million in the September quarter — an increase of R168 million, about 52 percent, on the June figure

However, there was a significant drop in the mines' capital expenditure to under R500 million

As a result, available profit for distribution or for re-investment did not fall to the same extent as the rise in tax. Distributable profit actually rose by around R193 million to R720 million

The better times have greatly increased confidence in the outlook for gold and the mining houses are starting to announce expansion programmes

Gengold is committed to new projects costing R200 million

Anglo American, which has already made a major commitment in the Moab gold mining venture, is following this up with a new shaft at Freegold The shaft and its ancilliary works are expected to cost R500 million

The day Anglo made this announcement Anglovaal said it would spend R390 million on exploring the mineral rights held by Target Exploration to the north of Free State mine Loraine

Anglo is playing a major financial role in this operation as well

Expectations are high that JCI will announce plans in the near future for the development of its South Deep project adjacent to the Western Areas mine on the Far West Rand

None of these ventures falls in the billion-rand class for the industry is still cautious

It does not want to be caught again with huge capital commitments at a time of a tumbling gold price, so current projects are mainly ones that can be put on hold if the mines' financial position deteriorates

But the longer the gold price remains at its present level, the greater the likelihood that the industry will dust off its major expansion plans and start investing on a much bigger scale

Gencor budgets for Oryx loss

ANDY DUFFY

MINING house Gencor has set aside more than R500m to cover potential losses in Oryx, just three weeks after the group went public on the funding crisis threatening the developing gold mine B/Day

In what it dubbed a "prudent" measure, Gencor has taken a R505m provision in its year-end accounts to cover the cash it has pumped into the Free State mine

Gencor, a 62,7% stakeholder in Oryx, provided most of a R979m loan to Oryx in 1991 with Genbel, Sanlam and Anglo American lending the balance But gold company Gengold warned this month that Oryx could need an extra R900m, after poor initial grades forced its break-even target to be delayed by three years

Chairman Brian Gilbertson said Gencor was not writing off its investment in Oryx, and that it had not ruled out the possibility of Oryx recovering But the provision was vital, given the amount of extra cash Oryx could need "The initial grades are substantially lower than those hoped for. It is going to take more time and money for the mine to break even"

Gencor had to wait until December when a full assessment was available on Oryx's future before making its decision "What do I do until that statement is made? It's prudent to make the provision," Gilbertson said. 25/10/93

All the geological and technical calculations for the mine were being revised. Gencor would be "disappointed" if the revised break-even date of 1997 could not be brought foward (214)

Gencor has been expected to continue supporting the mine. But Genbel and Sanlam, which together hold more than 30%, are thought to be reluctant to spend more on Oryx Gengold sources fear at least one shareholder could withdraw.

Gilbertson declined to say what impact its provision could have on other Oryx shareholders, saying only that Gencor could not run on the basis of trying to "influence some other company to do something or not to do something."

Business Report

'Gold could reach $600 level in long term'

By ARI JACOBSON

GOLD bullion has slowly crept back into favour and is at $370 an ounce but could reach $600 in the long term according to an analyst

At a seminar held last week a highly respected and top-ranked analyst predicted that the yellow metal could go as high as the $600 an ounce level in the long term

Based purely on technical and fundamental analysis he showed that bullion was most likely to head one way — and that was clearly upwards

What made his opinion even more compelling was his warning to the press that he did not want to be quoted Normally an analyst uses the press to fire up sentiment

One possible scenario is that the current inflation in financial assets forces investors to switch to other assets, at a time when the world debt problem is starting to be considered incurable

A major concern is the twin-deficit in the US, which seems unlikely to be solved

A possible strategy for governments ladened with debt is to print money, monetising the debt — but inflationary implications will follow

Then there is the upcoming Asian dominance of world economic growth and the habit of hoarding gold bullion in the region, which ranks alongside basic goods as an essential purchase

Now take all these factors and add them to a market that is relatively small (compared to other financial markets) and there seems to be a real possibility ~~that~~ the bullion price could lift-off, sometime in the future

The problem with bullion is that behind the charts and fundamental analysis is a hugely speculative or random component built into its price CT 25/10/93

In addition it has in recent times spiralled upwards or been sent into a tailspin, triggered by computer programs

These are just some of the reasons why without a crystal ball — gold bullion predictions will remain an inexact science

214

Rising costs undermine gains in the gold price

B/DAY 26/10/93

ANDY DUFFY

OLD producers had to fight rder to stop rising costs, or risk rfeiting the benefit of higher ld prices, market sources said sterday.

Though total earnings for the Sepmber quarter were ahead nearly e third at R774,5m, sources said the e owed far more to a 10% jump in ld revenues than to improved opering performances

Average working costs jumped 5% the June period and 7% on the 1992 ptember quarter to R883/oz, in rt due to higher wages

But mining analysts said several ld producers seemed to have slacked their hold on costs Gold producn and yields had also dipped

With dramatic bullion price gains likely in the three months to Dember, next quarter's earnings uld be static or slightly lower unss the rise in costs was arrested

Anglovaal led the rise in working osts, up 9% on the quarter to 891/oz. The rise was in part due to dustrial action at Eastern Transaal Consolidated.

Anglo American's costs rose 7% to R906/oz Analysts said the group seemed to have ditched its target of zero cost rises this year (214)

Costs at JCI mines rose 5% to R898/oz Though Gold Fields of SA reaped the benefits of a gold price ahead 17%, its costs rose 4% on the previous quarter and 15% on the same quarter last year to R772/oz.

Gengold fared better, keeping the rise to 2%, which led several analysts to claim the group had turned in the strongest performance Randgold's costs rose 1% to R1 097/oz, but the company has been beset by low grades, high debt and a restrictive forward-selling policy

Analysts said the strongest individual performer was JCI's Western Areas, which had combined higher tonnage and production with lower costs to post earnings ahead 70% at R37,7m.

But the JCI stable was also judged to include the quarter's weakest mine The struggling Joel operation fell into a R2,5m loss The mine is seeking R100m refinancing, but analysts believe it needs far more to secure its future

Though Joel's grade had improved in the last quarter, Mathison & Hollidge analyst Rob Gillan said the grade was still well below that needed to break even.

He said the mine had total debts of about R300m

Total capex for the quarter slipped 10% to R556,9m, which combined with higher earnings to lift the industry's tax bill more than half to R524m

Several analysts said capex could rise substantially as larger development programmes began to kick in

But an Irish & Menell Rosenberg analyst said the industry would not risk major expenditure because it was not convinced the gold price would hold.

Also, problems at Oryx, Joel and Gold Fields' platinum mine Northam had demonstrated the pitfalls of major new schemes "It's a risky business," he said

Optimism over gold eases back

(214) - CT 26/10/93

JOHANNESBURG — Early optimism over gold's weekend bounce back above $370 an ounce eased towards the close as it threatened to dip below that level Gold closed at $369,50 in New York last night

Dealers said the market was awaiting direction from foreign investors, who were mostly inactive today

Industrials too were awaiting fresh interest before converting mild increases into more substantial gains

The Gold Index, after falling 60 points in negative Friday trade, ended 30 points firmer at 1 746 — a 1,8% gain The gold board was also seen buoyed by the weaker commercial rand

Higher

The Industrial Index ended seven points higher at 4 502 and the Overall Index made 18 points to 3 890

De Beers was a rand higher at R84, which was off an R84,50 high Associate Anglos made two rand to R138

Richemont came under some late pressure in shedding 15 points on the day and SAB shed its earlier 50c gain to end steady at R65,50 Lonrho added five cents to R8,05

Barlows was 35c better at R40,10

Liberty was sold as it shed R1,50 to R62,50, while banker Absa collected five cents to R9,15

Engen was 50c softer at R34 and Sasol rose five cents to R18,55 Sappi made 25c to R20,50 and ended bid at R21 in a recovery from recent sharply lower levels

In golds, Vaal Reefs was two rand better at R360, Kloof was R1,25 up at R41,25 and Eastvaal added 10c to R3,20

Oryx fell a sharp 20c to R2,50 rand

Gencor, which announced a modest rise in earnings in the year to August 31, shed its early 20c gain to end unchanged at R9,30 — Reuter

Gold mines have to stop rising costs

CT 26/10/93 (214)

Own Correspondent

JOHANNESBURG — Gold producers had to fight harder to stop rising costs, or risk forfeiting the benefit of higher gold prices, market sources said yesterday

Though total earnings for the September quarter were ahead nearly one third at R774,5m, sources said the rise owed far more to a 10% jump in gold revenues than to improved operating performances

Average working costs jumped 5% on the June period and 7% on the 1992 September quarter to R883/oz, in part due to higher wages

Slackened

But mining analysts said several gold producers seemed to have slackened their hold on costs Gold production and yields had also dipped

With dramatic bullion price gains unlikely in the three months to December, next quarter's earnings could be static or slightly lower unless the rise in costs was arrested

Anglovaal led the rise in working costs, up 9% on the quarter to R891/oz The rise was in part due to industrial action at Eastern Transvaal Consolidated

Anglo American's costs rose 7% to R906/oz Analysts said the group seemed to have ditched its target of zero cost rises this year

Costs at JCI mines rose 5% to R898/oz Though Gold Fields of SA reaped the benefits of a gold price ahead 17%, its costs rose 4% on the previous quarter and 15% on the same quarter last year to R772/oz

Gengold fared better, keeping the rise to 2%, which led several analysts to claim the group had turned in the strongest performance Randgold's costs rose 1% to R1 097/oz, but the company has been beset by low grades, high debt and a restrictive forward-selling policy

Analysts said the strongest individual performer was JCI's Western Areas, which had combined higher tonnage and production with lower costs to post earnings ahead 70% at R37,7m

But the JCI stable was also judged to include the quarter's weakest mine The struggling Joel operation fell into a R2,5m loss The mine is seeking R100m refinancing, but analysts believe it needs far more to secure its future

Debts

Though Joel's grade had improved in the last quarter, Mathison & Hollidge analyst Rob Gillan said the grade was still well below that needed to break even He said the mine had total debts of about R300m

Total capex for the quarter slipped 10% to R556,9m, which combined with higher earnings to lift the industry's tax bill more than half to R524m

Several analysts said capex could rise substantially as larger development programmes began to kick in

But an Irish & Menell Rosenberg analyst said the industry would not risk major expenditure because it was not convinced the gold price would hold

Business Report

Cautious optimism on gold's future

(214)

Own Correspondent

CT 29/10/93

JOHANNESBURG — Prospects for the gold price are good as physical demand and new production appear to be in equilibrium and investors are more optimistic, N M Rothschild and Sons Ltd UK director Robert Guy said at the FM Investment Conference yesterday

But he warned forecasts were not always correct and advised mining companies to hedge at least 20% of their turnover as an insurance

"The future of gold looks good, but a little insurance would be wise," he said at the conference

The Far East — the current powerhouse of physical demand — appeared more willing to accept a higher price, said Guy A few months ago it disappeared from the market when the price rose above $350, but was now more prepared to accept a gold price of $365 "If this tendency is accompanied by better economic perfomance in the Far East, the physical demand could be very good by the end of the year"

On the supply side most main suppliers were increasing production but there was unlikely to be any major rise in output

Bullion investors were encouraged by the behaviour of central banks, the stronger physical demand, political and economic factors, the low cost of entry and low carrying cost because of declining interest rates, he said

In recent months several major central banks had openly stated their commitment to gold

The gold market had demonstrated great liquidity and innovation, said Guy Banks were becoming more involved in the market and taking higher risks The issuing of new instruments such as gold warrants had helped bring into the market new investors keen to stay

Jacobs, Mellett and Company director and mining analyst Robinn Kearney told the conference gold shares were likely to be the best performing equities on the JSE in 1994 as the bullion price appeared likely to hit $400 next year

She was bullish on gold as supply-demand fundamentals remained positive, the opportunity cost of gold shares was declining and the increasing risks in international security markets also favoured bullion Kearney said a small move in the gold price would give an enormous gearing on gold shares

Mining asset sales help boost Amgold outlook

B/Day 29/10/93

MATTHEW CURTIN

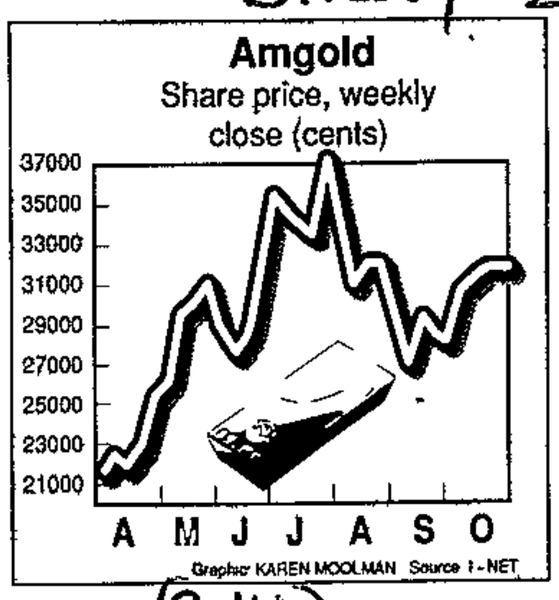
ANGLO American Gold Investment Company (Amgold) has upped its interim dividend by a fifth to 625c (525c) a share on the back of sharply higher investment income and asset sales from its portfolio of gold mines Earnings surged more than 50% to 922c (607c) a share

In the half-year to September 30, the period of the dramatic surge in bullion prices from $350 to $409 an ounce and back again, investment income jumped to R151m from R127m The improvement reflects higher gold mine earnings in the first two quarters this year from the weak rand plus rising dollar gold prices

Amgold, the most actively traded JSE gold counter, by value, after Anglo's Vaal Reefs, has significant stakes in Driefontein Consolidated, Vaal Reefs, Gold Fields, Freegold, Kloof, Zandpan and Western Areas, among its portfolio of listed and unlisted mining and exploration shares

In the recently announced multibillion dollar asset swap between Anglo and offshore arm Minorco, Amgold exchanges $147,5m stakes in Anglo American South America, an important source of investment revenue, and Australian investment arm South Sea Investments for shares in Minorco

Lower interest rates hit interim



(214)

finance income which slipped to R26,7m (R30,8m) That was more than offset by a R63,1m (R10m) surplus on sale of investments

A spokesman said the group was switching investments into longer life "relatively undervalued" gold mines After expenses, prospecting costs and social investments totalling R18,3m (R21,4m) and no tax, attributable earnings climbed to R223m from R147m

Anglo gold and uranium division marketing director Kelvin Williams said yesterday the gold market remained firmly in the grip of US managed funds, a new breed of professional speculators who had pushed gold prices above $400 in July/August and had returned to inspire the metal's recovery to $370 The funds were dealing largely in gold-linked derivatives through New York commission houses, unfamiliar with the bullion market, rather than "traditional" US and European banks

Gold prices had significant upside potential but another bull run would have to take place without the help of a George Soros-like intervention, which had fuelled gold fever earlier in 1993 Fund managers seemed to be encouraged by strong technical indications for support for gold in the $363 to $368 range, then at $370 and $375

Williams said it was clear that physical demand for gold, particularly in the Far East, had dried up again in spite of some buying when gold fell back below $350 after August

The establishment of real and stable interest rates in China, coupled with the strengthening of the Chinese yuan against the dollar, had dulled some of gold's investment appeal The "frenzied" gold buying of 1992 had faded, he said

Recession in Europe and Japan had also dented physical demand Japanese gold imports fell to their lowest level in six and a half years in July at 7,8 tons, with cumulative yearly imports down 7% at 107 tons from 115 tons in 1992, Williams said

High, steady bullion prices might encourage renewed central bank sales but the market was less worried about bank selling after the sensible way in which the large disposals in 1992 had been managed

Interim div up 20% at Amgold

(214)

CT 29/10/93

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Western Areas shares soar on higher yields

NANCY KEATES

A HIGHER gold price and a shift in mining methods is sending shares in Western Areas Gold Mining soaring

With yields up smartly from a year ago, the share price had risen to R35,75 by the close of trading on Friday from R2,60 at the beginning of the year B/Day

Analysts say the share price will reach R40 in the next few months Some are predicting as much as R60 by the end of the first quarter of next year 1/11/93

The mine's yield is now at 6,28g/ton from 5,29g/t in 1992 and about 3,5g/ton in the late '80s

Analysts say the yield could move to 7,0g/ton by the end of the fiscal year on June 30 Provided gold prices do not tumble, analysts say the higher yield should help Western's after-tax profit rise to R84,7m this year from R66,2m

On the back of the good price and production news, the company paid a dividend of 26c a share for the year ended last June 30, the first since a 16c a share dividend was declared in 1987 Equity International analyst John Thompson says the dividend could rise to 33,3c this year

The reason for the stellar performance is "a combination of a higher gold price, reducing the mine's dilution and changing from trackless to conventional mining," says JCI financial director Bill Conn (214)

Western Areas was a blue chip mine until the mid-'80s, with yearly net income just short of R100m

The trouble started in 1988, when its dilution, the amount of non-gold producing rock mined, became too high because of its decision to implement trackless mining, which replaces the traditional man-with-a-drill with a machine that mines large areas at once

The decision to go with trackless mining arose due to increasing wage demands by labour, which accounts for about 40% of a gold mine's operating costs, and a desire to keep up with the latest technology

"It was the new method of mining," says Conn.

The yield from Western Areas fell to about 3,5g/ton in 1988

With costs running high, Western decided to close part of its unprofitable northern operation in 1990 and subsequently spun off a new company, South Deep Exploration, now separately listed on the JSE

Western officials said the deal earned Western Areas about R150m, enough to pay off its debt

Since 1990, the gradually increasing gold price and reduction of trackless mining has left Western Areas with higher yields and lower costs

A higher gold price in the past year, which went from about $355/oz in early may to a high of $406,70/0z in early August and back to its current level of about $370, has allowed the mine to implement solutions to certain structural problems.

Declining inflation and lower wage demands have enabled the mine to reduce it trackless mining to about 10% of its operations from 85% in 1990

Western Areas has reduced its labour to about 8 000 from about 22 000 in 1985 Conn says the mine may have to hire people now that it has gone back to conventional mining

A result of the change back to conventional mining is a 14% reduction in working costs to R433m in 1993 (R503,8m)

No silver lining as gold tumbles

CT 4/11/93 (214)

From MERVYN HARRIS

JOHANNESBURG. — Gold tumbled on bullion markets yesterday as weakness in the silver price flowed over into other precious metals.

After [illegible] y in European trading gold's downward trend gathered momentum in early New York dealings with the price slumping more than $7 to touch a low of $361,55.

It [illegible] of its lows in London to close $6,50 down at $362,15 while platinum fell $3,65 to a London afternoon setting of $369,35.

The declines came as silver crashed to a four-week low of $4,24 on news that Xerox Corp had developed a silver-free film for graphic arts application, which accounts for about 8% of silver fabrication demand.

Reuter reports that some dealers were sceptical about the news. They said there had been similar announcements before and they would reserve judgment until further details of the process were known.

Bullion dealers said silver had merely provided the trigger for gold to shake out some of the weaker long positions. But others noted that gold had been looking vulnerable after its repeated failure to break through $370 last week.

Gold's sharp fall came shortly before the close of trading on Diagonal Street, accentuating the downward drift of shares with the JSE Gold Index finishing 55 points lo[illegible] at 1 700 in quiet trading.

However, Reuter reports deal-

Closing gold

(In $ an ounce)
NEW YORK·
361,25/361,75
LONDON
361,90/362,40
Fixing am: 367,95
Fixing pm. 363,25
ZURICH·
362,00/365,00
— Reuter

ers said the undertone was still strong and there had not been widespread heavy selling. Marginal gold mines such as Loraine and Doorns were hit worst.

Industrials started firmer but ran out off enthusiasm in the afternoon. Dealers said trade was dull but positive political developments ahead were helping to underpin the market.

The Industrial Index gained seven points to 4 539 and the Overall Index shed nine points to 3 907.

A feature of the day was solid demand for mining house Gencor, which completes its unbundling process on Friday. The share gained 35c to R9,85 and related Genbeheer added 50c to R9.

Leading counter De Beers lost 75c to R83,25.

In golds, Loraine dived R2,75 or 20% to R11 and Doorns lost 25c to R3,75. Dries shed R2,50 to R46 and Kloof lost R3,25 to R39,50.

Lion Match added 25c to R5,25 after news that Consol had bought its Interpak subsidiary for R205m. Lion later reported improved interim results.

Fuel companies Sasol shed 15c to R18 and Engen lost R1 to R32,25.

Star 2/11/93

RMP hoists profit 48%

BUSINESS STAFF

Rand Mines Properties (RMP) came up with a 48 percent increase in taxed profit from R13,1 million to R19,4 million in the year to September.

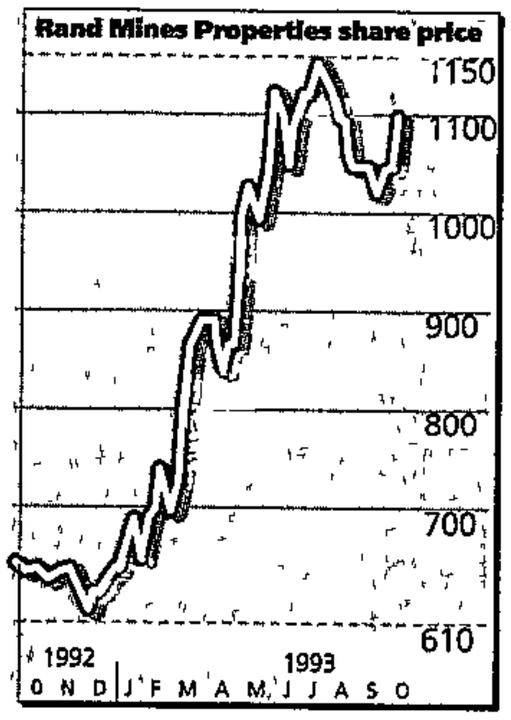
This is equivalent to earnings per share of 139c on an increased capital (106c last year), out of which a final dividend of 70c (55c) will be paid for a total of 100c (85c).

Results are not strictly comparable because of the acquisition of 78 percent of Barprop, which contributed R4 million to the bottom line and added muscle to an already strong balance sheet.

MD Colin Steyn says that apart from Barprop's contribution, group results were helped by a strong turnaround in the performance of its RM3 gold recovery operations in Johannesburg, which produced 4 200 kg, major reductions in operating costs, a higher head grade and better gold prices. (214)

The profit contribution from township land sales was 37 percent lower than in 1992 because of a lower level of demand for industrial and commercial land

Results are gratifying, says Steyn, against the backdrop of a nil-growth economy



Group turnover rose from R189 million to R227 million, while total operating profit rose from R18,6 million to over R40 million — reflecting the contribution from Barprop before servicing its loan stockholders.

Interest received was up from R5,4 million to R7,6 million, while servicing the Barprop loan stock increased the interest charge to R20,6 million.

The tax bill was down from R10,2 million to R7,8 million

Total group assets are now R502 million (R170 million a year ago), while total shareholders' funds are up from R119 million to R212 million

Randgold may pay dividend next year

■ BY DEREK TOMMEY

Randgold chairman Allen Sealey is mildly optimistic about prospects in his annual statement to shareholders, even though the future of Durban Deep gold mine is in doubt

Star

Randgold has a stake in and manages the former Rand Mines group's gold mines — ERPM, Harmony, Durban Deep, Blyvooruitzicht and Transvaal Gold Mining Estates.

2/11/93

Though none of them are paying dividends, Sealey expects some of them to do so in the coming years

Randgold earned R8,3 million in the year to September, equal to 28c a share — nearly double the forecast.

Sealey says profits are unlikely to show a major increase in 1994, but Randgold may declare its maiden dividend in respect of the 1994 financial year.

(214)

About 60 percent of Randgold's R50,5 million turnover was derived from fees, which are expected to increase marginally in 1994 A weaker rand in 1994 should increase the average spot rand price

Marginal

The four major mines managed by Randgold are high-costs and marginal They produce about 44 tons of gold a year and employ 34 000 people

Their strategy is to hold down costs and hedge forward sales to build financial reserves and resume dividends as soon as possible

Sealey says ERPM has established access to the central payshoot at the Far East Vertical Shaft system and production will increase in the coming years

Working profit improved sharply and the rights offer will eliminate debt and provide ERPM with surplus cash.

Tributing

Blyvooruitzicht's potential life has been extended to the year 2000 by its tributing agreement with Western Deeps Its R30 million capital expenditure will be funded from working profit and existing resources

Durban Deep is suffering from a fall in production and productivity, which is being exacerbated by violence among workers Unless production targets can be met the mine's closure will be considered

Productivity increases at Harmony rank it as a leader in the industry It is giving priority to rebuilding its finances, but no dividend is likely for the next few years

Randgold earnings top forecast

MATTHEW CURTIN

RANDGOLD and Exploration, established last year after the dismantling of mining house Rand Mines, reported earnings of 28c a share in the year to September 30, ahead of its pre-listing forecast of 15c and pro forma 1992 earnings of 9c

Despite the boost higher rand gold prices gave the group's gold mines, the company has passed its dividend to conserve cash resources to finance exploration Chairman Allen Sealey said dividend payments could start in 1994/5, although he forecast no improvement in earnings in the current financial year

Randgold owns four marginal gold mines — Blyvooruitzicht, Durban Deep, East Rand Proprietary Mines (ERPM) and Harmony — a wholly owned dump retreatment operation, Transvaal Gold Mining Estates, a 10% stake in a small Namibian gold mining operation and mineral rights in southern and west Africa

It is understood Randgold management is in talks with major shareholders Barlow Rand and Old Mutual about a possible management buyout of the group as Barlows prepares to sell its 26% stake as part of unbundling. B/Day 2/11/93

Revenue from management fees charged to the gold mines and dividend income stood at R50,5m (pro forma R29,2m). Pre-tax profit stood at R15,9m (R3,87m) after operating profit of R7,98m (R192 000), investment income of R10,3m (R10,5m), asset sales of R2,5m and exploration spending of R4,86m (R6,85m) (214)

Sealey said management recognised it held a portfolio of marginal mines, which nevertheless produced more than 40 tons of gold a year, and would strive to build their financial reserves through gold hedging and improved productivity Randgold was building new management models, in consultation with employee representatives, likely to be implemented this year

Western Areas and South Deep sizzle on gold board

Two hot properties

Star 3/11/93

ANALYSTS believe both could make further strong gains in the next 12 months

BY DEREK TOMMEY

Western Areas and South Deep Exploration have been among the hottest companies on the JSE

Western Areas' shares have risen from a low of 190c to R35,75c and South Deep's have come up from 350c to R39

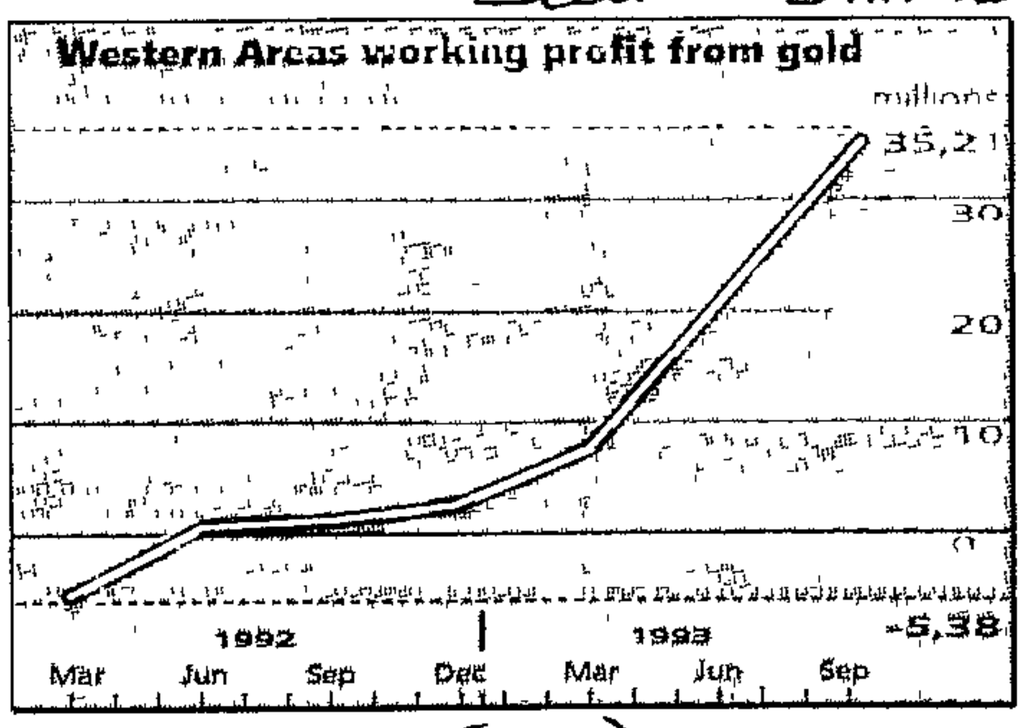
Analysts believe both could make further strong gains in the next 12 months, especially if the gold price goes higher.

Both have many things going for them. The strong growth in Western Areas' price reflects the sharp improvement in working profits and expectation of further rises ahead.

South Deep's price rise reflects the continued good values being discovered in underground development.

Since the the March quarter last year when it reported a loss, Western Areas' profits have been rising strongly

In the September quarter this year it reported a working profit of R35,2 million



(214)

Reasons behind the turnaround in Western Areas' profits were made plain in a recent visit to the mine

General manager John Brownrigg said part of the success was due to a young management team

But much also seems to be the result of getting its cash flow right. The process began in 1990 when it sold part of its lease area to South Deep and used the cash to pay debts

The resultant positive cash flow enabled it to build up a cash reserve, upgrade equipment and undertake extensive development

This led to the discovery of large quantities of high-grade reef in the South Shaft area and of adequate gold reserves in the North Shaft area

These finds have greatly improved prospects, which has led to speculation that Western Areas would be merged with South Deep and help finance its development

Some mining analysts believe there is more gold in the South Deep project area than in any other similar size area in the world

Underground development substantiates this view But mining the deposits will not be easy

They lie 2,5 kilometres below surface, which presents heat and pressure problems Part of the reef is exceptionally wide, which could present extraction difficulties

But JCI, which is developing the mine, has progressed cautiously and believes it has the answer to all the problems

Underground development at South Deep is taking place from No 2 Shaft Western Areas Limited ventilation from this shaft is restricting production at South Deep to 30 000 tons of ore a month

South Deep needs its own shaft if it is to mine on a large scale This, fully equipped, could cost up to R1,5 billion if Target gold mine's plans are anything to go by

Merging Western Areas with South Deep to help finance South Deep's shaft is a possibility

But the Receiver or Revenue has to agree

Also, Western Area's shareholders might prefer to keep all profits for themselves, even if this means paying tax, rather than merge with South Deep

Revenue boost for East Dagga

CT 4/11/93 (214)

BUOYED by an increased gold price, East Daggafontein Mines Ltd (East Dagga) reported increased revenue of R8,9m (R8,2m) for the six months ended September 1993, despite decreased gold production

Net income after taxation increased to R4,5m (R3,7m)

Earnings of R8,9m flowed from the sale of in excess of seven million tons of slimes to East Rand Gold and Uranium Company for treatment at the Daggafontein plant Some 1 503kg of gold (1 992kg) was produced

East Dagga chairman Peter Bieber, said difficulties with head grade and recoveries at the commencement of treatment of material from the slimes dams acquired from Gold Fields were the main reasons for the reduced gold production figures Elsewhere, the treatment of material from the Project Pluto slimes dams was progressing, and East Dagga earned R577 000 during the period under review

An interim dividend of 26c (25c) would be paid to shareholders

● Bieber said subject to shareholder approval, a decision had been taken to unbundle to the extent of distributing to its shareholders shares held in JSE-listed companies

East Dagga to unbundle

ANDY DUFFY

GOLD recovery holding company East Daggafontein is to unbundle, passing on to shareholders JSE stakes worth R13,5m by the end of the year. B/Day

Announcing interim results this morning, the company said the unbundling, which will leave it dependent on its slimes and sand operations, would unlock shareholder value in the company. 4/11/93

The shareholdings — in Lydenberg Exploration, Knights Gold Mining and Randex — were valued at R5m in East Dagga's 1993 accounts, against a book value of R14,3m. But gold's recovery since then has boosted the value of the holdings

Chairman Peter Bieber said last night shareholders would be offered shares worth R1 for every East Dagga share held

"These investments are not taken into account by the market in valuing the company," he said "This (the unbundling) will add value to shareholders' interests in East Dagga"

Its right to subscribe in Anglo American's Eastvaal scheme, through its 12,4% Lydex stake, will be offered directly to East Dagga shareholders.

In the six months to September, the company lifted net earnings to R4,5m (R3,7m). The interim dividend nudged to 26c (25c), as higher revenues and lower tax offset a deterioration in operating performance.

Revenues rose to R8,9m (R8,2m) despite a nearly 25% drop in production to 1 503kg prompted by failing grades and recovery from slimes dams material bought from Gold Fields two years ago

The material, on which it had spent R23,3m, had begun to hit forecast head grades The treatment of high grade slimes Project Pluto, in which East Dagga has a 9,5% stake, contributed R0,5m. (214)

Gold punches through $370

(214) CTS 11/11/93

GOLD punched through $370 in London yesterday, propelled by speculative activity and reports of physical buying

It closed $7 higher at $372,05, as Wednesday night's New York comex rally rippled across European and Far Eastern markets The resurgence continued in New York with gold opening at $373,85, from the previous close of $367,45 It was at $373,45 in late trade

Dealers said the rally was rooted in technical buying from US investment funds, and reports that demand from the Middle and Far East — long absent from the market — had re-emerged European institutions were also signalling plans to take up positions in gold

Industry sources said the metal could swiftly push past $375, breaking out of the technical trading range in which it has recently been embroiled

"There's very good reason to feel very constructive about the market, said a senior Anglo American official

The rally also gained momentum on fears that world markets were overheating, and rumours that international investor George Soros was selling US bonds ahead of a return to the gold market

Closing gold prices

(In $ an ounce)

NEW YORK
371,50/372,00

LONDON
371,80/372,30

Fixing am 369 10
Fixing pm 372 00

ZURICH
370,50 373 50

The JSE Gold Index, already enjoying heavy interest prior to gold's gains, ended ahead 72 points at 1 798. Vaal Reefs jumped R11 to R365, Western Deep rose R7 to R163 and Kloof gained R3 to R45

Gold's gains helped pull platinum to its highest level in two weeks at $374,50, and silver rose to $4,43 ($4,34)

● Meanwhile, JSE dealers said demand remained in place for quality shares and a short supply of scrip continued to underpin prices

The Industrial Index was a point better at 4 562 The Overall Index was 32 points higher at 3 978 All three ended at their day highs

Shares in OK Bazaars were bid sharply higher on news that 69% shareholder SAB had offered R10 a share to buy out OK minorities

OK shares were bid R1,75 higher at R9, but SAB lost R1,25 to R66,75

Barlows was 25c better at R41,25, Lonrho added 10c to R8,20 and Sappi rose 50c to R21,50

In golds, Eastvaal climbed 10c to R4,45 Gencor extended Wednesday's gains in adding a strong 65c to R10,45 in an apparent re-rating — Business Staff, Own Correspondent and Reuter

SOUTH DEEP EXPLORATION

Fm 5/11/93

Encouraging grades

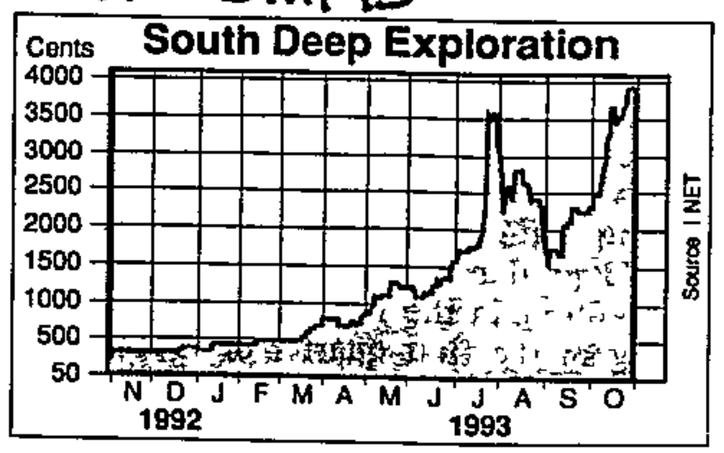
Activities: *Exploration company controlling the potential South Deep gold mine next to Western Areas on the West Rand* (214)
Control: *JCI 41%*
Chairman: *K W Maxwell*
Capital structure: *39,4m ords Market capitalisation R1,54bn*
Share market: *Price 3 900c 12-month high, 3 900c, low, 350c Trading volume last quarter, 200 000 shares*

Year to June 30	'91	'92	'93
Income (Rm)	13,7	16,5	10,1
Taxed profit (Rm)	11,9	15,0	9,5
Short-term investment (Rm)	172,0	132,4	111,5
Earnings (c)	46,8	38,0	24,0

Judging by the strength of the share price, you could be forgiven for thinking Soudex was already a heavyweight gold share instead of an exploration company which controls what could be the richest gold deposit left undeveloped in SA The share zoomed

South Deep's Maxwell *a factor in the equation*

Fm 5/11/93



from a 12-month low of 300c to a high of R38 in August After falling back, it recovered swiftly and is now almost back at the 12-month high

That results from the recovery in the rand gold price and the steady flow of good news from Soudex and neighbouring mine Western Areas, from where the initial development into the South Deep deposit is taking place The renaissance of Western Areas (see *Fox*) as a reliable and profitable producer is important to Soudex It raises the possibility of merging the two operations so that the R2,2bn-plus needed to fund Soudex to initial planned full production can be offset against Western Areas' tax shield

Soudex and Western Areas chairman Kennedy Maxwell acknowledges that such a development "is a factor in the equation we are looking at" (214)

Soudex's ore reserves are estimated at 130,4 Mt at an average *in situ* grade of 8,9 g/t, which Simpson McKie analyst Peter Bahnemann has described as "probably the largest accumulation of gold per hectare in the world"

The problem is that it lies at great depth — 2 400 m-3 500 m below surface — and the capital investment needed to establish a full-scale mine is so large that controlling mining house JCI was not prepared to take the risk under the kind of gold market conditions that ruled for the five years to the beginning of 1993 The house came up with an alternative approach to minimise capital outlay and get some early payback by developing into South Deep from Western Areas, then mining out the gold-bearing reefs in the pillar where the South Deep shaft will eventually be sunk

The immediate area around a shaft, known as the pillar, is usually left untouched to ensure the stability of the shaft Surrounding the shaft with solid rock absorbs the effects of any seismic activity caused by mining operations Miners normally go after the gold locked in the pillar's reefs only at the end of the shaft's economic life

The South Deep reserves are so deep that leaving a pillar of the correct size would initially lock up a large amount of otherwise readily accessible ore reserves This way the gold is recovered up front and as the reefs are removed in the South Deep pillar, they are immediately replaced with backfill which will stabilise the pillar

Once the reefs have been extracted and the area has been backfilled, the pillar will have been "destressed" and the shaft can be

Fm 5/11/93

sunk through it safely

So far, R144,7m has been spent at Soudex and, as last week's visit to South Deep by analysts and media showed, this project is going well with the grades encountered so far proving better than expected (214)

Gold production is expected to build up from 400 kg in the first quarter of 1994 to 800 kg in the first quarter of 1995 as the reefs in the pillar area are mined out The all-important backfilling plant has been commissioned and is up and running successfully, though not without some blood, sweat and tears in the early months of operation

The big question remains, when will JCI take the plunge and decide to start sinking the shaft? This decision could mean a large call for funds from shareholders. If the recent strength in the share price is anything to go by, it implies those investors prepared to take a favourable long-term view on the gold price must be standing in line for their rights

Brendan Ryan

Gold bounces up towards $380

(214)

CT 6/11/93

By ARI JACOBSON and KATHARINE BUTT

[illegible]

Closing gold

(In $ an ounce)
NEW YORK
376,75/377,25
LONDON.
377,30/377,80
Fixing am 374,40
Fixing pm 377,75
ZURICH
377,00/380,00
— Reuter

[illegible]

industrial stocks, to put their money [illegible]

[illegible]

R380, [illegible] R371 [illegible] R5[illegible] and [illegible]

Barlows gave up [illegible] R40 75 and SA Bre[illegible] its price at Ro[illegible] Ok Bazaars ende[illegible]

● St[illegible] across Europe yesterd[illegible] shares closed more than [illegible] at 3[illegible]. In Frankfurt [illegible] DAX index shed 50,[illegible] is, the French CAC 40 index [illegible]

Kloof was not insured for losses

ANDY DUFFY

KLOOF, SA's richest gold mine, was not insured for the loss of gold production following last month's accident which closed its No 3 shaft, parent company Gold Fields said yesterday.

Though action was being taken to limit damage to the mine's earnings, market estimates suggest gold production worth at least R100m a quarter could be in jeopardy as a result of the shaft's pipework collapse. B/Day 9/11/93

Alan Munro, Gold Fields group executive director for gold operations, was reluctant to quantify the likely losses but said that the processing of surface reserves could underpin earnings through to next March.

It was not clear at this stage how long the shaft, which accounts for between a third and a half of Kloof's production, would be out of commission. Gold Fields was hoping there would be minimal damage to earnings, but it was unable to say what the longer-term impact on Kloof's returns would be. (214)

Stockbrokers have been calculating likely losses based on a shortfall on the mine's recent average quarterly 8 000kg gold production.

Analysts believe the high-yielding shaft could be out of commission for at least three quarters. Even if the December and March quarters are covered, this could still leave Kloof short in the June quarter. The figure could be far higher than R100m if the shaft remains out of commission beyond that.

Munro pointed out that such calculations were just guesses. The policy of not insuring production was drawn up in 1888. "We cannot get insurance for everything, except at a price," he said. "I doubt we are unique in that." Gold Fields has been reluctant to comment on the effect of the accident. Munro added that treating Kloof's surface reserves — thought to be about 250 000 tons — would compensate for lost production, while redeploying staff and reactivating other areas of the mine could further underpin earnings. The impact on working costs would be minimal.

Consolidated Mining trebles its figures

B/Day 12/11/93

ANDY DUFFY

HIGHER revenues and operating improvements lifted earnings at gold and asbestos company Consolidated Mining Corporation more than threefold for the six months to September

The firm lifted earnings a share to 2,04c (0,6c) and restored its interim dividend at 1c Turnover rose 12% to R88,7m, while pre-tax income jumped to R15,4m (R6,8m). It also gained from a tax credit of R0,5m.

CMC chairman Gerald Rubinstein attributed the performance to "the healthy state of our gold and asbestos operations" and an improved gold price. He said all group companies, except the Wits Nigel gold operation, were paying dividends. The Droogebult section of the formerly moribund mine was restarted in July and would begin paying dividends soon. (214)

The company offloaded its control of loss-making diamond operation Carrig on Wednesday after a deal to merge it with Rex Mining.

CMC's valuation of unlisted HVL, in which it held 35%, was R15m

Joel gold mine shares too low to call for rights issue

B/Day 12/11/93

ANDY DUFFY

SHARES in JCI's H J Joel gold mine were too low to allow the mine to call a rights issue to raise the R100m it needed, sources said yesterday

Though the value of the counter had nearly doubled in the last three weeks to close at R3,40 yesterday, mining analysts said this was well below the price at which JCI would be comfortable issuing new shares.

JCI said Joel mine needed R100m as a safety net while its fight for survival was under way. JCI had to outline when and how it would raise the cash. It was considering several options, it said yesterday.

Analysts said the share, though off its lows, had to move far higher before a rights issue was feasible. On the current share price, Joel would have to issue nearly 30-million new shares to net R100m — diluting its sharebase by nearly a third — even before a discount deemed necessary by its performance to date.

"JCI believes in the share," said Irish & Menell Rosenberg analyst Duncan Ingram, "and (at the current price) it would be almost giving it away." Analysts said JCI was more likely to wait in the hope that the share would move closer to R5 before coming to the market, or explore other alternatives, such as issuing debenture stock or convertible preference shares.

(214)

Joel was thought unlikely to borrow the R100m, given that its present debts of about R300m were only just below its market capitalisation.

The Free State mine, the newest in JCI's stable, had been dogged by temperamental grades and high costs which had kept it in losses for three of the last four quarters and pushed up borrowings

Joel had moved to a seven-day working week, and cut monthly production by a third to 60 000 tons while it built up reserves.

The mine hit a year low of 85c in February, but had staged a faltering recovery since the September quarter after JCI announced grades had begun to improve It reached a year high of R3,80 last Friday.

ERPM forecast offers investors R44m payout

B/Day 16/11/93

ANDY DUFFY

RANDGOLD's debt-burdened gold mine ERPM could pay out R44m next year if investors heed its R550m cash call, according to the company's own detailed forecast.

The report — expected to form the basis for the rights issue prospectus to be released on Friday — also predicts a sharp rise in tonnage and yields to push gold production up by more than a fifth.

The dividend forecast translates to about 30c a share on a share base expanded ninefold by the refinancing, against ERPM's 366c a share loss in the three quarters to September. (214)

The report's figures are based on real-term revenues effectively static at R39 514/kg. Should the real-term gold price rise by just 10%, the value of the payout would rise 64% to R72m.

ERPM MD Glenn Laing refused to be drawn on the forecasts ahead of the prospectus, adding only that ERPM would pay a dividend next year.

But if proven correct, the figures are likely to answer ERPM's critics that the dilution of future earnings would offer shareholders only minimal returns.

The refinancing, confirmed two weeks ago, should eliminate a R523m debt that has belittled the East Rand mine, and leave it with R94m working capital.

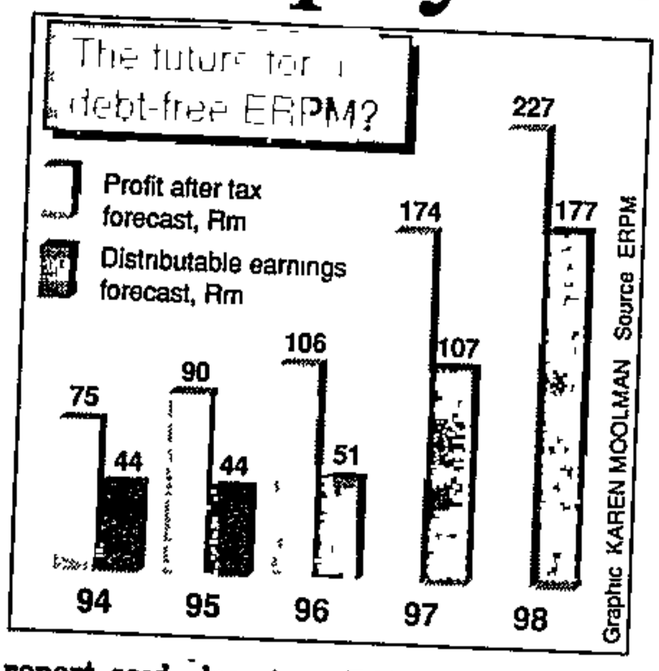
The 665 for 100 rights issue, and a R110m preference share conversion by Randgold, will lift the number of shares in issue from 16,6m to 149,3m.

Analysts remain divided, however, over ERPM's predictions, particularly its expected operating performance

The report said ERPM would focus on the high-yielding southeast and far east sections of the mine, which would lift tons milled 14% next year to 1,32-million tons and push grades to 6,1g/t (5,6g/t).

This would lift production to 8 051kg (6 546kg). The rise in working costs would be only 3% or R38,132/kg, ERPM said.

Attributable earnings would move from R44m next year to R177m by 1998, the report said, despite a R220m capex programme over that period.



But production would fall sharply from an 11 949kg peak in the same year as grades deteriorated The mine would have determined by then whether its Southern Payshoot reserves — estimated at 23-million tons and 1 100cmg/t — were viable.

Cause for concern was whether ERPM had left itself enough leeway to pay a dividend. ERPM itself put the attributable margin at just 1% next year, 4% in 1995 and 3% in 1996, possibly jeopardising the dividend if production were disrupted.

ERPM has spent much of the last week wooing the JSE investment community, after shareholders cleared the rights offer last Wednesday. Few JSE brokers are thought likely to recommend their clients follow the call

French and Belgian investors, however, who hold 62% of ERPM, may subscribe. "The French are eternal optimists as far as gold is concerned," said a JSE analyst.

The rights offer price — R5 — is 50% below the level at which the share stood on the day the terms were unveiled. Since then ERPM has wavered between R9,25 and R10, against a year high of R18,50 in June. Though buyers came in at R5 yesterday, there were no sellers. The share closed unchanged at R10.

ERPM forecasts R44m bonanza

CT 16/11/93 (214)

From ANDY DUFFY

JOHANNESBURG. — Randgold's debt-burdened gold mine ERPM could pay out R44m next year if investors heed its R550m cash call, according to the company's own detailed forecast.

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Capex programme

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Deelkraal to step up effort

ANDY DUFFY

GOLD Fields' Deelkraal gold mine had to bolster its performance if it was to fund vital expansion without threatening its dividends, the mining house said yesterday B/Day

Though Deelkraal has been hit by rising costs and falling production, Gold Fields said the mine's cashflow should pay for its R180m No 1 tertiary shaft if its yields and revenues improved 18/11/93

The shaft, due for completion at the turn of the decade, would access replacement reserves vital to the mine's future

Analysts believed Deelkraal would have to reduce its dividends during the shaft-sinking, or would be forced to seek external funding

Gold Fields said Deelkraal was aiming for internal funding, but it had several alternatives

These included a rights issue or convertible preference shares.

A spokesman said "There is a large piece of ore down there. By hook or by crook we are going to mine it It just needs better production and a better gold price to make it comfortable" (214)

The shaft had been mooted as a swift and inexpensive way to access ore needed to replace that currently being exploited between Deelkraal's 21 and 33 levels

The mine has suffered from a lack of available face, which in the September quarter left production at 2 157kg, 9% below that for the same quarter in 1992 Costs rose more than a fifth to R185,73/ton in the period

Though the mine's September quarter earnings rose more than a fifth to R18,5m on higher revenues, Gold Fields warned it was not generating sufficient cash to fund its capex Grade for the past five quarters has been well below the target 6g/t.

Deelkraal has sunk R18m into the shaft this year, barely keeping the work on schedule An estimated R220m will be needed for equipment once it is sunk

Freegold cautious over Erfdeel

ANDY DUFFY

ANGLO American's Freegold gold operation was a year away from deciding whether to push ahead with the phased expansion of its Erfdeel division B/Day

Gold and uranium division MD Lionel Hewitt yesterday said exploration at Erfdeel No 5 shaft had shown grades in line with projected forecasts and the mine was covering development costs 19/11/93

It would be another year before the company could determine whether yields on the Basal Reef would make development viable. Even then, initial expenditure was likely to be limited to "tens of millions, rather than hundreds of millions"

Capital expenditure would be in keeping with the limited knowledge of the now proven area, Hewitt said. (214)

Development of the shaft at forecast grades was dependent on a gold price of R40 000-R45 000/kg, against a current price of R40,212/kg

The No 5 shaft was now producing sufficient gold to show a small working profit and should cover the cost of exploration over the next year Freegold had still to determine the extent of possible reserves.

Minimal returns from Erfdeel's current operations at No 4 shaft had prompted Lonhro-owned Duiker Exploration to sell to Freegold its 36% stake in Erfdeel's holding company Eastern Gold Holdings

The higher gold price had lifted the mine into a working profit but, even at break even, Freegold would be reluctant to shut Erfdeel because this would disrupt costs across Freegold, he said

Rights issue the key to way ahead

Bright future forecast for a new-look ERPM

Star 19/11/93

SHAREHOLDERS are being asked to provide R553 million to repay debt and complete the Far East Vertical Shaft system

■ BY DEREK TOMMEY

The large sums of money being raised by ERPM should make it a highly profitable mine if gold rises above its present level.

This was the message chairman John Turner had for shareholders when he gave the background to the rights issue yesterday.

ERPM has been struggling for many years to open up the Far East Vertical Shaft system to work the central payshoot.

It has been seriously hampered by the low gold price and the need to pay interest on heavy debt.

John Turner ... gold sentiment has changed.

Shareholders are being asked to provide R553 million to enable it to repay debt and have enough working capital to complete the Far East Vertical Shaft system.

Shareholders are being offered 655 new shares at R5 a share for every 100 held.

Turner said ERPM was unable to meet its December loan repayment commitments and that without the rights issue the mine would probably have to go into liquidation. (214)

ERPM was now different from what it used to be.

There was greater confidence in the central payshoot. The grade of ore encountered was up to expectations and the intrastructure was in place to access the central payshoot.

Only relatively small expenditure was needed to exploit it.

He said gold sentiment had changed and the gold price today was higher than anyone thought possible a year ago.

Newly appointed MD Glenn Laing said recovery grade should be around 6 grams a ton. He expected underground production to rise from 1,3 million tons a year in 1994 to around 1,8 million tons in 1998.

Gold production should rise from 9 377kg in 1994 to 11 949kg in 1998

He saw no major problems in working the central payshoot ERPM had been in operation for 100 years and had already worked at depths equal to and lower than those in the Far East Vertical Shaft system.

There was, therefore, no need for a learning curve, no need for experiment and no need for new techniques.

ERPM was benefiting by moving away from incline shafts to more economical vertical shafts

Randgold's finance director Mike Heyns said that whether the mine's shareholders' took up their rights would probably depend on their view of the gold price.

Working costs at ERPM would be about R35 000 a kilogram, making it a high-cost mine.

Forecasts based on a gold price of $355 showed ERPM should be able to pay dividends of around 29c a share next year

Randgold's classic move restores a promising look to ERPM

21/11/93

S/Times (Buss)

By JULIE WALKER

THE classic gold play is how East Rand Proprietary Mines' management company Randgold views the rejuvenated mine.

The 100-year-old Boksburg mine is having a rights issue to raise R553-million Holders of 100 shares will have rights to 665 new shares at 500c each The current market price has fallen from R10, when the terms of the offer were made known, to 550c and trade in the nil-paid letters opened at 12c to 75c.

The mine has struggled along for 20 years and by the end of this year would have incurred long-term debt of R454-million, pumping loans of R38-million and a Randgold loan of R15-million

Repayment of the first instalments of the debt falls due before year-end and ERPM does not have the money For this reason, a rights issue now is critical

Management says everybody wins under the arrangements, which relied on the securing of an underwriter — FirstCorp and French group Paribas — with Randgold sub-underwriting a portion of FirstCorp's commitment to keep its shareholding at 29,5%. The big players cannot sell their shares for two years

Liquidation is avoided, lenders repaid, 6 500 jobs saved, the exposure of the SA Government to debt reduced, Boksburg reprieved and shareholders are only diluted and not wiped out

Excluding any mining of reserves beyond 2003, any cash or any break-up value attached to the mine thereafter, ERPM will not provide a real return on equity using Randgold's conservative gold forecasts

Randgold assumes a constant dollar price of gold at $355/oz, and depreciates the currency by the rate of producer-price inflation as forecast by the University of Stellenbosch's Bureau for Economic Research — 10%-ish.

In rand terms, the present value at 0% real return in 1994 is 406c and at 5% real return is 310c

But a 10% higher gold price lifts dividends and the present value at 0% climbs to 573c a share and at 5% to 443c The higher the gold price, the better the return on equity, hence the gold play (214)

Managing director of the mine, the entrepreneurial Glenn Laing, says investors can apply their own view on the gold price

ERPM shares will always be available in large numbers for speculators and investors — more than 14-million have traded this year There are 16,6-million in issue, which will rise to 127-million with the rights issue

ERPM forecasts a 29c a share dividend next year, rising to a peak of 159c in 1998. Thereafter, the grade has been marked down because of the reduced confidence level of predicting mineable grades after then, not because the grade drops

Only half of ERPM's 95km² lease area has been mined The mine's future is centred on the southeast portion in the new far-east vertical shaft system where in situ grades top 8g/ton, of which more than 6g/ton is recovered Exploratory work has identified faults and dykes and accommodated them in the mining plan

21/11/93

The use of ice in cooling the deep-level mine will allow access to previously sterilised ore blocks Ore will be sourced from the L, K and Hercules shafts as well as from the Far-East upper and lower sections. The Angelo dump is also being retreated Gold production should rise to 11,9 tons by 1998 from 9,3 tons in 1994

Mining costs exceeded revenue in recent years because the tortuous hauling from deep levels in the older, less modern sections of the mine is so expensive

Although ERPM will remain a high-cost producer, the mining cost is expected to come down from R33 400/kg in 1994 real terms to R27 300/kg in 1998 real money because the new workings are modern and recovered grades and productivity should rise.

Hedging of gold production is also a critical factor for ERPM's future to allow it to plan, secure minimum returns yet be flexible enough to allow the upside benefits of a gold rally to be reaped

Put options have been bought to secure the bottom price at $360 from early next year If the mine had hedged everything this month, the revenue would have exceeded the amount budgeted by 4%

ERPM intends to maintain a cash balance of R100-million at all times It is to invest a total of R52-million by 2003 in a tax-free trust to cover rehabilitation costs The mine will pay no tax in any event for several years because of large assessed losses and unredeemed capital expenditure

Mr Laing says that investors are effectively getting a R3-billion brand-new mine with tried and tested procedures, a proven ore body, trained workforce and complete infrastructure, for only R550-million

Investors need to be bullish on the gold price to follow their rights, but ERPM offers considerable leverage Mr Laing notes that the foreign participants have taken a bullish view on gold and that sentiment has turned

Golds revive on buoyant bullion

CT 23/11/93 (214)

A RISING gold price boosted gold shares on the JSE yesterday to sweep the Overall Index up 14 points past the July peak of 4 239 and close at a record 4 253.

Gold rose to its highest level in more than three months but was finding resistance in breaching the key $380 level A London dealer said gold could "go like a steam train" if it breached that level, Reuter reported.

The metal eased off a high of $379,20 in London to close 60c firmer at $378,95 as it shrugged off a World Gold Council report that demand declined 4% in the third quarter of 1993 from the same period last year

While gold demand for the first nine months of this year rose 6%, demand was depressed by a 15% decline in developing countries in the third quarter.

The council estimated demand at 560 tons in the third quarter, and at 1 187 tons in the first nine months.

The Overall Index came off a session high of 4 269 as leading industrials retreated in the face of weak international bourses Dealers said last week's buying stampede had pushed prices to "fancy levels" and some pullback was not surprising

Foreign buying was said to be less aggressive than last week when investors were prepared to pay higher prices for lines of industrials But solid underlying demand for quality shares was reflected in buying on the way down and share advances on the overall market led declines by more than three to one

Board of Executors' portfolio manager Rob Lee said the "emergent economy" status of the new SA was attracting foreign investors to the local stock market

Lee said this investor confidence, which is predominantly US-based, was flowing into previously under-rated industrial stocks

Lee added although the feeling was that the market would continue to rise steadily, there were still risks attached to investment in this country

A JSE dealer said industrials were looking a bit tired yesterday "It is not surprising considering London and the Dax"

Dealers said European share market weakness and an expected decline on Wall Street were behind the softer showing, but steady demand and limited supply were seen continuing, offering further support

The Gold Index made 44 points, or 2,3%, to 1 972 and the Industrial Index slipped 17 points to 4 884 after last week's 6,1% jump

Market leader De Beers ended better at R84 from R83,25 Associate Anglos added R1 to R162 Lonrho made a strong 35c to R9 and Genbel rose 10c to R6

Richemont came under pressure in losing R1 to R38 75. Barlows lost 75c to R44,25 and Remgro lost 85c to R29,75

Anglovaal was R3 softer at R112

An early strong start for bankers faded as Absa lost five cents to R9,15 and Nedcor slipped 50c to R26 Firstbank held its R2 gain to R82

Iscor dipped two cents to R1,89

In golds, Vaal Reefs added R6,50 to R399, Loraine made a hefty R1,50 to R20,50 and Kloof added 50c to R45,50 — Business Staff, Own Correspondent and Reuter

Closing gold

(In $ an ounce)

NEW YORK
378,10/378,60

LONDON
378,70/379,20
Fixing am 378,15
Fixing pm 378,40

ZURICH
377,50/380,50

— Reuter

Beatrix plans to phase in capex

WELKOM — Beatrix Mines said it planned to internally finance current ore reserves replacement projects on its northern boundary, while maintaining real growth in dividends. B/Day 24/11/93

"Capital expenditure will take place in phases, thereby enabling the mine to either curtail or accelerate expenditure depending on the gold price," finance manager Ferdi Dippenaar told mining analysts

Beatrix, owned by Gencor, is a young, low-cost gold producer which lies at shallow depth in the Free State goldfields.

Current reef production is 175 000 tons a month, which at an average grade of 6,1g/ton, produces 1 067kg of gold a month.

Beatrix plans to complete two decline shaft systems to access new deeper ore reserves over the next few years, at a cost of about R100m, as an intermediate step to sinking a No 3 shaft.

Officials said the No 3 shaft would be well below the initial estimate of R450m in 1993 money terms. The shaft is expected to be sunk within the next five years.

Dippenaar said any capital expenditure shortfall for the shaft would be met either by loans, a gold loan, or a rights issue.

The new projects will extend the mine's life to 2019 from a current expected 2008.

GM Sam Goodwin said a high development rate of 2,7km a month over the past 10 years had resulted in the No 1 and No 2 shaft areas being 76% developed. (214)

This gave Beatrix three-and-a-half years of fully developed ore reserves, which gave great flexibility in mining operations if the gold price fell — Reuter

Eersteling to lift production

■ BY DEREK TOMMEY

Refinanced Eersteling gold mine is to increase ore production from 6 000 tons a month to 13 000 tons a month by next June, while maintaining stringent grade control. Star

Chairman Donald Jowell says the higher output will lead to cost savings. Assuming no big fall in the gold price, profits before capital expenditure should increase.

At June 30 the mine had proven ore reserves of 140 000 tons, averaging 6,30 grams a ton. 24/11/93

Working costs in 1992-93 were R27 010/kg and the yield was 5,510 grams a ton (214)

Net profit was R2,5 million — equal to a diluted 16c a share A dividend of 3c a share was paid.

Upbeat Anglo report expected

B/Day 30/11/93

MATTHEW CURTIN

STRONG performances from Anglo American's gold mining subsidiaries and investments plus the rand's weakness against the dollar would underpin interim results from SA's leading mining industrial group, market sources said yesterday. (214)

Anglo reports for the half-year to September 30 today

The market is expecting to hear of progress on its major capital projects in SA and abroad — Columbus stainless steel, the Namakwa mineral sands development, the Moab gold project, a range of copper mining prospects in Chile and Peru, the Del Monte/Royal joint venture and the Zebra electric car battery project in Germany.

Analysts said they expected equity-accounted earnings to rise between 8% and 15% to as high as 550c a share, compared with 476c in 1992

Opinion was divided on the chances of an increase on last year's interim dividend of 90c One analyst said the improvement in earnings would bring them in line only with 1991/92 interim figures Since then the group had paid unchanged 90c and 255c interim and final dividends

Anglo would do without the large deferred tax break at subsidiary Amcoal, which lifted attributable earnings in 1992/93 to 660c from an underlying 611c a share Attributable earnings would still show a good recovery to 711c, one analyst said.

The results reported are Anglo's first since it and associate Minorco regrouped their assets in a $1,4bn swap in September.

Analysts said although the transfer of Anglo's non-African assets to Minorco would have no short-term impact on earnings, the move represented a sound refocus of the group's interests, particularly for investors wanting exposure to businesses previously fragmented through the group.

Anglo's share price has soared to record levels of near R160 in recent weeks amid the flurry of overseas interest in the JSE's blue chip counters The shares eased 50c to close at R156 yesterday

Analysts said firm bullion prices and the weak rand, which had lifted subsidiary Amgold's earnings and dividends, coupled with sharply higher dividend declarations from individual gold mining companies such as Western Deep Levels, Vaal Reefs and Elandsrand, would improve gold's contribution to earnings

The weak local currency would flatter the contribution from De Beers and diamonds, though it was not enough to mask a weak showing from Amcoal

Anglo's mining finance interest would make a good contribution after cash-flush Minorco turned in better interim earnings and dividends, although JCI had declared an unchanged dividend.

Analysts expected a flat contribution from Anglo's industrial interests but the strong interim showing from First National Bank would improve the contribution from financial services, they said.

The weak spot would be Anglo's platinum, base metal and other mining interests, reflected in the declining earnings and dividends seen at at Rustenburg Platinum, Samancor and Palamin

Anglo dividend up with robust results

B/Day 1/12/93

MATTHEW CURTIN

ANGLO American has increased its interim dividend by 5c to 95c a share after reporting a robust set of half-year results coupled with an upbeat business forecast for the rest of the year.

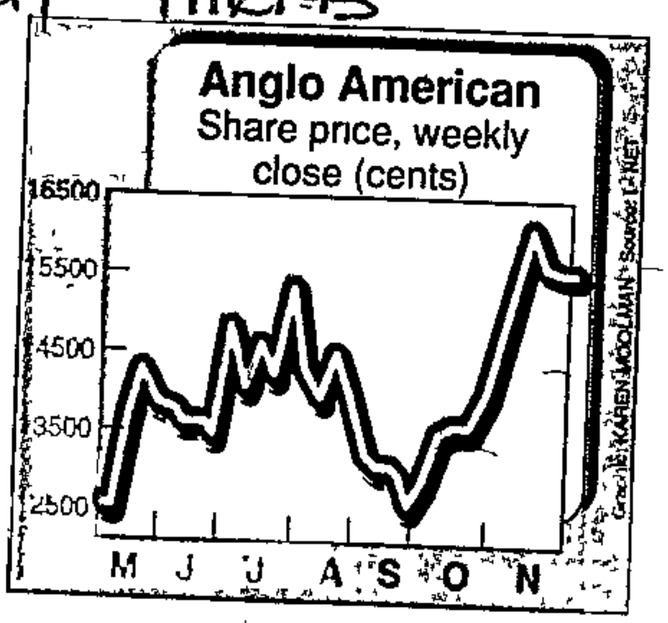
Attributable earnings climbed to 271c (251c) a share in the six months to September 30. At the equity accounted level, earnings jumped 16% to 549c (476c) a share.

Chairman Julian Ogilvie Thompson told a news conference yesterday that economic developments in the past six months were cause for a more favourable business outlook, while the five-year government of national unity, set to follow April's election, would give the country "the best chance of creating the political and economic stability required for growth and broadly based development"

He was not concerned by contradictory economic policy statements from the ANC, which had to be understood and expected, as well as contrasted with the progress made at the National Economic Forum and in securing possible IMF assistance.

A recovery in world gold and diamond markets, the impact of which was inflated by the rand's weakness against the dollar, proved to be the mainstay of the mining industrial group's performance.

Interim pre-tax profit rose nearly a fifth to R978m (R828m), largely due to an advance in investment income to R690m (R641m). That was derived mostly from improved dividend receipts from the group's gold mining interests which con-



☐ To Page 2

Anglo

B/Day 1/12/93

☐ From Page 1

tributed more than a third of investment income. Ogilvie Thompson said average rand gold prices had risen 11% to R35 034 a kilogram in the first six months of 1993, while the gold mines had benefited from improved grades and cost containment.

Trading profit slid to R201m (R229m), largely as a result of subsidiary Amcoal being hit by soft international coal prices Asset sales by gold mining investment subsidiary Amgold lifted the group's investment surplus to R68m (R11m). Other income fell to R19m (R47m) as lower prospecting spending did not offset falling interest rates and fee income

Amcoal's weaker performance had a beneficial impact on Anglo's tax bill, which declined to R121m (R150m) leaving after-tax profit at R857m (R778m) Attributable earnings stood at R629m (R581m)

Sharply higher retained earnings from Anglo's associate companies boosted equity accounted earnings to R1,28bn (R1,1bn), reflecting the improved interim performances from leading associates De Beers, First National Bank and Minorco Anglo recorded an extraordinary surplus of R113m (R19m deficit) relating to various surpluses reported by its associates

Ogilvie Thompson said the results were pleasing, adding that it was particulary important for the corporation to be in a period of expansion at a time of transition Development of the R2,6bn Columbus stainless steel joint venture, the R1,7bn Moab gold project, expansion at Freegold and the R1bn Namakwa Sands project were progressing smoothly

Deputy chairman Leslie Boyd said there was "real substance" to the improved results posted by many of Anglo's subsidiaries "Encouraging signs of economic recovery" were visible in better car sales and improved steel and chemicals consumption, while the good rains would lead to more demand for fertilisers

In contrast, Ogilvie Thompson said "We don't see international commodity prices picking up in a hurry " Boyd said that the sustained weakness in prices stemmed largely from the break-up of the former Soviet Union and the flood of low-priced exports Demand for commodities remained strong as many had underestimated the economic power of southeast Asia

Deputy chairman Nicholas Oppenheimer said the diamond market was holding up well with good retail sales in the US offset by the poorer demand in Japan Rough diamond sales for the full year would be in line with the Central Selling Organisation's midyear forecasts

● See Page 3

Gengold set to table Oryx plan

ANDY DUFFY

GENCOR's gold mining company Gengold will put plans to refinance the struggling Oryx gold mine to the mine's shareholders and banks by the end of this month.

Gengold MD Gary Maude said yesterday talks would focus on rescheduling the Free State mine's R550m debt. He said it was not clear shareholders Gencor, Genbel, Sanlam and Anglo American were prepared to pump new money into Oryx

It emerged in October that Oryx could need an additional R900m to fund the development needed to bring it into profit The original financing plan — based on the debt, R979m from the shareholders, and Oryx's own cash generation — had been derailed by initial grades proving to be 80% below expectations

Gengold called in independent auditors to check the viability of the mine. The report was handed to Gengold at the end of last week, Maude said

The refinancing proposals would be based on its findings The company would make its announcement on the future of the mine in January, he said

Though Oryx has sufficient funding to see it through to next March, the market has been looking to Gengold for a clear signal on the mine's future. B/Day

Gengold had said that the R900m figure was a worse case scenario, and that grades had begun to improve over the past few months. 7/12/93

Gencor, which owns 62,7% of the mine, has also made clear that it expected the independent audit to bring forward the revised 1997 breakeven date (214)

But Gencor chairman Brian Gilbertson warned last week in his annual review that "even if the original ore reserve estimates are substantiated as development progresses, it is unlikely that breakeven will be achieved much before 1997"

Maude said yesterday that this was due to the current debt repayment programme

Oryx closed up 25c at 355c on the JSE yesterday, on suggestions of a brokers' report suggesting the mine was a recovery stock It had hit 250c on news of the funding crisis, against a 650c year high in July.

Anglo goes ahead with Mali mining

B/Day 10/12/93

(214)

MATTHEW CURTIN

ANGLO American is to go ahead with a $200m low-cost, low-grade gold mining project near the town of Sadiola in the west African state of Mali.

The group will use offshore facilities to finance the project, although it is understood the International Finance Corporation, the private sector arm of the World Bank, will make loan finance available and is negotiating to buy part of the Mali government's stake in the project.

New mining business division projects director Neville Keys said yesterday Sadiola was part of a vast and "highly promising" gold-bearing geological zone stretching from Ghana to Senegal.

Anglo had completed a year-long feasibility study in November which was handed to the Mali government last week. He was optimistic that exploration Anglo was conducting in the area would uncover new deposits in addition to replacement and possibly expansion tonnage for Sadiola.

The mining house has a 40% stake in Sadiola with Canadian company Iamgold (40%) — which owns the mining concession and conducted early exploration work in 1991/92 — and the Mali government (20%).

The mine, with estimated ore reserves of 50-million tons and an average grade of two grams a ton, is likely to reach full production of 12 tons a year in 1997, similar to local gold recovery operation Ergo.

Keys said Sadiola posed few mining or metallurgical problems. The highly oxidised ore was close to the surface, suitable for open-cast mining with a stripping ratio of less than one to one. The rock could be treated with the carbon-in-pulp technology used at Ergo and East Daggafontein.

Anglo was managing and financing the project, which would include the construction of a recovery plant and infrastructure to serve the mine, upgrading roads and building a water pipeline from the Senegal river and a diesel electricity generation plant. Keys expected Anglo to secure the mining licence in February.

The project is the first new gold mining venture Anglo has undertaken since the development of the Elandsrand gold mine near Carletonville, commissioned in 1979.

The new mine could provide the platform for an important new gold mining complex spanning Senegal, Mali and Burkina Faso. Gold Fields, De Beers and JCI have announced acquisitions in Ghana.

Durban Deep's fate to be decided by end of month

ANDY DUFFY

THE future of Durban Deep gold mine was still in the balance, Randgold & Exploration chairman John Turner said yesterday

The company had to decide whether the mine would close, but was taking every step necessary to keep it going, he said

The mine — which employs 5 000 staff — had been warned that it faced closure by the end of December unless it cut costs and lifted productivity. B/Day

Durban Deep was "an important component" of Randgold, Turner said. It had been given "a lot of attention, but you have only got to look at the (mine's) results. They have not been good for the past two quarters" Durban Deep's fate would be announced when Randgold unveiled its December quarter results.

The company issued the closure warning in October Durban Deep had set itself the targets of building up cash reserves and retaining its narrow working profit margin, but a combination of political disruption and cash constraints have cut deeply into production and forced up costs 15/12/93

The mine slumped to a R1,8m pre-tax loss in the June quarter, and a R4,5m loss in the three months to September Production in the September quarter was down 20% on the same quarter a year earlier, while working costs were up 27%. (214)

The resurgent gold price has provided little comfort because Randgold policy is to sell forward about 80% of its gold production

EXPLORATION SHARES

FM 17/12/93

Values soaring for some

With the JSE All Gold index back above 2 000, the boom in gold shares has rubbed off on to the exploration companies, but it's a different game to that of the late Eighties when the market last saw a flurry in exploration stocks (214)

The action is concentrated on companies such as South Deep Exploration (Soudex), Target Exploration and Eastvaal Gold Holdings These are developing extensions to ore bodies already being mined Randex, Lydex, Rho-Ex, Barnex and others mainly involved in "blue sky" work looking for new deposits of gold and various minerals in SA are largely being ignored

The "blue sky" organisations are looking abroad Rho-Ex is shutting down its local exploration effort to focus on Tanzania Barnex is involved in parent JCI's exploration in countries such as Ghana and Zambia

Notably, renewed investor interest in the gold market has driven up market capitalisations of the favoured few SA exploration companies above those of some profitable, operating gold mines

Target, at 600c, is capitalised at R394m, 9% higher than the R361m market cap of sister company Loraine Though still a marginal mine, Loraine is profitable and its infrastructure provides the initial base for

FM 17/12/93

the exploration drive into the contiguous Target area (214)

Soudex's market cap is now R1,4bn, nearly the same as the R1,6bn value the market is placing on Western Areas Two years of solid recovery at Western Areas has returned the mine to heavyweight status and its infrastructure is being used to support the initial exploitation of the adjacent Soudex deposit

After getting off to a slow start in September, hovering around the issue price of 250c, Eastvaal has since doubled to 500c, where its market cap is R1,9bn The company is providing the after-tax funding for development of the Moab extension to Vaal Reefs If the forecast grades materialise, the share price could have a long way to run

Kaplan & Stewart analyst John Handley valued Eastvaal at 500c when it was listed He says "It's estimated this share will pay an annual dividend of about 120c in 10 years On a 3,3% yield, similar to that of Southvaal, the share price should be about R35, implying a tax-free capital gain of roughly 30% a year on the issue price of 250c"

By comparison, operating mines Deelkraal and Unisel are capitalised at R870m and R269m respectively. And the market now values heavyweight producer Hartebeestfontein at R3bn

However, Soudex has been top performer among the exploration shares, rocketing from a 12-month low of 350c to a record high of R40 before easing A number of other exploration stocks have done well but stand way below highs set a few years ago

Randex, at 110c, has traded from a low of 35c to a high of 170c during the past 12 months Lydex, at 55c, has traded between 110c and 15c over the period Most of the gold projects in which these have interests are deep-level prospects which have been shelved pending much higher gold prices

With the gold bull market continuing, there seems to be scope for further appreciation in exploration counters, but attention will probably remain on companies like Eastvaal, Soudex and Target which are dealing with relatively well-known propositions

Brendan Ryan

Loraine will not pay dividends

MATTHEW CURTIN

LORAINE, the Anglovaal Free State gold producer which has successfully staved off closure for the past two years, would not pay dividends in the current financial year, chairman Rob Wilson said in his yearly review. Dividends would restart only once the mine had assessed the quality of its 3C shaft area. B/Day

Development results from the area, critical for Loraine's medium-term survival, were encouraging and the bulk of the 1993/94 capex budget would be spent on the shaft project.

Wilson said a seven-day working week, continuous mining, higher rand gold prices and forward sales had enabled management to change "its planning horizons from a very short-term survival strategy to a longer-term perspective". 17/12/93

Loraine had sold 467kg of gold at R36 318/kg forward for the year ended September 1994 and 984kg at R43 208/kg forward for the five months to February 1995. (2 14)

The mine had also benefited from improved productivity and "an innovative work cycle", which had limited the decline in the amount of underground ore treated and cut working costs to R34 828/kg from R35 342/kg the year before.

The mine had produced 6,2 tons of gold in the year to September. Production in 1992 was 6,5 tons.

Poor response to ERPM's cash call

B/Day 17/12/93

ANDY DUFFY

SHAREHOLDERS in Randgold's ERPM gold mine have given the mine's R550m cash call a poor reception, opting to leave nearly half of the new shares with underwriter FirstCorp rather than pump more money into the operation

The debt-burdened mine said today rights to just over half of the 110,6-million new shares had been taken up But the bulk were bought by Randgold, which is committed to maintaining its 29,5% stake

FirstCorp and sub-underwriters, including First National Bank, were left with stock worth R303m, which they are committed to holding for the next two years

Randgold refused to comment on the poor response But sources said few shareholders had been prepared to pump more money into a mine which offered minimal returns, despite Randgold's optimistic forecasts for the mine's future

The rights issue, which was pitched at R5 a share, will expand the mine's share base sevenfold, with earnings further diluted by Randgold's plan to convert preference shares worth R110m ERPM's banks, which are owed R480m, have refused a debt for equity swap (214)

ERPM has warned it will collapse without the refinancing The mine has been unable to service borrowings of R523m, despite recent operational improvements In the September quarter, interest payments of R16,6m were nearly triple ERPM's operating profit

The refinancing would clear ERPM's debt and provide it with R94m in working capital Randgold management had sold the refinanced mine as a "gold play", which would pursue high-grade ore and be highly geared to bullion price rises

ERPM said the refinancing would allow it to pay out R44m next year — translating to 30c earnings a share, against a 366c earnings a share loss in the nine months to September But JSE reaction was scathing, with few brokers recommending that their clients follow the offer

Randgold management had relied instead on ERPM's French and Belgian investors — which had held more than 60% of the mine — to continue their support

Main underwriter Paribas Capital Markets is entitled to immediately offload any stock it is left with ERPM said the French bank had already sold shares worth R46m

Audit confirms — Oryx needs R900m

EDWARD WEST

AN independent audit has confirmed earlier warnings that Gengold's Oryx gold mine will need about R900m by March to complete its development.

A statement published today said the funding shortfall — including about R400m in bank loan and interest payments — was likely to approach R900m, and negotiations with shareholders and the mine's bankers would start soon.

Gengold MD Gary Maude said yesterday it was hoped a final announcement on the mine's future would be made in January.

The geological audit concluded that gold values and content were expected to improve northeast of the current working area to attain levels forecast in the mine's pre-listing statement. The audit also made several recommendations to strengthen the mining plan. B/Day

In October, Gengold told shareholders the value of ore exposed so far was nearly 80% below expectations, delaying the mine's break-even point by three years to 1997. 20/12/93 (214)

Maude said that the value of ore grades had started improving last month to 400cm/g/ton from 300cm/g/ton. However, the development undertaken so far could still prove to be misleading. It was for this reason the mine had chosen to await the results of the independent audit before

☐ To Page 2

Oryx

B/Day 20/12/93

☐ From Page 1

consulting shareholders and bankers on the mine's future. (214)

Oryx was commissioned in March on the expectation of reaching production of 100 000 tons a month by April 1994. Maude said a R550m loan was expected to have been repaid by April through gold sales, but because sales were delayed, the repayment would have to be upfront.

The mine was meant to be self-funding after April 1994 when R979m in interest-free shareholder loans — drawn by Gengold in February 1991 from major shareholders Genmin, Genbel, Sanlam and Anglo American — would have been fully spent, it was reported.

Gold producers have cut costs

ABOUT two thirds of SA gold producers may have already cut working costs as much as they can, a study by the SA Chamber of Mines shows.

The study results, released yesterday, measured working costs and performances of low cost, medium cost and high cost mines, and revealed that the average working cost reduction for all mines was 25% in real terms from 1988 to 1992 B/Day

Medium cost producers showed a decline in working costs of 28% during that period without forfeiting production, the study found 21/12/93

In contrast, high cost producers cut working costs 35% and experienced a 23,2% loss in gold production.

Low cost producers cut working costs 14%. (214)

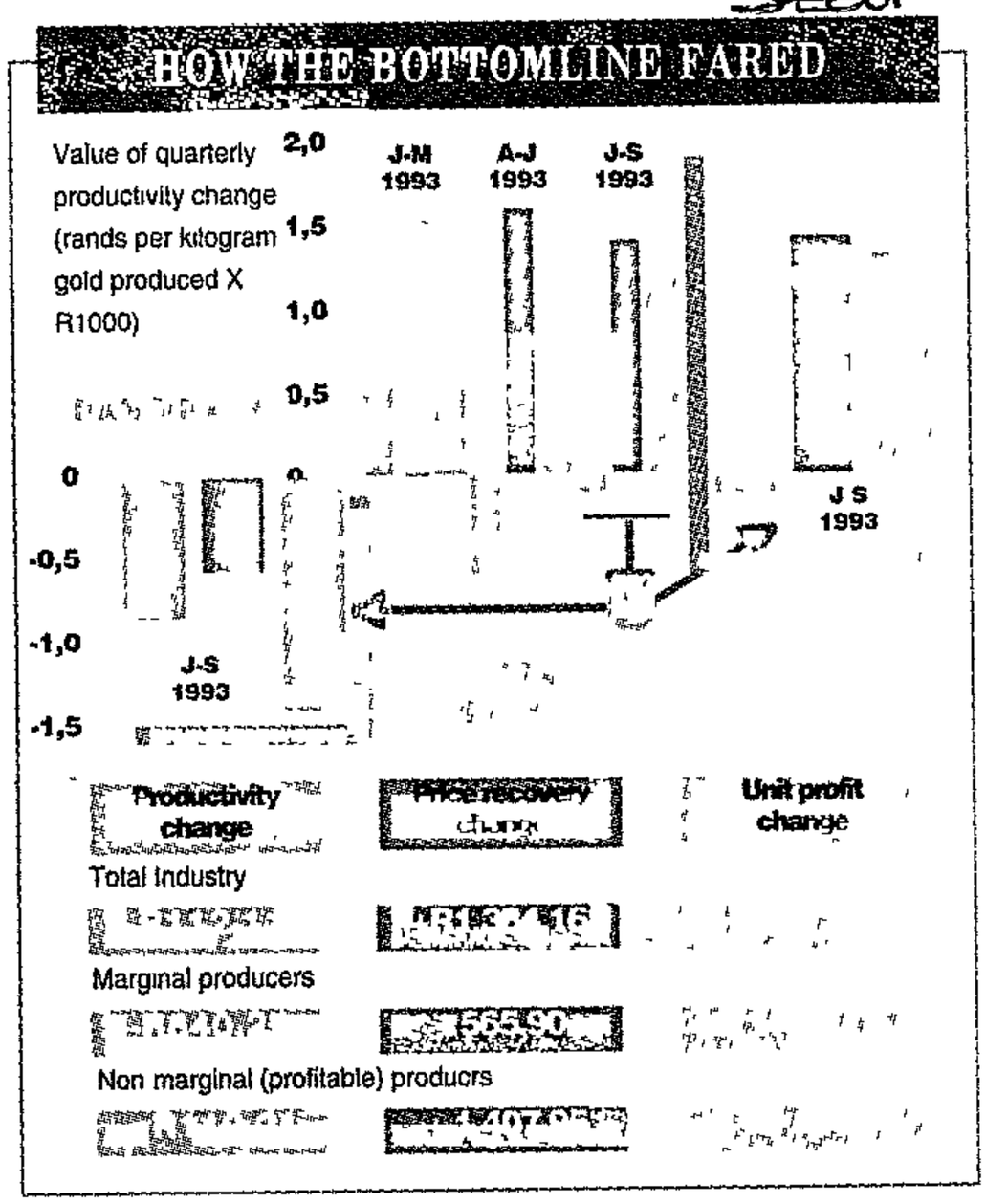
Gold mines generally reduce costs by mining areas of the operation that yield more gold per ton of ore milled

Low cost mines reduced their labour 7,5% from 1988 to 1992, while medium cost producers cut 22% of their workforce and high cost mines cut 49% of their labour.

The Chamber of Mines cautioned that the analysis concentrated on short term measures and the mines probably retain significant scope to contain costs and improve efficiencies through structural, organisational changes and advances in mining methods and technology. — AP-DJ.

Kilogram of gold earns more

Star 22/12/93



Every kilogram of gold produced by SA gold mines was worth an average of R1 272,05 more in the third quarter of 1993 than in the second quarter

That's the news from the Chamber of Mines Productivity Monitor, which notes that the price recovery gain saved the day for most mines, since it absorbed a simultaneous quarterly productivity loss of R112,11/kg However, marginally profitable mines didn't share in the good fortune

They experienced an average price under-recovery, exacerbating their (larger) productivity loss, owing mainly to adverse forward sales positions (214)

The chamber finds that in the near term most mines have gone as far as they prudently can to cut working costs. Yet they retain "significant" scope to contain costs and further improve efficiencies through other means — Business Staff.

Sunny days for Lindum Reefs

Star 22/12/93

BY DEREK TOMMEY

Shares in Anglo American and De Beers have doubled in price in the past year

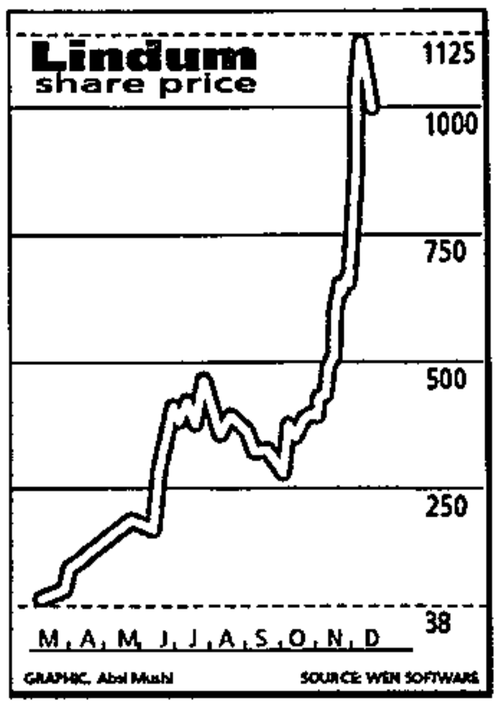
But despite their huge rises, the share the market is talking about is Lindum Reefs, which operates an open-cast gold mine on part of Randfontein's lease area

Lindum epitomises the great wealth that can be made from a successful gold mining investment — something few other share investments can emulate (214)

As the Rand pioneers used to say "The quickest way to make a fortune is to turn a few acres of worthless land into a gold mine"

Since the beginning of the year, the share price has risen from around 20c to a peak of 1150c before easing back to 990c — an increase of 49,75 times This means an investment of R1 000 in January is now worth R49 750

But while a number of small investors and speculators may have bought shares, most of the buyers were more likely to have been the big professionals



Since September 1992, Lindum's prospects have been looking progressively brighter As these prospects were confirmed in quarterly and annual reports, the big money moved in

Lindum began life in 1988 as a small, low-cost operation to mine old Randfontein workings, which Randfontein, with its higher cost structure, could not

However, the fall in the gold price and poor working grades made it difficult, even for a low-cost operator, to make money and in the last quarter of 1990 the mine had an operating loss of more than R1 million

By the end of the March 1991 quarter, Lindum had halted underground mining operations and was looking for alternative sources of income

Initially, it re-treated sands and slimes from old Randfontein dumps and then, in the second half of 1992, it started open-cast mining of Black Reef — since which time the mine has not looked back

In the September quarter, it had a recovery grade of 4,14 grams a ton, which is high for surface operations in SA

It received a gold price of R38 571 a kilogram, yielding revenue of R15,1 million

Being an open-cast mine, working costs are low, amounting to R23 756 a kilogram This gives it a profit of R15 000 a kilogram and makes it one of SA's lowest-cost mines

Working costs in the September quarter totalled R9,2 million, resulting in a profit from gold of R5,8 million

Sundry revenue boosted pre-tax profit to R6,3 million Taxed profit was R6,2 million — equal to 32,6c a share

Lindum has just declared a dividend of 70c for the six months to December

This suggests that if Lindum continues as it has been doing, it should pay dividends totalling 140c for the year

However, investors need to keep an eye on two factors One is the current low tax paid owing to a tax loss This loss could disappear in 18 months' time, after which profits would be fairly heavily taxed

Another limiting factor is that the mine at June 30 had proven reserves for only two years of operation But exploration is taking place which could change this situation

More reserves and a slightly higher gold price could see Lindum being highly profitable for a long time

Shares bring handsome rewards

The year of the gold bugs

Star 22/12/93

■ BY DEREK TOMMEY

For gold bugs, 1993 was a year to dream about

Most gold shares showed strong gains, with a few turning in outstanding performances (214)

The leading share was Lindum Reef, by a long shot

Its price rose almost 5 000 percent, moving from 20c in January to R9,95 at the end of last week, after previously reaching a high of R11,50

Lindum has found small, but fairly rich deposits at a shallow level near Randfontein The deposits can be worked cheaply so that, for a small investment, Lindum's profits are likely to be high

Second in the list of gainers was South Deep (Soudex), which has some of the richest mineral deposits known

However, they lie at a considerable depth, are in wide bands and could be difficult to extract But work done this year shows that the mining of the deposits should not present any serious difficulties

Winbel, which distributes mining equipment, and is riding on the back of better conditions in the mining industry, had the third-largest gain, with its share price rising from 2c to 20c

Fourth was South Plats, a small exploration company whose share price went from 20c to 190c on hopes that its mineral deposits would be developed

Fifth was Loraine, a marginal mine which is finding better gold deposits

Its price rose from 120c to R21,50

The list of losers is headed by the trouble-hit insurance company, IGI, whose shares dropped from 570c to 40c

IGI's problems also pulled down parent company, HCI, and its subsidiary, SA Life

The direct mail order company, Mashold, was another casualty, its price dropping from 170c to 30c

Shares of FS Group, an industrial holding company, fell from 125c to 50c, partly as a result of a British subsidiary requiring considerable extra cash

LEADERS:

Share	percentage gain
Lindum	4875
South Deep	942
Winbel	900
Soplats	850
Loraine	691
West Areas	650
Weswits	609
Porthold	561
Egoli	514
Southgo	511
Randgold	484
Doornfontein	475
Freddies Dev	429
Wit Nigel	400
Gentech	400
Presto	400
Durban Deep	395
Af Lease	367
Con Murch	354

LAGGARDS:

Share	percentage
IGI	93
HCI	88
Mashold	85
Adcorp CD	75
Saflife	72
FS Group	71
Mascon	71
Northam	66
TEJ	63
Devco	63
Lonfin opt	57
Bergers	57
Disa	50
Waicor	50
Ilco	50
Mingran	48
Propcor	46
Crulife	46
Advtech	46

Anglo shares rise to another new high

B/Day 28/12/93

MATTHEW CURTIN

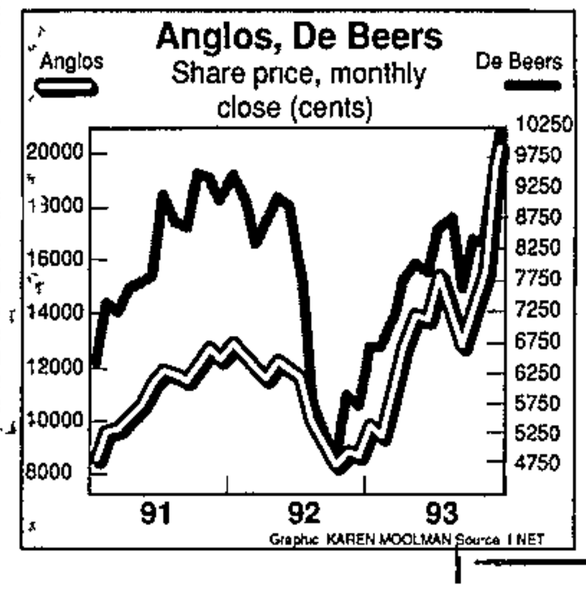
INVESTOR confidence in Anglo American proved unshakable on the JSE yesterday as the market's leading counter hit yet another new high in good trade, closing 400c up at R203.

The rise took Anglo's market value to R47,2bn, more than 7% of the exchange's total market capitalisation of nearly R640bn.

In afternoon profit-taking the stock fell from a morning peak of R205, but the bullish sentiment in the mining industrial group continued to spill over to associates and subsidiaries.

Although stablemate De Beers failed to hold on to early gains which took the shares above R100 at one stage, the diamond producer seems to have shrugged off last week's jitters caused by reports that Russia was selling gems outside its agreement with the Central Selling Organisation.

Russian authorities have denied any leakage from its agreement in spite of De Beers officials' comments that between R40m and R80m worth of diamonds had reached dealers in Antwerp. De Beers shares closed at R99,75, 175c higher on the day compared with a high of R106,50 on the eve of the announcement of record and higher than expected rough diamond sales in 1993 (214)



Minorco, Anglo's offshore mining and minerals group with expanding pulp and paper interests, put on 100c to close at R93,50. Industrial holding company Amic joined its parent in hitting a new high, climbing to R115 in the day

Analysts said these share prices could not be justified by fundamental business conditions or by any but the most over-optimistic of forecasts for the economy in 1994 to 1995, despite the welter of confidence in the SA economy.

This confidence, they said, was based on improving economic indicators and the tying of the IMF loan, which could be expected to be reflected in Anglo group companies' market rating, given their exposure to the economy at large.

The analysts reiterated the important role of foreign investors, for whom Anglo and other blue chips still represented good value in dollar terms, in driving shares to prices at which local institutions had to deal to ensure their portfolios performed.

Underwriters' losses covered

Govt is still supporting ERPM mine

B/DAY 28/12/93

(214)

ANDY DUFFY

GOVERNMENT is still playing a crucial role in funding Randgold's ERPM gold mine, despite the mine's R550m rights issue called to close the door on its debt-ridden, subsidised past.

It emerged yesterday that government has undertaken to cover any losses suffered by underwriters First National Bank, Standard Bank and Absa on ERPM stock worth R159m, following the poor response to the mine's cash call.

Under the rights issue terms, government must "guarantee" the stock — more than half the shares left with ERPM's underwriters — for the next two years

FirstCorp, the leading SA underwriter for the deeply discounted rights issue, said government was acting as a "stop loss" which had been vital to the banks' decision to clear ERPM's refinancing plans. The banks had earlier refused a debt for equity swap because they wanted to ensure government shouldered most of the risk.

Market sources said the state's continued involvement contradicted Randgold's claims that the refinancing would effectively recreate ERPM as a debt-free "gold play". Government had also made clear that it wanted to cut its exposure

The East Rand mine has been dependent on taxpayers for its survival for the past decade, after wildly optimistic gold price forecasts and feasibility studies saddled it with untenable targets. Before the rights issue government had guaranteed about R320m of ERPM's R420m bank debt and provided R35m in direct funding.

But FirstCorp vice-president and corporate finance head Graham Drinkwater said the refinancing had halved government exposure. The banks would not "release government from its (remaining) exposure", but the mechanism had minimised risks to all parties The banks were "very happy" to continue supporting ERPM under such conditions.

The rights issue, coupled with Randgold's plan to convert preference shares worth R110m, should clear the mine's crippling debt and leave it with R94m in working capital But response to the rights issue was mute, primarily because even if refinanced the mine would offer only limited returns

Just over half of the 110,6-million new shares were taken up, with FirstCorp and sub-underwriters, including Randgold, left with stock worth R303m The shares, representing nearly 60% of ERPM's equity, will remain "locked up" with the underwriters until December 1995. Main underwriter, French bank Paribas Capital Markets, insisted on this condition to prevent stock being dumped on the market.

Paribas, however, can offload stock immediately The bank may also allow stock to be sold before 1995 should the share price show sustained gains.

Drinkwater said the banks would have been more comfortable had investors taken up more stock, but that the limited response had been expected

Gold mines hold back on capital expenditure

ANDY DUFFY

THE gold mining industry has held back from a major expansion in vital capital expenditure this year, despite the burgeoning bullion price.

The six leading mining houses have spent a total of R1,65bn on capex for the three quarters of this year, figures from JSE broker EW Balderson show B/Day

But capex in the final quarter will have to hit R600m — a 10% leap on spending in the September period — if the companies are to match last year's capex bill 30/12/93

Higher revenues, stemming from a 30% rise in the rand gold price since January, were expected to push forward much-needed capex. The industry had put the brakes on such expenditure in recent years in the face of falling earnings

The figures show, however, that only spending by Randgold & Exploration is ahead of last year's capex It had spent R30,2m in the nine months to September against a total of R20,8m for 1992.

JCI, which has spent R104,5m so far this year, will have to spend a further R72m in the current quarter just to match last year's spending levels This would be more than double the company's average quarterly spend in 1993

Anglo American is also set to spend less this year, unless it steps up its capex rate The group has spent R723m so far, against R1bn for the four quarters of 1992. Anglovaal is R15,4m short of the R51,7m it spent in 1992.

Gengold and Gold Fields of SA look set to exceed their 1992 capex levels, based on quarterly average capex rates. Gengold has spent R326m so far this year, against R429,3m for the four 1992 quarters Gold Fields must spend another R142m in the final quarter, below its quarter average, to match last year's R574m bill

The level of capex can vary markedly across the four quarters, depending on a company's year end. But the figures still show the industry is adopting a cautious approach to exploiting higher gold revenues.

The mining houses have unveiled new capex plans worth around R4,6bn in the past six months These include Anglo's proposed R371m replacement shaft at Freegold, and Gold Fields' R350m replacement mine at Driefontein (2/4)

But many of the plans — including five Gengold projects worth R2bn — are predicated on the gold price sustaining its higher levels.

Analysts said the industry had still to be convinced that gold could maintain its gains The metal gyrated wildly in the second half of the year, bursting through $400/oz in July before hitting $343,70 in September.

Schemes that were going ahead were moving cautiously The bulk of the R393m recently raised by Anglovaal's exploration company Target would be spent carrying out exhaustive studies on its prospective Free State site Mines were also restructuring schemes to enable them to halt projects should the gold price deteriorate.

The SA mining and quarrying industry spent R1,7bn in the first nine months of this year, against R2bn for the same period in 1992. Capex in the final quarter of this year would have to hit R939m — a 46% jump on the same three months in 1992 — to maintain spending at 1992 levels.