MINING - OTHER

1988

Union Tin Mines revenue declines

B/Day 14/11/88

(217)

LIZ ROUSE

UNION Tin Mines is now on a care and maintenance basis, sales of residual concentrates having stopped in 1986.

Revenue for the year to December 1987 declined to R155 000 from R2,16m in 1986, when the company recorded sales revenue of R1,7m.

However, the company's costs declined substantially to only R400 000 for care and maintenance from R3,5m in 1986 when sale of concentrates cost R3,2m

The result was a sharp reduction in net losses to R245 000 from R1,37m

Naturally, there were no dividends. However, the market has shown interest in Union Tin shares, now trading at 130c, because of speculation about platinum or gold deposits or even a reverse listing.

A mining analyst says there is no basis for these speculations. He dismisses chances of finding platinum or gold and believes that Gold Fields will reopen the mine when tin prices firm.

SA misses out on copper price bonanza

By Don Robertson

SOUTH African producers are unlikely to earn huge profits from the surge in the international copper price.

Although they will benefit from monthly deliveries, most foreign sales are under contract and are paid for at the price ruling when shipments are made.

This rules out the possibility of hedging forward and taking advantage of existing high prices

SA's largest exporter of copper is Palabora Mining Company (Palamin) which, depending on annual production, sells about about 53 000 tons a year of high-grade metal abroad This includes production from Messina. Other producers are O'OKiep which produces about 20 000 tons of lower-grade blister copper a year

Copper prices on the London Metal Exchange (LME) have risen sharply since December and reached a high of £1 720 a ton for cash and £1 464 for three months sales.

This is a significant improvement since the beginning of last year when cash was selling at £900 a ton and three months at £930. At that stage, the market was trading in traditional fashion, the three-month price being marginally ahead of cash.

This contango — the difference between cash and futures prices when futures is higher — results from the cost of storing the copper in the LME warehouse and the interest on the cost of the purchase.

However, by June a backwardation developed. Backwardation is when the futures price is below the cash price and is brought about by a switch in purchases which favour cash buying This is generally caused by a shortage of immediate stock.

Charles Johnstone, a director of Holcom Commodity Brokers, says prices are unlikely to return to December levels. This is shown by a decline in prices this week to £1 320 for cash and £1 330 for three months after nervous selling caused by a technical reaction to the increased prices

LME traders are also aware of the possibility of substitution when prices rise too high. The most obvious substitute is aluminium which is trading at a large discount to copper.

But prices are likely to remain high for some time

LME copper stocks are 53 000 tons. Stocks were 155 000 tons at the beginning of 1987 and the drop is a result of production problems. A delay in shipments from Zambia, which now exports mostly through Dar es Salaam instead of South Africa, has aggravated the problem.

The low stocks are vital to prices In 1986, the last available figures, world consumption was 7,71-million tons compared with production of 7,45-million tons.

A Palamin spokesman says that in the past five years, estimates of stockpiles on the LME have been "hopelessly awry" and the realisation in the past six months that stocks are as short as they are has "sent the market mad".

However, he concedes that Palamin, which sells on contract, "is not able to play the numbers game on the futures market."

The possibility of a major sell off of scrap copper overseas which is vital to the secondary industry, has been discounted by Colin Horner, managing director of McKechnie Bros.

Platinum's fall hurts Rusplats

21/1/88 B/Day 217

HELENA PATTEN and CHERILYN IRETON

THE MARKET crash's downward pressure on the platinum price hurt Rustenburg Platinum's (Rusplats) profitability in the six months to end-December, with taxed profits showing only a 3,5% increase

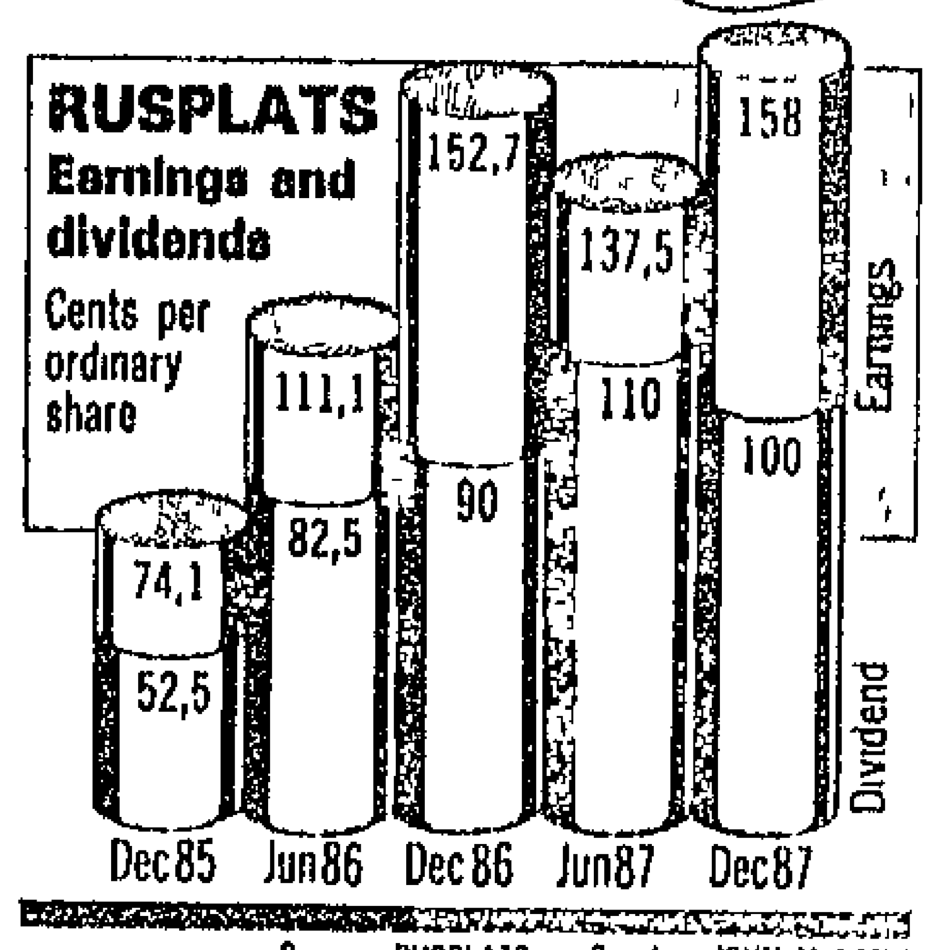
This compares with a 10% increase forecast at the company's September AGM

Earnings rose to R198m — 158,0c a share — compared to an adjusted figure of R191,3m — 152,7c a share — the previous year The historical figures have been altered to exclude the contribution from Lebowa Platinum Mines, which was floated off as a separate company during the period

Although the results might disappoint shareholders, the interim dividend of 100c a share (90c previous year), is in line with market expectations

The directors warn that unless the rand price of platinum increases significantly above the current level of around R984, taxed profit could drop below the R369m recorded for the full 1987 financial year.

During the six month period, pre-tax profit fell 4,6% or R24m to R494,9m, but



Source RUSPLATS Graphic JOHN McCANN

a tax normalisation of R40,3m salvaged earnings.

Sales volumes for the six months were higher than in the previous period, but the rand prices were lower for all metals except gold, nickel and copper.

Net sales revenue rose 2,1% to R1,06bn (R1,04bn) while cost of sales climbed 12% after a sharp increase in on-mine costs from R383,5m to R464,6m Rusplats attributes this increase partly to continuing production difficulties at

● To Page 2

Platinum price fall hurts Rusplats' profits

B/Day 217 21/1/88

● From Page 1

Union Section.

While actions have been initiated to counter the production difficulties, the directors say it is unlikely the financial statements will reflect the effect of these actions much before the 1989 financial year. Another factor behind the increase in costs was the effect of the improvements in employee salaries and benefits Treatment and refining costs fell 11,8%

Net operating profit fell 5,7% to R547m

Meanwhile LEBOWA PLATINUM, reporting for the first time since being listed, has announced a 22,2% decline in taxed profit from R4,5m to R3,5m due to lower rand platinum prices and increased on-mine costs.

Earnings slipped from 5,2c a share to 4,1c, with mining income making up 82,9% of the attributable profits

However the directors have taken the surprise step of declaring an interim dividend of 2c a share, despite a statement in the prospectus that no dividend would be declared until the completion of the Atok expansion

RUSTENBURG PLATINUM 2/11

Dividend support

Interim results from Rustenburg Platinum (Rustplat) are generally in line with analysts' revised estimates following the drop in the platinum price from about $600/oz before the October stock market crash to current levels around $500/oz

In some circles the plunge in the price has been taken as proof that the pessimistic report on platinum's prospects, published late last year by London stockbroker Shearson Lehman, was correct in claiming the platinum market had already moved into oversupply That contrasted with the Johnson Matthey scenario of current shortages of metal, with an oversupply only possible from the early to mid-Nineties

Rustplat MD Brian Gilbertson rejects the Shearson Lehman findings, saying overall demand in the platinum market remains strong "As we pointed out in the last annual report, we have reservations about certain demand sectors, for example, the US auto industry," he says "But sales to the German car industry are going well, while Japanese jewellery demand is booming and doing better than we had initially forecast"

Gilbertson declines to make a forecast on the platinum price He comments only that, if it does not rise significantly in rand terms above current levels, the 1987 profit level of R368,1m will not be equalled — even though interim profits of R198m are 3,5% ahead of the revised R191,3m earned in the first half of the 1987 year.

However, even if profits drop the dividend should be maintained Rustplat holds large cash reserves, with cash and short-term deposits totalling R665m at June 30 last year

2/11/88

Rustplat has no debt and has been salting away funds during the good years in preparation for any decline in the platinum market.

That is Rustplat's major advantage when it comes to a comparison with competitor Impala Platinum, although analysts are divided on which of the two is the better investment at present. Impala's income should grow faster than Rustplat's this year because of the favourable renegotiation of the General Motors contract, but Impala's shareholders face a dilution of earnings owing to the new Karee mine project.

The proposed rights issue has been put on hold because of unfavourable stock market conditions Impala is going ahead with development of the R406m project But a concern is that its funding, out of retained earnings and/or higher borrowings, must hit earnings and restrain forecast dividend growth Going for the rights issue at current low share prices would mean a greater dilution of earnings through issue of new shares than anticipated before the JSE crash. Also, under bear market conditions, investors may not particularly want to kick in more money to maintain their equity stakes in Impala

The main point of concern in the Rustplat results is the 21% jump in on-mine costs to R464,7m. This was caused by higher wages, and because the production problems at Union Section have still not been sorted out after two years of effort. Gilbertson does not expect to see benefits from the efforts to solve the production problems until the next financial year.

Lebowa Platinum surprised investors with a 2c interim dividend after the prospectus forecast no dividend would be paid. Gilbertson says a final estimate on the cost of expanding the Atok section indicated it would be cheaper than expected and the decision was taken to pay a dividend

However, it also appears that JCI, which controls Rustenburg and Lebowa Plats, is continuing to do its best to curry favour with the Lebowans because of the importance of the group's platinum interests in Lebowa After offering Lebowan citizens shares in Lebowa Plats at bargain-basement prices, it is scoring more points by paying dividends way ahead of other platinum producers who are starting mining in Lebowa in competition with JCI

Brendan Ryan

217

Cape Times 29/1/88

Tough new regulations in force on asbestos use

Own Correspondent

TOUGH new regulations governing the use of asbestos, promulgated in October 1987, have been incorporated into the Machinery and Occupational Safety Act

The regulations cover the use of asbestos in raw material form and the processing of materials containing asbestos

Contravention of the regulations carries a maximum fine of R1 000 or six months imprisonment, as well as an additional R5 a day fine or further imprisonment of one day for every day that the offense continues

Occupational safety legislation consultant Michael Klass, of Klass Looch Associates, said the regulations were an indication of the severity with which the Department of Manpower regarded the dangers of using asbestos

Klass, who is an ex-prosecutor in the Safety Court, said employers who made use of asbestos or who processed material containing asbestos must monitor the amount of asbestos dust at the workplace to determine which regulations apply

The regulations prohibit the spraying of asbestos, and lay down stringent procedures for the removal of asbestos from buildings

Klass said employers would do well to remember that any disease or ailment caused by exposure to illegal emissions at the workplace in the case of third parties (not employees), could result in huge legal claims for compensation, as had been seen recently in the US

Lonrho provides for acquisitions

217 7/2/88

By Julie Walker

LONRHO produced attractive results in the year to September 30, 1987, increasing earnings a share by 30% to 30,1p.

The group's turnover of more than £3-billion does not include its share from associates, although profit before tax includes their return of £36,3-million.

Lonrho is offering a one-for-six capitalisation issue in April. It seeks a mandate to be authorised to make market purchases of up to 56,5-million of its own shares.

Lonrho says it is soundly based and will progress. Its major SA investment is in Western Platinum Mines. Listed under industrial holdings, Lonrho's JSE price is 1 310c.

Natal floods

Masonite's growth in earnings was 12% — below the rate of inflation — but it improved profitability. Its 1987 turnover cannot be compared directly with that of the previous year because of the disposal of 55% of the equity of its UK subsidiary Hardboard Servicing. This gave rise to extraordinary earnings of 857c.

The Natal floods delayed the harvesting of timber from the plantations, although Masonite says the forestry division did well.

In the year it acquired Ezebilt and expects earnings growth from it. Masonite shares rose 50c to 800c ahead of the results, and added 25c afterwards. At this price the dividend yield is 8,7%.

Sasfin earned 3,82c for the six months to December 1987 — 96% higher than in 1986. Tax allowances on exports and a low rate of tax for its foreign subsidiaries meant that only R12 000 was paid on income of R397 000.

Listed in November, the company's business is in factoring, confirming, shipping and instalment finance.

Bloch, the Ciskei-registered company which earns most of its revenue from royalties paid for the use of its trade marks, earned 1,8c a share in the six months to December 1987 — 64% up on last year.

Royalty income was 13% ahead of forecast. Bloch has registered a new trade mark — Blochkor — to a company of the same name, 50,03% owned by ICS associate Roelcor Vleis and the balance by Bloch Supermarkets.

Blochkor operates butcheries in eight Bloch supermarkets, and has a wholesale division. Royalties from Blochkor are not expected to exceed 10% of total income.

In its year to December 1987 Progress Industries turned over R42,5-million — 35% more than 1986. Its earnings a share at 107c were 67% higher, and the dividend for the year was 36c. At a share price of 410c the PE is 3,8 and the dividend yield 8,8%.

Progress does not expect its earnings to grow at the same rate since 1986, although it says they will improve in the current year.

Veka, the schoolwear and men's fashion manufacturer, produced a tidy set of results after a change of control. It earned 7,2c a share for the year to December 1987, compared with only 0,6c in 1986. Increased turnover and reduced finance charges were responsible for the change.

A management buy-out of Veka was effected late last year by a consortium led by managing director Almero Oosthuizen.

Carlton Paper (Carlcor) failed to impress. It earned only 45,1c a share in its 1987 year, compared with 53,5c in 1986. The operating margin fell from 9,8% of turnover to 8,2%.

Carlcor says private consumption expenditure showed little growth in real terms and competition was intense. Selling prices lagged behind the rise in input costs.

Property

In the year to December 1987 Standard Bank Property Fund (Stanprop) increased its net income from rents, after adjusting new acquisitions, by 3,2%. However, this was negated by a drop of 37% in interest received. This resulted in the dividend distribution falling slightly from 11,16c to 10,9c.

Stanprop bought the Citylab office complex in Sandton for R5,3-million with an initial yield of 11,25%. It has been conditionally leased for 20 years.

It is spending R6,5-million on the refurbishment of the Bedford Centre in Bedfordview. This leaves R6,1-million for investment. Management expects higher earnings for the current year

Gold mines' costs 'excessively high'

Cape Times 10/2/88

Own Correspondent

DURBAN — The increases in working costs on SA's gold mines are "excessively high" according to the new MB Bulletin published by the Minerals Bureau — an offshoot of the Department on Mineral and Energy Affairs

It says costs rose by 18,5% from R80,22/ton in 1986 to R95,09/ton last year and, as a globular figure for the major mines, by 17,5% from R7,9-bn to R9,3-bn.

Mineral production figures have been secret since last March but the bureau says Chamber of Mines's data show a 5,6% drop in physical gold production to an estimated 602 330 kg in 1987

The fall, it says, was due to strikes and the working of lower grades

It examines gold and platinum prices in 1986 and 1987 and expects gold, which was quoted at $470 to $490 in January, to be "trading in a lower range in February"

The data demonstrates an upward trend for both metal prices with considerable volatility in certain months

On new platinum mines the bulletin notes that between 1991 and 1994 new output will amount to 890 000 ounces (current output is about 2 m ounces)

New platinum mines have come on stream at Stillwater in America and there are reports of prospects in Zimbabwe and Australia and expansion in Canada.

A replacement for asbestos — a ceramic fibre based on silica and andalusite — is available in SA

Other mineral comments are

For **silver** the outlook is "positive", the price rising from R12,48 an ounce to R14,27 last year World production rose by 6% with several American mines re-opening

The report considers that for **diamonds** "unpredictability reigns" as a consequence of the Wall Street crash and the slump in the dollar against the mark and yen The dollar "can no longer be considered for use as a realistic means of world pricing"

Copper prices are expected to remain between £1 300 and £1 500 a ton for the next few months before receding to £1 000 in the second half of the year

Strong promotion of **zinc-copper** coins has been noted in SA which would benefit local producers.

Increases in world stainless steel production (an estimated 7% in 1987) have led to the demand for, and price of, **nickel** rising

The bulletin forecast that nickel prices will remain at the "high average levels recorded in 1987"

Similarly demand for **ferrochrome** has risen and on the back of shortages local producers were able to lift prices to $0,52/lb from $0,465 in 1986 The price could rise in the second quarter

The world over-supply of **coal**, between 150m and 200m tons, has led to saturation with Colombia and China expected to increase output by 20m tons and Venezuela and Indonesia coming on stream

Japan is stepping up steel production hence needing more special coal which is met by SA's low ash coal and "there may be opportunities for SA exporters"

Australia's conservation and disarmament lobby has effectively reduced its role as an **uranium** producer having 11% of the market but 28% of recoverable reserves Any further cuts would benefit SA

Foskor has lifted its price of **phosphate rock** to R51,75 a ton — a rise of 62,7% on 1984 when price control was abolished Low demand for fertilizer and phosphoric acid indicate that the real "price is unlikely to increase in the next few years"

11/27/88 Star

Platinum soars after coup

Platinum prices soared on international metal markets yesterday on news of the coup in Bophuthatswana, but the market retreated later as news of the SADF's "rescue act" filtered through. 109 217

The world's two biggest platinum mines, Rustenburg and Impala, which account for about 33 percent of the world supply, are located in the independent homeland and the coup raised fears that the supply of the metal could be seriously disrupted.

CAL-Times. 11/2/88 207

Platinum its fortune

SEVEN separate parts of South Africa — including some of the richest platinum-bearing areas in the world — constitute the "Republic of Bophuthatswana".

It gained independence under President Lucas Mangope in December, 1977, and 10 years later is recognized only by South Africa as a sovereign state.

It was the second homeland to do so after being the first to attain self-government under the Homelands Constitution Act of 1971 on June 1, 1972.

After independence, a Bill of Rights was instituted that abolished racism and inequality in the territory.

About 1,5m people live on the scattered patches of ground that make up its 44 000 sq km.

The capital is Mmabatho.

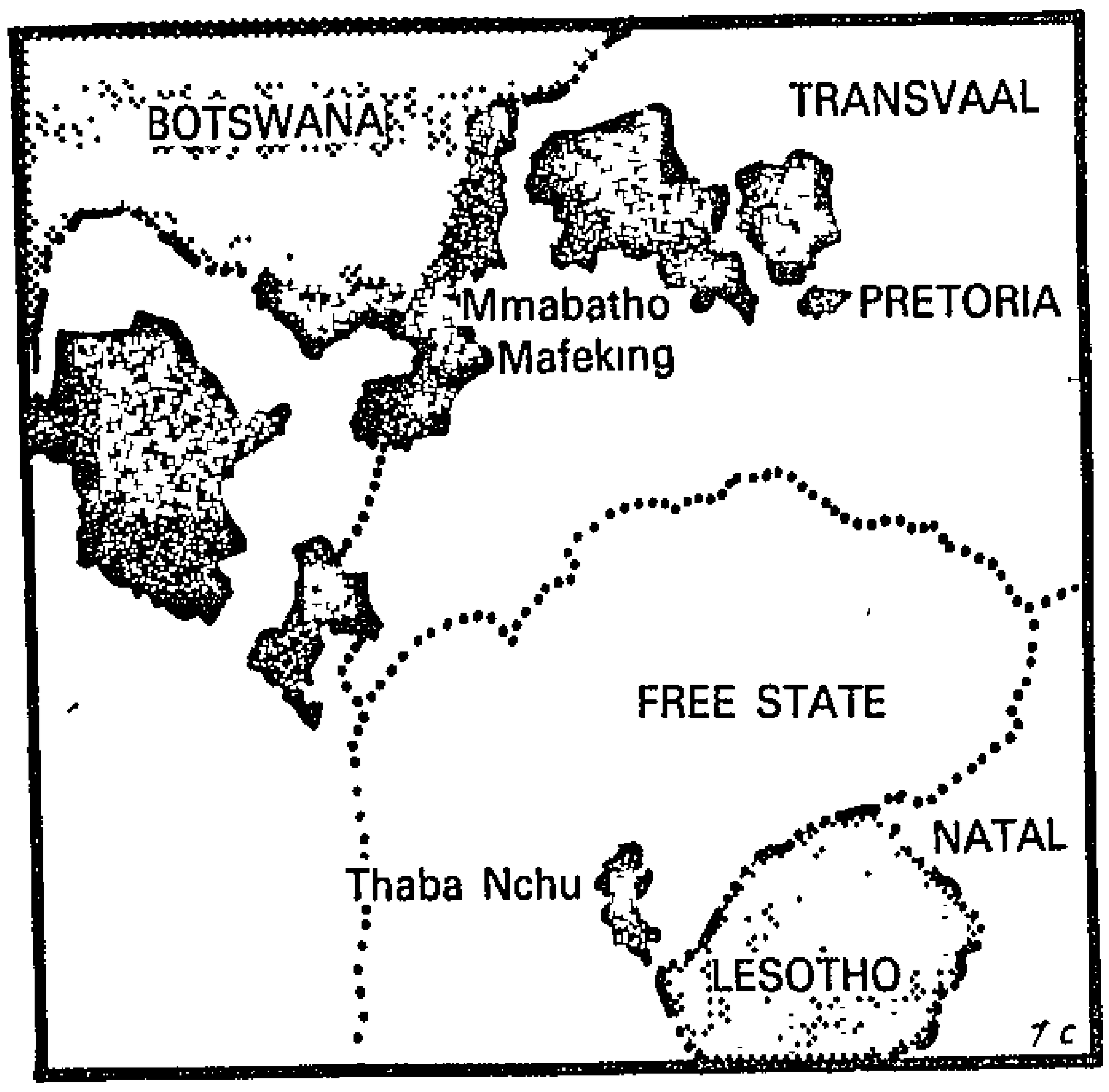
At independence, Bophuthatswana relied on South Africa for 82% of its operating revenue. Today it is earning 74% of its revenue

This is derived principally from its platinum mines, and plans are well advanced for the construction of a platinum refinery that will make it the major non-communist producer of refined platinum.

In Sun City and the Pilanesberg Nature Reserve, the territory boasts some of the best tourist facilities in Southern Africa. Its partnership with Sun International created some 5 000 jobs and generated millions of rands in gambling revenue.

It can also boast a modern telecommunications network, an indigenous building society, a television station, airline and modern university.

The Bophuthatswana Defence Force includes an air wing which comprises two Helio Courier and two



The many pieces of Bophuthatswana.

Partenavia P-68 patrol aircraft, two Aviocar transports and two Alouette II and one Ecureuil helicopter.

The Bavarian Prime Minister, Dr Franz Josef Strauss, on a visit to Bophuthatswana two weeks ago, said there was no apartheid in the homeland, that it had a greater degree of independence than East Germany and suggested that the world community should extend diplomatic recognition. — Sapa

217

Platinum prices rise on world markets in wake of coup attempt

D/D 11/02/88

LONDON — Platinum prices edged higher here yesterday after news of the coup attempt in Bophuthatswana, where some of Southern Africa's major platinum mines are located

London dealers said platinum prices rose to around $464 an ounce at midsession, up $14 from Tuesday's close

They noted that the unrest in the homeland had led to army orders for most residents not to report for work today

Platinum prices in New York also opened sharply higher

Platinum for April delivery was quoted $11,40 higher at $466 an ounce

Analysts said the firmness stemmed from concern over disruptions of platinum shipments from that area Trade estimates show the region produces up to one million ounces out of total annual world output of three million ounces

"It's a highly significant producer where Impala Platinum mines are located " said Mr John Brimelow of Keane Securities in New York

Mr Jeff Nichols of American Precious Metals Advisors noted the coup did not have an impact on South African platinum shares on the Johannesburg stock exchange "It s doubtful there will be lasting effects on supplies," he said

About 80 per cent of the non-communist world's platinum is supplied by South Africa — Sapa RNS

Bop coup lifts platinum price

Star 12/2/88

2/7

By Neil Behrmann

LONDON — The unsuccessful coup in Bophuthatswana has had some international impact

It helped lift the platinum market temporarily.

Prices surged $16 to $466 an ounce before falling to $461 on Wednesday and dropping further to a close of $458,50 yesterday.

European and American dealers who had sold platinum short, covered their bear positions swiftly because they feared that production of Impala and Rustenburg would be affected

Still, dealers remain cautious

Only a week ago, platinum fell to a two-and-a-half-year low of $439. It was temporarily trading at a discount of $3 to gold, whereas in 1986, the premium was more than 60 percent.

The market has been especially disappointing because Japanese imports reached an all-time record of 1,64 million ounces last year, against 965 000 ounces in 1986.

Yet the demand was easily matched by a sharp increase in supplies from the Soviet Union and investors

Long-term investors holding platinum in Swiss bank vaults have become wary of the metal and have been consistent sellers.

Mr Tony Warwick-Ching of Landell Mills Commodities Studies says that Japanese imports of Russian platinum totalled around 350 000 ounces last year In the final quarter alone, shipments were 208 000 ounces

But not all of the platinum came directly from Russia. Dealers believe that imports were from Switzerland Since the bars of the metal had Russian markings, Japanese customs authorities assumed that they were from Russia

Dealers contend that Russian exports were around 350 000 ounces last year and continued into 1988

Mr Warwick-Ching contends that they exceeded 400 000 ounces, the highest since the early seventies

Some platinum agents contend that physical demand is strong and matches production Yet others are concerned that a large proportion of Japanese imports went into the hands of investors and speculators If they take profits in a recessionary environment, the price could weaken

Mr Frederick Demler of Drexel Burnham Lambert, however, contends that the surplus of supply over demand is rising fast because Western output, Soviet sales and scrap supplies are outweighing consumption

Palladium prices at $123 an ounce, however, have been relatively steady because Russia, the biggest producer, has reduced sales markedly. Consumption is also buoyant Demand for palladium in the electronics industry, for example, has soared in the past year

Dealers close to the Soviet Union's marketing division , say that the Russians contend that palladium's price is far too low

The Soviet Union is fulfilling contracts, but it is not quoting a price on the free market

Implats dividend boosted by sales

217 B/day 17/2/88

CHERILYN IRETON

IMPALA PLATINUM, enjoying firm demand and improved platinum prices, has raised attributable profit by 14,7% to R145,1m in the six months to end-December.

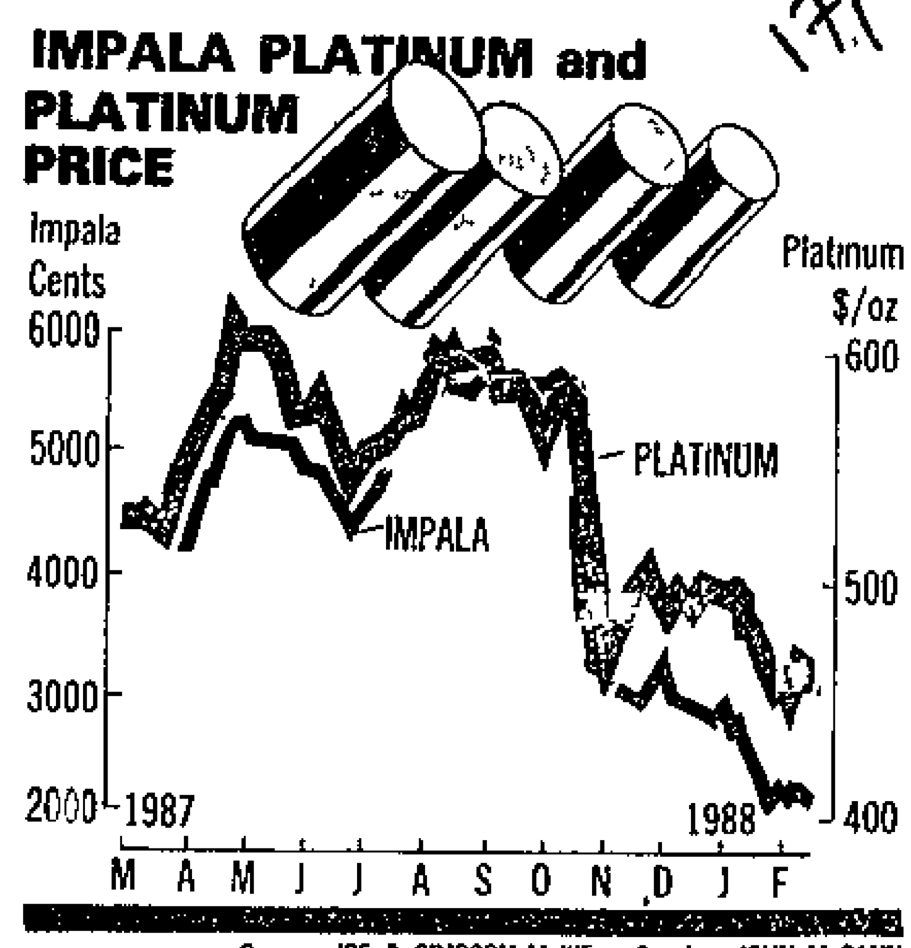
The increase in earnings from 219c a share to 252c a share is in line with market expectations. But the 33,3% increase in the interim dividend to 60c a share should delight shareholders after the modest increase in 1987's total distribution.

An important factor behind Implats' 40,3% increase in turnover to R781,9m was the re-negotiation of its long-term contract with General Motors.

This resulted in Implats receiving more market-related prices for its products. In past years this contract has restricted the Gencor producer from the full benefits of favourable movements in the metal price.

The increase in sales revenue was achieved despite a firmer rand, confirming a jump in sales volumes.

Implats says although interest of R7,7m paid during the review period was marginally higher (1986 R7m), royalties payable to the Bafokeng tribe, the Bophuthatswana government and other



Source JSE & SIMPSON McKIE Graphic JOHN McCANN

recipients increased by 70% from R15,3m to R26m.

Lease consideration and taxation to the Bophuthatswana and SA governments increased by 47,9% and absorbed R152,3m (R103m).

The company also says in its interim report that development of the new Karee platinum mine at Marikana is proceeding.

The most appropriate method of funding the project has yet to be decided. Interim funding for the project is being provided by Impala Platinum Limited.

Claim that tribal chief was bribed

2/7

Mining houses in fight over platinum

SMC 17/2/88

By Dan Side

A small exploration company has accused a major mining firm of bribing a Bophuthatswana tribal chief to wriggle out of a R6 million contract for the purchase of platinum rights.

Mr Anthony Tannous, chairman of the Western Transvaal-based Bethanie Mining and Exploration Company, operator of a small gold mine in Bophuthatswana, said the allegiance of the chief of the Bakwena ba Mogape tribe was swayed by a bulk payment of R300 000 from Rand Mines

Mr Tannous was adamant that a R6 million deal had been finalised with Rand Mines for the transfer of Bethanie's rights to platinum prospects in an area of Bophuthatswana located between Rustenburg and Brits

Not factually correct

However, when he applied to have the claims made transferable, he learnt that Bethanie had lost "between 7 000 and 7 500 of 10 000 ha" of underground and surface rights.

"Rand Mines went right up to Chief James Mamogale and offered him R300 000 to buy our rights," said an angry Mr Tannous

A spokesman for Rand Mines said Mr Tannous's account, as told to The Star, was "not a correct record of the facts"

He said in a statement "Chief Mamogale is retained by Rand Mines as a consultant and receives a consultancy fee"

Chief Mamogale, when interviewed yesterday by Mckeed Kotlolo of The Star's Pretoria Bureau, denied he was employed by Rand Mines as a consultant and said he had not been paid R300 000 by the mining house.

"I am a chief and am not employed by any company," said the tribal leader, who is also known locally as Chief Lerothodi Mamogale

Mr Tannous said "the tribe stood to gain 12,5 percent commission" from Bethanie and that in good faith the company had invested "a couple of million" on the claims.

Both these arguments were denied yesterday by the chief, who said that Mr Tannous had been given the platinum rights in 1986 and had done no development work since.

Before the JSE crash in October, platinum shares were riding high, with newcomers to the field Lefkochrysos, Messina and Northam all enthusiastically supported in hectic trading.

But the startling entry of Lefkochrysos into production infuriated major mining house Johannesburg Consolidated Investments (JCI) and caused consternation among other major mining companies

Rustenburg Platinum Holdings, controlled by JCI, held "intermediate and long-term" platinum leases for development near Brits and there was amazement in the JCI camp when the South African Department of Mineral and Energy Affairs established a precedent by allocating a portion of those rights to the Loucas Pouroulis-controlled Lefkochrysos

Last year was a boom year for platinum and mining companies rushed to develop leases containing the harder to extract UG2 ore

But since then the shine has come off platinum.

217

RUSTENBURG/GENCOR

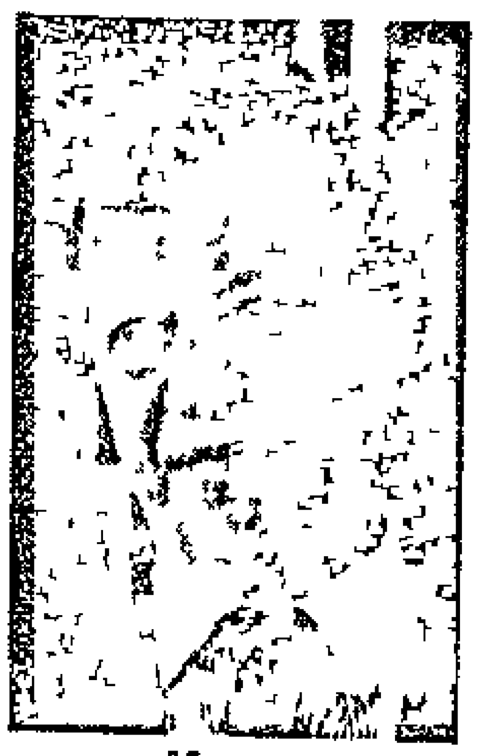
Gilbertson crosses the floor

The platinum industry and the JSE have been shaken by Rustenburg Platinum MD Brian Gilbertson's move to Gencor. The disclosure of an agreement reached between Johnnies and Gencor — that Gilbertson will not get involved in Impala Platinum's operations for about two years — has done little to reduce the impact of the announcement "My reaction is one of total surprise," says Derek Ritchie, analyst at stockbroker Fergusson Bros, Hall Stewart

Gilbertson (44), who joins Gencor on March 2 and will be appointed an executive director of the group at the next board meeting after his arrival, tells me he will not get involved in Impala Platinum's operations because this would not be correct from a business ethics point of view

However, he is not subject to any formal restraint-of-trade agreement with Johnnies — unlike Bernard Smith (51), also a former MD of Rusplat, who left Johnnies after Gordon Waddell was appointed chairman Smith, who received a golden handshake as part of the restraint-of-trade agreement, ran BP's mining house, Selection Trust, for several years in London before returning to SA and joining Gencor, where he is currently executive director in charge of technical services.

Reassuring noises have also been made by Gencor chairman Derek Keys (56). He says that a "gentleman's agreement" was reached with Johnnies to the effect that Gilbertson would not get involved in Impala Platinum's operations for a "quarantine" period of between 18 to 24 months. Johnnies personnel director Jeremy Nel says. "We did not believe it necessary to impose a legal restraint-of-trade condition on him because we believe in the integrity of the man and the company to which he is going "

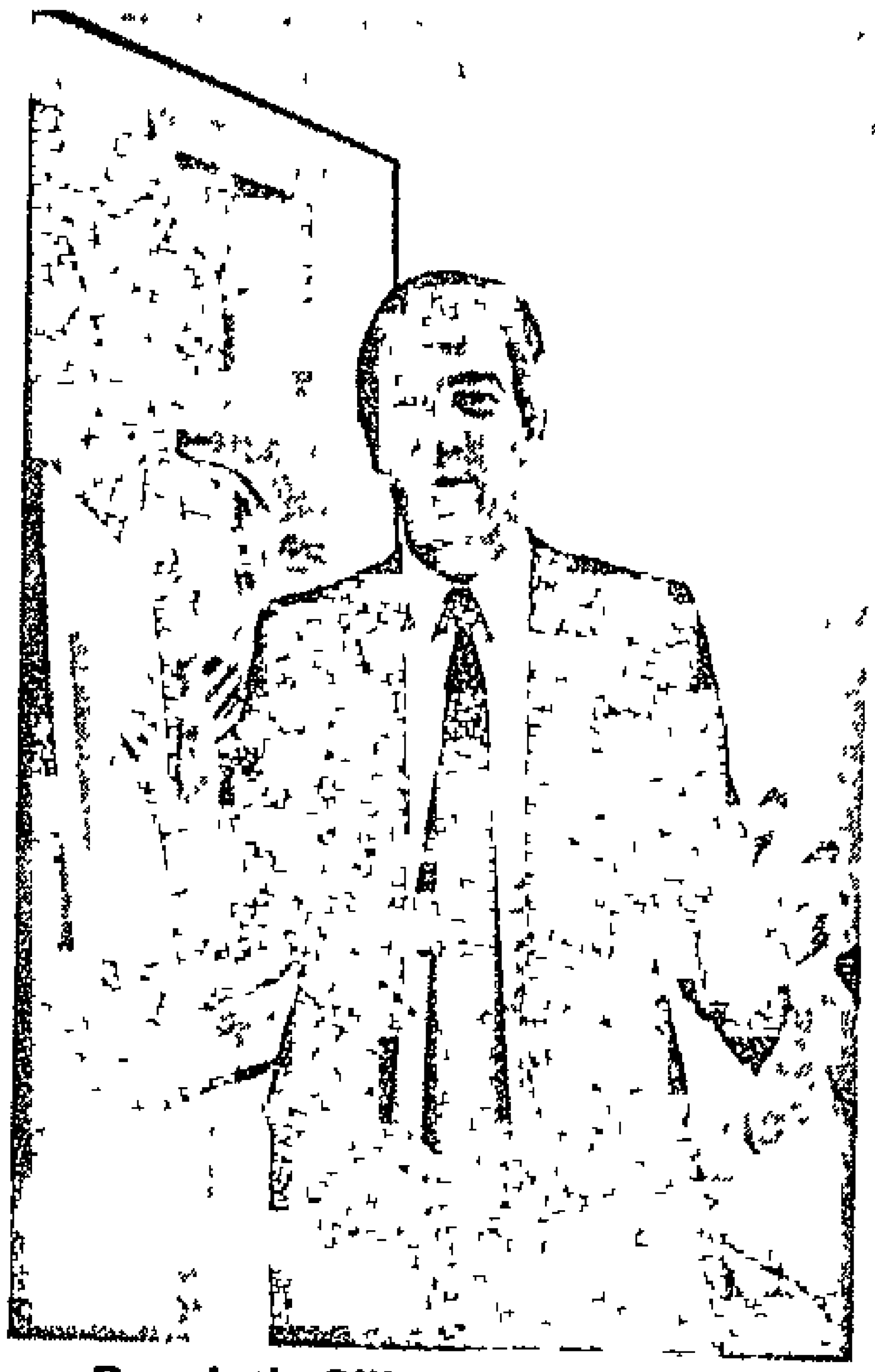

Keys

Keys tells me. "Gilbertson's specific managerial duties will not involve Impala Platinum, but he will contribute his views on platinum in the broader sense at Gencor board level I should point out that, because of Gencor's decentralisation policy, Impala Platinum's business is not run from the Gencor board "

Gilbertson is to assume executive responsibility for a portfolio of mining interests which have not yet been decided upon

Says Steve Ellis (54), Gencor executive director in charge of mining. "These will be finalised once he arrives. The mining division will be split between myself, Gilbertson and Colin Officer (52), whose current main responsibility is new project development. I will retain the platinum portfolio."

The situation remains that the man re-


Rusplat's Gilbertson . . . new challenges

sponsible for running SA's largest platinum producer has moved to the main board of the group controlling its largest competitor, Impala Platinum Both companies impose almost total secrecy on their operations and competition between them is cut-throat The platinum industry could, in any event, be in for a rough two or three years from about 1990 onwards, given that the number of new mines entering the industry could mean an oversupply of platinum

Why did Gilbertson move? At 44 he was MD of the most important sector of Johnnies' business and a director of the mining house Current chairman Murray Hofmeyr (62) is seen by many analysts as a "caretaker" chairman for an interim period following Waddell's departure. That should give plenty of scope for upward mobility at Johnnies and offer ample incentive for a young, well-placed executive to stay put


Davison

Barry Davison (42) will take over from Gilbertson as Rusplat MD, while Michael Hawarden (50), who runs Johnnies' coal operations, takes over Davison's former base metals and ferrochrome responsibilities as well.

Keys says a major factor in the move was the close link between Smith and Gilbertson, who had worked together previously. Ellis says that Gencor made the approach to Gilbertson. "I'm delighted to have a man of this calibre join us," he adds

Gilbertson says that leaving Rusplat was a tough decision, but he felt that Keys had built up an impressive management team and had made him a very attractive offer "The challenges offered by this appointment with Gencor are exciting because there are a great number of new developments which Gencor is looking at," he says

But the move could ruffle feathers among existing Gencor executives who will have to watch a young high-flier brought in over their heads and appointed directly to the board. And, while Gilbertson's rapid promotion at Johnnies speaks volumes for his abilities, he has a reputation for being abrupt and abrasive Even so, for the present the move is likely to be seen as evidence that, with Gencor's industrial division coming on line, Keys is turning his attention to bolstering the mining side.

Ellis says Gencor's present four chief executive officers were specially briefed on the reasons for Gilbertson's appointment and there were no "serious repercussions" from that meeting Keys believes the appointment should "stimulate" his present executives and points out that there is no limit on the number of executives who can be appointed to the Gencor main board *Brendan Ryan*

First candidate in govt's package

Alusaf to be privatized

Cape Times 23/2/88

212

Own Correspondent

JOHANNESBURG. — Government's Industrial Development Corporation (IDC) is to privatize Alusaf, its giant R500m aluminium smelting facility at Richards Bay.

The surprise announcement makes Alusaf, the first candidate in government's privatization drive, ahead of other IDC holdings or parastatals like Eskom or Iscor.

It follows hard on the heels of State President P W Botha's new economic package for SA in which he specifically referred to certain IDC holdings (Foskor) which would be privatized

While this focused attention on Foskor, IDC CE P J "Koos" van Rooy said yesterday that top level, secret talks about Alusaf were held with the private sector early in December 1987.

"We asked private parties to come and talk. These included some quoted companies. We invited bids and all we are waiting for now is to see what shape some of these offers take."

He said no official date had been set for the privatization.

Asked if the privatization move would automatically mean a listing on the Johannesburg Stock Exchange, senior IDC GM Malcolm Macdonald said the listing could take a little more time as the market was depressed.

"It could also be in some other form (merger) but this would would be our intention."

"Alusaf will definitely be the first of our companies to be listed Initially, we may hand over to the private sector and delay the listing but it will eventually happen."

Alusaf, which has a staff complement of 2 800, exports about 50% of its annual production of 170 000 tons of aluminium

The IDC has controlling interest in four major companies — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe.

Since its formation in 1940 and up to 1983, it has received R924m in new share capital from government but is mainly self-funding

Although established as an ordinary private company, control of its share capital, both "A" and "B" class, has always remained with government.

The Industrial Development Act of 1940 provides that the "A" shares will always be held by government and will have a veto right to ensure State control.

However, at the time of its inception, provision was made for the "B" shares to be sold to the public when considered practicable

Although the IDC has been successful and has built up an impressive profit history, up to now the "B" shares have not been sold to the public because "of the negative impact this could have on its development role".

(217). CAPE TIMES 1/3/88

Messina income soars by 680%

JOHANNESBURG — Spurred by a substantial reduction in finance charges, Messina's pre-tax income soared 680% to R15,1m (R1,96m) in the year to end-December compared with 1986

Incorporating R4,2m from associated companies, after-tax income was up 212% to R17,4m (R5,6m) to yield earnings a share up 386% at 141c (29c).

The dividend has been resumed at 35c

Turnover was up a relatively modest 37% at R299,5m (R218,8m) to lift operating income 80% to R21,97m (R12,2m)

But the reduction in finance charges — down to R6,7m from R10,2m — helped multiply net income before tax and extraordinary items nearly seven times.

The balance sheet shows interest-bearing debt at R36,3m, a far cry from 1986's R72,5m but still high relative to shareholders funds of R48m (R35,9m).

The directors comment that the sale of Steelmobile Engineering to Nissan produced a cash inflow of some R23m which, with the cash flow from operations, will enable the group to repay "a substantial portion of its interest-bearing debt".

Therefore, they add "It will not be necessary to proceed with the rights issue announced last year to repay borrowings ... An announcement regarding the funding of the platinum project will be made in due course."

Planning of the (Lebowa) platinum mine, they say, is well advanced and "the geological and metallurgical results and proposed mining plan are being examined by independent consultants". — Sapa

Messina's pre-tax income soars 680%

.Star 1/3/88 (217)

By Teigue Payne

Messina's pre-tax income soared 680 percent to R15,1 million in the year to December, compared with R1,96 million in 1986 as a result of improved operating margins and a substantial reduction in finance charges.

After including R4,2 million from associated companies, after-tax income was up 212 percent at R17,4 million (R5,6 million), and earnings a share were 386 percent higher at 141c (29c).

The dividend has been resumed at 35c, placing the share at a dividend yield of about 3,7 percent at current prices.

Turnover rose 37 percent at R299,5 million (R218,8 million) Operating income was 80 percent higher at R21,97 million (R12,2 million), and the operating margin rose from 5,56 percent in 1986 to 7,6 percent.

Mr David Dry, financial director, says the company has been cutting costs everywhere, and the turnover increase resulted in the effect snowballing The higher copper price last year also contributed to improved profitability

Charges cut

The reduction in finance charges, from R10,2 in 1986 to R6,7 million, powerfully boosted the increase in income before tax and extraordinary items.

The balance sheet shows interest-bearing debt at R36,3 million, compared with 1986's R72,5 million. With shareholders funds of R48 million, gearing is therefore 75 percent, which, while still high, is a great improvement

Interest free funding — creditors and a R11 million State loan to develop the Messina mine — was 52 percent higher at R60,9 million (R40 million).

After the year-end, Steelmobile Engineering was sold to Nissan for R23 million The directors say this cash will allow the group to repay "a substantial portion" of the interest-bearing debt

They say the company will therefore not have to proceed with the rights issue it announced last year to repay borrowings. The rights issue, to raise R62 million, was delayed in November due to weak stock market conditions.

The directors say an announcement regarding the funding of the group's platinum project will be made in due course

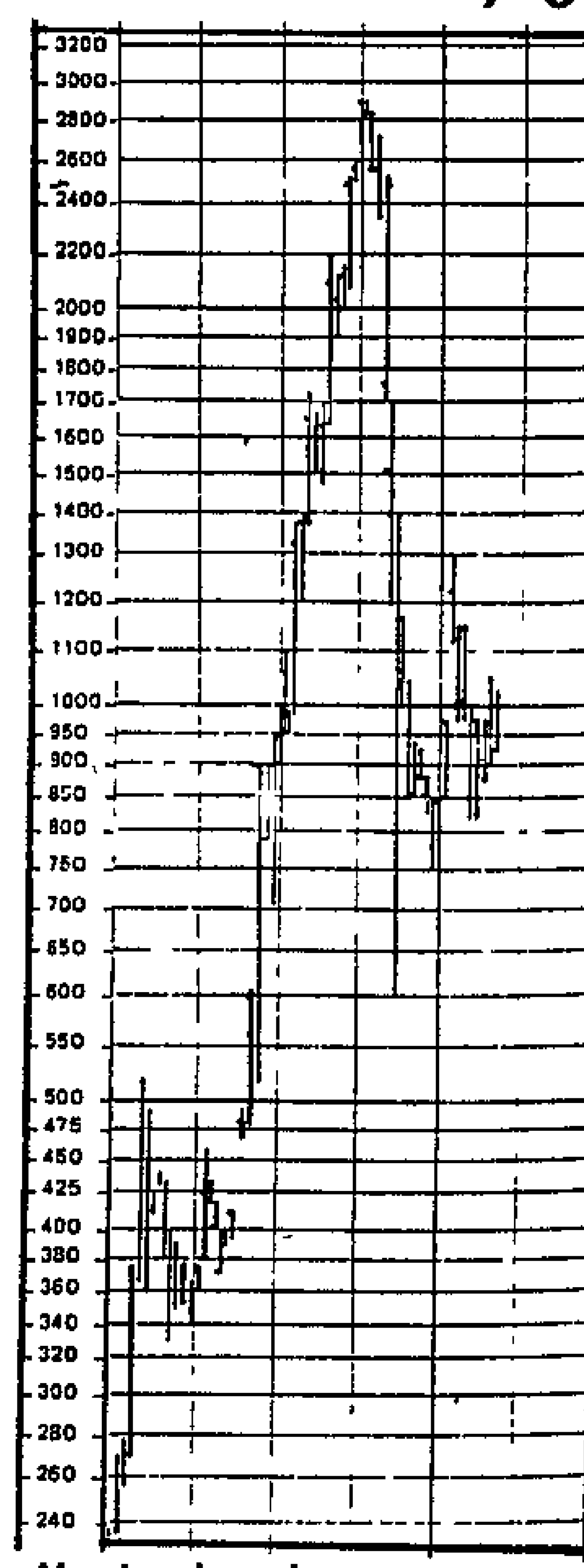
Mr Dry said no final decision had been taken on funding of the project.

He said he believed the group could fund the R10 million to R15 million which would be required to develop the project in the next year from its own resources

The directors say planning of the platinum mine is well advanced and geological and metallurgical results and the proposed mining plan are being examined by independent consultants.

Negotiations on the mineral lease are being finalised with the authorities in Lebowa.

"As soon as the consultants' reports have been received and finality has been reached on the mineral leases, it is planned to sink two second outlet ventilation shafts as quickly as possible in order to produce bulk samples from both the Merensky and UG2 reefs."



Messina has shown a precipitous rise and fall since the beginning of 1987. After fluctuating between 50c and 300c in 1986, the share rose to over R28 before the crash in October last year. It then fell about a third and currently trades around R9-R10.

PLATINUM COMMENT

Investment is strongly promoted

Star 4/3/88 (217)

Well-known investment adviser, ~~Mr~~ Martin Spring, strongly advocates investment in platinum and predicts a price of $1 600 an ounce, and possibly $3 000, by 1990

In an exceptionally bullish introductory letter promoting his new newsletter, Platinum, Mr Spring says there is already a shortage of the metal, and it is certain to grow

He says he has a quarter of his personal portfolio in platinum, and some of the world's shrewdest investors have also invested in it.

The good news is that platinum is still at the beginning of its bull market, he says, and recommends investment in it because

- Global demand for platinum will double in the next three years Mine production cannot be expanded fast enough to meet demand — to get a new mine to start of production in South Africa takes three years By contrast, it is relatively easy to expand production of gold.
- Between 1982 aand 1986, investment purchases of physical platinum increased 900 percent Investment buying of platinum reached 450 000 ounces in 1986, small compared with the 18 million ounces of gold sold to investors But this year, despite increasing investor desire for platinum, there will be less than 300 ounces of it spare for them — compared with the 450 000 ounces bought in 1986
- Japanese imports of platinum were 70 percent higher last year than in 1986 The Japanese have vast sums available for investment and they are very enthusiastic about platinum.
- Platinum is much rarer than gold or silver. Supplies of newly mined platinum were only 2,83 million ounces in 1986, against 63,3 million ounces of gold. In the platinum bull market of the late 1970s, gold's monthly average price moved from $150 to $670 between mid-1977 and early 1980, while platinum's soared from $150 to more than $1 000 Over the past two and a half years, platinum has moved from a discount to gold to a premium
- Unlike the gold price, the platinum price cannot be manipulated by world bankers and politicians because they have no stockpiles of the metal.
- South African supplies are perceived to be risky and there are few other significant sources of supply
- Platinum is underpinned by strong industrial applications. By contrast, about two-thirds of the gold reaching world markets is bought for investment or speculation, so any price rise means dishoarding. Most platinum is, however, consumed.
- Substitutes are generally not available for platinum without loss of efficiency. Fuel cells now being developed are expected to transform the energy industry and "within a few years this market alone will absorb two million ounces of platinum a year".
- Platinum is the metal of the future, with potential new uses in advanced electronics, laser weaponry, rocket fuels production, anti-cancer drugs and fuel cells

Over-supply fears cannot be ignored

Star 4/3/88 (217)

By Teigue Payne

Mr Spring is taking a rather radical, maverick view of platinum His view is even more singular for being bullish, almost without caveat Of course, if he is correct, which is possible, subscribers to his platinum newsletter will win heavily

He does say the scenario can change quickly, but his scenario of events could generally be [illegible] as exceptionally rosy More importantly, his letter does not mention a factor dominant in the minds of platinum observers that new [illegible] will vastly increase supplies of platinum to the market by the early 1990s

This prospect has prompted some very experienced observers to say there will be a [illegible] in the market

The early 1990s may be beyond the range of Mr Spring's letter's predictions, but by 1990, when he predicts the platinum price at $1 600, the spectre of future oversupply would be heavy on the market

If at that stage the scenario is for lower platinum [illegible] investment demand could [illegible]

In the nearer term, I agree with analysts who say that [illegible] attitudes since the October crash have been overdone [illegible] platinum shares may [illegible] way.

While the price of platinum metal has declined this year, the sharp upkicks which occur when there is any possible alteration in the supply or demand situation — like the Bophuthatswana coup report and the likelihood that platinum catalysts will become mandatory for smaller cars in Europe — indicate a far greater sensitivity than in the gold market.

I believe this indicates that the fundamentals for platinum are at present much stronger than those for gold, for which oversupply is a present rather than a longer-term reality

The fact that platinum has many uses, applies to hi-tech industries and is, in many ways, the metal of the future, also makes for stronger fundamentals at present than gold, which is largely used in investment/speculation

A slow-down in economic growth in the United States, which is now indicated, could be more than compensated for by Japanese demand, which is currently very strong

But barring any explosion in demand or disaster affecting supply, it seems likely that existing and new producers, who should start adding to supplies later this year, will be able to accommodate the market without an extended steep price rise

For these reasons, I believe platinum will trade stronger than gold this year and next. However, I take a more conventional view than Mr Spring and would opt for a price of $450 to $550 an ounce this year and in 1990, and probably a weaker market beyond that.

Sound outlook for granite producers

Star 5/3/88 (217)

TEIGUE PAYNE

The three listed granite companies, all of which will report soon, are likely to produce results at least in line with prospectus forecasts, although rain may have depressed production figures somewhat.

Keeley, which has a February year-end, will probably publishing its annual results in early April, while Marlin and Kudu, with June year-ends, are likely to report within a week.

Leading analyst Dr Kevin Kartun of brokers Simpson McKie says while rain has hindered black granite production in the Belfast area, nothing major ails the industry — in contrast to most other mining sectors

The recent slide in the gold price and depreciation in the rand have emphasised the granite producers' quality of being near-perfect rand hedges, says Dr Kartun

With gold, the exchange rate and the gold price are interlinked When the dollar gold price declines, the exchange rate declines

This safety net for gold is a lift for granite because prices for granite are not declining The opposite, in fact — they are showing a steady uptrend in dollars, in which they are determined South African production is almost entirely exported

Price increases

Keeley and Marlin are reported to have recently obtained 20 percent dollar price increases for black granites, and slightly less for grey granites In a market in which order books generally are full at least a year ahead, it was apparently not difficult to obtain that magnitude of increase.

Taken with a 10,1 percent decline in the rand this year (from R1,9323 to R2,1485), and more likely in the future, there is considerable gearing in the upward price, and little downside for granite shares

If the rand appreciates against the dollar, producers will find it easy to obtain price increases from their main customers who are mainly European and Japanese, and whose national currencies have generally risen against the dollar.

Of course there have been cost increases Most important has been an estimated 25 percent rise in rail tariffs for exports But railage makes up a relatively small part of costs in producing and exporting granite

Granite producers are not complacent about sanctions, but the industry is low-key, and countries which have banned South African coal import its granite without demure Overseas customers, normally relatively small concerns, have strong interests in resisting sanctions because they multiply their money about 600 percent in slicing and polishing the raw blocks.

The sanctions risk is also spread between 30 countries to which local producers export. Competition for South African producers, mainly from India and South America, presents no major problem, they say.

South Africa at present produces about six percent of the free world's granite. Mr Fred Keeley, chairman of Keeley Granite, estimates that this could rise to 25 percent

Forecast of results of the three granite companies are

- **Kudu**: earnings of 26,1c a share for the year ended June, and a 3,2 times covered dividend of 8,2c
- **Marlin**: earnings of 41c a share for the full year, and a 2,4-times covered dividend of 17c
- **Keeley** earnings of 27,8c a share for the year ended 29 February, a 2 times covered dividend of 13,9c. Keeley may well accompany its annual results with an announcement about exploitation of its platinum rights, hopefully on a tribute basis, which would increase earnings in the future

TECHNICAL VIEW

Platinums take the lead again

Star 7/3/88

217

By Dr Issy Bacher

History very often repeats itself and the present behaviour of the export orientated stocks is beginning to echo price movements similar to those seen in July-August 1986 when the rand weakened substantially, as it is doing now

The weak rand has a positive effect, particularly on our metal exports and this together with the sudden firmness of the platinum/dollar price has seen platinum shares strengthen markedly over the past few weeks.

Last week I showed the technical picture of De Beers renewing its strength, which has continued. This week we put our microscope on Rustenburg Platinums, the Western world's largest platinum mine.

The director's report on Rusplats in January 1988 was not particularly encouraging, saying that unless the platinum price increased substantially this year, profit for the year ending June 1988 is unlikely to equal that of June 1987. Directors were worried about cost increases. Not withstanding this the Company declared an increased dividend of 100c (90c).

Lets take a look at its price history to get an idea of its peaks and troughs

	HIGH	LOW
1982 —	760	265
1983 —	1 455	635
1984 —	1 655	1 260
1985 —	1 825	1 490
1986 —	5 750	2 595
1987 —	6 250	2 700

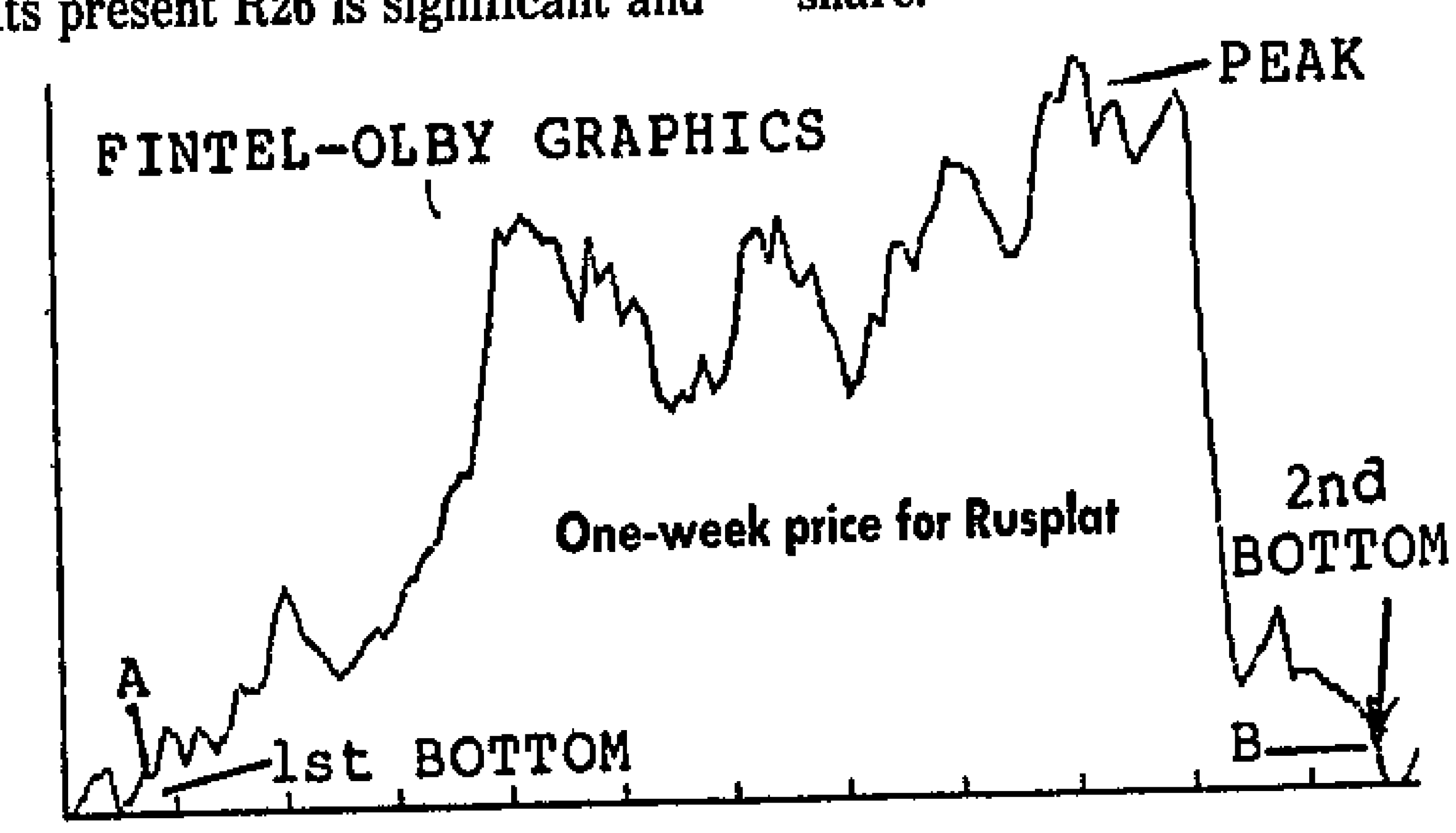
The 1987 peak of R6 250 is well illustrated in the top graph which is a 30 monthweekly price graph of Rusplats.

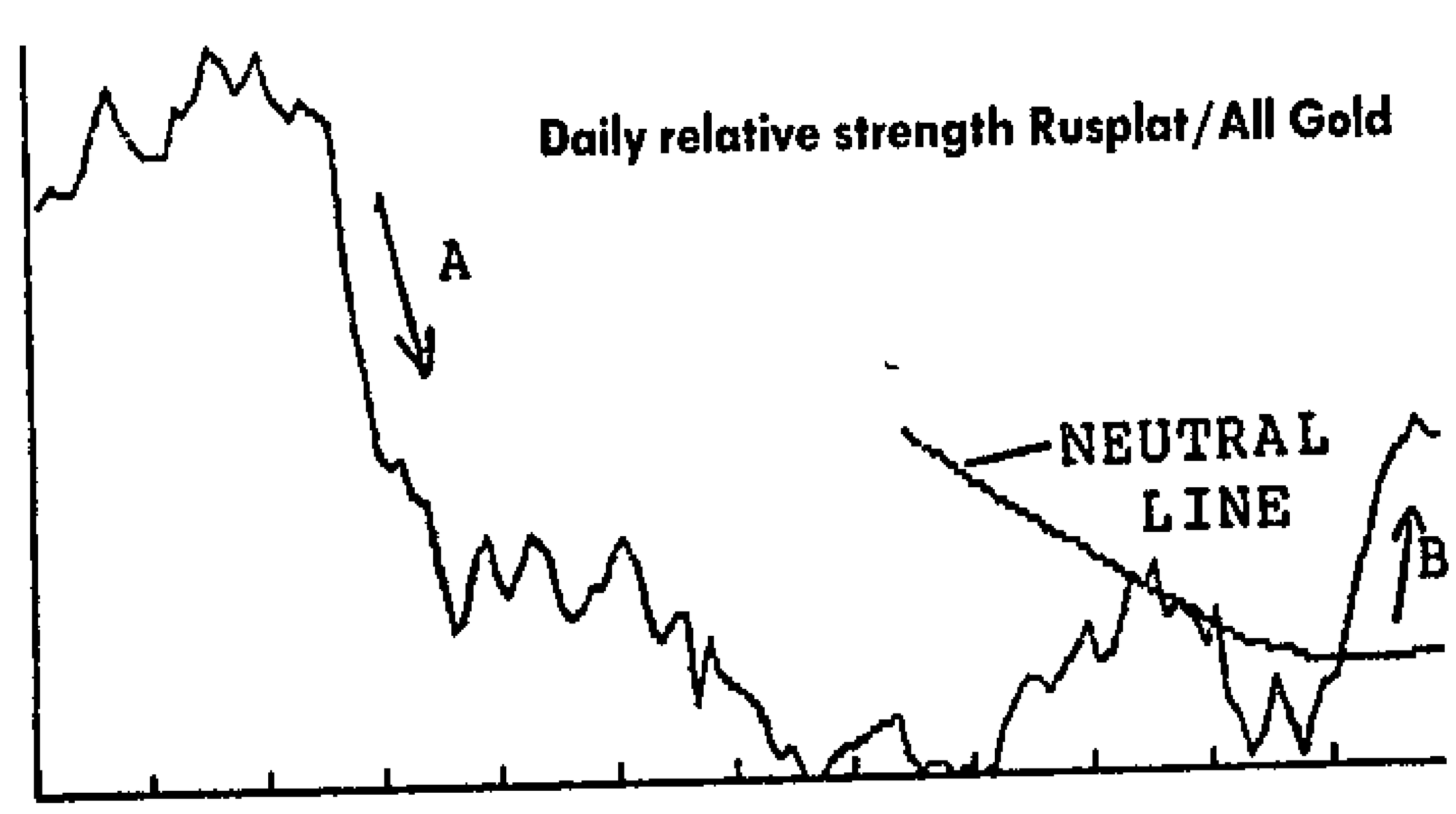
The precipitous plunge of the share from R62 to its low of R22 on the February 8 took approximately 26 weeks, wiping out a two year bullrun in the process.

The fall to the R23 area is important as it has hit a 2nd bottom (B) previously seen 30 months back (A) This could constitute a double formation which often ends a bear phase The bounce to its present R26 is significant and R22 could be close to its low for the bear market.

In its rise to R26 there has been a dramatic change with Rusplats rising in strength against the All Gold index so that the graph has crossed the nuetral line to make it the superior stock (Arrow at B).

CONCLUSION:
Platinum shares and particularly Rustenberg Platinum Holdings are a better bet in the coming rally than the average gold share.





Cape Times 12/3/88 (217)

De Beers shows R1,5-bn profits in centenary year

By LAWRENCE TOTHILL
Investment Editor

DE BEERS CONSOLIDATED MINES' results for the year to December 1987 surpasses many of the local expectations both as regards the massive profit rise as well as the 37,5% hike in the dividend distribution

One of the reasons for the improvement is the sharp fall off in tax and mining lease considerations at R374m against R635m in 1986

The result was that De Beers' own operations turned in a net profit of R1 035m against R762m equal to earnings of 282c (212c) a share

When allowance is made for the retained earnings of associate companies (the accepted way of showing results) then the bottom line profit ends up at R1 501m against the previous year's R1 151m. This is equal to earnings of 410c (320c) a share

The improvement of the rand against the dollar and a higher ratio of sales of diamonds purchased to diamonds produced by De Beers mines, had the effect of lowering the diamond account to R1 303m from R1 362m

Investment income was R314m (R274m) and interest received R130m (R76m) Prospecting and research increased to R155m (R115m)

Diamond stocks at R4 450m increased by R413m comprising a real increase of R869m less an adjustment of R456m for the dollar/rand exchange rate.

The final dividend has been increased to 82,5c from 60c, making the total distribution 110c (80c) for the year. This is a record distribution for De Beers and the 110c is double the 55c distribution of 1985 — only two years ago.

The total distribution will cost De Beers R418m and this is distributed to some 31 000 registered shareholders (apart from its "bearer" shareholders), of these registered shareholders about one-third are resident outside SA.

The results are better than anticipated by many of the SA analysts, but interestingly enough the London brokers, Warburg Securities, were almost spot on with their earnings forecast of 400c and dividends totalling 110c a share

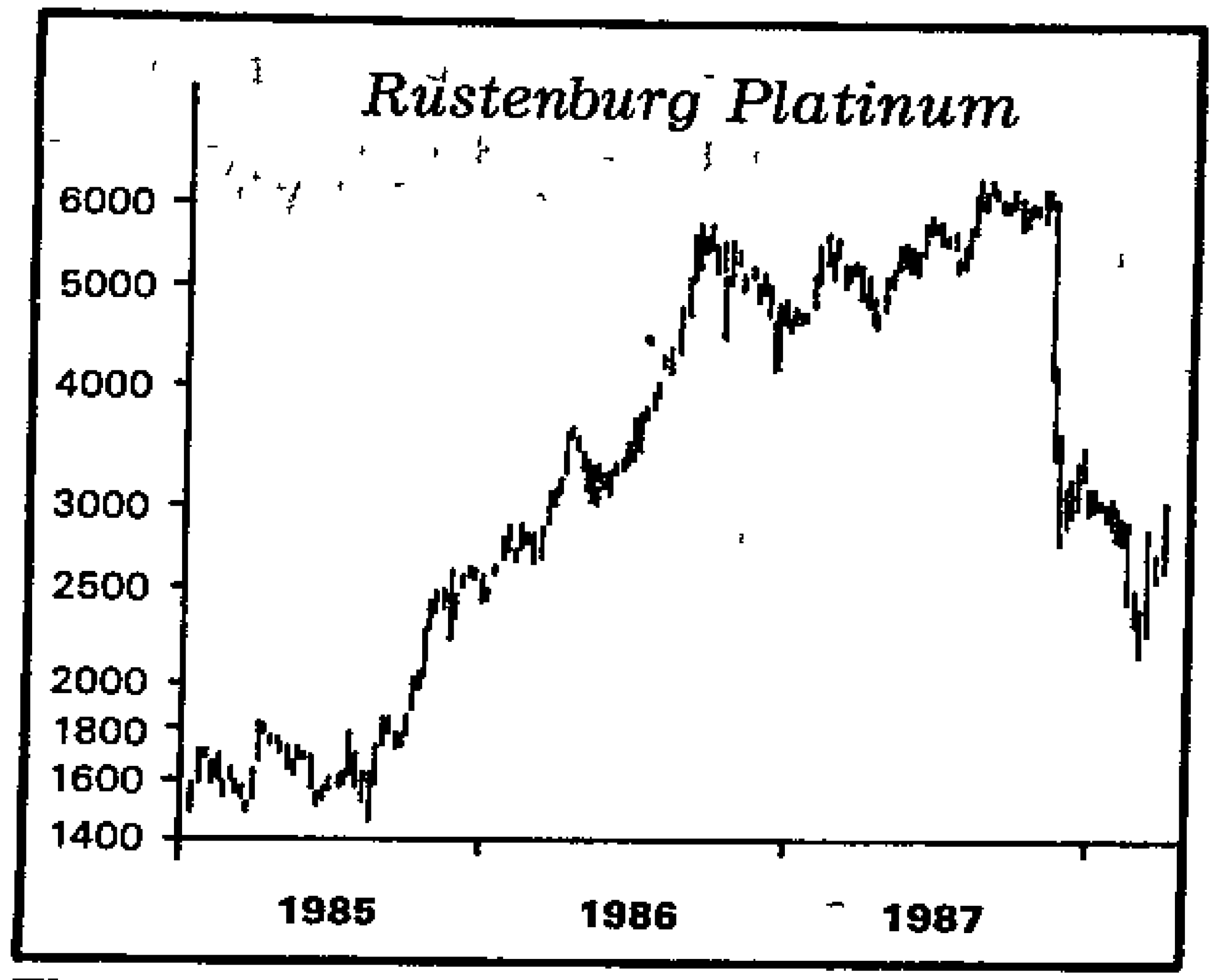
At the current market price of about 2 750c De Beers trades on an earnings yield of 15% and a dividend yield of 4%

DIAGONAL STREET

by JULIE WALKER

(217)

Platinum in for a profitable ride



The recovery in the price of Rusplat shares — bellwether of the platinum sector and the world's largest producer of the metal. Its low was 2 150c only a month ago — the high of 6 350c was reached in August last year. The platinum index has risen by 36% since February 12.

PLATINUM shares surged this week on the back of the metal's firmer price. The platinum price had fallen to a low of $439 an ounce, but rose to $480 this week.

Platinum analyst Keith Bright of stockbroker Frankel Kruger Vinderine believes the shares were oversold and the price of platinum fell too sharply

"Industrial demand accounts for 85% of platinum consumption and investor demand has grown from nothing five years ago to 15% of annual supply

"Platinum investors tend to be fickle, and after the equity market crash many of them sold their metal The upset in supply depressed the price," says Mr Bright

He estimates that investors hold a million ounces of platinum — "that is only four months' supply There must be 20 or 30 years' worth of gold in bank vaults around the world"

Mr Bright says the price of platinum is underpinned by industrial demand He says the premium of the platinum price to gold's has fallen from $250/oz or 60% in August 1986 to the current $50 because of selling prompted by the equity market crash and the search for liquidity

For a short spell earlier this year platinum traded at a $3 discount to gold

The platinum investor is not as sophisticated as a holder of gold, such as central banks, but is the individual who buys one or two bars or coins whenever he can and sells them whenever he wants to

BLOODBATH

Currently, platinum looks oversold and Mr Bright views this as a short-term correction In the longer term, the platinum market looks sound

In contrast to Jim Ainsworth, a UK metals expert who foresees a bloodbath for platinum in the next two years because of an excess in supply from South Africa, Mr Bright expects the new production to about equal the forecast rise in demand

He does not believe that the recycling of autocatalysts is a profitable proposition

"The energy costs to melt platinum group metals off the ceramic substrate in an autocatalyst are enormous

"It should also be remembered that much of the patented technology in this field belongs to the major platinum producers It is not yet in their interests to recycle platinum"

CRUCIAL

Mr Bright does not foresee a major increase in supply He mentions the three Ms — mining, metallurgical and marketing — as being the crucial factors affecting supply

Mr Bright is happy about the prospects for Northam, due to come on stream in 1991 at 150 000 ounces a year, but has reservations about some of the other proposed producers

He thinks Messina will have difficulty in going ahead because of the steepness of the reefs' dip The dip is between 60 and 90 degrees He also believes that the Severin venture looks a long shot

Lefkochrysos and Barplats will go ahead, but not at the rate the two mines have indicated

Mr Bright says "They face two major problems one is that the technology to treat the UG2 is not fully proven, but more important, the two could have marketing problems

"Buyers of platinum are looking for 50 years of guaranteed supply The new producers may have to sell at a large discount when they do not have a track record of supply reliability"

Even at half the price, says Mr Bright, the major buyers might be reluctant to switch to unproven suppliers

Although this is a negative factor for the price of platinum Mr Bright believes there will be a shortfall in supply If European Economic Community regulations are introduced to include the fitting of catalysts to cars with less than 1 400cc engines, platinum demand will rise sharply

"More than half of the cars sold in Europe are smaller than 1 400cc If a car producer is faced with the choice of unsaleable stock or fitting autocatalysts to the vehicles, they will opt for the catalysts'

Platinum shares have copied both the fall in the platinum price as well as the rest of the market, but they improved this week

Bellwether Rustenburg Platinum rose 175c to 3 000c by Wednesday at which price it yields a 7% dividend Impala added 100c to 2 650c, yielding 6,6%

ARG 5 14/3/88

Sinking of R60-million shaft at Rhodium Reefs under way

J17

JOHANNESBURG — Rhodium Reefs — the R530-million platinum mine which Rand Mines is developing near Steelpoort, Transvaal — has taken its first step to reality with the start of a R60-million shaft sinking programme.

According to Mr Eddie Crocker, MD of Rhodium Reefs and of its listed holding company Barplats Investments, sinking work is now under way on the No 1 dual-purpose shaft, which will go down to about 1150m below surface.

"So far we have reached almost 20m and work is now being concentrated on installing the shaft collar before sinking operations begin in earnest."

He said erection of the R1,4-million shaft headgear would begin in the next three months

Designed to satisfy both the upcast ventilation needs and the legal obligation to provide a second outlet for raising and lowering personnel, the No 1 dual-purpose shaft is the first that will be sunk at Rhodium Reefs.

"Next on the programme is the No 1 primary service shaft, which will be sunk to a depth of 1150m below the collar Both shafts will have a diameter of 8m," said Mr Crocker

According to the recently released Barplats prospectus, shaft sinking at Rhodium Reefs will require capex of some R21-million in 1988 A total of just under R60-million has been budgeted for the entire shaft sinking programme, which is scheduled for completion by 1992

With a total labour force of 6000, the new mine will have an initial milling capacity of 180 000 tons a month — rising to 270 000 tons a month at a later stage

Rhodium Reefs/Barplats is one of the most exciting developments tackled by Rand Mines recently It expands the group's product base into an important additional strategic precious metal Rand Mines will manage the new mine and market the platinum group metals it produces — Sapa

Platinum soars in gain of $20

(217)

Bday 15/3/88

REINIE BOOYSEN

PLATINUM rose sharply by almost $20 to close at 474,00-478,50 yesterday, from London's Monday afternoon fixing at $453,50.

After February's uncertainty, this month's European debate about platinum-based devices to reduce harmful exhaust emissions could be a crucial turning point for the metal, say analysts

In 1986, the use of platinum in the production of autocatalyctic converters represented 36,8% of the total demand for the metal

Should the EC decide to extend the requirement for catalytic converters to include small cars — not only cars with an engine capacity above 1 400cc — this market for platinum is expected to expand enormously

Small cars represent 55% of European new-car production.

The directive, if extended, will come into effect for new models in 1992, coinciding neatly with production set to come on-stream from a number of new SA ventures, such as Lefko, Northam, Barplats, Maandagshoek and Messina

"Instead of only two or three year's stability, platinum could become a viable long-term option for investors," says Davis Borkum Hare analyst Gillian Findlay

"Depending on the EC decision, car manufacturers could be gearing up for increased autocatalyst production by 1991."

Other analysts see little significance in the EC's debate for the immediate future, saying the effects of a decision on the price of platinum is far off.

They attribute platinum's surge to current issues on:

- A technical correction of platinum's low price following high-volume selling from overseas investors anxious about the stability of SA industry;
- The metal's strength was partly due to a squeeze on nearby physical material, with spot deliveries commanding a premium over forward months.
- Investors opting out of gold after that metal dropped on Monday and launching into platinum as a more stable short-term option.

"I'd first like to see some definite EC decision before I even start speculating about platinum's future," said one analyst

Platinum rumours fuel Keeley's upward spiral

BS (217) B/day 17/3/88

REINIE BOOYSEN

RECURRENT rumours that Keeley Granite is sitting on undisclosed platinum ore are said to be the driving force behind the share's volatile upward spiral

The shares shot up 30% to end at 5,85c yesterday in extremely heavy trading Over 60 000 shares, worth more than R355m, were traded in 62 deals Over the past three months, Keely's average daily trade has been just over 7 000 shares

Marlin shares were also affected, rising 43% to 310c, although volume was considerably lighter

Although there is little certainty surrounding the Keely rumour, one analyst said "a lot more people are believing it this time round"

One broker put his clients onto Keeley after speculation that the company would soon publish good results for the year to end February But the share performed beyond the broker's favourable expectations

"We're not just talking about good results here," said the broker "There is lot of speculation going on"

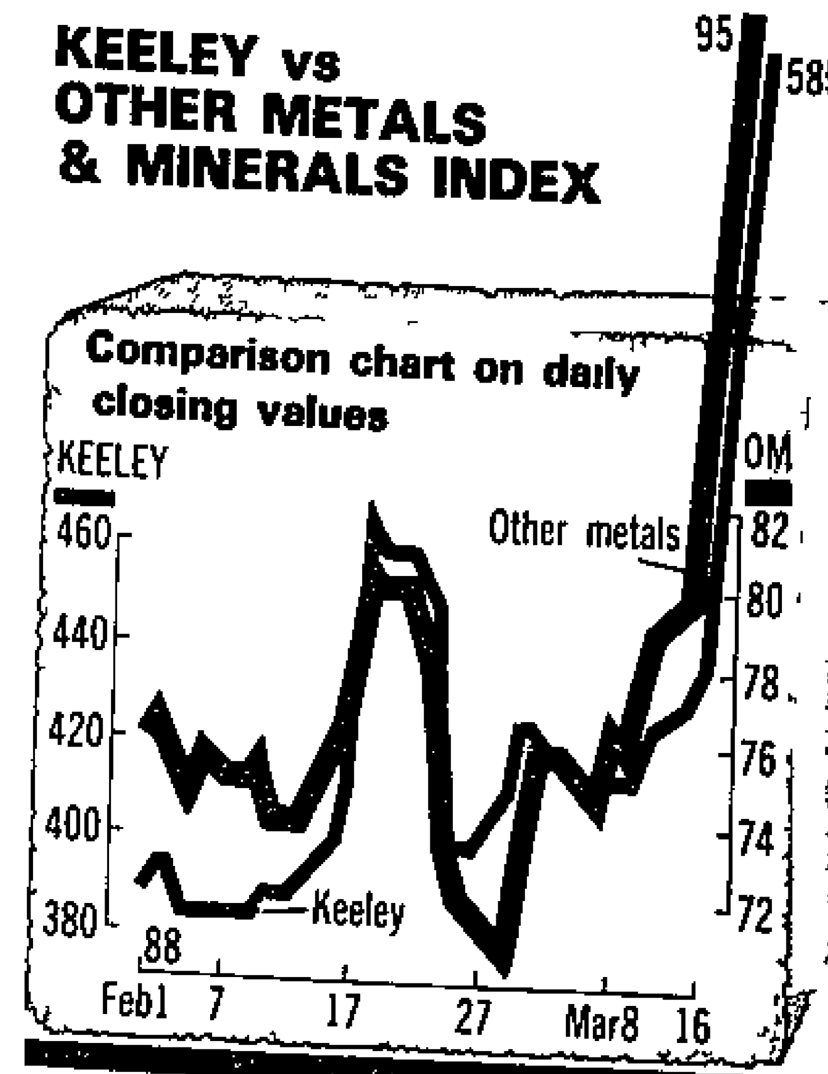
A Keeley spokesman said the company had no official statement on the platinum rumour, but confirmed the company was expecting the results to exceed the prospectus forecast

Analysts share this view and predict that earnings may exceed the listing forecast of 27,8c by as much as 5c a share

In the year to end February 1987, earnings of 23,4c were recorded On yesterday's close, this places Keely on an historic earnings yield of only 4%

At the time of the listing an annualised dividend of 13,9c a share was forecast

KEELEY vs OTHER METALS & MINERALS INDEX



Source JSE Graphic JOHN McCANN

production units to be loaded and encourages exports, for which there is undoubtedly a market as there is a worldwide shortage of polymers.

Sasolchem MD Hennie Badeker remains cautious. He says: "It must be realised that to produce monomers such as ethylene, requires a vast capital expenditure which cannot be considered until the market growth ensures a reasonable plant loading. Sasol cannot consider premature investment which might be uneconomical."

Worrying plastics converters is the fear that if plastics prices get too high, they may lose trade to the "mature" packaging products such as paper, metal and glass. ■

ALUMINIUM

Alusaf caution

Alusaf may be an early candidate for privatisation, but prospective investors should proceed with caution.

The future of the Richards Bay aluminium smelter hinges on two issues: maintenance of SA's international trade links and keeping margins low in a highly competitive industry.

Squeezed margins, ironically, may be good for Alusaf, since the merest hint of sanctions is reportedly enough to attract bids from a rash of alternative alumina suppliers Alusaf is totally dependent on imports of the raw material and earns half its income from exports.

In the present political climate this reliance on world markets for both raw materials and export sales appears to have placed Alusaf in a vulnerable position. Technical director Pieter de Waal concedes this might be so in principle, but believes the world over-supply of alumina probably rules out the danger SA could probably source alumina from a range of different suppliers if it had to

On the face of it, the economics of the domestic aluminium industry are easily explained Alusaf last fixed its domestic price in October 1987 at R3 860/t, which at current rand/dollar exchange rates, represents an almost 10% discount on the London Metal Exchange price of $2 040/t

However, daily LME quotes vary according to world stocks and may range over 12 months from $1 200/t to $2 040/t When stocks are high, prices are low — and vice versa. In exchange rate terms, South African users may sometimes pay well below international prices, sometimes sharply above.

South African aluminium supply is influenced by two main factors:

□ Production is capital-intensive and consumes huge amounts of electricity Alusaf has about R500m invested in a 170 000 t/year plant, accounting for 1,2% of world smelting capacity of 14 Mt It is SA's single largest consumer of electricity, which accounts for a third of operating costs; and

□ Worldwide, smelting margins are low and investments are recouped over periods of up to 20 years Producers tend not to throw the switch when prices begin to fall and stock levels are slow to adjust to price changes

Consumers' horizons are shorter and demand is price-sensitive because of competition from alternatives such as plastic, copper and timber.

Price competition is unavoidable and can lead to periods when the landed duty-paid price of aluminium is below the domestic price, or alternatively, when local buyers pay a premium on world prices. This reached a peak in the early Eighties, when import control kept local prices almost 50% above the effective import price.

Because of the weaker rand, domestic prices have more recently compared favourably with the import price equivalent and, accordingly, the 20% tariff protection is seldom necessary.

Alusaf supplies around 90% of South African aluminium requirements and gross sales income is divided equally between domestic and export sales. By its own calculation, export income net of import costs amounted to R120m last year. ■

Nickel alloys to rise up to 70%

217 BDay 25/3/88.

MICK COLLINS

THE price of nickel-based steel alloys sold on the Witwatersrand is to be increased by between 10% and 70% from Monday.

This follows a similar increase by primary producer Union Steel Corporation (Usco), on March 14.

The Usco price hike was, in turn, caused by soaring world demand for nickel that has seen its price on the London Metal Exchange (LME) rocket recently.

Its US dollar price rose the equivalent of R2 700 a ton on the LME in the two days prior to Usco's surcharge.

A weak rand/dollar exchange rate has also put pressure on local prices and saw the rand price of nickel increase from R7 a kg in July last year to R34 a kg by December, and by a further 30% in the current trading week.

Major Reef steel merchants yesterday decided to pass on Usco's surcharge to the end-user. Companies represented at the meeting included Hall & Pickles, Bruce Fairlie Steels, Raymond Vice Steel, Bonuskor Steel, National Trading Company, Namaskor and Bowley Steels.

Monday's 10% to 70% price increase will depend on the nickel content of respective alloys but stainless steel, which has a high content, is expected to rise by at least 50%.

Impala confident about rights case

(217) B/day 25/3/88

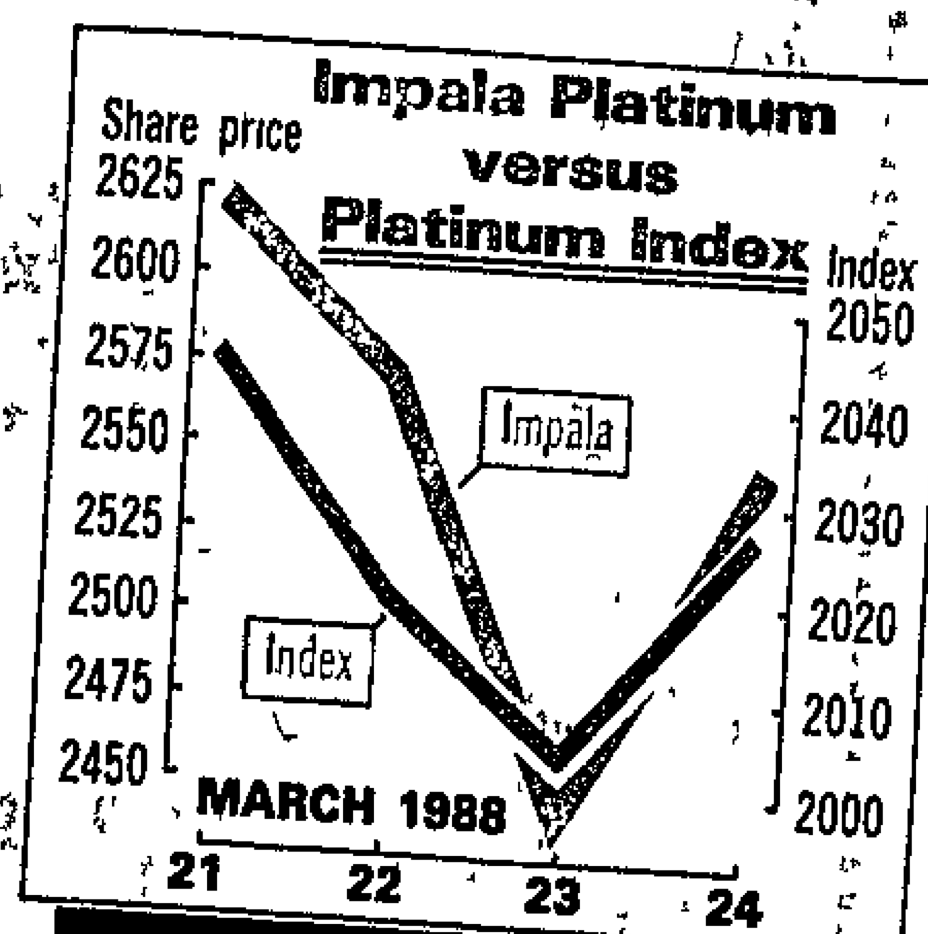
ROBERT GENTLE

IMPALA Platinum says it is confident the legal challenge by the Bafokeng tribe against the company's mining rights in Bophuthatswana will be successfully opposed.

In a notice to shareholders issued today, the company says legal proceedings have been instituted in the Supreme Court of Bophuthatswana against the mine by the tribe.

The challenge arises from a dispute over Impala's refusal to provide certain information about its mining operations to the tribe, which owns a large portion of the land which Impala mines. Co-respondents to the action are the President, government and the Registrar General of Deeds of Bophuthatswana.

In its statement Impala says that the Bophuthatswana Economic Affairs Minister "has directed that the company should not furnish the information unless it is instructed to do so by the trustee." The trustee is the Bophuthatswana President. However, the tribe disputes the authority of the President to intervene in the matter and claims that Impala, by its actions, has repudiated the terms of the initial 1977 mining agreement.



Graphic: FIONA KRISCH Source: JSE

The dispute apparently flows from the tribe's dissatisfaction with royalties paid by Impala. According to the 1977 agreement, these were set at 13% of taxable income.

DIDB 25/3/88

217

Mine: tribe in court action

JOHANNESBURG — The Bafokeng tribe in Bophuthatswana has brought legal proceedings in the supreme court against Impala Platinum Holdings.

Impala issued the following statement to shareholder yesterday.

"Legal proceedings have been instituted in the Supreme Court of Bophuthatswana against Impala Platinum Limited (the company) by the Bafokeng tribe who are the beneficial owners of part of the land on which the mining operations of the company are being conducted. The President, the government and the registrar general of deeds of the Republic of Bophuthatswana are joined in the proceedings as co-respondents.

"The action has arisen out of a dispute over demands by the Bafokeng tribe that Impala Platinum Limited furnish certain information of a confidential nature relating to the company's mining operations which the tribe claims it is entitled to receive in terms of a cession agreement between the company and the registered owner of the land who holds the land in trust for the Bafokeng Tribe.

"In terms of that agreement the right to conduct mining operations on the land was ceded to Impala Platinum Limited. Such records as the company may be obliged to maintain under the agreement are open for inspection by the registered owner or his duly authorised representative only.

In 1977, upon the establishment of Bophuthatswana as an independent state, the President of that country became the registered owner of the land in trust for the Bafokeng Tribe.

On the basis of the above and other considerations, Impala Platinum Limited has refused the Tribe's demands. The Minister of Economic Affairs of Bophuthatswana has directed that the company should not furnish the information unless it is instructed to do so by the Trustee.

"The Bafokeng Tribe is disputing the authority of the President of Bophuthatswana in his capacity as trustee and claims that the company's refusal to provide the information demanded constitutes a repudiation of the agreement of cession.

"The legal advisers of Impala Platinum Limited are confident that the proceedings against the company can be successfully opposed. Impala Platinum Limited and the co-respondents will defend the action. — DDC

DD 28/3/88

Anti-SA moves rebound with chromium shortage

Daily Dispatch Correspondent

LONDON — Attempts by United States stainless steel producers to reduce their dependence on South Africa for chromium, have rebounded on them, as a worldwide shortage of the metal develops, analysts here said

They said South African producers are concentrating on the needs of northern European and Japanese customers, while according the United States a low priority.

As a result, some traders suggested that US stainless steel manufacturers fear they will soon run out of charge chrome and ferrochrome, and have been reducing their orders for other raw materials

A boom in stainless steel production has not only fuelled the rapid rise in nickel prices, it has driven the cost of charge and ferrochrome to new highs on the free market and reduced stocks to unusually low levels

In the last few months the free market price of charge chrome has risen by 43 per cent to 1102-US tonne, while the price of charge chrome has doubled to 1764-US-tonne.

With South Africa producing more than half of the world's chromium and supplying almost all direct to users, free market stocks have been severely diminished by the boom in stainless steel production

Stainless steel must contain a minimum of 12 per cent chromium.

According to Mr Jim Lennon of the Commodities Research Unit, stocks of charge chrome and ferrochrome had dropped to the equivalent of 1,5 months demand by the end of last year, and have been run down even further since

He said South African producers had recently concluded charge chrome contracts with their European customers for the second quarter at 1279-US tonne, 12 per cent up on the first quarter

The authoritative journal, Metal Bulletin, reports that South Africa's low-carbon ferrochrome producers are poised to raise second quarter prices to 2425-US tonne

It says the producers believe that the rapid increase in prices has narrowed the gap between high and low carbon grades to unacceptable levels and that the differential needs to be re-established

SA chrome sanctions put US steel at risk

MIKE ROBERTSON

LONDON — Attempts by US stainless steel producers to reduce their dependence on SA for chromium have rebounded on them, as a worldwide shortage of the metal develops, analysts here say

217 NDay

They say SA producers are concentrating on the needs of northern European and Japanese customers, while according the Americans a low priority

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A boom in stainless steel production has not just fuelled the rapid rise in nickel prices, but driven the cost of charge and ferrochrome to new highs on the free market and reduced stocks to unusually low levels

28/3/88

In past months, the free market price of charge chrome has risen by 43% to $1 102 a ton, while the price of charge chrome has doubled to $1 764 a ton

With SA producing more than half the world's chromium and supplying almost all direct to users, free market stocks have been severely diminished by the boom in stainless steel production Stainless steel must contain a minimum of 12% chromium

(217) B/day 28/3/88

WO

Base metal prices spiral up

LONDON — An unexpected post-crash of '87 stainless steel buying spree is sending base metals prices soaring, and is likely to keep them high through 1988, market analysts and metals traders say

Steel companies say order books for stainless steel and other alloys are full

To make stainless steel, steel groups need nickel Prices have reached record levels at $22 500 a ton on the London Metal Exchange "The nickel larder is bare," one analyst said

Prices of other metals used in steel alloys are also up.

Chinese chrome metal has climbed 14% this year to about $3,20 a pound Molybdenum oxide prices, at $4,40 a pound, are at their highest in three years Wolfram ore, used to harden steel, is 50% above 1986 lows

Manufacturers are looking at substitutes, including aluminium and galvanised steel

But aluminium prices are also near record highs, trading at about $2 350 a ton And European producers of zinc, which is used to galvanise steel, raised prices by $50 to $970 a ton on Wednesday — highest European producer price since July 1984.

It could eventually mean more inflation, said a Metals and Minerals Research Services analyst

Chris Ford, director of metals trader Amari World Stainless Ltd, said the prices manufacturers are now quoting for stainless steels are probably at record highs. And that is before taking account of the latest rises in nickel, chrome and molybdenum prices

— Sapa-Reuter.

Spate of activity in platinum industry

3/3/88 Star (217)

By Teigue Payne

Further major announcements on platinum will be made today after two yesterday signalling the entry of new companies into the fast-growing field

Lebowa Platinum Mines (Leplats) is expected to announce a streamlined, ideal structure for its expanded operation and the consolidation of the Maandagshoek property

The announcement should be particularly significant because it is likely to confirm that Rustenburg Platinum Mines is undertaking major expansion through Leplats An analyst said yesterday the tax regime of the restructured operation would be important, particularly whether capex on the Maandagshoek project could be offset against the profits of the Atok operation

Lefkochrysos is expected to announce it is well ahead of schedule and that the research into processing of UG-2 reef has shown further success

The two platinum-related announcements made by Keeley and SouthWits yesterday had the common element that they related to mineral rights gained to the detriment of existing major producers of platinum

Keeley said it had acquired the controlling interest in Bafokeng Minerals for a nominal consideration Bafokeng has the rights to prospect and mine precious metals in the Bafokeng Tribal Area on land adjacent to the area currently mined by Impala and Rusplats.

The area is a natural extension of the UG-2 and Merensky reefs and is known as the "Deeps" It is down-dip of the the existing operations and depth of the reefs may be a problem in mining in a competitive platinum environment

Keeley said Bafokeng would begin a prospecting programme immediately.

Its announcement indicated that Keeley itself would mine the prospect if it proved viable This may be disappointing to investors who had hoped the area would be tributed to Impala, rather than that Keeley would embark on the risky waters of platinum production. However, tributing may yet eventuate.

Keeley said if mining operations began, a royalty would be paid to the Bafokeng tribe. Chief Edward Molotlegi of the Bafokeng tribe is a director of the Bafokeng company

The acquisition of the Bafokeng company relates to the dispute which has erupted between Impala and Bophuthatswana's Chief Lucas Mangope, on the one hand, and the Bafokeng tribe and Chief Molotlegi on the other.

Chief Molotlegi has instituted legal action relating to Impala's payment of royalties to the Bafokeng tribe, which challenges the company's right to mine. Impala is defending the action

While Impala had reportedly applied to the Bafokeng tribe for an extension of its lease into the "Deeps", Keeley now apparently has control of the area through its control of the Bafokeng company.

While Impala would no doubt dearly like to be on good terms with the Bafokeng tribe, it has at least a powerful ally in Chief Mangope

Private exploration company SouthWits yesterday announced the first major recent exploration programme for Platreef in the Potgieterus area, on ground apparently previously held by Rusplats.

SouthWits has a mineral rights option over an area of over 6 000 ha, on which the Platreef crops out over a known strike length of about 4 000m

UG-2 reef is estimated to account for 50 percent of South Africa's platinum reserves, Merensky for 30 percent and Platreef for 20 percent The reef occurs around Potgietersrus and is metallurgically similar to Merensky It lends itself to opencast mining, but grades are rather erratic, says analyst Dr Kevin Kartun.

SouthWits says Platreef is rich in nickel, copper and gold, and its ratio of platinum to palladium is close to parity

New platinum mining complex in offing

Star 3/3/88

217

By Teigue Payne

The reorganisation of the mineral right holdings of three platinum companies in the JCI fold signals the development in the long term of a new complex of mines in the Eastern Transvaal, similar to the Rustenburg Platinum Mines operations in the west.

The almost immediate development of a new mine at the Maandagshoek property is likely to be closely followed by another north of Potgietersrus A third mine, near Messina's prosposed mine, is also possible

The developments dwarf other platinum developments in potential because the ground held by the three JCI companies — Rustenburg Platinum Mines, Lebowa Platinum Mines and Potgietersrus Platinum — is extensive and has good grades at relatively shallow depth. Low working costs will be vital if platinum oversupply occurs in the 1990s

Yesterday's announcement follows agreements between the companies and Lebowa, which will result in.

- The acquisition by Rusplats of two farms from the Lebowa Development Corporation (LDC) adjacent to Maandagshoek, south of the Atok mine.

Maandagshoek is held by Leplats, but Rusplats is negotiating to mine on it and the adjacent farms Assuming success of the negotiations, development will begin on July 1, resulting in a 100 000 ton- a-month mine, although development could be stopped if the platinum market collapses

A tributing agreement would apply for Maandagshoek on the basis that Leplats shareholders would benefit more than if Maandagshoek were mined by Leplats A degree of trust by shareholders will be required, but the arrangement would have the advantage of lower risk for Leplats and no need to raise capital.

It is understood that Rusplats decided on this route because it is cash-flush, while Leplats is not, and the market is not conducive to raising further funds

- Rusplats has ceded to Potgietersrus Platinum (PP) a number of farms north of Potgietersrus, adjacent to farms already held by the company. PP was previously a wholly owned subsidiary of Rustenburg Platinum Holdings (RPH), but 50 percent of PP has been transferred to Leplats

The two shareholders have undertaken to develop a mine producing at least 50 000 tons a month within five years. It is understood that plans for the mine are already on the drawing board.

The mine will be on the Platreef, which also has nickel, copper and gold grades Parts of it will be a high-tonnage, opencast operation.

- Rusplats, through the LDC, will acquire three farms near the proposed Messina mine, near Lebowakgomo. Rusplats is not disclosing details, but this is primarily on Merensky Reef. Grade is good, but the dip is much steeper than other prospects, which means a rapidly deepening mine

- Leplats, through the LDC, will acquire three farms south of Atok. Atok is moving towards a production rate of 70 000 tons a month

Rusplats has sold back the farm, De Goedeverwachting, on the Steelpoort River, to Lebowa It is thought that Barplats, which ajoins this farm, will be taking it

The agreements provide for payment by Rusplats of R1,9 million to Lebowa and R3,1 million to the LDC. Leplats will issue 25,8 million shares to RPH and 8 million shares to the Lebowa government, increasing its share capital by 39 percent

The companies say Leplats's net asset value per share will increase from 139c to 178c as a result of the deal, and Rusplats's from 833c to 889c.

RPH's earnings will not be affected immediately, but will benefit in the longer term Leplats's earnings per share will be lower initially because of dilution, but will inrease in the medium-to-long term.

Cape Times 1/4/88

GFSA pays over R300m for Newmont's SA interests

JOHANNESBURG. — The mystery buyer of most of the SA interests being sold by Newmont Mining of the US is Gold Fields of SA (GFSA).

GFSA thus acquires control of the O'Okiep and Tsumeb copper mining interests, and a strategic stake in Gamsberg Zinc, greatly expanding its important base metal operations.

The identity of the buyer was indicated to Sapa yesterday by three leading stockbrokers analysts.

The information was then supported by sources within GFSA, and later confirmed by GFSA deputy chairman Dru Gnodde.

Price paid

Gnodde said the price being paid by GFSA for Newmont's interests in O'Okiep Copper Corporation, Tsumeb Corporation and Gamsberg Zinc Corporation could not be disclosed at this stage.

However, he agreed with the proposition that, together with the Newmont stake being sold in Palabora Holdings, the consideration could be taken as worth "well in excess of R300m"

This squares with the R363m aggregate price which Newmont Mining disclosed in New York on Wednesday night that it would be receiving as a result of its sale of all direct and indirect holdings in five SA companies; the Palabora group, O'Okiep, Tsumeb, Gamsberg Zinc and Highveld Steel & Vanadium

If Newmont Mining still held just less than 10% of Highveld Steel at the time of its disinvestment agreement, this would have realized about R34m, taking the Highveld share price of 472c at which a major "bookover" deal was done on Wednesday — 18c below the ruling price then of 490c

Highveld Steel's market capitalization for these purposes is taken as approximately R390m at Wednesday's ruling price on the JSE

This implies that Newmont is receiving some R330m for the interests it is selling other than Hiveld

The Newmont sell-off is not seen primarily as a major disinvestment in response to anti-SA political pressure.

It has been common cause for some time, both internationally and in SA, that Newmont is labouring under a massive debt burden and has therefore been obliged to dispose of assets in many parts of the world besides SA to help raise funds to improve its liquidity and reduce its crippling interest payments

As all Newmont's SA holdings were minority interests, and in the context of the persistent weakness of the rand, and the implications for future Newmont income from SA in dollar terms, the sell-off makes sound commercial sense from the American group's point of view.

It is also indicative that, according to the latest GFSA annual report, Tsumeb's after-tax profit declined from R40m to R10m in its latest financial year, while O'Okiep's was also marginally down, from R11m to R10m.

Stakes

Newmont held 40% of O'Okiep and 30% of Tsumeb, and GFSA is buying 100% of both these stakes, according to Gnodde.

In turn, O'Okiep held 27,5% of Gamsberg Zinc, Newmont held 27,5% and Anglo American Corporation group held a controlling 45%

Contrary to initial reports, Newmont is not disinvesting from Palabora Mining as such, as it has no direct stake in this operation

It is selling its stake in Rio Tinto Holdings, held jointly with the giant US mining group, Rio Tinto

Rio Tinto Holdings is invested in Palabora Holdings which, in turn, controls the Palabora mining operations.

217

IMPALA PLATINUM

Keeley moves in

217

Keeley Group Holdings has muscled in on Impala Platinum by tying up mineral rights to the area known as the Deeps, which includes platinum-bearing reefs downdip from Impala's existing Bophuthatswana mines.

Chairman Fred Keeley says the group has acquired the major stake in a company called Bafokeng Minerals, set up to exploit the Deeps. Initial plans are to spend R7m over the next three years on prospecting. Bafokeng Minerals' directors are Keeley, stockbroker Norman Lowenthal and Chief Edward Molotlegi of the Bafokeng tribe.

The move provides some background to the legal dispute between Impala and the tribe, which is challenging Impala's right to continue mining operations on its present lease Tribal ground accounts for the bulk of Impala's lease area

Impala is fighting the action. A loss would have serious consequences Impala could even be forced to cease operations pending re-negotiation of its mining lease with the tribe, who would have Impala over a barrel

The source of the trouble is a dispute over the way in which the royalty payable to the tribe was calculated The action brought by Chief Molotlegi claims Impala is in breach of its mining agreement because it has refused to disclose information to which the tribe is entitled.

Impala chairman Steve Ellis declines to comment. However, the Bafokeng believe Impala underpaid royalties due while Impala reckons the tribe misunderstood the way in which royalties were calculated — apparently because an Impala executive worked out an incorrect example for them.

Impala last year increased royalty payments to the level the tribe believes it should be receiving and also back-paid R4,5m, even though it reckons the original royalty payments were contractually correct.

It is understood Impala provided confidential information required by the tribe concerning the royalties but refused to disclose more information requested because it felt this would reveal too much about the financial evaluation of the Deeps area and feared that it might be used by a competitor.

The group's official defence is that it cannot release the information without permission from the official trustee for the tribe — Bop president Lucas Mangope. There is no love lost between the Bafokeng and Mangope and the legal action seeks to remove Mangope's authority as trustee.

While Keeley says Bafokeng Minerals will develop a mine by itself there must be a strong possibility it will come to some deal with Impala, because of the huge capital costs of opening up a deep-level mine and the risks of doing so in an oversupplied platinum market. Impala's current mining agreement expires in 2003. The mine's life can be extended either by moving into the Deeps or turning its attention to the huge reserves of UG2 ore, untouched because the mine has concentrated on the Merensky Reef.

However, exploiting the UG2 would still require agreement with the tribe Relations are not good. It is understood there has been no direct contact between Impala and Chief Molotlegi for three years all dealings have been between lawyers. *Brendan Ryan*

FINANCIAL MAIL APRIL 1 1988

217 S Times 24/4/88

Gencor sees soft platinum market

By Julie Walker

GENCOR expects a softening in demand for platinum as growth in the world's major economies slows

This is the message from Gencor chairman Derek Keys in the group's 1987 report

Mr Keys says little change in metal supply is likely in the next few years because of the long lead times required for setting up mining facilities

"In the intervening period changing market conditions could alter the supply-demand situation which is not unusual in the volatile platinum market

Falling reserves

"Consequently, there is a likelihood of reappraisal and downward revision of some of the prospects currently planned However, Impala, as a well-established producer, will ensure that its market is adequately catered for in the medium and long term"

Impala is developing the Karee platinum mine and construction began in January Karee production will at first increase Impala's total, but later it will provide replacement capacity because of diminishing reserves and grades at Impala

Gencor expects the rand gold price to maintain at least R30 000 a kilogram — R930 an oounce — "with good potential for upward movement" It warns of the sensitivity of low-grade producers to small changes in the gold price

Oryx is being developed as a division of St Helena gold mine in the Free State Gencor owns 57,5% of Oryx

Low prices, sanctions, inflation, competition, a stronger rand and higher rail and harbour tariffs make it gloomy for coal Gencor's Trans-Natal "is making strenuous efforts to counter the negative effects of the abovementioned elements"

In collaboration with the Central Energy Fund a study relating to the conversion of oil from torbanite is being made The project would cost R1-billion in today's money

Direct liquefaction of coal is also being investigated.

Demand rises

Samancor did well from the higher demand and increased selling prices for ferrochrome and chrome ore Depressed demand in the manganese alloy market caused some foreign competitors to withdraw, improving the balance between supply and demand

Gencor's industrial interests flourished through Malbak, which increased in size significantly mainly from the acquisition of many of Gencor's industrial interests

Sappi, the integrated forest products industry, expects another strong improvement in attributable profits in 1988 if current market conditions prevail

Gencor increased its exploration expenditure to R135-million in 1987 Its policy is to re-evaluate mining titles and contiguous areas of Gencor-managed mines to optimise their organic growth, as well as to seek new opportunities both in SA and elsewhere

The annual report discloses that among Gencor's other investments several changes took place

It sold 644 000 shares in Hartebeestfontein as well as its holding in Zandpan — its entire stake in the Harties gold mine It reduced its holding in Freegold by 40% to 218 000 shares

Gencor bought another 290 000 shares in Elsburg and increased its holding in Western Areas by 250% to 826 000 Elsburg is the pyramid holding company of Western Areas.

Vaal Reefs

The holding in Libanon was increased five-fold to 480 000 shares It also sold some of its interests in Vaal Reefs and Randfontein Estates

Gencor bought 165 000 Anglo American shares — having held none in 1986 — and sold 40% of its stake in De Beers.

Among non-mining investments it bought more than a million shares in Bankorp, but sold 570 000 UBS shares A stake of 120 000 shares in Altech (Allied Technologies) was also sold

The market value of Gencor's listed investments dropped from R3,45-billion to R2,39-million — a slide of 30% The book value fell by only 3% to R234-million

3/4/88 (217) S Times

Platinum brings out the bulls

IN its short history platinum has already undergone four price crashes.

The many conflicting factors regarding the potential demand and oversupply for platinum were highlighted at the first platinum symposium It was held at Mintek in Johannesburg this week in conjunction with Tessa — the Techno-Economic Society of Southern Africa

Aiden Edwards, president of Mintek, believes that precious little is being done to promote platinum

Dr Edwards says a platinum culture must be created to increase awareness and improve demand

"The Western woman in the street has never even heard of platinum, whereas in Japan, 94% of women would prefer a platinum ahead of a wedding ring."

WEALTH

There has long been a desire to possess gold Both as jewellery and as a store of wealth, gold is established. But of platinum he says "We must promote a programme right from the heart of platinum country"

SA's dominance in the supply of platinum may be to its disadvantage because nervous consumers may seek substitutes for it. He illustrates how volatile the price has been since 1925

In April of that year the price was $119 an ounce, but by 1931 it had crashed to only $17

The industry survived until the next boom in the 1950s which was triggered by oil refineries' demand for platinum. The stimulus pushed the price from $37/oz in 1947 to $106 in 1956, but by 1958 it had dropped to $58

POLLUTION

By 1969 Japanese jewellery demand had helped to raise the price to $284, but new supplies from such mines as Impala and Western Platinum caused the price to fall to $116.

Greater demand arose from the pollution problems facing America The advent of the platinum auto-catalyst lifted sales The most recent price drop occurred in 1982 In March 1980 the price reached a staggering $1 085, but by May two years later it was $268

Dr Edwards thinks the production of platinum coins and medals should be encouraged Russia, Portugal Australia, Colombia, the Isle of Man and now Bophuthatswana have announced their intentions to market platinum coins

A prototype platinum coin dated 1989 and stamped RSA on one side and platina on the obverse was on display at the symposium This may be a sign of things to come

Dr Edwards favours the promotion of platinum jewellery, saying that its success in Japan can be ascribed to an aggressive marketing campaign aimed at the affluent society (It is a pity the abstracts from the conference papers read the 'effluent' society)

The amount of platinum being used for jewellery increased from four tons in 1971 to 32 in 1986

If jewellery demand in the rest of the world, currently four tons a year, could be increased to 20, Dr Edwards is satisfied all potential overproduction could be absorbed. The price would remain high and the Government's coffers would benefit.

POTENTIAL

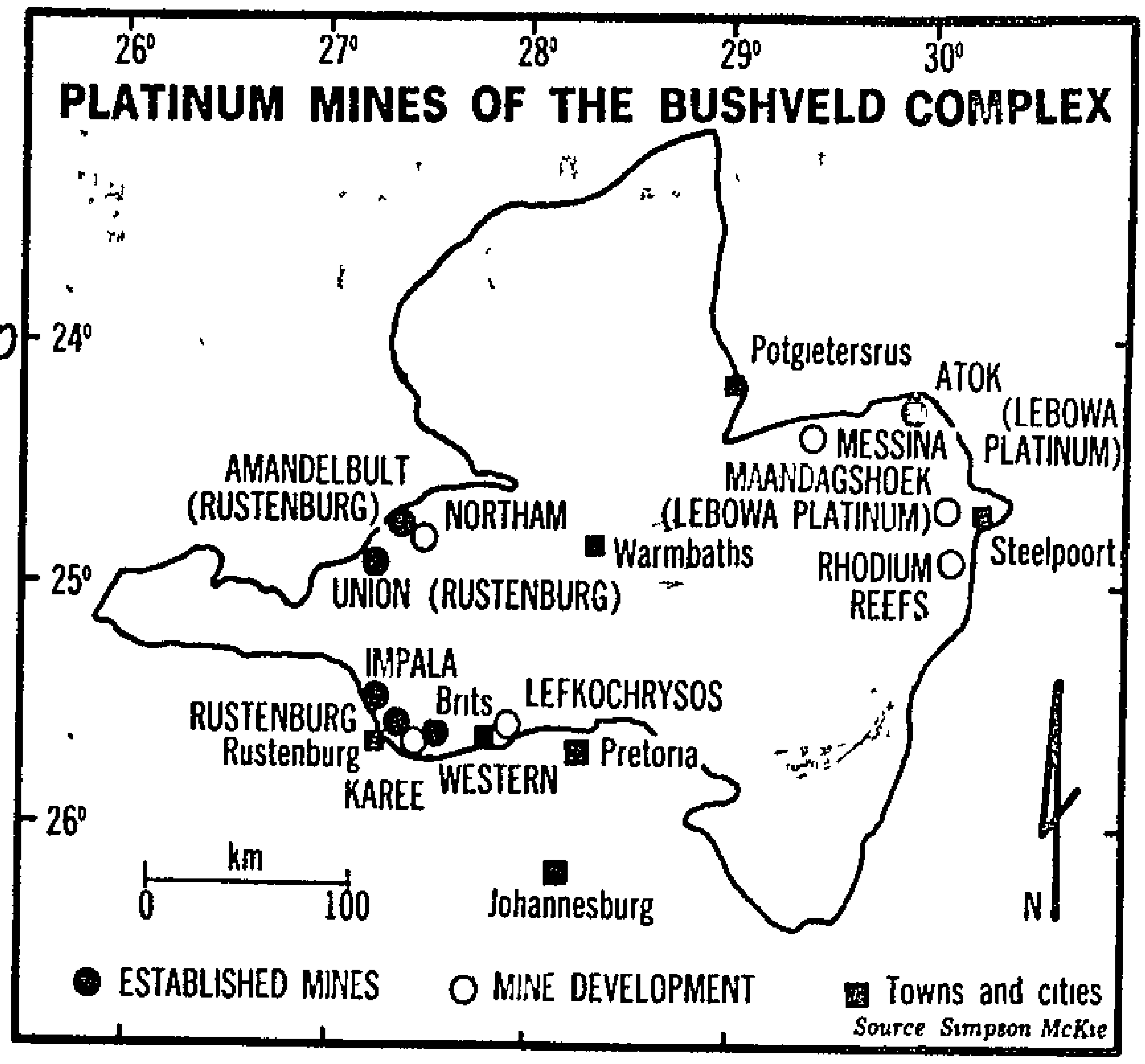
Kevin Kartun of stockbroker Simpson McKie showed how dominant South Africa is likely to remain in platinum supply in spite of the exploration efforts in the rest of the world.

SA, including the black homelands, has 88% of the world's known reserves and 83% of total output This will rise to 93% in five years

Dr Kartun showed how different sources of platinum have been exploited since the 1920s and how production is poised to shift again — this time to UG2 Reef sources

The accompanying map shows the current and planned platinum producers in the Bushveld complex

Zimbabwe would appear to have small potential, and values so far from Botswana have been very low



Dave Russell of stockbroker JD Anderson spoke on the changing patterns of platinum use He expects large increases in demand from various areas in the 1990s

He believes that fuel cells will become big business in the US by 1995 Already one town is powered by fuel cells. They could account for as much as 350 000 oz of platinum a year by 1995

Platinum jewellery in the US could make a comeback which could lead to a 25% growth in demand

The advent of energy from non-oil resources could also have a huge effect on the demand for platinum group metals

Investor demand grew tenfold from 1982 to 1986, accounting for another 450 000 oz

Legislation requiring the fitting of auto-catalysts to small-engined motor vehicles is also expected to become more stringent, particularly in Europe

Mr Russell poses the question Where is all this platinum going to come from?

Sad tale of Modder B

TRADING in Modder B shares was suspended on Thursday at the request of its directors "to avoid speculation in the shares".

A cautionary announcement was issued two weeks ago, and the market has been abuzz with speculation about a management restructuring.

Modder B was listed in 1985 after an offer of shares at 250c each. The initial policy was to build a heap-leach system to recover gold from crushed ore.

It was intended as a fast means of generating revenue while the conventional plant was heap leach was never satisfactory, and in a

Unfortunately, gold recovery from the heap leach was never satisfactory, and ion a short time the system was discontinued

Modder B surprised many people with its choice of conventional gold recovery plant Instead of the carbon-in-pulp method, which has proved itself at many metallurgical plants, Modder B opted for a filtration system

This was particularly difficult to understand because some of the ore at Modder B contains shales which are notorious for their poor filtration characteristics.

The major advantage of a carbon-in-pulp system is that it dispenses with the need for filtration.

Talk among mining analysts is that Modder B has met with filtration problems.

Because of a shortage of money the company had a rights offer last year at 200c a share. Options were also issued for which the take-up price is 200c.

The underwritten offer was fully subscribed, but the share has hardly traded above 200c It slipped as low as 50c in the middle of March, but rallied to 70c on speculative dealing.

It stands to reason that the options are worthless unless the price of the ordinary shares exceeds 200c. When the shares were suspended the options were priced at 10c, the high having been 130c last September.

A matchbox calculation of the results published since the rights offer indicates that the balance sheet is again in the red — possibly a few million rands.

Market talk is of a joint management agreement with Rhombus — the mining group which manages Sub Nigel and Rho-Ex. It would not involve a change of control or ownership, but a change in mine management

Sub Nigel shares have come off their low of 305c, hitting 330c on Wednesday. It is thought to be involved in negotiations for the neighbouring Marievale mine.

Rho-Ex has been a punter's favourite — it holds gold mineral rights in the Southern Free State and elsewhere, and platinum rights adjoining those to be developed by Messina

Rhombus is establishing an industrial division, of which Gasmo is the first company It supplies advanced underground gas detection equipment.

P(D. 6/4/88 217

Platinum price hike

JOHANNESBURG — Bullish sentiments aired about platinum recently were supported by a $28 rise in the metal's price over the past week to $536 yesterday — largely as a result of shortages in supply, and strong demand from Japan

Platinum's morning fix at $538 yesterday marked a five-month high on the London Metal Exchange

Japanese sales in January came to 150 000 ounces — 20 000 ounces above the monthly average last year

Analysts say this Japanese buying spree is a result of the low yen price of platinum— DDC

8

Cit-Times 8/4/88

AAC buys Newmont holding in Palabora

217

THE mystery buyer of Newmont Mining's stake in Palabora Mining Corporation has emerged as the Anglo American (AAC) Group

Anglo American Corporation and De Beers have agreed to purchase Newmont Mining Corporation's effective 28,6% interest in Palabora in the ratio 2 to 1 for R250m, the AAC group said in a statement yesterday This suggests that AAC will end up holding around 19% of Palabora, and De Beers around 9,5%

A detailed examination by Sapa of the AAC group's disclosed interests reveals that the new deal will, in one fell swoop, increase the value of AAC group's investments in base metal and mineral mines in SA by at least 70%

A spokesman for the group confirmed after yesterday's announcement that AAC will now have SA base metal interests worth significantly more than half a billion rand

Last week, US-based Newmont said in New York it was selling all its SA interests for some R370m Five SA companies were involved Highveld Steel and Vanadium, the copper and base mineral producers Tsumeb, O'Okiep and Palabora, and Gamsberg Zinc Corporation

'Bookover' deal

Goldfields of SA emerged as the purchaser of Newmont's stakes in Tsumeb, O'Okiep and Gamsberg, in all of which it already held shares, while AAC was cited as having spent some R38m in a "bookover" deal on the JSE to take the Highveld slice

According to McGregor's Who Owns Whom, Consolidated Goldfields has the main stake in Palabora Mining — probably through unlisted Palabora Holdings, which has a stake of some 62%

Palabora represents Anglo's first big foray into copper mining in SA Before the nationalization of the copper mines in Zambia, AAC had significant copper interests in that country, these are now held through ZCI

The AAC group declined to discuss the strategic importance of its new stake vis-a-vis the Cons Gold interest, but there may have been an important shift in the balance of power, at least on paper

Although exact figures are not provided on the face of it, it seems that AAC has paid a premium of about 9,5% on the ruling market price for this significant stake in Palabora Ahead of the announcement, Palabora was trading at 2 825c and AAC appears to have bought at around 3 085c a share Palabora's market price recently has been near its low for the year (2 650c) and well below the peak of 3 700c — Sapa and Financial Staff

PLATINUM

Grand slam

Rustenburg Platinum (Rustplat) has pulled off a grand slam, winning total control of vast reserves of platinum-bearing reef in Lebowa. This shuts out a number of newcomers who were after the same rights Equally important is that Rustplat's commitments to the Lebowan government, on how quickly new mines must be set up to develop these rights, are surprisingly flexible

This is crucial to Rustplat, which does not want to ruin the delicate supply-demand balance in the platinum market But it was under pressure from the Lebowan government to bring in new mines to speed up economic development of the national state

The agreement effectively gives Rustplat and group associate Lebowa Platinum (Lebowa Plats) the pick of the mineral rights on the eastern limb of the Bushveld Igneous Complex (BIC).

Rustplat indicated in October last year that it intended using Lebowa Plats as the vehicle for developing its rights on the eastern BIC, but has acted faster than some analysts expected.

Much of the group's mineral rights in the area were not owned outright, but were held through prospecting leases and agreements which have to be renegotiated every two years with the Lebowan government. It appears that considerable pressure was being placed on the Lebowan government by newcomers bidding for these rights against Rustplat, when they came up for renewal.

Rustplat last year lost some South African government mineral rights, over which Rustplat held a prospecting lease Platinum industry newcomer Loucas Pouroulis persuaded government to allocate these rights to Lefkochrysos Platinum (Lefko) It seems this experience influenced the speed of Rustplat's action in Lebowa This year, the group also lost its former MD Brian Gilbertson to Gencor, which controls major competitor Impala Platinum There is a "gentleman's agreement" for Gilbertson not to get involved in Impala's operations for about 18 months, but the fact that all Rustplat's strategic long-term plans are now known outside the group could also have played a role in the swift move

Rustenburg Platinum has moved aggressively to take unconditional control of vast areas of platinum mineral rights in Lebowa. The move safeguards the group's interests from competitors — and leaves Rustplat in a position to cope with whatever conditions may surface in the volatile platinum market.

The deal effectively leaves Rustplat poised to bring new platinum production on stream immediately, if market conditions warrant it, but with the flexibility to defer developments if the market turns sour.

Without this new arrangement, Rustplat (because of competition from newcomers) could have been pressured into setting up perhaps five new mines over the next decade, if it had wanted to retain controls of the rights held under prospecting lease. That could have cost the group more than R1bn in capital expenditure, compared with the about R350m required for the two new mines now planned — which can be postponed, depending on market conditions.

Rustplat chairman Pat Retief expects shortages of platinum this year and in 1989

While many analysts expect an oversupply from 1990 onwards, caused by the newcomers, Rusplat director Fred Roux points out that the recent Australian decision to introduce a platinum nugget coin could mop up much of the expected extra platinum supplies to the market.

Newcomer Lefko is pushing hard to get into the platinum market as fast as possible and MD Richard Johnson says production of the first base metals and platinum group metals (PGM) from the mine's own ores is expected in January next year, instead of April as previously planned Lefko intends buying in matte from outside sources to commission the base metal refinery from October this year First phase production from Lefko is aimed at 80 000 t/month ore milled.

Johnson says the second phase, taking production to 160 000 t/month, should be on stream by May 1989 instead of December 1989 as previously planned.

He says Mintek has now successfully treated bulk samples of the mine's UG2 ore to produce a concentrate, which was then succesfully smelted into a matte from which the various metals can be refined

Four major areas are involved in the Lebowa deal which directly ties Rustplat into Lebowa Plats. Rustplat will now have a 20% stake in the company; while development of the Platreef deposit near Pietersburg will be carried out by Potgietersrus Platinum (PP), which is held 50-50 between the two.

Some analysts had been concerned that Rustplat intended using Lebowa Plats to fight the newcomers at all costs and that Lebowa Plats' results would suffer accordingly, while Rustplat was protected.

Near Potgietersrus, a further 9 250 ha of ground underlain by Platreef and previously held under prospecting leases, has been added to the 7 500 ha or so of ground already owned outright by Rustplat. PP is to set up a mine producing 50 000 t/month of ore within five years, depending on the market.

Roux says ore reserves are estimated at 100 Mt to a depth of 200 m, but points out that the reefs extend to 3 000 m. PP has the sole right to mine all of it. Assuming the reef is consistent down to that depth, total reserves could be about 1,5bn tons. The reef is up to 15 m thick in places.

The average grade is low, about 3 g/t platinum group metals (PGM) in situ, but it appears the PGM grades can vary from 4,5 g/t to 8 g/t in situ; while percentages of copper and nickel are much higher than in Merensky reef, pushing up the value of the by-products. The reefs outcrop on surface and, because they are so thick, can be mined initially by opencast methods. There is great potential for selective mining to meet specific market conditions.

A new exploration company, Southwits, recently announced an exploration programme on the Platreef. Roux says Rustplat has put 300 boreholes down on the Platreef and has tied up the reserves worth having. Capex on the new mine would be about R150m.

The deal has also secured the rights to some 3 000 ha of ground in the Cheunie's Poort region west of the Atok mine This ground is being put into Rustenburg Platinum and Roux declines to give details of reserves or grades

The third sector is south-east of the Atok mine, where three farms have been added, with ore reserves estimated at 200 Mt to a cut-off depth of 1 500 m. Average PGM grades are estimated at between 5 g/t and 6 g/t in situ. Lebowa Plats is currently expanding Atok to 50 000 t/month milled and, within two years of reaching that figure, must hit 70 000 t/month milled. This is the only cast-iron commitment from the group to expand production from the Lebowan reserves

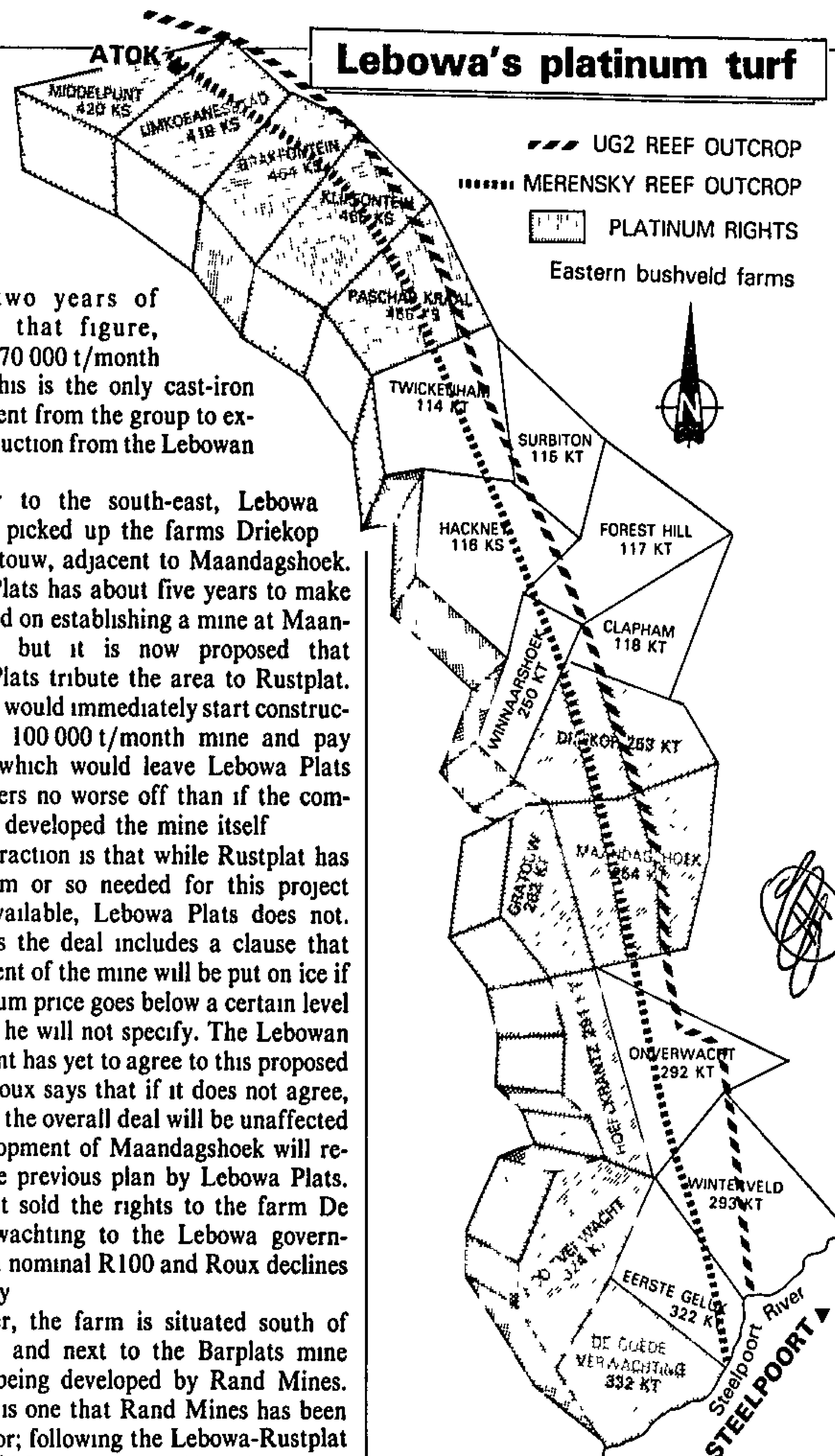
Further to the south-east, Lebowa Plats has picked up the farms Driekop and Garatouw, adjacent to Maandagshoek. Lebowa Plats has about five years to make up its mind on establishing a mine at Maandagshoek, but it is now proposed that Lebowa Plats tribute the area to Rustplat. The latter would immediately start construction of a 100 000 t/month mine and pay royalties which would leave Lebowa Plats shareholders no worse off than if the company had developed the mine itself

The attraction is that while Rustplat has the R200m or so needed for this project readily available, Lebowa Plats does not. Roux says the deal includes a clause that development of the mine will be put on ice if the platinum price goes below a certain level — a level he will not specify. The Lebowan government has yet to agree to this proposed tribute Roux says that if it does not agree, the rest of the overall deal will be unaffected and development of Maandagshoek will revert to the previous plan by Lebowa Plats.

Rustplat sold the rights to the farm De Goedeverwachting to the Lebowa government for a nominal R100 and Roux declines to say why

However, the farm is situated south of Steelpoort and next to the Barplats mine which is being developed by Rand Mines. The farm is one that Rand Mines has been pitching for; following the Lebowa-Rustplat deal, Rand Mines announced it had acquired the lease to this farm from the Lebowa government.

Lebowa's platinum turf



The Merensky and UG2 reefs are quite deep on this farm, because the surface outcrops (which are cheaper to mine) lie to the east on farms where Rustplat holds the rights to the PGM present. It appears Rustplat decided it could live comfortably without the farm and offered it as a sweetener to the Lebowan government Lebowa can now negotiate a deal with Rand Mines over development of the mineral rights

To pay for the rights, Lebowa Plats will issue 8m shares free to the Lebowa government, and 25,8m shares free to Rustplat, while Rustplat will pay R1,9m to the Lebowan government and R3,1m to the Lebowa Development Corporation

Rustplat estimates that the deal pushes the net asset value of a Lebowa Plats share to 178c from 139c, while Fergusson Bros analyst Derek Ritchie estimates the market worth of a Lebowa Plats share at 500c Other analysts' estimates have ranged as high as R10

Brendan Ryan

Rustplat's Pat Retief ... Presiding over the grand slam

217

217 CAPE TIMES 8/4/88

Japan moves to cut SA platinum purchases

TOKYO — Japan has been increasing its platinum purchases in spot markets because end-users here are trying to cut their direct trade with SA, precious-metal traders in Tokyo said

Political tensions over SA have been forcing a variety of industries to switch their main supply source, and platinum imports are no exception, they said

Japan has been the biggest non-communist platinum consumer for some years. Johnson Matthey estimates it used around 50,4 tons in 1987, well over half non-communist world output

Japanese platinum imports in February jumped to a record 11,1 tons against the previous record of 8,8 in November 1987, official Japanese data shows.

"Recent offtake by unknown Japanese trade houses in European physical markets has proven that auto makers, and probably other industries, have already started seeking other platinum suppliers rather than SA," one precious metal dealer at a major trade house said

Japanese trade houses bought more than one ton of platinum in late March, trade sources here calculated.

They bought the ton in European markets and are estimated to have bought another 300kg recently on the Japanese spot market, the sources said

This is strongly related to the SA issue, they said

The trade sources added that direct imports from other suppliers are rising fast.

SA platinum exports to Japan fell to 1,92 tons in February from 2,33 in January and 3,42 a year ago, ministry of finance custom-cleared figures show

Money Market LSE prices Krugerrands ... indices

SA holds the whip hand on chrome

15/4/88

By Ian Smith

INTERNATIONAL attempts to loosen South Africa's grip on the world chromium market are not meeting with much success.

For more than a decade developed countries have been searching for substitutes for chromium in the manufacture of stainless steel and so reduce their dependence on SA for at least one strategic mineral

But a Council for Mineral Technology (Mintek) report says after a worldwide investigation of the search for substitutes

- The corrosion-resistant properties conferred by chromium on stainless steels cannot be matched by other elements
- Low-chromium alloys which have been developed with good resistance to oxidation have poor mechanical properties
- The generally higher raw material price, fabrication difficulties and poorer overall performance of the new alloys "should prevent them from taking the place of conventional stainless steels to any significant degree".

The soaring nickel price since Mintek did its sums has put substitutes even further out of play.

Backing

Mintek's conclusions have been backed by a similar study by China.

SA supplies about half of the free world's chromium and is believed to have about 75% of known world reserves of chrome ore. The failure to find a substitute will be a severe blow to campaigns for sanctions against SA.

Russia is the world's next most important supplier.

The report was prepared by Michael. Cortie, group leader of Mintek's physical metallurgy division.

Dr Cortie says: "There have been claims that breakthroughs have been made in the development of low-chromium substitutes. The report's aim is to ensure that the situation is put into perspective and that the industry, internationally, is aware of all the facts."

An exhaustive study was made of research and technical data throughout the world.

"The findings are positive for South Africa," says Dr Cortie

The report is being distributed to industry and mining leaders in SA and other countries.

US stainless-steel producers fear that their attempts to reduce dependence on SA by widening their list of supplier countries could rebound on them.

They say that their efforts and the strong pro-sanctions lobby in the US have caused SA suppliers to diversify their markets, looking increasingly to Europe and the Far East while reducing the priority traditionally accorded to the US.

Increasing stainless-steel production has driven the price of nickel and ferrochrome to high levels and a general shortage of the raw materials could affect US steel output.

About half of the world's chromium output is used to make stainless steel, and half of this goes into a single stainless-steel grade — type 304

This grade contains about 18% chromium compared with proposed substitute alloys containing between 9% and 12%.

"The resistance to corrosion or oxidation that is lost by the reduction of chromium is supposedly compensated for by additiopns of elements such as molybdenum, silicon, aluminium and vanadium," says the report.

"Nevertheless, the optimistic claims by many of the researchers are not supported by the data they present. In general, these alternative alloys have a markedly inferior resistance to corrosion, poorer mechanical properties and a higher cost than type 304 stainless steel."

It says several alloys have been developed which have better resistance to oxidation than type 304 by the addition of up to 4% aluminium or silicon or both. But they still need at least 8% chromium

Potential

"These alloys appear to have considerable potential, although they are not as easy to fabricate as type 304."

The cost of raw materials for a ton of type 304 stainless steel ranges from $730 to $1 020. Raw material costs for substitute alloys suggested in one US paper would be between $960 and $1 290

Raw materials for another substitute suggested in the US would cost between $1 670 and $2 380 a ton.

The latest US official report on "critical minerals" says that about 30% of US imports of chromium could be cut in an emergency. But the remainder is indispensable to the economy

"In fact, even this view is somewhat optimistic," says Mintek.

Another new platinum venture?

217

BD 12/4/88.

REINIE BOOYSEN

YET another Bophuthatswana platinum venture — this time by a company called Latilla Minerals — appears to be in the pipeline

A meeting of Bophuthatswana's Bapo Ba Mogali tribe resolved at the end of March to grant Latilla Minerals a prospecting lease on about 100ha of their land in the Bapong area.

Latilla Minerals chairman Dick Latilla says this overcomes the first major obstacle in acquiring a prospecting permit for Bophuthatswana land

The application, with the tribe's approval, will now be forwarded for final ratification to the Bophuthatswana mining department and Bophuthatswana Chief Minister Lucas Mangope.

Latilla suspects the area in question is underlaid — with surface outcrops — by UG2 and Merensky platinum reefs, two of the three major platinum reefs occuring in the Transvaal Bushveld Igneous Complex

Analysts are unsure about the venture's prospects. The company makes no enormous claims about the project, insisting it will be small in comparison with other SA producers

Latilla says predictions regarding the ore reserves and production rates must await the completion of a drilling programme which will follow final ratification by Mangope.

Analysts estimate the reserves, assuming a normal geological setting, at about 900 000 ounces of platinum group metals, roughly half of which is platinum

Rogold produces contrasting results

ROBERT GENTLE

ROODEPORT Gold Holdings (Rogold) has completed the March quarter with operating profits down 24% to R4,73 a ton, compared with R6,18 a ton for the December quarter

This was due mainly to abnormally high rains which caused flooding of a section of the mine, causing a higher-than-expected increase in costs However, other key parameters show considerable improvements over the previous quarter, helping to push pre-tax profits up 10% to R185 669 (R168 279)

Total tonnage treated increased by 48% to 23 406 tons (15 812 tons) The contribution of surface dump operations has increased considerably and now accounts for 20% of the total ore treated The surface grade has also edged up from 0,8 to 0,84g/t

This contrasts with a large drop in the underground grade, from 3,7 to 2,78g/t.

Gold revenue increased 49% to R1,52m and the gold price edged slightly upwards to R30 193 a kg (R29 952/kg)

MINING

2/7

Tax knocks Black Mountain profits

ARGUS 12/4/88

By TOM HOOD
Business Editor

BLACK Mountain, the Northern Cape base metal mine, managed to restrict lost production to only four days when the Orange River floods deprived it of water and forced a week's shutdown

The floods threatened to damage its pump stations at Pella but the stations were stripped to avoid damage

A planned maintenance shutdown was brought forward so that only four days' production was lost, say the directors in their report for the March quarter.

Sales revenue increased by R9-million to R56-million in the quarter but costs were up R5-million at R30-million.

Net profit of R14-million was marginally higher after a sharp rise in tax to R14-million from R13,2-million

Ore production was stepped up at **O'okiep Copper** but sales revenue recorded fell to R30-million from R55-million Net profit was halved to R9-million.

Improved sales and lower tax liability in the quarter to March brought a 163 percent jump in **Gold Field Coal's** taxed profit

Its mines produced slightly more coal and sold 6,7 percent more at 2,3-million tons and sales and other revenue increased 5 percent at R47-million

Unit cost of sales declined marginally and pre-tax profit was 16 percent higher at R5,8-million Tax was cut by more than half to R1,5-million and taxed profit rose to R4,4-million (R1,6-million).

Among Gold Fields' other base metal companies, **Rooiberg Tin** had a disappointing quarter, returning to losses

Slightly less ore was treated, but an 8 percent rise in unit cost of sales outweighed a 4 percent rise in unit sales revenue, so that the R41 profit a ton sold was turned to a R498 loss

Sundry revenue allowed it to record a net profit of R85 000 (R267000)

- Mining and finance holding company **New Central Wits** recorded a3,6 percent fall in net earnings in the six months to March to R1,1-million, with earnings easing to 62,7c (65,1c) a share

The interim dividend is unchanged at 47c

The market value of investments dropped to R42-million from R56,5-million a year ago.

Deep-level drilling for gold will now need 10 boreholes instead of eight planned in the Potchefstroom district, say the directors. Boreholes have been drilled to as deep at 3 388 metres

The drilling target of R9,45-million has already been exceeded

The prospecting, undertaken jointly with Anglo American Corporation, has still to establish whether it will be worth while continuing to Phase 2, which would be aimed at proving ore reserves.

The company will have to pay for half of the costs of Phase 2 if it wants to maintain its 50 percent stake in the joint venture, the directors add

Japanese buyers boost platinum

Own Correspondent

217

ept Time 19/4/88

LONDON — A sharp increase in Japanese buying of platinum has re-established its premium over the gold price, according to a new report by Johnson Matthey

By the start of last week, the London spot price for platinum was in the region of $530 an ounce, while gold hovered around the $453 mark. In mid-December, both metals were at $485 mark.

Japan imported 11,5 tons of platinum in February, well above the previous record 8,76 tons last November and the 5 tons in January this year

Johnson Matthey said the recent purchases "have almost certainly taken a substantial volume of secondary stocks off the market"

It said 4,5 tons of the February imports came from the Soviet Union.

"The indications are that a significant amount of Russian metal is being released from old stocks previously held in Europe

"We do not believe that new Soviet supplies have suddenly risen to this level and, indeed, overall stocks appear to be reducing"

Johnson Matthey believes the stronger yen is encouraging the purchases. It points out that in January last year, platinum at $500 an ounce was equivalent to 2,540 yen a gram. Current prices of around $530 an ounce are equivalent to 2 150 yen

IDC considers firm offers

Groups vie for Alusaf control

SA Times 21/4/88

From MICK COLLINS

MAJOR private sector conglomerates are vying for control of government's R500m aluminium concern Alusaf

Firm offers for the giant Richards Bay facility are currently under consideration by Alusaf's major shareholder, the Industrial Development Corporation (IDC).

'Sensitive'

Confirmation that the bids for one of SA's main strategic industries had been received was given yesterday by IDC MD Koos van Rooy.

However, Van Rooy said the issue was "sensitive" and would not be drawn on which private sector companies were involved.

"Yes, we have received concrete offers and are talking to various parties.

"It is awkward to speak about who is involved as we are still evaluating the situation. We are also having discussions with our Swiss partners."

Asked if the Swiss would retain an interest in the business once it had been sold, Van Rooy said: "They will have to evaluate their own position. It is very difficult to say how they will react, which direction they will take."

Van Rooy said a formal announcement on who would take over could be expected soon

The development follows top-level secret talks held with private sector concerns as early as December last year, when bids were invited.

Alusaf, which has an annual turnover of R600m, has been described by Van Rooy as being ripe for privatization

The privatization move is in line with President P W Botha's economic package for SA announced in February, in which he specifically referred to certain IDC holdings which would be privatized.

IDC sources said the privatization would not automatically mean an immediate listing on the JSE, due to the current depressed state of the market.

Expansion

Recent major expansion at the Richards Bay plant has seen Alusaf's capacity doubled.

The company has a staff complement of 2 800 and exports 50% of its annual production of 170 000 tons of aluminium.

Industry sources said the retention of the Swiss interest in the company was vital due to its world-wide contacts and its technological know-how.

The IDC has a controlling interest in four major industrial concerns — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe.

Opportunities open up for smaller platinum mines

Star 22/4/88

217

By Teigue Payne

A number of relatively small platinum mines may be started in the wake the entry of smaller mining groups into the platinum field

Until recently conventional wisdom was that platinum mining and processing could be undertaken only by the long-established mining houses with huge resources It was also thought that only Merensky reef, or a blend of it and UG 2 reef, but not UG 2 alone, could be used.

These long-held views have faded considerably with the advent last year of smaller houses, particularly Golden Dumps in the form of Lefkochrysos mine, to the platinum field - although Lefko itself will not be a small mine.

Lefko's lead in opening up the platinum field has been two fold· it entered the preserve of the majors and had the courage to undertake processing of UG 2 reef material exclusively.

A burgeoning of small platinum mines would reflect a similar pattern to that which emerged in the 1970s after the entry of smaller companies into the gold mining field, which was also pioneered by Mr Loucas Pouroulis of Golden Dumps.

The small gold company expansion came partly as a result of the development of the carbon-in-pulp process, encouraged by Mr Pouroulis, which allowed smaller and cheaper processing plants to be used. Now, proving of the process to extract platinum group metals from UG 2 material alone may have a similar effect.

It may also eventually cause a large increase in production, with lower prices for platinum

A leading analyst, Dr Kartun Kartun of brokers Simpson McKie, has predicted that in future most platinum mining will be from the UG 2 reef There must now be many holders of ground in the Bushveld Complex, underlain by UG 2, who are watching developments and particularly Lefko's progress, with a view to opening small mines

It is estimated that the smaller producers who may soon be announcing the go-ahead for projects might add little more than 120 000 ounces of platinum to South Africa's total production of about 2,35 million ounces However, this could be boosted by further developments in future

Possibilities

Among companies which may announce smaller platinum mines are.

- A group which declines to be named which is understood to have platinum rights adjacent to Rustenburg It is thought that this group will mine both Merensky and UG 2 reef, and that finance may be by way of flotation While the platinum mine will be relatively small, the group is understood to be preparing to announce a larger ferro-chrome project.
- The Severins. They plan to open a platinum mine on rights obtained as part of a package from Southern Sphere on the withdrawal of its parent, Utah Mining. While the Severins had originally aimed to open a large platinum mine and refinery costing R530 million, it is understood that they are now considering opening a relatively small mine at about quarter of that figure.

The Severin's prospect has both Merensky and UG 2 Some analysts have said that the mine would be too deep, but the Severins point out that as the reefs are wide, regular and relatively flat, they could use mechanised mining. Comment has also been that the Severins lack the expertise for a platinum mine — an accusation that could be levelled at all smaller entrants

Despite the doubters, it is understood that the platinum mine enjoys priority with the Severins, and a final decision on it is imminent.

- Latilla Minerals may begin a platinum mine in Bophuthatswana. The Bapo Ba Mogali tribe has reportedly resolved to grant the Sandton-based company a prospecting lease on about 100ha of its land in the Bapong area. Latilla's application for a prospecting permit must also be approved by the Bophuthatswana government.

The company believes both Merensky and UG 2 outcrop and underlie the property.

- Genwest Exploration & Mining, a company formed by Genwest Industries after the withdrawal of General Electric from South Africa and Mr Ken Barnard, former managing director of Southern Sphere The company has a small platinum prospect in the western Bushveld Complex which Mr Barnard has said could be commissioned relatively quickly.

Mr Barnard has said he believes small platinum mines are now feasible because the number of participants in platinum mining has increased, and he will look to selling concentrates to a larger operation for smelting and refining

Mr Steen Severin has indicated a similar strategy if the Severins open a relatively small mine

Severins going ahead with Steelpoort platinum mine

Star 25/4/88 (217)

By Teigue Payne

Severin Mining and Development has taken a final decision to go ahead with a relatively small platinum mine on its Steelpoort prospect which would come into production in two years time

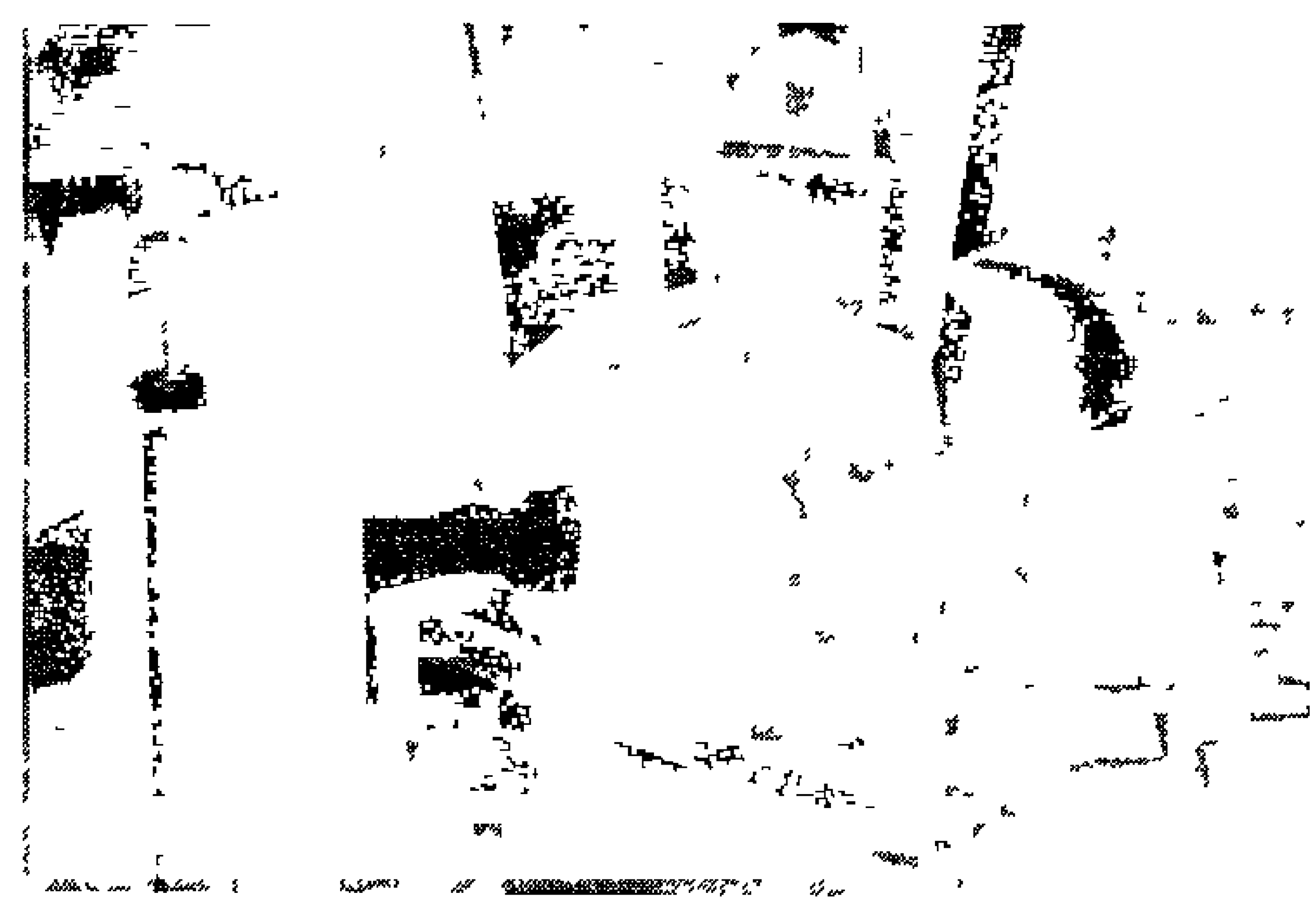
Director of Sevmin Mr Ian Preston said renewal of prospecting rights over the company's 2 900ha prospect had been received last Thursday from the Lebowa government The mineral and mining leases would be negotiated while development of the mine was being started

Mr Preston said although the decision to proceed had now been taken, Sevmin still had to decide on a means of financing from a number of alternatives

A stock exchange listing was "definitely not ruled out", but other options included a private flotation and taking partners in the project, he said Even if Sevmin decides against a listing in the current stock exchange climate, it is likely that the mine will eventually be listed, said Mr Preston

While the Severins said originally in October last year that they would develop a major R530 million mine, this has now been scaled down to R150 million

Mr Preston said mining would begin in two years' time, and would build up to full production of 50 000 tons a month by about the beginning of the third year This compares with the Severin's original plans for a 150 000 ton-a-month mine, and with projected production from Lefko of 160 000 tons a month by 1991, to be boosted to 360 000 tons by 1994, and 180 000 tons a month at Barplats by 1993 (although Barplats' plans may be revolutionised soon, after assessment of its new De Goedeverwachting farm)



Mr Ian Preston and Franka Severin celebrated the first blast in the sinking of the Franka shaft at Eersteling gold mine near Pietersburg in November last year Now Sevmin is going ahead with a platinum mine in the Steelpoort area.

He said five boreholes with deflections had indicated consistent payable values on both the UG 2 and the Merensky reefs in line with previous estimates In October Mr Steen Severin said initial drilling on UG 2 had assayed not less than 6 g/t, but did not reveal Merensky grades

Mr Preston said all the boreholes had hit the reefs within 10 metres of predicted depths, confirming that they were very regular They were also apparently unfolded and relatively unfaulted Reserves of 1,75 million tons had been indicated, he said

Dip of reefs was five degrees, and width of UG 2 was 1,5 metres and of Merensky one metre All this meant mechanised mining could be done — a major cost advantage

A major cost disadvantage, which critics of the project have dwelt upon, has been the depth of the mine, which will necessitate expensive cooling

Mr Preston agreed that cooling would be costly, but with initial depth of 1 370 metres for Merensky and 1 570 metres for UG 2, workings would be far from the deepest among the new mines Northam's initially mining will be at 1 670 metres, but its dip is steeper

Sevmin's new, smaller mine would deepen more slowly than the larger mine originally planned Because both reefs would be mined and production would be lower, mining, and infrustructural costs, would be shrunk

Mr Preston said depth was the mine's only negative factor Grade, regularity of reef and mechanisation would more than compensate for this, and he estimated unit costs at R53 a ton milled in current money (compared with an estimated R45 in April 1987 money for Lefko) Internal rate of return would be at least as good as for other new platinum projects

Other major doubts expressed about the project have been on the supply of water and electricity, and whether the Severins would be able to "buy" the necessary expertise to make the project succeed

Mr Preston said water would be drawn from the Steelpoort river He said Sevmin's water consultants, geotechnical engineers Steffen Robertson & Kirsten, have said this source would have been adequate for the original large mine and was more than enough for the smaller mine.

On power, Mr Preston said Eskom, which was bringing power for Vansa and Barplats, would supply the Sevmin mine.

On expertise, Mr Preston said response from qualified and experienced people to the original recruitment advertising had been excellent

The new target cost of the project includes a mill and metallurgical plant including the concentrate and smelting stages. Smelting would be of a blend of UG 2 and Merensky reef ore, which is established technology, against the new technology to be applied by Lefko and Barplats of smelting UG 2 alone

Matte from the smelter would not be refined by Sevmin itself Mr Preston said Sevmin was talking to various local and overseas parties, who were willing to refine the matte

The mine is being designed with a view to expanding it into a bigger operation in the long term, with a refinery

Tuesday, April 26 1988

217 B/Day 26/4/88

Samancor finalises Japanese contracts

Better prices for SA chrome

MICK COLLINS

SA'S major chrome-ore exporter Samancor has finalised its 1988 contracts with Japan after four months of negotiation.

The chrome-ore contracts, which cover the period from April 1988 to March 1989, are at 14% better prices than last year and average out at US$79 a ton

A metals-industry analyst said yesterday that Samancor appeared to have taken a tough stance with Japan, one of the main importers of SA ores

Currently in the process of negotiating other new ore contracts with the Japanese, the South Africans are said to be looking at higher prices for at least two commodities

A Samancor spokesman said the new chrome-ore contract prices represented an increase of between $10 and $12 a ton over last years' contracts and were a result of the sharp increases in charge chrome and ferrochrome prices

The Japanese chrome-ore contracts account for about 40% (350 000 tons) of Samancor's total sales.

Samancor manganese GM John Muller said contracts for manganese ore still had to be settled: "We are looking for better prices — 30% to 40% — but this is still subject to negotiation It is still a way from being concluded but we should have a decision in May."

The speed with which the chrome-ore negotiations were completed has surprised the industry and was said to be the result of limited supplies of the strategic commodity on world markets

The London Metal Bulletin reported a Samancor spokesman as saying supplies of chrome ore were tight and the company had to limit exports Much of the exports which originally went to Europe have been re-routed to the Japanese market or consumed in-house to produce charge and ferrochrome for the local steel industry

Samancor was also reported to be feeding back more of its chrome ore output into the company's ferrochrome process Newly installed technology enabled it to use chrome ore fines for its local operation while lumpy grade materials were used previously

Last year SA produced 3,3-million tons of chrome ore, a drop of more than 113 000 tons on 1986 Manganese-ore production fell from 3,7-million tons in 1986 to 2,8-million tons

MINING

News 26/4/88 (217)

Severin to launch platinum mine

From TEIGUE PAYNE

JOHANNESBURG — Severin Mining and Development has taken a final decision to go ahead with a relatively small platinum mine on its Steelpoort prospect which would come into production in two years time.

Director of Sevmin, Mr Ian Preston said renewal of prospecting rights over the company's 2900ha prospect had been received last Thursday from the Lebowa Government. The mineral and mining leases would be negotiated while development of the mine was being started.

Mr Preston said although the decision to proceed had now been taken, Sevmin still had to decide on a means of financing from a number of alternatives

LISTING

A stock exchange listing was "definitely not ruled out", but other options included a private flotation and taking partners in the project, he said. Even if Sevmin decides against a listing in the current stock exchange climate, it is likely that the mine will eventually be listed, said Mr Preston

While the Severins said originally in October last year that they would develop a major R530-million mine, this has now been scaled down to R150-million

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MECHANISED

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Messina management in the dark

Star 27/4/88

217

By Teigue Payne

Following yesterday's cautionary announcement by Impala Platinum and Messina, reliable market sources say negotiations have taken place between controlling shareholder Sankorp and Impala without Messina management.

Messina's senior management did not know about the negotiations until shortly before the cautionary announcement, it is understood.

It is thought that an announcement on the negotiations will be made shortly, possibly tommorrow.

Sankorp, the investment arm of Sanlam, controls Messina and, via Gencor, Impala. The negotiations apparently concern Messina's promising platinum prospect near Tzaneen.

In the past, senior Messina managers have indicated the company would develop the prospect independently. Although analysts and the press have speculated that Impala and Messina could link up on the project, news of the negotiations was apparently as fresh for Messina's executives as it was for the public.

A leading analyst said yesterday non-involvement of Messina management in the negotiations was extraordinary. He said Sankorp's actions appeared high-handed in relation to Messina's management and that minority shareholders might question them.

Mr David Dry, financial director of Messina, said he was not authorised to comment on the cautionary announcement.

Mr Don Ireland, managing director of Imapala, said: "I believe we have been negotiating with the right people and this should not be a source of concern for the market."

A Sankorp spokesman was not available for comment.

Marlin opening new green granite quarry

Star 28/4/88 (217)

By Teigue Payne

Marlin Corporation has announced that it is opening a large new green granite quarry in the Bitterfontein area in Namaqualand

Until now, Marlin has focused mainly on quarrying black granite in the Belfast area in Transvaal, of which its is the world's largest individual producer

It also has a dominant position in production of a patterned pink and grey granite from the Parys area, and produces traditional grey granite from the Rustenburg area

Marlin says the Bitterfontein quarry has the potential to expand to 300 to 400 cubic metres a month, a similar size to its Parys quarry

Unlike the Parys pink, competing green granite quarries exist elsewhere in the world. But Marlin says green granite is currently particularly popular world-wide, and the quarry's production has been presold for 12 months

Price for the green material is about $600 a ton fob, about the same as that for Parys pink

Priority

While production of Belfast black - nero assoluto - remains the company's priority, chairman Mr Peter Gain says it is continually prospecting for other granites, particularly coloured stone The Bitterfontein quarry is the first product of intensified prospecting by Marlin over the past year, he says

Mr Gain says many prospects are brought to Marlin and other companies, but only a tiny number result in quarries

"The mortality rate for coloured granites during the selection process is astronomical The stone must have the right colour, hold its polish and not be porous Above all, the deposit must be capable of producing dimensional blocks at viable cost levels A large part of North America is granite, but only very limited areas are suitable for dimensional quarrying"

Mr Gain says Marlin prefers to quarry granites which are not generally available and thus command premium prices In line with this, Marlin produces less Rustenburg grey granite compared with other South African granite companies

He says Marlin also differs from other granite companies in that it has built up extensive overseas influence

"We now have a substantial interest in granite trading companies in Europe and North America which operate independently from Marlin Three of these companies are approaching a size suitable for listing on overseas exchanges"

The only viable black granite in the country occurs in one small part of the Belfast area and all the current producers are cramped within this strike Marlin has about 12km of it and the other three producers — Keeley, Impala (which is not listed) and Kudu — share the rest, according to Mr Gain

Yields vary from quarry to quarry, but a waste factor of up to 95 percent applies to Belfast black, against up to 60 percent for Rustenburg grey, largely because Belfast black is also more fractured in situ

Marlin produces over 7 000 tons of dressed blocks a month, for which it moves more than 80 000 tons of raw material

Marlin says it plans to expand Belfast black production at at least 12,5 percent compound a year This, combined with healthy price increases, should result in secure growth in future

Current estimated monthly production of Belfast black is Marlin 7 000 tons, Keeley 3 000 tons, Impala 2 000 tons and Kudu up to 400 tons In the past summer, production was reduced because of heavy rains

The pecking order is reversed in the Rustenburg area, where Keeley is estimated to produce 14 000 tons a month, Impala 10 000 tons, Kudu 6 000 tons and Marlin 4 000 tons.

Because of Marlin's dominance in Belfast black, the difficulty of expanding production quickly, and the absence of other black granite areas in South Africa, a price war in Belfast black, such as occurred in Rustenburg grey in the early 1980s is highly unlikely

Price war

A price war in Rustenburg grey could possibly occur following big expansion plans announced by Keeley and Kudu Although there is no sign of the market weakening at present, overproduction is eventually possible because of the large number of quarrying areas

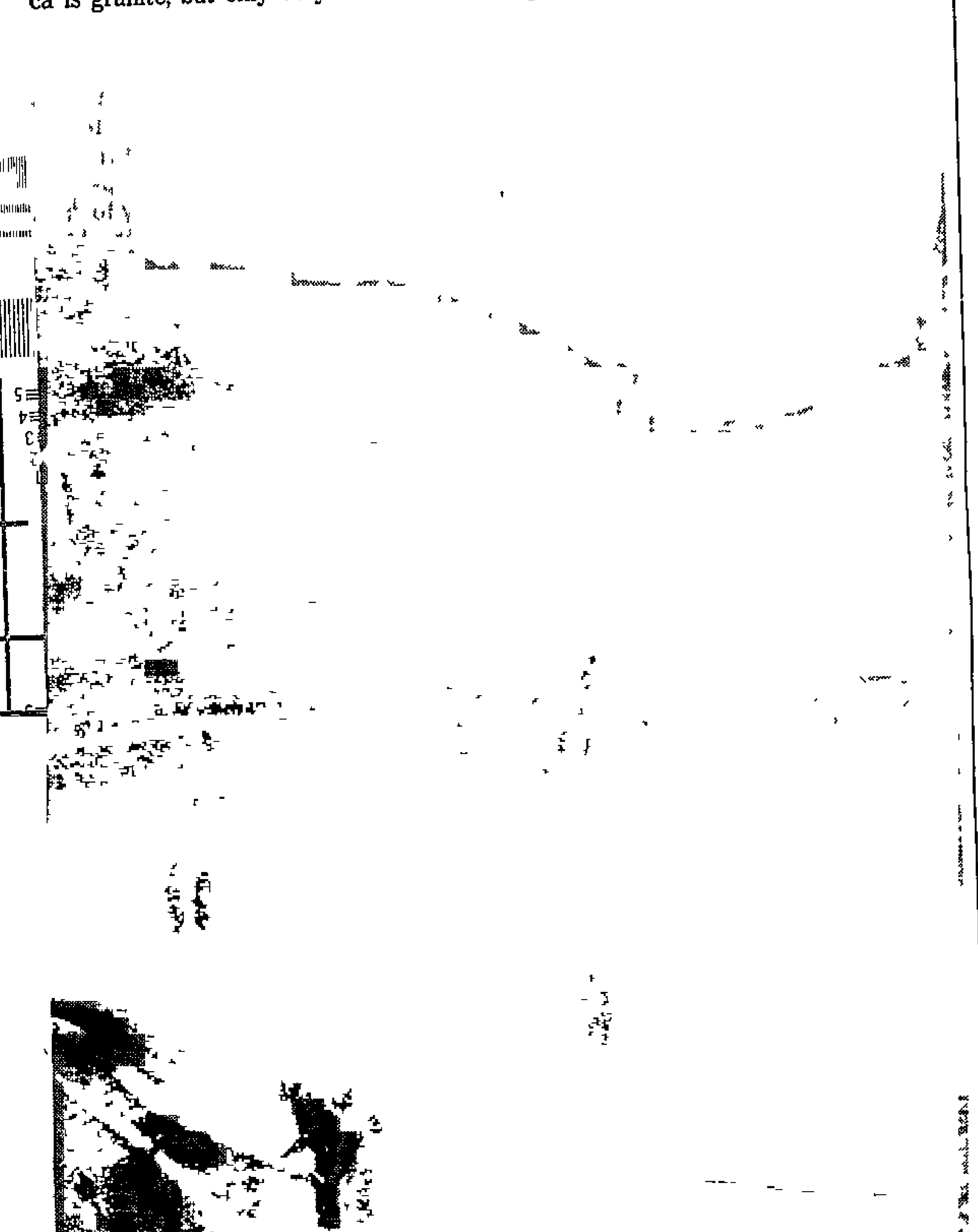
The fact that South Africa is the dominant world supplier of black granite makes it more likely that prices for black granite are likely to rise Only India also exports significant quantities of black granite, but its production is almost entirely absorbed by Japan

South Africa's production is exported to Italy, France, the US, Canada and Germany, Japan and other countries

A price increase of more than 20 percent was obtained by Belfast black producers this year, and regular increases are expected in the future

Black granite sells fob Durban for about $1 150 to $1 200 a cubic metre, depending on block size, compared with about $440 for Rustenburg grey From this must be deducted road and railage costs, which leave a about $1 000 for Belfast black and $300 for Rustenburg grey per cubic metre

Producers say demand for Belfast black is so strong that if production could be doubled, it would be easily sold at current prices



A working area in Marlin's Kwaggaskop Belfast black quarry, the world's largest black granite quarry Yields vary from quarry to quarry, but a waste factor of up to 95 percent applies to Belfast black, against up to 60 percent for Rustenburg grey, largely because Belfast black is also more fractured in situ than Rus-

Imapla Platinum takes over Messina

REINIE BOOYSEN 29/4/88

IMPALA Platinum (Implats) is to take control of Messina after concluding a R92m share and cash swap deal with Messina's major shareholder, Sanlam Investment Corporation (Sankorp).

The transaction involves an exchange of R175 plus 50 ordinary Implats shares for every 100 Messina shares held.

Phase one of the deal will see Sankorp sell 55% of its 7,56-million shares to Implats. An offer will also be made to minorities. Sankorp will, however, part with more shares if Implats does not get the desired 55% shareholding in Messina.

Meanwhile, Messina has sold subsidiary Autocast for a R21m cash settlement in favour of Sankorp. This money will be injected into the company's platinum venture.

Sasol to build R340m plastics plant for 1989

BDay 29/4/88

MICK COLLINS

SASOL Industries yesterday announced it had entered into agreements with Lurgi for the design and construction of a R340m plastics plant at Secunda.

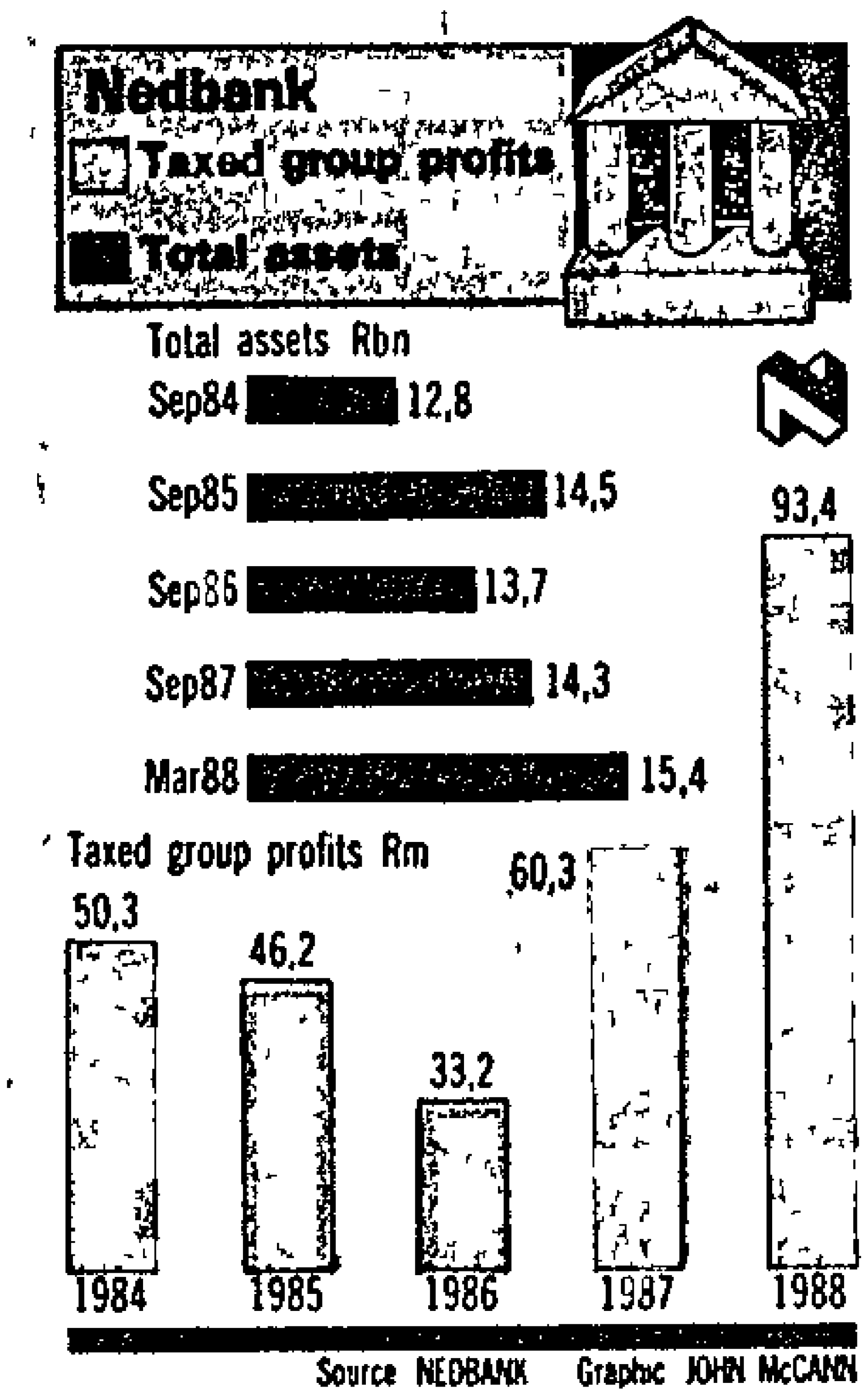
With a capacity of 120 000 tons a year, the polypropylene plant is scheduled for start-up in 1989/90 and is expected to earn and save SA more than R200m a year in foreign exchange.

Sasol MD Paul du P Kruger said Sasol decided to enter this as it had identified a local market opportunity.

"In addition export possibilities have also been identified. A large percentage of polypropylene and all propylene (or propylene feedstock) used in SA is currently being imported.

"Of the plastics presently commercially available on a large scale, the market for polypropylene is the fastest growing. Local demand for polypropylene is between 55 000 and 60 000 tons."

Polypropylene is a large volume plastic with a wide variety of uses, mainly in the packaging, textile and fibre industries.



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US companies unite to

WASHINGTON — Stung by the "sneak" passage of the Rangel double-taxation amendment last December, the largest US companies still left in SA have formed a new coalition to fight the total disinvestment Bill now before Congress.

An estimated 20 multinationals are understood to have each contributed $5 000 to the campaign's war chest, much of which will be spent on retaining an influential liberal Democrat to lobby

Weakening dollar a major factor

517 B/day 29/4/88

SA mineral sales decline R700m to R28,8bn in 1987

CHRIS CAIRNCROSS

THE value of SA's total mineral sales amounted to R28,8bn during 1987, reflecting a marginal decline on the R29,5bn recorded the previous year, according to the Department of Mineral and Energy Affairs (DMEA) annual report tabled in Parliament yesterday.

This slight decline in total earnings is attributed to lower commodity prices and an improvement in the strength of the rand against the US dollar

Mineral exports generated R23,9bn last year and accounted for 82,8% of total mineral sales

Owing to a 10,9% improvement in the value of the rand against the dollar, 1987 export earnings grew by 6,5% in dollar terms, mainly as a result of higher prices realised for gold and platinum group metals

Revenue from sales of minerals on the domestic market increased by 14,7% to R4,9bn This was due to higher prices obtained for certain minerals, notably copper, asbestos, coal, titanium, chrome and pyrite.

According to the DMEA report, the average London gold price rose by 21,3% from \$368/oz to \$446/oz last year, enabling the grade of ore extracted by the larger mines to be lowered

This resulted in a reduction of the average grade from 5,63g/t in 1986 to 5,28g/t last year

The amount of ore milled by the gold mines last year levelled at about 107,6-million tons and SA's gold output totalled 598 tons.

The DMEA does not put a value on sales of platinum group metals but records that the average price received rose by 12% compared to 1986, while revenue from exports increased by 8,3%.

Coal was the largest contributor to foreign earnings after gold and platinum.

Despite the depressed markets resulting from a considerable international oversupply situation, 42,4-milion tons valued at R2,3bn were exported. Local sales increased by 2,8% to 130,5m tons

Ban on SA ore may 'cripple' US

CAPE TIMES 30/4/88

217

From SIMON BARBER

WASHINGTON. — The ban by the US Congress on South African uranium imports could cripple the US processing industry by the mid-1990s, according to an analysis by the Department of Commerce.

In the short term the analysis predicts a loss of about R600 million annually, rising to billions in the next decade as key customers such as Japan, Taiwan and Spain refuse to renew contracts with US facilities.

"Japanese utilities have contracted for 30 000 tons of South African uranium worth about R3 billion to be delivered between 1986 and 1995," the study notes

"Assuming this cost represents approximately one-third of the final fuel cost to the utilities, another two-thirds, about R4 billion, representing conversion, enrichment and fabrication costs, is potentially lost to US facilities "

Meanwhile, hopes that the ban on SA uranium ore would help the moribund US mining industry have proved groundless.

US ore, priced in 1986 at about R20 a pound more than foreign supplies, has become profoundly uncompetitive

● According to an unpublished assessment by the US Bureau of Mines, an embargo on South Africa's strategic minerals other than platinum and rhodium would cost the US more than $110 million (about R220 million) a year, but would be feasible

However, a ban of South African platinum and rhodium would cause severe dislocations because alternative supplies are insufficient to meet US industrial demand.

The price tag on such a ban, the study estimated, would be $8,7 billion (about R17,4 billion) over the five years 1988-1992, or close to $1,8 billion annually.

Embargo

The 50-page report, which has been kept under wraps since January, is the US government's first detailed attempt to put a dollar value on a total cut-off of South African minerals.

It was requested by the State Department — though not even the sweeping sanctions legislation now under consideration includes such an embargo.

The figures take into account the increased cost of imports because of reduced supply, lower mineral consumption, the cost of developing low-grade domestic ores or high-cost secondary recovery, plus estimated trade pattern adjustment costs.

"There are sufficient world sources to South Africa for manganese, chromium, palladium, titanium and vanadium" to meet US demand and thus make an embargo on those materials thinkable

Non-South African sources can meet between only 40 and 50% of US platinum and rhodium needs

In the event of a total mineral embargo lasting five years, "domestic primary and secondary production expand and together satisfy about one-third of US platinum requirements, one-third of US rhodium requirements and more than one half of domestic palladium requirements"

In the shorter term, "US dependence on the Soviet Union for platinum increases from three to 30%, rhodium doubles from one-third to as high as two-thirds, and palladium from 33% to as high as 60% of total consumption requirements"

"Further, because the Soviet Union is a major producer of chromium, manganese and vanadium, US dependence on the Soviet Union for these material may also increase," the report said

No surprise in Impala deal with Messina

Star 30/1/89 (232) (217)

TEIGUE PAYNE

Details of the deal which will result in Messina, now a subsidiary of Sankorp, becoming a subsidiary of Impala Platinum appear to be in line with market expectations.

The shares of Messina and Impala were little changed afterdisclosure of details yesterday, Messina shedding 25c to close at R13,50 and Implats remaining unmoved at R23.

The deal encompasses an offer by Implats to acquire 55 percent of Sankorp's shareholding in Messina Sankorp will receive 50 Implats shares for every 100 Messinas, plus R175 in cash. The same offer is being extended to minorities.

Qualify

At yesterday's opening prices, the offer was worth R13,25 However, shareholders who opt to swop their Messinas for Implats will qualify for the Implats final dividend, expected to be about 125c.This would make a total of R14,50.

Analyst Mr Keith Bright of brokers Frankel Kruger Vinderine said the deal was fair, although not a bargain, and there seemed no major advantage between holding Impala or Messina.

Implats's intention is that Messina will focus on mining, particularly of platinum, and that Implats will continue with Messina's platinum developments

Simultaneously, Messina announced the sale of a subsidiary, Autocast, to Sankorp for R21 million in cash.

Mr Bright said it appeared Messina was divesting itself of its motor-related holdings at least, if not its industrial interests generally This would make it flush with cash, which might be used to fund the development of Messina's mine.

He said there were big advantages in a link-up in mining and processing operations, especially as Impala had the technical expertise required. The Messina mine would probably send its concentrates to Impala for smelting and refining.

A recent report on platinum by analyst Dr Kevin Kartun of brokers Simpson McKie placed the Messina mine first among existing and new producers on a profit-to-revenue ratio, although the report was written before the restructuring of Lebowa Platinum.

R250m platinum refinery closes the gap

SP) B/day 2/5/88

ROBERT GENTLE

SOUTHERN Africa will finally refine virtually all its platinum at home when Rustenburg Platinum brings its new R250m refining complex on stream later this year

It is estimated about 25% to 30% of SA's annual platinum production — some 600 000oz worth $315m at current prices — is refined outside the country

This platinum comes from JCI's Rustenburg operations and is refined in the UK at the Royston Refinery, jointly owned by Rustenburg and the Johnson Matthey group.

JCI says the new state-of-the-art refinery, the Bophuthatswana Precious Metals Refinery, will replace Royston as well as Rustenburg's other refinery at Wadeville, Germiston.

Wadeville will be shut down in due course, says JCI, while Royston will be taken over by Johnson Matthey and continue secondary refining

Analysts say the move makes sense from all points of view. Transport costs will be reduced and it will become easier to police the refined platinum from a security point of view.

More importantly, lead times between mining and selling the finished product will be considerably reduced.

Stv 2015788

Gold index to bottom out soon

217

Finance Staff

This is the time to selectively buy blue chip gold mining shares if projections made by Mr David Gleason, research partner at Mathison ' Hollidge, are correct.

He told a Rotary "Financial Scenario" seminar in Durban yesterday that he expected the gold share index, which stood at 2499 prior to last year's crash, to bottom out fairly soon at between 1050 and 1100 The index currently stands at 1215

Mr Gleason does not expect gold to break through the $500 mark again this year — but thinks it might rise as high as $490 He generally predicts a trading range of $420 to $470

An expected lower rand this year and next year will have an impact on mining shares and other rand hedge investments

He projects (using the old terminology) that the rand will average 42-44 US cents this year and 37-39c next year.

Inflation is expected to rise to 16 percent next year. Growth in gross domestic product, which he believes peaked in March, is likely to average at 2,5 percent this year and 1 to 2 percent next year

Turning to other sectors, Mr Gleason said he suspected that coal, which had been depressed so badly, might be due for some recovery Steam coal prices had been rising after Chinese producers failed to meet delivery contracts to Japan.

In diamonds, De Beer's dividends could rise 30 percent this year But higher interest rates would hit home and he was advocating minimal or no De Beers holdings at present

Platinum was looking brighter after projections of a shortage — but this was probably already discounted in prices

Chrome and ferro-chome were facing a very good 18 months and could prove rewarding

On industrials, he said the index could go down to 1200 (from around 1500) There were a number of adverse pressures - higher interest rates and slower profit growth

The average dividend yield could adjust to six percent from the current low 4,2 percent

However the share market anticipated developments in the real economy by about a year and in due course could be expected to reflect an upturn in the growth rate which could be about 18 months away

PLATINUM

217

Jewellery war looms

SA could launch its very own platinum coin The Cabinet was considering the suggestion this week to promote sales of the precious metal in the local market

Research indicates that, if expanded to include overseas markets, an improved platinum industry could eventually overtake gold as SA's primary forex earner

But opinions differ on just how viable a local platinum coin and jewellery industry could be Government's Council for Mineral Technology (Mintek) believes it will be a major shot in the arm for the economy, but major platinum producer Rustenburg Platinum (Rusplats) has reservations

According to Mintek president Aidan Edwards, SA's R4 bn/year platinum mining sector faces a disastrous price slump by 1993 because production is likely to be in surplus by 10% — unless a strong local jewellery industry is developed along with stepped-up international marketing to increase jewellery sales

Edwards argues "Additional jewellery consumption of about 20 t/year in the West would absorb excess platinum production as from 1993 Western nations currently buy only 4 t/year of platinum jewellery — compared with over 30 t in Japan This could be vastly increased, provided a concentrated sales and marketing campaign was launched by producers "

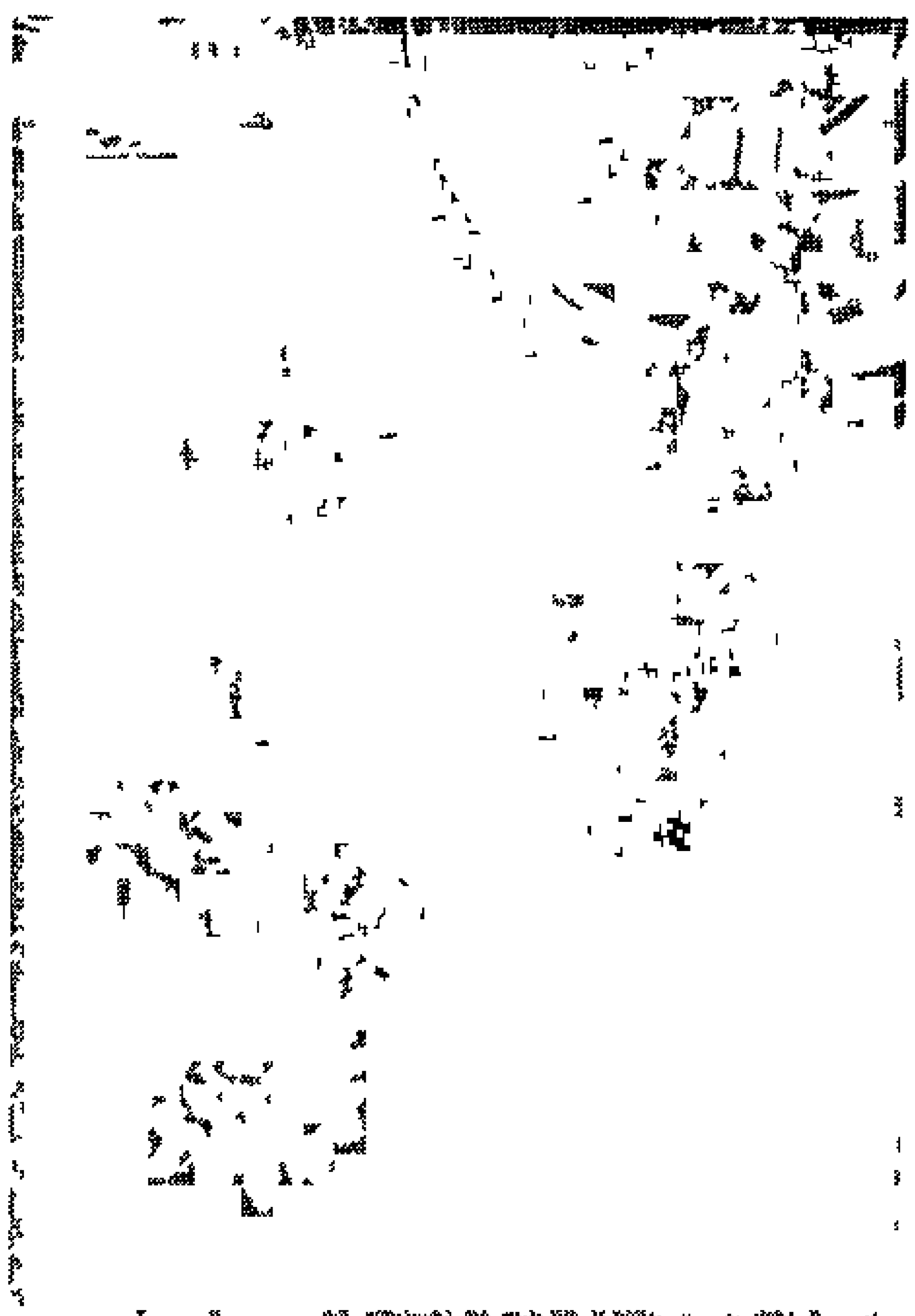
Japanese investment

But his views — including allegations that platinum producers do too little to promote a local jewellery market and sales to Western nations and that SA should launch its own platinum coin and attract Japanese investment — have elicited a strong response from Rusplats.

"Many of these ideas are mere pipedreams at this stage. In fact, some of these suggestions are ridiculous, coming from a senior public servant who should know better," says Rusplats chairman Pat Retief

Retief says it is well-known that Japanese investors have not been allowed to invest in SA for two decades And while the technology of jewellery manufacture is not difficult, political sensitivities and tremendous tariff barriers into Europe would make exports an impractical proposition A local platinum coin, he contends, would, in all probability, go the same way as the Krugerrand Its launch could also jeopardise similar ventures by countries like Australia

"It would be counterproductive to the development of other markets In the current extremely anti-South African international climate, this must be avoided at all costs," he says



Jewellery ... all that glitters is not gold

However, in response, Edwards maintains the coin will be aimed primarily at the local market Currently, only 300 000 new Krugerrands can be legally sold in SA each year This represents a mere 0,5% of world gold sales — and has no effect whatsoever on the gold price But a similar number of platinum coins sold locally could significantly underpin the much smaller platinum market

Moreover, Edwards points out the Japanese currently account for 80% of all platinum jewellery sales Backdoor investments, he says, could be encouraged, adding that Far Eastern investments — direct or by proxy — are still entering SA He says a prime focus of platinum producers should be to develop local jewellery sales and exports need not have a "made in SA" label

To illustrate his point that the local market has been neglected, Edwards says it is "impossible" to buy any items of platinum jewellery in Johannesburg Stepped-up marketing by producers, he says, is essential to create local awareness Sales could also be a powerful attraction to foreign tourists

Edwards says by investing a mere 1% of turnover (or R40m/year) in advertising and marketing of platinum jewellery (or coins), demand could be created for the metal as an alternative investment to gold and diamonds Promotion of the latter two has been so successful that 800 t-1 000 t of gold is processed annually into jewellery, while wholesale diamond gem sales amount to around R6bn/year

But Rusplats director Fred Roux maintains parent group Johannesburg Consolidated Investments (JCI) has spent R27m/year on the promotion of platinum jewellery and investment products over the past five years Further, JCI spent R500m over the same period through its agents and sub-agents in order to sell, promote, research and develop new uses and demand for the precious metal

Fuel cell

"Our agent Matthey Rustenburg (MR) has been primarily responsible for the development of the platinum autocatalyst, which has revolutionised the control of harmful motor car exhaust gases And MR is also deeply involved in the marketing of a pollution-free platinum fuel cell to be used in power generation "

Edwards lauds these achievements, but adds that jewellery manufacture has other benefits

"Jewellery sales also act as a buffer to commodity price movements In 1980, when the platinum price shot up to $1 000/ounce, demand for jewellery use dropped to 560 000 ounces, or 24% of the total By 1986, with falling prices, jewellery demand had increased to 855 000 ounces — or 30% of total consumption "

Increased jewellery sales would, therefore, ensure that cyclical commodity price swings would be less pronounced Edwards claims jewellery use should be roughly 50% of total consumption, adding that jewellery and coinage represent the quick route to expanded consumption ■

THE EXECUTIVE

Opinion former

A new monthly business publication, *The Executive*, was officially launched by the *Financial Mail* to the advertising industry in Johannesburg and Cape Town this week

At a function in Johannesburg on Monday attended by 600 advertising and other executives and at another in Cape Town on Wednesday attended by 200, *FM* Editor Nigel Bruce said the first edition, aimed at the top 10 000 *FM* readers, would be available in June

The new publication is to be printed on high-quality paper to exacting standards, ensuring a level of reproduction seldom seen in this country

The editorial content is intended to give A income group readers insights into corporate situations and individual accomplishments that would be inappropriate in more news-orientated publications such as the *FM* or

HEAVY MINERALS 217

Mining plans

13/5/88

Titanium-bearing heavy mineral sand deposits are being assessed for possible development by two independent mining groups, Les Holmes' Rhombus Mining and Steen and Franka Severin's Sevcorp. The Severins have a 25 Mt sand deposit near the town of Mtunzini on the Natal North Coast. Rhombus Mining has a prospecting lease over three separate deposits containing a total of 250 Mt of sands, all situated some 20 km north of the Kei River mouth in Transkei.

At present only one company in SA, Richards Bay Minerals — of which Gencor owns 50% — is mining heavy mineral sand deposits to produce ilmenite, rutile and zircon. These are all titanium minerals.

Franka Severin tells me that while the group's heavy mineral sand project looks promising, a decision has not been taken on whether it will go ahead. She says the group is re-assessing which of the various mineral deposits it controls should be allocated the highest priority for development. The deposit contains some 10% of heavy minerals including ilmenite, zircon, rutile, monozite and magnetite, which would be a waste product. A feasibility study is under way and the Council for Mineral Technology (Mintek) is assessing qualities of the minerals to be produced from the deposit. Should it go ahead, mining would be at a rate of about 1,5 Mt of sand a year.

Holmes say he has been looking at Transkei's deposit for the past two years. He intends applying to Transkei's government for a mining lease in June/July this year. A final feasibility study is near completion, tenders for the supply of major plant — such as the dredger and gravity concentrator — have been called for, and Holmes says he is looking for bridging finance to get the project moving. Finance will be raised through Rhombus Mining. Longer term, consideration will be given to listing the heavy minerals mine.

The Severins deposit is in sand dunes some 100 m above sea level, so the mining operation would consist of removing the sand with front-end loaders. Transkei's deposits are near sea level and Holmes intends following the mining method used by Richards Bay Minerals, which is to create a pond and float a dredger in it to suck up the sands.

He estimates throughput at 7 Mt of sand a year, and says the deposits contain an average of 6% economic heavy minerals, of which 5% is ilmenite, 0,4% rutile and 0,6% zircon. Annual production would be 300 000 t of ilmenite, 25 000 t of rutile and 30 000 t of zircon. Forecast capital expenditure, in 1988 money is R60m to produce the minerals in concentrate form, Holmes estimates he would need another R10m in working capital to get the operation running. At this stage, Holmes has no plans to build a smelter to produce titanium slag, as is done by Richards Bay Minerals, because of the complex metallurgy involved.

He estimates revenues at R9/t of sand mined and working costs of R5/t, allowing for transport and rehabilitation costs. He foresees no problems in selling the mine's production.

Holmes says planning has taken full account of the need to rehabilitate mined-out deposit. The dredger will tackle the deposit in small stages, which will be rehabilitated immediately mining moves to the next stage. The area to be mined is covered by extensive grasslands and dune forests.

The gravity concentrator will be on site to recover the 10% fraction of the sand mined which will contain the heavy minerals. The siting of the magnetic separation plant, which extracts the various minerals, has not yet been decided. Options are at the mine or in East London. If it is sited in East London, Holmes wants to find a cheaper transport route than via road and rail. One option is an offshore loading facility at nearby Bowker Bay, another is an aerial ropeway to take the material to the Kei River mouth for loading out. Holmes says this is the one aspect of the venture that he is uncertain of because of likely sea conditions. "They don't call it the Wild Coast for nothing," he says. Any plans involving use of the Kei River mouth will be subject to environmental scrutiny because of the importance of river estuaries.

He adds that his Rhombus group is looking at other diversification projects and has already taken over an industrial company, Gasmo, which produces mine safety equipment such as an explosive gas detector which fits on to a standard miner's lamp. Holme's long-term aim is to list Rhombus Mining, his holding company.

Brendan Ryan

SA unlikely to withhold platinum

Cape Times 14/5/88 217

JOHANNESBURG. — SA is unlikely to withhold supplies of platinum from the West in retaliation against the latest sanctions moves by the US Congress, mining executives and precious metals analysts said yesterday.

"I have no reason to suppose that SA will withhold or cut back on supplies," said Don Ireland, MD of Impala Platinum Holdings, the world's second biggest platinum producer.

"The SA Government has dealt with the matter by saying that they don't believe in trade sanctions," Ireland told Reuters

This week speculation of SA's retaliation against fresh sanctions moves has unsettled the world platinum market, driving up the spot price of the precious metal to around $539,75 an ounce yesterday

SA produces about 80% of the world's platinum and the West's anxiety that the country might block supplies is underlined by the fact that the other major producer is the Soviet Union.

Asked about the speculation, Ireland said· "These rumours keep coming up from time to time"

Most of SA's production comes from Rustenburg Platinum Holdings and Impala, the world's two biggest producers

"The two big producers have too much to lose if they start reneging on their contracts," said Rene Hochreiter, an analyst at stockbrokers Anderson, Wilson and Partners Inc

He noted that the bulk of all platinum is sold on long-term contracts to major users like the US automobile companies and the Japanese jewellery industry.

SA's big platinum producers do not disclose production figures, but mining analysts estimate that the country produces between 2m and 2,5m ounces a year.

The surging platinum price holds benefits for SA, not only through increased revenue from platinum sales, but also because of the spin-off of firmer world gold prices.

Traders in London and Zurich this week cited fears that SA could hold back platinum supplies as a reason for a rise in the gold price to its current level of around $450.

"Platinum seems to have led the gold price upward," said one gold share trader on the Johannesburg Stock Exchange

Mining analysts noted that the rumour surfaced last week, but has been heard frequently in the market over the two past years.

"The guys doing the platinum futures in the US are very sophisticated and they may even be using this as a marketing ploy to boost the price," said one Johannesburg analyst.

The rumour gained momentum on the platinum market last week after the House of Representatives' foreign relations committee passed a tough sanctions bill proposing an almost total embargo on US trade with SA and mandatory disinvestment by all American firms still operating here.

The sanctions bill, opposed by the administration of President Ronald Reagan, is soon to be presented to the full house and the senate. — Reuter

Platinum needs more marketing — Mintek chief

217

Star 14/5/88

TEIGUE PAYNE

South Africa should embark on much more aggressive marketing of platinum consumer products, particularly coins and jewellery, according to Dr Aidan Edwards, president of Mintek

Dr Edwards believes that platinum will eventually overtake gold as South Africa's primary export as gold mines become deeper and worked out and as its limitless reserves of platinum are developed

South Africa produces over 83 percent of the world's platinum and the proportion is rising Foreign states, which fear political instability in South Africa, have little incentive to promote the metal

The reverse is the case for South African producers and Dr Edwards questions whether they are doing sufficient marketing

He believes marketing of platinum consumer products would have much quicker results than technological advance He points out that it will have taken 20 years for platinum-containing autocatalysts to become manadatory in the developed world and perhaps 40 years of effort before fuel cells become commercially available

He says minor consumer products such as Cremora, which are effectively marketed, are far better known than platinum to the average South African The same applies in London and New York.

Dr Edwards says platinum could gain wide consumer acceptance in the form of coins, bars and jewellery He believes with correct marketing the surplus of platinum metal production which may develop in the mid-1990s could be more than taken up

An expanded market of only 20 tons of platinum a year in the West would absorb much of the new platinum that will enter the market from 1993 onwards, representing less than five percent of the gold currently consumed in the jewellery industry and less than the platinum already consumed in Japan in making jewellery Total platinum demand is currently about 85 tons a year, and slightly exceeds supply

The matter is of great concern to South Africa because income of the platinum industry last year was worth more than R4 billion and company profits about R2 billion The industry is scheduled to expand exponentially, but could be plunged into chaos if oversupply and a price war eventuate

Dr Edwards believes, South Africa should take the lead in encouraging the "culture" which is developing for the public to accumulate bullion in the form of coins

Well-known gold coins are now produced by Canada (the Maple Leaf), the United States (the Eagle), Australia (the Nugget), China (the Panda), Britain (the Britannia), and the largest issue by Japan (the Hirohito, which absorbed seven million ounces last year) Many other countries have joined the trend

Dr Aidan Edwards South Africa will eventually export more platinum than gold

New Chinese, Russian and Australian platinum coins have been announced this year Even small nations like Portugal now produce platinum coins

Critics of South African coin production and promotion point to the collapse of the Krugerrand

Marketing of Krugerrand was started in 1967, but little happened to it until six years later Thereafter, sales soared to the point where six million coins a year were being produced, constituting a large slice of world production.

Sales collapsed because of political pressure and are now only a fraction of their former levels, although official figures are no longer published

But, says Dr Edwards, the burgeoning of national coins would probably have resulted in the decline of the Krugerrand, anyway.

In 1983, Impala Platinum Holdings launched the one-ounce Isle of Man Noble platinum coin About 24 000 Nobles were produced in the first year and sales grew to a peak of 124 000 in 1986 In 1987, they collapsed to 60 000, but over the five-year period 250 000 had been struck.

Dr Edwards does not believe the collapse of the Noble was because it was seen as a South African coin Investors would be more likely to react in a contrary way they would invest in platinum coins, even though the metal was from South Africa, because they would feel future labour and political problems, such as the 1986 Impala strike, would result in constricted supply and higher price

South Africa dominates world production of platinum far more than it does gold — only Canada and Russia produce significant amounts of platinum Thus, any buyer of platinum coins knows the metal is likely to have come from South Africa, although the source is never disclosed. This has not deterred foreign states from producing their own coins, however.

Dr Edwards says platinum is gradually gaining some of gold's mystique as a medium of hoarding But whereas the world's collective hoard of gold amounts to 20 to 30 years' of production, its hoard of platinum amounts to only a few months. Investors in platinum would thus be justified in feeling much safer from massive dishoarding

On jewellery, Dr Edwards says the 35 percent ad valorem tax which has hamstrung the development of the South African jewellery industry must be lifted as soon as possible

He says a search of the jewellery shops of Johannesburg, commercial capital of the world's largest platinum-producer, would turn up no platinum jewellery Jewellers would say they cannot afford to carry stocks because demand is small. But the platinum majors could take a hand in marketing by giving the shops stock on consignment, says Dr Edwards

Another objection would be that the South African market is small, but he counters that if a platinum culture were developed locally, every woman who visited an overseas country would be an ambassador for it

Internationally, says Dr Edwards, the dearth of platinum jewellery sales in the West must be regarded as the biggest challenge facing the industry

The platinum "culture" in Japan is now so strong that a recent media survey indicated that 94 percent of Japanese married women either already had, or would have preferred, a platinum wedding ring

No similar situation exists in the West, although a favourable climate for platinum jewellery did exist in the early 1920s Demand for platinum for jewellery was so great then that it outpriced itself Platinum fetched eight times the price of gold before it collapsed

Since then, the demand for gold jewellery has increased many times and now often exceeds 1 000 tons a year However, the demand for platinum jewellery in the West is only four tons a year

Dr Edwards says platinum's weakness in the West has been the result of poor marketing and he appeals to South African producers to shed their low profile and become aggressive marketeers

Base metal downswing

B/day

217 ROBERT GENTLE 16/5/88

THE euphoria that surrounded base metals in the latter half of last year is over, and a downswing appears imminent.

One reason is that the critical shortages that were apparent have since lost their impact

Furthermore, as supply and demand come back into balance and the summer season approaches, demand for the metals will decrease with factory shutdowns in Europe and America, says a report by commodity brokers Bailey Overseas.

The report says copper still looks positive and the three-month price has the scope to rally to £1 170 a ton before resistance is encountered.

The immediate outlook for aluminium, however, is less bright. "The three-month price could struggle to break the £1 240-£1 250 price levels as chartists believe it is exhibiting the tell-tale signs of a trend reversal," the report says.

Another base metal broker has been particulary interested in is nickel, whose three-month price has soared from about $8 790 a ton in January to $14 300 a ton last week, peaking at $18 825 at the end of March.

Bailey Overseas thus thinks it is a bit "late in the day" to become bullish about nickel and regards it as being overpriced and susceptible to a price decline. The report says analysts believe a drop

● To Page 2

Base metals demand expected to decline

B/day

● From Page 1

217

to $12 800 a ton is not unrealistic

The one metal which appears to be bucking the trend is zinc, due to a tightness in supply. "It is believed that the market will be undersupplied by about 80 000 tons in 1988, which could push the three-month price up to $1 200 a ton," the report says.

Meanwhile, prices have risen even further on speculation of a hike in European producer prices and on news of a strike at the Outkampa Mine in Finland

"Any disruption in supply as a result will be taken as bullish in current market conditions," the report concludes

● See page 8

16/5/88.

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To Page 2

Bumper year at Keeley

Star 16/5/88

After its most successful year to date, Keeley Group Holdings has declared a maiden dividend as a listed company of 11 cents a share

This was double the 5,5 cents forecast before Keeley shares were listed last October, a statement from the company said

(217)

Keeley, a producer of dimensional granite with more than 90 percent of its total production earning foreign exchange via exports, increased attributable income by 62 percent to R13,3 million in the year to February

Earnings a share were 42,5 cents (26,3 cents) Turnover rose 42 percent to R65,6 million (R45,9 million)

The maiden dividend of 11 cents was for the five months from the time of listing to year-end.

"Based on the considerable expansion that has taken place and the continued world wide demand for the granite that we mine, we anticipate a significant improvement in profits for the current financial year," said the executive chairman, Mr Fred Keeley — Sapa.

Concern grows over counter-action

Platinum price rides high on supply doubts

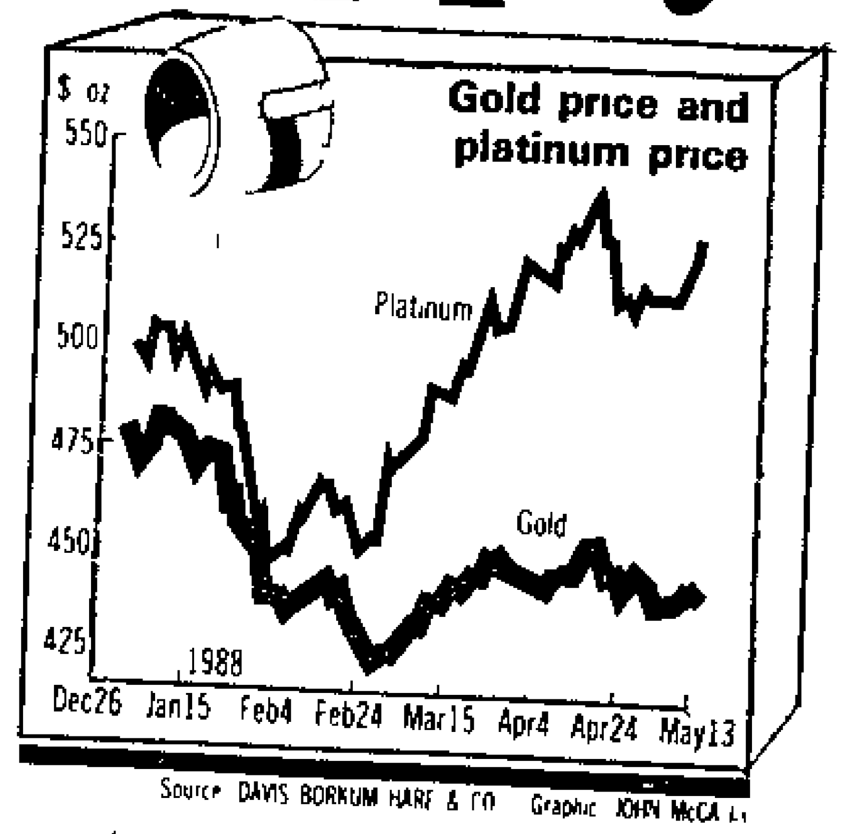
217 16/5/88

REINIE BOOYSEN

SINCE the beginning of February platinum has been the most precious of metals, rising from about $450 an ounce to $532 an ounce on Friday — a $83 premium on gold.

While gold faces the depressing prospect of flooded world markets and lower-than-expected US inflation — rendering it less attractive as an inflation hedge — platinum has risen on shortages of supply and, more recently, concern that SA, which supplies 80% of the West's platinum, may become an unreliable supplier

Analysts attribute platinum's dramatic rise from $513 in early May to US concern that SA may impose counter-sanctions on platinum in response to any tightening of current US sanctions legislation



Source DAVIS BORKUM HARE & CO Graphic JOHN McCA

"The SA government could neither afford to nor succeed in cutting off platinum supplies to the US," says an analyst "It is just too important for SA's balance of payments"

The analyst thinks some traders are taking full advantage of these fears to ride platinum for profit

Nevertheless, the fundamental long-term force behind platinum's strength remains rising world demand brought on by a number of factors, including

☐ Increasingly stringent platinum-based autocatalyst legislation in many different countries, including the EC

☐ The continuing popularity of platinum as a jewellery and investment medium in Japan which has seen monthly Japanese platinum purchases rise by about 20% since last year

☐ A number of new platinum coin issues by countries like Australia, Russia and China

METALS

ARGUS 16/5/88 (217)

Platinum needs aggressive marketing — Mintek chief

From TEIGUE PAYNE

JOHANNESBURG — South Africa should embark on much more aggressive marketing of platinum consumer products, particularly coins and jewellery, according to Dr Aidan Edwards, president of Mintek

Dr Edwards believes that platinum will eventually overtake gold as South Africa's primary export as gold mines become deeper and worked out and as its limitless reserves of platinum are developed

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QUICKER RESULTS

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GREAT CONCERN

The matter is of great concern to South Africa because income of the platinum industry last year was worth more than R4-billion and company profits about R2-billion The industry is scheduled to expand exponentially, but could be plunged into chaos if oversupply and a price war eventuate

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DID. 17/5/88

217

Titanium search near Kei Mouth

Daily Dispatch Reporter

EAST LONDON — A titanium prospecting exercise is in progress in southern Transkei

The chairman of Rhombus Mining, Mr L G Holmes, said his company had started prospecting for a good titanium mineral deposit two years ago and were presently searching for the metal in an area 20 km north of Kei Mouth

He said there was a substantial demand for titanium worldwide.

Mr Holmes said it is to be found in three minerals

- Ilmenite which was used in the pigment industry for paints, paper and plastics.
- Rutile which was used in the production of titanium metals.
- Zircon which was used in the nuclear industry and as an abrasive

"Titanium metals can be used in the space research industry as well as the armament and chemical industries as it has varying properties," Mr Holmes said.

"We have not finalised anything, but feasibility studies are in progress

"If the project proves viable it will give a tremendous boost to the local population in Transkei. It could have further benefits for East London with the construction of a major smelter and the subsequent exports through East London harbour," he said

AK64S

217

Platinum sanctions 'not feasible'

From NEIL BEHRMANN
The Argus Foreign Service

LONDON — The United States and South Africa will back down on threats of sanctions and counter-sanctions on strategic metals such as platinum

This is the view of Johnson Matthey, agents of Rustenburg Platinum and one of the leading suppliers of platinum-group metals.

"Sanctions for both side are not feasible," says Mr Alan Austin, manager of platinum marketing at Johnson Matthey.

NO SUBSTITUTE

"There is no industrial substitute for the metal and South Africa desperately needs the export revenue," he says.

Demand for platinum is expected to exceed supply during the next three years, mainly because of large purchases by Japanese jewellers, motor manufacturers and investors, according to a report by Johnson Matthey.

An annual review on the metal by the international precious metals refiners and distributors, says Japanese imports last year surged by 72 percent to 1,67 million ounces, or 50 percent of total demand.

In 1986 Japanese imports were just over a million ounces.

"Demand from Japan continues to rocket," says Mr Geoffrey Robson, a co-author of the report He estimates that in the first four months of this year Japanese imports were around 835 000 ounces

17/5/88

PLATINUM (217) SIEV 17/5/88

price soars as shortages are predicted

By Neil Behrmann

LONDON — The platinum price soared by almost $20 to $550,60 yesterday, as a report by a leading London-based metal trading firm predicted a worldwide shortage of platinum for the next three years.

Johnson Matthey, agents of Rustenburg Platinum and one of the leading suppliers of platinum group metals, said record purchases by Japanese jewellers, auto manufacturers and investors, would cause excess demand at least until 1991

An annual review on the metal by the international precious metals refiners and distributors, says that Japanese imports last year surged by 72 percent to 1,67 million ounces, or 50 percent of total demand In 1986, Japanese imports were just over 1 million ounces, while 25 years ago demand was only 200 000 ounces a year, the report says

"Demand from Japan continues to rocket," says Geoffrey Robson, a co-author of the report. He estimates that in the first four months of this year Japanese imports were around 835 000 ounces

Platinum is popular because Japanese buyers are "price conscious" Since the dollar has depreciated considerably against the yen, platinum prices in Japan are near their ten year lows.

Industrial demand

Japanese auto-manufacturers are also buying more platinum because the metal is used in catalysts to reduce noxious exhaust fumes Meanwhile changes in taxation have made platinum bars and coins more attractive for the Japanese investor

Several London-based dealers and analysts, however, contend that Japanese buying will begin to abate in the next few months

"Japanese dealers bought large amount of platinum on expectation that retail consumption would be strong," said a Tokyo trader at a Johnson Matthey luncheon If these purchases fail to materialise, dealers could be left with excess stocks, he says

Prices of platinum futures rose to $555 an ounce from $455 in February and are even at the upper limits of Johnson Matthey's own price predictions Johnson Matthey expects prices to trade $50 either side of $500.

"Platinum can be dangerous," says Edwin Arnold precious metals trader at brokers Merrill Lynch, Pierce Fenner Smith.

It is a small artificial market, in size less than a tenth of worldwide gold trading and is controlled by only a few producers and dealers, he says.

But Johnson Matthey expects jewellery and investment demand to remain strong

Only a stock market crash or sharp appreciation of the yen would deflect buoyant business, says the company

Total Western demand surged by 15 percent to 3,32 million ounces last year, an all time record for the metal.

European auto industry purchases of platinum also increased by 85 percent to 225 000 in 1987, following changes in EC anti-pollution regulations Purchases there should continue to grow.

Even though supplies rose in 1987, they were 220 000 ounces lower than consumption

Platinum coins would constrict supply further Australia's coin was projected to take off 100 000 ounces this year and 150 000 ounces a year thereafter, and Canada, Russia and many other countries would also be producing platinum coins.

Sanctions

On the sanctions front Johnson Matthey said that both the United States and South Africa will back down on threats to impose sanctions and counter-sanctions on strategic metals such as platinum

"Sanctions for both side are not feasible," says Alan Austin, manager platinum marketing at Johnson Matthey.

"There is no industrial substitute for the metal and South Africa esperately needs the export revenue," he says

Platinum shares lag behind as price of the metal soars

Star 18/5/88

217

By Teigue ne

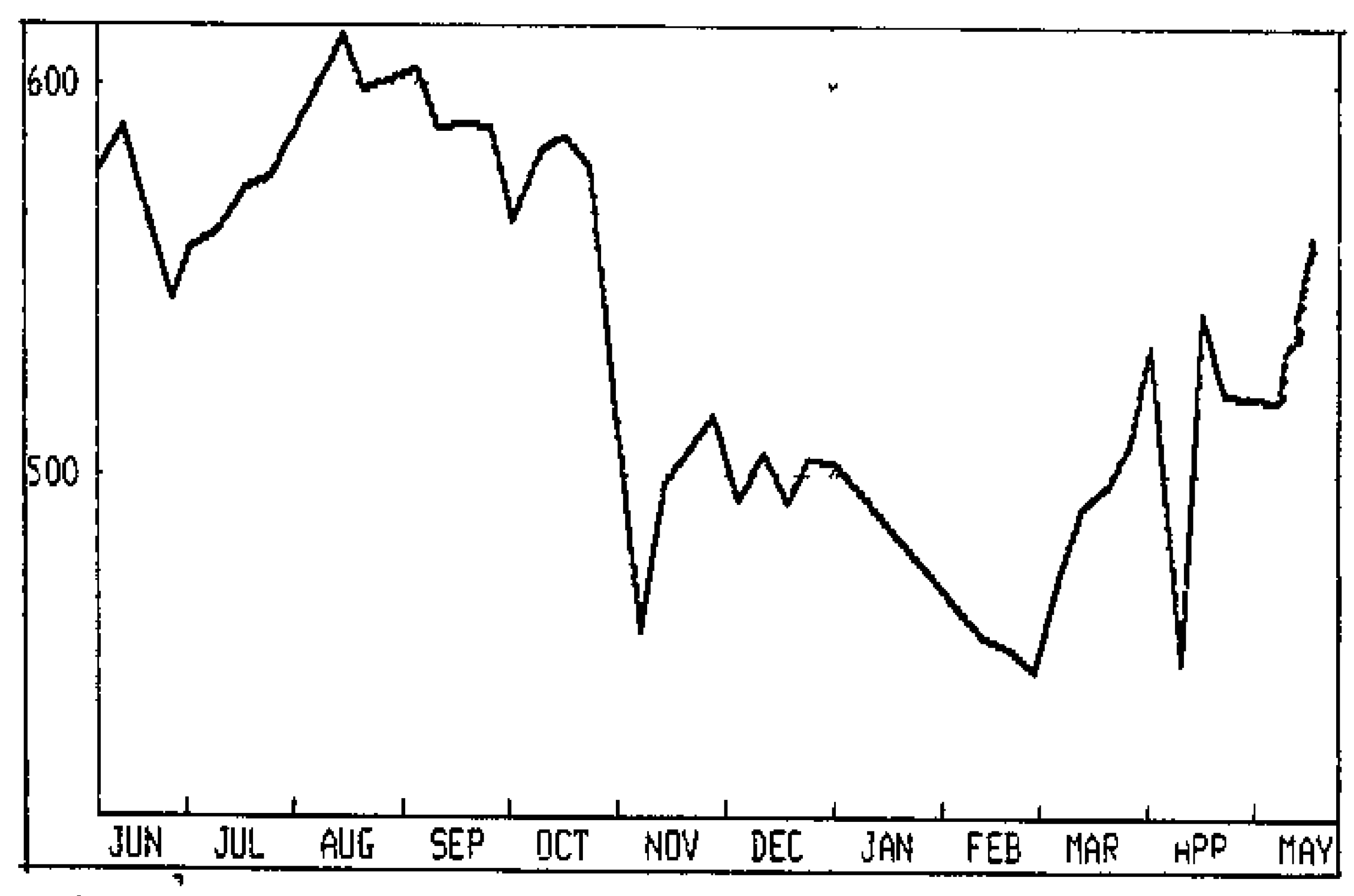
The sharp rise in the platinum price has confirmed the view of some analysts that the market for the metal is tight But platinum shares have not risen commensurately with the metal

The platinum price has risen $23 this week, to $555,50 from $532,50 on Friday It has now risen 22,7 percent from its nadir of $452,50 on February 29, but the JSE's platinum index has risen 17,7 percent, from 1807 to 2127 in the same time.

Dr Kevin Kartun of brokers Simpson McKie said the metal price rise appeared to be due to the fear of counter sanctions by South Africa. While South Africans knew that this was highly unlikely, foreigners saw it as a serious possibility.

Stocking up could also be taking place to make provision for future disruptions in supplies from South Africa. Labour disruptions could be very damaging because the industry was labour intensive Impala for instance, currently employed about 48 000 blacks and 2 000 whites.

He said conditions were excellent for the platinum mines because of increased metal prices and the decline of the rand The high price for nickel,



This Simpson McKie graph shows the current strong rise (in dollars) in the platinum price.

which was the platinum mines' second earner, was also a big boost. It has risen from $1,60/lb at the beginning of 1987 to about $7 currently.

Dr Kartun said the sharp rise in platinum emphasised the tight world supply situation, but he stressed that the platinum price was highly volatile

The lower rise in platinum shares probably reflected the market's disbelief in the durability of the rises in the metal In the past, severe cracks have often followed big rises

Overseas investors might also be hesitant to buy platinum shares because of South Africa's image The possibility of oversupply in the longer term might also be affecting investors' attitudes

Mr David Russel of J D Anderson said the platinum price rise was "not unexpected"

"The fundamentals of supply and demand are finally coming through," he said

He also rejected the possibility of countersanctions He said Japanese purchases of platinum for jewellery and industrial uses had been so heavy recently that other countries were now scrambling for metal.

Platinum coins would constrict supply further. Australia's coin was projected to take off 100 000 ounces this year and 150 000 ounces a year thereafter, and Canada, Russia and many other countries would also be producing platinum coins

The decline in Nymex stocks was significant, he said Nymex stocks were a floating pool of inferior quality metal, generally from Russia, which had to be re-refined at considerable expense before it could be used.

It generally was not bought for use, but was a closed reserve If it was bought for use, as had apparently happened recently, that indicated very tight supply

He pointed out that platinum producers were largely not receiving the spot price, but generally contracted to receive a price partially linked to it

He believed that platinum's rise would not be exponential, but that it would fluctuate because speculators were important players on the market Yesterday's price rise, for instance, could not be ignored by speculators interested in profit-taking

Both analysts said they were recommending purchase of platinum shares

Msauli

Rays of light

Unlike his review on Gefco (and unlike his comments on Msauli a year ago), chairman Pat Hart this year does not warn that dividend prospects should be regarded as remote

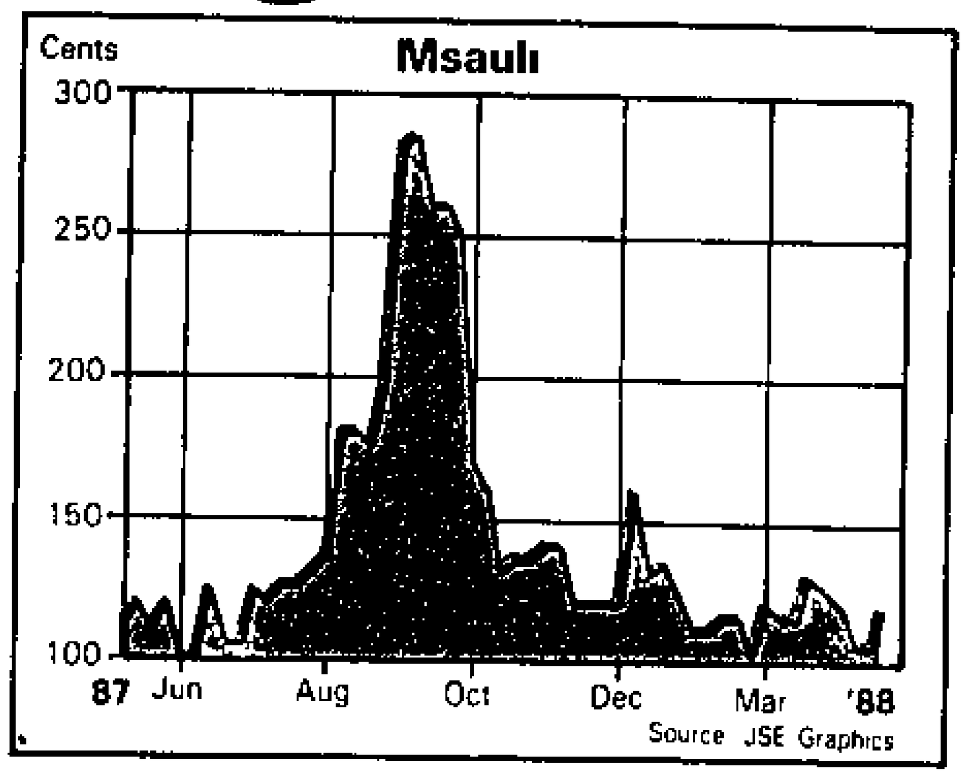
"A return to dividend payments depends on the achievement of sales volumes and price increases, as well as funding of capital expenditure and working capital, but the situation does look more promising than in the previous year," he says

The market for the shorter, chrysotile

217 FM 20/5/88

Activities: *Asbestos mining in KaNgwane, where chrysotile asbestos fibre is produced*
Control: *Gencor holds control*
Chairman: *H P Hart*
Capital structure: *6,5m ords of 50c each Market capitalisation R6,8m*
Share market: *Price 105c, Yields 30,1% on earnings, PE ratio, 3,3 12-month high, R3, low, R1 Trading volume last quarter, 229 000 shares*
Financial: *Year to December 31*
Performance:

	'84	'85	'86	'87
Pre-tax profit (Rm)	(0,5)	5,5	2,7	2,0
Attributable profit (Rm)	(0,5)	5,5	2,7	2,0
Earnings (c)	(8,5)	85,6	41,2	31,6
Dividends (c)	—	—	—	—
Net worth (c)	321	406	448	465



grades of asbestos, which Msauli produces, showed some stability owing to changes in supply The company could thus dispose of all its production and increase tonnage sold by about 8% Also, output of the desired mix of grades rose by some 13%, thanks to a higher grade of ore from underground and improved efficiency in the mill arising from modifications This, with cost control, enabled lower unit production costs

The change in the market followed closure of another north American producer and further rationalisation in the Canadian asbestos industry Export prices in US$ terms firmed but rand income was dampened by the stronger rand (which has since weakened) Hart says the improvement in demand is expected to continue in 1988 and sales tonnage to rise in line with a moderate increase in production

Export prices are expected to remain on a firm trend and, provided the exchange rate remains at current levels, rand income per ton should improve However, capital spending is forecast at R2,8m, with underground shaft development projects absorbing 60% and the rest going to mill improvements and prospecting

After detailed investigation, it appears mining operations should be viable for the next four to five years, when ore within reach of present and planned shaft and haulage systems will be exhausted Indications are that mineralisation extends to deeper levels and underground prospecting of these potential reserves will be carried out over the next two years A further viability study will be carried out once enough information is available.

Like Gefco, the company is gaining a 25% interest in the Von Brandis gold prospect, but no further details have been offered on results of the initial feasibility study At year end, the balance sheet was ungeared in net terms, but greater demands may be made on cash flow this year The company last paid a dividend of 10c, in 1983

The share is speculative, even at 67c, but, for those who want a punt, this may not be a bad one, largely because of the gold prospects.

Andrew McNulty

Market fears boost precious metals

have important implications for SA's balance of payments.

"Following on good results from some of the big groups, this has in turn rekindled interest in the JSE."

The analyst said the move into stocks constituted a marginal shift away from the high levels of liquidity built up by the institutions since the October crash.

On the JSE, interest in gold shares was boosted by the rand gold price closing at a record R1 015,75, with Randfontein in the forefront of the gains among quality stocks The shares rose R11

217 B/day 20/5/88

From Page 1

(5,2%) to R224 while Vaal Reefs rose R9 (3,8%) to R246 and Dries firmed 100c (3,2%) to R32,25. The All-gold index rose by 42 points to 1 215.

Rembrandt group shares led industrials higher with Remgro and Rembrandt each rising 6,3% to R12 60 and 930c respectively, and Tib up 45c (5,7%) to 835c, all at new highs for the year The industrials index rose 22 points to 1 549.

STAINLESS STEEL 217

Fabricating a better future

The R600m-a-year stainless steel fabricating industry plans to become one of the country's major industrial growth areas within the next few years

Local sales are booming and international stainless steel demand is on an unprecedented upward surge, prompting primary producer Middelburg Steel & Alloys (MSA) and the Board of Trade and Industry (BTI) to support a strong export drive

The reason is obvious While 50 000 t of MSA's primary stainless steel production is now exported at an average price of R7 200/t, downstream fabricated earnings could be as high as R25 000/t

"The fabricating industry has an enormous potential, based on an expanded export market," says MSA MD John Gomersall.

SA's primary stainless steel can be sold into only 15% of countries constituting the 9 Mt/year export market, but fabricated products could gain entry into 85% of world markets SA produces only 1% of the world's fabricated stainless steel products, but 48% of its ferrochrome — a basic ingredient of stainless steel

MSA is pushing for a fivefold increase in stainless steel production — to 500 000 t — by the year 2010 Gomersall says it is "not inconceivable" that the capital investment required could total R500m over the next five years.

The current 280 000 t/year ferrochrome capacity is first in line for expansion A figure of around R130m — at both the Middelburg and Krugersdorp plants — has been mentioned But Gomersall says it's too early to make a firm announcement

"On the stainless steel side — currently running at full capacity at 100 000 t/year — we are looking at a de-bottlenecking operation which could considerably expand productive capacity On the hot-rolling side alone, we can expand production to 200 000 t/year, while at the same time doubling casting capacity," he says

Based on strong growth in the international stainless steel market, Samancor's ferrochrome exports have also surged.

"Our new 60 000 t/year plant will be commissioned next year, pushing up total capacity to 480 000 t/year. Over the past year, world prices have surged 45%, from US40c/lb to 58c/lb World stainless steel sales jumped an unprecedented 13% from 1986 to 1987, compared with a previous average of 3%/year. The outlook remains bullish," says Samancor chrome division GM Ralph Schroder

But while the signs are encouraging for local fabricators getting into new export markets, sharp price competition from cost-effective Far Eastern competitors — especially South Korea and Taiwan — is currently keeping many of them out.

One problem is the "insular" approach to exports Better local sales — up 10%-25% on last year — have meant unused capacity is being taken up to meet local demand Exporters are also dissuaded by the prohibitive capex involved

Help, however, is at hand The MSA and the 150-member Southern African Stainless Steel Development Association (Sassda) are seeking to promote and identify export opportunities Moreover, the BTI confirms the stainless steel industry has been singled out as a candidate for targeted export assistance

Though the BTI initiative is still at an embryonic stage, Sassda says it wants to build up export contacts into Africa — SA's "natural" export market.

"Central and West African states are obvious markets. With Africa's massive population growth, opportunities will arise for stainless steel application in food hygiene areas like dairies, kitchens, and even breweries, petro-chemical plants and others We are in constant contact with many of these countries and I see great things ahead for local fabricators," says Sassda marketing director David Tweddell

Jobbers say there are tremendous opportunities in mining and other fields in Africa, but that politics creates stumbling blocks. ■

SUGAR INDUSTRY Sugar

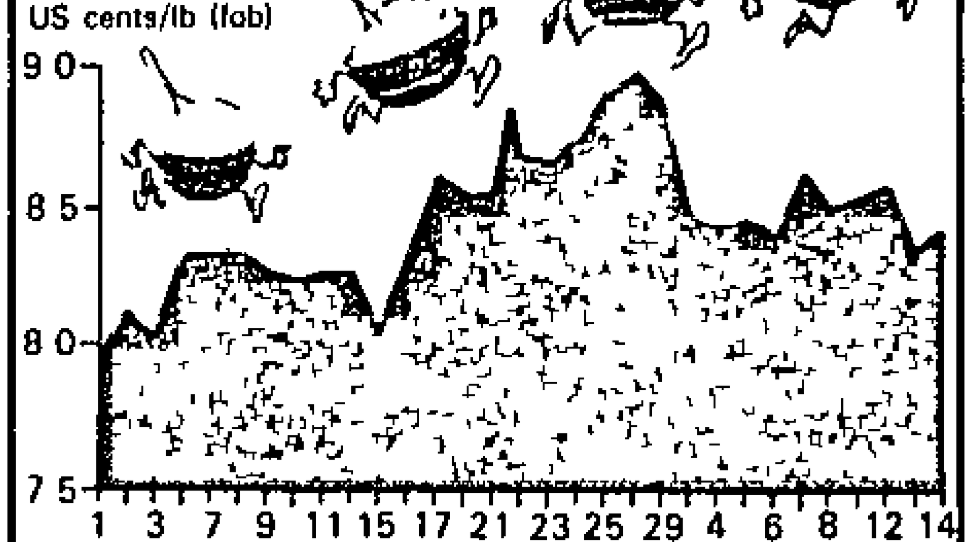
Sugar gets more 'go'

Good news has been hard to come by for SA's sanctions-prone sugar industry At last it appears some relief is in sight

World sugar prices have tended to be firmer this year — they are averaging US9c/lb in New York as opposed to around 7c/lb last year The international sugar stockpile is declining and consumption, particularly in SA, is rising

Looking Sweeter

New York world sugar price



On top of that, SA's sugar growers ended the 1987/1988 season in March with a better-than-average crop Good summer rains augur well for the current season, with some growers anticipating an excellent crop by the time mills close in March 1989.

The industry no longer puts out figures on the division of proceeds at the end of the sugar season — mainly because of market sensitivity to the threat from international sanctions

But the *FM* understands the small surplus shown was sufficient to make a R40m payment towards redeeming the industry's mountainous R327m debt

If the current price scenario holds firm — more optimistic market watchers actually believe prices could reach 12c/lb by year-end — this season's proceeds should be sufficient to make a further R40m dent in the debt burden, bringing the total debt down to R247m

Sugar Growers Association chairman Tony Ardington says growers have not been in such an encouraging position for many years He ascribes the changed sugar market mainly to the fact that the international stockpile has fallen from 40% of total annual consumption to around 30% This is due to a steady 1,5% rise in consumption over supply — a trend which should continue There has also been a sharp rise in South African domestic consumption as a result of the more buoyant economy

The increase in domestic sugar consumption is currently running at around 5% a year compared with the three-year moving average of 2,5% This is principally due to more vigorous marketing by the South African Sugar Association (SASA) and a series of below-inflation domestic price increases

Internationally, the news is equally pleasing SA has not lost any more export markets after being squeezed out of the US, Canada and Philippines by the sanctions lobby But industry sources remain cautious — especially in regard to Japan

SASA GM Peter Sale says if the trend in both domestic and international markets continues, farmers should also be able to make some inroads into their personal debt position — considered parlous in many instances — through the higher sucrose price likely to be paid this season

However, Ardington warns that any further increases in interest rates would immediately "wipe out any prospect of farmers seeing an improvement in their indebtedness this year" ■

 FM 20/5/88

dividend yield of 3,9% and a forward yield, based upon stockbrokers' forecasts, of 4,3% Though this may seem low, SAB's blue chip status and hedging qualities make the price seem attractive *Pat Kenney*

PLATINUM M 20/5/88 (217)

Cautious on prices

Johnson Matthey (JM) has kicked off London's Platinum Week avowedly bullish on supply-demand fundamentals up to the end of 1990 but decidedly cautious about the likely course of prices

The Charter Consolidated-controlled refiners, fabricators and marketing agents for Rustenburg this week published its annual review of platinum, which showed that on the back of a 63% surge in Japanese demand to a record 1,65m oz in 1987, supply fell short of offtake by 220 000 oz And, with production expansion in SA, North America and Australia (as much as 1m oz by 1990) unlikely to start reaching the market for the next three years, JM forecasts a continuing medium-term deficit to be met out of unquantifiable stocks above ground This year, demand is expected to match the 1987 record of 3,32m oz, with additional supply measured as "no more than a few thousand ounces over the next 18 months."

JM points to rising demand from European car makers, who are pre-empting EEC exhaust emission legislation, and the vogue for platinum in Japan. In the first four months of 1988, Japanese imports, which raced up to 370 000 oz in February when the metal dropped to new 10-year lows in yen, have amounted to an estimated 835 000 oz, says Geoff Robson of JM But gold imports (1,3m oz in February) enjoyed a similar charge on the confluence of the weak metal price, low dollar-yen rate and anticipation that abolition of tax exemption on interest earned on small savings would produce heavy investor demand in Japan

Hence JM's somewhat chary approach to the price outlook which it sees "fluctuating within a range of $50 either side of $500" Japanese jewellery demand, up 22% to 900 000 oz last year, may be regarded as fairly solidly based The same cannot be said for the jump in investment buying, especially of "large" bars (500 g and 1 kg), which consigned all of last year's forecasts to irrelevance

On revised figures, large bar sales of 125 000 oz produced net disinvestment in Japan of 90 000 oz in 1986, offset by the 130% jump in North American buying of small investment products (coins and bars under 10 oz) to 300 000 oz. The boom unleashed in the last three months of 1987, after the equity crash and as the dollar plummeted, produced a net increase in Japanese investment buying of 335 000 oz, swamping decline elsewhere

Without it, the fundamental picture would have looked completely different JM acknowledges this is the grey area in the outlook. "The only potential obstacle is an escalation of the yen price to a point at which, as in 1986, enough metal could be lured out of Japanese investors' hands to make a significant impact on the supply/demand balance It is impossible to say at what prices dishoarding may occur but the strength of the yen indicates that the dollar price of platinum will have to go much higher before it does so."

The margin of demand thus rests on a number of not wholly predictable factors, ranging from the US trade deficit and the Federal Reserve to perceptions of future inflation and the notoriously fickle psychology of Japanese investors

This took none of the shine off the relaxed party atmosphere as London's Platinum Week moved through its heavy schedule of dinners and receptions and Monday's price move up to $555,60 (after nearly $460) provided a cheerful opening fanfare as gold again challenged $455

For most traders in platinum, however, the underlying tone was nervous, with too much of the froth attached to spurious rumours of SA countering new US sanctions by withholding supplies As for the longer-term rise in supply, few share JM's optimism that it will not drown demand

JM posits a lot of ifs and buts over current expansion plans and assumes new producers will not go ahead against market uncertainty. "Clearly, the present picture will change, but it seems to us that assumptions of oversupply in the Nineties are premature .. a supply surplus is precisely what the platinum producers themselves, the newcomers particularly, will wish to avoid," it says That, however, leaves out the question of the price at which new production will be inhibited An estimate by London consultants Metals and Minerals Services says platinum could fall to $250/oz and still be profitable for most mines. ■

SA will not cut strategic minerals — Pik

217

20/5/88.

BDay

CAPE TOWN — SA would not withhold supplies of strategic minerals from the West in retaliation if the US enacted proposals for a near-total trade embargo on Pretoria, Foreign Minister Pik Botha said yesterday

"Basically, fundamentally this government does not believe in any form of boycotting or interfering with trade," Botha said in an interview

Persistent rumours that SA could cut supplies of platinum group metals to the West have unsettled international markets and have helped boost the platinum price to a current high of around $560/oz

Botha's statement reaffirmed SA's official policy of maintaining exports of platinum and other rare minerals in order to safeguard its reputation as a reliable supplier

"We do not believe in it (blocking sales to the West) It could have a boomerang effect," Botha said

SA supplies some 80% of the non-communist world's platinum.

About half of all US imports from SA are now platinum group metals, according to US Commerce Department figures

The Soviet Union is the world's other major platinum supplier. — Sapa-Reuter.

KEY MARKET MOVEMENTS

W/E ARGUS 21/5/88

217

Nickle to boost platinum

From NEIL BEHRMANN

LONDON. — A strong nickel price will continue to boost the fortunes of South Africa's platinum companies well into next year.

Nickel prices are expected to rise in the next few months even though quotes have fallen sharply from their heady March peaks

On the London Metal Exchange, cash prices of nickel at $16 770 a ton ($7,6 a pound) are at a large premium of $3 125 a ton ($1,42 a pound) over the three months quote This is a classic sign that physical metal remains in short supply

Relaxed

Normally futures prices should trade at a premium over spot quotes because of finance, storage and insurance costs But the market is more relaxed than it was in March

So much so, that nickel prices in the past few weeks are well down on their unsustainable heights of $23 900 a ton

Several dealers contend that nickel prices will "consolidate" around $6 a pound, levels which are still substantially higher than quotes of $1,80 a pound seen at the beginning of 1987 Others forecast higher prices in the coming months.

Nickel prices soared in the past 17 months mainly because of a surge in demand from stainless steel producers in Japan, the US and Europe.

This demand took the market by surprise, especially since several firms expected a recession and a decline in consumption after the October stock market crash

But in spite of problems in the financial community, capital investment in industry and hence demand for nickel and other metals was so strong that nickel was soon in short supply.

A dispute between the Dominican Republic and Falconbridge the important Canadian producer aggravated problems. The flow of nickel from the Dominican Republic came to an abrupt halt.

Since Falconbridge's Dominican unit supplies about 5 percent of Western nickel output, the reduction of exports at a time of acute shortage was sufficient to send nickel prices soaring. The dispute is still to be settled, but according to some London metals dealers, major stainless steel mills have sufficent stocks.

Fallen

Some consumers fearful that prices will drop towards the end of the year have booked large amounts of nickel at long-term contract prices of $4 to $5 a pound

London metals brokers Rudolf Wolff & Co say, however, that "the bull trend remains intact."

"Examination of the funda mentals suggests that prices could rise further during the coming months and any weakness is likely to be short lived."

The firm estimates that Western nickel stocks have fallen to 80 000 tons from around 128 000 tons at the beginning of 1987

These inventories can meet only seven weeks consumption, estimates John Harris nickel analyst at Rudolf Wolff Of the stocks 88 percent are held by producers Besides Falconbridge Dominicana, supplies from Inco and Western Mining are being delayed.

Minimal

"Consumer stocks are minimal and merchants also report that their inventories do not satisfy demand," says Mr Harris

During 1987 Western demand exceeded supplies by 40 000, estimates Rudolf Wolff and this year the deficit will be 15 000 tons.

Since consumer and merchant stocks are so critically low that they cannot even match the expected supply/demand, there could be "a further squeeze" in the second half of this year.

Turn in precious metals market called

From CLAIRE GEBHARDT

JOHANNESBURG — One of the top futures dealing houses Bailey Overseas Ltd, has called a turn in the world's precious metals markets

Platinum is leading a trend reversal in precious metals, says senior analyst, Dr Mark Perkins, and the rally seen in the precious metal complex during the week when spot platinum tested levels of $563 an ounce, could be the start of a bull trend after a lengthy period of consolidation in these markets

Factors

Two major factors are at play, says Dr Perkins The first is that platinum group metals have tested higher levels due to concerns about potential eco-political arguments between South Africa and the USA

Secondly, enthusiasm for platinum was fanned by London-based metal trader, Johnson Mathey, who in a recent report suggested that Western world demand for platinum will remain at last year's record 3,32-million troy ounces

This will be the fourth successive year in which demand will outpace supply

Precious metals markets can be divided into two sectors says Dr Perkins, platinum and palladium in one and gold and silver in the other

According to Dr Perkins, confirmation that platinum is leading the futures market is given by considering the starting point of the consolidation phase in precious metals

"Platinum began to stabilise in November 1987 compared to February 1988 for gold and silver An overlay of the platinum and gold graphs gives a clearer picture."

Turning to gold and silver, Dr Perkins explains that the upward move has been prompted by inflationary fears due to a further increase in the Commodity Research Bureau's Index which has reached its highest level since April 1985.

"Silver, by far the cheapest precious metal, tends to benefit in times of inflation as investors seek to maintain a store of real value

Lost lustre

"Even gold, which had lost its lustre in recent months, has traded higher, but a breakout will not be confirmed until a trade of 475 basis October

"The reaction of the precious metals market to the release of the US trade figures at $9,75-billion is seen as very positive," says Dr Perkins "This news would normally have boosted the dollar and sparked a sell-off in precious metals"

Rhombus to mine heavy minerals on Wild Coast

Star 23/9/88

(217)

By Teigue Payne

Rhombus Mining is to develop a R60 million heavy minerals deposit in Transkei, and expects to be in production by next year

Chairman Mr Les Holmes says Rhombus, the unlisted parent of Sub Nigel and Rhoex, has been investigating this type of deposit for two years

The development will be on three continguous deposits which are separated by rivers, at Wavecrest on the southern Wild Coast They stretch 10 kilometres down coast, and to a maximum of two kilometres inland

Together, the deposits are highly viable, says Mr Holmes They contain over 200 million tons of material grading 6 percent economic heavy minerals

The R60 million capex required in the next 18 months, and a further R10 million for working capital, will be financed by Rhombus Gearing finance has been arranged, some of it from overseas, and a partner is possible. Capex will largely be for a dredger, concentrator and mineral separator plant.

The capital will be virtually required up front, but profits will also begin almost immediately Sale of first product should take place less than 12 months after turning the first sod, expected late this year

Mr Holmes reckons on a payback period for capital and interest costs of three years or less At current prices, revenue per ton of sand mined would conservatively be R9 and total working costs R5

His plan is for sand throughput at a rate of 1 000 tons an hour, or seven million tons a year, making the project about a quarter of the size of the Richards Bay minerals project.

On this, annual production would be 360 000 tons of ilmenite, 25 000 tons of rutile and 30 000 tons of zircon. He says the demand for the three products is increasing steadily with industrialisation. Prices are rising, particularly for zircon.

Ilmenite and rutile are used primarily in the manufacture of titanium dioxide for the paint, plastics and paper industries. A small quantity of titanium sponge is also produced for use in the aerospace, chemical, power generation and military industries.

Rutile is used in producing titanium metal Zircon is used to produce zirconium and in the abrasives industry.

A beach sands mining project on Australia's east coast. The same method - floating dredgers followed by a gravity concentrator - will be used on the RhoSands project in Transkei.

Mine life

He says indicated reserves of the RhoSand deposits are 250 million tons, which would give the mine a life of 28 years

Once the project is running smoothly, Mr Holmes hopes to double production When stock market conditions improve, a listing for the company, and for Rhombus Mining, is likely

The mining method will be to establish on a pond a floating dredge with a suction head, followed by a gravity concentrator. The suction head will extract sand from the dunes, which will collapse.

The gravity concentrator will extract the 6 percent heavy minerals fraction and the 94 percent tails will be used to rebuild the dunes

Of the 6 percent fraction, ilmentite comprises 5,2 percent, zircon 0,5 percent and rutile 0,3 percent

A mineral separator plant will separate out the minerals Mr Holmes said he has not decided whether the plant should be located at the mine or in East London.

In any case, bulk material will have to be transported out to East London Lack of infrastructure is the project's main problem, and the reason why the deposits have not been mined in the past

Mr Holmes does not, for the present, plan to set up a smelter, but would export concentrate

On restoration of the environment after mining, Mr Holmes says his preference is "to protect as much of the environment as possible and to rehabilitate the redeposited dunes to their previous state"

Mr Holmes says the Transkei government's attitude to the development has been "very positive".

Platinum tops $570

Star 24/5/88

(217)

LONDON — Platinum prices surged yesterday to their highest level in seven months amid fears of inflation and continuing concern about the reliability of supplies from South Africa, metals analysts said.

It was fixed yesterday morning at $576,50 in London, up $24 from the close on Friday and the highest fix since it topped $600 last October. But it traded lower at $571 in London yesterday afternoon

Platinum is used in jewellery and by the car industry for making catalytic converters to reduce exhaust emissions Like gold and silver, it is favoured as an investment

Concern that South Africa, supplier of 80 percent of the West's platinum, might curb exports to the US has been a market factor for weeks New reports of violence have reinforced the worry

A spokesman for the Conservative Party, which recently won a parliamentary by-election from the National Party, said yesterday that Pretoria should suspend strategic mineral shipments if the US Congress approved any new anti-apartheid sanctions

Foreign Minister Pik Botha said last week South Africa would not halt shipments The US Congress is considering a Bill that would impose further economic sanctions

Another factor boosting interest in platinum was concern about inflation, particularly in the US where economic growth was faster than expected this year, dealers said

"Inflation is a greater worry now than fears of a recession," said Geoff Robson, metals analyst for Johnson Matthey — Sapa-Reuter

5141

PID 24/5/88

217

Platinum price hits seven-month high

LONDON — Platinum prices surged yesterday to their highest in seven months on fears of inflation and continuing concern about the reliability of supplies from the world's largest producer, South Africa, metals analysts said.

Platinum was fixed at 576,50 dollars an ounce in London, up 24 dollars from the close on Friday and the highest fix since platinum briefly topped 600 dollars last October.

"When the mood is like this, nobody is going to sell into the rally," said Rhona O'Connell, London precious metals analyst for Shearson Lehman Hutton.

Concern that South Africa, supplier of 80 per cent of the West's platinum, might curb exports to the United States has been a market factor for weeks, but new reports reinforced the worry.

An official of South Africa's far-right Conservative Party said Pretoria should suspend strategic mineral shipments if the U.S. Congress approved any new anti-apartheid sanctions.

Analysts cited the assassination on Sunday of the member of the House of Representatives, Mr Pieter Jacobs, as heightening the supply concern.

Another factor boosting interest is concern about inflation, particularly in the United States where economic growth is faster than expected this year, they said

Investors traditionally buy precious metals in times of inflation as a means of maintaining the value of their money.

"Inflation is a greater worry now than the fears of a recession," said Geoff Robson, metals analyst for Johnson Matthey Plc.

Platinum faces a continuing supply deficit based in part on unprecedented investment and jewellery demand, especially from Japan. Last week Johnson Matthey said the shortfall may persist for the rest of the decade.

"I suspect that we will see 600 (dollars per ounce)," predicted Miss O'Connell.

But others said the feared platinum supply cut-off is far from reality, noting that U.S. sanctions still must clear Congress, and South Africa has avoided export curbs in the past.

"I cannot see South Africa taking any retaliatory steps involving strategic metals," said Mr Robson. — Sapa-Reuter.

Bill to deregulate SA's jewellery industry

217 B/day 30/5/88

CHRIS CAIRNCROSS

CAPE TOWN — Government has taken steps to encourage SA's "stunted" jewellery manufacturing industry.

Yesterday draft legislation designed to eliminate restrictions was tabled in Parliament.

The Mining Rights Amendment Bill provides for the following relaxations:

☐ The restriction on the amount of unwrought precious metal which a certificated manufacturing jeweller may possess (156gms) has been removed;

☐ The limit on the amount of precious metal which may be worked a day (125 gms) has been removed;

☐ The rights of the holder of a jeweller's permit are extended to include the right to obtain unwrought precious metal from other holders of jewellers' permits;

☐ The necessity to obtain a permit to transport unwrought precious metal (excluding silver) is abolished in respect of holders of jewellery permits;

☐ Holders of jewellery permits will not have to submit a monthly register but will only have to produce it on request by a member of the police force.

Lydenburg divs decline

Star 25/5/88 **Finance Staff** 217

Old Mutual's platinum group Lydenburg today reported a slight rise in attributable earnings, but it decreased its payment to shareholders in the six months to end-April.

Earnings per share rose by 4,5c to 74c, but the interim dividend was lowered by over 10 percent to 61c. Net income before tax was up R650 000 to R10,685 million.

The earnings per share figure excluded a special dividend payment of R9,33 million by Rustenburg Platinum which was retained to finance the acquisition of 5,7 million Lebowa Platinum shares.

Retief naive say CP members

217

DID 25/5/88

CAPE TOWN — The Conservative Party yesterday lashed out at the managing director of Johannesburg Consolidated Investments, Mr Pat Retief, for daring to reject the party's call for a "counter-sanctions" ban on the sale of strategic minerals to the United States

The CP's economic affairs and technology spokesman, Mr Clive Derby-Lewis, said Mr Retief's statement suggesting that a platinum blockade would merely encourage the US to seek alternative technologies or replacements illustrated the "naiveté" of some business leaders in South Africa

Mr Derby-Lewis said that Mr Retief should understand that if white South Africa does not survive, his platinum industry will be nationalised by an ANC government

It was obvious that Mr Retief was more interested in profits and shareholders' dividends than the people of South Africa, Mr Derby-Lewis added — DDC

New fixing system for platinum, palladium

Star 25/5/88

217

The Star Bureau

LONDON — The London Platinum and Palladium Market is to enlarge its current London quotations system into a fully fledged fixing for both metals.

"We believe the development will add a new dimension to platinum and palladium trading," Mr Robert Beale, managing director of Samuel Montagu, a founder-member of the market, said yesterday.

"In reality it will involve a worldwide participation and facilitate much wider dealing opportunities."

The news coincides with a surge of interest in platinum. The metal, after strong support last week, came in for more heavy speculative buying from the Far East this week.

Traders say there is continuing concern about possible interruptions to supply from South Africa, which provides about 80 percent of the Western world's needs. This is despite assurances at the highest level that there would be no retaliation for any trade sanctions the US might adopt.

The more substantial pricing mechanism will involve two daily fixings in which the eight members of the London-Zurich Good Delivery Agreement will take part, rather than only Samuel Montagu and Ayrton Metals.

Fixings will be by telephone conference calls and not at a formal meeting of member companies.

Lydenburg divs decline

217

Star 25/5/88 Finance Staff

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Producers look for substantial rise in price of SA chrome

REINIE BOOYSEN

SA CHARGE chrome producers begin third-quarter negotiations next month looking for a substantial rise in prices which could take them to nearly 70c/pound, reports Metal Bulletin.

Continuing high demand from the stainless steel industry and run-down stocks have kept chrome prices buoyant, and third-quarter prices are expected to exceed the 58c-60c second-quarter price range concluded with Europe and Japan.

"Most of the consumers clearly have little alternative but to accept a price rise and talk of 70c was described by one South African producer as 'not unrealistic'," reports Metal Bulletin.

The strong demand for chrome has encouraged SA producers — who supply over half the world's annual chrome output — to expand production capacity. Expansion programmes by a number of SA chrome producers could see an increase in total world production of 500 000 to 600 000 metric tons of charge chrome by the end of this decade, says Metal Bulletin.

Samancor's future looks healthier

Star 27/5/88

(217)

By Teigue Payne

Samancor's fortunes turned strongly in the second half of its year ending March. It reports better-than-expected profits, with the prospect of a further big improvement in the current year if conditions hold

Attributable income in the second half of R112,9 million was 50 percent higher than the R74,9 million of the first half, making a total 6,9 percent higher at R187,8 million (R175,7 million). A 48c final dividend has been declared, making an unchanged total of 75c.

The increase contrasts with chief executive Mr John Jacob's prognosis last year of lower profits

Turnover was 9,7 percent higher at R913 million. Pretax profits were slightly lower, but tax and other items were also lower Cost escalations were held below the inflation rate, says Mr Jacobs.

Main reason for the turnaround were higher sales volume and higher dollar prices, especially in the second half. The prices for chrome ore and alloy, and for manganese alloy, have risen, and Mr Jacobs expects manganese ore to follow

The turnaround was particularly remarkable because the rand strengthened against the dollar by about five cents, average, from 43c in the 1987 year to 48c The recent weakening in the rand hardly affected the results because it fell largely within normal three months' forward cover

Mr Jacobs says this strengthening resulted in an adverse move of about R100 million in pretax profits. More than 80 percent of Samancor's turnover derives from export sales.

The weaker rand currently (about 44c), the prospect of further weakening, and the continued strength of Samancor's markets indicate a possible bumper year ahead.

Mr Jacobs says indications are that Samacor's markets should remain strong at least until the end of calendar 1988. He says in the review year a 14,5 percent increase in Western stainless steel production caused a shortage of ferrochrome in world markets

The world oversupply of manganese ore continued, but he says there are indications that the historical decline in manganese ore prices has been arrested.

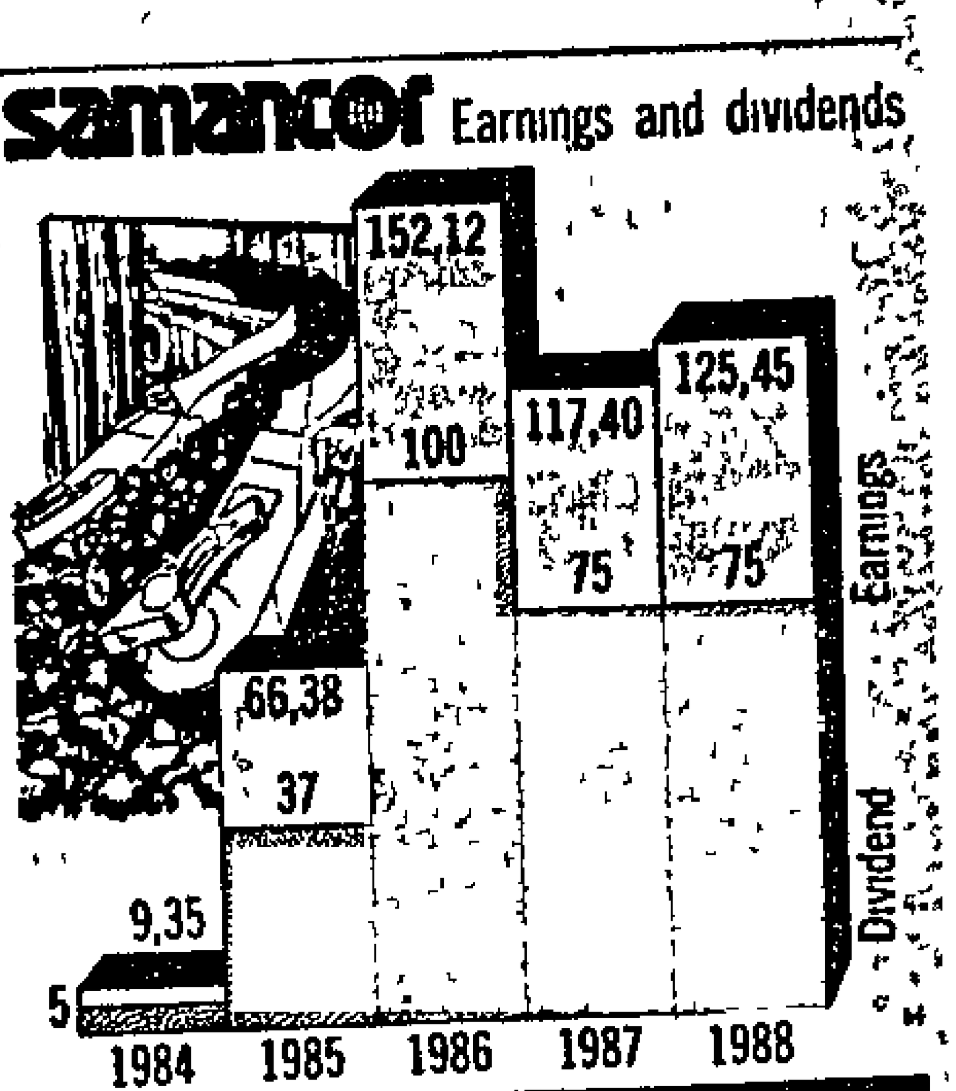
Because of the expected strong demand for ferrochrome, Samancor is erecting a new ferrochrome furnace at Tubatse Ferrochrome This, with rebuilds of two of the three existing furnaces, will increase Tubatse's capacity to 240 000 tons a year. The new furnace, expected to cost R30 million, should be commissioned in the first quarter of 1989.

Samancor's, new manganese sister plant is scheduled for commissioning in September.

Mr Jacobs says Samcor is committed to pursuing alternative technologies, value-added products and diversification opportunities.

Chrome boosts Samancor growth

217 B/Day 27/5/88



Source: JSE & SAMANCOR Graphic: JOHN McCANN

REINIE BOOYSEN

RECENT strengthening of ferrochrome prices and lower tax payments helped salvage Samancor's growth in the year to end March.

The Gencor chrome and manganese producer lifted attributable profits by 11% to R187,9m (R168,9m), despite a drop in operating profits.

Surging costs in the form of inflation and a stronger rand prevented Samancor from exploiting a 9,7% rise in turnover to R912,8m (R832,2m) thanks to higher sales and dollar prices. Pre-tax income fell by 12% to R234m (R267,1m).

Samancor has declared an unchanged final dividend of 75c a share despite a 7% improvement in earnings a share to 125,45c (117,40c) on an increased number of shares in issue.

The rise in dividend cover is indicative of rapid expansion programmes — to take advantage of the good chrome ore and alloys market — which will have to be financed in the coming year. Retained income has risen by 20%.

Samancor says it expects to increase chrome production capacity by 20% this year.

The results exceeded most analysts' predictions, which were mainly based on lack-lustre interim results. As recently as May analysts' estimates ranged from 105-110c for earnings a share and 60-70c for the dividend.

The stronger chrome ore and alloys prices resulted from a 14,5% rise in Western stainless steel production, boosting Samancor's second-half performance by 51% and auguring well for the coming year.

The results are a little early to show the full strength of chrome and the improvement of the manganese alloys market, but the improved rand prices for base metals have prompted analysts to punt Samancor shares.

Because over 80% of Samancor's turn-

● To Page 2

Higher chrome prices boost Samancor

217 B/Day 27/5/88

● From Page 1

over is derived from export sales, the company is vulnerable to variations in the exchange rate.

Samancor's chrome prices concluded in the Far East in April for the period April 1988 to March 1989 show a 14% rise averaging out at US$79 a ton and indicate what is to come.

In fact, world chrome demand is so strong that the depletion of its stockpiles has forced Samancor to become selective with its customers, firstly satisfying those who have fixed contracts and secondly those who have ordered regularly.

Although Samancor concedes that some of its US clients have, as a result, received no shipments, it denies that this is a retaliatory action for proposed US sanctions legislation.

"Neither the steel industry nor the chrome industry expected the sudden rise in demand for steel last year. So most producers were caught off guard when the revival came," said Samancor MD John Jacobs.

Samancor said the shortage of chrome is expected to last until at least the end of 1988

Platinum nudges $600 level

Cape Times 31/5/88

217

Own Correspondent

JOHANNESBURG. — The platinum price nudged briefly above the magical $600 level in Zurich yesterday, driven by strong demand and two persistent fears about SA — looming labour disputes and the possibility of counter-sanctions on the US.

At the close of trade yesterday the platinum price was in a $591/$595 range.

SA impact

SA produces over 80% of the world's platinum and events within this country have an important impact on the platinum price

Platinum has made enormous gains on gold since early February, when the two precious metals last traded at the same level. Yesterday platinum reached a $140 premium on gold.

Platinum's upward surge was boosted earlier this month with the release of London bullion house Johnson Matthey's annual review of platinum.

Author Geoff Robson concluded that 1988 would be the fourth consecutive year of platinum shortfall, and could well be followed by another two years of undersupply.

This confirmed a number of SA platinum analysts' predictions which took account of the fact that there would in all likelihood only be a substantial increase in platinum production during the early to mid-1990's.

Samancor: classic rand hedge stock

(217)

TECHNICAL VIEW SJW 31/5/88

By Dr Issy Bacher

With the dollar gold price failing to break through its resistance level of $460 and the rand still maintaining a negative trend, investment attention is focusing on rand hedge stocks

Samancor is one of the leaders in this category. Its earnings depend on two factors:

Firstly, it is a classical rand hedge stock and as more than 80 percent of its turnover is derived from export sales, any weakness in the rand must have a beneficial effect on earnings.

Secondly, there is a strong demand for ferrochrome due to increased stainless steel production in the West

Thus it was no surprise when Samancor posted results last week showing earnings a share had risen from 117,45c to 125,45c, with turnover increasing by 9,7 percent to R913 million.

The value of technical analysis in forecasting price rises is clearly shown in the accompanying graphs.

A study of the graphs shows Samancor reached a high of 1300c prior to the October crash and then, despite its strong fundamentals, plummeted in sympathy with the market to approach its previous low of 590c (Point A) by trading at 620c on February 17 (Point B).

When it bounced from 620c, Samancor indicated that a double-bottom formation had been completed, signalling the end of its bear phase.

At this point Samancor was a recommendation as a short-term buy

The rise from 620c was rapid and a long-term buy signal was triggered as Samancor lifted through its 40 week moving average by reaching 800c on March 7.

The significance of the 40 week moving average (equivalent to Granville's 200- day line) is that theoretically at this point the forces of demand and supply are in equilibrium.

If the shares move through this line decisively, it means demand has overcome supply and a long-term bull trend has been established.

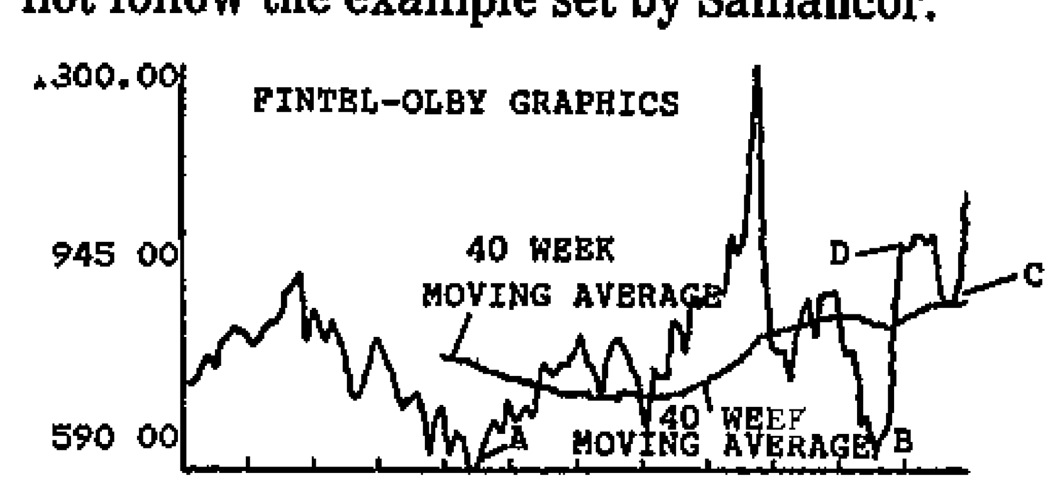
Thus Samancor became one of the first counters to reverse out of its bear trend.

After reaching 1000c, Samancor had a technical correction which took it back to its 40 week moving average to give investors a second chance to buy again at 850c (Point C).

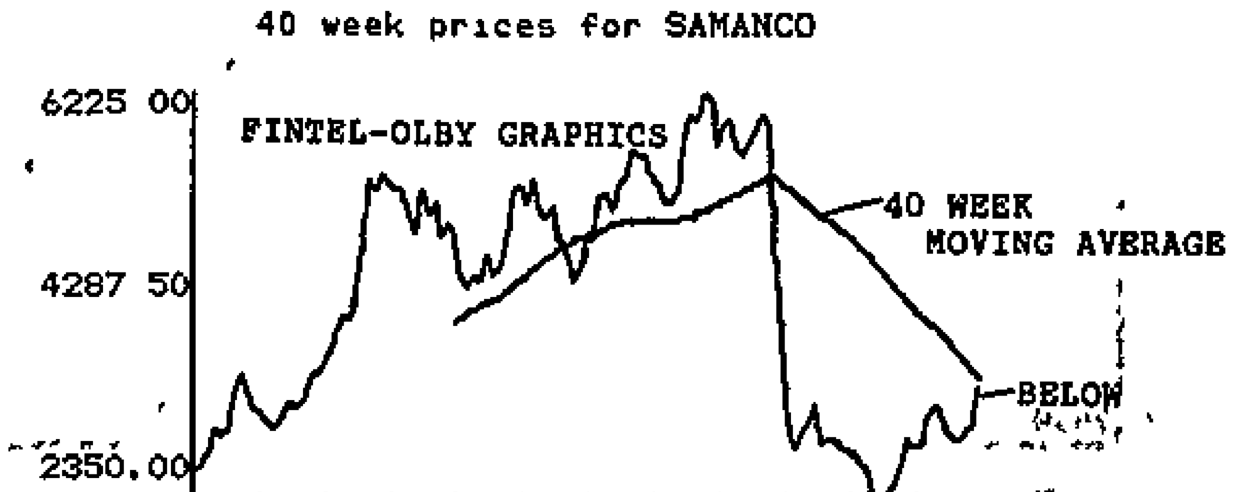
In rising to 1075c, Samancor has risen past its previous peak at D and is now on its way to test its previous top of 1300c.

By way of comparison, it is interesting to note that Rustenburg Platinum, another rand hedge stock, in trading at 3400c is still below its 40 week moving average and is thus not back in a bull mode yet This can be seen in the lower graph.

It would be surprising if Rustenburg Platinum did not follow the example set by Samancor.



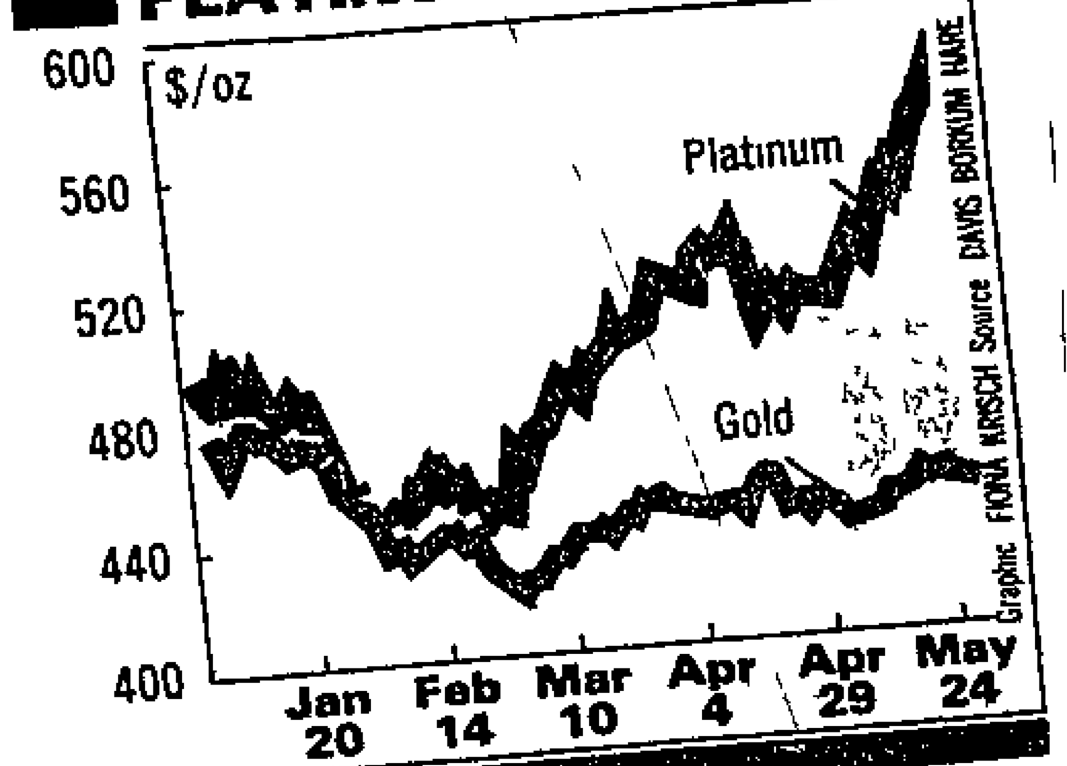
40 week prices for SAMANCO



40 week prices for RUSPLAT

and CAPE 806 (71c + 9c tax)

PLATINUM & GOLD



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(217) B/day 31/5/88

Persistent fears about SA push price of platinum

REINIE BOOYSEN

THE platinum price nudged briefly above the magical $600 level in Zurich yesterday, driven by strong demand and two persistent fears about SA, looming labour disputes and the possibility of counter-sanctions against the US.

At the close of trade yesterday the platinum price was in a $591-$595 range.

SA produces more than 80% of the world's platinum and events within the country have an important impact on the metal's price.

Platinum has made enormous gains on gold since early February, when the two precious metals last traded at the same level. Yesterday platinum reached a $140 premium on gold.

Platinum's upward surge was boosted earlier this month with the release of London bullion house Johnson Matthey's annual review of the metal.

Author Geoff Robson concluded 1988 would be the fourth consecutive year of platinum shortfall, and could well be followed by another two years of undersupply.

This confirmed a number of SA platinum analysts' predictions which took account of the fact there would in all likelihood be a substantial increase in platinum production only during the early to mid-1990s. Until then it was unlikely the growing demand for platinum would be satisfied.

Demand for platinum comes from three principal sectors: autocatalysts (35%), which remove a car's harmful exhaust emissions, jewellery (30%), of which more than 90% comes from Japan, and investment (15%). All these sectors are growing.

The most recent jitters in the platinum market have been attributed to fears on the part of dealers abroad regarding the reliability of supplies from SA.

These can be threatened in two ways: if labour negotiations with the manage-

● To Page 2

Fears about SA spur price of platinum

● From Page 1

ment of SA's platinum mines, which normally take place in June and July, ensue in strike action platinum production can be retarded, as happened during 1986.

The other more recent fear is that SA may embark on counter-sanctions of "strategic" mineral supplies to the US in retaliation for the new, more stringent anti-apartheid sanctions Bill currently being debated in that country.

Although Foreign Affairs Minister Pik Botha has stated government's opposition to any move that would tarnish SA's reputation as a reliable supplier of platinum, overseas dealers are clearly not satisfied the matter will end there.

Nevertheless SA analysts are certain government will accept the views of the country's platinum producers, who are vehemently opposed to any sanctions move

Analysts wary as platinum price soars

Citizen 11/6/88 (217)

ZURICH. — Strong Japanese buying helped to send platinum prices soaring in bullion markets yesterday but precious metals analysts said they were unsure the rally would continue.

Platinum — used to make jewellery, car exhaust anti-pollution devices and glass — jumped nearly $30 an ounce to a high of $622 in early European trading and then steadied at around $602 after profit-taking.

In London, platinum was fixed sharply higher at $612,75 an ounce, its highest level since mid-August last year, and well above London's pre-holiday close of $581,50/$583,00.

But the size of its sharp early jump surprised traders.

"It's true the Japanese are buying, but its hard to say why," said Werner Hechler, a platinum trader at Bank Leu, in Zurich.

Jewellery and investor demand for platinum is traditionally stronger in Japan and Asia than in the West. The Japanese use platinum in jewellery almost as much as gold.

Estimates by Christian Podkeska and van Musschenbroek Ltd (CPM Group), a New York-based research firm, put Japanese demand for platinum at 1,3 million ounces in 1987 or 46% of world demand.

Graham Birch, an analyst with London brokers Kleinwort Grieveson, said there had been no big enough recent changes in either demand or supply to justify current high prices.

He said traders had been forced to buy platinum now to cover earlier commitments to supply the metal. They worry that that if the Japanese buying continues, prices will rise high enough to mean big losses should they delay such purchases.

Closing gold prices

LONDON. — Gold prices firmed in Europe, boosted by gains in platinum, bullion dealers said.

Gold closed in London at $454,75 and in New York the comex closing price was $453,70. The late bid price in London was $454,80 a troy ounce, up from late Friday's $452.

In Zurich, gold closed at $455,05, up from late Monday's $452,50.

Earlier, gold closed in Hong Kong at a bid of $455,80, up from $454,31.

Silver bullion traded in London late on Monday at a bid $6,65 a troy ounce, up from $6,59 in London on Friday. — Sapa-AP

Rebecca Tabatabai, precious metals analyst at Credit Suisse, said the platinum price was buoyed recently by concern that South Africa, a major supplier, might counter economic sanctions by curtailing exports to the West. The possibility of a strike by SA miners was also a factor.

"Another factor has been the legal proceedings started by the Bafokeng tribe and fears that this could hit the Impala mine in the homeland of Bophuthatswana," she said.

The Bafokeng claim that Impala, whose platinum mine is the second biggest in SA, has breached the terms of a 1977 agreement under which the tribe is entitled to a share of the company's taxable income. — Sapa-Reuter

The case for producing a platinum coin

Star 31/6/88

217

Finance Staff

The international investment market for platinum is set to receive a fillip in coming months in the wake of the pending introduction of legal tender platinum coins by both Australia and Russia

The Australians for a start anticipate that roughly 100 000 ounces of platinum a year will be absorbed by the new coin This once again raises the issue whether South African should introduce its own platinum coin

At the present time only one country, namely the tiny Isle of Man, is marketing a platinum coin which has legal tender status This is called the Noble. Yet since platinum production is concentrated in South Africa this has made the Republic the most obvious candidate in the past to market a platinum coin

Political events

The case for South Africa to adopt such a course of action has been considerably weakened by political events in recent year

Antagonism towards South Africa is such that the scope for marketing a South African platinum coin in overseas markets would be severely restricted

The launching of such a coin at this stage could also jeopardise the coin ventures of Australia and Russia It could be counterproductive to the development of other legal tender platinum coins

Even so, this still leaves open the question of developing a South African legal tender platinum coin for sale primarily, if not exclusively, in the local markets This is an option which raises numerous issues

It can be argued that any decision to monetise platinum in South Africa would set a precedent, and could lead to pressure being exerted on the government to recognise legal tender coins based on other metals

Even the idea of platinum being used as a coin in general circulation and employed, if necessary, to pay for goods and services, is not readily accepted

In addition, the Reserve Bank has been reluctant to agree to the launching of a platinum coin because this would commit the Bank to buy the coins at market price The central bank has not been keen to hold platinum as part of its reserves

The metal is not a traditional international reserve asset, and it is not as usable in the international monetary system as gold

These arguments are not particularly convincing For instance, silver like platinum does not possess the same status as gold as a reserve asset, but this has not prevented important silver producing countries such as Mexico and Peru keeping part of their foreign reserves in the form of silver

Moreover, opposition to platinum coins with legal tender status on the grounds that they are not suitable as a medium of exchange would appear to be a pedantic argument

In reality legal tender gold coins such as the Krugerrand are not employed for everyday transactions, and the same would apply to platinum coins which are classified as legal tender coins

There are indeed several powerful arguments to support the introduction of a legal tender platinum coin in South Africa

Excess production

Firstly, platinum medallions have been available in the Republic for a number of years, but the premiums over the international platinum prices are substantial. A legal tender platinum coin sold at a modest premium would have much greater investment and numismatic value.

Secondly, although disputed there is a danger that by the early 1990s the global market for platinum will be characterised by excess production in view of the increases which are planned by South African producers

By that time around 30 tons of additional platinum could be going on to the market A major slump in the price could eventuate unless new sources of demand emerge One such source could be sales of platinum coins in South Africa

At the present time only 300 000 new Krugerrands can be legally sold in South Africa each year This represents a mere 0,5 percent of world gold sales, and has no influence on the gold price

On the other hand, a similar number of platinum coins sold locally could significantly underpin the much smaller platinum market. Such sales would amount to roughly 10 tons which compares with annual global production of platinum of around 90 tons, of which South Africa produces roughly 80 tons

Thirdly, the diversion of some platinum output to the local market for coinage would bolster the platinum market in a similar manner to the withholding of South African platinum supplies from world markets as retaliation for economic sanctions on this country

Such diversions of platinum, however, would not entail the serious disadvantages which platinum sanctions would bring to the fore in the form of frantic attempts by overseas platinum buyers to find new sourcf supply independent of South Africa

21

PLATINUM

Trying to read the runes

Can the platinum price stay in orbit? Fundamental demand factors are sound — but the intangible is investment interest because of inflation fears. For the faster precious metals prices rise, the greater the danger of dishoarding by Far Eastern buyers.

A week is a long time in precious metals markets Just over three weeks ago, Johnson Matthey (JM), the leading international refiners, fabricators and marketing agents, looked back at a record-breaking year for platinum demand and confidently forecast that 1988 would produce a repeat performance Even if the same growth rate of 15,3% was not expected, it would be another year in which production and Soviet sales would be outstripped by offtake

And presenting its *Platinum 1988* review, JM soberly suggested a price range of US$50 either side of $500/oz with fundamentals favouring the upper half. Since then, platinum has been on a less than sober streak, vaulting the $600/oz hurdle with a gain of nearly 13% to $625 and hauling its precious metal fellows through their own chart barriers — $460/oz in the case of gold and $7/oz for silver

A certain amount of profit-taking was only to be expected But, as things stood at the end of last week, platinum had climbed 42% from its February low point leaving gold (up 10%), silver (up 24%) and palladium (up 8%) well behind — even after some belated catching up

The move also produced a muted revival of talk of ratios. the famous 35 1 gold to silver yardstick was unearthed to warrant the lesser metal's rise Gold, however, was still 66 times as expensive as silver And it was noted that, historically and in bull markets, platinum tends to trade at a premium of $150/oz to gold (although it closed at a mere $12 when the yellow metal rose to $500 in December) So with platinum at $625 and gold at $454, something had to give to close the notional $20 "gap"

Such ex post facto rationalisation has long been a familiar feature in the precious metals markets It applies only when there is sufficient speculative activity in the markets to make it demonstrably true

The questions about platinum's charge evoke answers which suggest foundations which have yet to be set in concrete Is it a Japanese fad? Or has platinum simply been in the vanguard of more deeply rooted investor concerns about inflation and the insecurity of financial markets?

Japanese investment buying of "large bars" (1 kg and 500 g) was identified by JM's review as the biggest swing factor last year **(see table)**, coming with a rush in the final quarter Net sellers to the tune of 90 000 oz in 1986, Japanese investors bought 335 000 oz last year, a swing of 425 000 oz in demand which dwarfed all other sectoral growth and produced the deficit

They have carried on at an accelerated pace this year According to JM's Alan Austin, general manager of precious metals marketing, Japanese imports in April were 5,75 t, making a total of 29 t for the first four months The figure compares with 52,5 t in the whole of 1987 — itself a record, up 63% If the Japanese carry on at this rate, they will account for at least 90% of new supply this year, which seems improbable

JM and other traders still cite the general impact on all investment outlets of the imposition of a 20% tax on hitherto exempt interest income on small savings which came into force from April 1, plus factors such as the payment this month of half-yearly bonuses and the Japanese contrary psyche which has driven the Nikkei Dow Jones equity index up 31% to a new peak, an unrivalled performance which suggests that Tokyo saw the October crash as little more than a minor interruption The predeliction of Japan's investors for fashions and stories — rather than earnings multiples or yields — has long frustrated conventional logic

This could be the case in platinum, more fashionable than gold But at least some of the froth is attributed to substantial short positions on the Tokyo Commodities Exchange and New York Mercantile Exchange (NYMex)

According to Austin at JM, there was an assumption that Japanese investors would begin to dishoard platinum at Y2 500/gram ($615/oz) Activity on the futures market has been hectic hitting the equivalent of 1m ounces in a single day recently and averaging 500 000 oz The "open" position in Tokyo amounts to 4m oz And on the NYMex, daily turnover of close to 500 000 oz has been accompanied by a rise in the number of open contracts of 21% to 23 048 (or 1,15m oz)

Closing short positions in a market short of material for spot delivery has produced wild swings in prices of the order of $15-$25 in a morning trading session. By contrast, interest in gold and silver (up to the end of last week) had declined The open gold position on New York's Commodity Exchange was more than 12 000 contracts down from February (when the price was lower) at 141 411, representing 14,1m oz and the silver position was nearly 8 000 lots off at 73 035, or 365m oz

Fundamentalists are still happy with the basic autocatalyst, industrial and jewellery demand picture The expected recession has not happened and a big growth area, the European car industry, is going well. The pre-emption of EEC exhaust emission regulations by (mainly German) manufacturers produced a rise of 82% to 255 000 oz in demand for platinum for autocatalysts in 1987 And in the first quarter of this year, European car output reached a record 3,4m units, up 13% on the comparable 1987 level

Nonetheless, industrial/jewellery offtake growth would pale if investment interest dried up or went into reverse This raises the less tangible issue of whether platinum has been the harbinger of a resumption of the bull market in precious metals on inflation grounds

While oil, the biggest weight in any commodity index, has rallied sharply from the low point of under $14 a barrel (for North Sea Brent crude), it is 13,3% down on a 12-month view. Metals, however, have soared with shortages in nickel, copper, aluminium, lead and zinc *The Economist* index of dollar prices of metals is nearly 106% higher than it was at the end of May 1987 while that of all industrial raw materials is 68,5% up

Not all finance ministers in the OECD are as alarmed about a resurgence of inflation as Britain's Chancellor of the Exchequer Nigel

PLATINUM IN 1987

Demand

	1986	1987
	000 oz	
Japan		
Autocatalyst (net)	250	295
Industrial & chemical	110	120
Jewellery	740	900
Investment		
Small	35	60
Large	-125	275
Total	1 010	1 650
North America		
Autocatalyst	660	590
Industrial & chemical	215	210
Jewellery	15	15
Investment (small)	300	85
Total	1 190	900
Europe and other		
Autocatalyst	140	255
Industrial & chemical	290	340
Jewellery	95	75
Investment (small)	115	70
Total	640	740
Sales to Comecon/China	40	30
Total demand	2 880	3 320

Supply

	1986	1987
South Africa	2 350	2 520
Canada	150	140
Other	40	40
USSR sales	290	400
Total	2 830	3 100

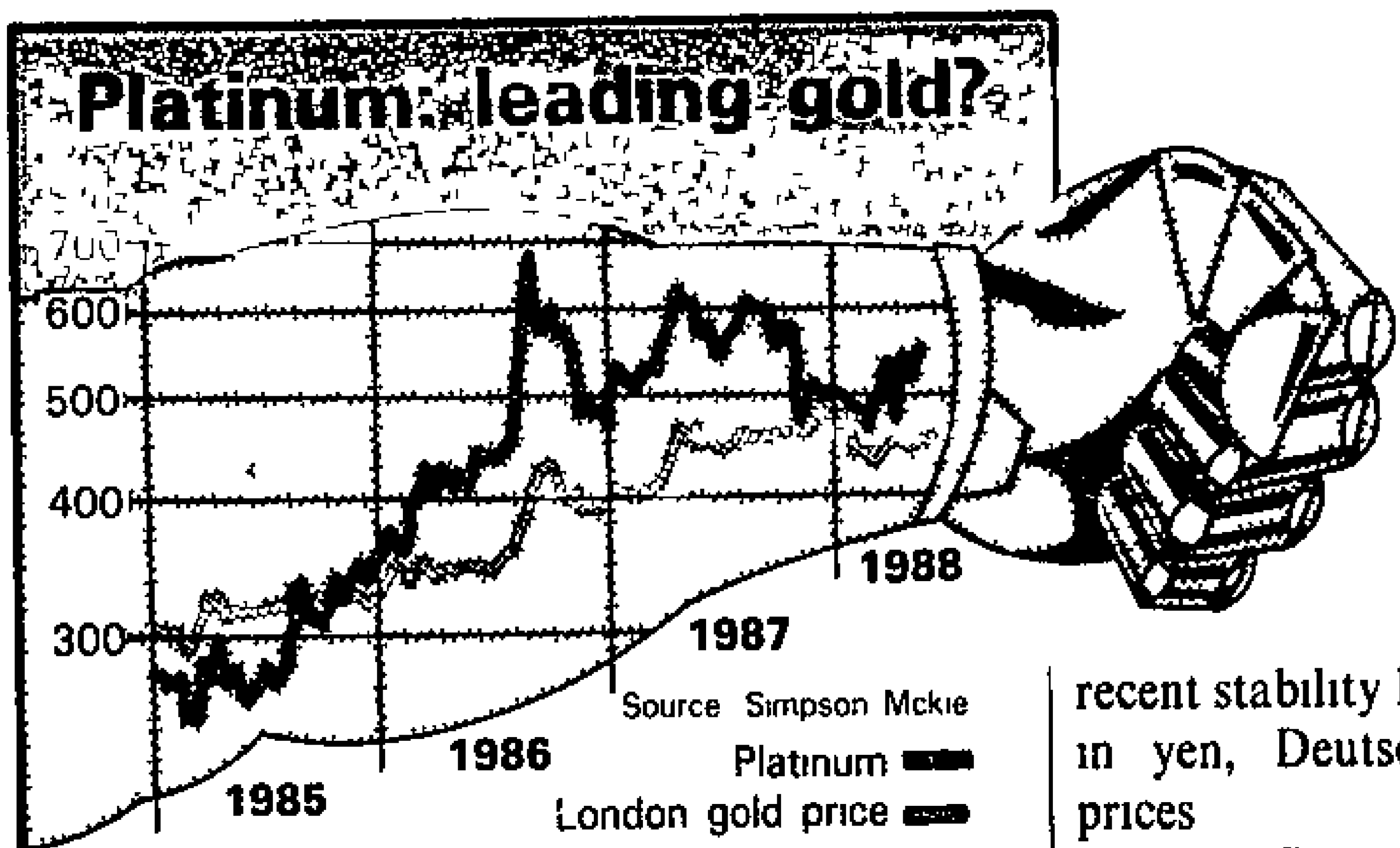
Source Johnson Matthey Platinum 1988

(217) FM 10/6/88

Lawson But there is acknowledgement of an underlying tendency in the US Federal Reserve's tightening of monetary policy, the speed with which the UK raised interest rates as soon as sterling's exchange rate subsided, and warnings from other quarters

All this has been stoked up by dry weather in the wheat and soya bean growing areas of the American midwest Rainfall has been insufficient for germination and soya bean contracts on the Chicago Board of Trade have leapt 61% from their lowest levels with wheat futures gaining 32% For some precious metals analysts, the US Commodities Research Bureau's futures index rang alarm bells when it broke the 250 mark Late last week it was at 253,1 for a 10,5% rise since early February

Thus platinum may look less isolated And in spite of South African denials that retaliatory sanctions on strategic metal sales to the



US will follow any toughening of American measures against SA, its dominance of supplies remains a special factor in the market On top of this, the supply tightness is not being helped by Soviet sales even though the Russians stepped up selling in the closing months of 1987, when platinum was $100 cheaper

But it is a situation which is making traders increasingly uneasy even though, according to chartists (such as Richard Lake of Savory Milln in London), gold's breach of $460 paves the way for a move to $480-$500, especially as the dollar's recent stability has produced a sharp upturn in yen, Deutschemark and Swiss franc prices

Anti-inflationary action by the US and other leading economies will raise the opportunity cost of precious metal investments and dampen industrial activity

And the faster precious metals prices rise, the greater the danger of the kind of dishoarding by Far Eastern investors which has been seen in the past ■

PLATINUM SHARES

Sifting the glitter

If you believe in the future of platinum — and there are well-founded reasons for this — SA is the place for the investor to be. The listed counters offer variety and some promise.

Local investors who believe the future to be platinum-edged are in the fortunate position of having the world's best choice of investment in listed platinum mines While that may not rank in a list of 101 reasons for staying in SA, it is worth noting that sanctions legislation means American investors cannot legally invest in most of the new South African platinum mines because they came to the market after the cut-off date of October 1986

Many American investors would like to diversify their traditional holdings in Impala and Rustenburg and get into these new producers The worldwide search for platinum sources other than SA has so far thrown up very little and seems unlikely to do so in the foreseeable future

The platinum industry remains dominated by two major producers, **Rustenburg Platinum** (Rustplat) and **Impala Platinum** (Implat), which are estimated to produce about 1,3m oz and 1,0m oz of platinum respectively They refuse to disclose specific production figures for competitive reasons Each markets its production independently, unlike the gold mines which are required to sell their output to the Reserve Bank

Rustplat shares, in rising to current levels of R37, have widened their premium over Implats — currently standing at about R31 — despite forecasts by a number of analysts that Impala should have been the better performer Reason appears to be the continued uncertainty about the legal action being brought against Implat by the Bafokeng tribe to end Implat's mining lease (*Fox* April 1), combined with caution over the impact of Implat's capital commitments to develop the new Karee mine

Until this year, Impala's revenues had been penalised because the group's sales contracts meant it did not get the full market price for its output, Rustplat, in contrast, sold at free-market platinum prices Last year, Impala renegotiated contracts with major customer General Motors to a more favourable, market-related system, leading to predictions by some analysts that Impala should this year outperform Rustplat Problem is the precise details of neither Implat's nor Rustplat's sales contracts are not known, which means no assumptions can be made on how quickly and to what extent a firmer platinum price translates into higher company revenues

The gap between the share prices narrowed temporarily before the Bafokeng dispute became public Rustplat's balance sheet is much stronger than that of Impala, as is its ore reserve position Impala faces a potentially serious ore reserve shortage in the long term that will be only partly solved by the Karee project and the acquisition of Messina's mine Some observers, including UK stockbroker James Capel, continue to feel Impala should outperform Rustplat in the short term

Others contend the current rising platinum price should benefit Rustplat more than Implat, meaning the former will match or outperform Implat in the near-term while on fundamentals it remains by far the better investment

The newcomers to the platinum board on the JSE are **Lefkochrysos Platinum** (Lefko), which is managed by Loucas Pouroulis' Golden Dumps, **Lebowa Platinum** (Lebowa Plats) managed by Rustplat, **Northam Platinum** (Northam) managed by GFSA, **Barplats Investments** (Barplats) managed by Rand Mines, and **Messina** which is being acquired by Implat

Lebowa Plats still seems the pick of the newcomers It has been set up by market leader Rustplat as the vehicle for development of vast ore reserves in the eastern Transvaal Lebowa is already in production through its Atok mine, while another two mines are being started and the company has Rustplat's technical and marketing support for its operations The share has moved from about R3 to R5 in the past two months. While it currently appears fully-priced, Lebowa still rates a buy for anyone with faith in platinum's long-term future

Lefko will be the first of the newcomers into production after Lebowa Lefko MD Richard Johnson is claiming the first base metals and PGM will be produced in January 1989 instead of April as previously planned, while second phase throughput of 180 000 t/month should be on stream from next May instead of December as forecast.

On a recent visit to the mine — from which the press was excluded — most analysts were impressed with Lefko's progress, but some remain sceptical about the production schedule Another concern is over the capital cost, which has been revised to about R330m from R253m because of inflation and changes to original plans Johnson tells me the additional money needed will be borrowed and will not be raised through a rights issue From a high of R24,50 last year Lefko plummeted to a low of 580c in February before recovering to current levels

Star 20/6/85

SA asbestos caused disease in Australia

217

The Star's Foreign News Service

PERTH — West Australian dock workers who handled white asbestos from South Africa in the 1950s are blaming it for a high incidence of lung diseases.

Blue asbestos which was shipped to Fremantle from the north of Western Australia is also being held partly responsible, and the courts now have a long waiting list of compensation cases for hearing.

The Waterside Workers' Federation said that at least 70 former workers who handled the asbestos in the 1950s were suffering from either asbestosis or mesothelioma, and that 12 had already died.

"They were all casual port labourers in the 1950s and 1960s," said Mr Vic Slater, state secretary of the federation. "They unloaded sacks of asbestos and must have inhaled the fibres."

Gold shaky as platinum dives

217

B/Day 30/6/88

REINIE BOOYSEN

THE GOLD price crashed below several resistance levels yesterday, shedding more than $10 in London under pressure from a stronger dollar

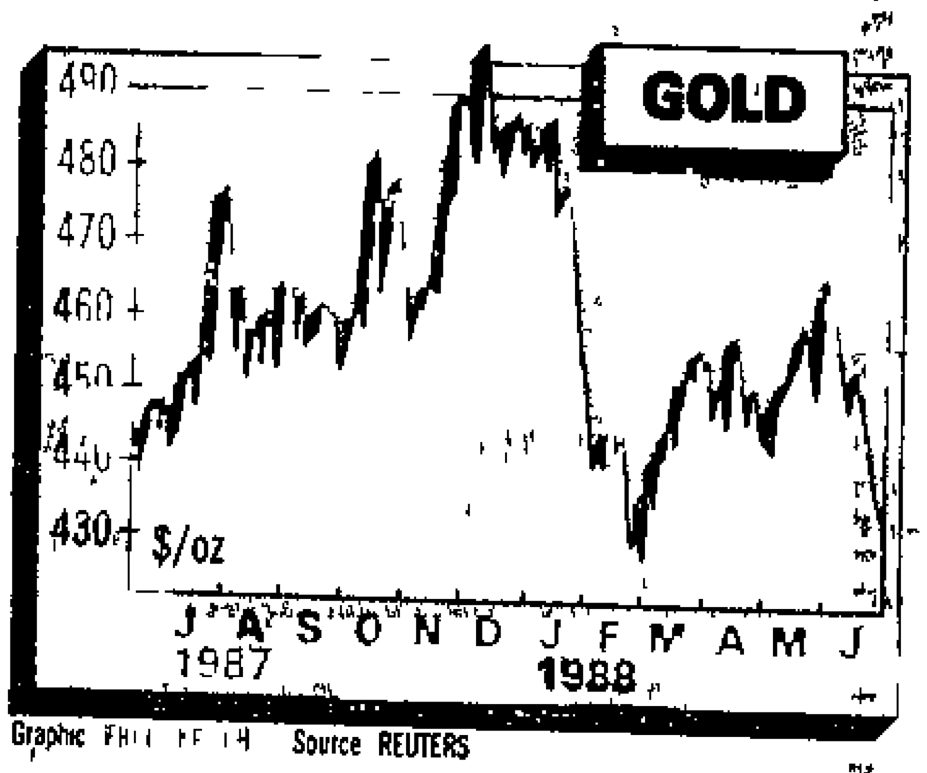
The metal price has failed in persistent attempts over recent months to break through the $465 resistance level and has declined by $31,3 since peaking at $464,85 on June 3.

The general weakness of precious metals is reflected by platinum closing at its lowest level in more than a month at $549. This was a $16 decline from Tuesday's close of $565

Johannesburg mining sources, reports Sapa, said the weakness in the gold price displayed lack of interest from buyers, but they were hopeful that this situation would be resolved by Japan and other Eastern countries, which have become major players in the gold market over recent years.

Their lack of enthusiasm so far is ascribed to the recent strength of the US dollar against the Japanese yen, which boosted the yen price of gold

Japan and newly-industrialised Taiwan have been substantial buyers of gold over the past year. While the dollar price of gold has risen with the depreciation of the dollar against the world's major currencies over the past four years, the yen price has become consistently cheaper



Graphic ... Source REUTERS

Far East countries last year accounted for 23% of all fabrication demand for gold outside the non-Communist world.

☐ The dollar rose yesterday in Europe as players became increasingly convinced that the G-7 countries, particularly the US and Japan, are willing to tolerate a higher US currency, reports Reuter.

Swiss Bank Investment Bank economist Jim O'Neill said in London the dollar continued to rise on Wednesday because the US Federal Reserve and the Bank of Japan did not play a major role in Tuesday's concerted intervention, leading many players to conclude that they have given their consent to a higher dollar

In New York yesterday the dollar was trading at DM1,8280 and 133,73 yen, up from 1,8220 and 132,65 respectively at Tuesday's close.

Northam to raise R260-m

Northam Platinum has announced that it is to raise about R260 million by means of a rights offer to shareholders registered at the close of business on July 15.

The company says the object is to raise capital to proceed with the construction programme on its developing mine

Full details will be released in the middle of this month — Sapa attributed to the government sector and, in particular, the Bank of Japan's efforts to stabilise the exchange rate Foreign exchange reserves expanded by $38,9bn, while the Ministry of Finance's trust fund bureau and the postal savings special account acquired a further net $19,8bn

In effect, the government sector stepped in to buy dollars and dollar securities because private-sector investors, put off by the decline in the dollar's value, sharply reduced purchases in the second half of last year

Reflecting the continuing strong trade performance, net external assets are expected to grow rapidly in the next few years Nomura Research Institute recently forecast that they will reach $464bn in 1990.

Another feature last year was a large increase in short-term assets and liabilities, mainly because of the opening of an offshore banking market late in 1986 Assets in monetary accounts rose by $125,4bn to $320,1bn, while debts surged by $207,9bn to $530bn. ■

New cyclical upswing?

The base metals industry, mired in recession only a few years ago, has undergone such a revival in the past 12 months that many in the sector are now talking of a period of sustained resurgence.

In the past few weeks, the mood of metals analysts in London and New York has shifted perceptibly They had expected metals to show the traditional boom-bust pattern and begin to fall sharply in the second quarter That simply did not happen Instead, prices are expected to go even higher before easing back a little at the end of this year

"It seems to me that the investment community has not yet taken on board the possibility that, rather than just another cyclical blip, we are witnessing the renaissance of the base metal mining industry," suggests Reg Eccles, director of natural resources research for London stockbroker Ord Minnett

His message finds support even from RTZ, which usually takes an exceptionally conservative view Its economic adviser, Phillip Crowson, acknowledges "We expect average base metals prices in the next five to 10 years to be higher in real terms than in the past five to 10 years "

Analysts who believe the industry has moved into a new era also point out that there is little evidence that mining companies are being encouraged by current high prices into making mistakes of the magnitude of the late Seventies, when they rushed into expansions which came to fruition in the deep recession of the early Eighties

The resultant flooding of the market led to oversupply and a perception that metal was immediately available — a perception which persisted beyond the start of the economic recovery in 1982, right through to 1985

By that time, continuing growth in demand finally absorbed all the additional supply, with the result that metal stocks began to drop very quickly and prices surged

Now comes the reckoning During the recession, when the base metals industry was losing US10c on every dollar of metal produced, capacity was eroded and exploration curtailed But there was still money to be made from gold, which became the focus of activity "Nearly every exploration dollar was spent on searching for gold," says Crowson

The impact on just one major mining country — Canada — has been outlined by Norman Keevil, president of Teck, the Vancouver-based natural resources group He points out that since 1981 Canada's gold reserves have jumped by 9% but reserves of nickel have fallen by nearly 20%, of copper by more than 21%, and of zinc by 24%.

His remarks echo those of Andrew Buxton, RTZ's director of metals, who suggests that present high prices for base metals can be traced, in part, to a gradual erosion of the mining industry's capacity to produce He suggests that nominal capacities of mines and plants are often significantly in excess of effective capacities, following changes forced on the industry during the recession

The last big investment in new facilities was in the early Seventies, so mines and plants are now middle-aged Many are nearing the end of their useful lives

The situation is made worse by the fact that many ore bodies found in the Sixties and Seventies are no longer worth developing

The gap left by mine closures and lack of exploration will not be filled easily or quickly Financial institutions are generally unwilling to lend to the industry, particularly in countries with large sovereign debts

Nor have high prices yet encouraged much new activity by foreign companies in producer countries, such as the Philippines, where political risks are still seen to outweigh the new economic conditions

Companies have generally become very cautious, even though current high prices are providing them with a bonanza.

An analysis by Metals & Minerals Research Services (MMRS) shows the impact of last year's spurt in metal prices on a range of mining companies It is stunning The return on equity for the group, which averaged a dismal 1,3% from 1982-1986, shot up to 10,3% last year Operating profit margins rose by nearly half to 14,7% and net income increased by more than 185% to US$1,6bn.

The analysis also shows that the first reaction to soaring profits was an attack on corporate debt, which had climbed steadily in the recession

In 1987, the sample group reduced long-term debt by 23% and the debt equity ratio fell to 34% from 40% "No producer wants to enter another bout of weak prices loaded with debt," points out Simon Hobson, an analyst with MMRS

While profits continue to flow in, many metal producers are taking the opportunity to line up future raw material stocks either by accelerating exploration or expanding mine and mill complexes Others are securing more smelting capacity for mine concentrates (material containing up to 40% metal) or finding other ways of adding to the value of output

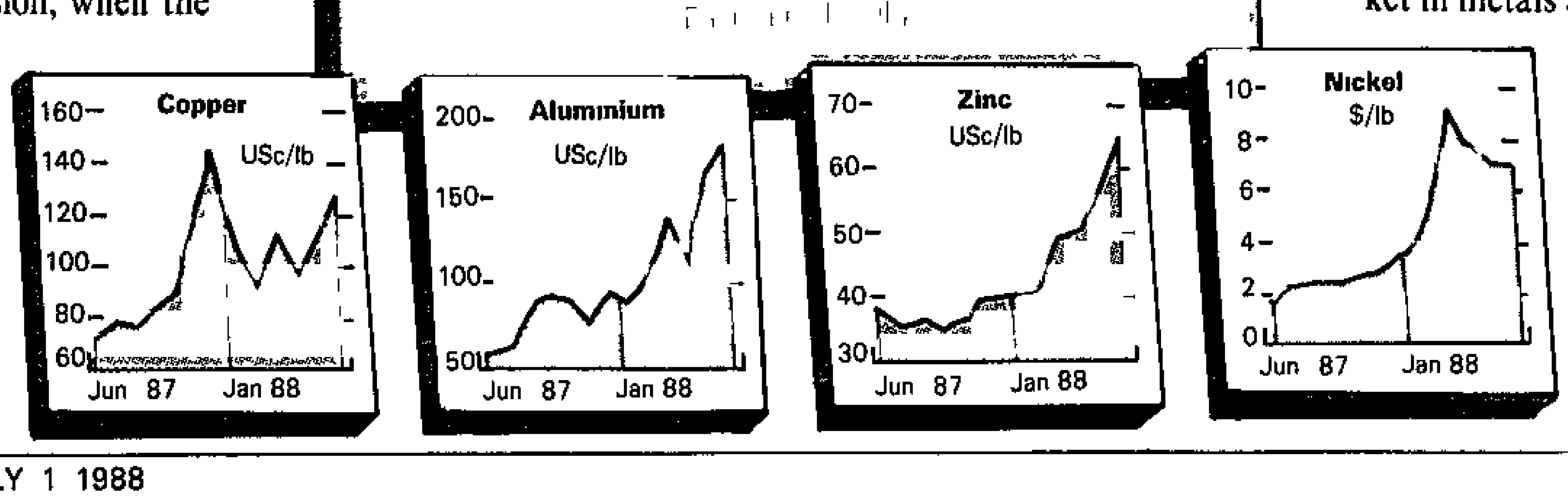
Nearly all are spending money to cut production costs again and some are expanding into other mining sectors such as, inevitably, gold Some are defensively diverting outside the metals industries

Meanwhile, metals stocks are at dangerously low levels and capacity utilisation is near 100% Any modest disruption in supply can cause havoc and send prices roaring upward on the London Metal Exchange, frequently the market of last resort.

The implications for metals companies' shares of rocketing prices should be obvious Not so, apparently

Tony Hayes, who heads the metals and mining team at stockbroker W I Carr, says: "Judging from the price action of mining company shares, it would appear that investors are either totally oblivious to the bull market in metals and have mentally relegated it to the status of a manipulated, speculative, metal exchange sideshow — or are anticipating an economic Armageddon "

Out of the depths



... of the offer

Andrew McNulty

CONSOLIDATED MURCHISON

2/7

Tough times

Volatile base metal company Consolidated Murchison (Cons Murch) is in a depressed phase once again and likely to remain there for some time as a number of factors damage its fortunes The antimony producer passed its final dividend for the year to June 30 after a taxed loss of R1,6m in the March quarter

FM 1/7/88 76

before capital expenditure of R2,5m

Main reason is the volume of low-priced material put on the market by Chinese producers MD Michael Hawarden tells me that, while Chinese concentrates are of inferior grade to the SA product, the price differential is so big it pays consumers to take Chinese material and upgrade it

Chinese producers also used to market through one centralised organisation but the new system through which provinces market output separately has also put downward pressure on prices

Hawarden adds that Cons Murch's position has been made more difficult because a major customer, UK firm Cooksons, effectively took over another major customer, US firm McGeans, which reportedly had large raw material stocks on hand

Antimony is about the only commodity which has not benefited from the past year's bull market in base metals The reason, apart from the Chinese factor, is that there is little speculative investor interest The vast bulk of trade takes place directly between producers and consumers and is not channelled through middlemen or commodity exchanges

Cons Murch has been helped in the past by by-product gold but lower ore grades have prevented that this time around. That will change as production from the higher-grade Monarch East shaft, developed with the proceeds of the recent rights issue, builds up eventually to provide some 40% of ore That, however, will take some time; Hawarden will not specify when full output from Monarch East should be reached

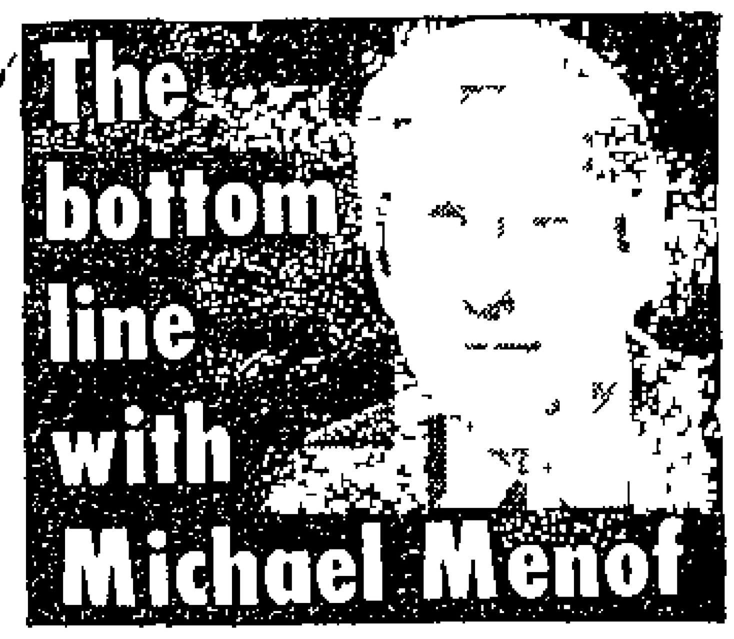
The March quarterly report warned of the possibility of a passed final dividend yet Cons Murch's current price of 810c is well above its 12-month low of 575c which it hit on May 5 this year The share seems unlikely to make further gains *Brendan Ryan*

2/7 FM 1/7/88

Palamin's treasure house of minerals

Star 4/11/88 (217)

The unique mineralogy of the Palabora complex, which greatly interests geologists world-wide also makes a major contribution to the company's profitability through the extraction and sale of minute amounts of valuable by-products



Palabora Mining's main function is open-cast copper mining in a large, low grade ore-body near Phalaborwa The refined copper is convered into continuous cast rod and sold to SA Fabricators while cathodes are exported

The marketable by-products arising from the copper process include uranium oxide, magnetite, zirconium chemicals and nickel sulphate as well as small quantities of gold, silver and platinum group metals Sulphuric acid is also produced.

During 1987 the by-products extracted contributed 21,7 percent of profits Costs of production increased materially in 1987 through increases in the cost of labour, power and materials together with higher costs of financing.

The 124 719 tons of copper sold in 1987 (1986 — 115 696 tons) was the highest yet achieved by Palamin

UK's controlling shareholder RTZ Corp PLC must be well pleased with their 38,9 percent investment which yielded R32,5 million (1986 R28,6 million) in dividends — a healthy return on their investment

The annual report highlights the salient features of Palabora Mining Company, whose turnover, bottom line and earnings per share increased However the Group's consolidated numbers had a downward trend

Turnover increased to R589,4 million (1986 R543,5 million) but operating profit declined to R213,8 million (1986 R243,7 million) Electric power costs increased 19,2 percent, labour 18 percent, and maintenance supplies 14,3 percent The tax charge looked unchanged at R121 million (1986 R132 million), however normal tax was R147,5 million 1986 — R66,6 million) with a defrerred tax credit of R26,6 million (1986 a charge of R65,4 million) Profits after tax were R89,4 million (1986 R101.7 million) giving R3,16 earnings per share (1986 R3,59)

The annual dividends (paid quarterly) totalled R2,95 a share (1986 R2,60) and absorbed R83,5 million (1986 R73,6 million) leaving merely R5,86 million profits over

In 1986 the entire profits were used for dividends (R73,6 million) and a deferred tax adjustment of R28,8 million

Copper sales rose to R432,3 million (1986 — R374 million) and anode slimes sales were R9,2 million higher in 1987 Sales of uranium declined by R10,5 million and zirconia products by R4,8 million with vermiculite sales unchanged.

The London Metal Exchanges' daily copper sales prices averaged £1 080 per ton (1986 — £936) — up 15,4 percent. In rand terms the price increased 7,2 percent — R3 466 per ton in 1987 and R3 232 in '86

The volatility of the market is due to the decline in both London Metal Exchange warehouse stocks and Gomes stocks in the US

It is difficult to predict the future copper price behaviour but price levels should be higher in 1988's first quarter before tailing off at mid-year says chairman, Mr G A Macmillan

Foskor (Phosphate Dev Corp) is assisting in the financing of the open pit expansion During the year payments in excess of the minimum annual payments — totalling R136 million — was received from them for materials delivered but not previously paid for

By making this payment Foskor was exercising its option eithe to pay for material deliverd in excess of the contractual minimum deliveries or pay a segreation charge Cash flow from Foskorhelped long term debt reduce to a mere R32,5 million (1986 R123 million) and enabled First Nationals' loan of R82,4 million to be repaid

R28,7-m claim

A claim of R28,9 million against the company for alleged breach of agreement in the delivery of phosphate tailings has been made by Foskor This appears in the annual report's last cryptic note with no comment elsewhere The directions feel they can successfully defend the action

Industrial relations are good and the relationship with NUM (National Unionof Mineworkers) constructive A dispute over salary and wage pakcages took only one day to resolve

Shareholders' interest increased to R206,6 million (1986 — R198,6 million) at end December 1987 This includes R167 million in distributable reserves of which R112 million is blocked by foreign exchange control — it cannot be remitted in dividends. Small wonder that in 1986 and 1987 the company paid out its entire earnings They won't want to be caught again! Working capital declined to R43 million (1986 R107 million) but includes healthy cash resources of R62 million (1986 R31 million)

Copper producer Palamin is the pride of the Northern Transvaal's mining community It enjoys a JSE price of R31 a share helped by a high 9,5 percent dividend yield with profits consistantly improving

The country's back-bone is its vast mineral wealth and how this is turned to profit Palamin is a fine example and hardly surprising that 10 institutions hold 87 percent of its shares, ensuring market stability

Life assurer goes gold prospecting

5/03/1988 (247)

By Derek Tommey

Lydenburg Exploration, the first gold exploration company for institutional investors, is to be listed on the JSE on Monday.

Lydex, as it will be known, was created by Old Mutual, the country's biggest life assurer, to enable it to participate in and help finance the search for new gold deposits

This is the first time a leading financial institution of this type has engaged in gold exploration in this way Previously, exploration was almost entirely undertaken by major mining houses

Lydex obtained mineral rights, in exchange for shares, from Lydenburg Platinum, Rand Extensions (Randex), Potchefstroom Gold Areas (PGA), Free State Development & Investment (Freddev) and Southern Prospecting

Peter Bieber, chairman of Lydex, said yesterday Old Mutual had formed the company because South Africa needed new investment

Chris von Christierson, MD of Southern Prospecting, which is managing Lydex, said its creation had been sparked off by the realisation that South Africa was running out of known gold reserves "Unless we can find more gold, where are we going to get the foreign exchange we need?"

Although Lydex accepts that gold exploration can be risky, it plans to reduce the risk by spreading its interests

"We plan to use the shotgun approach We have small interests in a large number of prospects," Mr von Christierson said

Palabora production recovers

Copper production at Palabora recovered in the second quarter after falling sharply in the first quarter as a result of a planned smelter shutdown

Production in the June quarter was 31 975 tons against 18 752 tons in the March quarter and 30 524 tons in the June quarter last year. SJEV13/7/88

The company says that the commissioning of the Con-Top cyclone will enable it to smelt additional stock pile material, caused by the smelter shut-down, in the second half of this year (217)

217

B/Day 13/7/88

COMPANIES

Palabora production, sales marginally higher

ROBERT GENTLE

COPPER giant Palabora Mining has ended the June 1988 quarter with production and sales only marginally above March quarter levels, due primarily to a one-month maintenance stoppage in February.

This involved the shutdown of the smelter for purposes of a major rebuild of the reverberatory furnace as well as for repairs to other equipment. The smelter shutdown also affected sulphuric acid and precious metals sales.

Total copper production for the June quarter was a mere 5% higher at 31 975 tons (30 524 tons) Copper sales were virtually unchanged at 28 940 tons (28 767 tons)

Sales of by-products associated with the milling, smelting and refining of copper were marginally higher However, sales of magnetite and uranium concentrates were down, the latter by 48% at 73,9 tons (141,2 tons)

But an analyst says these are spot sales and are normally regarded as "something extra" over and above normal production One leading stockbroking firm does not take them into account when rating the company's shares.

The quarterly report says that with the installation of the Con-Top smelting cyclone — installed during the February shutdown — it will be possible to smelt the additional stockpile material caused during the shutdown in the second half of 1988. This was reflected in an increase in ore milled to 7,5-million tons (7,3-million tons), although the grade was down from 0,49% to 0,48%.

W/E ARGUS 16/7/88

217

Platinum shares to the fore

Weekend Argus Correspondent

PLATINUM shares have temporarily come off the boil on the Johannesburg Stock Exchange but mining analysts confidently expect a renewed round of buying demand in the near future.

They contend that the international platinum market will continue to be influenced by political events in South Africa, and especially the fear of an interruption to supplies arising out of sanctions

Dr Andries Treurnicht's Conservative Party has already called for an embargo on sales of South African platinum to the United States — at last until after the November presidential elections.

It has, moreover, suggested that the embargo should become permanent if the American sanctions campaign persists

These suggestions will not go unnoticed in international markets, in view of the growing support enjoyed by the Conservative Party

The banning of sales of platinum to the US, if effective, would cover around 600 000 ounces or 20 tons on an annual basis

Such a cutback in sales would boost platinum prices, especially since South African supplies constitute about 80 percent of world production

Judging by past sensitivity of the platinum market to events in South Africa, the price could rise substantially in response to such cutbacks

Foreign exchange earnings in the short run might even rise under such circumstances.

This, however, begs the question whether such an embargo could be made effective Any sanctions on platinum supplies to America would be difficult to implement since a substantial amount of the metal is sold by South Africa on the free market

In the absence of any mutation in selling arrangements, the US would simply be able to obtain its platinum requirements in that market.

Such an embargo would have to be supplemented by the cessation of sales on the free market by South Africa and the insistence that foreign buyers of platinum obtain their supplies directly from the Republic.

This arrangement would not be foolproof since third parties could still buy platinum on behalf of the Americans. This casts doubts on the efficacy of any embargo which, in any case, raises several other issues

One concerns the response of local producers to an embargo. They could reduce production to reflect the loss of sales to the Americans or stockpile production, or do both

This could, however, be unattractive for the producers who may well be keen to find new markets

One possibility would be to arrange for the South African Reserve Bank to buy platinum from local producers to fill the void, and add such platinum to its foreign reserves. Such a scheme would be facilitated by the the Bank paying the platinum mines in rands rather than dollars.

Platinum is not recognised as a reserve asset by central banks, unlike gold, but this would not pevent the Reserve Bank from accumulating platinum as part of its reserves.

Major silver-producing countries such as Mexico and Peru keep part of their foreign reserves in the form of silver

(Continued on page 3)

Platinum to the fore

(From page 1)

metal, and this has created a precedent for platinum purchases by the Reserve Bank

Another possibility would be to introduce a South African legal-tender platinum coin for sale primarily, if not exclusively, in the local markets.

At present 300 000 new ounces of Krugerrands are sold in the domestic market each year. Similar sales of platinum coins would represent roughly half the tonnage lost if sales of platinum to America were effectively stopped

A further possibility would be to encourage the local beneficiation of platinum-group metals by means such as catalytic converters and platinum jewellery.

The recent reduction in the excise tax on local jewellery items could be helpful in this respect, even though the jewellery market for platinum is small relative to gold

Nevertheless, irrespective of the scope for finding new markets, assuming an effective embargo on platinum sales to the US could be undertaken, there are other considerations which create serious doubts on the desirability of such action.

Any embargo on South African platinum to America would undermine the reputation of South Africa as a reliable supplier of minerals This would encourage the search for substitutes in platinum-group metals, and other minerals in general on fears that a platinum embargo could be extended.

New mining exploration company heading for JSE

Star 18/7/88

217

CAPE TOWN — A new force in mining exploration is likely to go public next month, when Dalsig Mining is listed under the mining-exploration sector of the JSE

The vehicle being used for the listing is the DCM-listed CCTV shell, whose shareholders — and the JSE — must still approve the transactions and the change of name, a spokesman for Dalsig said today

However, shareholders holding in excess of 90 percent of the equity have undertaken to back the restructure

Dalsig Mining will be the listed holding company, with 20 subsidiaries embracing 34 mineral projects

Of these, the majority are situated in the northwest Cape and in Namibia, with important stakes in Bophutatswana and the Northern and Eastern Transvaal

Commodities include base and high value metals (28 percent), precious and semi-precious stones (18 percent), and precious base metals (13 percent)

Development status ranges from early prospecting (24 percent), follow-up prospecting (35 percent), and end-development (33 percent), to producing (eight percent)

Dalsig Mining emerges from the disposal earlier this year of the two operating subsidiaries of closed circuit television rental company CCTV and the acquisition of a broad-based portfolio of mining and mineral exploration rights from an established mining exploration company — Dalsig Minerals — and its associates

Total value of the acquisition was R41,9 million, payable through the issue of 80 million new shares at 50c each and R1,9 million in cash.

CCTV minorities are being offered 50c a share, the price at which the shares were privately placed prior to the company's listing in December of last year

If no minorities accept the offer, Dalsig Minerals and the three executives will hold 56,93 percent of the 90,66 million CCTV — or what will be Dalsig Mining — shares in issue after the deal

To generate working capital, the company plans to hold a R7 million rights issue in the near future In the interim, funding will be by way of the company's normal banking facilities together with loans of up to R500 000 from the majority shareholders — Sapa

Anglovaal's profits dip R8,2-m

By Sven Forssman

Star 26/7/88. (217)

Anglovaal's profits for the June quarter decreased R8,2 million from R85,9 million to R77,7 million

Prieska copper mine, which has announced that underground operations will probably cease before June 30 next year, was the group's poor performer with after-tax profits crashing from R5,9 million to a loss of R4,6 million

Loraine gold mine was the star performer with profits jumping from R6,4 million to R14 million

Ore milled at Prieska declined to 364 000 (510 000) tons Lower head grades were also experienced with the result that both copper and zinc concentrate production was lower

All four of the group's gold mines reported increased prices for their gold sales, with total gold production rising 113 kg to 11 205 kg

The total taxed profit from all four gold mines reflected a slight increase at R80 786 000 (R80 710 000)

According to the report, the serious shortage of blasting certificate holders that adversely affected the planned mining rate and thus mill throughput in the previous quarter at Loraine, was overcome to some extent

This resulted in milled tonnage rising to 386 000 tons (351 000)

The higher mill throughput more than offset the higher wage and salary bill in unit cost terms and these dropped by four percent to R150,11 a ton (R155,74)

Capex was R8,8 million, compared with R3,7 million the previous quarter The money was used for new refrigeration units at No 3 shaft

Hartebeestfontein's after-tax profit, which decreased from R62 million to R53 million, was adversely affected by a loss from the sale of by-products and year-end adjustments

Costs were generally well contained, especially in view of the fact that they included certain wage and salary increases that become effective prior to June 30

Harties' milled tonnage from underground operations rose slightly and this helped to contain the rise in unit costs to three percent

The converse applied at Eastern Transvaal Consolidated Mines where problems at Agnes, now largely resolved, reduced mill throughput and led to a sharp rise in unit costs

- Anglovaal's three gold mines (Hartebeesfontein, ETC and Village Main Reef), Prieska and Consolidated Murchison Tuesday published their unaudited results for the year to June 30

Village's profits increased, but reduced figures were reported by Harties and ETC.

M&PD vendors will be issued ... systems and other high technology electronic components.

Stone quarry ready to supply Mossref needs

(217) Star 21/7/88

By Sven Forssman

Anglo-Alpha's stone division has opened a 350 000 tons-a-year quarry at Mossel Bay to serve the proposed Mossref refinery.

The quarry, located opposite the site of the, which is due to come on stream in 1991, was commissioned at the beginning of June.

MD Johan Pretorius says the crushing plant is designed to produce aggregate products for use in concrete and road construction.

The senior works manager at the quarry, Dick Higgo, says the company rejected the possibility of quarrying a pebble site in the Mossel Bay area because pebbles are more reactive in the alkali-aggregate reaction in concrete production and could put quality at risk.

Anglo-Alpha sees its close proximity to the Mossref site as a major delivery advantage, with significant potential for cost savings. Conservative estimates of proven reserves of suitable stone indicate a tonnage of more than 2 million tons, using two benches.

Rustplat dissapoints but Leplat shines

STAR 22/7/88

217

Rustenburg Platinum boosted attributable income by a mere 6,4 percent to R384,5 million in the year to end-June, while the dividend was raised to 10 percent to 220c over the period.

Sales revenue was up 9,7 percent to R2,367 billion, but the cost of sales rose by almost twice that percentage to R1,164 billion. Operating profits increased by 1,9 percent to R1,06 billion.

Capex, including that incurred in the new platinum group metals refinery, totalled R275,9 million. The construction of the refinery continues and its completion is expected towards the end of 1988, which, the directors expect could reduce refining costs considerably.

Sister mine Lebowa Platinum total after-tax profits increased from R6,7 million to R14,8 million over the period, although profits on metal sales declined from R19,5 million to R16,6 million Net operating profit rose by R2,2 million to R21,7 million.

On-mine and refined production increased, with total on-mine costs exceeded last year's expenditure by 32,3 percent, or R7,5 million, to R30,7 million

A final dividend of 4c a share will be paid, making a total of 6c for the year.

217

Platinums and minings rated better than golds

217

5 Fev 25/7/88

By Sven Forssman

The platinum sector and mining houses rate better value than gold shares in the near term, Max Pollak & Freemantle analyst Alan Hill says in a recent report

"While certain industrial companies probably now represent the best value on the equity boards, in general terms we expect that within 12 months the earnings leadership of the market will swing back to the mining sector," he says

"While gold share dividends were expected to remain under pressure in the third quarter, we now anticipate that the dividend decline will slow abruptly and revert to growth as we move into 1989

"A temporary cessation in the declining grade trend, which has been exacerbated in recent quarters by provision for the expected loss of production due to strikes, should conribute to this recovery"

Mr. Hill expects the continued relative strength in the prices of both platinum and platinum producers' other products to underscore continued increases in this sector's EPS in the months ahead

"While we keep a weather eye on the possibility that the scheduled new platinum production will ultimately saturate the market, the next 18 months is expected to see continued shortages in the physical market for platinum

"With current world platinum production running at 93 tons, it is of interest that Japan, which normally absorbs about 30 tons annually, actually imported 10 to 11 tons in February alone"

Of the financial sectors, Mr Hill rates the banks as the likeliest to be better-than-average performers in the near term

"The average EPS growth of the banking sector is showing an accelerating trend, and should top 20 percent this year, while P/E ratios remain above the market average

"Although the life assurers are expected to show EPS growth in the 20 to 25 percent range in the near term, and have traditionally been a good defensive area during periods of market weakness, yields remain below the market average"

Uranium industry hit by crisis of confidence

Star 27/7/88

(217)

The uranium industry is facing a serious crisis of confidence.

Although the Atomic Energy Corporation (AEC) is predicting an increase in both the price of and demand for uranium, the major mining houses are sceptical about the outlook for the metal

Anglo American is known to have closed at least one of its uranium conversion plants

JCI is negotiating with its main customer on future supplies and Goldfields has closed its uranium-from-slimes plant and is to spend R10 million converting it to a gold-from-slimes project

Although mining house spokesmen are reluctant to talk about the subject, Sapa has been told that while price and demand could well increase, the politics in the market might well prevent any real benefit from accruing to the South African mining industry

In its annual report, Rand Mines says "In addition to sanctions legislation banning the import of South African uranium ore or uranium oxide, there have been several Bills and legal decisions designed to protect and revitalise failing US uarnium producers

"These initiatives culminated in a US court decision to protect American producers by stipulating that domestically produced uranium was to be consumed by US utilities.

"This decision has now led to a two-tier pricing structure in the US, with a premium of 10 percent being paid for material of US origin"

The group says "With little prospect of additional export demand in the short term, the one operational plant will produce suffcient material to satisfy existing contractual obligations."

In its biannual report, the Atomic Energy Corporation (AEC) says "The low demand for uranium has resulted in the closure of some recovery plants and this situation has been aggravated by the nuclear accident at Chenorbyl in 1986

"Yet prospects for future uranium production remain optimistic, since nuclear fuel remains one of the more viable alternatives to coal, which is a finite source of energy"

All very well, say the mining houses, but the political situation is such that the rest of the world does not want to buy South African uranium

One mining executive says: "Why would the industry go to the expense of converting uranium plants to gold plants if they thought there was a chance of regaining market share

If they felt the market was going to recover, they would simply mothball these plants until things looked better"

The AEC's brighter view of the situation is that world urnaium over-production is rapidly being eroded

It says demand for natural uranium to fuel reactors is expected to rise from the current 41 000 tons to 55 000 tons a year by the year 2000.

Pressure on supply

It adds, however "No major uranium price changes are expected until the early or mid-1990s, when demand could begin to exert pressure on supply"

The report says South African uranium production in 1987 was down 13,88 percent at 3 962,8 tons on the 1986 figure

It forecasts uranium production capacity in South Africa rising from 4 128 tons this year to a peak of just over 11 000 tons in 2015.

The AEC says these projections assume favourable market conditions

The report adds "It should be noted that many mines are currently not extracting uranium and are thus creating large, low-cost resources in their tailings

"Therefore, it is likely under good market conditions that a number of mines will continue to produce uranium for some time after their underground operations have ceased" — Sapa

Platinums and minings rated better than golds

217

From SVEN FORSSMAN W/News 30/7/88

JOHANNESBURG. — The platinum sector and mining houses rate better value than gold shares in the near term, Max Pollak & Freemantle analyst Alan Hill says in a recent report.

"While certain industrial companies probably now represent the best value on the equity boards, in general terms we expect that within 12 months the earnings leadership of the market will swing back to the mining sector," he says.

"While gold share dividends were expected to remain under pressure in the third quarter, we now anticipate that the dividend decline will slow abruptly and revert to growth as we move into 1989.

Temporary cessation

"A temporary cessation in the declining grade trend, which has been exacerbated in recent quarters by provision for the expected loss of production due to strikes, should contribute to this recovery."

Mr Hill expects the continued relative strength in the prices of both platinum and platinum producers' other products to underscore continued increases in this sector's EPS in the months ahead.

"While we keep a weather eye on the possibility that the scheduled new platinum production will ultimately saturate the market, the next 18 months is expected to see continued shortages in the physical market for platinum.

"With current world platinum production running at 93 tons, it is of interest that Japan, which normally absorbs about 30 tons annually, actually imported 10 to 11 tons in February alone."

Of the financial sectors, Mr Hill rates the banks as the likeliest to be better-than-average performers in the near term.

Above average

"The average EPS growth of the banking sector is showing an accelerating trend, and should top 20 percent this year, while P/E ratios remain above the market average.

"Although the life assurers are expected to show EPS growth in the 20 to 25 percent range in the near term, and have traditionally been a good defensive area during periods of market weakness, yields remain below the market average."

6

ELIA GEORGE KAIYAMO

TUTOR : TEO BAUMANN

SouthWits platinum blockbuster

From DAVID CUMMING

JOHANNESBURG. — A major new source of platinum group metals and nickel — potentially richer than the UG2 chromitite layer on which a number of new mines have recently been established — is ripe for exploration and mining.

It is the Platreef near Potgietersrus which, estimates Marius Welthagen, SouthWits director responsible for mineral economics, has potential resources of about 5 000 tons of platinum and 15-million tons of nickel.

And while they agree that the reef has rich potential, mining analysts at Johannesburg stockbrokers caution that the reef is erratically mineralised and that careful exploration will have to be undertaken before mining ventures get under way

Says Mr Welthagen: "The reef can be followed for about 40 km north-west of Potgietersrus and attains a reported thickness of between 200 and 250m.

"In fully developed sections it is richly mineralised in thicknesses varying between six and 45m"

He says nickel will contribute 52 percent of the value of minerals from the reef, platinum group elements and gold 39 percent and copper 9percent

"Once it is properly explored, the potential ore in the Platreef could exceed that of the UG2 chromitite layer on which a number of new mines have recently been based

"Mineralisation is irregular and while there is almost none in some areas, it is extremely rich in others"

A mining analyst explained that this characteristic was a function of the reef's formation

Mineralisation depended on the interaction of the reef layer and a variety of rock formations which underlay it

"However, it is clear that there are pockets which are suitable for opencast mining but these will have to be carefully explored to determine their potential value," he said.

"Another factor on which there is not yet clarity is the metallurgy which will be required to extract the minerals. Mining house men have assured us that there are no problems in this area but this has still to be fully established."

SouthWits holds rights in the area and JCI holds extensive rights

According to a study quoted in the SouthWits prospectus, there are mineralogical similarities between the Platreef and the Merensky reef, although the Platreef attains tremendous thicknesses in areas where it is fully developed.

● Nearly three years after the collapse of the International Tin Council the world tin market is flourishing under an unfettered free market, writes Neil Behrmann from London

The metal has recovered 26 percent from its lows to an annual high of £4 300 a metric ton and consumption is improving.

ZAAIPLAATS TIN

217

Less flexible

Activities: *Tin mining.*
Control: *65% held by Zimco Industries (Pty) Ltd, which is 55% owned by Anglo American and 45% owned by Cookson Plc*
Chairman: *D A Buchanan; managing director, R S Traviss.*
Capital structure: *1,07m ords of 25c each Market capitalisation R1,3m*
Share market: *Price 125c 12-month high, 225c; low, 120c. Trading volume last quarter, 10 000 shares.*

Financial: *Year to end-March*

	'85	'86	'87	'88
Tin production (t)	177,7	163,1	145,7	145,7
Turnover (Rm)	3,3	4,5	2,9	2,3
Pre-tax profit (R000's)	379	746	112	(639)
Taxed profit (R000's)	379	695	79	(557)
Earnings (c)	35,4	64,9	7,4	(52)
Capex (R000's)	401	395	54	101
Dividends (c)	—	—	—	—

To most investors, the three tin counters on the JSE have always constituted a mysterious sector: too small to be well known, but subject to occasional, exciting flurries. One such flurry occurred in Zaaiplaats last year, when the price more than doubled on speculation that the SA assets of industrial minerals producer Cookson Plc would be reversed into it. Nothing happened, and the share sank to previous levels.

Lately, though, the price has risen slightly on a strengthening in the world tin market. Until recently the market had recovered little since the international tin price collapsed from about £9 000/t to below £4 000/t under heavy world stockpiles in late 1985. The price slid almost £500 to £3 760/t during Zaaiplaats' latest financial year and the company decided in the last quarter to cut production by a third. Since then, the price has bounced back to the present £4 250/t, and world stocks have diminished.

Many observers believe stocks will be in equilibrium by end-1988, which could set the scene for more solid recovery in the tin price. The wild cards are Brazil and China, which are not members of the International Tin Council. Though they have accepted quotas since the tin collapse, if prices rise they may be tempted to break ranks and increase their sales.

Compared with the other SA-listed producing mine, Rooiberg, Zaaiplaats has problems in adjusting to low prices because it has only low-grade ore. Zaaiplaats' tin occurs disseminated in granite, whereas that of Rooiberg and now-closed Union Tin is from layered deposits. Zaaiplaats' grade inflexibility means it can thrive only at a tin price much higher than at present, whereas Rooiberg is meeting the situation by concentrating mining in higher-grade areas. This, with local dumping of Zimbabwe tin, resulted in Zaaiplaats' R0,6m loss last year

A process to produce tin metal from flotation concentrates has been developed and is being evaluated by Zaaiplaats, but on current market information it, too, requires a higher tin price to be economic. The potential of this process and anticipated improvement in the tin market have kept Zaaiplaats going in recent times.

The company has not paid a dividend since 1984 but if the tin market recovers strongly the share would be on a healthy earnings yield at its current price, which is little above its 12-month low. Given the continuing uncertainties in the world tin market and Zaaiplaats' lack of grade flexibility — with the fact that its shares are little traded — for investors who want to be in this sector, Rooiberg is a better bet.

Teigue Payne

Impala profits up 18%

9/8/88

217

REINIE BOOYSEN

IMPALA Platinum Holdings has improved consolidated profit for the year to end-June by 18% to R612m, reflecting firmer platinum group metal prices and successful cost control.

The final dividend of 120c a share takes total distribution for the year to 180c a sha[illegible] 12,5% higher than last year.

Analysts say the big surprise is the substantial decline in capital expenditure. Transfer to reserves for expenditure on mining assets is 37% lower at R116m. Speculation is that the new generation of deep-level shafts at the mine is nearing completion.

Due to a 28% rise in taxation and lease consideration to R312m, taxed profit only rose by 9% to R300m.

But the 37% decline in the capex re-

B/Day

● To Page 2

Impala profits improve 18% to R612m

217

● From Page 1

B/Day 9/8/88

quirements boosted distributable profit, which rose by 93% this year

Impala says the rise in retained earnings — in spite of the higher dividend — "will strengthen the company's ability to take advantage of new business opportunities".

The profit margin only declined by 2% to 39%, reflecting good cost control as well as good sales revenue — for platinum and by-product metals — which rose by 25% to R1,6bn The weaker rand also improved sales revenue in rand terms

Royalties paid to the Bafokeng tribe — with which Impala is involved in a legal dispute — and the Bophuthatswana government amounted to R53m

Impala says the most appropriate manner of financing the development of the new Karee mine has yet to be finalised

SATURDAY AUGUST 13 1988

Adderley Street's gold mine

w/c ARGUS 13/8/88 (217)

By TOM HOOD
Business Editor

A GOLD mine with its head office in Adderley Street forms part of Dalsig Mining, which will make its debut on the Johannesburg Stock Exchange on Monday.

The Cape-based company's name (meaning Valley View), is named after a Stellenbosch suburb.

Its shares will be listed under the mining exploration sector after a reverse takeover of the DCM-listed CCTV shell

Dalsig has 20 subsidiaries embracing 34 mineral projects and claims access to some rich surface deposits of white and black marble, pink granite, quartzite and African jade. Projects range from large mines to a complex of small workings.

One of the prospects, Namex (Pty) Ltd (SWA), with prospecting grants over 338 283 ha in SWA, is claimed to have the most potential.

The area comprises relatively low grade, shallow gold ore bodies of medium tonnage suitable for low cost, open pit mining, according to the prospectus

Anglo American recently announced plans to mine an open orebody, reported to contain 5-million tons of ore at 4 g/t

Most prospects are in the Northwest Cape and in SWA/Namibia, with other stakes in Bophutatswana and the Northern and Eastern Transvaal.

Commodities

Commodities include base and high value metals (28 percent), precious and semi-precious stones (18 percent), and precious base metals (13 percent)

Development status ranges from early prospecting (24 percent, follow-up prospecting (35 percent, and end-development (33 percent, to producing (8 percent)

Dalsig was born from the disposal earlier this year of the two operating subsidiaries of closed circuit television rental company CCTV and the acquisition of a broad-based portfolio of mining and mineral exploration rights from an established mining exploration company — Dalsig Minerals — and its associates

Acquisition

Total value of the acquisition was R41,9-million, payable through the issue of 80-million new shares at 50c each and R1,9-million in cash.

Majority shareholders of Dalsig Minerals are three executive directors advocate Wilhelm Smith, publisher Willem Malherbe and farmer Arnold Friedrich who, between them, hold 78 percent of the equity

The eight directors all live in the Western Cape. The board

(See Page 3)

City-based gold mine

217 w/c ARGUS 13/8/88

(From Page 1)

contains an advocate and two lawyers, a farmer, an MEC, a property developer and the chairman of Port Nolloth Management Committee — but no geologist

Mr Smith commented "We have all had links with mining groups We have a small head office and delegate as much as possible Mining will be done by the subsidiaries and the downstream offices will be stronger technically than the head office."

A report in the prospectus by Johannesburg geologist Anthony King says the commodities balance is good Not only does the portfolio contain three immediate cash-flow generators, he says, but it is "reassuringly" well stocked with on-coming prospects, of which, he says, ten should add to cash flow in the near future

"They present a strong probability of achieving a broad-based, financially rewarding mining conglomerate, protected from market fluctuations and ranging from large mines to a complex of small workings"

King and his fellow consulting geologist Dr Hasso Schauer believe that the value of the mineral and mining rights acquired considerably exceeds the R41,9-million paid

Dalsig MD Wilhelm Smith has served on the boards of numerous small mining companies for a number of years.

He emphasises that both mineral exploration and mining are subject to a number of risk factors

"But at the same time it must be realised that any single one of the company's ventures has the possibility of becoming a highly profitable operation," he says.

While he is confident that shareholders will benefit substantially in the future, he points out that the timing cannot be predicted accurately and has thus made no forecast of the company's likely financial performance

Nevertheless, some of the smaller mineral deposits can be brought into production very quickly and he hopes to have several small mines operating before February 28 of next year.

Wholly-owned subsidiary Dalsig Diamonds is the key source of immediate cash flow The company recovers diamonds from an off-shore concession covering an area of 666 km² near Luderitz in South West Africa

Dr Schauer estimates Dalsig Diamonds' pre-tax earnings for the six months from September 1988 to February 1989 should be about R1-m.

US to lose $60bn if rhodium supplies are cut off

Cape Times 16/8/88

217

From SIMON BARBER

NEW ORLEANS — A cut-off of SA rhodium supplies to the US, either through a trade embargo or through SA retaliation, would result in a loss of $60bn over five years to the US gross national product (GNP), warns a new study by the US Bureau of Mines.

In a memo to the House Energy and Commerce Committee, the bureau said US manufacturers had adequate supplies of the metal to carry them through the first year of an embargo

In the second year, total US job losses resulting from a decline in car production and related industries could reach 572 000 and GNP losses would be on the order of $34bn

The bureau assumed that the losses would gradually diminish thereafter as companies sought non-SA sources, but not before foreign car makers still having access to SA suppplies had dramatically increased their US market share

Rhodium, the rarest of the three main platinum group metals, has been a irreplaceable feature in the exhaust systems of US cars since 1981 when the environmental protection agency started to enforce stringent new standards on nitrogen oxide emissions.

The Bureau of Mines believes that, based of the average 10-year lifespan of automotive catalytic converts, 30 000 ounces of the metal, about a third of current US consumption, could be available annually from recycling by 1991

In a separate letter to the committee, Commerce Secretary William Verity noted that even if the US could buy the entire annual rhodium production of the Soviet Union, the only other major producer, there would remain a "supply gap" for US manufacturers of 20 000 ounces a year

Verity pointed out that without major revisions in US clean air standards or a breakthrough in "lean burn" technology, now being developed by US manufacturers, this would would cut US car production by 1,3m units.

"Foreign manufacturers would benefit since prices to them would be lower, perhaps well below current levels, if US imports were denied"

Based on these concerns, Congressman Howard Wolpe, chairman of the House Africa Subcommittee, agreed to expand the exemption in the Anti-Apartheid Amendments Act passed by the House last week to cover minerals "essential to the public health" of the US

● Our correspondent in London reports that Japanese trading houses have strongly rejected claims by a US Congressman that they have plans to corner the world rhodium market if sanctions are imposed on strategic mineral imports from SA·

Republican Congressman Dan Burton said last week that if the Dellums Bill became law, and SA rhodium supplies were prevented from reaching the US, the Japanese planned to buy up all SA exports of the metal.

Quoting sources at the US Bureau of Mines, Burton said the Japanese, without specifying particular traders, were prepared to pay as much as a 30% premium for rhodium over market prices

His aides said an agreement had been reached between the South Africans and the Japanese four months ago in order that the latter could corner the rhodium market.

One Japanese trader quoted by the London-based Metal Bulletin said Burton's allegations were "stupid".

He added "It would force up the price of all rhodium including the Russian material and in the long run the consumers and Japanese industry would suffer"

If no rhodium reached the US, the material would be in such oversupply that paying a premium would not make sense

Zirconium prices set to soar

.917

CAPE TIMES 17/8/88

From MIKE ROBERTSON

LONDON. — SA zirconium producers could be set to cash in as a severe shortage of the mineral, caused by the sinking of a ship carrying almost 2% of annual world consumption, has sent prices rocketing in Europe.

Zircon, a constituent of beach sands, is used in foundries, refractories and abrasives. Premium grade zircons, which are mainly found in Australia, are used in ceramics and special refractories.

Australia is the chief supplier of zircon sands, producing 470 000 tons in 1986 while SA — 150 000 tons in 1986 — is the world's second largest supplier.

The shortage in Europoe was created by the sinking, in the Indian Ocean, of a ship carrying some 13 000 tons.

Prior to the sinking growing demand and falling supply had driven the price up from $240 to $583 a ton. But last week the price was as high as $3 200 a ton, according Euan Worthington, mining research head at Warburg securities, who was quoted in the Finacial Times.

The lost shipment belonged to Renison Goldfields, the Australian-based major world producer.

Analysts Shearson Lehman Hutton forecast that demand for zircon would outstrip supply by 50 000 tonnes.

(R538 000). The current ratio is 1,2:1. ... rose to R3,8m ... They forec... ings for the ...

Palabora profit 75% higher than 1987

Cm-Tmk 24/8/88

7/7

JOHANNESBURG. — Palabora's consolidated net profit after tax for the six months ended June 30 was 75% higher than the same period last year.

Writing in the interim report, the directors said this increase — R71 421 000 compared with R40 855 000 — was "almost totally attributable to the increase of R2 214 per ton in the average price received by the company for the sale of its copper during the first six months of 1988 compared with the same period in 1987".

A second interim dividend of 100c a share was declared. (The first interim dividend was 65c.) Earnings per share were R2,52 (R1,44).

Copper quotations on the London Metal Exchange averaged £1342 per ton for the first half of 1988 compared with the average of £918 for the same period last year, an increase of 46% in rand terms. The company received an average price of R5 236 per ton of copper sold during the period (R3 022).

Increased sales boost Assmang

GM-Tri(?) 19/8/88 (212) 2880

INCREASED sales volumes and higher prices for its ores and ferro-alloys brought about an impressive improvement in the consolidated interim results of the Associated Manganese Mines of SA

The distributable profit for the half-year ended June 30 rose by 537% to R17,8m from R2,8m during the first half of 1987

The company has lifted its interim dividend by 200c to 350c a share.

The board expects demand and rand prices for all products to remain satisfactory in the second half of the year.

Turnover rose to R207,9m (R95,8m) as a result of increased sales volumes and higher US dollar prices for manganese and iron ore, and for subsidiary Feralloys Limited's ferro-manganese and ferro-chrome. Another factor contributing to the rise was the lower value of the rand against the dollar

Net operating profit was R29,0m (R9,8m) With interest paid rising to R3,8m (R3,0m), the consolidated pre-tax profit was R25,2m (R6,8m)

LEFKOCHRYSOS 217

Funding problems

26/8/88 FM

Just how much more money does Lefkochrysos Platinum need to get into production and where is it going to find it? There is no answer to those questions forthcoming from manager, Golden Dumps, because chairman Loucas Pouroulis is overseas until August 29 and Lefko MD Richard Johnson isn't telling

Johnson says "We are finalising our financing arrangements and when we have something to say, we will say it Work on the mine is proceeding flat out and on schedule."

Meanwhile, the market is awash with rumours, most of which should be treated with caution, given the enmity with which much of the mining establishment regards Pouroulis. However, indications are that Lefko could need at least another R200m to keep going, in addition to the R212m initially raised.

Pouroulis has approached a number of institutions about raising the required money and industry sources tell me one of them is Gencor, which controls Impala Platinum. Don Ireland, Impala Platinum MD, declines to comment Two other candidates which are likely to be interested are GFSA and Rand Mines, both of which are developing their own platinum mines

However, GFSA precious metals division director Alan Wright says GFSA is not negotiating with Pouroulis and Rand Mines precious metal division chairman Clive Knobbs says his group has not been approached by Pouroulis.

Analysts believe Pouroulis will find it difficult to raise the funds because of the state of the stock market and the credibility gap he now has with investors. That is a direct result of the experiences at Consolidated Modderfontein and South Roodepoort, where results have failed to match up to optimistic forecasts from Golden Dumps. However, it would be foolish to assume Pouroulis cannot pull something off.

Investor disillusionment could well have played a role in the failure of Golden Dumps' attempt to list exploration venture company Sugarbush on the JSE. This flopped when the issue failed to pull in the minimum funds needed.

Pouroulis and other key Lefko staff held a meeting with Lefko's sponsoring brokers on August 10 when indications were given of the mine's financial problems. Rumours hit the market last week resulting in a series of share price gyrations which caused the JSE to ask Lefko management what was going on. The price hit a low of 480c before recovering to current levels of around 590c on speculation that Pouroulis might lose control of Lefko in a takeover deal.

The reply from Lefko said the company needed additional capital to attain a production rate of 160 000 t/month. The directors were considering proposals to raise the capital, of which part would come through a rights issue. The mine was said to be on schedule to start milling in October and produce the first platinum next February. An announcement would be made as soon as proposals were finalised

It appears the costs of bringing Lefko into production have increased from the initial estimate of R253m to the present figure of R400m for a number of reasons. These include underestimation of capital requirements in the original prospectus, the effects of inflation which were not correctly anticipated, and the financial consequences of Pouroulis's decision to accelerate the entire project which were either not foreseen or not fully allowed for.

Lefko's Pouroulis ... looking for more money

The money problems will be made worse by any delay in producing the first metal. The Lefko plan assumes there will no delays caused by teething problems in start-up operations, analysts say that is simply not a realistic assumption

Pouroulis owns 85% of holding company Salene which, in turn, has 59,3% of Lefko. It is understood Salene does not have the funds required to avoid dilution of Pouroulis's equity stake in Lefko should there be a rights issue

Alternatives are further borrowings and/or loans against future metal production if Lefko can arrange them Possible sources are Sanlam and Old Mutual, which hold stakes in Lefko A spokesman for Sanlam's industrial arm, Sankorp, said he was not aware of any approach by Pouroulis, while an Old Mutual spokesman said the group did not discuss such matters with the press.

Most analysts agree that Lefko's assets are sound even if the management has so far not come up to scratch and therein lies the attraction of the company to another mining house Even if Pouroulis's estimates are six months out, Lefko should still start producing platinum next year

Brendan Ryan

COMMODITIES

Argus 1/9/88 (217)

Shot in arm for platinum

From NEIL BEHRMANN

LONDON. — Australian and Canadian coins could absorb nearly 10 percent of annual world platinum supplies, say dealers

And if investor demand, particularly in the Far East, exceeds expectations platinum for the minting of the two coins will be more than an estimated 300 000 ounces out of total world mining output of around 3,2-million ounces.

This consumption by new investors compares with current platinum coin sales of around 100 000 ounces a year, say dealers.

Yet analysts expect the Koala and Maple Leaf platinum coins to do well because they are legal tender of major nations and there will be a "novelty effect".

The only platinum coin that has so far made any impact is the Isle of Man's one ounce Noble coin

GoldCorp in Western Australia and the Royal Canadian Mint have also established aggressive marketing units that are already selling large quantities of gold worldwide

Dealers say that this new investment should eventually help boost a platinum market that has been depressed by a strong US dollar, rising world interest rates and a weaker gold price.

Australia is to launch its Koala platinum coin in this month and dealers are estimating that the mint will need at least 150 000 ounces of platinum. The Royal Canadian Mint is also expected to use around 150 000 ounces for its Maple Leaf platinum coin.

Finance

217 SML 6/9/88

Coin production boosts world platinum demand

By Neil Behrmann

LONDON — Australian and Canadian coins could absorb nearly 10 percent of annual world platinum supplies, say dealers

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Dealers say that this new investment should eventually help boost a platinum market that has been depressed by a strong US dollar, rising world interest rates and a weaker gold price

In the past week, platinum slipped by around $15 in the to $527 an ounce In May platinum was trading at around $615 an ounce

Australia is to launch its Koala platinum coin this month and dealers are estimating that the mint will need at least 150 000 ounces of platinum

The Royal Canadian Mint is also expected to use around 150 000 ounces for its Maple Leaf platinum coin.

Besides the one-ounce coin, half-ounce, quarter-ounce and one-tenth ounce coins are also expected to be minted

So far, however, the platinum price has failed to respond to the exciting new development in the coin market, even though the Australian and Canadian mints have begun buying

The one-ounce platinum Panda coin issued by the People's Republic of China where it is legal tender

"We continue to remain unimpressed with platinum's recent price performance and feel that the metal is more likely to follow the action of gold and silver than lead on its own," says Edwin Arnold , metals analyst at Merrill Lynch in London

His projected trading range for platinum in the next two to three months is $600 to $480 an ounce

Platinum has tended to be weak, say dealers, because disenchanted investors in Europe and the United States have been selling metal

International investors own a huge platinum stockpile in Swiss bank vaults According to some dealers, these investors have begun selling These extra supplies are contributing to the depressed market

American investors are also selling

Platinum stocks on the New York Mercantile Exchange, a futures market, have declined to 190 000 ounces from 290 000 ounces at the beginning of last year

Yet Alan Austin, general manager, precious metals marketing, at Johnson Matthey, a major platinum refiner and distributor is puzzled because investors are ignoring positive signals in the market

Japanese purchases of platinum have soared to unheard of heights

In the first half of the year, Japan imported 1,17 million ounces of platinum, against 1,68 million ounces for the whole of 1987

Mr Austin estimates that Japanese platinum imports will reach around1,4 million ounces in the seven months ending July

This implies that purchases could easily exceed two million ounces this year, compared with annual imports of around 800 000 ounces only a few years ago

A cheap platinum price in yen terms, high disposable incomes, a surge in jewellery demand and changes in savings tax are behind the remarkable increase in consumption, says Mr Austin

Platinum has also become fashionable for Japanese speculators

GNI, a London futures broker, calculates that platinum open positions on the Tokyo Commodity Market have soared to 270 000 contracts from 186 000 contracts in 1987 and only 1 200 contracts in 1984

This is equivalent to 4,3 million ounces — more than one million ounces more than total world production

Industrial consumption is also underpinning the market.

A large proportion of platinum supplies are bought by the US motor industry which uses the metal in catalysts to reduce pollution from exhaust pipes.

While there is still some disagreement among European Community members, EEC legislation requires that by the early 90s a large proportion of cars should have catalytic converters to reduce noxious auto emissions

GNI contends that platinum prices should be well supported at prices of around $514 an ounce

At those levels, say dealers, investors would be willing buyers

"We are not marketing the coins, but we believe that they have considerable potential," says Mr Austin of Johnson Matthey They could do well in Hong Kong, Korea, Taiwan and other Far Eastern centres

Aluminium price goes up by 14,5%

217

12/9/88.

HELOISE HENNING

THE domestic price of 99,5% base-quality aluminium rose by 14,5%, or R560 a ton, to R4 420 a ton F.O.R Richards Bay with effect from September 5, Alusaf said on Friday.

It said the adjustment was in line with cost increases but Alusaf's policy to promote a stable local price meant it sacrified more than R2 000 a ton to hold down the price.

Strong world demand had kept aluminium trading at £1 500 or more a ton on the London Metal Exchange. This price increase follows an 11,9% hike last September.

Alusaf said strong demand increased the raw material costs. This was then coupled with the weak rand, increased labour, electricity and transport costa.

"To achieve world price parity Alusaf would have had to increase prices by another third"

Alusaf senior marketing manager André Malan said from Richards Bay surcharge increases were not responsible for the rise.

□ It is believed the Aluminium Association is applying to the Board of Trade and Industry for exemption from the duty

Price tag of over R500m . . .

Rand Mines gets 72,6% control of Lefkochryson

Cape Times 26/9/88 (217)

JOHANNESBURG — The Rand Mines group acquired a 72,6% controlling interest in listed platinum venture Lefkochryson — in a deal with an effective price tag of over R500m.

The acquisition was made by the group's platinum arm, Barplats Investments, after negotiations which lasted for three weeks, in which time the listing of Barplats and Lefko were suspended.

Agreement

An agreement was signed early on Friday, Clive Knobbs, head of the gold, platinum and uranium division of Rand Mines and the man who headed the negotiations for Barplats, said

Key elements of the acquisition are

- Barplats acquires from Salene Mining its entire holding of 30,6m shares in Lefko at a price of 450c — 100c below the suspension price Of these, 22,2m shares will be retained by Barplats, while the balance will be taken up by the nominees,
- The Barplats mine, Rhodium Reefs, will be reversed into Lefko in exchange for just under 38m (8%) compulsorily convertible unsecured debentures at a price of 490c and 39,8m new ordinary Lefko shares at 450c, and
- The existing management contract between Lefko and Golden Dumps is terminated and a new management agreement entered into with Rand Mines (Mining and Services)

In terms of JSE requirements, Barplats will make an offer to Lefko minorities — also at 450c

Rand Mines estimates that Lefko needs another R350m to bring its mine to production

At least R215m of this will come from the injection of Rhodium Reefs into Lefko — enough to finance the mine to a level of 160 000 tons of ore a month — while the balance will be made up by loan finance Mining assets (including mineral rights) worth R150m will also be injected into Lefko

"We plan to have Lefko in production early next year and deliver platinum group metals to its Springs refinery by May," said Knobbs

Lefko will, therefore, start producing working profits in the 1990 financial year, with the expectation that dividends will start to flow by not later than the 1992 financial year, he added

In its prospectus Barplats indicated that its first dividend would be paid for the year ending December 1993

Knobbs said Rand Mines will concentrate its efforts on bringing Lefko into production — but work will continue at Rhodium Reefs on a curtailed basis to meet contractual commitments

"A big benefit is that Rhodium Reefs no longer needs to build a refinery — which means a considerable saving in capital," said Knobbs

Investigation

Rand Mines is undertaking an investigation to determine whether the next phase of expansion should take place at Lefko or at Rhodium Reefs

Knobbs said the deal would have no material effect on the Lefko labour force, nor on firm Lefko commitments to suppliers

In terms of the agreement, Lefko's directors will resign and be replaced by Barplats appointees, while the listings of both Barplats and Lefko will be reinstated today — following their three-week suspension

Circulars will be sent to the relevant shareholders, who have still to approve the deal — Sapa

Market demand boosts Keeley income by 130%

CAPE TIMES 6/10/88 (217)

THE Keeley Group has recorded an increase in turnover of 130% for the six months ended August 31, re-affirming its position as the leading granite producer in Southern Africa.

Turnover for the group which exports 90% of its output rose 130% to R69,39m (R30,16m), pre-tax income rose 148% to R16,07m (R6,47m), and attributable income rose 125% to R14,79m (R6,58m)

Earnings a share showed growth of 125% to 42,1c (18,7c) which gave rise to the group's second dividend amounting to 20c for the period.

"Our quarry expansion programme implemented earlier this year has yielded a production level 60% higher than that achieved in the same period last year," says Keeley Group chairman Fred Keeley.

"Even at these increased levels we are unable to satisfactorily meet market demand with the result that further expansion is taking place at our Belfast and Rustenburg quarries

Keeley added that a new quarry has commenced operations near Pietersburg to supply a pink multi-coloured granite and in addition three new quarries will be established in the latter part of this year, all producing coloured granites which are in great demand for the construction industry in Europe and the Far East

Keeley indicates that customers worldwide have indicated that the strong demand for the group's products would be maintained for at least the next two to three years, but with the growing preference by architects' for granite as opposed to marble in the construction industry it is expected that this trend will continue in the long term"

Keeley says the group's stevedoring and forwarding operations continued to perform efficiently, helping to maximize exports of SA products He expects this trend to continue.

Keeley adds that the future prospects for the group are extremely good and that the weakening rand should enhance export earnings considerably

Demand for granite lifts Keeley profit

Star 6/10/88 (217)

Finance Staff

Reflecting buoyant conditions in the granite sector, the industry's leading producer, the Keeley group, improved both turnover and profit by more than 120 percent in the six months to August.

Turnover for the group, which exports 90 percent of its output, rose 130 percent to R69,39 million, pre-tax income climbed 148 percent to R16,07 million, while attributable income rose 125 percent to R14,79 million.

Earnings per share grew 125 percent to 42,1c, from which the group's second dividend of 20c was paid.

"Our quarry expansion programme implemented earlier this year has yielded a production level 60 percent higher than that achieved in the same period last year," says chairman, Mr Fred Keeley

Mr Keeley says customers worldwide have indicated that the strong demand for the group's products would be maintained for at least the next two to three years

He says that prospects for the group are excellent.

217

SA copper price set at record high

JOHANNESBURG — October's copper price — for SA buyers — set by Palabora Mining (Palamin) is at an all-time high of R5 950,03/ton — 61% higher than last October's R3 692/ton

The price-rise has resulted from two developments· the decline of the rand as against the pound and the recent strengthening of the copper price on the London Metal Exchange (LME)

The monthly-adjusted Republic copper price is based on the previous month's average spot A grade copper price on the LME, together with the average daily R/£ exchange rate

The average spot price of A grade copper rose by 11,5% from £1 296,82 in August to £1 446,30 in September, while the average daily R/£ exchange rate declined by 1% from 4,154740 to 4,113966

The combined effect was a 10,4% rise in SA's copper price from R5 387,95/ton to R5 950,03/ton

A Palamin spokesman says LME prices have failed to ease as predicted earlier in the year

"This is largely because the market perceives a tightness in the supply of grade A copper. This could carry on until January or February as buyers in the American housing and automotive industry come into the market again," said the spokesman

(217)

Platinum wanted

Escalating world demand far outstripping supplies

By Richard Rolfe

JOHNSON MATTHEY, the world's largest refiner of platinum and exclusive agent for Rustenburg, predicts a substantial excess of demand over supply in the platinum market this year.

"Demand for physical platinum has never been higher than now," says Kevin Gibbons, general manager marketing at Johnson Matthey. "Production is falling short of the strong demand by a remarkable margin."

He foresees a deficit between supply and demand of 450 000 oz for 1987. In Japan, where the trade is calling this "the year of platinum", imports are running at an annual rate of 2,5-million oz for the January-August period.

Huge

"This is roughly the equivalent of all projected SA platinum production this year," Mr Gibbons notes. In August alone, Japan absorbed 300 000 oz of platinum.

JM says there has been "extraordinary demand in all sectors in Japan, sustained offtake by the US and Japanese car industries and signs that the new bullion coin issues are already tieing in very large quantities of platinum."

Both the Canadian and Australian governments are issuing legal tender platinum coins which will be marketed alongside established gold coin products.

"First-year quantities of 150 000 oz are envisaged for both coins," Mr Gibbons says. "One can only believe that such prestigious issues will increase both consumer confidence in the metal and volume offtake."

Australia's Koala platinum coin, masterminded by Don Mackay-Coghill of Krugerrand fame, was launched on September 20 in four sizes up to 1 oz and met with a good reception.

Mr Gibbons confesses "some bafflement" as to why the platinum price is so weak when demand is so strong and physical output is not increasing materially.

He concludes that in the short term, the market is focusing on the factors afflicting gold — such as low oil prices and expectations of falling inflation — rather than on "platinum's extremely tight fundamentals."

Growth

"But platinum is fundamentally different to gold and we think it reasonable to expect that in due course the platinum price will rebound as compelling fundamental factors reassert themselves."

After dipping below $500 an ounce, the platinum price has recovered this week to $510.

On a five-year view through to 1993, JM expects global demand to rise more than 500 000 oz to about 3,86-million oz, with autocatalysts providing the best growth sector.

Mr Gibbons forecasts that Europe, with all the regulatory requirements beginning to drop into place, will consume 500 000 oz annually, though not until 1995.

JM expects the world car population to reach 420-million by 1993, with 55%, or 230-million, to be equipped with catalysts.

Korea is an example of a major new exporter which is following the high US anti-pollution standards.

Taiwan, Brazil and Mexico are said to be not far behind in their thinking.

Mr Gibbons says gross autocatalyst demand will rise from 1,245-million oz last year to 1,630-million oz in 1993. Recovery from spent catalysts will rise from 105 000 oz to 275 000 oz.

On the supply side, the Soviet Union is expected to have less platinum available for export to the West if the process of perestroika continues.

Drop

JM sees a drop in USSR platinum exports from 400 000 oz last year to 350 000 oz in 1993.

SA producers could be supplying an additional 750 000 oz by 1993, but Mr Gibbons adds the qualification that there is no certainty all the new ventures will fulfil the size and timing plans.

Outside SA, JM regards the possibility of mining significant new quantities of platinum as "very small indeed".

217

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SA not affected by asbestos hysteria

ST 13/10/88

(217)

By Frank Jeans

The asbestos syndrome is reaching alarming proportions judging by the wave of hysteria over what the Americans see as a health hazard and a billion-dollar headache in its removal.

Asbestos, once the boon of industrialisation from fire resistance to insulation, has taken on a "hell fibre" image

In South Africa researchers and legislators readily admit that a problem exists, but there is certainly no panic situation.

R2,5-bn battle

Asbestos, the one-time miracle mineral, is now regarded as the source of disease and disability, the seeds of which were probably sown 50 years ago

Some banking sources in the US, according to *Fortune* magazine, estimate that $100 billion (about R2,5 billion) will have to be spent over the next 25 years in the battle to remove asbestos

The problem, too, is having a disruptive effect on the American property market as buyers of buildings have a powerful new negotiating tool when they demand million-dollar discounts on properties insulated with asbestos

"It has been implicated in the death and disability of thousands of shipyard workers, miners and industrial labourers," says *Fortune*

After thousands of legal actions the main threat now lies in the removal of asbestos insulation from buildings, when dangerous, respirable fibres are released.

The risk in undisturbed asbestos is barely detectable.

Asbestos-cement building materials contain only 10 percent of asbestos anyway, says a South African asbestos producing source, and Government, industry and labour have worked intensively over the years to minimise the risk.

"Fortunately, we do not have an abatement problem in South Africa," the source said.

While South African protection measures are stringent, there is no doubt that asbestos insulation abatement is no job for the non-professional contractor.

Fears are that untrained backyard operators could become involved and because the incubation period of asbestos-related diseases is 20 years or more, they could get away with "on-site malpractice"

Promising platinums

(217)

Star 18/10/88

Diagonal Street

DEREK TOMMEY

The platinum sector was one of the hardest hit by last October's market collapse However, it has also staged one of the biggest recoveries

Initially, there were fears that the loss of personal wealth caused by the collapse would depress Western economies and reduce demand. The result was a sharp drop in the platinum price from $600 to $400 an ounce and a 60 percent drop in the price of platinum shares, causing the platinum index to fall from 4 200 to 1 660.

But as evidence mounted that demand was strengthening, rather than weakening, the price recovered to $600 and platinum shares staged a strong recovery.

Subsequently, platinum eased, in line with gold, and fell below $500 last month before recovering to $540 at yesterday's price.

Platinums have shown considerable resistance lately to the lower price and several are at their highest levels since last October, while the index has recovered to 2 800.

The current strength of platinums stems from a growing belief that there could be a shortage of the metal next year.

Mr PF Retief, chairman of Rustenburg Platinum, the world's biggest producer, said recently it seemed demand would probably exceed supply this year and next. This statement has been reinforced by a London report that there could be a shortage of 400 000 ounces in the next 12 months.

If this proves correct, a further improvement in the price seems likely.

However, the medium-to-longer-term outlook is clouded. The steady increase in demand and price since the start of the decade has encouraged many others to mine the metal.

Platinum mines in the development stage in SA include Northam, Barplat, Lefkochrysos, Lebowa Plats, Karee (a subsidiary of Impala) and Messina's mine in Lebowa.

Most of them are likely to start producing in the early 1990s and their output could make a considerable difference to the supply-demand position.

At the same time, it is likely that demand will increase. Platinum is an essential component of the device used in cars to remove noxious gases from exhausts.

Increased prosperity should also result in greater demand for platinum for jewellery, for manufacturing and for coins for hoarding.

Among listed companies are Rustenburg Platinum. With a long life ahead of it, its share price is 4 125c and it is yielding 5,3 percent.

Impala Platinum was started in 1966 and is a major supplier to one of America's biggest car manufacturers. It expects to improve current grade and is currently opening Karee. It has plans for Messina in which it is to obtain a 52 percent stake. Its share price is 3 600c and it is yielding 5 percent.

Lydenburg Plats, standing at 4 000c to yield 3,9 percent, is not an operating company, but receives dividends from Rustenburg

Barplats, which is in the Rand Mines stable and has been developing its own mine, recently took control of Lefkochrysos. Barplats intends bringing Lefko to production before deciding whether to increase output at Lefko or to resume work on its own mine.

Lebowa Plats (Leplats) is a small producer with big expansion plans

Northam, in the GFSA group, is not greatly favoured by investors, mainly because it will be a deep-level mine and cost are likely to be substantially higher than those of most other producers. However, Northam claims that when it starts production, other producers will be mining at deep levels and its costs will be no higher than theirs.

Impala in battle to retain mining rights

Star 2/11/88

By Deborah Smith
Pretoria Bureau

217

MMABATHO — Impala Platinum yesterday contended in the Mmabatho Supreme Court that the Bafokeng Tribe had no right to cancel their mining title as only the Minister of Mines could do so.

The Bafokeng Tribe bought an application against the mine, the president and Goverment of Bophuthatswana and their Registrar of General Deeds, asking that a notarial cession of an 11-year-old mining lease, which gave Impala exclusive mining rights to the disputed area, be terminated.

Tribal Chief Edward Molotlegi said in an afidavit that Impala had repudiateed the agreement by refusing to make certain documents relating to the chief operations of the mine available to the tribe

'DEMAND UNLAWFUL'

Impala Platinum, which produces a large percentage of the free world's platinum, denied repudiating the cession, saying the tribe's demands to inspect the documents were unlawful

Most of the land leased by Impala Platinum is held in trust for the Bafokeng Tribe and the cedent is the President of Bophuthatswana. Prior to independence the cedent was South Africa's Minister of Bantu Affairs

The case is proceeding

Precious metals lift for JSE share prices

Star 3/11/88 (217)

By Sven Lunsche

Driven by rising precious metal prices, shares on the JSE yesterday surged to their highest level in a year

The JSE overall index closed at the crucial 2000 mark, 30 points up on the day, and back to the level it recorded last year when the index plunged through the mark in the aftermath of the October stock market crash

The surge came largely on gains on the mining board where prices were boosted by higher gold and platinum prices

The gold price closed in London at $417,20, almost $7 up on Tuesday's close as the dollar continued its recent falls on international currency markets

The rises were evenmore pronounced in the US and the Far East In New York yesterday gold rose by $10 to $421,75, while the price soared in Hong Kong by over $8 to $422

The all gold index rose by 32 points to 1369, with heavyweights leading the way

But it was platinum counters that stole the limelight, with platinum rising by about $23 to a close of $574,25 in London

Since last week, the price has now surged by $50

Yesterday the platinum index rose by 134 points to 3152 and most shares showed substantial gains

Rustenburg was 200c up at R46, Barplats was 50c higher at R11,50 and recent high-flier Lebowa Plats firmed 55c to 880c Even beleaguered Lefko managed to squeeze in a 15c gain at 465c

Platinum has jumped in recent days on heavy buying by speculators who think supplies will not meet demand this year

"Demand for platinum for industrial purposes, particularly for use in catalytic converters, has risen faster than supplies," a market analyst in Zurich told Reuters yesterday

Analysts said other factors had encouraged the platinum rally

- Recent "buy" recommendations from commodity houses
- Lack of movement in other precious metals
- The introduction of new platinum coins by Australia and Canada
- Traditional demand from the jewellery industry

Japan, where platinum is in demand for jewellery and for industrial purposes, appeared to be the main buyer

A Zurich dealer said a London house had placed an order for 50 000 to 70 000 ounces in New York on Monday, apparently on behalf of a Japanese client

Orders of this size would cause barely a ripple on the gold market, but have a big impact on the much thinner and more volatile platinum market

"It's not clear whether the Japanese are just investing in an item that looks like getting scarce, or if they are trying to meet real physical demand," an analyst said

Controversy surrounds the question of how much platinum is in circulation and how strong world demand is

Johnson Matthey, the largest refiner, said in September that world demand this year would exceed supply by 450 000 ounces

But other analysts said it had failed to take account of platinum recovered from scrap

Precious Metals Advisers said that if secondary supplies were taken into account, there was actually a net world surplus of 15 000 ounces in 1987 Johnson Matthey estimated a 1987 shortfall of 220 000 ounces

Speculators evidently incline towards the Johnson Matthey view But dealers say platinum has a volatile track-record and sudden rallies tend to run out of steam quickly

"A downward technical correction, perhaps to $550, is certainly on the cards in the near term," a dealer with a Swiss bank said yesteday "But longer-term, I would not exclude $600 by year-end"

Copper prices also surged to fresh records on the London Metal Exchange yesterday as news of more Peruvian miners joining the three-week old national strike, deepened concern about supplies

The LME three months delivery price rose £21,50 to £1 681 The Peruvian strike has spread this week, making it more widespread than the last one, which ended on August 17 after 29 days

The stoppage, now estimated to be costing the country $5 million a day in lost export revenue, is entangled in legalities and there is no solution in sight

2/7

Platinum jumps as fears of a world shortage increase

ZURICH — The price of platinum, the costliest precious metal, has jumped in recent days on heavy buying by speculators who think supplies will not meet demand this year

Zurich dealers yesterday quoted it at $564-$566 an ounce, $12 above Tuesday's close and around $40 higher than a week ago

"Demand for platinum for industrial purposes, particularly for use in catalytic converters, has risen faster than supplies," said Fredy Gubler, an analyst with Citicorp in Zurich.

Catalytic converters clean up car exhaust fumes by absorbing carbon monoxide and nitrogen oxide They are widely used in North America and are becoming more widespread in Europe as governments tighten anti-pollution regulations.

Analysts said other factors had encouraged the platinum rally — recent "Buy" recommendations from commodity houses, lack of movement in other precious metals, introduction of new platinum coins by Australia and Canada and traditional demand from the jewellery industry

Japan, where platinum is much in demand for jewellery as well as for industrial purposes, appears to be the main buyer

A Zurich dealer said a London house placed an order for 50 000 to 70 000 ounces of platinum in New York on Monday, apparently on behalf of a Japanese client.

Orders of this size would cause barely a ripple on the gold market but have a big impact on the much thinner and more volatile platinum market.

"It's not clear whether the Japanese are just investing in an item that looks like getting scarce or if they are trying to meet real physical demand," said Gubler.

Some controversy surrounds the question of how much platinum is in circulation and how strong world demand is.

Johnson Matthey, the largest refiner, said in September world demand in 1988 would exceed supply by 450 000 ounces.

But other analysts said it had failed to take account of scrap recoveries.

Consulting firm Precious Metals Advisors said if secondary supplies were taken into account there was actually a net world surplus of 15 000 ounces in 1987. Johnson Matthey estimated a 1987 shortfall of 220 000 ounces.

Speculators evidently incline towards the Johnson Matthey view But dealers note that platinum rallies tend to run out of steam quickly — Sapa-Reuter.

USSR-SA platinum marketing deal mooted

217

Star 8/11/88

LONDON — Lonrho's chief executive, Tiny Rowland, believes that there will eventually be a joint Russian and South African marketing agreement for platinum, one of the world's most sought after metals, the *Guardian* reported today

The newspaper said he had also discussed the threatened Australian bid for Lonrho with Harry Oppenheimer, head of the giant Anglo American mining combine

Australian tycoon Alan Bond has built up a stake in Lonrho of over 20 percent.

The Guardian said that last week Mr Rowland dined privately at Claridges in London with Mr Oppenheimer. The paper said: "Independent sources believe that Mr Oppenheimer and Mr Rowland discussed the possibility of Lonrho taking over the 30 percent stake in Consgold currently held by Minorco"

"A deal with Lonrho could open the way for Mr Rowland to form a defensive alliance with Consgold, helping to deter Mr Bond

"And Minorco, controlled by the twin pillars of the Oppenheimer mining empire, Anglo American and De Beers, would be able to liquidate its Consgold investment and concentrate on investing in companies where it can secure management control"

The Guardian said that as a platinum producer, Lonrho had an interest in convincing the Russians that there should be some kind of marketing organisation for selling platinum modelled along the lines of Oppenheimer's Central Selling Organisation, which controls the supply and price of diamonds — Sapa.

Platinum and gold ride high

217

Times 6/11/88

PRICES of platinum and gold rose strongly this week, stimulated by a firmer trend in oil and a weakening dollar.

By Richard Rolfe
LONDON

Strikes by miners in Peru drove the copper price on to new heights and encouraged hopes of a lift in the silver price, adding to the bullish undertone in precious metals Traders with short positions were forced to cover their sales, adding to demand

Platinum soared to $580 and gold improved to $424 an ounce Surplus platinum stocks have largely been sold, increasing the prospect of a sustained price rise

Fundamentals

When oil prices plunged in September, fuelling expectations of declining inflation, gold fell below $390 and platinum to $490.

"Traders were amazingly indiscrimate," says Andy Smith of UBS-Phillips & Drew. "They ignored the strong fundamentals for platinum."

Johnson Matthey, the world's largest platinum refining and manufacturing group, said that a deficit of 15 tons between supply and demand was likely for 1988.

About 100 tons of platinum are mined annually, most of it in SA.

Mr Gibbons said that platinum offtake in Japan was running at record highs. Japan bought 57 tons in January-September — up from 32 tons for the same time last year. Securities group Shearson Lehman expects Japan's total offtake this year to reach 70 tons, or 70% of world supplies

The biggest component of Japanese demand is jewellery, which took 28 tons of platinum last year, according to Johnson Matthey, and is likely to be up 50% in 1988

All sectors of demand are strong, however Australia launched its Koala platinum coins in September and the Canadian platinum Maple Leaf is coming soon. They are forecast to use three tons of platinum each in their first year.

Sparked

Because of the rise in the yen, platinum remains cheap in Japan, even though at 2 280 yen a gram, it has recovered 25% from its 10-year low in February At 1 800 yen a gram, the price sparked a run into platinum which has continued ever since

Johnson Matthey says it "does not detect any change in the enormous fundamental imbalance between supply and demand". Some metal has flowed out of stocks in New York and Switzerland this year, but it seems to have ended.

About four tons of platinum acquired by Japanese speculators last year at prices between 2 600 yen and 3 000 yen a gram may be overhanging the market. So dollar prices would in all probability have to go much higher before destocking takes place.

Johnson Matthey says that when Japanese prices hit 2 600 yen in May "there was

● To Page 2

Platinum soars

□ From Page 1

some destocking, but not very much".

Gold, Mr Smith believes, "has been dragged along as a passenger in platinum's wake".

Oil supplies are at record levels and the glut could persist for five years. The downside risk in oil and thus in gold remains and volatility is inevitable in the precious metals group.

Mr Smith says: "Platinum and gold have not been decoupled. There is more than a grain of truth in this view, but for the time being, traders all swim in the same water."

Delinked

But if gold supplies continue to increase while platinum fundamentals remain favourable, the two could be delinked into the 1990s.

Barplats purchase of Lefko and possible postponement of its Rhodium Reefs project have aroused speculation that platinum supplies in the 1990s may be tighter than at one time envisaged.

Simultaneously, a series of pollution incidents and rising awareness of environmental issues in Europe focused attention on the need for improved controls on vehicle and other toxic emissions That means greater demand for platinum.

217 B[illegible] 7/11/88

Bafokeng tribe takes on Impala

SUSAN RUSSELL

MAFEKENG — The Bafokeng tribe of Bophuthatswana last week took on in court the world's second largest platinum mine, Impala Platinum Limited, in a battle which could end in the cancellation of the mine's right to operate on tribal land.

Central to the dispute is whether the right to enforce the contract ceding mining rights to Impala is vested in the tribe or their trustee.

The present trustee is the Bophuthatswana State President, who is also the registered owner of the land.

The tribe has asked the Bophuthatswana Supreme Court to terminate the notarial cession concluded in 1977 which gave Impala the exclusive right to mine precious metals in the Bafokeng area.

The Bafokeng allege they are entitled to cancel the cession because Impala has repudiated its terms by refusing the tribe access to documents and mining reports.

Impala denies it has repudiated the cession.

It says the only person who has the right to ask for books of accounts and other documentation is the cedent of the mineral rights. This is the tribe's trustee and he had not asked for or required any of these.

The Bafokeng have submitted they are the beneficial owners of the land and the party with whom Impala negotiated. The mineral rights to the Bafokeng area were granted to the Bantu Administration and Development Minister in February 1977 when he was still the tribe's trustee.

Most of the mine is situated on Bafokeng land which the tribe acquired at various stages from 1883 to 1931 and which was held in trust.

The dispute over access to documents arose during a wrangle over the computation of royalties paid to the tribe.

This issue was settled but the tribe again requested access to documents during negotiations for another piece of land adjoining the mine known as The Deep.

Why the tribe is insisting on documentation was not canvassed in legal argument last week.

Impala MD Donald Ireland said in an affidavit: "Impala was made aware the tribe wished to link negotiations regarding past royalties to the acquisition of prospecting rights in respect of The Deep. From information later received by Impala it appears the tribe has concluded a written agreement with Bafokeng's Mineral Minister on December 11, 1986. Impala has ascertained that the dirctors of Bafokeng Minerals Limited include Chief Molotlegi himself and Mr M F Keeley of Keeley Holdings Limited."

Ireland said Impala also found that the agreement granted Bafokeng Minerals the right to prospect under The Deep area.

The tribe had granted the company the right to acquire by cession any mining title granted to it, Ireland said. In court papers the Bafokeng Chief Edward Molotlegi claimed the registration of the land in the trustee's name did not alter the factual conditions that the tribe owned the land and was fully entitled to deal on its own with its own property.

The President was not empowered to prescribe to the tribe or Impala how the agreement was to be administered or carried out, the chief said.

Figures relating to the mine's operation perhaps indicate how important the outcome of the application is to those directly and indirectly involved. Ireland said the mine's complex include 46 500 people — about 33 400 of these Bophuthatswana citizens. Impala was a major international supplier of platinum and platinum group metals mainly under long term supply contracts, Ireland said. Up to June 30 1987 Impala had paid the Bafokeng R129 553 781 in royalties.

A further R30 881 842 in royalties was paid.

Ireland said Impala had paid Bophuthatswana R359 000 000 in company tax and mining lease payments of about R252 000 000.

Impala employees paid at least R83 000 000 in personal tax to Bophuthatswana from the beginning of operations in December 1977 until April 30, 1988, he said.

Argument before Mr Justice E Smith is expected to continue this week.

(229) 21

Japanese ban SA uranium

217

Four Japanese power companies with nuclear energy plants have decided to ban uraium imports from South Africa and Namibia, which were channeled through overseas suppliers

The ban will effect sales from UK mining group Rio Tinto Zinc (RTZ) and South Africa's Nafcoal

The companies said that the ban would come into effect as soon as the current contracts with RTZ and Nafcoal expires, which varied from 1988 to 1995

The action followed on allegation on British TV that six Japanese electric power companies, with the help from RTZ, were openly flouting a United Nations decree against trade in uranium from Namibia RTZ owns Rossing, one of the biggest uranium mines in the world

Figures published by the Japanese government show that South Africa provided about 11 percent of Japan's 203 419 tons of uranium imported last year. Britain was the source of 24 percent of Japan's uranium Britain has no uranium deposits and most uranium described as British originates in Namibia.

The deputy head of the nuclear fuel department of Tokyo Electric, Koji Kaneko said "RTZ told us there is no Namibian uranium in what they ship to us and we believed what they said"

A Japanese Foreign Ministry official said he believed Japanese companies had been respecting the UN ban

Last year Japan became South Africa's largest trading partner for the second year in a row, but at the Ministry of Trade and Industry officials are less concerned with Japan's image abroad as with the ability of Japanese industry to obtain raw materials cheaply — *The Independent and AP*

What the row's all about

217 FMAIL
11/11/88

Sydney Lipworth, SA-born lawyer who chairs the UK Monopolies & Mergers Commission, and the team investigating Minorco's £2,9bn hostile bid for Consolidated Gold Fields, will almost certainly want to talk to Kenmare Resources, a Dublin natural resources company

The commission has been invited to pay particular attention to the possible impact of an acquisition on competition in the markets for zircon and titanium

Kenmare recently entered a joint venture to develop a major mineral sands project in Mozambique, from which it will supply zircon and the two minerals from which titanium is produced, ilmenite and rutile. In preparation for the venture, Kenmare put together a detailed report on the worldwide mineral sands industry and its prospects.

This shows that zircon, traditionally a second-class product of mineral sands mining and for most of its history in over-supply, has met increasing demand for a range of hi-tech applications The market can no longer keep up with consumers' needs

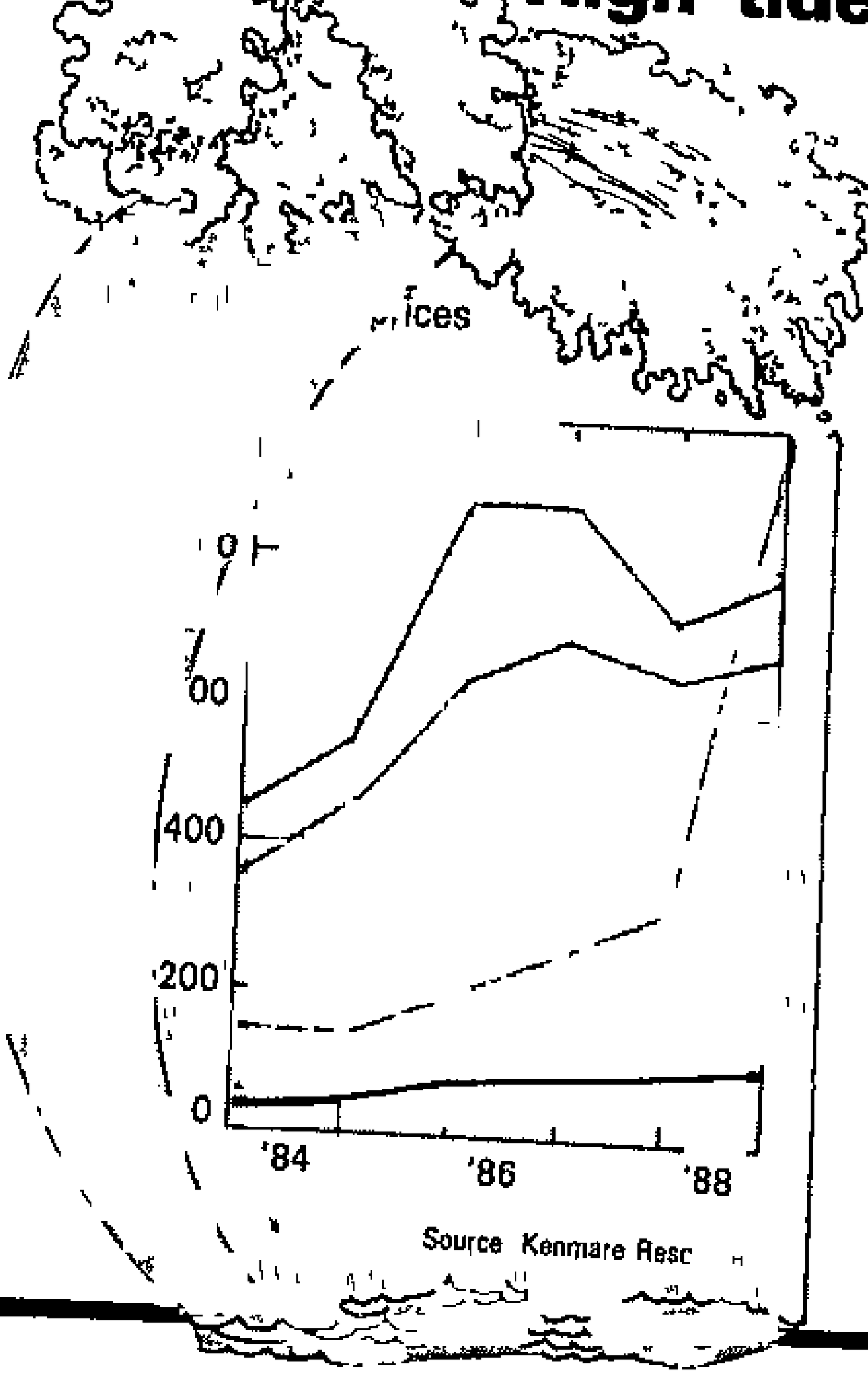
Kenmare estimates that there is an annual shortfall of about 100 000 t zircon. Demand, forecast to grow by 5% a year, is likely to outpace supply until 1994. Kenmare reckons the price, which languished around Aus$100/t at the beginning of the Eighties, could stabilise between Aus$400 (£185) and Aus$450/t.

Michael Nossal, Kenmare's finance director, points out that these prices are for long-term contracts between a limited number of buyers and sellers who have long-established relationships. The shortage of readily available zircon in recent months has seen the spot price reach a peak of Aus$2 000/t, "but there hasn't been any material available "

About 70% of world zircon output is controlled by two companies. Renison Goldfields Consolidated, the Australian company in which Cons Gold Fields has a 48% shareholding, and Richards Bay Minerals, an SA business controlled by British Petroleum in which Gencor has a minority interest

Zircon's main uses are in foundries, refractories, ceramics, zirconia, abrasives, steel production, zirconium metal and zircon

High tide



compounds Kenmare points to two areas of high growth, in ceramics and as zirconia, which is used in the specialised end of the ceramics market

About 25% of zircon is used in conventional ceramics, mainly premium-grade material employed as an opacifier for porcelain But consumption is growing fast, as increasing demand for coloured ceramics has opened the market for intermediate grade zircon

Zirconia, made from zircon, is highly valued in electrical and engineering ceramics. It is also a feedstock for production of partially stable zirconia, which is being positioned by the Japanese as a future ceramic material for engine components.

Kenmare says growth potential is very high for the zirconia market, which currently accounts for only 5% of zircon consumption.

Both rutile and ilmenite, from which titanium is produced, are also in short supply, according to Kenmare But balance is likely to be reached in 1990, when long-term contract prices are likely to ease

Titanium is used mainly in pigments for paints, plastics, paper, textiles and so on

Ilmenite and rutile have enjoyed strong demand as pigment consumption has increased by 5,5% annually over the past five years

Future growth will about 3% a year, predicts Kenmare

Titanium metal accounts for only 5% of total titanium demand About half goes to the aerospace industry, but usage by the power generation and the automotive sectors is said to be growing fast

Star 14/11/88

(217)

Vansa profits boosted by higher price for vanadium

Finance Staff

Higher vanadium prices and surging demand for chrome pushed up Vansa Vanadium's operating income by R500 000 to R6,068 million in the year to end-September 1988

But the completion of the vanadium plant pushed up administration expenses by almost 200 percent to R964 000, while income from interest was significantly down from R2,2 million to R816 000 These two factors saw attributable income down R900 000 to R5,9 million.

Once the plant is completed by March next year, it is expected to produce 250 tons.

No dividend has been declared as the group's mines are developed and cash reserves are accumulated.

But the outlook is good, Vanadium's current producer price is $4 a pound, with the spot price at an high in excess of $6

Demand for chrome ore is also expected to remain buoyant in the near future, while Vansa will also benefit from Barplats' acquisition of Lefkochrysos, as dividends are expected to flow through to the income statement a year earlier than forecast

The Star Finance

MSA looking at improved results

S Star 16/11/88 (217)

By Sven Lunsche

An expected rise in the ferrochrome price and the coming-on-stream of new ferrochrome production facility should see a significant earnings increase in the current financial year of Barlow Rand's wholly owned subsidiary, Middelburg Steel & Alloys (MSA).

MSA's 37,5 percent rise in taxed profits in the year to end-September 1988 was slightly weaker than most analysts expected, in view of the boost export earnings should have received from the substantial fall in the rand exchange rate over the period.

As a result its contribution to Barlows profits fell from 9,6 percent in the 1987 financial year to 8,7 percent last year

But the weakness in the alloys division, which held back MSA at the interim stage last year, seem to have been overcome with shortages developing on world markets and customers are already reporting full order books until March next year.

Demand for ferrochrome is expected to remain at high levels and new production facilities, which cost R240 million and come on stream in the second half, should add a further 130 000 tons to the existing capacity of 280 000 to meet this demand.

In addition, says chairman John Hall, the plasma furnace is being uprated at a cost of R21 million, allowing the group to double capacity to produce special grades of ferrochrome for niche markets.

The steel division saw demand pick-up both locally and internationally and the plant was operating at maximum capacity. Rapidly increasing raw material costs — the price of nickel for one showed a rise of 300 percent over the year — slowed down the growth, although this in turn was partly offset by the weakening rand.

World steel demand is looking healthy at present and unless the rand strengthens considerably over the next few months, MSA is once again in line for good results in the current year.

Platinum futures take off on speculative demand in Japan

Star 16/11/88

(217)

By Neil Behrmann

LONDON — A surge in investment and speculative demand for platinum in Japan boosted futures volume on the Tokyo Commodity Exchange (TOCOM) to an equivalant of 58 million ounces in the first ten months of this year — more than 20 times South African production.

TOCOM began trading in 1984 and its volumes now exceed the 55 million ounces that were traded on the much older platinum futures exchange, the New York Mercantile Exchange.

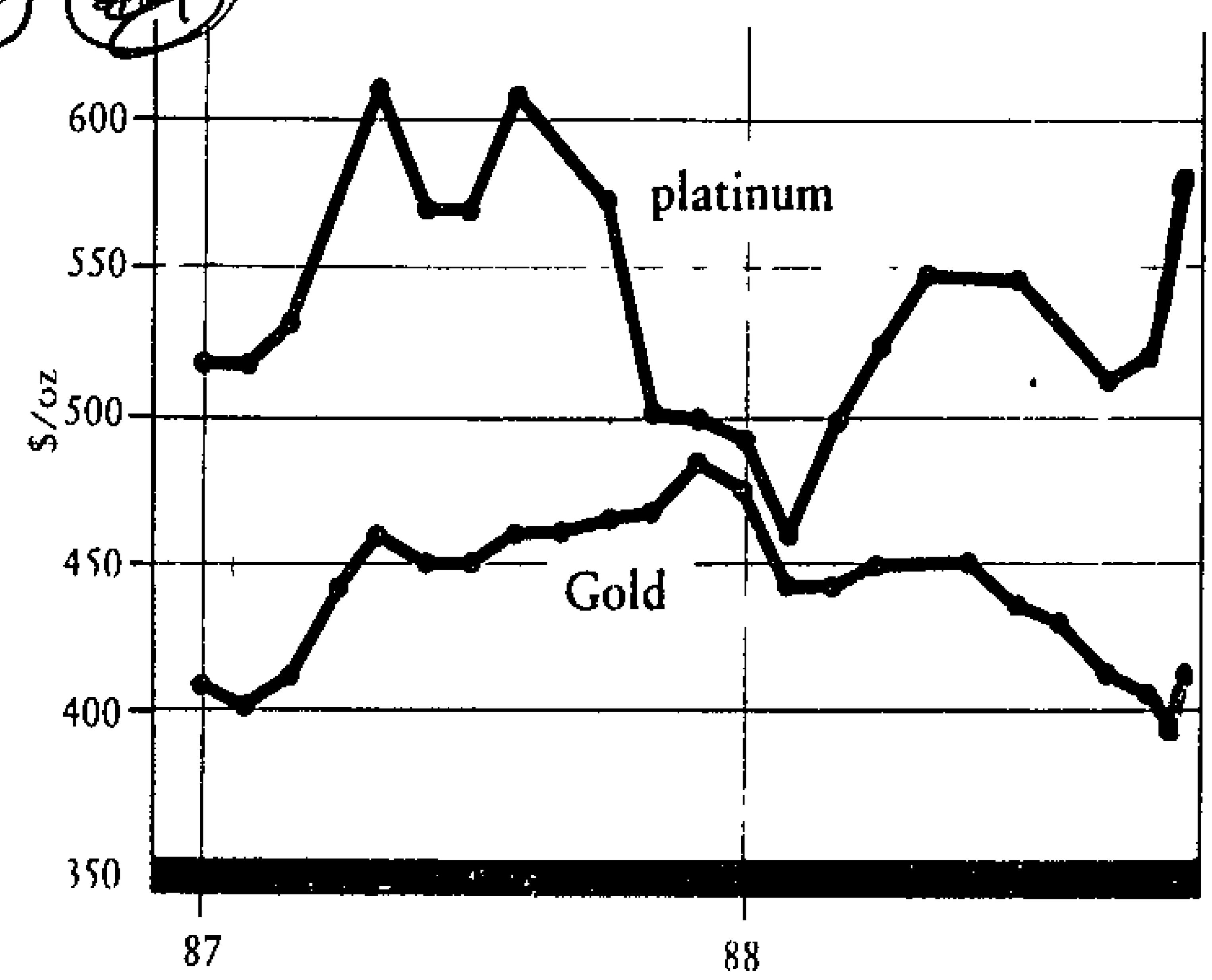
The combined volume of the two futures exchange exceed annual Western and Soviet supplies by 36 times.

"Futures trade cannot be compared to physical markets, but they certainly illustrate the interest in platinum," says John Smith author of Johnson Mathey's latest interim review

Physical demand in Japan, notably jewellery and hoarding of bars and coins is soaring too

Japanese platinum imports will surge to 2,25 million ounces or 71 percent of total supplies from 1,6 million ounces last year, but about 385 000 ounces may end up in the warehouses of TOCOM or in the inventories of Japanese trading houses

Following bullish forecasts by



Gold and platinum prices in US dollars.

Johnson Matthey in the past two months, platinum prices have soared to $582 an ounce from $480 in September It helped spur gold and silver prices and is now standing at a premium of 38 percent over gold

Historically this is a very high premium, Mr Smith says Yet platinum's supply demand fundamentals are "far better than gold"

Platinum is a thin and volatile market, only a fraction of the size of gold, so only a marginal change in demand or supply can have a major impact on price.

Johnson Matthey estimates that supplies from Western and Soviet mines will rise to 3,17 million ounces this year from 2,48 million ounces in 1983 Total fabrication demand, mainly anti-pollution auto catalysts and jewellery will rise to 3 million ounces from 2,03 million ounces in 1983

Yet platinum prices are far stronger than gold because of the surge in investment demand, mainly from Japan Investment demand , mainly large and small bars and coins, is forecast at 620 000 ounces in 1988 against 155 000 ounces in 1983

The new issue of the Koala and Maple Leaf platinum coins are also having an impact They will raise investment demand for small platinum coins, medallions and bars to an estimated 360 000 ounces, this year, 67 percent higher than 1987, says Johnson Matthey.

Yet there could be supply problems

Both Australia and Canada wish to avoid platinum from South Africa. So the Soviet Union, the second most important producer must supply platinum for the coins

"Problems may arise in future because readily available stocks of platinum originating in Russia, but held elsewhere may now be depleted," says the report.

Analysts agree that if gold prices recover, platinum prices will follow suit If world economies slip into a recession, on the other hand, industrial demand for platinum, particularly catalysts could slip A decline in the gold price and a slackening of imports from Japan, possibly because of the ailing Emperor Hirohito, or because of an unexpected slump on the stock exchange could also have an adverse impact on the price.

Platinum is shining brighter

LONDON — Demand for platinum by environmentally conscious industry and the Japanese, who prefer it for jewellery, is pushing up the white metal's price and straining world supplies

Johnson Matthey said the price of platinum — most of which comes from SA — has risen by nearly $100/oz in the past month.

Its present level of $580 is, however, still below its record level in 1980, when worries rose over SA supplies

Platinum is widening its price gap — now close to a record $160 — over gold

Johnson Matthey, which refines and markets precious metals, said in a survey that world demand for platinum would increase by 10% this year to 3,64-million oz compared with a 2,3% rise in supply.

The firm estimated the global deficit at 465 000 oz

Of all platinum consumed 40% is for catalysts in systems that clean exhaust fumes to cut emission of gases that contribute to acid rain.

This market is growing as the EC follows the US and Japan in tightening anti-pollution standards

The survey said purchasing by Japan's jewellery-makers, investors and motor industry, encouraged by the increased buying power of the strong yen, should boost Japanese platinum imports this year by 35% to 1,88-million oz

Jewellery accounts for about 30% of world platinum and 90% of all platinum jewellery is in Japan. — AP-DJ.

(517) B\day 17/11/88

Platinum supply deficit expected

CAPE TIMES 18/11/88

917

By AUDREY D'ANGELO
Financial Editor

THIS has been the fourth year running in which the supply of platinum has been insufficient to meet demand, with the deficit met from stocks, London-based metal dealer Johnson Matthey says in its interim report

It expects total world consumption to have reached 3,6m ounces by the end of this year — of which 1 095 000 ounces will have come from SA compared with 1 090 000 ounces last year

And it expects "buoyancy in most sectors of demand" to be maintained in 1989 with the price remaining above $500 an ounce.

Estimating a supply deficit of 465 000 ounces this year, more than twice that in 1987, it says "the consequent rundown in stocks is in fact accelerating".

The report says the single most important feature of the platinum market has been "massive demand from Japan

"Up to the end of August Japan had imported 51 tons of platinum, only one ton short of the entire import total for 1987. The total for 1988 looks likely to be around 70 tons

"Given that annual Western World supply is only around 100 tons, the majority of the primary output could be regarded as being absorbed by one nation "

The report continues· "Given the predilection of the Japanese for platinum jewellery and that this year the price of the metal expressed in yen has seemed attractive, we expect this sector to maintain or enhance its position in 1989.

"Marketing of platinum for jewellery in Japan is being pursued vigorously and there are similar campaigns in Western Europe

"The prospects for platinum jewellery around the world can be considered bright, especially now that the promotion of platinum is being aimed at a wider market."

It says US consumption of platinum will continue to be dominated by its use in autocatalysts

"Some revival in the US domestic car market has occurred during the year and the replacement of vehicles imported from Japan by Japanese 'implants' manufacturing in the US is sustaining the volume of production.

Meanwhile the market for platinum for autocatalysts in Western Europe is continuing to improve now that timetables have been set for the control of pollution from car engines.

The demand for platinum for small investment products, particularly coins and medallions, seems "set fair".

Johnson Matthey says the heavy demand is an inducement for platinum producers to carry out new projects to increase output But major growth in supply will take years to achieve in SA "and no other primary producing nation can make a significant difference to the situation".

Platinum outlook far from assured

217

Star Foreign Bureau

Star 24/11/88

LONDON — The future of the world platinum market is by no means assured, according to Metals and Minerals (MMRS), the London-based consultancy

"Expected rises in mine and secondary output are already well-documented," it says, while consumption "may even now be past its point of fastest growth".

That scenario would suggest a quick return to surplus and inevitable pressure on the platinum price

Its statement is in response to the bullish tone of the interim review of the platinum market published earlier this week by Johnson Matthey, which claims to be the world's largest refiner and supplier of platinum group metals

That review saw a bright future for platinum jewellery and continuing progress in demand from the European automotive sector, which uses platinum as an exhaust cleaning catalyst

However, MMRS says assumptions about European motor industry requirements are not necessarily correct because "the lion's share of the (EC) agreement on emission control has still to be decided"

It also points out that European catalyst manufacturers are already producing some way above demand

Sanctions shut uranium mine

217

21/11/88 REINIE BOOYSEN

THE sanctions noose on SA's uranium industry tightened further today as Chemwes — a Gencor uranium producer held via Stilfontein gold mine — announced it was closing in two weeks because its major customer had unilaterally cancelled its purchase contract

Gencor says Chemwes is unable to continue operating on a commercially viable basis, and the board has resolved to cease operations by the end of November, 1988.

Although Chemwes has submitted a claim to the customer for compensation, Gencor says it is difficult to determine the effect on Stilfontein's earnings.

In the year to December 1987, Chemwes paid dividends of R16m, 80% or R12,8m of which went to Stilfontein.

Gencor director Brian Gilbertson said yesterday Stilfontein would receive about R5m in dividends from Chemwes this year.

Uranium deliveries to the customer started declining in the September quarter, when Chemwes's profit declined to R827 000 from R3,4m in the June quarter.

In October, Chemwes chairman Johan Janse van Rensburg said the reason for the breakdown of the purchase agreement was sanctions-related. But Gilbertson declined to confirm this yesterday He said negotiations were taking place with the customer in regard to the terms of the termination

Gilbertson also declined to disclose the identity of the customer, or the country in which it was based

Speculation that the customer may be Japanese is backed up by recent reports that four regional Japanese power companies with nuclear energy plants had decided to suspend enriched uranium imports from SA and Namibia by refusing to renew contracts with two uranium suppliers, British-based Rio Tinto-Zinc and SA-based Nafcoal

Gilbertson said about 350 employees would be affected by the closure "We are hopeful that we will find jobs for them elsewhere in the group"

Although the world uranium industry appears set for a recovery over the next two decades from the depression following accidents such as Three Mile Island and the Chernobyl disaster, develop-

● To Page 2

Sanctions shutdown for uranium mine

217 21/11/88

● From Page 1

ments in the SA mining industry signal a gloomy outlook

- Anglo has closed at least one of its uranium conversion plants,
- JCI is negotiating with its main customer on future supplies,
- Gold Fields has closed its uranium-from-slimes plant and is to spend R10m converting it to a gold-from-slimes project,
- Rand Mines' annual report provides a gloomy summary of the industry's outlook "In addition to sanctions legislation (in the US) banning the importation of SA uranium ore or uranium oxide, there have been several Bills and legal decisions designed to protect and revitalise failing US uranium producers"

This has resulted in a stipulation that domestically produced uranium must in future be consumed by US utilities

Uranium producer to close

star 21/11/88

217

Finance Staff

The sanctions campaign has claimed a further victim. This time a major uranium producer within the Gencor group will close down in two weeks time.

Chemwes, the uranium oxide producer near Stilfontein, is to cease operations by the end of November 1988.

In a notice to its shareholders, Gencor-subsidiary, Stilfontein, which has an 80 percent interest in Chemwes, says that the major customer of Chemwes has given written notice of termination of its agreement to purchase uranium oxide. In these circumstances, Chemwes is unable to continue operating on a commercially viable basis.

The company would not reveal who the customer is, but local uranium producers send most of their output to Japan.

PRESSURE

Japanese companies have been under pressure from their government to cut links with South Africa.

Recently four Japanese power companies said they would suspend uranium imports from South Africa and Namibia. Uranium imports from South Africa are also banned in the United States.

The announcement also states that Chemwes has submitted a claim to the customer for compensation.

The majority of the company's 348 employees will be offered employment within the Gencor group.

Uranium mines and plants have been hardest hit by the sanctions campaign and both Anglo American and Gold Fields have recently closed uranium conversion plants.

Vansa looking to maiden payout

Star 23/11/88

Finance Staff

Vansa Vanadium, which is 42 percent-held by Rand Mines, is expecting to declare a maiden dividend during the 1989 financial year, says new chairman Mr Allen Sealey.

He raises the prospect in his first statement to shareholders

Barplats Investments (the Rand Mines platinum arm in which Vansa holds 24 percent) will declare its first dividend in 1992, a year earlier than planned, says Mr Sealey

He says the outlook for Vansa's sales of chrome and vanadium is promising

217

STRENGTH

The market is showing strength in both sectors, he says.

"Vanadium prices in dollar terms have continued to improve, the current producer price being $4 a pound, while the spot price is at an all-time record high of $6 a pound.

"A pleasing feature of the initial operations at the Vansa plant has been the production of vanadium pentoxide at specifications above the projected quality

"Full production of vanadium pentoxide is expected to be attained by March 1989

"Contracts for the sale of the planned production have been concluded," says Mr Sealey.

Vibrant Vansa

Star 25/11/88 (217)

Diagonal Street

DEREK TOMMEY

Vansa Vanadium is a company with considerable prospects, which is not saying anything new as the cognoscenti already have pushed up its share price this year from a low of 238c to 600c.

But its annual report released today indicates that Vansa could possibly achieve the highest expectations of its most bullish shareholders, which is a pleasant situation to be in.

Vansa was floated in late 1985 to mine a vanadium and platinum ore deposit in the Bushveld, some 40 miles north-west of Lydenberg.

In 1986 Rand Mines injected its Winterveld Chrome Mines, the country's biggest chrome producer, into Vansa in return for a third of Vansa's capital.

At the same time Rand Mines had a good look at Vansa's platinum deposits and this led to the formation of Barplats in which Vansa has roughly a 25 percent stake.

The upshot of all this is that Vansa now has a significant investment in vanadium, chrome and platinum.

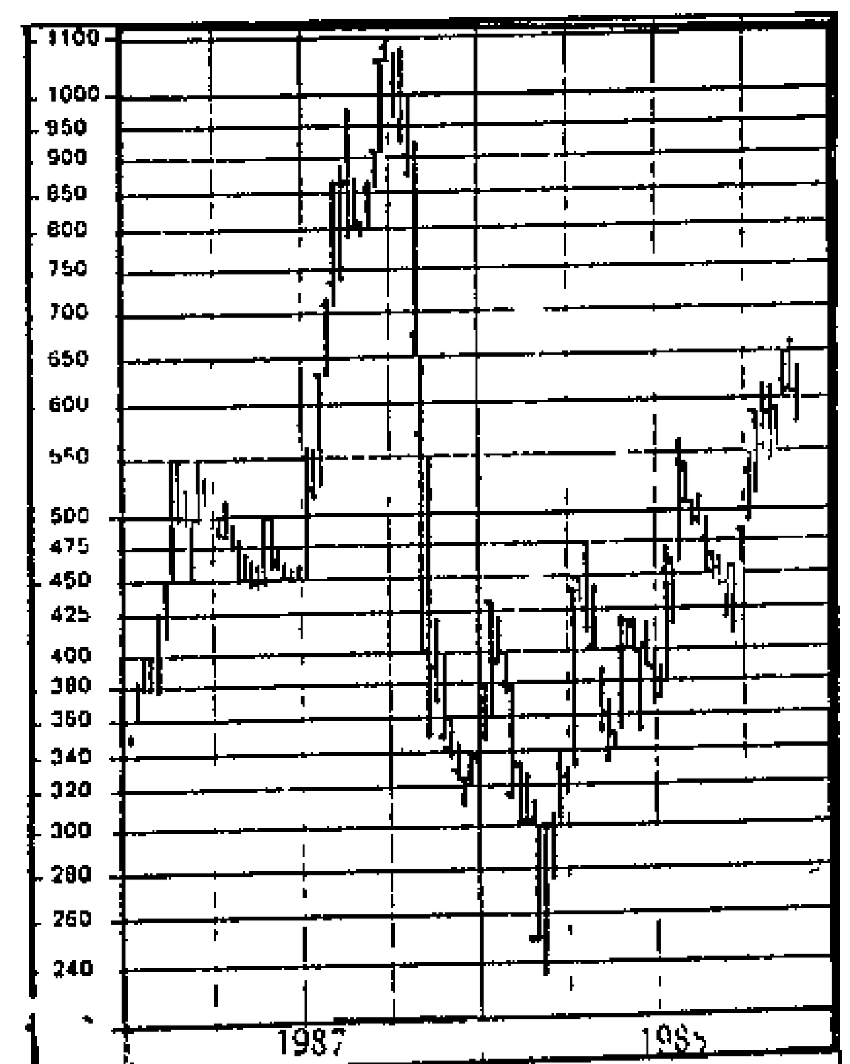
Meanwhile, Vansa's investment in vanadium is progressing well.

Full production of 250 tons a month of vanadium pentoxide flake is expected in March, next year, reports the chairman, Mr Alan Sealey.

One plus factor is that the ore grade is higher than expected, running at 2,2 percent vanadium against the prospectus forecast of 1,95 percent.

Another is that the world price of vanadium has risen strongly.

When the mine was planned vanadium was trading at between $2,05 and $2,30 a pound. Recently the producers' price reached $4 a pound and the spot price reached a record high of $6. Mine revenue is now likely to be around R5 million a month double that project-



Vansa share price (in cents)

ed when the company was launched.

While the higher price of vanadium is inducing other producers to enter the field it does not seem likely that this will lead the vanadium price to fall back to the levels prevailing two or three years ago — though it will probably put a ceiling on further price rises.

Vansa expects to pay its first dividend during the 1989 financial year.

The prospects for chrome are also bright owing to strong ferro-chrome market, and so are Barplat's prospects, following its take-over of the Lefkochrysos platinum mine. This will enable Barplats to start paying dividends in 1992 — a year earlier than planned.

Vansa appears to be on the crest of wave. On current information it is fairly certain that its dividend payments during the next few years will certainly justify the company's present share price. They might in time even justify the 1100c the share was standing at in October, last year, just prior to the share market collapse.

217

Base metals outglister gold

By Richard Rolfe
in London

TIMOTHY Green, author of several books on gold and one of the world's leading analysts, predicts that supplies will peak in 1991.

The amount of gold mined has risen sharply in the past 10 years as mining companies have responded to the high prices of the late 1970s and early 1980s

The increased supply has depressed the gold price Buyers of gold have been content to buy metal without lifting the price

Mr Green was addressing Institutional Investor's annual international investment forum in London, one of the premier investment conferences The third day was devoted to mining He is a co-author of Consolidated Gold Field's comprehensive annual review of the gold market

The outlook, he said, was "rather discouraging for gold, which is in a clear bear market in terms of major currencies other than the dollar"

Among the reasons

- With the Soviets pulling out of Afghanistan and the war between Iran and Iraq winding down, there were no compelling political forces pushing gold higher
- Unfavourable economic factors included low inflation, weak oil prices and high real interest rates
- Central banks "are not really interested in buying gold", but they would add to their stocks on a small scale this year

THE SHAPE OF THINGS TO COME

- "The one catch is the dollar and the US deficits", where possible impasse between George Bush and Congress might cause a crisis from which gold would benefit.

Reviewing demand for gold, Mr Green said "The numbers look terrific — and gold looks cheap to a lot of people But the price is going nowhere"

The high point of gold offtake in 1988 has been in Asia "It's the most amazing thing I have seen in 20 years of following the market," said Mr Green.

"Hong Kong has doubled its gold purchases, Singapore is doing its best ever and Japan is at a record if you ignore the exceptional demand for Hirohito coins in 1986"

Demand in other areas had also responded to lower prices and greater wealth The Italian gold jewellery industry, the world's biggest, was operating at the best levels since the late 1970s and world demand for jewellery would exceed 1 000 tons for the first time this decade

Mr Green said Asian demand this year would take 80% to 85% of non-communist gold production, and 70% of world output.

"But all it has done is stop the price going down"

Discussing the Taiwanese central bank's heavy gold buying this year, he said it should be viewed as straight diversification of the country's $75-billion foreign exchange reserves It was a specific programme which would not go on forever, although South Korea might do something similar on a small scale

In support of his contention that gold supplies would peak in three years' time, he said increased output from Australian and Canada had mostly been based on reworking deposits which had short lives

There was also considerable high-grading in Australia ahead of the introduction of gold tax in 1991

"Once short-life open pits are worked out, mines will face difficult and costly decisions on whether to develop underground"

He did not think gold supplies would slump after 1991 "The high baseline will remain because of major new projects and further potential in Indonesia, Papua New Guinea and the Philippines"

He thought that ambitious forecasts of a rise to more than 700 tons of gold a year from SA were unlikely to be correct SA gold production was more likely to stick around 580 tons at best.

Falling grades and a continued decline of the rand were part of his scenario

However, Michael West of the Mining Journal, wondered whether the SA mining industry might revert to high-grading and increased production in an effort to drive marginal producers in other parts of the world out of business

David Williamson, director of mining research at securities group Shearson Lehman, said he regarded base metals as more attractive than precious metals

In share-market terms, many base metals mines were on PE ratios of 4 or 5 By comparison, precious metals mines in North America and Australia were on PEs of 15 or 20

Christopher Stobart of the Commodities Research Unit said the boom in base metal since the second half of 1987 could be explained by steady growth in consumption against a background of only limited additions to mine capacity

Both he and Mr Williamson thought base metals could be set fair for several years, subject to the risk of a setback next year if the US economy were to go into reverse.

Much depended on whether any US slowdown was corrected quickly, or became a recession With the current upswing in its seventh year, Mr Williamson said, "we are not seeing normal cyclical swings — perhaps there is a virtuous circle in operation"

Even if growth continued at only 1% or 2%, speakers believed base metals would do well because of past underinvestment, and measures to cut costs It may be several years before new mines were started in response to current high prices

Nobody was prepared to attack the central argument that base-metal shares are likely to prove a superior investment to precious-metal stocks

If the US goes into recession, the cautious investors who are refusing to buy base-metal shares in spite of tempting PE ratios, will be justified However, in a recession, gold shares will be even more exposed by virtue of their current high ratings

On the other hand, if the economic upswing is maintained, base metals will go on doing well, but golds will be impaired by rising supply The case for base metals is strong

R59 000 for a week

A R20-MILLION timeshare development is to be launched on Cape Town's Golden Mile — the Sea Point beachfront — opposite the new Hard Rock Cafe at the pavilion complex

Prices for a week range from R1 600 to R59 000

The development is being undertaken by a young company, Devland, which has acquired a block of flats, called Riviera, and plans to convert it into a 39-apartment scheme

Renovations have started on the apartments, including a penthouse, which overlook the sea

Managing director Neil Bernstein says about R8-million will be spent on renovations and marketing

Ovland Timeshare is handling the marketing, which begins on December 1 and first occupation is set for Easter

2/7

…p won't be a ghost …n if they can help it

Fickle copper forces search for new livelihoods

…illage of Okiep once boasted …mine in the world
…the fickle fortunes of the copper …is determined to avoid its — per… as a ghost town

Report
KAREN STANDER
Staff Reporter

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Pictures
LEON MULLER
The Argus

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limited value of copper made it unprofitable It w is only 200 years later that serious mining began

The 1850s brought a rush to the area and hordes of prospectors and adventurers poured into Namaqualand e pecting to find copper — and possibly gold — just waiting to be picked up

More than 40 companies were formed although almost nothing was produced

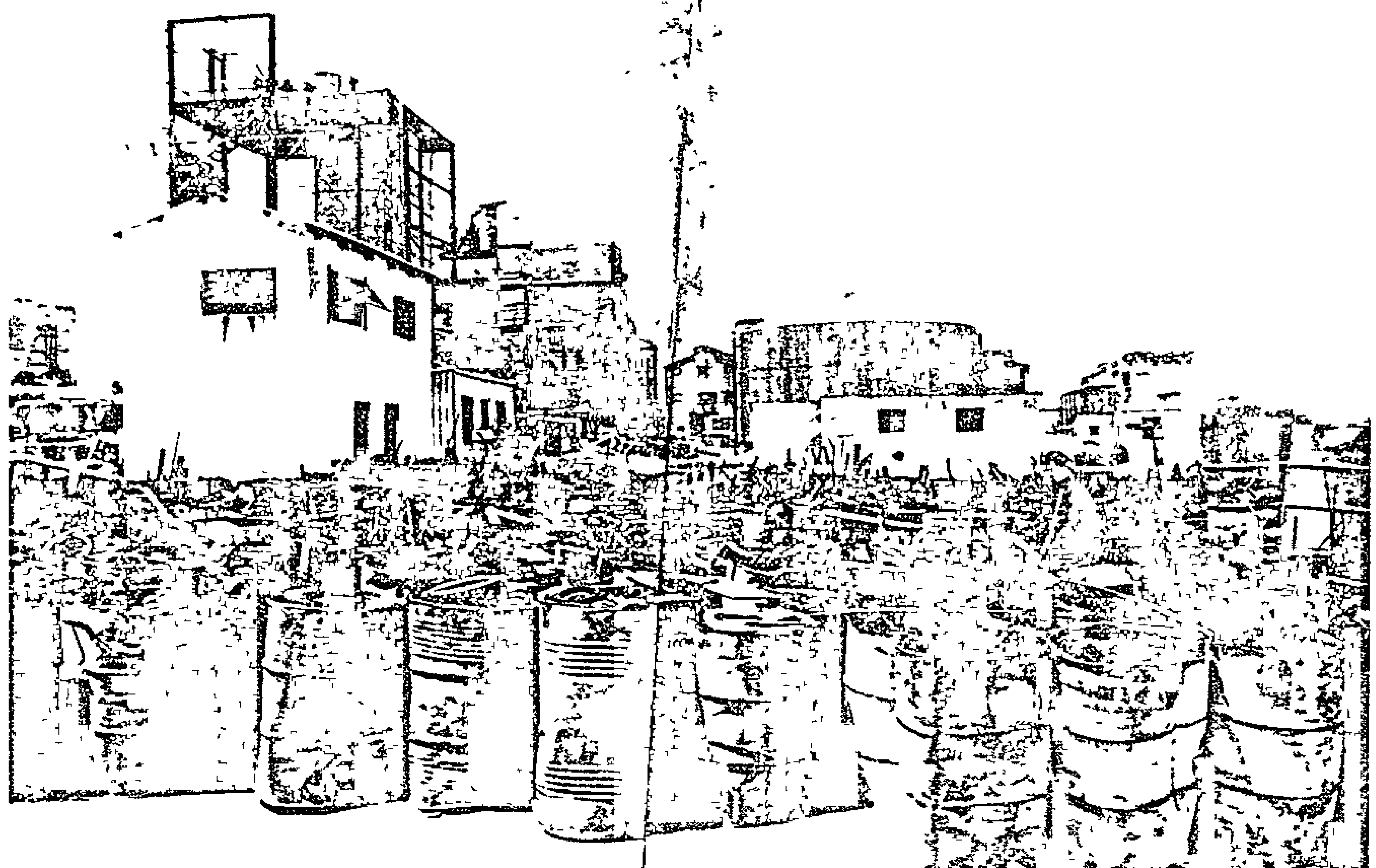
Many of the citizens of Cape Town were left barkrupt, but the boom resulted in the formation of South Africa's first stock exchange in Cape Town

After the collapse two companies remained the Namaqua Copper Company and the Cape Copper Mining Company

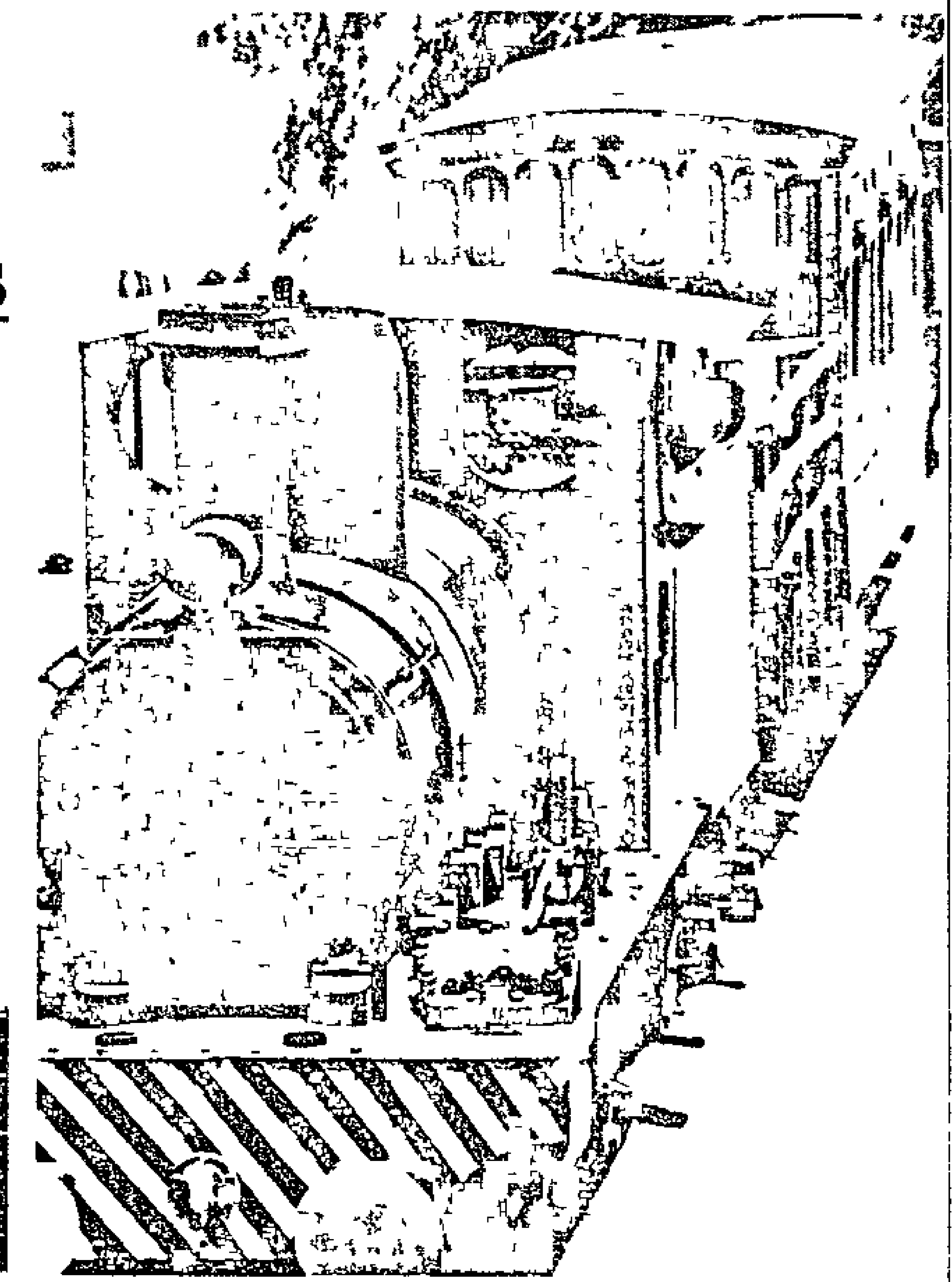
In the 1870s the Okiep mine ranked as the richest copper mine in the world and by 1904 had produced a million tons of ore

Transport was the greatest problem Ox wagons carried the ore to the Orange River, from where it was floated on barges to Alexander Bay and shipped to Swansea in Wales to be milled, smelted and refined

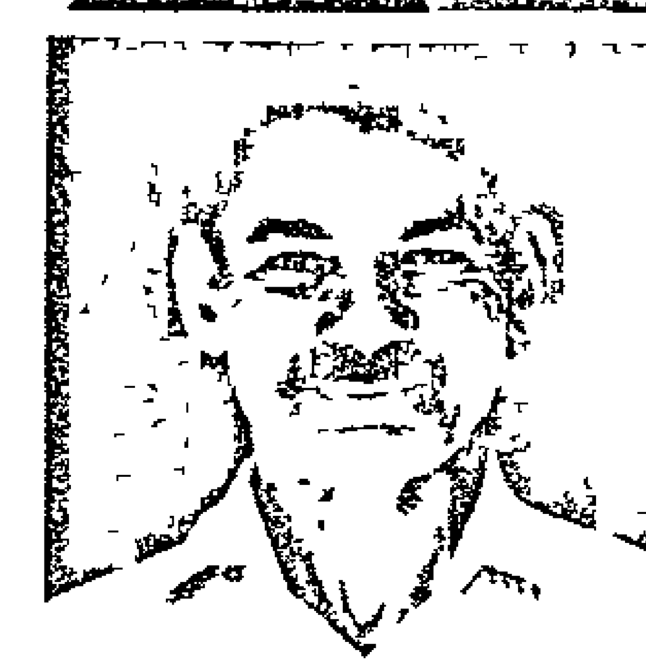
Later a narrow-gauge railway was constructed between Port Nolloth and Okiep serving as the principal outlet to



END OF LINE: The disused Okiep copper mine, which closed in 1984, is slowly being demolished and the scrap removed



PRESERVED "Clara", the last steam train used on the mines' private railway line between Okiep and Port Nolloth, is preserved in the company's museum at Nababiep



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LIFE'S HARD 'Oom Willem' Mouton, left "Life is hard for the people of Okiep"

Okiep won't be a ghost town if they can help it

THE sleepy little village of Okiep once boasted the richest copper mine in the world.

Battered for years by the fickle fortunes of the copper industry, the community is determined to avoid its — perhaps inevitable — fate as a ghost town

Report
KAREN STANDER
Staff Reporter
□□□
Pictures
LEON MULLER
The Argus

The village is in a sparsely vegetated valley between the copper-coloured stony hills of Namaqualand about 600km north of Cape Town

Almost everyone in Okiep works for "The Company" — the O'Okiep Copper Company (OCC) — which owns all land in the town, including the sites of businesses — a hotel and off-sales, a cafe/restaurant and a few shops

Over the years, the district has had to contend with retrenchments when the bottom dropped out of the international copper market

Like other once-rich mines in the area the Okiep mine is closed, the metal mined out

The OCC effectively controls the exploration rights over about 200 000ha, but only two mines — Carolusberg, about 10km to the south-east, and Spektakel, about 20km south-west of Okiep — are still operating

The mine at nearby Nababeeb has also closed, but the smelting works still operate there

Prospering

The Okiep community has been fortunate in that the remaining mines are fairly close and the OCC provides daily transport for its workers

"Today the industry appears to be prospering and the OCC has plans to open another mine soon, but the question being asked is "How long will it last?"

The extreme poverty of the 1970s and early '80s when the price of copper was rock bottom is still fresh in the memory and the community is thinking ahead of ways to become less dependent on the copper industry for its jobs and prosperity

The Anglican priest in Okiep, the Rev Andrew Wyngaard, said the OCC had given the community a large piece of land

Residents who had built houses on company land would be eligible to take over ownership of the land in return for a payment of R7 000 for the development of infrastructure

A number of community-based projects, including a chicken farm, were being planned The projects would be owned and built entirely by the community and would provide additional jobs, Mr Wyngaard said

Expeditions

Copper mining in Namaqualand dates back to long before the colonisation of Africa by Europeans The Nama Hottentot tribe bartered copper tools, weapons and ornaments with neighbouring tribes

The first major prospecting

limited value of copper made it unprofitable It was only 200 years later that serious mining began

The 1850s brought a rush to the area and hordes of prospectors and adventurers poured into Namaqualand expecting to find copper — and possibly gold — just waiting to be picked up

More than 40 companies were formed, although almost nothing was produced

Many of the citizens of Cape Town were left bankrupt, but the boom resulted in the formation of South Africa's first stock exchange in Cape Town

After the collapse, two companies remained the Namaqua Copper Company and the Cape Copper Mining Company

In the 1870s the Okiep mine ranked as the richest copper mine in the world and by 1904 had produced a million tons of ore

Transport was the greatest problem Ox wagons carried the ore to the Orange River, from where it was floated on barges to Alexander Bay and shipped to Swansea in Wales to be milled, smelted and refined

Later a narrow-gauge railway was constructed between Port Nolloth and Okiep, serving as the principal outlet to the sea for 68 years

The companies fell on hard times and in 1919 the Cape Copper Company closed its operations, the Namaqua Company following suit in 1931

Water supply

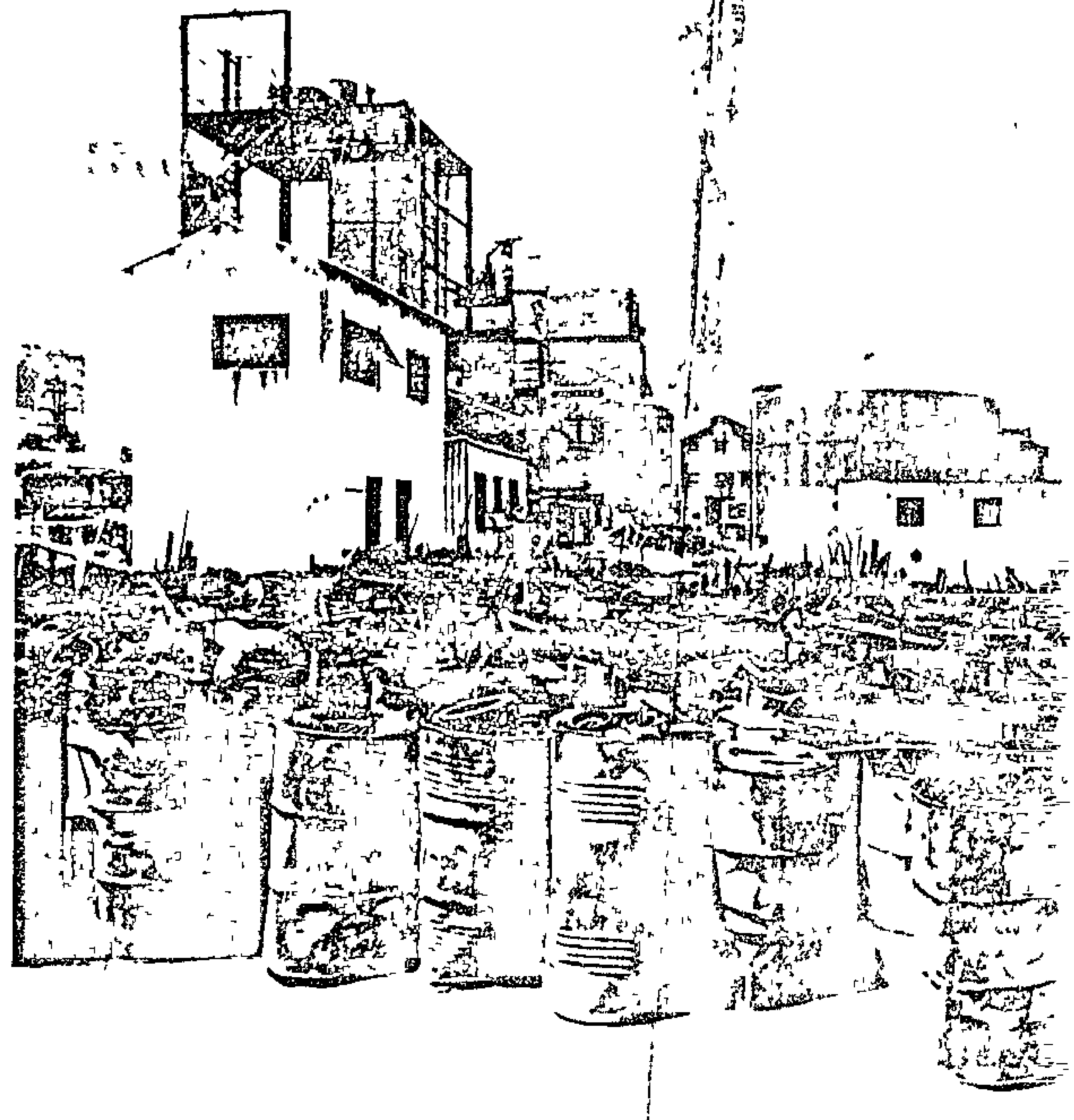
In 1937 the two companies merged to become the O'Okiep Copper Company (OCC) The 1950s and 60s were profitable decades However, in the mid 1970s the price began to decline and in 1984 Gold Fields of South Africa became the major shareholders

The Okiep mine was closed in 1984

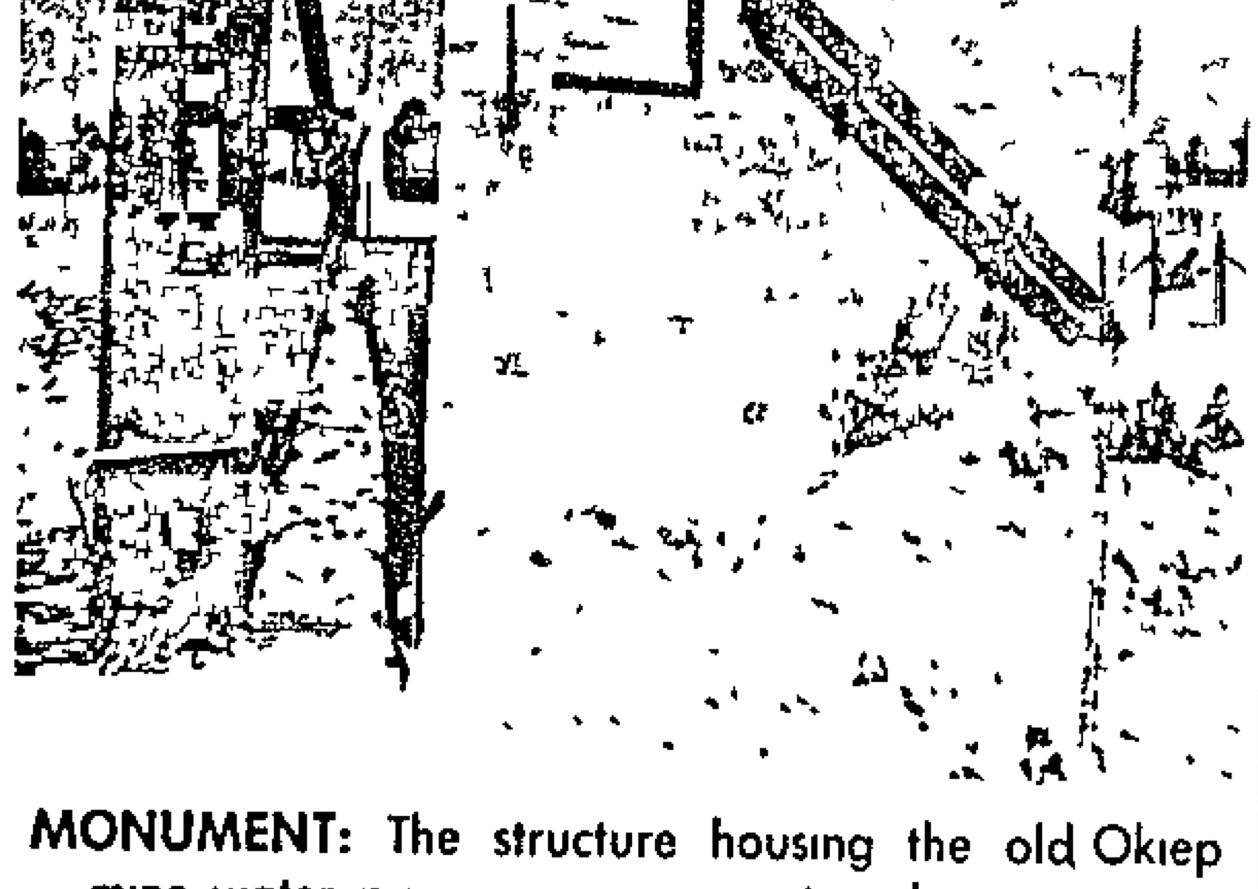
When an Argus team visited the village recently, the dusty streets were almost deserted At the old mine we were greeted by "Oom Willem" Mouton, 60, who has a lonely existance as sole guard of the disused mine

His radio keeps him company as he mends the villagers shoes and waits for the occasional lorry to pull up at the gate and ask for entry

He walks the 1½km home to his family once a week or so



END OF LINE: The disused Okiep copper mine, which closed in 1984, is slowly being removed



MONUMENT: The structure housing the old Okiep mine water pump — now a national monument

Oom Willem has lived in Okiep all his life and has seen various mines open and close Not much else has changed over the years

Life has been hard for the people of Okiep, he says, but it is a bit easier now

someone used to the openness of Namaqualand

"There are too many cars You can't walk in the streets for all the cars"

Mrs Nellie van de Westhuizen, who owns the Okiep Hotel

Fickle forces for new li

businesses — a hotel and off sales, a cafe/restaurant and a few shops

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The first major prospecting expeditions set out from the Cape after 1681 Shallow prospect shafts yielded ore of impressive richness, but the cost of primitive transport and the limited value of copper made it unprofitable It was only 200 years later that serious mining began

The 1850s brought a rush to the area and hordes of prospectors and adventurers poured into Namaqualand expecting to find copper — and possibly gold — just waiting to be picked up

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His radio keeps him company as he mends the villagers' shoes and waits for the occasional lorry to pull up at the gate and ask for entry

He walks the 1½km home to his family once a week or so, otherwise he is alone but for a man on duty at the pump on the hillside The mine's pump now supplies water for the surrounding area

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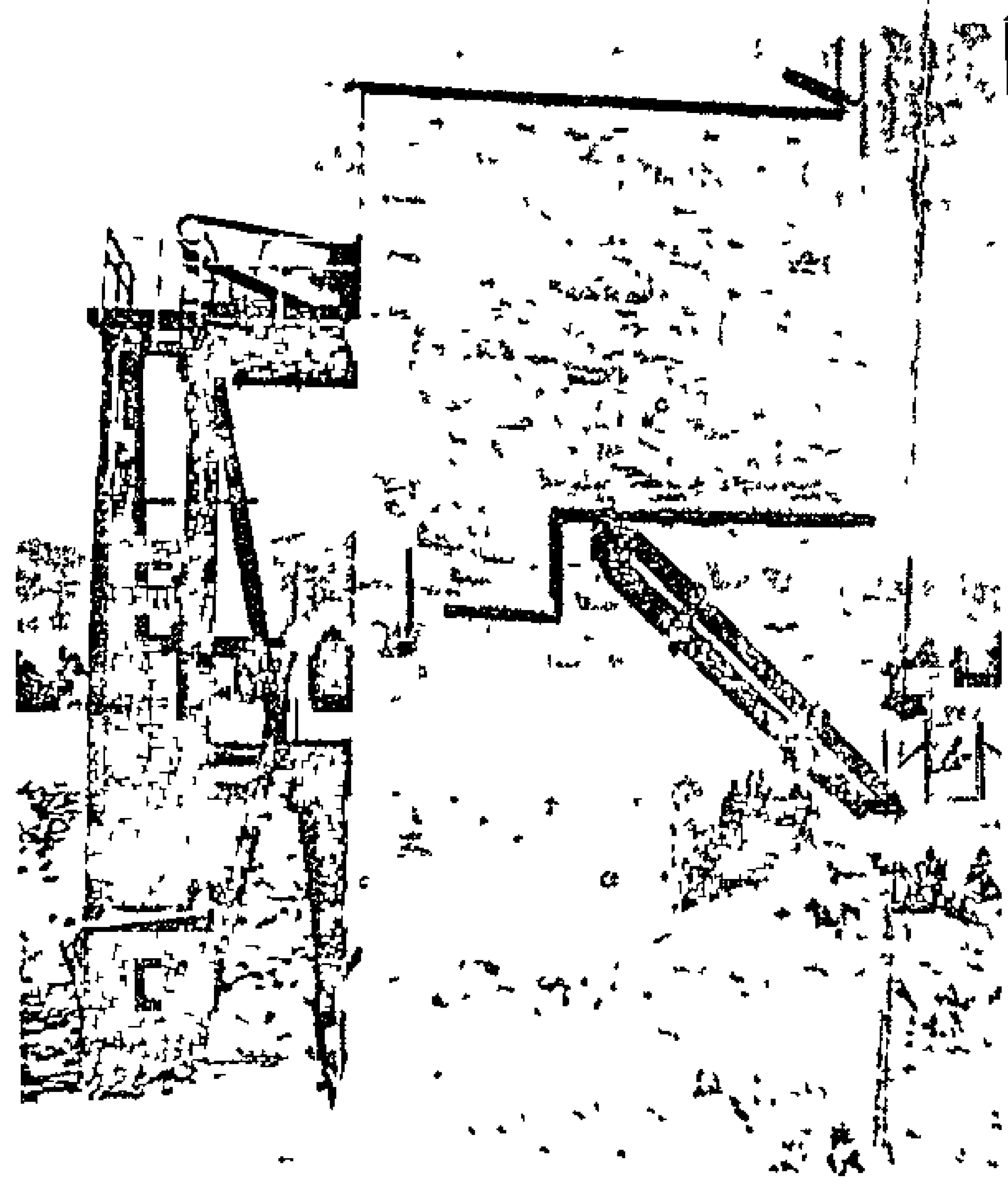

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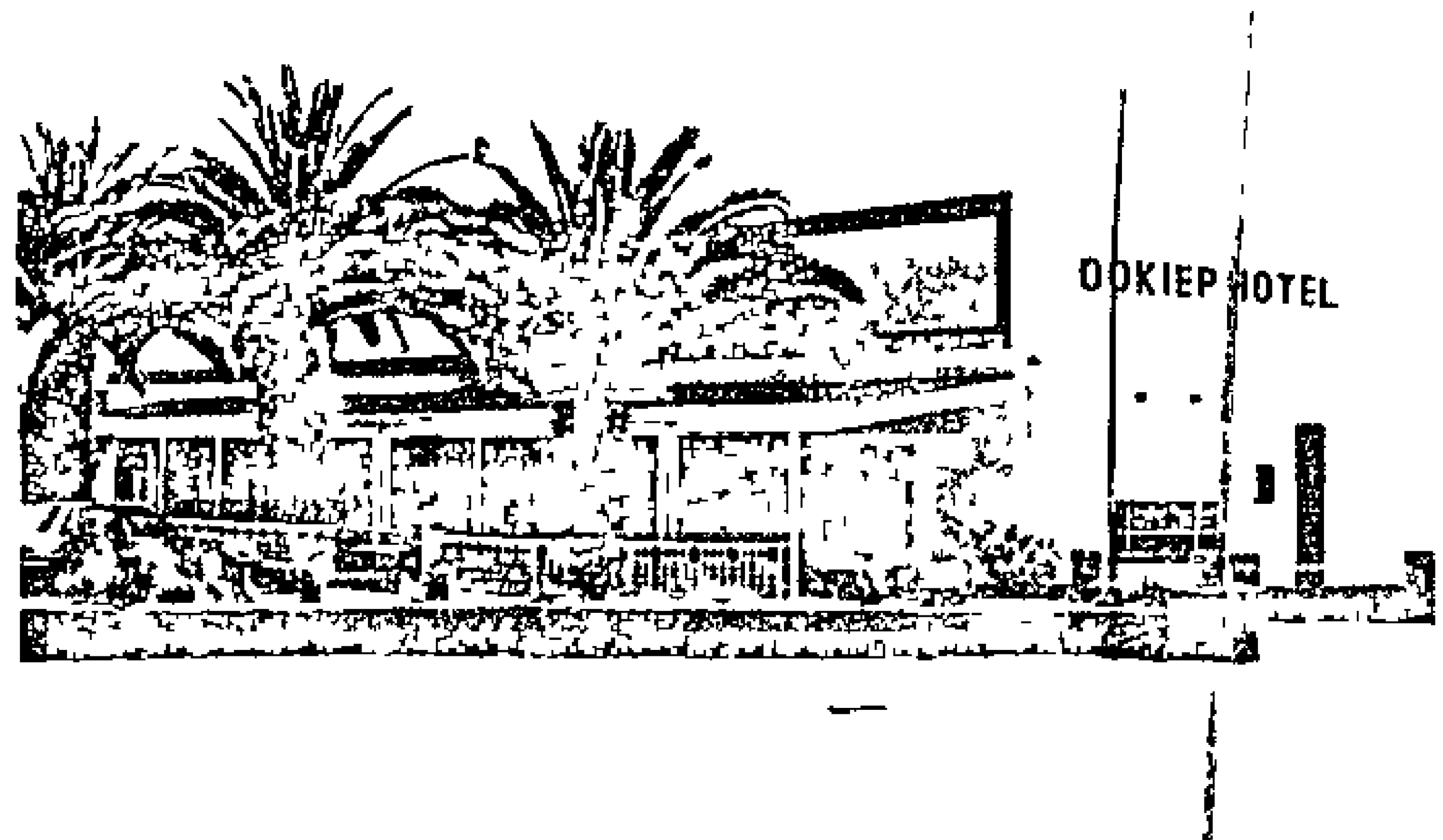
Life has been hard for the people of Okiep, he says, but it is a bit easier now

Some of his friends have been forced to move to Cape Town in search of jobs, but it is not a fate he fancies There is not enough space in the city for someone used to the openness of Namaqualand

"There are too many cars You can't walk in the streets for all the cars"

Mrs Nellie van de Westhuizen, who owns the Okiep Hotel with her husband, has lived in the area since 1944

The village had increased slightly in size during her time but this is the only change she can remember



LONG STANDING. No one can remember when the Okiep Hotel, above, was built, but it was already there when the present owners moved to the district in 1944

OLD ACQUAINTANCES Mrs Nellie van der Westhuizen — "Everyone knows everyone else here"

Key metal prices surge on fears of 'apartheid' disruption

Markets see new threat to SA platinum output

Star 2/12/88

217

8

By Neil Behrmann

LONDON — The CP's racist policies are beginning to make markets worried about supplies of South Africa's key metals

Platinum prices surged $27 to a 1988 high of $611 an ounce on fears that local council apartheid legislation would cause disruptions on the East Rand.

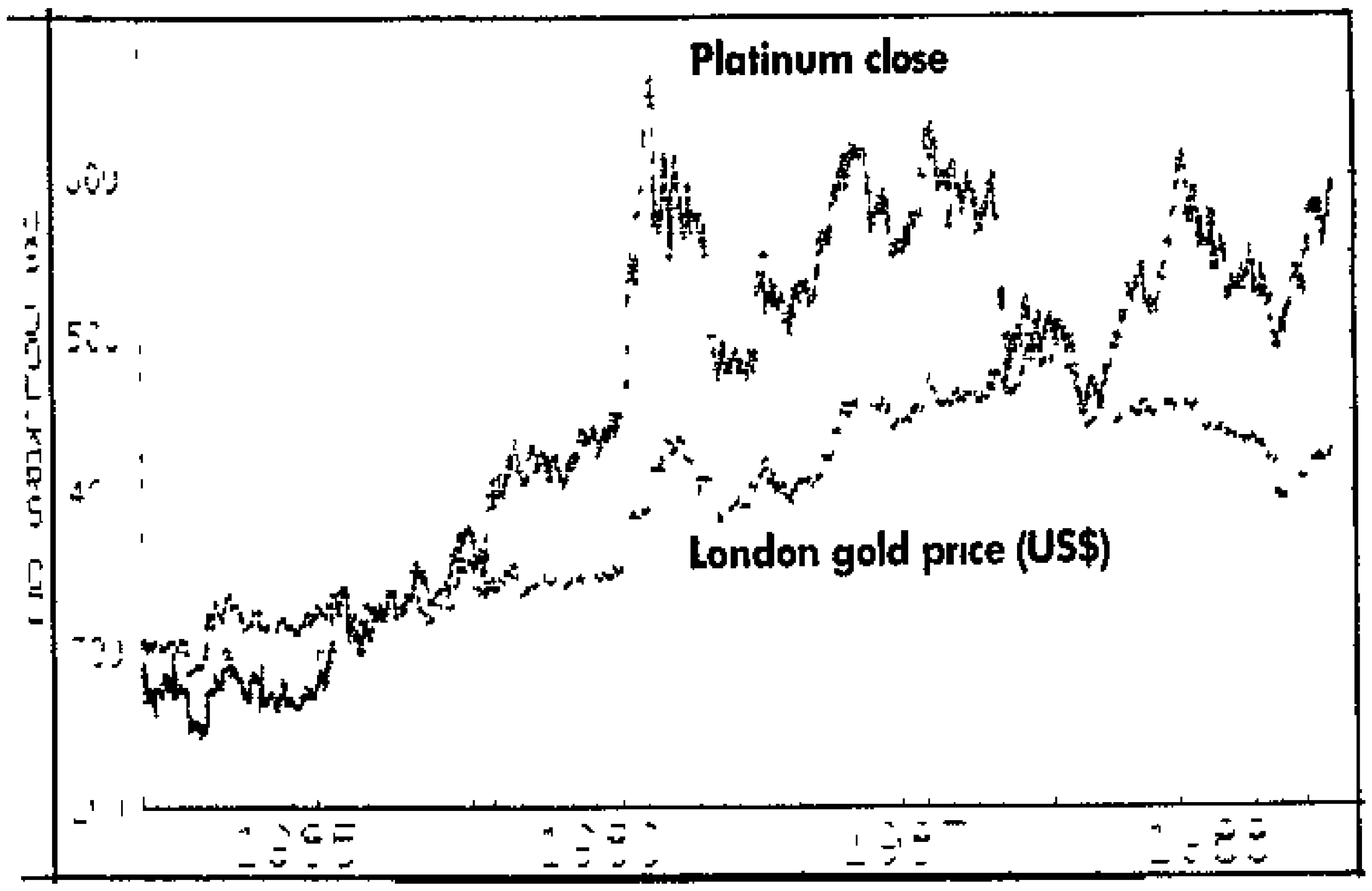
The refining plant of Impala, the second largest producer in the world is near Springs.

It was the first time since June that the platinum price has been up above the $600 level. It rose above $600 briefly on June 20 and then declined to a low of $480 on September 26

Meanwhile platinum dragged gold up to $426, sufficient to make chartists talk of "a break through a key resistance line"

Shearson Lehman's annual review of the platinum industry says that the market "will remain tight through to 1991"

But of course the onus rests on price and the whims of investors and speculators



Demand surges

A surge in investment and speculative demand has boosted futures volume on the Tokyo Commodity Exchange and the New York Mercantile Exchange to levels where total annual trade now exceeds annual Western and Soviet supplies by 36 times

If the price surges too high, a "tight" market will become a glut Investors will take profits and the price will fall sharply If one examines the volatility of the markets in the past six months for example, platinum fell by 20 percent and then jumped by 27 percent

Platinum is a thin market, only a fraction of the size of gold, so when speculative activity takes over the price is unpredictable

Shearson projects for example, that between 1989 and 1993, investors will have to absorb 2,31 million ounces of metal or 12 percent of supply at an average of 462 000 ounces a year to keep the market in balance This is an average of 462 000 ounces a year

Over the past four years, investment has amounted to around 2,05 million ounces or 513 000 ounces per annum and the heaviest activity has been concentrated in 1987 and 1988, estimates Shearson

Shearson predicts that total world supplies will rise to 4,15 million ounces in 1993 from 3,25 million ounces this year Industrial demand, including European auto-catalyst offtake will rise to 3,5 million ounces from 3,2 million ounces

Shearson predicts that South African output will rise to 3,3 million ounces in 1993 from 2,5 million ounces in 1988

Yet illustrating that statistical analysis in the platinum market invariably amounts to thumbsucking, the firm claims that Rustenburg's production will remain a constant 1,3 million ounces for the next five years and Impala's output will fall to 900 000 ounces in 1993 from 1,05 million ounces this year

Greater output

The increase in output will come from Western Platinum, Lebowa, Northam, Messina, Karee and Barplats, claims Shearson

The manner in which Johnson Matthey, Rustenburg's sales agent, is actively promoting platinum, it would hardly be surprising if the world's biggest producer raises production or announces expansion plans in the next few years Other analysts estimate that Rustenburg is already producing at least 1,4 million ounces.

Meanwhile Shearson estimates that platinum scrap supplies will grow to 292 000 ounces in 1993 from 150 000 ounces in 1988.

Platinum prices are far stronger than gold because of the surge in investment demand, mainly from Japan In another statistical disagreement with Shearson, Johnson Matthey claims that investment demand, including large and small bars and coins, is forecast at 620 000 ounces in 1988 against 155 000 ounces

The new issues of the Koala and Maple Leaf platinum coins are also having an impact They will raise investment demand for small platinum coins, medallions and bars to an estimated 360 000 ounces, this year, 67 percent higher than 1987, says Johnson Matthey

Shearson guesses that Soviet sales will fall to 267 000 ounces in 1993 from 380 000 ounces this year

Johnson Matthey on the other hand claims that Soviet supplies in the past have been erratic declining to 230 000 ounces in 1985 from 290 000 ounces in 1983 before rising to 400 000 ounces this year

In short it is best to ignore platinum statistics The market is so secretive and volatile that statistics lack credibility

If sentiment favours platinum it will surge Yet if world economies slip into a recession next year industrial demand for platinum, particularly catalysts, could slip If investors take fright, there could be a sharp fall — but the price could decline from much higher levels

Rusplats is still 'elite'

S/Times 4/12/88 (217)

Rustenburg Platinum Mines had an eventful year and retained its rating among the country's elite investment vehicles

Business Times Reporter

Just slipping from the top 10 this year Rusplats nevertheless achieved record earnings in the year to June 1988 and the shares have recovered sharply on the JSE on the back of a strong platinum price

Rusplats operates three major mines in the western lobe of the Bushveld Complex, and holds 21% of Lebowa Platinum Mines — formerly wholly owned Atok, on the eastern side of the complex

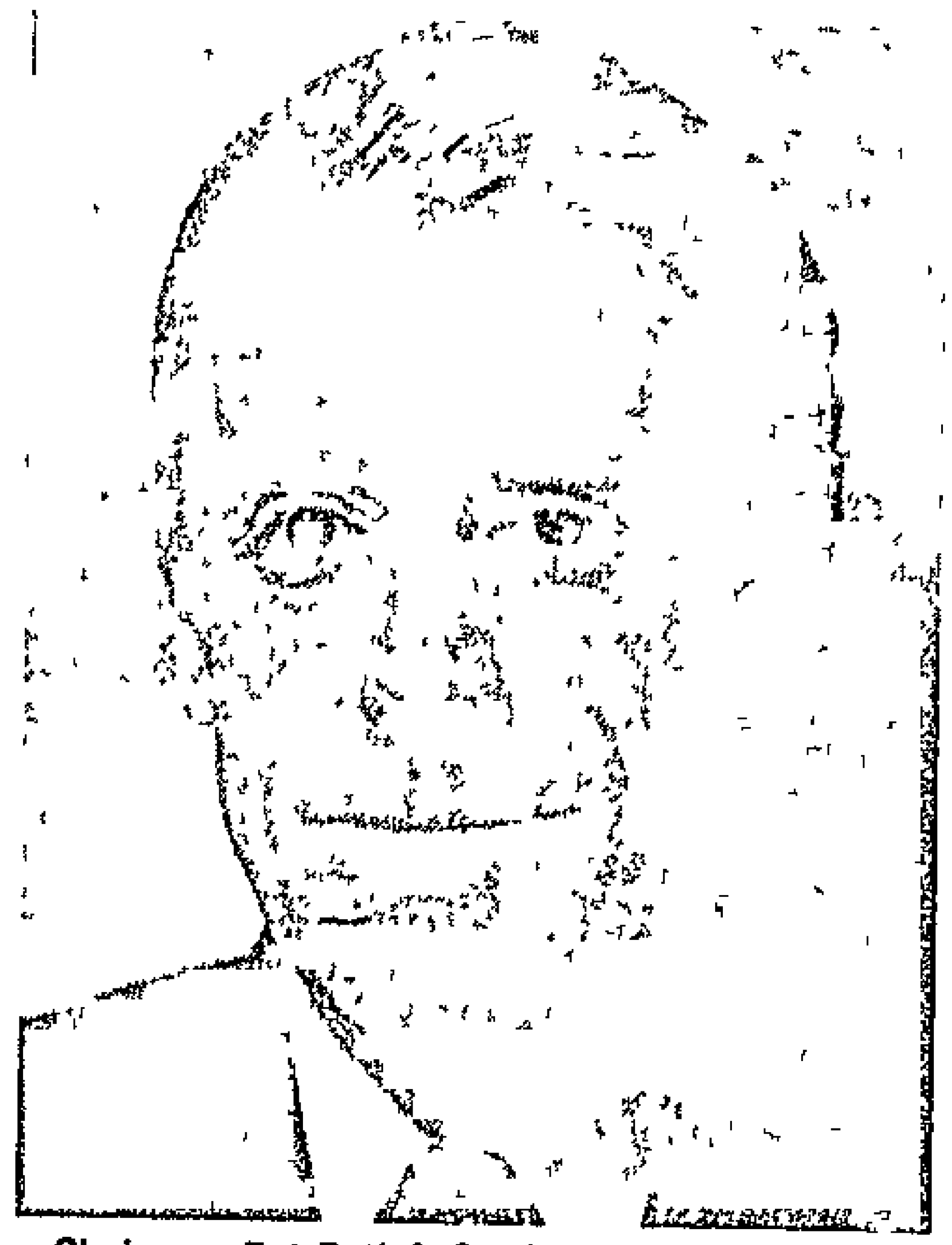
While platinum is the primary product, Rusplats produces palladium, rhodium, ruthenium, osmium, gold, silver, copper and nickel as well as cobalt sulphate, sulphuric acid and sodium sulphate

For strategic reasons Rusplats does not disclose the number of ounces of platinum it produces, but it is thought to be of the order 1,2-million a year — the world's largest producer Refining used to take place at several venues in SA and England, but Rusplats has built nearby a refinery capable of all stages of the complex process involved

Johnson Matthey plc markets the product although part is sold direct under long term purchase agreements Revenue to June 1988 exceeded R2-billion and operating profits topped R1 billion indicating the size and importance of Rusplats to SA s economy

Of that revenue, 21% went to the State and local authorities in taxes 24% was spent on raw materials and electricity to run the mines, the same went in remuneration, 6% was spent on market development and selling expenses, 11% on replacement facilities, 2 6% went towards the new refinery and increasing reserves, and 11% went to shareholders as dividend of 220c a share

Chairman Pat Retief believes Rusplats' inherent strengths will ensure that it retains its position as the preeminent force in the platinum market He refers to the R700 million held as cash, deposits and short-term investments, to its credibility in the market place, its ore reserves and its cost-cutting drive



Chairman Pat Retief Confident for the future

Impact

High platinum prices over the past few years have attracted several new competitors into the market

"This will impact on market prospects in the post-1990 period But Rusplats' cash provides it with a significant advantage over those existing and new producers who will require equity finance or even debt to complete their present developments or to fund extensions to existing operations," says Mr Retief

During 1987 world demand for platinum increased to nearly 3,4-million ounces, 465 000 ounces above the historic high of the previous year Supplies from primary sources and autocatalyst recovery were again insufficient to meet demand and for the third successive year there was a run down — estimated at 220 000 ounces by Johnson Matthey — in the stocks of platinum held by fabricators, dealers, banks and individuals

On the demand side, the jewellery and autocatalyst industries both increased their offtake, which trend has continued during the current year

Platinum has again reached the price at which it started 1988 — $550 an ounce, after dipping as low as $439 in February.

The decline in the value of the rand in dollars means that the rand price of platinum has risen But more important has been the yen price of platinum Mr Retief notes that the Japanese have taken advantage of the combination of a lower dollar price of platinum and the strong yen in the timing of their purchases

In November 1987 when the price dropped from 2 700 yen to 2 300 yen a gram, imports were close to half a million ounces In February 1988 371 000 ounces were imported into Japan following a decline to 2 000 yen a gram

Although it is believed that some of the purchases by the Japanese are required for the growth in demand for jewellery it would seem that the buying interest stems primarily from investors in the metal

To some degree this investor interest is believed to be in response to the abolition in April 1988 of the Maruyu system of tax exemption on small savings, individuals have been looking for new homes for their savings which are on average among the highest in the world

Catalyst

In America light trucks are now required to conform to air pollution standards and in Europe many countries' laws require stricter emission control

It is forecast that platinum autocatalysts will be fitted to 50% of the cars sold in West Germany All new cars in Switzerland and Austria are required to fit catalysts and the demand for clean cars elsewhere continues apace The EEC agreed to implement proposals for small-engined cars of less than 1400cc to be fitted with autocatalysts from 1992

Brazil has passed similar legislation, and South Korea requires all new cars sold from this year to have autocatalysts.

Japanese jewellery demand of 900 000 ounces in 1987 was 22% higher than the previous year s and is expected to rise to more than 1-million ounces this year

Investment demand for platinum declined in 1987 to only 48% of the level reached in 1986, but there are signs that platinum is earning its colours as a legitimate complementary holding to silver and gold

Coins

Many countries now produce platinum coins — John son Matthey launched a one ounce Platinum Dragon, the China Mint issued a limited platinum edition of its Panda coin Orders for the Australian Koala were reported to have reached 55 000 ounces within a week of its September 1988 launch Canada now makes a platinum Maple Leaf and the USSR is thought to be issuing 16 000 half-ounce coins from November

Industrial demand is the bread and butter business in which demand arises out of the servicing of the platinum required to make up losses in use and recycle

Growth should be dependent on the establishment of new capacity There was an improvement of 55 000 ounces last year, and best hopes for this year lie in the developing regions of the Far East and Pacific Basin

Rhodium has been a recent feature Firm demand saw the price rise from $1 185 to $1 250 during October in spite of Russian selling at the higher levels Palladium was also strong on the back of platinum

Rustenburg's prospects continue to look promising and the shares have moved up handsomely this year to the present 4800c level Its all time high was 6350c before the 1987 equity market crash Buyers of shares five years ago need only have shelled out 460c being the lowest price in the 1983 financial year

(217)

4/12/88

S/Times 4/12/88 (217)

Samancor looks ahead

Firm has 'positive view' on setting up stainless steel production plant

RESULTS for the first quarter of the current financial period certainly justify Samancor's inclusion in the Top 10 of this year's list.

Ranked in sixth spot, Samancor has offered shareholders a return of 42,9% over the past five years, but promises further substantial growth, and acting managing director John Muller says turnover and profits will show a "significant" increase in the current financial period

By DON ROBERTSON

In the first three months to June, attributable profits were R68,6-million, which on an annualised basis, is equivalent to about R270-million for the full year

This compares with R187,8-million in the previous year to March

However, the company has changed its financial year end to June, so the next accounting period will cover 15 months

The higher taxed figure in the first quarter, up 61% on the same period in the previous year, was achieved on a turnover which was 43% higher at R292,5-million against R203,9-million and R912,8-million in the previous full year

On this basis, annualised turnover should beat the R1-billion figure for the first time

The positive trends which were reported in the previous annual report were maintained in the first three months and all the group's facilities operated at full capacity

In addition, costs were kept below the inflation rate

Healthy

At the time, the then managing director, the late John Jacobs, said these favourable conditions would be maintained for the rest of the financial period and a strong performance could be expected

In his last annual report, chairman Steve Ellis, said that the supply and demand for manganese alloys was well balanced, while a shortage in the supply of chrome alloys was foreseen for the some time

As a result, healthy sales volumes and improved selling prices could be expected

The most exciting development the group is looking at is the possibility of establishing its own stainless steel plant — only the second in SA

Dr Muller says the company has taken a "very positive view" on the liklihood of establishing a production plant and "high level" discussions have already taken place

"Samancor is simultaneously examining the marketing implications with a view to securing outlets at an early stage, while minimising disruption in the stainless steel market."

A decision has also been made to increase production at the Tubatse ferrochrome plant by 120 000 tons in two developments

This will push up Tubatse's capacity to 300 000 tons a year and will enable the group to meet current commitments and firm requests for long term contracts

However, Mr Jacobs warned that new ferrochrome producers which have recently entered the market, tempted by shortages and substantial selling prices, might burn their fingers when the market turns down

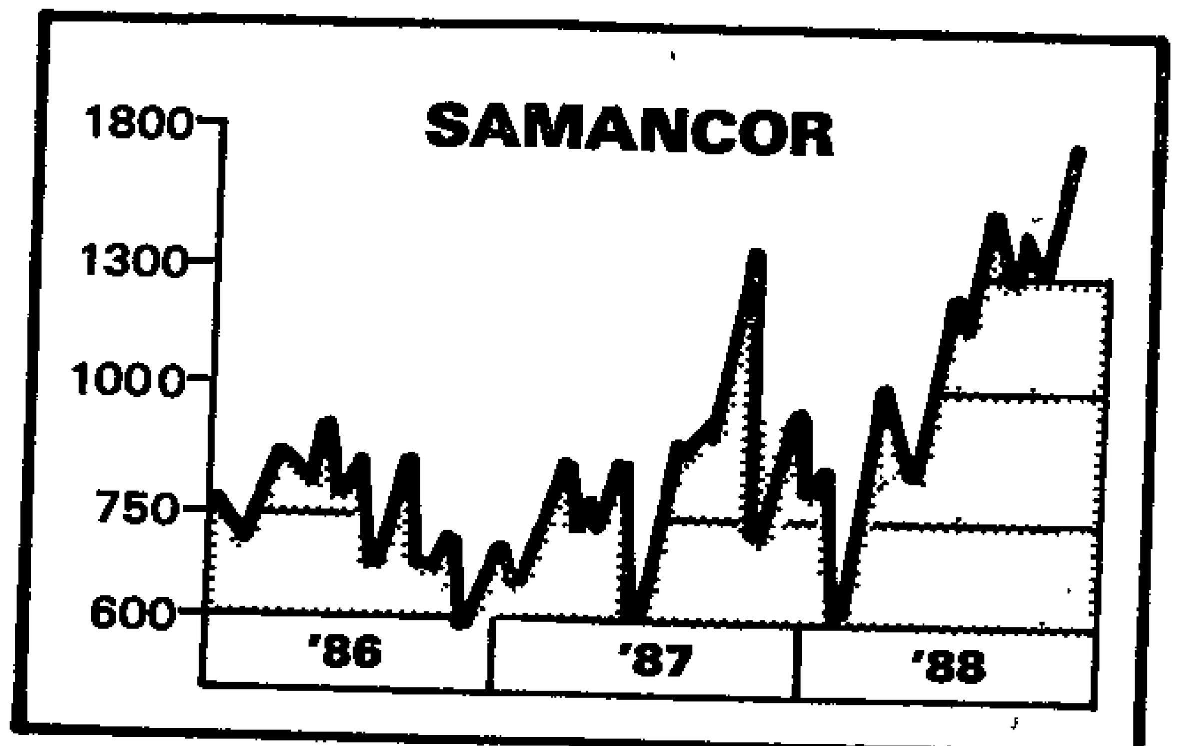
It is suggested that at least four newcomers might soon enter the market

Those planning to produce ferrochrome will have longer lead times than existing producers, which means that by the time they come onto the market, demand may have fallen off

Demand

However, the demand for ferrochrome is still at record levels The first Tubatse furnace will be commissioned in the first quarter of next year and the second towards the end of the year.

With this expansion and those planned by others, SA's total ferrochrome production



will be boosted by 200 000 tons a year this year and by a further 200 000 tons in 1990

"This should be more than sufficient to cover the anticipated growty rate in western world stainless steel production, and the related demand for ferrochrome, for at least the next six years," said Mr Jacobs

Samancor has also opened a new sintering plant at the Hotazel manganse complex in the Kalahari which will beneficiate ore from the nearby Mamatwan mine

The product will allow the company to improve its cost efficiency in ferro-alloy production

Eased

The world oversupply of manganese ore has continued for some time and exports were affected However their are indications that the position has eased and that the market might start moving up again

Silicon metal production and sales were at full capacity

The company will also continue to look at alternative technologies and added value products as well as opportunities for further diversification

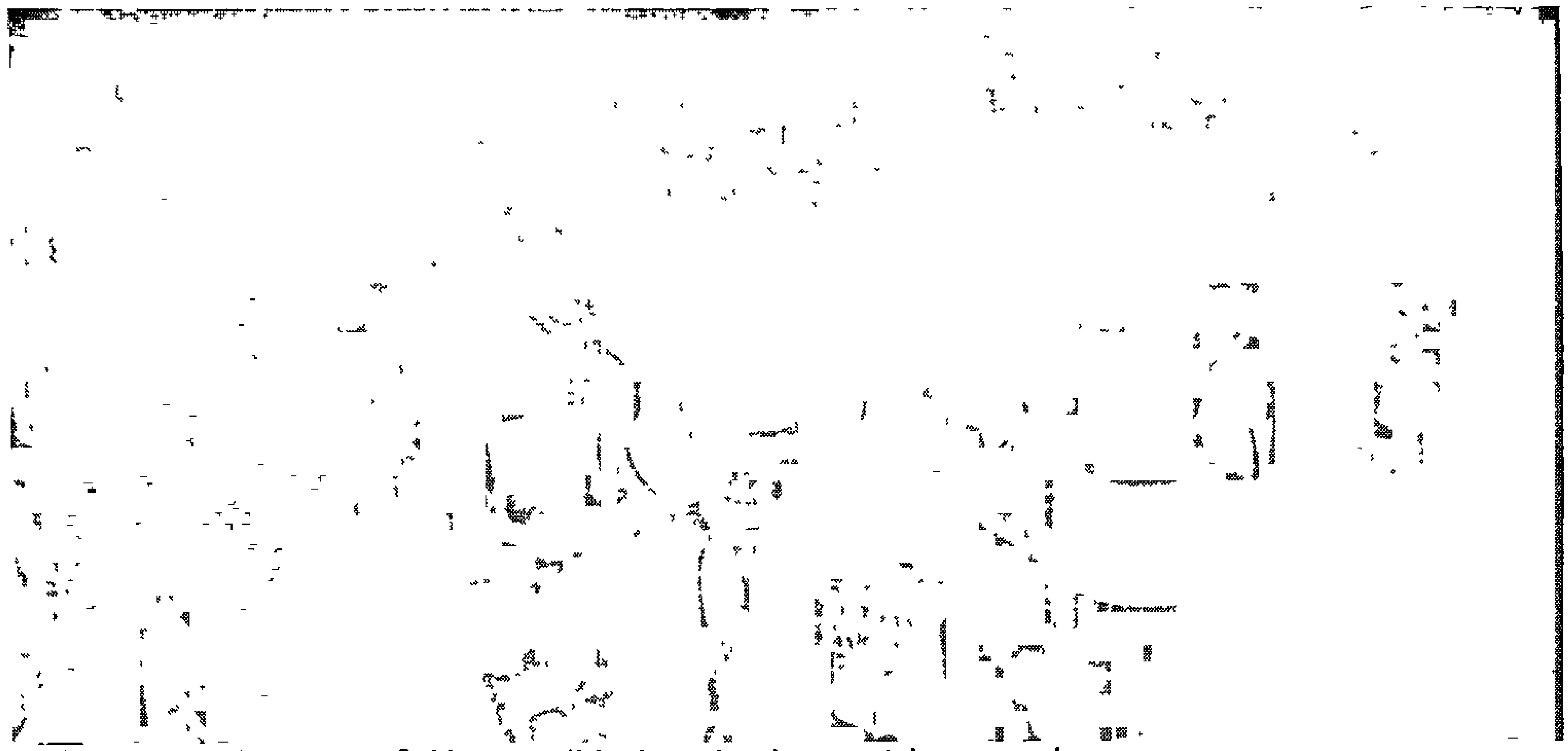
The group is also prgressing well with the development of uses for a new alloy, intermediate carbon charge chrome, but says Dr Muller, because of the shortage of ferrochrome, spare capacity for this process is not readily available

In the last annual report for the year to March, the cash position of the company took quite a turn

With long term loans falling to R27,7-million (R37,8-million), overdrafts of R45-million (R21,6-million) and cash and bank balances of R58,5-million (R141,9-million), the company ended the year with a net debt of R14,2-million

However, Dr Muller said this was a temporary situation and would soon be restored

The latest quarterly report certainly confirms this as the total debt position is R27-million The company is able to raise up to R600-million



S/Times 4/12/88

Gold may still be king, but base metals are coming up

Base no longer a four-letter word!

THE revival in base metals is one of the most-memorable features of an eventful mining year

Hardly two years ago in South Africa, base metals — copper, zinc, nickel, tin and so on — were dirty words Gold was the only thing that glistered in the eyes of investors and mining companies alike

Last year it was platinum's turn to enter the limelight, with the listing of Northam, Lefkochrysos, Barplats and Lebowa within a few months of one another

Mining exploration companies channelled all their efforts into seeking gold prospects The sad truth is that SA has probably seen the last of the really deep new mines Tax incentives to develop high-cost, high-risk ventures have been emasculated

217

Fears

It appears that no tax umbrellas will be allowed, the Margo Commission contained proposals to write off capital expenditure over three years instead of one, and the Government also saw fit to introduce minimum tax on companies — particularly poignant in mining where new gold producers often pay dividends before they have to pay tax

The proposed Dellums Bill hung over the gold market for much of the year Investors feared American shareholders would be obliged to sell large parcels of SA shares if the bill — which aimed to outlaw all investment in SA — were passed

Up to 15% of SA's gold shares are registered with American owners Such an overhang on shares was not bullish

Neither was the gold price itself After touching $500 at the end of December gold slipped below $400 in September, but seems to have comfortably breached that level now

Unless SA can locate and develop either shallow or high-grade deposits the future of gold mining — the backbone of the economy — must be in doubt Investors are reluctant to put money into projects from which the return will be under par

Rising production costs are a major cause for concern From being the world's cheapest gold producer a few years ago, SA's average cost is now the highest If the price fell by $100 an ounce, many of SA's marginal mines would become unviable

The All-Gold index hit a May low of 1 149 — less than half the peak of 2 499 reached in August last year It now stands at 1 391 — 21% off the bottom

The lowest-cost producers have been the least shunned by investors Kloof at 3 650c is up 35%, Driefontein is up 28% at 3 675c and Harties has risen 27% to 2 350c

Independents took a knock Much heralded when first listed, many of the new boys have hit a stone wall and their credibility is down Prospectus targets were not reached, overspending was rife and working costs not contained

Share prices in the new ventures have been ground away Nigel is at a low of 35c, West Wits at a low of 60c, Sub Nigel at a low of 110c, Osprey just above at 95c, Cengold is only 32c, and Modder B is at a low of 30c

On the other hand, platinums boomed After hitting lows early in the new year Impala has more than doubled to R39 and Rustenburg likewise to R47 Lebowa more than trebled — from 225c to 820c in only a few months

Future producer Barplats also rose threefold to 1 275c, and little-traded Northam increased from R16 to R21 But Lefkochrysos blotted the platinum copybook

Flyers

It was taken over by Barplats after encountering financial difficulties The price crashed from the dizzy heights of R24 at listing 15 months ago to a mere 435c before picking up to 570c on the back of Barplats In theory Lefko should trade at 38% of Barplats

Among the year's flyers were Palabora, Samancor, CMI and Hiveld Palabora is one of the world's most efficient copper producers, as well as making a variety of bi-products

Copper has boomed for the last two years, and Palabora's share price has shown blistering pace From a March low of R27 it hit a high of R44,50 in November

Samancor produces manganese and chrome ore and alloys, among others Worldwide demand for its products has never been stronger, and the share price has multiplied from R6 in February to R17 in October before easing slightly

Likewise CMI, the ferrochrome exporter which has jumped from 475c to 1 500c, and Hiveld, which exports some steel and almost all of its vanadium production Hiveld has more than doubled from 410c to 860c

Granite was rock solid The three listed counters all produced good results, reflected in their share prices Kudu went from 150c to 370c, Keeley from 350c to 760c and Marlin from 225c to 485c

Mining financials recovered, partly on the fine performances turned in by their industrial interests Anglo American, at R64, is almost back on a year's high and R20 off its February low

Gencor mirrored the trend, as did Johnnies and Anglovaal Rand Mines almost doubled to R88 when sentiment about coal brightened and its interests in platinum came in vogue Gold Fields moved for different reasons

Its major shareholder, Cons Gold, sold 10% to Rembrandt, and the market believes it wants to dispose of the other 38% Minorco made a bid for control of Cons Gold which is in the balance Speculation played a big part in the share price patterns of those three counters

Mining exploration companies were mixed The advent of three newcomers to the sector through frontdoor listings was encouraging

Barnato Exploration (Barnex) was offered to Randfontein members at 410c, hit 575c and 500c before settling at 430c Lydenburg Exploration encompasses mineral rights from Lydenburg Platinum, Randex and other sources It trades close to 150c SouthWits held a rights offer which was fully subscribed The price has weakened since listing, having sunk to 55c before rallying to 90c

Scrapped

Sugarbush was not so fortunate The Golden Dumps mining exploration company aimed to investigate a single prospect surrounding the Sugarbush fault south of the Evander gold field But it was unable to attract the imagination of investors and the minimum subscription was not reached Listing plans were scrapped

Marble Corporation suffered a similar same fate It had hoped for a JSE listing and to raise equity finance to develop a marble deposit in Namibia, but was also shunned by the market The company has since been liquidated

To end on a happy note, De Beers brought cheer to shareholders After falling to a pitiful 2 250c in February it zoomed to 4 850c on October 20 — the anniversary of the 1987 equity crash Since then De Beers has fallen, particularly in the light of a stronger financial rand which has emerged since the American election

Minorco wins a minor victory

CGT-7m US 7/12/88 (217)

From MIKE ROBERTSON

LONDON. — Minorco won a minor victory in its stalled battle for control of Consolidated Goldfields yesterday when the US Securities and Exchange Commission (SEC) filed a brief in the Court of Appeals supporting the company's contention that a lower court was correct in concluding it lacked jurisdiction over a claim by ConsGold that the £2,9bn takeover bid violated US securities laws.

Minorco's bid has lapsed, while the Monopolies and Mergers Commission investigates whether it poses a threat to world supplies of titanium and zircon, but a series of US court battles initiated by ConsGold continues

The Luxembourg-based company in which Anglo American and De Beers hold a 60% stake said in a statement that the SEC filed an Amicus Curiae brief stating that "a US court must examine whether, although it has subject-matter jurisdiction, it must abstain from exercising its jurisdiction because the extraterritorial effect of the particular remedy being sought would be unwarranted".

The Minorco statement added that the SEC said "the district court must abstain from exercising jurisdiction to grant the particular remedy sought here — a worldwide injunction against the tender offer — and it was therefore proper to dismiss the securities fraud claims".

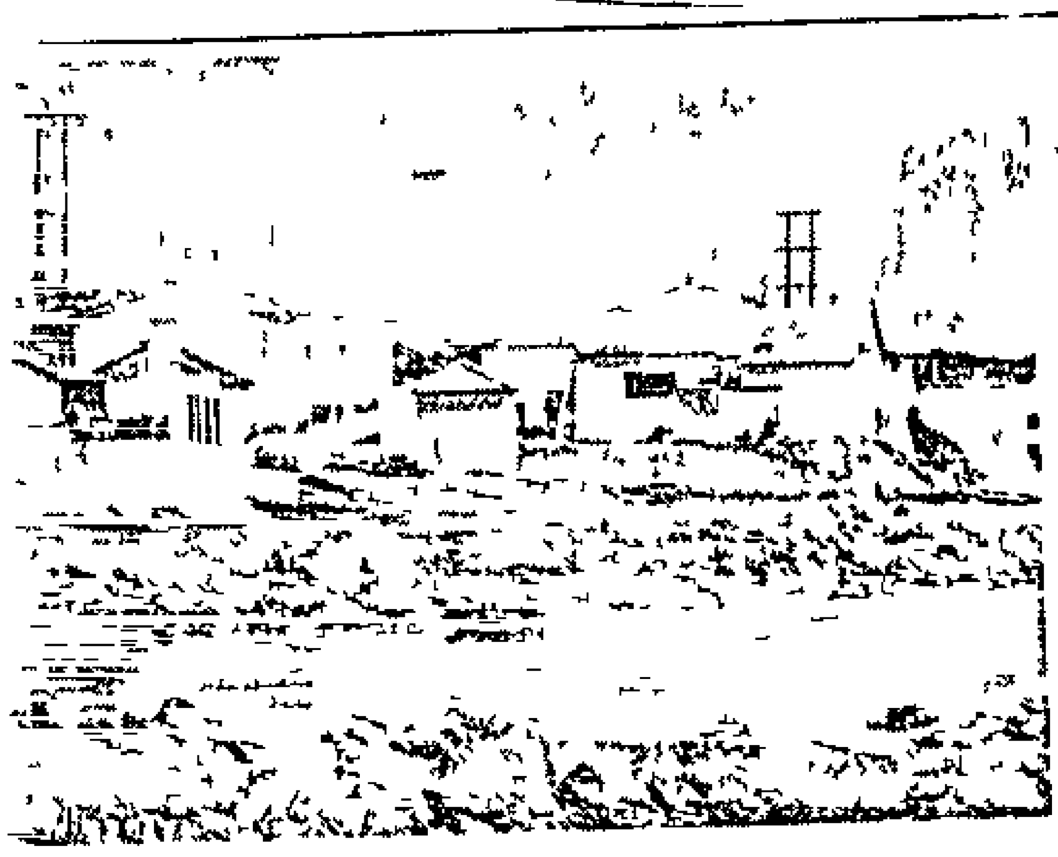
ConsGold is appealing to the Court of Appeals against the lower court judge's ruling that he lacked jurisdiction over securities claims.

Minorco is appealing against the judges issuance of a preliminary injunction against its offer for ConsGold based on anti-trust laws.

A spokesman said the company was "very gratified" by the SEC's intervention in the case.

ARGUS 8/12/88

Divers risk death for seabed stones



Pictures LEON MULLER, The Argus

WINDSWEPT: Port Nolloth, a grey, windswept village "It doesn't offer much."

By KAREN STANDER, Staff Reporter

DIAMONDS are forever, or so they say

But why do men risk death or serious injury every working day to lift these sparkling stones from the bottom of the ocean? What motivates the tough, hard-drinking diamond-divers of Port Nolloth?

"Adventure!" cried Keith Kleinsmidt, eyes flashing

During a recent visit to Port Nolloth, an Argus team found a group of diamond divers in their favourite place — the local pub — and asked them about their work and what keeps them going out every day in spite of the obvious physical danger involved

If the sea is flat, Keith and his friends Preston Arendse, Ronald Coraizin and Alvin Williams will be found at sea, where they stay for five days at a stretch without seeing their families

If conditions stay calm, the boats head out again the following day, for another five-day stint or until the wind whips up the surf and makes working impossible

Eight divers work from a 15m fibreglass boat, four diving together for shifts of two or three hours from 7am to 7pm

Working at enormous depths, the hated decompression chamber is as much part of life as the diving-suits which offer scant protection from the icy Atlantic waters

Using an air-line — which also serves as a life-line — from the compressor on the boat, the divers use vacuum pipes to suction sand, gravel — and hopefully diamonds — from the sea bed

On the boat, only one man who has a precious "digger's certificate' is allowed to handle the haul, which is put through a "classifier" machine, sorting the diamonds from the rubble

"Work dangerous"

"The work is dangerous," Keith admitted "Most of the time you don't think about it but every day you risk the bends and you could end up crippled or mentally disabled Or dead

"But on the other hand I love it With the basic salary and commission, most divers earn a minimum of R30 000 a year If you hit the jackpot you might earn R20 000 in a single day

"But, what is R100 000 or even R200 000 if you are crippled? That's the risk you take every day

"The money is not as much as it sounds when you think that there's no pension scheme, no insurance and you have to provide your own equipment, including the diving suits which are very expensive and last only about a year

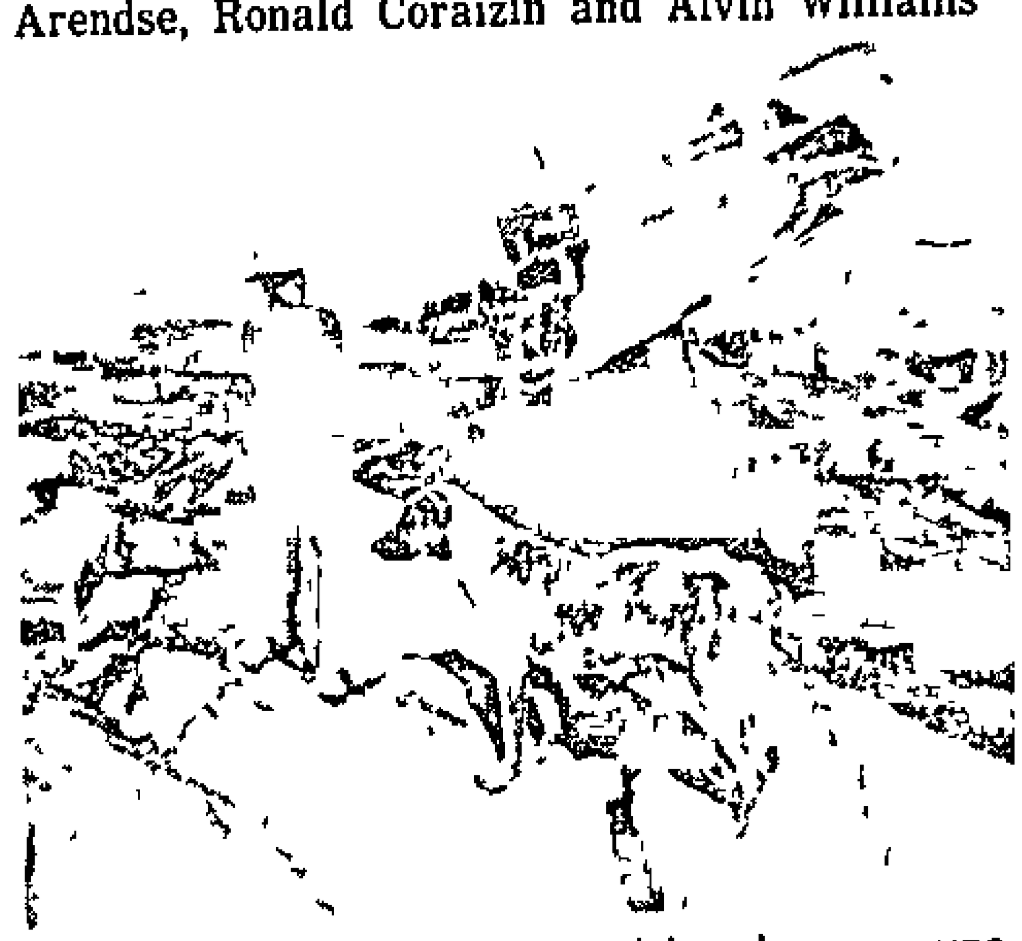
"Like me, many youngsters come here seeking adventure, easy money Everyone has to sign a 12-month contract, but some don't last even two weeks Some stay a few years and then leave to do something else, somewhere else

"Port Nolloth doesn't offer very much but to me diving is a career I'm not qualified to do anything else and I couldn't possibly earn as much if I had to go back to Cape Town What would I do?

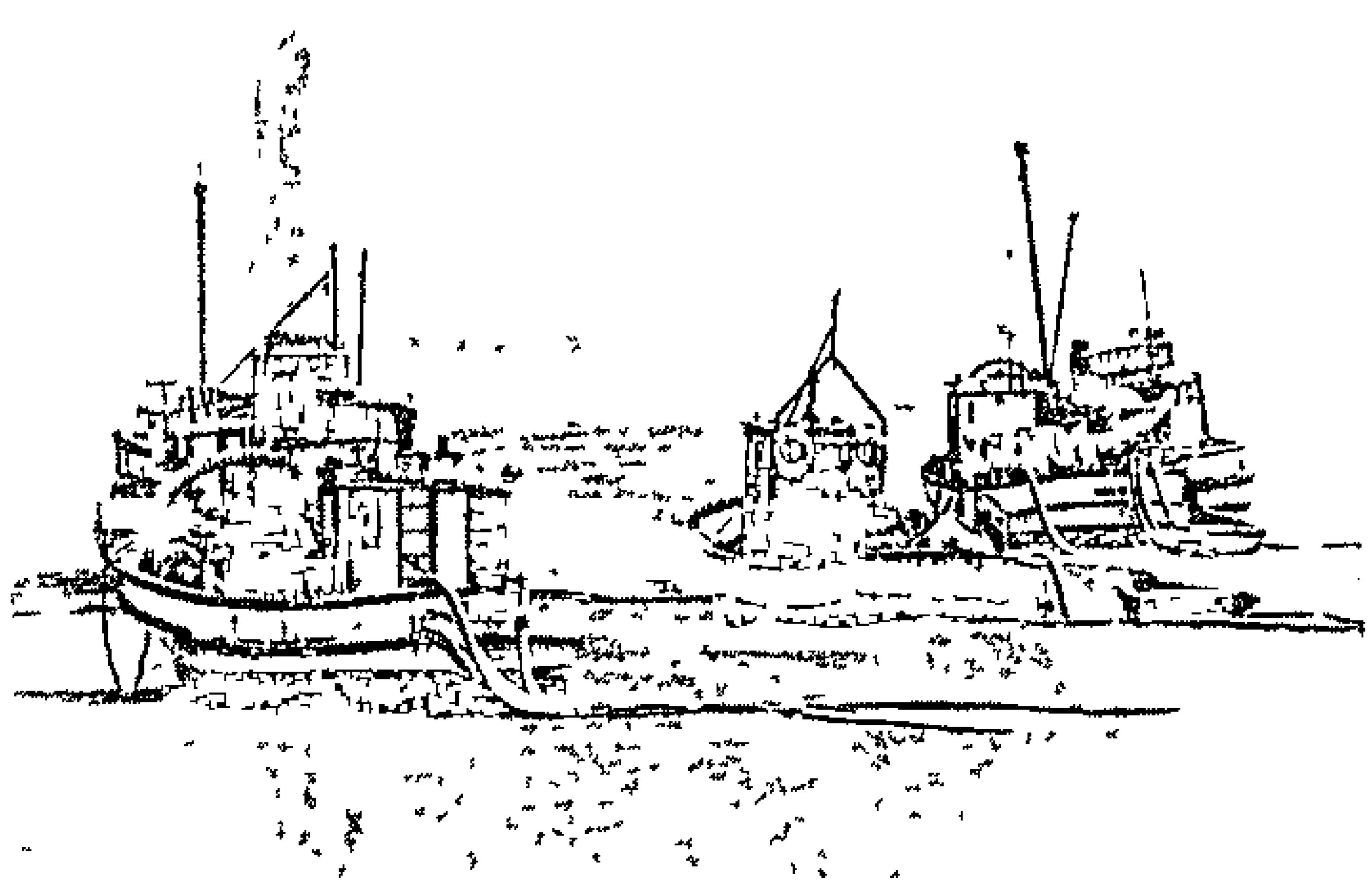
"I don't think the claims will ever be worked out, but the day might come when it becomes just too expensive to make it worth the while for the companies Then they will have to close

"A few divers have managed to buy their own boats and are sub-contracted, but not everyone can do that

"Sometimes I look at what I am doing and it seems absurd to me — moving a rock weighing several tons to take out a tiny, minute, little stone That's ridiculous"



WRECKED: A fisherman and his dog examine the remains of a fishing boat which was wrecked on the rocks near the harbour



FAMILY PORTRAIT: Diamond-diver Keith Kleinsmidt and his family, Lorica, 7, Lorraine and Abegail, 4

□□□

HEADING TO SEA: Diamond boats trailing vacuum pipes head out to sea from the harbour

Dicey for gold, but firm for platinum

S Times 11/12/88 (217)

GOLD and platinum started the week on a firm note, but lack of follow-through was evident and both finished weakly.

Platinum rose to $615 an oz and gold to $430 Platinum was at its highest for six months, and gold hit a three-month peak Platinum's premium over gold was bigger than at any time since 1981

Billions

The initial firmer trend was prompted by evidence of faster-than-expected growth in the US economy and resultant fears of inflation It was underlined by consolidation in oil prices and a growing belief that a slump to less than $10 a barrel can be averted

President Gorbachev's offer of troop and tank reductions also affected the market The immediate response was that if the US moved to match the Soviet leader's offer, defence spending could be cut, paring billions of dollars off the Budget deficit and allowing scope for lower interest rates than would otherwise have been the case

By Richard Rolfe in London

Without further evidence of increasing US inflation, gold remains vulnerable Output is still rising, and there are doubts about demand in 1989

The large quantity of gold acquired by the Taiwan authorities appears to have been one off buying, indicating that a large new source of offtake will be required to take up the slack next year

Uncoupling

Analysts expect industrial and jewellery demand for gold to slacken in line with probable lower world economic growth in 1989

Reg Eccles at Ord Minnett forecasts a 5% rise in gold supplies to 2 070 tons next year, industrial demand slipping by 6% to 1 510 tons and leaving 560 tons to be taken up by investors — they tok 375 tons this year

Ord Minnett predicts an average gold price of $400 in 1989 against $435 this year In 1990 it foresees an average of $375

There is some evidence that platinum is uncoupling from gold, but it remains inconclusive This week's premium for platinum of $180 over gold indicated, however, that the courses of the two metals might be set to diverge

Although gold supplies are abundant and are exerting downward pressure on the price, platinum supply remains tight

"It is set to stay that way for at least the next two years," says Shearson Lehman's Rhona O'Connell in the firm's annual review of the platinum market, published this week

Modest

Although most of the world's gold producers are lifting output rapidly, platinum is set for only a modest increase

In addition, gold's stocks, both in central bank vaults and in the hands of individual and institutional investors, are huge Platinum stocks are tiny

Researchers at Johnson Matthey, the UK firm which acts as Rustenburg's exclusive agent, report extensive destocking from platinum hoards to meet this year's high demand

They believe that only 1-million to 1,5 million oz may be left in stocks, equivalent to no more than a few months' demand

Apart from record demand once again from Japan, which is accounting for about three-quarters of this year's supply of platinum, coin launches from Canada and Australia are helping to keep the market tight

Shearson Lehman says "It is increasingly being argued that platinum and gold are utterly different markets and that the traditional relationship between the two is undermined by their independent patterns of supply and industrial demand

"There is much merit in this point of view, but the two markets have at least one factor in common

"The responsibility for their continued health over the next five years rests squarely on the shoulders of the investor"

R15m retirement village

SOUTH Africa's biggest retirement village developer, The Board of Executors, this week launches its 10th scheme, bringing the value of the group's investment in the field to R100-million

"The Board has 150 years of experience in retirement and estate planning and it is only natural that we should extend our expertise into the retirement residential market," says properties managing director Carl Scheppening

The project is a R15 million retirement village on Knysna Lagoon and will be known as Belvidere Park

It will provide 80 one- to three-bedroom houses next to the Belvidere Estate township, which was sold out within seven weeks of its launch

The construction company is Basil Read group's Cape-based Clifford Harris, which is a partner in the project

Mr Scheppening says the Board has six more schemes on the drawing board and they will be developed in the next two years They will put another 400 retirement homes on the market

New Consgold inquiry

Star 17/12/88

217

Consolidated Gold Fields has asked the UK Monopolies and Merger Commission and the EC to investigate Anglo-American's possible monopoly on the world supply of platinum, if Minorco's bid for Consgold succeeds The MMC is already investigating the effects on titanium and zircon of the possible merger.

Consgold alleges that through its control of Rustenburg and through close co-operation with Gencor and the USSR, Anglo controls 54 percent of the West's production and 52 percent of platinum refining capacity Consgold expressed fears that if Minorco's bid succeeded it would gain control of Consgold's Northam platinum mine and deny access to independent refiner Heraeus

S/Times 18/12/88 (217)

Ford fuming answer?

UNCERTAINTY surrounds the claim by Ford of America that it has developed new platinum-free exhaust purifiers

Questions have been asked whether the new purifier will meet existing emission control requirements and the likelihood that standards will be tightened even further in future.

But the announcement by Ford chairman Donald Peterson had a significant impact on precious metal markets and the London Stock Exchange.

By DON ROBERTSON

The platinum price, which has soared in recent months, tumbled $100 to $500, but later recovered to $550

Shares such as Rustenburg Platinum and platinum refiner Johnson Matthey also dipped on the news

US legislation requires that all cars be fitted with exhaust purifiers or catalysts to reduce pollution

The EEC has introduced similar legislation in Germany and Austria and certain Scandinavian countries now fit emission control devices on to their cars

Other European countries will follow suit in years to come

Since exhaust purifiers were first developed about 20 years ago, platinum/rhodium three-way catalysts have proved the most effective materials capable of meeting emission standards

About one twentieth of an ounce of platinum is used in each catalyst and a large quantity of SA's platinum production is used for this purpose

The platinum catalyst, however, is effective only with lead-free petrol

Mr Pat Retief, chairman of Rusplat, the world's largest producer, said the bland statement by Ford raised more questions that it answered

Substitute

Many attempts over the years to develop a substitute for platinum have failed and it is likely that the new material is palladium/rhodium-based, said Mr Retief

If this was so, the purifiers would be unsuitable for Europe because, even with minute quantities of lead in petrol, the catalysts would be "poisoned"

Another factor, said Mr Retief, was that palladium and rhodium were platinum group metals (PGM) and produced only as a "by product" of platinum.

Should the demand for platinum decline as a result of this development, platinum production would be curtailed, but so would output of palladium and rhodium

SA platinum scare

ARGUS 16/12/88 (217)

Breakthrough on motor exhaust systems could slash world demand

By TOM HOOD
Business Editor

A MAJOR breakthrough by the Ford motor company which could eliminate the use of platinum in exhaust systems poses a threat to South Africa's platinum mines.

Platinum prices plummeted by as much as $83 an ounce to $510 after a barrage of selling in New York last night on fears that the world car industry demand for platinum could plunge Prices recovered later to $535

South Africa is the world's largest producer of platinum, and motor industry demand for platinum has brought good times to the country's mines for almost a decade

However, most platinum is sold at fixed prices on long-term contracts with only a small proportion sold on the spot market

But if the substitute proves successful after pilot trials with 45 000 cars in the United States, the mines will face a serious drop in demand.

Platinum prices surged to a peak of $621 an ounce in the past few weeks from a low of $480 in late September

Platinum trade is only a fraction of gold and historically the metal has been far more volatile than gold

In London, holders who bought platinum at high prices tried to offload metal to reluctant buyers

Gold down

"The market is taking a serious view of Ford's announcement," London dealers said

As precious metal prices normally move in the same direction, gold was immediately hit and los up to $8,60 an... gets ...

The trend continued today, with the price at R412,85 an ounce on the Hong Kong market, down $10 from yesterday

A $10 drop in gold price means a significant loss of income for South Africa's gold mines

Rustenburg Platinum Mines, the world's largest producer, said it was trying to establish if there was "anything of substance" in the new Ford exhaust catalyst

Ford Motor Company chairman Donald Petersen said his company had developed an inexpensive catalytic converter that was as effective as platinum-based catalysts

Demand

The new invention would meet exhaust emissions standards, he said

Converters are placed in car to reduce noxious exhaust fumes However, Ford did not disclose details of the new technology

Demand for platinum by carmakers soared to 1,13-million ounces this year from 961 000 ounces in 1985 This represents 35 percent of total demand

But demand will drop dramatically if the Ford catalyst works

● See page 13.

Ford develops new exhaust catalyst

Platinum price drops $45

Cpt Tms
16/12/88
217 182

LONDON — The price of platinum fell nearly $45 an ounce yesterday after Ford Motor Co of the US said it had developed a catalyst as effective as platinum and cheaper in the control of exhaust emissions.

Platinum prices have strengthened because of expectations of its increasing use in controlling exhaust emissions

"The Ford news had the longs running for cover," one London dealer said referring to players who had amassed, or built up long positions, in platinum

Platinum was fixed at $579,50 an ounce, down sharply from its morning settlement price of $599,75. It then fell further to close at $555, its lowest since the start of November.

A precious metals analyst at Shearson Lehman Hutton, Neil Buxton, said: "The market is still digesting the news and its implications . but the news is not good for platinum."

Platinum use in exhaust fumes control currently takes up some 30% of all industrial demand, industry analysts said

Gold was also at its lowest since the start of November, closing at $415,70/$416,20 an ounce, compared with its $420/$420,50 finish yesterday

Silver closed at $6,10/$6,12 an ounce, a two-week low and compared with Wednesday's finish of $6,16/$6,18.

Silver has been depressed recently by fundamental oversupply, dealers said

● In Zurich, platinum ended sharply lower in lively trading after Ford annoucned the platinum-free catalytic breakthrough

Platinum dragged other metals lower, dealers said

Platinum plunged to $565/$571 from $591,50/$593,50 at the previous close.

Gold slid to $415,25/$416,25 from $419,90/$420,40, while silver shed $0,5 to $6,11/$13.

Good physical demand for gold between $416 and $418 and short-covering helped gold close above its low at $414,50.

"Unless we can hold on to $415, we are set to test support at $412 or even head down to $400," one senior trader for a major Swiss bank said

● In New York, gold dropped sharply to close at $412,50/$413 against Wednesday's close of $421,25 — Reuter

Car device set to hit platinum

417-AfrEas 17/12/88

217

By TOM HOOD
Business Editor

SOUTH AFRICA stands to lose hundreds of millions of rands in export earnings by the discovery of a substitute for platinum in car exhaust anti-pollution systems

About R1,5-billion of platinum a year is used worldwide in car converters, the bulk of it coming from mines in the Transvaal

Ford chairman Donald Petersen told the Pittsburgh High Technology Council this week that his company had developed an inexpensive catalytic converter that was as effective as platinum-based catalysts

If the cheaper alternative proves successful in tests with 35 000 Ford cars next year and its use spreads, platinum producers will face a serious drop in demand

The automobile industry took 35 percent of world production last year — even ahead of the jewellery's industry's 30 percent

The automotive use of platinum was expected to jump in 1989 as the European Community began a phasing in of catalytic converters

If the industry continued to use the catalysts, European demand was expected to double to 499 000 ounces.

Rustenburg Platinum Mines is trying to determine if there is "anything of substance" in the new Ford autocatalyst, said Barry Davison, managing director of the world's biggest platinum producer

Rusplat received R2,3-billion from sales in the year to August 31 and paid almost R600-million in taxes

Price plummets $60

OM-Tmp 17/12/88 317

Sliding platinum dulls gold

By BRUCE WILLAN

GOLD slid to $411,95 in London yesterday but recovered slightly to close at $413,50 in New York as platinum prices plummeted further.

Platinum prices dropped $60 yesterday following Thursday's announcement by the Ford Motor Co that it had developed a platinum-free catalytic converter for car exhausts.

The rare metal fell $21 on Thursday, and yesterday's slump dragged gold down with it to a morning low of $409,25 in London.

Boost for palladium

Platinum futures quickly reached the $25 downside limit shortly after the New York opening, reflecting the more than $80 drop in spot prices from Thursday's high of around $601 and the nervous sentiment surrounding the future of the metal.

Ford gave no indication as to what the platinum substitute was but speculation has it that it could be palladium, another rare metal, which went against the market trend and gained in value.

Palladium rose by more than $7 at the start of trade yesterday opening at $138 then easing slightly to close the day in London at $135,50.

Platinum was expected to yield bumper returns for investors over the next few years with demand increasing daily and little sight of additional sources coming on stream within the next three years.

Now, the Ford announcement has cast a dubious spell over the future of the metal and its producers

Autocatalysts account for roughly 36% of all platinum production and this figure was expected to rise by 15% per year as western laws change to reflect increasing concern to protect the environment from pollutants.

Johnson Matthey, which refines some 40% of the world's platinum, estimates demand for platinum to rise by 10% this year to 3,65m ounces.

But with the need for platinum removed for the production of autocatalysts it appears that platinum producers are in for a tough time.

SA could be hard hit if a new substance replaces platinum in the production of autocatalysts.

The three largest platinum mines in the world are located in Southern Africa and earn a great deal in foreign exchange for SA.

World supply for this year is estimated at 3,17m ounces, and the major portion of this is mined in SA with the Soviet Union, Canada and Australia making up the balance.

Less than a week ago analysts world-wide were predicting a glittering future for the rare metal but now those same analysts are saying there will be a further shakeout in the platinum market which could see the price as low as $500 before the price settles.

Hectic trading

During hectic trading yesterday, Swiss players in the market were seen to dump the metal as one of its major industrial uses was about to be wiped out.

Several analysts said that in spite of the plunge in the price of platinum it was well known that motor car manufacturers were studying various options to produce cheaper catalytic converters and that palladium was one of the options.

Cape Times 17/12/81

217

Gold fall follows platinum

GOLD slid $4 to $411,95 in London yesterday in the wake of the sharp fall in platinum prices around the world.

The closing figure represented a recovery on the morning low of $409,25.

In New York the gold price recovered slightly to close at $413,50.

The fall in platinum prices yesterday followed the announcement by the Ford Motor Company on Thursday that it had developed a platinum-free catalytic converter for car exhausts.

In less than 24 hours the price of platinum fell by $60, over and above the fall of $21 on Thursday, dragging gold down with it.

● Sliding platinum dulls gold — Page 15

Deficit in zinc market continues

S[?] 19/12/88

217

By Sven Forssman

The zinc market is expected to record its seventh successive supply deficit this year

From a projected surplus of 98 000 tons at the beginning of the year, the market now looks set to register a 50 000-ton deficit

A special report on base metals by London commodity brokers Rudolf Wolff says this is as a result of continued supply disruptions, against a background of a sustained increase in consumption, notably in the galvanising sector, coupled with dwindling producer and London Metal Exchange stocks

Western World refined production should increase from 5,1 million to about 5,2 million tons next year, largely as a result of minor increase in output in places like Onsan in South Korea

The substantial losses of refined material recorded this year should be made up next year

The shortage of concentrates that has also been apparent should ease mainly as a result of a recovery in Peruvian production and as expansions more than offset closures elsewhere

Demand for lead, says the report, has proved surprisingly resilient, with growth this year already in excess of 2,5 percent, compared with about one percent in 1987

This is largely the result of high levels of consumption within the battery industry and to a lesser extent the construction sector

Although the longer term outlook is not necessarily positive, sustained growth with good buying interest is expected in the short term

Ford news hits platinum price

Platinum shock set to shake JSE

217

B/day 19/12/88

MERVYN HARRIS and CHRISTOPHER TUCHER

PLATINUM shares are expected to come under pressure, when the JSE opens today, on news that the Ford Motor Company has developed a platinum-free exhaust emission catalyst

The free market price of platinum tumbled from $579 to $522 in London on Friday as Ford chairman Donald Peterson's announcement sent shockwaves through world markets In New York the metal was trading at $526, after soaring to above $615 earlier this month

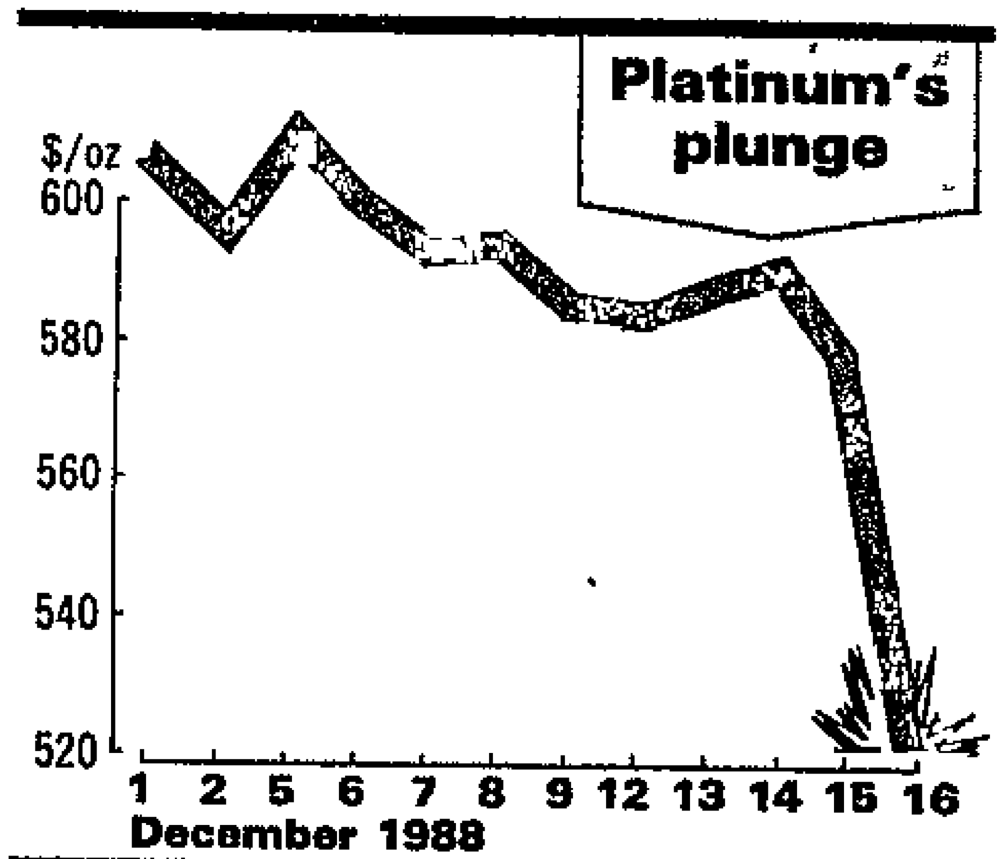
Gold also reacted negatively to the Ford announcement in what dealers described as a "knee jerk" reaction to platinum's fall In London, gold closed at $413,50, after trading around $420 for most of last week

But local analysts have advised shareholders not to panic until there is further clarification about the new catalyst

Petersen told a small group of hi-tech company representatives that Ford would introduce a converter that would "entirely eliminate the need for platinum as a catalytic agent".

The new converter, which Ford says will be significantly less expensive than conventional, platinum-based ones, would be introduced on 50 000 1989-model Ford Thunderbirds and Mercury Cougars

Ford spokesman Bill Peacock told Business Day from the US the new converter was a patented process that would give Ford a "competitive advantage" He declined to specify the formulation or confirm speculation that it was a two-way, as opposed to the conventional three-way, design



Graphic FIONA KRISCH Source REUTERS

He said the announcement bore no relation to research on a lean-burn engine that would eliminate altogether the need for a converter.

Rustenburg Platinum chairman Pat Retief called it "irresponsible" of Ford to make an announcement of such drastic implication without elaborating on

● To Page 2

of 1988 in Monte Carlo on Friday after a pair of international

Ford catalyst news expected to rock JSE

● From Page 1

the new process

He dispelled the notion that Ford had found a "magic formula" to displace platinum.

"There is no question that the new catalytic agent is a combination of PGM's (platinum group metals)," he said If not platinum, then the new material was probably based on palladium/-rhodium, both platinum by-products

Such a combination would carry numerous potential problems, he said

It would not withstand the minutest quantity of lead which even lead-free petrol still contained Nor would it meet the US's ever-tightening restrictions on nitrogen-oxide and hydrocarbon emissions, or the lengthened warranties placed on catalytic converters.

Local analysts reacted with caution to Ford's announcement

They said platinum shares should have only a limited downside potential. Furthermore, there could be spin-off benefits for SA mines as the new process was believed to be palladium based

Palladium is a platinum group metal and usually produced only as a by-product of platinum and nickel mining

While Russia is the world's largest producer of palladium, the metal provides the third biggest revenue for Rustenburg Platinum after platinum and nickel

Some traders said the demand for platinum would not dissipate quickly and that it could be two to three years before platinum demand came under pressure

Johnson Mathey, which refines and markets precious metals, estimates 1988 platinum production at about 3,2-million ounces About 40% is used for catalytic converters in motor vehicles andabout 30% is made into jewellery

COMMODITIES

NEWS 20/12/88 (717)

Platinum scare 'storm in a teacup'

From DEREK TOMMEY

JOHANNESBURG. — Platinum companies are annoyed with the Ford Motor Company and what is seen by some as the irresponsible way it announced last Thursday that it had developed an inexpensive autocatalyst that did not use platinum

The feeling in the industry is that Ford made the development appear much more important than it actually is and, as a result, caused the platinum and share market to over-react

Analysts said last night that the affair was a storm in a teacup and that within a few weeks most people would probably have forgetten the Ford announcement

In making it, Ford chairman, Mr Donald Petersen, said the autocatalyst was as effective as platinum-based catalysts and would meet exhaust emission standards.

A mining official said Mr Petersen was obviously not aware of the implications of what he was saying

According to market sources, which have their own way of finding things out, this could be true.

Platinum immediately dropped $80 to $510 an ounce before recovering to $520.

When the Johannesburg Stock Exchange opened for business yesterday after a three-day break, platinum shares received a hammering and several shed more than 16 percent

However, all platinum shares closed above their lows

But several industry analysts have considerable doubt about whether the new autocatalyst will be efficient as Mr Petersen has implied

Johnson Matthey, which has been working with Ford in the development of the catalyst, was apparently as surprised as anyone by the announcement

It hurriedly issued its own statement, saying that the new catalyst would take some time to develop and that it would not have a significant impact on platinum sales

Johnson Matthey officials said their latest platinum market survey, in which they reported a shortage of 400 000 to 500 000 ounces, was prepared in the full knowledge of development of the Ford catalyst.

In the light of the Johnson Matthey survey, analysts have been pointing out that the continued high and growing demand for platinum at a time when supplies are increasing only slightly could lead to a major increase in price

From available evidence Ford's catalyst will continue to use the platinum group metals — platinum, palladium and rhodium.

Metallurgists say if the new catalyst is going to be cheaper than the existing one, it means that it will have to use more of the cheaper palladium.

But catalysts using palladium are poisoned by the presence of any lead in petrol and, because of this, there has been a move away from using palladium

While the industry does not rule out the possibility that Ford may have found a way to reduce palladium's susceptibility to lead poisoning, it is felt that such development has some way to go before being proven

Industry sources point out that palladium is a by-product of platinum mining and that its supply would be limited to the amount of platinum being mined

If platinum production were to decline, so would palladium production and the benefits of its lower price would be lost

Platinum producers optimistic

Opt Times 30/12/88 217

JOHANNESBURG. — Local platinum share prices slipped on the JSE yesterday, but SA's major platinum producers reacted with scepticism to Ford Motor Co's announcement that it has developed a cheaper non-platinum catalytic converter for exhausts.

Pat Retief, chairman of the world's major producer Rustenburg Platinum Holdings and Mike Wortley, acting CE of Impala Platinum Holdings, said they thought Ford's new catalytic agent would be made from platinum group metals such as palladium and rhodium, which are also produced by SA mining houses as a by-product of platinum

This meant the effects on platinum producers of any eventual easing in demand from the Ford process would be offset by greater interest in the other metals, Wortley said

According to Rustenburg's annual report, world demand for platinum, before accounting for recovery from autocatalysts, totalled about 3,4m ounces Demand from the motor industry made up an estimated 1,14m ounces

A major fall in demand from the motor industry could significantly undermine prices.

Yesterday, the first day of trading since the statement, Impala shares dropped to R32 each from R38 at Thursday's close Rustenburg reached a low of R42, rising later in the day to R43 following the previous R49,75 finish

Both prices steadied by midday, well above the lows of R18,50 for Impala and R2,50 for Rustenberg reached early this year following the October 1987 worldwide stock market crash.

Share prices of mining firms generally felt the impact, after gold bullion prices came under pressure last week from the sell-off in platinum

Johannesburg Consolidated Investment Co which has a 32,6% interest in Rustenburg, was R575 around midday, Johannesburg, R55 do from the previous cl—

Research at 'pilot project' stage

Plunge in platinum: new facts emerge

217

Star 20/12/88

By Ramsay Milne, The Star Bureau

New York

The Ford Motor Company today toned down its initial claims in the face of sharp world reaction to its announcement that it had developed a process that would eliminate platinum from the exhaust systems of cars

The weekend announcement that Ford's research engineers had perfected an alternative system to the present catalytic converters used in all American-built cars — and those in most other countries — led to a rapid fall in the platinum price on world markets and to a plunge in platinum shares, particularly on the Johannesburg Stock Exchange

South African exports of the rare metal were considered likely to be most hard hit by the development

But today a spokesman for Ford said the reaction was "exaggerated if not overblown'

'The fact is that we have achieved a laboratory success in developing a system that will ultimately, we think, supersede the present exhaust catalysts which are dependent on platinum

'But it is at this stage purely a pilot project on just under 50 000 units in California and we will be examining the results

"There is no question of Ford or anyone else introducing the system in current car models So far as we are concerned platinum remains king, if only because every federal and state anti pollution laws mandates the use of the present catalytic systems in all cars in the United States"

The spokesman said the company was surprised at the strong world reaction to its announcement

He thought the fluctuation in the price of platinum in the wake of the announcement was due more to the actions of 'platinum speculators than to any genuine concern at the effect of Ford's new project

'Fear of unknown'

"Perhaps it is simply a fear of the unknown," he added

The use of platinum in the refining of petroleum flows from the discovery in 1817 by an English scientist, Sir Humphrey Davy, that in the presence of platinum, oxygen reacts readily — often explosively — with other gases such as carbon monoxide, the toxic gas emitted in car exhausts

From this discovery, the world's first recorded example of a chemical phenomenon known as catalysis other scientists developed new methods of refining petroleum

"With all that science behind us," said the Ford spokesman, "it was inevitable that a new stage would be reached some time — but we haven t reached the age of miracles yet by a long shot

● Platinum shares on the JSE tumbled yesterday with the platinum index declining by more than 12 percent in heavy trading after the massive drop of over $80 an ounce in the platinum price

But brokers warned that investors were over reacting to the Ford Company announcement

The gold price also declined in sympathy with platinum and was fixed at $414,25 in London yesterday but was firmer again today in Hong Kong

● See Page 18

Chalice draws pole position for J&B Stakes

Royal Chalice, easy winner of this year's Rothmans July Handicap, has drawn pole position for the R400 000 J & B Metropolitan Stakes to be run at Kenilworth on January 21

Another of Trainer Terrance Millard s entries, Silver Tally also fared well in the ballot for barrier positions for the Cape s premier race He drew No 2

Draw, with horses and weights

5 Aquanaut	58 5
11 Singing Boy	58 5
1 Royal Chalice	57 5
12 Coolstar	56 5
32 Honey Bear	56 5
25 Sealegs	56 0
10 South Lake	56 0
16 Priceless Asset	55 5
21 Yardmaster	55 5
9 Parisian Affair	54 0
31 Esprit du Corps	53 5
33 Shaybani	53 5
13 The Captain	53 5
15 Ace Pilot	53 0
4 In the Know	53 0
20 Gitano	52 5
27 I Try	52 5
8 Penny Chocolate	52 5
19 Popularity Plus	52 5
3 Raised Status	52 5
7 Royal Season	52 5
14 Soldiers Song	52 5
30 Westridge	52 5
26 Express Courier	52 0
18 Tropicante	52 0
22 Abseil	51 5
24 Fearless Streaker	51 5
23 Plaza Suite	51 5
6 Searcher	51 5
2 Silver Tally	51 5
28 Violero	51 5
29 Western Power	51 5
17 Roland s Song	49 0

First acceptance of R500 falls due at noon on January 3 Final acceptance of R1 000 falls due at noon on January 9 — Sapa

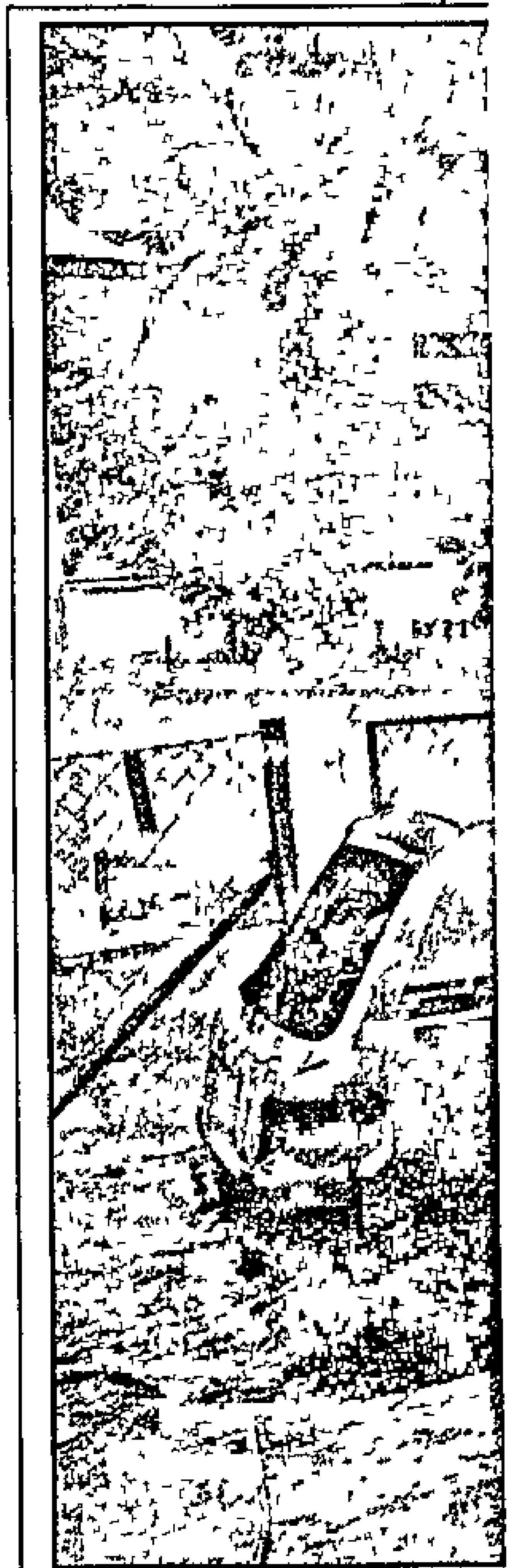
Woman robbed at gunpoint

An elderly Germiston woman was held at gunpoint and robbed of R6 500 yesterday

Mrs J Viljoen (72) collected the money from a service station to deposit at a bank

She was forced off the road by five men in a dark red BMW car — East Rand Bureau

The Bookie's Bet



The aftermath . . . two of the c

Nine to appe rock fans go

By Melanie Gosling

Nine people will appear in the Rusten Magistrate s Court tomorrow on cha of public violence after a mob of fans rock concert went on the rampage a weekend

The mob stoned and burned smashed and looted houses and destr sound equipment

A police spokesman said today that ther charges could be laid, including tempted murder, as the investigation ceeded

Mr David Jere, manager of the M lies End Hotel and Caravan Park (a 25 km west of Rustenburg) where the concert took place, told The Star he mated the damaged to the resort at than R250 000

The violence erupted after fans, had paid R8 a ticket, became impa with taped music that was being pl and demanded to see the artists who been advertised Mr Jere said

Mr Jere said he had seen one

Experts look at

Starting today on the finance pages articles called Outlook 89 in which exp fields discuss prospects for next year

The topics covered range from an b banking by stockbroking analyst Mr D Max Pollak and Freemantle to ...

Ford jumping gun, say platinum producers

Star 20/12/88

(217)

By Derek Tommey

Platinum companies are annoyed with the Ford Motor Company and what is seen by some as the irresponsible way it announced last Thursday that it had developed an inexpensive autocatalyst that did not use platinum

The feeling in the industry is that Ford made the development appear much more important than it actually is and, as a result, caused the platinum and share market to over-react

Analysts said last night that the affair was a storm in a teacup and that within a few weeks most people would probably have forgetten the Ford announcement

In making it, Ford chairman, Mr Donald Petersen, said the autocatalyst was as effective as platinum-based catalysts and would meet exhaust emission standards

A mining official said Mr Petersen was obviously not aware of the implications of what he was saying

According to market sources, which have their own way of finding things out, this could be true

Platinum immediately dropped $80 to $510 an ounce before recovering to $520

A hammering

When the Johannesburg Stock Exchange opened for business yesterday after a three-day break platinum shares received a hammering and several shed more than 16 percent

However, all platinum shares closed above their lows

But several industry analysts have considerable doubt about whether the new autocatalyst will be efficient as Mr Petersen has implied

Johnson Matthey, which has been working with Ford in the development of the catalyst, was apparently as surprised as anyone by the announcement

It hurriedly issued its own statement, saying that the new catalyst would take some time to develop and that it would not have a significant impact on platinum sales

Johnson Matthey officials said their latest platinum market survey, in which they reported a shortage of 400 000 to 500 000 ounces, was prepared in the full knowledge of development of the Ford catalyst

In the light of the Johnson Matthey survey, analysts have been pointing out that the continued high and growing demand for platinum at a time when supplies are increasing only slightly could lead to a major increase in price

From available evidence Ford's catalyst will continue to use the platinum group metals — platinum, palladium and rhodium

Metallurgists say if the new catalyst is going to be cheaper than the existing one, it means that it will have to use more of the cheaper palladium

But catalysts using palladium are poisoned by the presence of any lead in petrol and, because of this, there has been a move away from using palladium

While the industry does not rule out the possibility that Ford may have found a way to reduce palladium's susceptibility to lead poisoning, it is felt that such development has some way to go before being proven

Industry sources point out that palladium is a by-product of platinum mining and that its supply would be limited to the amount of platinum being mined

If platinum production were to decline, so would palladium production and the benefits of its lower price would be lost

Palladium takes catalyst spotlight

Star 21/12/88

217

Ford's casual announcement that it is testing a car exhaust catalyst which does not use platinum has quickly been followed by Chrysler's revelation that it, too, is testing a non-platinum catalytic converter, using palladium and rhodium

There are two good reasons why US carmakers would prefer to use catalytic converters based on palladium rather than platinum to clean up exhaust emissions The first is that the palladium price has been only one third that of platinum

Then, unlike platinum, palladium is mined in the US itself. It comes from the Stillwater mine, 80 miles southwest of Billings, Montana.

Since its discovery in the early 1970's, $41 million has been invested in the mine, which started up in March last year, milling 500 tons of ore a day This was expanded to 700 tons in August 1987

By the early 1990's, a production rate of 1 000 tons is projected. The mine will produce about 110 000 ounces of palladium this year, according to estimates by Johnson Matthey, the platinum group metals marketing organisation

This will boost Western world supplies of palladium this year from 3,16 million ounces to about 3,315 million ounces, with more than 90 percent of the total provided by South Africa and the Soviet Union.

Mr Mike Steel, who put together the forecasts for Johnson Matthey, says palladium has one major drawback, compared with platinum it is much more easily poisoned by lead

In the US, even lead-free fuel still has a very small quantity of lead in it In Europe, which has only just begun the switch to unleaded, the residual lead in the fuel distribution system will remain to taint fuel for many years to come

Palladium is also less durable than platinum as a catalyst, says Mr Steel That is why some Japanese car makers, who once fitted palladium catalysts, switched to platinum when their domestic regulations were tightened

Johnson Matthey questions whether palladium could cope if the US tightened the regulations so that a car catalyst would have to remain effective for 100 000 miles, rather than the 50 000 currently stipulated

Demand for palladium has been rising, particularly for palladium pastes used in the electronics industry for multi-layer ceramic capacitors and hybrid integrated circuits Consumption of palladium by the electronics industry was 1,6 million ounces last year and is expected by Johnson Matthey to rise to 1,7 million in 1988

Analysts say that in terms of Johnson Matthey's autocatalyst operations, the use of palladium rather than platinum has no effect, since carmakers actually provide the company with the metal with which to coat the catalysts and pay a unit charge for the coating process

Mr Eugene Anderson, Johnson Matthey's chief executive, seems confident that once the market has assimilated Ford's pronouncement, platinum's price will again reflect the current fundamental shortage of physical supply. He says one very clear indication of the extent of the shortage is that it is very difficult to borrow any platinum today and, if you can find a lender, the interest rate, normally seven to eight percent, is now 12 or 13 percent.

● After Monday's dramatic 12 percent decline in share prices on the JSE, most platinum counters recorded a slight gain yesterday The platinum index, a 400-point loser on Monday, gained 24 points to 2951 yesterday

Ford's climb-down statement yesterday pushed up the platinum price in London by $10 to an afternoon fixing of $533,25 On Monday platinum had plunged by $80 — **Financial Times**

217

PLATINUM

Reaction overdone

Reaction from JSE analysts to the furore created by Ford's announcement of a new catalyst is that platinum investors should hold on to their shares because the adverse reaction to platinum metal and share prices has been overdone

Davis Borkum Hare analyst Gillian Findlay says: "From a technical point of view, the platinum price was ready for some kind of correction and the Ford announcement has provoked one

"However, the correction has been overdone and the situation concerning the Ford development is far from cut and dried. If you have the courage, now is the time to get into the platinum market, otherwise investors with the shares should just sit tight"

Retief

Fergusson Bros, Hall, Stewart analyst Derek Ritchie comments "Investors should hold on to their platinum shares because market reaction to the Ford announcement has been too severe It is too early to determine what the long-term effects of this new autocatalyst will be and, in the short term, the platinum price should recover

"However, when share prices get back to the levels that ruled before the Ford announcement, we would be selective sellers"

The effect of the announcement on the platinum price and shares was dramatic The platinum price plunged from around \$615/oz last week to between \$520 and \$530, while platinum shares took a pounding on Monday The JSE Actuaries platinum index dropped by 12%, while Lebowa Platinum fell by 14,9% to 655c, Impala Platinum by 13,1% to 3 300c and Barplats by 12,3% to 1 250c They recovered some lost ground on Tuesday

Rustenburg Platinum chairman Pat Retief says Ford's announcement is "irresponsible" and raises more questions than it provides answers. He adds market reaction has blown the implications out of proportion and he does not anticipate any reduction in demand for platinum. Retief says Ford's new catalytic convertor must use platinum group metals (PGM) other than platinum, and it is most likely a palladium-rhodium combination There are a number of reasons why such a convertor is not likely to succeed

Retief says palladium-based convertors will not meet the tighter exhaust emission standards being introduced in the US and they are not as durable as platinum-based convertors He adds that palladium convertors will not meet the proposed new warranty requirement of 100 000 miles compared with the present 50 000 mile requirement

Palladium convertors also cannot deal with leaded fuels because the lead "poisons" the catalyst They can only be used with lead-free petrol, which means the new convertors cannot be introduced to Europe for many years Retief says the Japanese have used palladium convertors previously, but are now tending to switch back to platinum-based ones which have been shown to be better

Retief says that, assuming a worst-case scenario where the new convertor does everything Ford claims, and is introduced throughout the US, an inevitable surge in the palladium price will greatly reduce the claimed cost benefit of using currently cheaper palladium The effect of this price rise will be worsened by the greater amounts of palladium needed in the convertors compared with more efficient platinum Furthermore, if rhodium is involved, there will not be enough rhodium available to meet production requirements

Palladium is a byproduct for both of the world's major producers, SA and Russia Rhodium is also a byproduct from the SA mines; these have platinum as their primary product, while the Russian mines are copper-nickel operations Thus palladium supply is price inelastic, in that an increase in the price does not automatically bring forward a corresponding increase in metal supply Retief says the palladium price could double

"Our primary product is platinum," he says "If demand for platinum falls and we have to cut production as a result, then our production of palladium and rhodium will also drop There will not be enough rhodium to meet demand for these convertors and possibly not enough palladium, depending on the attitude of the Russians and their ability to supply additional quantities on an ongoing basis"

Brendan Ryan

PLATINUM — 2 217

Physical shortage

Ford Motor Co continued to keep the shell-shocked platinum market on tenterhooks when it filed for a patent on its new catalytic convertor installed experimentally in up to 50 000 Thunderbird and Cougar models to be sold in California next year The application specified that it would employ a rare earth, cerium dioxide, but tantalisingly declined to say which metal was replacing platinum The convertor can use any from "the entire platinum metals group," it said.

John Cavill reports from London that the betting is still on palladium Chrysler revealed it is testing a palladium-rhodium convertor, Engelhard, in New Jersey, already supplies them to Japan and Korea, where totally sterile unleaded petrol is available, as well as producing an all-palladium device for trucks, and Toyota is working on one which uses another rare earth, lanthanum, in combination with palladium

It is understood both cerium and lanthanum enhance the catalytic quality of palladium and may extend the lifespan of such non-platinum convertors Johnson Matthey (JM), unable to reveal Ford's secret because of customer confidentiality, has been making strenuous efforts to restore stability to the platinum and palladium markets

After working with Ford on the experimental convertor for 18 months, JM MD Eugene Anderson said "We are not bothered about it" JM is sticking to its verdict on the outlook for palladium published in October "The gradual decline in the use of palladium in auto catalysts goes on At its highest consumption it is unlikely to exceed that of 1987, more likely is that there will be a drop of some 20 000 oz to 185 000 oz The reduction is most visible in the US and Japan where palladium-bearing catalysts are losing ground to platinum-rhodium three-way systems"

JM is confident that platinum's price will soon reflect the physical shortage of metal which helped drive it from solid base in the US\$510/oz area in September to its high of \$614,25 (*FM* December 9)

Rhona O'Connell of Shearson Lehman Hutton remains optimistic about demand from the car industry "If, as seems likely, George Bush carries on the Reagan environmental policies, the odds are that emission regulations will be tightened by 50% by 1991 and the life requirements of convertors doubles to 160 000 km"

The problem lies with the outlook for investor demand on which rested the bullish case (at least medium term) for platinum put up by both Shearson and JM in their recent assessments JM projected that continuing strong offtake in Japan would raise Japanese investment, buying a further 13% this year to 380 000 oz, while there would be a revival of interest in the West where this sector's

(217) FMAIL 23/12/88

growth would be 55% to 240 000 oz On this was predicated the estimated shortfall of 465 000 oz.

Where both platinum and palladium will settle is not clear. Palladium's rush up to $146/oz was accompanied by the revelation that during last week New York Mercantile Exchange-approved stocks dropped from 85 000 oz to 35 300 oz. Thus it, like platinum, has support on the physical fundamentals — so long as disenchanted investors do not dishoard

O'Connell is looking for platinum to claw back to $550, but not to $600/oz, because the fall was overdone "I don't think the Ford

STOCKBROKERS' PORTFOLIO COMPETITION

Beating the bears

From the performance of the 1988 stockbrokers' portfolios, it may seem difficult to believe that the JSE has remained in the clutch of a bear market

This was the first year that we allowed a change in the portfolios at mid-year, and the axiom that an investor should run his profits and take his losses is clearly illustrated in the rankings The second half results show a definite improvement and some portfolios ended the year with impressive gains

At the halfway mark the line-up was first broker D, then A, E, the *FM*, C, B, and F (*Fox* July 8). All portfolios appreciated sharply in the second half as the JSE Actuaries Overall index improved 11,4% to 1 981, compared with a decline of 2,5% from 1 825 to 1 779 in the first six months of the year What was particularly noticeable was the impact of switching out of golds, as a number of brokers did. As the Industrial index climbed from 1 658 to 1 905, a rise of 14,9%, this change of emphasis made a major difference.

Several brokers managed to beat even the Industrial index Broker A, already in second position at half-year, succeeded in improving the capital value of his portfolio by another 45% in the second half, which took him well ahead.

The next best performer during the period was broker F Though his portfolio still showed a decline over the year, it improved by 22,3% in the second half E was a close third, with a rise of 21%, and as he was showing a 14% appreciation by June, this second half performance pushed his total appreciation to 35% Only two managed to turn their portfolios around from a loss to a profit broker C and the *FM*

The leader in June, broker D, crashed badly in the second half Having improved 18% in the first half, the portfolio appreciated only another 1,9% in the remainder of the year As in the first six months, it was gold and exploration stocks which did not perform The two biggest loss-makers in D's portfolio were Rhoex, kept from the original portfolio, and Lefko, bought in June The appreciation in the firm's star performer, Union Steel, was not enough to offset these declines and Publico and S M Goldstein also fell

A kept only one share (ABS) from its portfolio of the first half and, as with D, it was a mistake even to retain this one The price declined by 10% over the year. Star performer was Omnia, whose price leapt from 30c to 125c, thanks to the major improvement in the fertiliser industry Of the total appreciation in the second half, 83% was due to the choice of this share. Other good selections were the coal shares and Nedbank But nobody is perfect and A also chose a gold share, Rand Leases, whose price dropped 26% in the period, as well as investing in two other losers, ABS and Bakoven

As can be seen from the table, the performance of A, with a 59,5% capital appreciation, was way ahead of broker E in second place, with 35%. E in turn performed very much better than D, whose portfolio appreciated 19,9%

HOW THEY DID

1988 rankings

Place	Broker	Appreciation
1	A	59,5
2	E	35,0
3	D	19,9
4	FM	13,8
5	C	2,8
6	B	−0,1
7	F	−8,0

E's performance was due to mainly two shares, Lebowa Platinum, whose price climbed from 305c to 770c over the year, and the gift of Richemont, which added 14% to the portfolio with the cost of a loss on the Remgro shares of only 1,5% of the total portfolio value a year ago.

Worst performer F had seven out of ten stocks in direct gold mines in the first half. In June, he sold all but one — Southvaal — though he bought another two and remained heavily invested in the mining sector The only industrials were SA Bias and Abercom

NEW PORTFOLIOS

Choices for 1989

A	B	C	D
Gazgold	De Beers	De Beers	Lefko
Messina	Joel	Knights	Liblife
Group 5	New Wits	Lebowa Plats	Spur
Kanhym	Barplats	Vansa	Waltons
GDM	Lovasz	Keeley	Teljoy
Time Hold	Elex	Suncrush	Bankorp
Charter	Hi Score	Powertech	Fedfood
Minorco	Sun Bop	Consol	Safren
Uniserv CP	Sappi	Remgro	Minorco
PPC CD	Charter	Richemont	Richemont

E	F	FM
Kloof	Gazgold	Kloof
Joel	Duiker	Duiker
Lebowa Plats	Knights	Lebowa Plats
Rusplats	Channel	Imperial
Libhold	Messina	Altron
Keeley	Sun Bop	Sun Bop
FIT	Barlows	Barlows
Anglos	CDS	Abercom
Minorco	Adco	Charter
Richemont	NDH	Richemont

and again it was the gold sector which showed the losses As with the other brokers, it proved to be a mistake to retain a share from the original portfolio, as the largest loss in the second half was incurred by Southvaal The only other loss was a small one in Nigel

The *FM* was among those who recorded a major improvement in the second half (15,3%), but there were four brokers who did better Again the mistake lay in picking gold and exploration stocks. Our losers were Rhoex, PGA and Elands

But the fact that a share does not perform in a certain period does not make it a loser for all time — some golds are again to be seen in the 1989 portfolios The new portfolios chosen by the brokers and the *FM* appear in the accompanying table

It shows quite a heavy emphasis upon rand hedges, suggesting that the recent strength of the rand is not expected to continue. A favourite is Richemont, which appears in four portfolios, including that of the *FM* But A has preferred Charter and Minorco, which have a speculative element as well

Lebowa Platinum was also chosen by several brokers and again by the *FM*. Regarded as being likely to outperform the other platinum shares, it will be difficult for it to equal its performance in 1988 and B, which chose it at the beginning of this year, did not pick it for 1989, but preferred Barplats

A is alone in having chosen convertible instruments The Uniserv convertible preference shares are interesting as they are denominated in USc and are thus a rand hedge. Some of A's choices — Gazgold, Charter, Minorco and Messina — also appear in other brokers' portfolios, but A has made unique choices in the local shares selected

It should be remembered that these portfolios can be changed at half-year The results are based entirely on capital gains or losses and, as shown in the results this year, when many were out on their timing of the gold price rise, timing is crucial Some brokers could thus be waiting to increase their rand hedges, for example, or be waiting to buy shares such as motor or building counters when they offer more interesting opportunities Details of the readers' portfolio competition will be published early in the new year

Pat Kenney

□ Readers should note that all of these shares have been chosen as part of an equity portfolio game They should not be seen as recommendations or tips

Platinum scare dampens Plett

Star 24/12/88 (217)

Inside Out
Ann Crotty

THE knock in the platinum price didn't do much for Christmas cheer in Plett last week-end.

There were a lot of nervous individuals (Myles calls them information junkies) wandering around looking quite lost without a Reuters screen to give them their info fix

Myles' Mum apparently tried to call him to get some of the gen, but every phone in the place was tied up

Anyway, things settled down by mid-week as an air of calm settled in But according to Myles' Mum, even yesterday a few glum faces could be seen about the place.

Back in Joburg, most of the week's big action was seen in the platinum sector, which turned in a good recovery

After the initial scare, feeling seemed to be that if Ford was behind the development, then perhaps it needn't be taken too seriously

"Now had it been the Japanese, that would have been an entirely different matter", was Myles' summing up of the situation. Anyway, it didn't seem quite the right time for talk to surface about a rights issue at Lebowa Platinum

Myles says that it doesn't look as though the tax-based scheme arranged between Rustenburg Platinum and Leplat whereby Rusplat would get tax advantages from funding the development of Leplats' new mine, Maandaghoop, will be given official approval So Leplat will have to raise the funds itself.

A figure in the region of R100 million has been mentioned and an issue price of a comparatively low 450c has been suggested.

Myles wasn't going to take a firm stand on the price, although he did refer to this week's sharp fall in Leplats, noting that it had caused some concern. The market might see some moves on this front around mid-1989

Myles managed to check out the Rhoex story.

It looks as though the deal between Rhoex and Union Steel (whereby the former would supply the latter with magnetite deposits for processing) is off because Union Steel's stablemate, Usco, has apparently realised it has some of its own very rich deposits of magnetite.

According to Myles, the value of magnetite is really at the processing end, not at the mining end

There are strong rumours that Egoli is about to see a change of control and that Mr Berardo may be leaving the country.

Myles is very keen to find out who the likely, or even unlikely, buyer could be

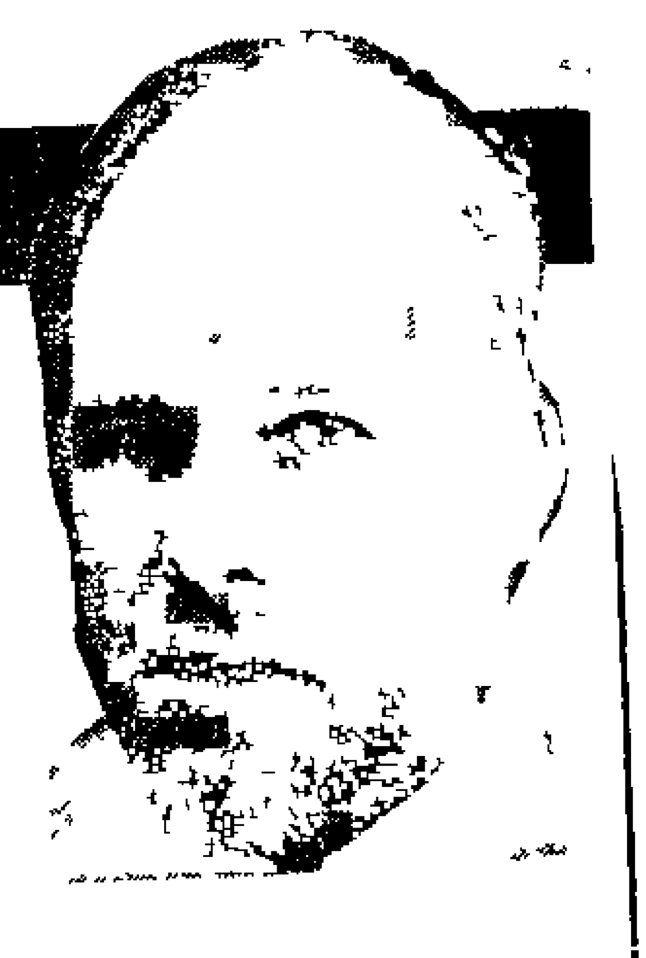
Another issue on which Myles would not take a stand was whether or not there was a deal involving Da Gama.

There is talk in the market that a deal will see Da Gama being pitched at 700c, but a number of reliable sources say that there is no deal and point to the fact that it is easy to pick up stock at 635c. Myles urges caution.

The Iclef deal announced in November is no more Kinda sad, nobody even knew the partner's name

Myles wasn't sure if the partner was the Cape-based wholesaler, but he said that Brian Joffe and Sidney Frankel certainly seemed to be still working on some deal

RICHARD ROLFE in LONDON



There's a backfire in Ford's claims

S/Times 25/12/88

217

PLATINUM is set to rally in the new year after the drop in price of the past 10 days.

If all South Africa's platinum were sold on the spot market, the price fall would have wiped about $200-million off the value of exports But most of SA's platinum is sold on contract and the damage was limited However, platinum-mine shares fell by millions of rands because spot prices do influence contract prices

The price drop followed remarks by Donald Petersen, chairman of Ford Motor Corporation, in Pittsburgh He said Ford, the second-biggest US motor manufacturer, was conducting a pilot production run of a catalytic converter for removing exhaust emissions

SCARCE

Mr Petersen said "To appreciate the full significance of this patented development, you must understand that at least some platinum — a very expensive and scarce metal — has always been required in the past to reduce tailpipe emissions to meet government standards"

His comments were qualified by Madge Roberts, director of Ford's chemical and physical sciences laboratory, who told the New York Times "There's just no rationale for the market's reaction"

Describing the new technology, Dr Roberts said: "Yes, it does not use platinum, yes, it saves money; and yes it's only the first of several innovations we're working on"

Ford would not been drawn on details of the techology. However, Johnson Matthey, the UK firm which acts as Rustenburg's exclusive platinum market agent, said it had been collaborating with Ford on this development for the past 18 months.

JM director Gordon Thorburn told me "We have supplied over 300 000 of these catalysts to them"

JM provides 50% of Ford's US catalyst requirement and all of its European requirement

JM describes the product as a non-platinum bearing catalyst using a combination of platinum group metals which differs from current compositions The general assumption, which nobody has denied, is that the Ford catalysts use palladium in place of platinum

SA mines about 1,1-million oz of palladium annually against 2,5-million oz of platinum SA's share of world newly mined platinum output is 80%, but of palladium only 33%

The Soviet Union has 50% of the world palladium market against 13% of platinum

In the immediate aftermath of Mr Petersen's remarks, the market assumed that the new catalysts would make platinum redundant and that Johnson Matthey had not known of the development

JAPANESE

Consequences for platinum offtake would have been severe The demand from autocatalyst manufacturers will be about 40% of total platinum use this year

This prospect, coupled with strong offtake by Japanese jewellery and investment buyers, had sent platinum to more than $600 an oz and to its biggest premium over gold this decade

Johnson Matthey's most recent review of the platinum market, which also covers palladium, said: "The gradual decline in the use of palladium in autocatalyst goes on."

This gave the impression that the firm had been wrong-footed, or that the staff who produce the market analysis were separated by "Chinese Walls" from those who were working with Ford on the new catalysts.

But JM made it clear subsequently that it had taken into account the Ford technology in preparing its supply-demand analyses

"We cannot see any radical changes," said Mr Thorburn "We are sticking to our guns"

JM forecasts a supply shortfall of 465 000 oz of platinum for 1988 and a continuing deficit in the next few years

ANNOYED

JM is believed to be annoyed with Ford in private for upsetting the platinum market, but is constrained from saying so because of its client relationship with the motor group

However, Rustenburg chairman Pat Retief criticised Ford's "irresponsibility" for making the announcement without adding any details

Mike Wortley, acting chief executive of Impala, said the new catalysts would have to prove themselves

It has emerged that the Ford product is not new in any radical sense Its converters look exactly like existing ones, but have been treated with a metal solution of palladium and not platinum

The big question is whether a palladium-based catalyst can meet the same levels of durability and effectiveness as platinum ones when standards are being tightened

JM says platinum is the least susceptible of the PGMs to lead poisoning, whereas palladium is easily degraded

Even in countries where lead-free petrol is available, residual lead in the distribution network — storage tanks, pumps and so on — remains to poison palladium converters.

RHODIUM

In the US sufficient progress has been made in states like California, where the clean-air movement began, for Ford to be able to contemplate its pilot programme

But in Europe, where autocatalysts are only being brought in, high residual lead levels are likely to require the use of platinum-based catalysts for a long time to come

It is also significant, JM believes, that the Japanese motor industry has been phasing out palladium in favour of platinum-rhodium catalysts

Japan developed palladium-based systems probably not much different from Ford's But it has had to bring back platinum to meet tightened standards for emissions and to improve fuel economy

Dr Roberts admitted that even if Ford's Californian test programme, which involved 40 000 Thunderbird and Cougar vehicles, should prove successful, platinum might need to be reintroduced if emission standards were tightened

TWO WAYS

The US authorities are considering tightening in two ways The first is to reduce still further the legally acceptable levels of carbon monoxide and nitrogen oxide emissions

The other is to extend the mandatory life of autocatalysts from 50 000 to 100 000 miles

At present, cars continue on the road long after their catalysts have been degraded Because it is not practicable to test all cars' autocatalysts, installation of longer life converters in new cars is the probable legislative outcome

All this suggests that the Ford catalysts may not have much application in the short term outside large-engined cars in California, although there is always the possibility of improvements

PARANOID

In spite of reliable supplies and the mines' policy of expanding output to meet industrial demand, US car manufacturers have always been paranoid about their reliance on SA platinum.

This is especially true of Ford, which is also given to shaking the tree with its occasional announcements that it has perfected lean-burn engine technology which eliminates toxic emissions at source and does away with the need for precious metals based catalysts

Mr Petersen may have made his comments without considering the consequences, but this seems unlikely

More probably, Ford saw the opportunity to puncture a developing bull market in platinum, which might drive up the costs of its raw material

It remains to be seen now whether investors and other buyers have been shocked out of the platinum market, or whether they will return in 1989

Platinum over the Ford hump

25/12/88

By Robyn Chalmers

THE roller-coaster ride in the platinum price provided most the excitement on a holiday-bound JSE this week

Shares plunged in sympathy with the metal after Ford announced its alleged breakthrough in auto catalysts At the end of the week after some aggressive public relations by the platinum companies, opinion was that Ford chairman Donald Petersen had exaggerated the extent of the innovation and both the metal and the shares rallied

The JSE Actuaries platinum index slumped almost 12% on Monday before recovering 5% by Friday. Rustenburg closed at 4 725c compared with 4 975c a week ago The recovery in platinum tended to firm the entire market

Rustenburg was the most active share of the week, R14,3-million changing hands Lebowa Platinum also had a busy week, R6,5-million of its shares being traded.

217

Dellums

The finrand weakened slightly to push up popular foreign-held stocks. Anglos and De Beers churned to the value of R9,2-million and R8,9-million respectively

Gold shares were in greater demand For the first time since the Dellums Bill threat, London reported demand for SA gold shares from New York

SA Bias was actively traded with a bookover deal of R500 000 on top of earlier trade amounting to R1,9-million

There was an overall shortage of good-quality stock, suggesting that the market could strengthen next month

Movers

Reflecting holiday lassitude, the biggest movers were small counters, such as Kemtrade (up 40% to 35c) and Mighty Meat (down 33% to 10c) Computermatic had a bad week, shedding 25% to 120c.

Against the general trend in golds, St Helena fell 17% to 2 500c

Anglovaal stock, always tight, moved

Buoyed by a special dividend that has tax benefits in its impending liquidation, New Bernica closed at 455c compared with less than 400c before announcement of its proposal

Arban released bad numbers and the share closed at an ignominious 43c compared with the year's high of 80c World of Music closed at 26c compared with a high of 60c

Ford tones down convertor claims

Argus 26/12/88

The Argus Foreign Service

NEW YORK. — In the face of sharp world reaction to its announcement that it had developed a process that would eliminate platinum from the exhaust systems of cars, the Ford Motor Company has toned down its initial claims

The weekend announcement that Ford's research engineers had perfected an alternative system to the present catalytic converters that are mandated for use in all US-built cars and in those in most other countries — led to a rapid fall in the price of platinum on world markets and to a plunge in the value of platinum shares, particularly on the Johannesburg Stock Exchange

South African exports of the rare metal were considered likely to be most hard hit by the development.

But yesterday a spokesman for Ford said the reaction was "exaggerated if not over-blown

PILOT PROJECT

"The fact is that we have achieved a laboratory success in developing a system that will ultimately, we think, supersede the present exhaust catalysts which are dependent on platinum," he said

"But it is at this stage purely a pilot project, in which we have introduced just under 50 000 units in California, and will be examining the results.

"There is no question of Ford — or anyone else — introducing the system in current car models. So far as we are concerned platinum remains king, if only because every federal and state antipollution law of which we are familiar mandates the use of the present catalytic systems in all cars in the US"

The spokesman said the company was surprised at the strong world reaction to its announcement, and added that he thought the fluctuation in the price of platinum in the wake of the announcement was due more to the actions of "platinum speculators" than to any genuine concern at the effect of Ford's new project

"Perhaps it is simply a fear of the unknown," he added

Platinum demand 'set to continue for years'

Star 28/12/88

The Star Bureau 217

NEW YORK — Platinum's future seems assured — and the world's largest marketer and refiner of the precious metal is determined to keep it that way.

The platinum industry was rocked by world reaction to a recent announcement by Ford Motor Company that it had developed a platinum-free catalytic exhaust system

But this week top executives of the British firm, Johnson Matthey, acknowledged as the most powerful company in the platinum industry, paid a hurried visit to the US on a mission aimed at assuring investors and analysts that demand for the metal would continue to outstrip supplies in the next few years

After a round of meetings with US market experts, company officials described the world market's reaction to the Ford announcement as "exaggerated and inconsistent with the technical possibilities"

The platinum price rose last week amid new confidence that the Ford catalytic converter would not reduce platinum demand for several years

Outlook '89

Star 28/12/88

BASE METALS

217

By Dr Kevin Kartun, analyst at Simpson McKie

After the stockmarket crash in October 1987, economies have not only avoided recession, but have grown faster under the influence of stimulatory measures. This has lead to renewed fears of inflation and has resulted in increasing interest rates and tighter fiscal policies.

We believe, as a result, that there is a strong possibility of a slow-down in economic growth, beginning perhaps in the US and filtering through to all other economies. This has direct implications on the outlook for base metals, which are reliant on economic growth for their well-being.

The present strength of the base-metals markets is related to such factors as firm demand, low inventory cover, supply problems, speculative activity, environmental constraints on producers and a declining level of reserves.

The present positive growth cycle has been in place for six years and the length of the cycle has taken both producers and consumers of base metals by surprise.

Steady demand

Demand has been steady in the mature Western economies, but buoyant in Japan and newly industrialised countries (NICs)such as South Korea and Taiwan. There is also evidence that demand from communist bloc countries, particularly the Soviet Union and China is increasing, in line with the process of industrialsation and modernisation.

In the case of China domestic shortages have led to bans on exports of aluminium, nickel, zinc, copper, steel, pig iron and iron ore, with a trend to increasing imports from the West.

The unexpected length of the present economic growth cycle, coupled with firm demand for base metals, has lead to the situation where stocks of the major metals, which have been declining since 1984, are now at less than two months' and in some cases less than one month's consumption.

Some producers of aluminium and nickel are operating at close to their design capacities. Any disruption of supplies such as has occurred in the case of the strikes in Peru, for example, coupled with the influence of speculators in the options and futures markets, has tended to push base-metal prices higher and, in the case of copper and zinc, to new highs.

Producers are, however, tending to be cautious about bringing new capacity on stream or reactivating mothballed capacity in the light of previous shake-outs which have occurred in the base metals industry, the last of which took place between 1982 and 1986 and which resulted in the survival of only the most cost-effective producers.

Environmental constraints, particularly in the US, have had the effect of reducing production Encouraged by high returns on precious metals, mining companies have tended to neglect base metals in their prospecting activities, which will limit the possible growth of supplies

Although the copper market has the potential to go into an oversupply situation, about 50% of world mine production is concentrated in Africa and Latin America where supply problems are endemic.

This year alone has seen two major strikes in Peru, a strike at OK Tedi in Papua New Guinea and production problems in Chile and Zambia. This has helped boost the copper price to levels above \$3 000 per ton. Although demand for copper has exceeded production since 1984, new supply, projected at about 260 000 tons per annum, is being brought on stream. In the absence of strikes, an oversupply situation is likely.

New projects include Neves Corbo in Portugal, Escondida in Chile and Olympic Dam in Australia

For aluminium, increasing demand has been supported by raising the operating capacity of the industry. Since aluminium is the most consumer-oriented metal, it is expected to react first in response to any economic downturn

Demand is strong, stocks are low, and with the present price of the metal at about \$1,10 per lb, it can compete successfully with other potential substitutes such as copper, zinc and nickel.

About 55% of the nickel produced is used in the manufacture of stainless steel, which is likely to remain a growth area. In 1987 and 1988 stainless steel production was at record levels of 14,5% and 10% respectively Even if production returns to the historic level of 4% per annum, this is nevertheless extremely healthy.

This situation will obviously promote demand for ferrochrome, which is another key component in stainless steel.

Zinc and lead tend to be produced together (although in differing ratios), which creates problems because the demand fundamentals for zinc are different from those for lead

Zinc is unusual in that Canada, Australia and Peru supply nearly half of the West's mine production Although no new lead-specific deposits are awaiting development, two low-cost zinc producers, namely Comminco's giant Red Dog Mine in Alaska and Hellyer in Tasmania, are due to come on stream or into full production in the near future.

Over 40% of zinc production finds it way into galvanising, which is an area of growing demand whereas, due to environmental constraints on its usage, an increased amount of lead, or some 60%-70% of total demand, is dedicated to the auto battery industry.

For zinc, secondary metal accounts for about 5-6% of supply compared with lead with 40-50% arising from recycling

Volatile zinc

The lead market, which characteristically is fairly static, has been underpinned by low stocks, whereas the more volatile zinc market has been supported by the strike in Peru, although zinc production is now at record levels

Demand for zinc has, however, exceeded supply since 1982

The fundamentals for some of the lesser-known metals are also firm or improving. At end-1988 tin stocks are thought to be 40 000 tons (well down on the 88 000 tons left overhanging the market in October 1985 when the tin market crashed).

Normal stock levels, considered to be about 20 000 tons, are expected to be achieved in the first half of 1989 when prices are forecast to begin rising again Increasing production from China and Brazil still, however, poses a serious threat

In contrast, the antimony market, which was thought to be recovering, has suffered a setback because of irregular marketing practices by China, the world's largest producer

In conclusion, it is felt that a downturn in economic growth will produce only a moderate correction (perhaps not more than 20%) in prices for the major base metals because of healthy fundamentals

In any event, it will take time to rebuild inventories to more normal levels again From a South African investor's point of view, any price weakness for metals, denominated in dollar or sterling terms, will tend to be cushioned by the expected decline of the rand.

MINING — OTHER

1989

SA chrome ban lifted after backfire

S Times

1/1/89.

(217)

By Charles Parry

AUCKLAND. — The New Zealand Government has been forced to reverse an embargo on South African ferrochrome after the ban nearly wrecked the Kiwi steel industry.

Customs Minister Trevor de Cleene says that departments involved in sanctions against SA will alter the regulations to exclude ferrochrome from the ban on iron and steel

Mr de Cleene says "It is felt the decision brings New Zealand policy into line with Australia and Canada, both of which exclude ferrochrome from their South African import bans"

Confiscated

The row started last August when the Customs Department confiscated the metal held by importer Dickson's Metal Sales and raided foundries after it realised the ferrochrome was a no-no in terms of a prohibition order revised a year ago

This was the first part of a shipment that had been released and had been considered legitimate by the importers

The seizure was considered a farce because the order had already been paid for The only people hurt by the confiscation were New Zealanders

The 16 tons involved represented more than six months' supply for New Zealand As a result of the ban, New Zealand's stainless-steel casting industry almost came to a halt

Anger

One company had an export order for NZ$1-million that it could not start for lack of the material

By sheer luck, some West German-sourced ferrochrome was found in Australia and 500kg had to be flown in to keep the steel industry going. Angry industry sources remarked that this more expensive metal probably came from SA in the first place

Ironically, New Zealand allows the import of finished stainless-steel castings from SA But since 1987, it has banned imports of low-carbon ferrochrome — an essential component in making stainless steel

This was quickly pointed out by the outraged steel industry, which said it was typical of the inconsistencies in the policy devised by the Department of Foreign Affairs and vigorously enforced by Customs

Forefront

The Ministry of Foreign Affairs then recommended that the ban be removed because of the anomaly, but Mr de Cleene turned down a plea from the importer to release the shipment on the grounds he was unable to do so retrospectively.

In true bureaucratic fashion, he passed the buck by referring the application for waiver of forfeiture to the Ministry of Trade and Industry.

The matter came to a head when it was referred to New Zealand's Cabinet for a ruling, direction being given from Foreign Affairs Minister Russell Marshall

This did not augur well for the steel industry as Mr Marshall is well known for his opposition to SA and had announced plans to push New Zealand into the forefront of international sanctions

However, the practical issues won and Mr Marshall's silence in the four-month chrome row saved him from embarrassment over the outcome

Now imports of the raw material will be handled under ministerial consent provisions until the law is altered

Although the steel industry has welcomed the result, it is bitter about the long delay in arriving at the decision

Fired

New Zealand is the biggest user of stainless steel per capita in the world Its industry is considered world class

But long-sheltered industries are battling to compete with imports as trade restrictions disappear under "Rogernomics" — New Zealand's economic policy of deregulation instituted under Roger Douglas, who has been fired from his post of Minister of Finance and is now trying to unseat Prime Minister David Lange.

The chrome ban came close to wiping out unprotected steel makers, which would have left users with no choice but to import many of the finished products from SA.

Platinum rescue bid fails to stem the slide

S Times 1/1/89

By Jim Srodes

217

NEW YORK. — Platinum prices continue to fall on American commodities exchanges in spite of an all-out effort by a team of Johnson Matthey officials from London to put the shine back on its reputation.

Platinum prices settled about $510 an ounce in post-Christmas trading in New York and Chicago — down from the $600 high of 1988 it reached before Ford Motor Company announced it was developing a technology for its pollution control equipment.

"Platinum is the catalyst of choice," says Kevin P Gibbons, head of marketing for the London metals house Mr Gibbons was one of six Johnson Matthey officials who went door-to-door through Wall Street chatting up leading metals analysts and investors trying to stem the panic caused by the Ford announcement

Mr Gibbons says "There will be even more use for platinum in the next few years because of the increasing number of countries that are raising their emissions standards"

Ford claims to have perfected a catalyst for use in its cars It does not depend on platinum to convert motor exhaust fumes into harmless emissions The best industry guesses are that the new device will use some platinum and includes a mixture of palladium and some other less expensive metal.

Palladium costs $136,25 an ounce, so the race by American car manufacturers involves hundreds of millions of dollars in savings on a legally required piece of equipment Since the tough pollution laws were promulgated in the 1970s, Detroit has become the world's leading user of platinum, taking about a third of total production of 2,3-million ounces

Some Wall Street analysts were swayed by the Johnson Matthey public relations trip to Manhattan Patrick Magilligan, Merill Lynch's precious metals analyst, believes the Johnson Matthey forecasts of continued shortfalls of supply for the next two years or more. He says platinum will regain its 1986 high of $676.

Johnson Matthey is sticking to its platinum forecasts, which it prepared with the knowledge of what Ford was doing

Gradual

Johnson Matthey forecasts that platinum demand will be 10% higher at 3,635-million ounces in 1988 than the record set in 1987 of 3,32-million ounces. For the fourth year running demand for platinum is likely to exceed the supply of primary metal. As a result the expected deficit in supplies will be 465 000 ounces.

It says "The gradual decline in the use of palladium in auto catalysts goes on At its highest total consumption this year (1988) is unlikely to exceed that of 1987, more likely is that there will be a further drop of 20 000 ounces to 183 000 ounces. The reduction is most visible in the US and Japan where palladium-bearing catalysts are still losing ground to platinum-rhodium, three-way systems."

Gold was the worst performing metal of 1988

Star 2/1/89

217

It was the year when base metals were most precious

By Neil Behrmann

LONDON — Those ancient alchemists who claimed that they could turn base metal into gold would have been excellent traders during the past year

Gold, that "marvellous store of value" was the worst performing metal last year, tumbling 13 percent Silver was second worst, sliding by 8 percent

Platinum, after all the massive sales campaigns by Johnson Matthey, managed to rise by a mere 8 percent — on par with short term dollar interest rates

Indeed the base metals looked precious in 1988 with nickel prices surging by 106 percent, zinc by 80 percent, aluminium by 30 percent, copper by 20 percent and lead by 8 percent This is the second year running that they have been top of the league tables

Will the alchemists be proved correct in 1989? The odds are against them, but before we peer into that murky ball, what were our forecasts like last year?

We failed to achieve the perfect fluke But, to borrow a golfing term, we still managed to beat par

Forecast

This is what was written ahead of Christmas 1987

We started with a solid drive by saying

"The prognosis for 1988 is that copper, nickel and aluminium could rise even higher in the first quarter, while lead and zinc will also be firm"

The iron shot, however went right into the rough when we continued "But if forecasts of the OECD and other economic teams turn out to be correct, prices will begin to slip as the world economy slows down"

"The extent of any decline will depend on whether stockmarkets fall further and a downturn becomes a full scale international recession"

Instead of a recession, major world economies continued to boom Base metals prices gyrated wildly, but at the end of the year copper, nickel and zinc in particular remained strong, helped by tight supplies

We got our third shot on to the green when we correctly guessed what was going to happen in the generally unpredictable precious metals markets

"On past performance, precious metals will continue to be erratic They will rise when people expect them to fall and vice versa On current trends, they too could reach their best levels in the first quarter and then slide towards the end of 1988," said our article at the end of 1987

"Once the dollar stabilises precious metals will be decidedly vulnerable With supplies well in excess of demand their fundamentals are weak"

Platinum

We missed the putt however because platinum, which fluctuated erratically in the first half, surged in the fourth quarter It only collapsed in December when Ford Motor Company said that it was experimenting with anti-pollution motor car catalyst that did not contain platinum

What does 1989 look like on a grey rainy holiday season in London?

Misty of course

Of the precious metals, GOLD should be the best performer, but if supply problems continue in Peru, there could be a sudden surge in SILVER prices At $6,17 an ounce silver is by far the cheapest precious metal But for several years people have been saying that it is cheap Persistent surpluses don't help

At $540 an ounce, PLATINUM has managed to recover from its recent low of $510 Johnson Matthey, the major distributor and refiner has been at pains to explain that the Ford invention will not dent platinum demand markedly

Yet the company has missed the point In an over enthusiastic sales campaign, Johnson Matthey encouraged investors and speculators in Japan, the United States and elsewhere to buy

Having been burnt in this volatile thinly traded market, investors will only be too anxious to sell whenever the metal rallies

Meanwhile unhappy consumers will be grateful if Ford finds a substitute which is cheaper than platinum

Platinum's premium over gold is 29 percent This price differential compares with a discount to gold in the mid-Eighties

Even though gold could be the best precious metal this year it will find it extremely difficult to break out of the $400 to $460 range

It has been disappointing because of excess and growing production during a period of high real interest rates A huge quantity of gold loans has also depressed the market

Investors would be buyers if gold rose steadily, but the market continually disappoints and since one can receive excellent real returns on currency deposits, there is little incentive to buy gold

Yet the Organisation For Economic Cooperation and Development warns of creeping inflation and if Opec foils market sceptics and oil rises towards $18, gold could recover This revival would take place if the dollar weakened and interest rates fell

The depression in the market could discourage producers from borrowing gold and then dumping it on the market So the supply demand balance could improve during 1989

Unpredictable

Base metals have become as unpredictable as precious metals, now that their prices are much higher

In the first half of the year, however, the supply situation, will dominate metals such as COPPER, NICKEL and ZINC

Prices could remain high and boost both ALUMINIUM and LEAD Yet higher interest rates will ultimately reduce residential and office contruction and sales of durable goods ranging from automobiles to refrigerators

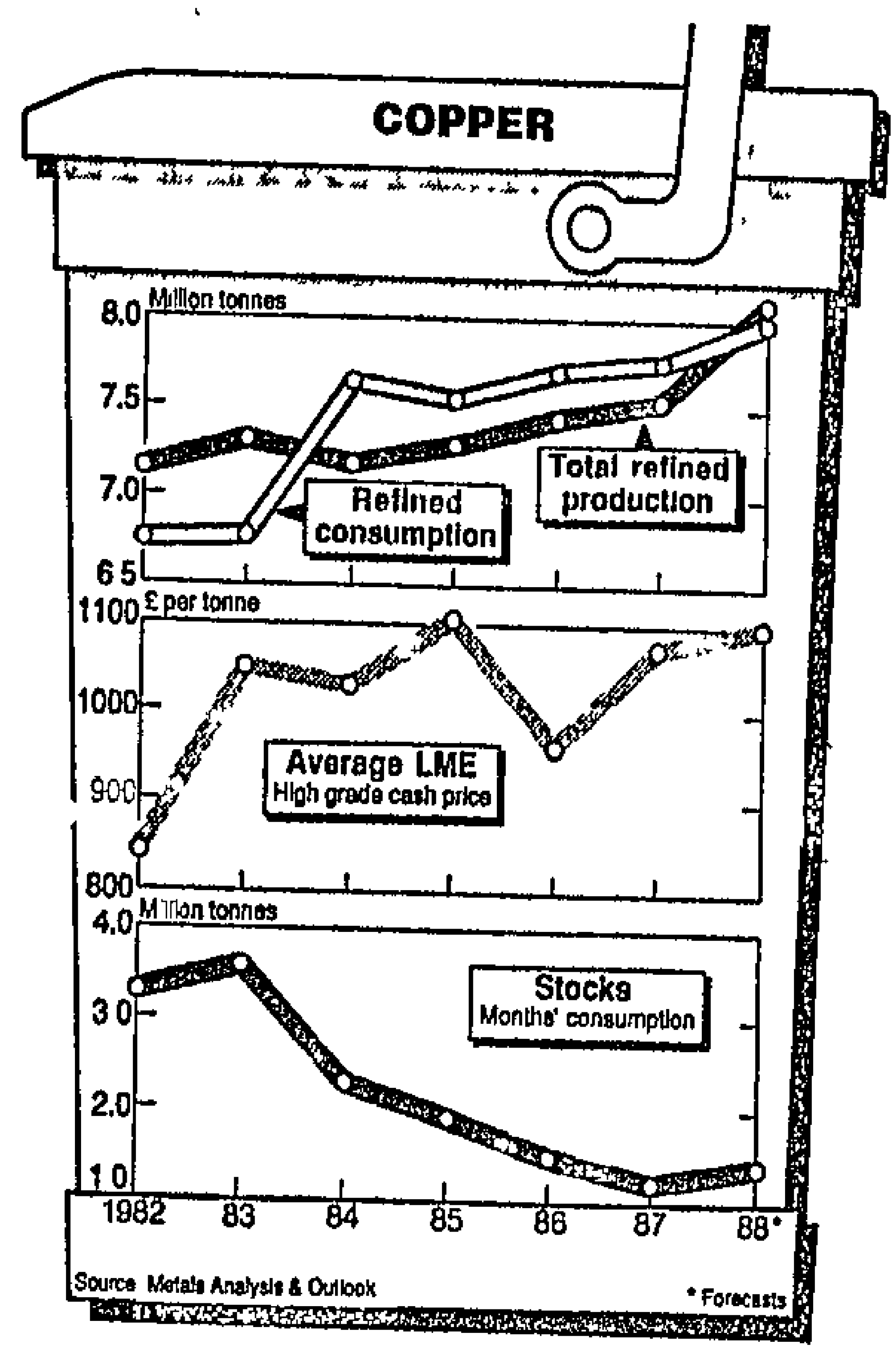
If the OECD's forecast of a slowdown in the second half is indeed correct this time round, this downturn will reduce consumption of metals and other raw materials

There will be a time lag of around six to nine months between any changes in economic activity and metals consumption, particularly since metals inventories are still low Strikes and disruptions in South and North America plus transport problems in Africa could also push prices upwards

Yet speculators have become active in the base metals markets and if there are signs of falling economic activity, they will sell and prices could decline sharply

Still, even if quotes fall in an economic slowdown, base metals prices will remain at much higher prices than levels seen in the mid Eighties

In general, prices of base and precious metals are likely to trade erratically in a sideways trend GOLD, however, could surprise its sceptics and shuffle from last place to the first three



Copper, along with nickel and zinc was one of the star performers, price-wise, in 1988 due to reduced supplies and greater demand

CSO reports record sales of $4,17bn

CAPE TIMES 6/1/89

217

JOHANNESBURG — De Beers Consolidated Mines said world-wide sales of rough gems and industrial diamonds by its Central Selling Organization (CSO) jumped 36% to a record $4,17bn in 1988.

De Beers, which controls 80% of the world's rough diamond market through the London-based CSO, said last year's sales easily surpassed the previous record of $3,08bn in 1987

Sales in the second half of 1988 were $1,97bn compared with $2,20bn in the first half and $1,52bn in the second half of 1987

The record 1988 sales confirmed a spectacular recovery in the world diamond market from a deep slump between 1981 and 1986

During the depression in the diamond business, De Beers held back rough stones from the market and substantially increased its stockpile of gems, a tactic that later paid off as global demand slowly recovered

After the world stockmarket crash in October 1986, De Beers again limited the supply of diamonds to the market.

But retail jewellers, manufacturers and dealers shrugged off the stockmarket crash and diamond sales continued to boom, enabling De Beers to raise rough diamond prices by 13,5% last May

De Beers said diamond sales surged by 50% in rand terms last year to R9,48bn from $6,30bn in 1987

The weakness of the rand last year boosted profits in local currency terms because world-wide diamond sales are transacted in dollars — Reuter

Dollar assumes safe-haven status

NEW YORK — The lustre of precious metals as a safe haven for investors appeared tarnished as silver and gold prices fell, while the value of the US dollar increased on Wednesday in reaction to political tension

"Wednesday was a bellwether day," said Bernie Savaiko, a commodities analyst with Painewebber Inc, commenting on the market after two Libyan jets were shot down by US fighters

"The inability of the metals to respond bullishly to the military incident in the Mediterranean indicates that the investor's first choice of a safe haven will be the dollar"

"At one time, it was common for gold and other precious metals to rally on any increase in world military tensions," said Jeffrey Nichols, MD of American Precious Metals Advisors.

"But in recent years the dollar has reassumed its safe-haven status."

The reasons the dollar has regained its stature as a safe have are two-fold, analysts said

"The US's flexing of its military muscle shows a political resolve to stand up against international terrorism and qualifies the dollar as a political safe haven over and above precious metals," said Savaiko

The other factor is a continued trend toward higher short-term rates, which continues to siphon investment funds away from the precious metals, analysts said

"Particularly in a high interest rate environment as we have, the dollar has taken the place of the precious metals as a safe-haven," said Bill Byers, research director of commodities with Bear, Stearns & Co Inc

"Quite honestly, out and out, inflation is about the only thing left that could motivate interest in precious metals," Byers added. — Reuter

Focus on metal and mineral prices

Finance Staff

The outlook for platinum, gold, ~~cop-~~per and other mineral prices will be the focus of attention of an expert panel of speakers at an "International Metals and Minerals Price Outlook" conference due to be held in Johannesburg on January 19.

Among the speakers on gold are:

● Don Mackay-Coghill — formerly of the International Gold Corporation who spearheaded the immensely successful Krugerrand campaign in world gold markets. Now chief executive of Goldcorp, Australia, Mr Mackay-Coghill will focus on the gold coin and investment markets

● James Cross - General manager of the SA Reserve Bank will provide a central bankers view of the gold market Mr Cross is in charge of the country's gold sales and as the marketer of the world's largest gold producer is in intimate contact with all developments and movements in the gold market.

The outlook for other minerals will be examined by:

● Platinum - Dave Russell, rated top platinum analyst on the JSE, will speak on the price outlook and world production trends in platinum group metals

● Base Metals - Reg Eccles, founder and Chairman of Metals and Minerals Research Services in London will address the outlook for copper, lead, zinc and other base metals

The conference, which is being organised by Systems Conferences, will be held at the Carlton Hotel.

Base metals are shining once again

(217)

Star 9/1/89

Copper, the world's most heavily-traded metal, is touching new heights, and aluminium, nickel and lead are looking healthy. KENNETH GOODING reports on the outlook for base metals in the year ahead.

LONDON — What does the future hold for base metals demand and prices?

That is one of the immediate questions raised by the 10 750 mbillion deal for British Petroleum (BP) to sell its worldwide minerals interests to Rio Tinto Zinc (RTZ)

About this time last year the copper price unexpectedly raced to record levels, and was quickly followed by those of most other base metals

After a lull during the summer, copper, the world's most heavily traded metal, is again touching new heights

Zinc is also setting records, and the prices of aluminium, nickel and lead are still looking healthy

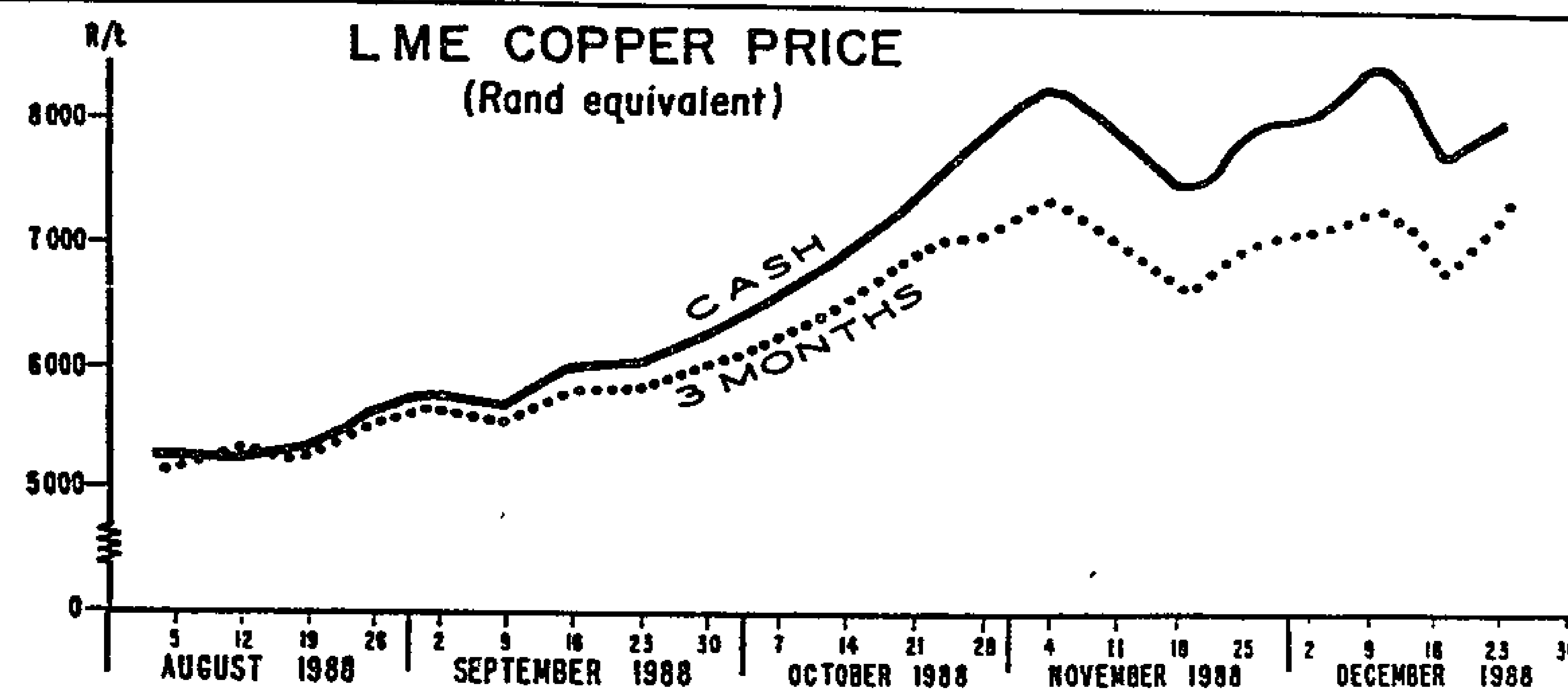
Is BP selling at the top of the metals cycle? Is the traditional boom-bust pattern still in place? Should RTZ and the rest of the industry brace themselves for a collapse in demand and prices this year?

Far from it Instead, a new golden age for base metal mining may have begun, says Mr Tony Hayes, mining specialist with WI Carr, the London securities house

Looking further ahead, the Metals and Minerals Research consultancy group predicts All though base metal prices may slip back from their 1988 highs if economic growth slows this year, but they are likely to remain significantly above their early-1980s lows

As a result, producers will enjoy a period of healthy financial returns unheard of since the early-1960s.

That is good news for RTZ, which — after the BP deal — will be by far the world's largest



mining and metals group It should also be comforting for major metals-producing countries such as Brazil, Chile, Peru, New Guinea, Zaire and Zambia.

But what are the implications for inflation in the industrialised economies? The roots of the current metals boom are to be found in the depths of the last recession in 1982/3 when metal stocks rose steeply, causing prices to plummet to levels below the cost of production for many mining companies

As Western economies gradually recovered, metals prices hardly responded. Increasing demand merely pulled metal from bloated stocks.

During those years, most mining companies struggled to survive Consumers grew complacent in the false belief that there would always be low-cost metal available from producers' stocks

Consequently, when the turnaround came in the middle of 1987, it was breathtakingly fast.

Consumers started to chase ever-depleting metal supplies. But producers did not respond quickly First they had to repair their battered balance sheets and, more importantly, their faith in the future. The stock markets crash in October 1987 gave the miners' fragile confidence a knock

Even when confidence was restored, the industry suffered from its perennial problem: That it always takes a great deal of time for planned production increases to translate into additional metal.

Production started to advance only slowly in response to rapidly-escalating demand and is still struggling to catch up.

The West's stocks of copper, lead and zinc are equivalent to only three weeks' consumption.

Many observers believe that, to work efficiently, industry needs enough stock to satisfy nearly two months demand, the level established in December 1986

Metals and Minerals Research suggests that stocks cannot be expected to rise above this critical level at any time in the next five years.

During the past year, low stock levels have been the dominating force behind the high prices on the London Metal Exchange, the market of last resort for anyone desperate for metal

Any sign of interruption to supply has sent prices spiralling upward — and there have been substantial interruptions, culminating in a 57-day miners' strike in Peru, which mines about 11 percent of the non-communist world's zinc, 8 percent of lead, and 6 percent of copper

Peru's 1988 output was already well below the previous year's level before the strike and production from Chile, Zaire and Zambia has been falling well short of targets

After working at full production for what they believed was a very temporary peak in prices, mines in these countries eased back for maintenance and other tasks

Mr Andrew Smith, of Phillips Drew, says policies of devaluation and subsidies, designed to bolster the competitiveness of the mining sector in the developing countries, have proved unsustainable

Mine output is now the casualty as these countries attempt to escape the treadmill of devaluation, hyper-inflation, external borrowing, and economic inefficiency

Those Western mining companies which threw brickbats at these developing countries in the early-1980s — for causing the prices collapse by over-producing — should now be showering them with plaudits for giving the metals boom a second wind

However, although that second wind sent base metals prices spiralling upward, in real inflation-adjusted terms prices have some way to go before they return to the levels of the 1979-80 boom

But the current bull market in base metals is not as strong as that seen in either 1979 or 1974.

This has interesting implications for industry and inflation. It means the price of base metals continues upon a gently declining trend, and that the current bull market should not prove to be overly inflationary.

Future is looking bright for titanium

Star B/Day 10/1/89

217

ROBERT GENTLE

LONDON — The world titanium market, of which SA holds an estimated 33% stake, is looking forward to sustained demand this year as aircraft manufacturers, which are key consumers, enter 1989 with record order books

The five major Western manufacturers are reported to have clocked up orders for 1 047 aircraft worth $47bn as the boom in world air passenger and cargo traffic continues unabated This compares with the 1987 record of 726 aircraft worth $39bn

The Metals Bulletin said one US titanium producer had already sold out its entire production of titanium sponge for 1989 With the additional seasonal threat of cold weather in Europe and North America likely to push scrap prices higher, the industry looked set to enjoy "another successful year"

Botrest responds to base-metal developments

B/Day 10/1/89

REINIE BOOYSEN

COPPER and nickel producer Botswana RST (Botrest) is responding to developments in the base-metal markets The nickel price has been increasing in strength for months now, and copper is close to its previous high

On Thursday, the sterling copper price on the London Metal Exchange hit £1 968/ton, and nickel rose to US$19 200/ton

As these are Botrest's two primary products, analysts wondered why the share was languishing around 215c early in December before venturing tentatively up to 230c, and late in the month to 250c Yesterday, the share moved up to 255c

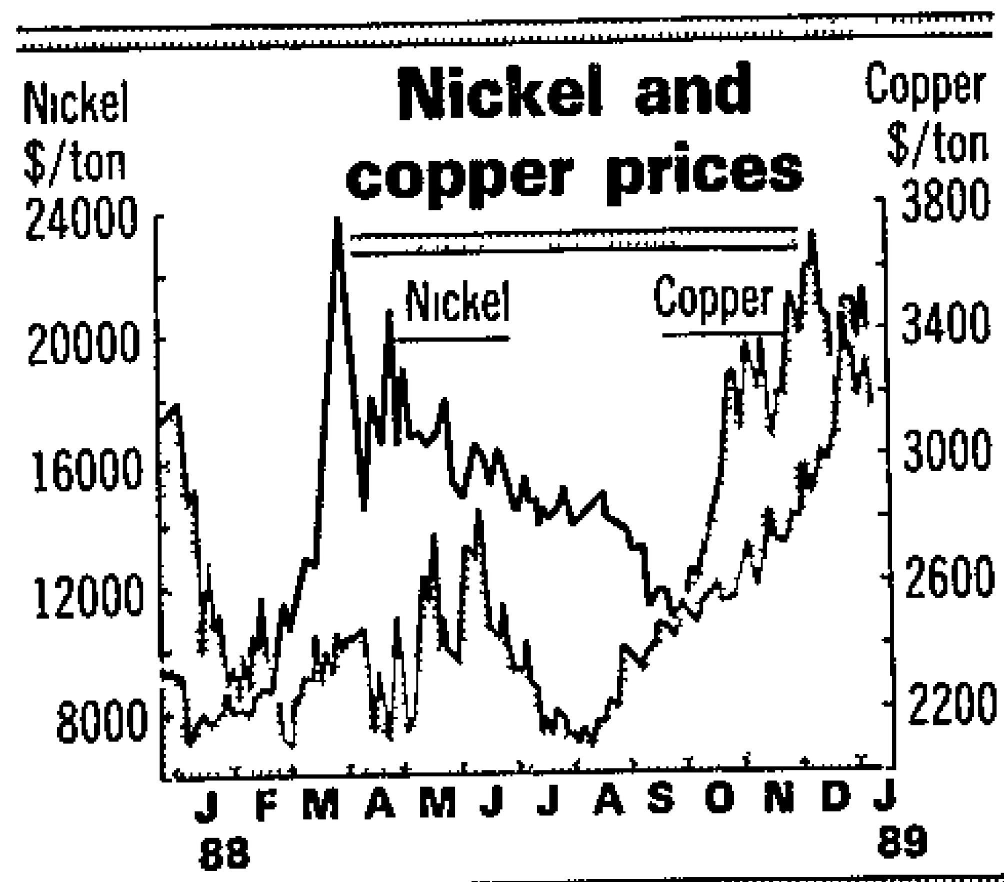
217

Boost

A dealer said volumes were also increasing steadily yesterday 2 500 shares changed hands, compared with an average daily volume of 679 from October to December

J D Anderson analyst Dave Russell said another development could boost Botrest's fortunes Financial director Malcolm Ralls said Botrest had entered into a management and toll-treatment agreement with Tati Nickel Mining to exploit two base-metal deposits east of Francistown called Selkirk and Phoenix

Ralls and Des Harrison, a Johannesburg businessman linked to Tati Nickel, declined to disclose the grades in the deposit, but Russell said they were encouraging His information was that nickel occurred at a grade of 2,6% at Selkirk, while the copper was 1,6%, three times the grade at Palabora Mining



Graphic FIONA KRISCH Source J D ANDERSON

Apparently, investors are hesitant to buy the share because of the huge amount of debt which must be settled before shareholders stand any chance of seeing dividends Another detraction is that the share has limited marketability

At December 31, 1987, the company had liabilities of $125m and loans of $812m The accumulated deficit was $739m In the year to December 1987, attributable profit was $16m

Russell said there was little reason why the share should not be re-rated in accordance with these developments

"The company's debt is already in the share-price Selkirk and Phoenix (the two rich deposits) should give upward potential to the share — especially on top of the recent firming of the nickel and copper prices"

Russell said there was potential for Botrest to gain additional revenue by exploiting by-product platinum group metals as a sweetener

Persuade

But other analysts were more wary of promoting the share One said "The bottom line is that Botrest will never pay a dividend" But Russell's answer to that was that investors could expect some capital appreciation if copper and nickel prices remained high, and the grades at the two deposits were as good as thought

Market talk suggests the two deposits previously belonged to Fred Collender, the man who sold Northam Platinum to Gold Fields of SA Russell bases his information on a document produced by Collender when he tried to persuade Rustenburg Platinum to toll-treat the ore for platinum group metals

PLATINUM TIPPED BY NORWICH NBS TRUST AS GOOD INVESTMENT

TANIA LEVY

PLATINUM would be a much more rewarding investment than gold in the near term, says Norwich NBS unit trust MD Louis Fourie.

Fourie remains unconvinced that gold has reversed its downtrend and sees it moving sideways to slightly down.

High short-term interest rates make cash a very attractive investment. The 41% increase in the industrial index since the October 1987 low makes it increasingly difficult to find good value in the industrial market in general

The Norwich NBS Unit Trust increased its equity content 32,3% to 64% in the December quarter.

In spite of the high level of liquidity during the quarter, the unit price rose 12,1% compared to the 7,6% rise in the all share index.

(217) **Patient** 8/Day 11/1/89

This was due to a focused performance-orientated investment portfolio, enhanced by the addition of certain high growth smaller companies.

Equity investments performed well, but Fourie feels Norwich NBS can be patient in becoming fully invested in equities

The fund increased its holding in De Beers, Samancor, Vansa, Klipton, Sunbop, Siltek, SPL, Midas and Waltons.

In the platinum sector Lebowa was switched into Lefko and a position taken in Rustenburg Platinum. Investments were made in mining houses, Anglo American, Charter and JCI, while in the gold sector Libanon was switched into Vaal Reefs.

Star 12/1/89

Nickel provides bonus for SA platinum mines

217

By Neil Behrmann

LONDON — A firm nickel market in the first half of this year is expected to prop up earnings of South African platinum producers, even though the platinum price is well down on last year's highs

The mines do not publish returns of production, but brokers James Capel estimate that Rustenburg produces about 34 million pounds of nickel each year (15 400 tons) and Impala Platinum 26 million pounds (11 800 tons)

"The mines are making more money with platinum at lower prices and nickel strong, than when platinum was $600 an ounce and nickel at $5 a pound, says the firm

Cash nickel prices are currently $7,52 a pound against a peak of $8,5 a pound last week and dealers expect the price to test last March's $10 a pound in the first quarter of this year

James Capel estimates that on a platinum price of $600 an ounce, a palladium quote of $130 an ounce and nickel price of $5 a pound, Rustenburg would earn R5,04 per share and Impala R6,09 a share

Yet if platinum averages at $540 an ounce, palladium at $130 an ounce and nickel at $8 a pound, Rustenburg's earnings will rise to R5,11 a share and Impala to R6,47 a share Platinum is presently $533 an ounce

James Capel also makes the point that palladium prices are likely to rise if any new auto catalytic invention of Ford Motors contains the metal.

Meanwhile, James Capel's calculations illustrate that the platinum mines cannot be evaluated without considering their by-products, even though they tend to slavishly follow the platinum prices.

Some analysts are bullish about nickel's prospects, even though prices have dipped this week

London Metal Exchange nickel prices are likely to reach record highs in the next few months, ' says Jim Lennon, metals analyst at Shearson Lehman Hutton and a former steel and nickel expert at consulting firm Commodities Research Unit "They could go well over $22 200 a ton ($10 a pound) in the short run.'

They will then ease back to the $15 500 to $19 000 range ($7 to $9 a pound) in the second quarter.

Mr Lennon contends that the market is likely to move into "severe shortage during the first quarter of 1989 "

In the past two days, however, nickel prices fell sharply from last week's 1989 peak because of an unexpected rise in exchange inventories. Yet the increase in stocks is likely to be temporary, says Mr Lennon

Stainless steel orders should remain as strong as ever and as a major nickel consumer, the industry will keep demand for the metal at record levels at least until the middle of 1989, Says Mr Lennon

Many European stainless mills seriously overestimate their ability to obtain nickel supplies and are now well short of their first quarter requirements, he says

The market has tightened because of a series of supply problems, says Mr Lennon PT Inco suffered a transformer failure at its Indonesian operations in mid-December.

In Brazil, a strike at the two nickel producers, began early November and shows no signs of being resolved Western Mining, the Australian producer, has lost production due to technical and operating problems.

Western producer inventories have fallen steadily throughout 1988 and are now at exceptionally low levels

"It is difficult to see how they could be run down further to accommodate the anticipated shortfall of supply during the first half of 1989," says Mr Lennon

The Soviet Union and Cuba, both large nickel producers also show no signs of supplying the shortfall Stainless steel scrap, the only other source of nickel units, is also in short supply

Such is the crisis, that some stainless steel producers will have to go without nickel during the first quarter, so they will be forced to cut their production, says Mr Lennon

COMPANIES

B/Day 16/1/89 (217)

Shareholder queries RM's platinum ventures

REINIE BOOYSEN

A RAND Mines (RM) shareholder questioned chairman Dammy Watt on the relative merits of the group's investment in platinum mining as opposed to gold mining at Friday's AGM.

● WATT

The shareholder's written question was "In view of the highly speculative nature of the price of platinum, would it not have been a safer proposition to have spent part or all of the money earmarked for the platinum mines on dewatering City Deep, Crown Mines and CMR, thus releasing vast tonnages of payable gold-bearing ore on those mines for exploitation?"

Watt denied RM's platinum investment was a highly speculative venture "On the contrary, as a commodity which is rapidly increasing in strategic importance, it is considered that an involvement in this sector of the mining and mineral beneficiation industries is of paramount importance."

Watt had earlier explained it would cost about R584,2m (in current money terms) to bring recently acquired Lefkochrysos to a milling rate of 160 000 tons/month, and about R754,2m to bring Rhodium Reefs to a milling rate of about 180 000 tons/month, should the latter development be resumed.

In contrast, he estimated that it would cost between R571m and R768m to dewater the 80-million cubic metres of highly polluted water in the abandoned underground workings between ERPM and Durban Roodepoort Deep.

Watt also noted the following comparisons:

☐ In the CMR, Crown and City Deep properties the remaining "potential" ore reserves were erratically distributed over about 18km of strike extent down to depths of 3 000m below surface, with in-situ grades ranging between 3,6g/t and 6,8g/t.

"The reserves are not vast as suggested nor can we be sure at this time that they could be profitably exploited," said Watt.

☐ At Lefko and Rhodium Reefs, the average values of the proved, and totally unexploited, ore reserves were about 5,66g/t and 6,28g/t respectively for the platinum group elements and gold with the potential nickel, copper, cobalt and chrome contributions to revenue being disregarded.

"When comparing Lefko with Crown, City Deep and CMR it must also be realised that the ore-body at Lefko will be mined from the surface initially at low cost. Because of the comparatively shallow depths and the significantly more concentrated nature of the mining layouts, production costs at Lefko will be about 50% of those estimated for mining at the Crown, City Deep and CMR operations."

Gold Fields' base metals profits surge

Star 17/1/80

(217)

Base metal companies in the Gold Fields group showed big increases in profits in the December quarter

O'okiep Copper's pre-tax profits jumped sharply, but its after tax profits tumbled O'okiep also announced it is to go ahead with the Klein Nigramoep project which will cost R77 million in June, 1988 money values.

The project will open up 5,3 million tons of ore containing 2,35 percent copper

O'okiep had sales of R63,0 million (September R51,0 million) and profit before tax of R37,6 million (R28,0 million)

However, tax took R20,3 million (R1,2 million) leaving a taxed profit of R17,3 million (26,8 million).

Taxed profits of other coal and base metal companies in group were:

Gold Fields Coal: R6,3 million (R4,7 million). Rooiberg Tin· R463 000 (R446 000) Black Mountain: R17,0 million (R9,9 million). Zinc Corporation: R5,1 million (R2,6 million).

O'okiep has bumper last quarter in spite of tax

BDay 17/1/89

ADAM PAYNE

O'OKIEP Copper Company in the north-western Cape had a bumper December quarter in spite of tax jumping from R1,16m to R20,3m

The mine's return to profit after years of incurring losses led to its going into tax

Ore treated was lower at 502 400 tons (515 900 tons) and grade was lower at 1,72% (1,96%), which resulted in lower recovery of copper in concentrates at 7 645 tons (9 025 tons)

Sales rose 23% to R63m (R51m) on the back of the higher copper price

New project

Profit before tax rose 34% to R37,6m (R28m), while tax surged to R20,3m (R1,2m) After-tax profit declined to R17m (R26,8m)

The directors have approved the Klein Nigramoep project about 17km from the main mining area Estimated ore reserves are 5,3-million tons of 2,35% copper, the mining of which will be financed from the company's own resources

Capex for the project is estimated to be about R77m in June 1988 money

The unexpended balance of authorised capex at December 31 included R53m for the Nigramoep project

Rebels seek votes in bid to change Union Tin's focus

BDay 17/1/89

(217)

REINIE BOOYSEN

THE REBEL consortium of Union Tin shareholders led by Neil Hurworth and Geoffrey Ashmead have published appeals for support from fellow shareholders in their efforts to turn Union Tin into a platinum operation

Advertisements placed in the Business Times at the weekend and in Business Day today accuse Gold Fields of SA (GFSA) — the controlling shareholder via its 71% holding in Vogelstruisbult Metal Holdings — of conducting "inadequate exploration" over the past 28 years

In the advert, the consortium says "We hold our large shareholding chiefly in the conviction that Union Tin's properties have considerable potential as relatively small-scale high-grade platinum producers"

The advert also contains a form with which shareholders can appoint Hurworth as their proxy at an extraordinary general meeting to be held on January 31, when shareholders will be asked to approve a resolution to proceed with a platinum prospecting programme at Union Tin

GFSA officials have steadfastly denied that Union Tin's properties have potential for platinum recovery "We have evaluated the geology of the mine, and we don't even think that it is feasible to mount any further exploration for platinum," said director Malcolm Forsyth yesterday

No evidence

In the 1987 annual report, chairman Peter Janisch said "It is perhaps also necessary to remark that, after careful investigation by consultants, no evidence has been presented to the board to indicate the presence on its mineral rights holdings of economically exploitable platiniferous deposits"

Forsyth said GFSA would not obstruct the efforts of "junior companies" to exploit Union Tin's platinum deposits

"The junior companies always maintain that they can handle these small projects more profitably If that is what they aim to do, we will not stand in their way"

A summary of the detailed motivation by the rebel shareholders calling for the extraordinary general meeting has been lodged with Union Tin, and a 1 000-word summary is to be forwarded to them

Analysts from three prominent JSE stock-broking firms, who were asked their opinions on the matter, said they agreed with GFSA that it was unlikely that an economically sustainable platinum operation could be established at Union Tin

Hurworth's contention is that the economic deposits of platinum at Union Tin occur in large faults, which contain quartz and breccia veins.

Hurworth concedes that there is little prospect of an economic platinum mine being established on the more traditional Platreef, Merensky and UG2 reefs which are thought to underlie Union Tin's properties

Rhoex is a share worth exploring

Star 20/1/89

217

Sharespot

LYNNE PEACH

Since its listing in 1987, Rhoex has been the subject of speculative attention

Its share price quickly climbed to reach 915c before the Great Crash in October 1987 caused it to drop below 350c where it has remained since

In the latter half of last year, the price collapsed to below 100c to 85c.

In recent weeks, however, the share price has appreciated strongly to 135c, with charts indicating it will go higher still

Rhoex is involved in mineral and metal exploration with the objective of providing viable ore deposits.

After successful location, potential ore reserves are evaluated and this is followed up with mining viability studies.

Rhoex plans to turn successful ventures to account and pass the benefits on to shareholders. While these could be very significant, the risks are high and the timespan usually long.

Because of the urgent need to arrest the declining trend in SA gold production and diminishing SA gold ore reserves, serious exploration is the order of the day in the industry.

Rhoex plans to continue its exploration activities, bearing in mind that the process is long-term and the establishment of gold mines costly. MD Rob Still says timespan and cost largely depend on the depth of the new mine.

Besides gold, Rhoex is also involved in exploration for platinum and base and industrial minerals

As far as the latter are concerned, Rhoex is specifically interested in minerals with export potential, that are virtually sanctions-proof, that require modest capital funding and that can be turned to account in a comparatively short time.

This, it is hoped, will provide shareholders with interim returns while the group is pursuing longer-term precious metal exploration.

Mr Still says a major factor to consider in mineral exploration as opposed to gold, for example, is marketing Some finds have had to be shelved for the time being because prevailing market conditions are not buoyant enough for viable marketing of the minerals concerned.

With regard to recent developments in current projects, Mr Still says progress has been made, but declines to elaborate. He says, however, that if certain projects work out, announcements can be expected within five to six months

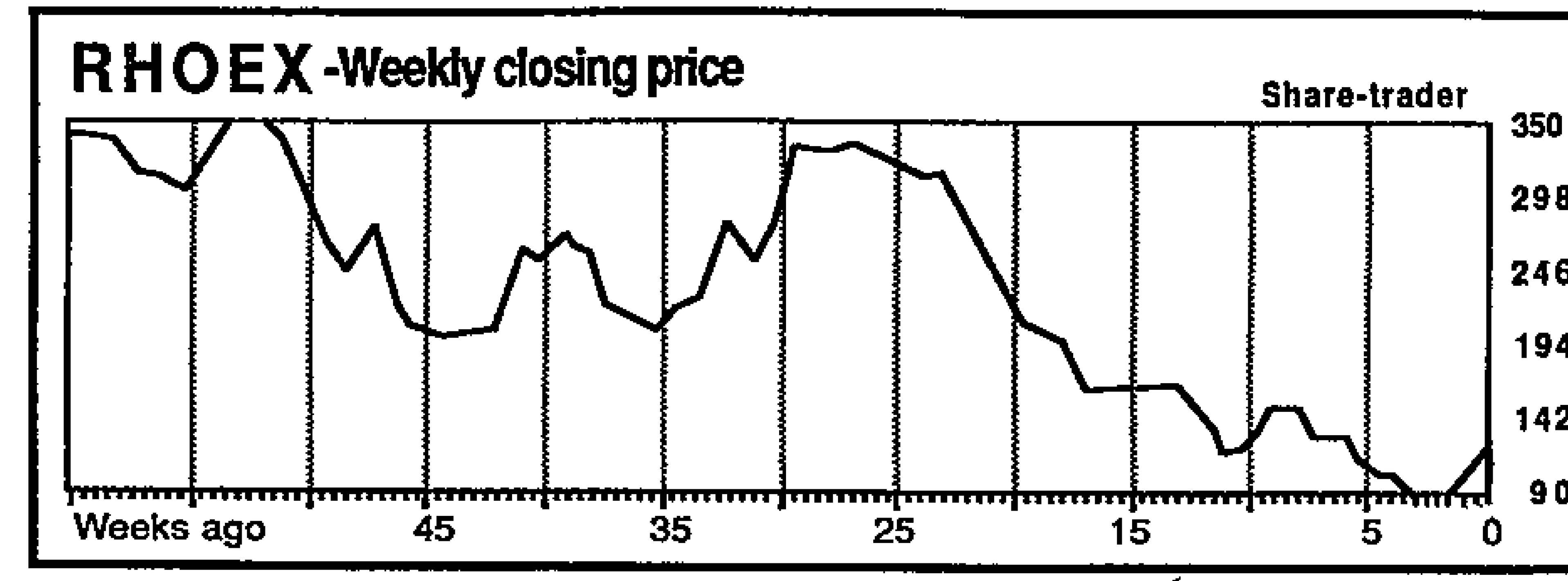
Stock market gossip has it that there will be some good news about an industrial mineral project.

Mr Still says the plans to mine the Transkei coast for titanium are going ahead, despite reservations expressed by conservationists. He says mining lease negotiations are proceeding satisfactorily.

In line with other mining exploration companies, Rhoex has been showing a loss.

In its financial year to June 1988, the loss was 6,2c.

Mr Still says at the current rate of depletion, the group's financial resources will last 12 years.



The chart indicates the downslide in Rhoex's share price since late 1987. The share do[es] however, appear to have bottomed out recently at 90c. The favourable outlook [is] supported by the strong rise of more than 20% in less than two weeks. Other favoura[ble] factors include steep climbs in the on-balance-volume indicator (which suggests that t[he] share is keenly sought after) and that Rhoex looks oversold (a technical buy signal).

(217)

Platinum price deserves re-rating

Star 20/1/89

Diagonal Street

ANN CROTTY

"As supplies are not expected to increase much in 1989 the demand/supply gap could open up further It is an understatement to say that the present relative weakness of the platinum price is difficult to fathom"

This is the bullish view of Dave Russell, analyst with stockbrokers' J D Anderson. Mr Russell was addressing the International Metals and Minerals Price Outlook Conference in Johannesburg yesterday.

Mr Russell points out that market commentators have been confused at events in the platinum market since the announcement of several new mines over the past two years.

"Then, prophets of doom forecast massive oversupply and a consequent collapse in prices. But the platinum price has continued to firm on the back of an expanding supply deficit."

The state of confusion in the market is reflected in the response to the December announcement by Ford Motor company that it was developing a new type of palladium catalyst. This caused an even more severe slump in price in one day than the stock market crash in October 1987.

Mr Russell is satisfied that platinum group metals, as metals of the future, are set for sustained growth in demand and "thus prices should continue to rise (and not run away) — so long as demand is not overtaken by supply."

But he warns that any structural change in the demand for platinum — such as a new form of autocatalyst, would have severe implications for the metal and this would immediately dampen speculator and investor interest in it.

He believes that the outlook for supply over the next five years is positive and feels that the metal prices are not fully reflecting the underlying supply shortfalls that have occurred over the past two years.

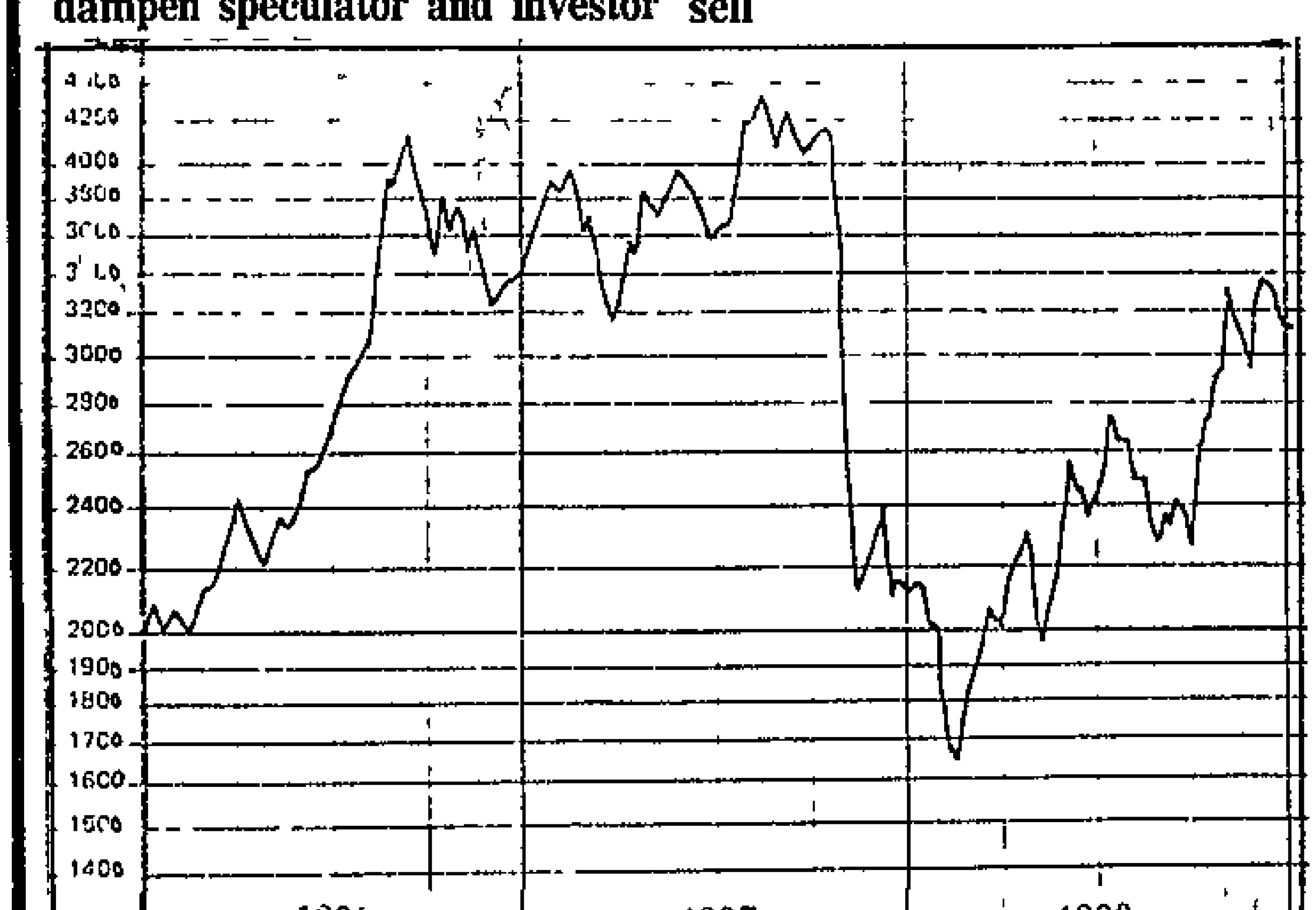
This should be particularly beneficial for this country which, he feels, "holds and will continue to hold the key to future availability of platinum to the non-communist world as it has done for the past 20 years.

Turning to the demand side, Mr Russell notes that this exceeds supply as evidenced by the low level of stocks on NYMEX. Extraordinary demand in Japan from all sectors and sustained offtake by US and Japanese car industries have been major forces on the demand side.

The sluggishness of the platinum price suggests that the market has been paralysed by focusing on short term factors more related to gold (low inflationary expectations), and seem to have ignored platinum's extremely tight fundamentals.

As Mr Russell sees it the most important difference between the two precious metals is that gold is almost exclusively an investment metal (only 11 percent used for industrial) whereas platinum is primarily an industrial metal (about 17 percent for investment)

So, on fundamental considerations the platinum price deserves a re-rating according to Mr Russell



The platinum share index dips after strong growth.

Although local exchange control regulations prevent SA investors from playing a significant role in the global market, the fact that the SA market is vying for business from the global players is sufficient reason to ensure that this guide is kept as a reference book by most of the local operators.

Healthy rise in Rusplat's profits

217

Star 24/1/89

Rustenburg Platinum Holdings' improved sales revenue and higher sundry income resulted in operating profit improving by 26 percent to R689,4 million and the distributable profit by 20,7 percent to R239,0 million for the six months ended December 31 1988.

Profit before taxation increased to R633,0 million (R494,9 million), while profit after taxation rose to R241,5 million (R200,2 million).

Earnings a share were accordingly higher at 190,7 cents (158,0 cents) and an interim dividend of 115,0 cents (100,0 cents) was declared.

Capital expenditure for the six months amounted to R102,0 million (R114,9 million) of which R56,4 million (R52,4 million) was renewals and replacements.

Lebowa Plats sales revenue of R26,4 million reflects lower sales volumes than in the comparable period of the previous year because of the need to build up adequate working stocks. Sales volumes are expected to rise in the second half of the financial year.

However, substantial other income and a lower tax provision contributed to the increase of R5,4 million in after tax profits to R9,6 million.

Earnings a share were higher at 8,0 cents (4,9 cents) and an interim dividend of 2,5 cents (2,0 cents) was declared.

Capital expenditure of R33,5 million (R3,5 million) for the six months period includes R32,4 million spent on the expansion programme at Atok Section which is on schedule.— Sapa.

Higher nickel prices, low rand boost Rusplat

B|Day 24|1|89 (217)

REINIE BOOYSEN

JCI platinum producer Rustenburg Platinum (Rusplat) registered a 21% rise in distributable profit for the six months to December — largely because of a decline in the rand and buoyant conditions in the nickel market.

Rusplat's distributable profit rose to R239m (R198m), and an interim dividend of 115c a share has been declared — 15% higher than last year's 100c.

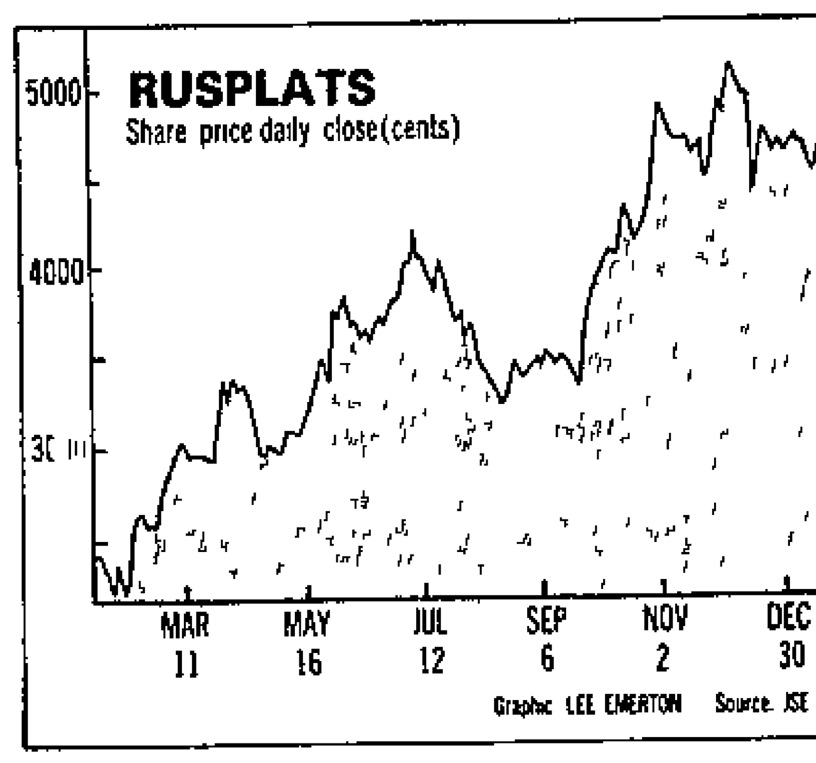
Rusplat chairman Pat Retief says the average price of platinum changed little from the previous comparable period, and there was only a small increase in the physical volume of sales.

But the decline of the rand ensured improved rand income for Rusplat's metal exports. The rand/dollar exchange rate declined by 24% from R1,9168 to the dollar at end-December 1987 to R2,3770 at end-December 1988.

The rise of world nickel prices since September has added a welcome bonus to Rusplat's bottom line.

London broker James Capel estimates that Rusplat annually produces about 15 400 tons of nickel — worth about R120m at current prices — as a by-product of refining the platinum-rich ores from the Bushveld.

The price of nickel has risen substantially since August last year, when it traded at about $11 000/metric ton. In



December, the last month of Rusplat's first half-year, the metal peaked above $20 000/metric ton.

Other by-products include palladium, rhodium, rhuthenium, iridium and osmium. "The mines are making more money with platinum at lower prices and nickel strong, than when platinum was $600 an ounce and nickel at $5 a pound," said James Capel this month.

A similar picture could emerge at the end of the financial year in June. Nickel prices remain buoyant, with analysts forecasting a continued shortfall in supplies this year.

But the price of platinum suffered a surprise collapse in December — from about $615 to about $530 — following the announcement by Ford that it had designed a car exhaust-fume purifier which contains no platinum.

But analysts agree that the market reaction was overdone, and they expect the platinum price to make a steady recovery. The metal was trading at $541 yesterday.

JCI's other platinum producer — Lebowa Platinum Mines — recorded a 129% increase in taxed profit, to R9,6m (R4,2m). Although the profit on metal sales dipped to R7,1m (R8,5m), other income, which includes the interest on money raised from last year's rights issue, rose to R5,9m (R1,2m).

Earnings a share — with the number of shares in issue rising from 86,2-million to 120-million — rose to 8,0c (4,9c), and an interim dividend of 2,5c (2,0c) has been declared.

Japan to reduce SA chrome imports

B/Day 26/1/89 (217)

ROBERT GENTLE

LONDON — Japan is to double chrome ore imports from India in the coming year in a deliberate move to reduce its dependence on SA, which up to now has been its major supplier.

According to Metal Bulletin, India will sell 80 000 tons to Japan this year compared to 39 000 tons last year. Indian ore producers are confident they will be able to satisfy demand.

The latest move is apparently part of a wider policy undertaken by Miti, the Japanese Ministry for Trade and Industry, to persuade Japanese companies to reduce their dependence on SA imports.

Vanadium, of which SA is the world's number one producer, took off again last week as panic hit world markets.

Vanadium pentoxide jumped to close at $11 a pound from the previous high of $9 a pound, reports Metal Bulletin. Ferro-vanadium surged from the previous week's $40 a ton to $52 a ton.

Interest has apparently switched from ferro-vanadium to pentoxide following news from the US that quantities of raw material for the first quarter will be less than expected.

The Soviet Union, which has a major supply problem related to a major gas pipeline project, is reported to be being paying record prices.

And with lower SA production, the only vanadium coming on to the free market is from China, which produces about 10% of the world's output.

Unihold adds punch to its mining arm

(217)

THE diversified Unihold group has bought Unique Engineering for about R3-million in cash.

By Don Robertson

The purchase strengthens the company's involvement in the mining industry It is complementary to the Boksburg foundry which provides high-chrome castings for the mines, another subsidiary, Malvern Wedge Wire, which makes steel screening used for washing coal; and Wilco Howard, which manufactures mining consumables such as pumps Other foundries in the group also produce castings for the mining industry.

Unique, based in Boksburg, makes and distributes hydraulic mine props and high-pressure pipe fittings It is the largest supplier of props to the platinum mines It is making progress in supplying props to the gold mines.

The props are made of nickel-based steel Because of the metal's strength the props are smaller and lighter than conventional ones Sold under the name Uniprop, they can be used many times as the working face advances

Chief executive John Butler says the company is looking for further expansion through acquisitions and by organic growth

The company is due to announce preliminary results for the year to December All Mr Butler will say about the results is that turnover has risen to more than R100-million from R84-million in 1987. Attributable profits have also increased

All the group's 13 subsidiaries made a profit last year

The improvement is a far cry from the loss of R8,3-million in 1984 after the reverse takeover of QH Super, which gave Unihold its listing Profits recovered in 1986 to R1,8-million and rose to R6,5-million in 1987.

Divisions

Unihold operates three divisions — foundry, engineering and electrical

All sections of the foundry division will be expanded this year to meet increasing demand. Most are operating at capacity.

Unique Engineering will increase the production of high-pressure fittings. It is the only manufacturer of these products in SA and has between 40% and 50% of the market. It will increase production to meet import replacement. Mine props will be increased from the present 1 200 a month to meet increased SA and export orders

The Boksburg foundry produces manganese steel and high-chrome iron which is used mainly for linings in ore-crushing mills The company operates 24 hours a day and hopes to step up exports. The plant uses 900 tons of steel a month, but the figure will rise by June.

The specialist Rely Precision Castings factory which has operations in Boksburg and Chamdor hopes to increase production of investment castings which use a wax mould to produce a variety of components

JOHN BUTLER.

"Demand for this type of product is unlimited," says Mr Butler

Corrosive

The Boksburg plant is one of only three foundries in the world able to cast silicon iron for highly corrosive applications, such as the transfer of hot sulphuric acid slurries.

A fettering shop is being added to the plant as part of a R1,2-million expansion programme.

After the debacle with QH Super, all that is left of that group is Walro Flex and Walro Automotive.

Walro Flex makes copper-furnace and water-cooled cables — the largest in SA — electrical braid and earth cables. Additional exports are being sought.

Walro Automotive produces wiring harnesses for the motor industry. In spite of the expected decline in car sales this year, the company hopes to increase volumes because of the many new models to be launched.

Also in the electrical division is Zumtobel-Barlite, a joint luminaire operation with Zumtobel of Austria.

Sales volumes rose by 38% last year and are expected to increase by 26% this year from R15,5-million to R25-million

The company has won contracts for the supply of high-tech light fittings for buildings and plans to increase its presence in this market.

by JULIE WALKER

Union Tin heading for a roasting

(217) S/Times 29/1/89

FIREWORKS are expected at the extraordinary general meeting of Union Tin Mines on Tuesday.

A consortium of Cape shareholders will take the board to task about the mine's future Gold Fields of SA manages Union, which was placed on care and maintenance in 1986 when tin mining became unprofitable GFSA owns half of Vogelstruisbult, which has 30% of Union

The Cape shareholders, represented by New Chakari Mines, own 17%, and have canvassed support by proxy from others through newspaper advertisements

A few months ago Vogels invited tenders for its stake in Union Tin New Chakari offered to top any other offer, which is not the same as making one

New Chakari says Vogels should state what it considers a fair price It says Union chairman Peter Janish indicated to it that the break-up value of the company was about 200c a share

VILLAGE

First item on the agenda is the R35 000 monthly cost of care and maintenance at Union New Chakari finds it unacceptably high It also queries the sale of the James tables, which "appear to have been sold to another group company too cheaply"

New Chakari outlines the above-ground assets of Union They include 1 810 hectares of mine village and buildings with "considerable holiday camp potential in the event of a break-up"

Some of the plant has been sold, but New Chakari says a recent evaluation of only the remaining plant is R3 a share Mine stores are being sold — "mostly to Rooiberg" — cash was R464 000 at the end of 1988, and surface dumps contain varying amounts of tin, gold and silver

New Chakari believes that if the plant were still complete, Union would be able to process dumps profitably

New Chakari lists Union's underground or mineral rights, saying they could be valuable as they are "very highly mineralised indeed"

It maintains that Union's workings still contain high-grade pillars, were never swept before closure, good borehole results were not followed up and promising lodes were abandoned

"We have expressed to Goldfields (sic) our great dismay that they commenced in 1986 and completed late this year (1988) a programme whereby every opening to the underground mine has been backfilled with rubble and sealed with concrete

"We believe that fencing would have been more sensible and that the pumps should have been maintained in operation in the more normal pattern of 'care and maintenance' "

New Chakari claims that Gold Fields, in contrast to the careful logging of tin information, is "utterly unable to give us any indication of systematic recording of copper, gold and silver values"

New Chakari says it asked for a copy of a feasibility study conducted for platinum on Doornhoek — one of Union's properties — when considering what bid to make for the Vogel stake in Union last year It was never furnished — Vogels "failed to confirm or deny its existence" New Chakari says it learned of the report from the mine manager in 1979

New Chakari's geological consultant has been unable to find any such "careful investigation by consultants of possibly economic platiniferous deposits"

New Chakari says it spent three days at Union with its consulting geologist sampling selected surface horizons Out of 39 samples, 26 contained above-background values for platinum, ranging from 20g/t to 0,05g/t, the background value being 0,01g/t

"We can therefore safely say to Goldfields that we have achieved more in three days than they have achieved in 28 years!"

New Chakari says that hydrothermal deposits — which it believes occur at Union — have been successfully operated elsewhere

Whether or not platinum or other metals can be successfully recovered from Union's properties remains to be seen, but New Chakari makes a reasonable case for further investigation of the prospects

Union Tin shares are 180c, unchanged since the advertisements canvassing support were placed by New Chakari two weeks ago

Bully for base metals

NO recession in 1989 is the word from SA's leading commodity broker Holcom Futures

Holcom says in its January Futures Update that the mood remains encouraging for commodities

"At this time of year brokers' research and forecasts supplied to us give us a chance to assess the overall view and valid opinion for 1989 The consensus is that economic growth in both the Far East and Europe will keep on surprising us by its vigour during the coming 12 months"

After the meteoric rise in the prices of base metals, the widely expected increase in supplies has not materialised

"Producers are wary of the scenario when their efforts in 1982-83 after the 1979-80 bull market depressed prices to uneconomic levels

"However, increased production is forecast to create oversupply by mid-year only if we have a strike-free environment"

There is a strike at Outokumpu in Finland and there have been two explosions at Chilean copper producers in the past few weeks

Holcom covers the outlook for "soft" commodities, being the agricultural sector, as well as oil and precious metals, currencies and stock-market indices

Rebel shareholders on Union Tin board

REINIE BOOYSEN

TWO members of a rebel consortium of Union Tin shareholders — all from Cape Town — were yesterday elected to the company's board of directors at an extraordinary general meeting held at Gold Fields of SA's (GFSA) Johannesburg head office

The meeting had been called by the rebels to discuss their proposal that Union Tin conduct a platinum prospecting programme on its properties.

However, chairman Peter Janisch ruled out of order a proposal that the prospecting programme be funded by way of a rights issue of the company's 200 000 unissued shares, at an issue price of R2,50 a share (to be underwritten by rebels Neil Hurworth and Geoffrey Ashmead)

He said shareholders were not given sufficient notice of this proposal, which was tabled at the meeting by the consortium

Janisch also refused a request by advocate Milton Seligson, SC, — on behalf of the consortium — to exclude members of the Press who were not shareholders or proxyholders

The consortium indicated that they had been warned by board members that some of their earlier comments about the board were defamatory "It is desirable that the meeting be held in confidence, as our presentation to this meeting must needs be critical of the board," said Seligson

Union Tin rebel shareholders, from left, Milton Seligson, SC, and Neil McDougall (legal advisers), Neil Hurworth and J H Katz confronted chairman Peter Janisch, inset, at yesterday's extraordinary shareholders' meeting. Pictures ROBERT BOTHA

3/Day 1/2/89

217

Janisch said "Union Tin did not seek the publicity which this matter has received — this was clearly at the behest of the requisitionists (the consortium)."

Later Janisch said he took exception to the consortium's claim that there was a perception that the board acted only in the interests of Vogelstruisbult — the company through which GFSA holds its stake in Union Tin — and GFSA

The consortium questioned Janisch's claim — in Union Tin's 1987 annual report — that a "careful investigation" had been conducted into the presence of economically exploitable platiniferous deposits

Janisch confirmed that no written feasibility study had been produced, but he later invited GFSA's consulting geologist, Richard Viljoen, to make a presentation to the meeting Viljoen concluded his presentation by saying that "the potential for finding an economic platinum deposit, even as an adjunct to tin mining, is very small"

However, the consortium disputed this view, relying on a study conducted by geologist Mickey MacMillan Janisch said the board would consider the consortium's proposal that three boreholes be drilled at Union Tin, and that the cores be split and separately assayed by GFSA and the consortium

The meeting concluded with the election of the two leading rebel shareholders, Hurworth and Ashmead, to the board, by a margin of 986 397 to 720 000 share votes

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Two killed in platinum mine blasting

Star 2/2/89 (217)

Two miners were killed and another seriously injured in an underground blasting operation at the Karee platinum mine near Rustenburg yesterday, bringing the total number of mine deaths since the weekend to seven.

Gazelle Platinum Limited announced yesterday that two employees of RUC Mining Contracting Company were killed, and one seriously injured, in an accident "associated with underground blasting operations".

"The accident occurred at about 12.10 pm on February 1, 70 m underground at No 2E shaft," a company statement said.

The names of the dead would be released once their next of kin had been informed, it said.

le jumbo Jabu
ds big daddy

Implats lifts taxed profit

217

Impala Platinum (Implats) lifted taxed profit for the six months to December by 32 percent from R145,1 million to R191,5 million.

This followed an increase in turnover of 20,6 percent, compared with the corresponding period in 1987.

Earnings per share rose to 332c (252c).

An interim dividend of 75c (60c) has been declared. Star 7/3/89

Profit has been arrived at after accounting for interest payments of R9,9 million (R7,7 million) and provision for the payment of royalties of R40,6 million (R26,0 million) to rights-holders in terms of the cession to Impala Platinum of mining leases.

Provisions for tax and lease consideration absorbed R237,4 million.

The development of the new Karee mine is on schedule. It is expected the first metal will be produced early in 1990. Capital expenditure rose by R73,9 million in the period under review to total R103,8 million to date. Sapa

Implat beats competitor Rusplat's interim EPS

B/Day 7/2/89

2/17

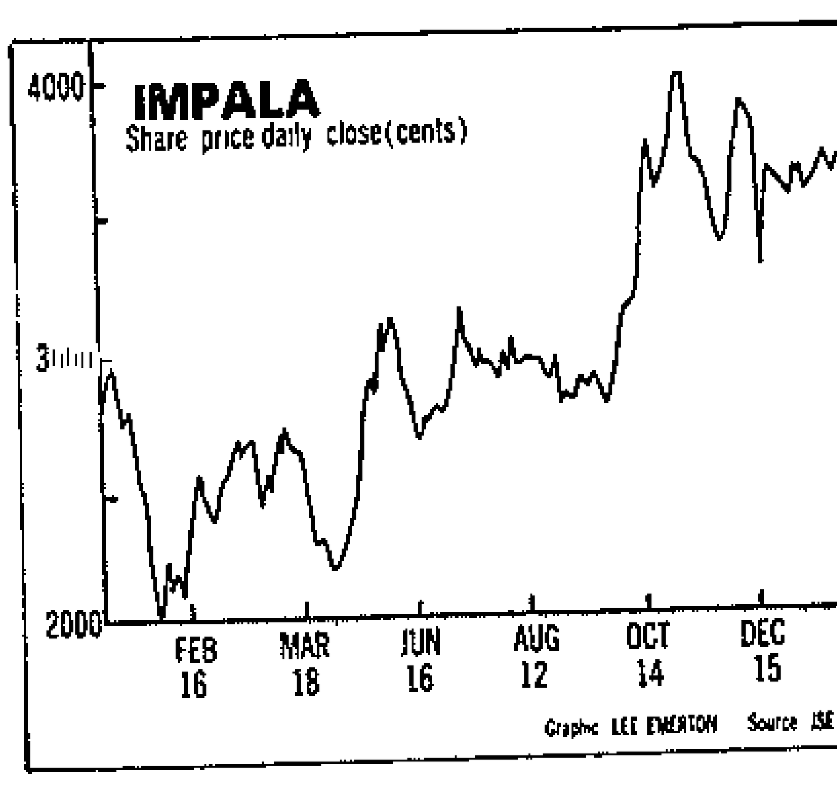
REINIE BOOYSEN

GENCOR's Impala Platinum (Implat) has bettered competitor Rustenburg Platinum's (Rusplat's) performance in the six months to December 1988, by lifting earnings a share by 32% in comparison with Rusplat's 21%

Implat's earnings a share rose to 332c (252c), while Rusplat's rose to 190,7c (158c) Implat has declared an interim dividend of 75c a share — 25% higher than last year's 60c interim

Implat's performance is attributed by MD Don Ireland to the improved prices received by Implat for the range of metals (about 10) which the company produces The weaker rand — which declined from R2,026 to the dollar to R2,418 — also boosted Implat's rand income

He cites as an example the prices of copper and nickel, which recently hit all-time highs on the London Metals Exchange SA platinum producers have never revealed how much metal they produce, but London broker James Capel estimates that Impala Platinum produces about 11 800 metric tons of



nickel annually, worth about R500m at current prices

A curious feature of Implat's results is the 30% reduction in capex, but Ireland yesterday quashed rumours that Impala was holding back on the development of ore reserves in its lease area in view of the mine's legal dispute with the Bafokeng tribe

Asked to explain the reduction in capex, from R65m to R46m, Ireland replied "We're having a very careful look at every rand that we spend" He added that the reduction in capex was attributable to "the current state of the replacement programme"

Analysts say most SA gold mines are suffering an inflation rate well in excess of 20%

Directors say development of the new Karee mine is on schedule, and it is expected that the first metal will be poured early in 1990

Capex on this project — which is being accounted separately — increased by R73,9m to R103,8m

The results put Implat on a dividend yield of 5,3%, compared with Rusplat's 4,7% Implat yields 16,4% on earnings compared with Rusplat's 6,8%

Impala Plat lifts profit by 32%

Cape Times 7/2/89 217

JOHANNESBURG. — Impala Platinum Holdings Ltd lifted its profit after tax for the six months ended 31 December 1988 by 32% from R145,1m to R191,5m

This follows an increase in turnover of 20,6% compared to the corresponding period in 1987 Earnings per share increased to 332c per share (252c) and 520c for the year to June 30, 1988

An increased interim dividend of 75c per share, compared to 60c for the first half of the 1988 financial year, was declared

The increased turnover, from R781,9m to R943,1m and compared to R1 588,8m for the full 1988 financial year, is ascribed to a weaker rand as well as firmer prices for platinum.

The profit for the period has been arrived at after accounting for interest payments of R9,9m (R7,7m) and the provision for the payment of royalties amounting to R40,6m (R26,0m) to the mineral rights holders in terms of the cession to Impala Platinum Ltd of their mining leases

Provisions for taxation and lease consideration absorbed R237,4m during the period under review

The development of the new Karee mine is progressing on schedule and it is expected that the first metal will be produced early in 1990 Capex increased by R73,9m during the period under review to a total of R103,8m to date — Sapa

IMPALA PLATINUM 217 FMAL

Costs curbed 10/2/89.

Impala Platinum has reported excellent mining results, with earnings and dividend for the six months to end-September generally matching market expectations

Two aspects of the results were particularly notable Operating costs appeared to be firmly controlled, apparently rising by only about 3%, suggesting a better cost performance than that achieved recently by Rustenburg, which has had wage increases to contend with.

Analyst Kevin Kartun of stockbroker Simpson McKie regards Impala's cost control in the period as "excellent," and notes that the effect was a steep increase in profit margins Sales revenue from platinum and by-product metals produced was up 20,6%, but the consolidated profit for the period rose 44,2% to R428,9m (after payment of interest and royalties)

At the same time, though, capital spending during the period fell sharply The result was that the taxation and lease payment was nearly 56% higher at R237,4m, and earnings rose by 32% to 332c per share The transfer to reserve for spending on mining assets was R45,7m against the previous R64,9m, relating entirely to Impala's capex. As Gazelle Platinum's new Karee mine has not yet started production, a similar transfer was not made for Karee

Why the accounts indicate such a sharp

217

drop in capex in the period is unclear It may simply relate to accounting quirks and will pick up again in the second half. It has also been suggested, however, that the group has felt forced to curb spending for the present It has been precluded from moving into the area known as the Deeps, in which Keeley is involved, and funding arrangements have yet to be clarified for the Gazelle expansion following withdrawal of the earlier plans for a rights issue.

Impressive as the latest operating performance is, there remain a number of uncertainties about Impala that suggest investors could remain cautious In particular, judgment has yet to be delivered following proceedings last year in the Supreme Court of Bophuthatswana over the application brought by the Bofokeng tribe.

Andrew McNulty

Family sells its interest in Vansa

217

BDay 10/2/89

REINIE BOOYSEN

THE Durban-based Marshall family has sold its last remaining interests in Vansa Vanadium, a profitable eastern Transvaal chrome and vanadium operation, to Rand Mines for R32m

Vansa was floated on the JSE in 1986 as a joint venture between Marshall-family interests and Rand Mines (RM).

Before the deal Rand Mines had a 42% stake in Vansa, while Marshall family interests held about 3-million or 7,6% of Vansa's ordinary shares via two investment holding companies, Luxembourg-based Afex Corporation, and London Finance & Investment Group (Lonfin).

Lonfin held its portion of ordinaries via wholly-owned subsidiary Marshall Metallic Corporation SA (Marshall).

To Page 2

Marshall family sells interest in Vansa

BDay 10/2/89

From Page 1

217

Afex's share was held via wholly-owned subsidiary Sussex Securities. Marshall and Sussex have also sold about 1,2-million unlisted convertible preference shares in Vansa to Rand Mines.

After this deal, and following the conversion of 1-million Vansa "A" options into a like number of ordinaries in October 1989, Rand Mines will have 50,2% of the issued share capital of Vansa

Rand Mines has also acquired the Vansa management contract from a 60%-held subsidiary of Sussex, African Exploration Company. The total amount paid to Marshall-family interests by Rand Mines in this deal is R32m

Yesterday the market value of the tranche of Vansa shares sold to Rand Mines was R25,5m.

In October last year Lonfin disposed of a big tranche of shares, 24,05%, in Vansa, in order to finance of shares in Rand Mine's Barplats, and to repay partly a R37m loan from Rand Merchant Bank.

10/2/89 B/Dy

Base metals reap rewards

CHARLOTTE MATHEWS

THE base metals sector in 1988 reported the highest profits for 25 years due to high prices and the falling cost of production, according to the latest E W Balderson Market commentary

(2171)

The surge in prices was the result of a growth in world industrial production, metal consumption overtaking production and a reduction in refined metal stocks at all levels The authors predict the current high prices will persist until at least mid-1989

INVESTMENT

217

R4-billion black granite mine comes on stream in Transkei

Business Staff

BLACK granite, in short supply on world markets and much sought after by the building industry, is now being mined at Willowvale in Transkei near the wild coast fishing resort of Cobb Inn

The granite, which when polished is a flawless black colour of excellent quality, is being exported to Italy where it yields US$650 per cubic metre

Tony Barradas, chairman of Transkei Pioneer Mining Company (TPMC) which after two years of prospecting has obtained mining rights to the granite deposits, estimates that there are reserves of approximately 750 000 cubic metres.

When the company is in full production it will export 5 000 cubic metres a year which at current prices will yield approximately R13-million.

Overall deposit value is estimated in the region of R4-billion

"The logistics of getting the huge 30-ton cuboid blocks to the market are not as formidable as one would think," said mine manager Mike Zappa

"They go by road from the mine to Idutywa, by rail to East London and from there they are shipped to Italy"

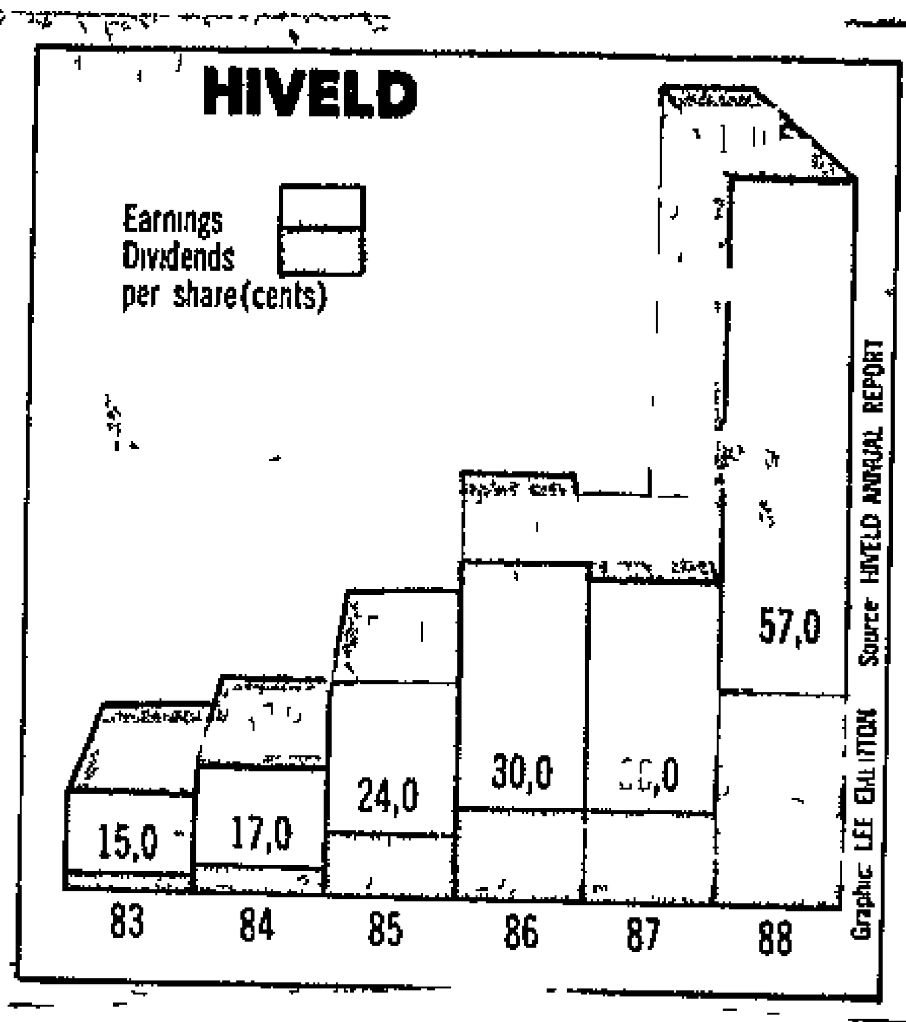
Work to date has barely peeled the top off the mountainside, which is expected to have a mining life-span of 150 years at the current production rate

TPMC plan to open a granite polishing base in umtata to supply the transkei and south african markets which will employ about 100 people

The granite find, coming after Transkei's discovery of coal and deposits of heavy titanium bearing mineral sands, has renewed hope that the geological survey to be undertaken in the near future may reveal a wealth of unsuspected minerals

It is also reported that Gencor has recently had consultations with the Transkei government with a view to reopening the nickel mine, at Mount Ayliff

Transkei's first coal mine is due to be officially opened by the head of the ruling military council, General H B Holomisa on Thursday, February 16



Highveld breaks all records

(217)

B/Day 14/2/89

REINIE BOOYSEN

HIGHVELD Steel and Vanadium has bettered all previous records in the year to end-1988 turnover surpassed the R1bn level for the first time, steel production exceeded 1-million tons for the first time and dividend distribution was the highest, at 57c/share

Earnings a share were more than double 1987's level, at 170,6c (80,1c), while total dividend distribution was 90% higher, at 57c (30c)

Chairman Leslie Boyd yesterday attributed the improvement to the following the higher dollar prices received for all export products, the weakening of the rand, which boosted rand income for exports, the improved domestic market and higher production levels

The strength of the market for vanadium — a key element in the production of steel — has taken even Highveld management by surprise over the past year

Highveld's vanadium-producing Van-

● To Page 2

Highveld Steel broke all records in '88

B/Day 14/2/89

● From Page 1

(217)

tra plant has worked at capacity. All the vanadium spinel produced as a co-product from Highveld's iron and steelworks has been made available to the market

As the West's largest producer of this commodity (more than 55% of available annual output), Highveld is important in regulating the vanadium price

In the past Highveld's policy has been to restrain price increases in times of high demand to preserve the attraction of vanadium as an ingredient in steel

Highveld has nevertheless been able to lift prices in recent years — apparently without any effect on demand Since the beginning of 1986 Highveld's vanadium price has virtually doubled, from \$2,41/lb of fused flake (98-99%-pure) vanadium pentoxide (cif main port), to the 1989 first quarter price of \$4,50 Demand is so strong that MD John Hall says a further price rise may be warranted

Boyd said he expected buoyant market conditions to persist throughout 1989, and another improvement in Highveld's performance, "provided there is no substantial strengthening of the rand and no cause for the imposition of increased sanctions"

Highveld has plans for four capital investment projects amounting to R167m building a pelletising plant to utilise iron ore fines in the iron ore plants and a rotary kiln at Vantra, both increasing production and improving efficiencies, the construction of a fifth silicomanganese furnace at Transalloys and the upgrading of ferrosilicon production at Rand Carbide

COMPANIES

Marlin results confirm SA granite at a high

217

B/Day 14/2/89

REINIE BOOYSEN

MARLIN Corporation's interim results for the six months to December 1988 are further affirmation that the granite industry is on an unprecedented high

Earnings a share are more than double last year's level at 35,2c (16,2c) and the interim dividend is 60% higher at 8c/share (5c)

Marlin chairman Peter Gain yesterday attributed the improvement to the following factors increased production of the more lucrative Belfast (black) granite, a rise in the dollar prices of granite, and the weakening of the rand, boosting Marlin's rand income

Historically group earnings for the second half of the year are considerably higher than the first six months

If second-half attributable profit increases at the same rate as it did last year (248%), earnings will come to 122c/share for the 12 months to end-June, but Gain says this is not expected

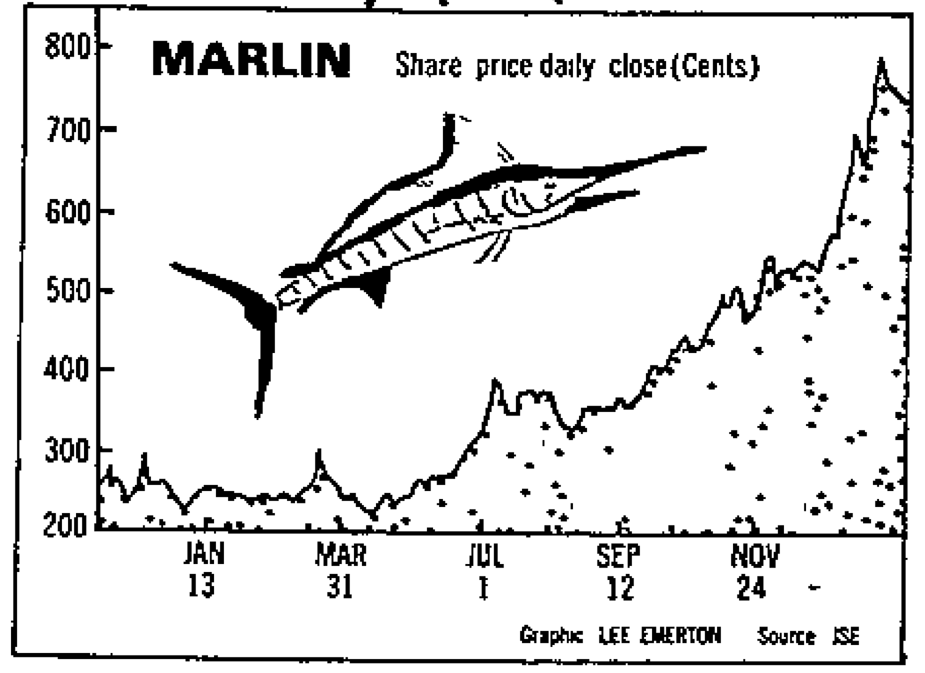
A more cautious approach is that of Simpson McKie analyst Kevin Kartun, who forecasts earnings of 96c/share for the full year — based on the same number of shares as the interim report

If management applies the same dividend policy as last year, total distribution could be 34c/share based

In view of the strong demand for Belfast-type black granite overseas, Marlin is to increase production further, with the reopening of its Spitzkop quarry and the purchase of a further farm adjacent to the group's Kwaggaskop quarry

After trading at a low of 225c in April last year, Marlin's share price cruised up to an all-time high of 800c last week Since then it has eased to yesterday's closing price of 740c

Marlin is currently on an earnings yield of 10,2%, and a dividend yield of 3,1%



Bumper year for Highveld Steel

Star 14/2/89

247

By Derek Tommey

The world's steel industry had an outstanding year in 1988 and, as a result, so did one of its key suppliers, Highveld Steel & Vanadium at Witbank

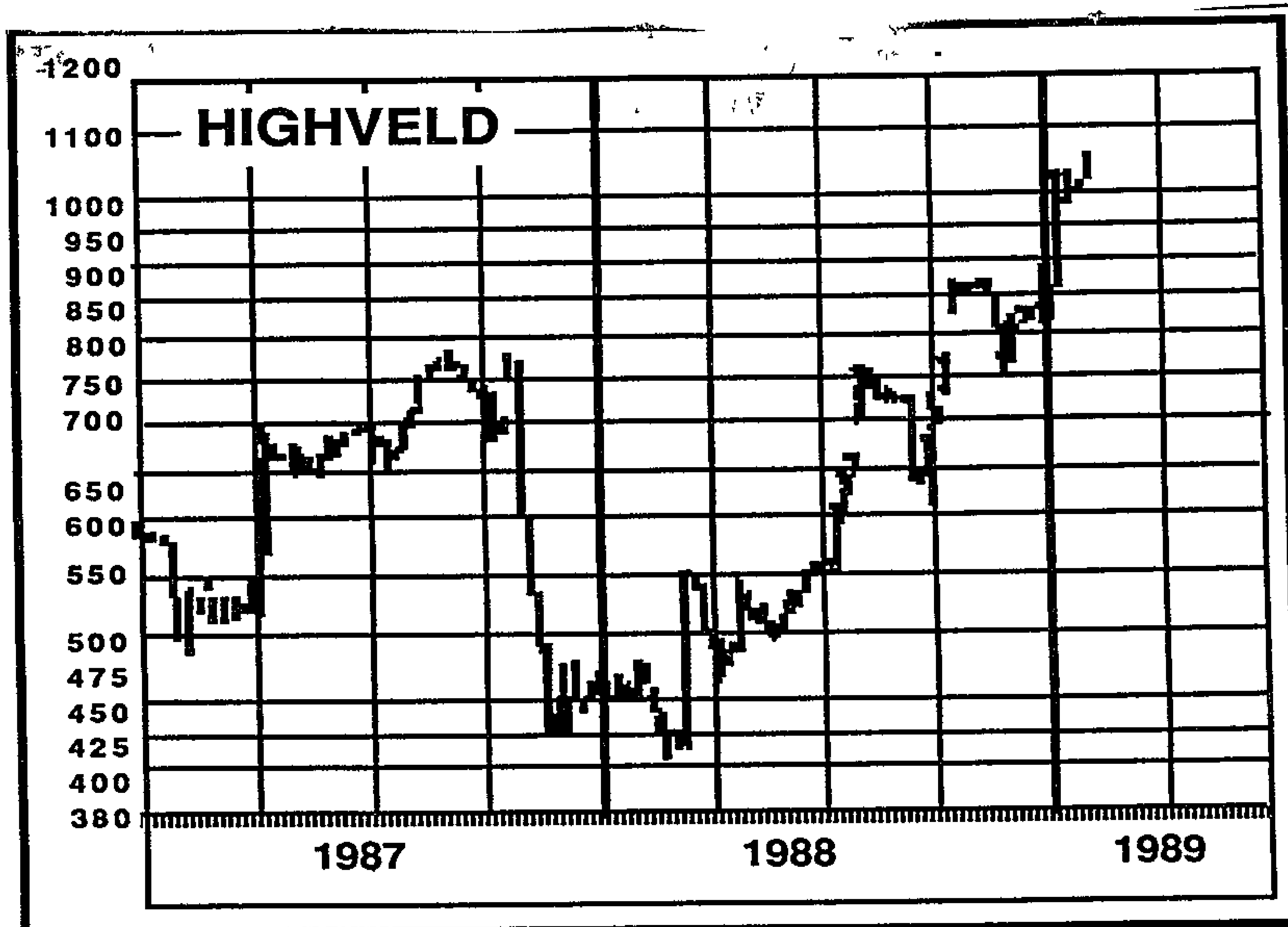
Highveld provides the Western world's steel industry with more than half its requirements of the steel-hardening alloy, vanadium pentoxide

A strong increase in income from vanadium, together with increased sales of steel and ferro-silicon and managese alloys, boosted Highveld's turnover by 40 percent to R1,2billion, its pre-tax profit by 200 percent to R224,5 million and taxed profit by 114 percent to R121,5 million, equal to 170,6c (year ago 80,1c a share)

The final dividend has been more than doubled from 20c to 43c, making a total payment of 57c (30c) for the year, an increase of 90 percent.

And to put Highveld into a more competitive position should the vanadium market weaken, the company is to spend R167 million on four projects to improve efficiency, but which will also expand capacity

Highveld's chairman, Mr Leslie Boyd, says the greatly improved performance has been the result of higher dollar prices received for all export products, a weaker rand and an improved domestic market.



Highveld's share price has more than doubled in 12 months

Steel production at Highveld last year exceeded 1 million tons for the first time

Demand for vanadium was exceptional throughout 1988 This reflected the increased demand for hardened steel and also for tool steel where vanadium usage is much higher

The demand for tool steel indicated that new investment was on the increase

Mr Boyd says there is a spirit of optimism in most areas of the industrialised world and the buoyant markets for Highveld's products are expected to continue throughout 1989

As long as there was no substantial strengthening of the rand against the dollar and no further sanctions, Highveld's results should show a further improvement.

Mr Boyd says the North American and EEC markets have been closed to South African steel producers since the end of 1987

The R167 million planned capital expenditure will be spent on a pelletising plant to utilise iron ore fines in the iron plants, on a rotary kiln at Vantra, the construction of a fifth silicon-manganese furnace at Transalloys and the upgrading of ferro-silicon production facilities at Rand Carbide.

The rotary kiln should enable Vansa to cut production costs and in times of higher demand to increase production of vanadium pentoxide from the present 13 million pounds a year by about 25 percent

Western world vanadium production is around 90 million pounds, of which South Africa produces 65 million pounds and Highveld 50 million pounds

Vanadium pentoxide is selling at $4,50 a pound

- The world index of share prices calculated by Morgan Stanley Capital International rose 21,2 percent in dollar terms in 1988

Shares in steel companies, up 128,2 percent, saw the biggest sectoral increase for the second year running, thanks to a soaring demand for capital goods, says the British magazine, *The Economist*

Palabora is shining

M/Dby 16/2/87 REINIE BOOYSEN (117)

PALABORA Mining is the latest base-metal company to declare record-breaking results.

Recent results of SA platinum producers like Rustenburg and Impala show their profits last year were boosted by the strong nickel prices on world markets.

Highveld Steel and Vanadium followed

● See Page 7

Palamin's dividend leap surprises some analysts

B|Day 16/2/89 (217)

REINIE BOOYSEN

THE magnitude of the rise in Palabora Mining Company's (Palamin's) earnings and dividends for the year to end-1988 has surprised some analysts

Although they thought the results would be good in view of the strong copper market throughout last year, few expected the virtual doubling in taxed profit and dividends

Taxed profit rose to R175m (R89m), while the dividend has surprised those observers who expected Palamin to lift dividend cover in view of the good copper prices and profits

But dividend cover is only marginally higher, at 1,09 (1,07) times Palamin's final dividend is R2,50 a share, taking total distribution to R5,65 a share — compared with 1987's R2,95 a share

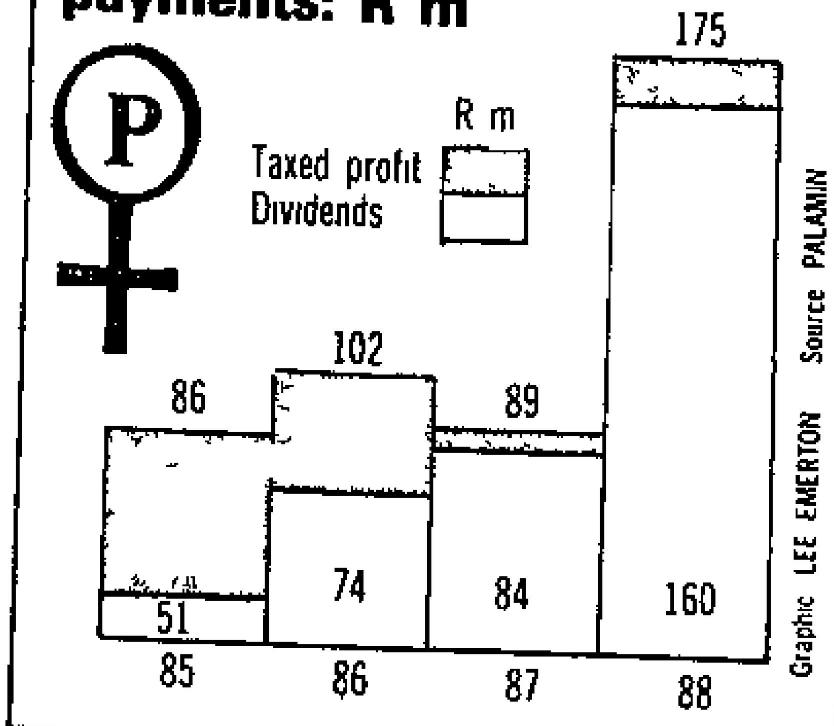
Analysts say management has not lifted dividend cover because

☐ Most of Palamin's expansions have been completed, and there are no major projects in the pipeline, and

☐ Rio Tinto Zinc (RTZ) — the UK-based controlling shareholder — probably wants to get what it can out the company RTZ's recent takeover of BP Minerals has no doubt exacerbated its need for cash

PALAMIN

Group taxed profit & dividend payments: R m



After a steady improvement in the copper market throughout 1987, copper prices rose even further in 1988, against expectations

This is illustrated by Palamin's Republic copper price, which rose from an average of R3 378/ton in 1987 to R5 694/ton in 1988 — although this is partly attributable to the weakening of the rand, from an average rate of R2,037 to the dollar to R2,273

In spite of these results, Palamin's share price has eased recently Since peaking at R54,50 on February 8, the share has declined to R51,75 yesterday

Dealers said this was a response to the recent drop in the copper price on the London Metal Exchange. The reasons for this, in turn, were three-fold

☐ An unseasonal 18% rise in copper stocks, from 52 925 tons at the beginning of January, to 77 475 tons on January 27,

☐ News that potential strike action in copper-producing countries like Peru and Mexico had been averted by settlements, and

☐ Profit-taking by speculators

Palamin doubles earnings and divs

By Finance Staff Star 14/4/89

(217)

The soaring copper price and a weaker rand exchange rate saw Palabora Mining Company (Palamin) virtually double its earnings and dividends in the 1988 financial year

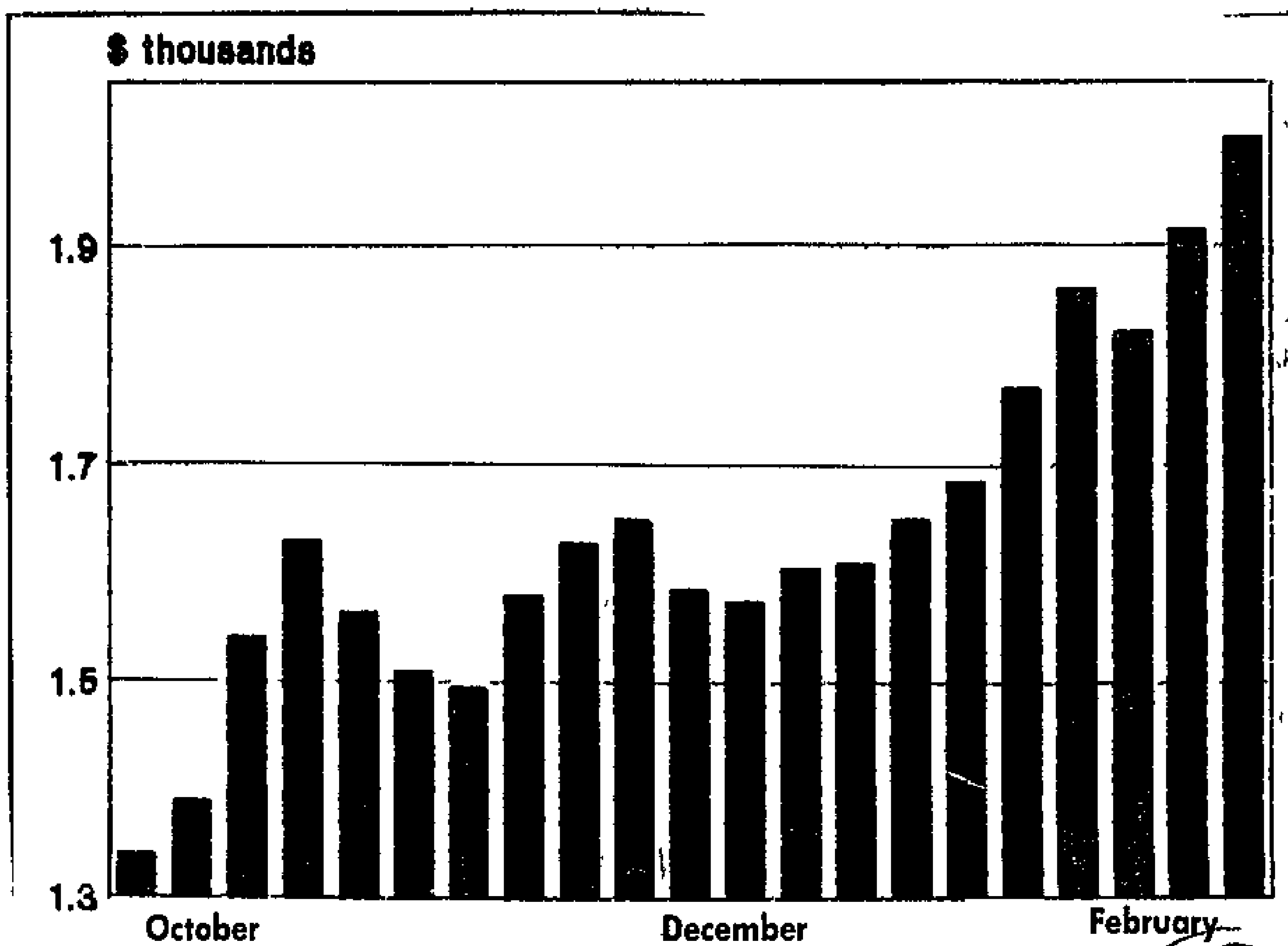
Taxed profits rose from R89,4 million in 1987 to R174,6 million in 1988, while the total dividend was raised from 295c to 565c per share

The dividend cover at 1,1 times remained unchanged, a development which analysts ascribed to two major factors

Firstly, the lack of any new capital projects planned during the year and secondly, Rio Tinto Zinc's (RTZ) need to raise funds for its acquisition of BP's mineral interests London-based RTZ is Palamin's controlling shareholder

In line with other base metal prices, copper virtually doubled in value during 1988

Palamin's own Republic copper price rose from R3 378 per ton in 1987 to R5 694 per ton last year and combined with the 20 percent decline in the value of the rand against the US dollar this contributed to Palamin's good rise



A question of zinc

217

16/2/89

The price of zinc has surged since the end of September from just over $1300 an ounce to around $2000 in the past day or two. This 54 percent jump in the price reflects heavy demand for galvanised zinc from the motor industry as manufacturers rush to offer better rust protection — the industry's latest marketing idea There are two shares listed on the JSE withinterests in zinc mining and production They are Goldfields Namibia, which has a stake in lead and zinc mine Tsumeb, and Vogelstruisbult, which holds shares in the Black Mountain zinc mine and also in a refinery. Since March last year, Volgels shares have risen from 260c to 660c. Goldfields Namibia shares, which were listed last October, and opened at around 1060c, were trading yesterday at 1275c

Samancor holds promise of brilliant set of results

Star 16/2/89

37

Diagonal Street

SVEN FORSSMAN

Expect brilliant results from Samancor within the next few weeks.

If the results of Highveld Steel are anything to go by, then Samancor could report bumper profits when its figures for the six months to December are released.

Although the two group are not entirely compatible, it does, however, give an indication of what performance can be expected from Samancor.

A strong increase in income from vanadium, together with increased sales of steel and ferro-silicon and manganese alloys boosted Hghveld's turnover by 40 percent to R1,2 billion.

Pre-tax profit soared by 200 percent to R224,5 million and taxed profit by 114 percent to R121,5 million, equal to 170,6c a share (80,1c).

Optimistic investors are talking Samancor up to around R30 a share in the near future, from its current R21,75

Dividend yield

Some analysts are forecasting earnings per share of around R3,80 (for the full year), compared with R1,25c a share in the previous financial year.

Based on this assumption, Samancor should offer good value as it would be on an historic P/E ratio of 13,5 and dividend yield of 2,9 percent, compared with the respective sector averages of 23,6 and 3,7 percent.

The group has been riding the crest of a ferrochrome wave for the past five years.

During this time it has offered shareholders a compound average re turn of 42,9 percent — and its share price has more than trebled since February 27 last year when it was trading at R6,50.

Samancor's turnover increased from R350 million in 1984 to R832 million in 1987 and R912 million in 1988

The current scenario of rising dollar prices for manganese and chrome ore and ferro-alloys, a further weakening of the rand against the dollar and working-cost increases below the inflation rate points to sharply increased earnings for Samancor in the current financial year.

The positive factors supporting a further increase in the company's share price certainly outweigh the negative ones.

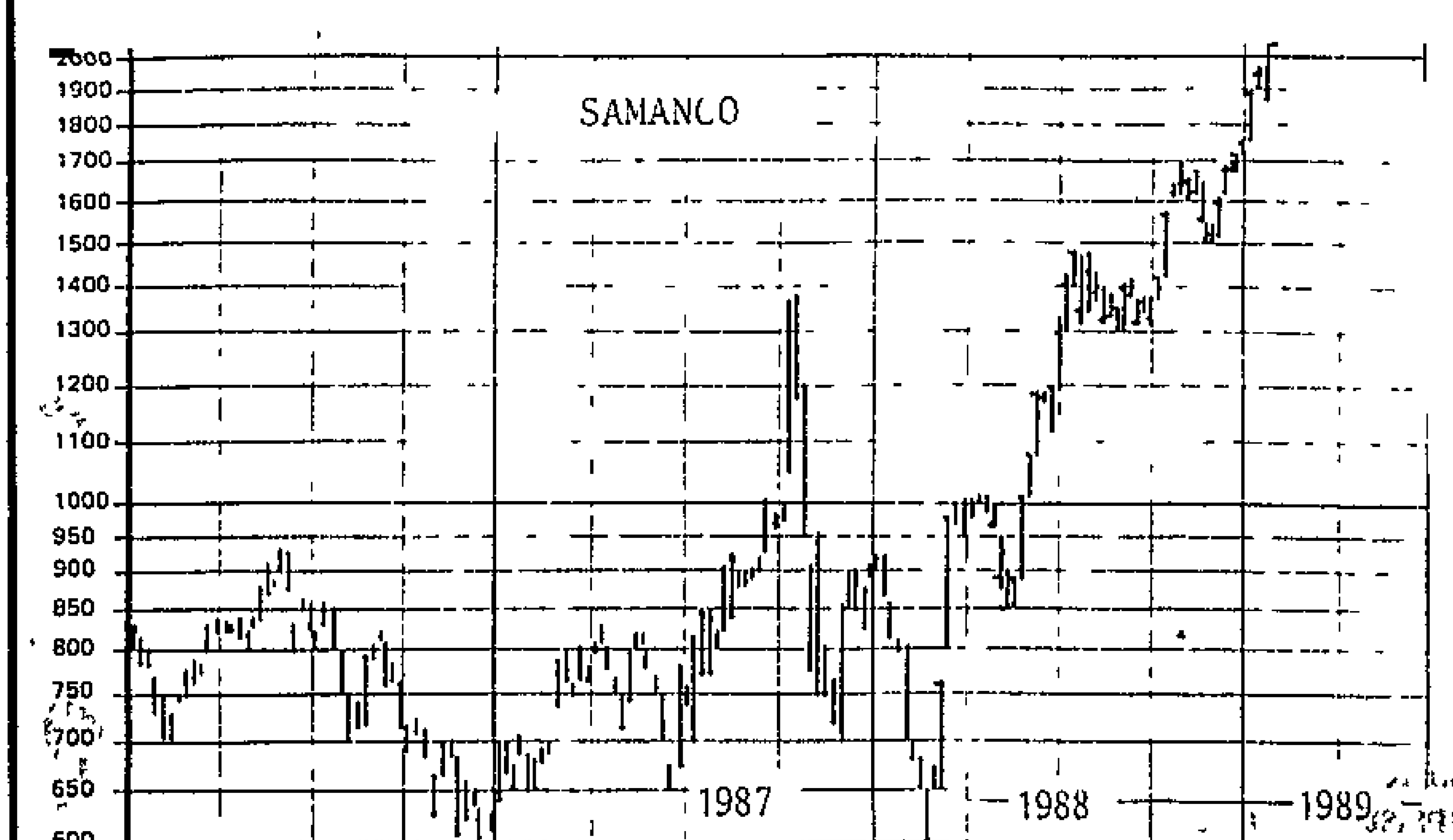
Samancor is widely considered to be one of the best-placed SA-based metal mining companies because it exports four-fifths of its production, giving clients the ability to buy into a company whose profits will benefit disproportionately from weakness in the gold price and thus the commercial rand.

Low-cost producer

It is also a low-cost producer and is either number one or two in all the fields in which it operates.

On the downside, a slowdown in economic growth — not expected in the near future — in Western countries could reduce demand and earnings could be dragged down if Samancor went ahead with its proposed stainless steel plant.

But informed sources say holding company Gencor would provide the bulk of the financing.



Share price movement

217

FMAIL 17/2/89

MINERALS BILL 217 FMAIL 17/2/89

Pithy response

The Chamber of Mines' reply to the proposed Minerals Bill amounts to virtual rejection of the draft legislation

The Bill is intended to simplify the existing nine Acts which affect mining into one It was published in December for comment by the end of this week.

The Chamber says provisions in the Bill contradict government's stated aims of promoting privatisation, reducing State involvement and promoting free enterprise

But a key issue is that mining companies could lose their privileged legal standing in dealings with surface right owners on the formation and running of mines

The proposed legislation is also effectively backdated because it gives existing mines two years in which to convert to the new dispensation That means many mining companies could be forced to negotiate with surface right owners for the continuation of their mining operations

Says Chamber of Mines legal adviser Barry Shipman "Time and again over the years, court actions have confirmed that in conflicts of interest, the rights of the mining company take precedence

"Rights have been acquired and mines established on the basis of a legal system which has evolved during the last 100 years The proposed Bill would favour the surface owner at the expense of the mining companies

"To change the situation by pushing an Act through in one year, is a drastic step The very least government can do is make any new legislation effective henceforth and leave the existing mines as they are"

While conceding existing legislation favours the mines, Shipman does not believe the landowner is in an unfair situation, needing redress The new legislation also runs counter to a stated aim in government's 1986 White Paper on a mineral policy, that SA should protect the rights of mining titleholders and promote the interests of the mining industry

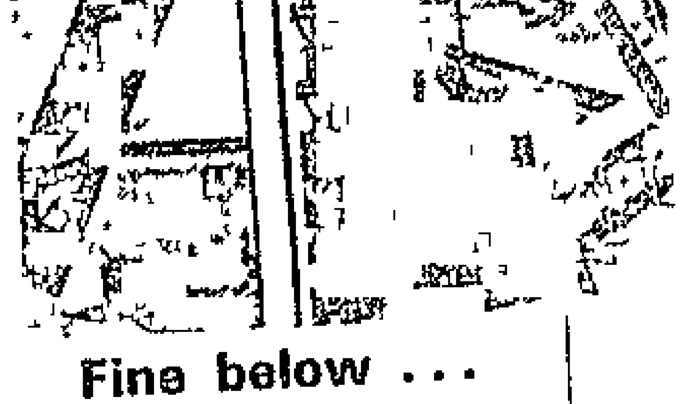
A Department of Mineral and Energy Affairs (DMEA) spokesman says there is no intention to rectify any perceived disadvantage of surface rights holders compared with mineral rights holders "All we want to do is get the parties together to negotiate," he says He declines to comment on the Chamber's objections at this stage

Shipman reckons that, far from reducing government interference in the mining industry, the proposed Bill widens it Only precious metal and diamond mines currently have to get mining permits from government, but the new Bill would add base metal mines

The Chamber also objects to the brevity of the Bill which it feels will result in fuzzy, unworkable legislation because the implications have not been thought through It rejects the appointment of regional directors who will issue mining permits, because of the wide powers given them

Shipman says the Bill will allow subordinate legislation to be passed by the issuing of regulations, instead of this legislation going through the parliamentary process

The Chamber was not involved in drawing up the Bill It is now pushing for the Bill to be redrafted by the same DMEA taskforce, but this time in co-operation with Chamber staff ■



Fine below ... but what of on top?

Rand Mines does deal with Vansa

217

Rand Mines has increased its shareholding in Vansa Vanadium and will take over the management contract with effect from March 1

Negotiations have been concluded between Rand Mines, Vansa, Marshall Metallic Corporation, Rand Merchant Bank and Sussex Securities in terms of which Rand Mines has increased its shareholding in Vansa through the acquisition of 3,016 million ordinaries and 1,246 millon convertible prefs

The Vansa management contract is currently held by Sussex Securities a wholly owned subsidiary of Afex Corporation S A

The London Finance and Investment Group, which is associated with Afex, has ceded to Rand Mines its right to residual listed options over Vansa ordinaries not exercised by the holders in October 1989

The total value of these transactions is R32 million. — Sapa

R1-bn vanadium bonanza

From JOHN SPIRA

JOHANNESBURG. — The world's largest primary vanadium mine, with an ultimate capacity of 9 000 tons a year, will be unveiled within the next few days.

The new mine, together with additional capacity coming on stream from other South African sources and the soaring world price of vanadium, could, metal analysts believe, result in South Africa earning close to R1 000-million in foreign exchange from vanadium exports next year.

The project to be announced involves mining exploration company Rhombus Exploration (Rhoex) and steel fabricator Union Steel (Usco)

In terms of the deal, Rhoex will enter into a long-term contract for the supply of vanadiferous magnetite ore to Usco from a large orebody in Bophuthatswana over which Rhoex has the mining rights.

Rhoex chairman Les Holmes declines to comment but confirms that an announcement is likely to be forthcoming next week

Speculation surrounding the negotiations has been doing the rounds for the past several weeks Since the beginning of the year, Rhoex shares have added 84 percent and Usco 62 percent.

Stock market sources express enthusiasm for the deal, pointing out that the new venture will contain considerable benefits for both companies and for the country as a whole They are particularly excited over the prospective advantages for Rhoex

According to one stockbroker "The vanadium prospect is just one of the cards Rhoex has up its sleeve

"It should soon be releasing details of its titanium/zirconium project near Umtata and its gold rights in the Free State have much potential

"With the vanadium deal under its belt, Rhoex will have the scope to proceed apace with its other prospects Further, that fact that it is to exploit the vanadium deposit will enhance its credibility in the market

"And Rhoex has handled its cash well It has spent only R1,5-million of the R30-million raised from its share issue in 1987

In fact, its cash holdings are worth 85c a share, which means that the mining rights are being valued at a mere 90c at the ruling share price"

The new mine is being launched at a time when world vanadium prices are skyrocketing, driven by unexpectedly high demand and the disappearance of supplies from China, which until 1986 accounted for roughly 10 percent of Western world supplies.

The Chinese steel industry is now using much more vanadium such that the country has become a net importer of the metal

Market price

The free market price of vanadium pentoxide, which two years ago was in the region of $3 a pound, has soared to above $11 in recent weeks

South Africa, accounting for about 47 percent of mine production last year, and the Soviet Union (about 30 percent), are the major producers of vanadium, which is mainly derived as a by-product of other metals, especially iron and uranium

South Africa, however, is by far the world's major vanadium exporter, Russian output being consumed entirely within the Comecon bloc.

R1-billion vanadium bonanza for S A

(From Page 1)

The disappearance of the Chinese is leaving a large gap in the market which will potentially be filled largely by extra South African output

Some increase in capacity is expected to come from Kerr-McGee's vanadium operations in Idaho and from Stacor's Propara joint venture in Venezuela

Even so, South Africa is potentially set to exploit the gap left by the Chinese through increased output from Highveld and, more particularly, expansion by Vansa Vanadium and the new Rhoex mine.

At full production, expected in 1991, Vansa could produce around 3 500 tons of vanadium pentoxide a year, whereas at present output is probably running at an annual rate of less than 2 000 tons

The Rhoex project, however, could be far bigger

Mining circles suggest that a mine capable of producing 9 000 tons a year will be developed, making it the largest primary vanadium mine in the world

Could soar

South Africa's vanadium exports in 1987 were only R193-million In 1988 they rose to R295-million, while this year they could approach R600-million

Next year, they could soar towards R1 000-million if present price levels hold, given the rise in output which is on the cards and assuming the Chinese remain out of the market

Chrome cuts leave SA producers cold

217 BDay 20/2/84

ANDREW BUDDEN

SOUTH AFRICAN chrome producers have expressed little concern over a reported move by Japan aiming to reduce reliance on South African chrome ore by sourcing imports from India.

A recent report in the British Metals Bulletin claimed that the Japanese move followed pressure on Japan by the United Nations and other world bodies to reduce trade with SA.

According to the report, jubilant Indian producers have expressed confidence in their ability to meet the increased Japanese demand for chrome ore, expected to double to 80 000-tons this year

'Booming'

South African producers, however, remain unperturbed

Samancor acting MD John Muller said last week that South African producers currently face more demand than they can satisfy

He pointed to the increased tendency in SA to refine ore locally prior to export

"With the local ferrochrome industry booming, a lot of new refining capacity has come on line and 60% to 70% of ore is locally refined prior to export," he said

This means that SA has less unrefined ore available for export to refineries in other countries than in the past

Reflecting this, SA has reduced its exports to Japan in recent years, said Chromecorp chairman John Vorster.

In addition, Samancor's Muller forecast continuing growth in demand for ferrochrome, particularly in the international automotive industry.

Demand in that area is expected to increase by an estimated 400 000 to 500 000-tons a year.

Industry sources said SA's chrome is more attractive in terms of both price and reliability of delivery.

'Small, patchy'

Muller said Japanese consumers will be paying roughly 70% more for the Indian product than for its SA counterpart.

Vorster said he also saw little threat from the Indian producers.

"The Indian deposits are small and patchy and the reliability of their delivery is questionable," he said.

Strong chrome prices have recently prompted the opening of many small producers around the world, adding to supply.

One observer commented that many of these would become unprofitable in the event of an oversupply and marginal fall in price.

A good run for Palamin

Sharespot

LYNNE PEACH

Investors in Palamin, one of the world's major copper producers, have smiled all the way to the bank this past year.

The share price has more than doubled from 2 700c a year ago to the 5 250c.

Performance has been benefiting from a positive trend in the sterling copper price and the weakness of the rand against the pound. However, when the copper price (in rand terms) stops playing ball, investor smiles are likely to fade.

The MD, Al Leroy, believes this year could see the copper price bowing out of its upward trend. For the past two years the price has risen on the back of a world shortage, but he says the situation has changed.

This should place downward pressure on the price unless unforeseable events disrupt supply and/or bouy up demand. The LME copper price chart seems to confirm a weaker trend.

The price has dropped below £1 700 a ton, having peaked at over £2 000 two months ago.

Palamin's main function is the open-cast mining and extraction of copper from a low-grade ore body near Phalaborwa.

In the milling, smelting and refining processes associated with copper production, a number of by-products are extracted. These contribute approximately 20 percent to turnover.

The two most important are the precious-metal content of anode slimes and vermiculite.

The latter is used in applications such fireproofing, heat insulation and as a growing medium in horticulture. Palamin's vermiculite is highly regarded for its quality and represents a third of the West's production.

In the year to December 1988, Palamin's copper production fell 6 percent in volume terms.

This, and the 4 percent decline in sales volume, is attributed to the shutdown of the copper smelter in February 1988 to rebuild the reverberatory furnace and repair other smelter equipment. The shutdown depressed sulphuric acid production.

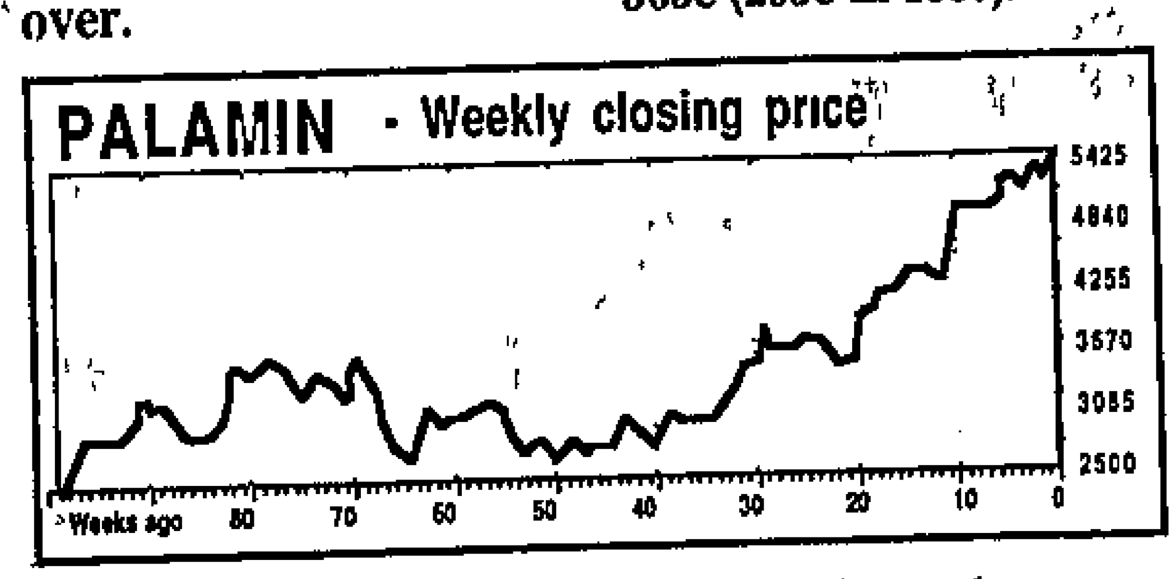
Average copper grade was 0,46 percent in financial 1988 (0,5 percent previously).

This drop arose through the mining of areas of low-grade ore in the open pit in accordance with long-range mining plans.

It is, however, expected that the grade will rise to normal levels in 1989 and 1990.

Average copper price for the year was more than 30 percent higher than in 1987.

Taxed profit nearly doubled to R175 million. The dividend payout was 565c (295c in 1987).



Palamin's share price has had a good run, but some correction appears likely in the immediate future. The on-balance-volume indicator has turned sharply downwards, while the price has risen. Technically, this event should be followed almost immediately by a sympathetic fall in the price.

SouthWits to bring a new Brits mine on line

217

SOUTHERN Witwatersrand Exploration (SouthWits) aims to take advantage of the strength in the chrome market by bringing into production before the end of the year a new opencast mine on its 400ha property near Brits

SouthWits, an exploration company listed on the JSE in July last year, has other prospecting interests in gold, platinum, coal and base metals It holds options on farms in the Free State and northern Transvaal

Group MD Nick Stavrakis said yesterday opencast operations on a 10-million ton chrome deposit south of Rand Mines' Lefkochrysos mine would yield between 10 000 t/month and 20 000t/month of relatively high grade ore

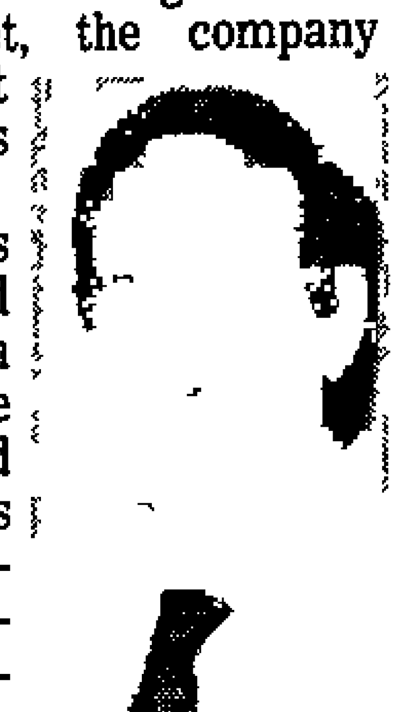
He said the Brits area generally contains patchy chrome deposits

"But our drilling and trenching has confirmed that the deposits contain good grades, and they are of consistent thickness"

ANDREW BUDDEN

He added that grades compared well with those of other major operations like Mooinooi (Samancor) and Henry Gould (Rand Mines)

In view of the strength in the chrome market, the company aims to exploit the deposit as soon as possible Stavrakis says there is a good market for both the primary ore and the washed product For this reason SouthWits is considering the installation of a washing plant on site



● STAVRAKIS

"Local producers have expressed a keen interest in the product, but exporting is also an attractive option," said Stavrakis He added that exporting would reduce SouthWits's risk

SouthWits has traditionally entered ventures of this type on a joint basis, but Stavrakis said the company would initially develop the chrome mine without partners SouthWits would consider offering outsiders a minority stake in return for a capital injection at a later stage

Shareholders would not be asked to contribute any additional capital to finance the project Stavrakis declined to estimate the cost of the project

More than half of SouthWits's prospect is underlain, from surface, by the Middle Group (MG) chrome-rich layers, and to a much a smaller extent by the Upper Group, including the UG2 seam which is the target of some SA platinum producers

SouthWits's main target area, however, will be the MG1, with an average width of 1,5m and a shallow dip of 12 degrees

Stavrakis says both factors are suitable for opencast mining

Samancor riding high

SAST 7/2/89 (217)

Magnus Heystek, Finance Editor

Samancor is riding the crest of an exceptional wave and indications are that the buoyant conditions will extend into the next financial year

Turnover for the first six months of the year to December 1988 was R801,4 million Pre-tax income was R359,9 million

A change in year-ends from March to June makes comparisons difficult, but the attributable income of R224,78 million for the six months compares with earnings of R293,43 million in the nine months to end December 1988 and with earnings of R187,856 million in the year to end-March 1988

To the interim of 40c a share, the board has added a special dividend of 45c in "view of the exceptionally high attributable income"

The upswing in earnings was fuelled by a surge in world demand for strategic minerals, coupled with the weak rand

The effect on Samancor's pre-tax profit margins has been dramatic In the twelve months to end-March 1988, operating margins (pre-tax profit as percentage of turnover) were 25,6 percent At end-December thesee were up to 44,9 percent

Acting managing director Dr Johan Muller said yesterday an unexpected level of growth in industrialised nations boosted the carbon steel industry and lifted demand for manganese alloys.

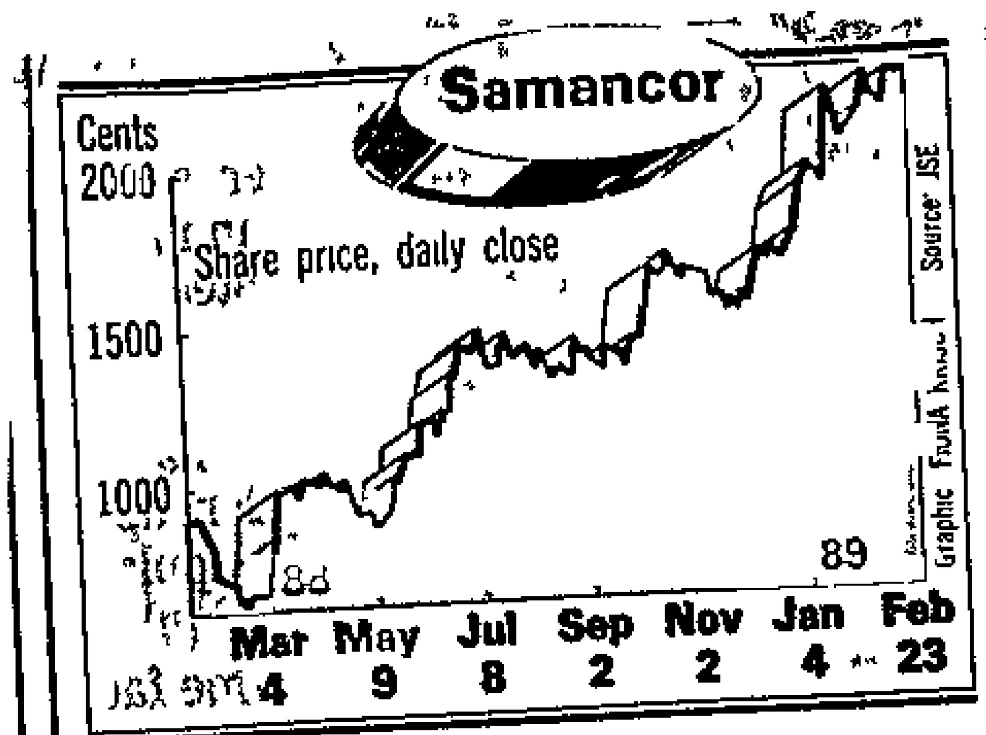
Prices have remained firm and show no signs of declining, he said

"Manganese production worldwide has been rationalised in recent years and the sudden upsurge in the market means that demand is exceeding supply for the first time in more than a decade.

"The ferrochrome market, which serves the stainles steel industry, has benefited from record demand, with prices rising strongly in the past year and still rising"

All plant is operating at full capacity Samancor is erecting two furnaces at 49 percent-owned Tubatse at Steelpoort in the Eastern Transvaal to help meet rising demand for ferrochrome. The first of these is due for production at the end of this month The second is scheduled to come on stream in the fourth quarter of 1989

The preliminary feasibility study for Samancor"s proposed expansion into stainless steel production has been completed Samancor officials would not be drawn on the outcome of this study other than to say that itlooks promising.



Samancor reaps lavish profits

(217) 24/2/89 B/Day

REINIE BOOYSEN

ANOTHER SA base-metal supergroup — Samancor — has turned in results which show it has reaped lavish profits in recent months and plans to exploit the boom in chrome and manganese prices further by pumping some profits into capacity expansions

Attributable income in the six months to December — R225m — is 20% higher than for the whole of the financial year to December 1987 (R188m).

Directors have declared an extraordinary dividend of 40c a share in addition to an interim dividend of 45c (27c).

"This is a signal to shareholders that they can benefit from their investments during the good times, but also a re-

● To Page 2

Samancor reaps lavish interim profits

B/Day 24/2/89 ● From Page 1 (217)

minder the industry is cyclical," acting MD John Muller said

Samancor has changed its year-end from March to June

Results also show the benefit in this case of a weaker rand

Muller said an unexpected level of growth in industrial nations boosted the carbon steel industry and increased demand for manganese alloys

"Manganese producers have undergone rationalisation in recent years and the sudden upsurge in demand has exceeded supply for the first time in a decade," Muller said

The same factors boosted the ferrochrome market and prices rose strongly during the past year.

He said Samancor's other major product groups — silicon metal, industrial minerals and chemicals — had also turned in solid performances

Samancor's expansion projects include the erection of two furnaces at its 49%-owned and managed Tubatse ferrochrome works and a new manganese sinter plant at the Hotazel complex

Capex for the full year to June is forecast at R137m

S/Times 26/2/89

Zaiplats could be listing vehicle

217

By Julie Walker

ZAAIPLAATS Tin edged up by 40c to a high of 260c after a notice to shareholders advising that developments were under consideration

Only a million shares are in issue, 65% of which are held by Zimco Holdings Zimro — Zinchem & Industrial Mineral Resources — owns 55% of Zimco and the UK-based Cookson Group plc the balance

Speculation is that Zimco management will use Zaaiplaats as a vehicle to list some of its other interests

Managing director of both Zimco and Zaaiplaats Roy Traviss says he cannot comment at the moment "We are considering several possibilities, but it could be four to six weeks before any development could be announced"

Richest

Zaaiplaats' quarterly results released at the same time as the notice were not good The Northern Transvaal producer is more than 80 years old, but has not paid a dividend since 1984

The recovered grade dropped from 0,23% to 0,183%, and fewer tons were produced and sold than in the previous quarter There was no capital expenditure and a loss of R69 000 was incurred

It could be that Zimco will inject Annesley Andalusite into Zaaiplaats Annesley is coupled in the same division as Zaaiplaats

Situated near Penge in Lebowa, the open-pit andalusite deposit is one of the world's richest Annual production of andalusite is 35 000 tons from a million tons of ore

Andalusite's high melting point makes it a useful refractory raw material Zimco owns controlling interests in two other listed companies, Darmag and Sondor Darmag makes battery components and sanitaryware and Sondor produces plastic and rubber goods

Zimco has other metal, chemical, and mineral interests Base-metal stocks are booming on the JSE on the back of high prices, and it could be an opportune time to list some of Zimco's interests

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Adcorp	23 3	+44	1,9	+54	14 6	+36	7 0	+17
Aberdare	321 1	+25	39 8	+71	142 0	+60	115 0	+156
Tarrys	284 9	+39	13 9	+62	91 0	+28	30,0	+30
Faircape	32 9	+69	5 3	+134	30,3	+79	10 0	+100
Masonite	90 4	+22	16 1	+61	134	+33	67 0	N/A
AECI	4083 0	+25	398	+31	165	+20	75	+14
Blue Circle	527 0	+39	92 8	+72	227,4	+50	100 0	+100
Utico	310 7	+15	31 4	+21	260,2	+20	110 0	+26
Sherleys	10 7	+24	1 1	+37	10 0	+20	3 2	N/A
SWAFish	20 5	−43	9 9	−38	266	+15	240	+20
Cusaf	—	—	41 1	+58	312,4	+67	75	+32
Unihold	116 7	+38	9 5	+48	36 9	+35	12	+20
Grincor	345 2	+26	24 3	+67	40 3	+119	18,0	+44
Boymans	132 1	+44	10 3	+59	38,4	+8	13,0	+30
Time	182 6	+72	11 6	+86	26,0	+86	10 0	+67
INTERIMS								
Leegalt	39 4	+220	0 07	N/A	−17	N/A	—	—
Pals	N/A	+49	0,7	+21	5 5	+22	1 4	N/A
Alexandr	82 7	+24	N/A	—	50 0	+50	11,0	+38
Fralex	82 7	+24	—	—	28,2	+48	6 2	+38
Swimline	14 5	+31	1,6	+21	8 1	+19	—	—
Sunbop	236 5	+43	81 9	+64	48,9	+55	32,5	+55
Sasfin	—	—	0 9	+143	8,32	+118	—	—
Siltek	N/A	+58	18,2	+37	30,2	+42	9,0	+50
Barnex	—	—	1,5	N/A	8,1	N/A	—	—
Cashbild	120 9	+24	5 1	+58	10 3	+81	3 0	N/A
Becketts	105 1	+5	7 9	−16	68,0	−17	—	—
Steelmetal	35 1	+2	1,1	−35	−4,2	N/A	—	—
MCM (Z$)	50,1	+49	8 3	+245	30,7	+730	—	—
Bankorp	—	—	—	—	57,6	+11	14 0	+17
TrustBnk	—	—	—	—	19 4	+7	5,5	+10
Genrec	130 7	N/A	2 9	N/A	28	N/A	—	—
Pangborn	11 7	+3	1,6	+1	28,8	+1	28,0	+1
Sondor	8 4	+44	2 4	+88	5,1	+89	—	—
Afcable	64 9	+31	8 7	+20	20 2	+22	11,0	+10
Cullinan	233 6	+35	18 8	+31	65 3	+13	17,0	+13
Delta	—	—	23,5	+31	32,3	+30	12,5	+25
Jazz	208 8	+24	5,5	+2	8,7	+24	2 5	+25
Transun	71 1	+33	29,9	+30	14,7	+18	11 5	+15
Genbel	—	—	—	—	124	−24	110	0
Samancor	801 5	N/A	356 0	N/A	150,0	N/A	85 0	N/A
I & J	516 9	+22	43 8	+31	92 6	+30	—	—
Crown	56 9	+33	3 9	+15	5,6	+14	1 5	0
Midwits	20 3	−22	8 0	−50	101	−45	50	−17
NewKleins	1 2	+49	0 9	+72	28 1	+22	12,0	+20
Penrose	13 5	−12	−0 5	N/A	−3 8	N/A	—	—
Basread	164 5	+29	5,2	+71	36 7	+63	6 5	+30
Tiwheels	20 7	+50	2,2	+81	4,9	+63	—	—
Metro	1595 1	+20	28 0	+17	20,1	+23	9,0	+20

N/A — Not Applicable

COMPANIES

Gefco to go ahead wih gold project

B|Day 27/2/89

217

ASBESTOS producers Gefco and Msauli are to go ahead with the Von Brandis gold project

A small mine will be established in the claim area near the Msauli mine in the eastern Transvaal as soon as possible

It is estimated that the erection of a plant and pre-production development will take about 12 months

Capital expenditure is estimated at about R8m

A company, Overberg Mining (Pty), has been established to exploit the claims

Phelps Dodge Mining (Pty), a US-controlled SA company, will have a 50% shareholding in Overberg, and Gefco and Msauli 25% each

Gefco and Msauli will, however, be required to fund the project, as Phelps Dodge has indicated that, for reasons unrelated to the viability of the project, it is unwilling to provide any further funding

The mine is planned for an initial milling rate of 4 000 tons a month at a feed grade between 7gm/t and 8gm/t

Known reserves at this time amount to a life of about three years, but the two companies say the geological features in the prospect area indicate that additional reserves are likely to be proven

Maximum use will be made of the infrastructure at the nearby Msauli mine to minimise overhead costs

Msauli will be fully compensated for these services and Overberg will also be repaying loans from Gefco, Msauli and the banks before any dividends are distributed to shareholders — Sapa

METALS

ARGUS 28/2/89 217

Cash copper prices rocket

From NEIL BEHRMANN

LONDON — A sudden unexpected squeeze on the London Metal Exchange on Friday pushed cash copper prices up to $3400 a metric ton at the end of the week from $3150 a ton on Thursday and $2 880 a fortnight ago

Such was the squeeze in the market that cash copper traded at a premium of $440 a ton over three months futures prices

Normally spot prices should be at a discount because of cost, insurance and freight on forward deliveries

Several American firms were frantically trying to buy copper to cover short positions, said exhausted dealers Prices fell slightly towards the close, but the market was still tense

"There was an acute shortage of physical copper in the market," said Robin Bhar, metals analyst at Rudolf Wolff & Co, members of the London Metal Exchange

Dealers were desperately trying to "borrow" copper by buying cash metal on the exchange and selling copper futures, he said

The market was all the more frantic, Mr Bhar said, because firms with short positions, were trying to cover ahead of an expiry of a copper options contract on Wednesday

"One of the exchange copper dealers asked for trading to be suspended," said a dealer, because at one stage traders refused to deal in cash copper Trading, however, soon continued

Some dealers believe that a commodities firm rumoured to be Marc Rich, has temporarily cornered the market by buying available supplies Dealers from the secretive Zug-based firm were unavailable for comment

Most of the action took place on Friday afternoon in London when the premium of cash or spot prices of copper over futures doubled to $440 a ton or 15 percent from $220 a ton. Only a week ago the premium was less than 5 percent

Action was concentrated in London In New York spot prices fell to $1,39 a pound ($3064 a ton) from $1,42 Thursday ($3130 a ton)

"Undoubtedly London traders misread the market badly," said Mr Bhar They thought copper prices would fall, he said But the market remains tight because users are buying more copper ahead of a "traditionally buoyant consumption period" in the second quarter,he said Meanwhile supply disruptions in Zambia and Zaire, key African copper producers, reduced shipments to consumers, Mr Bhar said

"The market was caught off balance because most dealers were expecting a rise in London Metal Exchange stocks of 5 000 to 10 000 tons from 85 000 metric tons to ease trading conditions," said Stephen Briggs, a metals analyst at Shearson Lehman Hutton in London Instead trading was "tight, very tight," he said.

The market should become more relaxed, this week, forecast Mr Briggs "In the absence of supply disruptions the fundamentals point to lower prices, ' he said

But order books for copper are generally very good in North America, Europe and Asia, said Edwin Arnold London based metals analyst at Merrill Lynch Pierce Fenner & Smith

Copper is good for Messina

217

B/Day 1/3/87

REINIE BOOYSEN

MESSINA'S copper interests have stood the company in good stead during the year to December 1988, with operating income rising to R52m (R22m).

Earnings a share rose to 362c, more than double the previous year's 141c. Dividend distribution is also more than double, at 75c (35c).

The group's industrial and commercial interests — comprising materials handling and construction equipment, Nissan and Samag motor vehicle distribution, automotive castings and shipping — all produced increased earnings.

The strength of the copper market during 1988 is reflected in the average price received by Messina for its copper, which rose 62% to R5 834/ton last year, from R3 596/ton in 1987, although this is partly attributable to a decline in the rand against sterling, the currency in which copper is traded on the LME.

The contribution by Messina's copper interests to operating profit rose from 28% in 1987 to 45% in 1988. The company's operating margin also improved, from 7,3% to 13%.

Surplus

Messina is in the process of building up reserves in view of the funding requirements for its proposed platinum mining venture.

Hence, dividend cover has risen from 4,0 times to 4,8 times. The company has also decided to dispose of all non-mining assets, its interests in Steelmobile Engineering and Autocast realised cash totalling R44m and resulted in a group surplus of R26m, included in extraordinary items.

There have been further disposals since the year-end. Messina's 89,5% interest in Magnis Rand and Magnis Pretoria, and 45,6% interest in Nissan Truck Rental raised cash of R13,8m, realising a group surplus of R4,9m.

Messina's good fortunes have bolstered its balance sheet from a position of having net current liabilities at end-December 1987 of R18m, the company had net current assets of R76m at end-December 1988.

While finance charges came to R2,2m during 1988, the group earned R5m in interest on deposit of surplus funds.

Messina is still awaiting finalisation of its mineral lease agreements with the Lebowa government and other parties.

Copper price soars on strike threat

217

star 4/3/89

LONDON — Fears of further widespread unrest among miners in Peru helped lift some zinc prices to new records on the London Metal Exchange this week and copper prices also jumped sharply

A three-day warning strike has been called by Peru's National Federation of Mine Workers from March 26, and it is possible that an indefinite stoppage will follow Peru normally supplies 11 percent of non-communist world's mined zinc output and six percent of the copper

In unofficial pre-market dealings, high grade zinc for delivery in three months reached a peak of $1 955 a tonne It eased back later to end the day at $1 939, up $36,50

Analysts said that entirely separate factors were helping to boost copper In particular, there was the threat of a squeeze on the New York Commodity Exchange's (Comex) March 1989 position which was soon to expire

Mr Robin Bhar, of Rudolph Wolff, the London metal broker, pointed out that open interest in that position was four to five times the copper available in Comex warehouses He said it was not clear whether this reflected a genuine physical shortage of metal or whether the market was being manoeuvred

Peru's metal output suffered cuts of 120 000 tons of zinc and 100 000 tons of copper because of two long miners' strikes last year This caused the loss of more than $400 million in export revenues The latest strike threat was not unexpected but it caught the zinc and copper markets in a bullish mood

Mr Stephen Briggs, analyst with Shearson Lehman Hutton, suggested the price reaction was overdone The Peru miners' threat is more mild and modest than it might have been, he said, recalling that last year the miners had quickly called indefinite strikes

Mr Leonard Ramirez, the Miners' Federation Press secretary, said the latest threatened strike about pay and conditions would also be used to demand more explanation on the recent assassination of Mr Saul Cantoral, the Federation's leader, and Ms Consuelo Garcia, a social worker with miners' families

Several other Federation officials had received telephoned threats, he said They had asked for, but had not been given, police protection — **Financial Times**

Improved performances by Gefco and Msauli

BDay 8/3/89 (217)

ANDREW BUDDEN

RESULTS of asbestos producers Gefco and Msauli confirm what the strong rise in their share prices predicted

In the year to December Gefco managed a complete turnaround from the previous year's loss of R3,7m, to a net after-tax profit of R13,1m, and Msauli registered a substantial improvement in profit to R11,4m (R2m)

● HART

Gefco's earnings a share rose from a loss of 14,7c to a profit of 36,6c, and Msauli's earnings rose more than five times to 177,2c (31,6c).

Gefco has declared a dividend of 12,5c a share, its first since the 1986 interim of 7,5c, and Msauli will pay its first payout in five years with a dividend of 35c a share.

Gencor divested itself of both companies in a management buyout in August last year when a consortium of Gefco and Msauli directors bought control via a company known as Hanova Mining Holdings

Executive chairman Pat Hart yesterday attributed the improvements to a reversal in the seven-year downward trend in the dollar price of asbestos and a decline in the rand

He said there was a price improvement for both of Gefco's products, crocidolite and amosite.

Gefco's turnover rose 31% to R83,8m (R64,2m)

Msauli has continued to experience strong demand for its chrysotile product, especially from the Japanese market, which represents its single largest source of revenue.

A building boom in Japan, with strong demands for Msauli's short-fibre product, helped boost Msauli's turnover by 41% to R57m (R40m) Higher production volumes largely counteracted the effect of inflation on unit production costs

Gefco's Kuruman and Penge mines introduced lowered production levels in 1987 in the face of low international demand and continued to operate at these levels to allow excess stocks to run down As stocks were depleted towards the end of the year, production levels at both mines increased partially

Msauli is already operating at capacity The mine has spent R2,7m on shaft sinking and primary development to maintain ore availability in the ever-deepening operating levels

Hart estimates R3,3m in capital expenditure will be required to maintain production at current levels during 1989

He does not expect capex to rise significantly in future

Hart said it was unlikely Msauli would come under sanctions-related pressure in Japan

Gefco's share price more than tripled from the 12-month low of 50c last year to yesterday's price of 165c.

Msauli rose five-fold from its 12-month low of 100c to 510c yesterday

Asbestos producers boost profits

CAM 7/1/7 8/3/89

JOHANNESBURG — Asbestos producers Gefco and Msauli have announced enormously improved results for the year ended December 31, with Gefco turning a loss of R3,7m for the previous year into a net after-tax profit of R13,1m and Msauli boosting its 1987 profit of R2m to R11,4m

Gefco has declared a dividend of 12,5c a share, its first since the 1986 interim, and Msauli is to pay 35c a share — its first dividend in five years

Arresting a seven-year downward trend, world demand for the crocidolite and amosite fibre types produced by Gefco improved slightly in 1988

The firming of demand led to an improvement in dollar prices as well as a marginal increase in sales volumes

The weakening of the rand against the dollar resulted in a significant increase in rand revenues, particularly in the second half of the year

The combined effect of improved sales, higher rand revenues, interest income and savings in cost of finance produced a substantial increase in Gefco's net income

The minimum production levels introduced at Gefco's Kuruman and Penge mines in 1987 were maintained in the first three quarters of 1988 to run down excess stocks Towards the end of the year, however, production levels at both mines were stepped up partially again

Msauli continued to experience the strong demand for its chrysotile fibre which became evident in 1987, and production and sales volumes were increased by 13% to an all-time record level

Dollar prices improved and the exchange rate amplified this into considerably higher rand revenues

Higher production volume largely neutralized the effect of inflation on unit production costs

With Msauli already operating at full capacity, R2,7m was spent in 1988 on shaft sinking and primary development to improve ore availability, as well as on milling projects aimed at improving fibre recovery

Looking at the prospects for 1989, Pat Hart, who is chairman of both companies, said they should repeat the past year's performance provided there was no substantial change in external factors

As far as Gefco was concerned, he said, indications were that the market for crocidolite fibre could continue to firm but that the market for amosite fibre would remain virtually static

The long-unbalanced equilibrium between supply and demand appeared to have been restored, but it was still too early to expect more than a marginal firming of prices

Production levels at Kuruman and Penge would continue to be increased in the year and this would have a beneficial effect on production costs — Sapa

Gold production up and mineral exports surge 13,1%

Star 10/3/89

2-17

By Sven Lunsche

South Africa's total mineral sales in 1988 were 16 percent higher than in the previous year at R33,41 billion

Provisional figures released yesterday by the Minerals Bureau show that export sales increased by 13,1 percent to just over R27 billion Local sales were 32 percent higher at R6,3 billion

Gold production climbed from 601 tons to 617 tons, resulting in sales of R19,7 billion, 12,5 percent up on the previous year's R17,5 billion The weakening rand and the subsequent increase in the rand gold price explains the difference between growth in production and the revenue increase.

Coal, South Africa's second major source of export revenue, also showed good growth in both the domestic and the export market, despite the continued sanctions campaign and the slowdown in demand from Eskom

Domestic sales rose by about 19,7 percent to just over R3 billion, while export sales totalled R2,73 billion, 19,9 percent up on 1987's R2,28 billion

Surging base metal prices boosted the earnings from nickel, copper and zinc exports

Despite a drop in copper production by 9,5 percent to 170 000 tons, total sales were 53 percent up at R948 million, with half of this amount originating from exports

Nickel sales surged by almost 190 percent to R305 million, with export earnings up 211 percent to R161 million Export revenue from the sales of zinc rose by a similar amount to R35,2 million, altough domestic sales remained unchanged at R94,6 million

There were also significant increases in the production of manganese ore, iron ore and chromite ore, although diamond production dropped by 7,3 percent to 8,3 million carats

● Sapa reports that Natal's nine anthracite mines are experiencing a boom period as a result of a sharp increase in the overseas demand for South African anthracite since October last year In addition, profits have been boosted by a rise in the export price from about R14 a ton in 1987 to R70 a ton last year

As a result, exports last year totalled R234 million, 27 percent more than in 1987 — despite the fact that three percent less anthracite was exported. All anthracite mines in Natal are in full production because of the upsurge and a new mine has come into operation near Vryheid during the past 18 months.

Excellent year for base metals

B/Day 10/3/89

217

Minerals sales show big leap in rand figures

REINIE BOOYSEN

THE SA minerals industry's total sales in 1988, locally and abroad, were slightly higher in terms of US dollars at $14,7bn compared with 1987's figure of $14,1bn, according to provisional figures released yesterday by the Minerals Bureau.

In rands the improvement was much greater, rising by 16% from R28,7bn in 1987 to R33,4bn in 1988 By far the largest proportion of the SA minerals industry's sales are exports — 81% in 1988 — which are mostly denominated in dollars

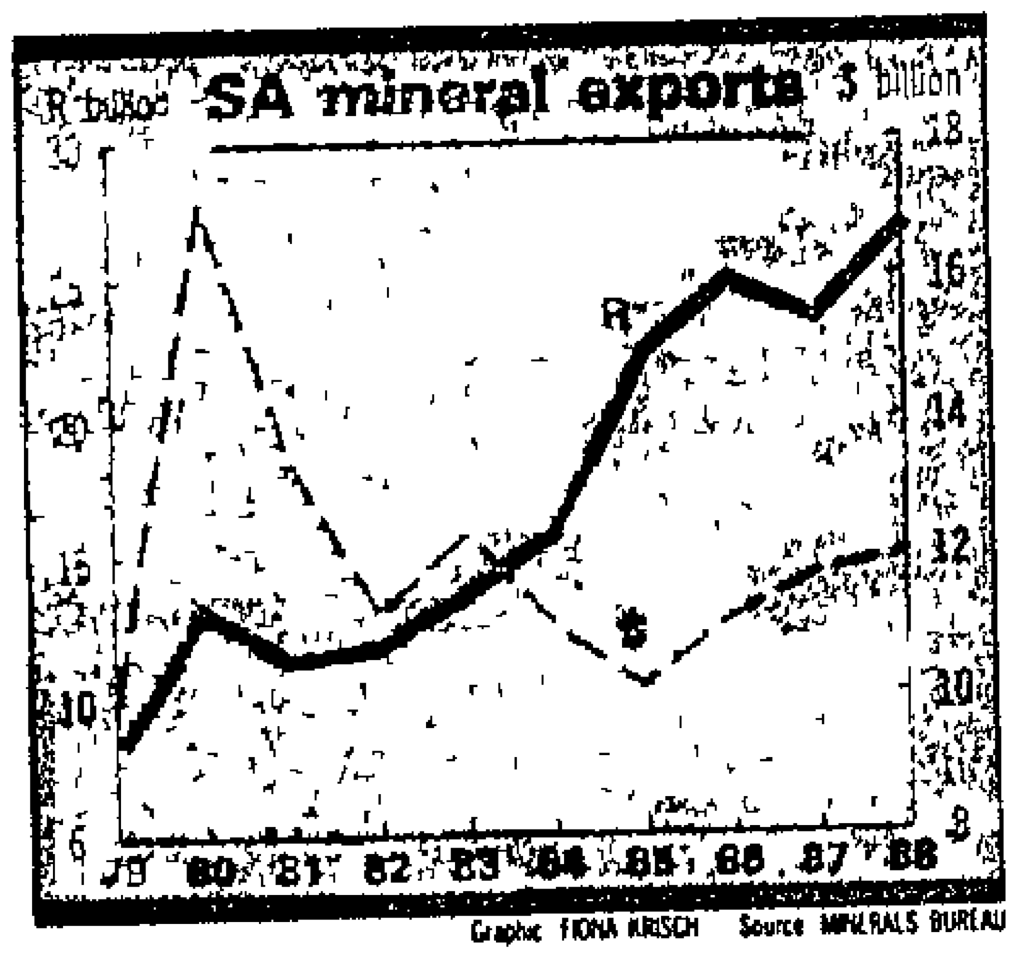
Therefore the rand export figure must be adjusted in accordance with the decline of the rand to provide a clearer picture of the industry's performance.

The rand declined from an average exchange rate of R2,037/$1 in 1987 to R2,273 in 1988.

In dollars there was a slight improvement in SA export sales, from $11,7bn to $11,9bn In rands the improvement was greater, from R23,9bn to R27,1bn.

Total sales of gold — which represented the largest chunk of SA's minerals exports, at 73% — were 12,5% higher in rands, at R19,7bn (R17,5bn), and only a fraction higher in dollars, at R8,66bn (R8,59bn).

The base metal industry did extremely well, in rands. Chrome exports rose 28% to R312m (R242m), copper rose 53% to R947m (R619m) and manganese rose 91% to R337m (R179m).



Graphic FIONA KRISCH Source MINERALS BUREAU

The second largest contributor to export revenue was coal, at 10%. The better fortunes affecting the coal industry were evident in the rise in the unit price for coal exports, which rose 19% from R54/ton in 1987 to R64/ton in 1988.

Total sales (local and abroad) revenue for coal rose 20%, from R4,8bn to R5,7bn. The unit price of anthracite, a better quality coal, rose 32% from R57/ton to R75/ton.

Although figures are not disclosed for platinum group metal sales, there are figures for an important by-product of platinum production, nickel.

The surge in the nickel price on the London Metal Exchange during 1988 resulted in a near-tripling of total SA nickel sales (overseas and abroad), from R106m to R305m In dollars the increase was 158%, from $52m to $134m.

Zincor set to adjust to new pricing structure

BDay 15/3/89 (217)

ANDREW BUDDEN

THE price of zinc produced by SA's only zinc refiner — Zinc Corporation (Zincor) — is likely to rise above its current record level of about R5 000 a ton once a new international pricing structure is introduced in SA.

Zincor is currently negotiating the new pricing structure with its suppliers and customers

In January this year, the old European Producer Price (EPP), to which SA subscribed, was abolished, to make way for a new pricing structure better suited to the needs of the European refiners

The EPP was a price compiled by the London-based Metal Bulletin, based on prices quoted for the lower-grade "Good Ordinary Brand" metal (GOB) by European, Canadian and Australian refiners

Dissatisfaction

It was the standard against which refiners entered into contracts with concentrate suppliers

The demise of the EPP was brought on by dissatisfaction among both mines and refiners The EPP was based on the lower-grade GOB product, but most production, refiners claimed, had been switched to purer "High Grade" (HG), or "Special High Grade" (SHG) metal

In practice, mines selling concentrate to refiners were paid for the zinc content in accordance with the EPP price. The cost of refining of the concentrate was deducted from the purchase price by the smelter

The problem arose when refiners, in turn, sold their refined metal on the London Metal Exchange (LME) while the EPP usually followed trends in the LME, the two prices frequently diverged

For example, before 1987, an oversupply of the metal depressed the LME selling price for all grades of metal below the EPP

Refiners were buying concentrates at a relatively high EPP price and selling their metal for less on the LME This even applied to sales of the High Grade and Special High Grade metal

In 1988 the trend reversed — the EPP was lower than LME prices Mines had to sell concentrate to the refiners at the lower EPP rate, while the refiners could offload their metal on the LME at a premium

Mines complained that smelters were buying concentrate from them at the lower GOB-based price and refining the metal to High Grade or Special High Grade levels which they could sell at a premium

Zincor has resigned itself to the changes about to be imposed on the SA market GM Helgo Kahle set out Zincor's position "We operate in a totally open market This means we have to buy concentrates and sell metal on international terms or risk losing both customers and suppliers"

Zincor's Springs operation produces about 90 000 tons of metal a year from 300 000 tons of concentrate, supplied largely by three regional mines

Fellow GFSA subsidiary Black Mountain mine is the largest supplier, with most of the remainder coming from Iscor's Rosh Pinah mine in Namibia and Shell's Pering mine in the Northern Cape

Kahle said the protracted European and local talks had other implications for Zincor "At this stage the industry is in a state of flux With international zinc concentrate prices still undetermined, we have difficulty establishing sales prices because we don't know how much we will be paying for concentrates from our contract suppliers," he said

Benefit

Galvanisers and other zinc metal users are concerned about the local implementation of the new measures, following the large price increases in 1988 and this year The new pricing structure is to be based on LME prices, which are currently higher than the old EPP price

Zincor insists that mines who supply zinc concentrate benefit most in the event of price hikes Marketing director Martin Pervis says smelting charges rise and fall on a sliding scale as the zinc price varies, and the greater portion of the extra profit accrues to the mines

Gencor unwraps new company

B/Day 15/3/89. (217)

REINIE BOOYSEN

GENCOR yesterday finally unwrapped its plan to delegate the management of all the group's mining-related interests to an autonomous company called General Mining, Metals and Minerals (Genmin)

This is another step in executive chairman Derek Keys's restructuring of the mining house, initiated when he took charge two years ago. His tenure has been marked by a drive to decentralise and rationalise Gencor's operations.

The investment holdings of Gencor in subsidiary mining interests will not be transferred to Genmin. Genmin chairman (and Gencor executive director) Steve Ellis said there was also no plan to list the company, "although this may be considered at some future time".

Ellis said Genmin would function as a separate management company within the Gencor group, under its own board of directors. It would guide and monitor the strategic direction of Gencor's mining interests. The listed companies are 12 gold mines, Impala Platinum, Samancor (base minerals) and Trans-Natal Coal.

Gencor's platinum interests will fall under Ellis, and he will be supported by two deputy chairmen, Brian Gilbertson (to head gold and coal) and Colin Officer (to head Samancor). At this stage, the only other directors are Derek Keys and Naas Steenkamp, but "more appointments will be made as and when necessary".

Ellis said: "The establishment of Genmin provides Gencor with a separate management group to be entrusted with the obligation of achieving long-term real growth and a leading position in the mining, metals and minerals industry."

This objective would be achieved through exploration, development and acquisition, and promoting the momentum of existing enterprises for which Genmin was accountable to the holding company.

Ellis said the move would place Gencor's mining people in a single unit with which they could identify.

Genmin would ensure that all obligations imposed on it by Gencor in terms of the various agreements with mining and mining holding companies relating to the provision of technical and other services would be properly fulfilled.

These included consulting engineering services, purchasing, geology and exploration and specialised services, including safety and health control, human resources and communication, law, accounting and finance.

Soviet Union in new diamond talks

The Star Bureau

LONDON — Speculation is mounting that the Soviet Union is considering a radical change in the way it markets its diamonds internationally.

A new round of rumours have been sparked by reports of the arrival in London this week of a senior Soviet trade delegation to renegotiate its diamond marketing agreement.

If the Soviet Union decided to alter its marketing approach it could have a significant impact on the De Beers diamond cartel which controls the marketing of about 90 percent of the world's diamonds.

Soviet diamond production is estimated at about 25 percent of the global total and if this was exported directly to the market place it could destabilise diamond prices which have been kept under strict control by the cartel.

Diamonds are an important source of hard foreign currency for the Soviet Union. However, the marketing of those diamonds has always been shrouded in secrecy. It is regarded as a politically senstitive subject because of the involvement of the South African-owned cartel

The Soviet Union officially terminated its agreement with the cartel some years ago. Since then it has constantly denied that it deals directly with De Beers.

However, it is widely accepted in the industry that the cartel handles a significant amount of Soviet diamond production.

De Beers will not comment as a matter of policy on its agreement with diamond producers.

Base metals boom shows signs of abating

(217) Star 20/3/89

LONDON — The sign of the bear was in the ascendant on the London Metal Exchange last week

Zinc and copper continued the previous week's retreat, aluminium dipped below $2 000 a tonne for the first time in 13 months, and nickel prices touched two month lows

In the absence of any significant change in the fundamental supply/demand picture for zinc, dealers attributed the cash price's $207,50 fall to $1 872,50 a ton chiefly to a general feeling that the market had become overbought in the run up to the recent record highs

Much the same could be said of copper But in this case the fall was also influenced by a sharp rise in New York Commodity Exchange (Comex) stocks, which prompted substantial Japanese selling The LME cash price ended the week £85 down at £1 877,50

In contrast, aluminium's fall represented a continuation of the overall downward trend which took hold after the metal reached record highs last spring.

When the LME cash price peaked at $4 205 in early June, stocks in the exchange's warehouses were just beginning to recover from a low point of about 33 000 tons

As that recovery has continued — a 6 650 ton rise last week lifted the stocks total to 140 900 tons — prices have moved ever lower, and lastweek's $106 fall left cash aluminium at $1 961,50 a ton

Freer availability of supplies was also reflected in the elimination on Friday, for the first time since September, of aluminium's backwardation — the cash premium over forward positions

At Friday's LME close cash metal was at a $1,00 a ton discount to the three months delivery quotation

That situation, known as a contango is regarded as normal — because forward purchases secure supplies without incurring storage, insurance and interest charges

A backwardation only appears when nearby availability is tight

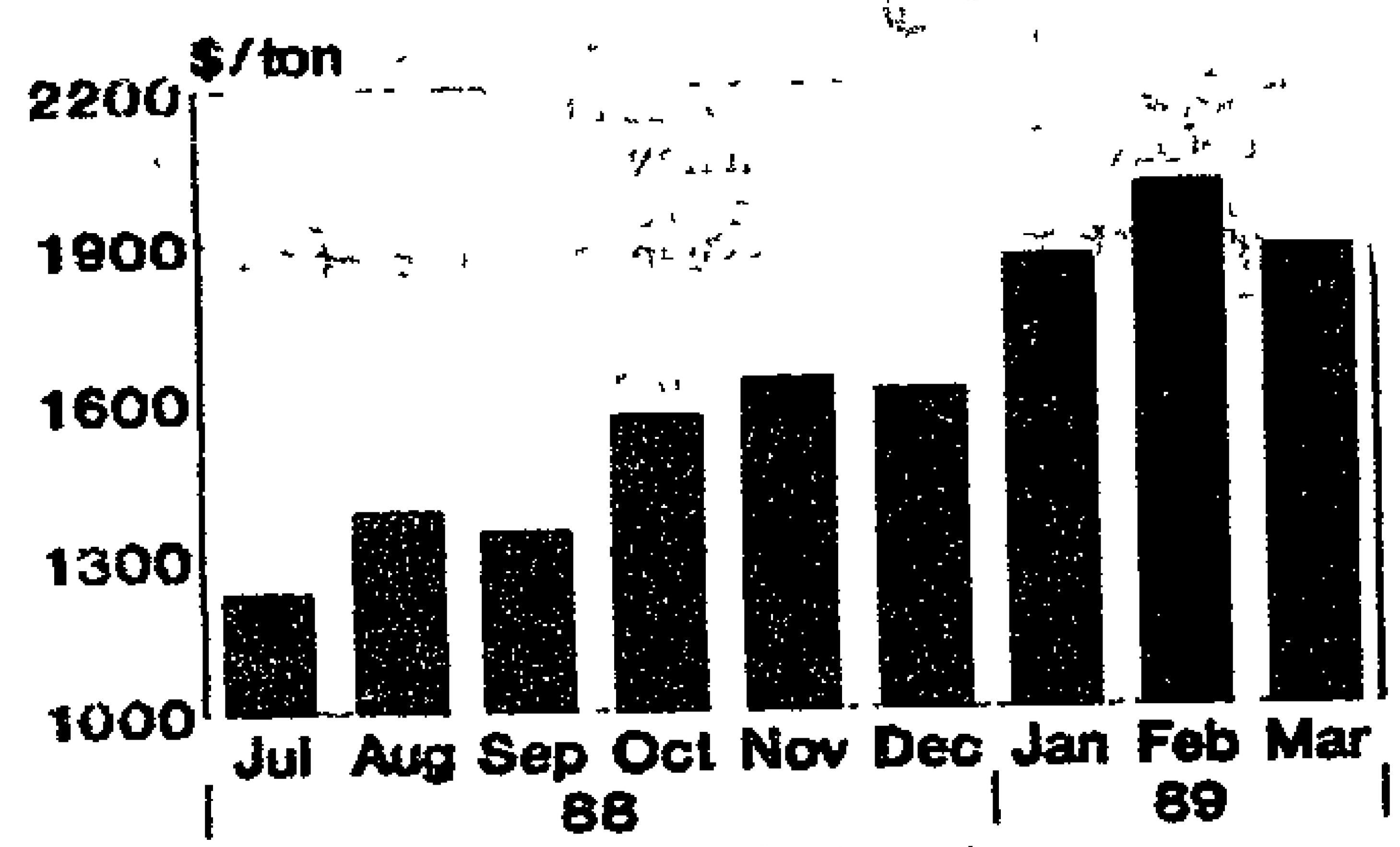
There is no question about nickel supplies remaining tight and with LME stocks standing at only 3 300 tons the $600 a ton cash/three months backwardation ruling at Friday's close could be seen as relatively modest

But with competition to secure those stocks drying up in recent weeks the market trend has been downwards Last Tuesday the cash position, which less than two weeks earlier had been above $19 000 a ton, closed at $16 600, and although some consumer interest was attracted at that level the price ended with a net fall on the week of $450 at $17 200.— Financial Times

● Sapa-Reuter reports that the two-year boom in base metal prices may show signs of abating but earnings of major mining companies would remain buoyant.

"In nominal terms they've never had it so good Most of them are reporting record profits," said Andrew Quinn, head of the mining department at James Capel

Surging growth in the world



Average monthly zinc prices

economy has spurred buying of metals for industrial and consumer products Low costs mean companies profits will stay strong even if metal prices fall

Soaring metals prices have also helped stoke global inflation, which in turn has led to higher interest rates

Most analysts think mining companies profits will continue to grow over the coming year and the further outlook remains favourable because firms have rationalised their operations and sharply reduced their debts

"Companies are awash with cash It's a fairly rosy picture for five or 10 years," Quinn said

S/Times 26/3/89. (217)

Record-breaking RTZ stalls on BP

By Richard Rolfe

LONDON. — RTZ, the global mining group, made a record profit in 1988 — up from £279-million to £427-million

The group controls the Palabora copper and Rossing uranium mines in South Africa and Namibia respectively It is one of the biggest foreign investors in SA

Chairman Sir Alastair Frame describes 1988 as a momentous year for RTZ It has positioned itself to acquire the mining assets of BP in a proposed £2,5-billion deal

Diligence

He refuses to answer any questions on the BP deal on the grounds that RTZ is still carrying out its "due diligence" investigation of the oil giant's assets Reports suggest that the deal may be in difficulties because of problems with BP's Lihir gold deposit — one of the world's biggest — in Papua New Guinea

Lihir is forecast to produce 850 000 oz of gold However, a minority shareholder in the deposit is claiming right of first refusal over BP's interest

RTZ undertook a major restructuring in the past year, selling its interests in cement, oil and gas and aggregates for £910-million Its willingness to dispose of companies that no longer fit its strategic aims makes an interesting contrast with the SA mining houses

By refocusing its portfolio of companies, RTZ has achieved a progressively improving rating for its shares This has also been helped by dividend increases of more than 50% in the past two years

Minorco

Its natural resources interests account for three-quarters of profits and industry for the remainder Minorco, Anglo American's international arm, has said it regards RTZ as the model for how it wants to be in a few years' time

Both Palabora and Rossing did well for RTZ Its contribution from Palabora rose from £9,6-million to £17,1-million, while Rossing's was ahead from £14,7-million to £23,2-million

Chief executive Derek Birkin says RTZ is committed to uranium in spite of a soft market He expects demand to improve in the mid-1990s, even without a new round of nuclear power stations, because mines are being worked out

Phillip Crowson, RTZ's minerals expert, forecasts continuing economic growth in the industrial world in 1989, although at 3% instead of 5,5% last year Volatility in base metals will continue because of low inventories

"Base metals have been dramatically restored to profitability after a long recessionary period," says Mr Crowson The balance of power in demand for metals is switching from industrial to developing nations.

RTZ is capitalised at more than £4-billion compared with £2,7-billion for Anglo and £3-billion for De Beers Its market capitalisation will rise if the BP deal is completed

Highveld vanadium prices set to increase

Mbw 20/3/89

ROBERT GENTLE

LONDON — SA vanadium exporter Highveld Steel and Vanadium is likely to break from its traditional fixed-price policy and substantially increase second quarter prices, says the UK publication Metal Bulletin (MB)

It would effectively be charging its customers $8 a pound by imposing a $3 surcharge.

Highveld is reportedly keeping tightlipped about the plans, despite persistent rumours in the market

MB 217

Lagging

MB says the surcharge is seen in the market as an attempt by Highveld to give itself greater flexibility in the wake of the rapid run-up in prices in recent months

Highveld's current posting of around $4,50 per pound has been lagging for some time behind free market quotes, which are in the $10 per pound range, depending on demand from sources like Japan and Russia

"At present prices are trying to find a level, and an announcement by Highveld should help sort things out," says MB.

The Star Finance

Star 29/3/89 (217)

Samancor held in high esteem

Sharespot

LYNNE PEACH

Samancor is held in high esteem by the market, particularly so these days when the outlook for the rand is a cause for concern

This SA-based metal mining group exports four-fifths of its production and because world sales are mainly denominated in US dollars, the relatively weak rand is very good news for Samancor

The group is also a low-cost producer, a sizeable supplier on international markets, and its most important products are currently riding a high wave of strong world demand/prices

Samancor, whose largest shareholder is Gencor, produces a variety of mineral, metal and chemical products It is the Western world's largest producer of chrome ore, ferrochrome and manganese ore, and is one of the largest producers of manganese alloys

World stainless steel production has been growing strongly and the demand and prices for chrome ore and ferrochrome have increased substantially.

Dr John Muller (acting Chief Executive) says that although the rate of increase has slowed, prices continue to rise. He does, however, expect prices to flatten-out in the second half of this year. Over the long term, he expects demand growth for ferrochrome to average three to four percent a year.

Dr Muller went on to confirm that the first of two new ferrochrome furnaces at Tubatse is due to come on stream this week while the second is scheduled to become operational during the fourth quarter of 1989

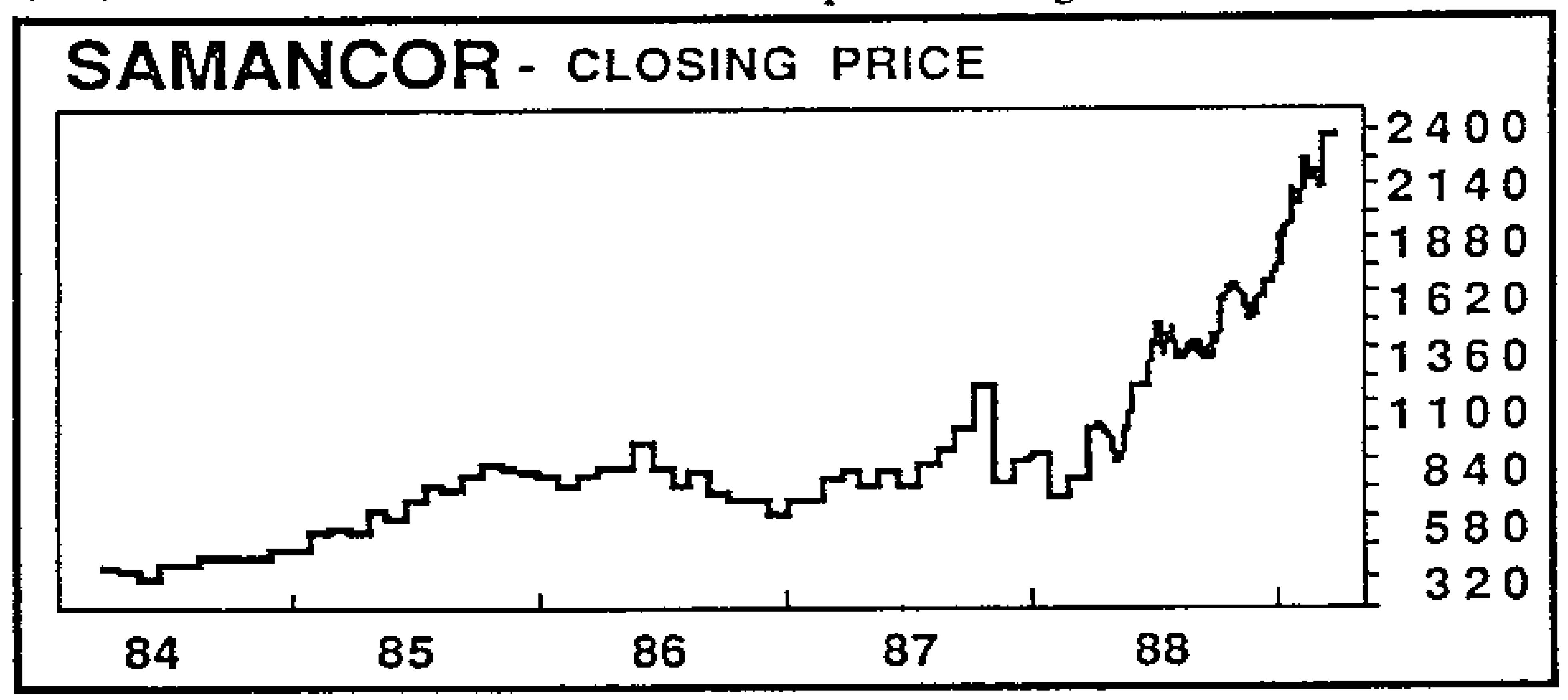
An unexpected level of growth in industrialised nations boosted the carbon steel industry which lifted demand for manganese ore and alloys It is the first time in a decade that demand has exceeded supply, and prices consequently rocketed Dr Muller confirms that prices are still firming Over the long term, he expects demand growth to average about one percent a year

As far as new developments are concerned Samancor, in conjunction with a local partner, is currently investigating the feasibility of producing stainless steel Dr Muller says the first part of the analysis showed sufficient promise for the group to go ahead with final stages of the feasibility study.

Samancor has changed its year-end from March to June, and in the nine months to December 1988 earnings soared to 195,8c, compared with 125c for the full year to March 1988. An interim dividend of 85c was declared (75c for the 12 month period to March). The dividend includes an extraordinary dividend of 40c, a "bonus" in view of the exceptionally high attributable income.

These results were achieved on the back of improved demand and prices for the group's major products, a trend which Dr Muller predicts will continue for the rest of the financial year The weaker rand also made a notable contribution to group performance

The market is speculating that earnings for the full year to June 1989 will rise dramatically, to around 380c This places the share on an attractive forward price-earnings ratio of 6,3



Early in 1988, Samancor's share price took off and hasn't stopped since. According to the charts, the share has not run out of steam yet.

Palladium price soars in wave of buying

Cape Times 31/3/89

217

LONDON. — News of a possible breakthrough in nuclear power generation has set off a wave speculative buying of palladium, a precious metal at the centre of the experimental process.

Palladium prices have jumped more than 10% since London trading resumed after the long Easter holiday break That included a $7 an ounce jump on Thursday morning to a five-year high of $162,50, before slipping back $2,25 in the afternoon on profit-taking

The interest in the normally quiet palladium market followed the announcement last week by two scientists, one British and one American, in which they claimed to have sustained a nuclear fusion reaction at room temperature in an experiment involving a rod of palladium being dipped into heavy water

If confirmed, the breakthrough could herald a new era of cheap nuclear energy and create a major new market for palladium Until now nuclear fusion has only been achieved at great cost at temperatures close to those found in the sun.

Market operators and analysts have been taken aback by the scale of the price rise

"If it is based on the nuclear fusion news, then it has got to be highly speculative," one said

Palladium is found in the same rock formations as platinum and the two metals are mined together SA and the Soviet Union account for almost all the world's production

"Potentially, the longer-term could see a drawdown in supplies," Rhona O'Connell, precious metals analyst at Shearson Lehman Hutton, said But the short-term advance appears speculative as many of the laboratories trying to duplicate the research are likely to have stocks of palladium, she added

Analysts said any application in nuclear energy generation would be many years away and it was impossible to estimate how much palladium might be used

In a report published before news of the fusion test, Shearson's O'Connell put 1989 world palladium demand at 3,80m ounces, against supply of 3,81 to 3,84m. By 1993 demand of 4,24m ounces may outstrip availability, put between 4,12 and 4,22m ounces, she said

Palladium is mainly used in electronics and dentistry and to a lesser extent in the manufacture of catalytic converters to extract noxious fumes from car exhausts — Sapa/Reuter.

METALS

ARGUS 5/4/89 (217)

Retreat for base metals predicted

The Argus Foreign Service

LONDON — Base metals prices will continue to fall in the second half of this year but there is unlikely to be a collapse to the very low levels seen in the mid-1980s, says Shearson Lehman Hutton, the securities house, in its quarterly base metal review

Copper is particularly vulnerable because high interest rates are cutting activity in its chief customer industries — automotive and construction

Shearson predicts that copper metal output might rise by more than four percent this year and mine production by even more

That would allow a modest build-up of stocks as 1989 progresses and put a downward pressure on prices, which could ease to average about $2 300 a ton in the last quarter of 1989 against the current $2 900.

Shearson suggests, however, that copper stocks remain relatively low so price volatility will be a feature of the second-half if there are any major supply disruptions.

In contrast to copper, zinc faces a continued period of solid growth in demand because of the car makers' sharply increasing use of galvanise steel

There is scope for further zinc price advances in the short term from the current levels of about $1 650 a ton, the review suggests But in the second half prices might drift lower to average $1 550 in the fourth quarter

Demand for nickel from its main user, the stainless steel industry, is likely to reach a cyclical peak in the middle of this year

This should produce a second-half surplus of supply and cause prices to ease to an average of $5,50 a pound in the final quarter from the present $6,85

Shearson says the aluminium market is finely balanced and there is scope for prices to bounce above the $2 000 a ton level in the short term from $1 500 currently

However, by the end of the year aluminium prices could be about $1 750 a ton

Lead prices, which already have been weakening, will remain under pressure for the rest of this year, the review adds

Samancor, Gencor in chrome deal

2/7

Cape Times 10/4/89

JOHANNESBURG — Samancor and Gencor have agreed to rationalize their chrome interests.

Samancor will acquire Gencor's stake in the Cromore mining and Tubatse Ferrochrome smelting operations in return for 17 500 000 Samancor ordinary shares

The effective date of the rationalization is July 1, 1989, when Samancor will acquire Gencor's 51% interest in Tubatse and 49% interest in Cromore.

Additional new Samancor shares will be created, subject to the approval of Samancor shareholders, to settle the transaction

Following the rationalization, Tubatse and Cromore will be wholly-owned subsidiaries of Samancor

In a joint statement, the directors of Samancor and Gencor said that the initial effect of the rationalization on their earnings and net asset value per share would be negligible

In the long run, however, the deal would benefit both companies and their shareholders

Samancor's acting CE John Muller said both companies were agreed that the rationalization would be in the best interest of the shareholders — Sapa

Graham Gibbons, chief accountant of Pick 'n Pay Retailers (Western Cape) has been appointed to the board

Vansa's forex earnings could top R100-m

Star 19/4/84

The Vansa Vanadium mine in Lebowa is expected to earn more than R100 million in foreign exchange in the near future

Officially opening the mine at Steelpoort in the Lydenburg district on Friday, the Governor of Lebowa, Mr Mogoboya Ramodike, said tax revenue and workers salaries from Vansa Vanadium would assist the homeland and surrounding areas to achieve greater economic independence

Mr Ramodike appealed for additional investmemts in the area

He deplored those advocating sanctions and disinvestment as they hurt economic development

Mr Alan Sealey, deputy chairman of Rand Mines, said prices for vanadium pentoxide had exceeded those anticipated, which augered well for the mine's future

However, full production levels had not as yet been achieved, Mr Sealey said

The opencast operation, with ore deposits of 2,9 million tons, has a workforce of 300

Vansa's shares were heavily traded last week, but the price fell by 5c to 870c — Sapa

Samancor gets Gencor's chrome interests

SW 10/4/89

217

Finance Staff

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Additional new Samancor shares will be created, subject to the approval of Samancor shareholders, to settle the transaction

Samancor's other major shareholder, Anglo American, has also agreed to vote in favour of the resolution

After rationalisation, Tubatse and Cromore will be wholly owned subsidiaries of Samancor

In a joint statement, the directors of Samancor and Gencor say the initial effect of the rationalisation on their earnings and net asset value will be negligible

In the long run, however, the deal will benefit both companies and shareholders

In the eight months to end-August last year Samancor accounted for just under 20 percent of Gencor's profits

Samancor's acting chief executive, Dr John Muller, says both companies agree that the rationalisation is in the best interest of shareholders

Samancor already has management responsibility for Tubatse and Cromore Its other smelting company, Ferrometals, is already a wholly owned subsidiary

Gencor tidies up with R394m chrome deal

CHERILYN IRETON

GENCOR, which has been undergoing extensive reorganisation since chairman Derek Keys took control in 1986, is further to tidy its structure by selling its chrome interests to subsidiary Samancor in a transaction worth R394m at current market prices BDay 10/4/89

Samancor — the world's largest producer of chrome and manganese alloys — will acquire from Gencor its 51% stake in the Tubatse Ferrochrome smelting operations and its 49% holding in Cromore mining with effect from July 1. Samancor already has management responsibility for the two companies

About 17,5-million new Samancor shares will be issued to parent Gencor to pay for the transaction At Samancor's current market price of R22,25, this puts a value of R393,75m on the deal.

Samancor's acting CE John Muller said yesterday both comanies agreed the rationalisation would be in the best interests of their shareholders "The consolidation of chrome interests under one roof makes the group structure more tidy all round," he added

Takes effect

217

Tubatse and Cromore will become wholly owned subsidiaries if the transaction is approved by Samancor shareholders. With Gencor already holding half of the 150-million shares in issue, this is merely a formality

After the deal takes effect on July 1, Gencor will hold about 92-million — or around 55% of the enlarged share capital.

In a joint statement, Samancor and Gencor directors said the initial effect of rationalisation on their earnings and net asset value per share would be negligible

In the long run the deal would benefit both companies and their shareholders

Samancor has a current market capitalisation of R3,3bn

In the eight months to August 1988 it accounted for R90,6m — or 19,1% — of Gencor's profits

GF Coal profits drop

217

Cape Times 12/4/89

JOHANNESBURG — In the March quarterly results for the Gold Fields Group coal and base metal companies released yesterday, Gold Fields Coal company's production reflected a decrease to 2,2m tons compared with the previous quarter's 2,3m tons, while sales showed a corresponding drop to 1,8m tons from 2m tons

Profit before tax was accordingly lower at R6,6m (R9,7m) giving a net profit of R4,9m (R6,3m) after a lower tax bill of R1,7m (R3,4m) Capex was significantly lower at R532 000 (R1,4m)

Rooiberg Tin's tonnage treated which increased to 78 000 tons from the previous 77 000 tons

Net profit showed a corresponding increase to R751 000 (R463 000), while capex rose to R79 000 (nil)

O'okiep Copper tonnage of ore treated was lower at 486 700 tons (502 400 tons)

Profit, in spite of a lower tax bill of R13,8m (R20,3m) increased only slightly to R17,4m (R17,3m)

The Zinc Corporation of SA recorded a decrease in production to 20 361 tons (23 374 tons), but this was offset by higher sales of R95,7m (R78,6m)

Profit before tax was accordingly higher at R14,3m (R10 7m), and after a tax bill of R6,9m (R5,6m) profit amounted to R7,3m (R5,1m) — Sapa

Highveld and Samancor study joint steel project

B|Day 13|4|89. 217

REINIE BOOYSEN

HIGHVELD Steel & Vanadium and Samancor (Gencor's ferrometals producer) have embarked on a joint feasibility study into a stainless steel project

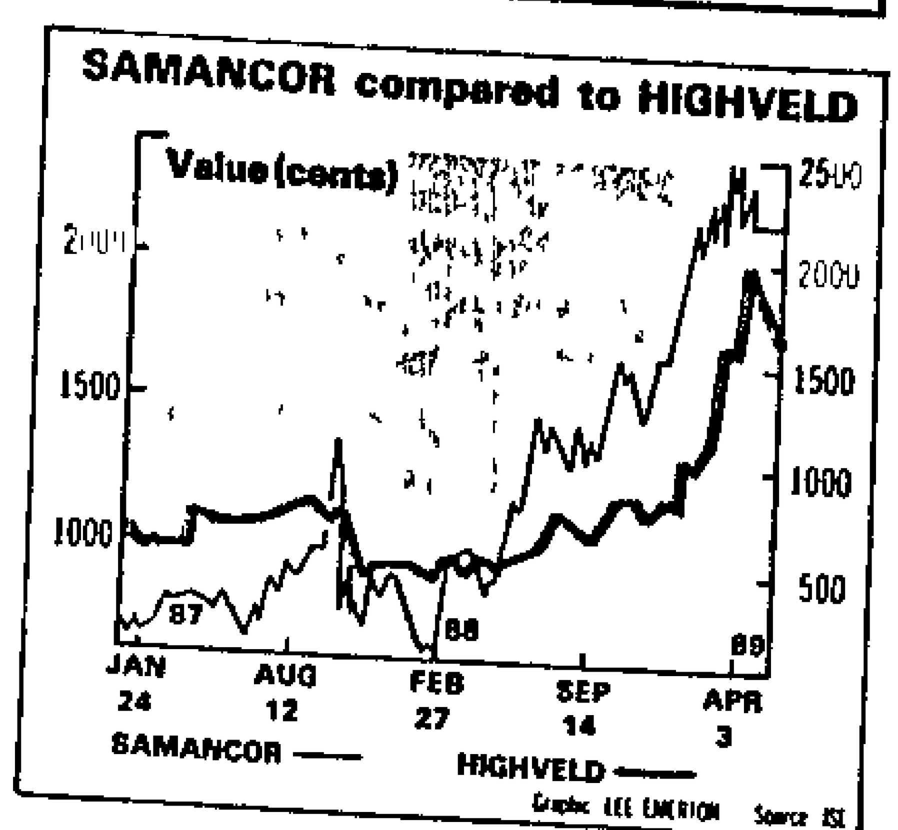
Samancor announced in February it had completed a preliminary feasibility study on the production of stainless steel A full study, in partnership with Highveld, is expected to be completed by the second half of the year

Acting MD John Muller said last week Samancor had decided to tackle the project as a joint venture in view of the size of the investment

"The market for stainless steel is not always in a boom and we realised the necessity for a strong partner in case the market slumps," Muller said

It is understood Samancor thought of a partnership with Iscor, which was considering making stainless steel

A joint project with Highveld was considered more appropriate because Anglo American Corporation is a common shareholder in both companies, with more than 25% in Samancor and control of Highveld via Anglo American Industrial Corporation



Samancor would also benefit from Highveld's steel-rolling experience

Samancor is the world's largest producer of ferrochrome, the ingredient in stainless steel which imparts its corrosion-resistant properties Nickel, another important anti-corrosion and hardening ingredient, will be available from either Impala Platinum, Rustenburg Platinum or Palabora Mining

At present there is only one stainless steel producer in SA — Barlow Rand's Middelberg Steel & Alloys, which said it intended expanding production from 110 000 tons a year to about 150 000

World production was about 10,5-million tons last year

It is understood Samancor/Highveld is looking at a plant capable of producing about 300 000 tons of semi-finished steel slabs (as cast) for export

These will be sent to be processed into finished stainless steel products, such as sheets, plates and coils The plant will be capable of expansion

Analysts said overseas producers were amenable to such an arrangement They added "The front-end of the production process creates pollution problems many foreign steel producers are keen to avoid "

Facilities for cold-rolling or finishing the stainless steel slabs are also enormously expensive

As it is, the whole project up to the semi-finished stage could cost over R1bn in today's money

The partnership is also looking at the feasibility of setting up its own cold-rolling facility overseas — to finish off the steel slabs — probably in the Far East

217 B/Day 13/4/89

Tell the shareholders why, says Edwardes

Minorco challenges ConsGold US move

ROBERT GENTLE

LONDON — Minorco yesterday openly challenged the board of Consolidated Gold Fields to tell its shareholders why it was persisting with the New York court injunction

The injunction, formally brought by ConsGold's 49%-owned US gold mining operation Newmont, prevents Minorco from acquiring more ConsGold shares

It has placed Minorco's takeover effort in jeopardy in spite of the higher, final £3,5bn offer made this week

The challenge came in the form of a letter to ConsGold shareholders

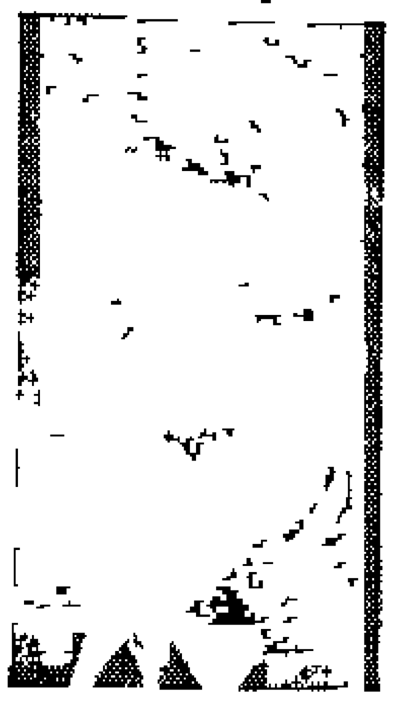
In it, Minorco CE Sir Michael Edwardes accused the ConsGold board of disseminating misinformation about the legal proceedings and sheltering behind the Newmont action

He said it was ConsGold and its legal advisers, not Newmont, which continued to be the "driving force" behind the New York court action

He further accused the ConsGold board of seeking to distance itself from Newmont now that the proceedings were becoming embarrassing despite earlier contentions that it controlled the US gold mining giant

"Either ConsGold controls Newmont or it does not," said Edwardes, who demanded a clear answer on the issue

He also demanded a full and unequivocal explanation for ConsGold's refusal to accept the compromise solution — called a "hold separate order" in legal jargon — that Minorco has put to the New York court



● EDWARDES

This involves a binding pledge to dispose of ConsGold's shareholdings in Newmont in the US, Renison in Australia, and Gold Fields of SA (GFSA) in SA within one year of a successful takeover It is backed by a $100m good-faith bond

"Without a coherent explanation from their board, ConsGold shareholders can only assume the purpose of the US proceedings is to frustrate this offer," said Edwardes

Under City takeover legislation, directors are not permitted to engage in any action that deliberately frustrates a *bona fide* offer

ConsGold responded to the Minorco challenge by saying that the court action was a Newmont affair, and that it did not control Newmont

"Only three of the 10 directors on the Newmont board come from ConsGold," a spokesman said

He defended the court action, saying that in spite of ConsGold being British, over half of its assets were in the US

As for the merits of the Minorco "hold separate order", it was up to the judges to decide, the spokesman said He did not rule out a further ConsGold appeal against a favourable ruling

Meanwhile, ConsGold firmed a slender 5p to £13,38 The share price is still well below the £15,50 Minorco offer and underlines continued market apprehension that the New York court action will scupper the bid

Boom in non-gold exports takes up slack

217

KAY TURVEY

BUMPER agricultural exports, coupled with a heavy international demand for base metals, steel, coal and minerals other than gold, are expected to compensate for a poor showing from gold and support the trade balance.

Economists believe good foreign market conditions and the support of a weak rand will result in a strong local export performance, putting the balance of payments into a surplus by the year-end — provided the value of essential imports is not increased by this currency weakness

SA has to repay debt of $1,7bn this year, or R4,25bn at an exchange rate of R2,50 to the dollar In spite of a likely deficit on the current account of the balance of payments, these repayments should be met as the impact of strongly improved exports and declining imports begin to be felt

Imports are currently galloping along as investors scramble to replace obsolete machinery However, they are expected to fall as restrictive measures take hold and the weak currency bites

Trade figures for the beginning of the year give little cause for hope, but there is confidence these should begin to improve markedly in the third quarter, for a just-in-time recovery on the balance of payments

In January and February, exports amounted to R7,6bn and imports were R6[illegible] Bureau of Economic Research economist Adriaan Mocke estimates net transfers and service payments were R1,5bn, suggesting the balance of payments current account was in deficit

Trade figures for March, due out next week, are expected to begin to show an improvement although there has been no

● To Page 2

Boom in non-gold exports takes up slack

217

● From Page 1

support from gold — the pillar of SA's exports

Trust Bank economist Nick Barnardt says economic growth world-wide and our soft exchange rate should have a powerful effect on SA's overall export performance, with favourable volumes and prices making a sizeable contribution to the balance of payments towards the end of the year

However, Barnardt cautions against making a direct calculation relating trade figures to the balance of payments as there are many compensating factors

Safto CE Wim de Villiers agrees good foreign market conditions will counter the gloomy outlook for gold

Working on a gold price at current levels, he predicts a trade surplus of R7,5bn for the year, down from the R10bn achieved last year

SA Agricultural Union chief economist Koos du Toit says agricultural exports will perform particularly well this year on increased volumes and higher prices, particularly for sugar and maize

SA is also to become a significant exporter of grain for the first time this year, and fruit, wool and meat exports are at highs

Agricultural exports are expected to make up about 10% of total exports, as opposed to about 5% last year, and could have a favourable effect on the trade balance, Du Toit says

New EC laws: platinum group metals soar

BDay 14/4/89

REINIE BOOYSEN

NUMEROUS developments yesterday fired large price gains for platinum and related metals, and shares in SA producers approached all-time highs on the JSE

In London, the price of platinum rose from Tuesday's afternoon fixing of $530,50 to a trading range, at close, of $552/$554 Palladium rose $10,50, or 6% to $178,50 On the JSE, the platinum index rose 6%, or 252 points, to 4 191

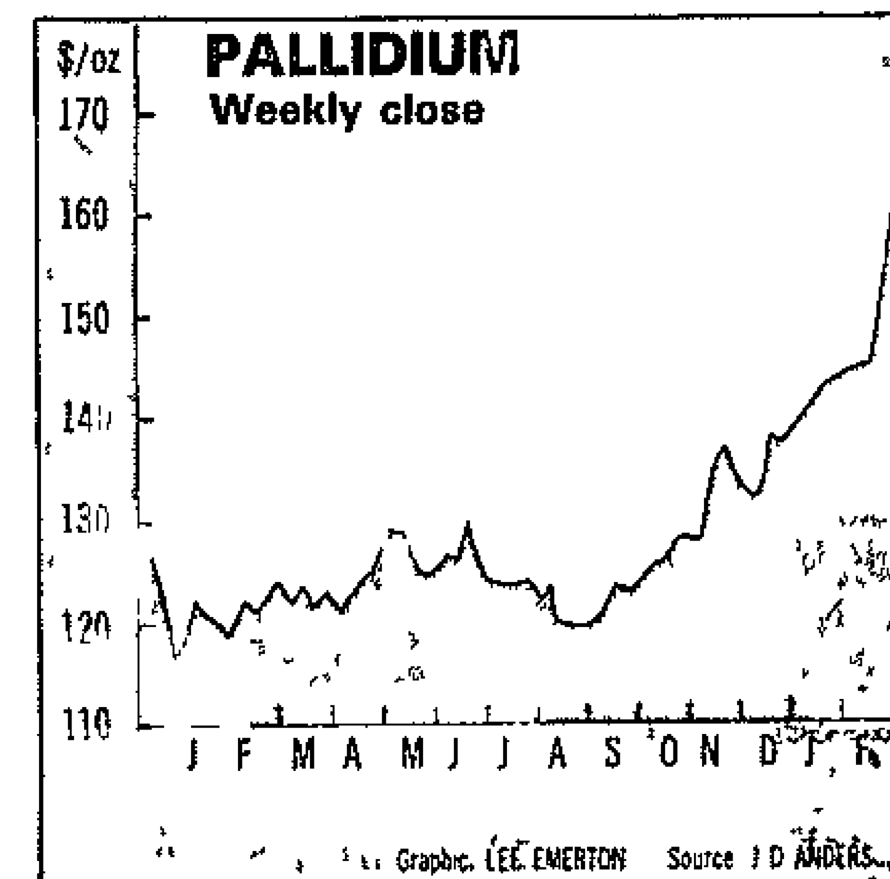
The most important development was the news late on Wednesday that the European Parliament in Strasbourg had voted in favour of tough new exhaust emission laws which could create significant new demand for platinum, and other platinum group metals like palladium and rhodium

J D Anderson analyst Dave Russell said yesterday the new laws would require autocatalysts — devices which remove harmful emissions from car exhausts — to be far more efficient than before, to meet the standards already adopted in the US Autocatalysts would consequently contain significantly higher loadings of platinum, palladium and rhodium

The new EC laws will come into effect in stages

By October 1992 all new small cars (those under 1 400cc, comprising about 57% of the total) in Europe will have to meet the new standards

Palladium, which has been on a strong up-trend recently, has been buoyed ever-higher by developments in nuclear physics Yesterday it emerged that Soviet scientists had duplicated US experiments to create nuclear fusion at room temperature



217

To Page 2

Platinum group metals soar on EC news

BDay 14/4/89

From Page 1

using electrodes which use palladium

Of all the platinum shares on the JSE, the largest price gain was achieved by Impala, which received a fillip of another kind a strong rumour, that judgment in its court case with the Bafokeng Tribe of Bophuthatswana was in its favour The case revolved around a dispute regarding royalties which Impala pays the tribe to mine its land

The registrar of the Bophuthatswana Supreme Court said yesterday that judgment had not been handed down yet

Impala rose 400c or 8,6% to 5 050c, compared with its 12-month low of 2 200c on May 4 last year

Soaring platinum shares boosted mining shares on Diagonal Street and gave a firm tone to the rest of the market The overall index gained 35 points to 2 507

□ The extent of the platinum price gain is illustrated by the fact that July platinum futures rose $25 — which is the most allowed under New York Commodity Exchange regulations — to $558,30

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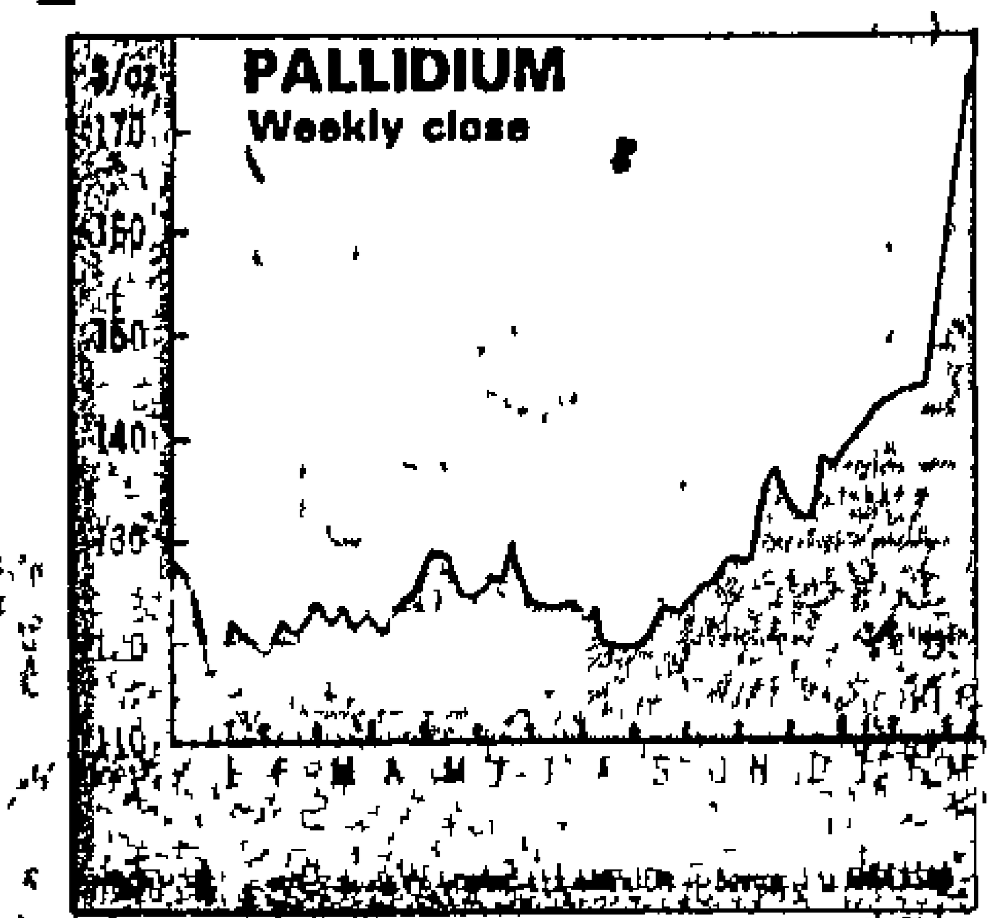

217

● To Page 2

56A

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● From Page 1

217

B/Day 14/4/89

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Speculation lifts SouthWits shares

B Day 18/4/89 217

REINIE BOOYSEN

THE Southern Witwatersrand Exploration (SouthWits) share price has risen sharply in the last two weeks on rumours the company has discovered a substantial nickel/-platinum deposit near Potgietersrus.

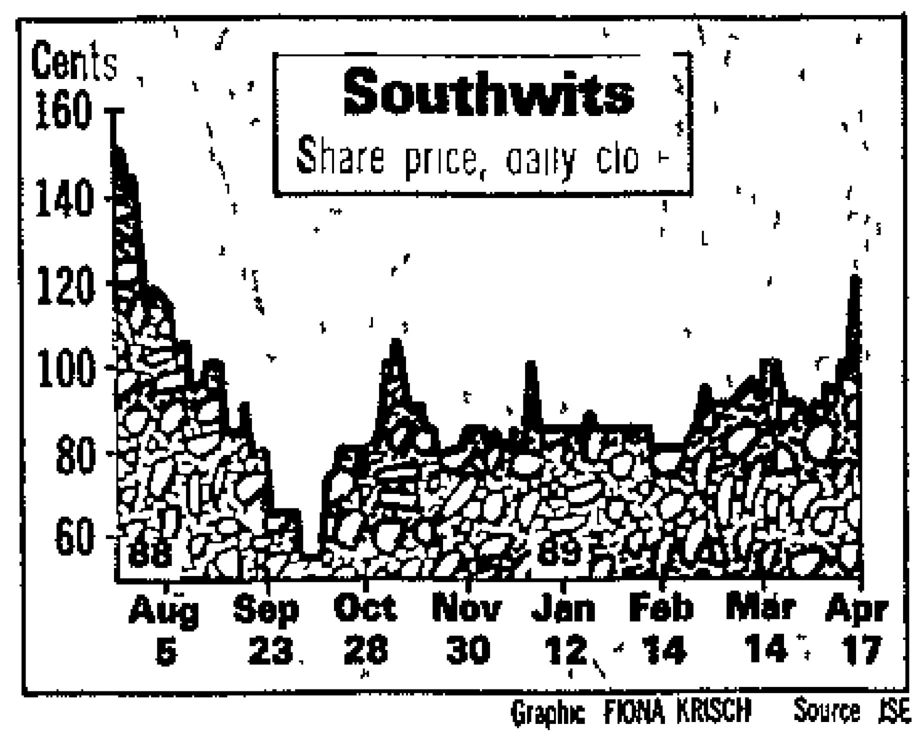
It is also said the company is investigating the possibility of listing a gold mine, after successful exploration of its Gravelotte gold deposit in the eastern Transvaal

The share climbed 34c (40%) from its March 30 price of 86c to 120c yesterday, in high-volume trade While the average monthly trade over the past 12 months has been about 220 000 shares, more than 1,5-million shares (worth more than R1,6m) changed hands in the past six days alone.

The share price is now more than double the 12-month low of 55c on October 13 last year Analysts said yesterday there was still upward potential.

The nickel deposit occurs in the so-called "Platreef", one of three platiniferous reefs in the Transvaal's Bushveld Complex — the geological treasure chest which contains the world's largest deposits of a number of strategic minerals, including platinum group metals, chrome and vanadium. It also contains large deposits of nickel, gold, copper, cobalt and scarce rare-earth minerals

MD Nick Stavrakis yesterday declined to comment on these rumours, which also suggest that SouthWits's nickel deposit occurs at a relatively high grade of about 0,38% by volume Other valuable minerals



Graphic FIONA KRISCH Source JSE

which could be exploited alongside nickel as revenue "sweeteners" are the platinum group metals (PGMs), copper, cobalt and gold

The copper grade is said to be in the region of about 0,2% — compared with Palabora Mining's cut-off grade of between 0,12% and 0,15%.

Stavrakis also declined to reveal the grade of the PGMs, but said that Lebowa Plats, which is prospecting alongside SouthWits, has revealed that its grades are running as high as 6g/t. Analysts say PGMs in the Platreef usually occur in the following proportions 50% palladium, 40% platinum and 10% rhodium and others

Sources say another positive factor is the shape of the ore deposit a reef, which is understood to vary in thickness between 20m and more than 40m and which runs

● To Page 2

Speculation lifts SouthWits shares

B Day 18/4/89 217

● From Page 1

from the surface to an unknown depth at an incline of about 25° on the SouthWits property

The sheer bulk of the deposit (most gold reefs in SA are no more than 1,5m thick) will facilitate large-scale open-pit mining, at least for the first decade

The success of the three boreholes drilled so far has led to a decision to drill "several more", says Stavrakis

At Gravelotte, exploration has reached an advanced stage after extensive mapping, geophysical and geochemical surveys, trenching and drilling Talk is that gold grades are running as high as 10g/t

It is rumoured that SouthWits has also discovered a new ore body at Gravelotte, west of the long-defunct La France Gold Mine, using modern geophysical exploration methods

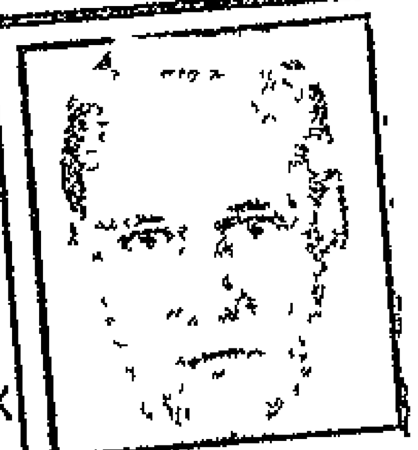
Stavrakis says details of SouthWits's exploration will be released with the annual report in three weeks' time ue Wed Thu Fri Mon Compiled on a Punch Line Panda PC

217

18/4/89

Diagonal Street

MAGNUS HEYSTEK



Something up at SouthWits

Mining exploration company SouthWits (Southern Witwatersrand Exploration Company) has featured quite strongly in recent weeks on the JSE.

The share has risen from around 90c to last night's closing of 122c on massive volumes.

During the same period the options have moved up in tandem, rising from around 40c to 60c.

In October last year SouthWits was trading at lows of around 55c a share.

Last week 1,16 million shares changed hands, while more than 416 000 shares changed hands yesterday.

SouthWits, which was listed last June, is currently involved in seven exploration projects, of which at least three look promising.

They are the company's gold interests in the Gravelotte area, platinum interests near Potgietersrust and chrome interests near Brits.

In all three instances exploration and evaluation studies have been completed, with analysts expecting promising announcements quite soon.

Dr Nick Stavrakis, managing director of SouthWits, last night was reluctant to comment on the sudden upsurge in interest in his company.

But he did say that shareholders could expect something exciting in the annual report, due out in May.

Market talk is that a listing of a smallish, but highly profitable gold mine in the Gravelotte venture area is a distinct possibility, with shareholders being rewarded by means of capitalisation shares.

In its interim report last October, SouthWits said borehole drilling results in the area had been highly encouraging. Investigations were also started on a third and larger ore-body

The sudden interest in SouthWits last week and yesterday could have something to do with this orebody, close to the original La France reserve.

The company's platinum interests consist, among others, of a prospecting contract on an area of some 960ha just north of Potgietersrust and a first right of refusal on additional ground, totalling 4936ha.

The area under option saddles the outcrop of the Platreef to the south and is contiguous with the ground held by Lebowa Platinum and Rustenburg Platinum.

Rustenburg Platinum held mineral rights to this ground for 15 years, but let its options lapse last year when SouthWits acquired them.

The feeling among geologists is that Rusplats gave up its options too soon and that the area might contain some of the richest palladium deposits known.

Last week the price of palladium surged on international markets and reached an all-time high of $177 an ounce. If the rumours are true, this could partly explain the sudden interest in Southwits.

Earlier this year SouthWits acknowledged that it intended bringing into production an opencast chromium mine on a property near Brits, south of Rand Mines' Lefko mine, and that it would yield 10 000 to 20 000 tons a month of relatively high grade ore.

Initially, this opencast mine would be developed without partners, but SouthWits said at the time that it would consider offering outsiders a minority stake in return for a capital injection at a later stage.

Mining exploration stock always offer the promise of untold riches and if only one of the projects in which SouthWits is involved comes to fruition, it would certainly justify the euphoria surrounding the share.

PRIESKA COPPER MINES TURNS IN R7,2m OPERATING PROFIT

LIZ ROUSE

BDay 19/4/89

(217)

PRIESKA Copper Mines, Anglovaal's copper and zinc producer, turned in an operating profit of R7,2m in the March quarter compared with a working loss of R411 000 in the December quarter.

Also of significance is the news that although underground operations will cease at the end of June, the mine will treat its low-grade copper and zinc surface dump for as long as it remains profitable

Prieska's despatches of zinc increased again, but those of copper were lower

After providing another R978 000 for eventual rehabilitation costs — making a total of over R12m (R11m) to date — taxed profit amounted to R2,9m (R201 000 loss)

As the rehabilitation provision is not being allowed for tax purposes, Prieska had to pay tax of R5,1m (R710 000) on its pre-tax income of just over R8m (R509 000), which included non-mining income of R862 000 (R920 000)

Plant not affected by strike — Rusplat

(247)

RUSTENBURG Platinum Holdings said platinum and base metals production had not been affected by a six-week strike at its base metals refinery and independent analysts supported its statements

"The smoke is coming out of the stacks, the refinery is operating," said stockbrokers Anderson Wilson and Partners analyst Rene Hochreiter

Rustenburg MD Barry Davison said "If our PGM (platinum group metals) production had been affected I would say so"

On Monday, NUM shop stewards said the supply of platinum-bearing material from the refinery had halted — Reuter

217

Vanadium producers shun refining

D Day 20/4/89

ANDREW BUDDEN

MINTEK president Aidan Edwards predicts vanadium producers will never switch raw material exports to refined products

He says this is because it would bring them into competition with their foreign refinery customers

Mintek is the Council for Mineral Technology

Local analysts recently brought to light SA's Third-World status as a raw material supplier to foreign refiners

SA produces 70% of the Western world's vanadium

Much of it comes from deposits mined for iron ore and, because of this, major producer Highveld Steel produces vanadium-bearing slag as a by-product in its steel smelting process

The dull-grey metal is an important alloying agent in the production of extremely hard steel It is also used in the pentoxide form as a catalyst for industrial chemical processes

Most of Highveld's product is exported as raw slag to European converters

These assume the First-World role of refining the slags into pentoxide or ferro-vanadium alloy used by steel mills

Vansa Vanadium, another major producer, beneficiates to the pentoxide stage for export

Analysts point that out SA has the ability to refine to ferro-vanadium before export and small amounts of the locally-refined product are available to the lcoal steel industry

They say the vanadium sector should take the same approach as ferro-chrome producers who refine and export most of their output

The value of a product generally increases greatly with improvements such as refining

Producers, however, say there are overwhelming reasons for not refining the product locally.

Retailers

Dominance as a vanadium producer means SA supplies many steelmills around the world The difficulties in marketing to such a wide range of distant customers makes beneficiation of slag barely worthwhile

Producers, by selling slag to a few strategically-placed converters, act as international wholesalers.

European converters produce a long list of alloying agents and act as retailers to the steel industry by offering a full range of ferro-alloys

Amendment

Steelmills find it easier to buy from one regional converter than from many widely-spaced producers.

Producers add that vanadium does not face have the same size market as ferro-chrome because so little is used in steel production (vanadium contents as low as 0,1% will produce high-grade hard steels) and mills buy ferro-vanadium in small batches.

A Mintek spokesman suggests other reasons for producer reluctance to refine their product.

One is incentives for exporters under Section 11(bis) of the Income Tax Act which, he adds, are disincentives to beneficiation of a product beyond any but the primary stages

Under the existing scheme — now under amendment — any company that demonstrates added value in its exports could benefit from the export incentive

Mintek's Edwards explains "If an incentive is given too far upstream it can militate against further beneficiation"

Producers deny this The allowance is available only to companies whose exports are subject to import tariffs in the country of destination

Vanadium exports to Europe, the US and Japan face tariffs protecting local converters Nothing is levied on slag because this would harm the industry tariffs are protecting

Pentoxide — a step along the value-added chain from slag — faces limited but significant tarrifs Ferro-vanadium, the end product of the converters, is subject to levies so severe that SA exports of this product are not feasible

Under the existing incentive scheme only pentoxide or ferro-vanadium exporters qualify for the marketing allowance

Producers say even then only pentoxide or slag exports are worthwhile

Industrials hit new high

22/4/89

DEREK TOMMEY (217)

GOLD SHARES were about the only non-performing sector of the Johannesburg Stock Exchange in a week which saw the industrial index continue to hit new highs and selected metal and mineral shares also experienced strong support.

Golds were under a cloud following the string of disappointing March quarterlies. These mostly reflected the main problem facing the gold mining industry — the R1000 a kg drop in the gold price in the past three months.

However, except in counters such as Randfontein, where a sharp drop in grade also affected its results, losses were small.

The steep jump in the crude oil price in the past few days to above $25 a barrel has revived fears (or hopes) among investors of an upsurge in inflation overseas — leading to an increase in the gold price.

The metal and minerals section was dominated by the strong rises in Samanco and Highveld Steel on reports that they were investigating a joint venture to produce between 250 000 and 500 000 tons of stainless steel billets a year.

They are expected to decide on the project later this year and there is speculation that some of the finance might come from at least one Taiwanese steelmaker. It would make Samanco and Highveld one of the world's largest stainless steel producers.

Elsewhere in the metal market platinum shares were firmer.

The industrial index continued to forge ahead helped by a steady increase in the share price of Sasol and Barlows.

Yesterday activity picked up in Frame and the share closed 50c higher at 1300c after R6,5 million worth of shares had changed hands — making it the day's heaviest traded share.

PERSONAL FINANCE

SA's export earnings were R27,1bn in 1988

(217)

Mineral sales up 16%

B|Day 25|4|89

CHRIS CAIRNCROSS

CAPE TOWN — SA's mineral sales totalled R33,4bn in 1988, 16% more than in 1987

According to the Mineral and Energy Affairs Department, this improvement is mainly attributable to a worldwide hardening of mineral prices and further weakening of the rand against the dollar

Export earnings of R27,1bn accounted for 81% of total mineral sales, according to the department's annual report tabled in Parliament Revenue from mineral sales to the domestic market totalled R6,3bn, reflecting an improvement of 32,6% on 1987's earnings, and was due to stronger rand prices for copper, zinc, nickel, coal, titanium, chrome ore and granite

Gold was the main contributor to total mineral earnings, with total revenue amounting to R19,7bn, compared with R17,5bn in 1987 The 112,7-million tons milled was 4,7% higher than in 1987, while total gold output amounted to 618t, against 602t the previous year

Coal was the largest foreign exchange earner after gold Despite highly competitive markets and an oversupply situation, SA coal exports reached 42,6m tons, with export revenues totalling R2,7bn Domestic sales pushed total earnings to R5,7bn

Owing to greater international steel demand, iron ore exports climbed 26,5% to 11,1-million tons, earning R318,4m Domestic sales rose 11% to R226,7m, pushing total revenue to R545,1m

Local sales of chrome ore decreased 6,4% to 2-million tons With a price rise of 14,1%, revenue climbed 6,8% to R137,9m Export volumes rose to 1,3-million tons, with revenue soaring 53,8% to R174,3m Ferro-chrome production continued at full capacity, increasing to 928 000t Exports last year were valued at R1,2bn

The slight revival in world steel consumption was reflected in manganese ore exports which increased 71% to 2,7-million tons Sales brought in R278,4m

Demand for high-carbon ferromanganese, ferro-silicomanganese and manganese metal remained firm, with export revenue drawing in R671,9m SA held its lead in world vanadium markets, with export revenue amounting to R330m

Total rand returns for nickel jumped 189% to total R305m, with export earnings climbing 211% to R161,1m Copper exports improved 32,6% to R494m, lead production yielded R87,4m, zinc R35,2m, fluorspar R86,5m, and salt R59,1m

Limestone and dolomite were the largest bulk commodity sold on the SA market after coal, aggregate and sand Sales volumes increased 12%, and with a 6,2% price rise brought in R315,6m

Business sector urged to help shape SA's future

B|Day 25|4|89

SA'S businessmen have good reason to be concerned with the future, as not all SA's possible scenarios are conducive to the survival of business, says Barlow Rand CE Warren Clewlow

Clewlow spoke at the AGM of the Witwatersrand Chamber of Commerce and Industry (WCCI) yesterday

A centrally-planned economy with little or no private property was not an environment in which the majority of business could operate successfully

"Since the first duty of business is survival, it is therefore in our interest to take part in the process of shaping the future so that there is at least a chance that a congenial business climate can be created," Clewlow said

Commenting on the current inflation rate, he said that when the EC was created, the elimination of internal trade barriers and creation of the biggest single market ever would give the EC the advantage of reducing inflation

"This will mean that European prices will reduce in relative terms, and countries and companies wishing to export to the EC would have this additional presssure on their prices"

Clewlow warned that inflation had to be tamed At its present rate it represented a continuing and increasing disadvantage in SA's efforts to remain internationally competitive

He said South Africans would be judged on how they used the considerable resources at their disposal to the satisfaction of all — Sapa

Operating profits surge at Vansa

STAR 3/5/87 217

By Derek Tommey

Shareholders in Lefkochrysos, Barplats Investments and Vansa Vanadium, three companies in the Rand Mines stable, should be pleased by the interim reports issued today

Vansa reports a sharp rise in operating profits and further increases and a maiden dividend shortly after September on the way, developing platinum mine Lefkochrysos will pour its first platinum bar in July, and Barplats, which has a 72,6 percent stake in Lefkochrysos, has reported earnings of 17,2c (13,6c) for the six months ended March 31.

Vansa's good news is an operating profit of R14,70 million (R2,7 million) for the six months ended March.

Profit before capital expenditure was R13,9 million (R3,2 million). Capital expenditure took R4,5 million (R312 000) leaving R9,4 million (R2,9 million), equal to 23,8c (8,4c) a share available to shareholders.

Helping Vansa was an increase in the profits of its now wholly-owned subsidiary, Winterveld Chrome Mines, from R2,9 million to R5,1 million

Vansa expects to achieve full production of vanadium pentoxide in July instead of March as expected The vanadium market remains strong and a maiden dividend will be declared shortly after the end of the financial year-end in September

Capital expenditure for the six months ended March was R3,025 million and should amount to R10,2 million for the remainder of the financial year

Lefkochrysos is on schedule, the base metal refinery has been completed, and the precious metal refinery should produce its first platinum in July

Vansa's build up to full production has impact on earnings

B/Day 3/5/89 (217) (89)

REINIE BOOYSEN

VANSA Vanadium's build up to its full production levels is starting to make an impact on earnings attributable profit for the six months to March is R9,4m (1987 R2,9m), and analysts say this figure could quadruple if the strength in the vanadium market holds up

Earnings a share are 23,8c (8,4c) and there is no dividend, as directors say the vanadium plant has not been fully commissioned and full production has not yet been achieved They expect to pay the maiden dividend shortly after the company's year-end (September)

Strong demand for vanadium on international markets has led to large gains in spot prices and, recently, contract prices

Last month, Highveld Steel and Vanadium, the market leader, lifted its vanadium contract price by 66%, or $3 from $4,50 a pound to an effective $7,50 a pound This brought it in line with free market prices of about $10

TRADE

Argus 5/5/89 217

Iscor posts record iron ore exports

Business Staff

EXPORTS of iron ore from the Sishen mine through Saldanha Bay are running at record levels

Sales of ore reached 1,1-million tons in February, an increase of 57 percent on budget, says Iscor's house newspaper, Iscor News

Industry officials add that not only have sales tonnages risen sharply, but so has the overseas ore price

STEEL BOOM

The Sishen mine is going full out to meet export and domestic requirements.

But it is not only iron ore that Iscor is exporting in large quantities Steel is also going overseas, although Iscor is keeping details of these exports close to the chest.

Iscor, along with Highveld, Samanco and other suppliers of raw materials used in the manufacture of steel, is benefiting from the overseas steel boom.

Iscor, which is to be privatised later this year, should have some good news for prospective shareholders when it produces its 1988-89 figures in July or August.

Investors will have to wait for the profit statement to gain some indication of the value of Iscor sales

However, owing to political considerations Iscor is unlikely to disclose its export markets

Both the US and the European Community have imposed restrictions on steel imports from South Africa.

But Iscor and other producers have learned that the closure of one market usually leads to the opening of another

Iscor and other producers are being helped by the limited expansion plans of most steel producers

For the past 15 years most of the world's steel mills have been operating below capacity and, in many instances, at a large financial loss.

Although demand has recovered, the memories of the past 15 years remain strong and none of the major producers seems to be in a hurry to embark upon the huge capital expenditure needed for a major expansion

Instead, the majors are spending money on plant that helps to reduce costs so that when the expected world downturn arrives and demand drops they will still be able to sell steel at a profit.

Fuelling the demand for steel overseas has been the six-year upsurge in economic growth.

This has resulted in a a steady growth in sales of new motor vehicles — a major user of steel

Car sales in the European Community last year reached a record 12,5-million — roughly one for every 16 people

The corresponding sales figure for South Africa was one new car for every 120 people.

SHARE ISSUE

Meanwhile, intensive work is reported to be going on behind the scenes at Iscor preparing for its privatisation and share issue later this year.

No figures are available, but it appears that R1,5-billion worth of shares might be offered to the public.

The institutions are expected to take up about 80 percent of the issue, leaving 20 percent for the small investor

Rosier outlook for tin producers

SKC 8/5/89. (283) (217)

By Neil Behrmann

LONDON — Tin producers could enjoy a mini-boom in the next few months because world supplies are unlikely to match demand

In a report on the tin industry ahead of the re-opening of a London Metal Exchange futures contract next month, broker Rudolf Wolffs predict prices could surge to £8000 a ton from current levels of £6300

According to Warburg Securities, those South African producers geared up to benefit from a surge in price are Rooiberg Tin, which produced 1 269 tons last year (Gold Fields of South Africa holds 48 percent of the shares), Zaaiplaats Tin Mining, which produced 108 000 tons last year and has refining capacity of 120 tons a month and Union Tin

Charter Consolidated has tin mines, but the impact of the commodity's price on total profits is minimal

Prices, however, are unlikely to remain at £8 000 a ton for long, cautions John Harris, metals analyst at Rudolf Wolff

Members of the Association of Tin-Producing Countries (ATPC) are expected to release 7 800 tons of metal from stocks to alleviate the sortage and prices could then settle at £5 500 a ton later in the year

Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, as members of the ATPC, had agreed to restrict exports over the past few years

They succeeded in boosting prices from their depressed levels of £3 400 and were aided by Brazil and China

Although the latter two are not members of the ATPC, they voluntarily adhere to the quota system

Mr Harris says the tin industry is in its the healthiest state since the collapse of the market in 1985

At that time tin prices collapsed to £3 400 a ton from £9 000 a ton when the International Tin Council, an intergoverment body, ran out of money to support the market.

Lower prices have raised consumption to an estimated 185 000 tons this year from 155 000 tons in 1984

Refined tin supplies dropped to 145 000 tons in 1987 from 165 000 tons in 1984 because of voluntary export reductions by producers

Tin production rose to 165 000 tons last year and is expected to increase by a further 15 000 tons in 1989.

Yet the annual statistical balance is still in deficit. As a result, the "overhang" of international tin stocks is down to 31 000 from 120 000 tons in 1985

Higher prices are likely to affect demand from the tinplate industry, which accounts for 30 percent of consumption Aluminium is the main substitute In the long term, plastics could be a threat

But improved technology and investment should enable the tinplate industry to maintain its market share in the production of food and beverage cans, says Mr Harris

The electronics industry, which absorbs 25 percent of tin consumption has good growth potential, he says The chemical market consumes over 15 percent

Popular uses include PVC stabilisation, biocides and fungacides, catalysts, plating, glass and ceramics

Over the past few years, Brazil, with a 25 percent share of total output, has become the biggest producer, followed by Malaysia (20 percent), Indonesia (20 percent) and Thailand (eight percent).

South Africa's contribution to world output has shrunk considerably

Rosier outlook for tin producers

Star 8/5/89. (217)

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Base metals outshine gold

47

REINIE BOOYSEN

GROWTH in SA's coal and base-metals industries eclipsed gold by a substantial margin last year

It is well known that the importance of SA's gold mines has been waning with the decline in ore grades, the rise in working costs and the unexciting gold price

Less well known is the extent to which the rest of the minerals industry outperformed gold last year

Growth in SA's gold production was a paltry 1%, in dollar terms, to $8,7bn ($8,6bn) By contrast, the rest of the minerals industry grew 10%, to $6,1bn ($5,5bn)

There is an even greater contrast if one includes figures for Bophuthatswana, the only substantial mineral producer among the homelands Bophuthatswana's minerals production — primarily platinum, nickel, chrome, vanadium and granite — rose by 17% to $888m in 1988 ($762m in 1987)

Thus total southern African non-gold mineral production rose by 12% to $7bn ($6,3bn)

Surge in demand

In rands the picture for southern Africa is slightly different, because of the decline of the rand against the dollar revenue from gold sales rose 13% to R19,7bn (R17,5bn), while revenue from the sale of other minerals rose 25% to R16bn (R12,7bn)

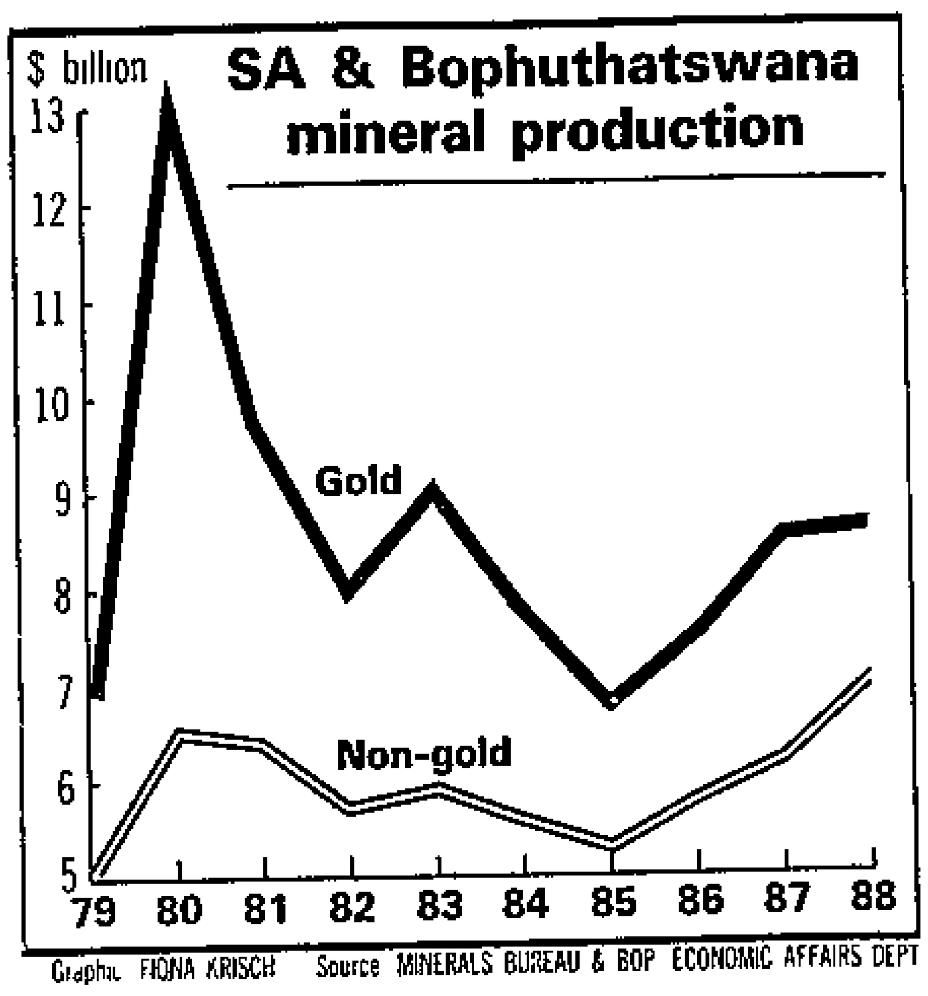
Analysts have been surprised by the duration of the current boom in the major industrialised economies, which has caused a surge in demand for the basic ingredients, including coal and base-metals After the over-optimism of the '70s, most analysts have been cautious in their forecasts Recently some have hesitatingly suggested that the boom might continue into the 1990s

This is good news for the coal and base-metal producers, and bad news for gold Economic booms usually create greater confidence in non-gold monetary instruments, more so because Western governments have shaken off past fears of tackling inflation by raising interest rates

In SA coal and base-metal producers benefited from a double "bonus" last year while the rand weakened (in concert with the gold price), coal prices recovered and most base-metal prices soared to record highs on international markets

Besides the coal industry, which lifted total sales by 20% to R5,7bn (R4,8bn), a number of other minerals made significant gains The largest was manganese ore, which lifted sales by 90%, from R177m to R337m

There are two JSE-listed manganese producers Gencor-controlled Samancor, which lifted attributable profits 20% in the six months to December (R225m), compared with R188m for the year to March 1988 after a change in year-end, and Associated Manganese, which lifted distributable profit in the year to end-1988 by 273% to R57m (R15m). The company increased deliveries of ore by 641 000 tons to 1,519-million



Graphic FIONA KRISCH Source MINERALS BUREAU & BOP ECONOMIC AFFAIRS DEPT

Middelburg Steel & Alloys, also a substantial ferrochrome producer, lifted taxed profit by 37% in the year to September, to R115m (R84m) Total SA chrome ore sales were 29% higher last year, at R312m (R242m)

The copper industry lifted sales by 53%, from R619m to R947m, after the enormous gains in copper prices in tight overseas markets Two JSE-listed companies were responsible for most of these sales

The largest is Palabora Mining, which virtually doubled taxed profit in the year to end-1988, to R175m (R89m) Dividend distribution was also virtually double, at R5,65 a share (R2,95)

The second largest is Messina, which lifted net income (before extraordinary items) in the year to end-1988 by 155% to R46m (R18m) Another copper producer, O'okiep achieved record profits of R71m (1987 R21m) in 1988

The platinum industry profited from a lucrative by-product of platinum production, nickel, sales of which were 51% higher at R160m (R106m)

High ratings

Granite is another sector of SA's minerals industry which made extraordinary gains last year, lifting sales by 51% from R74m to R112m The three JSE-listed granite producers have also achieved high ratings, and most directors say there is enormous potential for further expansion

Iron ore lifted sales by 15%, from R473m to R545m A large proportion of this (R227m in 1988) is consumed locally

The boom in iron ore sales will no doubt benefit Iscor, the soon-to-be-privatised state iron and steel concern, which lifted taxed profit to a record R249m in the year to June 1988, from R97m in 1987

Iscor has not published interim results but the continued strength of the international steel markets has led analysts to expect yet another good performance in the year to June 1989

Associated Manganese's results were also bolstered by its iron ore division, which lifted iron ore deliveries by 362 000 tons to 1,479-million tons

22

South Wits considers listing new gold mine

Star 12/5/89

247

By Derek Tommey

The small but thrusting exploration company, South Wits, which was listed on the Johannesburg Stock Exchange just a year ago, has plenty of good news for its shareholders in its first annual report

Chief item is that its Murchison gold venture, near Gravelotte, is highly promising and South Wits is considering listing it on the Johannesburg Stock Exchange

Exploratory results have been been highly encouraging, say the directors

They believe that the area contains about 860 000 tons of ore with an average grade of 6,0 g/t

Nick Stavrakis, South Wits managing director, says that the prospect has two ore bodies, one of which was previously known

The other was discovered after the employment of new geophysical techniques which are extremely sensitive to depths of up tp 70 metres

Both ore bodies lie near the surface.

In addition, South Wits has acquired the rights to three sand and slimes dumps totalling 220 000 tons at a grade of 1 g/t

A start has been made on the construction of a plant to recover gold from the dumps

It is later planned to expand the plant to treat ore from the opencast reserves of the two ore bodies

South Wits is considering ways to finance the exploitation of these reserves

These include seeking a new listing for the project

Another promising development has been the uncovering, near Potgietersrus, of Platreef (a "robustly mineralised platinoid layer containing nickel, copper and platinum group elements") of substantial width and strike cropping out on the surface

Further drilling

The reef is estimated to be about 1000 metres long and between 22 and 65 metres wide

The metal grades have been sufficiently encouraging to warrant further drilling, says the chairman, Dr JC Linde

Although extractable values as high as 0,7 percent nickel and 0,5 percent copper have been obtained in certain zones, the average for the Platreef as a whole is nickel 0,35 percent and copper 0,15 percent

Combined platinum and palladium values are said to range between one percent and 3,3 percent

South Wits has also reached a joint venture agreement with Marievale, the exploration arm of the mining house Gencor

They plan to explore three of the original Witwatersrand basin gold areas in the Orange Free State

Gencor is managing the joint venture

Drilling will start shortly

Marievale, in exchange for financing an agreed exploration programme, initially comprising a minimum of 7 500 metres of diamond drilling, has acquired a 51 percent interest

Marievale's immediate financial commitment is estimated at R1,4 million

South Wits says it is considering a number of options on how to exploit its chrome deposits near Brits and bordering the Lefkochrysos property

It has secured a sizeable block of ground in the Delmas area on which exploration drilling has indicated substantial reserves of both export and domestic grade coal

A joint venture agreement has been concluded, which will bring South Wits a favourable royalty

Exploration of the Barberton gold venture is expected to start later this year

It holds a 93 percent stake in this venture

The remaining seven percent is held by Antrobus & Associates

South Wits has secured options over a 2 000ha site south of Steelpoort in the eastern Bushveld complex

It expects to find both Merensky and UG2 platinum horizons at moderate depth.

South Wits had a loss of R1,4 million for the year to February, bringing its accumulated loss to R1,9 million

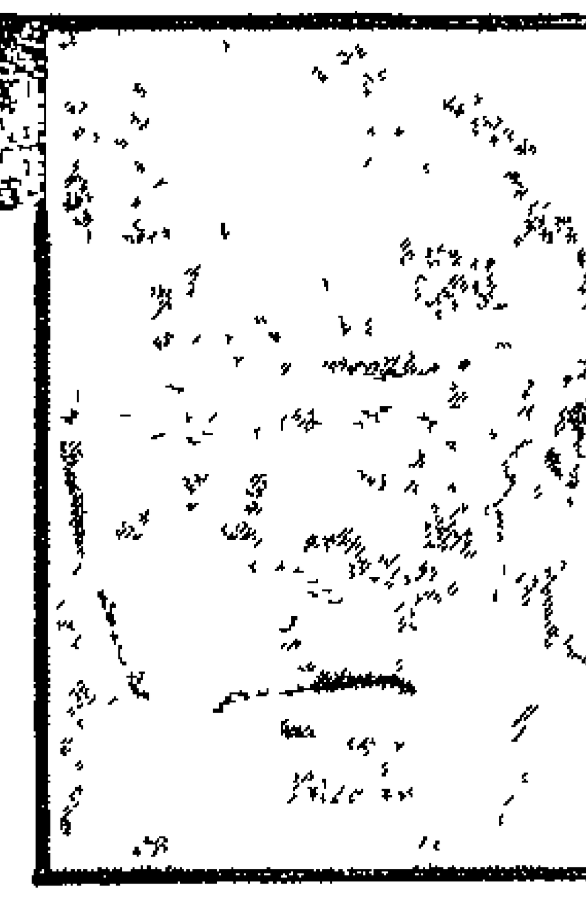
This has left it with net assets of R3,7 million, of which R700 000 is in options, mineral rights, leases and fixed assets.

The balance of R3 million is in trading investments, funds on call and cash

23/5/89

10

RICHARD ROLFE in LONDON



New life for uranium

IF there is any truth in the view that the moment of opportunity is at its greatest when a market is bombed out, there must be something to be said for uranium, the forgotten metal.

In my case, it has been literally forgotten At the beginning of last year when I was preparing a report on the SA mining industry for a distinguished magazine, I was several weeks into my task before I realised I had done no research into uranium

Not only had it slipped my mind, but it was not on the agenda of any of the numerous mining house executives I interviewed

Since then, there have been faint stirrings of life The London-based Uranium Institute, a think-tank for the nuclear industry, held its first conference in 10 years last September

Examining the outlook for uranium mining, it estimated that between 1992 and 1995, supply and demand would fall into balance

For most of the past decade, there has been overcapacity in uranium Nuclear power has been under a cloud There have been few new power stations worldwide to take up supplies from mines begun in the wake of the oil crisis of the 1970s

Indeed, in the US, where the industry suffered a setback because of the Three Mile Island incident, no nuclear plant has been built since 1975 Some have been decommissioned and more than 100 plants intended to be built have been cancelled

A uranium mine can take between five and seven years to come on stream in countries like Canada, the world's biggest producer, or Australia, which has the biggest reserves

Present uranium prices do not provide any incentive to open mines On the spot market, uranium has collapsed to $10,50 a pound That compares with $17 last year and a peak of $43 in 1978

About 20% of US electricity output is still supplied by nuclear plants The power stations require a renewed charge of uranium every 18 months or so, the main source of continuing demand

They have been drawing a part of their requirement from inventories, weakening the spot price of uranium

WASTE

A new opportunity for proponents of nuclear power has arisen out of the rising environmental concern among the industrialised nations Carbon dioxide emissions from coal-fired power stations seem to be one of the main culprits in depletion of the world's ozone layer, causing the greenhouse effect

If this is to be reversed, there may have to be fewer or no coal-fired power stations in future and a corresponding increase in nuclear plants

Nuclear power stations may devastate the environment if there is a disaster like the one at Chernobyl, and they cause problems of waste disposal But nobody has ever accused them of emitting carbon dioxide

For the environmentalists, it would be an irony if nuclear power, which they have always fought against, proved to be the most benign source of electricity — assuming optimum safety can be maintained

RTZ is among mining groups which believes uranium will come back into demand in the 1990s It controls Rossing in Namibia and large mines in Canada

Chief executive Derek Birkin says mines are gradually being worked out, so that a new generation of uranium producers will be needed — and that will be merely to meet the recharge demand from power stations, not any new ones the future might bring

Oliver Messenger of Shearson Lehman, who has completed an analysis of the market, says "Whether we like it or not, the inevitable rise in global temperatures and the impact on local environment and agriculture will force us all to accept more nuclear plants

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BRITAIN'S consumer boom over the past few years has been fuelled by easy availability of credit.

The equally easy availability of credit cards has been generally blamed for any excesses there have been, although most UK consumer borrowing is for mortgages

Be that as it may, there is evidence that consumer attitudes to credit cards are changing rapidly More and more financial institutions are trying to break into the market and challenge the established Visa (Barclaycard) and Access cards

A poll of 1 000 people found that a remarkable 15% had stopped using one or more credit cards in the past 12 months.

It is no longer trendy to haul a deck of credit cards out of one's wallet, telling a salesman to "pick a card"

"Credit card caution" is the new watchword among consumers — not surprising when storecards, issued by retailing groups, charge interest rates of more than 30%

Some shops believe consumers may even start to save before buying items instead of lashing out with their plastic

A separate poll of teenagers finds that 85% think credit cards are too easily available, and 94% would not go into debt unless it was essential

Market researchers are calling these attitudes "the new puritanism" The interesting thing is that it seems to be happening autonomously and before, not after, the expected move by banks to introduce annual fees on credit cards in the next year or so

A major change in how contemporary Britons spend and view credit seems to be in the making

GOLD

S Times 14/7/89

Iron-ore shortage revives Sishen

By Don Robertson

A SHARP decline in international supplies of iron ore has given Iscor's trouble-stricken Sishen mine a fillip which is likely to last for at least two years.

Production and strike problems experienced by major suppliers Australia, Brazil and India have left steel producers short of ore and they have been forced to order additional tonnages from Sishen

As a result, the mine and rail link to the Saldanha port, both of which have been a headache for Iscor in the past, are now profitibale and contributing to earnings.

Record

World steel production this year is expected to top the record 783-million tons in 1988

Ben Alberts, general manager, mining, at Iscor says Sishen had been producing 15-million tons a year But last October it raised production to 21-million tons a year A total of 18-million tons could be exported.

Last year's exports of about 8-million tons have since October risen to about 11-million tons annualised.

In the past six months, tonnages shipped on the Sishen-Saldanha line have increased to between 15-million tons and 18-million tons.

As a result, the line is "making money and we hope to repay, within three years, the R814-million the Government paid to take over the line in October 1984".

"We are also getting a percentage of this and it is contributing to profits."

In the past two years, Iscor has not disclosed Sishen production figures.

Because of world shortages, the prices of lump ore have risen by 17% and fine ore by 13% to R40 a ton and R30 respectively

Mr Alberts says the Mount Newman mine in Australia has been hit by strikes and production problems

Planning has been affected and waste stripping at the opencast mine has fallen behind. This has affected production and will take up to two years to rectify.

Mount Newman is a major producer, especially of lump ore and makes up a large part of Australia's 24,4% share of the export market.

Exports of ore through Brazil's Ponto Madeira port have been affected by an accident relating to the stacker-reclaimer.

Brazil is the largest exporter of iron ore and has a 26,2% share of the market.

Protest

India, the fourth-largest producer with 17,6%, has been hit by strikes. In addition an African government has decreed that exporters pay part of their earnings to the state Some shipments have been stopped in protest

Because of the weak rand, Iscor's iron-ore exports are competitive internationally, even though SA is further away from its main markets than other shippers

Japan is the largest importer of iron ore for its steel mills Last year it imported 123,4-million tons, of which Australia supplied 52,4-million tons, Brazil27,9-million, India 21,7-million, Chile 4,92-million and SA 4,9-million

SA is the ninth-largest exporter of iron ore.

No plan to list Zimco

15/5/84 ANDREW BUDDEN 217

REACTING to speculation last week of a possible listing of industrial company Zimco through its listed tin-mining subsidiary, Zaaiplaats, CE Donald Buchanan said yesterday the company had "no intention" of such a move

Zaaiplaats' share price, which has been rising steadily since December last year, surged 200c to 700c in the period between April 20 and March 9. This prompted speculation that there was more behind the increase than the strong tin price and four cautionary statements issued by Zaaiplaats since February

The latest cautionary statement said Zaaiplaats was "investigating the feasibility of expanding tin operations on the present site and acquiring another mining interest not related to tin" Buchanan said the mooted acquisition would be concluded "shortly".

Platinum supply deficit widens

217

Cape Times 16/5/89

Financial Editor

DEMAND for platinum and palladium will continue to outstrip supply this year, dealers Johnson Matthey say in their annual review "Platinum 1989", published yesterday

They say total demand for platinum in 1988 rose by "a very strong 10% to a record 3,6m ounces — the second year in succession that the 3m ounce level has been exceeded.

"Supplies, however, rose by only 3%, reaching 3,2m ounce SA shipments rose by 40 000 ounces

Production

"In spite of what was nevertheless record production the supply deficit more than doubled to 460 000 ounces This was the fourth successive year of shortfall — indeed the deficit was greater than those of 1985 to 1987 combined"

Deficits are expected to continue for the next two or three years, although they may not be as large as in 1988

The demand comes mainly from Japan, which imported 68% of all the primary supplies available to the West Japanese imports totalled 2,17m ounces

Western consumption of platinum in autocatalysts grew steadily by 20 000 ounces to reach 245 000 ounces

The report expects "accelerated growth" in this sector because "in response to new-found popular 'Green' support in Europe, EEC legislators are calling for across the board adoption of tight US-level auto-emission standards."

Consumers

Demand for palladium also rose to a record 3,3m ounces in 1988 from 3,1m in 1987, outstripping supply by 50 000 ounces.

The electrical and electronics industries were the major consumers, accounting for just over half of total demand at 1,7m compared with 1,5m in 1987

Dental applications took 985 000 ounces, up from 955 000 but overall autocatalyst demand fell to 250 000 ounces from 270 000

The outlook for palladium remains good, as supplies are tight and electrical and dental usage is growing, the review says

SA shipments in 1988 rose to 2,56m ounces compared with 2,52m Canadian supplies, which are a by-product of nickel, increased only marginally to 145 000 ounces although nickel output rose to take advantage of firmer base metal prices

Sales from the Soviet Union were about 400 000 ounces, comparable to the 1987 level, the review said

Zaaiplaats is not yet out of the woods

(217) BDay 16/8/89

REINIE BOOYSEN

ZAAIPLAATS' results in the year to March reveal the weak state of the market during that period although the company managed a slight improvement, there was another distributable loss, for the second year running, of R514 000 (R658 000)

Tin metal produced declined to 129,2 t (145,9 t), and tin metal sold declined to 134,3 t (142 t)

Directors say a decision was made during the last quarter to write off an amount of R139 000 in respect of redundant consumable stores for plant no longer in operation

The results contain no further information on the feasibility study of expanding the tin operations on the present site and the acquisition of another mining interest not related to tin

Platinum gets that squeaky-clean shine

(217) WMAIL 19-25/5/89.

Two South African metals have begun to shine on the world market, and it's all thanks to ecology, reports JEAN TEMKIN

ENVIRONMENTAL concerns in Europe and the United States are giving a major boost to platinum — and could raise the share price of a more controversial metal, uranium

Platinum is seen as a "friendly" metal in environmental terms — the impact of platinum mining on the environment is minimal. But it also plays a key role in vehicle emission (exhaust) control.

Emission control catalysts involve the metal, usually in combination with palladium as an oxidation catalyst, or with rhodium as a three-way catalyst By 1993 about 1,55-million ounces of platinum (about 45 percent of all platinum consumption) will be used in emission control.

It may also play a vital role in the longer term as a component in fuel cells, which could substitute for fossil fuels.

Uranium's contribution to conserving the environment comes as more of a surprise. It springs from a rethink on the issue of nuclear power since the discovery of the "greenhouse effect", which is said to be caused, in part, by the burning of fossil fuels.

While some countries decommission older and less safe nuclear plants and the Swedes have committed themselves to phasing out all its nuclear power by 2010, others are looking at the alternative of nuclear power with a less jaundiced eye.

Britain, for one, is going ahead with the construction of nuclear power stations — arguing that nuclear power does not contribute to acid rain or the greenhouse effect.

For investors, those gold mines which produce uranium as a by-product may be more appealing than they would otherwise

The Afrikaander Lease mine, for example, was seen as a "dog" by many analysts — but a rethink is currently taking place

It was originally planned that the the mine would produce uranium, with gold as a by-product But because uranium fell from favour, the Rietkuil (uranium) shaft was closed in 1981.

The uranium section of the plant, completed in 1982, was decommissioned But the full-scale production of uranium could be restarted at short notice With extractable reserves of 9,4-million tons, this gives the mine a prospective life of about 17 years

Other mines which are either currently producing uranium or are capable of doing so are Buffels, Dries, Harmony, Harties, Randfontein, South Vaal, Vaal Reefs, Western Areas and Western Deep. Those at which uranium mining may prove a possibility are West Rand Cons and Blyvoor.

● If Minister of Finance Barend du Plessis had presented his recent package of measures aimed at cooling the economy in May 1988, the Johannesburg Stock Exchange might have repeated the crash of October 1987.

The market did sound a warning bell to companies dependent on consumer demand or those with high borrowings already suffering under the weight of high interest rates. But for the rest, the measures were largely discounted

Investors tend to suffer from the pack instinct. In May 1988 the mood was negative. But this month, with the market having improved by about 30 percent since January, the mood was too good for a minor hiccup to upset things very much.

MAY 20 1989

Marble exports to boost W Cape

W/6 M64 20/5/89

217

By TOM HOOD
Business Editor

EXPORTS worth tens of millions of rands a year and at least 600 new jobs are expected to flow from the reopening of a giant marble and granite quarry at Vredendal on the Cape West Coast

"The exports are sanctions proof because of rising world demand and a shortage of high-grade marble and granite," says the man behind the project, Mr Neil Gillman of Parow-based Intercontinental Marble

He clinched a deal to buy the mineral rights over 7 393 hectares of the farm Moedverloren outside the town and intends quarrying the marble and granite immediately

Mr Gillman said when Vredendal's mayor heard of the contract being signed on Sunday, he immediately called a special meeting of the town council which offered a 10 000/m² site on a hill for a new tile factory at R4 000 deposit and R36 000 to be paid after five years free of interest.

"The council was delighted at the prospect of us coming to the town to provide many more jobs in the area and we jumped at the chance," says Mr Gillman

The quarry closed 30 years ago when a Johannesburg company's lease expired But since then domestic use of marble and granite has rocketed, especially for flooring and bathrooms

Mr Gillman came to South Africa from Israel only 13 months ago, built up Kales Marble, an Italian tile business in Parow As sales flourished, he bought a marble factory at Bellville South last year which is probably now the largest in the country

Owning manufacturing and marketing businesses, he searched in vain for a source of supply in the Northern Cape and South West Africa and found the quarry by accident

After a two-hour talk with the farmer owning the land, a contract was drawn up and signed. "When I signed I had no idea what was there but a geologist's report yesterday confirmed deposits that nobody ever dreamed about," he said.

"I was so excited — it felt like winning the World Cup The deposit is so vast, if you took out $5-million of marble you wouldn't notice the hole But the easy accessibility is the main thing"

A huge deposit of granite was found accessible from the surface The deposit had five colours of granite, including black granite of exceptional quality — Spain is the only other country to contain black granite, he says

The area contained the largest onyx deposit in southern Africa, according to the geological study

"We have been buying marble from Johannesburg and Italy but we wanted to be completely independent"

Marble from the quarry has been used at Jan Smuts Airport, Cape Town Station and on several Cape Town buildings

The company's directors and the financial advisers are to discuss the best way of raising capital to develop the quarry, either through borrowings, bringing in a partner or going public

"If we go public, we could have 500 people working there within six months," said Mr Gillman

Among first projects to be built at Vredendal will be marble-walled offices and a showroom for overseas buyers, who are expected to come mainly from Japan and Italy.

"In this business, you don't look for buyers — they are looking for you Some quarries have a waiting list up to four years for granite

Exports could pay for a R1-million loader within four months, he believes.

Rand Mines give shareholders considerable cause to cheer

417 Star 22/5/89

By Derek Tommey

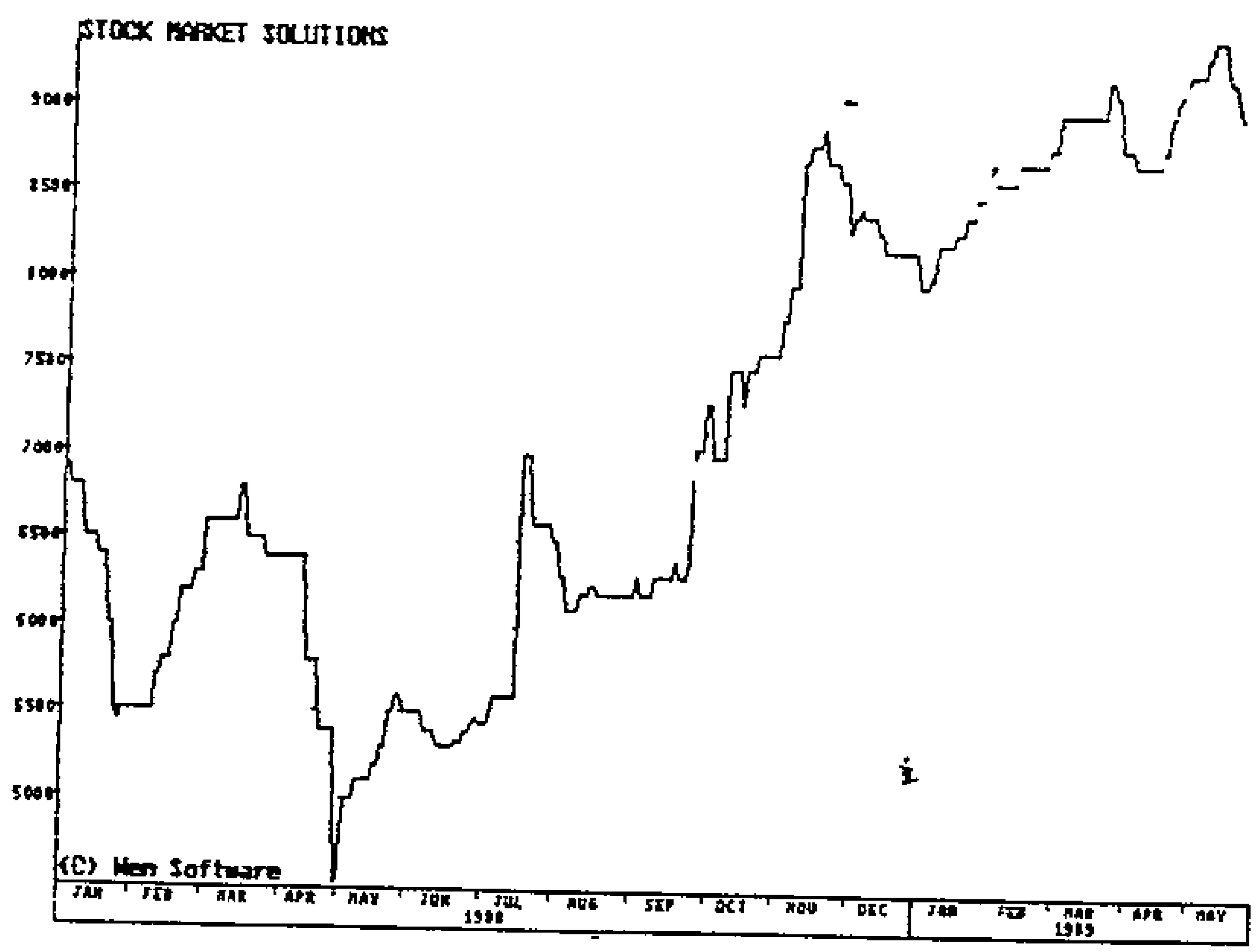
Rand Mines, one of the big five mining houses with investments in gold, platinum, vanadium, chrome and coal, has produced outstanding results for the six months to March, even though two of its gold mines incurred substantial losses in the period

Group turnover jumped by 35 percent to R519,5 million, while group profit before tax rose 45 percent from R98,2 million to R141,9 million and taxed profit rose 61 percent from R71,9 million to R115,7 million

However, not all this money accrued to Rand Mines shareholders

Outside shareholders took R22,7 million (5,1 million), leaving R93,0 million, equal to 830c a share, for Rand Mines shareholders

But this was still an increase worth having as it was 39 percent more than the R66,8 million, equal to 596c a share, which accrued to them a year ago



Rand Mines shares have risen 80 percent in the past year.

The interim dividend has been raised by 14 percent from 105c to 120c a shares

This is in line with group expectations that the overall increase in attributable profits this year will be about 15 percent

If the final dividend is increased by a similar percentage, it seems Rand Mines, which paid out a total of 450c last year, could pay out about 520c this year

Should this prove correct, Rand Mines' shares, which are currently 9000c, are giving a potential yield of 5,7 percent

Witbank Colliery, which benefited from firmer export demand and prices, was a major contributor to the improvement in figures, say the directors

Following the sharp increase in chrome exports, the group's base metal interests made a bigger contribution to the profit increase

The platinum producer, Lefkochrysos, which was acquired last year probably also helped boost Rand Mines' management fees

Dividends from investments in the six months rose 25 percent from 11,4 million to R14,3 million

Money spent on exploration more than doubled, rising from R5,2 million to R10,6 million — reflecting an intensification in the search for new metal deposits

On February 1, Rand Mines made Vansa Vanadium a subsidiary company by acquiring a further 7,4 percent of its shares

Vansa operates a vanadium and a chrome mine

Its results since it became a subsidiary have been consolidated with those of Rand Mines

Rand Mines says has started negotiations with Eskom to revise the terms of the Majuba coal supply agreement following the decision to delay by six years the commissioning of the Majuba power station

Rand Mines' balance sheet shows that it increased its borrowings — most of which is related to the new Eskom-tied mines, Khutala and Majuba — from R498,1 million to R523,7 million

Looking ahead, the directors expect profits in the six months to September are not likely to exceed substantially those earned in the same period last year

So they expect total earnings for the year to be about 15 percent higher than last year

Few options left for marginals

Star 23/5/89

(217)

Diagonal Street

RICHARD CLUVER

Nothing other than direct Government subsidy intervention can save ERPM and Durban Deep and with them the jobs of 20 000 miners.

But a relatively small further decline of the rand/dollar exchange rate could save the nine gold mines other than ERPM and Durban Deep which are also under threat with the gold price hovering around the next technical support level of $360.

They are Western Areas, Eersterling, WR Cons, Wit Nigel, South Roodepoort, Afrikaander Lease, Bracken, Grootvlei and Harmony. All break even at gold prices of $360 so long as the rand/dollar exchange rate holds at its present weak level of R2,70-80 to the dollar.

It must thus be concluded that weakening the rand would be the preferred political option for without it, the jobs of some 300 000 miners could be threatened.

The steadily sliding rand, which has cushioned the mining industry for the past three years as gold has slipped steadily downwards would, however, have to plunge abruptly to half its present value if exchange rates alone were to save the grand old ladies of the Reef, 91 year-old Durban Deep and 81 year-old ERPM.

Even if one were to ignore the massive wage demands made recently by the National Union of Mineworkers, projections of historic mine cost escalations, shrinking gold yields and tonnages milled make it clear that the rand would have to fall in value until it reached five rands to the dollar before the presently-configured ERPM could become profitable.

At R4 to the dollar, Durban Deep could be very profitable indeed, for that would project it to a gold price breakeven of $286 an ounce.

Of the nine other threatened mines, only another 30 US cents decline of the rand is needed to offer them all fairly adequate protection. At R3 to one US dollar, Leslie would break even at a gold price of $325, Cons Modder at $329, Grootvlei at $330, Bracken and Afrikaander Lease at $337 and South Roodepoort at $345.

Considering the huge financial dependence of some politically marginal Reef towns upon the mines — it is estimated for example that Boksburg depends on ERPM for 70 percent of its income — it is unlikely that the Government will not devise an aid package for the threatened mines. And, for the Government, the most painless short-term way of looking after the mines is to allow the value of the rand to fall.

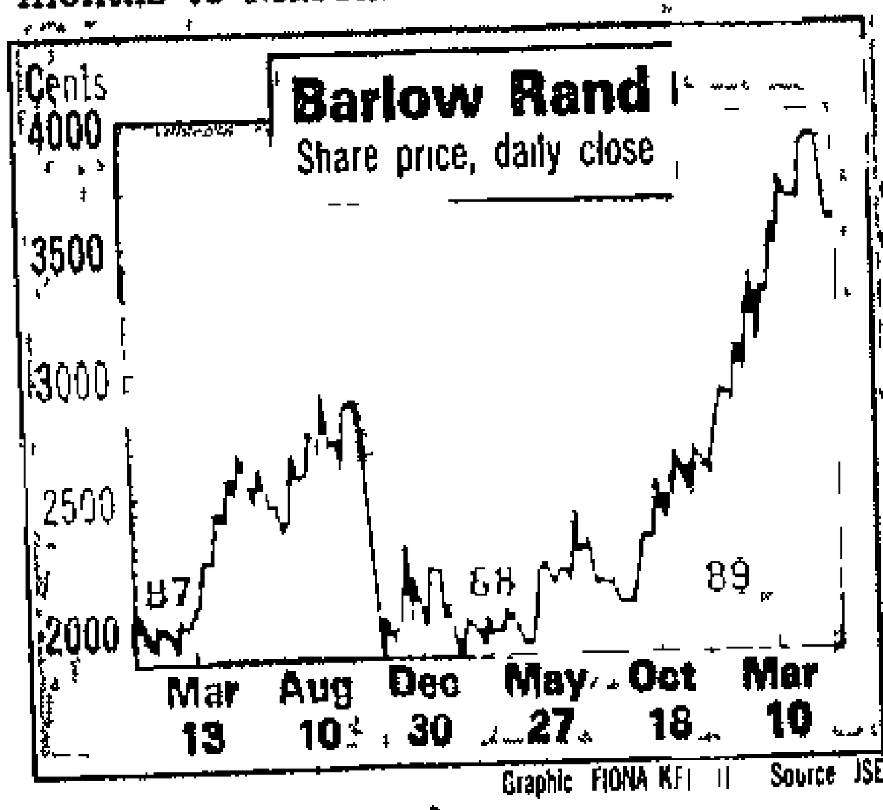
Further weakening the rand would give a useful fillip to South Africa's export industry but, in the medium to longer term would create new problems

But a government which has so often in the past gambled on the gold price, might well be prepared to go for the exchange rate option now in the hope that by the end of the year a rising gold price might make it possible to reverse the exchange rate trend.

Barlows turns in sound effort

REINIE BOOYSEN

A 69% rise in the contribution from Barlow Rand's mining and mineral beneficiation interests — largely representing Middelburg Steel & Alloys (M S & A) — was the outstanding force behind the 39% rise in the group's attributable earnings in the six months to March.



Barlow's earnings a share rose to 238,2c (171,6c) and a dividend of 51c has been declared (39c last year).

M S & A has turned out to be one of the group's happiest investments to date, in spite of early teething problems.

The company — which was set up with an initial capital outlay of R150m in 1982 — this year more than doubled its contribution to group attributable earnings, to about R90m (or 20% of the total R438,2m), from about R40m last year (15% of the group's total, R311,4m).

Mining and mineral beneficiation now accounts for 32% (26% last year) of Barlow's taxed profit, with less spectacular, but solid growth from Rand Mines (39%) and Pretoria Portland Cement (28%).

Industry remains Barlow's most domi-

☐ To Page 2

8/Day 23/5/89

Barlow's effort

☐ From Page 1

nant division, with a contribution of 38% to taxed profit

Vice-chairman and CE Warren Clewlow said yesterday all of the group's industrial interests performed well off a high base Electronics and electrical engineering (including Reunert and GEC) achieved "good growth" after strong local and export demand Computing (including TSI, ISM and RCP) was "satisfactory, particularly in view of establishment costs and strategic investments made for the future"

Earthmoving equipment, motor and appliances achieved a 50% earnings growth, while building materials, steel and paint "achieved a pleasing improvement in earnings" Carpets and textiles benefited from higher volumes, while demand was sustained in all sectors of packaging and paper, resulting in another good earnings increase

In the food and pharmaceuticals division which contributed 26% to taxed profit (27% last year), all segments of Tiger Oats and ICS advanced strongly in a competitive environment "A good crop and stronger world prices enhanced the contribution from sugar' and fishing and pharmaceuticals performed "particularly well"

Virtually the only bland performance came from Barlow s international division — largely J Bibby & Sons, which recorded a slender 6% rise in pre-tax profits, to £15,9m (£15m)

B/Day 23/5/89

THE WEEK ON THE JSE

S Times 28/5/89 By Julie Walker 217

Asbestos twins warm in the chill

ASBESTOS shares were insulated from the chilling sentiment which stalked the JSE early this week.

Gefco added 50c to 240c and Msauli surged by 140c to 740c as non-gold exporters grabbed the limelight Samancor put on 225c to 2 350c and CMI 75c to 1 900c

Keeley picked up 75c to 1 200c and Vansa added the same to 785c after showing weakness earlier in the week The dollar caused most of the havoc which on Monday led to the biggest single day's decline in share prices on the JSE since Black Monday 1987

Britain and Switzerland were obliged to raise their interest rates, which resulted in the desired effect of checking the rampant dollar SA capital market rates hardened in sympathy with gold's fall The rand was crucified, reaching its lowest ever at 279c to the dollar

The enigmatic finrand returned from its unexpected strength of 400c on Monday to 420c, compounding foreign selling pressure with SA panic By Wednesday it had returned to 420c, closing at 418c

Gold picked up from Monday's three-year low of $359 to $36[illegible] Friday as the dollar ea[illegible], and shares recovered some losses

TIMING

Fortunes could have been made and lost, depending on timing — there was plenty of movement in shares

Leading gold mine Harties came down from 2 250c to 2 175c, but recovered to close at 2 475c

Gencor hit a low of R75,75 on Monday, but rose by R3 a day to R88 before closing at R86 on Friday Anglo American dropped, but rallied to close 25c up at 7 625c

Lefkochrysos came under fire, going from 600c to 550c before leaping to 690c Rustenburg closed 250c up at 5 900c, and Impala gained 150c to 4 950c

Union Tin retreated after surging to 300c New management aims to investigate reopening the mine which was mothballed by Gold Fields The shares came back to 200c, but were bid higher

Botrest shed 60c to a low of 150c The copper-nickel producer is unlikely to pay a dividend before the end of the century

Union Steel dropped The shares were 650c two weeks ago, but closed at 550c after going as low as 500c

Nil paid letters in new retailer Speciality were only 20c on Thursday, but closed 150% higher at 50c They were 125c the previous week

Anbeeco added 7c to 60c, but subsidiary Supalek fell from 40c to 30c

W&A came off its April crest of R63 to R54, but other members of the FSI stable were mixed. FS-Team shed, then regained 20c to 360c. FSI added 35c to 735c and FS-Group put on a quarter to 350c.

FSI preferred ordinaries shed 50c to 775c and those of FSG were offered 10c lower at 400c.

After last week's bookovers there was continued activity in Lucem, which edged up by 2c to 62c

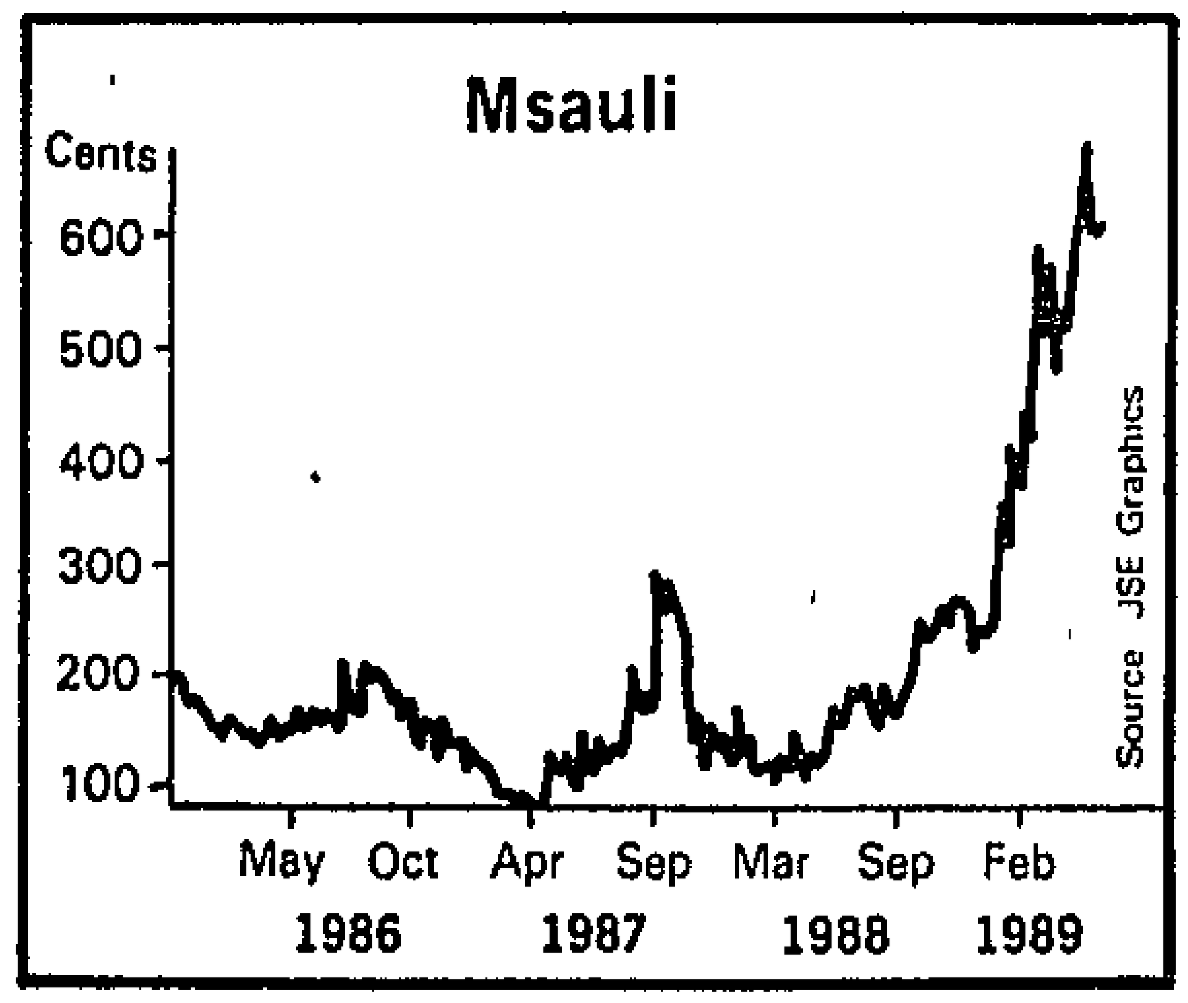
Score-Clicks gave up 50c to 150c in three deals totalling 600 shares, but the share was bid 20c higher at the close

Arwa was offered at 290c a week ago, traded at 180c on Thursday and recovered to 300c on Friday A change of control is under way.

Ill wind blows good fortune to Msauli

217

S Times 28/5/89



CYCLONE Demoina almost wiped out the Msauli asbestos operations near Barberton in 1984 — but that ill wind eventually blew some good for the mine.

Gencor was the management at the time, and the side effects of the flood hampered operations to the extent that it decided to refurbish the mine

This involved a new sub-vertical shaft, upgraded pumps and milling circuits, a new connecting haulage between the two orebodies, and new handling and containerisation facilities

It was a bold decision because the large capital expenditure took place when the company was facing weak prices caused by an oversupply of its product, chrysotile asbestos, on world markets and diminishing demand from America and Europe

The company relied on debt finance because its cash flow came under pressure Now, the mine is as good as new, with a life of at least 10 years.

Its operating capacity is for 115 000 tons of fibre a year and the efficiency is high — mining costs increased by only 4% in 1988 in spite of high inflation Output has been increased by 30% in the past three years

Last August Gencor sold its third stake in Msauli to Gefco (Griqualand Exploration & Finance) at 120c a share In a series of transactions after this, Hanova Mining Holdings acquired Gencor's entire shareholding in Gefco in a management buyout

Hanova now has 48,6% and control of Gefco Both Gefco and Msauli have 25% stakes in the Von Brandis gold project — a small mining venture near Barberton

SENSITIVE

Hilton Ashton of stockbroker Senekal Mouton & Kitshoff says in a research report that Gefco and Msauli are both relatively small operations which should operate more effectively under Hanova's control than in the fold of a large mining house

Because 90% of Msauli's product is exported, its turnover is sensitive to changes in the rand exchange rate As the rand dives, rand receipts rise

The mine produces cheap short-fibre asbestos which is used mainly in residential construction In rand terms, asbestos prices have increased steadily in the past nine years.

In dollar terms the price picked up last year when a Canadian producer's workers went on strike, several American mines closed and demand from the Far East firmed

Mr Ashton's study shows that Msauli's major competitors are in Russia, Canada and Zimbabwe He says that most produce all grades of fibre, but Msauli's contains mainly the short fibre

Although it has the disadvantage of being the cheapest product, Msauli's ore deposit has the highest grade in the world with greater than 10% fibre a ton Canada's is 3% to 4% and Russia's 1%

This means that Msauli's operating cost a ton of fibre is probably the lowest in the world

In addition, Msauli has an advantage over Russian and Canadian competitors in that it is closer to Far Eastern markets

Demand fell in Europe and America in the 1980s because of the strong lobby against the use of asbestos, which can cause cancer It is an irritant and uncontrolled inhalation of the fibres leads to scarring of the lungs

Asbestos has been described as yesterday's product because the health issue raised doubts about whether its advantages in construction could stave off environmental campaigners. Mr Ashton says that whether environmentalists will campaign in the Far East is a moot point. "This is Msauli's risk "

The Von Brandis gold mine is being developed at a capital cost of R8-million It will mill 4 000 tons a month at an expected recovery grade of 6g/t and at a cost of R120 a ton

ADEQUATE

Mr Ashton calculates that this will give Msauli a taxed return of 7c a share using current parameters Msauli's exposure to gold is not significant when compared with its asbestos interests

His total earnings estimates for the current and 1990 financial years are made on the assumption that the exchange rate averages R2,60 to the dollar in 1989 and R2,85 in 1990

He forecasts earnings of 263,5c and 240,3c a share respectively, and dividends of 75c and 100c

The historic dividend yield for Msauli is 5%, and the forward yield using the forecast is 10,7% on the current share price of 700c The share climbed by 100c last week

Mr Ashton says the mine's expected capital expenditure is R3-million a year, which will be adequately covered by the results

The price has risen by 195c to 700c since Mr Ashton's report of May 3 He believes that the company's prospects are extremely good and the share has the potential to reach 950c in the next 12 months, based on a conservative dividend yield of 8%

He warns that total market sentiment is a major criterion, and that although Msauli has the potential to climb under favourable conditions, the current climate is uncertain

To m

MARKET jitters are not deterring several companies from raising capital on the JSE

Sage ordinary shareholders will get the right to 100 cumulative convertible redeemable preference shares in Sage Financial Services (SFS) for every 100 Sage Holdings held, at 370c Pref-

217

Rising interest rates hurting base metal prices

Star 29/5/89

By Neil Behrmann

LONDON — Rising interest rates have begun to hurt base metals markets with the mood turning from optimism to caution

The views of Edwin Arnold, metals analyst at Merrill Lynch Pierce Fenner Smith generally reflects the mood of several experienced traders on the London Metal Exchange

Prices of base metals are already well below the peaks seen last year

Exceptions are tin and lead which are at the upper end of their trading range and are expected to remain sturdy.

"Copper fundamentals are bearish and mine supplies are increasing rapidly, while demand is slowing down," says Arnold, who was one of the few base metals bulls when the markets took off in 1986

He forecasts that copper could fall to £1240 a ton from present levels of £1629 a ton

"On present indications we are moving into a first half surplus of 75 000 tons versus a 59 000 ton deficit for all of 1988", says Mr Arnold

"The second half surplus should grow even larger as economies slow down and supplies continue to mount, Arnold says.

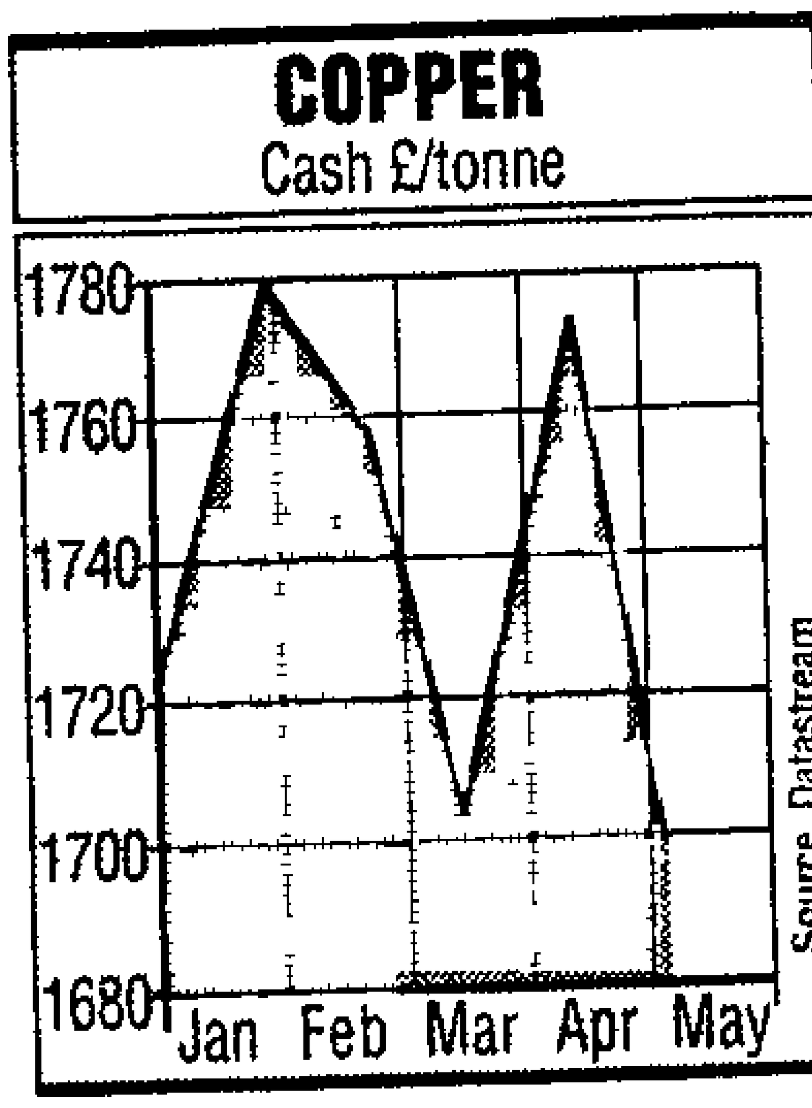
Opportunities

"If the price rises on US strike news we would regard the rallies as selling opportunities "Fundamentals suggest that the dips will be steeper as time goes on and the rallies smaller"

There will be strikes in the North American summer, says Arnold, but they are unlikely to be long lasting

Meanwhile Chile's copper output should rise to a record 1,6 million tons this year versus 1,45 million tons in 1988 Costs of production are estimated at only 36 US cents

According to the Commodity Research Unit, world output rose by 0,5 percent to 6,7 million tons in 1988 Compared with the same period the previous year, 1989 first quarter world production rose by 6 percent to 1,76 million tons



Mr Arnold is also gloomy about aluminium He predicts that three months quotes will tumble to $1874 a ton from present levels of $2015

Current prices seem "absurdly high" when you consider that consumers can happily book 1990 supplies forward through their LME brokers at around $1800 to $1850 a ton, says Mr Arnold.

"Either LME quotes will have to adjust downwards or the physical market has it all wrong and will have to pay sharply higher prices"

Some metals merchants such as Marc Rich may create an artificial squeeze on the exchange and push prices up, says Mr Arnold But if quotes rise too high, producers and semi-fabricators are likely to call their bluff and sell more metal

"The producers will jump at a chance to lock in extra profit," says Arnold " Why should they build up and finance stocks in their own smelters when they can offload metal at high prices

Moreover, fundamentals are unlikely to support a supply squeeze this time round Distributors in both North America and Europe are continuing to run down their inventories which are covering eight to ten weeks of demand.

Arnold advises producers, users and merchants to watch developments closely and take advantage of any attempted squeeze by selling aluminium

Mr Arnold expects prices of nickel to "move sideways to lower over the next few months". Spot prices of nickel are $5,80 a pound, half the peaks of last year

Arnold's trading range in the next two to three months is $7,50 to $5 a pound Prices are unlikely to slide swiftly, he says But demand is easing and the increasing availability of stainless steel scrap means that the upside potential is very limited

There are also signs that the Soviet Union's customers are cutting back their offtake, so Moscow is forced to sell more metal to the London Metal Exchange

Consumption down

Three month zinc prices are down to $1660 a ton from $1975 early March because of a sharp decline in consumption and a rapid increase in refined stocks Prices have risen by $200 from their recent lows, but the trend is likely to be sideways for several months

"It is unlikely that the highs will be breached this year," says Arnold European smelters could well sell He forecasts that zinc could slide to $1450 a ton

Three month lead prices of £402 a ton are at the highs of last year and have rallied by nearly 15 percent from their March lows.

"We are impressed with good demand and the timely production cutbacks of North American producers," says Arnold "Lead should trade in a £410 to £330 range in the next three months

Tribe loses court battle with mine

Star 3/3/89

Own Correspondent

MMABATHO — The Basokeng tribe of Bophuthatswana yesterday lost its application to have the valuable mining leases over its land terminated

The lease is held by Impala Platinum Mines Limited, the first respondent in this case in which judgement was given by Mr Justice E A T Smith in the Mmabatho Supreme Court.

Impala Platinum mines 35 percent of the free world's platinum.

The tribe in hearings last year asked the Supreme Court to terminate the cession which gives Impala Platinum exclusive mining rights over its land.

The tribe claimed that Impala had repudiated its lease agreements by refusing to make certain documents about its mining operations available to the tribe

The tribe asked for inspection of documents concerning ore reserves and geological surveys as a right under the original agreement

REQUEST DENIED

This request was denied by Impala on instructions from the Bophuthatswana Government, as it was highly sensitive information.

The land leased by Impala is held in trust for the tribe by the president and Government of Bophuthatswana

"I am satisfied the cession is an indivisible contract and cannot be split" said the judge in his 57-page judgment. He pointed out that the area, consisting of two portions of land, could not be divided.

He quoted from an affidavit by Impala that its mining operations in the joint area had a capital investment of R2 000 million.

It had paid to the magistrate at Basokeng for the tribe more than R129 million in royalties up to June 1987, R359 million in company tax to Bophuthatswana and R252 million in mining lease payments to the Government.

Mr Justice Smith ordered the tribe to pay legal costs of the three respondents — Impala, The President and the Government of Bophuthatswana.

JM's growth plans set poser for Anglo

217

Star 1/6/89

The Star Bureau

LONDON — Johnson Matthey, the world's largest platinum refining and marketing organisation, is poised for further growth by way of a major acquisition, it is reported here

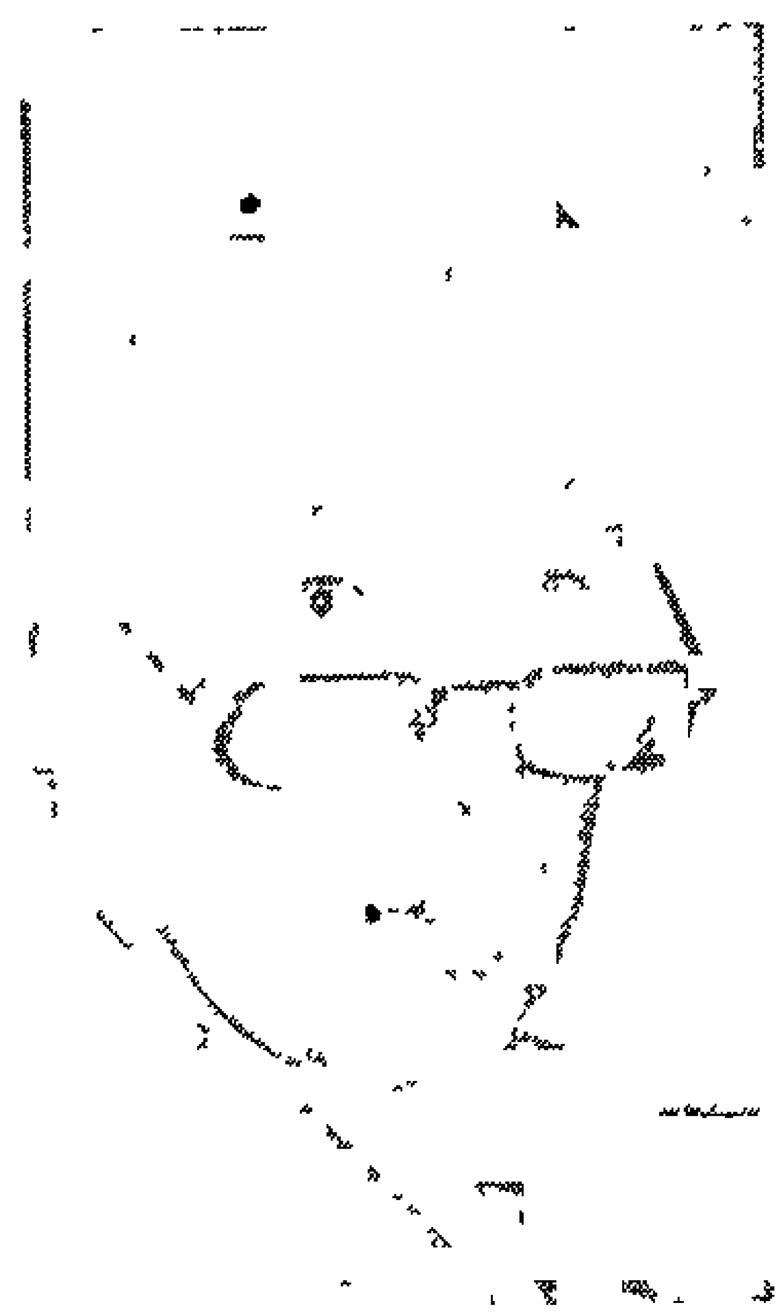
But, as Kenneth Gooding, mining correspondent of the *Financial Times*, points out in a major article, the company's future will be decided not only by Mr Eugene Anderson, the chief executive, but also by the attitude of the Anglo American Corporation and Minorco, its Luxembourg-based investment vehicle

Acquisition

He quotes Mr Anderson as saying he is ready to spend "several hundreds of millions of pounds" on an acquisition to lessen the company's dependence on platinum group metals.

"When the platinum price moves, so does our share price I want another division which doesn't dance like a puppet on a string when the platinum price moves," said Mr Anderson

But the question is whether Anglo American would be willing to ease its grip on the UK company, which is a strategic part of the platinum network



Sir Michael Edwardes, temporary CE of Charter.

operated by the master company in Mr Harry Oppenheimer's empire

That network includes Rustenburg, by far the largest of the South African platinum miners, which is 37 percent owned by Anglo JM has the exclusive marketing rights to Rustenburg's output

Anglo's influence on JM is by way of a chain which includes Minorco (60 percent owned by Anglo) and Charter Consolidated (36 percent owned by Minorco) Charter owns 38 percent of JM

Anglo's control of world platinum production, marketing and fabrication does not end there Minorco also owns 30 percent of Englehard, a US company which handles most of the metal from South Africa's other major producer, Impala

Many analysts assume that Anglo would not want its influence on JM diminished by a dilution of Charter's shareholding through the issues of shares for a big acquisition, says Gooding

But Mr Anderson seems determined to test Anglo's resolve He says that acquisitions are necessary, not only to lessen JM's reliance on platinum group metals, but also so that the company can continue to grow at a reasonable rate

Johnson Matthey has recovered remarkably since 1984 when the collapse of its subsidiary, Johnson Matthey Bankers, threatened the whole group, says Gooding

Since Mr Anderson's arrival, JM has cut its debt from £485 million to £20 million Net profit trebled to reach £44,2 millionat the end of the 1987-88 and market capitalisation has jumped from £95 millionto about £689 million

Today, says Mr Anderson, "we have a strong company with leading technology and which still employs 4 000 in the UK"

He praises Charter's "supportive" stance throughout the troubles, but admits he cannot automatically count on that continuing

Cordial relations

Minorco has started to reorganise Charter and Sir Michael Edwardes, Minorco's chief executive, has temporarily moved in as chief executive of Charter.

Contacts so far with Sir Michael have been brief but cordial

Mr Anderson admits JM must settle for a more pedestrian earnings growth unless he can find the right acquisition

At the half-year stage, taxable profits showed a rise of only three percent and analysts forecast that the full-year result will be between £65 million and £66 million, compared with £60,6 million in the previous year

As things stand, says Gooding, it may not be long before Anglo-American has to decide between accepting a lower rate of growth from JM or seeing its influence diminished

BDay 1/6/89

217

Bafokeng application for court order against Impala is dismissed

SUSAN RUSSELL

THE Bafokeng's application for a court order effectively denying Impala Platinum the right to continue its mining operations on tribal ground was dismissed with costs in the Bophuthatswana Supreme Court yesterday

In asking for an order against Impala, the tribe also sought to terminate the Bophuthatswana president's control over the disputed area as trustee of the Bafokeng and registered owner of the land

Mr Justice Smith ruled that Impala had not repudiated the notarial cession agreement which gave it the right to mine Bafokeng tribal land

The Bafokeng took Impala to court alleging the company had repudiated the agreement by refusing to give the tribe confidential information about the mine's operations Impala denied it had repudiated the contract

The company also argued that only the cedent of the mining lease, which was the president as the tribe's trustee, could ask for access to the information requested by the Bafokeng

The mining lease was granted in February 1977 to the Minister of Bantu Administration, who was then trustee of the tribe and also the cedent of the lease to Impala.

Trusteeship passed to the president on independence

Mr Justice Smith accepted Impala's argument that the Bafokeng was not entitled to exercise the contractual rights of the cedent under the notarial cession and that any rights the tribe had were those of a beneficiary of the trust

Mr Justice Smith also accepted that in the circumstances, Impala was justified in viewing the tribe's request for confidential information with grave suspicion

The Bafokeng asked for the information after telling Impala it had already concluded a mining rights agreement for The Deeps with a third party

"The next submission on behalf of Impala was that the circumstances in which the inspection had been requested were further such as to give rise to a justifiable suspicion that the inspection was not required for purposes contemplated by the contract and there was a strong inference to be drawn that it was required for another purpose altogether

"This submission would seem to be correct "

Mr Justice Smith said to determine whether there had been a repudiation it was necessary to look at the relevant facts given in an affidavit by MD Don Ireland

The right to mine was of great value to Impala and the mining of the joint area had entailed a capital investment which at current values, exceeded R2bn Capital expenditure for the financial year up to June 30 1988 was about R125m

INVESTMENT

ARGUS 1/6/89 (217)

Platinum giant at the crossroads

The Argus Foreign Servcie

LONDON — Johnson Matthey, the world's largest platinum refining and marketing organisation, is poised for further growth by way of a major acquisition, it is reported here

But, as Kenneth Gooding, mining correspondent of the Financial Times, points out in a major article, the company's future will be decided not only by Mr Eugene Anderson, the chief executive, but also by the attitude of the Anglo American Corporation and Minorco, its Luxembourg-based investment vehicle.

He quotes Mr Anderson as saying he is ready to spend "several hundreds of millions of pounds" on an acquisition to lessen the company's dependence on platinum group metals

"When the platinum price moves, so does our share price I want another division which doesn't dance like a puppet on a string when the platinum price moves," said Mr Anderson.

But the question is whether Anglo American would be willing to ease its grip on the UK company, which is a strategic part of the platinum network operated by the master company in Mr Harry Oppenheimer's empire

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RESOLVE

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But Mr Anderson seems determined to test Anglo's resolve.

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BDay 1/6/89 (217)

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Court finds in favour of Impala mine

SUSAN RUSSELL

AFTER months of uncertainty, the world's second largest platinum mine, Impala, has had its right to continue operations on Bafokeng tribal land confirmed by the Bophuthatswana Supreme Court.

In a judgment handed down yesterday, Mr Justice Smith dismissed with costs an application by the tribe for an order terminating the notarial cession which gave Impala the exclusive right to mine tribal land on which most of the mine's operations were sited.

He found that Impala had not repudiated the cession agreement as claimed by the tribe.

The property, known as the Bafokeng area, is held in trust for the tribe by the president of Bophuthatswana, who is also the registered owner of the land.

Mr Justice Smith's judgment came six months after hearing almost two weeks of legal argument in Mmabatho last November.

This week's judgment must affect the investment rating of Impala shares.

It also leaves the way clear for the company to resume negotiations for the acquisition of rights to another portion of Bafokeng land adjacent to the mine known as The Deeps, which would allow for Impala's expansion.

A court victory for the Bafokeng would have meant that Impala had lost the world's second largest platinum mine producing 35% of the free world's platinum.

Refusing

Legal proceedings were instituted against Impala and the president and government of Bophuthatswana by the Bafokeng after the tribe was refused access to information in 1987 relating to the mine's operations.

The tribe brought the court application on the grounds that by refusing it access, Impala had repudiated clause 9 of the cession agreement.

Impala denied there had been a repudiation.

The company contended that in terms of the agreement only the president of Bophuthatswana as cedent of the mining lease was entitled to that information and he had never requested access to it.

The tribe asked for access to the information in 1987 after informing Impala it had already granted the mineral rights to The Deeps to a third party.

In an affidavit, which formed part of the court record, Impala MD Don Ireland said it had been ascertained that the tribe concluded a written agreement for The Deeps with Bafokeng Minerals Ltd.

He said the directors of Bafokeng Minerals included the chief of the Bafokeng and Fred Keeley of Keeley Holdings.

Mr Justice Smith dismissed the tribe's application and ordered it to pay costs including the costs of three counsel who appeared for Impala, and three counsel who appeared on behalf of the Bophuthatswana president and government.

● See Page 2

Tin prices surge by $237 as trading returns to LME

By Neil Behrmann

LONDON — Tin prices surged $237 to $10 337 a ton on the London Metal Exchange indicating that the metal is still in an upward trend

Estimated volume on the first day's dealing since the market collapsed in October 1985 was around 400 contracts or 2 000 tons

"Trading was better than many of us expected," said John Harris, an analyst at Rudolf Wolff, London metals dealers Most firms decided to experiment with the new contract, Mr Harris said

Producers and consumers, however, tended to watch developments South African producers, known to be active on the market in previous years were absent, said dealers South Africa produces around 2 000 tons or about one percent of world production

This is hardly surprising considering that LME stocks contain a mere five tons, the size of one contract.

In the next few weeks, however tin stocks on the LME are expected to increase sharply, so there should be sufficient liquidity

The market will eventually expand because futures dealing will enable participants to again trade tin in a transparent marketplace, said dealers.

They will thus be able to hedge or insure themselves against price fluctuations

The reopening of the tin market follows years of painful readjustment for metals firms that incurred losses in the crisis of 1985 In an out of court settlement several metals firms and banks are still trying to recover around $800 million from the 22 member nations of the International Tin Council

The Council, a price stabilisation organization controlled by producing and consuming nations ran out of money in October 1985 and failed to meet payments on tin purchases Tin futures trade was suspended and several firms and banks incurred massive losses Some stopped trading or merged and there are now only 20 "ring dealers" or floor members of the exchange compared with 28 prior to the collapse

"When we originally proposed that tin futures trading be revived, several members became very emotional," said Christopher Green, chairman of the LME

"But time is a great healer and we have not had any opposition since"

A change in attitudes was helped along by an unusual base metals boom in the past few years

Inventories of readily available tin are estimated at only 20 000 tons So some traders believe there could be a price squeeze in the next few months

When the Council stopped supporting the market, tin prices slumped to around $6 000 a ton in 1986 from a 1985 peak of nearly $17 000 a ton The recovery from the lows is an impressive 72 percent, so Rooiberg and other tin shares have been excellent rand hedges

GRANITE (217) Finweek 2/6/89

Mixed views

Prices of granite shares have recovered some ground but are still below the 12-month highs immediately before the recent JSE setback, caused by the crack in the gold price. Their weakness has surprised some analysts, who say fundamentals remain good while the slump in the rand will boost profits.

"Producers have done their sums for the year ahead on a rand/dollar exchange rate of \$1/R2,50. Benefits of the drop to R2,75 go straight into the bottom line On conservative estimates I'm looking for about a 45% increase in earnings from **Keeley** for the year to February 1990, while **Marlin** should report a 50% increase in earnings for the year to June," says Frankel Kruger Vinderine analyst Keith Bright

Keeley reported a 143% increase in earnings for 1989 to 91,9c a share (previous year — 42,5c) while the dividend was increased fivefold to 55c. The share price of 1 200c compares with a 12-month high of 1 275c and the recent low of 1 125c.

Kudu, which reports quarterly, last week showed earnings of 12,4c a share for the March quarter, to total 34,8c for the nine months to March, compared with 24,2c for the full year to June 1988. Its price of 435c compares with a 12-month high of 480c and recent low of 400c.

Other analysts are less bullish, despite the weakness of the rand. "The granite market is starting to look as if it's topping out. Prices are not increasing at previous rates while the companies are being chased by constant increases in costs. A slowdown in the rate of earnings growth is apparent," says one.

He is also concerned at the rise in production. According to his figures SA production rose from 344 000 t in 1982 to 726 000 t last year. Exports were 305 000 t in 1982 and 690 000 t last year.

Opinions within the industry vary as well. Marlin financial director Ian MacMillan says: "A lot depends on the growth of the major economies, but we don't see any im-

(217) Finweek 2/6/89

mediate problems A major use for granite is in building and construction projects, which have long lead times Our order books for the next two years look very strong

"In recent years we have negotiated annual price increases in dollars at least equal to SA's inflation rate, but whether we can continue to do this next year is not certain."

Potential oversupply

Kudu financial director Andre Dry is less sanguine and is concerned about potential oversupply, particularly in Europe "Instead of calling it an order book, we prefer to talk about allocation requests, because there's no binding legal requirement on the customer actually to take the granite. Market conditions can change suddenly," he says

Dry says the rest of 1989 looks good but will not commit himself beyond that

Market conditions vary according to the type of granite. Best prices and demand are for black granite, quarried in the Belfast area of the eastern Transvaal It is on this product that **Aurora Granite**, listed this week, is concentrating initial operations.

Supply of black granite has never been able to meet demand and it commands a healthy price premium.

Market conditions for grey granites, quarried mainly in western Transvaal, are not as favourable. They command lower prices and could become oversupplied if market conditions change or more producers enter — as appears possible.

Brendan Ryan

S/Times 4/6/89. (217)

Platinum booms

By Jim Srodes

WASHINGTON — Last year's strong demand for platinum will continue, says the annual review of the market by Johnson Matthey, the New York precious metals trader

Orders for platinum for use in jewellery and for car pollution control converters made up more than 65% of last year's demand of a record 3,66-million ounces

Johnson Matthey say 1988 was the second successive year in which the platinum market took more than 3-million oz of the metal

"Supplies however rose by only 3%, reaching 3,2-million oz South African shipments rose by 40 000 oz Supplies from the USSR remained unchanged at 400 000 oz"

The economists speculate whether liberalisation of the Soviet economy might not spur more domestic consumption of platinum in the years ahead

Dominant

SA, not surprisingly, dominated world platinum production with 2 500 000 oz, a gain of 40 000 oz on the previous year

The 400 000 oz shortfall between supply and demand was the fourth in as many years The deficit was greater than those of 1985 to 1987 combined.

Also not surprisingly, Japanese demand for platinum was the most important factor in the 1988 market Japanese imports of platinum reached a record 2,17-million oz, 30% more than 1987's high The Japanese used 1,06-million oz for jewellery

By far the largest industrial use for platinum was by autocatalyst manufacturers who took 1,325-million oz, including 160 000 recovered from scrap dealers

Palladium demand of 3,315-million oz was 50 000 greater than supply as electronics and dentistry dominated consumption

MINING Argus 6/6/89 217

R31-m vanadium mine on the cards

Business Staff

JOHANNESBURG — South Africa is to entrench its position further as the world's biggest producer of vanadium.

A subsidiary of Rhombus Vanadium Holdings (RhoVan) is to open a mine in Bophuthatswana at an estimated cost of R31-million.

Five percent of the subsidiary's share capital will be held by the Bakwena-Ba-Ga-Mogopa tribe.

The mine will initially produce 250 000 tons of vanadiferous magnetite a year.

LINKED UNITS

It will be shipped to Union Steel to be converted into 9 000 tons of vanadium pentoxide flake.

At the present spot price of vanadium pentoxide, this would be worth $144-million a year.

Union Steel is to spend R20-million on converting an existing plant, estimated to be worth about R120-million, to produce the flakes.

RhoVan is financing the mine by an issue of 2-million linked units, which will bring it R26,4-million. It will also obtain an initial loan of R4,6-million from TrustBank.

SCHEDULE

COMPETITION BOARD

REPORT No. 22

INVESTIGATION INTO RESTRICTIVE PRACTICES AND MONOPOLY SITUATIONS IN THE GYPSUM INDUSTRY

INTRODUCTORY REMARKS

1. The investigation which forms the subject matter of this report was announced in *Government Gazette* No. 11396 of 8 July 1988 under Government Notice No. 457 which reads as follows:

> "In terms of section 10 (4) of the Maintenance and Promotion of Competition Act, 1979 (Act No 96 of 1979), the Board hereby makes known for general information that it intends undertaking an investigation in accordance with the provisions of sections 10 (1) (a) and (d) of the Act into any restrictive practices and monopoly situations which the Board has reason to believe exists or may come into existence in the gypsum industry Any person may within thirty (30) days from the date of publication of this notice make such written representations as are considered necessary regarding this investigation to the Director Investigations, Competition Board, Private Bag X84, Pretoria, 0001."

2. The pertinent facts giving rise and relating to the investigation are set out below

THE FACTS

Introduction

3. The mineral gypsum is the principal commercial form of calcium sulphate $CaSO_4 2H_2O$ It is a non-toxic, tasteless, odourless, fire-proof, non-abrasive and chemically inert substance.

Gypsum is an important component in the manufacture of Portland cement where it acts as a setting retarder It can also be utilised in the treatment of soils and as a filler in paints, pharmaceuticals and insecticide dusts

When calcined to temperatures of between 128 ° and 163 °C gypsum is converted to Plaster of Paris, a hemihydrate plaster generally referred to as stucco When combined with water, the hemihydrate hardens on setting, and can thus be processed into a variety of different plasters, wallboards and construction blocks Plaster of Paris also has medical and dental applications

4 In South Africa gypsum is found in the Springbok Flats, Kalahari, Bushmanland, Cradock, Bitterfontein, and the Kimberley–Boshoff, Prieska–Hopetown, Calvinia–Karoopoort, Baroe–Wolwefontein, Vanrhynsdorp–Vredendal and Cape West Coast areas.

5. In 1986 there were seven national gypsum producers in South Africa with a total output of 404 205 tons [1] In 1987 there were 11 producers with a total output of 349 079 tons. A relatively small quantity of gypsum (between 7 000 and 9 000 tons annually during the period 1980–1985) is imported and used mainly for medical and moulding purposes.

BYLAE

RAAD OP MEDEDINGING

VERSLAG No 22

ONDERSOEK NA BEPERKENDE PRAKTYKE EN MONOPOLIESITUASIES IN DIE GIPS-BEDRYF

INLEIDENDE OPMERKINGS

1 Die ondersoek wat die onderwerp van hierdie verslag is, is aangekondig in Goewermentskennisgewing No 457 in *Staatskoerant* No 11396 van 8 Julie 1988 Hierdie kennisgewing lui soos volg

> "Kragtens artikel 10 (4) van die Wet op die Handhawing en Bevordering van Mededinging, 1979 (Wet No 96 van 1979), maak die Raad op Mededinging hierby vir algemene inligting bekend dat hy, ingevolge die bepalings van artikel 10 (1) (a) en (d) van die Wet, ondersoek instel na enige beperkende praktyke en monopoliesituasies wat hy rede het om te vermoed bestaan of mag ontstaan in die gipsbedryf Enigiemand kan binne 'n tydperk van dertig (30) dae vanaf die datum van publikasie van hierdie kennisgewing die skriftelike vertoë aangaande hierdie ondersoek wat so iemand nodig ag, rig aan die Direkteur Ondersoeke, Raad op Mededinging, Privaatsak X84, Pretoria, 0001 "

2 Die tersaaklike feite wat aanleiding gegee het tot en verband hou met die ondersoek word hieronder uiteengesit

DIE FEITE

Inleiding

3 Die mineraal gips is die belangrikste kommersiele vorm van kalsiumsulfaat $CaSO_4 2H_2O$ Dit is 'n nietoksiese, smaaklose, reuklose, vuurbestande, nie-skurende en chemies inerte stof

Gips is 'n belangrike bestanddeel in die vervaardiging van Portland sement waarin dit as bindingsvertraer dien Dit kan ook benut word in die behandeling van grond en as 'n vuller in verwe, farmaseutiese produkte en insektemiddelpoeiers

Gips word omgeskakel na gebrande gips ("Plaster of Paris") indien dit tot temperature van tussen 128° en 163 °C gekalsineer word Hierdie hemihidraatpleistermengsel staan algemeen bekend as "stucco" Indien die hemidraat met water verbind, verhard dit wanneer dit stol en dit kan dus verwerk word na 'n verskeidenheid soorte pleister, bekledingsbord en konstruksieblokke Gebrande gips het ook medisinale en tandheelkundige aanwendings

4 In Suid-Afrika kom gips in die Springbokvlakte, Kalahari, Boesmanland, Cradock, Bitterfontein en die Kimberley–Boshoff-, Prieska–Hopetown- Calvinia–Karoopoort-, Baroe–Wolwefontein-, Vanrhynsdorp–Vredendal- en Kaapse Weskusgebiede voor

5 In 1986 was daar sewe nasionale gipsprodusente in Suid-Afrika met 'n totale produksie van 404 205 ton [1] In 1987 was daar 11 produsente met 'n totale opbrengs va 349 079 ton 'n Relatiewe klein hoeveelheid gips (tussen 7 000 en 9 000 ton jaarliks gedurende die tydperk 1980–1985) is ingevoer en hoofsaaklik vir medisinale en vormwerk gebruik

THE WEEK ON THE JSE

By Julie Walker

Marginals live on slaughter

S/Times 18/6/89

MARGINAL mines, which fall from grace when the gold price falls, returned to favour this week.

Slaughter in China catalysed a welcome rally for gold as some investors rushed to their traditional haven. The Hong Kong stock market took a dive, but the JSE was firm.

Wit Nigel, Village, Lindum, Modder B and Primrose all ticked up. But they almost all retreated as gold dropped. Blue chips overreacted when the gold price rose, and gave up some of their gains when it eased on Friday.

Driefontein went from R38 to R43,50 before falling to 3 950c. Kloof firmed from 3 350c to 3 900c and then slipped to 3 600c. Vaal Reefs rose from R284 to R330 before sliding to R314.

The rand followed a similar pattern against the dollar, closing about 279c. The finrand was steady at about 418c.

ANTIMONY

Most analysts still believe that the fundamentals for gold are not great, and no buying signal has emerged from technical charts.

Not even a strong inflationary signal from the American producer price index — which rose from 0,4% in April to 0,9% in May — could support gold. It shed $3 to $369 on the announcement.

Cons Murch rose — China is one of its chief competitors in antimony production and has sold at a large discount. Prices have been depressed for a few years. The SA antimony and gold producer put on 150c to 750c.

Granite company Keeley put on 90c to 1 250c, and newcomer Aurora gained 5c to 260c before giving it up at the close.

Rhovan nil-paid letters (npl) exceeded expectations. Trade on Monday was as low as 25c, climbing to 300c. By Wednesday they were 335c, but shed 35c at the close except for an oddlot at 285c.

Rhovan — a vanadium prospect — is the first spin-off from any company listed in the mining exploration sector.

PGA npl traded between 20c and 30c, closing at 20c.

Randex added then shed 15c to 170c. It is to be taken over by Marievale in a share swop.

Anchusa hit a high of 1 650c after gaining 10% — it looks cheap relative to operating company Murray & Roberts.

Hudaco put on a quarter to 775c after a deal in which its abrasives interests will be coupled with those of M&R.

Hunts put on 100c to 1 100c, but gave up half of the rise. The preferred ordinaries gained 50c to R10 — in theory they should not trade at a discount.

IGI gained 70c to 870c on good results and the 10% convertible prefs added 80c to 780c in small volume. They can be converted one-for-one either by the end of June this year or the following two years.

BARGAIN

There was a special bargain of 3-million shares in Columbia at 185c ex-dividend of 18c — close to the market price of 205c.

Trade in Speciality npl ceased on Wednesday at 50c — the range was 20c to 125c. The ordinaries began trade at 365c, closing at 370c — take-up price was 325c.

In the clothing sector Ninian & Lester rose by 50c to 750c on trade of 100 shares, Amshoe gained 5c to 105c, Da Gama gained 30c to 850c and tiny Veka — bought by management last year — edged up from 25c to 32c.

On the Development Capital Market, Commercial Finance (CFC) added 75c to 600c — 35 times historic earnings.

217

Bad time for Haggie

Bottom Line

MICHAEL MENOF

Haggie's latest annual report is sending out a clear signal — the economy is beginning to hurt.

Consider that Haggie is owned 36 percent by Anglo-American (through Scaw Metals) and 36 percent by Gencor (through Malbank), the controlling monoliths of the mining industry, who are now adopting severe cost-cutting measures

The mining industry is Haggie's main customer for wire rope amd in 1988 the industry ordered less.

Then there's the sanctions issue. Some of SA's trading partners are curbing exports — a significant proportion of Haggie's products are exported.

Next problem is a militant labour force bent on wildcat strikes and lockouts In mid-1988, wage negotiations were deadlocked and a costly six-week lockout followed.

Despite these hurdles, turnover increased 10 percent, but volumes were marginally lower than in 1987, says chairman Grant Thomas

Saved by a lower effective tax rate of 43,2 percent (1987: 46,5 percent), less tax was paid

Capex of R56 million went to lifting debt 60 percent to R80,4 million (1987: R51,5 million) This means high interest expenses against a background of rising rates

Price increases in steel supplies and the rising prices of copper and zinc strained margins, especially those of export products

Haggie could be in for a tough time if mining continues to cut costs Yet Mr Thomas is confident 1989 will be a year of real growth

Sales rose 10 percent to R874,7 million (1987. R794,1 million), but operating income was almost unchanged at R116 million (1987: R114,9 million)

A R6,2 million provision for a possible drop in copper prices was charged against operating profits

This was because subsidiary Macdem (Pty) carried some stock which was not hedged and as such was subject to windfall profits/losses arising from increases/decreases in the copper price.

Profits or losses arising from changes in the copper price relating to the unhedged stocks were not brought to account in Haggie's figures, hence the provision.

Net interest expense was R1,96 million (1987: R47,2 million). This difference alone meant that earnings for ordinary shareholders rose to R61,5 million (1987: R55,9 million).

If the effective tax rate had been unchanged, the results for both years would have been virtually the same, except for the reduction in sales volumes. Earnings per share were 319,7c (1987: 114c).

Haggie has three main divisions — steel-rod conversion, non-ferrous metals and light engineering.

Unfortunately, the sales and income contribution from each was not disclosed so that shareholders are unaware of what really helped in 1988

The annual report features pictures of top management and plants, but offers little information.

In the US, annual reports feature detailed descriptions of operations, comparisons and an in-depth account of events.

In SA, however, annual reports don't give enough facts and figures and are often more optimistic than realistic.

Disposals included Jackson Metals for R16,1 million and Osborn Aluminium for R4,9 mllion. Both contributed only two percent of group pre-tax profits

Acquisitions included the assets of Bradbury Rolled Metals for R6,1 million, the remaining 40 percent in the copper alloys business of Copalour for R20,3 million and 60 percent of James Neill for R5 million.

The balance sheet is sound, with ordinary shareholders' interest having risen to R324 million (1987: R286 million) at end-December 1988

Debt has increased, primarily due to net acquisitions, redemption of R26,2 million in preference shares and high capex.

Management has opted to offset cash balances and short-term loans against total debt By so doing, working capital seems to have improved to R231,2 million (1987. R191,4 million) In fact, it has declined to R195,6 million (1987. R14,88 million).

Net worth has increased to R16,84 per share (1988: R14,88), but this price is helped by high non-distributable reserves of R78 million (1987: R70,5 million).

The workforce numbers 8 175 (1987: 8 615). I believe Haggie will be hard-pressed to improve its bottom line in 1989.

Sales will rise through price increases, but improving volumes could remain difficult.

I hear Gencor is making a R1,5 billion rights issue. Given the extent to which Mr Thomas has increased debt, I am sure management will want to earmark some of the rights money to reduce outsider debt, especially the way interest rates are heading.

New platinum mine starts production

(217)

Star 14/6/89

By Sue Olswang

A new multimillion rand platinum mine came on stream for the first time yesterday in Bophuthatswana, near Brits.

Mr T A Wilkinson, chief executive of Lonrho SA and chairman of the new Eastern Platinum mine, said the first ore was scheduled to arrive at the Western Platinum mine today for milling.

"Eastern Platinum does not, as yet, have the infrastructure to treat the ore so it will be milled at Western Platinum until about Christmas," he explained.

"Production is still relatively low — insignificant at this point — but we expect it to build up substantially over a number of years."

He said Eastern Platinum currently employed about 700 people. With the price of platinum still substantially ahead of gold, it would eventually make a significant contribution to the economy.

The mining and refining of gold and platinum is one Lonrho's most important areas of activity. It accounted for about 25 percent (£55,9 million) of the international group's pretax profits in 1988. Lonrho owns 99,44 percent of Western Platinum, the world's largest producer of platinum group metals.

New Purity chrome mine next year

B/Day 14/6/89 ANDREW BUDDEN 217

SA'S chrome supply will receive a further boost at the beginning of next year as the new Purity Chrome mine, near Rustenburg, comes on line.

The mine is planned to supply the full requirements of a ferro-chrome smelter which the owners, unlisted and little known Purity Minerals, also plan to set up.

A site for the smelter has been selected about 10km away from the mine on the other side of Rustenburg.

Co-director Andrew Nesbitt yesterday estimated total costs of the project at about R100m which, he said, had already been raised, "with some foreign backing"

Planned output for the mine has been put at 30 000t a month, run-of-mine. At chrome oxide grades of about 70%, this should yield about 21 000t of chromitite concentrate a month, said Nesbitt

The mineral rights cover 125ha, although the freehold area is only about half that size Estimated ore reserves are 7,2-million tons, equivalent to 18 years' supply at planned production rates.

Stoping will concentrate on the well-known LG 6 and LG 6A chromite seams which outcrop in oxidised form on the surface of the freehold property and dip at 12° towards the north

Capex

The two thick seams are separated by a 30cm layer of pyroxinite waste, to form an overall 190cm stoping height Sinking of two inclined shafts has begun, and these will follow the dip of the seams

The two shafts will have to be sunk 130m to a depth of 30m to reach the unweathered chromite, where they will branch off into four parallel shafts from which stoping can begin

Since initial capital expenditure and working cost requirements had already been met, the fledgling operation did not plan a listing "at this stage", said Nesbitt

The smelter is due to come on line by June next year All concentrate will have to be trucked by road from the mine through Rustenburg, and officials say there, "could be" problems getting such large tonnages through the town

The smelter will use as much electricity as the town of Rustenburg itself. The town's electricity network could not meet a demand that size at this stage, but company officials say Eskom will supply extra power to the town by the time the smelter comes on line.

Minerals Bill means state 'won't play policeman'

217

Wmail 15-22/6/89

By PIPPA GREEN

THE proposed new Minerals Bill — now in its third draft — presents "a complete shift in government thinking on mine safety", according to one expert.

The government has policed mine safety since a commission of inquiry into the Coalbrook mining disaster 26 years ago concluded that this was the only effective way to make mines safer.

Today critics are concerned that the proposed new Minerals Bill indicates the state no longer wants to play policeman.

Both the National Union of Mineworkers (NUM) and University of Witwatersrand mining expert Jean Leger say there are clauses in the proposed Bill that put too much power over health and safety in the hands of management.

The NUM is to meet the Bill's drafters in the Department of Energy and Mineral Affairs next week.

The Bill is still in a fluid state and far from complete. There are indications that several clauses in the first draft, published last December, have been changed in response to criticism from about 120 "interested parties", including the NUM.

The most recent draft, published in March, is also continually changing, says Koos Auret, the deputy government mining engineer.

Part of the government's deregulation and privatisation package, the draft legislation has been described as a "hell of a Bill" by one government representative. It aims to consolidate nine existing mineral laws into one, comprehensible Act.

"It is government policy to deregulate as much as possible and to privatise as much as possible," said the Deputy Minister of Mineral and Energy Affairs George Bartlett in an interview.

"For instance, when it comes to the negotiation of mineral rights between a mining company and a mineral rights holder, we've got Acts that require legal people to tell us what to do. What we're saying is that the Act should clearly state that the holders of various rights can negotiate a private deal."

But the NUM is worried that the Bill will also privatise safety. A NUM representative spelt out three major objections to the latest draft of the Bill:

- The government mining engineer, currently responsible for monitoring mine safety, would be moved to the ministry in Pretoria;
- A government mining inspector could delegate another person to preside over inquiries into accidents; and
- Mining companies would have the right to draw up mining standards.

The NUM representative feared that if the mining engineer was based in the ministry, "he will not be wholly concerned with safety.

"We have a problem with that, because it conflates safety and production in the same department. There should be separate government departments to deal with safety, on the one hand and production on the other," she said.

The provision that a mining inspector may delegate someone else to preside over an inquiry "leaves it wide open", the NUM representative said.

The clause allowing mining companies to draw up mining standards legalises a *de facto* situation. "Many government inspectors are not as qualified as mine managers, so the mines draw up the standards and the inspectors rubber-stamp them."

The state's slow cession of control over mine safety began last year, when new regulations under the Mines and Works Act provided for safety officers and representatives to be appointed, according to Leger. "The mining engineer argued that the state does not have the resources to employ more mine inspectors. So they want to privatise mine safety."

Fewer inspections, Leger says, could lead to a higher fatality rate.

The architects of the Bill say the fears that safety will be compromised are unfounded. Bartlett says the power of the government mining engineer — who will be made deputy director in the department — will be enhanced, not diminished by the Bill. ("He'll be sitting very close to the minister").

The mining engineer's new status, says Bartlett, should allay the NUM's fears, expressed after the first draft, that he would no longer be responsible for monitoring safety.

Safety and health was one of three major responsibilities of the government, the others being the "optimal utilisation of the resource and the rehabilitation of land used for mining.

"There is a lot of misunderstanding and ill-informed people who are creating confusion," Bartlett said. "We are not prepared to compromise on safety and health."

Star 21/6/89. 217

SA's mineral exports boosted by political turmoil in China

By Neil Behrmann

LONDON — The crisis in China is benefitting mineral exports of South Africa

Prices of antimony, manganese have risen sharply in the past fortnight, while South African coal is being routed to China via Hong Kong

Events in the nation could dampen efforts of the pro sanctions lobby in the US Congress, say metals dealers South Africa, the Soviet Union and China are key producers of strategic metals. Further sanctions against South Africa, could provoke counter moves in the form of reduced supplies of materials.

Commodity traders worldwide are uncertain about the outcome of trade with China.

Oil traders in particular are concerned.

Sinochem, China's state import and export agency for oil products, temporarily closed its Beijing office and traded from a hotel, says Christopher Bellew a director of Czarnikow Energy

The Beijing head office is running on a skeleton staff and oil trade into China has come to an abrupt halt.

China currently exports 520 000 barrels a day of crude and Japan imports the bulk of this amount. Japanese companies have been closely monitoring events in China, says Weekly Petroleum Argus and they fear a nation wide strike Meanwhile smaller independent oil traders in Singapore have stopped trading with China because they are worried that they will not be paid for supplies of oil products

For other bulk commodities, trade with China is beginning to return to normality

Trade and shipments of grain, fertilizers and iron ore are not being hampered by the cruel repression and crack down on dissidents, according to London ship brokers

"Yet markets in key strategic metals that are mainly produced in China, notably antimony, manganese, tungsten, titanium and arsenic are extremely nervous," says Oscar Prager, managing director of Ayrton & Partners, London metal merchants

During the past few years, reluctant metals consumers were persuaded that China was a reliable source of supply, says Mr Prager But events of the past few weeks have damaged this goodwill

There was such consternation, says Mr Prager, that merchants' metal stocks in Europe fell sharply as consumers increased their stocks to protect themselves from possible supply disruptions Prices of antimony, a mineral used in batteries and titanium a key metal for jet engines jumped by more than 10 percent

Prices of all these speciality metals could rise further if Chinese supplies are threatoned South African manganese and vanadium producers and Consolidated Murchison, the antimony miner are in a strong position

China is the world's biggest producer of rice, wheat, cotton and coal. It is amongst the top ten producers of maize, aluminium, cement, crude oil, gold, iron and steel, manganese, tin, vanadium and a few other commodities

China cannot be regarded as the major factor in the marke[t] of copper, aluminium, lead, nick[el] and zinc, says Jim Lennon, meta[ls] analyst at Shearson Lehman Hu[t]ton

"But given low levels of i[n]dustry stocks and relatively tig[ht] markets, a small change [in] China's imports or exports cou[ld] induce large swings in prices[,]" he says

Other metals dealers, say how[ever] that there has been a consi[d]erable psychological impact o[n] the market when China has e[n]tered the market in previo[us] years Copper in particular ha[s] fluctuated wildly on rumours [of] Chinese buying

Since China has tended to [be] an importer of most base metal[s] present unrest could reduc[e] orders and be "mildly bearish[,]" says Mr Lennon

But China is a notable tin pro[]ducer and if there are any delay[s] in Chinese exports, there could [be] a swift increase in tin prices

Rapid economic expansion an[d] the needs of a billion peopl[e] forced China to become a signi[f]icant importer of raw material[s] during the past few years

METALS

Cape Times 22/6/89 (217)

Platinum investors need patience

From MAGNUS HEYSTEK

JOHANNESBURG. — Investors in platinum shares have been discounting a sharp rise in the platinum price for a long time but it seems as if they will have to wait even longer for their hopes to mature, if some analysts are correct

Look at what has happened over the last 18 months or so

On December 7 1987 the platinum price of $475,75 an ounce was virtually on par with the London afternoon fix in the gold price of $481,15 an ounce

Since then gold and platinum, and particularly the share prices have gone in different directions

In spite of the platinum price moving very much sideways since then (it was fixed at $498 an ounce yesterday) the platinum index has virtually doubled, from 2155 to yesterday's 4195

On the other hand the gold price has declined to its current levels of around $368 an ounce while the All Gold share index has recorded a drop from 1678 on December 7 1987 to yesterday's 1421

Quite clearly, investors have been pouring money into platinum stocks in anticipation of the tight supply situation generally forecast for the early 1990s

It seems, however, as if investors who currently favour platinum in place of golds, are perhaps expecting too much and may be in for a rude awakening should the gold price suddenly tumble overnight

The reason for this is the very strong historical links between the prices of gold and platinum

An interesting aspect of the platinum market is the sharp increase in investment demand, which has grown from less than 7 percent in 1980 to 18 percent last year

This partly explains the volatile price movements as the relative strength of the US dollar becomes a more dominant factor in investment demand in the sense that currencies will have a greater effect on the platinum price

But investors are clearly gearing up for the widely-forecast tight supply-situation in platinum in the next decade

In its latest report on the metal Johnson Matthey, the world's foremost refiner of platinum, reveals a growing confidence

Of specific note is the fact that the European Commission has recently agreed on the imposition of tough pollution control measures on all new small cars sold in Europe from December 1992

According to Johnson Matthey the European motor industry used an estimated 245 000 ounces of platinum in 1988 and this figure is set to double by the year 1993, which is bound to absorb most of the anticipated increase in platinum production between now and then

So on fundamentals alone, the outlook for platinum is sound

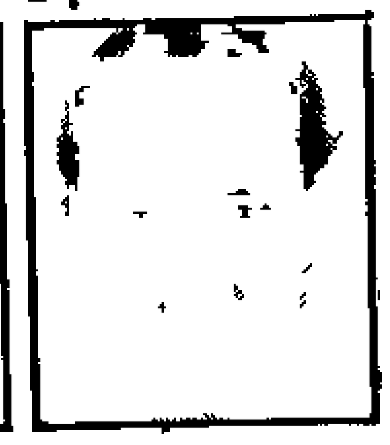
But, if the historical link between gold and platinum, both being precious metals, is not broken, the future movement of the platinum price will largely be dependent on the gold price

On the other hand, platinum might even this time take the lead and drag the gold price up

Platinum bulls must wait

Star 22/6/89

Diagonal Street
(217)
MAGNUS HEYSTEK



Investors in platinum shares have been discounting a sharp rise in the platinum price for a long time but it seems as if they will have to wait even longer for their hopes to mature, if some analyst are correct.

Look at what has happened over the last 18 months or so. On December 7 1987 the platinum price of $475,75 an ounce was virtually on par with the London afternoon fix in the gold price of $481,15 an ounce. Since then gold and platinum, and particularly the share prices have gone in different directions.

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It seems, however, as if investors who currently favour platinum in place of golds, are perhaps expecting too much and may be in for a rude awakening should the gold price suddenly tumble overnight. The reason for this is the very strong historical links between the prices of gold and platinum.

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So on fundamentals alone, the outlook for platinum is sound. But, if the historical link between gold and platinum, both being precious metals, is not broken, the future movement of the platinum price will largely be dependent on the gold price.

On the other hand, platinum might even this time take the lead and drag the gold price up.

Charter's rand hedge value takes a knock

Star 22/6/89 (217)

By Neil Behrmann

LONDON — Pre-tax profits of Charter Consolidated surged by 23 percent in the year to March.

Net earnings rose to 43,1p (35,8p)

A final dividend of 12,5p raises the total distribution by 19 percent to 17,25p.

For South African investors Charter will remain a hedge against the weak rand

Sterling, however, has also tumbled this year

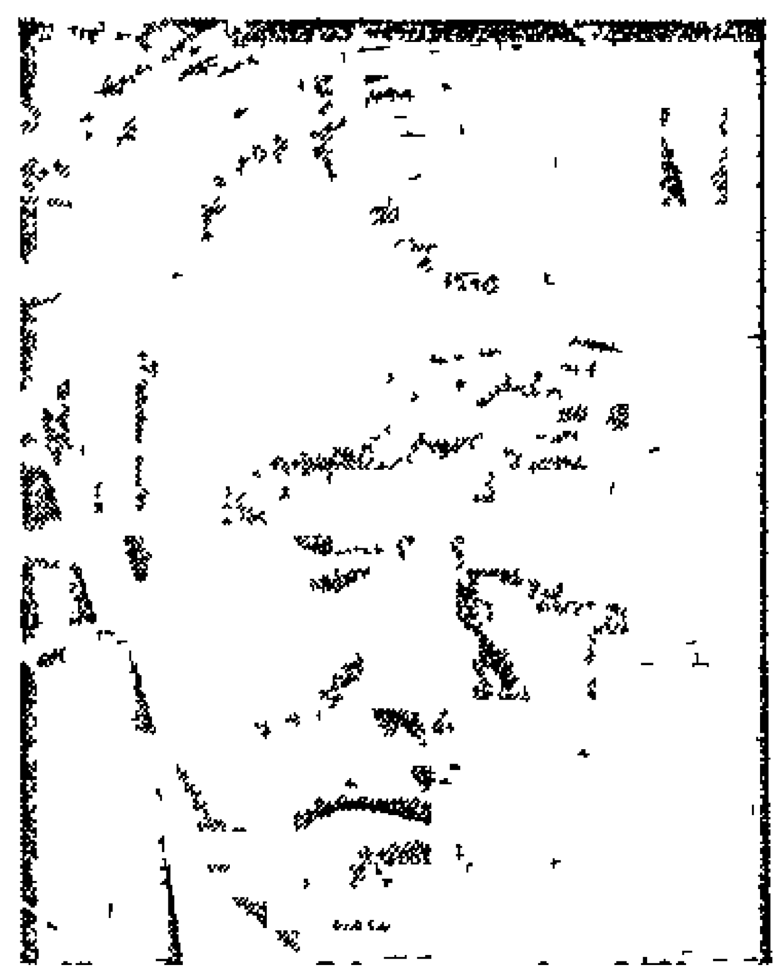
So, following an appreciation of 13 percent by the financial rand against sterling, UK-based rand hedge stocks have not been the best performers on the JSE.

Newly appointed chairman Sir Michael Edwardes forecasts, however, that there will be continued earnings growth

Good progress

He says Charter has "made good progress in addressing the strategic and operational issues facing the group".

"The strategic review has already led to the disposal of Shand Construction and the sale of our 50 percent shareholding in Cleveland Potash is expected



Sir Michael Edwardes

to be completed shortly," he says

"Both businesses had little prospect of yielding worthwhile returns," he says

Charter has now been organised into four main business areas

- The industrial division, comprising the engineering and building materials businesses
- The mining and quarrying division
- Precious metals, comprising Charter's 38,7 percent stake in Johnson Matthey
- The finance division, comprising the securities trading business, property, other investments and treasury operations

Of the total operating profit of £73 million, the finance division contributed £20,5 million — up 54 percent on the previous year

Charter is extremely liquid and after the sharp rise in UK short-term interest rates this year, profits were boosted by an increase in net income received

Investment income from Botswana RST and an increase in rental from Charter's large office building in Ashford also contributed towards the improvement

The strong UK stock market rally in the first quarter boosted earnings by £2,3 million

Operating profits from the industrial division rose by 19 percent to £26 million

Cape Industries, the construction and building products business, was the main contributor, generating £11 million

Cape won a contract with British Petroleum in the Shetlands, among others

Cape Industries, mainly a UK-based company, has also been active in overseas markets

Bases have been set up in the Far East and a new factory is being built in France

Anderson Strathclyde, the mining equipment company, raised profits to £8,1 million from £6,7 million last year

It is selling heavy-duty mining equipment in the US where marketing efforts succeeding

The share of Johnson Matthey's profits rose by eight percent to £24,5 million

Firm price

But Johnson Matthey's profits were only 6,3 percent higher this year, despite the relatively firm platinum price

Of its divisions, catalytic systems, precious metals, colours and printing produced higher profits

But materials technology profits were slightly lower than those of last year

Johnson Matthey should benefit from the rapid increase in the application of auto catalysts in Europe over the next few years

Profits of Charter's mining and quarrying unit rose 54 percent to £3,1 million

Coins 'worth too much'

Star 24/6/89

(217)

RISING nickle and copper prices have resulted in the physical value of South African coins overtaking their face value and it is for this reason that a new series of plated coins has to be introduced

This is according to Mr Neels Dannhauser, the general manager of the SA Mint

The physical value of all coins up to the 20c piece has now overtaken their face value

"But don't melt them down," warned Mr Dannhauser, "because it is one of the most serious crimes a person can commit and it carries a heavy penalty"

He told a press contingent which visited the SA Mint in Pretoria this week that the dramatic rise in metal prices over the past two years had meant an alternate coinage system had to be investigated The result is the new nine-coin series, to be introduced over the next three to four years

The range will comprise 1c, 2c, 5c, 10c, 20c, 50c, R1, R2 and R5 coins

Mr Dannhauser said the new coins would be different from the old ones in that they would have a core of a cheaper metal and would be plated with a more attractive-looking metal 40 microns (40/1000ths of a millimetre) thick.

This new process will involve the purchasing of

KEVIN UDEMANS

a R20 million machine to plate the coin blanks

"The 1c, 2c and 5c pieces will be made of a steel core plated with copper to give it its red appearance while the 10c, 20c and 50c coins will comprise the same core but have a coating of a copper and tin alloy (85 percent copper and 15 percent tin) making it yellow," Mr Dannhauser explained

He said that the R1, R2 and R5 coins would have a copper base and a pure nickle plating resulting in a white appearance

The edges of the "red" coins will be smooth, the "yellow" ones serrated and the "white" coins partially serrated

They all fall within the bounds of what is considered internationally to be the "ideal coin" — between 15 mm and 17 mm in diameter and between 1 g and 10 g in mass

RICHARD ROLFE in LONDON

EC demand will boost price of platinum

S/Times 25/6/89

217

GETTING better and better is the verdict from the platinum miners and refiners as they examine the small print of the European Community's measures to curb car exhaust emissions.

Two weeks ago, the European Commission finally cornered the stragglers and forced all 12 community members to accept controls on car pollution that would have been unthinkable even six months previously.

The result is that EC demand for platinum is set to move another step upwards.

Last September, word from Johnson Matthey, the world's biggest platinum refiners and exclusive agent for Rustenburg, was that Europe's planned measures would lift the region's demand for platinum in car exhausts to 500 000 oz by 1995. In 1988, Europe absorbed 250 000 oz for autocats.

Earlier this year, as the member states agreed on a compromise on emission standards, JM thought the 500 000 oz level would be achieved by 1993.

Now, following the latest agreement, JM estimates demand for more than 600 000 oz in autocats by 1993.

PRESSURE

So the changes add up to another SA platinum mine of 350 000 oz annually.

The EC standards will apply to all new car models from mid-1992 and for all new cars from end-1992. So 1993 will be the first full year of peak demand.

The tightening of European standards reflects strong public pressure on politicians to take action on the environment.

In the event, the "clean" states of northern Europe, led by Germany and the Netherlands, were able to force the "polluters" of the Mediterranean to rally behind tough emission control standards.

Widespread public anger at Europe's environmental degradation was visible in last weekend's elections to the European Parliament, when the Greens won up to 15 percent of the vote in many countries, often from a negligible base.

FREE

Stimulated by tax concessions and offers of free engine conversions by some of the manufacturers, UK car owners are switching to lead-free petrol.

Offtake of lead-free is now 20 percent of the UK petrol market, compared with nil two years ago. It is almost a symbol of how the environmental movement, as a political force, has developed from nothing.

The earlier decision on car emissions means that by 1993 Europe will have the same standards the US has enforced since 1983.

JM's Mike Steel says that with Europe coming into line, further gains in its platinum offtake are unlikely. But the legislation will virtually ensure platinum a role of growing importance for at least five years.

The role of rhodium is interesting too. Indications are, Mr Steel says, that Europe's cars will have to be fitted with three-way platinum-rhodium catalysts.

The ratio between rhodium and platinum is 1:5 or 1:6. Quite by chance, that is also the ratio occurring in the ground, in SA's UG2 reef series, from which an increasing amount of platinum group metals are being mined.

Rhodium offtake for autocats was only 110 000 oz a year in 1984, but had doubled to 220 000 oz last year.

A further increase seems inevitable as three-way autocats gain market share. Will there be enough to go round?

Diplomatically, Mr Steel says he expects the market for rhodium to remain tight. That sounds like quite an understatement, I would say.

CHINA

THE troubles in China have ceased to excite markets. They have proved a non-event as far as gold is concerned. One could say that all political developments are a non-event for the gold price these days.

Tin and antimony are forecast to show some price gains if Chinese production is disrupted, but don't hold your breath.

More remarkable is the impact of the coal market. In 1987, SA coal exports were hit by competition from China's coal mines in Far East markets.

This week came the news that not only is the Peoples' Republic unable to meet its export commitments, but it is buying cargoes of SA coal for its southern provinces through Hong Kong intermediaries.

Northern Transvaal enjoying improved economic prospects

217

Star 30/6/88

By Jabulani Sikhakhane

The Northern Transvaal region is one of the fastest growing economic points in the country and has vast mineral resources with platinum, copper, diamonds and chromium among others found in the region.

It's annual growth rate is five percent — slightly higher than the national growth average.

Jack Botes, chairman of the Northern Transvaal Regional Service Council said this week that the opening of a R220 million brewery in Pietersburg by South African Breweries was one indicator of the increasing investor confidence in the region

"Catalysts like the SAB generate increased economic activity in the region stimulating the secondary manufacturing sectors as the need for containers and the packaging industry will grow. The region has the most ideal growth climate to stimulate private sector investment," he said.

The mineral potential of the region is vast and most mining houses are taking an indepth look at the potential of the base minerals in the region, he said

De Beers is also contemplating a R800 million investment in the development of a diamond mine at Venetia farm The Eersteling gold mine, which opened 12 months ago, was indicative of the vast mineral potential of the Northern Transvaal region.

The three national states encompassed by the Northern Transvaal region, namely Venda, Gazankulu and Lebowa and the South African Government invested R1 billion annually in the development of infrastructure in the region and this has led to increased investor confidence.

Graham Mackay, MD of SAB's Beer division said Pietersburg was chosen as the site for the new brewery because it met the company's criteria for the establishment of a new operation — proximity to the market, good road and rail links for the shipping in of raw materials and good infrastructural services such as water and electricity

Barry Smith, regional director of the SAB (Northern Transvaal and Orange Free State) said annual growth of beer consumption in the area was just under 20 percent and was mostly attributed to increased government expenditure in the area and the easy access of beer to the consumers.

The new brewery, which has a production capacity of 170 million litres a year, will help stimulate the local economy. Mackay said the SAB's employment and business practices would impact positively on the local scene.

The SAB will also be using the five independent private distributors in Northern Transvaal whose annual turnover is estimated at around R15 million

Anglo gets 19% of Palamin

(217)

ANGLO American's largest investment in the year to March 1989 was 19% of Palabora Mining — the RTZ-controlled copper and by-product mine. S/Times 2/7/89

The annual report says R644-million was invested in equities and investment loans, and preference shares of R164-million were redeemed.

Anglo also bought a significant indirect stake in European-based Medgenix, the funding of the Erongo gold and mining exploration company in Namibia and more shares in JCI's HJ Joel mine in the Free State.

Investments were increased in Anglo American Farms, Eastern Investments, Eastern Gold Holdings, HL&H Timber and Mondi Paper. Investments were made in Sondor and Darmag through Zimro.

At the present 9 150c, Anglo shares are at a 26% discount to net asset value.

DIAGONAL STREET

Managers in hot seat at RhoVan

S/Times 2/7/89 (217)

THE flotation of Rhombus Vanadium (RhoVan) has been structured in such a way that management will be penalised if it does not deliver the goods

The history of the fledgling vanadium producer is interesting The mineral rights to the deposit — 15km from Brits — were owned by Rhombus Exploration (RhoEx)

Rho Ex was asked by Vereeniging steel producer Union Steel (Usko) — part of the Rembrandt group — to establish a mine to supply it with vanadium-bearing ore

Rho-Ex acquired a mining lease over 8 000 hectares in the Odi district of Bophuthatswana The tribe owns 5%, and will receive royalty income

In February this year an agreement was signed for RhoVan to supply Usko with 250 000 tons a year of magnetite concentrate from July 1990 Usko will pay RhoVan a royalty based on a percentage of the profits derived by it from its vanadium venture

Usko had its own deposit, but it was further afield and of lower grade than RhoEx's It needed a new source of feedstock for its works because the price of scrap metal — its traditional feed — has become high

RhoEx held a rights offer of four linked units for every 100 shares Each linked unit comprised nine ordinary RhoVan shares of 60c, 12 12% debentures of 65c convertible in 1993, and three options at no cost

The debentures are convertible one for one, and the options are to take up RhoVan shares at 60c in 1992

The offer raised R26,4-million, and another R4,5-million has come from bank loans at 18%

Nil-paid letters traded in a range between 25c and 335c for the right to linked units at R13,20 Trade closed on Wednesday at 145c, and the ordinary shares opened at 70c on Thursday

Not listed on the JSE are 57,5-million convertible redeemable preference shares which were issued to the vendors These prefs were created so that the vendors — Rhombus Mining and others — could be penalised if capital expenditure on the project exceeded R35-million

If the budget is adhered to, the prefs will be converted into ordinary shares one for one But if thrift does not prevail, the conversion will be three ordinary shares for every five prefs

The result is that the vendor's stake is maintained if management delivers, and diluted if it does not.

MAGNETIC

The mining will be undertaken by Skeat Mining, which will be contracted to deliver the ore to the magnetic separation plant to be built on site for R24-million

Mining costs have been estimated at R14 a ton of ore, and magnetic separation at R28 a ton of concentrate Overheads will amount to R5

The concentrate will be trucked — eventually railed — to Usko, where vanadium pentoxide flake will be produced by roasting, leaching and flaking

Process Plant will convert Usko's underused plant to a capacity of 9 000 tons of flake a year Process Plant designed the Vansa facilities, and should be able to apply valuable learning experience

The supply agreement ensures that RhoVan earns a constant profit margin for its concentrate It provides for penalties for undersupply or quality deviations, and in the event of default, either party can cancel

RhoVan will initially receive a 14% royalty on the profits made from the sale of flake by Usko

This is phase one A decision on doubling up to phase two will be taken later, and will be funded from the option money

Kevin Kartun, of sponsoring stockbroker Simpson McKie, says RhoVan offers a cheap means of entry into the lucrative vanadium market and RhoEx a low-cost entry to RhoVan — it will retain 50%, but is unlikely to pay dividends

Usko provides the biggest direct exposure to the fortunes of vanadium

Dr Kartun says "With the benefits of the link-up with Usko, there is a great deal of upside for the project for RhoVan in the form of by-product revenue"

This could come from converting the flake to ferrovanadium for a fivefold addition of value, use of the leach residues in steel-making, and upgrading of the titanium-rich slag for sale

Even though the price of vanadium has fallen recently to 560 US cents a pound, Dr Kartun's profit forecasts have been based on the much lower 380c which he believes is sustainable

He also uses a rand-dollar exchange rate of 250c, a vanadium grade of 1,95% and a 20-year life of mine

HAPPY

He uses a 10% real return for his calculations, but says the market would have been happy with 8%. He conservatively forecasts a maiden dividend of 7c in 1992, using March 1989 constant money terms on a fully diluted basis of 113,7-million shares in issue

The project is structured so that management has to deliver or lose either its shareholding or its management contract

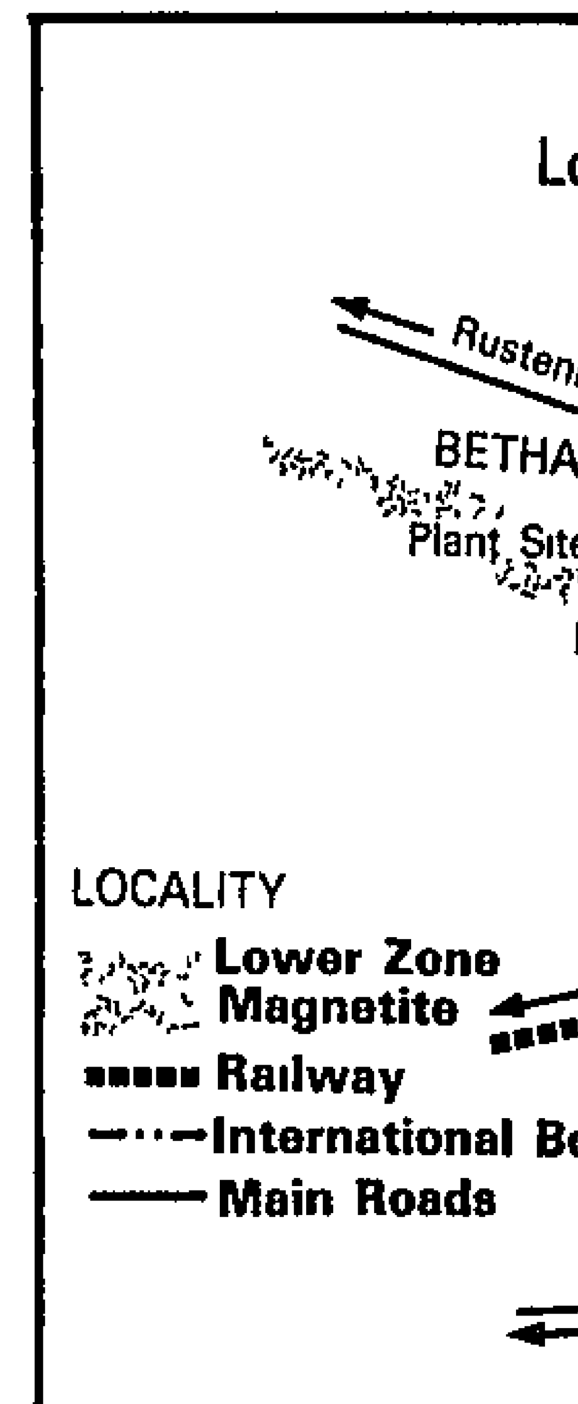
The reason is that SA's new small mining houses — of which Rhombus is one — have lost their credibility because their gold mines have not met expectations

The other downsides for the project are the falling vanadium price and the possibility of oversupply, and the threat of recession in Western economies

Dr Kartun says the project has been generally well received by institutions, but two mining analysts told me they had not even considered RhoVan because of its management

Whether such a subjective view turns out right is debatable Negative investor sentiment does not bode well for the share price

But the project has been drawn along the lines of fairness to minority shareholders In the bull run it was a vendor's paradise, but now the shoe is on the other foot



Source Simpson and McKie

Safe as a Chubb

SECURITY is a safe investment, if Chubb's results are anything to go buy

SA's leading security company improved the return on shareholders' funds from 48% to 54% in the year to March 1989

Turnover grew by 23% on the back of strong demand for physical security products in particular Trading margins rose from 11% to 12,8%, and taxed profit was up 50% at R7,9-million Earnings climbed by the same percentage to 145,5c a share

The dividend was lifted by 11% to 42c, cover being increased from 2,6 to 3,6 The current share price of 1 125c is 7,7 times historic earnings and the dividend yields 3,7%.

B/Day 7/7/89 (217)

Lefko platinum takes on brighter glow

ANDREW BUDDEN

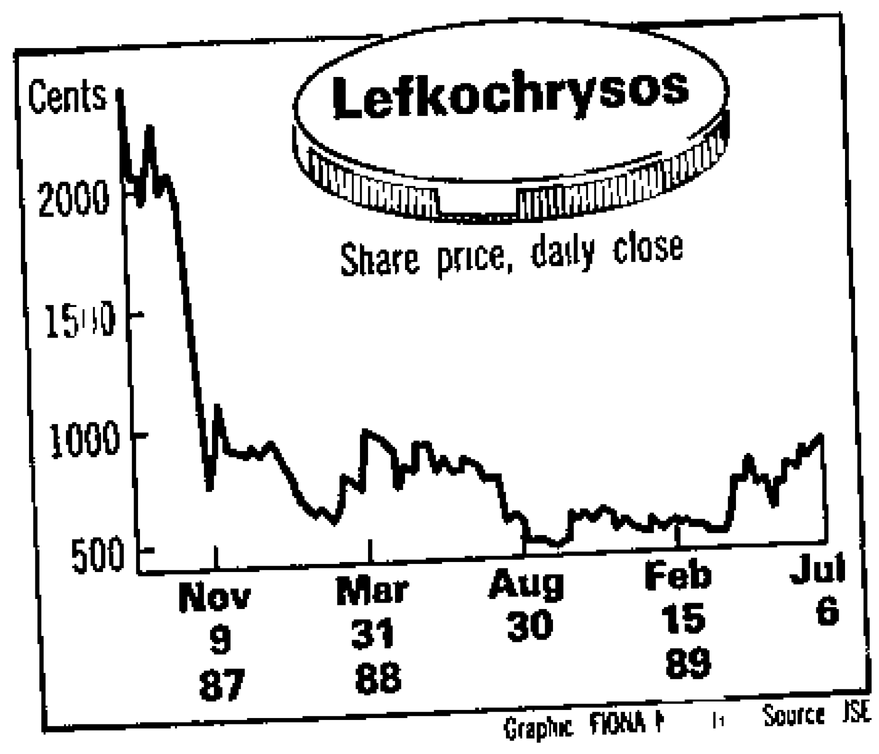
LEFKOCHRYSOS out-performed other platinum producers on the JSE this week as prices firmed News of the mine's recent metallurgical successes also pointed to an attractive buy

After languishing around the 500c level only three months ago, the share closed at 855c yesterday amid active trading

Analysts who visited Lefko this week dispelled initial misgivings centring on the mine's ability to meet planned throughput

Milled tonnages are now running at about 80 000 tons a month, of which 25 000-33 000 tons come from the opencast operations

Barplats's original decision to introduce opencast operations prompted concern among analysts that this signalled troubles with underground development in faulted areas.



Company officials say, however, opencast mining is a stop-gap measure to keep up tonnages and bring in additional revenue while stoping areas are fully developed

Original development plans were apparently extensively re-scheduled when Barplats took over the mine Analysts believe this may have hampered advances in the initial stages

Opencast reserves are expected to last about two years, after which underground areas should be fully developed and producing about 250 000 tons of ore a month

Successful underground development to date has allowed the mine to bring forward by almost a year the deadline for full production of 250 000 tons a month

Opencast material has also been found to be less badly oxidised than expected

Oxidised ore is a problem in the initial flotation stage of ore separation, but operations in the western section show the oxidised layer to be only 10m-20m thick

Lefko MD Eddie Crocker said yesterday opencast grades were comparable with those of the Graben area in its southern holding

High-grade discovery at Northam Platinum

217

REINIE BOOYSEN

THE No 2 Shaft-Z of Gold Fields of SA's Northam Platinum earlier this year intersected "contact reef" that contained unexpectedly high values of about 10g/t, director Alan Wright said yesterday B Day 17/7/89

The original feasibility study for the project excluded the contact zone, as it was thought grades would be uneconomic But the fact that the same reef contained similar values at an intersection "some 50m" from the shaft suggested this zone may constitute "a welcome sweetener"

(217)

BUSINESS

Bulls take long view to a platinum-lined future

Settlement on South Africa's mines is a temporary reverse for platinum, reports KURT JENSEN. But in the longer term, environmental concerns can only strengthen the metal.

THE National Union of Mineworkers' acceptance of the Chamber of Mines' wage offer is likely to suppress the platinum price temporarily, but most analysts predict a longer-term boom for the metal once the European Community implements tighter anti-pollution restrictions

Fears of strikes on South Africa's platinum mines encouraged US futures speculators to buy the metal recently, pushing it back up to above the $500 mark

The speculators had a point When NUM members last went on strike in 1987, the supply to the world market from the Impala mine — which together with Rustenburg Platinum accounts for about 65 percent of the Western world production of the metal — was cut off and prices soared to record highs.

Now that the conflict on the mines has been resolved, platinum bears are looking further ahead — mainly at environmental issues which could prove vital to a strong platinum price in years to come

Recently enacted EC legislation and stronger calls for even stricter car emission standards could raise European platinum demand to more than 600 000 ounces in 1993 from 245 000 ounces in 1988, an analysis by UK-based platinum refiners Johnson Matthey recently forecast

Total platinum group metal demand, which includes palladium, will be 850 000 ounces, the firm forecasts It adds there will be a substantial increase in rhodium consumption

"The decision by EC countries to enact tight US controls on car exhaust fumes implies that there will be sustained pressure on platinum group metal supplies," says Johnson Matthey

Johnson Matthey's predictions are usually taken with a pinch of salt as the company also markets Rustenburg's platinum internationally and has an interest in a higher price, but most analysts this time around share their views

Davis Borkum Hare analyst Gillian Findlay confirms that demand for autocatalysts used to control gaseous pollution from cars will grow rapidly in Europe, the largest car market in the world

Autocatalysts have been used in North America for 14 years and in 1988 its car industry consumed 690 000 ounces of platinum When ancillary quantities of rhodium and palladium are taken into account, 940 000 ounces of platinum group metals were consumed by the US car industry last year

"The controls on car exhausts now being adopted by the EC are of comparable severity to those applied in North America," says Johnson Matthey

So it is likely that the vast majority of European cars will require three-way autocatalysts, containing mainly platinum and rhodium

The activity of autocatalysts can be damaged by lead Platinum has the most resistance to this pollutant.

Unleaded fuel is being phased into Europe, but many cars will still be using lead petrol, so platinum will continue to be the most significant metal in the catalysts.

Since the timetable for tighter anti-pollution controls in Europe will be more exacting, platinum group metal demand will be more rapid than earlier foreseen, according to Johnson Matthey

In terms of announced plans for additional capacity, annual platinum output will expand by 600 000 ounces by 1993

Steve Ellis, chairman of Impala, forecast at the London platinum dinner in May that automobile demand could double to 2,5-million ounces if US-style emission controls were applied worldwide

Also important in the longer term is the commercialisation of fuel cells which is targeted in the EC for 1992, Davis Borkum Hare points out

The scope for increased demand for platinum from this source is enormous and does, at least, seem to be genuinely around the corner

Markets, however, are concerned about the short term and such forecasts have zero impact when the sentiment is negative

In the past six months platinum has traded in a stubborn price band of $450 to $550, despite the optimism in Johnson Matthey's latest annual platinum report on prospects for both platinum and palladium prices

Investors have been disenchanted and Japanese speculators, in particular, have sold platinum in recent months

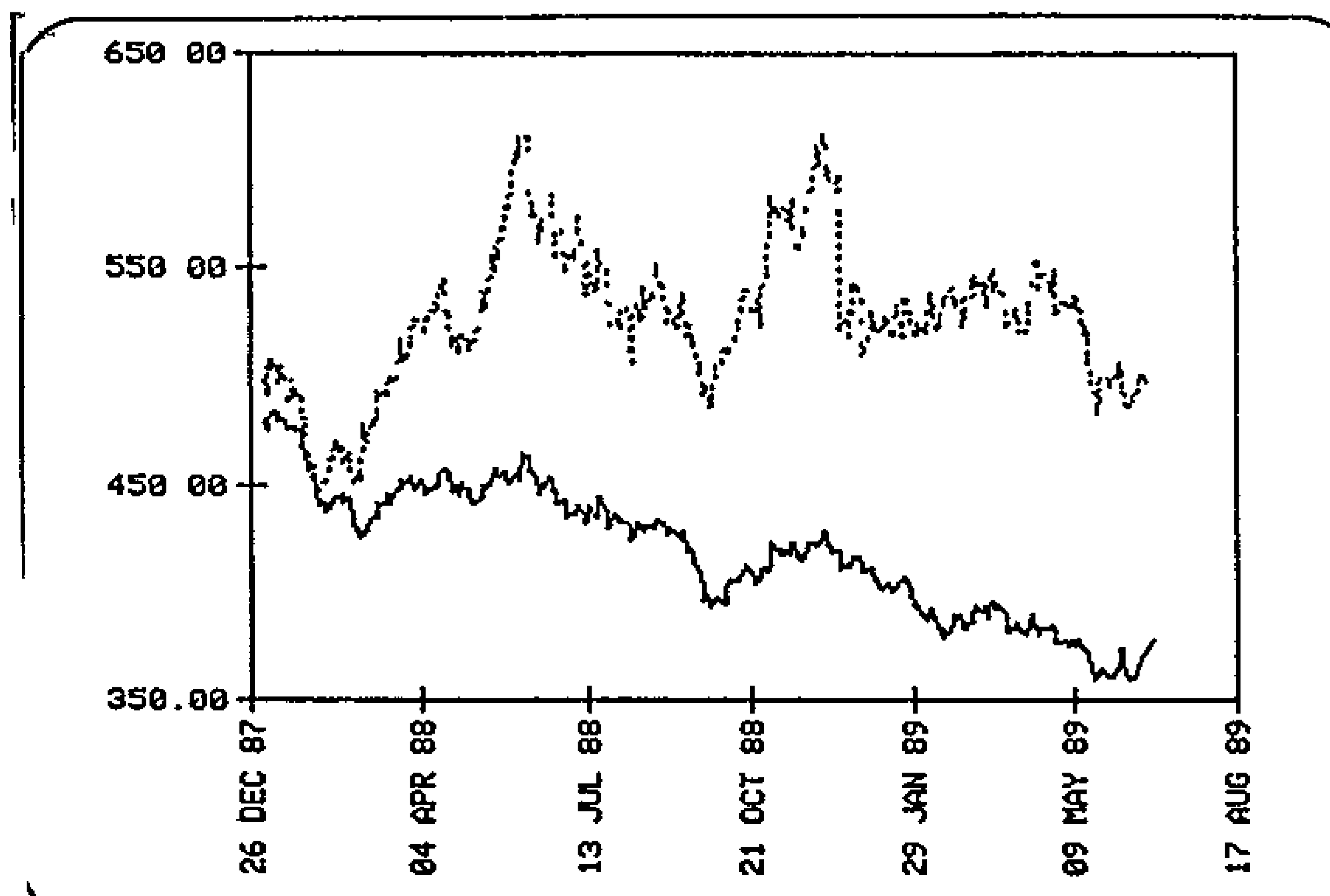
For this reason platinum's premium over gold has narrowed by six percent to 34 percent over the past few weeks

At its peak, the premium easily exceeded 50 percent whereas in 1985 it traded at a discount.

According to Johnson Matthey, total world supplies of platinum grew to 3,2-million ounces last year from 2,7-million ounces in 1984. Demand surged to 3,66-million ounces in 1988 from 2,63-million ounces in the same period

But total consumption last year included investment purchases of 660 000 ounces Excluding this investment demand, the platinum market was in surplus.

A similar situation could occur this year but looking further ahead the platinum price could well rise and provide a major boost to South Africa's foreign exchange earnings



Platinum was way above gold in October but the gap has narrowed

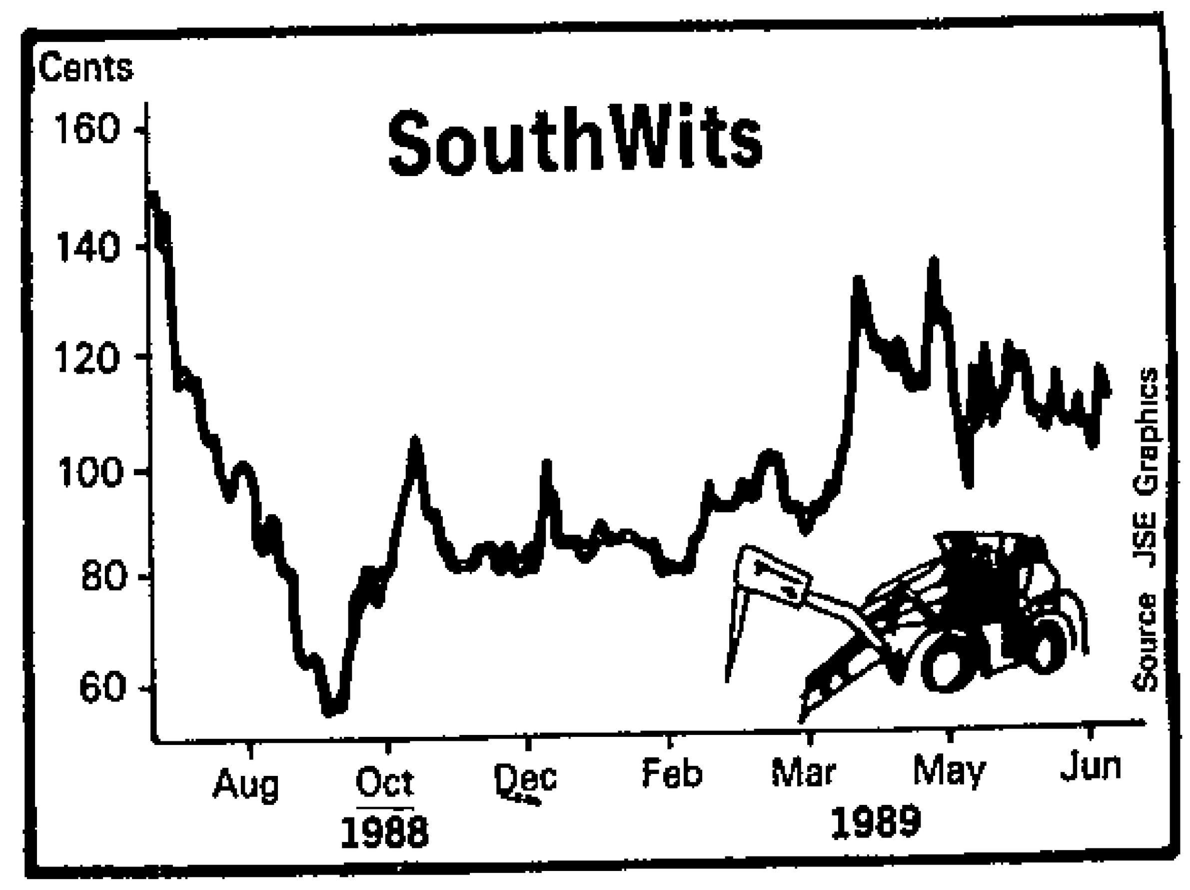
Graph: DAVIS, BORKUM, HARE

DIAGONAL STREET

SouthWits — No 1 explorer

(217)

S/Times 9/2/89.



SOUTHWITS Exploration comes top of the pops in a research report by stockbroker Simpson McKie

Peter Bahnemann outlines the criteria which he took into account in ranking eight out of the 11 mining exploration companies listed on the JSE since the sector's establishment in 1985

They are ratio of estimated value of mineral holdings to market price of shares, the backing of a large mining house, whether the company conducts its own exploration or is passive and lets others do the work within joint venture agreements, whether or not adequate financial resources exist to conduct the required exploration and avoid undue dilution of participation rights subject to joint ventures, whether or not the mineral portfolio contains commodities other than gold, and the expertise of management

Dr Bahnemann estimates that SouthWits is worth 219c a share compared with its market price of 105c Second place goes to Barnex, which trades at 380c but is worth 664c Marievale and Randex come next, followed by Lydex, Rho-Ex, Freddev and PGA.

Not considered were new listings Digoco and Dalsig, and the suspended Corex

He says exploration is a long-term business, and given the prevailing lack-lustre climate for gold and the high capital expenditure and working costs required to bring a mine into production, the merits of deep-level exploration appear to be questionable at present

TAXATION

The success of an investment in deep-level exploration depends on new technology and/or an increase in real terms of the gold price A more lenient approach to taxation will also be required.

"These factors considerably increase the already high risk of deep-level exploration and investors should be aware of this"

Benefits to shareholders consist solely of subscription rights being passed on to them at low premiums if and when a successful venture is brought to account

Being net spenders, exploration companies do not produce income for shareholders Funds invested in unsuccessful ventures have to be written off

He is concerned that unaffiliated exploration companies could be shouldered out by mining houses if they are unable to match their share of the necessary expenditure This is why PGA is raising more money, and Randex is teaming up with Gencor's Marievale

Dr Bahnemann also warns that the prices of exploration shares are volatile, and by the nature of things are at the mercy of rumours

But all is not gloom

He says "These reservations notwithstanding, the potential rewards from an investment in exploration can be substantial

"Exploration shares have generally fallen out of favour since the October 1987 crash, and can now be bought at prices which discount the inherent risk more realistically than in the heady times before the crash."

SPREAD

SouthWits comes out tops because it has a wide spread in its portfolio, and has 100% effective participation in six of the nine targets and 49% in the rest

The chief holding is Platreef, where results of preliminary work have been encouraging It also has three joint ventures with Marievale in the Free State, and other holdings in the Northern OFS

He believes the gold project near Gravelotte in the North-eastern Transvaal is likely to be developed into a small mine. In addition, SouthWits has embarked on one coal, one chrome and one black granite project near Belfast

The estimated total value of the mineral portfolio is R65-million, or 219c a share

The share price has ranged from 175c a year ago, down to 55c in October, and back up to the current 105c The options — to be taken up from 1991 at 180c — have been as low as 20c and as high as 60c, now 45c

217

20% platinum for Rand Mines

By Julie Walker

RAND Mines estimates that platinum sales could account for 20% of group earnings in the 1990s. S/Times 19/7/87

The group has invested R1,3-billion in two platinum mines — the original Barplats near Steelpoort, and Lefkochrysos near Brits, both in the Transvaal.

Both mines intend to mine the UG2 Reef only — other mines treat the easier Merensky Reef, or a blend, to recover platinum, gold and other metals.

A glass case containing the first bar of platinum to be refined solely from UG2 was shown to investment analysts this week. It was produced within the time schedule announced by Barplats when it assumed management of the Lefko mine last September. It was also within budget.

The base metal refinery at Brakpan has produced nickel sulphate and copper cathode, and the precious metal refinery will recover platinum, gold and palladium. The other precious elements will be recovered initially through toll refining.

CLIVE KNOBBS

Clive Knobbs, chairman of the Gold & Platinum division of Rand Mines, says Barplats intends to become a reliable, low-cost producer delivering high-quality products.

Analysts who visited the mine report good progress. The mining plan has been changed completely to the up-dip stoping method used by neighbouring Western Platinum. It compensates for the undulating footwall.

Mechanised methods have not been used for stoping, but they may be in development.

● To Page 2

Union puts the tin back in its name

SI Times 9/2/89 (217)

AFTER a break of three years, and under new management, Union Tin should again produce tin by the end of the month

The Northern Transvaal mine has had an interesting year It was previously managed by a Gold Fields of SA company GFSA owned an indirect 30% stake through Vogelstruisbult

In 1986 Gold Fields gave notice of intention to halt mining, and placed the mine on care and maintenance Last September its 720 000 share block was put up for tender

Meanwhile, Cape consortium New Chakari Mines, led by Neil Hurworth, built up 405 000 shares — about 17% of Union Tin It offered to beat any bid Gold Fields received for Union, but there was not one

New Chakari took Gold Fields to task over its management of the mine

An extraordinary general meeting took place in January and two members of New Chakari joined the board

The then chairman Peter Janisch agreed that management would examine New Chakari's proposal about platinum exploration New Chakari has high hopes that platinum and other metals are present in mineable quantities at Union, whereas Gold Fields is convinced otherwise

New Chakari claimed that Gold Fields had sealed access to the underground workings before it had been established beyond doubt that there was no further potential Equipment was sold to other mines, and Union was essentially useless Gold Fields indicated that the break-up value was about 200c a share

Events hotted up shortly before this year's annual meeting two months ago When the proxies were counted, Mr Hurworth had more than a million — outnumbering Vogels' 720 000

Before the meeting, Vogels sold its Union shares to the consortium The two directors not being balloted for resigned, the others withdrew their nominations, and GFSA's management company and the auditors resigned

New Chakari took control of the mine, and adopted a low profile When I spoke to Mr Hurworth this week he said certain outstanding issues were being resolved

Plant had to be replaced at high cost, but he was confident that tin reclamation from dumps would begin soon. Later, alluvial deposits and underground mining would be considered.

Until the cash flow improved, platinum exploration had been put on the back burner

Trading in tin resumed on the London Metal Exchange recently, and the price has improved to £10 025 a ton

Union Tin shares are 200c, having touched 300c in May, but up from 105c last July As he has done in the past, Mr Hurworth says he will keep shareholders informed

(235)

Mixed results at GFSA coal and base metals

(217)

Finance Staff

GFSA's coal and base metal companies recorded mixed results in the June quarter as international prices stagnated over the period.

However, **Gold Fields Coal** posted sharply higher taxed profit for the June quarter thanks to increased tonnage mined and sold, in line with the better performance of the SA coal industry in general.

Tonnage mined rose to 2,5 million tons (2,2 million) and tonnage sold showed a corresponding 300 000 ton increase to 2,1 million tons.

Pre-tax profit more than doubled at R15,4 million but after a higher tax bill of R6,6 million (R1,7 million), taxed profits were up by R4 million to R8,8 million.

Capital expenditure rose by almost 300 percent to R2 million.

Tin producer **Rooiberg's** tonnage treated increased to 81 000 tons from 78 000 in the previous quarter, but a slight drop in the grade to 0,48 percent resulted in lower production of 291 tons (306 tons).

Revenue from sales of 274 tons (348 tons), however, rose to R7,1 million (R6,6 million) and combined with the lower cost of sales of R5,4 million (R6,1 million) and higher sundry revenue of R389 000 (R258 00), pre-tax profit was sharply higher at R2,1 million, compared with R751 000 previously.

Profit after a tax bill of R310 000 (nil) rose from R751 000 to R1,8 million.

The Zinc Corporation, however, reported a R1,6 million decline in taxed profit to R5,74 million as the cost of sales increased to R86,19 million (R79,44 million) and zinc sold dropped slightly by 500 tons to 22 202 tons.

O'okiep Copper increased its sales by R3,5 million to R68,13 million, but higher costs and a small rise in tax reduced taxed profit by R2 million to R15,45 million.

Mines in the Gold Fields Namibia stable recorded a combined increase in tonnage to 513 000 tons (482 000).

This resulted in higher sales of R95,8 million (R92,8 million), but taxed profit dropped by R2,2 million to R15,1 million, with net profit after extraordinary items falling to R9,6 million (R13,8 million).

Capital expenditure was lower at R1,7 million (R2,3 million).

MidWits to split shares 25 for one

Business Day Reporter

ANGLOVAAL'S mining investment, finance and exploration subsidiary Middle Witwatersrand (Western Areas) is to split its shares on a 25-for-one basis and to raise R50m through a cumulative preference share issue

The company's 9 673 436 ordinary 25c shares are to be sub-divided into 25 ordinaries of 1c each The share-split should reduce the JSE share price from the current 8 900c to about 356c

A statement by the company said this would improve the shares' marketability, and put them within reach of the smaller investor

The effective date of the sub-division will be announced later

Meanwhile, the company is to raise R50m through the issue of cumulative preference shares to a subsidiary of Nedperm Bank BIDay 13/7/87

Cost 217

The statement said the reason for the move was to ease MidWits's gearing, which has deteriorated since the company's 49% participation in two recent acquisitions by Anglovaal

The first of these was the entire equity of chrome-mining company Lavino (SA) for R77,7m from its US-based parent, and the second was 29,9% of North Sea and General's ordinary equity for £13m, and £2,5m of NS & G's convertible unsecured loan stock at par, as well as a further £1m unsecured loan stock at a little over par.

The cost to MidWits of both transactions, would have been about R73m, depending on exchange rates.

NS & G is a UK-based natural resource company, with principal interests in industrial mineral deposits in the UK, as well as an open-cast Australian gold mine.

Since the beginning of the year, MidWits's ordinary shares have reached a high on the JSE of 9 200c, while their lowest price during this period was 6 950c.

BDay 13/7/89

COMPANIES

217

Zincor seeks foreign supplies

ANDREW BUDDEN

A LOCAL shortage of zinc concentrates has forced SA's only zinc refiner, Zincor, into a search for short-term foreign supplies

Zincor's Springs operation has traditionally just been able to satisfy local demand for the refined metal, using concentrates supplied exclusively by local mines

The 200 000 tons of concentrate it needed each year to produce its 90 000-ton refined metal output was generally met by four regional mines

But a weak rand has made the export market an attractive alternative for some local mines which are looking to reduce their reliance on a single customer

The result is unorthodox — local concentrate producers are exporting ever larger proportions of their output, while the only local refiner will have to import this year

Zincor officials say the shortfall is not large Total SA and Namibian output this year will be about 235 000 tons, most of which is sold to Zincor through long-term commitments

But mines will export about 50 000 tons of concentrates this year, leaving Zincor with 15 000 tons to make up through foreign suppliers, they say

Although small, the shortfall has opened up Zincor to additional expense on another front A 10% import surcharge on imported zinc concentrates — originally introduced to protect local mines from foreign competition — threatens to cut margins further

Parent Gold Fields is lobbying government on Zincor's behalf to abolish the surcharge No decision has been made yet

Zincor officials insist there is nothing untoward behind the increasing tendency to export by some SA mines

They say the company has good relations with its local suppliers — fellow GFSA subsidiary Black Mountain, Iscor's Rosh Pinah mine in Namibia, Shell's Pering mine in the northern Cape and Anglovaal's Prieska

DI01.....Mobile Hoist Operator

Rogold set for R7.7m European takeover deal

217

REINIE BOOYSEN

ROODEPOORT Gold Holdings (Rogold) is to be taken over by an unnamed group of European investors in a reverse takeover B/Day 25/7/89.

In terms of the deal, Rogold has bought the entire share capitals of and loan accounts against Zinc and Lead (Namibia) and Namib Lead Mines from Paladin, a foreign nominee company, for R7,74m — to be settled by the issue of 25,8-million Rogold ordinary no par value shares at a price of 30c a share

This will effectively leave Paladin with a controlling 49,3% (fully diluted) stake in the company

Rogold MD Bob Poisson yesterday declined to identify the controllers of Paladin "Essentially Paladin is a nominee company for a group of European investors, who wish to remain nameless in view of disinvestment pressure"

He said they would be "passive" investors in Rogold He added that Rogold directors were attempting to persuade the JSE to overlook its requirement that the people behind the takeover be named

Earnings

Directors say the acquisition is in accordance with Rogold's strategy of minimising risk through diversification into a broad base of mining interests.

They estimate that earnings a share for the year ending June 30 1990 will be increased by about 3,2c (from 0c) as a result of the acquisition

"No estimate of the effect of the acquisition on net asset value has been made as this would involve an assessment of mining resources and assets which is neither realistic nor cost effective to perform," say directors

The existing management contract between African Exploration Company and Zinc & Lead will remain in force, and management services will also be provided to Namib "The boards of directors of Zinc & Lead and Namib will be reconstituted to vest control in Rogold"

Rogold will apply for a transfer of its listing on the JSE to the financial — mining holding sector — to better reflect the new diversified nature of its mining operations

B/Day 26/7/89.

Lefko's platinum mine impresses

REINIE BOOYSEN

FEW, if any, of the JSE analysts and Press members who recently visited Rand Mines' (RM) Lefkochrysos Platinum near Brits left without positive impressions.

A quote from one broker's report — by Fergusson Brothers' Derek Ritchie — sums it up: "During the first week of July a visit was made to the mining operations of Lefko at Brits and it was gratifying to see that the faith which we had previously expressed in this project is being rewarded."

Although there have been a number of changes in method and culture since the departure of previous controlling shareholder Loucas Pouroulis, most will agree he deserves a lot of credit for his vision.

Visitors were especially impressed by the quality of the engineering on the project: it is apparent that Pouroulis set out to build what GM John Simms described as the Rolls-Royce among SA concentrators and smelters.

Immediate

217

It was also clear that RM has wasted little time in building up esprit de corps after it inherited a disenchanted workforce from Pouroulis's days.

There were immediate changes to the labour culture, as reflected in the mining method, which was changed from highly mechanised stoping to more conventional, labour-intensive "up-dip" stoping.

The main feature of Pouroulis's labour policy was a highly paid and skilled all-white workforce to operate sophisticated underground machinery. This, he thought, was the solution to the rising cost of unskilled labour and strikes.

RM, however, thinks it can achieve greater efficiencies using the more conventional stoping methods, like its neighbour, Lonrho's Western Platinum. This will involve an integrated black and white workforce — at present some 66% of the workers are black.

Although management says it is still a bit early to calculate working costs — because some costs are still being capitalised — it is estimated to be about R70/ton milled.

Analysts differ in their valuations of the project, depending on the degree of risk they have built into their calculations. Their valuations of Lefko's share range from about 700c in the case of J D Anderson's Dave Russell, to 1 100c in the case of Derek Ritchie. The share yesterday traded at 790c.

Simpson McKie's Kevin Kartun recommends the share be purchased up to 900c. In a recent report he wrote: "We consider that most of the risks have been eliminated now that the metallurgical process has proved successful."

Lefko is the first mine to recover platinum group metals purely from the so-called UG2 Reef, and the company's competitors have for years engaged in a vigorous campaign to sow doubt about its ability to recover these metals.

Kartun says the first platinum was produced at Lefko at the end of June and the first sale of platinum is planned for August. Management says Phase I production (160 000t/month) — which will be reached by February 1990 — will result in the recovery of 120 000oz a year. The present milling rate is about 80 000t/month.

J D Anderson's Russell disputes whether Lefko will actually reach a production rate of 120 000oz in Phase I, after taking account of "higher levels of dilution, and lower recovery rates in the UG2 refining process compared to the more metallurgically amenable Merensky Reef".

An open-cast operation with a life of about two years has been contracted out to Skeat Mining, to supply 25 000 to 33 000t/month of ore to keep the mills full while the change in mining method is taking place.

Capital expenditure is on budget and schedule. Up to May, capex has been R461,3m. Budgeted capex for the project is R567m, which includes several shallow shafts in the long-term mine plan.

Shaft-sinking at Rhodium Reefs is continuing, and production is expected to begin from this mine in the eastern Transvaal in 1995.

Lefko hopes to produce working profits in the 1990 financial year, and pay its maiden dividend in 1992.

LEFKOCHRYSOS (317)

Making UG2 work

Nothing major apparently ails the new Lefkochrysos mine, SA's first producer of platinum purely from UG2 reef material Some changes have been made to the mining methods and administration of former controlling shareholder Loucas Pouroulis. But his vision is largely being realised

Lefko's first sod was turned in August 1987 Under new controlling shareholder Rand Mines, the first white matte (the final product before the refinery) was produced in April 1989. On a visit to the mine this week the *FM* was told it is now poured almost

FINANCIAL MAIL JULY 28 1989

(217) Fmail 28/7/89.

every day Scepticism that UG2 ore could be successfully smelted has apparently come to nothing

Lefko's Brakpan refinery produced its first ingot on June 1 Platinum and palladium have a pipeline of five weeks Other platinum group metals, whose pipeline is normally seven to eight months, are being toll-refined overseas Lefko says it is working on a new, unique refining method for other platinum group metals, which will reduce their pipeline Later, the refinery's overall design will be changed to the solvent extraction process, being used in the new refinery of Rustenburg Platinum

Lefko is confident it will be within budget of R259m for phase one (160 000 t/month of production), and that it will be on time (February 1990) Phase two of 250 000 t is scheduled for 1992, when the first dividend is projected Production is being boosted by open pit production by a contractor on outcropping UG2 on a block of mineral rights 10 km from the Lefko plant

Underground, Pouroulis's highly mechanised development is being retained, though with some chagrin Stoping, which Pouroulis had envisaged would be mechanised and down-dip, has been changed to up-dip mining with scrapers, partly because of the undulating footwall Later, mine design will be changed more radically Ore to plant is currently heavily diluted because of development; Lefko has not yet assessed the recovery factor in the plant.

Valuing Lefko

After the National Union of Mineworkers' strike in 1987, Pouroulis envisaged a predominantly white mine The work-force is being rapidly changed to a more conventional composition

Lefko is now the holding company for both the original Pouroulis mine and the Rhodium Reefs development Analysts differ widely on Lefko's value, mainly on the basis of dilution and the plant recovery factor They largely discount the contribution from Rhodium Reefs.

Dave Russell of broker J D Anderson believes that though the project and management are good, there will be heavy dilution because of the undulating footwall He also says rhodium production, which accounts for about 20% of revenues, will be delayed until about February, and he questions how much research into new refining methods will cost He places a maximum value of 750c on the counter, against the present 780c

Kevin Kartun of Simpson McKie believes the counter can be bought to 900c He thinks Lefko is likely to be more efficient in mining and plant than established producers, and that its dilution will not be above normal. Derek Ritchie of Fergusson Bros, Hall Stewart agrees and says indications are that recoveries will be higher than for Merensky reef material He values Lefko at 1 100c

Teigue Payne

Rustenburg Platinum plays sweet music for shareholders

Star 28/7/89 (217)

By Derek Tommey

Rustenburg Platinum Holdings (Rusplat) has extremely good news for its shareholders

Its taxed profit soared by more than 90 percent in the six months to June, a preliminary profit statement shows

This helped increase earnings for the year to June by more than 54 precent

In the six months to December taxed earnings were R241,5 million (year ago, R200,2 million).

But in the second six months it earned R359,1 million (R183,7 million) to bring total earnings for the year to R660,6 million

Earnings per share rose from 306,9c to 475,4c

Rustenburg is paying a final dividend of 185c, which is 54 percent higher than last year's 120c

But total dividends for the year at 300c, show an increase of only 36 percent on last year's 220c

Retained earnings were equal to 175,4c a share — double last year's 86,9c a share.

Sales revenue in the six months to June rose by 22,6 percent to R1,5 billion, while sales for the year rose by 23,8 percent to R2,9 billion

The increased profits are attributable to the weaker rand/dollar exchange rate and the higher price received for nickel

Lebowa Platinum Mines, in which Rustenurg Platinum has a 21,54 percent stake, increased its sales by 30,7 percent to R68,5 million from R52,4 million

Taxed profit rose 60,1 percent from R14,8 million to R23,7 million

However, reflecting the increase in issued shares, earnings a share rose 15,2 percent from 17,2c to 19,8c

A final dividend of 5,0c (4,0c) has been declared, making a total of 7,5c (6,0c) for the year

Capital expenditure rose from R14,6 million to R83,6 million

(217) Fmail 4/8/89.

RUSTENBURG PLATINUM

Primed for expansion

After excellent results for the year to end-June, Rustenburg Platinum (Rusplat)'s cash and short-term investments have been boosted to more than R1bn from R698,4m a year ago Chairman Pat Retief indicates the group may be about to spend some of its cash on expansion

"We have traditionally liked to hold large cash reserves because of the cyclical nature of the market," he says, "but we are also now looking at the possibility of expanding Rusplat's operations because of our favourable view on the platinum market"

He says no firm decision has been taken yet on the scale of expansion and he is not able to specify when such a decision might be arrived at Retief makes it clear this expansion would be from Rusplat's own mines and would be in addition to any increases in output that may be planned from sister mine Lebowa Platinum (Lebowa Plat)

Fergusson Bros, Hall, Stewart analyst Derek Ritchie speculates Rusplat could add up to 300 000 oz of platinum to its annual output by 1995, through expansions at the Amandelbult and Union sections and an increase in production from UG2 reef at Rustenburg section Rusplat does not disclose production figures but analysts estimate present maximum annual output at 1,2m oz-1,3m oz of platinum

Ritchie does not believe the market can absorb this kind of expansion, taking into account platinum supplies due to come on stream from Karee, Lefko, Northam and Westplat, unless the second-stage expansion at Lebowa Plat's Maandagshoek mine to 100 000 t/month is not implemented and no start to production from Potgietersrus Platinum is made before 1995

Retief says that whatever expansion is coming at Rusplat will in no way compromise expansions contemplated for Lebowa Plat He feels there is room in the market for the additional supplies to come from what Rusplat/Lebowa Plat have in mind as well as the other new projects announced to date He confirms trial mining is under way at Potgietersrus Platinum — the joint venture between Rusplat and Lebowa Plat on the Platreef deposit near Potgietersrus — but says this does not indicate an imminent decision to go ahead with the development of a mine on the Platreef

"It's early days and we have to assess the results of the trial mining," he says Retief says no decision has been reached on how Maandagshoek will be exploited and discussions are still under way with the Lebowan authorities Rusplat has proposed mining it and paying royalties to Lebowa Plat

Analysts point out that the way in which Maandagshoek is developed will have major implications for the Lebowa Plat share price If Lebowa Plat must pay for the development itself, that will mean a rights issue and/or loans

Rusplat's marketing agent, Johnson Matthey, has taken a bullish view on the platinum market It had forecast platinum shortages for at least the next two years, even before announcement earlier this year of the new exhaust emission measures in Europe

Reasons for Rusplat's 55% jump in earnings are a 23,9% rise in turnover thanks to the weak rand/dollar exchange rate and soaring nickel prices combined with tight control on working costs The cash pile made a healthy contribution

Cost of sales rose just 12,8% to R1 474,8m (R1 306,5m) Retief says an all-out effort was made to hold down costs He confirms this was helped by lower wage increases in financial 1989 than in previous years because the group has achieved its target of a uniform wage scale for all It had been pushing up pay for certain job categories at rapid rates in recent years Financial director Allan MacConachie says on-mine unit costs were held to an increase of less than 12% in the year to end-June

Retief says he is unable to explain why, given the favourable market fundamentals, the platinum price has not returned to the levels of around US$600/oz that ruled before the Ford announcement in December

"It's disappointing, particularly as the potential adverse impact of Ford's announcement about a new autocatalyst has subsequently been shown to be very limited," he says "However, maybe the price was too high at $600/oz and the market was looking for a reason to knock it down Perhaps it could be argued that the present price is a good one, looking at the premium it has established over gold"

Brendan Ryan

Cattle are poisoned in Phalaborwa ... and humans could also be at risk

The copper-coated killing fields

Controversy surrounds the death of cattle at Phalaborwa in the Eastern Transvaal That the animals died from copper poisoning has been established — where the copper came from, however, is debatable Vets from Onderstepoort believe the Phalaborwa Mining Company is polluting the area but the mine says it is operating within the legal limits DAWN BARKHUIZEN reports.

Investigations have been launched after more than 45 cattle died from copper poisoning in Phalaborwa and high levels of copper were found coating grass in the area

Scientists from the Department of Agriculture and Water Supply's Veterinary Research Institute at Onderstepoort believe copper emissions from the Phalaborwa Mining Company (PMC) on the outskirts of the town have polluted the area

The Kruger National Park — less than 2 km away — is testing animals, soil and plants

Dr Braam Mouton of the Research Institute for Environmental Diseases says copper is as toxic as lead (both have the same Threshold Limit Value) and the ingestion of large amounts can cause brain, kidney and liver damage to humans

He warned that an overdose can cause potentially lethal renal failure

If allowed to continue, there was a potential long term hazard to townsfolk and the possibility of copper getting into the water systems, he said.

The Department of National Health and Population Development, which is also investigating and controls the copper smelting process, says people in Phalaborwa are not at risk

"It seems only animals that chew the cud would be affected The only way people in Phalaborwa can ingest copper in small doses will be if they do not wash home grown vegetables such as lettuce," a statement said

In the form found in Phalaborwa, copper was not dangerous if inhaled

Legal limits

The department said all dust emissions from the PMC stack were kept within the legal limits by means of a precipitator, but The Star learnt this aparatus did not function between August 1988 and last month

The PMC general manager, Mr George Deysel, "put a question mark" on the findings by Onderstepoort and said "We work within the limits laid down by the health authorities We have seen no signs of copper toxicity in the area"

He admitted that the precipitator had been inoperative, but said gas scrubbers cleaned emissions

He said these were shut down for maintenance, generally scheduled for two weeks twice a year During this time combustion particles were emitted through the stack, causing the brown plume of smoke seen hanging over the town

A brown plume has been seen frequently — by townsfolk and visitors

Researchers from Onderstepoort found copper on the grass outside Phalaborwa to be abnormally high, they measured as much as 1 275 ppm (parts per million) on a farm directly downwind of the factory

In a report they said: "We established the prevailing wind direction was from the south-east. This would blow the pall of smoke seen hanging over the mine to the north-west, where the farm lay"

Financially crippled . . . farmer Mr Antoon Lombard has lost one third of his stud cattle due to copper poisoning. ● Picture by Dawn Barkhuizen.

It was concluded the copper had rained on to the earth as investigations showed high concentrations on grass, smaller amounts in top soil and even less deeper down

The issue came to light after cattle owned by Phalaborwa farmer, Mr Antoon Lombard, and others on adjacent farms were found to have been killed by copper poisoning

Mr Lombard's farm is directly downwind of the PMC

The Onderstepoort team found between 600 ppm and 1 800 ppm of copper in livers it tested The lethal oral toxic dose for a cow is 200 ppm

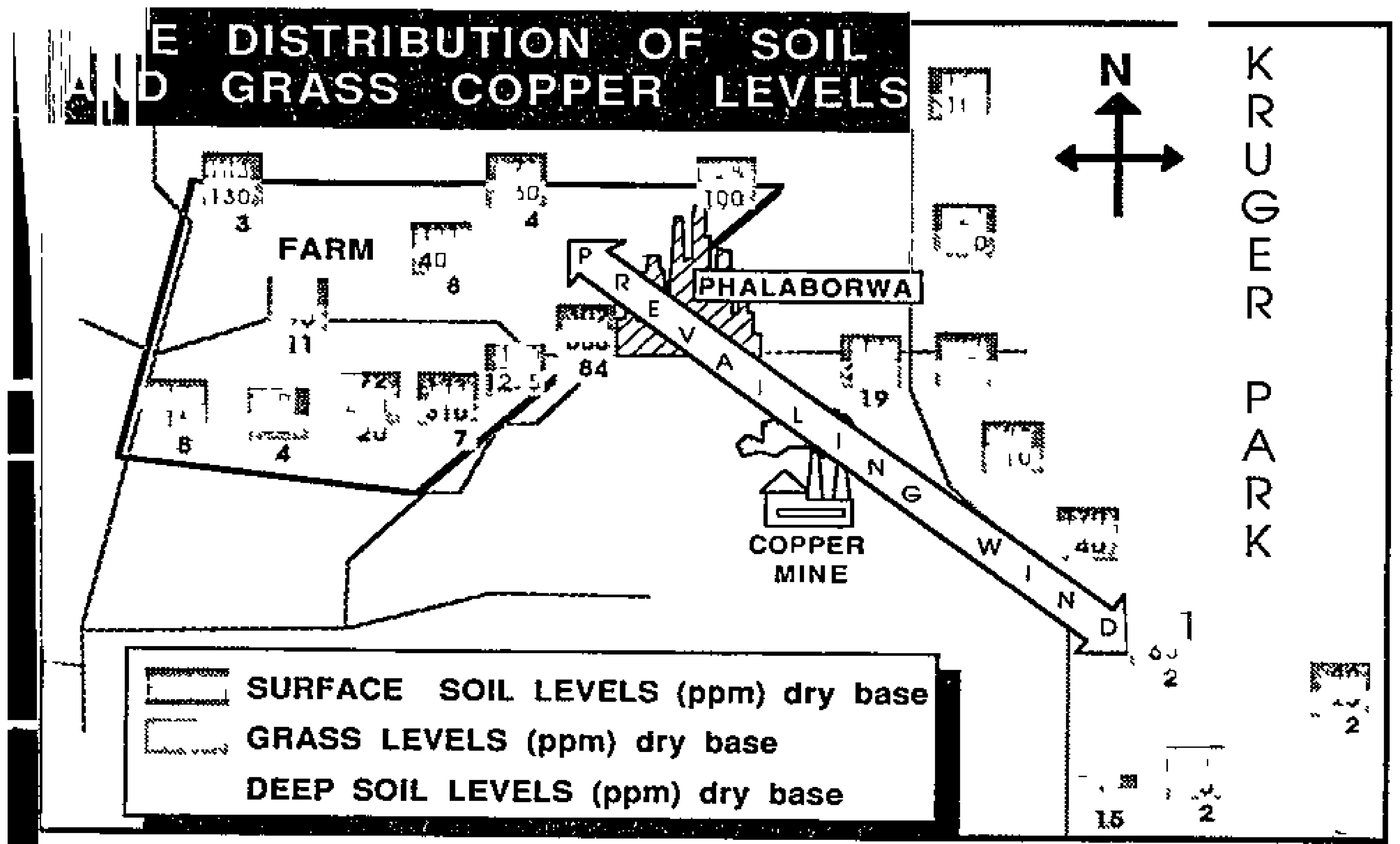
The Department of National Health and Population Development said while copper levels were high "this is to be expected in the vicinity of such a large mining complex"

"A vast quantity of waste is discarded on dumps, all containing small amounts of copper, and it is quite possible that an amount of wind-blown dust containing copper has been deposited over the 25 years of mining activities which involves open cast mining, blasting and handling of dusty material," the department said

"We have no inten[illegible] down the mine and it is unlikely that we will be involved in any claims against it Please keep in mind that closing it would mean closing the town of Phalaborwa as well as the two adjacent black towns"

Two years ago the mine was voted the safest mine in South Africa with more than 1 000 employees

● Mr Deysel denied claims by the chief director of National Parks, Dr U Pienaar, that the mine's slime dam wall collapsed last year and that the contents flowed into the Kruger National Park's Selati River, poisoning fish



Despairing Toon finally gave up all hope

By Dawn Barkhuizen

Phalaborwa stud breeder Mr "Toon" Lombard and his wife, Drienie, this week gave up hope and sold all their cattle

For a man who loved his animals and who dreamed of farming ever since he bought his first two cows 20 years ago, it was a desperate step

He had already replaced his farmers' hat with a hard hat and was working a 12-hour day in steel construction, treating his sick animals in the dark when he came home

Within six months he lost 42 prime stud animals valued at between R150 000 and R200 000 He had trekked from vet to vet, but the animals carried on dying, leaving the vets baffled

Fat, healthy cows would wither away

There were no pests or pesticides in the area There was no poison on the grass — or so he thought

By the middle of the year more than one-third of Toon Lombard's animals were dead and a number had substantially damaged livers

By then animals on nearby farms had started dying Five animals owned by Mr Andy Tonsing have died since March Mr Tonsing slaughtered six more when they began showing similar symptoms

Animals that died on another farm a few kilometres down the road are being tested

The cause — a rarity in South Africa — was finally pinpointed by a team from the Veterinary Research Institute at Onderstepoort The animals were poisoned by copper

While medical treatment slowed the rate at which animals were dying, it has not solved the problem and the animals are still dying

The fact that Toon Lombard loved his animals was plain to see His orphaned calves lived right in his front garden and followed his wife's voice

That is why when two more cows died last week he could not bear it any longer and sold every single animal he owned

Gencor group gets 30,7% stake in Alusaf

Cit Times 10/8/89

(917)

Financial Staff

ALUSAF has come under private sector control with effect from July 1, 1989, following the acquisition by the Gencor group of a 30,7% stake in the Richards Bay-based aluminium producer at a transaction value of R270m

Colin Officer, executive director of Gencor and deputy chairman of General Mining, Metals & Minerals (Genmin), announced yesterday that agreement had been reached with the Industrial Development Corporation of SA (IDC) in terms of which Gencor is to acquire an effective 30,7% of Alusaf in exchange for R63m in cash and an interest in an unlisted Gencor company

Alusaf's will be part of Genmin, the management company responsible for Gencor's mining, metals and mineral interests.

Alusaf's board of directors will be reconstituted under the chairmanship of Officer, with Rob Barbour continuing as MD and Pieter de Waal continuing as technical director

Officer said Alusaf operates in a specialised invironment and has experienced, efficient and well-motivated personnel

It is therefore not anticipated that the change in control will bring about changes in Alusaf's management or employees

Alusaf will be listed at an opportune time on the Johannesburg Stock Exchange, said Officer

He said that a major part of the residual interest in Alusaf, held by the IDC, would form the basis of a future share issue to the public

Alusaf's employees will also be consulted in respect of a preferential allocation of these shares to them

Officer said Gencor had identified aluminium as an important growth area on the local as well as the international markets

Alusaf has, since its inception, established itself as a force in these markets and Gencor looks forward to participating in this growth Alusaf will also complement and diversify Gencor's existing interests in the important base metals and minerals field

He said the transaction will have no immediate material effect on the net asset value, earnings and dividends of Gencor

Alusaf, one of the IDC's largest investments, was established 22 years ago to render SA self-sufficient in respect of its aluminium requirements

The company doubled its capacity in 1982 to approximately 170 000 tons per annum About 35% of its output is exported

Alusaf employs 2 800 people and has an annual turnover approaching R800m After-tax profit in the latest financial year was more than R120m

216 217

Expected copper shortage could boost prices

LONDON — A chorus of warnings about a potential shortage of copper and consequent higher prices has been coming from analysts.

As fourth-quarter demand takes shape, a shortage is expected to become apparent, says Nick Moore of Ord Minnett's mining team.

Tony Hayes, head of WI Carr's metals and mining analysts, says: "As we are facing the seasonally strong period of the year from now until early next year with low inventories and consumption already ahead of production, there is a high probability that the price of copper is set to move to all-time highs."

At Shearson Lehman Hutton, analyst Jim Lennon comes to a similar conclusion. "We expect a strong upward pressure on prices to re-emerge in September when demand picks up."

However, Mr Lennon suggests that from November onwards weakening demand is likely to put downward pressure on prices.

In 1990 prices should continue to be volatile around an essentially downward trend, he adds.

Mr Lennon says, though, that his forecast assumes there are no further interruptions in supplies

All the analysts point to the current serious problems in supply

These include the fact that Bougainville in Papua New Guinea (output 180 000 ton a year) has been closed since May 15 because of attacks by disaffected landowners.

Repair work has begun, but Mr Lennon says "We believe shipments from the mine are unlikely to re-start before the end of the year."

Analysts expect the strike which began at the Highland Valley mine in Canada (another 180 000 tons a year)to continue into September

And Peru's 70 000-strong miners' union has called a strike to start on Monday.

Indications are that this will be given strong support, at least at the outset.

The latest potential trouble spot is Chile where a drought is reducing water supplies and causing power cuts which might reduce output.

The copper price eased back in July, but Mr Hayes at WI Carr suggests that this resulted from the forward selling of 144 000 tons of metal on behalf of Mexicana De Cobra, as part of the Mexican group's recent $210 million financing package.

He adds. "The Japanese have allowed their inventories of refined copper to fall too low and could now start to be affected by the continuing supply problems The price of copper is once more set to move up" — Financial Times

Another leap from Impala

(217)

S Times 13/8/89

By Julie Walker

IMPALA Platinum jumped higher in the year to June 1989, lifting earnings a share by 59% to 829c.

The performance is attributed to higher metal prices and a weaker rand The total dividend of 250c is 39% up on last year's The share price hit a peak of R58

Impala transferred R129-million to reserves for expenditure on mining assets, such as Gazelle Platinum's new Karee mine Capital expenditure for the year to 1990 is forecast at R200-million

Schedule

Karee will produce its first metal ahead of schedule towards the end of 1989 Impala now owns 55% of Messina, which is investigating a platinum prospect

Gold Fields Vogelstruisbult's income from investments topped R8-million — last year R3,3-million — in the six months to June.

Earnings a share climbed by 167% to 48c and the dividend was raised by 127% to 25c. Vogels directors expect net earnings for the year to be much higher than those in 1988 as a result of higher dividends received from its investments in base-mineral producers

Costlier copper did not prevent Haggie from raising its interim earnings to June by 40% to 207,5c and dividend by 38% to 47c Interest swung from R158 000 received to R5-million paid, reflecting higher borrowings to finance the increased working capital of the copper-based businesses

Exports comprised a meaningful part of total sales of R585-million Haggie remains positive for the rest of the year

Recurring

Fedsure's interim earnings to June grew by 24% to 13,4c a share, and the dividend raised 22% to 8,25c Group assets of R2,8-billion are 15% up on a year ago

Fedlife's recurring premium income grew by 31% and investment income by 25% in the six months, but single-premium income of R51-million fell by 36% in line with the group's change of tack

Short-term insurer Fedgen lost R1,2-million in underwriting, but investment income improved by 37% Total contribution to Fedlife's investment income by Fedgen was R1,4-million.

Bonus

Interleisure's turnover added 42% to R375-million in the year to June 1989 Trading conditions were boosted by high consumer spending, increased cinema attendances, and film productions Food's profits fell, and the division was franchised further

Genrec's results for the year to June 1989 compare well with annualised figures for the 16 months to June 1988. Turnover grew by 22% to R326-million, interest of R1,6-million was earned instead of a payment of R2,3-million, and earnings a share jumped by 157% to 95c

The 25c dividend is 257% higher Bonus shares will be offered as an alternative to the cash dividend on terms to be announced The directors expect earnings to grow in the current year, but at a lower rate than in 1989

Q-Data impressed in the year to June The information technology software and services group made three acquisitions and turnover rose by 121% to R52-million Earnings a share were 45% up at 30,9c, of which 12,3c is dividend

Prospects look good, and the shares hit a high of 250c after the results were announced

Mine to be sued over poisoning

By Dawn Barkhuizen

A Johannesburg-based property developer, Mr Hans Harri, is to sue the Palaborwa Mining Company (PMC) after his stud cattle died from copper poisoning

Tests on one cow showed the animal to have well over the lethal oral toxic dose of copper in its liver. The cow had been on a farm about 15 km downwind of the PMC, just inside Gazankulu. Star 14/8/89.

Tests are still being conducted on three more animals and game owned by Mr Harri.

Animals which he lost in recent weeks include three stud bulls and one cow, worth about R20 000, a kudu bull and some wildebeeste

217

INVESTIGATION

Mr Harri, who represents a number of Gazankulu farmers, said the Gazankulu government had launched an investigation into the matter A number of cattle had died in the area but the reason had not yet been pinpointed

Mr Harri told The Star he had information that the mine had not filtered emissions from its smelting works and held them responsible for his cattle dying

PMC has stoutly defended itself, saying emissions were within specified limits.

PMC general manager Mr George Deysel said recently "We work within the limits laid down by the health authorities We have seen no signs of copper toxicity in the area."

Two years ago the mine was voted the safest in South Africa It has more than 1 000 employees

The Department of National Health said last week that while copper levels were high, this was to be expected in the vicinity of such a large mining complex The department said it had no intention of closing the mine, adding that to do so would mean closing the town of Phalaborwa as well as two nearby black towns

A lawyer acting for Mr Harri drew up papers on Friday He said they would be delivered to the mine today

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Shortage feared

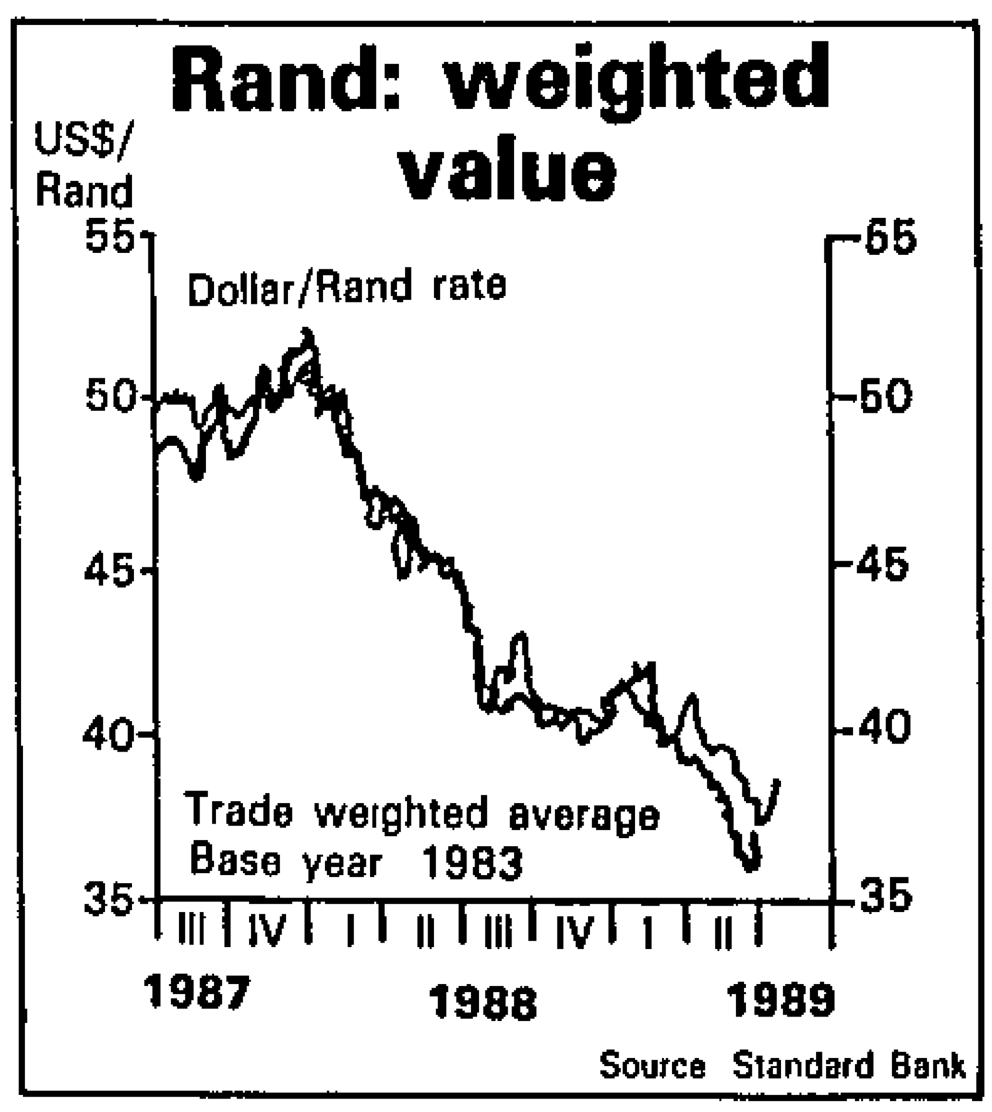
A chorus of warnings about a potential shortage of copper and consequent higher prices has been coming from London analysts.

"As fourth-quarter demand comes into focus, a shortage is expected to become apparent," says Nick Moore of Ord Minnett's mining team Tony Hayes, chief W I Carr mining analyst, says· "As we are facing the seasonally strong period of the year from the fall through to the spring of 1990 with low inventories and consumption already ahead of production, there is a high probability that the price is set to move to new highs"

At Shearson Lehman Hutton, Jim Lennon comes to a similar conclusion "We expect strong upward pressure on prices to re-emerge during September when demand picks up" However, Lennon suggests that from November onwards weakening demand is likely to put downward pressure on prices

In 1990, "prices should continue to be volatile around an essentially downward trend," he adds But Lennon says his forecast assumes no further interruptions to supplies.

All the analysts point to serious problems in supply These include the fact that Bougainville in Papua New Guinea (output



180 000 t copper a year) has been closed since May 15 because of attacks by disaffected landowners Repair work has begun but Lennon says "We believe shipments are unlikely to restart this year"

Bougainville has just announced a 27% lower first-half pre-tax profit and passed its interim dividend. The company began to repair power transmission towers on August 4, but says it will "exercise extreme caution before taking a decision to recommence production" There is "no guarantee further attacks won't occur" Once production resumes it will be "some months" before operations return to previous levels

Analysts expect the strike at Highland Valley mine in Canada (another 180 000 t a year facility) to continue into September

Peru's 70 000-strong miners' union has called a strike Indications are that this will be strongly supported, at least at the outset Peru produces more than 5% of the non-communist world's copper

The latest potential trouble spot is Chile, where drought is reducing water supplies and causing power cuts which might hit output — it contributes 21% of the non-communist world's copper

Copper eased in July but Hayes suggests this reflects forward selling of 144 000 t of metal for Mexicana De Cobra ■

212 Fmail 18/8/89

(217)

HIGHVELD STEEL (217)

More to come

Highveld Steel & Vanadium (Hiveld) is well into its second year of soaring growth in sales and earnings The interim results for the year to end-June were a quantum leap, with EPS up by some 290% How much longer will it last? The pace may be slower, but profits evidently are not on a plateau yet

After some 15 years of boom and bust in many commodity markets, it's become tempting to assume that growth phases will be short-lived Management, understandably, is hedging its bets and points out that US dollar prices for vanadium and ferrosilicon are softening

But Hiveld chairman Leslie Boyd is optimistic that industrial economies — and the demand for basic commodities such as steel and vanadium — may have returned to the more steady and lasting growth trends typical of the low-inflation era of the Sixties and early Seventies "If you go back to the Sixties and look at the growth rates of the OECD countries, sure, you had cycles, but the amplitude was quite low," he says It was only after the 1973 oil crash that Western economies entered about a decade of double-digit inflation and severe swings became the general pattern in metal markets

Boyd's view is that, with the instability of those years still fresh in the minds of the authorities in OECD countries, governments will do what is necessary to avoid a recurrence of high inflation. Economic intelligence is available much more quickly and leading economies have become more sophisticated at controlling inflation

"I have to be somewhat bullish as far as the Nineties are concerned," he says. "I think those years will be more like the Sixties than the Seventies and the Sixties were characterised by low inflation and low interest rates."

Management is also taking the view that until SA has moved nearer to a solution for its political problems, the rand will remain under pressure That would continue to boost Hiveld Though details have not been given since the imposition of sanctions, exports obviously played a large role in Hiveld's superb interim performance. In the six months to end-June, turnover rose 56% to R776,7m and attributable profit jumped 291% to R170,2m

The group has evidently diversifed its exports rapidly, as the SA steel industry completely lost the US market when sanctions were imposed in late 1986 The industry had voluntary restraint agreements for 0,5 Mt/year into the US and quota arrangements to the EEC, also for 0,5 Mt/year, all of which was lost "As a country we've had to move that tonnage elsewhere," he says Local exporters have had to work on establishing such aspects as product quality and reliability of supply with new customers But it could become harder to diversify if demand slackens

Another recent change for SA steelmakers is that activity in the domestic market has moved more closely into line with world markets — in the early Eighties, local and export markets tended to be contracyclical Boyd thinks this pattern may continue

Provided demand remains firm Hiveld should continue to benefit from increases in output Though the plant has been running at theoretical capacity for a few years, latest results were helped by increases in marginal output This partly explains the whopping interim trading margin of around 40% The capital programme of about R167m, whose major projects are to be commissioned in 1989-1990, should help improve cost control by providing more modern facilities, it will also provide flexibility to either lift output with demand or substitute more efficient technology for older plant

Funding further investment will not be difficult In Boyd's view, the most encouraging statement in the interim results was the swing from net borrowings of R55m at December 31 to net cash of R185m at June 30 — amounting to some R240m in positive cash inflow after capital expenditure Cash generation climbed from a negative R6,4m in 1985 to a positive R182,6m last year

Other capital projects could follow Hiveld's new pelletising facility, for example, handles only half the tonnage but would be

P.T.O.

IMPALA (217) Fmail 18/8/89.

Uncertainties

Good results from Impala Platinum for the year to June reflect the lower rand more than higher platinum prices. While prices rose during the year, they crashed after the Ford announcement at end-1988 and are now slightly less than a year ago.

Prices of other metals, particularly nickel, were much higher Impala says that, "in accordance with established accounting policy" unsold by-products are valued at net realisable value (NRV) Dave Russell of J D Anderson points out that policy last year was to take the lower of cost or NRV and says the new policy inflates earnings, especially as most by-product prices are falling

Impala's higher EPS growth of 89% after lower capex compares to 55% at Rustenburg Platinum Mines (Rusplats) in the same period. Analysts are puzzled at how Impala raised earnings more than Rusplats Impala may have supplied proportionately more on long-term contracts, in which prices are higher But Rusplats is generally thought to get a higher average price and has about R1bn cash The by-product stock accounting change may be one explanation.

Sales revenues increased 32% to R2bn (R1,6bn). The cost of sales increase was "in line with the rate at which SA mine working costs are escalating" Impala continues to disclose as little as possible

The share did not rise on the results, probably because of 72% higher retentions for capex and retained income — a total of R334m (1988 R196m) This represents 70% (65%) of profit after tax and lease consideration, the dividend increase is 39%, placing the share on a 4,6% yield Rusplats' equivalent combined retentions rose 53% higher to R363m (R238m), or 49% (47%) of profit after tax and lease Rusplats hiked its dividend 36% and its yields 4,3%, Impala is currently on a p.e of 9, against Rusplats' 14,5.

Impala says development of the new Karee project is progressing The first metal should be produced late this year, ahead of schedule R236m has been spent on Karee to date, funded internally Impala has not yet disclosed further plans for financing Karee, but the proclivity for retentions may be unpalatable to investors

Messina is still bogged down trying to secure mineral leases over the property to be developed This time last year, shareholders were led to expect immediate finalisation of the agreement with Lebowa. Now Impala says "considerable progress has been made" Kevin Kartun of Frankel, Kruger, Vinderine believes the Lebowa government may want a

(217) Fmail 18/8/89

high royalty and sees some political downside in operating in Lebowa

Kartun says Lebowa Platinum Mines (Leplats)' 7,5c dividend is the third unexpected payout Leplats is apparently keen to keep Lebowa shareholders happy with regular payments. It seems certain that Maandagshoek will not be accepted under Rusplats' tax umbrella, instead, the higher grade Plat reef project may be developed in a 50:50 venture by Rusplats and Leplats. Kartun believes Leplats' retentions may be insufficient, necessitating a rights issue

Kartun reckons platinum producers' profits are under pressure from the recently stronger rand, weak platinum price and declining by-product prices. Longer term, both Kartun and Russell believe the platinum price must rise, with continuing shortfall in production compared with demand.

The uncertainties surrounding Impala's funding of Karee and Messina may account for its lower rating than Rusplats — which is doing well on its cash pile The gap could narrow as uncertainties are resolved.

Teigue Payne

(217) Fmail 18/8/89.

GENCOR/ALUSAF (217) Fmail

More base metal

18/8/89

By gaining control of aluminum producer Alusaf, Gencor has further extended its interests in base metals and minerals — which these days can be a more profitable business to be in than precious metals And, unlike Gencor's other major businesses in this sector, Alusaf offers a balance between domestic and local markets. Output from the group's other major base metals operations, Samancor and Richards Bay Minerals, is essentially exported.

The listing of Alusaf promises to be a major event for the JSE. The R270m price paid by Gencor for its near one-third slice of Alusaf's equity capitalises the company at some R900m Gencor executive director Colin Officer, who assumes the chair of Alusaf, says the listing is mooted for 1990, provided market conditions remain favourable Meanwhile, he says, Gencor management wants to assess the aluminium producer in more detail, and will watch the Iscor listing closely

Officer ... bullish on aluminium

With effect from July 1, Gencor holds 55,6% of Aluminium Investment Co, which in turn has 49,5% of Alusaf The mining house has a further direct 3,2% in Alusaf which adds up to a 30,7% controlling stake The Swiss company, Alusuisse, one of the founding shareholders and a source of know-how, holds the remaining 44,4% in Aluminium Investment Co Since selling shares to Gencor, the Industrial Development Corp (IDC)'s stake has fallen to 30,7% and is expected to drop to about 10% after the public offer and listing The plan is to offer shares to staff as well as to the public

On the disclosed after-tax profits for the year to end-June, the price paid equates to a p e of about 10 times which even in this market is not cheap Consolidated Metallurgical Industries (CMI) stands on a p e of 7,3 times and Highveld Steel on 6 times Officer says the p e was only one of the factors Gencor considered in its bidding "We looked at the p es but did not see it as an issue," says Officer, who declines to clarify how the price was set

The IDC asked Gencor in December 1987 whether it would be interested in taking over Alusaf Gencor and other unnamed parties were then asked to submit proposals They were not told what proposals had been made by other interested parties

Since capacity was virtually doubled in 1982, Alusaf has become a formidable operation Output exceeds 170 000t a year, of which 35% is exported Latest turnover is given as almost R800m and after-tax profit as more than R120m, implying a pre-tax figure of some R240m, given that tax is being paid at close to a full rate In its end-June 1988 year CMI reported turnover of R158m and after-tax income of R38m, while in its 1988 year Highveld disclosed turnover of R1,2bn and after-tax profit of R122m In the past six months profitability of metal producers such as these has leapt, as shown by interim figures from Highveld, whose turnover rose 56% to R777m with taxed profit rising 29% to R170,2m

Gencor sees aluminium as a growth market in SA and internationally, with annual growth of about 3%, similar to stainless steel Demand is being driven by such sectors as housing, packaging, transportation, electrification projects and hi-tech consumer goods

Alusaf is heavily reliant on imported raw materials, particularly alumina The plant is a major electricity consumer, with probably the highest energy content of all metal producers in SA

But margins have apparently been high. Operating costs have recently been balanced by a firm international price, magnified by the exchange rate Since peaking at around $2 600/t, the London Metal Exchange spot price has declined to around $1 800/t and further weakness is possible But much — probably most — of Alusaf's exports are sold at contract prices, and about 65% of sales are to the local market Prices for domestic sales are at the posted RSA price, which is set once annually This has been based on various factors including costs, the prices of competitive materials and the international price, and the trend has been one of "steady increases over the years, in line with the inflation rate"

Gencor doubtless will be giving thought to an expansion for Alusaf. This may not be large, and could result in a broader product range, but it's likely there is potential for higher export tonnages Growth in local demand has left less capacity available for export

Andrew McNulty

Amic leads the field

OF the 43 companies reporting earnings this week, only four showed lower attributable income, and 18 beat their previous performances by 30% or more.

Amic stood out with 50% growth to 561c a share in the six months to June Exceptional export prices and the lower rand helped Amic

In the year to June, Siltek's increase at the bottom line was 49% The leading manufacturer and servicer of computer products made 74,8c a share and declared dividend of 21,25c

Metal and mineral exporters again starred, copper king Palamin, and asbestos twins Msauli and Gefco more than doubling their interim earnings

Interims from watches business Anbeeco and hi-fi company Supalek reflected the slowdown in the economy Both import and distribute goods

Sunday Times
BUSINESS TIMES

217

Dull years, then revival

S Times 20/8/89

By Don Robertson

THE sharp rise in demand for stainless steel and hence ferrochrome is likely to tail off this year and next, but thereafter should resume a rising trend.

From only 1-million tons in 1950, demand grew by about 7% a year to 6-million tons in 1982. Between 1986 and 1987, it rose by 10% to between 10-million and 11-million tons

Paddy Probert, general manager and director of Middelburg Steel & Alloys (MS&A) chrome division, says it is likely that this year's sales will decline by about 3% and by about 8% in 1990.

Rust

Mr Probert ascribes the increase in demand to the low price of stainless steel in comparison with other materials, and to its rust-proof properties

However, the expected 11% decline in the housing and the vehicle markets in America this year, coupled with a sharp lift in the price of stainless steel brought about by the rocketing cost of nickel, is likely to depress demand

The price of nickel, a basic raw material in stainless steel, soared from $950 a ton in 1986 to $3 200 this year

This prompted substitution — carbon steels, plastics and ceramics

PADDY PROBERT .. a first for Middelburg

Producers of stainless steel and ferrochrome are awaiting demand figures for the fourth quarter of this year before forecasting sales

Ferrochrome makes up about 25% of stainless steel Developments in the steel market directly affect chromealloy producers

Using what are now considered to be faulty demand trends, several foreign producers plan to increase production of ferrochrome and high-carbon ferrochrome. It is expected that production will rise by about a million tons between 1988 and 1993 to about 3,4-million from the present 2,3-million

Producers in SA also plan to increase production

Mr Probert believes production of ferrochrome will rise to 3,1-million tons in 1990, 3,2-million in 1991, 3,3-million in 1992 and 3,4-million in 1993

However, with demand for stainless steel declining, sales are likely to be about 2,4-million tons in 1990, a similar figure in the following year, but rising to 2,7-million tons in 1992

Strategic

Because of this oversupply, the price of ferrochrome is expected to fall from the present US82c a pound on contract to as low as US58c, settling at about US65c in 1992 and 1993

More pessimistic forecasts put the figure below US40c By 1997, however, the price is expected to recover to about US90c/lb in the view of optimists and the pessimistic US80c

Why then do SA producers intend to increase production?

Mr Probert says SA is the second-cheapest producer in the world at about US35c/lb Japan has a production cost of US70c The Philippines, Europe, India and America have production costs similar to the Japanese and many could go to the wall if the price dips to between US50c/lb and US65c

Some countries plan to raise production because America and Japan have asked them to This is an attempt to reduce dependence on SA, by far the largest ferrochrome producer Ferrochrome, however, is not subject to sanctions because it is considered a strategic material

MS&A's R240-million expansion will use, for the first time in the world, technology which will result in a 75% saving in energy It will use fines instead of brickettes as a feed and coal instead of coke

The new chrome direct reduction plant will boost charge chrome capacity by 130 000 tons to 430 000 tons a year It will be commissioned in June next year

Others which are increasing production include Samancor which will add 120 000 tons, Consolidated Metallurgical Industries (40 000) and Chrome Corp Tech (120 000)

Only a start in search of new metals

217

S Times 28/8/89

THE steel industry holds great potential for diversified product ranges, says Hans van Vuuren, general manager, planning and development, at Iscor.

Steel can meet the challenge of the increasing number of competitive high-tech products

Mr Van Vuuren says "We have merely scratched the surface in terms of steel's uses We are only now exploring the mixing of alloys and superalloys with steel, adding trace elements to provide a new perspective on its properties and applications.

"Many variations can be achieved through these mixes — such as the material's weight, toughness, wearability, formability, weldability or corrosion resistance. It is a matter of adapting products to suit customer needs"

"The fact that we are again producing about 7-million tons of steel a year, equivalent to production levels before Iscor was rationalised in 1983, is less significant than the difference in the steel We are producing steel of a diversity and grade unthinkable a few years ago"

Iscor is the only certified welding facility in this part of the world accepted by major inspection bodies This applies to all welding including nuclear and offshore applications

Another aspect of Iscor's research development has been the construction of weighbridges at its plants The weighbridges and load-cell technology will be used at all plants and will be marketed to industry

Confidence

Iscor is playing its part in the search for new metals through its research and development section.

Iscor's strategic position depends on trends and developments in the steel market which are closely watched. The optimum is to try to stay one step ahead of developments

"After the oil crisis in the early 1970s, steel lost market share to high-tech compounds, such as plastic and ceramics, because it did not respond with price-competitive products. There was no confidence in the future of the steel industry"

This has now changed.

"Dramatically improved productivity, new techniques and products have demonstrated that we can be innovative and price competitive In some areas we have regained that lost market share".

Largest

Iscor has the largest steel research and development organisation in Africa It employs 330 and has an annual budget of about R7-million — about 0,15% of annual turnover

It focuses on improving the input processes, such as mining techniques or production management It has also been successful in improving raw materials by removing impurities before they enter the blast furnace. The facility is also involved in improving end products and adapting them for different applications

Mr Van Vuuren says "We buy technology or negotiate to use it and have often used Mintek, CSIR and universities"

Research and development personnel also keep in touch with customers, such as the motor industry

"It is tricky working with the motor industry because the goalposts are shifted all the time There is a need to build cars from lighter but stronger steel, with better corrosion-resistance features or better paintability

"We must be cost-competitive with other products This calls for some fancy footwork on our part"

Stress

Iscor has been able to produce lighter, stronger and more attractive wheel rims for the motor industry.

So successful has Iscor been in developing this steel that it now exports wheel rims

Railway lines are another area of interest, although Mr Van Vuuren says there were problems

"Our early rails lasted about three years, but increased axle loads, more traffic and longer trains required more durable track

"The new rails — with a higher manganese content — have a lifespan of about 20 years and sales have declined from about 250 000 tons in the early 1970s to less than 200 000"

The development of a product is usually a long-term exercise

The Steel Industry

There's more in Iscor than steel

S/Time, 20/8/87

217

By Don Robertson

ISCOR means steel to most people.

But it operates some of the biggest and most sophisticated mines in SA, feeding its works with iron ore, coal, tin concentrate, zinc concentrate, dolomite and silica

It is not sitting on its laurels — major expansions are under way at many of the mines

The Tshikondeni coal mine in Venda — near the Kruger National Park — is to increase production from 200 000 to 730 000 tons a year

Production at the Sishen ore mine, already running at capacity, is to be expanded by 2-million tons a year

Production at the Grootegeluk coal mine will be more than doubled to 14-million tons from 6-million

Coke

Ben Alberts, senior general manager, mining, says "Our decision to expand is based on inter-related factors

"They include new technology which enables us to use low-quality coal, increased demand for iron-ore exports, the finite life of plants and reserves and the current state of the international iron-ore market

"Most of our plants and blast furnaces require high-quality coking coal, of which SA has low reserves For example, the two SA mines with the best coking coal, Hlobane and Vryheid Coronation, have proven reserves for only another 10 years.

"Realising that we could face a situation where there could be no coking coal in this country, we were forced to explore new techniques for iron-making, using low-grade coal of which this country has vast supplies"

It has been decided to use the new Corex technology at Iscor's Pretoria works and to commission direct reduction plants at the Vanderbijlpark plant These reduction plants do not require high-quality coking coal and are cost-effective in the use of low-grade coal

Departure

All this required a radical departure from Iscor's conventional mine planning because different coal reserves had to be secured

Generally, Iscor plans in terms of reserves for 40 years ahead.

Mr Alberts says: "We must guarantee reserves of raw materials in our planning

"Considering the capital tied up in an undertaking like Iscor, it would be economic suicide to have insufficient reserves"

The Tshikondeni mine has high-quality coking coal which goes even further when blended with lower-grade Grootegeluk coal Iscor has also acquired reserves in the Delmas area. They had been ignored because of poor quality. With new technology, this coal has become profitable

Crisis

Ten years ago, Iscor received 70% of its coal requirements from other producers But it now produces most of its requirements.

However, not all the coal Iscor mines is usable in its plants because of poor quality. Eskom uses Iscor coal at its Matimba power station at Ellisras

At Eskom's request, Iscor is upgrading the output from Grootegeluk to meet demand for Matimba, which uses 100 tons of coal an hour every day of the year

Iscor has been able to optimise its mining operations with a resultant reduction in costs

Things are also looking brighter for iron-ore exports Demand plummeted after the oil crisis in the early 1970s, but in the past six months it has rocketed

Mr Alberts says "This is due to two main factors Countries closed down their plants during the steel slump and this led to a better balance between supply and demand

Labour

"In addition, steel demand has increased and the world's two biggest mines — Mount Newton in Australia and CRVD's Carajas mine in Brazil — have suffered severe setbacks

"Recurring labour problems at the Australian mine and production difficulties reduced their sales It will be years before they recover

"A major stacker at the Brazilian mine's export port, Ponte Madeira, collapsed last year, seriously affecting the loading rate at the port"

Taking advantage of these setbacks, Sishen has been running at capacity. It is hoped to lift output soon

Mr Alberts says "We cannot keep pace with demand Sats has benefited from the increased demand for ore

"Sishen ore is exported through Saldanha Bay and every week 21 trains, each carrying 18 000 tons or ore, leave the mine for the coast Sats has recommissioned trucks which were collecting dust in the yards to handle the increased traffic"

Debt

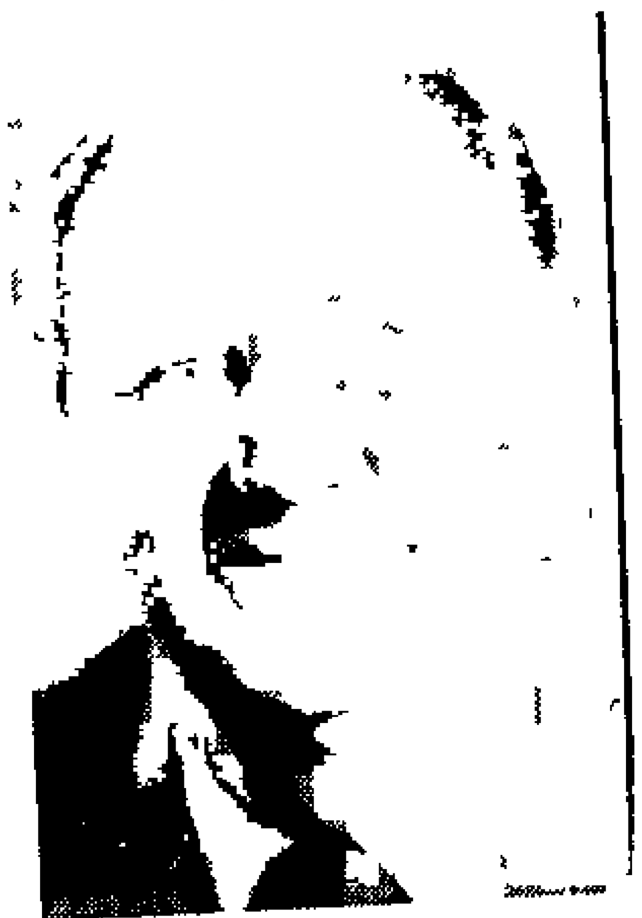
It is also good business for Iscor and debt for the railway line of R814-million will be paid off in the next two years

Mr Alberts says Iscor's mining success is attributable to its ability to explore different techniques Iscor pioneered coal-washing methods in the 1960s and the beneficiation of iron ore at Sishen

"The ore is far more marketable if you can provide clients with a standard, consistent grade Quality consistency is vital and enables customers to tune their equipment to specific parameters"

Mr Alberts is looking forward to privatisation of Iscor

"What would happen for example, if under a privatised Iscor, we discovered a rich copper-bearing ore?" he asks



BEN ALBERTS . mining a valuable contributor

Samancor profits at record level

GMT 7h 25/8/89

JOHANNESBURG: — Continuing strong demand and rising prices for Samancor's products in world markets, and the further weakening of the rand, boosted the company's performance to a new record level in the 15-month financial period ended June 30

Turnover for the period was R2,1 bn, representing an annualised increase of 86,5% over the prvious year. Net attributable income of R567,1m was 141,5% higher on the same basis.

This includes a significantly increased contribution from Samancor's associated companies, notably Tubatse Ferrochrome

The directors declared a final dividend of 65c and an extraordinary final dividend of 50c, which with the ordinary and extraordinary interim dividends of 45c and 40c gave a total for the year of 200c (75c)

MD Hans Smith said all operations had worked at full capacity and produced good results in the review period.

"The challenge now facing management is to consolidate at this high level and to fortify Samancor against the inevitable downturn in its notoriously cyclical markets," said Smith.

"Capital expenditure in the 1989/90 financial year will therefore be substantially higher as we invest in improving our infrastructure, quality of products and ore exposure in order to strengthen our competitive advantage."

Smith said the prospects for the new financial year were promising.

"Demand for Samancor's products is likely to remain strong but will probably not be sustained at present levels In fact, we have already experienced some softening in price and demand, mainly in the ferrochrome market, nevertheless group results are expected to improve further during the next financial year," he said. — Sapa

New import replacement

GMT 7h 25/8/89

WILLARD Batteries have launched SA's first locally manufactured maintenance-free stand-by battery.

Previously all maintenance-free stand-by batteries were imported.

Extensively tested over 18 months, the LS 90 has proven itself to be capable of handling the most demanding applications.

It is targeted at the fast-growing and strategically important UPS (Uninterruptable Power Supply) market It will be sold to intermedia users for inclusion in their end-user packages

Report on Natal mining

Star 4/9/89

Own Correspondent

DURBAN — A preliminary report on new mining developments on the eastern shores of Lake St Lucia will be submitted by Richards Bay Minerals tomorrow for approval

217

The company, which came under fire because of alleged damage to the coastal dune systems, has put plans into operation to mine the ecologically sensitive areas north of Richards Bay, a mere 2 km from the wetlands of Lake St Lucia

An advertisement giving details of the proposal was placed in the *Zululand Observer* on Friday but many residents in the area felt that the public had not been given sufficient time to comment on the issue

Professor Roy Lubke, a Grahamstown environmental consultant who is conducting the assessment of the proposed mining area for Richards Bay Minerals, said he would welcome meaningful comment from the public so that it could be included in the report

His home telephone number is (0461) 26046 He can be contacted at work on (0461) 22023.

SABC moves to upgrade black teaching

Star 5/9/89

By Michael Chester

School television programmes beamed down to South African classrooms from satellites may be on the way to crack the problem of chronic shortages of teachers in black schools, the SABC revealed in Johannesburg last night

Even remote schools without normal electricity supplies may be able to tune in

The hi-tech breakthrough to new solutions to improve the education system in black schools was outlined by Professor Christo Viljoen, chairman of the SABC, when he presented gold and silver medals to winners of the National Productivity Institute awards for 1989

Professor Viljoen said the proportion of black children in the total school population in South Africa was set to grow from 80 percent to no less than 90 percent by the year 2000.

BASIC PROBLEMS

But the need to improve teaching standards was underlined by "a rather grim picture" painted by recent statistics showing that out of every 100 black pupils starting school in the early 1970s, only an average of 14 reached Std 10 level.

One of the basic problems, he said, was the lack of suitably qualified teachers And educational institutions were not in a position to produce the number of qualified teachers required for the growing school population

He believed South Africa needed to call in high techology to alleviate the problem, especially through the electronic media, allowing the best teachers in the world to talk directly to classrooms to supplement the work of teaching staff

It was the responsibility of the Department of Education to undertake the task of providing formal education. But the SABC was willing to be the carrier of its message, the professor said.

At the moment, less than one-fifth of all classrooms were linked to electricity supplies. Now, however, research was in progress towards radical new TV units that may not require electricity at all.

The Board of Trade and Industry was already working on the idea of TV sets working on 12-volt batteries — recharged, if necessary, by solar energy

The SABC believed satellite television broadcasts could become commonplace in the 1990s, Professor Viljoen said.

● See Page 19.

Platinum key earner for Johnnies

Cape Times 5/9/89

317

JOHANNESBURG.—Johannesburg Consolidated Investment (JCI) increased profit before tax for the year ended June to R405,9m (R322,7m) which resulted in attributable earnings to ordinary shareholders rising to R570,8m from the previous year's R429,9m.

Earnings per share were accordingly higher at 4 929c (3 892c), while a final dividend of 1 500c was declared for a total of 2 200c (1 750c)

The financial results released yesterday show mining income was dominated by platinum which grew by 53,3% and accounted for R199,0m or 35,0% of total earnings

Income from diamond investments also showed considerable growth,increasing by 58,6% to R75m.

The Group's gold interests, however, were adversely affected. Nevertheless, income from this sector increased by 12,9% to R24,5m

Improved conditions in export coal markets and resulted in significantly higher prices for the Group's coal operations and Tavistock was able to more than double attributable earnings to R20,0m

Earnings from the Group's industrial interests increased in aggregate by 39,2% to R208,4m.

Attributable earnings after exclusion of non-recurring item increased by 26,6% from R287,0m (3 892c per share) to R363,4m (4 929c per share). This increase is below that of equity accounted results primarily because attributable earnings of the Group do not reflect the large increase in final divs declared by the Group's platinum investments for the financial year ended June. — Sapa

B/Day 7/9/87.

MINES' GROWTH BID WELCOMED BY JSE ANALYSTS

REINIE BOOYSEN (217)

THE decision by Barplats Mines, formerly Lefkochrysos, to raise R300m in a rights issue for further development has, on consideration, been welcomed by most JSE analysts — albeit for different reasons.

One reason, which has nothing to do with its own fundamentals, but remains a forceful reason nevertheless, is that it has stolen a march on the rush of platinum companies expected to come to the market for money within the next year

These are JCI's Lebowa Platinum, Gencor's Impala and GFSA's Northam, in expected order of chronology·

- Lebowa is expected to announce within the next few weeks the details of its project to exploit its so-called "Platreef" platinum deposit near Potgietersrus. It will be the first modern operation to embark on such a project, expected to cost about R400m
- Impala is expected to raise about R600m to complete its Karee project, which may be listed separately. The original intention was to raise about R300m in October 1987, but this was postponed because of the market crash.
- It is well known that Northam will soon have to come back to the market for more money, and the figure being bandied about in investment circles is R600m. So Barplats Mines will have first bite at the enormous cake of liquidity which has gathered in institutional and corporate treasure-chests.

Develop (217)

Other good points which have emerged about the rights offer are:

- Barplats Mines did not need a rights issue to develop Crocodile River Mine — formerly Lefkochrysos mine — to its Phase 1 production level of 160 000 tons of ore a month, says chairman Clive Knobbs.

In fact, the issue arose as a result of the decision to go ahead with Kennedy's Vale (formerly Rhodium Reefs).

The R300m to be raised will strengthen Barplats Mine's balance sheet, and enable it to fund the initial development of Kennedy's Vale

Further development will be funded through retentions when Crocodile River profits start coming on stream Knobbs says this will not affect Barplats' ability to pay its maiden dividend in 1992 B/Day 7/9/89

Kennedy's Vale is expected to start producing platinum group metals in 1995, and to reach Phase 1 production of 180 000 tons a month by 1996 Rand Mines (RM) estimates the total amount of money required to bring it to this level is about R638m in today's money terms

"I think this is actually very bullish," says Frankel Kruger Vinderine analyst Kevin Kartun "Particularly in view of the positive outlook for platinum group metals demand."

Rand Mines turns bullish on platinum

217
Star 7/9/89

By Derek Tommey

Strong demand has made Rand Mines bullish on platinum

It said this week it intended spending R300 million on expanding group production and that it had already negotiated long-term supply contracts for platinum, with other contracts in the pipeline

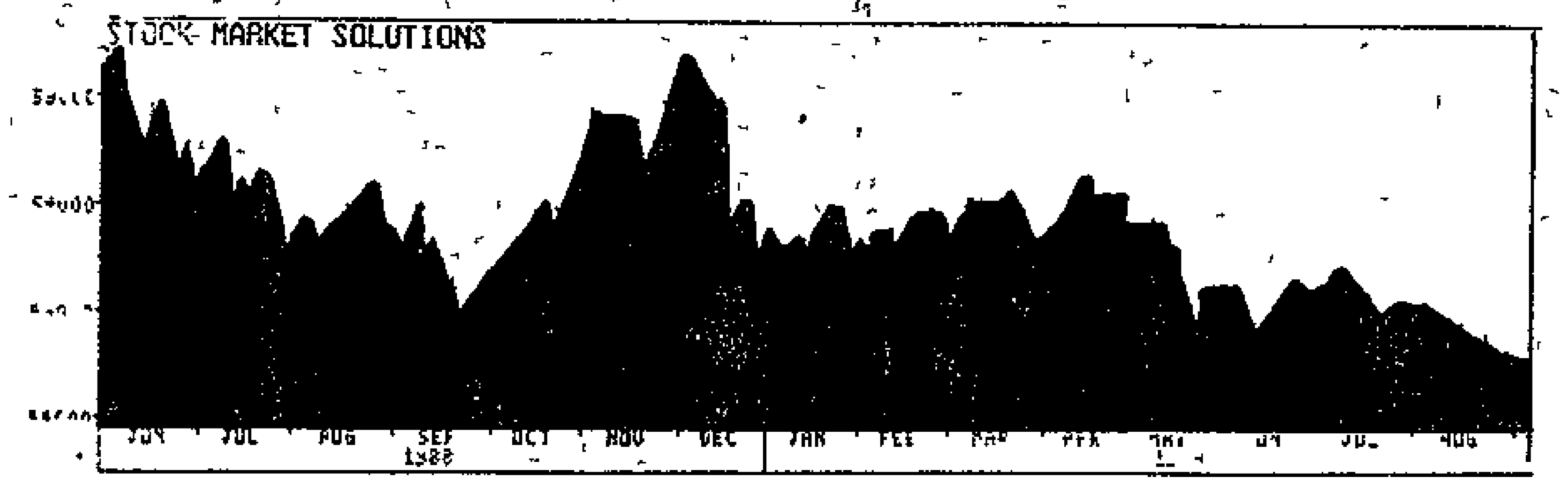
Rand Mines has a two-pronged plan for achieving increased output

Firstly, it is accelerating expansion at its Crocodile River mine (formerly the Lefko mine).

Rand Mines took over the mine in a rescue operation late last year when its controlling company started to over-run its budget

Crocodile River is close to completing its first development phase and Rand Mines' gold and platinum division chairman, Clive Knobbs, says it is on schedule and budget and that the first spot sales have taken place

It has been decided to advance by six months the second-phase development of the mine, which will take production from 160 000 tons of the first-phase level to 250 000 tons by the end of 1992



Despite the fall in the platinum price in recent months, Rand Mines is investing heavily in production developments

While this expansion is likely to be financed out of profits, it still expects to pay a maiden dividend in 1992, as originally forecast

Lefko is to shed its exotic name and be called, somewhat more prosaically, but presumably more in keeping with the Barlow image, Barplats Mines.

Secondly, Rand Mines has decided not to mothball its deeper and more expensive Rhodium Reefs project, as it intended doing when it took over Lefko last year.

Instead, after renaming Rhodium Reefs Kennedy's Vale, it is to continue development at the rate applied since January

This means that shaft-sinking will remain on a two-shift basis.

So far, the primary service shaft has been sunk to a depth of 656 metres and the dual-purpose shaft to a depth of 743 metres

Until now about R100 million has been spent on the mine

It is now planned to spend a further R300 million, with the intention of achieving a milling rate of 180 000 tons a month in 1996

However, company officials say the mine could be opened sooner if platinum demand improves further

Rand Mines says the group's platinum refinery at Brakpan, called Barplats Refineries, has been commissioned and will be capable of refining production from both Crocodile River and Kennedy's Vale

The R300 million is to be raised by way of a rights issue by Barplats Mines (Lefko)

Both Barplats Investments, which has a 73-percent interest in Barplats Mines, and Rand Mines, which holds 61 percent of Barplats Investments, are planning their own rights issues to enable them to take up their rights

However, Vansa Vanadium, which holds 18 percent of Barplats Investments, does not intend taking up its rights, but to pass them on to shareholders

Rand Mines seems justified in taking a bullish view on platinum

The "Greens", with their deep concern about the environment, are in the ascendancy in the Northern Hemisphere where platinum plays a major role in curbing car exhaust pollution

In this situation one can easily foresee sharply higher demand for platinum in the years ahead

In fact, one wonders how long it will be before South African cars are fitted with platinum catalytic converters to cleanse their exhaust gases

It need not be far away The lead content of petrol used in SA has already been reduced — which is normally the step preceding the use of platinum converters

Use of metals may become an environmental issue

Star 7/9/89. 217

THE impact of environmental issues on the use of metals, though difficult to judge, may be the most important consideratiom for the min'ng and metals industry in the "green" 1990s, suggests Mr Andrew Smith, an analyst with the UBS Phillips & Drew financial services grou.

"And because environmental pressures will not go away, these changes may be more profound that those which followed the 1970s oil price shocks," he adds in a detailed study in his latest Base Metals Outlook

Mr Smith says the impact of increasing "green" concerns may be felt more on demand for metals rather than on mining and refining

"It is conceivable that environmentally aware consumers in the 1990s will come to see goods more transparently, partly as a collection of raw materials and energy inputs

"Attributes of durability, and recyclability will become even more important Experimentation with metals and metal substitutes will increase," he says

Taking the example of the car industry, which accounts at present for 27 percent of all zinc consumed, 16 percent of the copper, Mrs Smith points to three likely trends in material use in the mid to late 1990s

- Plastics continue to be substituted for metals to achieve both weight reduction and lower-cost corrosion protection.
- Aluminium gradually becomes a more serious competitor for steel in car frames (although the aluminium industry's expectation of a 2,5 million-ton aluminium car frame market, a 20 percent addition to demand, "looks a little optimistic."
- New metals, metal compounds and new composite materials could replace traditional metals, for example magnesium for aluminium and zinc in castings' titanium alloys in springs and valves, and magnesium/fibre or aluminium/fibre in pistons

"Cross fertilisation of ideas between the car and the aerospace industries may help reduce the cost penalty of these weight-saving alternatives," Mr Smith suggests.

On the supply side, Mr Smith points out that mineral-rich developing countries are becoming more sensitive to environmental issues and the demands such countries are beginning to make can be met only by larger companies

"Undercapitalised, smaller companies will find it more difficult to gain entry to what were once easy Third World pickings In this sense, big may be beautiful in the green 1990s" — Financial Times

Outrage over threatened rape of Natal

Star 9/9/89

217

JAMES CLARKE

A WAVE of national outrage is building up over a Canadian mining company's 'urgent" request to mine titanium in Lake St Lucia Game Reserve in Natal

The threat is part of a broad-fronted assault on Natal that could render the province unrecognisable

The Government whose decision on St Lucia is expected by the end of the month will be flying in the face of its own recently amended Environment Conservation Act if it gives the go-ahead The Act lays down that all such developments must first be subjected to an environmental-impact study and public input

The St Lucia estuary Africa s largest is one of South Africa s most famous wildlife areas

Richards Bay Minerals (RBM) a subsidiary of a Quebec based company says St Lucia s forest covered dunes are impregnated with R5 billion worth of titanium — used in paint and aerospace alloys

But to remove the dunes will kill the natural forests and drastically effect the lake s ecology The dunes shelter the estuary from the Indian Ocean and provide a habitat for many species of animals including rhino

The mining operation would continue for 15 years around the clock A floating factory would treat 73 000 t of sand a day and need daily, 35 000 t of water from the wetland

Ironically, the region has recently been listed as an internationally important wetland, and the SA Wildlife Society has asked for it be listed by the International Union for Conservation of Nature as a World Heritage Site

RBM is a popular company and is currently mining the Richards Bay area s dunes It is known for its input into local education and job creation and for its experiments in trying to get indigenous vegetation to grow back on mined-out sand dunes

The St Lucia threat, however is only one aspect of the Natal crisis

The forestry division of the Department of Environmental Affairs has recently given farmers in the Natal Midlands including the Drakensberg foothills, permission to cover three quarters of their farms with pine and gum plantations If this happens some of South Africa s finest pasture land will be sacrificed

Forestry s policy has triggered a frenzy among timber companies to buy up whole blocks of farms One parcel of farms measuring 50 000 ha has just been negotiated Despite the profound ecological effects afforestation has, there have been no environmental impact studies published

A forestry spokesman told me that foresters now receive a 'rounded education and can judge whether impacts will be acceptable

Another assault on the Natal/Zululand landscape is expected from the sugar industry A new wave of sugar farms is expected to spread north and west from the North Coast fields of Natal — for synthetic fuel production

Zululand's thornveld and many of its rivers and estuaries are threatened as a result

Natal conservationist Dr Ian Player of Natal Parks Board told me this week From a conservation point of view Natal has been overwhelmed — now only pockets of resistance are left

He said he did not blame industry for St Lucia s crisis — 'I blame the Government.

We haven t even got a national conservation strategy

A forestry official confirmed this week that out of 23 300 ha of grassland afforested nationwide in 1987/1988 two thirds were in Natal

He expected a 10 percent jump next year But Natal sources expect a doubling

Other problems adding to the Natal crisis

● Natal s coast is threatened by a move to allow seaside towns to save money by discharging raw sewage into the sea Some industries already dump in the sea

● Natal s most important catchment — the Tugela valley — has lost half its wetlands (vital to river flow) They have been blotted up by timber plantations and drained by farmers Some tributaries have been filled in, according to ecologist Dr George Begg of Maritzburg

● The same source says 90 percent of Natal s natural lowland forests have been wiped out

This week I spoke to scientists in Natal Parks, Natal University and in the Transvaal and the consensus was that

● Afforestation will cause immense social disruption because forestry unlike farming is not labour-intensive An average 100 ha farm would support 70 or more people — now most will go to the cities

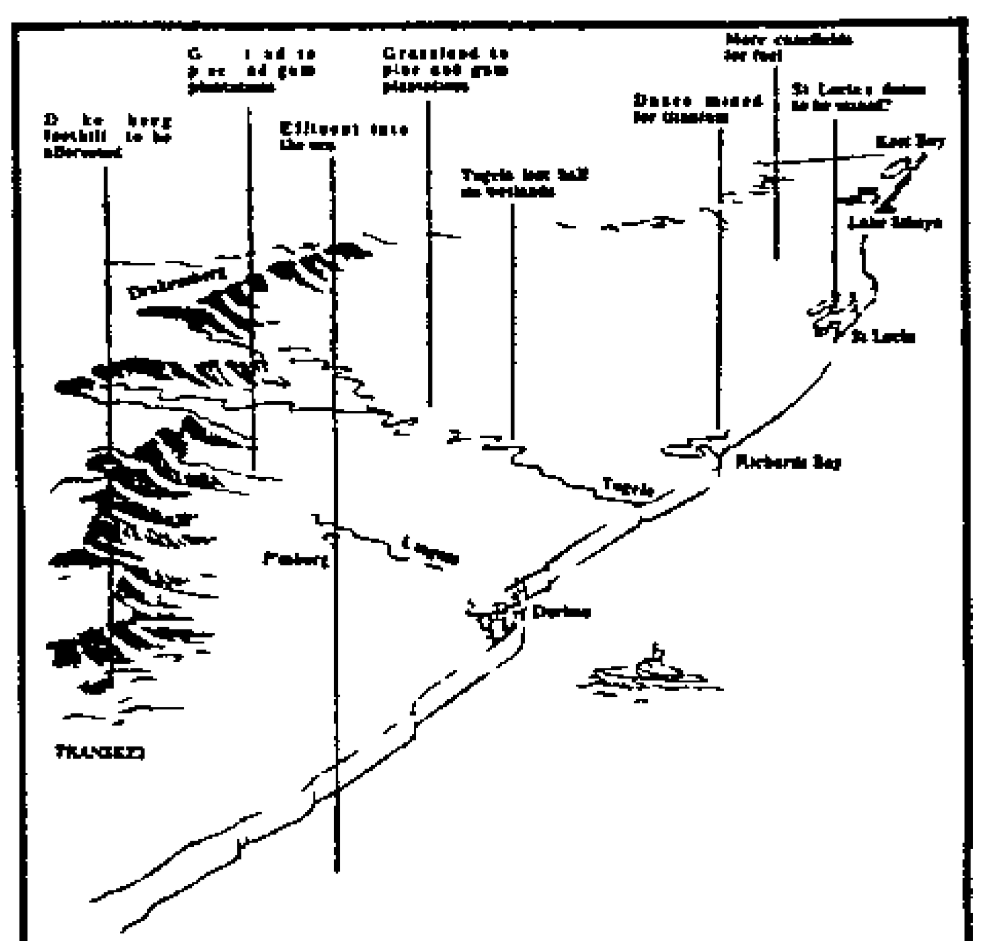
● Titanium mining will irrevocably alter the ecology inland

● The spread of canefields will turn vast areas of complex natural veld into a monoculture and divert good land from food production

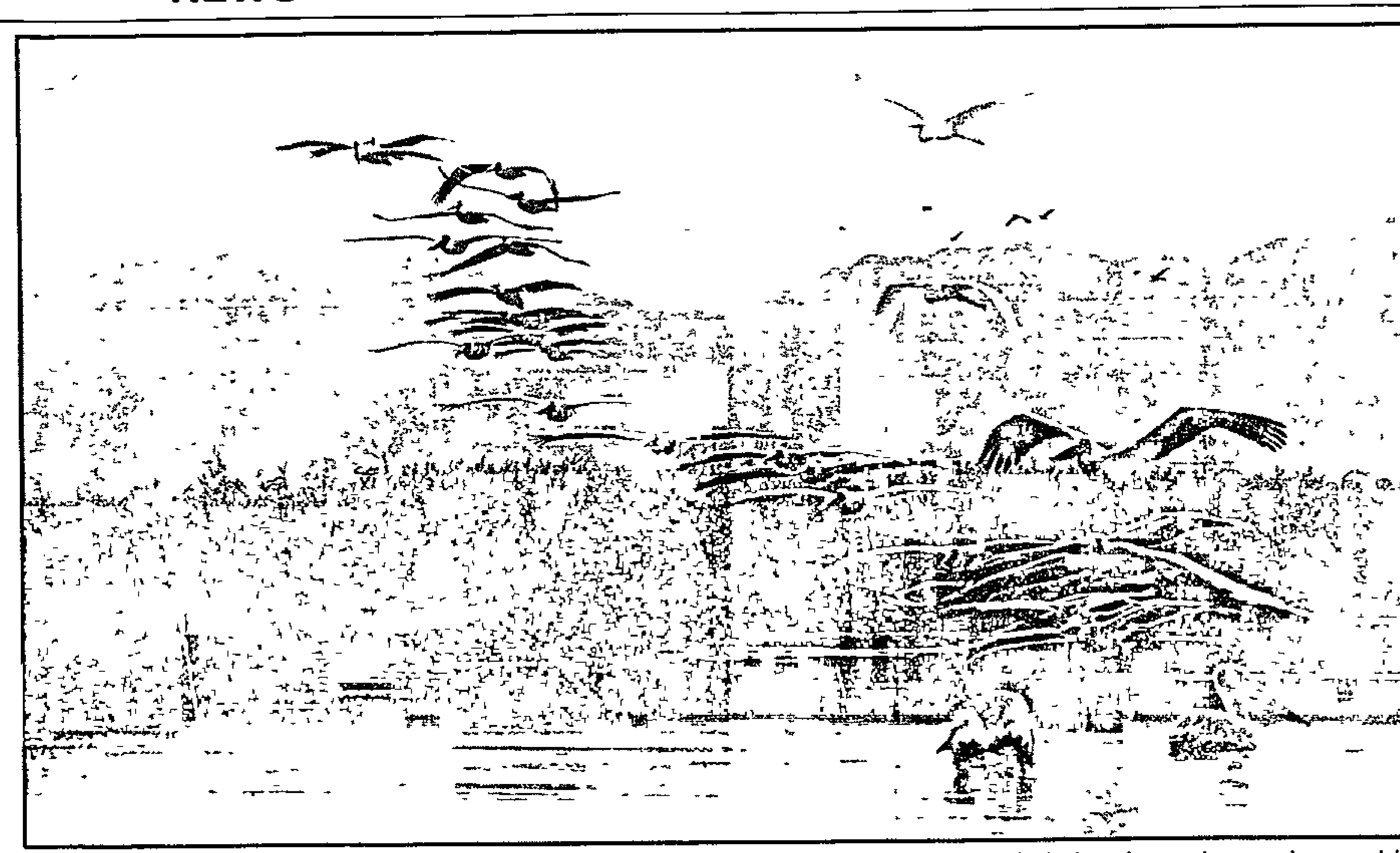
Natal Administrator Mr Radclyff Cadman has asked the Government to regard St Lucia as inviolate

Dr Nolly Zaloumis president of the Wildlife Society has written to the Acting State President Mr F W de Klerk saying that nothing should be done at St Lucia until environmental impacts and legal and international implications have been studied carefully

Dr Zaloumis told me The region s long-term tourism value outstrips its short term mineral value



THE TARGETS Goodbye to the way it was



IN PERIL Lake St Lucia, seen here, could be sacrificed for foreign exchange In the background the high dune forests that are threatened by mining ● Picture JOHN PITTS

'No mining plan in Richards Bay'

8 Star 11/9/89 Own Correspondent (217)

DURBAN — Directors of Richards Bay Minerals have reacted sharply to allegations about their titanium mining operations along the Zululand coastline.

"Coastal dune slumping is a process that occurs naturally along the Zululand coast and in other parts of the world," said Mr Roy MacPherson, managing director of Richards Bay Minerals.

Commenting on a number of allegations made in a recent *Sunday Tribune* article, he said "Anybody familiar with the region will know no mining has ever taken place between Mtunzini and the New Mouth or between the Richards Bay Harbour (RBH) and Gabagaba, and yet slumping of dunes all along that stretch is there for all to see

"RBM's mining operations do not in themselves cause slumping, but where the coastal dunes are already unstable and prone to slumping the close proximity of a mining plant can accelerate the process.

Higher rand metals prices give boost to Prieska profit

STAR 11/9/89

217

Prieska copper/zinc mine produced sharply higher profits and dividends for the year to June.

This was the result of higher rand metal prices received, which offset reduced sales of copper and zinc concentrates

Although underground tonnages are to be cut back, the mine plans to treat a low-grade surface dump, chairman DJ Crowe says in the annual review

He says provision has been made for estimated quantifiable closure costs of R13,4 million for statutory rehabilitation and other obligations stemming from the eventual end to mining operations.

Of this sum, R2,9 million has already been expended and an initial R1,9 million has been paid to the mine's nature conservation trust established for the purpose of assuming statutory obligations

Certain other anti-pollution issues have to be resolved, but their cost is not yet known.

However, income from the sale of realisable assets when the mine closes, together with the provision mentioned above, will cover all such outstanding costs, Mr Crowe says

At year-end, the underground ore reserves were estimated at 428 000 tons, but there is also limited potential for ore recovery from previously mined areas

The low-grade waste dump is estimated to contain four million tons of potentially treatable material. But because of the nature of the dump, it is not practical to obtain representative samples to assess grade

From the end of the September quarter, the mine plans to exploit both the underground and surface sources of ore for as long as such operations remain profitable

This will involve underground mining reducing to about 30 000 tons monthly, while about 100 000 tons a month will be drawn from the low-grade dump

"As metal prices, exchange rates and cost controls will be critical factors in determining the profitability of the operations", says the chairman, "results will be closely monitored on a monthly basis to ensure that if overall profitability is not achieved, the cessation of operations will be effected without delay."

It is, therefore, not possible to forecast production levels, mine life or earnings with any degree of confidence — Sapa.

Swift support for petition

217

By James Clarke

Star 13\9\89

Hundreds of readers have responded to the call by Saturday Star to save Lake St Lucia's forested dunes from being mined for titanium And thousands more signatures are pledged

The Wildlife Society has put out a nationwide appeal, and shops, schools and universities are collecting signatures

Mr Peter Lourens of Linden Cycles in 3rd Avenue, Linden, Johannesburg, said "I stuck the story on my counter, and all my customers are signing the petition"

Pretoria Technikon students signed up 145 in an hour

By yesterday morning a dribble of protest letters began to arrive at The Star's CARE campaign office By mid-afternoon a steady stream was arriving

People — especially younger people — are angered by the news that a Canadian mining company has asked for special permission to mine the area for 20 years — day and night

The decisive factor in the petition is likely to be the Wildlife Society, which 10 years ago solicited most of the 130 000 signatures when The Star's CARE campaign launched a petition to save the Kruger Park from being mined for coal

● See Page 8.

Minister promises St Lucia probe

217

Political Staff

CAPE TOWN — Environment Minister Gert Kotze has given an assurance to the Democratic Party that no decision will be made on mining the ecologically sensitive St Lucia region without a full investigation

In a statement yesterday, DP environment spokesman Mr Rupert Lorimer said he had taken the issue up with Mr Kotze who in turn was to discuss it with Economic Affairs and Technology Minister Mr Danie Steyn.

Mr Lorimer said he had expressed his "grave concern" about the mining proposals by Richards Bay Minerals & Mining, under fire for its mining of dunes in the Richards Bay area

"At this stage the DP is totally opposed to the scheme"

Readers invited to fight 20-year scheme

Canadians want to mine at St Lucia

217

By James Clarke

This is Lake St Lucia Zululand — Africa's largest estuarine system and one of the wildlife gems of the world

In the background are the high dune forests that protect the area from the Indian Ocean and which a Canadian mining company wants to mine

It has asked the Cabinet to give it urgent and special permission to mine titanium a metal used in paint and alloys, and it wants a decision by the end of the month

Mining the dunes will entail bulldozing the forests away and processing the sand through a huge floating factory operating day and night for 20 years

St Lucia's protective dunes are not safeguarded by law

The mining company says St Lucia's minerals are worth R5 000 million But conservationists point out that most of the profit will go overseas and in any event tourism will soon be earning that much every year

The mining company says it will sponsor local schools and clinics But conservationists say that when the minerals are finished the factory will move on, leaving the population without jobs

Readers of The Star can help save St Lucia just as they helped save Kruger Park from being mined for coal 10 years ago

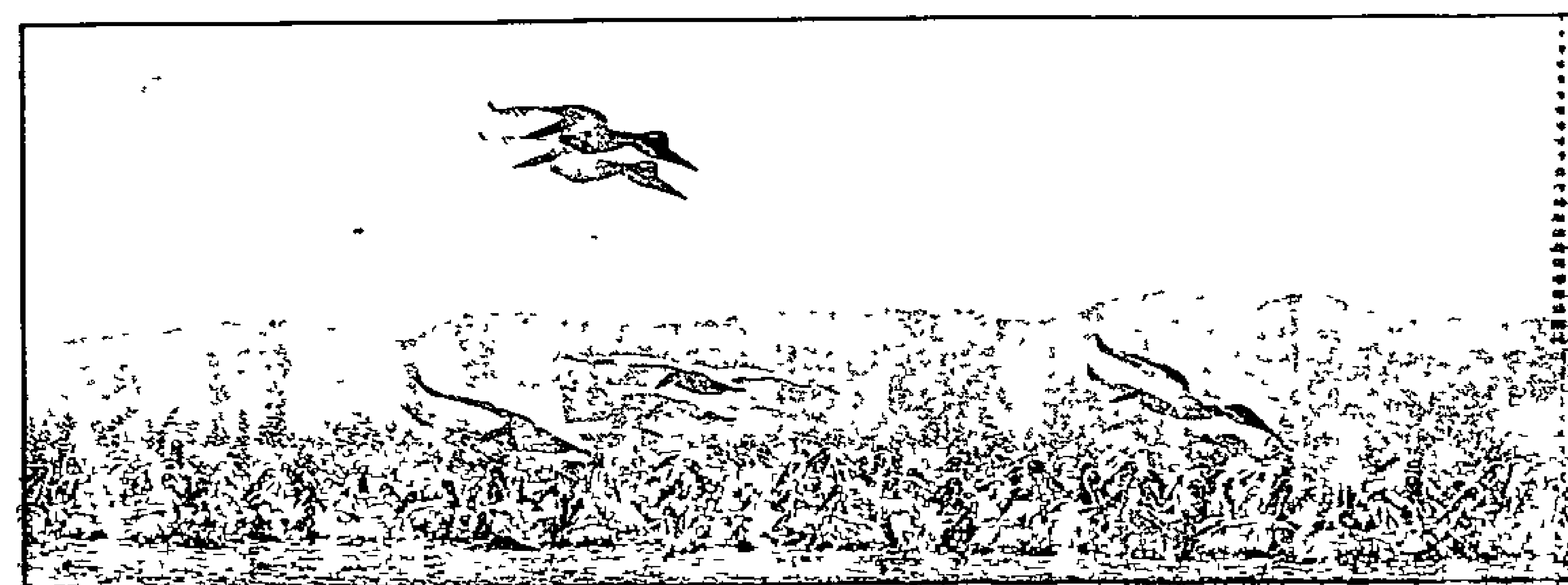
Inviolate

If you feel that St Lucia should not be mined then write on a piece of paper 'We the undersigned oppose the mining of St Lucia's dunes and demand the assurance that the Government regards Lake St Lucia as inviolate

Now get everybody you know to sign it.

Then send it to CARE, The Star, P O Box 1014 Johannesburg 2000

The dune forest sweeps down to the sea — a Canadian company wants to remove the forest and mine the underlying sand for titanium ● Picture by Dr Nolly Zaloumis.



Flamingos (left) take off from Lake St Lucia, while pelicans (right) perform a fly-past The dune forests are seen in the background ● Pictures by John Pitts

COMPANIES

Zincor negotiating for removal of surcharges

BDay 13/9/89. (217)

ANDREW BUDDEN

ZINC Corporation (Zincor) has reached an "advanced stage" in its efforts to have the 10% import surcharge on imported zinc concentrates removed

GM Helgo Kahle said yesterday negotiations with the Board of Trade and Industry were moving towards the shelving of surcharges on zinc concentrate imports

The Gold Fields of SA (GFSA) subsidiary — which buys and refines zinc concentrates from local mines — is set to import concentrates this year for the first time in its history

The catalyst for the move rests in the combined effects of dwindling local supplies of concentrates and a steady growth in local demand for the refined metal

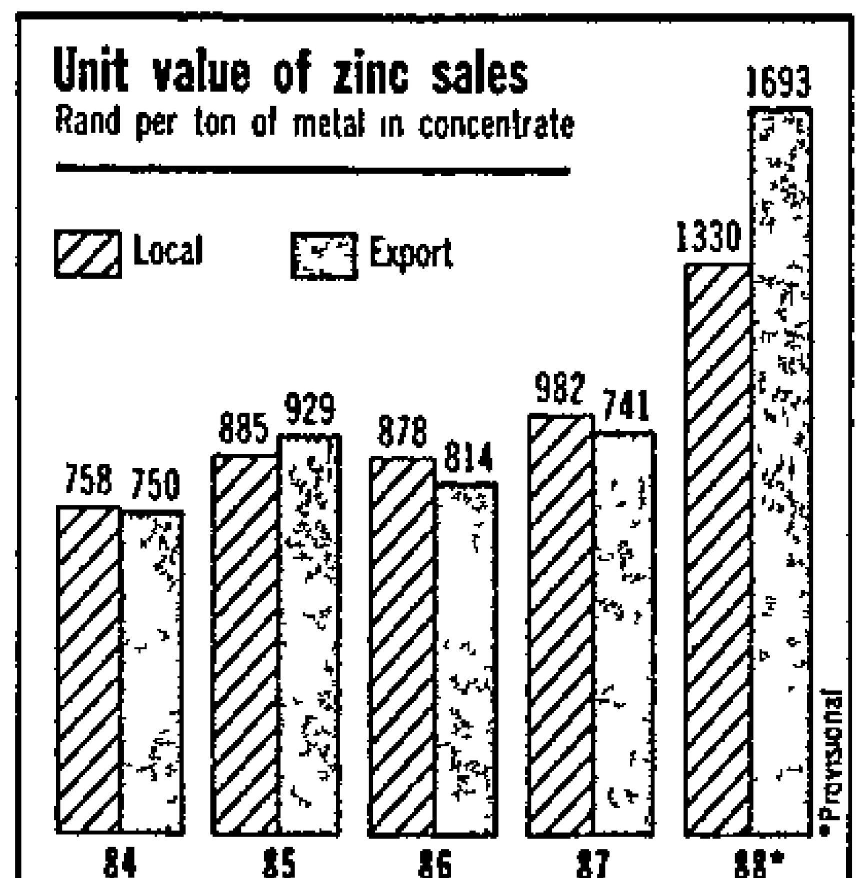
On the supply side, Zincor is beset by falling output from one of its major suppliers — Anglovaal's ageing Prieska copper mine Prieska's zinc concentrate production in the year to June plummeted 44% to 42 063 t from 74 532 t the previous year, and the mine is on the brink of closure

More importantly, said Kahle, was a trend among regional mines to export ever larger proportions of their output

The weak rand has made the export market an attractive alternative to local producers looking to reduce reliance on one customer, he said

Iscor's Rosh Pinah mine in Namibia — which produces about 70 000 t of concentrate a year — may be looking to build up foreign customers in anticipation of Namibian independence, he said

Having established a good customer base in Europe Rosh Pinah would make the transition from an SA supplier to a regional exporter with ease



Graphic: FIONA KIRSCH Source: MINERALS BUREAU

Zincor needs about 200 000 t of concentrates to satisfy the estimated 90 000 t local demand for refined metal this year

A small but significant local shortfall has developed with mines contracting to export about 50 000 t of their estimated 1989 output of 235 000 t The shortfall would have to come from foreign suppliers

One major stumbling block remained, and that was the surcharge on concentate imports This would have to be removed before any foreign supply contracts could be finalised, Kahle said

"We can't afford to pay the surcharge If we have to we'll be running at a loss"

Other methods of protecting Zincor's margins — such as imposing a similar tarrif on imported zinc metal — would not be acceptable

"The metals market is an international game and should be left open We don't want to distort the market by adding surcharges even if they would protect Zincor," he said

Higate headline error

A report in yesterday's Business Day on Higate Properties' conversion to a property unit trust and R30m rights offer incorrectly referred to Hiprop in the headline. Business Day regrets the error

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Govt could put curbs on mining at St Lucia

BDay 15/9/89 (217)

Political Staff

CAPE TOWN — Technically, government could not stop the mining of titanium in the dunes on the eastern shore of Lake St Lucia, but it could lay down strict conditions for it, Environment and Water Affairs Minister Gert Kotze said yesterday.

However, he confirmed that until a detailed environmental impact study had been made and evaluated, no decision on the mining of the proposed area could be taken

Special attention would also have to be given to the hydrological aspects of the impact study.

"This area is ecologically very sensitive and government will handle it with the greatest degree of circumspection," he said

Conditions

In an interview, Kotze explained that it was technically impossible for government to entirely stop the mining operation because the granting of a prospecting licence implied that if worthwhile deposits were found, exploitation could follow

However, the new Conservation Act determined that the Minister could lay down conditions under which the operations could continue.

His department was not satisfied with the impact study which had already been commissioned by the mining company

"My department can lay down conditions for continued mining operations which could take some time to determine," said Kotze.

"We will not delay it unneccessarily, but we must first have a detailed impact study to determine what conditions are necessary for the maximum conservation effect.

"We must also look seriously at rehabilitation aspects," he said

Rupert Lorimer, DP environmental spokesman, said he had been given an assurance by Kotze that "no hasty decision" would be made to extend operations.

"He has assured me that no decision will be taken before an in-depth environmental impact study has been undertaken, with special reference to the source of water supplies for the project," said Lorimer

Kotze had assured him he would not base his decision on any superficial reports that did not cover every aspect of the possible results of further mining

He said Kotze was not prepared to work to any deadline laid down by the mining company and would place the matter before the Cabinet only when all relevant factors were before him

"I welcome these assurances as I believe the consequences of this development are so serious that the project cannot go ahead as presently envisaged," he said

Startling details of St Lucia mine plan

News 18/9/89 (27)

The Argus Correspondent

JOHANNESBURG. — As the number of signatures protesting against the threat to mine St Lucia estuary reaches into the thousands, the Natal Parks Board has issued a statement revealing some startling details of the mining plan

Only last week, says the statement, did the board learn that a mining company, Richards Bay Minerals, ntends damming the Umfolozi river and inundating part of the Dukuduku forest

No environmental impact report has been made on the plan — yet the government was on the verge of giving the go-ahead, according to the statement

The chairman of the board, Mr C Dering Stainbank, said he hoped that RBM's principal South African shareholders — Gencor, the Old Mutual and the Industrial Development Corporation — "are keeping themselves informed of the situation and that RBM's Canadian principals are aware of the position"

Anti-SA

Ironically, while the Quebec-based RBM seeks permission to mine St Lucia, a public opinion poll in Canada revealed recently that 56 percent of Canadians were anti-South African and wanted tougher sanctions

The Southern African Nature Foundation has strongly criticised the mining plan even though its fourth most generous donor is Gencor (R12 500 a year) Old Mutual gives R7 000 a year

Mr Stainbank, speaking for the Natal Parks Board, said he was delighted the government had now demanded a proper environmental impact assessment

He said that "some of the most important environmental issues had not even been addressed by RBM and had certainly not been considered by the Department of Environment Affairs and the Department of Mineral and Energy Affairs"

He said that "until a few days ago the board had not been told RBM proposed to dam the Umfolozi River and inundate part of the Dukuduku forest to supply water for the dune mining"

As far as he knew "no environmental studies at all had been done on the impact of the water supply proposals and this aspect had been omitted from the brief of RBM's environmental consultants"

A Natal lawyer who did not wish to be named said that legally RBM need not have made an environmental report and that it had done so only "out of respect to the public"

He was among many who phoned The Star, sister newspaper of The Argus, and commented on the weaknesses of the newly amended Environmental Conservation Act

Northam considers listing in London

Star 20/9/89

217

By Derek Tommey

Northam Platinum, GFSA's newest mine, may seek a listing on the London stock exchange. The mine's chairman, Mr Alan J Wright, says the company has received various enquiries from overseas from existing shareholders and from persons wishing to invest in Northam.

As a London listing would improve the marketability of Northam shares the possibility of a listing there was being investigated.

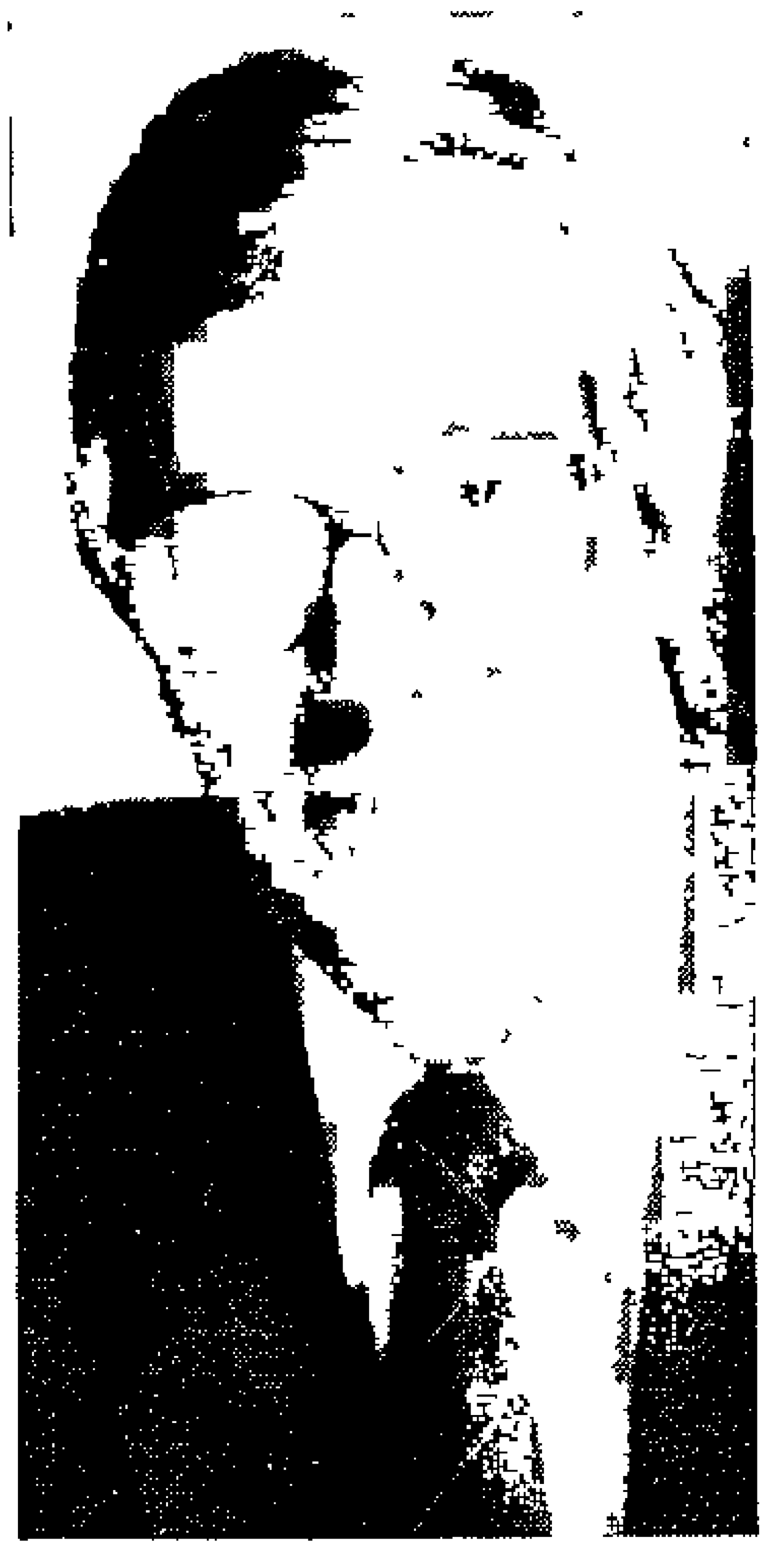
Mr Wright says that Northam needs to make another rights issue to raise more capital.

The company spent R142 million in 1988-89 on opening the mine and plans to spend a further R282 million this year. Against this the balance sheet shows that at June 30 Northam had net current assets of R176 million.

To ensure that Northam has sufficient unissued shares to fund future financing requirements it is increasing its authorised capital from 50 million shares, of which 28,8 million have been issued, to 60 million shares.

Reviewing the mine's operations Mr Wright says a pleasing feature was the intersection in the No 2 Shaft-Z of Merensky Reef and, later on 8 Level, of both Merensky and UG2 Reefs with high values.

So far refrigeration facilities have not been needed. It has been found that rock temperatures, although in line with expectations, cool quickly. But he expects these facilities will be needed when development starts.



Mr Alan J Wright

No 2 Shaft-Z should reach its final depth of 1 820 metres by the end of this month and should be completed by June, next year. No 1 Shaft-Z is expected to reach its final depth fof 2 080 metres by June, 1991.

Chairmen's statements from gold mines in the GFSA group contain no surprises and little to cheer shareholders.

West Wits gold mine Venterspost, which needs money to enable it to open up a major extension, also has a rights issue on its mind.

The chairman, Mr MJ Tagg, said that the company expects to make a rights issue within the next six months and it is considering raising all the capital needed in a single share issue.

For this reason it is planned to increase the authorised share capital by 40 million deferred shares.

The mine has spent R22 million on the No 4 Shaft project in the extention area and will spend a further R33 million this year.

The mine's milling rate and grade is not expected to show much change this year. So the gold price will dictate the level of dividends, says Mr Tagg.

The profits of Driefontein, which had a pre-taxed profit of R1,26 billion in the year to June, will also be closely tied to the price that gold commands in the market place, says its chairman, Mr RA Plumbridge.

He reports that both divisions — East and West Driefontein — show substantially reduced ore reserve balances, but at higher pay limits.

Both divisions should maintain current milling rates and gold production should be unchanged. Reduced income from uranium and acid should be offset by profits from the surfce reclamation project.

Mr Plumbridge says that Asteroid (Proprietary) in which Driefontein has a 50 percent stake, has exchanged its interest in ConsGold for a 50 percent stake in GFSA Holdings which holds about 40 percent of GFSA. Driefontein, therefore, indirectly holds about 10 percent of GFSA.

Doornfontein is operating under extremely difficult conditions, says the chairman, Mr AJ Wright, and its profits too, are entirely dependent upon the gold price.

Production is expected to be maintained at 130 000 tons a month, and development on 38 Level should make substantial additional tonnages available from early 1991.

Deelkraal expects to maintain tonnage but grade is likely to fall, reports Mr Wright. He has bad news for shareholders for the mine will become liable for mining tax and profits available for dividends will suffer.

Behind schedule

Opening up the new Leeudoorn division at Kloof has fallen behind schedule, says the chairman, Mr CT Fenton. But an alternative plan has been adopted which will enable this division to reach production by September, 1990.

The Kloof division will spend R103 million on capital works this year and the Leeudoorn division R241 million.

Libanon's ore reserves showed a marked decrease but are more than adequate for the planned rate of mining, says Mr MJ Tagg, the chairman. Profits in 1989-90, as in previous years, will depend on the price of gold and the extent to which escalating costs can be maintained.

Star 20/9/89 (217)

10 000 sign to stop St Lucia mining project

By James Clarke

Ten thousand signatures, begging the government to spare Lake St Lucia from titanium mining, had been received by The Star up to last night Letters continued pouring in today

The mining company, Richards Bay Minerals, was recently sold by Canada to RTZ Corporation in Britain — but the product goes to Canada, a bitter economic foe of South Africa's

1 200 SIGNATURES

One petitioner, Ms Katherine Adam, sent in almost 1 200 signatures, most of them collected by herself and her friends in the Four Ways area

Government workers have sent in their signatures, as have many at SAA, Wits Technikon, Rosebank Clinic, and several offices, factories and schools

The Wildlife Society has asked all its branches, nation-wide, to collect signatures and post them to The Star from where they will be delivered to the Minister of the Environment

Ten years ago the society helped The Star petition successfully against coal mining in Kruger Park — its members collected over 100 000 signatures.

Some organisations, such as the SA Ornithological Society, have petitioned the State President on behalf of their members

People from Natal are telephoning The Star for advice and several meetings have been held in the province over the past four days to form pressure groups

The Star's CARE campaign has appealed to readers who regard Lake St Lucia as sacrosanct to write on a piece of paper· "We the undersigned oppose the mining of St Lucia and demand the assurance that the government regards St Lucia as inviolate" Then get people to sign it Even one signature helps

Send it to CARE, PO Box 1014, Johannesburg 2000

Plans for mine on city peak

CNE Tms 20/9/89

317

By MARIUS BOSCH

PLANS for the establishment of a new kaolin mine on the slopes of Chapman's Peak are currently underway, and the mine could be operational at the beginning of 1991, a spokesman for a mining company said yesterday.

The mine would be established on a portion of Chaplin's Estate in Noordhoek, which belongs to the sons of former environmental affairs minister Mr John Wiley, who committed suicide two years ago.

A city firm of engineers is currently conducting a R500 000 feasibility and evironmental-impact study on the site bordering the Chapman's Peak road above Sun Valley

Mr Marius Diemont, the PRO acting for the company Serina, which owns the mineral rights to the site, said the study, which started in June this year, was expected to be finished by the end of 1989

Opposition expected

"Some opposition from residents is expected, but that is why a comprehensive study is being done," Mr Diemont said.

Some of the problems being examined are the discharge of stormwater and aesthetic impact on the environment

Mr Tony Dell, one of the engineers involved in the survey, said the 27ha area contained a high grade of kaolin, which is used in the manufacture of paper, ceramics and paint.

Mr Wiley — who bought the estate in 1983 — was involved in a Supreme Court action in 1985 over the ownership of the mineral rights on the De Goede Hoop Estate, of which Chaplin's Estate forms a part He later accepted a court ruling that he and his company did not have claim to the rights

The mineral rights were sold to the Serina mining company in 1979.

Assore profits soar 386%

Star 21/9/89

By Finance Staff

The Associated Ore & Metal Corporation (Assore) has reported a 386 percent profit increase for the 12 months to end-June

A final dividend of 500c (200c) a share has been declared bringing the total for the year to 700c (300c).

The dividend is covered nearly 2,3 times by the estimated earnings of R22 million (R4,5 million).

Assore's improved performance is attributed mainly to the increased dividends from the Associated Manganese Mines of SA (Assmang), of which Assore is a major shareholder. (217)

Mine on Wiley estate poses pollution threat

Argus 21/9/89

217

By JOHN YELD, Environment Reporter

A MAJOR new kaolin mine on the Noordhoek estate of the former Environment Affairs Minister, the late Mr John Wiley, could be operational by 1991 if the mining company gets government approval

Consulting engineers are undertaking a R500 000 feasibility study and environmental impact assessment (EIA) for the company, Serina, which already produces 36 000 tons of kaolin annually from its mine at Brakkekloof between Fish Hoek and Sunnydale

Deposit at the site of the proposed mine on the western slopes of Noordhoek, on the Chaplin Estate, is expected to produce 50 000 tons a year for 30 years, and, according to a report by the consulting engineers, it is "intended" that mining start in 1991

Kaolin is most widely used in the ceramic industry, but also in the paper, rubber, paint and pesticide industries

Valuable clays

High-grade kaolin deposits in the Peninsula — all in the Fish Hoek-Kommetjie-Noordhoek area — are some of South Africa's most valuable clays for ceramics, and are used mainly in the production of hotelware and porcelain dinnerware.

Described in the engineers' report as being an "ecologically sensitive" area, the 27-hectare site to be mined is mainly afforested, with a mixture of indigenous woody trees and alien vegetation.

According to a survey by Mr Ernst van Jaarsveld of Kirstenbosch Botanic Gardens, the area is heavily infested with exotic plants and there are few remains of the original mixture of mountain fynbos, strandveld and afromontane forest vegetation.

The consulting engineers said it might be possible to rehabilitate the site back to fynbos after mining, if neighbours also cleared alien vegetation.

The new plant would operate around the clock and the quarry would be in operation from 7am to 5pm and "occasionally" on Saturdays

Noise, dust

Potential noise pollution is of major concern, and Serina would probably be obliged to fit special silencers to vehicles and to provide suitable shrubbery to absorb mechanical noise

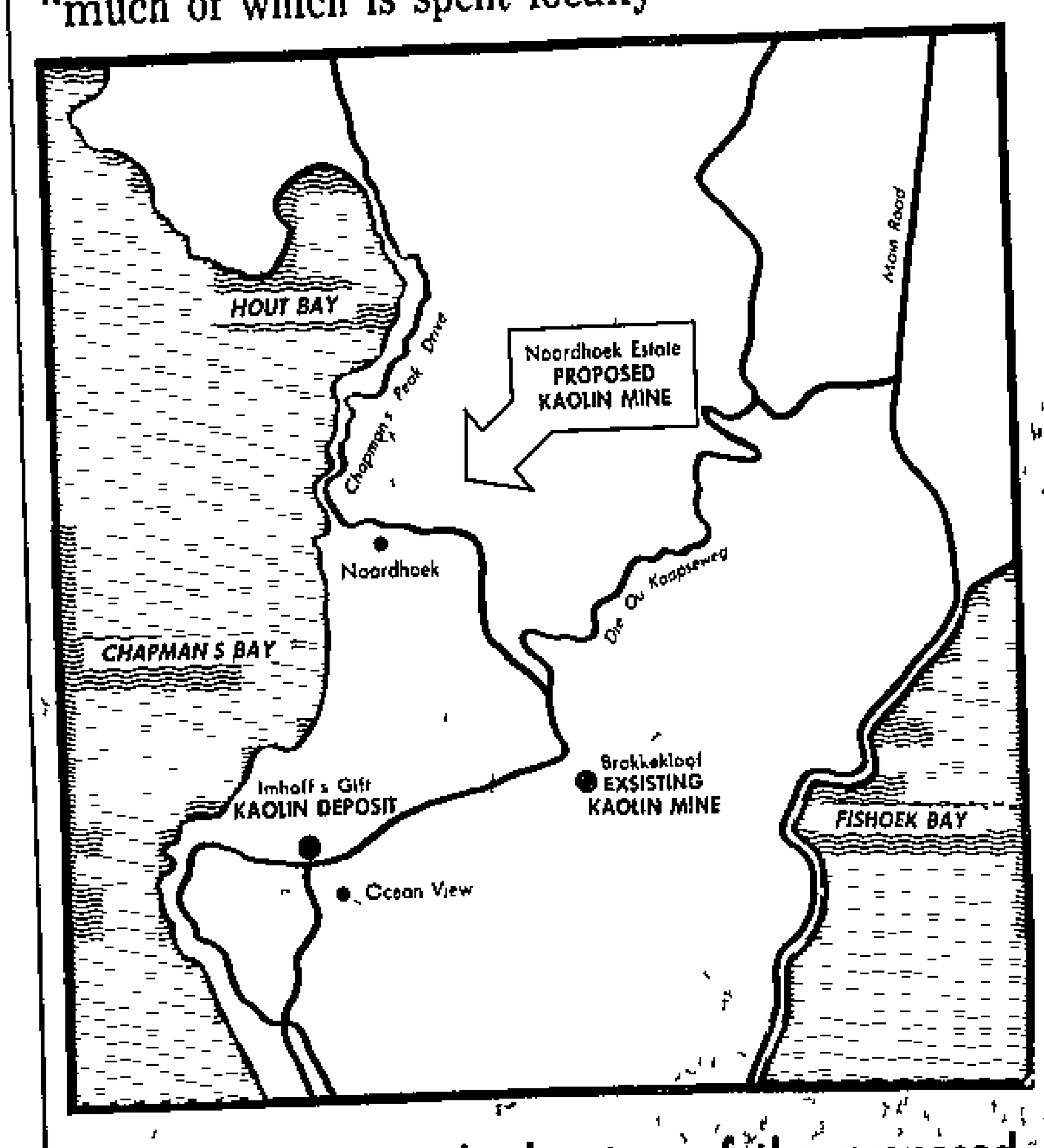
The new mine would also significantly increase traffic on the access road to Fish Hoek, which could mean redesigning the road completely

Water pollution is also a possibility and the company would have to prevent polluted water entering the groundwater

Other major concerns considered in an EIA would be erosion, the socio-economic structure of the region and the effect on the local community

According to Serina, kaolin is a strategic mineral and its production saves South Africa about R25-million a year in foreign exchange Production meets about 60 percent of the country's need but the new mine could eliminate imports

The company also said it employed 145 people from the area at an annual cost of R1,8 million, "much of which is spent locally"



The map shows the location of the proposed koalin mine at Noordhoek.

New Leplats mine hangs in balance

Star 22/9/89. (217)

By Magnus Heystek

Lebowa Platinum Mines (Leplats) will decide within the next nine months whether or not to proceed with a major new mine on the Platreef, near Potgietersrus

The establishment of the mine, with a proposed production target of 200 000 tons per month, is subject to the satisfactory outcome of a period of trial mining, which has already begun, says chairman Pat Retief in the annual report

Initially, Leplats intended setting up a major new platinum mine at Maandagshoek under a tributing arrangement with Rustenberg Platinum Mines (RPM), a major shareholder in Leplats

However, RPM's application to the Government to have Maandagshoek's capital expenditure off-set against its existing operations was refused.

"Therefore, the proposed tributing arrangement will not be implemented and your company will have to fund any new development of a mine at Maandagshoek," says Mr Retief

However, Mr Retief says "Negotiations are in progress in terms of which the development of a mine at Maandagshoek will be deferred, production at its Atok mine will be increased from 70 000 tons per month to 100 000 tons per month and a mine of 200 000 tons per month will be developed on the Platreef in a joint venture with RPM

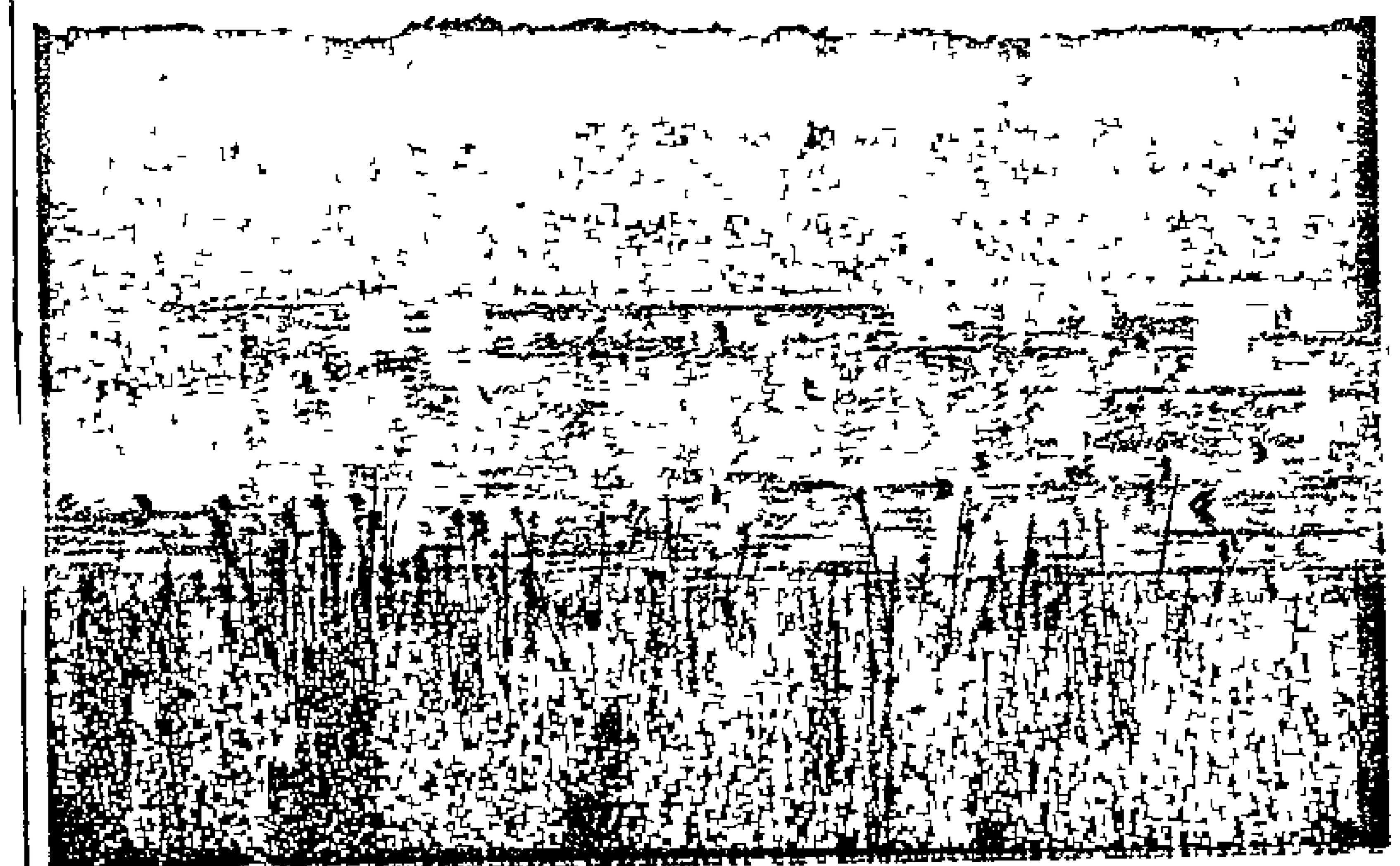
"The establishment of the Platreef mine is, however, subject to to the satisfactory outcome of a period of trial mining.

"The trial mining has begun and is expected to be completed within the next nine months," he says.

St Lucia plan still hot issue

W/E Argus 23/9/89 217

By JOHN YELD
Environment Reporter



Picture IAN MACDONALD

The Makaketaan Peninsula of Lake St Lucia is an internationally-rated conservation area. In the background are the ecologically-sensitive dune forests which would be destroyed if strip mining for titanium was approved.

A PROPOSAL to strip mine the ecologically-sensitive dune forest areas of St Lucia in northern Natal has led to the biggest and most concerted protest by environmentalists since the De Hoop saga of the early 1980s

Canadian mining company Richards Bay Minerals (RBM) announced this week it had deferred its application to mine the dunes until further studies had been completed, and Environment Affairs Minister Mr Gert Kotze is on record as saying that no decision will be made without a "full investigation"

However, the controversial issue has touched the public consciousness, and conservationists are unlikely to lessen pressure in the months to come

Ironically, if the proposed mining operations do get the go-ahead, South Africa is likely to find itself accused of breaching an important international conservation treaty affecting both Lake St Lucia and De Hoop

International responsibility

The two areas are registered as wetlands of international importance by the Ramsar Convention, which protects migratory bird species

In terms of the convention South Africa has accepted international responsibility to preserve the areas and to guarantee their continued existence.

The government would be severely embarrassed in conservation circles if it were seen to have allowed any registered wetland to be damaged or destroyed

At stake for the mining company are deposits of rare minerals — particularly titanium — found in the dunes to the east of Lake St Lucia, in the area known as the Eastern Shores

According to some reports, the titanium reserves of St Lucia are estimated to be worth R5-billion, which could generate as much as R1-billion for the government by way of taxes and other indirect revenues

The decision to apply for the mining rights in this area followed a rejection of applications in the United States and Madagascar — mainly because of opposition from conservationists

Although RBM has won awards for previous efforts at rehabilitating land, after mining in northern Natal, its activities have remained controversial and ecologists are adamant that it would not be possible to re-establish the natural dune forest systems of St Lucia after mining

The forests are recognised as a unique ecosystem supporting the greatest natural diversity of any ecosystem in the country, according to ecologist Mr Ian Macdonald of the University of Cape Town

"These forests are the real extensions of tropical biota into South Africa "This mining is not like gold mining, for example — it will mean the total destruction of the whole ecosystem," he said

Mr Macdonald argues for a national strategy to protect dune systems all the way along the southern African coast, noting that there are also threats to dune forests in other areas, such as the Transkei

"This mining would, in reality, make the whole St Lucia conservation complex a non-entity"

The Natal Parks Board said it had learned only two weeks ago that RBM planned to dam the Umfolozi River and innundate part of the Dukuduku forest to supply water for the dune mining

No environmental impact report had been made on the plan, the board said, and chairman Mr C Dering Stainbank said that, as far as he knew, "no environmental studies at all have been done on the impact of the water supply proposals and this aspect has been omitted from the brief of RBM's environmental consultants"

However, a top official in the Department of Environment Affairs decribed as "nonsense" the board's claim that the government had been on the verge of approving this part of the project

Earlier, in a strong letter to State President Mr F W de Klerk, the Wildlife Society said it had been invited to comment on the terms of reference for an environmental impact assessment (EIA) called for by the Department of Environment Affairs and financed by the mining company

The letter, signed by society president Dr Nolly Zaloumis, said "In our view, the EIA is inadequate and incomplete, and for these reasons cannot be used as a basis for a decision of such importance as this

"Furthermore, the EIA was commissioned on the basis that mining would, as a fact, proceed and it does not properly evaluate whether, in the public interest, the option to mine is preferable to the option not to mine"

One reason the government might have for wanting to approve the mining project would be to give it an effective monopoly over the world supply of titanium, widely used in the arms industry for aircraft and warheads

But so far thousands of signatures have been collected for two national petitions, and all the major conservation organisations — including the umbrella Habitat Council, the Wildlife Society and the SA Nature Foundation — have expressed deep concern

Farmers threaten blockades

In Johannesburg, students of the University of the Witwatersrand this week picketed against the proposed mining developments Local farmers have threatened to blockade roads should mining go ahead, more than 15 000 letters have poured into the Care campaign offices of Weekend Argus's sister newspaper Sunday Star and the Democratic Party has also expressed opposition

Most significantly, leaders of extra-parliamentary groups such as the United Democratic Front have indicated that they might enter the fray

By taking a stance on an environmental issue for the first time — with their vast memberships and organisational ability — such groups would introduce an element into the conservation debate which neither the government nor existing conservation bodies could ignore

B/Day 25/11/89. (180) (217)

MINING

SA puts the finishing touches to its granite

REINIE BOOYSEN

THE STRENGTH of the international market for granite — or, more properly, dimension stone — has enabled SA producers to move increasingly into down-stream processing

Having made significant headway in recent years in their established business — extracting large, rectangular blocks of stone out of Highveld koppies and plains, and exporting them — they are now looking for new opportunities

Over the past few years they have used their huge cash reserves to expand their existing businesses as much as possible to exploit the current buoyancy of demand for stone from the construction sector

And they have been content with the handsome returns which the industry has offered, boosted by the significant tax allowances which exporters enjoy But now they are also using their strong cash-flows to test the market for growth areas

Stone producers have in the past been barred from down-stream processing for the export market, as this offended their major customers in Cararra, Italy, the traditional headquarters of the dimension stone industry

The Italians have always considered the slicing and polishing of stone their own preserve, to be guarded and secured at all costs In the past any quarrying concern which contemplated down-stream processing very soon found itself confronted with irate Italian customers, threatening to disrupt supply contracts

Various attempts to export processed slabs have met with scant success, due to the conflict of interests and incompetitive costs

Another difficulty was to acquire cutting and polishing machinery, which were only obtainable from Italy, where processors and manufacturers of processing machinery were very close

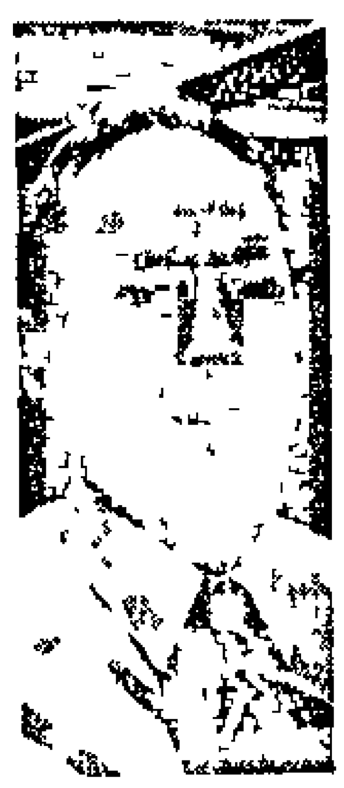
But the growth of the industry has overtaken the Italians, who are now unable to keep up with the voracious demand from the construction sector, where stone is increasingly being used as cladding and tiling

The industrialisation of the Far East has been partly responsible for the growth in demand, but, more importantly, it has spawned new producers of processing machinery to compete with the Italians

This may also ease the shortage of machinery "There is presently a waiting list of up to 12 months for new machinery," says Rob Brown, a director of Keeley, one of SA's big three producers (the others are Marlin and Impala)

So the Italian grip on the market is loosening — although SA producers are still treading carefully Both Keeley and Marlin recently announced hesitant moves

Keeley has built a R5m plant to produce granite tiles at Dimbaza in the Ciskei The plant has a capacity to produce about 40 000m² of tiles annually, all of which are to be exported "for the foreseeable future"



● TREAGUS

● GROBICKI

Two weeks ago Marlin announced that it had bought a 95% stake in Marble Pentelic, a local processor of stone for use in the building industry, for an undisclosed sum

"It's a natural progression for us to move into processing," says MD Graham Treagus He says there is enormous potential for polished stone "right here on our doorstep", although Pentelic also "has one eye on the export market"

Keeley also told Business Day it intended establishing a sawing and polishing plant in Garankuwa, Bophuthatswana Total capital investment for this venture is R3,5m Its existing sawing facilities at Brits will also be moved to Garankuwa

The plant will be capable of processing 20 000 tons of stone a year, primarily for the local monumental and construction market

The main reason for the move to Garankuwa, says Brown, is that it is central to Keeley's quarries, which are focused near Rustenburg and Bophuthatswana

It is also well-known that Bophuthatswana, and other homelands, are keen to see the mineral resource companies that operate in their territories add value there as well Hence the decision by Rustenburg Platinum to establish its refinery in the homeland

Impala is a private stone company owned by Deutche Stein AG, a German-based stone-processing concern Its SA processing activities are restricted to the monumental market, local and export, while the parent company processes stone primarily for the German monumental market

Two other JSE-listed producers, Kudu and Aurora, are both conducting feasibility studies on processing, and it is only a matter of time before their cash-flows permit them to start

But there is another reason for companies to add value to their stone a shift in government thinking from incentives-for-export to incentives-for-added-value (before exporting) This, it is hoped, will boost SA's foreign exchange reserves even more

The talk is that government is looking at a system whereby exporters will be rewarded through straight cash incentives for value-addition, rather than the existing tax-driven scheme

Aurora chairman Ted Grobicki says this is an important reason for granite companies to get into down-stream processing

Adds Brown "It's the only way to go It's quite rightly becoming a national priority We have a vast mineral wealth, and we're not making nearly as much profit out of it as we could"

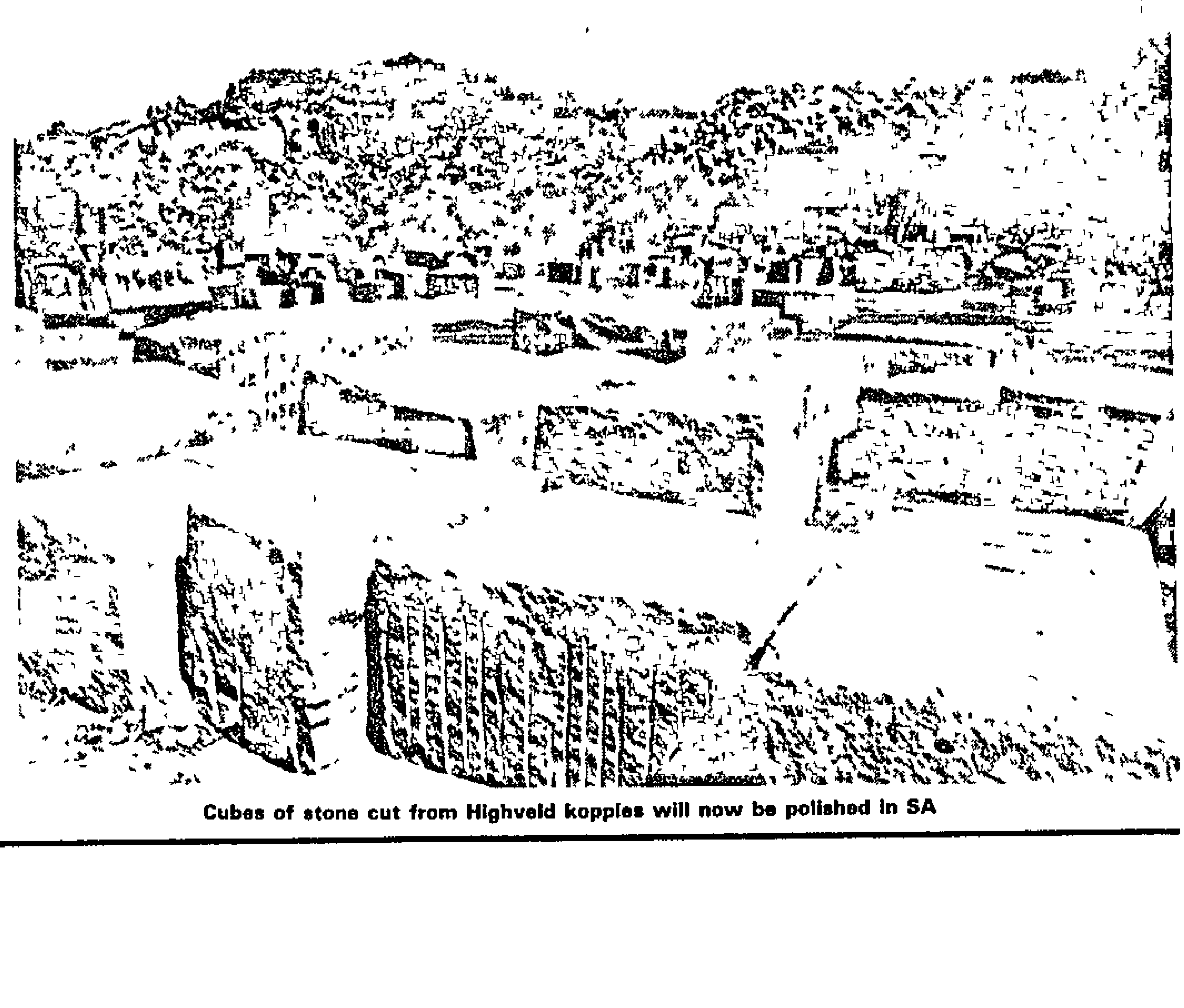
□ The latest figures from the Minerals Bureau show that SA dimension stone exports for June — 41 328 tons — were almost as much as the record set in June last year, at 41 823 tons

Exceeds

That compares with 28 794 tons for June 1987, 20 327 tons for June 1986, and 15 860 for June 1985

In value terms, however, June this year far exceeds any previous record, at R16m — compared to the previous high of R13,2m in April this year, when volume exports were 33 667 tons June last year was R12,2m

Unfortunately these figures exclude Bophuthatswana, where a large proportion of southern Africa's dimension stone production takes place



Cubes of stone cut from Highveld koppies will now be polished in SA

Boom times foreseen for the minerals and metals industry

Star 25/9/89 217

By Derek Tommey

Mining houses are about to expand operations on a large scale

Reports from Gold Fields of South Africa (GFSA) today and from Rustenburg Platinum Holdings (RPH) on Friday highlight the huge new capital investment that both are about to make in mining in the next few years

However, they will not only open up new mines There was a slump in demand in the early 1980s

As a result they intend investing heavily in existing mines to ensure that they remain among the lowest-price producers in the world and therefore profitable when prices turn down

If this is not possible, they plan to build up strong cash holdings to enable producers to weather the downturn

Robin Plumbridge, chairman of GFSA, says in his annual statement to shareholders that "the discovery and development of major new mining and metallurgical projects remains the major engine for GFSA's growth"

He has no doubt that the company will achieve success in this area This is reflected in his comment that "in recent years the group's success rate in the egg-laying process has exceeded its ability to finance and develop the resultant projects"

It is the reason for GFSA's R1 billion rights issue — the first since 1981, he says

It "will enable the company to meet its existing commitments and adopt a more aggressive approach to new investment opportunities"

These include nursing a group of marginal producers through the current difficult period for the South African gold mining industry so that they can profitably mine major new areas currently under development and moving farther into coal and base metals

"The stage has been reached where metals and minerals, other than gold, will play an increasingly important part in the profitability of the group," says Mr Plumbridge

However, because the prices of these products are more volatile than that of gold, it is important that the producing companies maintain a strong financial position

Robin Plumbridge

The next phase in GFSA's diversification programme will be the start of production at Northam Platinum in two years' time.

Mr Plumbridge's remarks come immediately after PF Retief, chairman of RPH, the world's biggest producer of platinum, announced it was to spend money on reducing the cost of producing platinum and to increase production significantly

Lebowa Platinum Mines, an associate of RPH, is to increase production at its Atok sector from 50 000 tons to 100 000 tons a month and, provided trial milling operations are successful, to open a 200 000 tons a month mine on the Platreef

This would make Lebowa one of the world's lowest-cost platinum producers, said Mr Retief

The planned new investment helps underpin a statement last week by Dr Aiden Edwards, president of the Council for Mineral Technology, that South Africa's mining sector would experience an unprecedented boom in the 199's

But this will not be simply the result of the expansion of mining operations There should also be a great increase in the added value of metals and minerals sold overseas

Dr Edwards said developments in Europe were providing a growing market for metals and minerals and militating for the transfer of production to the source of raw materials

The rewards for upgrading exports were high, Dr Edwards said

South Africa possesses over 80 percent of the world's reserves of chromite ore needed in the production of stainless steel

If South Africa were to produce 10 percent of the world's stainless steel, which would be one million tons a year, and convert only 10 percent of that to finished goods for export, the chromium industry would provide as much revenue as the gold mining industry

"In summary," said Dr Edwards, "South Africa will be entering a boom phase in the 1990s and will be drawn closer to Europe through investment

"South Africa's greatest advantage is its undisputed mineral wealth, which will re-enter a major growth phrase through the production of added-value products

"The greatest problem is that the highly qualified manpower needed to undertake the tasks involved will not be readily available"

Drive for low visibility of mine

ARGUS 25/9/89

317

By JOHN YELD, Environment Reporter

THE developers of a proposed kaolin mine on the Noordhoek estate of former Environment Affairs Minister, the late Mr John Wiley, have promised that low visibility will be "priority number one"

Although consultants are still working on a R500 000 feasibility study and environmental impact assessment (EIA) for the company, Serina, it is confident of State approval for the project

The mine could be operational by early 1991.

During a press visit to the proposed site yesterday wed, Serina managing director Mr Carl Tarrant said. "We will be concentrating on keeping the visual impact as low as possible "

A little at a time

Although mining rights extended over 27 hectares, Serina would only mine a strip covering about one hectare at a time, with rehabilitation work starting immediately afterwards.

With settlement ponds, mechanical plant area and topsoil and overburden (deeper soil) storage sites, a maximum of about four hectares would be in use at any one time

The mine is expected to produce 50 000 tons of kaolin annually for 30 years, and an average of eight 30-ton trucks daily would be needed to transport the finished product

Serina's Brakkekloof mine between Fish Hoek and Sunnydale, which produces 36 000 tons of kaolin annually, has only six years to run, after which the 23 hectare site will be developed for housing

"Good neighbour"

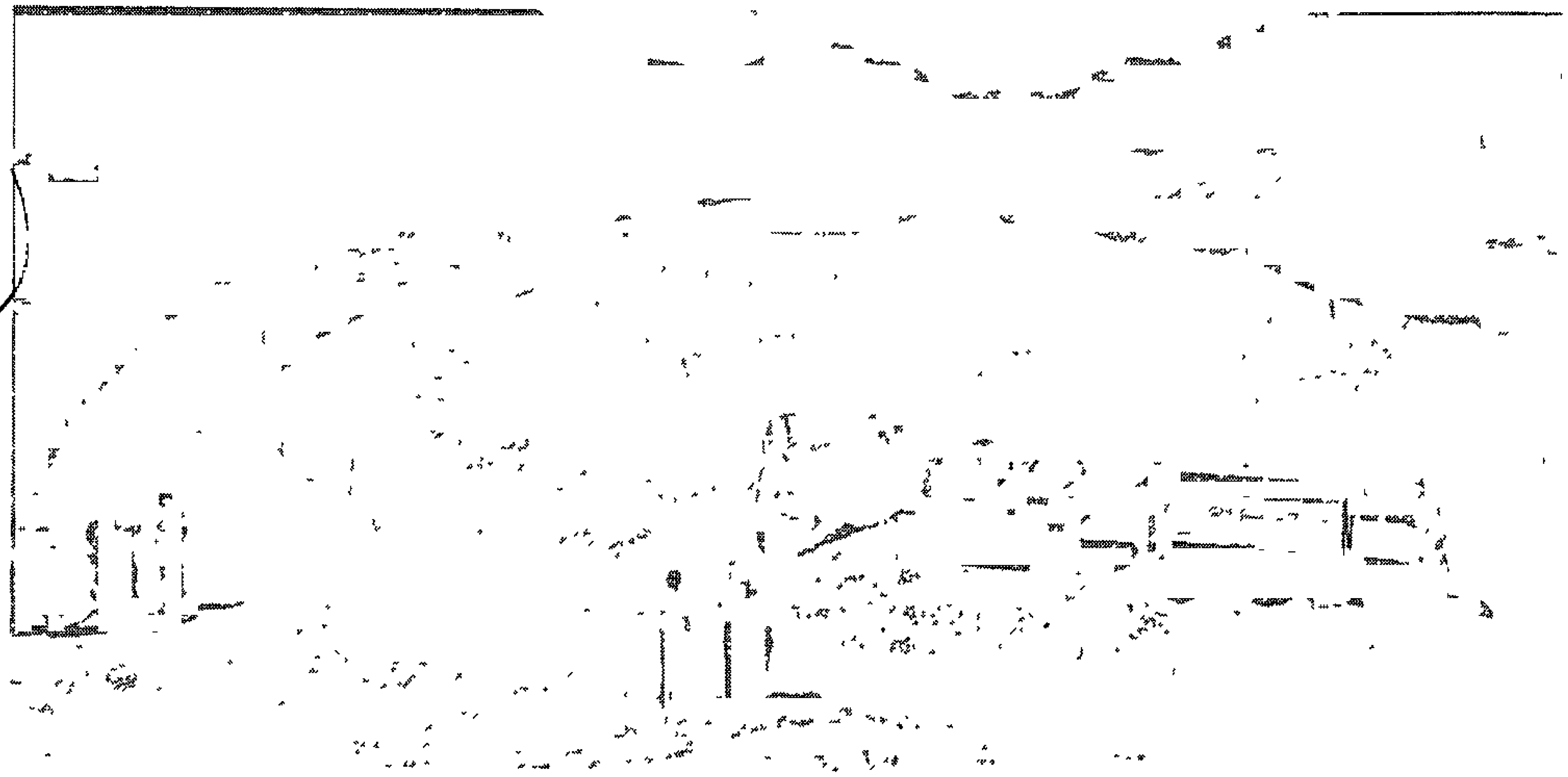
Works manager Mr Andre Viljoen said the company had "tried to be a good neighbour at all times" and that it would meet "all reasonable requests" from Noordhoek residents about the new site.

"To be honest, I don't think they want us there, but we will be there and we're going to have to meet somewhere in the middle

"That's why we're doing this intensive study, with their (the residents') input at all times.

"I stay in Fish Hoek — I'm part of this community — and I'm not going to mess up my own environment "

● Noordhoek residents believe the government will allow kaolin mining on the Noordhoek Estate and are working to ensure that the impact of the proposed mine will be kept to a minimum



Pictures JOHN YELD, The Argus

KAOLIN MINE: Serina's existing mine at Brakkekloof between Fish Hoek and Sunnydale This mine now has an operational life of only six years

50 000 support St Lucia campaign

Star 26/9/89

217

By James Clarke

The Star's Save St Lucia petition has topped the 50 000 mark — and signatures continue to pour in.

Up to last night 51 111 signatures had been received from shops and offices, from schools, technikons and universities as well as from individuals, some of whom have collected more than 1 000.

A mining company wants to mine titanium in Lake St Lucia dunes and sell the metal to Canada. It has been forced to withdraw its application in the face of a public outcry and because the Government felt it had dismissed certain environmental side-effects.

The company is to try again — and St Lucia's dunes are not protected.

The Star's CARE campaign believes the only way to save St Lucia is to show the Government that people want it proclaimed as inviolate.

The petition continues for at least a fortnight.

● Write: "We the undersigned oppose the mining of St Lucia and demand the assurance that the Government regards St Lucia as inviolate" and then get everyone you know to sign. Send to CARE, The Star, Box 1014, Johannesburg 2000.

Messina, Freddev to settle

(217)

REINIE BOOYSEN

MESSINA and JCI's Freddev have narrowly averted a Rand Supreme Court hearing about their mineral rights participation dispute.

The matter centres on a 7% free participation on the farm Doornvlei, which forms part of Messina's proposed platinum venture in the northern Transvaal

Freddev says the participation — which it acquired some years back with Southern Holdings — covers all minerals to be exploited on the farm, but Messina says it covers only chrome.

Messina's platinum venture is already fairly advanced, the company only requires mineral leases from the Lebowa government for the final go-ahead to be given So there will ultimately be substantial money at stake when the platinum mine comes to fruition

Had the matter come to court on August 31 as originally planned, the outcome would have pivoted on a letter agreement about the participation from the Southern Holdings chairman to the Messina chairman

But the parties have now agreed to make an effort to settle the matter out of court.

(217)

Mining on Wiley estate

Company will not give way

By CHARL DE VILLIERS

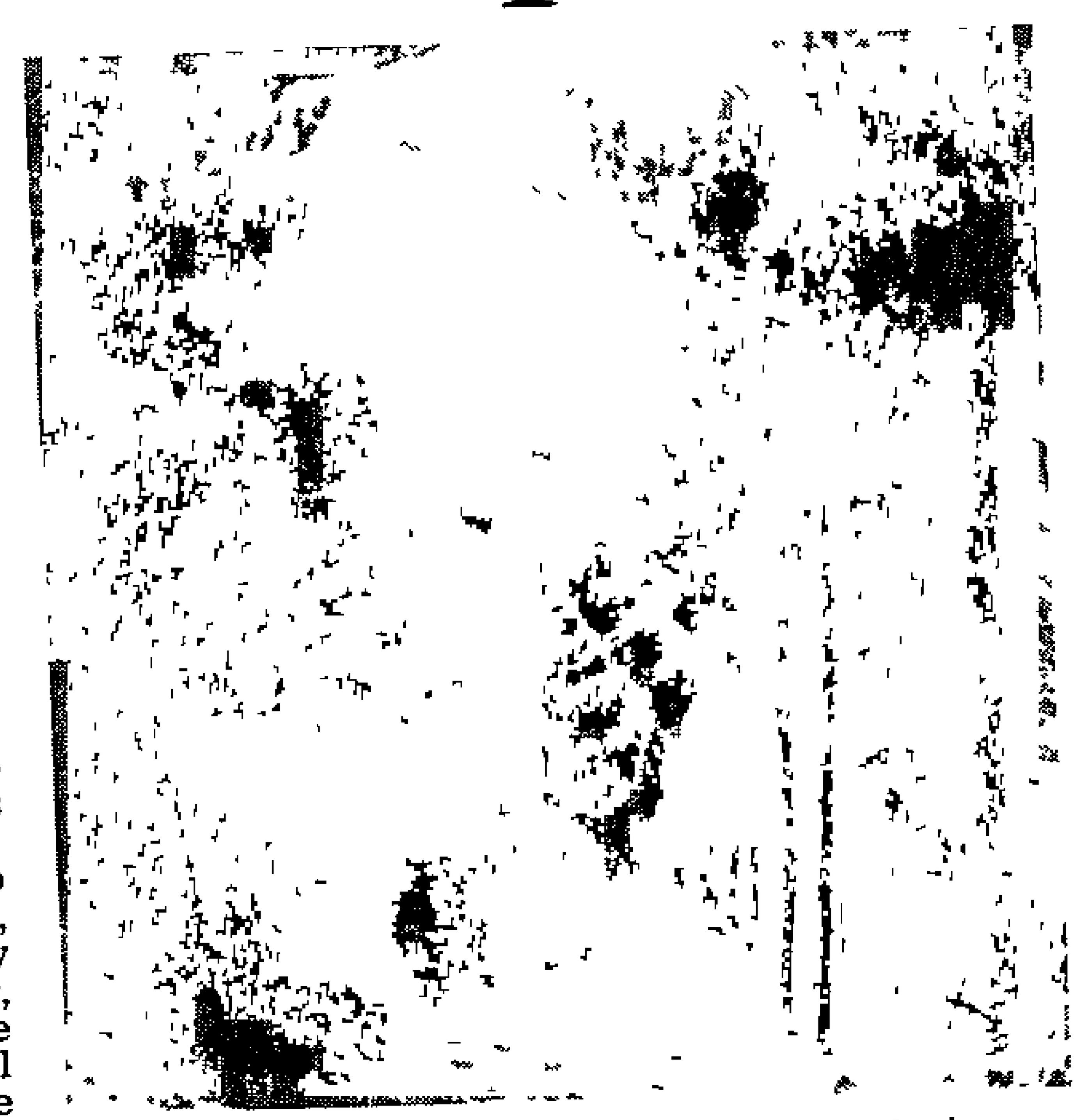
A MINING company is poised to start exploiting a rich kaolin deposit at the foot of Chapman's Peak on an estate belonging to a former minister of environment affairs, the late Mr John Wiley

Referring to public objections to the proposed mining operation, company managing director Mr Carl Tarrant yesterday said his company, Serina (Pty) Ltd, was intent on pursuing the project

"There are people in the one corner who don't want us there We, in the other corner, will continue A compromise has to be reached," he said

Final permission to embark on the project, scheduled to begin by the middle of next year, had to be given by the Department of Mineral and Energy Affairs, he said

Serina has commissioned consulting engineers to make a feasibility and environmental impact study on the gently sloping and mostly alien-covered 27ha claim fronting on Chapman's Peak Drive opposite Noordhoek.



KAOLIN MINE. A mining company which operates a kaolin mine near Fish Hoek intends exploiting a kaolin deposit on the Chaplin Estate, Noordhoek The mountainside (left) will resemble that behind Serina (Pty) Ltd works manager Mr Andre Viljoen (right) Pictures RICHARD BELL

Mining would entail digging elongated pits up to a depth of 40m, with the kaolin being extracted by water jets — which compromised quality control through inadvertant mixing of kaolins — or mechanical methods, said Serina chemistry expert Mr John Butterworth

Hydraulic mining was a 24-hour, seven-day-a-week process, while mechanical mining was mostly limited to daylight hours and weekdays

Once exhausted after about three years, the mined pits would be filled with excavated material and covered with topsoil and eventually planted with vegetation — possibly kikuyu grass

According to consulting engineer Mr Tony Dell, local residents were mostly concerned about noise pollution and visual intrusion of the quarry, which is expected to be fully operational by 1991

The open-air mine, once operational, will be run along similar lines to the Brakkekloof quarries belonging to Serina above Sun Valley, near Fish Hoek.

There kaolin-rich clay is excavated by hydraulic earth removers from large terraced pits and processed in a nearby plant, from where it is transported by 30-ton trucks, averaging six trips daily, to railing points

The excavated quarries are brilliantly white and highly visible unless screened by trees and draped with dark netting, as has been done at the Brakkekloof mine

Mr Butterworth said dust during mining was not a major problem since excavated kaolin was damp

Up to 85% of the clay-like material — priced between R250 and R450 a ton — was used by the paper industry, while another 12% was used by the ceramics industry

217

B/Day 2/10/89

PERMIT NEEDS MAY VETO ST LUCIA MINE

Own Correspondent

DURBAN — The Administrator of Natal has received no application for a permit for mining to take place at St Lucia, and for that reason alone mining cannot legally take place there.

Wildlife Society of Southern Africa spokesman Jeremy Ridl said this in reaction to an Environmental Affairs statement which said it would be very difficult to stop mining at St Lucia.

However, Ridl said, companies believed that having gained rights to mine under the Mining Rights Act, this was the only piece of legislation with which they had to comply

"There are regulations promulgated under the Environment Conservation Act which require any person wanting to carry out activities such as mining to obtain a permit from the Administrator of Natal," he said.

"If and when an application is received by the Administrator, he has the discretion to grant or refuse to issue such a permit in a public statement.

"The Administrator has said that before issuing the necessary authority he will insist on a full environmental impact assessment and on the strength of that report he will exercise his discretion to grant or refuse the permit," Ridl said.

"If he believes it is in the public interest to refuse permission to mine then, notwithstanding the fact that the company may have the right to mine in terms of the Mining Rights Act, it will not be able to exercise those rights because provisions of the coastal zone regulations of the Environment Conservation Act will not have been complied with."

Ridl said the main principle of public support for the St Lucia issue had been demonstrated in two ways.

"Firstly, the public are becoming more aware of environmental issues, and secondly, for a change the public are prepared to do something about it," he said.

"At two public meetings in Richards Bay and Matubatuba people made their feelings known in very strong terms."

Cons Murch plans to push up milling rate

B/Day 4/10/89

LIZ ROUSE

217

ANGLOVAAL'S antimony producer, Consolidated Murchison, plans to increase the mine's milling rate as there is a steady demand for concentrate, even though prices are depressed.

Chairman Mike Hawarden says in his annual review a study is under way to determine the most cost-effective mothod of mining and treating more ore, some of which will come from the deepened Monarch shaft.

The cost of fully commissioning the Beta shaft as an ore source is also being examined.

Capex for the year to June 1989 was sharply lower at R5,6m (R9,6m), of which R1,8m was spent on equipping the Monarch shaft.

While demand for antimony trioxide was strong, continuing discounting by Chinese producers prevented prices responding accordingly.

Depleted

With the closure of the high-cost Aplha shaft, mill throughput declined by 10% and this, combined with a reduced head grade, led to lower production at 8 838 tons (10 855t)

With sales rising to 10 089t (9 948t), stocks at the year-end had been depleted to 496t (1 747t).

Improved gold production, combined with a small increase in concentrate sales and a weaker rand, resulted in a 27% increase in turnover to R54,6m (R43m).

Unit cost increases were well contained at 15% and the mine's taxed profit rose to R10,2m (R4,5m). After deducting capex, attributable profit was R4,7m (1988: R5,1m deficit)

The dividend was pegged at 30c. Cons Murch paid out 30c in 1988 although there was an earnings loss of 82c a share.

BDay 4/10/89 217

Mineral exports fall in dollars, rise in rands

DURBAN — Mineral exports this year are expected to fall by 6,7% in dollar terms (to $11,2bn) but rise by 10,1% in rand terms (to R30bn), the latest study from the Minerals Bureau shows.

Total sales should amount to R37bn ($13bn), which compares with R33,6bn in 1988 ($14,8bn).

Most volumes will be similar to those in 1988 with the exception of expected large reductions in sales of antimony and tin concentrates and rises of between 9% and 13% for copper, iron, manganese ore, dimension stone, alumino-silicates and tin.

Most of the 29,8% increase in sales is expected from non-gold minerals while gold should earn R20,1bn — based on an average price of $385/ounce — up slightly from 1988s R19,6bn.

Gold mines are expected to mill more ore but at a lower grade to yield 608t, which will be 1,7% down on 1988. Gold will be responsible for 67% of SA's mineral exports.

Dollar earnings for silver should be 9,5% down and for platinum-group metals up by 12,4%.

Own Correspondent

The bureau says that interest in platinum continues unabated with a wide variety of buyers and users The price should rise by about 20% (in rand terms) and 1,7% in dollar terms, which would see a rise of 24% in rand earnings and 5% in dollars.

Silver

The situation for diamonds is positive with increased demand being shown and a growth, since 1985, from four years of depressed sales. "Appreciably" higher rand earnings are forecast.

Interest in silver is falling with the gold price and the price is predicted to be 7,5% down on 1988 — the weakening rand should lift rand earnings by 6,7% to R79,7m.

Coal exports did not fall as expected (an anticipated world surplus) but increased to 43-million tons from 42,4-million tons in 1987 as global demand for steam coal for power stations rose. This situation is not expected to change this year.

Expectations are for sales of 43-44-million tons in 1989

The bureau says export sales of antimony and zinc concentrates are likely to slump as local processing is rising

Western crude steel production should taper off in 1989 and ferromanganese and ferrosilicon export volumes should be marginally lower — also because of high prices.

Iron and manganese exports are expected to continue expanding but chrome ore and chromium alloys are expected to grow marginally The dollar price for the alloys, at $785 a ton, is about 39% higher than in 1987

Total ferro-alloy tonnage and earnings at R3,3bn will be 57% higher and 33% up in dollar terms

Among the other processed minerals vanadium compunds and phosphoric acid are likely to perform well Vanadium supplies from other countries have either decreased or ceased altogether, putting strong pressure on SA supply sources

Total processed mineral exports should rise sharply (by 79%) to R6bn, or 52% up in dollars to $2,2bn

Vansa makes R25m profit in full operating year

BDay 6/10/89

LIZ ROUSE

VANADIUM and chrome producer Vansa Vanadium has reported audited bottom-line profits of more than R25m for the year to September — out of which a 2,5-times-covered maiden dividend of 25c will be paid

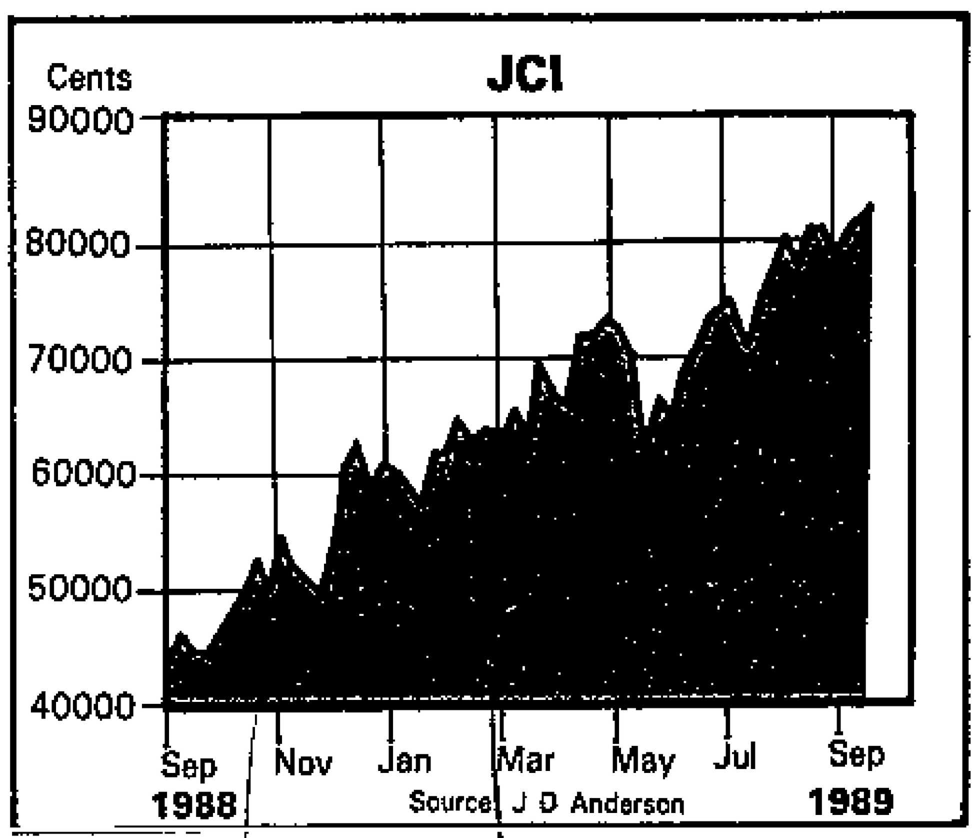
In its first full year of vanadium operations, Vansa showed a taxed profit of R25,2m, after appropriating R14,6m for capex The comparable figures for the previous year were profits of R4,3m from chrome alone — after tax and a R1,6m capex appropriation

The latest results are equivalent to earnings a share of 63c (12,5c previously) The contribution to attributable profits for the year came almost equally from vanadium operations (R12,2m) and from wholly owned Winterveld Chrome Mines (R13m)

At the trading level, Vansa's operating profit for 1988/89 was R40,5m compared with R5,1m in the previous year The company paid interest of R358 000, compared with interest earned of R816 000 previously, while tax took R365 000 (R19 000)

In a review of operations Vansa says although production was inhibited by post-commissioning difficulties, vanadium profits were satisfactory The chrome profits were generated by higher sales volumes and prices to local and export customers.

217



says that contracts for the supply of platinum and other platinum group metals are under discussion with automobile manufacturers. Successful conclusion of any of these contracts will require a further increase in production (see next article)

Until more details of these expansions are known it is difficult to assess implications for JCI, particularly in terms of funding requirements It could take upwards of five years before dividends are received from a venture such as South Deep At year-end, the overall cash position had almost doubled to R1,28bn Excluding group company deposits, though, net cash was in deficit by R128m (R28m), largely because of the funding of investments

On the other hand cash generation should benefit with the start in the next couple of years of dividends from Joel, which should increase as full production is reached. Expansion at Rustenburg could be achieved at relatively low cost and in areas that have low operating costs As Rustenburg had a cash pile of about R1,1bn at June 30 it will not need funding assistance

Hofmeyr says the group is conservatively budgeting to maintain earnings in real terms On 20% prospective inflation this suggests attributable earnings of at least 5 915c (ignoring any subdivision of shares) and a dividend of 2 640c On that basis the R900 a share price offers a prospective yield of 2,9% It discounts the present net worth, probably just over R1 070, by about 16%, which looks fair value given the growth prospects

Andrew McNulty

RUSTENBURG PLATINUM 217

Costs contained

The dollar platinum price played little if any part in Rustenburg Platinum's performance in the 1989 year, when earnings rose by 55% The main factors responsible were the continued weakness of the rand against the dollar and improved control over costs Higher prices of nickel and copper during most of the year also helped

Cost escalations at rates below inflation partly reflected benefits from capital spending

Cost of sales increased by 11% and average on-mine costs per ounce of platinum produced increased by 11,7% compared with

Activities: *Mining and refining of platinum group metals, as well as gold, silver, copper and nickel Also holds a 21,54% interest in Lebowa Platinum Mines*
Control: *JCI owns 32,6% of the equity*
Chairman: *P F Retief*
Capital structure: *125,3m ords of 10c Market capitalisation R8,71bn*
Share market *Price 6 950c Yields 4,3% on dividend, 6,8% on earnings, PE ratio, 14,6, cover, 1,6 12-month high, 7 150c, low, 3 500c Trading volume last quarter, 1,45m shares*
Financial: *Year to June 30*

Performance:

	'86	'87	'88	'89
Net sales revenue (Rm)	1 496	2 073	2 224	2 766
Net operating profit (Rm)	717	1 099	1 109	1 584
Taxed profit (Rm)	258,2	368,9	388,9	600,6
Earnings (c)	206,1	293,8	306,9	475 4
Dividends (c)	135	200	220	300

the 18,5% and 30,7% increases of the 1988 and 1987 years respectively Output from the mines, both in respect of tons milled and ounces produced, increased marginally and all three mines operated satisfactorily

New producers, such as Northam and Barplats, are to come on stream over the next few years and the cost performance bodes well for Rusplat's ability to remain competitive Chairman Pat Retief says the group

☐ Is continuing to incur capital expenditure on projects that will reduce operating costs either directly or by increasing the recovery of platinum group metals, and

☐ Is planning to expand its platinum output significantly and will further expand production if the group enters into any of the contracts currently under discussion with automobile manufacturers

"These production increases, which are all in areas that will have low operating costs and will, therefore, further reduce Rusplat's average cost per ounce of platinum produced, will be funded from existing cash resources supplemented, if necessary, by future retained earnings," he says

Though an expansion has not been announced, it is notable that among capital projects embarked upon was the sinking of No 1 vertical shaft at Amandelbult section, which is described as a major facility for the hoisting of men, materials and rock Amandelbult is known to be an area where production could be increased significantly at relatively low cost

An important development in March 1989 was the start of operations at the new Precious Metals Refinery (PMR) at Rustenburg

Retief says it's expected that the PMR will reduce the refining period of platinum, palladium and gold from three months to 1,5 months and the refining period of the insoluble platinum group metals — rhodium, iridium and ruthenium — from eight months to five months

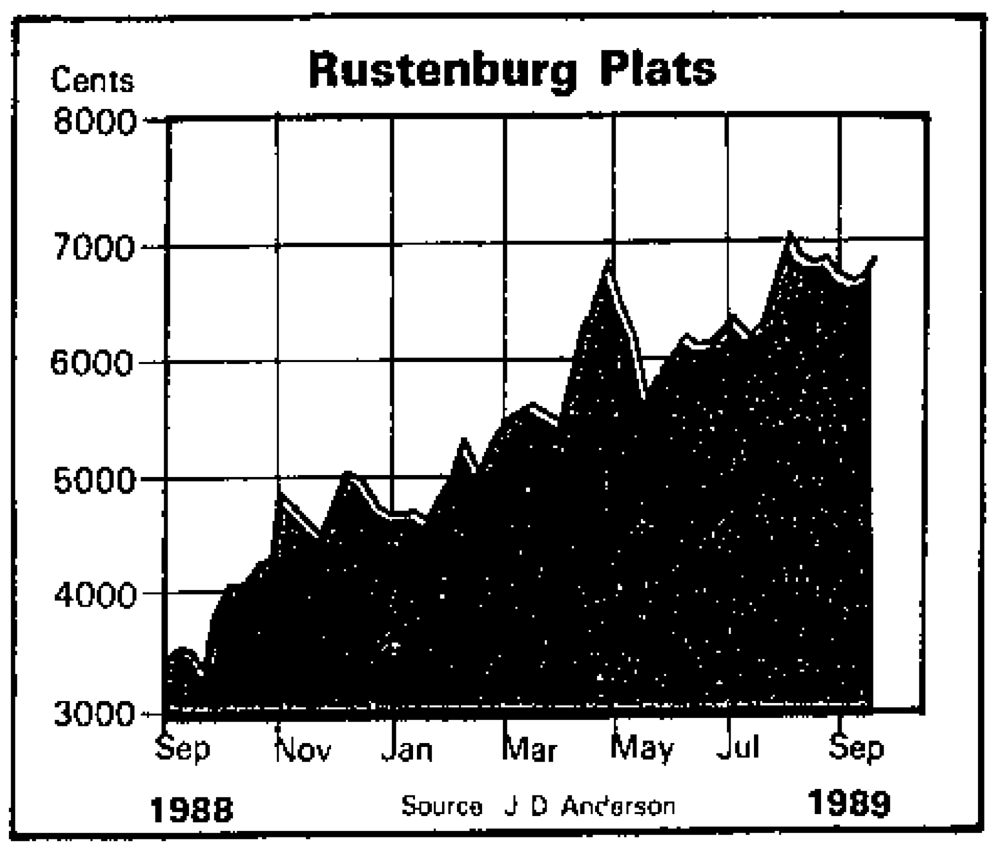
This reduction in refining times, with reduced unit refining costs, will impact favourably on production costs per ounce of platinum Currently all Rusplat's production is being treated at the PMR, which is operating satisfactorily

Despite the sluggish trend in the dollar price of platinum — particularly since last December when the price plunged by nearly US$100/oz after Ford Motor Company announced that a non-platinum-bearing autocatalyst was being tested in California — the market continues to show underlying strength

Preferred autocatalyst

1988 marked the fourth successive year in which demand exceeded supply of primary platinum Once again the shortfall was met from stocks held by fabricators, dealers, banks and individuals Retief reiterates the group's view that platinum will remain the dominant and preferred metal in autocatalysts

Retief notes that rapid development of European auto-emission legislation is exerting a major impact on demand Similar environmental concern has led California to phase in tougher auto-emission standards by the early Nineties, with New York, New Jersey, Massachusetts and several other



north-eastern States having stated intentions to follow suit Such standards have been proposed for the entire US in the Waxman Bill, before the US Congress

Encouraging developments have been seen in the investment and jewellery sectors A significant volume of metal (estimated at 200 000 oz) in the form of Koala and Maple Leaf coins was absorbed by the investors market since their introduction in late 1988 despite the negative psychological impact of the Ford announcement And, after jewellery fabrication demand grew by some 22% in Japan in 1987, the market is estimated to have grown a further 18%

Essentially, the market appears to be firmly in a phase of protracted expansion, but the next five years or so could be marked by competition and tussles for market share as total production expands

Rusplats, with liquid funds of R1,1bn and no borrowings at June 30, appears to be in an unassailably strong financial position relative to all competitors The efforts to contain costs should ensure that the group remains a premier investment in precious metals

Andrew McNulty

Vansa makes R25m profit in full operating year

BDay 6/10/89

LIZ ROUSE

VANADIUM and chrome producer Vansa Vanadium has reported audited bottom-line profits of more than R25m for the year to September — out of which a 2,5-times-covered maiden dividend of 25c will be paid

In its first full year of vanadium operations, Vansa showed a taxed profit of R25,2m, after appropriating R14,6m for capex The comparable figures for the previous year were profits of R4,3m from chrome alone — after tax and a R1,6m capex appropriation

The latest results are equivalent to earnings a share of 63c (12,5c previously) The contribution to attributable profits for the year came almost equally from vanadium operations (R12,2m) and from wholly owned Winterveld Chrome Mines (R13m)

At the trading level, Vansa's operating profit for 1988/89 was R40,5m compared with R5,1m in the previous year The company paid interest of R358 000, compared with interest earned of R816 000 previously, while tax took R365 000 (R19 000)

In a review of operations Vansa says although production was inhibited by post-commissioning difficulties, vanadium profits were satisfactory The chrome profits were generated by higher sales volumes and prices to local and export customers

217

Grim outlook for base metals

STAR (217) 9/10/89

By Neil Behrmann

LONDON — The South African mining industry, already expanding its base metals projects, could find that its higher production will be coming on stream at a time of weak prices

A marked base metals revival is unlikely next year, according to London metals industrialists and analysts, even though most economists believe that the world economy will achieve a soft landing next year

At meetings of some 2 500 metals executives from industries and brokers at the London Metal Exchange last week, the main conclusion was that prices would either stabilise or sag slightly.

They are not expecting any marked surge in prices unless there are unexpected supply disruptions And even if there are periodic shortages, growing supplies from elsewhere will soon swamp demand

After a sharp rally since the middle of this year, copper, aluminium, zinc, lead, nickel and tin are below their peaks

"Metal prices are running into resistance because supplies are overhanging the market," says Anne Whitby, a technical analyst.

Some are even warning that the market is far too sanguine and are indicating that prices could fall further than expected.

"We have had three years of plenty after six years of hard times," says Ian Rugeroni, president of Alcan Enterprises at the London Metal Exchange dinner.

"High metal prices make us exuberant to expand, but they also cause waves of substitution," he says

In 1986, the last year of the base metals depression, copper, aluminium, zinc, lead and nickel industries planned to increase capacity by an average of only three percent by 1993

Nearly all of that was to come from aluminium, which planned a rise of 11 percent.

"What a difference two good years make

"Total announced capacity for the five key base metals is now scheduled to rise 24 percent from the end of 1988 to 1993," Mr Rugeroni says

"The difference between the 1986 forecast and today's outlook is a huge 30 percent, with the increase in capacity for copper and nickel 25 percent, for zinc and aluminium 16 percent and nine percent for lead

"To absorb all this capacity, consumption would have to more than double its historical trend growth rate — and maintain it without interruption for at least five years," he said

"I wonder how many believe that its is possible to sustain such a level of growth."

If, indeed, supplies do outweigh demand, the mining industry will be hit by lower revenue and higher costs

In 1980, the peak of the previous metals boom, the weighted price of the five key base metals was 79 US cents.

The cost of producing them was 51c By 1986, the weighted average price had declined to 52c, or 50 percent.

Management responded by cutting costs by nearly 20 percent to 42c a pound

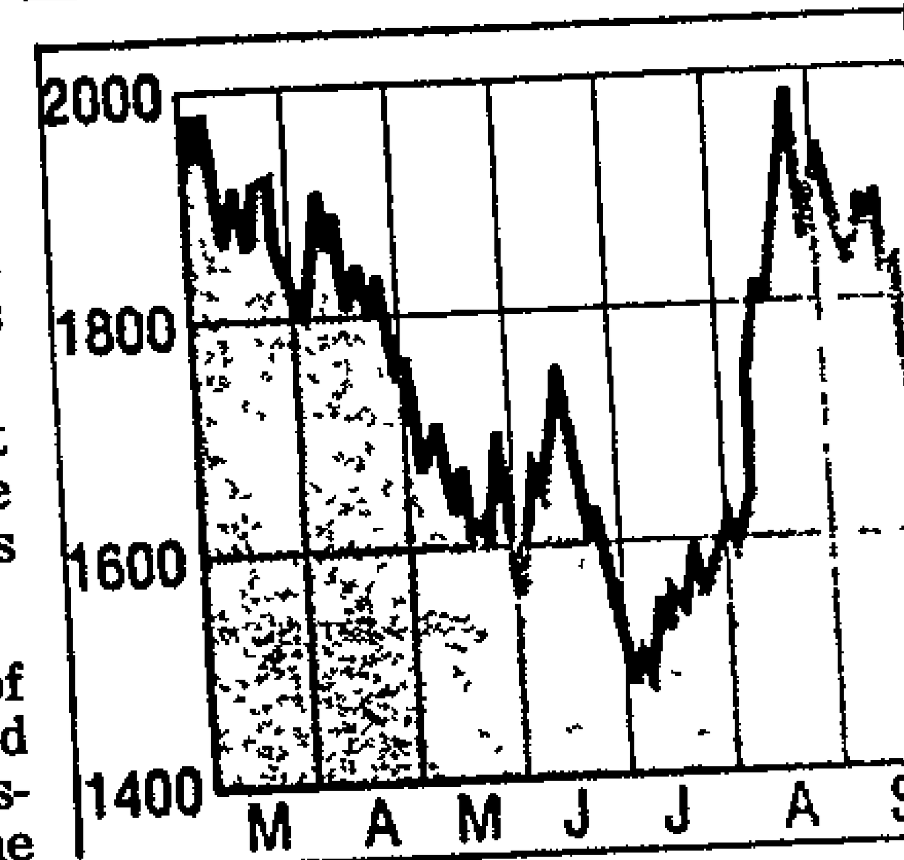
They achieved this through rationalisations, wage reductions, de-layering of management, asset sales, mergers and replacement of high cost capacity

This time round it will be more difficult to reduce costs in a weaker market

In some industries, for example aluminium, cash costs fall with prices. There are a lot of smelters in which power cost is tied to metal price Some labour contracts are also tied to prices in the same way.

Base metals analysts say that it will be even more difficult for the South African mining industry to reduce costs, given the wage pressures However, mines would be helped if the rand fell further.

Nevertheless the cost-to-price factor "provides all the more reason to be prudent in building new capacity," contends Mr Rugeroni



Source: Datastream

Copper price £/ton.

Trans Hex buys Rio Tinto ore stake

217

Cit 11 m+
9/10/87

JOHANNESBURG. — Rio Tinto has sold to Trans Hex its total beneficial interest in an ore deposit in the north west Cape Province for an undisclosed cash sum.

The statement issued by both companies at the weekend said the property has been fully researched and holds the potential of being brought into production within two to three years.

It is expected to become an important producer in SA of tin and wolfram (tungsten) concentrates and, to a lesser extent, zinc concentrates.

Details of this essentially cash transaction are being finalised and Trans Hex will inform its shareholders in this regard as soon as possible.

Shareholders are advised to deal circumspectly with their shareholding in the company.

Highveld cuts vanadium production

ANDREW BUDDEN

DRIFTING spot prices on the international vanadium market have forced Highveld Steel — the world's largest vanadium producer — to cut production at its Vantra works by two-thirds

0/Day 11/10/89

At the same time, it has had to accept its second consecutive quarterly price cut as free-market quotes continue to slip from their extraordinary second-quarter highs

The company recently announced its fourth quarter pentoxide price of \$5/lb — 21% down on the third-quarter fix of \$6,30 and easier by a third than the \$7,50 quoted in the second quarter

A company spokesman said last week Highveld had cut production as international demand had slackened. No timetable for a return to capacity production had been set

Highveld is the world's major vanadium producer and effectively sets international contract prices

2/7

The spokesman said production had been cut as prices needed to be stabilised at a relatively good level

Prices were recently boosted to all-time highs as demand outstripped supply in the rapid expansion of the world steel market

Highveld forced to cut vanadium production

Cape Times 11/10/89 217

Own Correspondent

JOHANNESBURG — Drifting spot prices on the international vanadium market have forced Highveld Steel — the world's largest vanadium producer — into an all-out bid to prevent a price tumble

A company spokesman last week said Highveld had cut production at its Vantra works by two-thirds as international demand slackened

"It would be foolish to believe Vantra could be brought back on full production in the near future," he added

At the same time Highveld has had to accept its second consecutive quarterly price cut as free-market quotes continue to slip from their extraordinary second quarter highs

The company recently announced its fourth quarter pentoxide price of $5/lb — 21% down on the third quarter fix of $6,30 and easier by a third than the $7,50 quoted in the second quarter

Highveld is the world's major vanadium producer and effectively sets international contract prices

Its quarterly fix, however, reflects the trends established on spot markets — traditionally being maintained slightly above free-market prices

Vanadium's primary use as an additive in the production of exceptionally hard steels dictates that demand follows long-term movements in the steel industry

Prices were recently boosted to all-time highs as demand outstripped supply in the rapid expansion of the world steel market which began in the latter half of 1988

Spot quotes reached record levels in excess of $10/lb towards the end of the first quarter, prompting Highveld to hike its second quarter contract price by 66% from $4,50 to an effective $7,50

The peak was short-lived, however, and prices soon eased into what producers hoped was a "soft landing" for the metal

Hopes for a controlled decline from the second quarter peaks may have been frustrated by the extreme volatility of the market that has now manifest itself, Highveld's spokesman said

Between February and May steelmakers — probably unwittingly — had built up large stocks and were unwilling or unable to buy more until inventories had been reduced, he said

This had left the market in an extremely precarious position, where producers were liable to cut prices to maintain market share

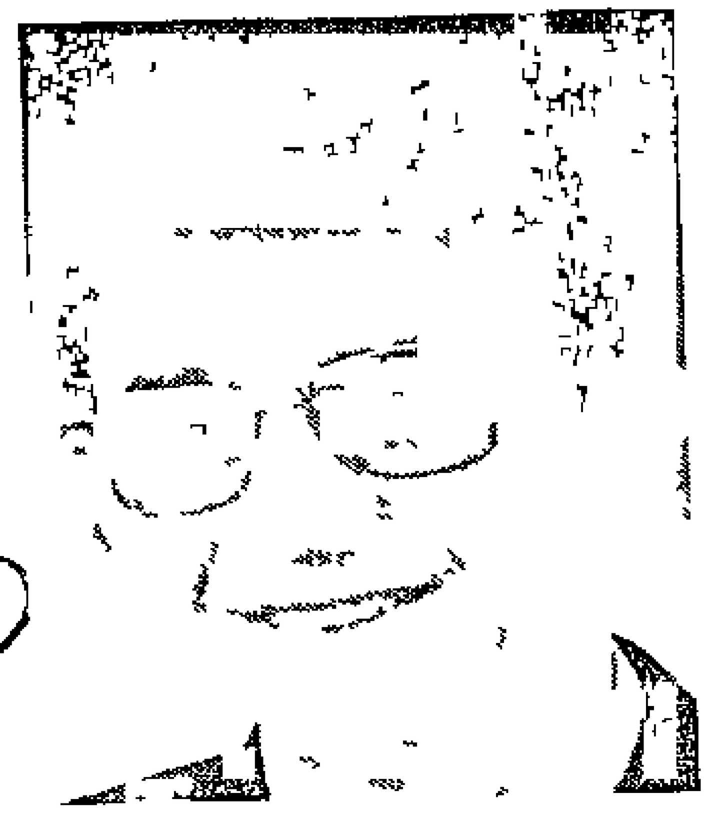
Explaining Highveld's decision to cut production, he said, "prices are unstable at $5/lb — indeed at any price right now We need to stabilise them at a relatively good level"

The two-thirds cut, "will have an effect on the supply/demand position, but it is not clear how long this will take"

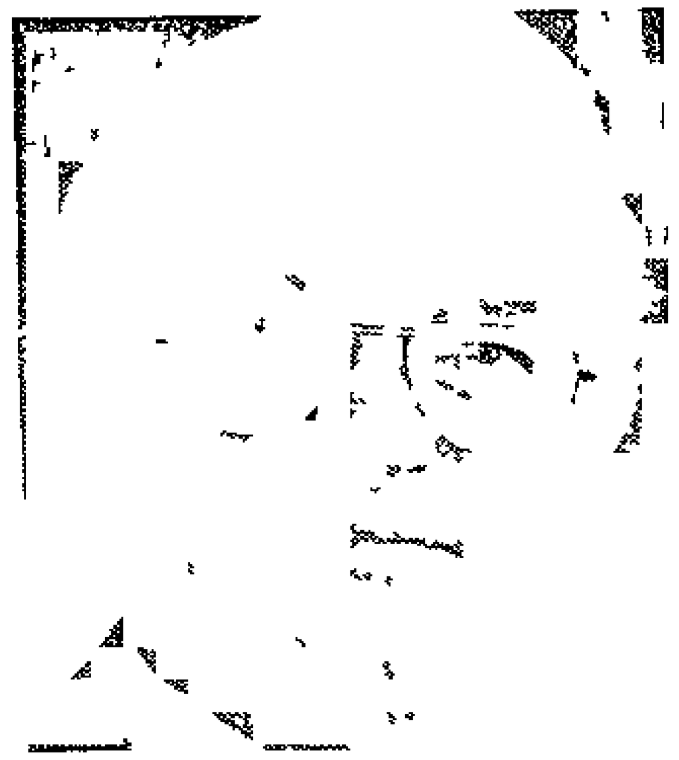
"Peoples' perceptions of the inventory aspect is often more important than the actual position as far as pricing goes, but this quarter should see inventories and prices stabilise," he said

No timetable for a return to capacity production at Vantra had been set

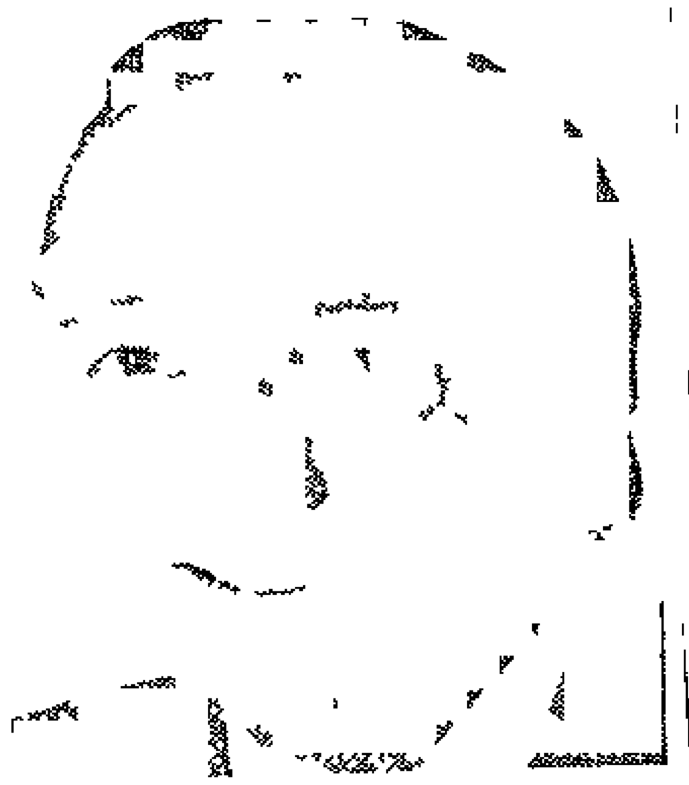
"We need to find a happy medium to lock in on We don't want to destroy any balance attained this quarter or upset the price by increasing production beyond demand," he said



Murray Grant has been appointed to the board of Land & Marine Contractors



John Brewster has been appointed to the board of Land & Marine Contractors



John Lowe has been appointed a director, consumer and engineering products, of BTR Dunlop

O'okiep's profits trimmed

By Derek Tommey Star 21/11/89

2 Lower September quarter profits at the O'okiep Copper Company and at the Black Mountain Mineral Development Company were the result of irregular shipments, the companies report. But they expect to make good the shortfall in the December quarter.

O'okiep had a taxed profit of R14,7 million (R15,5 million) from sales of R53,7 million (R62,6 million) Black Mountain had sales of R47,3 million (R70,8 million) and a taxed profit of R13,3 million (R18,6 million) The results of the three other coal and base metal companies in the Gold Fields group were mixed.

Rooiberg Tin's profits more than halved, dropping from R1,8 million in the June quarter to R700 000 in the September quarter following the ending of a major local contract. But additional tonnage is now being sold into the export market

Shipping delays at Richards Bay cut the taxed profits of Gold Fields Coal from R8,8 million to R4,4 million

The ending of technical problems at Zinc Corporation led to the working profit rising R13,6 million in the June quarter to R20,7 million in the September quarter and taxed profit increasing frm R5,7 million to R9,3 million

Noordhoek gears up for kaolin war

CT Times 28/10/89

A MAJOR row is brewing in Noordhoek as local residents prepare to "go national" in their campaign to stop the development of a 26-hectare Kaolin mine on the slopes of Chapman's Peak.

The residents, calling themselves the Save Chapman's Peak Action Group (SCPAG), have enlisted the support of local MP Mr Jannie Momberg, who has pledged to "fight this even if I have to lie in front of a bulldozer blade to do it".

Mr Momberg has promised to raise the controversy when he takes part in an environmental forum discussion televised live on M-Net tomorrow at 5 14pm.

Pick 'n Pay chairman Mr Raymond Ackerman yesterday promised to allow the group to place petition forms in his supermarkets.

The group this week put pamphlets in the letter boxes of hundreds of Noordhoek residents. They say their phones have "not stopped ringing since".

A Sanlam subsidiary, Serina (Pty) Ltd, plans to rotation-mine the site on De Goede Hoop estate, which is owned by the family of the late Mr John Wiley, former minister of environmental affairs. Kaolin is used as a whitening agent in quality paper production, ceramics, paint and pills.

SCPAG spokesperson Mrs Heather Maltby said the buildings and mine would wreck the famous natural beauty of the area, drastically reduce property values, pollute the local wetlands and create constant noise in the tranquil valley.

She said a government geological survey had shown that adequate and viable alternative kaolin existed in less sensitive areas such as near Stellenbosch, Saldanha, Vredenberg and Grahamstown.

A 1981 environmental impact study commissioned by the government found that the visual impact on the side of Chapman's Peak would be severe and "practically irreversible", she added.

Mr Momberg challenged Serina to prove that equally viable kaolin deposits did not exist elsewhere.

"They say income will be R700 million over 30 years. Tourism would generate that much over five or six years," he said.

Mr Tony Dell, the Serina-hired engineer heading a R300 000 environmental impact study, said the Noordhoek kaolin represented the largest and best-quality deposits in the country.

While the production and administrative buildings would be semi-permanent and could therefore be rendered "virtually invisible" at relatively little cost, the rotation pit mining would require more ingenuity.

He said he was not a property expert but felt that land values would quickly return to normal once people saw the project in operation and their fears were allayed.

Noise was one of the more difficult problems because it was aggravated by the natural amphitheatre and a temperature inversion layer. This would be mitigated by using "extraordinary silencers" on vehicles and strategically placing earth mounds and tall vegetation, he said.

sophisticated, state-of-the-art" Sanders replied

Picket gets stuck into clay miners

Argus 27/10/89 (317)

Environment Reporter

NOORDHOEK residents are gearing up for a strong campaign against the proposed kaolin mine on the slopes of Chapman's Peak and are enlisting outside support

However, developers say they believe the level of protest is "very premature" as an environmental impact assessment is still under way

Petition tables are being manned at supermarket centres tomorrow morning and participants in a fun ride over Chapman's Peak on Sunday will be welcomed with a protest picket at the site of the proposed mine

Angry residents are due to meet at the Red Herring in Noordhoek next Wednesday to discuss the controversial mining proposal by kaolin producers Serina

Fish Hoek resident Mr Vic Kabalin said there were several other kaolin deposits in less ecologically-sensitive areas which could be mined, including Saldanha Bay, Stellenbosch and Grahamstown

"The only reason they want to stick to Noordhoek is because of the processing plant which they've set up there and which is about to die," he said

Serina's Brakkekloof mine between Fish Hoek and Sunnydale, which produces 36 000 tons of kaolin annually, has only six years to run, after which the 23ha site will be developed for housing

Mr Neville Organ, an executive director of Federale Volksbeleggings which owns Serina, said Noordhoek residents had a right to be concerned, as was his company

"We do have very great concern for the environment and will continue to have We have not taken a decision at this moment to develop the mine We are still having having an environmental impact study prepared, the terms of reference of which have been discussed and agreed with various govermnt departments and the local residents' committee

"Until we have the results, any comments on the possible impact are very prematur-e we are in consultation with the relevant authorities and everyone's views will be taken into account before we take a decision to go ahead or not," he said

Responding to Mr Kabalin, Mr Organ said kaolin deposits at Saldanha, Stellenbosch and Grahamstown were either not suitable or unavailable, and it was "unlikely" that the existing Brakkekloof processing plant would be used if the Noordhoek deposit was mined

Gencor ship-shape for stormy waters

S/Times 29/10/89. 109 109 29/10/89 217

GENCOR chairman Derek Keys aims to confound analysts' expectations that SA's second-biggest mining house is heading for a profit crunch in 1990.

Gencor watchers say everything went right last year to enable a taxed profit of R1-billion for the first time — but this year profits are likely to fall in the two biggest income sources, Samancor and Sappi.

By David Carte

They say that there are also question marks over earnings from gold, platinum, coal and industries.

A JSE analyst says "Rimmer de Vries of Morgan Guaranty told the FM conference that the world economy was stronger than expected last year and would probably be weaker than most expect next year I agree. Gencor is exposed. Its best days are over"

Most analysts contend that earnings and the share price have topped out — but the well covered dividend is safe

Commodities

Mr Keys told Business Times that Samancor and Sappi could well hold earnings in spite of softer world commodities price trends

Malbak chairman Grant Thomas says his company, which contributed R145-million to Gencor's bottom line, intends "to be one of the few companies to actually improve earnings in the year to September 1990".

A mining analyst says "With the possible exception of the dollar price of gold, everything went perfectly for Gencor last year. World demand and prices for manganese, ferrochrome, platinum, other metals and coal, also for pulp and paper, rose strongly.

"There was a soft rand to maximise export earnings, and the company timed its rights issue to perfection, raising R1,5-billion at the top of the market"

Mr Keys agrees with this description of 1989, but in regard to Samancor says manganese prices remain firm Although ferrochrome prices are well off the top, the highest price did not obtain for the year

"The average price — as opposed to the maximum — last year was not that high We don't believe the average price in 1990 will be that much lower."

Mr Keys says Samancor sells most of its production under contract

Platinum

Sappi should be able to increase earnings He dismisses one analyst's fear that tax will knock it in the current year Sappi's heavy investment in plant will keep tax low

Mr Keys says the gold mines will have the benefits of cost cutting for a full year in 1990, not a few months

General Motors is closing plants because of falling demand for cars in the US, but demand for platinum is undiminished.

A stronger rand brought about by high interest rates, falling inflation and possibly an improving political outlook, is probably the biggest threat to Gencor and other mining houses and exporters Mr Keys replies, however, that the rand is still down on its average value last year

Gencor issued its shares on an earnings yield of 14%. If the new money is not to dilute earnings, the company must earn 14% after tax on it. Can it achieve this?

Mr Keys says. "The rights price was at a big discount to the market one The idea was to give something to shareholders. By ensuring there would be a good price for the letters we made sure the issue was something of a distribution. We did not try to maximise the issue price and thus to minimise our cost of capital I believe we can carry the extra funds without significant dilution"

Gencor has net assets of R14,2-billion and no net debt. It is thus immune to the direct effects of higher interest rates.

The energy division, which houses Mobil, made no contribution in the past year, but will do so

Mr Keys says Gencor took defensive steps in a good year.

"For example, we spent about R30-million improving the funding of various pension funds."

That is a cost that should not recur.

Mr Keys says the gold division's performance in 1988 was instructive Rand prices fell but profits were maintained by reducing costs and improving grades Gencor could take similar action across the group to adjust for changing circumstances

Mr Keys' attitude is that if there are catastrophes, Gencor might not achieve its aims — but it is not sitting there waiting for fate to overtake it

83 000 petition against St Lucia mining

217

Star 30/9/89

JAMES CLARKE

TODAY, with "Save St Lucia" petitions still pouring in, the number of signatures stands at well over 83 000. It now appears set to outnumber the 130 000 collected in 1979 when the Kruger Park was threatened by mining.

The row may erupt in Britain. The *Sunday Telegraph* plans to run a page on the battle of St Lucia.

British RTZ Corporation recently bought Richards Bay Minerals from the Canadians and the British public is likely to react to the fact that a British company is threatening to mine a habitat of the black rhino, symbol of endangered species.

RBM's top executive flew from Natal to Johannesburg to show the newspaper's representative RBM's side of the story. The BBC is also taking an interest.

Zeal

In Zululand 30 local organisations ranging from angling clubs to professional societies — collectively representing 5 000 members — have formed the non-racial Zululand Environmental Alliance (Zeal). Its priority: to fight off the miners.

In a press statement last night Zeal said Richards Bay Minerals had only "prospecting rights" and not automatic mining rights.

Zeal has made an unspecified counter application regarding the dunes to the Government via the Administrator of Natal, Mr Radclyffe Cadman, who is known to be against mining.

Richards Bay Minerals says the dunes it wants to mine are not inside the game reserve; that it will rebuild the dunes; that, given time, the dune forests will regrow — and that, in any event, 40 percent of the dunes are covered in pine forest (pine afforestation was stopped there after a tremendous public protest in the 1960s).

It promised Natal Parks Board — to whom it recently donated R30 000 — that it would re-instate indigenous material in place of the pines.

RBM denies it will mine the beach dunes saying that only the dunes further in will be mined.

The "Save St Lucia" petition, begun in Saturday Star a fortnight ago, has spread right across South Africa.

Send your petitions to CARE, The Star, PO Box 1014, Johannesburg.

MINING – OTHER

1989

OCTOBER – DEC.

Vanadium profits boost Vansa results

STAR 8/10/84 (217)

Finance Staff

In the first full year of vanadium operations, vanadium and chrome producer Vansa Vanadium reported a rise in attributable profits to just over R25 million for the year to end-September — out of which a 2,5-times-covered maiden dividend of 25c will be paid.

Vansa showed a taxed profit of R25,2 million, after appropriating R14,6 million for capex, which compares with the previous year's profits of R4,3 million from chrome alone and a R1,6 million capex appropriation.

The latest results are equivalent to earnings per share of 63c (12,5c).

The contribution to attributable profits for the year came almost equally from vanadium operations (R12,2 million) and from the wholly-owned Winterveld chrome mines (R13 million)

In their review of operations Vansa directors state that although production was inhibited by post-commissioning difficulties, vanadium profits were satisfactory. The chrome profits were generated by higher sales volumes and improved prices to local and export customers.

F Mail

10/11/89.

LEBOWA PLAT 217

Change of plan

Announcement in the Lebowa Platinum annual report of the scale of the proposed mine on the Platreef near Potgietersrus, which will be a 50/50 joint venture with Rustenburg Platinum (Rusplat), allows some guesstimates to be made on its metal production

A mining operation of 200 000 t/month will be set up, depending on the outcome of a trial mining programme now under way The Platreef has never been commercially mined It differs from the platinum-bearing Merensky and UG2 reefs in being much thicker. The proportions of the platinum group metals (PGM) in the Platreef are different and it has a much higher nickel content.

A Lebowa Plats circular issued in June last year gave drill-indicated reserves on the Platreef to a depth of 200 m Lebowa Plats will not release estimates on recovered grade ahead of the outcome of the trial mining, which is assessing how grades could be affected by selective mining of the extremely thick reefs

Normal practice is for initial mining operations to go for the highest-grade areas first to maximise payback on the capital investment made Assuming an *in situ* grade of 8 g/t PGM, with forecast mining recoveries of 80% and plant efficiencies also of 80%, initial annual production could be of the order of 185 000 oz of platinum Assuming a nickel grade of 0,2%, the mine could produce around 5 000 t of nickel a year as well

Lebowa/Rusplat are going for the Platreef as part of a policy to keep overall production costs as low as possible, in view of increasing competition in the platinum market and uncertainty over how long the good times can continue Says Rusplat director Fred Roux. "At some point the platinum market will turn down and everyone will be hurt through lower profits We intend to be in the best possible position to weather the downturn"

Lebowa intends shelving the development of Maandagshoek, which would be a higher-cost producer than the Platreef, while output from Atok is to be increased from 70 000 t/month to 100 000 t/month.

This is subject to approval from the Lebowa government Roux indicates negotiations are under way and he is confident of getting official confirmation for the change in plan. He says it has not yet been decided how Lebowa will fund its share of the cost of the Platreef mine with the options being loans, a rights issue or a combination.

There is no official estimate on the cost of the mine yet, but it looks like costing between R350m and R400m, given that no refining plant will be needed *Brendan Ryan*

10/11/89 217 Finance

LEBOWA PLATINUM 217

Going for Platreef

Details revealed last week of the proposed mining operations by Lebowa Platinum and Rustenburg Platinum on the Platreef indicate this will be one of the most profitable platinum mines in the industry, barring unforeseen problems

Expected grades are even higher than originally anticipated (*Fox* November 3), with the average platinum group metal (pgm) and gold grade now estimated at 8,7 g/t in situ and the nickel grade at 0,28% in situ

Last week's statement repeated the previous caveats on a go-ahead for the mine being dependent on the outcome of the trial mining programme but Lebowa/Rusplat are moving flat out on this project and the go-decision seems a certainty

Detailed design work for the plant and mine are being carried out simultaneously with the trial mining Lebowa Plat GM — marketing and planning — Todd Bruce says no time will be lost in development of the mine through the trial mining project He points out that even if a go decision were taken today, it would still be nine months before the first sod could be turned on the site

Working on conservative metal prices of R800/oz of pgm and $4,50/lb for nickel and assuming 80% underground recovery rates and 80% plant extraction efficiencies, each ton of ore milled from the Platreef is worth about R47 for its nickel content and another R143 for its pgm content

"The nickel revenue alone will cover the major part of the expected on-mine working costs You can, therefore, appreciate there will have to be something drastically wrong with the orebody when we get down there for this not to be a viable project We view the Platreef as a trump card in our operations," says Rusplat and Lebowa Plat director, Fred Roux

Lebowa Plat has obtained the approval of the Lebowan government to go for the Platreef in preference to Maandagshoek which has been shelved temporarily The ground to which Lebowa Plat would have obtained permanent title through developing Maandagshoek will be retained, providing agreed production commitments are met

The latest deal also includes a re-alignment of existing mineral rights holdings between Lebowa Plat and Rusplat Lebowa Plat takes over some 5 820 ha of ground downdip of the farms already committed to the Atok mine with an option over a further 1 950 ha, while Rusplat acquires 5 290 ha of ground downdip from the area it already controls between Maandagshoek and Atok

Says Roux "We have now tied up 99% of the ore reserves that are worth having on the eastern limb of the Bushveld Complex to a depth of 2 000 m and have also acquired 50% of the reserves from 2 000 m to 3 000 m In total, Rusplat and Lebowa Plat control 78 000 ha of ground underlain by the Merensky Reef on the Eastern Limb which provides us with reserves which can be mined for more than 100 years In the long-term, that gives us the ability to expand our market share against competitors who do not have this kind of reserves available to them"

The Platreef will be mined by Potgietersrust Platinum, which is a 50/50 joint venture between Lebowa Plat and Rusplat Details of how it will be funded have yet to be released but Roux says Rusplat will almost certainly fund its share through equity He says Lebowa Plats is looking at forms of loan financing but some sort of rights issue will probably be necessary

He does not believe a rights issue will have an adverse effect on the Lebowa Plat share price because of the attractiveness of the Platreef deposit as an investment as well as the company's long-term potential

Brendan Ryan

Platinum shortage looms

BDay 15/11/89

ROBERT GENTLE

LONDON — THE current year will see a platinum supply deficit of 120 000 ounces as world auto and jewellery demand reach new records, according to precious metals group Johnson Matthey's (JM) 1989 platinum review.

Overall Western platinum demand is expected to peak at 3,43-million ounces, 6,4% below last year's record, due to a decline in investor interest.

On the supply side, a total of 3,31-million ounces is expected to reach the market, with the additional metal coming entirely from SA.

Production from two SA mines — Barplats' Crocodile River mine and Impala's Karee operation — is currently coming on stream, raising primary supplies from SA by about 60 000 ounces this year

This figure, according to JM's projections, puts SA's supply for the year at 2,64-million ounces — worth about $1,4-bn at average prices That amounts to 87% of world supply, with virtually all the rest coming from the USSR

The combined demand from auto, jewellery and industrial applications is expected to rise by 7,5% on the previous year and breach the 3-million ounce mark for the first time.

Despite a likely decline in vehicle output in North America, manufacturers there are using more platinum group metals (PGMs) in their auto-catalysts following stringent new controls in California which could eventually apply countrywide.

Car sales are booming in Japan, where larger-engined models have benefited

☐ To Page 2

Platinum

BDay. 15/11/89

☐ From Page 1

from tax-induced price cuts this spring

In Europe, the EC has made US 1983-equivalent emission levels mandatory for all new small cars by 1993 and will shortly consider the same standards for larger cars.

"In total, the auto industry is likely to require 1,45-million ounces in 1989, an all-time high," says JM

Jewellery remains the second largest application for platinum, with demand for the year estimated to rise 7% to 1,27-million ounces

Japan continues to be the major buyer as its economy expands on the back of increased consumer spending The Japanese, who account for 88% of the market, are snapping up platinum earrings, pendants, necklaces and rings

The largest single increase in any single industrial application comes from the petroleum industry, where platinum demand is expected to rise 20% to 60 000 ounces

On the price side, JM sees little prospect for a substantial rise

Demand for palladium, another PGM, is set to increase by 45 000 ounces to a new record of 3,37-million ounces SA will supply about 37% of this

Industrial purchases of rhodium, the other main PGM, are rising in line with increasing demand for autocatalysts, JM says Increased supply will come almost entirely from the USSR.

Platinum deficit forecast for 1990

CAPE TIMES 15/11/89 (217)

LONDON — The current year will see a platinum supply deficit of 120 000 ounces as world auto and jewellery demand reach new records, according to precious metals group Johnson Matthey's (JM) 1989 platinum review

Overall Western platinum demand is expected to peak at 3,43 million ounces, 6,4% below last year's record due to a decline in investor interest

On the supply side, 3,31m ounces is expected to reach the market, with the additional metal coming entirely from SA, the world's largest producer

Production from two SA mines — Barplats' Crocodile River mine and Impala's Karee operation — is currently coming on stream, raising primary supplies from the republic by about 60 000 ounces this year

This figure, according to JM's projections, puts SA supply for the year at 2,64m ounces — worth about R4bn at average prices That amounts to 87% of world supply, with virtually all the rest coming from the USSR

Apart from the fall in investor interest — due to strong equity markets, the resurgence of the dollar and containment of inflation — the outlook for platinum demand in 1989 is very positive, says JM

The combined demand from auto, jewellery and industrial applications is expected to rise by 7,5% on the previous year and breach the 3m ounce mark for the first time.

Despite a likely decline in vehicle output in North America, manufacturers there are using more platinum group metals (PGM) in their auto-catalysts following stringent new controls in California which could eventually apply countrywide.

Car sales are booming in Japan, where larger engined models have benefited from tax-induced price cuts this spring

In Europe, the EEC has made US 1983-equivalent emission levels mandatory for all new small cars by 1993 and will shortly consider the same standards for larger cars.

"In total, the auto industry is likely to require 1,45m ounces in 1989, an all-time high," says JM.

Jewellery remains the second largest application for platinum, with demand for the year estimated to rise 7% to 1,27m ounces.

Japan continues to be the major buyer, accounting for 88% of the market, as its economy expands on the back of increased consumer spending

Platinum shortage looms

B/Day 15/11/89

ROBERT GENTLE

LONDON — THE current year will see a platinum supply deficit of 120 000 ounces as world auto and jewellery demand reach new records, according to precious metals group Johnson Matthey's (JM) 1989 platinum review.

Overall Western platinum demand is expected to peak at 3,43-million ounces, 6,4% below last year's record, due to a decline in investor interest.

On the supply side, a total of 3,31-million ounces is expected to reach the market, with the additional metal coming entirely from SA.

Production from two SA mines — Barplats' Crocodile River mine and Impala's Karee operation — is currently coming on stream, raising primary supplies from SA by about 60 000 ounces this year.

This figure, according to JM's projections, puts SA's supply for the year at 2,64-million ounces — worth about $1,4-bn at average prices. That amounts to 87% of world supply, with virtually all the rest coming from the USSR.

(217)

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Car sales are booming in Japan, where larger-engined models have benefited

☐ To Page 2

Platinum

B/Day. 15/11/89

☐ From Page 1

from tax-induced price cuts this spring

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Jewellery remains the second largest application for platinum, with demand for the year estimated to rise 7% to 1,27-million ounces

Japan continues to be the major buyer as its economy expands on the back of increased consumer spending The Japanese, who account for 88% of the market, are snapping up platinum earrings, pendants, necklaces and rings.

The largest single increase in any single industrial application comes from the petroleum industry, where platinum demand is expected to rise 20% to 60 000 ounces

On the price side, JM sees little prospect for a substantial rise

Demand for palladium, another PGM, is set to increase by 45 000 ounces to a new record of 3,37-million ounces. SA will supply about 37% of this

Industrial purchases of rhodium, the other main PGM, are rising in line with increasing demand for autocatalysts, JM says Increased supply will come almost entirely from the USSR

Kaolin mine is not yet definite, says developer

CAPE TIMES 16/11/89

217

Staff Reporter

THE development of the proposed kaolin mine in Noordhoek by Serina was "by no means definite", company director Mr Stan Adler said yesterday.

In response to a brief of objections put before him and Serina MD Mr C Tarrant by the Save Chapman's Peak Action Group last Wednesday, Mr Adler said there was very little he could say as a mining permit had not yet been issued

"We are still waiting for the results of an impact study conducted by a firm of consultants on our behalf," he said "This should be completed by the end of December or early January, but until then no mining permit can be issued "

Asked if he foresaw any difficulties in obtaining the permit, he said. "The permit could contain certain conditions that may be onerous or expensive for us to meet, but I feel certain we will be able to meet them and that, practically speaking, there will be no difficulty in our getting the permit "

He added that Serina was an "extremely environmentally conscious" company and would do all it could to preserve the environment

Meanwhile, support for the action group grows daily as its campaign against the mine gains momemtum They hope to have a petition consisting of 250 000 signatures by the end of the campaign

"We will do everything in our power to stop the mine becoming a reality, even if it means invoking court interdicts every step of the way," said spokesman Mr Rory Sales this week.

"Our standpoint is non-negotiable We feel it is against the interests of Cape Town, let alone the whole country, to allow the development to take place. A lot of people power must now be exerted "

The well-researched and thorough statement presented by the group at Wednesday's meeting stressed its total opposition to any exploitation of kaolin deposits in the area, which they consider to be a strategic resource due to its unique beauty and tourist value It maintains that kaolin deposits in the area are not a strategic resource and asks why figures on the quantity and quality of the deposits have not been made available to the public

The statement claims that the purported foreign exchange gain to be made from the mine will be more than offset by the losses to the environment, tourism, the local community and all South Africans in general It maintains that objections and opposition to mining in the area raised in 1981/82 still apply, and actually enjoy more support today Pollution is also inevitable, it says, and the wetlands and water tables are sure to be affected by the mine

Action group spokesman Mr John Butterfield adds that there are no guarantees that the ecological and environmental precautions undertaken by Serina will be successful and adhered to in the future

Platinum supply shortfall expected to be marginal

(217)

BDay 17/11/89

RIAAN SMIT

IN SPITE of world platinum demand outstripping supply in seven of the past 10 years, accumulated supply shortfall in the primary market at the end of this year is expected to be marginal

Figures compiled by London-based analysts Johnson Matthey show total primary supply for the 10-year period between 1979-89 at 30 835 000 oz and demand at 31 015 000 oz — a shortfall of 180 000 oz.

This includes preliminary figures for 1989

If it was not for a supply shortfall of 400 000 oz (revised downward from 460 000 oz in the Johnson Matthey 1989 interim report) in the primary market last year, supply on average would have been marginally ahead of demand over the past decade

Johnson Matthey points out platinum group metal (PGM) refineries recycle at least as much metal as comes from primary sources each year, but most remains in the ownership of industrial consumers.

The balance in the market is likely to remain for some time because an increase in offtake in all sectors of the platinum market, except investment, is expected to be offset by increased supply from mainly SA mines.

"Despite the difficulties which beset the industrial nations — trade imbalances, budget deficits and unemployment — the development of economic cooperation between the major powers has helped to maintain growth

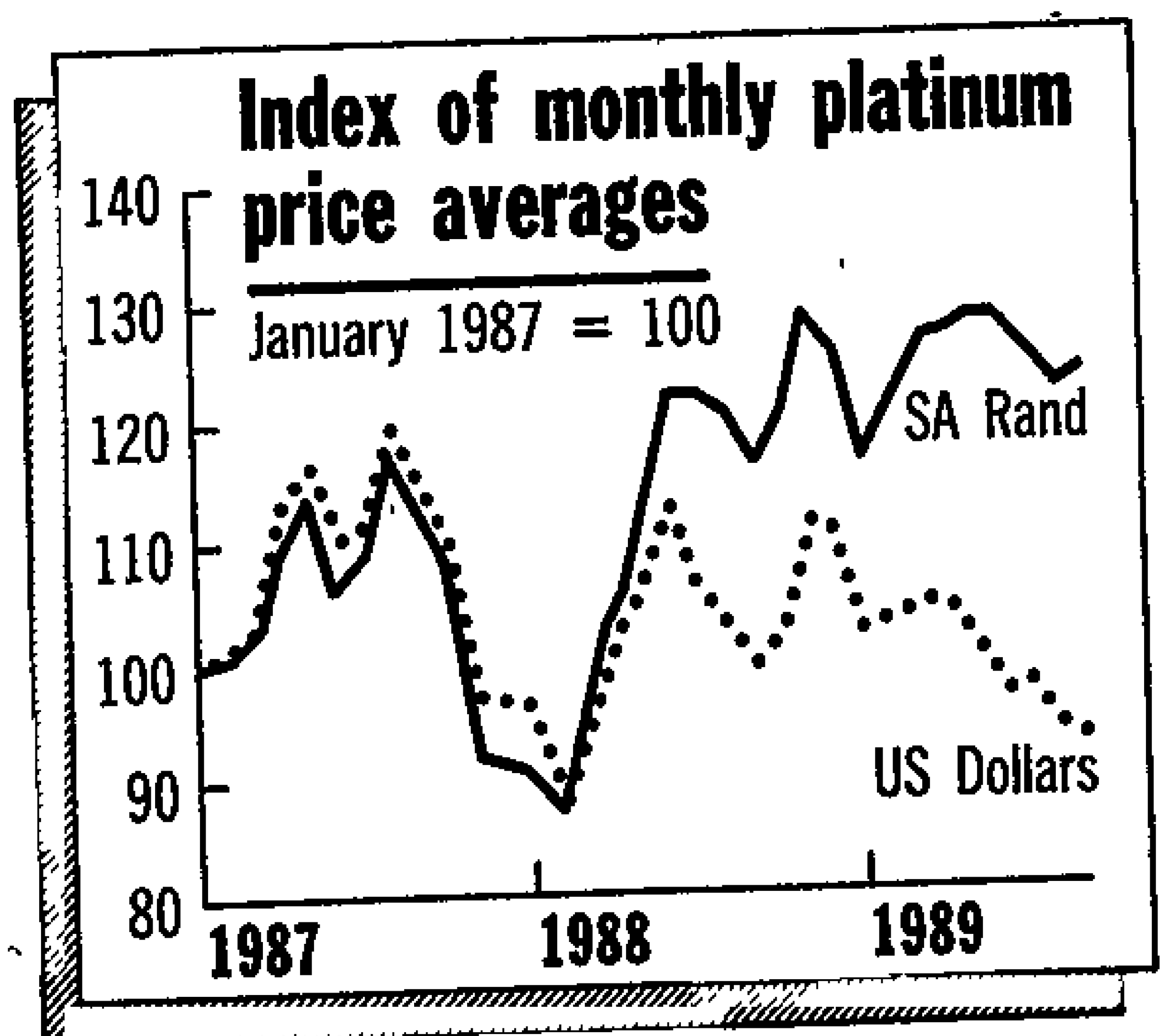
"Uncertainties remain, but as the ogre of inflation has been held in check by strict monetary policies without impending investment, the near-term outlook seems to be one of continued moderate growth which will promote demand for platinum," the interim report says

The Barplats-owned Crocodile River mine is expected to reach a planned milling rate of 160 000 tons per month — equivalent to about 115 000 oz — in February next year, Johnson Matthey says, and Impala-owned Karee is expected to be producing at a rate of 100 000 oz annually in the last quarter of 1990

□ SA platinum producers' revenues have increased this year, in spite of the lower average dollar platinum price, due to the weakening rand (see graph).

But dearer imported materials will lead to higher working costs and will continue to stimulate measures towards greater efficiency.

Best placed will be companies with access to ore that can be mined at low cost.



Graphic FIONA KRISCH Source JOHNSON MATTHEY

Vansa optimistic despite expected price fall

RIAAN SMIT

PROBLEMS at Rand Mines' Vansa Vanadium plant, commissioned in August 1988, limited capacity to 60% of the designed 250 t a month for much of the year ended September 30, Vansa chairman Allen Sealey says in his annual statement

The group, in its first full year of vanadium production, reported after tax profits of R39,8m (R5,9m) and paid a maiden dividend of 25c on earnings of 63c a share.

Sealey says rectification of the post-commissioning problems has entailed significant capital expenditure during 1989 and will continue into 1990

On market prospects, he says prices for vanadium pentoxide have declined from the peak earlier in the year and with increased supplies on the international markets during 1990, prices are likely to decline

"However, the higher production and a more cost-effective operation at Vansa will offset the effect of reduced prices, and profit from sales of vanadium in 1990 should exceed the current year's profit level"

Sealey says demand for chrome ore is expected to soften during the 1990 financial year

"This, together with Winterveld having fully utilised in 1989 its assessed tax losses from previous years, will result in a decreased contribution from chrome ore sales," he says.

217 B/Day 17/11/89

Merrill officials confirmed that the memo was genuine but declined to comment further

An analyst said the falls were probably more a result of panic-induced markdowns than actual selling.

Vansa profit soars

Cape Times 17/11/89

JOHANNESBURG — Strong international markets for vanadium and chrome played a large part in Rand Mines' Vansa Vanadium group achieving an after-tax profit of R39,8m (R5,9m) for the year to September

Capital expenditure appropriations amounted to R14,6m leaving R25,2m in attributable profits

Vansa chairman Allen Sealey says in his annual statement that 1989 was the first year of vanadium production and sales earned attributable profits of R12,2m

"Vansa has successfully established itself as an important supplier to the market and its total production was sold

"Buoyant market conditions in chrome ore enabled Winterveld Chrome Mines, Vansa's wholly-owned subsidiary, to improve its attributable earnings to R13m from R4,3m in the previous year

"Overall profits for the coming year are expected to be much in line with 1989", he adds — Sapa

Vehicle for futures dollar gold price

JOHANNESBURG — Bulls who believe gold has a glittering future and bears who see a dark future for the metal have a new vehicle for giving vent to their sentiment — a futures contract on the dollar gold price

The contract, to be launched by Cape Investment Bank (CIB) on Monday, is the first of its kind in SA and is one of the simplest products in the local futures market South Africans already invest in international commodities futures

A futures contract is an obligation to buy a commodity at a fixed price at a certain date in the future — but obviously there will be cash settlement in the local market instead of physical delivery of the metal

CIB trader Gerhard Vlok said yesterday· "We eat, sleep and drink gold in this economy, and it makes sense to have an instrument focusing only on such an important variable"

Some of the more complicated futures instruments have not taken off, but Vlok is emphatic that market research shows there is a demand for a local gold futures contract

The rand value of the contract will be determined by assuming that \$1 is R100 The price of a \$397 future gold price will therefore be R39 700 An initial margin of R3 000 is payable and must be topped up while the contract is held

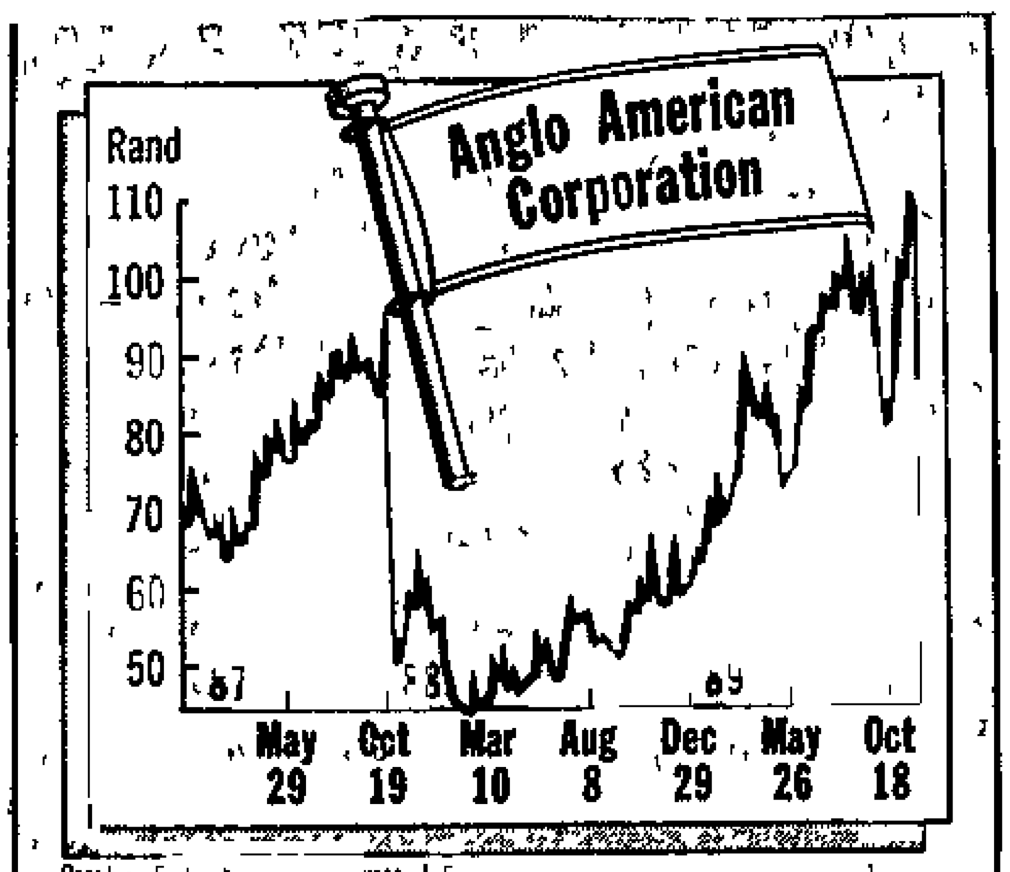
Assuming the contract is sold at \$395,75 or R39 575, a loss of R125 is made and vice versa for the profit

Expiry dates for contracts are at 11am on the 15th day of March, June, September and December. The London morning fix on those days will be the expiry price

US deficit shrinks by 21%

NEW YORK. — The huge American trade deficit, which has regularly unsettled the world's financial markets for over two years, fell by more than 21% in September to \$7,9bn, the US government reported yesterday

This is the lowest for nearly five years and much



Anglo ups six-month earnings to R599m

217 Business Day Reporter

ANGLO American's earnings for the six months to September were 31% higher, at R599m (R459m), largely as a result of improved performances by its diamond, platinum, base metals, coal and mining finance interests. BDay 24/11/89

Earnings a share for the six months were 260c (200c) and an interim dividend of 85c has been declared — 21% higher than last year's 70c.

Anglo's equity-accounted earnings increased by 29% from R1,018bn (443c a share) to R1,315bn (570c a share).

Directors say the rise in investment income, from R476m to R632m, was largely attributable to higher dividends from the mining finance, diamond, platinum and base metals sectors

The contribution from Anglo's gold and uranium interests to investment income fell from 38% (R181m) to 30% (R190m), reflecting "the impact of inflation on costs

☐ To Page 2

Anglo earnings

217 ☐ From Page 1

relative to the marginal improvement in the rand gold price", which rose by only 2,1%, from R965 an ounce to R985 The dollar gold price, however, declined by 15% from $453 to $384

Trading income increased by 46% from R191m to R279m, mainly due to Amcoal's improved results from increased export prices and tonnages and a weaker rand-/dollar exchange rate

Directors say a large part of the increase in taxation, from R132m to R210m, and of the increase in outside shareholders' interests in earnings, from R86m to R130m, are also attributable to Amcoal's improved results

Other net income rose from R10m to R28m, as higher interest and fee income more than offset increased prospecting costs The net asset value per share rose by 47%, from 9 358c to 13 713c

Retained earnings of associated companies, which are transferred to non-distributable reserve, rose by 28% to R716m The sectors referred to above, with the industrial sector, were the major contributors BDay 24/11/89

About the rest of the year, the directors say "Although difficult to predict, equity-accounted and attributable earnings for the year ending March 31 1990 are expected to show a lower rate of increase than that recorded for the first six months"

Channel busy diversifying

Star 1/12/89

Diagonal Street

LYNNE PEACH

DCM-listed Channel has been very busy diversifying and making other changes.

These include the hiving off of the diamond interests on which the group was founded, change in control, a new board of directors, re-assessment of the financial structure to ensure a strong balance sheet that will facilitate growth, and the appointment of key personnel.

In September, four Channel executives bought effective control of the company at a dis count. The consortium has 56,2 percent of the issued share capital and comprises J Jacobsen, C Dreyer, A de Fay and J Dippenaar who are the new board directors.

With effect from April 1, Channel disposed of Helam Mining, which constitutes the total of its diamond mining interests, to a consortium of foreign investors. As part of the disposal agreement, Channel will manage the mining operations and administrative functions of Helam.

The management fee Channel gets for Helam is determined according to output and Mr de Fay estimates that this will be a minimum of R300 000 for the year to June 1990. He points out this is vitually pure profit as there is very little overhead cost involved.

Approximately R3,1 million of the R8,3 million realised from the disposal of Helam has been utilised to further develop the group's granite and chrome interests.

The remaining R5,2 million was used to decrease group borrowings from R6,1 million at 30 June 1988 to R0,9 million.

Channel increased its stake in Steelchrome from 25 percent to 50,4 percent but subsequently sold out for R5,5 million cash.

Chrome, in particular Elandsdrift Chrome, is set to be the most important contributor to group results in the short term.

Mr de Fay says Elandsdrift is making very satisfactory progess and should be profitable by the end of the first quarter of 1990. He points out that although the chrome market has softened Elandsdrift, being a very low cost producer, can weather a downturn in the chrome price before operations become unprofitable.

Due to expansion of the granite operations Mr de Fay predicts that these interests will become major contributors to group earnings in the long term.

Granite prospects are encouraging, according to Mr de Fay. Demand for certain colours of granite is growing which should have a favourable impact on prices.

Group results for the year to June are not comparable to those of previous years as a result of the disposal of the diamond mining subsidiary.

Earnings from operations decreased by R1,3 million from a profit of R0,7 million to a loss of R0,5 million. However, after extraordinary gains of R3,3 million, net earnings totalled R2,8 million.

Although Channel is expectd to perform satsifactorily this year, cash flows will be reinvested, according to Mr de Fay. He confirms that no dividend will be paid in the current year to June 1990.

COMMENT: Channel's share price has fallen from a peak of 35c two months ago to a strong support level of 22c. The price would have to break above 25c before a positive trend is confirmed.

B Day 1/12/89

Platinum participation rights dispute settled

REINIE BOOYSEN

JCI subsidiary Southern Holdings, held via Freddev, has settled its dispute with Messina over Messina's participation rights in the latter's proposed Doornvlei, ~~Lebowa~~, platinum mine venture

(217)

In terms of the settlement, ~~Freddev~~, the sole shareholder of Southern, is entitled to 121 060 shares, worth R3,9m, in Messina in exchange for Southern relinquishing its rights in Doornvlei Freddev will pass this entitlement to its shareholders in the ratio of 0,556 shares in Messina for every 100 shares in Freddev.

Channel's earnings fall to a loss

B/Day 1/12/89 SYLVIA DU PLESSIS 217

DCM-LISTED granite and chrome company Channel Mining has announced a loss of 0,93c a share on increased share capital for the year to June, against earnings of 1,46c achieved in the corresponding year

This was realised on turnover which dropped to R831 577 from R1,4m

But directors, in a statement accompanying the results, say the figures are not comparable with those of previous years in view of the disposal of diamond mining subsidiary Helam Mining during the period under review

The subsidiary was sold to a consortium of foreign investors for R8,3m in April, leaving the group free to realise the full potential of its chrome and granite interests

Since year-end Channel has undergone a change of control It also increased its 25% shareholding in Steelchrome to a majority holding of 50,4%, but this interest was disposed of after it failed in its bid to obtain in excess of 75% of the issued shares in Steelchrome.

Aspinall: 'Kaolin mine a disaster'

W/E Argus 2/12/89

By VIVIEN HORLER
and CHRIS WHITFIELD
Weekend Argus Reporters

MILLIONAIRE British casino owner and zoo-keeper Mr John Aspinall is appalled by plans to turn part of the Noordhoek Valley into a kaolin mine and says it will be an "unmitigated disaster" for the area

Mr Aspinall, who owns a large property in the valley, including the old Chaplin Estate manor house bordering the proposed mine, pledged to "do whatever I can" to help the conservation groups fighting the mine

Speaking from his London office he said "Parts of the area are already over-developed but this would be a tragedy for the people of Noordhoek, for the area at the base of Chapman's Peak and for anybody in Cape Town

"It will affect the whole mountain . it will be an unmitigated disaster"

"Strategic"

Mr Aspinall said he understood a case had been made that kaolin mining was of strategic importance to South Africa

"If that is genuine then I would have to agree with the mine going ahead, but I have yet to hear a convincing argument along those lines," he said.

"I am appalled and will do anything to help stop it."

Mr Aspinall has invested a considerable amount of money over the past two years restoring the manor house, clearing his land of alien vegetation and replacing it with fynbos

His comments were welcomed by Mr John Butterfield, spokesman for the Save Chapman's Peak campaign "His sentiment mirrors that of the entire community, but not everyone is in his prominent position," said Mr Butterfield

"Mr Aspinall has invested millions of rands in the improvement of this historic estate, which is to the benefit of the South African heritage, and it would be a shame if he felt forced to reconsider his investment because the peace of this beautiful valley had been violated."

But Mr Aspinall said he had no plans at this stage to sell his property, which he bought from the estate of former MP John Wiley, if the mine went ahead

● Mr Stan Adler of Serena, the kaolin mining company which has the mineral rights to the controversial property, said reports that Serena had been looking at kaolin sources near St Helena Bay as an alternative to Noordhoek were misleading

"Additional source"

"We never said it would be an alternative — it would be an additional source," he said

"We seek new sources of kaolin all the time, not just because of the uproar over Noordhoek We will continue looking for sources of kaolin, because that's our business, that's our stock in trade"

But Mr Butterfield said he believed the company should be looking at alternative and not additional sources

"The new Environmental Conservation Act contains safeguards which we believe would go a long way towards protecting this valley But the Act hasn't yet been promulgated, and our worry is that the mine may go ahead and then six months later the Act becomes law and by then it's too late to save the valley"

■ (See Page 4 of Weekender)

Platinum bonanza is waiting in the wings

w/c
Africas
2/12/89
217

From JOHN SPIRA

JOHANNESBURG. — A major new platinum orebody, thought to contain as much as 32 percent of South Africa's total reserves of the metal, is on the threshhold of being unveiled.

South African stockbrokers, mining analysts and practising geologists believe the country is on the brink of a new period of expanding platinum group metals (PGM) production.

The main thrust, they say, will be in a portion of the famed Bushveld Complex first mined, ironically enough, in the 1920s and known as Platreef

So rich

While the deposit is so rich it would long since have been exploited in any other country, South African mining companies have been content until now to exploit the celebrated Merensky and UG2 reefs The reason is to be found in the comparative complexity of the geology of the Platreef

Says Dr Kevin Kartun, mining analyst of Frankel Kruger Vinderine Inc "That has all changed with the use of modern geochemical and geophysical techniques These have allowed geologists to plot the reef with great accuracy, opening the way to exploitation through opencast mining"

His view is supported by colleague Keith Bright, who explains some of the difficulties which some people have pointed to in relation to the Platreef

"The reef contains sulphide mineralisation in a pyroxenite layer and the chemistry is complex, since there is the influence of intermingled floor rock such as shale, dolomite and banded ironstone

Great variation

"There is a great variation in the grades and thickness of the orebody Platinum group metals have been known to occur in grades as high as 20g/t, although the norm is in the region of 2 to 7g/t South Africa's deep-level gold mines typically record grades of between 3 and 4g/t"

He believes the metallurgical problems traditionally associated with the reef are a myth and are no more complex than those associated with any sulphide structure

Dr Kartun says that on the UG2 reef, the ratio of platinum to palladium is 2 1 On the Platreef it is closer to 1 1, which may be regarded as a disadvantage

But the Platreef orebody contains far higher concentrations of base metals such as copper and nickel, which makes it an attractive mining proposition. In fact, the base-metal content makes up over 50 percent of the value in each ton of Platreef ore

The mean composition of the PGMs is 42,1 percent platinum, 46,2 percent palladium, 3 percent rhodium, 0,7percent osmium, 0,7 percent iridium, 4,1 percent ruthenium and 3,2 percent gold

Large areas of the reef are suitable for opencast mining and JCI is known to have done extensive exploration, bulk-sampling and trial-mining in the past decade

Mr Bright believes that the Platreef, with this opencast potential, offers South African mining houses a "flexible hand" in platinum production, particularly in the light of the rising costs of both deep-level mining and labour

Professor Gerhard van Gruenewaldt of the University of Pretoria and the Bushveld Research Institute is an acknowledged expert on the reef He estimates its reserves above the 1200-metre cut-off point at 4,1billion tons of PGM ore, or 32 percent of the country's total reserves

Main players

Dr Kartun points out that South Africa is the only country with primary platinum mines and its reserves represent 88percent of the world's contained PGMs

The two major players on the Platreef are the JCI-controlled Lebowa Plats and South Wits

Reports have indicated that a 200000t/month mine on Lebowa Platinum's Platreef prospect is now a virtual certainty

South Wits, which has always believed strongly in the Reef's potential, recently announced that further exploration of the Southern Block of its prospect has verified previous expectations, indicating average grades of PGMs and gold of 3,4g/t

Managing director Dr Nic Stavrakis says that though further results are being awaited, current information indicates an orebody assaying at 11220cm g/t Opencast reserves in the Southern ordbody, which is one of three Platreef bearing blocks on the property, are estimated to be in excess of 25million tons

Exploration programme

The exploration programme, he adds, also indicates extractable nickel values of 0,23percent (2,3 kg/t) and copper values of 0,18percent (1,8kg/t) in a reef with a mineable width of 33m

Dr Martin Sharpe, who has worked in the University of Pretoria's research institute on the Bushveld Complex, and Mr Steve Gain, a geologist with 20 years' experience on the complex and the Platreef, says that in the past potential developers have made the mistake of trying to impose a Merensky Reef scenario on the Platreef

Success on the reef, they point out, is dependent on the use of new geochemial and geophysical techniques and extensive drilling

The two experts say the metallurgy of the reef is no more complex than that of the Merensky Reef but, because of variations, requires good grade control in stockpiles Also, there is no chrome present on the Platreef — a factor which upsets the applecart in UG2 processing

They say the reef is generally well served infrastructurally, with the South Wits deposit particularly blessed by the proximity of rail links, power, labour and water

"The only other resource with comparative, yet not comparable, promise is Zimbabwe's Hartley complex, although it could be beset with problems involving the ever-present fear of nationalisation and antiquated minerals laws"

New site won't stop Peak kaolin mine

CAPE TIMES 2/12/89 217

Staff Reporter

THE company which holds the mining rights to the kaolin deposit in Noordhoek now says it will not consider abandoning the controversial Chapman's Peak mining plan — even if a West Coast site is found to be suitable for mining

"We may mine other areas — but there is no way we'd consider abandoning Noordhoek," Serina company director Mr Stan Adler said yesterday.

A statement released by Serina said the company looked continually for additional ore reserves and that any potential reserves were investigated

Any that were subsequently acquired would increase existing reserves but this "certainly does not mean that rights already owned would be abandoned"

Media spokesman for the Save Chapman's Peak Action Group, Mr John Butterfield, said Mr Adler's statement was "most unfortunate"

"This is most disconcerting and premature as they have not yet assessed the other site"

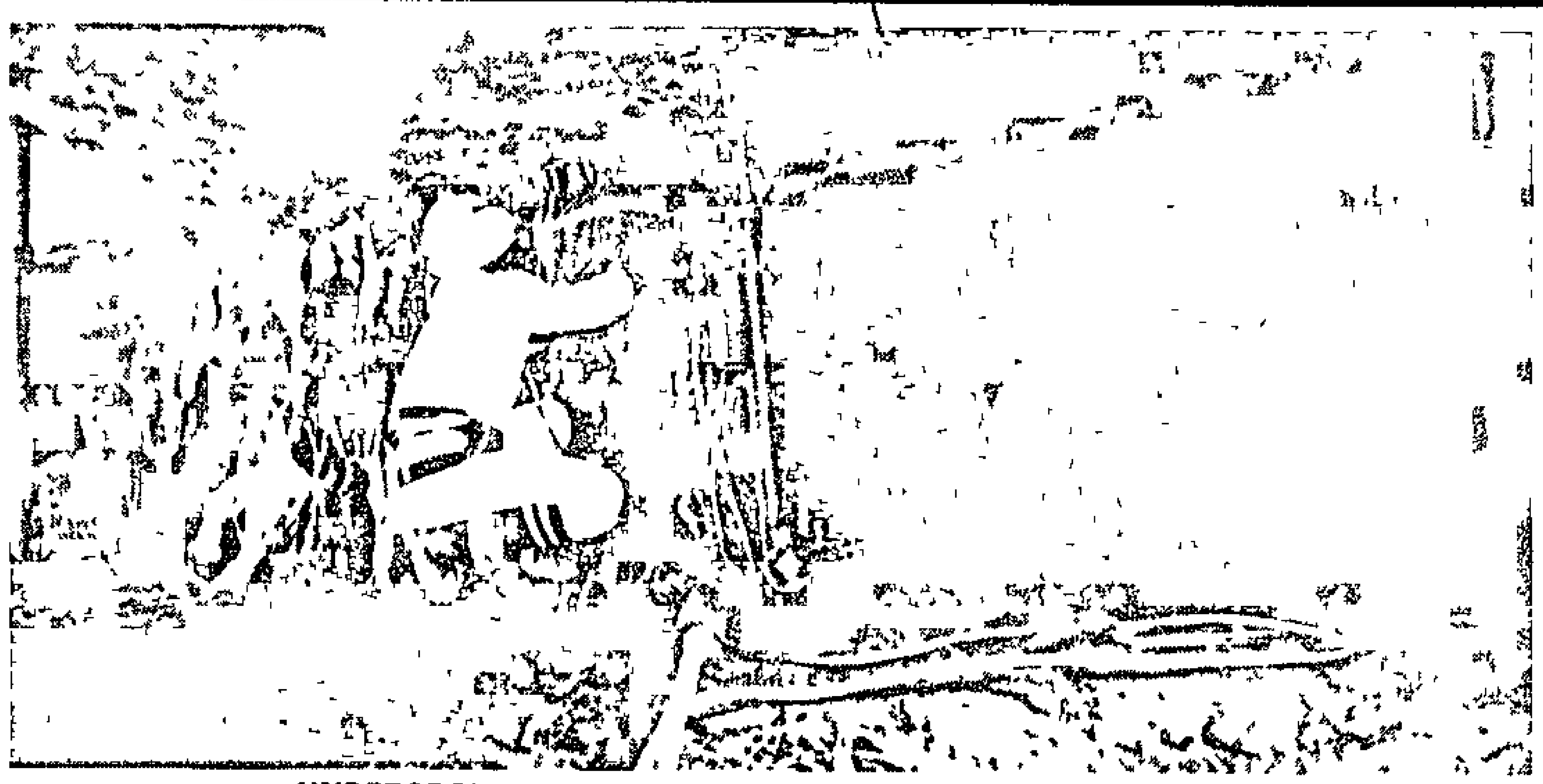
● The standpoint Serina took yesterday contradicted the one reported in the Cape Times earlier this week, in which Mr Adler was quoted as saying that it was "possible" the company would consider the St Helena Bay site as an alternative to the Noordhoek site

Mr Adler yesterday said "there must have been some misunderstanding"

Japan blamed for platinum's poor showing

217

By Richard Rolfe



UNDERGROUND: Mining platinum ore at Crocodile River Mine

THE poor performance of platinum over the past year turns out to have resulted from a sharp fall in investment demand from Japan, the country which absorbs nearly half the annual outputof the metal

Johnson Matthey, the world's principal platinum refining and marketing group, has disclosed in its interim review of the market that world demand for platinum for investment purposes slumped from 660 000 ounces in 1988 to an estimated 165 000 in the current year

In Japan, investment offtake was down from 415 000 oz to a mere 60 000 The desertion of the market by investors, reflecting the lack of volatility in the price, accounts for its indifferent performance this year, when it has averaged less than in 1988

The collapse of investment offtake marred an otherwise excellent year, Johnson Matthey says Auto industry and jewellery demand hit record levels, and overall demand is expected to reach 3 425-million oz, 6% down on the 1988 figure

With supplies reaching 3,3-million oz, there is once again a shortfall, this time of 120 000 oz This is the fifth year in succession that demand has exceeded supply, but the gap is narrowing

The world-wide concern over pollution has seen car manufacturers putting more effort into equipping vehicles with platinum or platinum/rhodium based converters

From 1,3-million oz in 1988, Johnson Matthey calculates that autocatalyst offtake will reach at least 1,4-million oz this year and this market looks set to go on rising for the next few years

Even though car production is slowing in the US, it is strong in Europe and in the newly-industrialising world, where intense pollution problems are helping create demand for controls of the kind now in place in most of the developed world

Complex

An increasing amount of platinum is being recovered from spent autocatalysts, however Johnson Matthey puts the figure at 175 000 oz for 1989, up from 160 000 oz the previous year

Recovered platinum has therefore levelled out at 13% of demand Johnson Matthey does not see any major increase, however, and comments "Now that the price of platinum is at a lower level, the economics of the recovery business seem to be increasingly marginal"

There have been no technical breakthroughs, the firm adds, and the recovery process remains technically complex and physically onerous

Jewellery demand, which approached 1,2-million oz last year, topping the million mark for the first time, is forecast to increase further this year to at least 1,265-million Japan accounts for all but 40 000 oz of this total

That an increasing proportion — nearly a third — of world platinum supplies is going into jewellery is good news, since relatively little of it comes back on to the market

Stimulated

Industrial applications in the glass, petroleum, chemical and electrical sectors have generally been up on 1988, Johnson Mattey reports, reflecting the continued economic growth in the OECD area

Soviet sales in the West are again put at 440 000 oz If anything, this amount is likely to fall as the USSR consumes more of its own platinum output

The Soviets are expected to supply 1,725-million oz of palladium to the market this year, against 1,135-million from SA Because of firmer demand and some investment excitement, the palladium price has been very firm, averaging $148 per oz so far this year against $123 in 1988

The announcement by scientists of a cold fusion process using palladium stimulated the market, as did Ford's disclosure that it expected to manufacture autocatalysts containing palladium in place of platinum

On the platinum supply side, Johnson Matthey predicts a marginal increase of 60 000 oz from SA mines to 2,640-million oz this year SA continues to supply about 80% of the world's platinum needs

Apart from the developing platinum mines in SA, the only new producer on the horizon is Delta Gold, whose subsidiary Masasa Mines has completed a feasibility study into its prospect on the Hartley Complex

If it can raise $160-to-$200-million by mid-1990, Delta estimates it can be in production at the rate of 100 000 oz of platinum annually by end-1992

MONEY MARKET

Deposit taking

TONY BUCHAN ... "good time for a change"

A switch in time

Change of fortunes from copper-based to platinum

217

No 6:
1984: R10 000
1989: R94 758

By Don Robertson

MESSINA, established as a copper mining venture in the Northern Transvaal in 1904, is soon to be transformed into a major platinum producer

In the 81 years since it was listed on the JSE on November 10 1908, it has endured wars, depressions and strikes It has suffered losses and enjoyed profits many times

But as it is about to be absorbed into Impala Platinum and switch its operations into platinum, it is able to boast record earnings, an extremely healthy balance sheet and a substantial cash surplus

In the six months to June, attributable profits were R47,3-million, excluding an extraordinary item of R21,8-million which was the cash surplus on the sale of its Autocast, Steelmobile, Magnis Nissan and shipping interests This compares with R73,4-million in the year to December, which included R27,6-million on the sale of investments

The interim dividend was raised to 32c from 25c

The group has been pretty smart in hedging its copper sales until the end of the year As a result, it is likely that taxed earnings could be higher by about 10% in the year to December, with a commensurate hike in the final dividend Last year it was 50c

Results for last year reflect a substantial improvement in the group's fortunes

In 1985, the group suffered a loss of R43,9-million and had debts of R80-million This was turned into a profit of R5,6-million in 1986 and R17,4-million in 1987

"With profits as they are at present, it is a good time for a change We have really turned it around over a very short period of time," says a very contented managing director Tony Buchan

"All the companies we have sold over the past two years have been disposed of with virtually no borrowings, although I was very sorry to have sold them," he says

Reserves

With the finite life of the copper reserves — perhaps no more than a few years — the decision has been taken to develop its platinum options

All that is left in the group apart from its copper mining is the Premier Equipment division, which assembles, distributes and services construction and mining equipment It also has a materials handling division

This will be sold off "at the right time to the right person," says Mr Buchan.

The result of the sale of the non-mining divisions has put R100-million into the bank, and by the end of the year this could be increased to about R120-million

This will go a long way to help develop the platinum interests, which are situated in Lebowa

But in line with the decision by the parent, Sankorp, it was decided to switch what will be the new Messina Platinum into Impala Platinum

As a result, Impala announced in April that it would will acquire 55% of Messina by offering one Impala Platinum plus R1,75 in cash for two Messina shares

The cash portion represents the difference between the dividend payments of the two groups

The offer has since been made unconditional on the same share exchange, but the cash element has been increased to R2,53

Impala will offer the same package to all shareholders, but if insufficient acceptance is received, Sankorp will make up the difference to give Impala a 55% stake in Messina

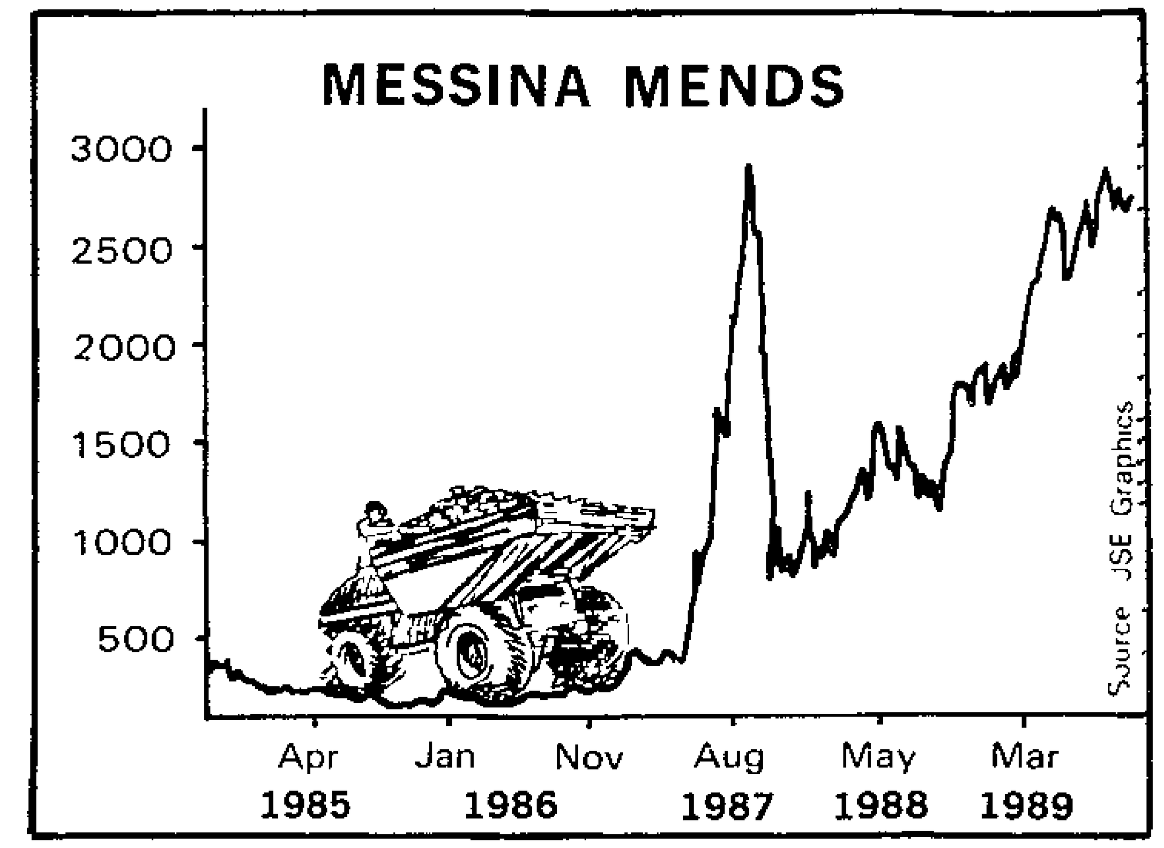
Prices

At current prices, the shares are trading in correct proportions

The decision to sell of its diversified interests results from the need to raise cash for the development of the platinum mine, which is expected to cost about R400-million

No decision has yet been taken as to how to raise the balance of the funds, but Impala could perhaps raise the additional finance from Gencor

Initial exploration has proved reserves on the Merensky reef of 26-million tons at a grade of 5,91g/t and on the UG2 reef of 33,8-million tons at 6,66g/t



Rights

Once the mineral rights have been secured, it is intended to establish a 160 000 tons a month mine on the property The listing will probably be changed to the platinum sector

Although mineral rights have not yet been secured, two ventilation shafts have been sunk and two access shafts will be put down to extract bulk samples

Difficulty has been experienced in the past in processing the UG2 reef, but the intention is to blend the two reefs in the ratio of 45% Merensky and 55% UG2 Trial processing has proved the success of this strategy

Expertise

Mr Buchan says that although the company has experience in the mining and marketing of copper, it will gain from the experience and marketing expertise of Impala

The intention is for Messina to produce platinum matte and deliver this to Impala for refining

The change in emphasis of the company has encouraged a number of financial institutions to take a renewed interest in the group

The Top 100 Companies 1989

Brighter year-end puts a glister on gold

S/Times 31/12/89

By Julie Walker

IT WAS the year of climbing interest rates, of peaking industrial share prices, and of booming gold shares

Golds supplied a November flurry out of the blue The price climbed from below $350 in September to above $390 at the time of going to press That is a climb of 11%

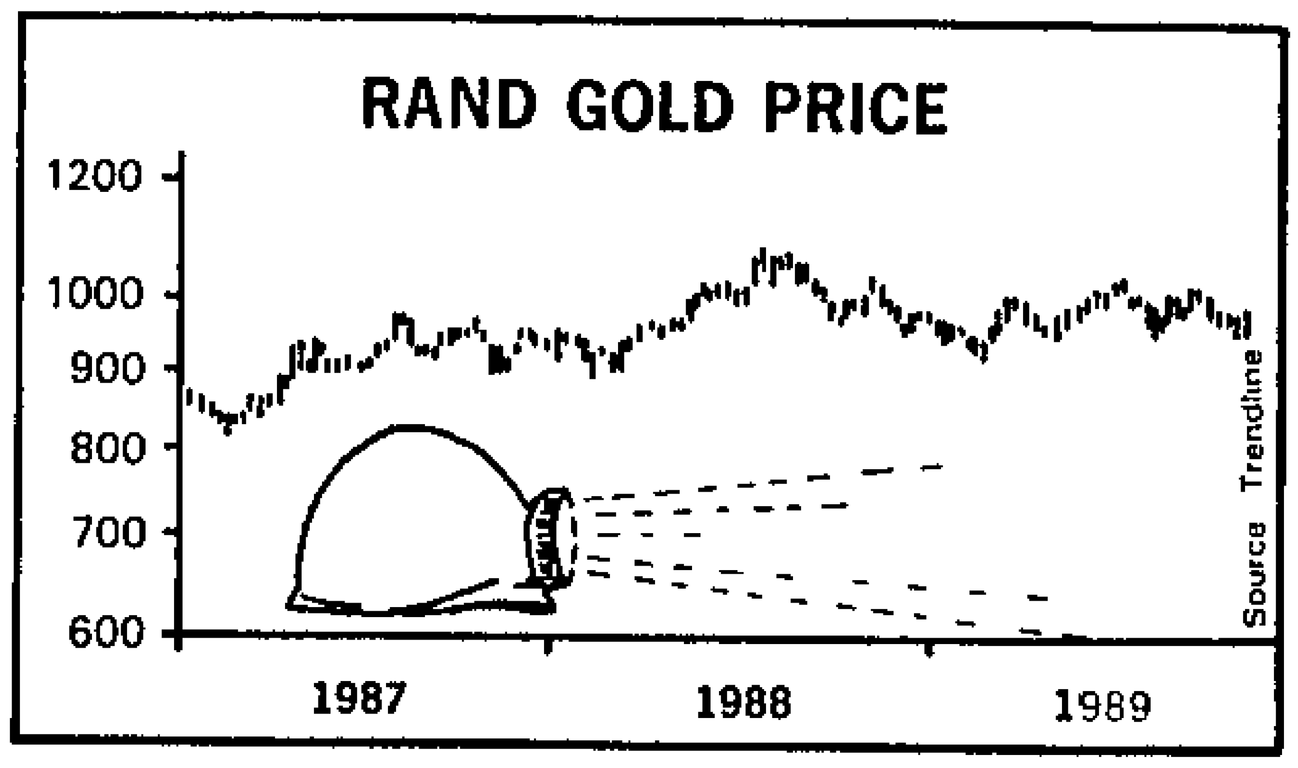
The rand gold price went from R950 to R1 030 — a rise of 8% Yet the JSE's All Gold index surged from a low of 1 247 on October 16 — the day of the mini-crash — to a 1989 high of 1 896 That is a jump of 60% in less than a month

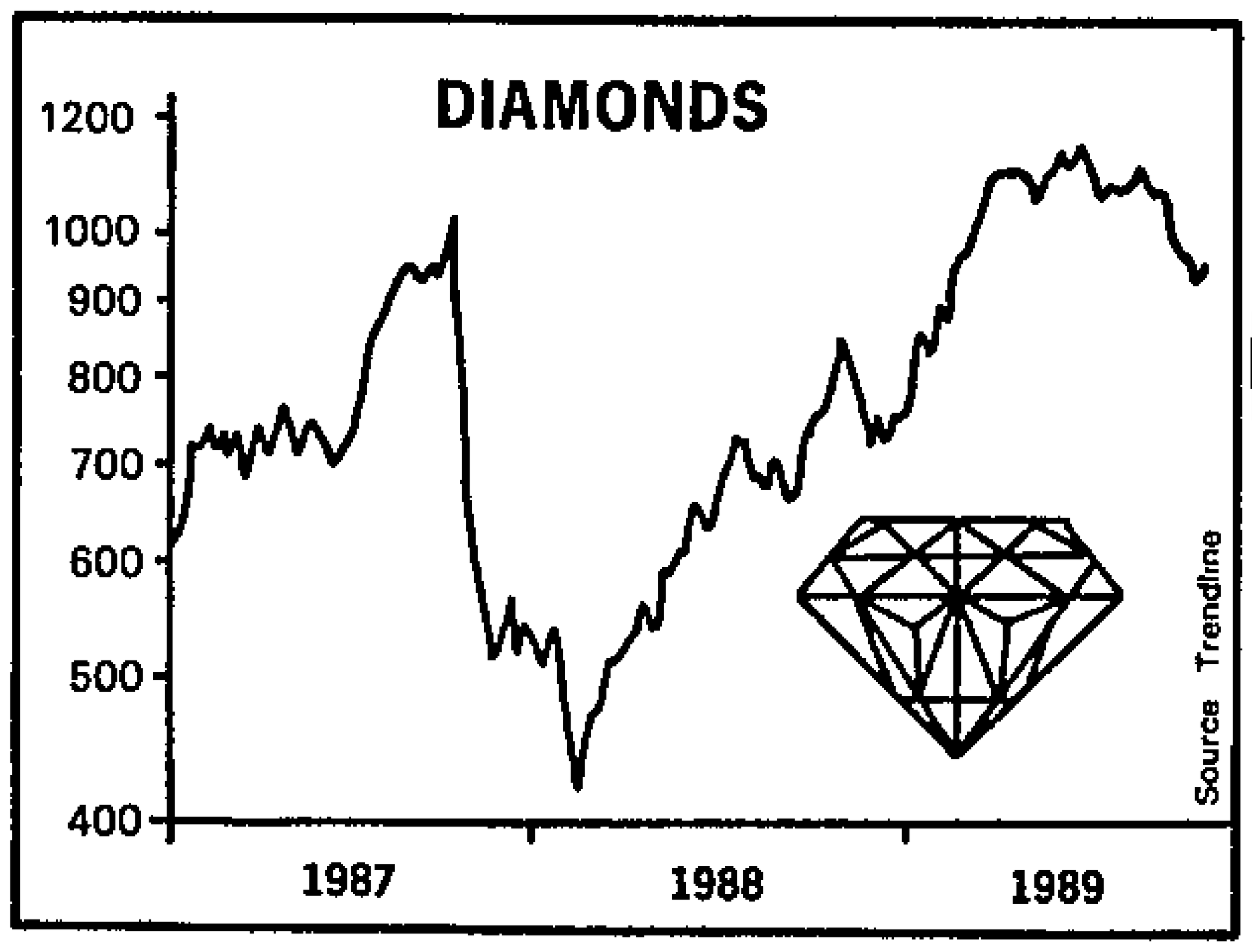
Every man and his dog climbed into golds Even the worst-performing shares became sought after Durban Deep — on the last lap of a long run — doubled in price within a week, and its high of R28,50 was more than treble its February low of R8,40

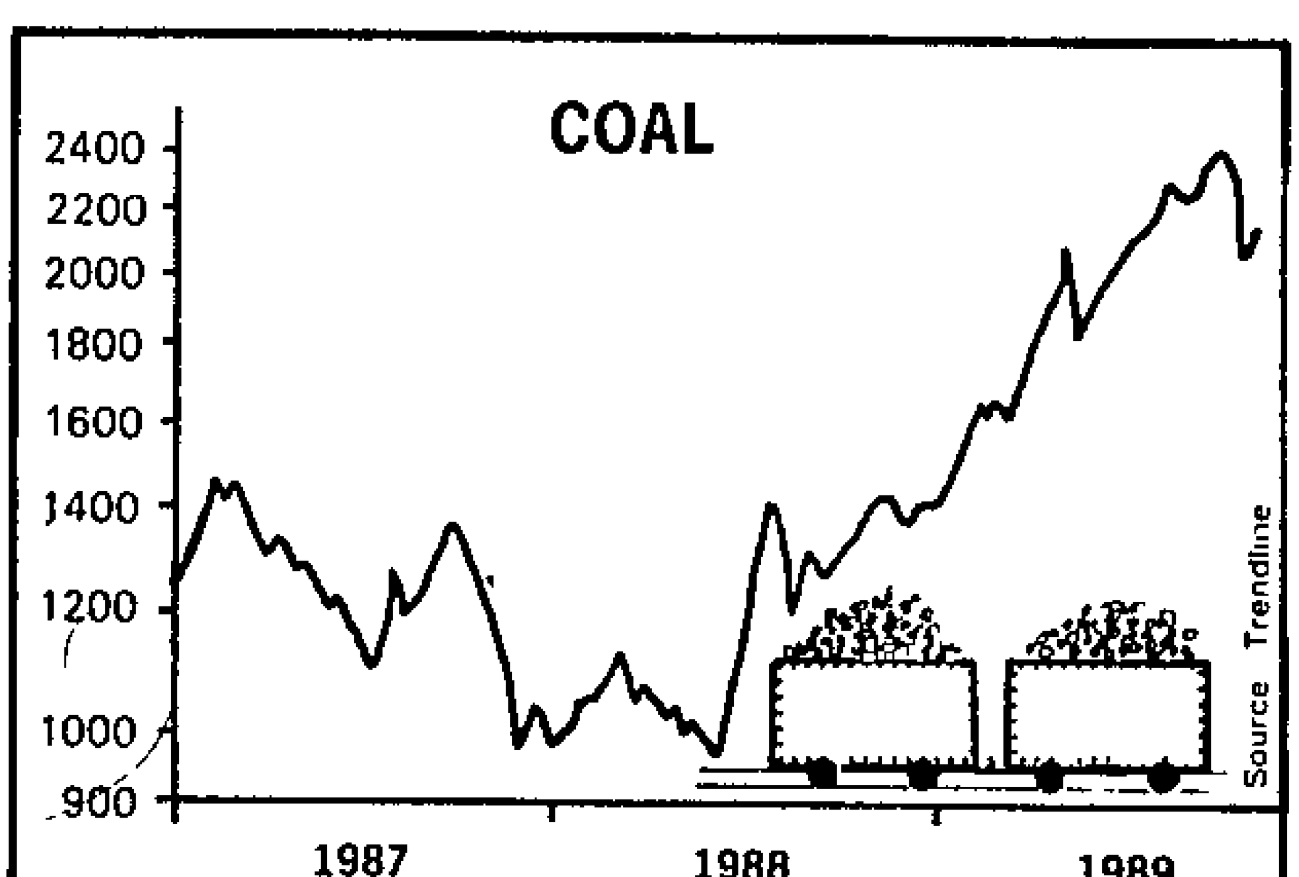
East Rand Proprietary followed the same path, climbing from R7 in June to R16,75 by November

Rand Mines applied for Government assistance to tide the mines through a tough patch, but co-operation was minimal Chairman of the precious metals division Clive Knobbs said the rand would have to fall and the rand gold price rise substantially if the two mines were to continue

Operations were curtailed at Durban Deep, while ERPM is concentrating its efforts on the new Far East Vertical shaft which should give it a new lease on life







Other star performers among the marginals were Grootvlei, Wit Nigel, West Rand Cons, Blyvoor and Venters Among the better-quality companies Elands, Unisel, Kinross and Freegold were in demand during November

Mine managements came under pressure during 1989 The gold price was stagnant in rand terms, yet working costs continued to climb That brought profit margins under pressure

In fact, half of SA's mines incurred operating losses for at least some of the quarters Derek Keys' Gencor impressed with its efforts of maximising profits especially as many of its mines are coming towards the latter part of their lives, with the inherent reduction in grade flexibility

Worry

Others worry that development and capital expenditure cuts were sacrificed to keep the mines afloat. The rise in gold price is not yet enough to make a material difference to mines' earnings

JULIAN OGILVIE THOMPSOM

But De Beers loses its sparkle

Platinums provided good growth. Rusplats — R42 a year ago — hit R78 early in November, Lebowa went from R6,25 to R10,15 in the same period and Impala from R32 to R59

Lebowa announced trial mining was taking place on the Platreef — the northern limb of platiniferous deposits in the Bushveld complex. Market watchers expected developments at Maandagshoek, but this was put on ice in light of the prospects near Potgietersrust.

A large shallow operation could be established from late 1990 if feasibility studies are positive

SA platinum mining has boomed during the '80s from a Merensky-only industry to recovery from the UG2 and potentially from the Platreef

Barplats and Barmines — formerly Lefkochrysos — were shunned by investors when golds and platinums were generally running up They held rights offers to finance the expansion of operations at the two sites

The other developing mine Northam came steadily from R17,50 to R31.

Sparkle

Diamonds proved to be an investor's best friend until June De Beers languished below R40 before earning a re-rating It topped R67, but lost its sparkle as global economic slowdown fears set in They had rallied above R56 by mid-November after going under R50

De Beers, under Julian Ogilvie Thompson, intends to develop a mine on the farm Venetia in the north-western Transvaal Venetia will produce medium-quality stones

Coal had a surprisingly good year Export prices were firm and the weakening rand boosted earnings Anglo American Coal climbed from R45 to R69 after touching R80, Gold Fields Coal from R6 to R9 and Trans-Natal from R5 to R775c

Eskom's coal requirements led to lower local sales, but more was exported New production expected from Chile did not come on stream, and there were other supply disruptions from strikes

Other metals had mixed fortunes Palabora benefited from the higher copper price, and its dividends soared The shares rose nearly 50% to R60 at which the dividend yield is a historic 12%

CLIVE KNOBBS
Survival conditions

DEREK KEYS
Impressive results

Samancor ranged between R15 and R25 during the year, the price coming off the top because world commodity prices have fallen and the 1990 outlook for growth in steel production is not as promising as it was for 1989

Asbestos shares did well, being among the biggest climbers of the year But granites lost their trendiness, all the counters coming off their highs in spite of growing world demand

Union Tin changed hands this year Gold Fields believed it had no potential, but a Cape Town consortium believe it has platinum and more tin to be exploited

Unfortunately for the new management, an earnings loss was recorded in the maiden results The shares have dropped to 120c from 300c in May

P.19—III

Rhodium hits record of $1 800 an ounce

LONDON — Rhodium, the highest priced platinum group metal, has soared to a record high of over $1 800 per troy ounce, up from $1 300 two weeks ago

The surge, which sliced through a previous high of 1 430 set in September 1986, was sparked by aggressive buying from Johnson Matthey to cover against reduced supplies caused by problems at the Rustenburg Precious Metals Refinery in SA, traders said BDay 7/12/89

The refinery is owned by Rustenburg Platinum Holdings Ltd and managed by Matthey Rustenburg Refiners, which is jointly owned by Rustenburg and Johnson Matthey. (102) (217)

"Lower than anticipated supplies coming from South Africa, coupled with the reluctance of the USSR to sell spot lots at the moment, has given rise to very severe supply tightness in the market," said Johnson Matthey spokesman Alan Austin, which is the sole marketing agent for products refined at Rustenburg.

He anticipated supply-demand for 1989 to be up about by 10% on 1988 and fairly evenly balanced — Reuter

R15m Silver Corp investors worried

S/Times 10/12/89. (217)

JOHNNY Loots is one of several worried Silver Corp shareholders who will defer their holidays to attend the company's inconveniently timed annual meeting

By David Carte

Unlisted Silver Corp will hold its meeting in the middle of the silly season — on December 15

Mr Loots is one of hundreds of small investors who poured altogether R15-million into Silver Corp and are now wondering if they will get even small change back

Extravagant

Silver Corp has sold its shares to the public with extravagant promises for three years By December last year, its accumulated losses were R9,7-million and shareholders' funds were down to R2,2-million

The company last sold shares at 45c There are 56,2-million shares in issue, so it valued itself then at R25,3-million

Mr Loots says "Silver Corp made me keen on silver recovery I bought shares When they didn't deliver, I decided to go into gold and silver recovery myself

"I bought a couple of chemistry and metallurgy books When I had learned the theory, I got a licence as a recoverer of precious metals I bought some nitric acid and a blowtorch and started recovering silver and gold from jewellery and old computer circuit boards

"I have made more than R100 000 If I can do it with hardly any capital, why can't these guys with R15-million of public money?"

Chairman and founder Fanie Naude says Silver Corp company did badly last year because it was fighting a takeover bid by Ivan Brownlees

Co-founder Danie Nel says the long-term outlook for silver remains bullish The company has spent millions in building up an overseas infrastructure It will be profitable once silver takes off

Mr Naude enthuses about Silver Corp's latest investment opportunity — a silver-backed debenture, which the company calls SilFin Investors are invited to give the company more money

This time the funds will be put in a trust account Silver worth 44% of the value of the investment will be bought, 20% will go into a mutual fund, costs will take 10% and 26% will go towards equity in Silver Corp at 25c a share compared with 45c the last time it sold shares (before the October 1987 crash)

Image

Mr Naude and Mr Nel say the instrument will be tradeable, risk will be minimised by the silver backing and the mutual fund element and a board of trustees will eliminate any credibility gap

But it is hard for an outsider who is not a silver enthusiast to see merit in the instrument. He gets no return Indeed 10% goes immediately in costs

Silver Corp's enthusiasm for SilFin matches the 1988 report s description of the company It valued its image at R8-million, its comprehensive infrastructure at R10-million, its SA and international developments at R50-million, its assets and equipment at R10-million and its "financing of losses", which are actually effective development and establishment costs at R10 million — a total of R88-million

Mr Naude says litigation with Mr Brownlees and delays at the auditors caused the annual report to be published 11 months after the December yearend

Turnover in the 15 months to December 1988 was R2,9-million, but the net loss was R4,7-million In addition, there were net extraordinary losses of R2-million, hence the R6,7-million deterioration in shareholders' funds

Directors' fees appear reasonable at R75 610, but management and technical fees of R537 000 were paid to "institutions under the control of the directors" The consolation is that the amount is down from R851 000 the year before

The directors say in their report that because of a lack of discipline, the venture capital market fell into disrepute As a result the company sought other sources of funds, resulting in negotiations with JB Foundation and Noga Holdings from Luxembourg, through Mr Brownlees

Saficon and Reunert

SAFICON Investments should have ranked 46th in last week's Top Companies survey with an average annual return to shareholders of 37,1%

The computer fundis forgot to adjust for a one-for-one share split in 1987 and a 50-for-100 capitalisation issue in August this year S/Times 10/12/89

Another omission was Reunert, which achieved a return of 25,1% a year and would have ranked 96th — ahead of AECI The capital reduction implicit in the TSI deal threw out the original calculation

Fish Hoek to query Kommetjie kaolin mine

News 12/12/89

By MICHAEL DOMAN
False Bay Bureau

217

THE Fish Hoek council is to ask the Western Cape Regional Services Council (RSC) for more detailed information on a proposed open cast kaolin mine on a portion of the Imhoff's Gift farm in Kommetjie

The proposed mine lies outside Fish Hoek's boundaries, but the municipality was asked for comments by the RSC because it is proposed to transport the mined kaolin by road through Fish Hoek

Amenities councillor Mr Malcolm Wallace proposed that the council inform the RSC that it had problems with the proposed mine, particularly regarding the possible losses Fish Hoek might suffer in respect of wear and tear on roads and dust.

Councillor Mrs Pat Landon listed several potential problem areas regarding the mine. Her memorandum will be sent to the RSC for further comment

60 000 tons

According to the RSC, it is expected that 60 000 tons of white (high grade) kaolin will be mined at the 200m by 1 000m site by Kommetjie Kaolin (Pty) Ltd, which has already gained the approval of officials from the Departments of Mines, Water Affairs and Agriculture for the project.

Kommetjie Kaolin plans to proceed with mining and processing kaolin, pending approval from the relevant authorities

Mr Wallace said that during the first phase of the mine, the raw material would be transported to an existing processing works at the Serina mine at Brakkloof

At a later stage, a processing plant would be built at Imhoff's Gift farm

Water requirements

The RSC indicated that the estimated 10 000 litres of water required daily would possibly be obtained from the nearby Wildevoëlvlei Sewage Works, provided the quality was satisfactory

The RSC said it was unlikely that existing areas like the adjacent Ocean View and Sunnydale would be significantly affected by noise or air pollution

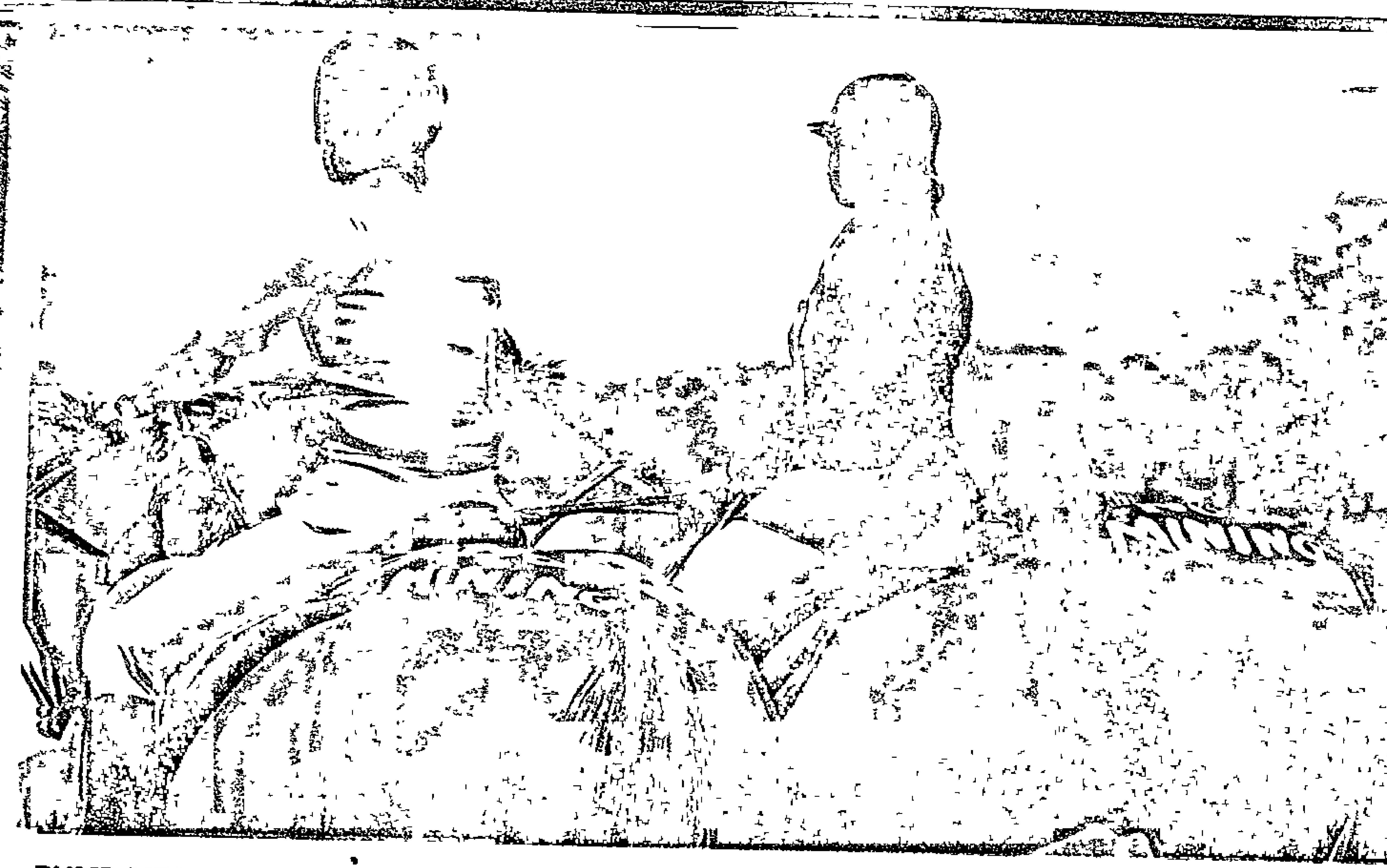
There might be a problem, however, if there is residential development on other parts of Imhoff's Gift farm in the future

● Kaolin is a high-grade clay for use in the paper industry, ceramics, paint and dyes, plastics and insecticides, soap, cosmetics and some toothpastes, as well as in medicines and white flour

It is relatively scarce in South Africa and two-thirds of our kaolin is imported

Kaolin is being mined at Brakkloof, in Fish Hoek, at a rate of 36 000 tons a year

SIGNING UP . . . City Mayor Mr Gordon Oliver signs a petition against the proposed mine.



RUMP MESSAGES . . Even the horses were marked with anti-mining messages at a Noordhoek protest picnic.

Pictures RICHARD BELL

CM Times 13/12/89 717

Expert opposes mine

By PETER DENNEHY

LEADING environmental expert Dr Douglas Hey and his committee have firmly rejected the proposed kaolin mine at Noordhoek.

He confirmed yesterday that he had recently submitted the findings of a study he and his committee had done to the Administrator of the Cape, Mr Kobus Meiring, who had commissioned it.

The members of the administrator's advisory committee on the management of the Cape Peninsula Nature Area had decided unanimously that the proposed mine "was not in the long-term interests of the Cape Province or South Africa"

"The Cape Peninsula is world-renowned for its scenic beauty and unique flora and fauna," the report read "Its greatest potential is outdoor recreation and tourism, and the long-term benefits from these sources far outweigh the short-term gains from mining.

The committee noted that open-cast mines were unsightly "and must detract from the scenic beauty of the area, particularly when situated on the boundary of a proclaimed protected natural environment."

Scars of mining could be greened, but the ecology of the mined area "can never be restored", the committee reported

Sociological impacts of the mining would include "excessive noise, dust, the intrusion of heavy transport and the influx of workers"

Kaolin was not a strategic mineral, nor was Noordhoek the only source of kaolin in the Cape There were a number of other kaolin deposits in the Cape, for example the Malmesbury district, Saldanha and Grahamstown, where the kaolin was also of a high quality.

Mr Meiring could not be reached for comment yesterday.

Up to 1 000 signatures of people opposing the mine are being collected daily, according to Mr John Butterfield, media spokesman for the Save Chapman's Peak Action Group

On Saturday several hundred anti-mine lobbyists, including a horse-borne contingent and a brass band, gathered for a picnic in protest against the development.

Among the prominent people who dropped in — some by helicoper — were the Mayor of Cape Town Mr Gordon Oliver, the mayor of Simon's Town Mrs Nicki Holderness, Simon's Town MP Mr Jannie Momberg, Mr Mark Wiley and his wife Arlene, local Pick 'n Pay director Mr Raymond Murray and actress M[illegible]

Analysts put their money on Messina

REINIE BOOYSEN

STOCKBROKERS Anderson, Wilson and Partners recently advised clients to buy Messina shares up to R40, as the company's platinum development was more advanced than was generally thought

At the time of the recommendation, on December 4, shares in Messina traded at around R33, and they have risen by 8,3%, to R35,75, since

Anderson, Wilson analyst René Hochreiter says in his report the share is undervalued relative to the platinum sector in view of positive features such as the low-cost mining method, high sulphide content of the ore and the backing of Impala Platinum

The contribution of Messina's platinum interests to the cashflow are said to be about 84% at full production

Development at the mine to date includes two ventilation shafts on the farms Doornvlei and Voorspoed while the rock hoist installation for the Voorspoed shaft is almost complete, at a cost of R6m.

Hochreiter says the Voorspoed shaft will be sunk to a depth of 1 000m and is planned to hoist 100 000 tons of ore a month while the Doornvlei shaft will be sunk to 500m and have an ore-hoisting capacity of 160 000 tons a month

Two ore-bearing reefs are being targeted — the M1 unit of the Merensky Reef and the UG2 Reef The Merensky Reef is a 5m to 8m thick sequence which contains the three units designated the M1, M2 and M3 units The M1 unit is about 100cm wide and the richest of the three

(217)

It contains 5,8 to 6,2g/t platinum group metals, in a platinum to palladium ratio of 2 1 It also contains 0,25% nickel and 0,20% copper

The UG2 Reef lies 100m vertically below the Merensky Reef and is 120cm thick, with 6,5g/t platinum group metals, in a platinum to palladium ratio of 1 1 It contains 0,30% nickel and 0,18% copper

At full production the mine will treat 90 000 tons of Merensky Reef and 70 000 tons of UG2 Reef ore a month — but the Merensky Reef will be the initial target

B/Day 22/12/86

Argus 28/12/89

217

'82 report gave planned kaolin mine the all-clear

By DAVID YUTAR and JOHN YELD, Staff Reporters

THE proposed open-cast kaolin mine on Chaplin's Estate, Noordhoek, would not cause irreparable changes to the "natural processes, habitats or landscape types", according to a report released this month.

The report by landscape architects Farrell and Van Riet was prepared at the request of the then director-general, Office of the Prime Minister, when kaolin mining in Noordhoek was first proposed in the early 1980s

Details of the report have been disclosed by Serina, the company which holds the kaolin mining rights, but residents opposed to the mine have not seen the document and have rejected its findings.

Allegations

Allegations had been made that Serina had withheld the report because it was critical of the proposed mine in the valley, but the company said in a Press release that it had only just had sight of the report

According to Serina's Press release, Farrell and Van Riet said in the summary to the report, which was labelled "confidential, not for circulation", that the degree of "actual incompatibility with other ground uses" did not merit the refusal of a mining permit

"The economic value of the deposit and its quality, together with existing processing facilities, make exploitation an asset for the economy of the country," the two authors were reported as saying.

Delay

A spokesman for the Department of Mineral and Energy Affairs said the delay in releasing the report had been due to factors "beyond its control" and "red tape".

Mr John Butterfield, spokesman for the Save Chapman's Peak Action Group which is opposed to kaolin mining in the valley, said yesterday the group had not seen the "dated" report and could not accept its findings as quoted by Serina.

Current opinion

"However, we know that this report was researched and tabled in 1982 and does not reflect current environmental and ecological opinion.

"It quite contradicts the finding of Dr (Douglas) Hey's most recent study as well as that of Serina's own commissioned Ford and Theron report, both of which conclude that mining in this area will result in permanent and excessive damage to the environment ..

"In the light of glaring contradictions we feel it's essential that the input of the ecological and botanical sources employed by Farrell and Van Riet be verified before (their) conclusions can be given any credibility"

Lower mineral prices depress export index

(217) LINDA ENSOR

LOWER current rand prices of nickel, ferroalloys, chrome ore, copper and uranium depressed the Commodity Export Price Index (CEPI — excluding gold) in October and November

The latest Minerals Bureau Bulletin (MBB) points out that export prices in real rand terms remained much lower than in current rand terms due to the high rate of inflation.

If gold is included in the calculations, the CEPI for November shows an immediate about-turn due to the great improvement in the gold price in that month This, together with improvements in the dollar prices of platinum-group metals, resulted in a recovery of the CEPI in current dollar terms.

In November platinum rose sharply, breaking through the "resistance level" of $500/oz BDay 29/12/89

"This movement resulted from economic expectations rather than from changes in demand," says the MBB.

"Indeed, demand for platinum during the year is reflected by platinum's premium over gold which shrank to 30% from the over 40% in excess of the gold price recorded six months previously."

The MBB expects the platinum price to move upwards with the bullish gold price during the coming weeks.

At less than $10 000/ton, nickel prices experienced downward pressure in November due to the negative impact of the stainless steel sector on the ferronickel and nickel oxide markets

The low vanadium spot price of $3,20 to $3,40/lb is believed to be unjustified when viewed in relation to the expected 2% annual growth by tonnage in the ferrous commodities market MBB says the spot prices reflect the lower turnover while consumers reduce inventories.