MINING – DIAMONDS – GENERAL

APRIL – 1975 — JUNE 1977

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STAR 17/4/75

Koffiefontein mine to go underground

Teigue Payne

Koffiefontein, the diamond mine in the Orange Free State which stayed in mothballs for nearly 40 years before it was revived by De Beers in 1970, has started work on changing from an open cast to a highly-mechanised underground operation.

Operations from surface are reaching the optimum economic depth. When underground development begins early next year innovative mining methods and the most modern equipment will be used.

Rubber-tyred, articulated jumbo drill rigs and several of the latest load-haul-dump units are on order.

The underground mine will use the longhole chambering technique, which requires advanced drilling techniques and allows a high degree of mechanisation

Work on the mine shaft and headgear began in October 1973 and by June this year the shaft will have reached its maximum depth of 703 m It will have a personnel elevator instead of the conventional mine-hoist, a rock elevator pulling 18,1 ton skips, and a heavy materials winch. All these will be fully automatic.

Other work includes ventilation and ore-handling passes — all of which will be developed by raise boring.

An expansion and development programme now under way at Koffiefontein will turn it into one of the few mines in the world — certainly the only one in Africa — to be almost totally hydraulic.

De Beers says this means that virtually all equipment used will be hydraulically operated or diesel-driven and there will be no pneumatic or compressed air reticulation, which is considered less efficient. Hydraulic machinery is powered by oil under high pressure.

Since the mine was reopened in the Koffiefontein crater, it has yielded 1,1m carats from 11,4m tons of diamondiferous ground. Koffiefontein is one of six mines in the Kimberley division of De Beers and has a labour force of about 750.

F.m 18/4/78 (218)

DE BEERS

Facing the music

De Beers has decided to drop its defence o monopolistic trading charges levelled gainst it by the US Justice Department ts two American diamond industrial rit distributors were due to be senenced in a New York Federal court esterday (Thursday), facing fines of up o $50 000 each.

Attorneys for the two firms — Diamond Abrasives and ANCO Diamond Abrasives — had originally filed not guilty pleas to charges that they, and through them De Beers itself, had conspired to fix prices and unfairly restrain trade in the US

The charges were announced in December after an 18-month government grand jury investigation into monopolistic practices in the diamond industry. Government civil suits were also filed

Changing their pleas to guilty last week, the attorneys pointed out that the two firms were admitting guilt for the purposes of the immediate case, but reserved their defences against the civil actions or any subsequent charges

A US Justice Department official told the *FM's* Washington correspondent that it saw the De Beers change of stance as a major victory in its nearly 30-year effort to gain legal jurisdiction over De Beers

The official refused comment when asked if there were other charges in the pipeline

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STAR
25/4/75

Chairman's statement

DE BEERS

The financial strength and firm policy of the Central Selling Organisation have enabled the diamond industry to stand up well to world economic conditions

· Mr H. F. Oppenheimer

In his statement for the year ended 31st December 1974 Mr H. F. Oppenheimer, the Chairman of De Beers Consolidated Mines Limited, said:

Diamond sales by the Central Selling Organisation at R849 000 000 were R72 000 000—or 7,8 per cent—lower than in 1973. Sales in the first half of 1974 set a new record, and the reduction in the total was caused by the marked deterioration in economic conditions throughout the world in the second half of the year. During this period we maintained our traditional policy of absorbing into stock the excess production, and over the year stocks of diamonds on hand rose by R54 300 000 to R269 800 000. In these circumstances the diamond industry, supported by the financial strength and firm policy of the Central Selling Organisation, stood up well. Demand for the small sizes, stimulated in part by our world-wide efforts to broaden the market for jewellery designed to use small diamonds, continued to improve, and the fall in our sales was attibutable to a sharp reduction in demand for the larger and more valuable stones, which until quite recently had been in short supply.

In my view the decline in our sales of these stones is not a cause for anxiety in the long-term, and our regular survey of conditions in the major markets indicates that sales of these stones in the form of finished jewellery have not declined to the same extent as our own sales. It is not I think surprising, at a time when business confidence is at a low ebb and interest rates have been exceptionally high, that merchants should wish to reduce their stocks. The basic fact remains, however, that production of the larger and more valuable stones from the old-established mines is continuing to decline, and that the newly discovered deposits consist mainly of smaller sizes, with the result that the larger diamonds are becoming progressively scarcer. Sales of industrial diamond were higher both in volume and value in 1974, notwithstanding the slow-down in the world economy during the second half of the year, which particularly affected consumption of synthetic grits in the automotive and other engineering industries. In the field of natural diamond, sales of processed drilling products were extremely encouraging, reflecting the widespread increase in exploration for new sources of energy and gold. Among the new products coming forward from our research centre is cubic boron nitride, a synthetic material second only to diamond in its hardness. This product, for which we see considerable potential in the grinding of certain alloy steels, has just been introduced commercially and will be tested progressively in various markets during the coming year.

It was against this broad background, and despite a reduction from R237 500 000 to R201 300 000 in the net consolidated profit attributable to De Beers, that the board felt justified in making a small increase of one cent to 25 cents a share in the dividend distribution for the year.

FEATURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31st December	1974 R	1973 R
Issued capital of De Beers company	21 821 000	21 821 000
Reserves†	822 247 000	751 789 000
Book value of listed investments*	201 525 000	202 881 000
Market value of listed investments*	389 233 000	463 861 000
Book value of unlisted investments and loans*	149 043 000	135 810 000
Directors' valuation of unlisted investments and loans*	171 703 000	196 603 000
Net current assets	198 775 000	210 507 000
Diamonds on hand at cost	269 788 000	215 458 000
Profit after tax attributable to De Beers company	201 314 000	237 545 000
Preference dividend	1 591 000	1 591 000
Net earnings attributable to deferred shares	199 723 000	235 954 000
Per share	56c	66,1c
Dividends	89 217 000	85 649 000
Per share	25c	24c

*† After deducting excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition * Outside the diamond industry*

The book cost of the Group's investments rose during the year by R11 900 000 to R350 600 000. The value of these investments, taking market value for listed investments and directors' valuation for unlisted investments, fell by R99 500 000 to R560 900 000, largely because of the lower level of share prices prevailing at the end of 1974. After deducting foreign loans, all of which have been used for investment purposes, the net value of the Group's investments was R544 500 000. The net current assets of the Group declined by R11 700 000 to R198 800 000. Allowing for minority interests the net investments and net current assets at 31st December attributable to De Beers shareholders amounted to R676 200 000, or 189 cents per deferred share.

The production of the Group at 11 068 000 carats was slightly higher than the 10 823 000 carats produced in 1973. There was a further small decline in output from the Kimberley mines, a tendency which must be expected to continue, and there was some reduction in output from Finsch, Koffiefontein and Premier due to the exceptionally heavy rains. Production at The Consolidated Diamond Mines of South West Africa was also slightly lower. These reductions were more than offset by a substantial increase from our Namaqualand Division, reflecting the introduction of three-shift working at Dreyers Pan.

In Botswana the D/K1 pipe has been proved payable and negotiations are continuing with Government in regard to the terms on which it could be opened. In comparison with Orapa, D/K1 is a much smaller pipe, the grade is substantially lower, but the quality of the production is higher. Concurrently the Botswana Government is seeking to re-negotiate to its advantage the terms on which the Orapa mine was opened, on the grounds that profits earned have been substantially higher than was anticipated. While this contention can be sustained only if one ignores changes in the value of money since the original share capital was subscribed, we accept that when conditions are such that the entire production can be marketed — something which is not always possible in practice— the mine is a profitable operation and the 50-50 division of profits between Government and De Beers must in present circumstances be regarded as comparatively favourable to the private shareholders. We recognise that a fair and friendly partnership, with which both parties can feel satisfied, is in the best interests of all concerned. For these reasons we have agreed to re-negotiate the Orapa agreement and discussions to this end have been proceeding for a considerable time. We hope that it will be possible to reach a new agreement which will still allow us an acceptable share of profits, and equally important, ensure the maintenance of the existing structure of the trade. We are continuing prospecting operations in Botswana and though a number of kimberlitic occurrences have been found, none has so far proved to be economically significant.

An agreement has recently been signed with the Lesotho Government for the opening of the Letseng-la-Terai diamond mine in the Maluti mountains at an estimated cost of R23 000 000. Production is expected to start in 1977 at a rate of 4 000 tons a day. In contrast to the Botswana mine, where the grade is high and the value per carat low, the very low grade of the Lesotho pipe is expected to be compensated by a small percentage of large stones of high quality. The agreement provides in effect for the Lesotho Government to receive 62½ per cent of profits after the recovery of capital invested, and that if the mine were to prove substantially more profitable than anticipated Government's percentage of profits could rise on a sliding scale to a maximum of 72 per cent. While this percentage is unquestionably high we regard it as reasonable, bearing in mind that De Beers did not itself make the discovery nor bear the substantial costs of the original prospecting programme. Throughout the life of the mine the production will be marketed through the Central Selling Organisation.

In addition to the investment in Lesotho, we are continuing with the major capital programme on our established mines to which I referred last year.

Further progress has been made in regard to the housing of our Black employees in Kimberley. About 1 000 of them are now living with their families in Kimberley, and the number of migrant workers still accommodated on the mines has been reduced to 1 600. Many of our migrant workers have served us for long periods and we have an obligation to them to continue their employment on this basis. Our policy, however, is to abolish the migrant system entirely on the Kimberley mines, though for the reason I have mentioned this will take some years to accomplish. Since the standard of housing available to our workers in Kimberley is in many cases unsatisfactory we are undertaking, with the full support of the local authority, a substantial buildingme. The program same policy is to be adopted at the Koffiefontein mine. At the other Group mines in South and South West Africa, where on account of their isolated situation or the lack of suitable local labour the migrant system cannot in the forseeable future be abolished, standards of accommodation in the existing as well as the new quarters now under construction are being substantially improved.

I would like also to emphasize the importance of the new developments in regard to industrial relations and training that are mentioned in the report of the directors. The establishment of works committees for our employees and improved methods of communication will we believe go a long way to improve job satisfaction and to promote efficiency. Steps are also being taken to provide greater opportunities for our employees to acquire the educational and technical qualifications which are needed for advancement in the Group.

Toward the end of 1974 the sorting and classifying of diamonds produced by Group mines in South and South West Africa was centralised in a new building in Kimberley, designed specifically for that purpose. Appropriately, it is also the new headquarters of the Diamond Producers Association. Operations in the new building are now running smoothly, and the benefits of centralisation and the maximum utilization of electronic and other aids are already apparent.

I must report with regret that Baron Edmond de Rothschild has resigned from the board on account of the pressure of his other commitments. We are very grateful for the services he has rendered. It gives me much pleasure to welcome to the board Dr H. B. Dyer and Dr L. G. Murray, who over many years have made a most valuable contribution to the progress of our company. Dr Dyer was director of research for De Beers until 1971, when he became managing director of the Industrial Diamond Division. Dr Murray, a consulting geologist of Anglo American Corporation, has been responsible for the world-wide prospecting activities of our Group since his appointment as consulting geologist to De Beers in 1966.

The annual report and chairman's statement may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001.

The annual general meeting of members will be held at 36 Stockdale Street, Kimberley on Tuesday, 20th May 1975 at 3 p.m.

DE BEERS CONSOLIDATED MINES LIMITED

SUNDAY TIMES, Business Times, April 20, 1975

De Beers cuts no ice in US court

By LEWIS JAMES

NEW YORK. — The US Government won an important round this week in its battle to either isolate De Beers Consolidated Mines from its American markets or force it to submit to American anti-trust laws.

Two American co-defendants in a Government anti-trust (anti-monopoly) criminal suit against De Beers were given unusually heavy fines in a federal court here on Thursday after they entered no-contest pleas to price-fixing charges.

Attorneys for the two firms said privately that a key factor in the decision to abandon their defence was that they could expect no help from De Beers.

The firms were also afraid that the United States Justice Department intended to make an example of them as a warning to other suppliers of De Beers diamond products in the United States.

Their fears were borne out by a statement from the sentencing judge that was aimed more at the missing South African defendant than at them.

The two firms, Diamond Abrasives Co. (Dac) and Anco Diamond Abrasives Corp., both of New York City, were charged with conspiring with De Beers since 1967 to allocate markets and fix prices in the industrial diamond grit used in abrasives and saws.

The charges carried a maximum R35 000 fine The court fined Dac R21 000 and Anco was fined R14 000.

Each fine was less than the amount recommended by Federal prosecutors, but more than the R10 000 average fine paid in most anti-trust cases.

Spokesmen for both firms said the fines would be paid within the 90-day limit set by the court and that no appeals would be made.

An attorney for Anco had argued in court that the firm, which had eight employees and did R2,8-million worth of sales in grit, might not be able to stay in business.

Government attorneys viewed the sentences as effectively barring Dac or Anco from doing business with De Beers and blocking De Beers' access to the American market for its product

The Justice Department reportedly has a series of criminal indictments still sealed after a Grand Jury ended its investigation of anti-trust violations in the diamond industry. The indictments represent a step-by-step campaign against all phases of the De Beers cartel's operations in the United States — operations which De Beers maintains are solely the activities of independent suppliers.

De Beers and Washington have been at war since 1945 when the first attempt was made to bring De Beers under the jurisdiction of American courts.

In that first case, the US Supreme Court ruled that De Beers was not a corporate presence in the country for the purposes of legal jurisdiction. Since then the company has scrupulously avoided any formal appearance in the United States and maintains no office or representative there.

According to its new tactics, the Government hopes to force De Beers into appearing voluntarily or risk having each of its suppliers — from jewellery grade diamonds through its industrial products range — face a series of expensive and futile lawsuits that will ultimately block its access to America altogether.

In passing sentence in this week's case, Judge Robert Ward aimed his remarks at De Beers officials who were missing from the courtroom: "The Court regards the offences here as serious and believes that a substantial fine will have a deterrent effect not only on the defendants here but on others who might be involved in alleged conspiratorial activities to violate the anti-trust laws"

Judge Ward also entered a plea of not guilty on De Beers' behalf, and government attorneys said a trial date on the criminal and civil charges still pending would be set for later this year.

De Beers says:

● When asked to comment, a De Beers spokesman said in Johannesburg yesterday: "The sentences imposed this week on Dac and Anco do not directly concern De Beers because the firms are independent distributors of industrial diamonds They are not De Beers agents, nor are they affiliated to us in any way.

"Contrary to the impression created by reports, De Beers has no reason to suppose that it will not be able to go on supplying the United States market with diamonds, both industrial and general.

"Regarding reports that the US Government may seek to assert jurisdiction over De Beers, we are advised that no basis exists for jurisdiction over us, as we do not conduct business in the US through agents or otherwise."

F.M. 25/4/75 (218)

Bully beef and carats

The US Justice Department's 30-year vendetta against De Beers Consolidated Mines has had an air of unreality about it from the start Does Washington really believe it can drag Harry Oppenheimer into the courts? And what would the Americans do if they got him there?

Last week, in a New York Federal Court, two American distributors for De Beers of industrial diamond abrasives, paid heavy fines for price fixing and market allocation charges Also charged, De Beers avoided the fines by simply not showing up and by claiming it has no corporate presence in the country

In the wake of the sentencing, however, some answers have developed on what Washington's game is

First, the US Justice Department is not through with the current case by any means. still pending are civil charges that could leave the two convicted defendants — and De Beers — liable for damage suits far in excess of the $50 000 maximum fine for the price-fixing charges

Cutting gemstones . . . an industry in the dock

Thereafter — probably through a negotiated agreement with the two American distributors to cease business with De Beers, or to modify their pricing agreements — government will pursue its trial of De Beers with the accused *in absentia* There will presumably be a penalty levied — for collection from any luckless De Beers official who gets caught passing through the US

And then? Justice officials hinted this week that later in the year they will be ready to file charges in another area of De Beers' sales in the US — probably the larger abrasives, known as boart, which are used in oil drilling bits

Again, Diamond Abrasives Corporation (Dac) and Anco Diamond Abrasives Corporation (Anco), the two current losers, are likely to be among a larger group of distributors hauled into court And the whole process will begin again.

The diamond industry's output is roughly 80% industrial stones and 20% gemstones, but the profits earned are roughly the reverse No one risks court action over 20% of one's sales, so why doesn't De Beers do with industrial abrasives as it does with gems — merely market them from London, or Ireland, or elsewhere outside the US?

The answer is that De Beers can indeed do that if it has to

The Justice Department knows this and its officials assert in private that they do not want to break De Beers or interfere in the gem business at all. What they *do* want is an end to the fixed price and allocated market system De Beers has with its American distributors.

Why is Washington after what is essentially a small kettle of fish? Last year Dac and Anco together accounted for no more than $25m of the less than $50m in diamond grit De Beers sold. The entire industrial diamond industry in the US is microscopic when compared with billion-dollar economic concentrations elsewhere

One motivation is, Justice aides note, that if the Administration can bring De Beers to heel — either in court or out — it will have set a precedent: Washington can reach foreign corporations not physically present in the US, it would also show the Administration's ability to step in more directly into the operations of firms that do business in the US, but which are controlled outside the country.

This is no small consideration for Americans, who increasingly worry about Arab takeovers of their industrial establishment.

This line of interference is currently prohibited by the US Supreme Court, which in 1945 blocked an attempt to lodge price fixing charges against De Beers. The Court said then that the Administration could not bring a company into court if it did not do business in the US That, apparently, will change sometime this summer

But there's a more immediate motivation General Electric manufactures roughly 90% of the synthetic industrial diamonds in the US Its patents are due to expire in the next few years And therein arises government's concern.

In this current suit Dac, Anco and De Beers were accused of restraining trade in diamond grit, which is used in grinding wheels, saws and smaller drills. Justice estimates that De Beers' annual production of the small abrasives was about 17m carats (13m synthetic) The US last year imported 19m carats (8m-10m synthetic)

US production of diamond abrasives last year nearly equalled that — between 19m-20m carats — but this principally GE product was of the synthetic and finer grained variety Much of it is exported.

With the GE patents expiring, Washington wants to encourage other American firms, such as Dow Chemical (which has its own process), to become more active But there is understandable hesitancy on Dow's part to take on either GE in the export market, or to tangle with De Beers in the domestic market, for larger grained grit.

Then there is the petroleum industry,

which is complaining about the high cost of equipment — boart encrusted drill heads specifically — and its inability to finance new drilling ventures generally The large grained boart diamond stones cannot yet be made synthetically in any commercial amounts.

Again the US government hopes to spur development by opening up the market to competition

F.M. 9/5/75

DE BEERS

Gemstones next?

The significance of the US conviction of two De Beers' distributors of industrial diamond abrasives (*FM* April 25) remains a mystery.

Financial Mail May 9 1975

De Beers industrial diamond division — in the immediate firing line — seems confident the decision should not have drastic consequences on its global operations.

Of even more interest to shareholders, however, is the possibility the decision might affect the sale of gemstones, which account for about 80% of diamond profits Possibly 50% of gemstones find their way to the US

The marketing of these stones is done through the London-based Central Selling Organisation (CSO), which handles an estimated 85% of world gemstone sales

There is no doubt the CSO fixes prices Harry Oppenheimer has admitted as much, arguing a strong case that if this is a monopoly, the peculiar circumstances of the diamond market make it beneficial not only for producers, but also for dealers, cutters, jewellers and customers (all of whom have an interest in a stable market)

The US Justice Department doesn't seem to agree It has gone to extraordinary lengths over the last 30 years to pin down De Beers and it would be astonishing if it now quietly allowed the matter to drop after two fines totalling $50 000

On the other hand it is difficult to see what it proposes to do Most of the US dealers and cutters, as well as the 15 000-odd jewellery stores they supply, are entirely dependent on De Beers diamonds, and they wield a good deal of political influence

This, no doubt, is the source of some of De Beers' confidence Moreover, it points out that jurisdictionally it is outside the ambit of the US courts US buyers receive their diamond parcels in London, and title to them therefore passes in the UK

So, when asked by the *FM* what the implications of the court decision were, traders in London tended to shrug their shoulders and say "So what?" Probably this complacent attitude stems from De Beers' view that it is practically invulnerable.

But complacency, especially on De Beers' part, would be a mistake It is nard to believe the matter will stop here The Justice Department doesn't iave to close down the gem industry ind incur the wrath of thousands it is nore likely that the attack, if and when t comes, will be oblique

And the (private) allegation by Justice)epartment officials (*FM* April 25) that hey are not gunning for the gem ndustry should not be taken at their ace value

After all, gem diamond dealers and utters also received summonses The ifference is that the Justice Department imply hasn't been able to make its 'iarges stick So far

inancial Mail May 9 1975

Dear Mr O: Come up and see us some time

Sunday Times
(Bus Tim)
8/6/78

218

WASHINGTON. — US Justice Department officials in charge of the Government's anti-trust (anti-monopoly) case against De Beers Consolidated Mines this week confirmed that they have asked Harry Oppenheimer to appear before a United States court during the trial against his company.

Speaking privately, the Government officials said the request had been made repeatedly in recent years. It was renewed recently when two distributors of De Beers industrial diamond abrasives pleaded no contest to anti-trust charges and paid fines.

The officials said they had received no indication that Mr Oppenheimer would consent to subject himself or De Beers to the jurisdiction of an American court — something the company has fought against for 30 years.

No trial date has been set, but department prosecutors say it will probably be held late in July.

If held, the trial would raise the constitutional question of whether a defendant can be tried in absentia in the United States. Current judicial decisions say no.

The requests to Mr Oppenheimer have been made by telegraph to his business headquarters. They have been acknowledged, but there has been no further response, the attorneys said.

A De Beers' spokesman in Johannesburg yesterday declined to make any comment.

Multi-merger of diamond firms

Cape Times 14/7/75

JOHANNESBURG. — De Beers Consolidated Mines announced yesterday jointly with Consolidated Diamond Mines of South West Africa, Premier (Transvaal) Diamond Mining Company and Sea Diamond Corporation that agreement had been reached in principle on proposals which would result in these companies becoming wholly owned within the De Beers group.

"Shareholders, other than De Beers group companies, in each of these companies will, in terms of separate schemes of arrangement, surrender their shares in exchange for allotments of De Beers shares," the statement said.

"The directors state that the schemes have been proposed because the interests of the minority shareholders are not always coincidental in all respects with those of the De Beers group and the diamond industry as a whole, while their presence influences the decisions of the board to a disproportionate extent.

"Shareholders will gain the advantage of greater growth potential and security of earnings afforded by the De Beers group with its wide spread of interests, both within and outside the diamond industry, together with increased marketability for their shares."—Sapa.

De Beers' profit in line with hopes

20/8/75 **Mercury Correspondent**

JOHANNESBURG — De Beers' net profit of R104 283 000 for the half year ended June is slap in line with London expectations of 25 to 26 cents a share earnings.

If one strips out the once and for all tax bonus De Beers has received from the introduction of the PAYE system in South West Africa, group profit after tax is down R11 368 000 at R109 465 000

But an extraordinary loss of R8 649 000 from the recent hand-over of another 20 percent of the shares in Debswana to the Botswana Government — offset by a R3 467 000 transfer from reserves — lower the net profit figure by R5 182 000 to R104 283 000.

The real surprise comes in the sharply lower tax and lease which is down R44 600 000 at only R28 682 000. This partly reflects the lower provisions for tax thanks to the introduction of PAYE in South West Africa.

This lower provision will apply only for the current year and is effectively a once and for all bonus.

Diamond account is down R57 472 000 at R109 403 000. Total group income for the half is down by R55 119 000 at R158 649 000. The dividend is an unchanged 8 cents.

Consolidated Diamond Mines' profit after tax was up R4 298 000 at R44 085 000 while diamond account was down R13 177 000 at R45 996 000. The explanation comes in PAYE which lowered the tax provision and lifted group profit by R13 206 000.

CDM's dividend is an unchanged R2 a share. Debincor is making an unchanged 22,5 cents while its net profits rose R538 000 to R5 083 000. Debincor intends to take up its R32 million of AE and CI's R80 million share issue by making a rights issue to Debincor holders at the time of AE and CI's issue. De Beers has agreed to underwrite the issue.

Question .. ..
Write on both sides of the paper

Do

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F.M. 3/10/75 218

NICE ONE, NEWCASTLE

The Newcastle-Pl[illegible]erg profit of nearly R1,1m (1974: loss R204 000) in the year to June 30 is clearly a testimony to the management of chairman Graham Beck, since only a year ago Newcastle was being flogged — on the advice of Anglo — as an uneconomic operation.

By successfully marrying the Newcastle operation with the Primrose-controlled Spitzkop Colliery and then having Spitzkop re-classified as a Natal mine, with a current pithead price of 762c/t, Beck was able to generate a profit turnaround of nearly R1,3m. Earnings, on the enlarged capital of 3,1m shares (1,9m) ran to 35c although anticipated capital spending and loan repayments prevented the declaration of a dividend. Beck forecasts, however, that a payout will be resumed "towards the latter part of the current financial year".

The outlook is decidedly optimistic, aided not only by government's adoption of a policy to review domestic coal prices annually, but also as a result of the recently negotiated agreement between Spitzkop and Shell Coal SA. Under terms of the contract, Shell has granted an interest free loan of R5m to Spitzkop in return for unspecified deliveries of coal; the loan — already reflected in Newcastle's balance sheet and earning a handsome return — is repayable over the next three years out of gross revenue flowing from deliveries to Shell on undisclosed prices.

To the extent that Spitzkop's output will have to be bolstered from 750 000 tpa to 1m tpa in order for Shell to be fully accommodated, the full benefit of this contract may not be felt for a couple of years. However, in the meantime, the interest being generated by the unspent portion of the R5m will no doubt be substantial

Eyebrows have already been raised in the industry at the cost of R5m to expand output from 750 000 t to 1m t a year, equivalent to the staggering cost of R20 per annual ton.

I rang a Newcastle spokesman who said that "the money can be spent as and when we see fit". But measures to increase output are already in progress without any need to draw on the R5m. The reluctance to disclose any details, save that the coal is for export and movement from the colliery has already started, was basically at the request of Shell Coal

I then spoke to Dr Alex Toohey of Shell Coal SA who indicated that Newcastle had been reluctant to disclose Shell's involvement for fear of causing speculation in the shares Dr Toohey was otherwise only able to say that "the contract was of a very complicated nature and subject to tonnage re-phrasing although initially the shipments from Spitzkop would be small" That may be so but Newcastle believes sufficient coal will be moved in order that the loan will be repaid in three years

David Wolk

Diamonds for the MPL from Western compa

The hippos rose and sank, snorting, in the diverted waters of a muddy river 8 km from the Zaire border. Alongside lay the churned gravel of the original river bed, an old diamond mine worked out by Diamang, the Angola diamond mining company which has moved on to richer deposits further south.

There is nobody to be seen in this part of the bush in Lunda Province. It is out of bounds to guard against diamond smuggling, and used to be patrolled by Diamang's private army, with helicopters, armoured cars, bazookas and machine guns.

Lunda, in eastern Angola, is inhabited by about 400 000 people in its grassy uplands. It is larger than Portugal, and crossed by rising rivers which flow down into the Zaire diamond and copper belt.

The diamonds found in the basement rock in Angola are richer than those washed across into Zaire and have kept Diamang busy mining since 1921. Roughly 70 percent are fine gemstones found not only in river beds but also in kimberlite funnels and even in cauldron formations in the rock, salt eroded potholes filled with high concentrate diamonds.

Diamang, like Gulf Oil in Cabinda, which like Lunda, is MPLA-controlled territory, has been paying its royalties to MPLA for the past few months.

Exports of diamonds and oil from the two companies make up 86 percent of Angola's foreign exchange earnings. Diamang's contribution is 26 percent of national exports or around R57,6m a year.

It is mining highly concentrated deposits now, centred around the washing and selection plants. At Andrada we are shown a portion of the day's production — gleaming, uncut gems, quickly locked away in the huge steel safe where strongboxes are stacked awaiting the bimonthly special company flight to Lisbon.

Diamang in Angola goes on producing on the Zaire border as it negotiates to give a majority shareholding to the Marxists.

Production figures are hard to come by. It seems that production has fallen by 40-50 percent since the majority of Portuguese technicians fled to Lisbon. But judging by the number of gemstones coddled in brown felt at the selector's elbow, and the stack of strongboxes in the safe, a great deal is still available.

The Cafunfe and Lucapa high concentrate mines, scattered further afield from Andrada in the company's 50 000 sq km of concession, are doing quite nicely.

More is at stake in Lunda for MPLA than mere revenues, however important they are to it. MPLA needs a stable Luanda. Strategically placed along the Zaire border it is a prime target for infiltration and conceivably for an attack designed to link up with the FNLA-Unita stronghold around Huambo.

Diamang needs to go on mining — with MPLA forces taking on security tasks of the defunct private company army. It is a curious modus vivendi, particularly given the high proportion of capital held by Belgian, South African, American and British interests, which at first sight would appear more natural allies of the rival Government in Huambo.

The mines have the single largest of workers in Ang about 20 000 people, partially explains success in Lunda population.

The other part story is the rule of Diamang. housing, in neat brickwork, the wooden, cement palm shacks of employed by or those not ugh up to be given pany housing.

Schools, hospitals, lic transport, electricity are all by the company at rates. Under a tract with consumer durables ported into the enclave duty free.

When the "state a state" comes to — as both parties

(218)

De Beers off the hook

SUN. TIMES (Bus. Times) 21/12/75 W 218 C 217

WASHINGTON. — The US Justice Department this week successfully completed its year-long prosecution of two of De Beers' American distributors of industrial diamond grit on price fixing and market allocation charges.

By JAMES SRODES

But the "big fish", De Beers itself, the third defendant in the case, is still at large

In order to close the case against them, the two distributors, Diamond Abrasives Corporation and Anco Diamond Abrasives Corporation, agreed not to meet with De Beers on any commercial matter for the next five years In return, the US Government promised not force DAC to stand trial (as De Beers' alleged agent in the US) for De Beers, which has yet to answer similar charges.

With this avenue of pursuing De Beers now closed, the leading question now becomes how does the Justice Department intend to establish jurisdiction over De Beers, which claims no presence in the US? In an off-the-record interview with the Sunday Times, Justice Department officials said that De Beers might simply give up and submit to the courts

(Some reports, emanating from New York, say that De Beers officials may seek a compromise with the Justice Department if it appears they will lose a courtroom confrontation These sources cite a growing cost to De Beers executives, such as when Baron Guy de Rothschild was forced to resign as a De Beers director in order to enter the United States to pursue his Metal Corp takeover of Copperweld)

The important point, Justice Department officials stress, is whether De Beers can be brought before a US court at all If a judge decides it can, then De Beers technically has lost already Moreover, if De Beers were to sign a compromise it could only be held to a maximum $50,000 fine But if the case were brought to trial, and De Beers convicted on anti-monopoly practices, additional contempt of court fines could be made even larger

Thus far, De Beers has given no public indication that it is about to cave in

Should De Beers continue to ignore the charges it faces in the US, the Justice Department is prepared to do more than simply wait, says Mr Davidow. 'Among possible courses of action,' he says, 'would be to persuade the court to order De Beers' appearance and then going ahead with a trial, with or without De Beers'

SUN TIMES (Bus Ti

① 218

21/12/75 ② 5

De Beers watches Angola

By ADAM PAYNE

DE BEERS Consolidated Mines, as consultants to the large Diamang diamond mining company in Angola, will be closely affected by the outcome of negotiations for a new contract between the MPLA Government and Diamang.

The major interest in the company is held by the State, which formerly meant the Portuguese Government Private interests include Belgian and American capital

Now that the MPLA has taken over the Lunda province, where the company's mines operate, it is expected to negotiate with Diamang for a larger State participation

The company already pays tax of more than 50 per cent on profits

Output from the mines has fallen 40 per cent to 50 per cent since the civil war, because of the flight of Portuguese skilled personnel and technicians

But the MPLA has made a point of not attempting to take over the management of the mines, except that its police now replace the company's internal security police

Diamond exports from Diamang and oil from Gulf Oil's Cabinda wells, also controlled by the MPLA, make up more than 80 per cent of Angola's foreign exchange earnings

Sun. Times (Bus Times)
22/2/76

Diamond industry race row g

CUTTERS B
GOVER

WHITE DIAMOND cutters hit back this week to lay the blame for the industry's labour stalemate squarely on the country's race laws and their employers' "greed".

By TONY KOENDERMAN

The Government and the employer organisation, the Master Diamond Cutters' Association, want to introduce Coloured and Indian operators

Without this low-cost labour, they say, it is economically impossible for the industry to expand into the fast-growing market for small diamonds — which could be worth another R65-million to the country

The Diamond Workers' Union says it will only accept this if two conditions are met

- Operators must be eligible for membership of the union,
- Operators should only be allowed to cut diamonds of up to 0 89 carats in the rough instead of 1,79 carats

The first condition effectively bars non White labour as long as the laws of the land forbid non-Whites from being members of trade unions

"But this is not our fault, says union president Mickey Getten "We are not objecting to Coloureds and Indians — we are objecting to non union labour We would welcome them into our union if there was a need for them, if they were allowed to join, and if they were paid the rate for the job

The reason for the second condition, says Mr Geffen, is that 60 per cent of the 1 200 diamond workers are fully employed on sizes below 1 79 carats

If lower paid non Whites were allowed to do this work the livelihood of the Whites would be endangered

The employers have offered safeguards to secure conditions of employment, present wage levels and incentive rates

"Since negotiations started the definition of a small diamond has grown and grown ' says Mr Geften 'The employers see the introduction of non-White labour as a way to increase their profits The more work they can give to non-Whites, the better they like it '

The employers have offered safeguards to secure conditions of employment, present wage levels and incentive rates

But they cannot guarantee a minimum volume of work to the cutters Earnings above the basic wage are related to the quantity of work done, so if White cutters lose some work to Coloureds and Indians, their earnings will suffer

The general secretary of the union, Robin Rich, says workers are already threatened by the long-term decline in diamond production in this country

"The commission inquiry into the industry predicted a 64 per cent drop in production by 1985, ' he said "Half the diamond workers are under 30 and in a highly specialised industry such as this it will not be easy for them to find other work "

The slump, which the industry is just beginning to pull out of cost the union short time fund R200 000 last year to compensate the men for the loss of 4 000 working days

Mr Gelfen says the higher cost of South African White labour should be more than compensated for by the rebate of the 10 per cent duty levied on exported rough diamonds.

"This gives the local master cutters quite an advantage over anybody else in the world " he said "It was worth R4 million to them in 1970 and R9-million in 1974

"The cost per carat was R70 in 1970, but rose to R150 in 1974, so the labour cost as a percentage of the cost of a finished diamond has fallen substantially

"The 10 per cent rebate that the master cutters receive pays the wages of the men in the industry So the argument that they must cut wages in order to compete overseas is a lot of nonsense "

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(218)

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21/2/76
STAR

Diamond workers speak out on labour

Labour Reporter

The Diamond Workers' Union — now faced with an ultimatum to open the door to cheap labour by March 16 — has broken its tradition of public silence to contest allegations of racism.

In a rare newspaper interview, the union's president, Mr Mick Geffen, and its general secretary, Mr Robin Rich, told The Star that:

- The union maintain a non-racial policy and had never insisted on remaining exclusively White It was Government policy, enshrined in legislation, which prevented the union from becoming racially mixed
- There was no need for additional labour because the industry had insufficient work Last year R210 000 was paid out in short-time payments for 14 000 work days lost as a result of too little work.
- The term "operators" was a misnomer because these men would not be machine minders but would do the same work as union craftsmen
- In time, the operators would become unrecognised craftsmen who would undermine the pay and privileges of union men while themselves being open to exploitation.
- The industry's existing supply of rough diamonds from South Africa would be reduced by 64 percent over the next 10 years according to a Government estimate.
- There was no need for cheaper labour because the 10 percent discount the industry received on its rough diamonds from South Africa paid the entire wage bill of the cutting

"and provided they become eligible for membership of our union," Mr Geffen said

"If the Government and employers have their way and give stones of up to 1,79 carats to operators, our craftsmen will lose 60 percent of their work," Mr Rich said

"A Cape Town firm with more than 100 White operators has stayed in business since 1966 by processing stones no larger than 0,5 carats

"We are prepared to raise the ceiling for operators to 0 89 carats but we refuse to cut our own throats."

Mr Rich announced that the Master Diamond Cutters' Association has given the union until March 16 to meet its demands or face the calling off of the verbal agreements regulating employment conditions since the expiry of the industrial agreements

F.M.
12/3/76

De Beers just makes it

De Beers has certainly saved face by declaring an increased (although not unexpected) final dividend of 20c (17c), making 28c (25c) for the year to December 31 last However, despite a second-half diamond account income improvement to R107,4m (R75,8m), thus recording a slight gain over the near-24% CSO sales rise in the June to December period, it was only the substantially lower tax and lease assessment of R59,5m (R100,4m) that allowed for a full-year net profit improvement to R220,7m (R201,3m).

All told, the figures are somewhat unsettling. The tax benefit is basically a once-off bonus (arising from the introduction of PAYE in SWA) and even after allowing for the R29,6m saving, the rate is still abnormally low at 31%.

Overall, diamond profits declined nearly R26m to just under R217m for the year, although interest and dividend income rose fractionally to R95m (R92m) and royalties gained R3m to R10,3m. On the face of it, deductions appear to have been reasonably well contained, rising only R6,5m to R36m, but this does not include a below-the-line loss of just over R8m arising from "the relinquishment of shares in a former subsidiary" (De Beers Botswana).

Despite the second-half upswing in CSO fortunes (which themselves are indicative of restocking), De Beers' diamond stocks on hand rose 12%, from R270m to R304,4m, in spite of a profit/stock adjustment of R5,8m as the result of a revised inventory accounting method

Long-term loans also rose from R27,3m to R33,6m, but no doubt both the stock situation and loan increases reflect the rand devaluation. Overall, the net current asset position improved by R11m to almost R179m — although it is not easy for the casual reader of the balance sheet to discern this.

As is usual, comment from the board is reserved for the annual report (due later this month) but the absence of a note on market conditions, notably since the mid-January 3% price hike, suggests that the outlook is perhaps more than a little uncertain. Moreover, bearing in mind the exceptionally heavy percentage of De Beers shares held by overseas investors, whose nervousness over Angola, Mozambique and Rhodesia has already been manifested in the recent sell-off, the current 7,7% return at 363c may not prove adequate to stem another panic

However, the yield is historically high for De Beers, and Western economies are picking up, which is traditionally good for diamonds.

David Wolk

De Beers' Oppenheimer . . . counting the stocks

FM 9/4/76 ?

That Minister of Mines Fanie Botha has given the (White) Diamond Workers Union and the Master Diamond Cutters Association until April 30 to reach a compromise in their dispute over the introduction of cheaper labour into the industry (*FM*, March 5)?

While neither side is willing to disclose details of their meeting with Botha, the *FM* understands that no negotiations between the two parties are presently taking place

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De Beers sees no pause in diamond rush

STAR 28/4/77

Michael Chester, Financial Editor

World demand for diamonds, which cracked all records last year, has taken a string of price increases in full stride and the De Beers chairman today outlined a whole battery of new projects to further boost output.

Mr Harry Oppenheimer, gave indications of the scale of the diamond rush in an annual review showing total sales by the Central Selling Organisation in 1976 bounding 70 percent higher in rand terms to R1 352m.

And not even the 15 percent price increase last month — coming on top of the 5,75 percent rise in September and 3 percent more only in January — has slowed demand

So when Mr Oppenheimer forecasts 1977 sales staying at "a very satisfactory level" it sounds like a bonanza year repeat ahead

Sales of industrial diamonds, both natural and synthetic, also set a new record last year In part, of course, the rise reflected the improvements in the economies of the major industrialised nations

De Beers enjoyed the bonus of the success of new materials of its own — two synthesised products named CDA and Syndite now on the market Mr Oppenheimer is confident both have great potential

On to new projects, the new Letlakane mine southeast of Orapa should reach full production around 320 000 carats a year by the end of this month.

Now work in progress at Orapa, due to be completed by the end of 1978, has taken aim on boosting mine capacity from 2,3m carats to 4,5m carats a year

Over to Letseng-la-Terai mine in Lesotho, where R33m has been invested, full capacity should be reached by mid-1977 Here profitability depends on the output of a comparatively small quantity of large high quality diamonds

The development costs have gone higher than original estimates, but Mr Oppenheimer is confident it will all prove well spent.

FOUR YEARS

The Koingnaas project being reactivated in Namaqualand, where R26m is being spent, should start producing at a rate around 500 000 carats a year in August 1978

The appeal at Koingnaas is that it will yield high quality diamonds in [illegible] small size — a category now in exceptionally strong demand

At Jwaneng in southern Botswana, the drilling programme has established that the kimberlite pipe is a good size and contains diamonds in payable quantities

But it will take about 4 years to complete an accurate assessment of potential — and involve what even De Beers calls a substantial capital investment.

Discussions have been opened with the Botswana government to reach agreement on how work will be carried forward

The taxed profit attributable to De Beers in the year ended December 31 was up from R220m to near R309m. By the close of the JSE last night, at 397c the share showed a dividend yield of 8,8 percent. The current year shows a lot of promise

R80 000 Anglo payout to Kamil

RDM
12/5/76.

By MERVYN REES and MIKE DUTFIELD

ANGLO AMERICAN paid Fouad "Flash Fred" Kamil, R80 000 at a secret meeting in Cyprus in July 1974.

This was less than two months after he was released from prison, where he had served 22 months of an 11-year sentence for hijacking a South African Airways airliner.

The payment followed Kamil's renewed claims against the corporation for money he claims was owing to him for work as a De Beers IDB agent between 1965 and 1970 It was partly as a result of this dispute that he hijacked the SAA "Letaba" and demanded that Mr Harry Oppenheimer be brought to him.

Details of the R80 000 deal were disclosed by Mr Kamil in an exclusive interview with the Rand Daily Mail in Barcelona last week. They have since been confirmed by this newspaper.

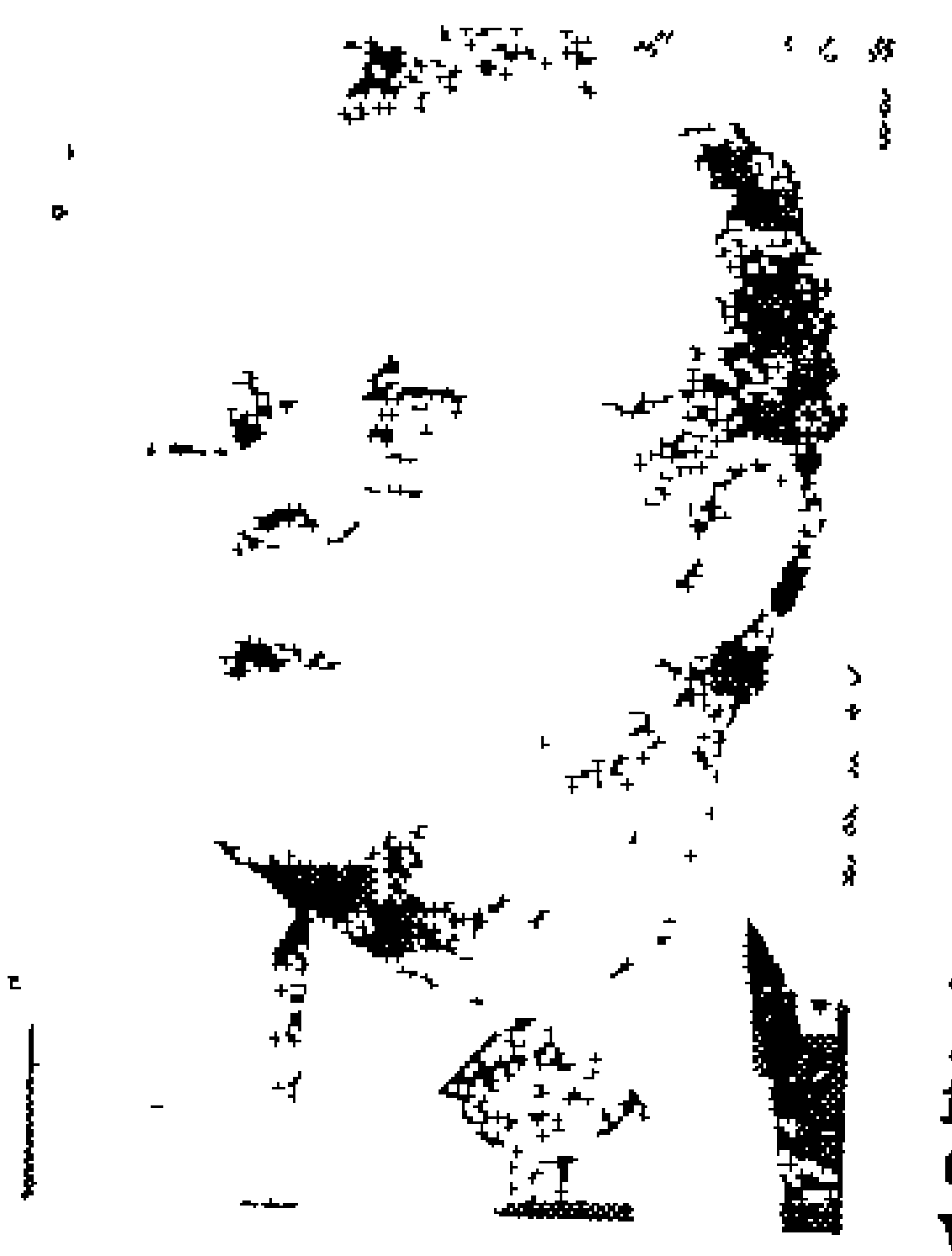
Details of the payment were revealed in a 10-page statement by Mr Kamil to Rand Daily Mail reporters in an exclusive interview in Barcelona. In it he outlines in full his dispute with Anglo American and the circumstances which led to the hijacking

Commenting on the statement, a spokesman for Anglo American said last night: "Mr Kamil's complaints have been thoroughly—indeed exhaustively—investigated by the corporation. We are entirely satisfied that he has been more than adequately rewarded for the services he rendered."

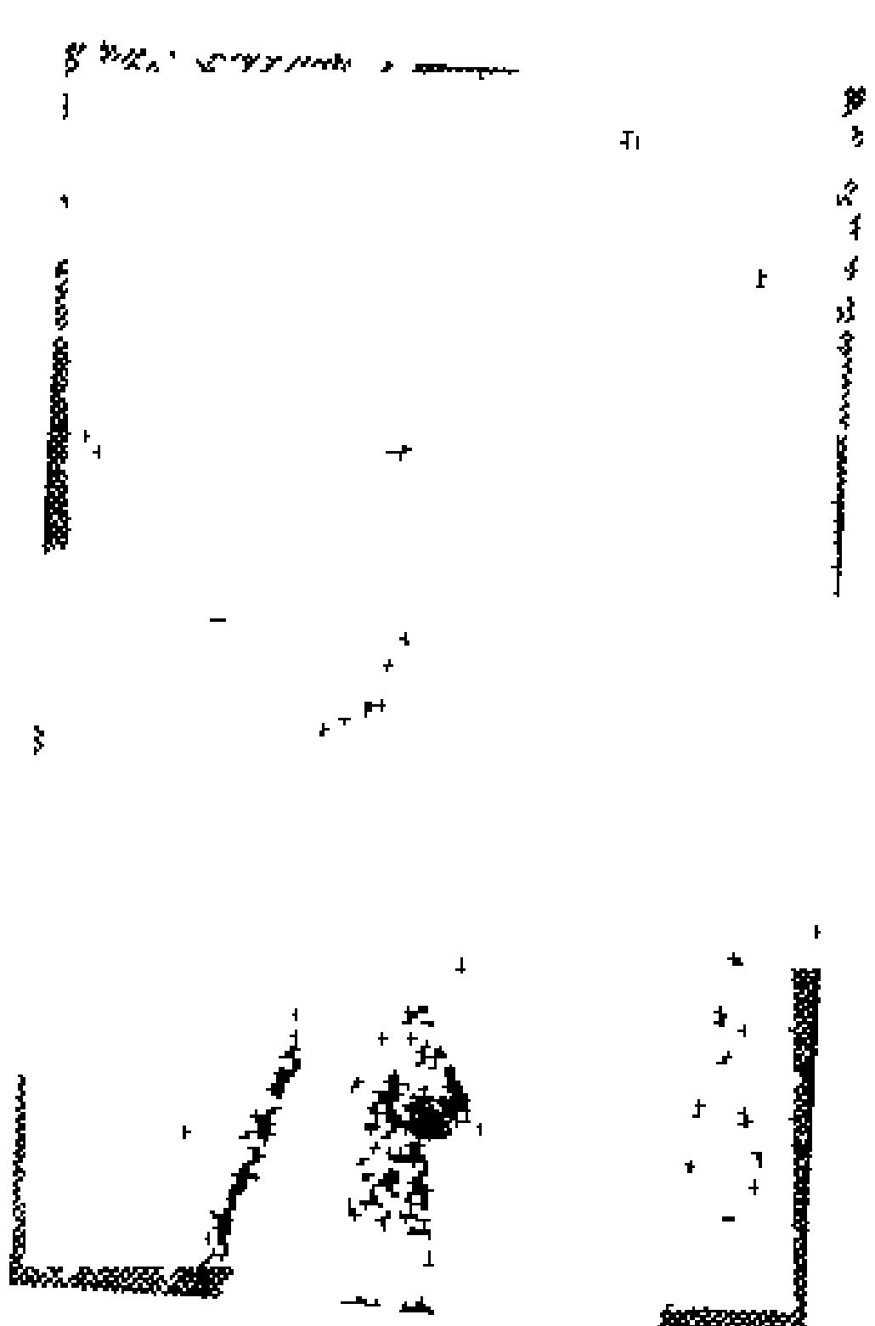
Describing the events leading up to the payment, Mr Kamil said Anglo American security officials contacted him just after he left prison and suggested a meeting to discuss the dispute.

"I agreed Some time during June-July 1974, Colonel F. A. J van Zijl (Anglo's security chief) met me in Nicosia, Cyprus. It was late at night and he asked me to give him a concise report of my claims as he was travel weary

"This I did. I thought it strange that he noted down nothing I said. The following day he left for Johannesburg, telling me he would put what I told him before the chairman and the board of directors and



FOUAD KAMIL . . . cash claim.



COLONEL VAN ZIJL . . . Cyprus trips.

start an investigation into my claims.

"Soon after Col Van Zijl met me once more in Cyprus and brought me a cheque for £50 000 (R80 000) and a receipt to sign

"He explained that the directors had agreed that I had not been paid on the correct evaluation of diamonds recovered in 'Operation Owambo' and that one half of the figure of R156 000 that I claimed was indeed owing to me."

Mr Kamil explained that "Operation Owambo" was one of many IDB operations he had worked on for De Beers.

He continued: "I was to accept this in good faith and sign a receipt saying this was full and final payment. I said, 'I will accept the money as part-payment of what you owe me'.

"I then went over my claims for other operations and said I did not want a lump sum but that each claim should be settled separately."

Mr Kamil said Col Van Zijl promised to investigate the other claims further and, as the wording of the receipt had no relevance outside a court of law, Mr Kamil signed it

During a subsequent telephone conversation with Col Van Zijl, Mr Kamil said he was told that Mr Harry Oppenheimer had said. "There will be no further claims by F. Kamil".

Mr Kamil admitted writing several threatening and insulting letters to Mr Oppenheimer and his son Nicolas, but received no reply.

"During this period my wife was told that the money handed to me was in the nature of a gift — that in fact I had been overpaid in the past and that I was simply interested in extorting money from the company," Mr Kamil said.

He was given a copy of a letter dated December 19, 1973 — while he was still in prison — which Colonel Van Zijl wrote to his lawyer.

The letter said Mr Kamil had been duly paid for all services rendered and that his claims were "unfounded and not based on the true and known facts".

Fight

"Yet in July 1974", Mr Kamil said, "Col Van Zijl paid me R80 000 and asked me to sign a receipt for full and final payment from the company.

"Is it on the strength of that receipt that the company feels justified in calling my claims extortion? To my knowledge there is no court of law to whom I can take my case. I am not prepared to stop claiming what I know I am owed.

"I shall continue to fight — not for a lump sum but a settlement based on an accurate statement of the financial state of affairs between myself and the company."

Mr Kamil said Col Van Zijl met him again in September 1974 in the Hilton Hotel, Rome, and told him, that the company was considering giving him another cheque.

Refund

He again said he wanted an exact settlement.

Mr. Kamil said he replied: "You have said in the past that the company has overpaid me. I do not want a lump sum of money. I now demand a statement of accounts between us.

"If you have overpaid me I am prepared to make a refund with interest. But if you have underpaid me I demand my balance with interest."

Asked last night if Anglo American had made any payment to Mr Kamil since his release from jail in Malawi, a spokesman for the corporation said: "The statement we have given you covers that point."

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R15-m gems smuggled out

28/10/76 STAR.

Johan Kruger

Uncut diamonds worth up to R15-million have been smuggled out of South Africa in the past year.

They were taken out in an attempt to safeguard money against inflation and political unrest in South Africa and South West Africa.

The Star launched an investigation into the illegal diamond trade after receiving information from diamond-world sources about a step-up in smuggling

Top diamond world officials claim that a large number of the uncut diamonds leaving South Africa illegally in the past year went out through diplomatic circles.

Economy

Diamond branch detectives in Johannesburg could not comment on the claims

But they said that if the figure of up to R15-million proved true, it could harm South Africa's economy

In such a huge illegal trade, South Africa loses a lot in foreign exchange, income tax and a 10 per-cent fee that has to be paid when a diamond is legally sent overseas for cutting

A spokesman for the Department of Foreign Affairs in Pretoria said it was possible diplomats were abusing their immunity to smuggle diamonds out of South Africa.

But, he added, he did not know of any cases

Route

The step-up in smuggling came after independence in Angola, when a strong illegal market became a thing of the past

The export route changed to places such as Tel Aviv, Antwerp and Amsterdam, where diamonds fetch a better price and can be cut cheaper

With the Angolan market, there was a direct flow of money back to South Africa

But The Star investigation shows that many people involved in the past year's smuggling were not South African citizens

It has been learned that South Africans too were driven into this illegal trade to safeguard their money

During the investigation, a Star reporter received an anonymous telephone call telling him that he might get hurt if he mentioned to the police the names of people to whom he had spoken.

The existence of such an illegal trade was confirmed by at least three sources in the diamond world

They wished to remain anonymous.

Mention of their names, they said, could embarrass a lot of people.

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Expansion and politics at De Beers

Fin. Mail 3/12/76

As foreshadowed in the chairman's statement in April, De Beers is to raise output at Orapa from 2,35m to 4,5m carats, with the timing of the expansion now disclosed in the Botswana parliament as end-1978. In addition, development of the small Letlhakane mine near Orapa has been completed. It will produce at a rate of 300 000 carats per year in 1977 and reach eventual capacity of 420 000 carats.

Taking these mines and De Beers' developments elsewhere, it seems that the group is moving into a major phase of expansion which will raise output from 10,8m carats in 1975 (the last published figure) to 14m carats per year by end-1978 Total cost of the new developments will be about R83m, which should be funded without particular strain.

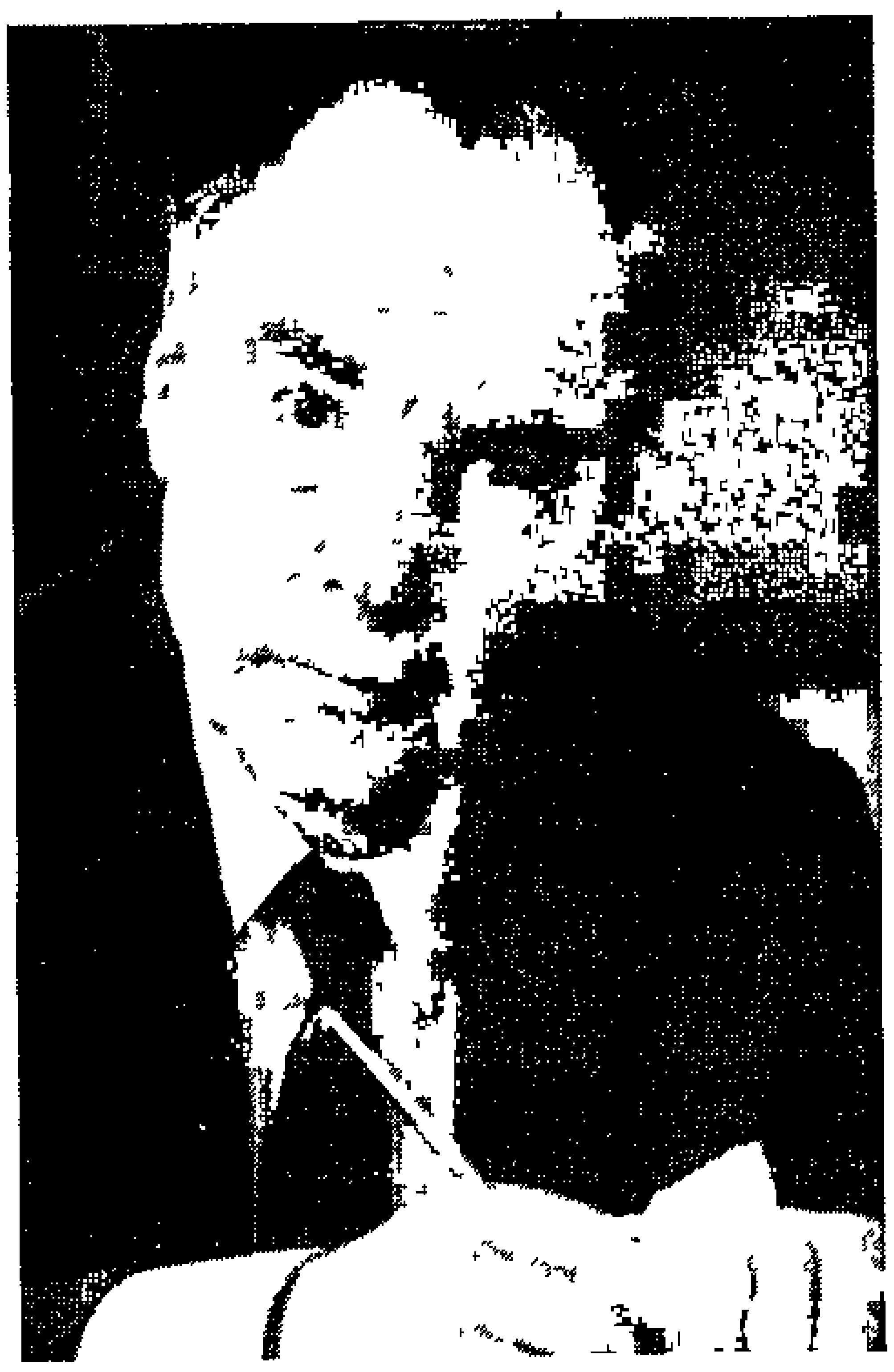
The table shows where the new output will come from and the proportion of gems to industrial stones.

Koingnaas is the deposit near the group's Annex Kleinzee mine in Namaqualand and, as a west coast "terrace" deposit, has the normal high gem content associated with the area. It is interesting to note that when its expansion is completed, De Beers will be drawing about 1,4m carats from Namaqualand annually, compared with 1,7m from CDM. This would seem to reduce its exposure to the SWA deposit.

Letseng is the Lesotho mine initially developed by Rio Tinto. It has the unusual distinction that it is the lowest grade diamond mine in the group, but it is expected to have the highest revenue per carat. This is because of the high proportion of large gems. At only 50 000 carats per year, its output is negligible in volume terms.

Of course, the ownership arrangements with Lesotho and Botswana mean that De Beers has respectively a 75% and 50% interest in the expansion in those territories. On the other hand, it still represents production controlled by the group, which is generally reckoned to be more profitable than stones brought in from outside producers and put through the marketing network

And the fact that De Beers is planning to raise volume output by almost 30% over the next two years speaks volumes for its confidence in future demand. It follows indications, in the half yearly CSO sales figures, that the present high level of sales has occasioned some rundown in the stockpile.



Harry Oppenheimer . . . gearing up for diamonds growth

Whether good fundamentals both on the production side and in the diamond market mean anything positive for the share price is another matter. Six-monthly earnings to end-June were 39c and a total for the full year of 85c seems quite possible. After 28c in 1975, some analysts expect a 34c dividend for the current year, which would put the shares at 315c on a yield of 10,8%.

But the problem for the shares is essentially political Of the 360m deferreds in issue, no less than 140m are on the London register — a formidable tap which threatens to be turned on, whenever the shares show any signs of strength, by overseas institutions like Robeco which have taken a policy decision to disinvest from South Africa. The moral seems to be that there is no hurry to buy De Beers until the political climate improves, though they are probably close to their low point right now.

Richard Rolfe

ANALYSING THE GLITTER

Mine	Caratage m	Gems: Industrials	Capital cost Rm
Orapa expansion	2,15	15:85	28
Letlhakane	0,42	40:60	22
Koingnaas	0,47	90:10	23
Letseng	0,05	95:5	23

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Venue

De Beers heading for record profits as diamonds boom

Cape Times 13/1/77

By ADAM PAYNE

JOHANNESBURG. — World sales of diamonds by De Beers Central Selling Organization have for the first time topped the billion-rand mark for one year. They were 70 percent higher last year than in 1975.

They totalled R1 351 859 000 — R558m more than the previous year's R793 479 000, which indicates that De Beers should make a record profit for 1976, with an inevitable rise in dividend pay-out.

In dollar terms sales at $1 555m were 46 percent higher than in 1975.

Sales in the first half of last year were at a record R682m (R355m) and in the second half were R670m (R438m).

Buoyant

The diamond trade is buoyant with particularly good sales in the United States.

"More young people are buying diamond rings and jewellery and the sales of small diamonds are higher than ever before," an authority on the diamond industry told me.

"There has been some sales resistance to bigger stones, but some categories of large stones are selling well."

I am told that the increase in sales was general, with improved buying in Japan, Hong Kong and in the European Economic Community.

Expectations of good sales have sent De Beers shares up the past two weeks from 337c to 360c yesterday, with particularly strong buying from New York.

Some market watchers were expecting sales of R1300m, so the extra R52m is a bonus on their estimates.

The lower sales in the second half, compared with the first half, is normal because of holiday slackness towards the year-end. Only in one exceptional year did second-half sales exceed first half.

The significance of greater sales of small diamonds is that a quantity will have been drawn from stockpile, entered in De Beers books at low cost by present standards. Thus the profit on these sales will be considerable.

Included in the sales figures are two price rises — one of 3 percent last January an the second of 5,75 percent in September.

De Beers financial results for the year have yet to be issued, but the end of the first half, after excellent diamond sales, the diamond account more than doubled to R216m and earnings a share were up from 30,2c to 40,4c.

Although De Beers income from gold investments will be down, the overall picture should not be dimmed.

When the diamond sales for the first half of last year were announced, I predicted earnings of 80c for De Beers in the year. On the publication of the second-half figures, my prediction rises to earnings of at least 85c.

Earnings

De Beers paid a dividend of 25c in 1974 on earnings of 56c and 28c on earnings of 61c in 1975. These last earnings were inflated by a non-repeatable tax gain from South West Africa.

An interim dividend of 12½c has already been paid and with improved profits in the bag the directors would have no difficulty in paying a final of at least 21½c, making a total of 34c and giving a yield of 9 percent on a price of 360c.

But with the United States economy beginning to move and prospects of continuing good diamond sales, the directors might make the total 35c.

Sales by the Central Selling Organization in the last three years were:

	6 mths to June	6 mths to Dec	TOTAL
1976	R682m	R670m	R1 352m
1975	R355m	R438m	R793m
1974	R535m	R314m	R849m

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Budget

Has a budget already been prepared?
If so, how much money has been
allowed for:

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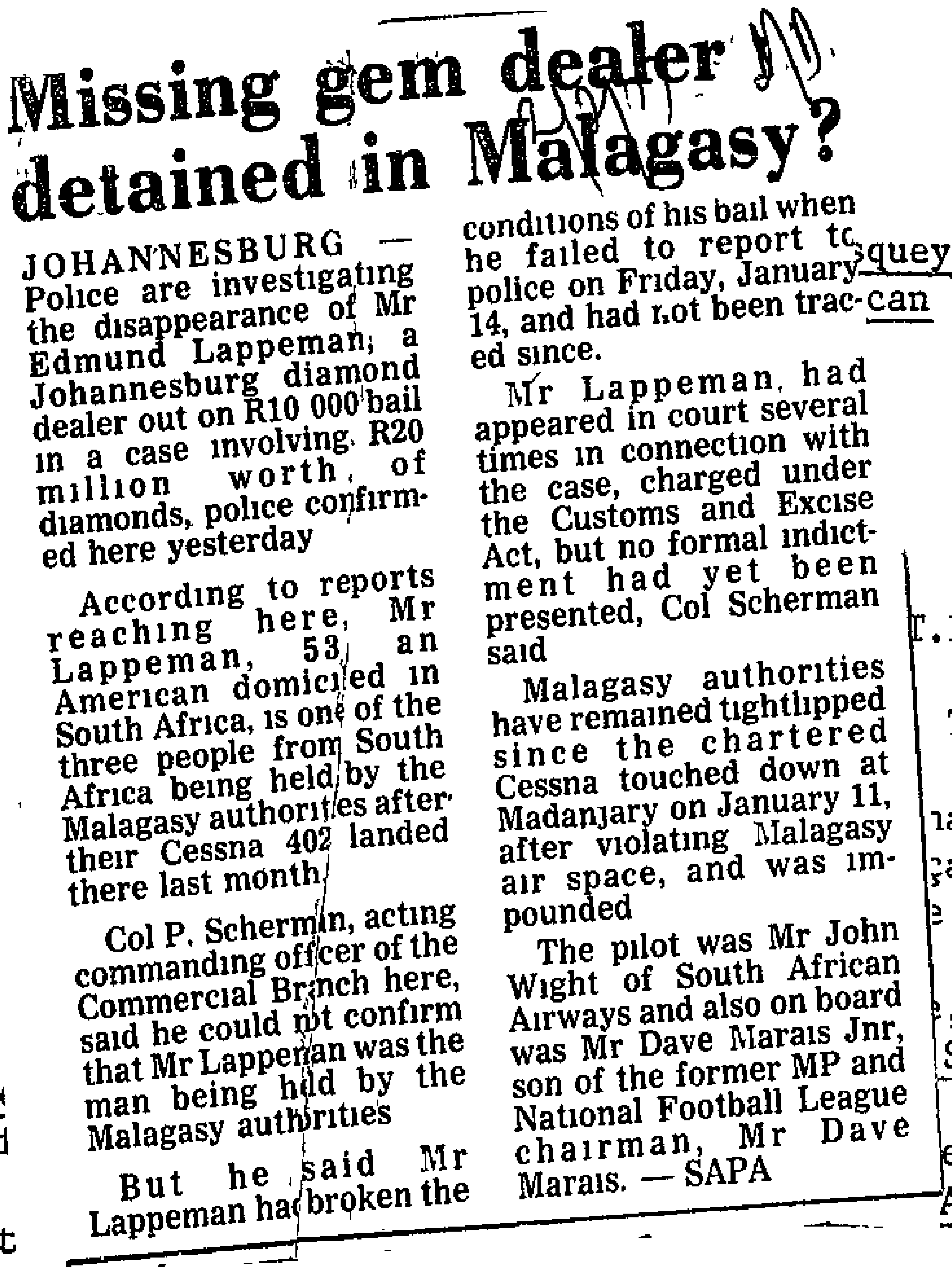

Missing gem dealer detained in Malagasy?

JOHANNESBURG — Police are investigating the disappearance of Mr Edmund Lappeman, a Johannesburg diamond dealer out on R10 000 bail in a case involving R20 million worth of diamonds, police confirmed here yesterday

According to reports reaching here, Mr Lappeman, 53, an American domiciled in South Africa, is one of the three people from South Africa being held by the Malagasy authorities after their Cessna 402 landed there last month

Col P. Scherman, acting commanding officer of the Commercial Branch here, said he could not confirm that Mr Lappeman was the man being held by the Malagasy authorities

But he said Mr Lappeman had broken the conditions of his bail when he failed to report to police on Friday, January 14, and had not been traced since.

Mr Lappeman had appeared in court several times in connection with the case, charged under the Customs and Excise Act, but no formal indictment had yet been presented, Col Scherman said

Malagasy authorities have remained tightlipped since the chartered Cessna touched down at Madanjary on January 11, after violating Malagasy air space, and was impounded

The pilot was Mr John Wight of South African Airways and also on board was Mr Dave Marais Jnr, son of the former MP and National Football League chairman, Mr Dave Marais. — SAPA

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A, No. 3,
- série de fi s de télévision (video-tape) pour l'enseignement de la civ isation française par méthodes individualisées (réalisés u West Chester State College, U.S.A., en 1972-1973):
  - *Géographie de la France ≠ WCSC-TV -EIAJ 578
  - *L'enseignement en France ≠ WCSC-TV -EIAJ 773
  - *Côtes, rivières et ports de France ≠ WCSC-TV -EIAJ 777
- en préparation:
  - *Comment va la France?, Manuel pédagogique (publication début 1977)
  - *Comment va la France?, Volume II: Dossiers Vie sociale et politique (publication en 1977)
  - *Comment va la France?, Volume III: Dossiers Economie
  - *Textes vivants (recueil thématique de textes littéraires français)

DIVERS:

- collaboration au journal Sud-Ouest (Bordeaux) de 1964 à 1972 (page des jeunes 17-24 et reportages)
- secrétariat de l'Association des Etudes Françaises en Afrique Australe (assuré depuis 1974)
- mises en scène pour la troupe des étudiants du Département de Français de l'Université du Cap:

  comédie de Georges Courteline Les Boulingrin (Cape Town, 1974)
  comédie de Tristan Bernard L'anglais tel qu'on le parle (tournée 1975 en Afrique du Sud: Cape Town, Stellenbosch, Johannesburg)
- rôle dans la comédie de Georges Feydeau Mais n'te promène donc pas toute nue! (Cape Town, 1976)
- en projet: création d'un Centre d'études de la civilisation française en coopération entre les Etats-Unis et la France

ADRESSE: jusqu'au 1er décembre 1976:

Dr. Pierre PETIT,
French Department
University of Cape Town,
Rondebosch, 7700,
South Africa.

après le 1er décembre 1976 (pendant congé sabbatique):

M. Pierre PETIT,
97 rue Mazarin,
33000 Bordeaux,
France.

Bail jumper may be in Madagascar

2/4/77

AN American diamond dealer involved in a R20-million customs case may be one of the three people being held in Madagascar after their light aircraft landed there last month.

The dealer, Mr Edmund Lappeman, is based in Johannesburg. He was on R10 000 bail when he disappeared in mid-January.

Colonel P. H. Scherman, acting head of the police commercial branch in Johannesburg, said he could not confirm that Mr Lappeman was the man being held by the Malagasy authorities.

But Mr Lappeman had broken the conditions of his bail by not reporting to the Rivonia police on Friday, January 14. He was supposed to report on Mondays and Fridays between 8 am and 10 am.

Colonel Scherman said Mr Lappeman had appeared in court several times charged under the Customs and Excise Act. But no formal indictment had yet been presented.

Mr Lappeman was due to appear in court again on February 23.

The Malagasy Government has been tightlipped on the matter since the chartered Cessna touched down at Madanjary on January 11 and was impounded.

The pilot was Mr John Wight of South African Airways. Also on board was Mr Dave Marais Jnr, son of former MP and national football league chairman Mr Dave Marias

The plane and passengers have apparently been transferred to an Tananarive, and Malagasy radio said the trio were under investigation and would be brought to justice. — Sapa.

Malagasy prisoner is diamond suspect

NM 3/2/73

Mercury Correspondent

JOHANNESBURG — Mr. Edmund H. Lappeman, the Johannesburg diamond merchant and one of three South Africans held in Madagascar after their charter aircraft landed on the island last month, has been named as the key figure in a R22-million diamond tax evasion investigation.

Although they have no official confirmation that he is the Mr. Edmund Lappeman who vanished from South Africa last month while on R10 000 bail, detectives are convinced he is the same man around whom a six-month-long investigation has revolved.

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Dozens of South Africa's leading diamond dealers — among them Mr. Dave Marais jnr., the other passenger on board the flight to Madagascar — have been questioned by Commercial Branch detectives since the launch of the investigation last July.

The pilot of the R20 000 Cessna 402 which took off from Rand Airport on January 17, bound for Mauritius, was SAA Boeing captain John Wight (32).

He was taken into custody with his passengers after they landed at Madagascar the same day.

The three are now being held at the Interior Ministry at Tananarive while investigations continue. They could be charged with sabotage and subversion.

Commercial Branch detectives, who had requested the Press not to publish details of Mr. Lappeman's alleged involvement with the R22-million diamond tax evasion probe, confirmed earlier this week that he must have flown from South Africa on one of the days he was required to make his twice-weekly report to the Rivonia Police Station.

Order

This was in compliance with an order following his appearance in the Johannesburg Magistrate's Court for an alleged contravention of the Customs and Excise Act.

Colonel T. H. Scherman, acting head of the Commercial Branch, said no formal indictment had been brought against Mr. Lappeman while detectives continued their investigations.

He was due to have appeared in court again on February 23.

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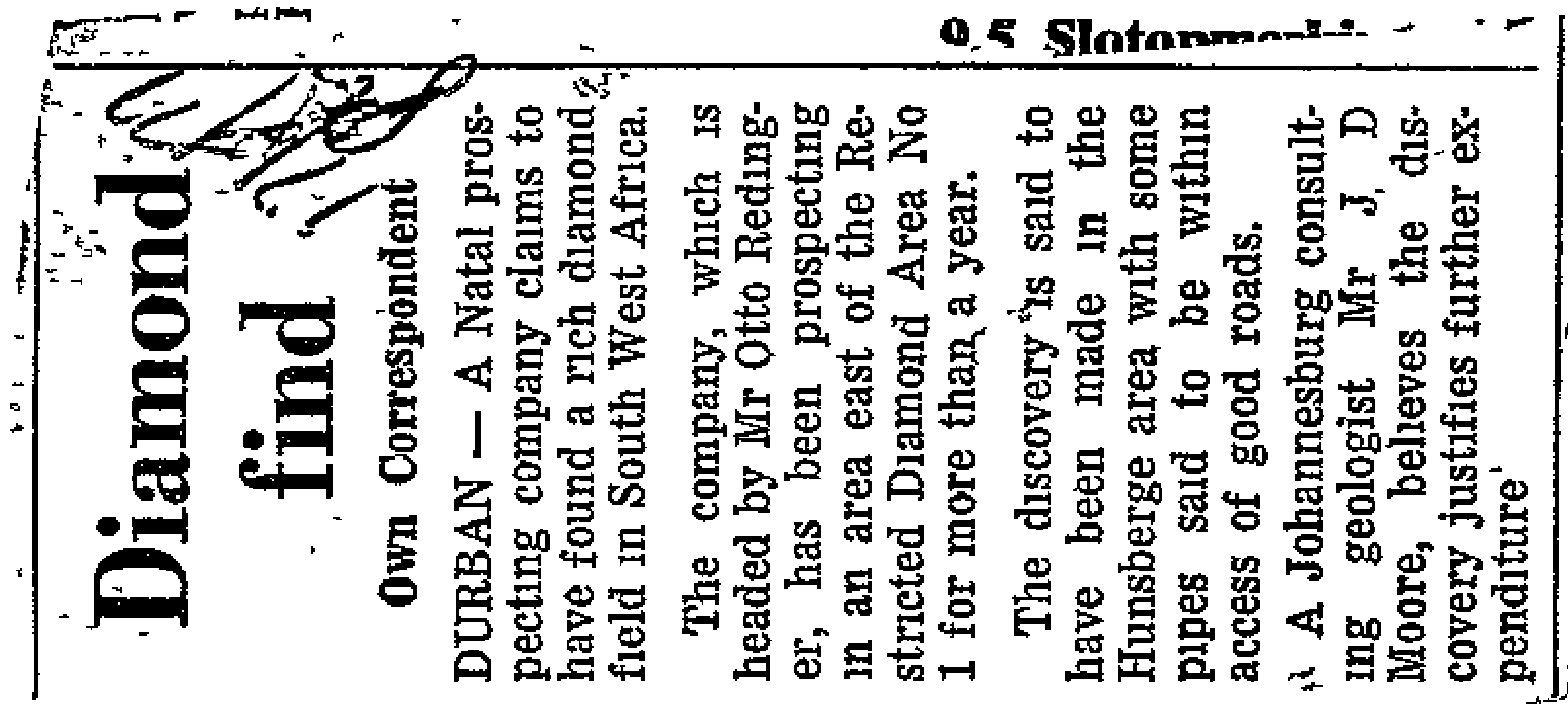
hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeerfde verskynsel te make

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.
J. A. VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*, jg. 7, nr. 1, 1967, pp. 328–342.
J. DU P. SCHOLTZ, *Taalhist. opstelle*, pp. 162–168.
J. L. PAUWELS, „De volgorde van verbogen verbale vormen in het Nederlands", in *Dietse studies*, pp. 105–110.



Diamond find

Own Correspondent

DURBAN — A Natal prospecting company claims to have found a rich diamond field in South West Africa.

The company, which is headed by Mr Otto Redinger, has been prospecting in an area east of the Restricted Diamond Area No 1 for more than a year.

The discovery is said to have been made in the Hunsberge area with some pipes said to be within access of good roads.

A Johannesburg consulting geologist Mr J. D Moore, believes the discovery justifies further expenditure'

9.5 Slot

ie Afrikaanse taal
woordeskat, klank-
Talle van die fyner
on uit die aard van
verskynsels wat wel
nsklaps ontstaan het
; om die Afrikaanse
lingsproses het baie
die woordeskat, die
ou bygedra. Wanneer
ons dat nie die een of ander taal in die besonder of een spesifieke faktor vir die wording van Afrikaans verantwoordelik was nie, maar dat die Afrikaanse taal die produk is van baie eksterne en interne faktore. Besonder belangrik was die dialektiese skakerings van 17de-eeuse Nederlands; soos uit die oorsig blyk, is die meeste „kenmerke" van Afrikaans voortsettings van die een of ander dialekvorm of tendensie in 'n dialek wat in Nederland self deur beskawingsfaktore teegewerk is of verdwyn het. Daarnaas het die invloed van die talle vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer en vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon in hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gegewens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans Th Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d w.s sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom" Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M de Vries en J te Winkel, wat die *Frans-teorie* voorstaan Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C Hesseling het die teorie in 1897 al weerlê In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het, hy dink aan die een kant aan Duitse invloed, aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrika die aandag gevestig het. D C Hesseling het dié gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde werk *Het Afrikaansch* (1899) waarin hy sy *Maleis-Portugees-teorie* uiteengesit het In teenstelling met die vorige teorieë was Hesseling s'n die eerste wat werklik wetenskaplik verantwoord was Volgens Hesseling moes daar binne die eerste dertig jaar van die volksplanting 'n skielike botsing van tale aan die Kaap plaasgevind het, nl 'n botsing tussen die 17de-eeuse Nederlands van die vryburgers, soldate en amptenare en die taal van die Oosterse slawe wat Maleis en 'n vorm van gebroke Portugees gepraat het, of 'n vermenging van albei („Maleis-Portugees"). In 1658 en daarna het 'n groot aantal slawe wat gebroke Portugees gepraat het, Kaap toe gekom; dit sou volgens Hesseling 'n skielike kommunikasieprobleem veroorsaak het wat tot 'n vinnige verandering van Nederlands gelei het. Die resultaat was 'n sterk vereenvoudigde taal met 'n reduksie in sy grammatika. Wanneer 'n kultuurtaal in 'n bepaalde kontaksituasie deur 'n botsing met 'n sosiaal laerstaande taal binne 'n kort tydperk 'n drastiese reduksie, struktuurverandering en vereenvoudiging ondergaan, praat 'n mens van kreolisering Hesseling moet egter self erken dat die tipiese kenmerke van kreolisering in Afrikaans ontbreek, daarom kom hy tot die konklusie dat Afrikaans beskou moet word as Nederlands wat halfpad bly staan het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

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R180 000 lost in mystery gem deal

17/2/77
Star

Diamonds of about R180 000 disappeared during a transaction in a Johannesburg five-star hotel last month.

Colonel Q Smit of the Johannesburg CID has confirmed that police were investigating, but refused to discuss the case.

Inquiries have revealed that key figures in the mystery, including an Italian-American family said to have Mafia connections, have left the country

Two South Africans whose names have been linked with the mystery diamonds have also gone overseas Tehy are Mr David Klass (19), son of a well-known jeweller, and a Mr Garafilides

OWNERS

The missing gems belonged to various Johannesburg diamond dealers — among them Mr Ruben Klass, David's father

The diamond transaction was negotiated in Johannesburg's Landdrost Hotel over several days last month. As yet detectives have apparently failed to discover where the deal "went wrong"

One source in the diamond business said the stones were taken from a suite in the hotel for valuation and stolen, but this could not be confirmed.

Mr Jimmy Page, an American, is a key figure in the mystery He stayed in the Landdrost with his brother, wife and daughter during January

A Johannesburg businessman said he was approached by a Mr Garafilides during January and offered a 20 percent commission to find diamond buyers.

An added stipulation was that the diamonds should be paid for in United States traveller's cheques

The businessman, who requested anonymity, was also given two small stones as "samples"

NEGOTIATIONS

He conducted negotiations with Mr Page and others in one of the Page family's four suites at the Landdrost Hotel, but claims he pulled out when he found the diamonds up for sale were not registered.

On January 21 he was arrested by police, who said they were acting on a charge laid by Mr Page and Mr Klass junior.

FIN. MAIL
11/3/77 (218)

De Beers Industrial Corporation Limited

Incorporated in the Republic of South Africa

Provisional annual financial statements for the year ended 31st December 1976 and notice of declaration of dividends

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1976, together with the comparative figures for the year ended 31st December 1975

Consolidated income statement

		1976 R'000		1975 R'000
Dividends, interest and sundry revenue		10 068		8 676
Less General expenses		406		98
Profit before tax		9 662		8 578
South African company tax thereon		254		175
Profit attributable to shareholders of De Beers Industrial Corporation Limited		9 408		8 403
Provision against loans written back		3		—
		9 411		8 403
Appropriations				
Transfer to general reserve	1 200		1 500	
Dividends				
On preference shares	110		110	
On ordinary shares — 65 cents per share (*1975 62,5 cents*)	8 044	9 354	6 875	8 485
		57		(82)
Unappropriated profit 31st December 1975		1 302		1 384
Unappropriated profit 31st December 1976		1 359		1 302
Earnings per share (See note 1)		74,4c		75,4c

Consolidated balance sheet

	1976 R'000	1975 R'000
Issued share capital		
Preference shares	17 000	2 000
Ordinary shares	27 500	22 000
	44 500	24 000
Non-distributable reserves	18 520	8 200
Distributable reserves	20 059	18 802
Current liabilities	4 942	4 571
	88 021	55 573
Investments		
Listed	16 470	14 921
Market value R40 561 000 (*1975 R39 367 000*)		
Unlisted	33 421	32 775
Directors' valuation R76 137 000 (*1975 R65 949 000*)		
Loans (See note 2)	37 330	6 109
Loan portion of tax	479	425
Current assets	321	1 343
	88 021	55 573

Notes

1 Earnings per share for 1976 are arrived at after allowing for preference dividends and are based on the weighted average of 11 687 500 ordinary shares in issue during the year

2 An amount of R30 968 000 was advanced to Afex Holdings (Proprietary) Limited to enable it to subscribe for ordinary shares in AECI Limited

Declaration of dividend no. 53 on the ordinary shares

Dividend No 53 of 32,5 cents per share (*1975 40 cents*) being the final dividend for the year ended 31st December 1976, has been declared payable to the holders of ordinary shares registered in the books of the corporation at the close of business on 25th March 1977 This dividend, together with the interim dividend of 32,5 cents per share declared on 4th August 1976, makes a total of 65 cents per share (*1975 62,5 cents*)

Declaration of dividend no. 66 on the 5,5 per cent preference shares

Dividend No 66 of 2,75 per cent, equivalent to 5,5 cents per share in respect of the six months ending 31st March 1977, has been declared payable to the holders of 5,5 per cent preference shares registered in the books of the corporation at the close of business on 25th March 1977

Declaration of dividend no. 1 on the 12,25 per cent cumulative redeemable preference shares

Dividend No 1 at the rate of 12,25 per cent per annum, equivalent to 8,054795 cents per share in respect of the period 3rd September 1976 to 30th April 1977, both dates inclusive, has been declared payable to the holders of cumulative redeemable preference shares registered in the books of the corporation at the close of business on 25th March 1977

For the purposes of these dividends the share transfer registers and registers of members will be closed from 26th March 1977 to 7th April 1977, both days inclusive Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 28th April 1977 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 19th April 1977 of the rand value of their dividends (less appropriate taxes) Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the corporation's transfer offices in Johannesburg or the United Kingdom on or before 25th March 1977

The effective rate of non-resident shareholders' tax is 15 per cent

The dividends are payable subject to conditions which can be inspected at the head office and London office of the corporation and also at the corporation's transfer offices in Johannesburg and the United Kingdom

For and on behalf of the board
H F OPPENHEIMER | *Directors*
A S HALL |
8th March 1977

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street Johannesburg 2001
(P O Box 61051 Marshalltown 2107)

Charter Consolidated Limited
P O Box No 102 Charter House
Park Street Ashford
Kent TN24 8EQ United Kingdom

HEAD OFFICE
36 Stockdale Street Kimberley 8301
South Africa

LONDON SECRETARIES
Anglo American Corporation of South Africa Limited 40 Holborn Viaduct
London EC1P 1AJ

Declaration of dividend no. 114 on the deferred shares

Dividend No 114 of 22,5 cents per share (*1975 20 cents*) being the final dividend for the year ended 31st December 1976, has been declared payable to the holders of deferred shares registered in the books of the company at the close of business on 25th March 1977, and to persons presenting coupon No 58 detached from deferred share warrants to bearer

This dividend, together with the interim dividend of 12,5 cents per share declared on 24th August 1976, makes a total of 35 cents per share for the year (*1975 28 cents*) A notice regarding payment of dividends on coupon No 58 detached from share warrants to bearer, will be published in the Press by the London secretaries of the company on or about 18th March 1977

The deferred share transfer registers and registers of members will be closed from 26th March 1977 to 7th April 1977, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 28th April 1977 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 19th April 1977 of the rand value of their dividends (less appropriate taxes)

Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the company's transfer offices in Johannesburg or the United Kingdom on or before 25th March 1977 The effective rate of non-resident shareholders' tax is 15 per cent

The dividend is payable subject to conditions which can be inspected at the head office and London office of the company and also at the company's transfer offices in Johannesburg and the United Kingdom

For and on behalf of the board

H F OPPENHEIMER | *Directors*
A WILSON

8th March 1977

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street Johannesburg
(P O Box 61051 Marshalltown 2107)

Charter Consolidated Limited
P O Box No 102 Charter House
Park Street Ashford
Kent TN24 8EQ United Kingdom

HEAD OFFICE
36 Stockdale Street Kimberley
South Africa

LONDON SECRETARIES
Anglo American Corporation of South
Africa Limited 40 Holborn Viaduct
London EC1P 1AJ

FIN MAIL

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27/4/77

Chairman's statement

DE BEERS

Diamond sales likely to be maintained at very satisfactory level in 1977

Marketing activities have greatly extended the appeal of diamonds and thus brought new strength and stability to the industry—MR H. F. OPPENHEIMER

The improved trend in the diamond market which I reported in my last annual statement continued throughout the year. Total sales by the Central Selling Organisation in 1976 amounted to U.S. $1 555 million, which is 46 per cent higher than in 1975. Because of the devaluation of the Rand, the equivalent in South African currency at R1 352million showed an increase of 70 per cent. The Central Selling Organisation increased the price of diamonds twice in 1976, by 3 per cent in January and by 5 75 per cent in September. Both increases were well received by the trade and indeed had the effect of improving confidence. Throughout the year the demand for the smaller sizes and the cheaper qualities of large diamonds was very strong and towards the end of the year there was some improvement in the demand for better quality large sizes also.

The market has continued to strengthen in the new year and in March the Central Selling Organisation announced an overall price increase of 15 per cent. This was the largest single increase since 1951, with the exception of adjustments occasioned by changes in the relative value of the American dollar and other currencies. The higher prices have not reduced demand and in the absence of unforeseen circumstances sales are likely to be maintained at a very satisfactory level in 1977.

Sales of industrial diamonds, both natural and synthetic, were higher than in 1975 and in total reached a record. This was partly due to somewhat improved conditions in the major industrialised countries and partly to an increased demand for the specific qualities of synthetic grits produced by the Group. I referred last year to new materials being developed by our research organisation and during 1976 a synthesised grit known as CDA, for use in the grinding of tungsten carbide, and a synthesised product consisting of an extremely tough intergrown mass of randomly oriented fine diamond particles in a metal matrix, to which we have given the name Syndite, were successfully introduced to the market. Syndite is manufactured in disc form components mounted on to a tungsten carbide support and then cut into the required shapes for use in cutting tools in the metal working industry and in rotary drilling bits. Both products will take time to establish themselves but we are confident that they have great potential.

De Beers' net consolidated profit rose from R220 million to R308 million last year, an increase of 40 per cent. Moreover, since the introduction of the pay-as-you-earn tax collection system in South West Africa resulted in a non-recurring benefit in the 1975 accounts of R29,6 million, the improvement last year was even greater than would at first sight appear. Dividends on the deferred shares were increased by 25 per cent from 28 cents to 35 cents per share.

Stocks of diamonds, at cost, amounted at the year-end to R227 million, a reduction of R77 million or 25 per cent compared with the previous year.

The book cost of the Group's investments and long-term loans increased during the year by R62 million to R461 million. The value of these investments and loans taking

FEATURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31st December	1976 R	1975 R
Issued capital of De Beers Company	24 834 000	24 834 000
Share premium and reserves†	1 067 900 000	920 826 000
Book value of listed investments*	267 088 000	225 062 000
Market value of listed investments*	342 308 000	377 618 000
Book value of unlisted investments and loans*	193 781 000	174 095 000
Directors' valuation of unlisted investments and loans*	230 009 000	198 000 000
Net current assets	343 995 000	187 641 000
Diamonds on hand at cost	227 501 000	304 437 000
Profit after tax attributable to De Beers Company	308 516 000	220 077 000
Preference dividend	1 821 000	1 706 000
Net earnings attributable to deferred shares	306 695 000	218 371 000
Per share	85c	61c
Dividends	125 926 000	100 507 000
Per share	35c	28c

† *After deducting excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition*

* *In companies outside the diamond industry*

market value for listed and directors' valuation for unlisted investments and book cost for loans was R572 million compared with R576 million last year After deducting foreign loans, all of which have been used for investment purposes, the net value of the Group's investments was R539 million The net current assets of the Group rose during the year by 83 per cent from R187,6 million to R344 million Allowing for minority interests, the net investments, loan levy and net current assets at the 31st December attributable to De Beers amounted to R819 million, or 228 cents per deferred share compared with 193 cents the previous year

Shareholders will have received my statement on the proposed merger of Anglo American Corporation and Rand Selection Corporation De Beers will follow its rights in the proposed Rand Selection rights issue which it has also agreed to underwrite If the merger and related transactions are carried into effect, De Beers' interest in the enlarged Anglo American Corporation will be 30 per cent plus any shares it may acquire from the underwriting The De Beers policy of diversification has been established and accepted ever since the Company participated on a large scale with Anglo American more than 25 years ago in the financing of the Orange Free State goldfield Indeed, long before that, going back to the time of Rhodes, De Beers had taken an indispensable part in financing the agricultural, industrial and railway development of South Africa De Beers requires for the security of its principal business to retain substantial reserves in cash and in other assets outside the diamond business and the formation of De Beers Investment Trust in 1952 and the amalgamation of that company with Rand Selection in 1961 must be seen in this light. The underwriting of the Rand Selection issue is, therefore, a continuation of an established policy and the amalgamation of Anglo American and Rand Selection will improve the quality and the long-term growth prospects of our principal investment outside the diamond business

Total diamond production by the Group (including the Orapa mine which is owned jointly by De Beers and the Government of Botswana) fell marginally from 10 760 118 carats to 10 523 267 carats

I reported last year that a new tax regime had been agreed with the Government of Botswana which, while substantially reducing the proportion of gross profits accruing to De Beers, would we hoped establish an effective partnership between Government and ourselves in respect of the Botswana diamond mining industry and so add to the general stability of the trade I am glad to report that the new arrangements have worked smoothly and, I believe, to the satisfaction of both parties The new Letlhakane mine, situated some 40 kilometres to the south-east of Orapa, has been commissioned and full production at an estimated rate of 320 000 carats a year should be realised by the end of April The mine is at present treating diamondiferous gravels surrounding the pipe and design work is in progress for the second stage, to treat the kimberlite, which will be in about 24 years' time Construction work is in progress at Orapa to increase the capacity of the mine from 2,3 million carats to 4,5 million carats a year, and should be completed before the end of 1978

Prospecting continued during the year at a kimberlite pipe discovered in Jwaneng in the south of the country The pipe is overlain by a sand and calcrete overburden averaging about fifty metres in depth and the discovery was a considerable technical achievement by Dr Murray and his geological staff A large diameter drilling programme has established that the pipe is large in size and contains diamonds in payable quantities An accurate assessment of its potential will require a detailed underground sampling programme which will take about four years to complete and involve a substantial capital investment We have initiated discussions with the Botswana Government with a view to agreeing on how work at this pipe could best be carried forward

The Letseng-la-Terai mine in Lesotho is now in production and the full estimated capacity of the plant should be reached by the middle of the year The profitability of this mine will depend on the production of a comparatively small quantity of large, high quality diamonds Obviously its establishment on this basis involves risks but we are confident that our investment of R33 million will prove justified This sum was substantially in excess of the capital requirement originally estimated but it has to be recognised that apart from the continuing inflation which has affected all new mining projects, this is an unusual undertaking, situated high in the Maluti mountains where transport and communications are difficult and severe weather conditions have impeded operations

Good progress has been made in re-activating the Koingnaas project in Namaqualand from which production at the rate of about 500 000 carats a year is due to begin in August of next year This mine will be a producer of small diamonds of high quality for which the demand at present is exceptionally strong The estimated cost of equipping this mine is of the order of R26 million

The Premier mine is continuing to operate on a marginal basis Potentially however this property has a very long life, and once operations have been established below the gabbro sill which cuts across the pipe, it is expected that the grade should improve What is involved is virtually the establishment of a new mine at greater depth, which would be completely uneconomic if the present fiscal regime were to continue Negotiations have been going on with the Government which envisage the leasing of the property by De Beers so that capital expenditure might be offset against mining profits from other sources and also certain other changes to reduce the burden of taxation which, bearing in mind that the Premier company has not paid a dividend on its deferred shares for 50 years and that the preference dividends are no less than 19 years in arrears, is recognised by all parties to be grossly excessive Representations to the Government have been sympathetically received and we are hopeful that it will be possible to agree on terms which will allow the substantial additional capital which must be invested to ensure the long-term future of the mine to earn a fair return

Good progress has been made in regard to improving the conditions of employment of our black workers Average earnings of black workers in the Group, excluding payments in kind, are now about R160 a month and we are moving as rapidly as possible to the establishment of an integrated wage scale for workers of all races The migrant labour system in Kimberley continues only insofar as we have obligations to migrant workers who have served the Company over long periods The percentage of black workers who are permanently resident in Kimberley continues to increase and they will later this year be entitled at their option to join the De Beers Pension Fund on the same terms as other employees The current house building programme for our black employees in Kimberley is approaching completion and 120 houses are already occupied

Our annual report this year illustrates the activities of the Central Selling Organisation's marketing department in London, which continues to do excellent work in the interests not only of De Beers but of the diamond industry as a whole Its activities have undoubtedly served to enhance the standards of jewellery design and to extend the appeal of diamonds far more widely than in the past Diamonds have ceased to be merely a luxury for the very rich and are now worn and enjoyed more and more extensively This has brought a new strength and stability to the whole industry and has greatly benefited those countries, particularly in Africa, to whose exports and Government revenues the diamond industry makes an important contribution

I have with deep regret indeed to refer to the death in September last year of Dr M H de Kock Dr de Kock was an exceptionally distinguished Governor of the South African Reserve Bank and since 1964 when, after he had retired from that position, he joined the De Beers board he rendered exceptional services to the Company We shall deeply miss his experience, his wisdom and his kindliness in the conduct of our affairs

The annual report and chairman's statement may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

The annual general meeting of members will be held at 36 Stockdale Street Kimberley on Tuesday, 17th May 1977 at 14h30

DE BEERS
CONSOLIDATED
MINES
LIMITED

MINING

DIAMONDS - GENERAL

JULY 1977 - DEC. 1978

NATAL MERCURY 8/7/77

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Gem sales hit R943m

Financial Reporter

JOHANNESBURG — Sales of gem and industrial diamonds by the Central Selling Organisation for the six months ended June 30 amounted to R943 million, the CSO announced here yesterday.

This was an increase of R273 million or 41 percent over the sales for the six months ended December 31, 1976, and an increase of R261 million on 38 per cent over the sales for the six months ended June 30, 1976, states Sapa.

Sales in dollars for the period amounted to 1 085 million, representating an increase of R315 million or 41 percent over the previous six months, an increase of 301 million or 38 percent over the sales for the six months ended June 30, 1976.

Sales for the year 1976 amounted to R1 352 million, (1,555 million dollars.)

Meanwhile, sales of South African diamonds for the first quarter are helping boost exports with a value of R70m some 24 percent up on the same period in 1976.

The figures are even more significant because sales at two million carats are actually 8 000 carats less than for the 1976 period. This increase has been achieved following the average 15 per cent increase announced by the CSO earlier this year.

Sales are also running at a higher figure than production, indicating that the substantial stockpiles held by De Beers and its trading companies are being run down in South Africa

European diamond market observers are beginning to show some nervousness about the months ahead. They concede that sales up to now have been good but that the next six months will not match up to the first half.

Meanwhile, the Financial Mail discloses that De Beers are under pressure to open up the new Jwaneng pipe in southern Botswana. The magazine says there is a confidential report drawn up for the Botswana Government which thinks De Beers should be pressed to go ahead now with mining and eliminate a lengthy prospecting process.

If the Botswana Government succeeds in its purpose a new mine could be in operation before the end of the decade The report says that the pipe covers 50ha making it the third largest pipe in the Western world.

Nog 'n mooi jaar vir Trans Hex

Sake-Rapport 10/7/77

(218)

TRANS HEXBELEGGINGS is 'n ongenoteerde Kaapse maatskappy waarvan nie veel in Transvaal bekend is nie. Maar hy is hoofsaaklik in die ontginning van diamante bedrywig en een van die min klein diamantmaatskappye wat werklik suksesvol is.

Vroeer bekend as Buffelsbank-Diamante, het Trans Hex die afgelope jaar tot 28 Februarie afgesluit met 'n netto wins van R2 129 736 uit mynbou, teenoor R1 189 994 verlede jaar

In sy jaarverslag sê die maatskappy dat die rekordwins toe te skryf is aan die aansienlike verbetering in die diamantpryse en die wins wat hy uit die verwerking van diamante verdien het

En dit is veral in laasgenoemde geval waar Trans Hex dalk 'n mooi voorbeeld gestel het Hy het met Diamond Distributors Inc. van New York, die groep se buitelandse bemarkingsorganisasie, 'n ooreenkoms aangegaan waarvolgens 'n deel van sy diamantproduksie in die buiteland verwerk en verkoop word.

Sy aandeel in die onderneming word deur oorsese korttermynlenings gefinansier teen rentekoerse wat aansienlik voordeliger is as wat plaaslik verkry kan word. Hierdie onderneming het vanjaar 'n netto wins van R268 455 getoon

Trans Hex se diamantontginning is hoofsaaklik beperk tot die Komaggas-Kleurlingreserwe in Namakwaland, waar die diamante kragtens 'n ooreenkoms met die Kleurlingontwikkelingskorporasie ontgin word.

Dié korporasie se deel van die wins beloop R401 621 vir die afgelope jaar, teenoor R308 694 verlede jaar En ondanks 'n daling van R132 981 in Trans Hex se wins uit bedrywighede buite die mynbou, het sy netto wins voor belasting steeds van R1 180 408 tot R1 894 242 gestyg Belasting het van R518 820 tot R791 255 toegeneem, vir 'n uiteindelike styging in die wins ná belasting van R530 826 tot R1 008 283

Die dividend van 6c per aandeel vir die jaar het egter ondanks die sterk styging in die wins onveranderd gebly Op 'n uitgereikte kapitaal van net meer as 4 miljoen aandele het die wins per aandeel van 13,2c tot 25,2c gestyg.

Die konserwatiewe dividendbeleid van die afgelope jaar spruit waarskynlik uit die feit dat Komaggas 'n geraamde leeftyd van vyf en dalk sewe jaar het en ander alternatiewe gesoek moet word

Daar is nou wel die ses filiale wat as motorhandelaars sake doen, maar hier is die vordering maar beroerd

Die groep is voorts in uitgebreide eksplorasie bedrywig en 'n diamantvonds van „belangwekkende omvang" is op 'n strand aan die Weskus gemaak Die moeilike omstandighede waaronder hierdie werk gedoen word, bring mee dat die evaluasie van dié ontdekking nog nie moontlik is nie

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e catastrophe!'

.on into French.

1. (Also re-

terature in the

GLENN, I. English

English literature in Southern Africa as a Commonwealth literature. Popular culture in Southern Africa, particularly popular fiction.

GOTTSCHALK, K. Comparative African Government and Law

1. South African imperialism.
2. Human rights in South Africa.
3. Techniques of control in South Africa, including the security apparatus and censorship.
4. Apartheid and Economics.
5. South African colonial policy in Namibia 1915-1975.

GRAAFF, J.F. Development Administration, University of Stellenbosch

Racial thought of generals Smuts and Hertzog.

D.D. 18/7/77

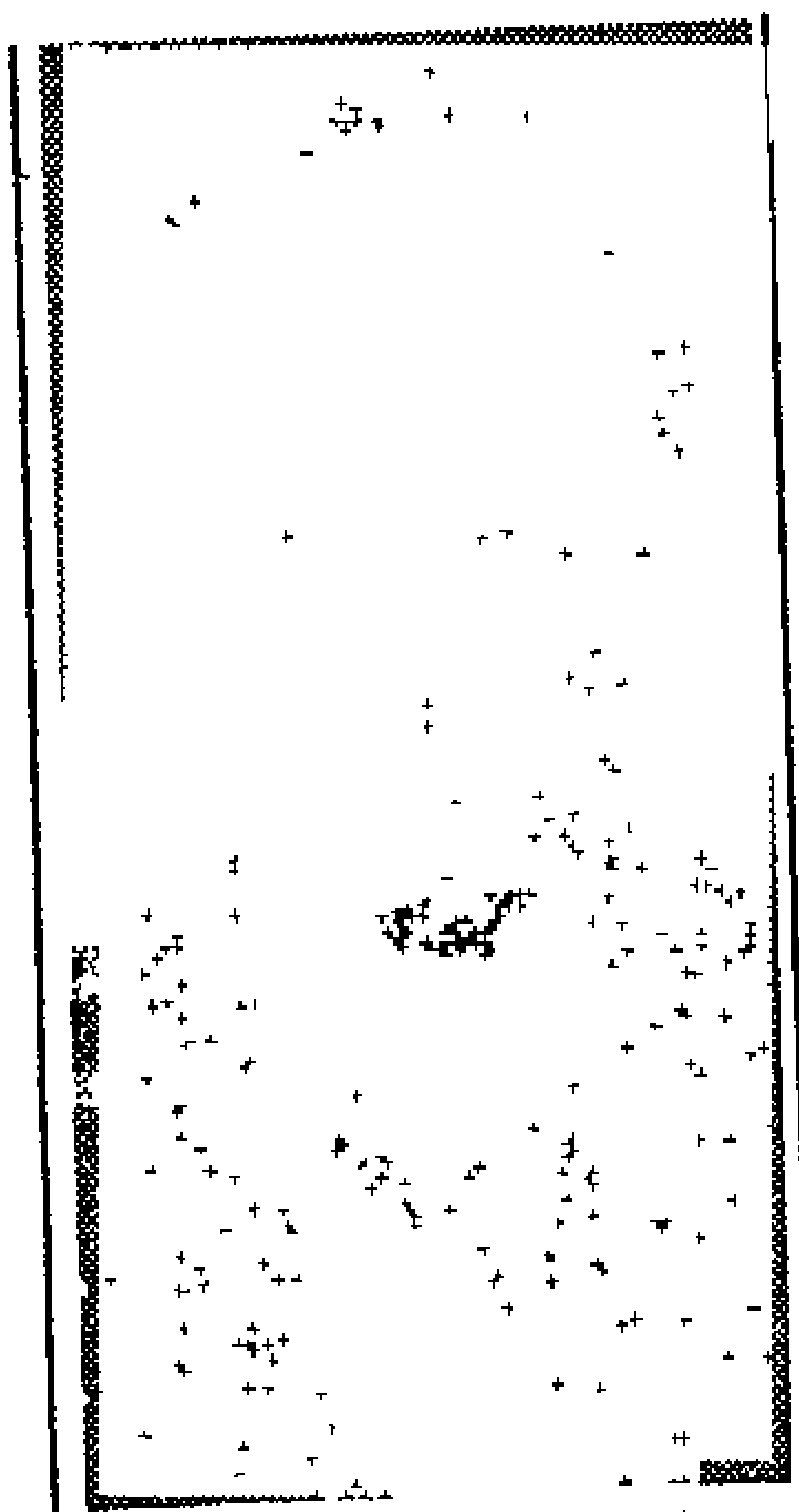
(218)

Diamond sales soar

JOHANNESBURG — Sales of gem and industrial diamonds by the Central Selling Organisation for the six months ended June 30 amounted to R943 million.

This was an increase of R273 million, or 41 per cent, over the sales for the six months ended December 31, 1976, and an increase of R261 million, or 38 per cent, over the sales for the six months ended June 30 1976

Sales in dollars for the period amounted to 1 085 million, representing an increase of R315 million, or 41 per cent over the previous six months, and an increase of R301 million, or 38 per cent, over the sales for the six months ended June 30, 1976 — SAPA



Mr J. Adriaanse, who has been appointed general manager (marketing) of Fedmis for the Cape and Transkei, as well as a director of Wonder Horticulture Products, a fully-owned associate of Fedmis.

Sake-Rapport 24/7/77

Rand London se blinke

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RAND LONDON is aangestel as die bestuurders van die Nababeep-diamantmyn in Noordwes-Kaap, en 'n mens wonder of dit nie die voorloper is tot 'n volle oorname van hierdie diamantmyn deur Rand London nie.

Die Nababeep-diamantmyn is een van die rykste diamantmyne in die land omdat sy produksie van diamante vir byna 90 persent uit sierstene bestaan. Wat totale produksie betref, is dit natuurlik maar 'n klein myntjie met 'n produksie van sowat 2 000 karaat diamante per maand

Die bates van die myn word op tussen R5 en R6 miljoen geraam, wat beteken dat indien Rand London dit wel in 'n latere stadium oorneem, dit die groep se grootste belegging sal wees behalwe die steenkoolmyne by Dumbe en Kempslust.

Dit is onwaarskynlik dat Rand London hierdie myn vir baie lank sal bestuur voordat 'n poging aangewend word om die volle beheer daarvan te kry.

Omdat dit 'n oopgroefmyn is, moet dit 'n lekker kontantvloei hê wat Rand London weer handig kan gebruik by sy ander belange soos die steenkool, ystererts by Postmasburg en mangaan in Bophuthaswana

— Vic de Klerk.

Mines back in production

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Argus 26/7/77

The Argus Correspondent

KIMBERLEY — Production has been resumed at the flooded Bultfontein and Dutoitspan diamond mines, according to De Beers Consolidated Mines.

Operations came to a halt on July 4 when an accumulation of water in the overburden at Dutoitspan broke through and flooded crusher chambers.

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A close watch

RANDFONTEIN — A man was watched closely in a cell here after he swallowed four diamonds when caught in a police trap. The diamonds, worth R15 000, were recovered.

D.D. 28/7/77

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Sake-Rapport 7/8/77

De Beers bly steeds 'n vaste rots

Deur VIC DE KLERK

DIE aandele van De Beers was oor die afgelope jaar een van die beste en bestendigste beleggings in Suid-Afrika. Die huidige prys van 475c per aandeel is ietwat aan die hoe kant, maar selfs teen hierdie prys beloof hierdie aandeel om een van die beste langtermyn-beleggings te wees.

Oor die afgelope tien jaar is daar baie gepraat van beleggings wat veral 'n skans is teen inflasie. Maar as 'n mens kyk na die vertoning van gewone aandele, strand- en gewone residensiele erwe en ook 'n wye verskeidenheid van ander beleggingsvorme oor dié tydperk, is die teleurstelling dikwels groot.

Baie min van hierdie beleggings kon hul eie waarde handhaaf — om nie eens te praat van 'n skans teen inflasie nie.

Onderstaande tabel van die vertoning van De Beers die afgelope ses jaar toon dat hier nie net beloftes gemaak is nie

Beide die verdienste, dividend en die bedrag teruggeploeg het oor dié tydperk mooi gestyg, terwyl die gemiddelde opbrengs na belasting op eienaarskapitaal wat behaal is, heelwat hoer as 20 persent was

Dit beteken maar net dat De Beers daardie gedeelte van die wins wat hy nie aan die aandeelhouers uitbetaal nie, jaarliks in die maatskappy kon herbelê teen 'n nabelaste opbrengs van hoër as 20 persent Dit is sekerlik beter as wat die aandeelhouers self met daardie geld sou kon uitrig

Dit is ook hierin waar die krag van De Beers as 'n belegging lê Beleggingsontleders verwag dat die maatskappy vanjaar, danksy baie goeie diamantverkope, meer as 100c per aandeel sal verdien

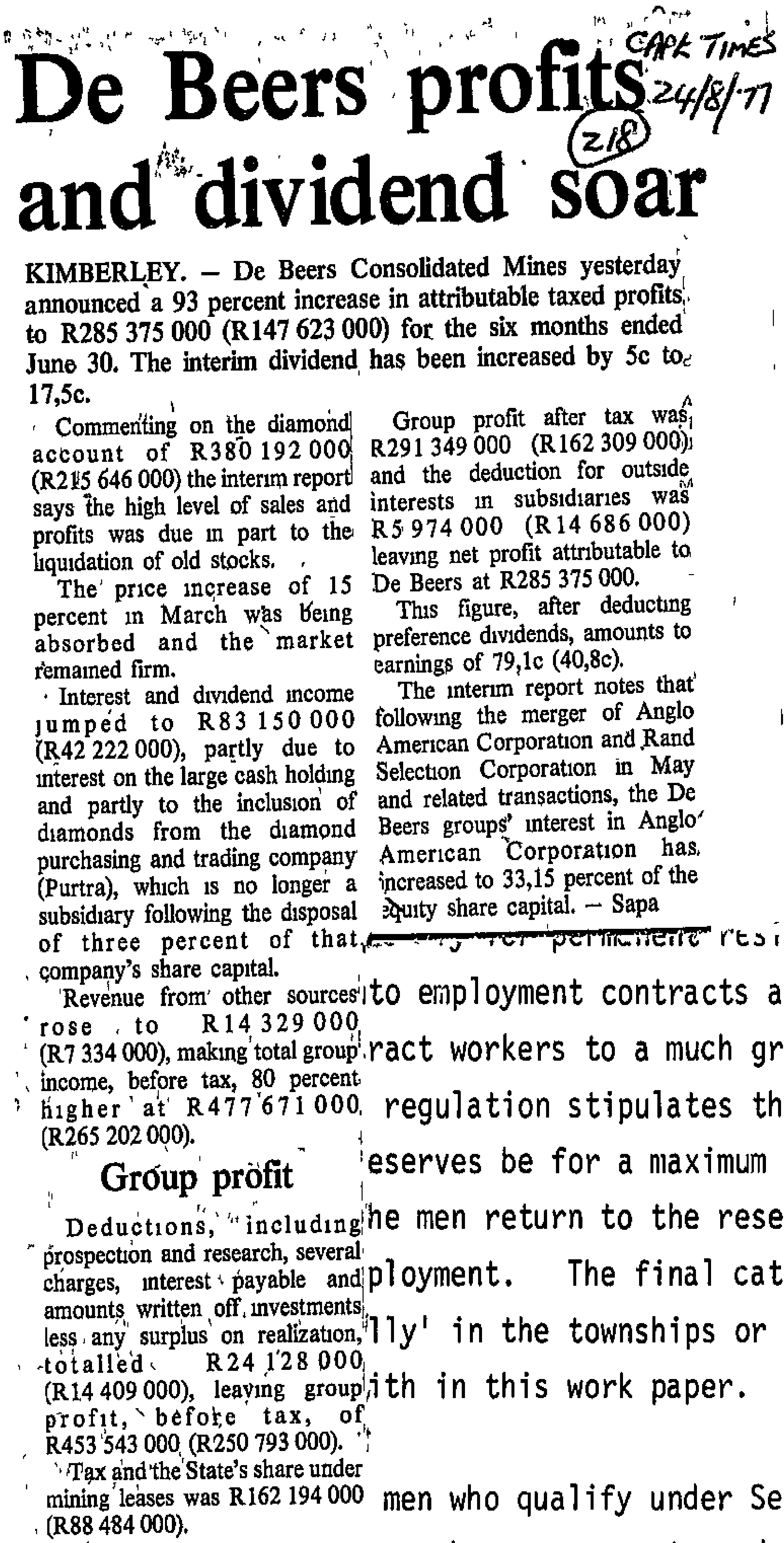
Hulle verwag verder dat selfs teen 'n verhoogde dividend van 40c per aandeel, steeds meer as 60c per aandeel teruggeploeg sal kan word. Indien aanvaar word dat die maatskappy sy winsgewendheid van 20 persent op eienaarskapitaal kan handhaaf, beteken dit al klaar 'n verdere verdienste van 12c per aandeel vir die volgende jaar

Winsvertoning van De Beers 1971 tot 1976.

	Per aandeel (c)			
	Verdienste	Dividend	Terug geploeg	opbrengs op eienaars kapitaal
1971	28,3	15	13,3	17,2%
1972	45,3	18	27,3	24,3%
1973	66,1	24	42,1	30,1%
1974	56,0	25	31,0	23,5%
1975	60,6	28	32,6	22,7%
1976	85,0	35	50	28,1%

Die meeste maatskappye groei op die manier maar De Beers kon hierdie rekord handhaaf reg deur die depressie van 1930 en daar is geen rede waarom hy dit nie nou weer sal regkry nie

En vir die gereelde spaarder is daar baie makelaarsfirmas wat byvoorbeeld bereid sal wees om vir 'n belegger maandeliks tien van hierdie aandele aan te koop



De Beers profits and dividend soar

Cape Times 24/8/77

(218)

KIMBERLEY. – De Beers Consolidated Mines yesterday announced a 93 percent increase in attributable taxed profits to R285 375 000 (R147 623 000) for the six months ended June 30. The interim dividend has been increased by 5c to 17,5c.

Commenting on the diamond account of R380 192 000 (R215 646 000) the interim report says the high level of sales and profits was due in part to the liquidation of old stocks.

The price increase of 15 percent in March was being absorbed and the market remained firm.

Interest and dividend income jumped to R83 150 000 (R42 222 000), partly due to interest on the large cash holding and partly to the inclusion of diamonds from the diamond purchasing and trading company (Purtra), which is no longer a subsidiary following the disposal of three percent of that company's share capital.

Revenue from other sources rose to R14 329 000 (R7 334 000), making total group income, before tax, 80 percent higher at R477 671 000 (R265 202 000).

Group profit

Deductions, including prospection and research, several charges, interest payable and amounts written off investments less any surplus on realization, totalled R24 128 000 (R14 409 000), leaving group profit, before tax, of R453 543 000 (R250 793 000).

Tax and the State's share under mining leases was R162 194 000 (R88 484 000).

Group profit after tax was R291 349 000 (R162 309 000) and the deduction for outside interests in subsidiaries was R5 974 000 (R14 686 000) leaving net profit attributable to De Beers at R285 375 000.

This figure, after deducting preference dividends, amounts to earnings of 79,1c (40,8c).

The interim report notes that following the merger of Anglo American Corporation and Rand Selection Corporation in May and related transactions, the De Beers groups' interest in Anglo American Corporation has increased to 33,15 percent of the equity share capital. – Sapa

IN CAPE TOWN - 1976

Cape Peninsula are Langa, Nyanga
rkers live in Langa. If an em-
ide the townships, he must apply
rd for a special permit to do so.

singly in the Peninsula. Firstly
nent residence in the urban area in
Urban Areas) Consolidation Act No.
e the workers who came to the urban
nen are entitled to remain in the
the above act provided they do not
yer with whom they have contracted.
fulfill the requirements of Section
residence. Thirdly, there are the men
to employment contracts after 1968, which restricts the legal
ract workers to a much greater degree than previously.
regulation stipulates that all contracts entered into with
eserves be for a maximum of one year, and that at the end of
he men return to the reserve in order to enter into a new
ployment. The final category consists of those men who are
lly' in the townships or in squatter camps. This category
ith in this work paper.

men who qualify under Section 10(1)a)or b) for permanent residence in the urban area are termed local men; those men whose right to be in the urban area is dependent upon their contract with an employer are termed contract workers.

The latter term has been chosen in preference to the term 'migrant workers' because the popular connotation of the work migrant is of impermanence. In fact it is submitted that the contract workers spend their entire working lives in urban areas insofar as it matters, and return to the rural areas for only a few weeks each year.

The Western Cape is officially a 'Coloured Preference' area. This means that before an employer can employ contract workers, he must first show that there are no so-called Coloured men to fill the jobs. It is the Government's stated intention to phase out the African labour force in the Western Cape. The criterion applied to implement this policy is that of productivity.

Staggering — that's the only word for De Beers

By DON ROBERTSON
Mining Editor

THE half yearly results from De Beers, far from merely satisfying those who had expected a good improvement, have, in the event, staggered even the supreme optimists.

Attributable profits have risen by an incredible 93% to R284 465 000 and the interim dividend has been hiked to an unexpected 17,5c a share in a six-month period which has established new records all round.

The diamond account soared in the period to June by 76% to R380 192 000 from R215 646 000

The figure, expressed as a percentage of total Central Selling Organisation sales for the period of R943 000 000, was a record 40,3%, which indicates the growing extent of De Beers' dominance of the world market.

This increase reflects partly the sale of diamonds from stocks which stood in the balance sheet at the end of last year at R227 501 000

It confirms the belief that the market at present is particularly firm, even after the 15% price rise last March

Interest and dividends brought in an almost doubled R83 150 000 compared with R42 222 000 last year This improvement stems from the growing investment portfolio as well as the fact that the Diamond Purchasing and Trading Company is no longer a subsidiary and thus not consolidated.

However, dividend income from this source now comes into the profit and loss account under this category, although it will have its contra elsewhere.

Royalties and sundry revenue maintained the improved trend by rising to R14 244 000 from R7 393 000, The surplus on realisation of investments brought in a small R85 000 compared with a loss last year of R59 600.

Expenditure on prospecting and research was lower than expected at R12 639 000 compared with R9 492 000, while general charges absorbed R8 767 000 against R8 596 000.

Provisions for interest and losses on investments were R1 742 000 (R2 153 000) and R979 000 (R5 832 000 credit) respectively.

Total deductions were therefore R24 128 000 compared with R14 409 000, leaving pre-taxed profits at R453 543 000 compared with R250 793 000.

Tax was naturally substantially higher at R162 194 000 compared with R88 484 000, but the provision for minorities fell to R5 974 000 from R14 868 000, probably as a result of the Diamond Trading and Purchasing Company having been taken out of the accounts

Preference dividends were unchanged at R910 000, to leave taxed profits of the substantially improved R284 465 000 compared with R146 713 000 in the first half of 1976.

Earnings were 79c a share compared with 41c last time so that the interim dividend, which has been raised by 5c to 17,5c, is covered an increased 4,5 times compared with last year's 3,2 times cover.

The dividend will absorb R62 963 000 so that retentions during the first half amount to a very hefty R222 402 000, equivalent to 61c a share.

Such retentions are a feature of this company and one which has left it in its incredibly strong position remembering that at the end of last year the company held cash of R470 million.

It might, however, have been considered prudent in this past half year to increase these retentions in view of the obvious rundown of diamond stocks.

The results are, to say the least, better than expected and are fair rewards to those shareholders who have pushed up the price of the share by almost 30% since January

The largest part of the rise has come in recent weeks as investors and brokers speculated on the extent of the profit improvement.

While first half figures are not necessarily a true guide to results in the second half, initial reaction must be that the final will also be substantially higher. Current estimates, which until today were considered optimistic, forecast a total [illegible] but a rethink of this figure [illegible] now surely be warranted.

Having [illegible] failed to reach a record [illegible] a share yesterday the price [illegible] per [illegible] ahead [illegible] comfortably [illegible] as the [illegible] and others, who view [illegible] as a prime [illegible] absorb the results

Debincor

DE BEERS Industrial Corporation lifted its attributable profits from R6 5?2 000 to R6 ?? ??? in the six months to June 30. The interim dividend has been raised from 32,5c to 35c.

Mercury 27/8/77

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Gems reward is the biggest

CAPE TOWN — A reward of R250 000 — South Africa's biggest — has been offered for information leading to the recovery of 280 000 diamonds worth an estimated R3,9 million, a police spokesman said here yesterday.

He said the reward had been offered by a local firm from which the diamonds were missing — Diamond Processing Company

The stones were small, varying between 0,05 and 0,75 carats. Some were cut, some uncut, and others were partly cut.

They had apparently disappeared from the firm during the past four to six months and could still be in the country.

The reward would be paid on a pro-rata basis if all the stones could not be recovered.

He said the reward was the biggest offered in the history of South African crime.

Mr. Bernard Rudnicki, (47) of Parow North, appeared briefly in the Magistrate's Court yesterday on charges of theft and defeating the ends of justice following the disappearance of diamonds worth nearly R4 million from the Diamond Processing Company in Salt River this month

His face badly scarred from acid burns, Mr. Rudnicki of Fiona Crescent, Parow North, was not asked to plead. No evidence was led and he was remanded to September 15.

His appearance followed a country-wide police investigation after the disappearance of the diamonds on August 15

(218) FM 26/8/77

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

Interim report to members for the half-year ended 30th June 1977 and notice of declaration of interim dividend

The following are the unaudited consolidated results of the Company and its subsidiaries for the half-year ended 30th June 1977, together with the comparative figures for the half-year ended 30th June 1976, and for the year ended 31st December 1976, which should be read in conjunction with the subjoined notes -

	Half-year ended 30-6-77 R'000	Half-year ended 30-6-76 R'000	Year ended 31-12-76 R'000
Diamond account	380 192	215 646	451 543
Interest and dividends	83 150	42 222	93 624
Royalties and sundry revenue	14 244	7 393	13 833
Surplus on realisation of fixed assets	85	(59)	(3)
	477 671	265 202	558 997
Deduct			
Prospecting and research	12 639	9 492	20 262
General charges	8 767	8 596	17 210
Interest payable	1 743	2 153	4 755
Amount written off investments less surplus on realisation of investments	979	(5 832)	(3 146)
	24 128	14 409	39 081
Group profit before tax	453 543	250 793	519 916
Deduct			
State's share of profit under mining leases	10 659	9 072	16 146
Tax	151 505	79 412	166 769
	162 164	88 484	182 915
Group profit after tax	291 349	162 309	337 001
Deduct			
Outside interests in subsidiary companies	5 974	14 686	28 485
Group profit after tax attributable to De Beers Consolidated Mines Limited	285 375	147 623	308 516
Preference dividend of R1 per share declared 17th May 1977	795	795	
Second preference dividend of 4 cents per share declared 17th May 1977	115	115	
Cost of interim dividend of 17,5 cents per deferred share (1976 12,5 cents)	62 963	44 974	

Notes

1 It should not be assumed that the results for the half-year ended 30th June will be repeated in the half-year ending 31st December, since income does not necessarily accrue evenly throughout the year

2 As a result of a further re-arrangement of shareholdings in the diamond trading companies, the group disposed of 3 per cent of the share capital of The Diamond Purchasing and Trading Company (Proprietary) Limited ("Purtra"), which consequently has ceased to be a subsidiary company The results for the half-year are therefore not directly comparable with the corresponding period in 1976 because Purtra's results have not been consolidated and only dividends received from that company are included

DIAMOND MARKET

The high level of sales and profits as compared with the corresponding period last year relates in part to the liquidation of old stocks The price increase of 15 per cent made in March is being absorbed and the market remains firm

MERGER OF ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED AND RAND SELECTION CORPORATION LIMITED

Following the merger of Anglo American Corporation and Rand Selection Corporation in May 1977, and related transactions, the Group's interest in Anglo American Corporation has increased to 33,15 per cent of the equity share capital

INTERIM DIVIDEND

Declaration of Dividend No 115 on the Deferred Shares

An interim dividend in respect of the year ending 31st December 1977, being dividend No 115 of 17,5 cents per share (1976 12,5 cents) has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 30th September 1977, and to persons presenting coupon No 59 detached from deferred share warrants to bearer

A notice regarding payment of dividends on coupon No 59 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 23rd September 1977

The deferred share transfer registers and registers of members will be closed from 1st October 1977 to 14th October 1977, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th October 1977 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 18th October 1977 of the rand value of their dividends (less appropriate taxes) Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 30th September 1977

The effective rate of non-resident shareholders' tax is 15 per cent

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom

For and on behalf of the board
H F OPPENHEIMER, *Chairman*
A WILSON

23rd August 1977

HEAD OFFICE
36 Stockdale Street, Kimberley
South Africa

LONDON SECRETARIES
Anglo American Corporation of
South Africa Limited, 40 Holborn
Viaduct, London EC1P 1AJ

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street, Johannesburg
(P O Box 61051, Marshalltown, 2107)

Charter Consolidated Limited
P O Box No 102 Charter House
Park Street, Ashford, Kent, TN24 8EQ
United Kingdom

Copies of this report will be posted to registered shareholders

De Beers Industrial Corporation Limited

Incorporated in the Republic of South Africa

Interim report to members for the half-year ended 30th June 1977 and notice of declaration of dividends

The following are the unaudited consolidated results of the Corporation and its subsidiary for the half-year ended 30th June 1977, together with the comparative figures for the half-year ended 30th June 1976, and for the year ended 31st December 1976 -

	Half-year ended 30-6-77 R'000	Half year ended 30-6-76 R'000	Year ended 31-12-76 R'000
Investment income and sundry revenue	6 894	5 505	10 068
Deduct			
General expenses	49	46	406
Group profit before tax	6 845	5 459	9 662
Deduct			
Tax	64	127	254
Group profit after tax attributable to De Beers Industrial Corporation Limited	6 781	5 332	9 408
Preference dividends declared 8th March 1977 5,5 cents per share on the 5,5 per cent preference shares	55	55	
8,054795 cents per share on the 12,25 per cent redeemable preference shares	1 208	–	
Cost of interim dividend of 35 cents per ordinary share (1976 32,5 cents)	4 812	3 575	

Note

It should not be assumed that the results for the half-year ended 30th June will be repeated in the half-year ending 31st December, since income does not necessarily accrue evenly throughout the year

DIVIDENDS

Declaration of Dividend No 54 on the Ordinary Shares

Dividend No 54 of 35 cents per share (1976 32,5 cents) being the interim dividend for the year ending 31st December 1977, has been declared payable to the holders of ordinary shares registered in the books of the Corporation at the close of business on 30th September 1977

Declaration of Dividend No 67 on the 5,5 per cent Preference Shares

Dividend No 67 of 2,75 per cent, equivalent to 5,5 cents per share, in respect of the six months ending 30th September 1977, has been declared payable to the holders of 5,5 per cent preference shares registered in the books of the Corporation at the close of business on 30th September 1977

Declaration of Dividend No 2 on the 12,25 per cent Cumulative Redeemable Preference Shares

Dividend No 2 of 6,125 per cent, equivalent to 6,125 cents per share, in respect of the six months ending 31st October 1977, has been declared payable to the holders of 12,25 per cent cumulative redeemable preference shares registered in the books of the Corporation at the close of business on 30th September 1977

For the purposes of these dividends the share transfer registers and registers of members will be closed from 1st October 1977 to 14th October 1977, both days inclusive

Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th October 1977 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 18th October 1977 of the rand value of their dividends (less appropriate taxes) Any such shareholders may, however, elect to be paid in South African currency provided that the request is received at the Corporation's transfer offices in Johannesburg or the United Kingdom on or before 30th September 1977

The effective rate of non-resident shareholders tax is 15 per cent

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Corporation and also at the Corporation's transfer offices in Johannesburg and the United Kingdom

For and on behalf of the board

H F OPPENHEIMER, *Chairman*
A S HALL

23rd August 1977

HEAD OFFICE
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Copies of this report will be posted to registered shareholders

Diamond millions pouring out of S.A.

218

27/8/77

Mercury Africa Bureau

SOUTH AFRICANS are financing a massive multi-million-rand traffic in illicit diamonds through Lesotho.

A South African diamond branch detective confirmed the increased trafficking in Lesotho but said the South Africans could only operate on local soil, where arrests for possession of illicit diamonds had increased dramatically this year.

Details of the "Lesotho connection" were uncovered by Mercury Africa Bureau reporters who established that uncut diamonds are being smuggled into Lesotho where they are "legalised" for export to the diamond capitals of the world.

The investigation revealed that:

- Illicit diamonds from South Africa, South West Africa, Botswana, Angola and Zaire are being used by currency smugglers to move vast sums of money overseas.
- Political uncertainty in southern Africa has led to a dramatic increase in IDB traffic through Lesotho.
- South African authorities are powerless to seal the diamond pipeline because of inadequate controls in Lesotho, and a breakdown in relations between police forces of the two countries.
- Many of the IDB racketeers have moved to Maseru — the IDB capital of southern Africa —, after losing their licences in South Africa.

An elaborate network of subterfuge and secrecy shields the operations of the undercover industry, but reporters were told how the diamonds are laundered once they reach Lesotho soil

"They are financed by South Africans and are smuggled to one of the many hundreds of licensed diggers in Lesotho From that moment they become legimate as no questions are asked as to the origin of the stones — and they can then be sold to one of about 12 buyers in Maseru Many of the stones are then undervalued and exported to Israel, Belgium, Britain or even the United States," one diamond dealer said.

Mystery

Mystery surrounds the extent and value of the traffic with official Lesotho figures only reflecting R800 000 worth of uncut exports in the first six months of this year.

Investigations revealed that this figure barely represents the exports of one group of buyers.

Inquiries yesterday were directed to Lesotho's commissioner of mines, Miss Mofolo, who said "I don't know anything about diamond trafficking in Lesotho. I don't know anything about illicit dealings. It is an interesting story" She then hung up.

A Lesotho police spokesman referred inquiries to the Department of Mines and sai that police were awa of reports of South A ricans falling prey confidence tricksters, but they could only a if these people co plained

CDM heads for windfall and new ventures

(218)

RDM
5/9/77

By ADAM PAYNE

CONSOLIDATED Diamond Mines of South West Africa expects to make a windfall of much larger profits than ever before this year and is to establish a subsidiary for the development of projects outside diamond mining.

This was said by Mr Harry Oppenheimer, chairman of De Beers Consolidated Mines, during his visit to South West Africa, when he announced that CDM's head office would move from Kimberley to Windhoek.

Mr Oppenheimer said that CDM was an old mine and a fall-off in production was inevitable, although the mine would strive to maintain the position as far as possible

The reserves were substantial but not unlimited, and this raised the question of partly using the remaining resources of the company to finance enterprises in South West Africa to sustain CDM's contribution to the economy

To this end, a proportion of the current diamond profits would be devoted to projects in South West Africa. It would be sensible, he said, to develop enterprises whose longevity would not be directly dependent on the CDM operation

It might be thought the company's exceptional current liquidity had flowed from deliberate over-mining, in anticipation of political change. This was far from the truth

The position was that stocks of diamonds, which were unsaleable at the time, had built up over several years, and this year because of market conditions both production and stocks would be sold, so generating much larger profits than before, and larger than they would be in the future

At the same time, tax revenue from the company would also be exceptional, and it might be prudent for the Government to consider setting aside part of the windfall for unforeseen capital requirements

The level of the subsidiary's activity would be regulated by the availability of viable pro-

The De Beers group understood mining first and foremost, and would look to that sector first The company would undertake prospecting

If the company prospered, the aim would be to interest residents in becoming shareholders It went without saying that the contribution of the venture would be heavily influenced by the political system within which it had to operate

The political problems were important, but economic well-being always facilitated the conduct of good government

Another disclosure by Mr Oppenheimer during his visit to Windhoek, where CDM's first board meeting in South West Africa was held, was the fact that CDM would spend R1 500-000 on a technical institute on Ongwediva, the proposed future capital of Owambo.

He said CDM had been moving away from discrimination on grounds of race and had introduced a rational wage structure, scientifically calculated

The minimum starting wage for a recruit was R115 a month, average Ovambo earnings were R210 a month, and the highest paid Ovambo now earned R600 a month with free food and accommodation

"This system has come under attack from time to time, but wages of this order are nothing to ne ashamed of," said Mr Oppenheimer

COMMENT: The setting up of the development subsidiary shows a quick appreciation by De Beers of the implications of the coming independence.

Although no figures were quoted by Mr Oppenheimer, it can be assumed that CDM will be prepared to spend tens of millions of rands through the subsidiary in developing any projects that are judged viable. This will be a case of enlightened self-interest because development will benefit not only the newly independent country but CDM which is a subsidiary of De Beers.

The investment of millions of rands by CDM in a subsidiary would have little impact on CDM's profits in a bumper year such as Mr Oppenheimer foresees. The profits are now consolidated with De Beers results but in 1974 when diamond production was 1 569 961 carats, total share capital and reserves were R373-million and after-tax profit was R80-million.

Last year diamond production was higher at 1 693 994 carats and the price was higher. The mine is the largest gem producer in the world.

8. TREASURER'S REPORT

9. VICE

10.1.

10.2. National Projects:

10.2.1. Win-a-car - I. Day

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Mercury, Tuesday, October 11, 1977 13

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Rush for diamonds in SWA

Mercury Correspondent

CAPE TOWN — Booming world diamond sales have led to a rush for the stones in the arid Huns mountains of South West Africa and the fever spawned by the glittering gems has brought tempers to flash-point in the vast wastes of Namaqualand.

Gregarious South African entrepreneur, Mr. George Christodoulou, who has more than 25 years prospecting and mining experience with diamonds in the Republic, South West Africa, Angola and Zaire, has been flying helicopter-loads of wealthy American potential investors from the small, sand swept town of Keetmanshoop to his company's concessions covering more than 400 000 hectares in South West's rugged Huns

Colossal

Mr. Christodoulou, chairman of the Namibia Diamond Company, is attempting to tie up more concessions in what he claims will be one of the richest diamond undertakings since the turn of the century.

He said American interest was colossal.

This could be attributed to soaring sales of the De Beer's controlled Central Selling Organisation.

This organisation, which markets 85 percent of the world's gem diamonds, has seen sales more than double in the past 18 months with demand continuing to build following a 15 percent price increase in March.

Another price-hike is rumoured to be imminent in Europe, and CSO sales should be worth about R2 000 million this year.

About half of this will accrue to southern Africa.

Identify

Mr. Christodoulou maintains tens of millions of rands will be required to develop the Huns concessions.

The company's name was chosen to identify with the new State of Namibia which should have a bright future from gem and other mineral income, he says.

But further to the south in Namaqualand the outlook is less happy.

Coloured people there angrily proclaim that their area is not benefiting from its rich diamond concessions and that they have not been allowed to exploit it themselves.

The Coloured Development Corporation has rights to the conesssions but the State nominates firms for exploration and mining. No coloured group has been nominated for the past 10 years.

The Government maintains that mineral wealth, as in the case of gold, belongs to all of the country.

However, it is reported that the CDC is to attempt to gain approval for more ammenities in the Coloured area from the diamond wealth.

Weak copper and other metal prices have left diamonds as one of the most important hopes for prosperity.

The surge in diamonds has inevitably led to an upswinging in illicit trafficking Lesotho is known by the authorities to be a prime "launderer" of the illicit, uncut, stones.

1(a)

1(b) Where

RDM 5/11/77

Business Mail

CSO raises gem price by 17 pc

By DON ROBERTSON
Mining Editor

THE OVERSEAS rush for De Beers shares on the Johannesburg Stock Exchange on Thursday was capped by the announcement yesterday that the Central Selling Organisation will raise diamond prices by an average 17% from December

The De Beers controlled CSO markets about 80% of the world's diamond production, and any increases in prices is reflected in De Beers results which bear a close resemblance to world sales.

In the first half of the current year, CSO sales hit a record R943-million and De Beers taxed profits were staggeringly higher at R284 465 000 and accompanied by the highest interim dividend payment of 17,5c (12,5c)

Yesterday's price increase announcement of 17% follows the 15% price increase declared by the CSO in March this year and effectively means that the diamond price has been raised by an inflation-beating 34,55%

Yesterday's announcement was pre-empted in world markets and De Beers moved up in Johannesburg by 20c to 497c, meaning a gain in market capitalisation of more than R72-million.

The price rise reflects the strength of the world diamond market which has benefited from a major advertising campaign promoting smaller gem stones That the larger size stones are being well received internationally is shown by the price rise

Demand has improved for diamonds of between one carat and 1½ carats Reports from London suggest that rough gem diamonds marketed by the CSO are being sold at a premium of over 40% in Tel Aviv. The last price rise in March did little to dampen demand.

June half-year stage were 79c, and the 17,5c interim was covered 4,51 times

The half-yearly results prompted a re-estimate of the total dividend payout for the year from 42c to 45c through a final of 23,5c

The suggestion is that not only will 45c be met, but a bonus of 5c a share could be paid, absorbing an extra R18-million

With De Beers' financial strength, such a bonus would not be too much to expect At December 30 last year, cash on hand was R470-million and a further R227-million was added in retentions in the first half of this year.

A point to consider is the rundown of stocks in the buoyant markets of the past 11 months Last year's balance sheet put this figure at R227-million and profits from the sale from this source are enhanced as they are taken into the accounts at cost prices which ruled years ago.

However, production from the Namaqualand, Koingnaas, field is expected to rise substantially in 1978 Profits from the Consolidated Diamond Mines' operation are also expected to improve

This should boost stocks and prop profits in 1978, a year which most sources believe will be rather poor in terms of diamond sales In any event, the 17% price rise should be sufficient to counter the expected fall in sales volumes.

And as a bonus, increased foreign exchange revenue to be earned as a result of the price rise should benefit South Africa's balance of payments

NEIL BEHRMANN reports from London that the wide depreciation of the dollar over the past year is also reflected in the new price

A CSO spokesman said that the organisation was following the market and was not trying to manipulate prices.

The United States takes 52% of world diamond production, Japan 22% and Germany 9%

The CSO spokesman said that demand had been strong in all these countries

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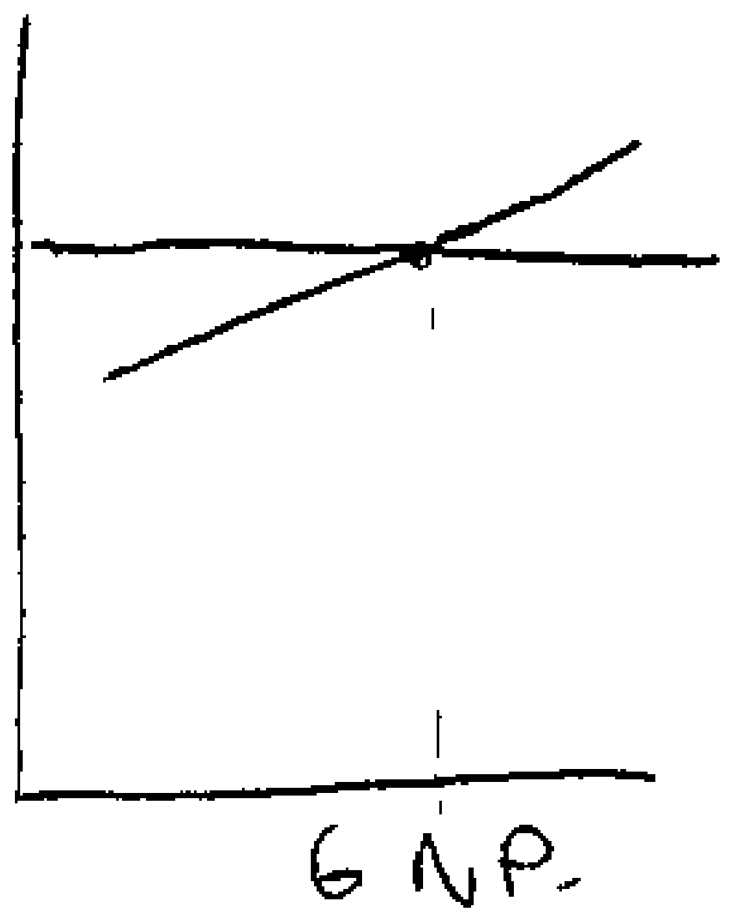

Sake-Rapport — RAPPORT, 6 November 1977 — 5

De Beers lig nóg verder

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DIE Sentrale Verkooporganisasie het Vrydag aangekondig dat die prys van ongeslypte sierdiamante met 17 persent verhoog word. Dit verklaar deels die mooi vertoning van De Beers, wat Vrydag op 497c gesluit het vergeleke by 470c verlede Vrydag.

Ná hierdie prysverhoging van diamante — die vraag is terloops baie sterk — verbeter die winsvooruitsigte van De Beers nóg verder en is dit selfs teen die huidige prys 'n goeie belegging

Maar die feit dat die aandeel se prys nie heelwat meer gestyg het nie, bevestig die heelwat swakker sentiment wat op die oomblik op die Beurs heers

Goudaandele het in die week deurgaans stewig vertoon en stadig die mooi styging in die goudprys gevolg Die 161,85 dollar per ons wat op die IMF se jongste goudveiling behaal is, is 'n nuwe rekordvlak vir hierdie veilings Die feit dat daar hierdie keer weer heelwat kopers was, was die belangrikste stimulus vir die styging daarna

Die goudaandele het egter Donderdag nog ietwat traag vertoon maar Vrydag, toe die goudprys weer vasgeskop het, verder verbeter

Die beste vertonings van die week het gekom van die goedkoper en grensmyne E T Cons het veral aandag getrek met 'n styging van 75c vir die week en gesluit op 345c Hier is beslis iets aan die gang

Ander goudaandele wat goed vertoon het, was Marievale, South Roodepoort, FS Saai, Durban Deep en President Steyn

Die ander metale en minerale het 'n baie stil week gehad, maar koper het weer ietwat swakker vertoon terwyl steenkool rigtingloos was

Rand London het weer 'n mooi styging getoon en in een stadium teen 94c verhandel voordat die spekulante dit weer afgedruk het tot 91c

Vic de Klerk by die Beurs

Die nywerheidsmark was deurgans stil en ietwat aan die swak kant Dit was veral die minder bekende nywerheidsaandele wat swakker vertoon het en nou die beter aandele wat al reeds die afgelope twee weke aan die daal is, volg.

Simba Quix het ná die aanbod van Feedfood van 26c per aandeel tot 17c verswak

DIAMONDS ⑵⑴⑻ FM 11|11|77

Huge price rise

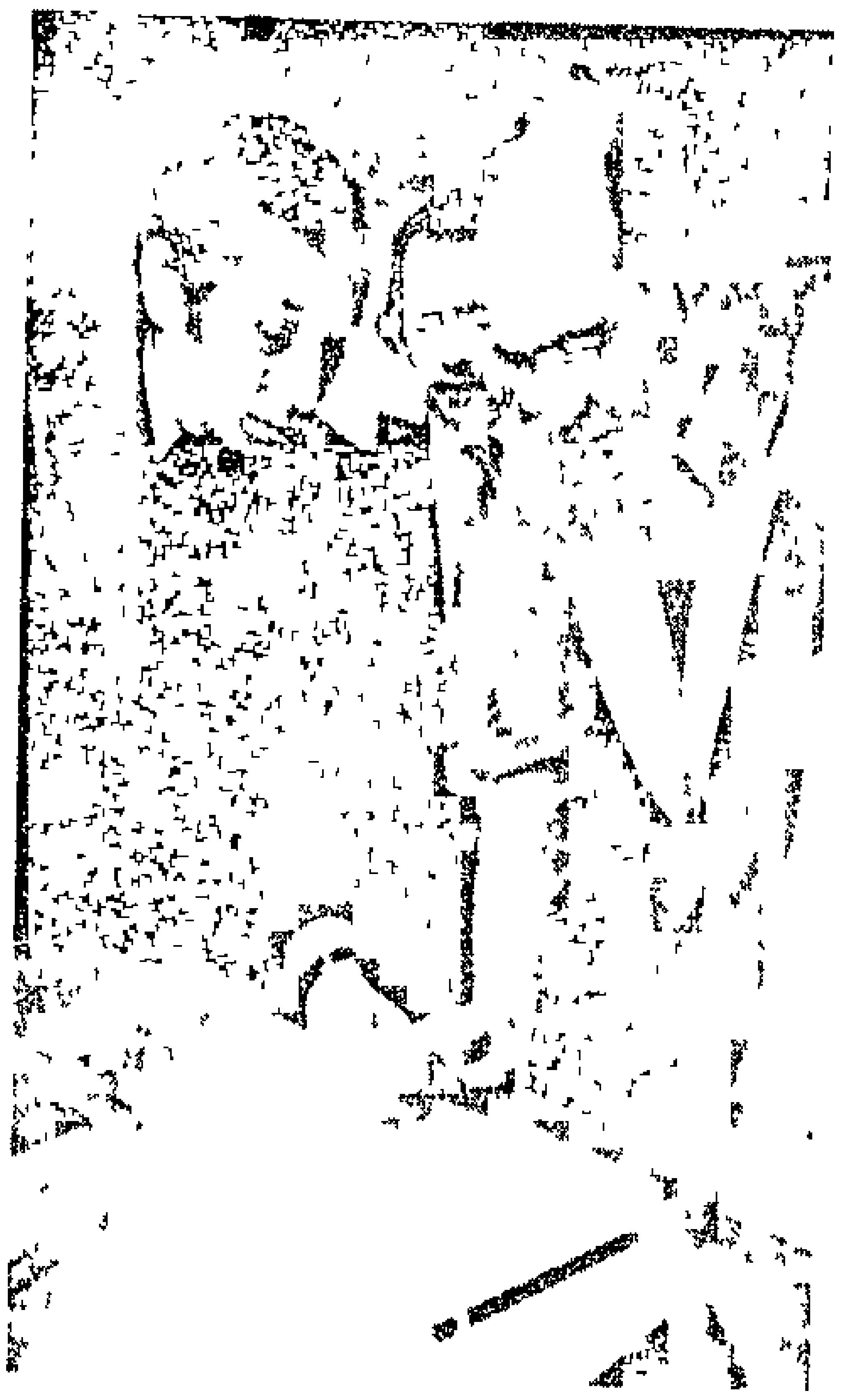
The 17% diamond price increase announced by the CSO is a massive one by recent standards, and the largest since the 25% jump in 1949. More significantly, it comes only two months after the CSO tried to cool down the market in rough diamonds because it appeared that an unhealthy degree of speculation could be emerging in the smaller and cheaper ranges of stones.

Until recently De Beers' principal problem has been the worldwide overproduction of small rough diamonds. Advertising campaigns to promote the buying of diamond jewellery have proved very effective, especially since they coincided with a big increase in the spending power of younger people in Europe and North America. Demand for small polished diamonds, as a result, has been stimulated to the point where the surplus has been turned into a shortage.

The 15% increase in rough diamonds

that took effect from the CSO's April sight this year was heavily weighted towards the smaller and lower quality categories, some of which rose in price by 20%-25% Demand remained strong and by the late summer diamond merchants report that premiums of as much as 45% above CSO prices were being paid in the secondary markets of Antwerp and Tel Aviv As a result De Beers was able to make substantial inroads into its stockpile in the first half of this year

On September 1, the CSO in London summoned diamond brokers (who act as intermediaries between the CSO and its customers) and asked them to inform their customers that there would be no increase in the CSO's rough diamond prices at the October or November sights and probably none at the December sight either. No promises were made and nothing was put in writing but the clear implication was that current premiums were so high that the CSO wanted to deter diamond merchants from speculating on a further price increase



At the diamond sights reducing the premium

The warning had no effect on the premiums paid for small stones, while those of 8%-10% on larger and better quality stones dipped slightly, but only for a day The market has remained firm and active since then in rough stones, and prices of polished stones are reported to be much stronger than in July

Under these conditions De Beers comes under pressure from producers outside its group, whose rough stones it buys and markets They are naturally unhappy about any large or prolonged gap between the prices they get from the CSO for their stones and the prices those stones subsequently fetch in the secondary markets Having failed to reduce these premiums by warning against speculation, the CSO had to conclude that they reflected genuine consumer demand for diamond jewellery The large price rise therefore became inevitable, in spite of the prediction in September that it was most unlikely

How the increase will be applied to various categories will not be known until the next sight in December, but smaller and lower quality stones will certainly rise by more than the average 17% Opinion in Antwerp is that the markets for rough and polished stones are strong enough to stand this increase

Demand for larger and high quality stones remains quieter. Buyers of expensive jewellery are less wealthy or less keen to disply their wealth The Japanese market, which has also tended to favour these categories, is still slow However investment demand for the better quality polished stones could now at last become significant Three French banks, including Credit Lyonnais and Banque Rothschild, have finally satisfied themselves that the problems of classification and description have been overcome and have started in a modest way to invest diamonds through associate companies,

For the moment, De Beers' problem is how to satisfy the booming demand for small stones. If recession stops the boom and diamond production again comes to exceed demand, De Beers will have very large cash resources with which to stockpile any surpluses

DE BEERS' HOT ROCKS

In the first half of 1977, brokers were generally forecasting earnings in the 110c-120c region and dividends totalling 40c for De Beers These figures were upgraded, after the first half CSO sales and De Beers' interim profit statement, which showed 79c (40c) earned and an interim dividend of 17,5c (12,5c), and settled in the 150c-170c mark, with a 50c dividend widely forecast.

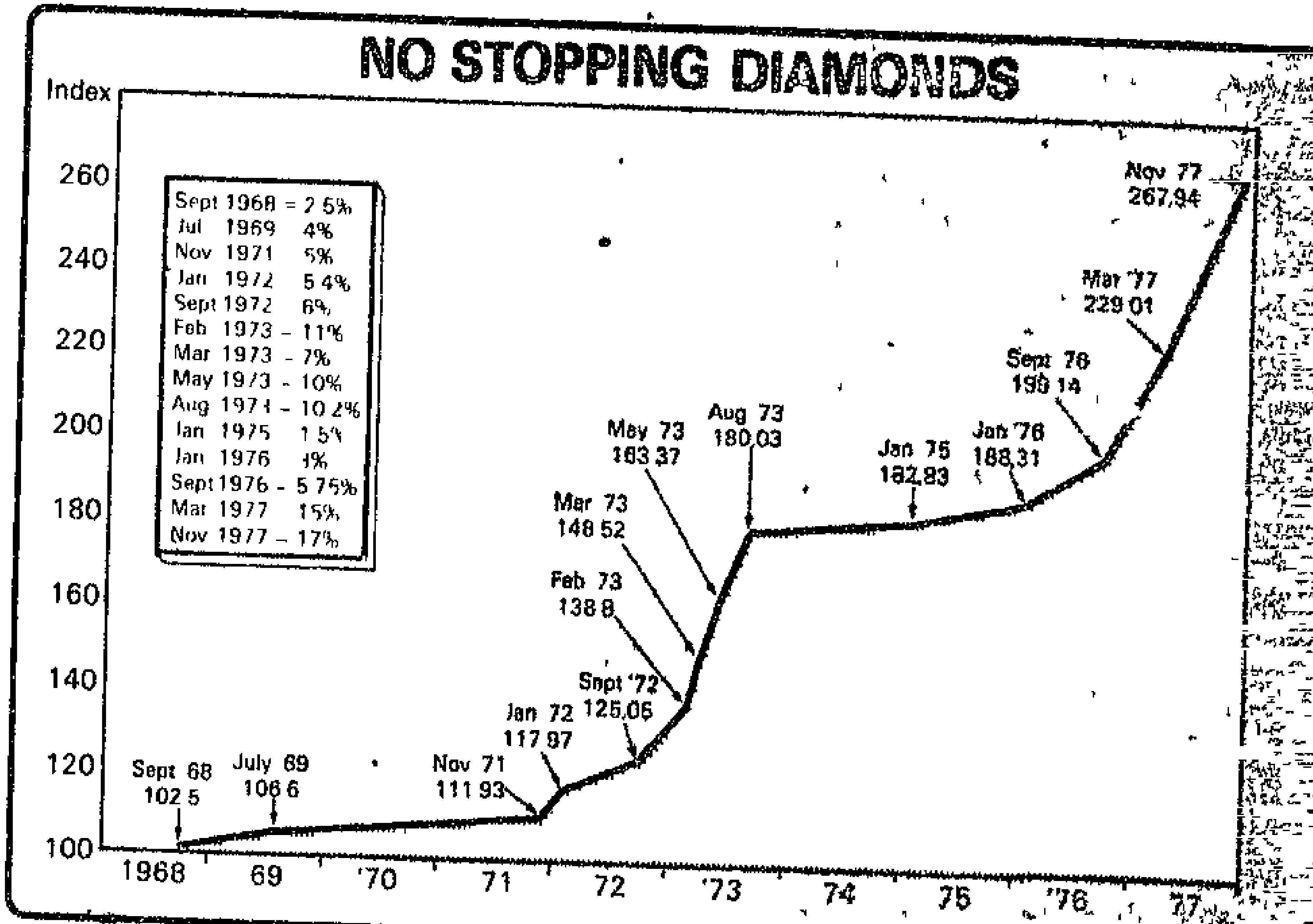
The latest price increase comes too late in the year to have much impact on 1977 earnings, with only one more sight to come But it testifies to the strength of the market, suggests De Beers may have made profitable sales ex stockpile, and augurs well for 1978 earnings Moreover, the 17% boost to revenue increases profit margins on De Beers own mined stones by a far greater amount

At end-August, the official figures showed that the value of SA diamond exports (which exclude Cons Diamond in SWA) were up from R117m to R229m for eight months, even though carats produced were down from 5,5m to 5,2m Diamond exports could reach R350m this year and R400m in 1978.

De Beers itself is now achieving levels of profitability and cash flow which can only be compared with the international oil majors With net attributable profits (net income, in *Fortune's* terms) likely to break $650m in 1977, De Beers' will be among the 15-20 most profitable companies in the world

Finally, De Beers' latest performance is being achieved against the background of weak US stock markets; yet, in the words of one London broker, it has usually followed Wall St "like a dog on a lead". De Beers seems to have developed "contra-cyclical" tendencies, as has gold. In other words, it benefits from industrial demand when economies are strong and from hedging when they are weak.

NO STOPPING DIAMONDS



Diamonds — are you getting a fair deal?

6/11/77 (218)

S. Tribune 6/11/77

(218)

Special Report by Tony Hudson

THE SOUTH African diamond buying public is being caught for millions of rand each year by purchasing gems from unqualified and untrained dealers, say industry experts.

And the experts say that close on 90 percent of diamonds sold are incorrectly graded and around 70 percent are overvalued.

Grading is the process of determining the colour, cut, clarity and caratage of the diamond and is the base factor in determining the value of the stone.

And this, says Koos van der Berg, general manager of the Pretoria-based Anderson and Tracey Diamond Cutting Works, is where the problem comes in.

He says while most sectors of the economy have been facing a recession, the diamond industry has expanded by 25 percent during the last year. The result is that many people from hard-hit sectors such as property, have moved into diamond sales

Says Van der Berg "In Pretoria alone there are 37 companies selling diamonds — among them one-man outfits with a jeweller's loupe and that's all."

His views are borne out by Laurie Farrer, President of the Natal Jewellers Association, who told me this week: "It's almost a joke among the jewellers here that many estate agents here are now diamond merchants Diamond merchants are springing up like mushrooms all over the place. It's quite ridiculous to say the least.

"It never used to be like this," he said.

Says Tony Madden, a leading Durban jeweller and vice-chairman of the Natal Jewellers Association: "There are, unfortunately, people who are selling diamonds without knowledge of the stones

"They set themselves up as diamond merchants and experts, and we find that is an unsatisfactory state of affairs"

Net result, say the experts, is that the public is being taken for a ride. Van der Berg claims that either through ignorance or deliberate intent many dealers are grading their diamonds at levels too high This means the investor buys, for example, a stone that the dealer tells him is an ice white which, in fact, is a yellow, and not nearly so valuable.

"The majority of chaps in the trade today," he says "are not trained and do not have the knowledge to grade a stone The result is that in many cases they suck their prices out of their thumb.

"This is especially true of some operating in the tourist market They know the purchaser will not come back to them as he is leaving the country.

"While these dealers are not dishonest in the criminal sense, they are representing themselves as experts, which they are not."

"Its so easy to get into the business" says a Durban diamond dealer "all you need is to form a company, rent a shop and you're in business".

But the techniques of dealing with diamonds are not so easy. Says Madden. "In my experience, a man needs five years of experience in dealing with diamonds — that is, the polished gems — on a continual basis in order to be able to express a reasonably accurate opinion on a diamond".

And the evidence is that not many dealers fall into this category Both Madden and van der Berg regard the situation as serious and say that action must be taken soon as in the short term the public is suffering. In the medium to long term the industry itself could be dealt a severe blow when investors find that their prized "blue white" is in fact a yellow.

The Jewellery Council's director Errol Fyfe, told **Tribune Finance** that the council was aware of the problem "and working damned hard to rectify it.

"There are witchdoctors, there are medical doctors there are imposters there are all sorts of things," he said. "We have got more witchdoctors than medical doctors in our business."

However, despite the seriousness of the situation, there seems to be no short-term solution to the problem In the long term, however, something can be done say the experts.

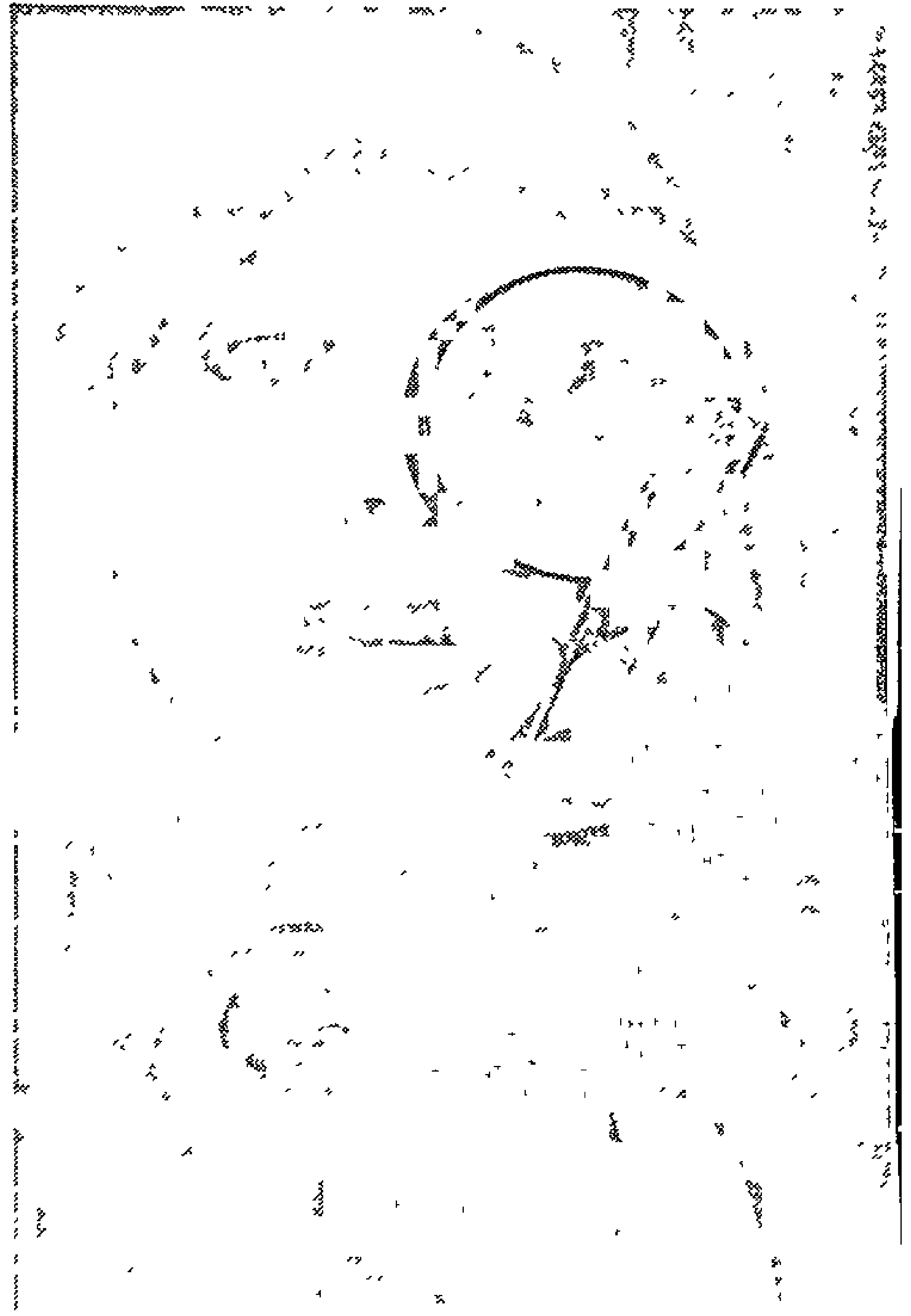
What is needed, they say, is a standardised grading system as several are in use in South Africa at present, a period of theoretical training, then at least two years as an apprentice to a man in the trade who has both the theoretical and practical knowledge of grading.

Says Madden: "We have considered the matter one of urgency for some time In fact, I feel because of either lack of knowledge or lack of willingess to learn, but still wanting to sell diamonds, the public as a whole are suffering irreparable harm.

The Jewellery Council is also doing its bit in attempting to keep jewellers educated in the art of grading and is at present running a course in East London.

In addition, the council opened last week a fully-equipped diamond laboratory from which highly accurate gradings can be obtained.

Fyfe says: "Anyone who has any doubts about the value of his diamonds can send them to us for grading The service is not cheap, however, and costs R50 a carat."



Diamond valuation . . . keeping a watchful eye

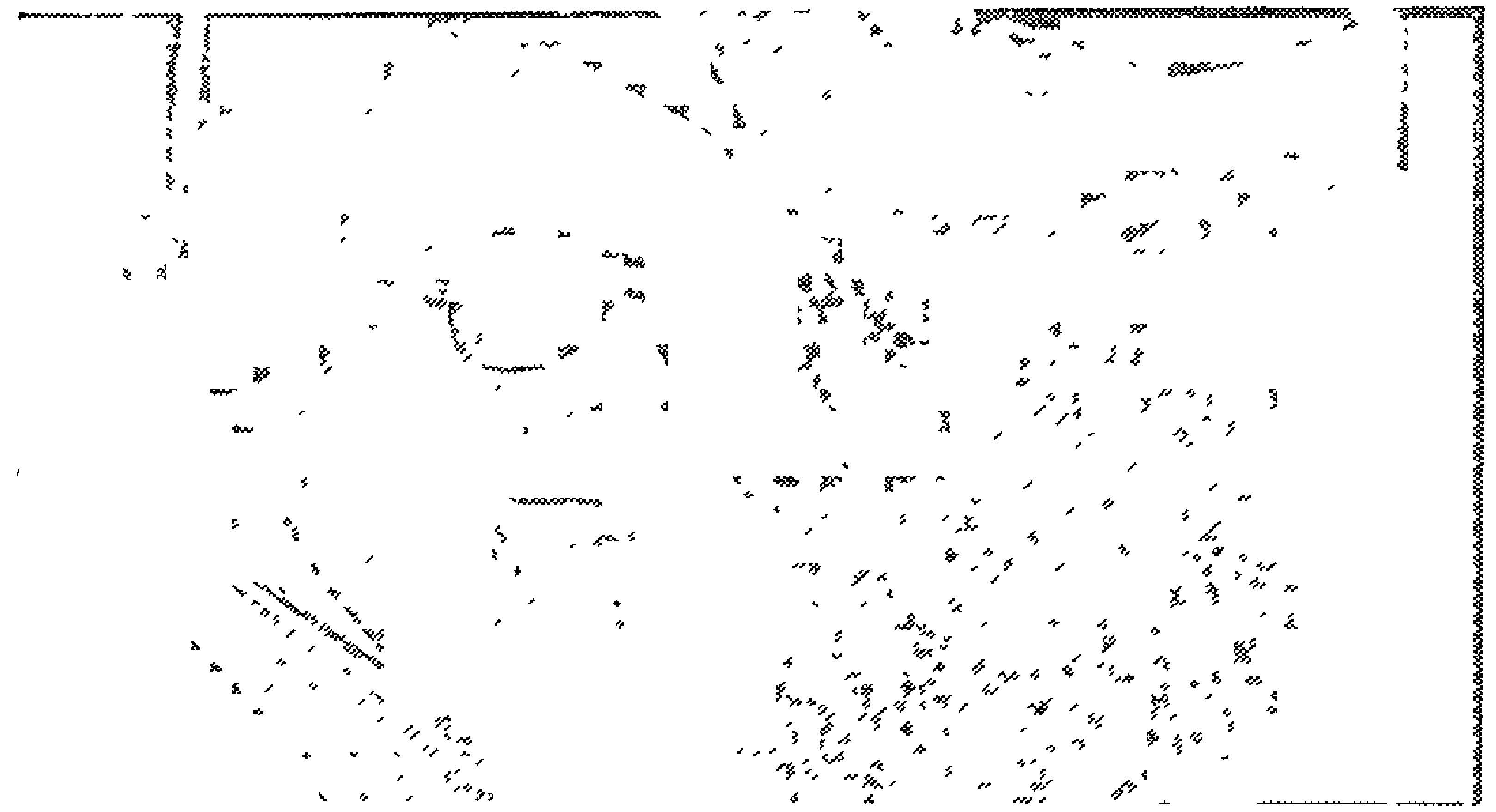
Van der Berg, however, feels the council is only scratching the surface of the problem and making token gestures He feels that it caters more for the jeweller and not for the dealer selling diamonds as a form of investment

He would like to see control of grading courses rest in the hands of an investment diamond dealers association

Formal training courses and the insistence that at least one qualified man be responsible for grading in each company selling diamonds will probably come.

But it will take time as the registration of estate agents took time

And the reputable dealers and jewellers say the only way the public can protect themselves from the problem is to make sure they buy through a recognised outlet



Koos van der Berg . . . diamond buying can be dangerous

HOW SOME DEALERS SEE IT

IN THE course of our diamond investigation TRIBUNE FINANCE spoke to a number of diamond dealers. Here are a number of their more interesting comments.

★

A DURBAN diamond dealer: "I decide on a particular grading on the stone, which to my way of thinking is higher than what is in any text book."

Question: "What equipment do you use in grading."

Answer: "A pair of eyes."

Jewellery Council director Errol Fyfe's response: "A guy who relies on his eyes like that must be insane"

The dealer did admit, however, that he was assisted by a man who had 45 years in the business and that he relied to a certain extent on the factory grading.

★

ANOTHER Durban dealer:

Question: "How long have you been involved in diamonds?"

Answer: "Well in the retailing of diamonds, I have not been involved for a long time, but in diamonds itself, I have been involved for a long time from family tradition. But in the retailing of diamonds, since the beginning of this year."

★

DURING the course of the investigation we came across one shop advertising a very expensive diamond — a blue white Jager, so it was said, priced at R6 000.

Trouble, say the experts, is that Jagers are very rare and very expensive. It would have to be very badly flawed to sell at that price.

The dealer was asked what grading system he used. He said GIA (the US-developed system) and that the stone rated a "OO." When this was checked against the GIA scale, the "OO" indicated a yellowish, or light cape stone and not a blue white.

★

A LOCAL dealer: "I don't think it's so much the unqualified but the unscrupulous. Nothing stops a man who has been 60 years in the diamond trade from describing a diamond which is top silver for example, as a higher-grade commercial white. And you don't have to be qualified to do this either. I think that this is where the trouble lies"

It's all good news for De Beers

Sunday Times
Business Times
20/11/77

SALES OF diamonds, which have reached record levels this year, are likely to stay high next year, top men in the industry believe

"We think diamond sales have moved on to a higher plateau," says Julian Ogilvie Thompson, an executive director of Anglo American Corporation and a director of De Beers

"This means you must have had jewellers and retailers stocking up for a higher level of trade We don't think there is any overstocking

"We see no signs of consumption falling off, and we are looking to a sound and steady diamond market," he said

Diamond sales in the first half of 1977 touched R943-million, an increase of 41 per cent over the same period last year

Sales for the whole year could exceed R2-billion helped by the 17 per cent hike in the price of rough gem diamonds announced on November 4, this compares with R1 352-million in 1976

This was the second increase by the Central Selling Organisation this year, the first being a 15 per cent jump in March

The latest increase was prompted by the fact that demand for diamonds was so strong that premiums of as much as 45 per cent above CSO prices were being paid in the Antwerp and Tel Aviv diamond markets

Ironically, the problem until fairly recently was an oversupply of small rough diamonds, but advertising campaigns to promote the purchase of diamond jewellery seem to have struck a chord at just the right time

Meanwhile, several new projects have been set in motion to boost output The Letlakane mine, southeast of Orapa, came into full production earlier this year, while new work in progress at Orapa, due to be completed by the end of next year, aims to boost production by almost 100 per cent to 4,5 million carats a year

The Letseng-la-Terai mine in Lesotho, in which De Beers has invested R33-million, has come into full production this year, and R26-million has been spent on the Koingnaas project

Tony Koenderman

(218) RDM 24/11/77

Diamond Corner drain

By ELIZABETH ROUSE

KATZ & Lourie's Diamond Corner building in Johannesburg continued to be a drain on the company in the past six months, but the letting situation has improved substantially.

The chairman, Mr Arnold Katz, says in his interim report that leases for 86,6% of total rental income have been signed and further leases are under negotiation

Only four of the 15 office floors remain unlet and letting of two is under "serious negotiation"

Mr Katz is optimistic that the building should be fully let soon. From March, 1978, the flow of rentals will increase profits

Resumation of dividends will be reviewed as soon as the building is fully let, says Mr Katz.

The jewellery business has been excellent over the past six months The Pretoria branch was closed in March, 1977, and total turnover slipped by 1% in the six months to August, 1977

As in the last accounts, interest charges on the building loans are no longer capitalised but charged against the profit and loss account.

This has knocked pre-tax profit to R40 596 in the six months to August from the 1976 half-year's R112 860

This cut tax to R10 452 from R79 060 and left net profit down 10,8% at R30 144 against R33 800 in the same time last year

Katz & Lourie shares are seldom traded, but shareholders may as well hold on to reap the benefits of rental income from Diamond Corner

SUNDAY TRIBUNE, DECEMBER 4, 1977

TAKING STOCK **MAC THAIN**

218

Diamonds the best prospect for 1978

ONE of the troubles with gold is that when it grabs the limelight the supporting cast in the mining scenario rather loses the attention of stock exchange audiences

This has been particularly pronounced over the past week or so for there is quite a lot going on that provide indications of what may be expected in 1978 — and involves the good and not so cheerful

The best prospect is undoubtedly diamonds. The increase in the price of raw gems is going to bring much more money into the coffers of De Beers and even the most optimistic estimates of the final dividend could prove to be very much on the conservative side as well as those for the total distribution for the following 12 months

The CSO decision to hoist prices must be read as solid confidence in a diamond market in which all supplies will be readily absorbed

This attitude is underlined by the report issued this week on the progress being made with the R68m mining expansion projects which will start bearing fruit over the next 18 months, bringing still more grist to the mill.

Financially expectations should be fulfilled From the market aspect, however, it must not be overlooked that De Beers has a monstrous 360-million shares in issue of which a very large number are held by overseas investors

Political

In consequence, the political factor cannot be excluded from price assessments and events here over the past 18 months have helped keep the tap trickling to an extent where De Beers quotations have not kept pace with existing and projected earnings.

Out of the blue this week came the announcement by Rustenburg Platinum of the increase in its minimum producers price by eight percent from 162 to 175 dollars an ounce This brought it much into line with the free market price which has been rising but came sooner than generally expected

Balance

Rustenburg was hard hit by high operating costs which resulted in the decision to cut production to bring these into better balance with revenue as well as the supply-demand situation.

Opinion was that the company would probably wait until the free market price seemed certain to hold its higher levels before making a move but it has taken the line that the need to get the price up was urgent and this was the opportune time

The new price is not going to bring about any dramatic reversal in Rustenburg's fortunes but the cash flow ought to improve and pave the way towards a modest interim dividend payment in February next year

Against this background chairman Sir Albert Robinson's review due next week is eagerly awaited particularly for his views on how the market in the metal is expected to perform in 1978.

The governing factors for this are purely economic for as South Africa is the main source in the Western World political pressures generated in consuming countries are unlikely to have any effect.

Unfortunately, this is not the case with several other metals and minerals and concern exists that one of the immediate consequences of the general election that these will intensify.

Forecast

The situation was summed up by Tony Petersen in his TC Lands chairman's review last week In his 1978 forecast he said that it must be realised that both earnings and dividends of the group and other exporting companies are dependent upon the continuation of normal trading relations between South Africa and its major trading partners

If political events should reduce exports of primary products the effects could be serious.

Even without taking this consideration into account, it does look as if chrome producers are heading for a thinner time with the failure of the world steel industry to stage its hoped-for recovery.

Long-term growth in chrome consumption is expected and large capital investments are being made in readiness for this, however, the pace of expansions will be largely determined by the pattern of demand.

Coal made a good deal of the running in this year's export earnings stakes, reflecting an increase of 267 percent in the total for the first nine months of the year against that for the 1976 period

Slowed

However, the growth rate has slowed down and next year's performance could be on the pedestrian side

Japan is said to be seeking a reduction in deliveries of low-ash coal as the result of the steel-making slump and the domestic market remains slack

However, longer-term prospects are more cheerful but it is doubtful whether the euphoric projections heard around Hollard Street earlier in the year will be fulfilled in the short-run.

Exports of power station coal is running into competition from other producers and capital expenditure remains at a high level

The situation should start improving again in 1979 but in the meantime most colliery stocks appear to be fully priced

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De Beers gee wat wêreld wil hê

Sake-Rapport 4/12/77

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DIE wêreld wil diamante hê en De Beers gaan sorg dat daar geen tekort is nie. Die maatskappy het vandeesweek aangekondig dat hy in Suid-Afrika met byna R68 miljoen se uitbreidinge besig is, terwyl 'n soortgelyke uitbreidingsprogram ook in Botswana aan die gang is.

Hierdie uitbreidinge gaan De Beers se produksie oor die volgende twee jaar met byna 4 miljoen karaat opstoot, wat byna aan 40 persent van sy totale produksie in 1976 gelyk is

Hierdie uitbreidinge word gedoen teen die agtergrond van 'n prysverhoging van 17 persent wat in Desember in werking tree

Hierdie twee prysverhogings volg op 'n verhoging van 3 persent in Januarie verlede jaar en een van 5,75 persent in September verlede jaar.

Die verhoging van 15 persent in Maart vanjaar is ten volle deur die mark geabsorbeer en die verhoging van 17 persent is met die oog hierop.

Die voorraad diamante van die Sentrale Verkooporganisasie, wat 'n jaar of drie gelede geweldige afmetinge bereik het, is ook feitlik uitgewis, maar selfs dit kon nie verhinder dat die wêreldvraag net sterker word nie.

'n Mens kan dus aanneem dat dit met die oog hierop is dat De Beers besluit het om die vermoe van sy Finsch-myn, sowat 120 km noordwes van Kimberley, van 2 miljoen karaat tot 3 miljoen karaat per jaar in einde 1979 te verhoog. Hierdie uitbreiding sal hom R40 miljoen kos, wat seker byna twee keer meer is as wat dit gekos het om hierdie myn in 1965 in produksie te bring.

Die klein Langhoogtemyn 40 km oos van Annex-Kleinzee in Namakwaland gaan teen 'n koste van R3,6 miljoen heropen word en daar word verwag dat hy teen Julie aanstaande jaar sowat 60 000 karaat per jaar sal kan produseer.

Intussen is die ontwikkeling van die Koingnaas-myn 70 km suid van Annex-Kleinzee aan die gang en 'n produksie van 500 000 karaat per jaar word teen Julie aanstaande jaar verwag. Hierdie ontwikkeling sal sowat R24 miljoen kos

Die grootste uitbreiding is egter in Botswana aan die gang. Die plan is om die Orapa-myn se produksie van 2,3 miljoen karaat tot 4,5 miljoen karaat te verhoog. Hierdie uitbreidinge, wat seker tussen R60 miljoen en R70 miljoen sal verg, behoort voor die einde van 1978 voltooi te wees.

Die nuwe Letlhakane-myn sowat 40 km suidoos van Orapa het ook in die eerste helfte van vanjaar in produksie gekom. Maar ook hier is reeds op uitbreidinge besluit, wat die myn se produksie van 320 000 karaat per jaar tot 400 000 karaat sal verhoog.

Dit sal Botswana se diamantproduksie tot byna 5 miljoen karaat per jaar verhoog, wat hierdie land een van die groot diamantprodusente sal maak. Hierdie produksie sal met die sowat 8 miljoen karaat van Suid-Afrika en Suidwes vergelyk.

Daar is ook in 1976 'n nuwe kimberlietpyp in die suide van Botswana ontdek, wat as dit sou blyk ryk te wees, Botswana een van die wêreld se grootste diamantprodusente lande sal maak.

De Beers se diamantmyn hoog in die Maluti-berge in Lesotho het ook in die middel van die jaar in produksie gekom. Hierdie myn het altesame R33 miljoen gekos. Sy produksie sal klein wees, sowat 50 000 karaat per jaar. Maar De Beers hoop dat hy hier die ou heel groot stene gaan uithaal. — **David Meades.**

Diamond speculators force CSO into defensive action

Star 8/12/77

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John Cavill

LONDON — Price distortions and "Artificial" shortages caused by speculators in rough diamonds have forced the Central selling Organisation to make changes in its marketing methods.

These changes, involving the assortments of uncut stones in parcels sold to the cutters and polishers, took effect at this week's sight — the first to reflect the 17 percent price increase announced last month.

NO DETAILS

According to diamond trade sources in London, speculation, much of it by Israeli buyers, pushed the prices of certain sizes of uncut gems up to 40 and 50 percent above CSO levels Operating through secondary markets such as Antwerp these speculators produced shortages of some classes of gems, especially in the sub 1,5 carat sizes.

The Diamond Trading Company, the marketing subsidiary of De Beers, refused to give details of what steps are being taken to restore order to the market.

But a spokesman sai "The CSO will always steps to ensure the g term stability of the m-ond industry as a wh"

The shortage of diamonds — partly as a result of the highly successful intensive marketing campaign by De Beers over the last three years — led to a 15 percent rise in average CSO prices in March, and 17 percent this week

This cumulative increase of 34,5 percent in the last 10 months compares with the 1976 price rises of 3 percent and 5,75 percent, totalling 8,9 percent in all

One London diamond cutter, who did not wish to be named said "There was a lot of speculation by people using borrowed money which could have led to their ruin and undermined confidence in the diamond market

"I do not want to say exactly what the Diamond Trading Company is doing, but it involves the assortment of stones in the parcels offered at the present sight

"In fact this week's sight is one of the smallest we have had for some time Certain classes of goods (diamonds) are being held back," he said

CSO SALES

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Spot on

FM 13/1/78

Second half CSO diamond sales remained strong at $988m to make a total of $2 073m for the full year, an all-time record and a third higher than 1976 sales While the figures were below some of the more extravagant estimates emanating from London which had sparked the run in De Beers shares to 610c, they were still eminently satisfactory

The initial disappointment of the superoptimists, who had been talking sales of R2 000m and not $2 000m, has caused a reaction in the share price But while the next month or so could see a stagnant phase and even some further retreat, it is still too soon to call the end of the great De Beers bull market The fundamentals remain too convincing.

Despite the 35% increase in selling prices during the past year, demand remains buoyant If anything, De Beers' strategy is to damp down volume demand in the near term, to allow production facilities to be expanded. The stockpile has been run down to a level, which is probably uncomfortably low, ahead of guaranteed new production Expansion at Finsch, Orapa and in Namaqualand is not yet having a big impact, while Jwaneng only comes on stream in 1982.

Earnings forecasts for 1977 are now all in the 150c area, flattered slightly by sales of old stock from the stockpile For 1978, the higher prices will be in force for the full year allowing for around 20% lower volume sales if revenue is just to be maintained. But even a small dip in De Beers' 1978 earnings expectations is unlikely to substantially alter the fundamentals.

However, I would remain cautious on dividend prospects A total of 45c, a 29% increase, is the best that reasonably can be expected Even this is a hungry animal to feed forever, costing R160m a year But holding the dividend to 45c does allow scope for a further increase this year

The centre of international interest is continuing to shift to New York And there was no disappointment in the CSO sales figures from that quarter New York was working off Johannesburg research that predicted the $2 073m sales almost spot on

De Beers continues to be the most actively traded stock on the over-the-counter market and has great appeal for Americans whose options have been limited by the slide in the Dow The appeal is simple Diamonds are a strong market and De Beers can be bought on an assured 10% plus yield

While a period of consolidation must be anticipated, the long-term trend is still upwards

Richard Stuart

ALL TIME RECORD

	Six months to June		Six months to December		Total	
	$m	Rm	$m	Rm	$m	Rm
1974	798	535	456	314	1 254	849
1975.	522	355	544	438	1 066	793
1976	784	682	770	670	1 555	1 352
1977	1 084	943	988	859	2 073	1 803

HUBERT DAVIES

Good for Blue Circle

The Hubert Davies' results, published for the last time this week (for the benefit of pref holders), are not as scintillating as the figures at first sight might suggest

This is because the 1976 earnings figure contained a R900 000 non-recur-

2/16

FM 10/3/78

De Beers
Consolidated Mines Limited

Incorporated in the Republic of South Africa

Provisional annual financial statements for the year ended 31st December 1977 and Notice of declaration of dividend no. 116 on the deferred shares

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1977, together with comparative figures for the year ended 31st December 1976, which should be read in conjunction with the subjoined note.

Consolidated income statement

	1977 R'000	1976 R'000
Diamond account	751 155	451 543
Interest and dividend income	169 079	93 624
Other revenue	22 470	13 833
Surplus on realisation of fixed assets	67	(3)
	942 771	558 997
Deduct		
Prospecting and research	25 854	20 262
General charges	18 879	17 210
Interest payable	3 618	4 755
Amounts written off investments less surplus on realisation of investments	6 313	(3 146)
	54 664	39 081
Group profit before tax	888 107	519 916
Deduct		
Taxation and Government's share of profits under mining leases	254 618	182 915
Group profit after tax	633 489	337 001
Deduct		
Outside interests in subsidiary companies	10 174	28 485
Group profit after tax attributable to De Beers Consolidated Mines Limited	623 315	308 516
Appropriations		
Transfers to reserves	311 635	163 823
Preference dividends	1 821	1 821
Deferred dividends — 52,5 cents per share (*1976 35 cents*)	188 889	125 926
	502 345	291 570
	120 970	16 946
Earnings per equity share	172,7 cents	85,2 cents

Consolidated balance sheet

	1977 R'000	1976 R'000
Issued share capital		
Preference shares	3 978	3 978
Second preference shares	2 867	2 867
Deferred shares	17 989	17 989
	24 834	24 834
Non-distributable reserves	176 478	173 884
Distributable reserves	1 253 039	922 949
	1 454 351	1 121 667
Less Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition	27 572	28 933
	1 426 779	1 092 734
Outside interests in subsidiary companies	72 070	107 300
Long-term liabilities	40 886	41 443
Current liabilities	527 099	346 981
	2 066 834	1 588 458
Fixed assets		
Claims, mining interests and property	72 205	60 325
Plant, permanent works and buildings	42 127	35 241
Unlisted trade investments	56 195	38 258
	170 527	133 824
Stores and materials	26 888	22 722
Diamonds on hand	220 745	227 501
Listed investments (Market value R612 446 000 — *1976 R342 308 000*)	395 489	267 088
Unlisted investments (Directors' valuation R177 094 000 — *1976 R153 218 000*)	77 540	116 993
Long-term loans	72 425	77 846
Loan portion of tax	73 915	52 563
Cash	683 147	470 279
Other current assets	346 158	219 642
	2 066 834	1 588 458

Note As mentioned in the interim report, as a result of a further re-arrangement of shareholdings in the diamond trading companies, the Group disposed of three per cent of the share capital of The Diamond Purchasing and Trading Company (Proprietary) Limited ("Purtra"), which consequently ceased to be a subsidiary company The results for the year are therefore not directly comparable with 1976 because Purtra's results have not been consolidated and only dividends received from that company are included

Diamond Market The demand for rough diamonds is at an exceptionally high level, but nevertheless there are aspects of the market situation which give cause for concern Consumer demand continues to be very firm but in addition there has developed in recent months a high level of speculative trading which has carried the price of rough diamonds in the open market to levels which are not justified in relation to prices at consumer level Stocks at inflated prices have accumulated in the cutting centres and are largely financed by bank credit which is now at a level substantially higher than that needed to finance the normal working of the industry The market should be alert to the dangers inherent in this situation

Directorate Mr N F Oppenheimer was appointed a director of the company on 7th March 1978

Declaration of dividend no. 116 on the deferred shares

Dividend No 116 of 35 cents per share (*1976 22,5 cents*) being the final dividend for the year ended 31st December 1977, has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 23rd March 1978, and to persons presenting coupon No 60 detached from deferred share warrants to bearer This dividend, together with the interim dividend of 17,5 cents per share declared on 23rd August 1977, makes a total of 52,5 cents per share for the year (*1976 35 cents*) A notice regarding payment of dividends on coupon No 60 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 16th March 1978

The deferred share transfer registers and registers of members will be closed from 24th March 1978 to 7th April 1978, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th April 1978 Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 18th April 1978 of the rand value of their dividends (less appropriate taxes) Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 23rd March 1978 The effective rate of non-resident shareholders' tax is 15 per cent

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom

For and on behalf of the board

H F OPPENHEIMER | *Directors*
A WILSON |

7th March 1978

HEAD OFFICE
36 Stockdale Street, Kimberley
South Africa

LONDON SECRETARIES
Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct
London, EC1P 1AJ

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
62 Marshall Street, Johannesburg
(P O Box 61051, Marshalltown 2107)

Charter Consolidated Limited
P O Box No 102, Charter House
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DE BEERS ⑵16 FM 10|3|78

Vanity of vanities

"People buy diamonds out of vanity and gold out of stupidity — and I think vanity is probably a more attractive motive" — Harry Oppenheimer, quoted by *High Life* (British Airways' magazine for tired travellers)

By a possibly bizarre coincidence, *High Life*, De Beers' preliminary statement, and Amcoal's annual report have all arrived on my desk at more or less the same time this week Apart from the obvious point that De Beers made three-quarters of a billion rand from selling 20 t of rather high purity carbon, while Amcoal made R79m from 25m t of the lower grade stuff, I am wondering what the chairman thinks of the motives of Amcoal's customers, who probably just want to keep warm.

Anyway, we all long ago exhausted our stock of superlatives to describe De Beers' soaring performance in the current upswing, so I'll just repeat the guess that net attributable profits will put it in the top 15 companies in the world when *Fortune's* 1977 ratings are published.

QUITE A YEAR

	Six months to June 30	to Dec 30	Total
	Rm		
CSO sales	943	859	1 802
Diamond account income... .	380	371	751
Interest, dividend, other ... .:	97	94	191
Pre-tax profit .	454	435	888
Tax and lease .	162	92	254
Net earnings .	284	337	621
Earnings per share (c)	79	94	173

As the table shows, the first half was better in earnings terms than the second. The rate of tax fell from 36% to 21% and screwed up all calculations based on the ratio of diamond account profits to CSO sales and the like. The lower rate of tax, according to De Beers' sources, was only to a small extent due to capital expenditure.

One factor, I believe, is that the Diamond Corporation, which holds the cash in the De Beers' balance sheet and "contracts with various producers .. for the purchase of their productions," pays tax at the corporate rate rather than at the mines much higher rate. However, this can hardly be the full explanation for the 21% rate of tax paid, which may reflect destocking and the proportion of outside stones to group stones sold.

There are plenty of signs of financial strength. Net worth is up 100c over the year to 483c; cash balances from R470m to R683m; and retained earnings from R181m to R433m. As a cash-generating machine, there can hardly ever have been anything like it Most confident of all is the 52,5c (35c) dividend, which will cost R189m. Though three times covered in 1978, this will be a hungry animal in a bad year.

Valuing a gem . . . with funds from the banks?

The board sounds a note of warning apparently aimed at deflating the premiums of 40%-50% which have developed over and above CSO selling prices after the two price rises last year (15% in March and 17% in November) Diamond cutters and dealers in some cases are holding excessive stocks, some of which are financed with bank credit.

But the collateral looks less good when it is realised that the banks are financing the premiums paid for gems as well as the CSO base price. A decline in the gem premium would erode the value of the banks' security and might require liquidation of gems now being hoarded

While acknowledging that this process might reduce physical offtake from the CSO, De Beers regards a temporary decline in diamond sales as less undesirable than the present accumulation of stocks in hands other than its own. In fact, the board's statement will, it is hoped, help unwind the positions which have been built up.

The weakness of the dollar plus the two large rises in 1977 have been prime factors in the build-up of pipeline stocks. While there have been suggestions of a further price rise to compensate for the dollar's decline, I understand this is unlikely, not least because 50% of the end demand for diamonds is US-sourced. Nor does there seem to be any possibility of a switch to some price basis other than in dollars, for the same reason.

Declining international economic activity and the superlative performance of the past two years lead me to suppose that De Beers' earnings have either peaked or will do so this year. Meanwhile the 52,5c dividend should keep the shares above the 500c level in all circumstances barring general economic collapse This will set a new benchmark for other companies dividend yields which many will find it hard to match.

However, while there will probably continue to be enough vain people around to enable De Beers to shell out at least another R189m in dividends this year, all indications suggest to me that there is more money to be made in being stupid this year than either vain or warm.

Richard Rolfe

Sunday Express Business

Diamond demand threatens market stability

By PAUL DIAMOND

THE unprecedented flurry of interest and demand for diamonds in the world's markets threatens to upset this market's stability.

It is unlikely however, that the diamond marketing boys will allow this to happen. It is far more likely that they will exert gentle pressure on the supply and destination of diamonds.

Diamonds are very much in the news at present First there was a direct plea to the diamond trading markets to cool the speculative surge for diamonds because diamond parcels are commanding premiums of at least 50%

Then too De Beers produced a series of dramatic figures for the year end The diamond account rose to R751-m, net profit doubled to R628-m, cash on hand rose to R683-m (some no doubt going the way of Anglo American) and R190-m was dispensed in dividends.

But these attractive figures from De Beers failed to move the market Surprisingly, it seems as if the market was expecting more from De Beers As one De Beers man was heard to say this week: "Hundreds of fabulous millions and all we get is a blase reception — as if company results like this come up every other day "

The real roadblock to market excitement came from the directors' unprecedented caution "Be alert to the skyhigh trading being caused by speculators."

Demand for diamonds has been escalating at a bewildering rate and dealers who receive their parcels ten times a year from the CSO are selling their range of diamonds for premiums ranging from 50% to 90%. (So intense is the demand that Israel for example is purchasing 15% of her requirements from other CSO sources)

The frenzied demand is caused by the fear that European currencies will continue to falter, and by the general uncertainty surrounding the world's currency markets Speculators are going into diamonds as a hedge

Although the CSO was established primarily as a vehicle for stabilising the market, this is the first time that De Beers has had to deal with a rocketing price rise like this.

What is disturbing the De Beers men are prolonged high levels of speculative trading which have developed and brought the price of roughs in the open market to a plateau which is not justified in terms of consumer prices In other words, the traditional stability of the diamond market is in danger of being disturbed

Chairman Harry Oppenheimer spelt it out bluntly in his statement. "Stocks at inflated prices have accumulated in the cutting centres and are largely financed by bank credit which is now substantially higher than that needed to finance the normal working of the industry."

In the past the CSO has effectively put a brake on diamond price premiums by raising the price of diamonds. This does not seem to work today however, for after a compounded 35% increase in 1977, the market is still going wild.

It is very likely however that the De Beers men will use delicate tactics to control the market After all they can always see that the stones find their way to the known cutters and not to along-the-line dealers and of course they can always exercise their power and control the supply of stones

DE BEERS (216) FM 14/4/78

Big developments at Jwar

Any conjecture on De Beers' plans for its cash flow and year-end cash balances of R683m is fast being answered. On top of expansion and development in hand at Orapa, Finsch and Koingnaas (see table), the preliminary capex estimate to bring Jwaneng to full production is R210m. It includes provision for escalation.

All infrastructure is to be provided by the mine, with no repeat of the Botswana government's guarantees for Selebi-Pikwe's loans from the World Bank for power, water and other facilities.

Production is planned at an initial annual rate of 3,5m ct in 1982, rising to 6m ct by the mid-Eighties. By then, with over 4m ct coming from Orapa and Letlhakane, around 50% of De Beers' production will be derived from Botswana.

Ten per cent of the capex is to be financed by export credits and most of the remainder by equity from De Beers. The Botswana government has the option of subscribing 20% of equity funds and is looking for Eurodollar borrowings for its stake So cost to De Beers on the preliminary capex estimate is a minimum R151m and a maximum R189m.

Even if Botswana does not take this option, it has a 30% free ride in the equity, and with taxes and royalties, will pull in between 60%-70% of operating profit. With a 20% equity contribution, Botswana's profit share rises to 68%-76%. So if De Beers is looking for a return of 15% on its investment, the mine will have to turn in pre-tax profits of about R100m at full production

No information on expected recoveries has been announced but the percentage of gems and grade is higher than at Orapa where gems account for 15% of production. Taking a line through Orapa's results, Jwaneng should treat around 9 Mt of ore annually from the open cast mine and eventually be moving 30 Mt ore and waste So it will be about a third of the size of Palabora

In 1976, De Beers produced 10,8 m ct. Details of 1977's production have to await the annual report, but they were higher. So when the current development and expansion programme is completed in the mid-Eighties and assuming no disruptions in South West, total group production should be in the region of 21m ct. The importance of Botswana is obvious and explains why De Beers is so willing to take a minor profit share.

But large though the expenditure on Jwaneng is, it is equivalent to less than three months' De Beers pre-tax profit in 1977. And that is a cheap price to pay for over 50% additional output on current figures and for retaining control of a key diamond resource.

Jim Jones

DE BEERS' SPENDING PLANS

	Capex Rm	Annual production 000ct	Completion date
Letseng-la-Terai	33	60	1977
Koingnaas	26	500	June 1978
Orapa...	40	2 360	—
Orapa expansion	49	2 200	end-1978
Letlhakane		320	April 1977
Finsch expansion	40	1 000	1979
Langhoogte ..	3,6	60	June 1978

Sunday Express Business

De Beers is digging deep to finance its new Botswana diamond mine

(216)

By PAUL DIAMOND

THE R210-m De Beers is devoting to the new Jwaneng diamond mine in southern Botswana is the largest slice of capital it has invested in a diamond mine.

The profit split under the mining arrangements will be 70%, probably even more as time goes by, in favour of the Botswana Government whose free ride in equity could be 50% should they decide not to take up the paid equity option of up to 20% which will give them added revenue anyway.

This indicates with the starkest clarity, the increasingly marginal nature of mining propositions in newly independent, underdeveloped states by big roving international entrepreneurs like De Beers.

It is also noteworthy that if the mining entrepreneur in this case did not control the marketing/sales channel (the Central Selling Organisation in London) as well, then the development of Jwaneng might not have taken place.

Indeed, the same scale of thinking applies with even greater force to that lowest grade in the world diamond mine at Letseng in Lesotho, which was brought to production only because of the rare big diamonds occasionally recovered.

Jwaneng, as with Orapa and Lethlekane diamond pipes, will be developed and operated by the De Beers-Government 50-50 company, Debswana. The capital commitments right through to infrastructure will primarily and naturally be put up by De Beers and will be roughly. De Beers R153-m, Botswana Government R42-m (should they take up the 20% paid equity option) and R21-m through export credits.

If the Government cannot muster the money for its paid share, then De Beers will fork out more.

The Jwaneng development highlights the fact that De Beers is actively in the process of almost doubling its diamond production in southern Africa. By the mid-80's diamond output should be in the region of 20-m carats, nearly a third of it (some 6-m carats) coming from Jwaneng alone.

Along with CDM, the real gem in the De Beers camp at the moment is the Namaqualand deposits which are 99% gem quality and which in significance are now closely rivalling CDM production.

Technically too the discovery and assessment of Jwaneng is quite a coup for De Beers. The pipe lies beneath a sand mantle 30 to 50 metres deep and its discovery and viability were established by sophisticated new geological techniques developed over a number of years. Some innovative techniques will also have to be evolved in mining this deposit as well as in the recovery processes which require considerable water resources not available in this desert region.

SUNDAY TIMES, Business Times, April 16, 1978.

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Record gem sales expected

By NEIL BEHRMANN

LONDON. — All indications point to the De Beers marketing arm, the Central Selling Organisation (CSO), achieving yet further record diamond sales in the first half of this year.

In the past few weeks the market has been unsettled by the CSO's moves to dampen speculation

Following the CSO's 17 per cent price hike at the end of last year rough diamonds commanded premiums of 50 per cent or more in the major cutting centres, Antwerp, Tel Aviv, New York and Amsterdam.

The premiums were over and above the CSO prices which had increased by 32 per cent, last year alone Speculation was especially rife in Israel because of the high inflation there and continual concern over the dollar.

According to the American investment magazine, Forbes, a one-carat top-quality stone which fetched about $12 500 a year ago now costs close to $20 000, while some dealers might even ask $32 000 for it.

In such a runaway market Liz Taylor is even offering — at $4-million — the 69-carat rock Richard Burton gave her in 1969 at a cost of about $1-million dollars

To curb this speculation, De Beers first issued a warning that speculators had driven prices to levels which were not justified by consumer demand

Not long afterwards it carried its warning a step further and said the CSO would be obliged to take action to ensure that the producers received the benefit of the current high market prices

So the group announced that it would impose a 40 per cent surcharge on the March "sight", meaning sale It was a shrewd way of raising prices temporarily without any commitment to supporting the market if it declined rapidly

For example, if market conditions change, the surcharge could decline at the next sight, which occurs in May. At the March sight, with speculation still at high levels, the 40 per cent surcharge was raised.

To control the situation further, the CSO reduced sales to some dealers by 30 per cent A CSO executive, Richard Dickson, says that this did not apply to all the dealers. On average, the reduction was around 10 per cent lower than levels at the February sight.

This indicates a very successful sale, following the high levels in December and February Preliminary reports from Antwerp point to lower premiums, so some speculators are already on thin ice

But this does not hit the CSO — only the speculators are hurt. Overall diamond demand remains strong

Gem stones account for about 80 per cent of production and Mr Dickson says that jewellery demand is still good The same applies to industrial diamonds.

The United States accounts for about 50 per cent of total consumption, Japan about 20 per cent and Germany around 9 per cent.

"Last year we sold more carats than we have ever sold before," he says

Production is also increasing. In 1977 total world production amounted to 47,8-million metric carats, compared with 46,9-million carats in 1976.

Zaire was top of the list, producing 17-million carats, then Russia with 12-million, followed by South Africa with 7,9-million carats

South Africa's production, in fact, rose from 7,3-million in 1976 to 7,9-million last year With the mine near Letlhakane in Botswana coming on stream and with a new diamond mine at Jwaneng due to be developed, this output could increase

Last year CSO sales reached R1,8-billion, with first-half sales at R859-million This year first-half sales could top a billion. This compares with total 1975 sales of R793 million.

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14 RAND DAILY MAIL, Friday, April 21, 1978.

Business Mail

De Beers pegs prices to retail demand

by DON ROBERTSON
Mining Editor

THERE will be no further increase in the basic price of diamonds until De Beers is satisfied that increases are justified in relation to the retail demand.

This warning is given by Mr Harry Oppenheimer, chairman of De Beers, in his statement for the year to December

The reaction from De Beers, which controls the Central Selling Organisation which in turn sells about 80% of the world's diamond production, results from the heavy speculative element which has entered the market in recent months

It has resulted in premiums of up to 50% over basic CSO selling prices being paid for rough diamonds in the secondary market. These prices, says Mr Oppenheimer, are "quite unrelated to basic consumer demand and well above what in our judgment could be sustained in present circumstances "

"This speculation reflects an increasing use of diamonds not for jewellery but as a store of value and it is reinforced by fears about the instability of currencies, particularly the US dollar and Israeli pound, and a widespread belief among our customers that the very existence of such premiums must induce the CSO to make further substantial increases in its basic selling prices without proper regard to the state of demand by the ultimate consumers of diamonds "

As a result, the CSO decided to impose a surcharge on its normal selling prices It is hoped this will result in a decline in purchases from the CSO and so reduce stocks held in cutting centres

These surcharges will continue until a reasonable relationship has been established between the market price of rough diamonds and the price of polished diamonds at the retail level

Referring to expansion programmes, Mr Oppenheimer says that "far-reaching capital programmes are in progress, and others have been iniated to bring about a substantial increase in the productive capacity of the group

Construction at Koingnaas on the Namaqualand coast is on schedule and production at the rate of 500 000 carat a years is expected to start in the middle of the year About the same time, the small Langhoogte mine will start producing at the rate of 60 000 carats a year.

At the Finsch mine production will be increased from 2 400 000 carats a year to 3 500 000 carats within two years

Work is well advanced to increase the production at Orapa from the current annual rate of 2 400 000 carats to 4 500 000 carats by the end of this year Production from Letlhakane is expected to increase by 25% to about 400 000 carats a year when mining moves from the surrounding gravels to the kimberlite towards the end of next year

Most important of all potentially, says Mr Oppenheimer, is the new mine discovered by De Beers at Jwaneng in Botswana, which will take about four years to bring to production

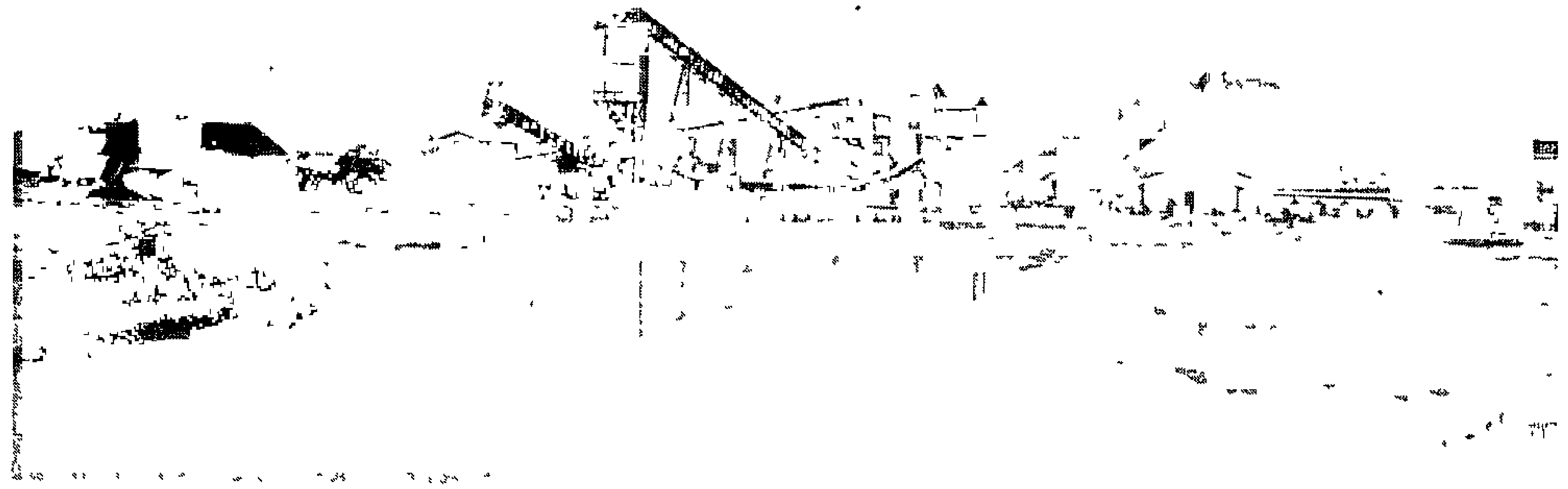
De Beers has an incredibly strong balance sheet, with cash on hand at R683 147 000 and diamond stocks at R220 745 000 Net asset value is 351c a share compared with 228c last year.

Taxed profits in the year to December were more than doubled to a record R623 489 000

216 28/4/78

DE BEERS

Breaking all records



Letlhakane mine near Orapa . . Botswana will produce half De Beers' diamonds by the mid-Eighties

216 FM 28/4/78

Activities: *World's principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation Investment portfolio includes 33% of Anglo American and is itself 30% controlled by Anglo*

Chairman: *H F Oppenheimer.*

Capital structure: *360m deferred shares of 5c, 800 000 40% prefs of R5 and 2,9m 8% second prefs of R1*

Market capitalisation: *R2 016m*

Financial: *Year to December 31 1977 Borrowings: long and medium term, R41m, Net cash R683m. Current ratio 2,0 Net cash flow· R433m Capital commitments R183m.*

Share market: *Price 560c (1977-78 high, 613c, low, 357c, trading volume last quarter, 2m shares) Yields 31% on earnings, 9,4% on dividend Cover 3,3 PE ratio 3,2*

An unparalleled year for De Beers Riding the crest of boom demand for diamonds, its financial resources and profits are now at unprecedented levels The only nagging question is whether the extent of De Beers' marketing success has not ultimately weakened its ability to control world diamond markets.

Profit from the diamond account was up 67% from R451m to R751m despite deconsolidation of The Diamond Purchasing and Trading Company (Purtra) The holding in Purtra was reduced by 3% to bring it to a round 50% Income from Purtra now comes through in the form of dividends This is a major reason for the 80% jump in dividend and interest income from R84m to R169m Interest receipts alone seem to be exceptionally high at R89m on year-end cash balances of R683m On the other hand dividend income from listed investment was below normal levels mainly because of timing changes in the Anglo dividend, while Purtra also probably retained more profits than under normal circumstances

	'74	'75	'76	'77
Listed Investments (Rm)	392	378	342	612
CSO sales (Rm)	849	793	1 352	1 803
Pre-tax profit (Rm)	312	286	520	888
Earnings (c)	56	61	85	173
Dividends (c)	25	28	35	52,5
Net asset value (c)	362	381	338	535

In all, pre-tax profit was up 71% at R888m, but because of a substantially lower tax rate of 28,7% (35,2%) after-tax earnings more than doubled from R308m to R623m The lower tax rate is mainly due to capital expenditure allowances as De Beers gears up its own diamond production and from the greater portion of income now flowing in in the form of dividends

There is no indication of whether this low tax rate can be maintained in the current year, although it would be reasonable to assume this in the light of the ongoing capital expenditure programme

The 52,5c dividend is now almost covered from non-diamond account income, illustrating the security provided by the 3,3 times cover Deconsolidation of Purtra has had a marked effect on the disclosed net asset value Purtra is now included under trade investments and must be largely responsible for the jump in directors' valuation of these investments from R59m to R294m Not all this R235m increase can be attributed to Purtra as Debswana also raised fresh equity capital, but by far the greater part is The directors' valuation of Purtra must be around four times the net assets it employs Group net asset value is now 535c against 338c last year

In his chairman's statement, Harry Oppenheimer quantifies the value of investments, net current assets and loan levy at 351c a share The Anglo holding alone is now worth more than 100c a share, and these figures help illustrate the degree to which De Beers has diversified its interests away from diamonds

Group diamond production was up from 10,6m carats to 11,8m due to Namaqualand output building up, Letlhakane in Botswana coming on stream and greater plant capacity at CDM becoming available CDM increased diamond production from 1,7m carats to over 2m carats but the average stone size declined appreciably from 0,95 carats to 0,72 carats Geographical analysis of profits reveals the importance of CDM In 1977, it contributed 22% of after-tax profit against 21% the previous year. The report was obviously prepared before details of Jwaneng were released Capital expenditure, including that for Debswana is put at R183m, but this excludes Jwaneng It relates mainly to Premier, expansions at Finsch and CDM, and extensions at Orapa and Letlhakane. Jwaneng will cost De Beers between R150m and R190m

Jwaneng only comes on stream in 1982, building up to full production of 6m carats by the mid-Eighties By then, half of production will be coming from Botswana

With net current assets up from R342m to R502m, after having spent nearly R80m on taking up more Anglo American shares via the Rand Selection rights issue, there are ample resources for contingencies in the diamond market A feature of the accounts is that despite the boom in diamond sales, De Beers' stocks declined only marginally from R227m to R220m The decline was rather more marked in the trading companies as there was an increase in stocks held at the mining company level, reflecting in part the build up of production There is no doubt that De Beers' commitment to doubling capacity is dictated by demand outrunning supply and is recognition that stocks are now at an unacceptably low level

Although the past year's profit figures must have benefited from a substantial stock profit element, all indications are that demand continues to be exceptional Demand at the sights has not been dampened by surcharges Profits this year will benefit from the full effect of the higher selling price which was only in force for the last sight of 1977

Still, few analysts expect a repeat of last year's record figures Even if there is a decline in earnings, the dividend should be raised again Assuming a 10% increase, De Beers is selling on a dividend yield of over 10% to locals and 13,5% to foreigners through the securities rand market Such value is hard to ignore, whatever foreign investors' political prejudices might be And if SWA moves towards a peaceful transition, this could spark the next run in the shares

Richard Stuart

S.T. 30/4/78 (216)

Diamonds 'outshone in drilling test'

A RECENT dry wagon drilling test has achieved a rate of six times that of diamond drilling at 11 per cent of its cost, according to the Halifax Tool Company

The test was mounted at Whitedale, near Kuruman in the Cape, using a local Halco 150 lightweight wheel-mounted wagon drill fitted with a DG 325 hammer with 95 mm crossbit The hole was drilled to 34 m at an average rate of 1,6 m an hour, compared with "the average for diamond drilling of 0,2 m and hour " Actual penetration varied between 2 m and 5 m an hour, and averaged 2,7 m

Halifax reports that sample recovery was good, with almost all material being separated in the cyclones "There appeared to be very little, if any, vertical contamination, and some excellent fibre samples were recovered "

"To reduce the cost of underground exploration drilling and to improve the drilling rate it is desirable to minimise the use of diamond drilling," a company spokesman said

Diamanthandelaars gee pad uit SA

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RAPPORT 30/4/78

HEELWAT diamanthandelaars verlaat Suid-Afrika en vestig hulle in Amerika, waar diamante deesdae — danksy die sukkelende dollar — soos soetkoek verkoop.

In Suid-Afrika lê al hoe meer sakskud voor om die blinkes te bekom. Kopers begin nou eers die uitwerking voel van die verhoging van 17 persent in diamantpryse wat in Januarie aangekondig is.

Binne vier of vyf weke sal die eintlike knyp eers gevoel word. Dan sal die eerste diamante wat gekoop is nadat die Sentrale Verkoopvereniging (CSO) 'n heffing van 40 persent aangekondig het, op die vertoonrakke kom.

Die heffing wat verlede maand aangekondig is om onnodige spekulasie met diamante te ontmoedig, is van die begin van vandeesmaand weer tot 25 persent verminder.

Mnr. M. Judin, besturende direkteur van Caress in Suid-Afrika, sê heelwat diamanthandelaars verlaat Suid-Afrika, waarskynlik om politieke redes. Hulle maak maar soos die dokters wat padgee.

Die swak dollarwaarde en gevolglike sterk mark vir diamante gee baie die kans om daar in te kom.

'n Gewese vennoot van mnr. Judin, mnr. Morris Adler, het 'n diamantsaak in Amerika geopen. Hy gebruik ook die naam Caress. Mnr. Judin sê hy kon niks daaraan doen nie omdat hy die naam Caress eers in al die state van Amerika sou moes registreer.

Mev J. de Beer, sekretaresse van die Diamantklub van Suid-Afrika, sê sowat 10 van die klub se 205 lede het die afgelope jaar padgegee. Sy weet egter van ander wat nie lede was nie, wat ook vertrek het.

Mnr. S. Barnett, besturende direkteur van Sterns in Johannesburg, sê die uitwerking van die heffing van 40 persent sal eers oor vier of vyf weke gevoel word. Dit duur etlike weke om diamante te slyp en te poleer voordat dit by die handelaars uitkom.

R1 000m a year future for SA diamond cutting

(216)

RDM 3/5/78

Own Correspondent

CAPE TOWN. — South Africa's diamond-cutting industry is expanding rapidly. According to the Minister of Mines, Mr S P Botha, it could employ 4 500 people and earn between R800-million and R1 000-million within two years if the market remains strong.

A new section of the industry has been developed in the past 18 months — the processing of diamonds under one carat in size.

This is being done by operators using automated methods and machines, and it is expected that at full capacity the 4 500 operators, many of whom will be coloured, will cut 800 000 carats a year

The change was not without drama An industrial dispute in 1976 resulted in the skilled journeymen stopping work for several months because they feared their jobs would be lost.

But they later agreed to allow operators to work certain sizes, and accepted a clause which meant that no white workers would be retrenched.

At the present rate of expansion, the South African industry could match the Israeli and Belgian cutting industries within 10 years.

Mr Botha told the trade magazine Diamond News and SA Jeweller that last year the cutting industry bought rough diamonds worth R195-million from the Diamond Trading Company and employed 1 000 operators, of whom 850 were coloureds, in addition to the 1 000 skilled cutters.

South Africa's diamond sales were R302 900 000 last year.

The thrust of the industry is to process rough diamonds under one carat in size. Up to mid-1976 these were all exported because the skilled wage structure made them uneconomic to cut.

Some idea of the size of the expanded industry can be gained from comparisons with Belgium and Israel. Each employs about 10 000 workers. In 1976 they handled 4-million carats in Belgium and 9-million carats in Israel.

The difference is attributable to the type of diamond cut. Israel concentrates on small diamonds, including the less than five points, or 20 to the carat. By last year its cut diamond exports were worth more than $1 000-million.

Belgium cuts the larger diamonds which require special skills and a great deal more time and attention.

Traditionally, South Africa has cut rough diamonds over one carat, specialising in the yellowish stones known as Capes and processing 750 000 carats a year

This pattern continues. But larger diamonds are becoming rare, and a new field of small-diamond processing is opening up

Mr E A Snyman, chairman of the Diamond Industry Control Board, told the magazine that about 800 000 carats were available from South African sources for the new smalls industry, and he thought that once the 4 500 operators were employed and trained, South Africa could earn between R800-million and R1000-million from the traditional large diamonds and the new smaller diamond output.

NM 5/5/78

Police swoop nets R500 000 diamond deals

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2, 216

Mercury Correspondent

JOHANNESBURG — Six businessmen — including two diamond exporters and a diamond cutter — have been arrested by police in connection with alleged illegal diamond deals involving over R500 000 rands

The first major arrest, which the Press was asked not to publish because investigations were still in progress, was made in Johannesburg on April 21 and involved R60 000 in uncut diamonds

A pensioned American army colonel, Ben Armstrong (55) from Pretoria, and a Durban diamond cutter, Mr David Scholdhamer were arrested and charged in court the same day after an alleged payment of R20 000 in a Johannesburg deal

Colonel C W. Kroukamp, deputy head of the South African Gold and Diamond Squad said that six days later — on April 27 — police cracked what is alleged to be the largest illegal diamond deal in months

Two diamond exporters were arrested in Cape Town in connection with the alleged buying of diamonds valued at R490 700 for R305 600

They are Mr David Johannes Botha (43) of Yaivin Road, Boksburg, and Jose Luis Martins (35) of Glengower, Johannesburg

On the same day a Randburg factory owner, Mr Palo Zappa (51) was arrested in Johannesburg in connection with the alleged buying of R56 000 in uncut diamonds for R30 000

Police also arrested a Rhodesian farmer, Mr Johannes P Meintjies in Pretoria in connection with the alleged buying of R43 000 in uncut diamonds for R20 000

Star 23/5/78

Two businessmen acquitted of diamond charge

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Two wealthy businessmen were today acquitted in the Rand Supreme Court of dealing in diamonds worth R951 780.

Previously the State had closed its case prematurely.

Mr Joseph Shkeddy Mandelbaum (51) of Johannesburg, and Mr Morris Bernard Cohen (50), of Pretoria, had pleaded not guilty before Mr Justice Human to a charge that, in November 1976 they dealt in 794 rough or uncut diamonds valued at R951 780.

They were alternatively charged with conspiring to commit the offence with each other, with Mr Joseph Gubits, presently living in Israel after jumping bail of R60 000, and with two policemen who formed part of a police trap.

After calling only one witness — Major Johannes Tempelhoff, of the Gold and Diamond Branch — the State closed its case.

Defence counsels for both men immediately applied for their discharge This was not opposed by the State.

NO CASE

"On the police major's evidence it is clear that Mr Gubits was the main culprit. He is not before court today There has been no case made out against the two accused," Mr Justice Human said

"The State has exercised a very right discretion in not opposing the application for the discharge," the judge said

The court heard that the two policemen had shown Mr Gubits the package of diamonds in Cape Town and a price of R400 000 had been agreed.

Subsequently they met the two accused and a deal was discussed at various hotels around the country

At the Riverside Lodge Hotel, near the Lesotho border, the policemen refused at Mr Gubits's request, to conclude the deal in Maseru

Neither the diamonds nor the money were handed over before the operation was called off by a senior police official.

'Staring eyes' man cleared

Mr Arthur Summerfield Atherstone (19) of Thabazimbo, who was charged with being the "staring-eyed" man who snatched a [illegible] the Rand Show, was today acquitted of theft because of the possibility of mistaken identity

On April 18, Mr Alec Perrin (62) chased a thief who had grabbed his wife's handbag, through the Rand Show stables A constable arrested Mr Atherstone after Mr Perrin had slipped on horse manure

Two on R1m diamond buying charge

25/7/78
RDM
AC

By ETHENE ZINN

TWO men charged with conspiring to buy R1-million worth of uncut diamonds pleaded not guilty to the charge in the Rand Supreme Court yesterday

Appearing before Mr Justice W J Human, were Mr Joseph Sckedy Mandelbaum, of Glenhazel, Johannesburg, and Mr Morris Bernard Cohen, of Linksfield Ridge, Johannesburg

A third man, Mr Joseph Gubits said in the charge to have acted in concert with the accused, did not appear.

The men allegedly conspired to buy 794 rough diamonds with a total mass of 2 551.15 carats from Major Johannes Templehoff and Sergeant Phillipus Strydom of the Diadmond and Gold Branch

In his evidence in chief, Major Templehoff told the court he and Sergeant Strydom approached Mr Joseph Gubits in Cape Town and offered the diamonds to him

Maj Templehoff said in cross-examination that Mr Gubits was allegedly the principal buyer.

He said that the men agreed to buy the diamonds at a price of R400 000

After several meetings it was arranged that the transaction would take place in Lesotho They all met at the Riverside Lodge, near Ladybrand, on the border of Lesotho, on November 25 1976 The police withdrew before the diamonds were handed over or the payment made

The men were later arrested and charged

Mr Cohen is out on R10 000 bail and Mr Mandelbaum on R5 000

RDM 31/5/78

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Kimberley mines get 20 more years

By ADAM PAYNE

DE BEERS diamond mines in Kimberley — the base on which Cecil Rhodes built his fortune and financed the opening of Rhodesia — have had their lives extended from seven or eight years to 20 years at a cost of R39-million

This was announced "with pleasure" yesterday by Mr Harry Oppenheimer, the chairman, at De Beers annual meeting in Kimberley

Diamond mining has been carried out at Kimberley since 1869, starting on the farms Dutoitspan and Bultfontein

Dutoitspan and Bultfontein mines are among the four — the other two are De Beers and Wesselton — whose lives have been extended

The plan involves treating old dump material to recover diamonds so that the rate of underground mining on the four mines can be slowed and spread over a longer time

Mr Oppenheimer said the prolongation of mining and diamond recovery would have important social advantages in assuring continued employment and extending the important contribution which De Beers made to the community of Kimberley

"At the present rate of mining the underground ore reserves of the four mines will not last more than another seven or eight years These are among the oldest producing mines in South Africa and in all four of them mining is now taking place at considerable depth, and eventually production will no longer suffice to keep the treatment plant in operation at an economic level

"In considering possible alternative sources of diamond-bearing material, we have established that the retreatment of certain of the older dumps in and around Kimberley is economically justified and we have decided to proceed with a two-fold plan

"The first stage involves replacing part of the present mine feed to the central treatment plant with dump material, and deliveries from the dumps will start early in 1979

"The second stage will involve the building of three separate small plants for the treatment of certain of the outlying dumps, and work on this stage will begin in 1980 "

The four mines produced 1 084 652 carats of diamonds last year, or 33 000 more than in 1976

The prolongation of their lives and treatment of dump material will not have any significant bearing on De Beers finances but it will please Kimberley and Mr Oppenheimer

Mr Oppenheimer, like his father, has an affection for Kimberley and its diamond tradition and retains the old buildings in Stockdale Street as the company's head office. He has resisted moves to modernise them or move into modern offices

THE PROJECT

CHAPTER 1.

SCOPE OF THE RESEARCH PROJECT AND DEFECTS IN RESULTS:

The object of this project was to establish the location of all contract workers living in the Cape Peninsula, to indicate their numbers on a map of the Peninsula, and to establish the general conditions under which they live.

DIAMONDS

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A breather

FM 2/6/78

The great New York diamond rush has run its course.

Back in March diamond prices had surged 40% to 50% since the start of 1978. Speculation and hoarding which began in Europe and Israel spread to New York and prompted De Beers to impose a 40% surcharge on its London market operation to curb speculation. Part of the problem was traced to Tel Aviv where a plummeting Israeli pound prompted stockpiling as a hedge.

The upsurge continued after Tiffanys, the largest American outlet, ran advertisements warning buyers that diamond prices were artificially high.

Though prices have now slipped nearly 10% and De Beers has cut its surcharge to 25%, market analysts in the US are predicting that diamond prices will not return to their old, say mid-1977, levels.

In part that is based on a recent US Bureau of Mines report that turmoil in southern Africa has sharply cut back diamond output. In Angola, for example, diamond output dropped from 2,1m carats in 1973 to 660,000 carats in 1976 and estimates are that this year's production will not exceed 400 000 carats.

More pressure on diamond demand and prices includes a new office opened in Brussels by the Soviet Union to buy diamonds for military and industrial needs that its own Yakutsk production complex cannot fill

The main defe three areas. Firstly it
was quite imp kers from local men living
in single qua ough contract workers are
given specifi bly move around whenever they
want to and a is a question to be ans-
wered by the It can be said at once
though that a to stay with friends, wives,
or girl frien -built dormitories move be-
cause of the ded. They particularly
dislike sleep -tier bunks. The more de-
tailed reasons ers dealing with the specific
forms of accom s, but will only really be
known when a s ade. The result of this
movement howev know where contract workers
are living in racking down each man indivi-
dually, an exa he Board is well aware of
this situation ontrol to see that a man
sleeps in the g as the rent for that bed
is paid, the B change around to suit them-
selves. Henc it has been indicated whether
the type of accommodation has contract workers or local men, but this is subject to what has been said above. A broad picture is in any event available.

The second failing in this report is that the SAR & H compounds were not thoroughly investigated, so that only the figures and the broad picture are reported here. The reason for this is that official permission to see these quarters would have taken a considerable time to come through from Johannesburg, and would have delayed this working paper unduly.

[redacted]

Kuns-blinke

Rapport 4/6/78

DE BEERS BELÊ NOG R10 MILJ.

Deur DAVID MEADES

216

DE BEERS se afdeling vir nywerheidsdiamante in Suid-Afrika is stil-stil met 'n uitbreidingsprogram van sowat R10 miljoen besig om sy vervaardigingsbedrywighede van kunsdiamante aansienlik te verhoog.

Met die voltooiing van die uitbreidingsprogram by Ultra High Pressure Unit, 'n volfiliaal van die nywerheidsdiamantafdeling van De Beers, op Springs teen vroeg 1980 sal teen vandag se pryse sowat R10 miljoen per jaar ekstra aan vreemde valuta verdien kan word.

As in ag geneem word dat hierdie maatskappy reeds sowat R20 miljoen se kunsdiamante per jaar uitvoer, kan 'n aanduiding gekry word van die omvang van die huidige uitbreiding.

Die huidige uitbreiding behels onder meer die installering van twaalf nuwe hidrouliese perseenhede, wat teen 'n koste van sowat R3 miljoen deur Vikor, 'n filiaal van Dorbyl, vervaardig word Die eerste pers sal na verwagting vroeg aanstaande maand geïnstalleer word.

Die hele plan om die bedrywighede van Ultra High so sterk uit te brei, was oënskynlik heeltemal van juis die Suid-Afrikaanse vervaardiging van hierdie twaalf perseenhede afhanklik

Dit kon oorsee gekoop word teen 'n prys wat dit noodsaaklik gemaak het dat die prys in Suid-Afrika per eenheid nie meer as R250 000 sou wees nie. As die plaaslike prys dit sou oorskry, sou die uitbreiding waarskynlik by een van De Beers se twee ander soortgelyke aanlegte oorsee plaasgevind het.

Springs

Vikor het toe by die Raad van Handel en Nywerheid aansoek gedoen om 'n rabat op die invoerbelasting op sommige van die noodsaaklike gietstukke, wat nie in Suid-Afrika vervaardig kon word nie. Die raad het gevolglik besluit dat dit in belang van die land is dat Vikor die kontrak kry, veral weens die uitvoervoordele wat uit die groter produksie van kunsdiamante sou vloei.

Die huidige uitbreidinge by Ultra High sal hierdie aanleg nou verreweg die grootste van De Beers se drie maak Die ander twee is in Shannon, Ierland, en in Swede. Springs was egter nog altyd die grootste en was ook die eerste van drie wat met die vervaardiging van sintetiese diamante begin het — reeds in 1961.

Hierdie aanleg was ook die regstreekse gevolg van skitterende navorsing wat in Johannesburg deur De Beers se navorsingslaboratoriums gedoen is.

Wêreldmark

Dit het daartoe gelei dat De Beers vandag saam met die internasionale GEC die wêreldleier is op die gebied van die sintetiese vervaardiging van diamante.

Hierdie twee beheer tussen hulle tussen 85 en 90 persent van die mark vir kunsdiamante, wat reeds sowat R100 miljoen per jaar werd is. Dit sluit ook die produksie van Rusland in. De Beers en GEC is in hierdie mark waarskynlik ewe groot.

Die uiteindelike bedrag wat met die huidige uitbreidingsprogram verdien sal word, sal uit die aard van die saak van die wêreldmark vir nywerheidsdiamante afhang.

Die prys van hierdie soort diamante bly egter taamlik stabiel, terwyl daar 'n volgehoue groeikoers van sowat 10 persent per jaar in die vraag is.

Apple of mine's eye being cut into a pear

216

Sun. Express 4/6/78

PREMIER ROSE, the huge diamond discovered at the Premier Mine in Pretoria, was cut into the shape of a pear this week by an electric saw after lying untouched in the earth for millions of years.

The remarkable stone, weighing 70,78 g, somehow survived the crusher and turned up on the sorting table at the Premier Mine two months ago. It was cut to 100 carats of superb quality diamond.

Report:
INGRID
NORTON

Picture:
ROBERT
TSHABALALA

The stone was bought for several million rands by a Johannesburg diamond company in conjunction with Goldberg Weiss and Company, a New York diamond dealer.

Mr Bill Goldberg, currently in Johannesburg to see Premier Rose, will organise its eventual sale.

The Sunday Express was present at the historic moment when the saw was about to be switched on to decide the fate of the priceless stone.

The man given the job of cutting the diamond — he may not be named for security reasons — told the Sunday Express this week that he had made several replicas of Premier Rose to study the stone in order to work out the best way of cutting it.

"There are two major flaws and about four minor ones which we will have to polish out," he said.

"I have been living, eating, sleeping this diamond for a month in order to develop the greatest concentration.

"One degree out with that saw may mean a disaster.

"It is a great responsibility. I suppose the man who made the atom bomb must have felt like I do now."

The stone has been named after the "lady of the company", who has been described as "a great lady, and one who deserves the title after 45 years in diamond marking".

"Diamonds have been named after women before, but never after the woman who brought it from conception to adulthood," said the cutter.

"I sat down with her, and the company owners, studied it, worked out the grain, and decided in three days how to cut it.

"It took months to decide how to cut the Cullinan Diamond."

The pear shape was "dictated by nature"

If the diamond had been cut into a round shape a lot of it would have been wasted.

The company has been approached by many people about the stone

The stone has caught the imagination of the world, making front-page news in many countries

It will be kept in a secret place, only being taken out to be polished daily, until the right offer comes along.

"It is impossible to work out a price for a diamond like this," says its cutter.

"We will give it to whoever offers most."

R20 000 DIAMOND
STOLEN FROM SAFE

217

7/6/78

Mercury Reporter

A 14-carat yellow diamond, valued at more than R20 000, was part of a haul someone made from the safe of Mr Gareth Bowden at his home in Dan Pienaar Road, Kloof, according to police.

The diamond, a Cape yellow stone set in a pendant, was in the safe with five gold rings and some cash which is also missing. Also stolen is a quantity of clothing and a double-barrel shotgun.

Police said yesterday that the safe had not been forced. A duplicate key had probably been used to open it.

The thief had gained entry into the house by breaking a window

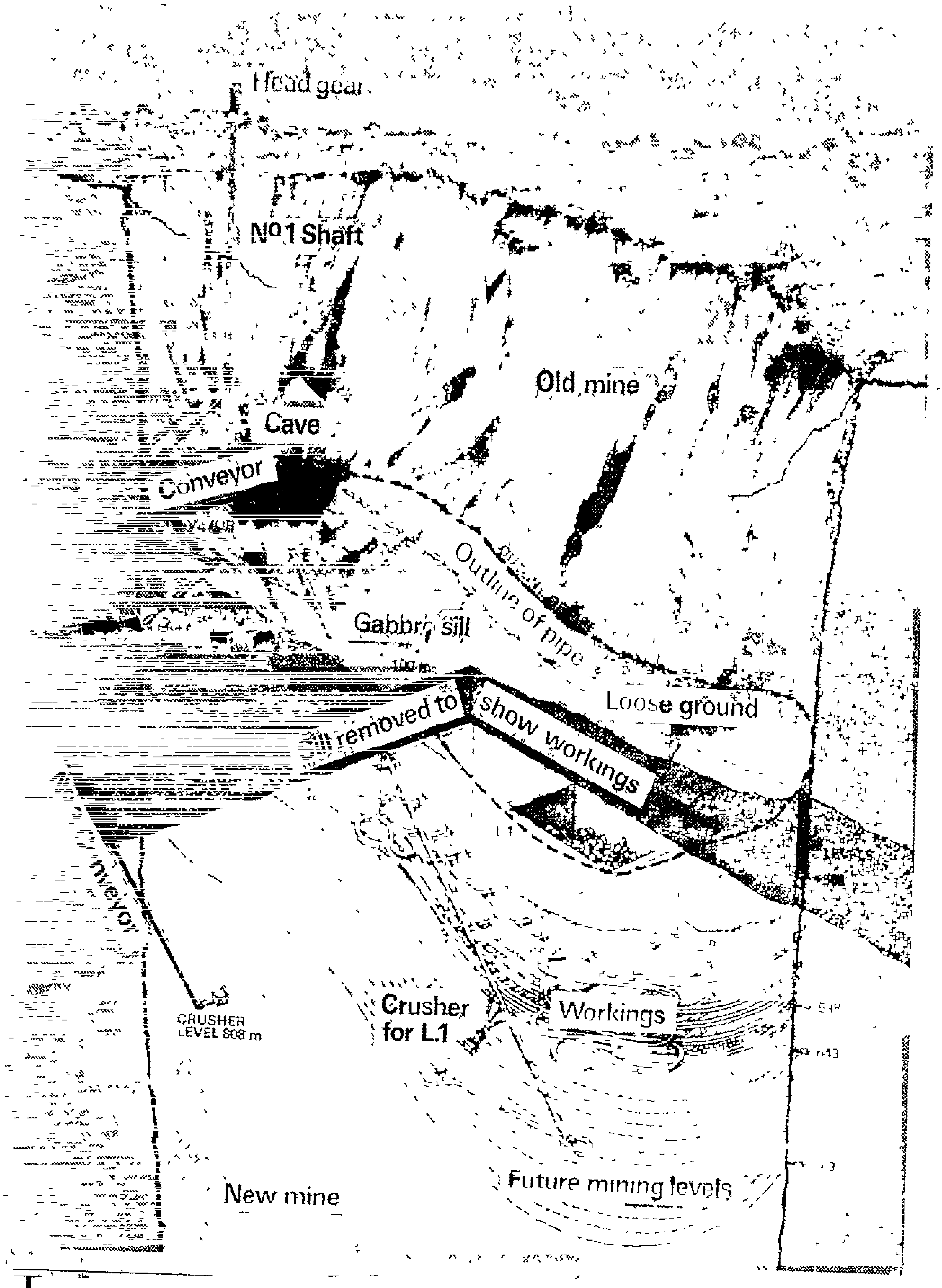
No arrest has been made

216 STAR 26/6/78

It's a diamond dream

This way to a multi-million breakthrough!

An artist's impression shows the deep pit at the old Premier diamond mine outside Pretoria and the thick layer of barren rock that is now to be pierced to open a virtually entirely new mine hidden underneath it Production is now set to start in 1980 in the subterranean treasure trove that promises to yield millions of carats of diamonds. Mine engineers say the penetration will entail a mining operation that will be unique in South Africa



By Michael Chester, Financial Editor

Mine engineers were given the go-ahead toda to break into an underground treasure trov near Pretoria worth hundreds of millions o rands.

De Beers gave the all clear to blast through a 40-million ton layer o barren rock to unseal a virtually new mine hidden underneath the ol Premier Diamond Mine

The operation has long been a dream of mining engineers but until now has been ruled out as too costly.

The final go-ahead has been made possible under a new agreement between De Beers and the Government that includes a fresh lease deal and tax concessions.

The prize for the Government as well as De Beers is the prospect of a multi-million-rand boost to export earnings.

First aim will be to blast through a thick layer of rock that blocks the kimberlite pipe at the bottom of the old Premier.

17-m carats

This will clear the decks for a 1980 start of production from a first subterranean block which Mr Harry Oppenheimer estimates holds a treasure of 17-million carats

The entire annual diamond output of the De Beers empire stands at 12 million carats at the moment.

The first block holds 14 million tons of kimberlite — with 72 carats in every 100 tons, twice the richness of the old Premier which has produced such world-famous gems as the Cullinan diamond and the new Premier Rose.

Deeper still

The 353,9-carat Premier Rose is at present being cut in Johannesburg

Other finds at the Premier include the Niarchos, which was originally of 426,5 carats, the Transvaal Blue and the 62,4 carat "Taylor-Burton" stone cut from a 240,8 rough

Below the second block is a second new mine block with an additional 100 million tons of kimberlite, which miners are now scheduled to tackle from 1986

Tax burden

Because of taxation bills, Premier has been no better than a marginal mine in recent decades and no dividend has been paid on its deferred shares, for more than 50 years.

The new venture now stretches the mine's life to the year 2000 — and perhaps, beyond.

● Green light to exploit below Premier — Page 21.

Better outlook for diamonds

216

Deputy Financial Editor NM 7/7/78

IMPROVED figures for diamond sales are expected from the Central Selling Organisation early next week for the first six months of the year and although July is a holiday period, the reduction to 10 percent in the surcharge should be welcomed at the diamond sale (sight) on Monday. The sight has been reduced in quantity.

De Beers' interim figures and the dividend for the half-year should also respond to any improvement in CSO sales. With the last three sights having a surcharge varying between 40 and 25 percent, the monetary figures should be good.

What is not so certain is the actual volume of diamonds sold. There has been resistance in India, where most of the buyers turned down their diamond 'boxes' at the May diamond sight. In Belgium the authorities have taken action to reduce the export of the high-priced rough diamonds and other steps to encourage the domestic industry.

Israel recovers

Israel seems to be recovering after the shaky situation in May, when factories were reported to be closing.

Diamond sale figures for South Africa for the first three months of the year are not very encouraging. It appears that a lot of the lower-priced industrial diamonds were mined and sold

The reverberations on the world diamond market which led to the diamond surcharge could have been brought about by a critical supply position.

Last year, Israel imported 12 million carats of gem stones, almost three million more than in 1976. South Africa has entered the small diamond field and was able to buy and process nearly one million carats in 1977, which is almost double the 1976 figures.

India has stepped up its demand for small diamonds for processing and recently opened a training centre for the diamond trade.

It is a definite possibility that the diamond crisis was brought about both by stockpiling of rough diamonds by speculators and by the increasing demands of the processors.

Southern African production in 1977 of gems and industrials was up by about one million carats to about 12,5 million carats.

Second-half

I would anticipate that the second-half CSO sales will be lower, as is usually the case, and the possibility of more drama in the market should not be discounted, even though the sight surcharge has fallen back to 10 percent.

The effect on De Beers' income should be minimal as the large investment portfolio irons out these problems.

From London it is reported that total world diamond production rose from 46,9 million metric carats in 1976 to 47,8 million metric carats in 1977.

The major producers are Zaire, with 17 million carats of mainly industrial diamonds, the Soviet Union, with 12,6 million carats and South Africa, with 7,9 million carats.

SUN. EXP. 20/8/78 (216)

Diamonds still De Beers' friend

By PAUL DIAMOND

DE BEERS believes it is entitled to maintain the value of the diamond - and with the recent 30% increase in gem prices that is precisely what it has done

Because the diamond trade is conducted in dollars and because that currency has recently hit a low, De Beers' effective income declined

But, even with the increase in the price of diamonds, demand remains firm not only in the jewellery arena but also in the investment field, particularly in the US

European investment demand for diamonds has always existed but, because of the stability of EEC currencies, it is less traded

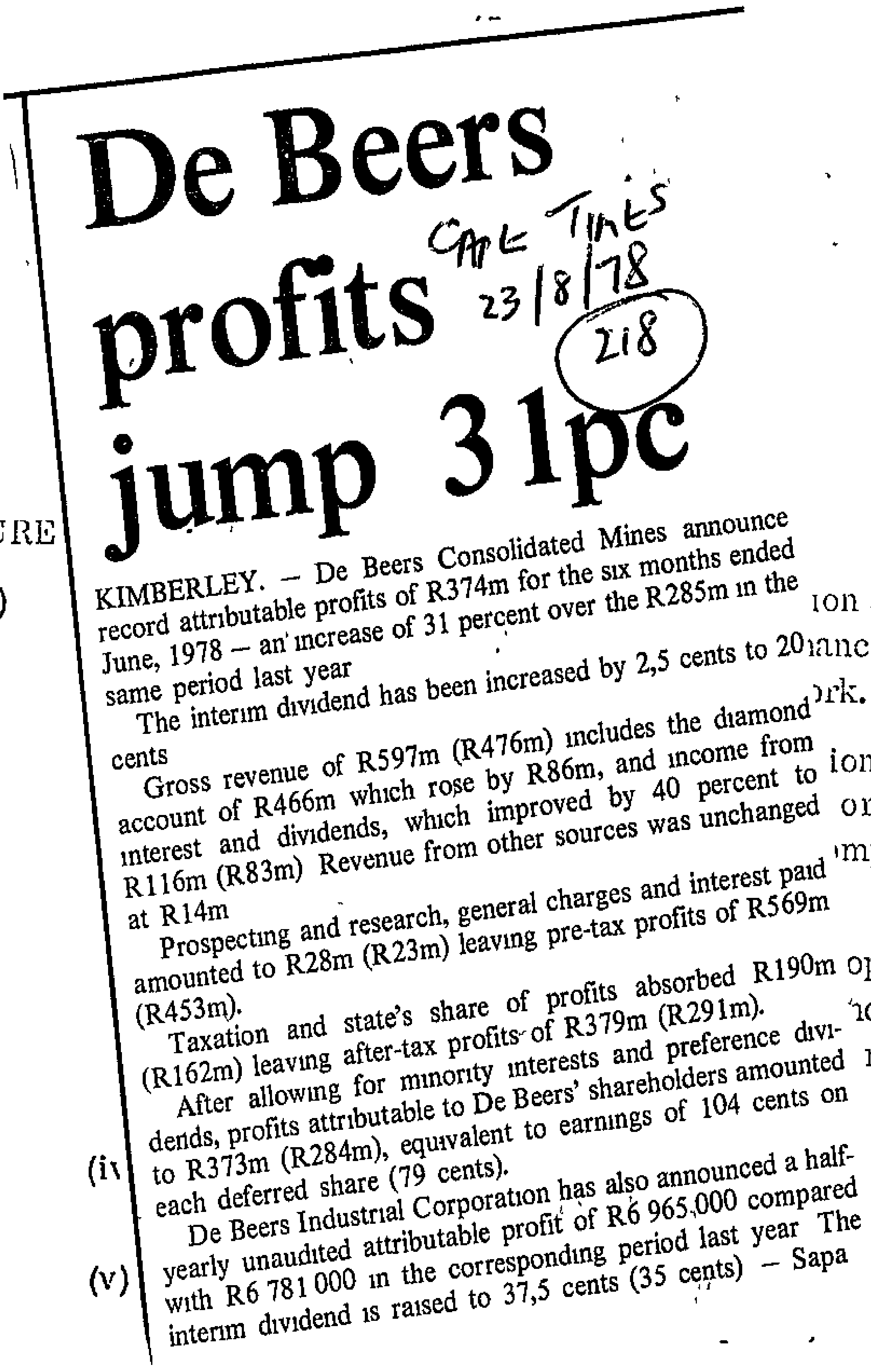
The basic reason for the price increase is the protection of income

One tends to think of De Beers as the "all-high" in world diamond sales It is certainly — as a marketing channel — but South Africa is responsible for only about 30% of the gems channeled through the Central Selling Organisation, and gems are the real money earners

Diamond producing countries, like oil countries, are finding the weakened dollar has cut into revenue and purchasing power and the diamond producers look to De Beers to keep up their revenue in real terms

This is the reason behind the recent 30% price rise, an increase De Beers reckons the market can take

STRUCTURE



De Beers profits jump 31pc

Cape Times 23/8/78

218

KIMBERLEY. – De Beers Consolidated Mines announce record attributable profits of R374m for the six months ended June, 1978 – an increase of 31 percent over the R285m in the same period last year

The interim dividend has been increased by 2,5 cents to 20 cents

Gross revenue of R597m (R476m) includes the diamond account of R466m which rose by R86m, and income from interest and dividends, which improved by 40 percent to R116m (R83m) Revenue from other sources was unchanged at R14m

Prospecting and research, general charges and interest paid amounted to R28m (R23m) leaving pre-tax profits of R569m (R453m).

Taxation and state's share of profits absorbed R190m (R162m) leaving after-tax profits of R379m (R291m).

After allowing for minority interests and preference dividends, profits attributable to De Beers' shareholders amounted to R373m (R284m), equivalent to earnings of 104 cents on each deferred share (79 cents).

De Beers Industrial Corporation has also announced a half-yearly unaudited attributable profit of R6 965 000 compared with R6 781 000 in the corresponding period last year The interim dividend is raised to 37,5 cents (35 cents) – Sapa

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OFFICE SYSTEMS

(a) (i) Broad outlines of accounting, costing, invoicing, materials, purchasing, stock control and general stores organisation work.

(ii) Filing and recording systems. The importance of availability of records for costing comparisons, references to current and previous correspondence and tender documentation.

(b) Office mechanical aids, e. g. modern typewriters, dictating and recording machines, calculating aids, copying and reproduction equipment, microfiling etc.

FINANCE

(a) A typical balance sheet and stock control system examined and discussed.

(b) Company amalgamations, "take-over" and other re-organisation methods discussed from the point of view of their impact upon finance, consumer interests, employee changes and redundancy, etc.

De Beers moves into Western Australia's 'great' diamond rush

R Am
5/9/78
216

By ADAM PAYNE

DE BEERS, which has never allowed the grass to grow under its feet wherever diamonds are being sought, is quietly in the Australian diamond rush in the Kimberleys plateau area of Western Australia

It is also carefully watching developments from its Kimberley, South Africa, and Johannesburg offices

The Australian search is like an old-time diamond rush with rival parties digging, screening and washing gravel, but added to the scene are 12 helicopters and a fleet of Jeeps

De Beers's geologists, using a helicopter, slipped across into an aboriginal reserve and started taking samples without the necessary permission

They were stopped and reprimanded sharply by the authorities and lost their rights to claims already pegged

But that is only a sidelight on Australia's biggest search for diamonds

At least three well-known companies are involved in a consortium under the leadership of Conzinc Rio Tinto of Australia

The other two Northern Mining and Selection Trust

Their operations are concentrated at Ashton, a small settlement, where bulk samples have been examined and are still being examined for their diamond content

It is too early to say whether a diamond field or mine will be established

The only reliable indications will be provided by the results of the bulk-sampling which are due to be published next month

Some highly coloured stories have been told about the rush, which sceptics compare to the nickel rush in Western Australia in 1969-1970 when Poseidon mining shares rose to 52 pounds sterling, since when the company has been liquidated

However, this diamond rush has yet to be proved one way or the other

John McIlwraith, of the Australian Financial Review, writes enthusiastically "If the expectations of even the most sober participants are fulfilled, the Kimberley region could become a major force in world-diamond markets in the next few years"

McIlwraith, on a visit to the field, found the usual spate of rumours floating round

One was that the Conzinc Rio Tinto consortium had found 328 (not 327 or 329) diamonds of gem quality

The area pegged is a well-watered, forested plateau to the north of the Western Australian desert

De Beers has been looking for diamonds in Australia for many years, but so far without success

Should the present rush prove a field with any economic potential, one can be sure that De Beers will gain a big stake

Even when it had little faith in the economic viability of Sam Collins's sea-mining venture off the Cape West Coast, it bought it as an insurance — in case it turned out to be a factor in the diamond-producing business

Diamonds have never been mined on a large scale or for a long time in Australia

At the turn of the century, they were mined at Nullagine in Western Australia

The second and last venture was in the 1920s in New South Wales at Copeton, where small workings were established, but petered out after a few years

The Australian stock market's reaction to the rush has been true to form

Shares of companies in any way connected with the prospecting have spiralled.

Northern Mining, with only five per cent interest in Ashton, has risen from 9c to $A1,53 since the beginning of the rush

Star 12/10/78

216

Diamond workers may lose their pay

Labour Reporter

About 40 coloured operators of the Johannesburg diamond cutting works of G A Tracey & Sons may lose one and a half days' pay because they left work early on Kruger Day.

A spokesman for the firm described their action as an "illegal strike".

But they were back at work today after fearing for their jobs yesterday in the latest flare-up of animosity between operators and employers in the diamond cutting industry.

The workers had left work early on Kruger Day after allegedly being told they could do so provided they were prepared to forfeit pay for the work they failed to do, said Mr Robin Rich, general secretary for the Diamond Cutters' Union.

DENIAL

When they arrived at work yesterday they were told they could not start work and consulted Mr Rich

His advice was that they should return to work today.

A spokesman for the firm denied the workers had been permitted to leave work early on Kruger Day. But he confirmed that the workers were back at work.

Last month 54 coloured operators of another diamond cutting works downed tools temporarily in protest against the dismissal of the president of the Diamond Cutters' Union, Mr Derek Watson.

The union claimed he was sacked on the spot when he questioned the firm's management about inferior conditions of employment which were to be introduced this month.

BUSINESS MAIL

Bouncing boulders extract South West's diamonds

RAM 9/11/78
(211)

BY ADAM PAYNE

WITH THE EYES of the world on South West Africa and speculation widespread as to how the big companies will fare after independence, the technical achievements and progress of Consolidated Diamond Mines — the territory's biggest money-spinner and taxpayer — have been largely overlooked.

Consolidated Diamond Mines performance on the Namib coast is a unique and fascinating achievement in world mining

It is the world's largest gem diamond mine by many leagues, but equally impressive are the technical advances made in mining along the beaches 200m seawards and well below sea level

Metallurgists have developed ways of extracting diamonds from concrete-like material called conglomerate, and a central recovery plant has been modernised with X-ray equipment so that it is as efficient in extracting diamonds as any plant in the world.

Several years ago, CDM — using special dredge barges served from shore by helicopter — mined the seabed beyond the surf, but this was stopped by lack of payable reserves. But now a new prospecting ship is at work sampling the seabed in areas considered worth further investigation.

These achievements and the geological origin of CDM's diamonds in the sand-covered marine gravel terraces along the Namib coast are described in Optima, the Anglo American quarterly, by Eric Lloyd Williams, formerly public relations manager of Anglo American Corporation in Johannesburg.

Something like 59-million tons of sand is moved annually in the stripping operation to remove overburden and expose the diamond-bearing marine terraces

The proportion of waste material moved to diamonds recovered is 200-million to one and as increasing sophistication in planning and mechanisation has taken effect, CDM has developed techniques to push back and hold the Atlantic and to change the profile of the beaches, so that between the high-water and low-water marks the miners reach the ancient bedrock crevices in which diamonds are found.

Beach mining, introduced after a programme begun in 1964, of prospecting the foreshore along the whole diamond coast, calls for building seawalls or coffer dams, seen at its most spectacular near the Orange River mouth where the deeper bedrock requires a wall up to 20m thick and where mining operations take place as much as 20m below sea level

The sea is driven back 200m and held by walls of overburden sand, pushed from the upper mining area by scrapers and bulldozers, which then have to be continuously maintained, under floodlights at night, against the sea

Suction pumps attached to well points in the walls fight to keep the coffer dam or paddock comparatively dry

Once the bedrock is exposed, recovery of diamonds must be done as quickly as possible — there is no time for balancing production grades — before seepage floods the workings and some expensive equipment is threatened by the sea.

There is no let-up in activity in the search for new reserves of diamonds and ways to recover them. In the Oranjemund area towards the river and between the old upper marine gravel terraces and the foreshore, further extensive prospecting of marine sand, clay and boulders overlying the old delta is producing promising results.

The metallurgical responses at CDM, to the requirements imposed by changing patterns of mining, have culminated in the presence in each of the four mining areas of large semi-automated field treatment plants equipped with computers to control the process whereby material is screened, crushed, milled and scrubbed with water, drawn in one instance by tunnelled pipe from just over 400m out to sea, and then concentrated by flotation in heavy media separation units

The product from the field plants, which remove about 90% of the waste material, is sent by locked dumper trucks to the central recovery plant.

These desert plants, the last of which was commissioned in 1977 at a cost of R25-million, are completely different to their predecessors — the 18 small screening plants, introduced in the 1940s, dotted along the coast

In these plants gravels from the diamond terraces were treated on shaking jigs to remove materials over 25mm in size and below 2mm, these sizes being considered barren at that time

The resulting concentrate was sent to Oranjemund by overhead-powered electric trains. The material from these little plants was further concentrated and then hand-sorted on a 24-hour schedule

The fact that conglomerate material — a mixture of hard conglomerates and boulders — from the prehistoric beaches also proved to be payable led, among other factors, to the development of today's type of plant

The dancing pebble concentrate in the field jigs can be said to have been replaced by the jumping boulders One of the new plants treats material containing about 80% barren quartzite boulder and 20% cemented conglomerate, the latter containing locked-in diamonds.

To make the crushing of this conglomerate economic the boulders must first be removed, and research has evolved a method, unique to CDM, using the difference in bounce characteristic between boulder and conglomerate to separate the two. Dropped on an angled steel plate, the boulders bounce higher than the conglomerate, over a divider and out of the paystream.

The long process is completed with the concentrate from the desert plants arriving at the central recovery plant for final concentration and the harvest of diamonds, up to 5 000 carats a day, by X-ray separator. This technique is used exclusively in place of the historic grease tables and belts employed for so many years

X-rays cause diamonds to flouresce, the light emitted activates a compressed air ejector which flicks the diamonds out from among the gravels for transfer to the sort-house and the climax of the whole desert operation

Sun, Express 10/11/78

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Diamonds a lasting bet

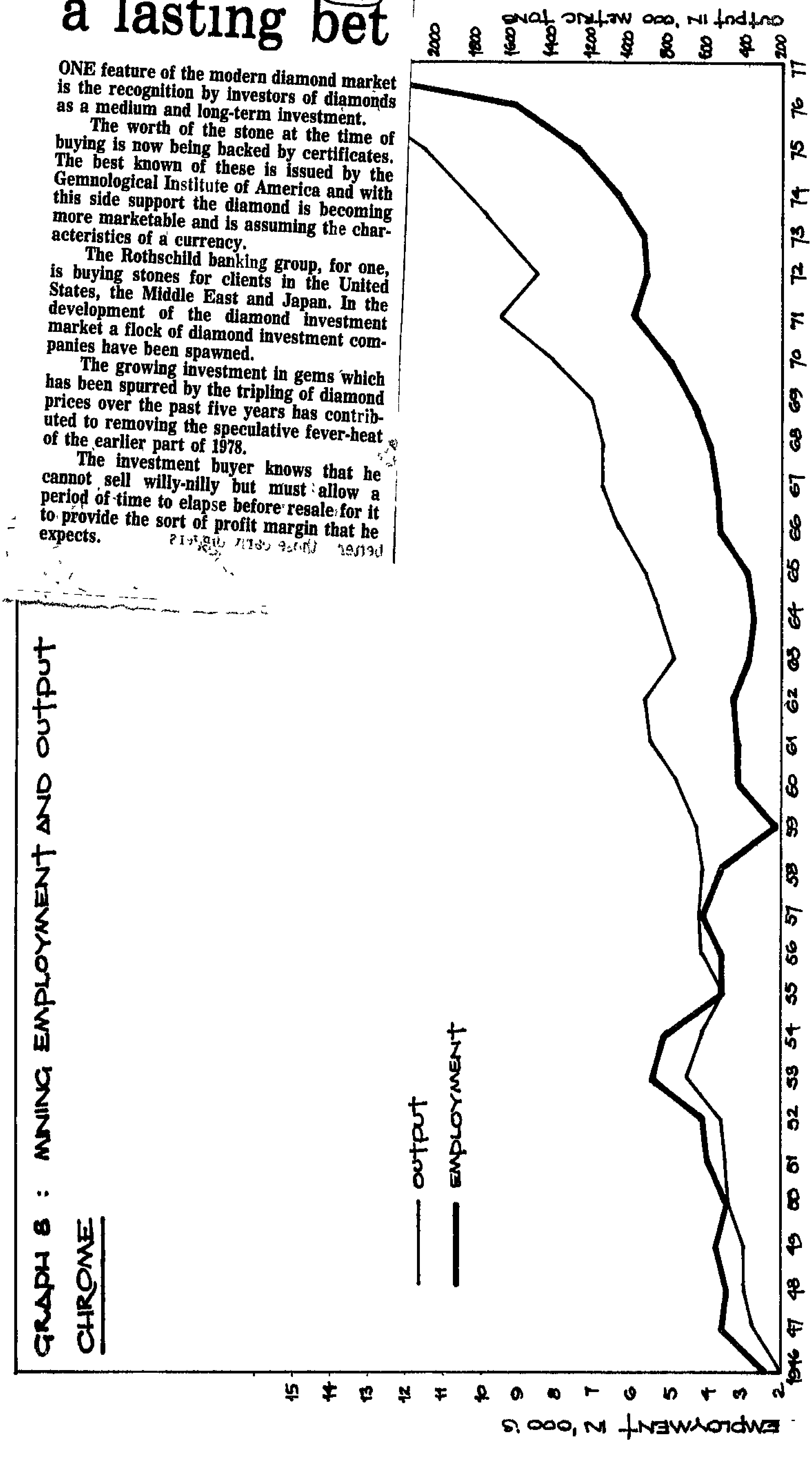
ONE feature of the modern diamond market is the recognition by investors of diamonds as a medium and long-term investment.

The worth of the stone at the time of buying is now being backed by certificates. The best known of these is issued by the Gemnological Institute of America and with this side support the diamond is becoming more marketable and is assuming the characteristics of a currency.

The Rothschild banking group, for one, is buying stones for clients in the United States, the Middle East and Japan. In the development of the diamond investment market a flock of diamond investment companies have been spawned.

The growing investment in gems which has been spurred by the tripling of diamond prices over the past five years has contributed to removing the speculative fever-heat of the earlier part of 1978.

The investment buyer knows that he cannot sell willy-nilly but must allow a period of time to elapse before resale for it to provide the sort of profit margin that he expects.



GRAPH 8 : MINING EMPLOYMENT AND OUTPUT

CHROME

RAM
16/11/78

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Illicit diamond and gold deals: police hold 12

By EMILIA JAROSCHEK
Crime Reporter

POLICE have arrested two foreigners allegedly involved in an illicit diamond deal, bringing the number held for illicit diamond and gold deals since last week to 12

Gold and Diamond Squad detectives in many parts of the country have confiscated diamonds and gold valued at R349 405 from the alleged illegal operations they have uncovered.

Brigadier J Erasmus, chief of the Gold and Diamond Squad headquarters in Kimberley, confirmed yesterday that a German and an Italian were arrested in Harrismith on Monday as they allegedly negotiated a deal involving 15 uncut diamonds worth R135 769

Last week Gold and Diamond Squad detectives in Johannesburg arrested a woman company director and a her husband, a teacher, in connection with an illicit deal involving 73 uncut diamonds which were being sold for R203 000.

Other arrests made by the squad since last week include:

- A white man arrested in Vierfontein, near Klerksdorp, last Thursday in connection with an illegal diamond deal involving R5 060.
- An Indian man arrested in Durban on the same day for the allegedly buying of 277 gm of gold worth R1 385.
- A black man arrested in Natalspruit on Friday for allegedly buying 181 gm of gold valued at R905.
- A black man arrested in Klerksdorp on the same day for allegedly selling a diamond for R1 200.
- A white man and a black man from Krugersdorp arrested on Saturday in connection with an alleged illicit diamond deal involving R1 686.
- A coloured man arrested in Port Nolloth on Monday in connection with the alleged sale of four diamonds to police for R400
- An Indian man arrested in Johannesburg on Monday last week for allegedly possessing three pieces of unwrought gold.

RDM 21/12/78

216

Man who bought gems is jailed

Staff Reporter

A JOHANNESBURG businessman, Paolo Zappa, was fined R10 000, or two years, and sentenced to a year in jail yesterday for illicit diamond buying

Zappa, 51, of Hans Strijdom Drive, Robindale, Randburg, pleaded not guilty before Mr G Steyn in the Johannesburg Regional Court to a charge of unlawfully buying 15 uncut diamonds worth R65 000 from a police trap.

Mr J F Ludorf, for Zappa, gave notice of an intention to appeal and Zappa was released on R10 000 bail.

At a previous hearing Colonel H A Basson of the Kimberley Diamond Branch told the court he met Zappa on April 19 at an office near the Summit Club in Johannesburg. Zappa told him he was an Italian and owner of a handbag factory He also said he owned a mine in Central Africa.

Col Basson said he introduced himself as Jan Botha from South West Africa

Zappa told him he was interested in buying diamonds and had R40 000 to spend. He also said he had an aeroplane and could fly anywhere to conclude the deal, but preferred that it should be done in his flat in Berea Zappa said the flat had only two doors which could be locked, and if someone should arrive he could throw the diamonds onto a roof below

Later, Col Basson and Woman Constable Adriana Visser met Zappa outside his flat in Soper Road and Zappa took them to his factory in Randburg, to his house, and to his office

"He was telling me how wealthy he was," Col Basson said. Zappa told him he had bought a 15 carat diamond and wanted more, because he was going overseas He explained how he could smuggle diamonds out of the country, Col Basson said

Col Basson and Constable Visser reserved accommodation at the Crest Hotel from where they could see Zappa's flat in Soper Road That afternoon Zappa opened his flat windows as a sign that it was safe for them to go there Col Basson and Constable Visser went to the flat with 15 uncut diamonds weighing 109,47 carats and worth R65 111

Zappa examined the diamonds and offered R30 000 for them Colonel Basson said he accepted the offer

On April 29 he and Constable Visser went to the flat again after receiving the open window sign.

Zappa had a briefcase filled with R14 000 in R10 notes While Col Basson was counting the money, Constable Visser waved through the window at policemen waiting outside

Zappa told her that in future he would deal with her alone. He was so busy talking to her he did not notice the other policemen entering

Zappa told the court he was an agent for another person who intended buying a diamond mine and had had discussions with Col Basson about an option to purchase a mine

Mr Ludorf, for Zappa, argued that the minds of Zappa and Col Basson never met. "The one was selling diamonds and the other was buying a mine," he said.

Sentencing Zappa, Mr Steyn said he was "high up in the calendar of illegal diamond dealers".

A fine alone was not a sufficient punishment or deterrent in this case but he was taking into account the fact that, for a person in Zappa's position, imprisonment was a harsh punishment

The R14 000 which Zappa had handed to Col Basson was declared forfeited to the State

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body while the works committee was to enjoy negotiating rights limited to in-plant bargaining and thus falling short of collective bargaining as it is generally understood. The chairman of the works committee was to be the intermediary between the workers' elected representatives and the employer.

While the period of office of a liaison committee was not limited by statute, that of a works committee was limited to "not more than two years".

Co-ordinating Committees

As the new system permitted the election of more than one works committee in an establishment, provision was made for a co-ordinating works committee consisting of the chairmen and secretaries of each works committee where two or more such committees had been elected. The appointment of a co-ordinating committee was to be made after consultation with the employer concerned, and its duties were roughly the same as those of a single works committee.

216 FM 22\12\78

BROADACRES

Diamond speculation

Activities: *Holds Strykpunt Beleggings as its only subsidiary, others having been disposed of during the year. Coastal Diamond Trading of US holds 71% of equity.*

Chairman: *N D Lowenthal.*

Capital structure: *3,1m ordinaries of 25c. Market capitalisation: R4,6m.*

Financial: *Year to June 30 1978. Borrowings: long and medium term, nil; short term, nil. Current ratio: 18,3. Net cash flow: R5 000. Capital commitments R40 000.*

Share market: *Price· 150c (1977-78· high, 175c; low, 13c; trading volume last quarter, 287 000 shares) Yields 2,1% on earnings, nil on dividend. PE ratio: 46,9.*

There have been so many changes to the company since the June year-end that the 1978 accounts are outdated. Whereas last year Broadacres held 68,6% of Turf Holdings and various other assets, the only asset now is Strykpunt Beleggings which has diamond mining rights off the Namaqualand coast.

	'75	'76	'77	'78
Return on cap %	1,9	1,0	6,8	31,8
Turnover (Rm)	2,4	2,6	2,5	2 5
Gross profit (R 000)	1 122	5,6	369	474
Gross margin %	46,4	2,2	14,4	18,6
Earnings (c)	1,7	(3,4)	4,8	3 2
Dividends (c)	nil	nil	nil	nil
Net asset value (c)	51	54	54	49

Excludes extraordinary write-offs

The Turf shares were sold to previous Broadacres chairman H B "Hubby" Hodes for R311 000, which incurred a book loss of R1,1m. This loss turned a R98 712 attributable profit into a loss of R981 584. There was a R42 082 loss on disposal of unlisted investments and R101 700 loans and advances were written off the property investments

New chairman Norman Lowenthal, tells the *FM* there are no further write-offs to be made against the previous Broadacres' assets. On July 1 the company had the diamond mining assets, valued at R1,2m, and cash of R300 000. Since then, despite capex on new equipment, Lowenthal says cash and diamond stocks have been increased a further R100 000 to R400 000.

Lowenthal cautions against confusing the new company with the old. The diamond operations chalked up earnings (free of tax because of previous assessed losses) of R265 000, which would give earnings of 8,5c. This income was derived from prospecting operations. At end-June there were no borrowings, and as the envisaged expansion is not capital intensive, capex should be minimal.

Though little concrete information is available, the diamond operations seem to be progressing well.

Investment in Broadacres now is a statement of faith in diamond prospects. But until published details are available, the shares are best suited for speculative portfolios.

Des Kilalea

results and dividends

		Pre-tax profits Rm 1977	Pre-tax profits Rm 1978	Percentage change	Earned cents per share 1977	Earned cents per share 1978	Paid cents per share 1977	Paid cents per share 1978	Sector	Dividend Amount cents	Dividend Register by	Dividend Payable about
Afrikaanse Pers	D	—	—	—	—	—	—	—	Printing	‡11,00	8 12 78	9 1 79
Apex	D	—	—	—	—	—	—	—	Coal	†60,00	29 12 78	13 2 79
Ass Eng	P	3,3	3,4	+4	80	81	26	26	Motors	†18,50	2/3 2 79	19 3 79
Caxton	I	0,1	—	—67	11	7	2	—	Printing	*Passed		
Coronation Synd	A	1,5	4,5	—	24	75	2,5	8	Mining Hold	—	—	—
Doornfontein	D	—	—	—	—	—	—	—	West Wits	*20,00	29 12 78	5 2 79
East Drie	D	—	—	—	—	—	—	—	West Wits	†75,00	29 12 78	5 2 79
Fugit	P	*§2,1	§5,0	—	♦*6	8	*♦8	6,75	Investment Trust	†3,75	29 12 78	30 1 79
HCI	I	§0,3	§—	—89	5	1	5	6	Insurance	—	—	—
IGI	I	§0,4	§—	—89	7	—	3	3	Insurance	—	—	—
Kloof	D	—	—	—	—	—	—	—	West Wits	*30,00	29 12 78	5 2 79
Libanon	D	—	—	—	—	—	—	—	West Wits	*50,00	29 12 78	5 2 79
Rand London	D	—	—	—	—	—	—	—	Mining Hold	**3,00	29 12 78	30 3 79
Rooiberg	D	—	—	—	—	—	—	—	Tin	†140,00	29 12 78	13 2 79
Tollgate	D	—	—	—	—	—	—	—	Industrial Hold	*10,00	29 12 78	28 2 79
Tweefontein	A	2,2	5,8	—	92	237	47	81	Mining Hold	—	—	—
Union Tin	D	—	—	—	—	—	—	—	Tin	†12,00	29 12 78	13 2 79
Venters	D	—	—	—	—	—	—	—	West Wits	*15,00	29 12 78	5 2 79
Vlaks	D	—	—	—	—	—	—	—	Rand & Others	†10,00	29 12 78	5 2 79
West Drie	D	—	—	—	—	—	—	—	West Wits	*200,00	29 12 78	5 2 79
Wit Deep	D	—	—	—	—	—	—	—	Mining Hold	‡21,50	29 12 78	12 2 79

*D=Dividend ‡=Annual P=Preliminary †=Final I=Interim *=6 months A=Annual report §=After tax figure ♦*=Adjusted to 12 months ♦=Includes special d of 5 cents **=Special dividend*

issues

COMPANY AND TERMS	NIL PAID LETTERS Last day to register	NIL PAID LETTERS Listing begins	NIL PAID LETTERS Issued	NIL PAID LETTERS Listing closes	NIL PAID LETTERS Last day for splits	NIL PAID LETTERS Date offer closes	FULLY PAID LETTERS OF ALLOTMENT Listing begins	FULLY PAID LETTERS OF ALLOTMENT Issued	FULLY PAID LETTERS OF ALLOTMENT Listing closes	FULLY PAID LETTERS OF ALLOTMENT Last day for splits	FULLY PAID LETTERS OF ALLOTMENT Shares listed	FULLY PAID LETTERS OF ALLOTMENT Shares issued	PRICES OF LETTERS Take up price cents	PRICES OF LETTERS Price Dec 12	PRICES OF LETTERS Price Dec 19
CONS TEXTILE Capitalisation 1 new for every 10 held					Preliminary		Announcement								
COPI Capitalisation 1 new for every 4 held	12 1 79														
POWER TECHNOLOGIES (Forerly Southern Cross) Rights 1 new for each held	12 1 79	15 1 79	19 1 79	7 2 79	8.2,79	9 2 79					8 2 79	1 3 79			
TONGAAT GROUP Capitalisation 1 new for every 4 held	19 1 79														

MINING – Diamonds

5-1-79 – 30-12-79

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BROADACRES

FM 5/1/79 (216)

Buying concessions

Broadacres' acquisition of two neighbouring diamond companies on the Namaqualand coast for 300 000 shares and R80 000 cash is expected to add 1,3c to earnings this year.

For the purposes of the present deal the new Broadacres shares to be issued have been valued at 74,5c, the same price Coastal Diamond Trading Corp paid ex-chairman Hubby Hodes for control last September. The total consideration is thus officially R303 500 — 6,9 times this year's expected earnings. The new shares raise the number of shares in issue from 3,1m to 3,4m.

At their current 175c the new Broadacres shares are worth R525 000 and the total consideration is R605 000 — about 14 times expected profits.

One company, Namiros, which has actually won diamonds from the sea, is being bought for R179 000 or 2,5 times expected earnings of R72 000 while the other, Strykloof, which merely holds a mining concession, is priced at R124 000.

Namiros has been pumping diamonds out of the surf with promising results. At present Namiros operates two pumping units. In the 18 months to end-June, 2 500 carats of "top quality" diamonds worth R900 000 were recovered for Broadacres. It has also produced 527 carats worth R230 000 since March 1977 for its own account — despite "exceptionally inclement weather."

Investors obviously think management's forecasts are conservative, for the present price of 175c is nearly 18 times forecast earnings of 9,8c. The declared payout ratio is 60%, which suggests a dividend of 6c and a prospective yield of 3,4%. De Beers, yielding 6,3% looks a trifle more certain.

David Carte

THE DIAMOND MINES:

			utput (cts) er worker
	9		70
	2		62
	2		75
1949	[illegible]5		65
1950	1 732		90
1951	2 229		114
1952	2 383		124
1953	2 718		150
1954	2 859		173
1955	2 629		170
1956	2 586		171
1957	2 579		162
1958	2 702	16 714	162
1959	2 838	17 357	164
1960	3 141	17 609	178
1961	3 788	17 682	214
1962	3 918	17 028	230
1963	4 376	17 340	252
1964	4 450	18 125	246
1965	5 026	19 732	255
1966	6 037	21 113	286
1967	6 668	20 645	323
1968	7 433	20 194	368
1969	7 863	20 258	388
1970	8 112	21 488	378
1971	7 031	20 523	343
1972	7 385	20 475	361
1973	7 565	20 421	370
1974	7 510	20 934	359
1975	7 295	19 819	368
1976	7 023	17 415	403
1977.	7 643	17 451	438

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Gem sales — R2 219m

Deputy Financial Editor

SALES of gem and industrial diamonds soared to R2 219 000 000 for 1978 meeting the expectations of most observers and promising a healthy dividend and earnings for De Beers.

And, inspite of a 30 percent increase in prices from August onwards second half sales at R1 155 million passed those for the first half when sales of R1 064 million were made.

The Central Selling Organisation which sells diamonds for De Beers and other producers controls about 85 percent of world output.

Sales in 1977 were R1 803 million and 1978 saw a 23 percent rise or R416 million.

The CSO figures come hard on the heels of the Israeli results which recorded new high values but lower volumes in carats Several plants had closed down it was noted

De Beers is busy expanding its southern African output and is expected to be in a strong position to sell a lot of the popular small diamonds.

Diamond markets opened again this week and it will be some time before the new year demand is felt. Meanwhile there are strong rumours that another price rise is in the offing.

Antwerp which deals mainly in large diamonds reported a happy 1978 but other trading centres were unhappy with the prospects and were concerned about consumer resistance to the new prices which have now started to reach retailers.

Gem cost R10,3m

THE sale of a 137 carat diamond in Saudi Arabia for R10,32 million which took place recently according to a report from Jeddah yesterday is not likely to have been the fabulous Premier Rose — but if the report is correct it will make a world record price for a diamond.

Mr Joe Mouw, a part-owner of the Premier with Mr Bill Goldberg of New York, said yesterday that the diamond was still being graded by the Gemological Institute of America and he would have been told of its sale "immediately "

There are only two other known diamonds in the size range mentioned in the report. One is the 140,5 carat Regent which is in the Louvre and the 137,2 carat Florentine which was stolen from the Austrian Royal Family in 1920

Ellias Haddad reporting from Jeddah says that when a Saudi walked into the biggest diamond shop in the country there was little to indicate that he would make diamond

He asked the jewellers, a Saudi-Lebanese firm Fawez Mouawad and Sons, to buy a large diamond that was on offer abroad The firm sent one of its experts who acquired the gem, brought it back to Jeddah, and called the customer.

The price was about 40 million riyals (about R10,32 million) for a 137 carat diamond of flawless quality

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PRIMARY SPARKLERS

Enhanced status?

The three counters Theron, Broadacres and Carrig, which were promoted from the secondary to primary section recently, have shown remarkable gains. Whether this was due to their new found status, or to profit prospects, is a moot point.

This week's interim from **Theron Holdings** at least partially justifies the 75% rise in share price in a year.

Profit after tax in the six months to end December rose to R235 000 (R16 000) and earnings to 8,1c (0,7c). And, with better weather expected at the offshore diamond site during the second half, profits could be even better in the six months to end June. Chairman Hugo Richter tells the *FM* the bulk of the diamond profits reflected in these results were made in the last two months of the half year. Since the white fish catch from Mossel Bay contributed about R61 000, diamonds yielded about R174 000.

The interim suggests earnings of 16c minimum and puts the counter, currently at 105c, on a prospective earnings yield of 15,2% against the *FM* industrial index average of 17,5%.

These figures restore some sanity to Theron's rating. Nevertheless, one set of good figures does not make a blue chip and even chairman and controller, Hugo Richter, admits prospects are uncertain, though encouraging.

Richter tells the *FM* that since offshore dredging started four months ago 5 300 carats have been recovered and recently production reached 1 500 carats per month. He says 95% of the stones are of gem quality and prices realised vary from R115 to R300 per carat, averaging R240 per carat. There are now eight recovery vessels and two onshore pumps in operation. Next month another three boats start dredging.

In its last annual report Theron pointed out that certain prospecting leases had to be renewed by end 1978. In practice, the leases are perpetual, says Richter.

These results are bullish for **Broadacres**, another diamond company to make the primary list, whose concessions border those of Theron. While Theron dredges just beyond the surf, Broadacres pumps gravel from 32 m beyond low watermark.

Chairman Norman Lowenthal says stones are of very fine quality and, although prices are inconsistent, as much as R400 per carat has been realised. "Last week we found a stone of 44,5 carats worth about R30 000."

Broadacres lost more than R1m in five years on its diamond mines but that was because the beach was being mined with heavy earth moving equipment. Today 20 whites and 30 coloureds man the pumps and Lowenthal says costs are only R20 000/month. He points out that it would take only five or six 40 carat stones to send profits soaring.

Broadacres has recovered 500 to 600 carats since Coastal Diamond took over last October. A new pump was commissioned this week and another comes on stream in the next few days to bring the number of units in operation to four.

Another former secondary sector "diamond" counter that performed spectacularly on the year is **Carrig**. It shot up 250% from 13c to 46c, although it no longer produces diamonds. Chairman Oscar Getz says the current share price discounts the possibility Carrig might attempt gold dump recovery on the East Rand and that it has acquired a lease on a black granite deposit at Piet Retief.

The company is still negotiating rights to the mine dumps. Nothing further has come of a third party's threatened legal claim to the granite deposit. Getz assumes he has let the matter drop.

Also, no decision has yet been taken on whether or not to reopen the diamond mine at Kimberley.

All Carrig's prospective projects will require capital and Getz says a rights issue is not out of the question.

Of the three companies, only Broadacres should have made it to the primary lists according to JSE requirements. Doug Gair, manager of JSE listings, said the promotions were granted after "thorough and sympathetic consideration of all factors.

"Short of actually inspecting their operations we ascertained to the best of our ability that the companies concerned were viable and were in fact what they purported to be."

While a primary listing must have benefited the share prices of all three, those who buy into them should be aware that primary status is no guarantee of respectability.

David Carte

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DOMINION MINING

Watch out!

JSE interest in small diamond mines is growing. And off the market certain investors are being touted to buy shares in Dominion Mining & Investments, a non-listed public company formed in 1977 "to exploit two diamond mines in the OFS."

Dominion owns the Blaauwbosch and New Elands mines near Boshof. In March 1978 a Section 141 statement (in place of a prospectus) accompanied an offer of shares to the public and the subscription lists "are about to close." Initially Dominion's shares were issued at 100c and currently cost 200c from the company. 50% of Dominion is held by Jesco Holdings which is owned by John Stephens, who has been involved in portfolio management for several years.

In 1978 Dominion claimed "once appropriate production and profitability levels are achieved it is intended to approach the JSE for a listing." This aim has not changed, according to Stephens. A share salesman told a would-be investor that Dominion was interested in acquiring stakes in two listed companies. Recent activity in Broadacres and Carrigs could have stemmed from this talk.

Promises, promises . . .

New Elands is currently in operation. Most of the R1m thus far raised from the public has been "used to rehabilitate the mine" which was flooded in 1976. "A further R180 000 is needed to bring the mine to full production of 2 000 ct a month at a grade of 0,3ct/t in fissure and 0,1ct/t in tailings," says Stephens. He adds that the "mine has a life of about 15 years."

Blaauwbosch was evaluated in 1966 and 1970 by then independent consulting engineer Desmond de Villiers Oxford. It was closed after a mudrush in 1967. The 1,5ha diamond pipe has been claimed to be the 19th largest in the world. De Villiers Oxford said the pipe extended 300 m and there was evidence it could extend 600 m below surface. The mine is not being worked, but, according to Stephens, it could be brought into production at a cost of about R1,5m. Cash for this "will be no problem" if un-named Belgian diamond interests are fully convinced of the mine's worth. Stephens says the cash "is almost a certainty."

Based on De Villiers Oxford's 1970 survey, an average revenue of R80/ct might be possible from underground mining and R20/ct-R30/ct from re-treated dumps. On a monthly mill throughput of 800t/day Stephens gives Blaauwbosch a life of 35 years, gross revenue for the period of R266m and an annual taxed profit of about R1m. The 1970 report gives grade as 0,3ct/t underground and 0,1ct/t from the dumps.

If the R4,5m offer for the two mines by another European consortium is accepted by Stephens the present 450 Dominion shareholders would reap a capital profit of 25%-30% in the next few months. If the deal falls through shareholders will receive a dividend this year and the 1978 annual report this month."

If you want to risk your money Dominion is still selling shares. But until there is a profit dividend record they are an out and out speculation with great downside potential. With no JSE quote the shares are virtually unmarketable, and I advise prospective investors to steer well clear of any offers. If you want to be in diamonds now take the more certain route through De Beers.

De Kock

Table 22. Number of African techn
sample which would empl
i) immediately availab
assuming full economic

NATIONAL DIPLOMA FOR TECHNICIAN
OR NATIONAL DIPLOMA IN :

Electrical Engineering (Heavy Curre
Electrical Engineering (Light Curre
Industrial Instrumentation
TV and Electronics
Mechanical Engineering
Automotive Engineering
Production Engineering
Refrigeration & Air-conditioning
Engineering
Construction Supervision
Structural Draughtsmanship
Mechanical Draughtsmanship
Chemical Technicians
Analytical Chemistry
Chemical Plant Operation
Chemical Technology (Plastics)
Microbiology
Food
Sug
TOT
Elec
Elec
Mech
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Str
Buil
Buil
TOT

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Is that 'diamond' a real gem..?

By PAT SIDLEY

YET another diamond "substitute" is on the market — but this time it so closely resembles the real thing that even the experts cannot always tell

It is called cubic zirconia

It has been developed from zircon, a natural stone which closely resembles a diamond and which in the past was used in the manufacture of fake diamonds

But zircon is doubly refractive, and diamonds singly, so the zircon fakes were detectable

Now, however, the imitations are being produced with a cubic structure, which like diamonds, is singly refractive

"It has a similar refractive index to that of a diamond and is relatively hard It will certainly be a worry for the industry," says Arthur Thomas, a Johannesburg jeweller

Even in laboratory situations, he says, it cannot always be distinguished

Israel

Cubic zirconia, produced in Russia on a large scale, is being cut in South Africa, Israel and the East, and sells as a cut stone at approximately one per cent of the value of a diamond

According to a Johannesburg gem dealer long in the game, he was unable to detect that the stone he was evaluating as a diamond, in fact was not

The main worry for dealers is likely to be in the smaller stones, where the size frequently will not merit the amount of checking that will have to be done to accurately assess a stone

Producers of the imitation are apparently doing well and not coping with the demand

But, asks Mr Thomas, what portion of the sales are legitimate He has been told that there have already been instances of parcels of gems being swopped

Previous imitations on the market, YAG and GGG, could be detected more easily, were not as hard, and the colours could not be easily faked

Substitute

The cubic zirconia is a new and worrying problem for the industry

"There's still no substitute for a diamond," says Errol Fyfe, chairman of the Jewellery Council

Which would hold good as long as you can tell the difference

HOMEDEP, CAPERAT, SUBUNIT, CAPEDEP (in another model).

Illegal workers with a homeland tie ([illegible] workers):

REMIT 1,58 HOMERAT

Sign. level (0,09)

R = 11,9%

Variables excluded in order of exclusion: HOMEDEP, TWAGE, CAPEDEP, CAPERAT

SUBSIST (in one model);

HOMEDEP, SUBUNIT, CAPEDEP, CAPERAT (in another model).

Borners with a homeland tie (10 workers):

No results.

None of the variables could be retained in the model.

10(ii)b workers with a homeland tie (42 workers):

REMIT ,76 HOMEDEP

Sign. level (0,01) [illegible]

R [illegible] 12

Variables excluded (in order of exclusion): SUBSIST, CAPEDEP, HOMERAT,

TWAGE, CAPEDEP (in one model)

CAPEDEP, SUBUNIT, HOMERAT, CAPERAT (in another model).

(19)

(20)

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Business
Mercury

7/3/79 ~~249~~

De Beers' profit up

KIMBERLEY — De Beers Consolidated Mines' net attributable profits increased by 31 percent to R741m in 1978 and earnings per share amounted to 205,5 cents.

A final dividend of 45 cents a share has been declared, making a total distribution for the year of 65 cents, an increase of 12,5 cents or 24 percent

As a result of a change in accounting policy, capital expenditure to maintain production has been charged against the diamond account and not through appropriations from reserves, as in the past.

Furthermore, diamond export duty is now treated as part of the tax charge and is no longer deducted from the diamond account. Comparative figures have been adjusted accordingly.

Gross income

Gross income totalled R1 219m (1977: R926m). The diamond account rose by R222m, 30 percent, to R956m from R734m. Dividend and interest income increased by R65m or 38 percent to R234m from R169m. Revenue from other sources amounted to R29m (R22m).

Pre-tax profits rose to R1 156m from R871m Taxation and State's share of profits increased to R405m from R298m and outside interests in the profits of subsidiaries amounted to R9m (R10m). Net attributable profits of R741m compare with R563m or 156 cents per share in 1977

Diamond stocks amounted to R255m (R220m) and cash rose to R1 294m (R683m). — (Sapa)

DIAMONDS

De Beers' best friend

Reflected in the soaring 1978 De Be diamond account income of R9 (1977: R734,8m), is a healthy dem for diamond jewellery, especially in US, John Nichols, a De Beers US ad PR agency executive, tells the FM retail diamond jewellery sales tot $3,1 billion in 1978 ($2,75 billion).

Roughly 28 000 US diamond jewel outlets report 56% of sales are diam sales. Avers Nichols happily. "Th never been a healthier understandi diamonds as the ultimate gift."

Ayer's De Beers billing is now $ Its main brief is "trying to maint acquisition rate" in the US, where diamond market is very strong" Nichols. "1978 has been a [illegible] ner year for us."

Available statistics provide a picture. 75% of all first time brides down the aisle wearing a diamond. all married women receive a gift o monds — up from 4,6% — and all men own diamond je Research, says Nichols, indicates 7 married men would like to [illegible] jewellery and 80% of women [illegible]

Financial [illegible]

to wear it. Demand is right across the board – rings, pendants, tie clips, cuff links. Biggest demand is for the 15-20 point range (100 points per carat, five carats per gram, 142 carats per ounce).

Research during 1977/1978 shows sales of diamond jewellery in SA totalled R82m for 129 000 units — 110% up on 1974 unit sales, 186% up on value. 26% of units sold were engagement rings, down in terms of units, but 9% up on value. Jewellery value, excluding engagement rings, jumped R48m.

Clearly, diamonds are still some people's best friend.

		3
		9
		4
		F
		7
	A	3
	D	9
	A	8
	C	7
	D	7
	D	5
	A	7
	D	3
	A	2
	C	4
Horner Mr. D.	D	5
Hughes Dr. K.	C	8
Johnson Mr. L.	D	7
Joubert Mnr. J.	C	8
Kahn Mr. B.	C	3
Kane Berman Mr. J.	F	F
Kantor Mr. B.	C	9
Kassier Prof. W.	C	6
Kenny Mr. H.	A	6
Kistner Dr. W.	D	2
Kingwill Mr. R.	D	2
Kingwill Mr. W.	A	1
Knight Mr. J.	C	6
Koch Mr. L.	A	6
Kooy Ms. A.	C	4
Laubscher Mnr. J.	C	7
Letsie Mr. L.	C	6
Levy Mr. B.	D	7

~~①193~~ ~~③136~~

② 216 ~~④128~~ The Cape Times, Saturday, April 7, 1979

Diamond cutting factories heading for boom

Own Correspondent

DURBAN. — Diamond cutting factories in South Africa are heading for a boom The rapid expansion of the past two years has been given an extra lift by the signing of a new demarcation agreement, which came into effect on March 2

Race barriers are being broken down and the industry, which three years ago comprised about 1 000 white artisans, is now near the 3 000 mark — the new workers being Coloured operatives

Further expansion is expected this year

The original demarcation agreement was reached in 1976 after a ten week strike and laid down that operators could only saw diamonds up to 1,19 carats in size or polish sawn diamonds up to 0,60 carats in size

Further talks were held late last year and this year between the Diamond Workers Union and the Master Diamond Cutters Association in which the limits were raised to 1,69 carats for unsawn diamonds and 0,85 carats for sawn diamonds

Mr Robin Rich, secretary of the union, said this was a tremendous increase and an "unprecedented move for our union"

On the old demarcation, 60 percent of the work normally done by artisans is being done by operators The new rules will increase the operators share to "something like 70 to 75 percent"

Mr Rich said "Naturally, we must accept this but we beleive it will prove prejudical to our members and time will tell whether we are right or not"

Mr Hugo van Zwam, Association chairman, said: "From the employers side, it will give the industry more flexibility in organizing its workers However, all guarantees to skilled workers are still effective"

The use of Coloured operators for handling small diamonds — known as melee — is possible because automatic machines have been introduced to handle this size of gem. Operators do not have to undergo an apprenticeship as is the case with journeymen who are the only workers allowed to process the larger diamonds.

This breakthrough, which is rapidly creating a small diamond industry comparable to the Israeli or Indian pattern — although employment is not as high yet — was made possible by recognizing that operators could handle small diamonds and that they did not need the skills of journeymen

As the diamond mines are dug ever deeper, the size of diamonds becomes smaller. Even new mines produce small diamonds

Manufacturing index higher

PRETORIA — The index of the physical volume of manufacturing production for the period November, 1978, to January, 1979, stood at 195,0 — an increase of 1,6 percent compared with the period from August to October, 1978

The base is 1963-64 equals [illegible], and the figures are seasonally adjusted — Sapa

Wag De Beers vir Sasol?

Deur **DAAN DE KOCK**

DE BEERS sal waarskynlik vanjaar sy dividend tot 75c per aandeel opstoot, wat sowat 10c beter sal wees as verlede jaar se syfer van 65c per aandeel. Terselfdertyd word daar verwag dat die maatskappy nuwe beleggingsmoontlikhede vir minstens die helfte van sy kontant van R1 295 miljoen gaan soek.

Hierdie vooruitskattings word gemaak na aanleiding van mnr. Harry Oppenheimer se opmerking in die maatskappy se jaarverslag dat hoewel die boomtoestande van verlede jaar waarskynlik nie weer ondervind sal word nie die maatskappy vanjaar nogtans goeie resultate behoort te toon

De Beers het verlede jaar 'n rekord wins van R741 miljoen getoon en het 'n dividend van 65c per aandeel verklaar, wat 'n verbetering van 24 persent op die vorige jaar se syfer is.

Daar was met die aankondiging van die dividend aansienlike kritiek dat dit moontlik te laag is indien die maatskappy se enorme kontantreserwes in ag geneem word Volgens De Beers se balansstaat het hy die boekjaar met kontant van R1 294 898 000 afgesluit

Kenners is van mening dat De Beers ten minste die helfte van hierdie kontantbedrag opsy sal hou om later as 'n koper van diamante op te tree as daar 'n sterk verswakking in die vraag sou intree

Dit laat die maatskappy met nog meer as R600 miljoen wat hy op ander plekke kan belê. Gerugte doen nou reeds 'n geruime tyd die ronde dat De Beers dit moontlik kan oorweeg om 'n deel van hierdie geld in die nuwe Sasol-projek te belê wanneer die geleentheid hom voordoen. Volgens kenners sal daar moontlik voor die einde van aanstaande maand besonderhede bekend gemaak word oor die deelname van die private sektor in hierdie projek

Uitbrei

'n Verdere rede vir die vooruitskatting van 'n verhoogde dividend is die feit dat De Beers sy produksie van diamante aansienlik gaan uitbrei

Die maatskappy beoog om sy produksie van diamante van verlede jaar se 12 miljoen karaat tot ongeveer 19 miljoen karaat in 1983 uit te brei Sekere van hierdie uitbreidingsprogramme het reeds al begin vrugte afwerp en daar kan verwag word dat vanjaar se produksie aansienlik beter as verlede jaar s'n sal wees.

Mnr Oppenheimer sê ook in sy jaarverslag dat hy van mening is dat die gebruik van diamante as 'n waardedraer moontlik in die toekoms aansienlik hoër sal wees as in die verlede Dit slaan ook die vermoede by sekere kringe die nek in dat die vraag na diamante in die nabye toekoms kan daal

DIAMOND CUTTING

(216)

Adding lustre

FM 4/5/79 (195)

The SA diamond cutting business is booming, with exports of polished stones up 60% to R204m for the first 10 months of last year compared with the same period in 1977

At the same time, employment in the industry has jumped from 1 000 to 2 500 since coloureds and Indians were permitted to work on the smaller four to five grainers (1,19 carats in the rough) at the end of 1976 Things can only get better now that an industrial tribunal has upped the limit to 1,50 carats, a decision which has been accepted by the Diamond Workers Union It bitterly opposed the first move

While the international market last year was 'exceptionally' good, one contributing factor to the surge in export sales of worked stone was the "sight" surcharge imposed by De Beers' Central Selling Organisation (The surcharge started at 40% in April decreasing monthly to nil in October when the price was raised an average 30%) This was done to deflate the speculative element in the market and remove potential price instability

However, scrapping the colour bar was probably the single most important factor Smaller stones were previously all exported unworked because of the unavailability of cheaper labour Higher paid whites worked mainly on larger stones although apprentices cut their teeth on the smaller gems

This move is in keeping with the Department of Mines policy that all SA production of diamonds should be worked locally

It is difficult to arrive at an accurate estimate of the volume of diamonds that are processed in SA, although a mines official puts it as high as 80% of total output But a calculation based on export statistics (where "rough" exports totalled R565m for January-October 1978 compared with R515m in 1977) shows that about 22% are cut and polished here (1977 15%)

The advantages of allowing semi-skilled operators in the cutting business are substantial Estimates are that currently 9 000 people are living off the new small stone industry and with virtually no skilled input in the business the number is likely to grow

The mean added value of a rough stone that has been cut and polished is about 25% This includes costs like labour and insurance, while profit is also taken into account, but obviously varies from stone to stone

With the price of small stones currently about R190 per carat in the rough and production costs running at R45 a carat a polished stone will have to be marketed at around R500 a carat (assuming a 40% recovery) for the operation to be profitable according to one diamond cutter

Since the labour policy was opened up rough is are being cut foreign exchange coffers are being filled and labour shortages are being alleviated And if local production is to be stepped up, operators will have to be moved into the skilled category The experience of the diamond cutting business provides a lesson for all of SA industry

DE BEERS

Building on rocks

(216) FM 4/5/79

Activities: *World's principal diamond mining and marketing organisation, mining diamonds mainly in Southern Africa and marketing through the Central Selling Organisation. Investment portfolio includes 33% of Anglo American and is itself 30% owned by Anglo.*

Chairman: *H F Oppenheimer*

Capital structure: *359,8m deferred shares of 5c; 800 000 40% cum prefs of R5 and 2,9m 8% second prefs of R1 market capitalisation: R3 004m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R70,9m, Net cash R1 285m. Current ratio 2,4. Net cash flow R506m Capital commitments: R449,8m.*

Share market: *Price 835c (1978-79. high, 960c; low, 475c; trading volume last quarter 1,5m shares) Yields 24,6% on earnings; 7,8% on dividend Cover· 3,2. PE ratio: 4,1.*

	'75	'76	'77	'78
Listed investments (Rm)	378	342	612	817
CSO sales (Rm)	793	1 352	1 803	2 219
Pre-tax profit (Rm)	286	520	888	1 156
Earnings (c)	61	85	173	205
Dividends (c)	28	35	52 5	65
Net asset value (c)	381	338	535	748

With the increased 65c dividend absorbing almost R234m after tax, and capital commitments of R450m, there seems little doubt of management's confidence on the diamond market's continuing strength

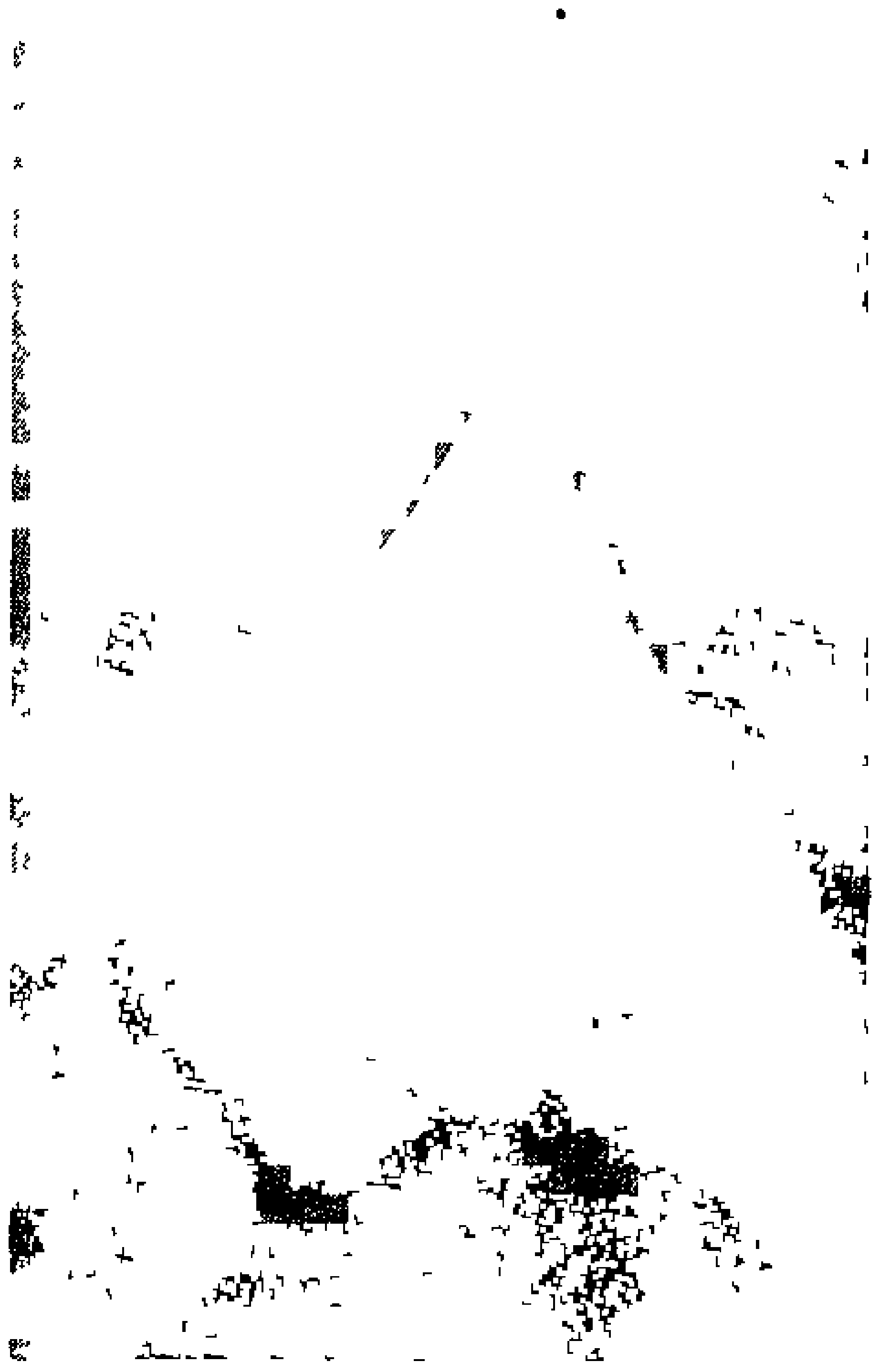
Though chairman Harry Oppenheimer warns that this year is unlikely to see a repeat of 1978's hectic boom conditions, steady expansion of group diamond output coupled with a full year of higher prices following last August's 30% price hike should at least mean a diamond account figure of over R1 billion. Following accounting adjustments whereby maintenance capex is now charged against diamond account profits, and export duty included as a tax provision, last year resulted in diamond account profit rising 30,2% to R956,4m (1977: R734,8m) Even with a growth rate slow-down, this year could record a R1,2 billion diamond account profit with, at this stage, most analysts reckoning on a bigger improvement.

Following 1977's dividend income distortion with the lowering of the stake in Purtra to 50% and the changed timing of the Anglo dividend payout, interest and investment income rose 38,5% to R234,1m (R169,1m).

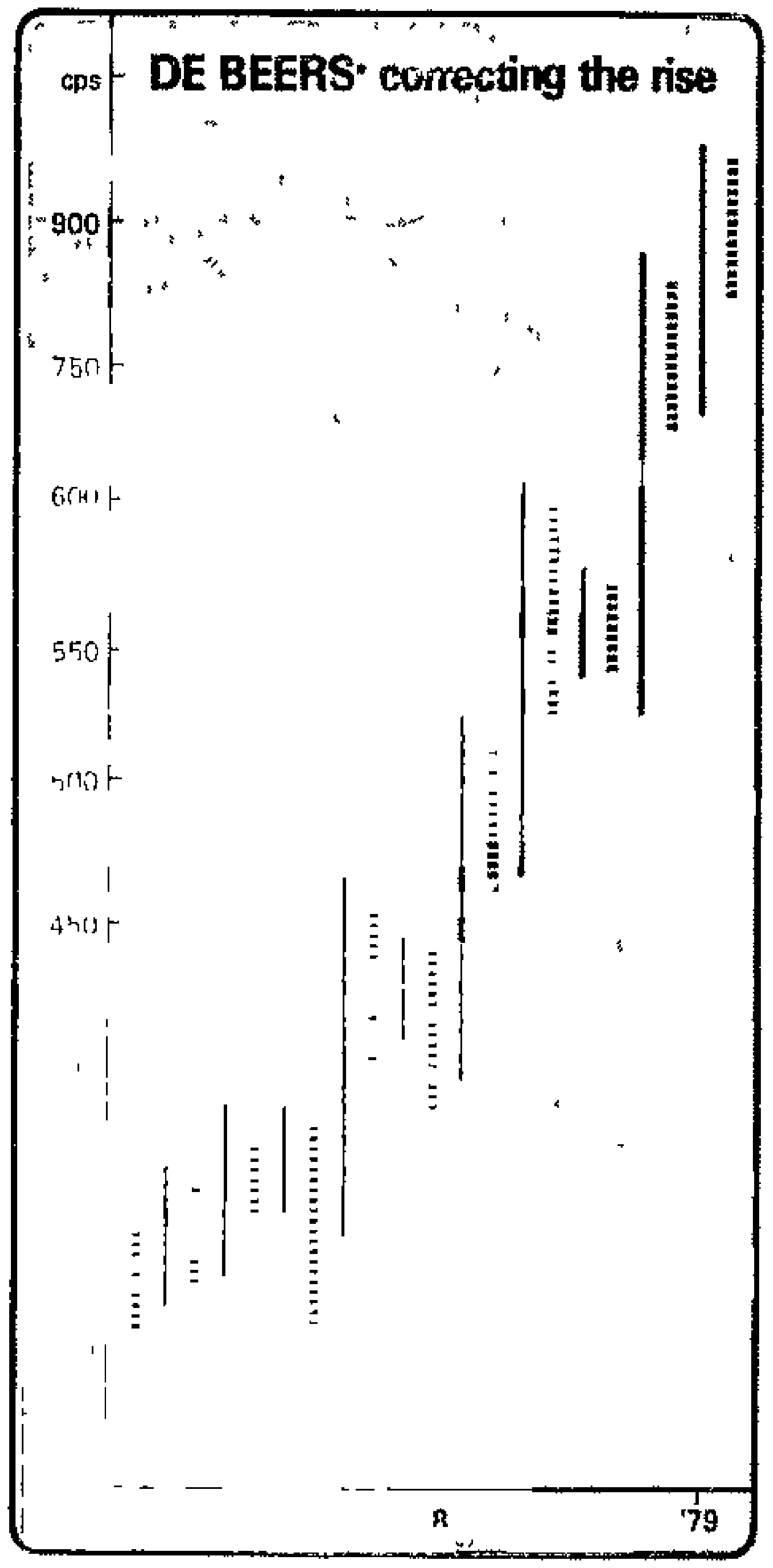
There again seems little doubt that this contribution, which effectively covers distributions on the deferred shares, will improve this year. The group's investment portfolio is 25% gold-based and a further 40% in industrials, both with sound near-term growth prospects.

Overall, pre-tax income improved 32,7% to R1,16 billion (R871,7m), offset by a marginally higher 38,5% tax rate (37,7%) calculated on the new accounting basis. As the tax rate increase occurred with an almost doubling of capex to R62,1m (R31,6m), it is difficult to foresee any meaningful reduction in the overall tax rate despite the group's heavy capex commitments over the next few years.

Turning to the balance sheet, Oppenheimer quantifies year-end attributable net current assets at 530c, up from 315c at end-1977. As a partial measure of De Beers' diversification away from diamonds, the investment in Anglo itself is currently worth 155c per share. It remains to be seen, however, when the group's cash assets will be deployed for further diversification Though management's line for some years has been that large cash holdings are necessary against future diamond market downturns, near term, any major demand downturn seems unlikely With current demand there should be scope for a further diamond price increase this year, giving an additional boost to diamond account profit.



Premier Rose . . . 353,9 carats of solid profit



DE BEERS· correcting the rise

Group diamond production rose marginally last year to 12m ct (11,8m ct) with an increase to around 13m ct slated for the current year. By 1983, the present capex programme should have been completed, lifting annual production capacity to 19m ct. Thereafter, much depends on events in SWA. At CDM, where the company claims reserves are limited, exploration within the diamond areas is aimed at increasing the life of coastal operations. But perhaps more important will be the outcome of prospecting in the north eastern part of the territory, where it is unofficially hoped at least one pipe equivalent to those in Botswana will be located and brought on stream within 10 years.

On a marginally lower output of 1,9m ct (2,0m ct) CDM contributed 20% (22%) of the group's after tax profit With Finsch heading for an annual production rate of 3,5m ct by 1980 from last year's 2,6m ct, expansion of Orapa complete and a target annual production rate of 4,1m ct set for this year compared with 2,5m ct last year and Jwaneng due to come on stream by mid-1982 and reach its target output of 6m ct a couple of years later, CDM's percentage contribution to profit will probably decline until the mid Eighties

Last year, total diamond stocks disclosed in the balance sheet rose to R[illegible],6m (R[illegible]m) [illegible] stocks [illegible] probably lower than management [illegible] especially [illegible] [illegible]

[illegible] to predict a repeat of [illegible] record performance [illegible]

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DIAMOND MARKET

FM 15/6/79 216

Warning signals

The world market glut of small diamonds, sized between one and 10 points, has been taken as confirmation that certain dealers have hirtherto been hoarding stones in anticipation of further price rises In the past three years, the price of "smalls' has increased between 300% and 400% — but is now falling heavily

Rumour has it that De Beers has dropped several old clients as a punishment for hoarding and as a lesson to other "would be" hoarders Although this rumour was neither denied nor confirmed by a spokesman for De Beers in Johannesburg, *Forbes* magazine ascertained from a London spokesman for De Beers that he did not disagree with "trade talks" that around 30 dealers had been taken off the regular list of 300 dealers This alone would be sufficient to "scare" the rest into offloading their holdings onto an already saturated market

When questioned on the *Reuter* report that 10 000 workers in Israel's diamond polishing industry will be laid off for the month of August because of a world-wide sales slump, a local spokesman for De Beers said the report had since been denied

According to the spokesman, the Israeli Diamond Exchange president, Moshe Schnitzer, said his statement, broadcast by Israel Radio, had been taken out of context, and that a denial had since been put out by *Reuters* However, *Reuters* in Johannesburg have so far been unable to trace any such denial

Even more anxiety has been caused by speculation that a new Eastern source of polished stones is undercutting traditional sources by using cheap labour Even SA, formerly an exporter of small stones for cutting, is finding it more profitable to hold back on some supplies One reason is that polishing at home avoids the 25% import levy charged when the stones reenter the country

Employment in the SA diamond cutting industry has risen from 800 to 3 000 workers in the past few years, with jobs now open to coloureds — albeit only to work on smaller stones

Most diamond dealers agree that De Beer's near monopolv of the industry has led to efficient market control However, John Stephens of Dominion Mining, which is currently running a tailings operations at its OFS mine, finds it more profitable to sell to independent buyers as prices are higher than those received from De Beers He denies that there is a diamond glut, and described the market as a seller's one However, Dominion sells its diamonds in parcels of mixed sizes, holding back the number of small, rough stones when they become too numerous

Overall, world markets were sluggish in March and volumes drastically cut Reports indicate that this trend is increasing But according to De Beers, the market for polished diamonds of more than one carat remains fairly firm

For over 40 years, De Beers has controlled the rough diamond market by warehousing stones and slowly releasing them when market conditions firmed It is speculated by Roy Huddlestone, director of Diamond Selection Limited and editor of *Diamond Digest,* that De Beers may be diverting some of its huge cash resources into stabilising violent fluctuations in the weakening polished diamond market

While it would be financially impossible for even De Beers to control the prices of polished stones in the same way as roughs, its actions could smooth fluctuations Huddlestone believes that the operation will be "a public relations exercise in influencing market sentiment" His theory holds that, as dealers follow each other a more financially sound dealer could selectively buy substantial amounts at 10% to 15% below last year's price to slow the downward trend, create activity, strengthen confidence and thus produce a more stable price sooner

De Beers has described Huddlestone's report as "speculative', and points out that it has been active in the polished stone market for years However, De Beers admits that the market for polished stones has cooled down after 1978's feverish boom to "more normal conditions"

Certainly, if De Beer s share price is anything to go by, the uncertainty surrounding the diamond market has spread to equity investors In the past four weeks, the share has fallen by over 10%, a drop of nearly 100c However, this cannot be taken as a strictly accurate barometer, as De Beers traditionally falls under the hammer in the face of heavy overseas demand for FR — which has been the case in the past few weeks

Jean Moon

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**312,5**	**315,2**	**325,9**	**227,9**
% change on	—	—0 9	—4 1	37 1
P/E ratio	5 0	5 1	5 3	4,5
Div yield	7 3	7 2	7 0	9 3
UK FT Ind	**501,4**	**509,3**	**526,4**	**474,6**
% change on	—	—1 6	—4 7	5 6
P/E ratio	8 3	8 4	8 6	8 2
Div yield	5 9	5 8	5 6	5,6
US Dow Jones	**845,3**	**831,3**	**825,9**	**857,0**
% change on	—	1 7	2 3	—1 4
P/E ratio*	8 6	8 5	8 3	9 5
Div yield	5 2	5 3	5 4	4 9
Gold price (in US $ on London)	**278,4**	**279,1**	**254,9**	**182,6**
% change on	—	—0 3	9 2	52 5
Krugerrand (Rand)				
Public selling price	**270,0**	**267,0**	**247,1**	**182,0**
% change on	—	1 1	9 3	48 4

* Standard & Poor index

Public buying price in 10% below subject to negotiation

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Government yes to SA diamond market

216

DD 27/6/84

DURBAN — The Government has given encouragement to starting a diamond market in South Africa on the lines of those in Antwerp, New York, Amsterdam and Ramat-Gan in Israel

While debating new diamond legislation last month, Mr S P Botha, Minister of Mines, said "We must try to create a large diamond market in South Africa, but I am not going to create it. The diamond industry itself must create it "

There are more than a dozen diamond bourses in various major gem centres, but up to now South African diamond cutters have always exported their polished gems and sold them abroad

Mr Botha said that if such a market was started it should be set up in Kimberley It would give new impetus to the industry and would bring people from all over the world

Dealing with the legislation, which comes into effect on October 1, Mr Botha said there were six changes to the existing law

Three of these changes concern the export of cut diamonds and more stringent control over the prices realised for these gems.

Mr Botha said it was possible to export diamonds at cost plus production costs and make a profit abroad which would not be reflected in South Africa

There was need to control employment and the movement of workers; there was a lack of a co-ordinated market for diamonds; and it was not possible to stop the sale of a cutting plant to foreign interests

Mr Botha said by the end of this year there should be 3 500 operators controlling 800 automatic machines — an increase of 400 machines.

He saw a time when there could be 10 000 cutters — roughly the size of the Israel or Belgian industries

Mr Botha said there was a premium on South African-made diamonds They were on a par with those cut in Amsterdam and London "But I think in many ways we are better than they are "

The local industry was not processing diamonds under half a carat in size, but there was great demand for this size as prices rose

Forecasting the output this year, Mr Botha said about 1 400 000 carats worth R450 million should be processed by the local cutting industry This was about 200 000 carats more than last year

The figures reflected the phenomenal growth over the past few years, he said — DDC

(26)

For full text see Acts 1979

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

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CAPE TOWN, 29 JUNE 1979
VOL. 168] KAAPSTAD, 29 JUNIE 1979 [No. 6538

DEPARTMENT OF THE PRIME MINISTER

No 1410 29 June 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information.—

No 89 of 1979: Diamond Cutting Act, 1979

DEPARTEMENT VAN DIE EERSTE MINISTER

No 1410 29 Junie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word —

No 89 van 1979: Wet op Diamantslypery, 1979.

ACT

To regulate and control the cutting of diamonds, and to provide for matters incidental thereto.

(Afrikaans text signed by the State President.)
(Assented to 20 June 1979.)

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Definitions

1. In this Act, unless the context otherwise indicates—

(i) "approved premises", in relation to a licensee, means premises approved by the board in terms of the provisions of section 28 (1) for the purposes of the carrying on on such premises by such licensee of diamond polishing or diamond repair work, and described in the licence issued to such licensee, or premises the address of which has been endorsed on such licence in terms of the provisions of section 28 (2), (x)

(ii) "board" means the Diamond Cutting Board established by section 2, (xxii)

(iii) "certificate of registration" means a certificate of registration issued under section 32; (xxiii)

(iv) "chief of the diamond branch" means the member of the South African Police designated as chief of the Diamond and Gold Branch of the South African Police by the commissioner, or a member of the South African Police acting under the authority of the said chief; (xiii)

(v) "commissioner" means the Commissioner of the South African Police or a member of the South African Police designated by him for the purposes of this Act; (xv)

(vi) "controlling interest", in relation to any company, means—

- *(a)* a majority of its shares; or
- *(b)* shares representing more than half of its share capital; or
- *(c)* shares of a value in excess of half of the aggregate value of all its shares; or
- *(d)* shares entitling the holders thereof to more than half of its profits or assets; or
- *(e)* shares entitling the holders thereof to a majority or preponderance of votes; or
- *(f)* any interest acquired by virtue of the grant of loans for an amount exceeding in the aggregate half of its share capital, or debentures for such an amount; or

Diamonds are the brokers' best friend

[illegible]

(216

By ELIZABETH ROUSE

DIAMONDS proved to be the brokers' best friend yesterday

Except for De Beers, which extended Monday's sharp gain, the rest of the market was dead

A Johannesburg broking firm's confidential circular that referred to a possible new diamond find south of Port Nolloth soon spread the news to London and New York and the diamond rush was on

A De Beers spokesman yesterday declined to comment on whether there were grounds for market speculation about a new mine

Nevertheless, De Beers lent some sparkle to a deadly dull Diagonal Street, gaining 8c to 845c yesterday, making the rise 25c in two days

New York was an overnight buyer and set the firm opening tone yesterday, although the counter was off the top at the close

Af Lease was a minor feature in a quiet gold sector

The share firmed 15c to 490c on speculation that a uranium contract has been tied up

Otherwise, there was nothing on the horizon to stimulate investment in Diagonal Street

Arbitrageurs are frustrated that American investors are just not attracted to South African gold shares, whose prospects are excellent at the current gold price level

Coals are beginning to look brighter and leaders extended gains yesterday but other metals and minerals were mostly [illegible]

Mining holdings were steady

Mining houses were either neglected or came under some selling pressure as in the case of Anglo

Trading was listless in the industrial sectors and losses far outnumbered gains

Messina came off a few cents and Palamin shed 10c in coppers

Ex-dividend Rooiberg and Union lost 50c and 5c respectively in tins

Implat was bid up 15c to 395c but other platinums were dull.

Amcoal gained 125c to R20,25, ex-dividend Apex was 25c firmer and Vryheid and Welgedacht advanced

To some extent certain gold counters were inhibited by having gone ex-dividend

Marievale, however, managed a 5c gain

Randfontein was unchanged

Ex-dividend Blyvoor, Libanon and Venters came off in the 10c to 30c range

Anglo shed 10c to 775c and Unicorp was marked down 10c to 790c with TC Lands, up 150c, going against the weak mining house trend

UCI lost 20c but Amgold and smaller mining holdings were steady

Barlows was unchanged but industrial holding leaders were generally off in the 10c region

Unisec went against the trend with a 4c gain to 132c

The rest of the industrial board was peppered with losses of between 5c and 10c in the institutional favourites

Woolworths lost 20c to close at 390c

F.M. 13/7/79

FM 13/7/79 ~~216~~ 216

CSO SALES

Fuelling fears

First-half CSO sales have not pleased investors who cut De Beers from 850c to a low of 815c on Wednesday Compared with last year's then first-half record of R1 064m, and a second-half increase to R1 155m, this year's first-half sales figure of R1 085m tends to confirm that diamond sights this year have been meeting with a poor reception And, as if to put the boot further in, some London brokers with large positions in De Beers are going on record as claiming that this year's first-half CSO sales were only as good as they were because of heavy additional cut and polished diamond sales

Whether or not that is correct will probably never be known officially But unlike gold, where fears over currency trends have boosted bullion, the 30% average rough diamond price hike last August is widely considered to be the maximum the market will bear for the present

If so, and if there is market resistance to further hikes which would further depress normally lower second-half rough stone demand, prospects of anything better than first-half CSO sales figures during the second half could be dim

Surcharges ranging from 40% to 15% during the first half of last year were widely reported to have shaken out cutters and dealers who had built up large "speculative" stocks of rough stones Now, the story goes they merely pulled their horns in and those roughs are still available for cutting by a relatively depressed industry If that is correct, no-one will be particularly enarmoured of rough stone price hikes during the current six months

Now the question is how will the first-half's stodgy CSO sales performance reflect in De Beers' interim results? With tightness in the diamond market, stock profits, which contributed considerably two years ago, will probably not be a major factor as far as De Beers' results are concerned, at least for this year But De Beers can take its profit wherever it wishes, either at the mines or in the trading companies And so long as it maintains its reporting secrecy, few of the analysts disillusioned by first-half CSO sales will be prepared to give De Beers the benefit of the doubt more or less whatever it reports in August.

Even so, there are few fears that De Beers' 20c interim and 45c final will not be bettered this year, even if reported earnings improve only marginally on the year's 205c

But the advance in total payout does not seem likely at this stage to match last year's 12,5c increase If the diamond market is entering a period of weakness, retentions will become increasingly important to fund stockpiling until a return to volume growth is established

The sharp drop in De Beers' share price need not wholly reflect disenchantment with diamond earnings potential A London view is that with gold shares weakening on near-term bullion fears, investors are liquidating De Beers preparatory to buying into golds at lower levels.

For investors who are prepared to look beyond the end of the year, and inclined to dismiss fears of a world-wide recession next year, the present share price setback could present a buying opportunity

Jim Jones

SUNDAY EXPRESS August 19, 1979

216

Busines

Will some of the shine rub off De Beers' sparkling performance?

SUNDAY EXPRESS BUSINESS EXCLUSIVE

By DEREK TAYLOR

AS DE BEERS moves majestically into the second half of the year some irreverent pundits are predicting that the blue-chip colossus is actually perched on a plateau situation — with a just-perceptible sales volume dip under its rump.

Will the nonagenarian organisation be able to match its R2 219-million gem and industrial diamond turnover of last year?

The first half of this year turned in a creditable R1 085-million — 2% higher than 1978's first half.

But the general listlessness which has spread through oil-stricken Western economies is blamed for a current slackening demand which could take a bit of the sparkle off De Beers normally polished performance for 1979.

Brokers predict a constriction in sales because even the best of the traditional buying areas — the US, Europe and, more recently, Japan — have lost too much of 1978's buoyancy to cope with last August's huge price rise for diamonds

The increase was designed to cool an increasingly torrid trading situation as the stones became irresistible hedges against inflation

In effect, the increase was the consolidation of the surcharge De Beers applied to restore market stability

According to leading brokers, current indications in De Beers' main markets show that the ranges of smaller diamonds are losing most in demand — despite the canny support of De Beers' promotional advertising for them

But the big sparklers are still a favourite investment and, if enough of them can be supplied, De Beers may hope for a swings-and-roundabouts compensation to help them up by the end of the year

The accelerating momentum for the big rocks hedge investment which built-up in the US over the past two years is, apparently, still being led by investment trusts and even banks

Customers, cutters and jewellers are enjoying what sunshine they can find in Europe's holiday season during this annual general slackening of the market

But on the horizon is the big test of the Christmas splurge which could show that, for the moment, diamonds are becoming more a banker's than a girl's best friend

DIAMOND PRICES

(216)

Lucky for some

FM 3/6/79

European diamond dealers were far from surprised at the Central Selling Organisation's announcement of a 13% price hike for larger gems (see *FM* last week) Conditions in the market, they reckoned, had been long pointing that way

The CSO, controlled by De Beers, handles directly the movement of about 85% of the world's rough diamonds on to the market through 10 "sights" a year held in London But it is the relationship between the CSO and a significant portion of the remaining 15% which holds the clue to why prices have been increased.

In the nether world of international diamond diplomacy, the links between De Beers and Russian diamond producers are an open secret Antwerp diamond men have noted that the Soviet tail often wags the De Beers dog in that rises in Soviet prices frequently precede an increase in the CSO averages

In recent months, Soviet stones have been selling at a premium to the CSO goods, persuading Antwerp dealers that the CSO, the "Syndicate" as they call it, reached agreement with the Russians on a price rise a few weeks ago

It is thought that Russian sales have probably been sagging Some of their older diamond pipes are near to being worked out while there have been technical difficulties, associated with the permafrost, at newer ones Their high prices seek to compensate for this

This would have suited the "Syndicate " Sales have been sluggish this year compared with last, when control of the market was only maintained by a succession of price surcharges which, once removed, were replaced by an average 30% rise designed to cool speculative fever

Following the Russians will help to boost CSO revenue, which was 6% lower in the first half of 1979 than in the second half of 1978, while allowing relatively modest amounts of rough stones to go on to the market The rise will not only make amends for the fall of the dollar but

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pulation from all causes of death. The proportional
seventeen major disease categories of the International
isease (8th revision) to the overall mortality of the
is summarised in Fig. 5. The whites show a typical
spectrum of mortality with Infectious and Parasitic
nor importance (2,0%) and Neoplasms (15,6%) and Diseases
ystem (50,5%) being of major importance. For urban
eds', Infectious and Parasitic Diseases make an import-
the overall mortality (19,5% and 23,5% respectively),
respiratory system and certain causes of perinatal
of importance. Within the category of Infectious
es, diarrhoeal diseases and tuberculosis are the most
mortality. The 'coloureds' experience an interesting
loped' and 'underdeveloped' mortality with a high
ritis and diarrhoeal diseases in the young and circu-
ater life. What is also of interest is the relatively
toms and ill-defined conditions, particularly in the
',5%). This provides some indication of ~~the~~ pro-
on of medical services to Africans in the urban areas.
s have a spectrum of mortality intermediate between
hand and the 'coloureds' and Africans, on the other.

tion of the cause specific mortality data as propor-
nceals a certain amount of information. Table I
led analysis of these data in the form of cause
tes for defined age groups by sex, in the white, Asian
ities.

s (Table I) are compared with the proportional mortal-
n major disease categories (Fig. 5), it will be
noted that despite the relatively minor proportional contribution made by circulatory diseases in the 'coloured' community, the actual rates for these diseases are higher than those of the whites. The reason for this apparent inconsistency is that the mortality rates for Infectious and Parasitic Diseases are so high that they effectively swamp the proportional mortality of the Circulatory Diseases in the 'coloured' community. In the white community, the mortality rates for most causes of death are so low, the importance of the Circulatory diseases become disproportionately exaggerated.

Similarly, if the Accidents, Poisoning and Violence category is examin
in greater detail, motor vehicle accidents are the major cause of mort
ity in whites, 'coloureds' and Asians, the second most important cause
the white community is suicide, whilst that for the 'coloureds' is homi
cide. For Africans, the latter is the main cause in this category.

The expectation for life at birth and at age 45 for whites, Asians and
'coloureds' is summarised in Fig. 6. It is not meaningful to calculat
an expectation of life for urban Africans as this group is subject to a
large measure of migration. The characteristically better expectation
of life for women in comparison to men, is apparent for all three commur
ties. However, what is of interest is the ratios of the expectations c
life for the three communities. At birth, the white:Asian:'coloured'
ratios are 1:0,91:0,76 for males and 1:0,88:0,77 for females; at the ag
of 45 these are 1:0,91:0,86 for males and 1·0,79.0,85 for females.
The 'coloureds' are less disadvantaged at e_{45} as compared to e_o for both
males and females, a difference which is largely attributable to the high
infant mortality rate in this community. It is also noteworthy that
Asian females have the worst expectation of life at age 45 of the three
communities, which is in marked distinction from both males and females
at e_o and males at e_{45}. The fact that for the 65+ age group, Asian
women have the highest mortality rates for respiratory, circulatory,
digestive, genito-urinary and ill-defined causes of death (Table I) may
contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

216 14/9/79

First blast at mighty Secunda coal mine

216 RDM

14/9/79

Staff Reporter

A DYNAMITE blast at Secunda yesterday heralded the start of excavations which will eventually become part of the world's largest coal mine.

The mine, Bosjesspruit Colliery, will have to provide a staggering 27-million tons of coal yearly — nearly a third of South Africa's annual output — to satisfy the needs of Sasol 2 and 3 once the plants have been completed

Yesterday a crowd of dignitaries, including senior staff from Sasol and the contractors, Goldfields Cementation, watched as Sasol's General Manager Mining, Mr B H L Leach, detonated an explosive over the site of Bosjesspruit's second east shaft The shaft is one of two which will eventually serve the Sasol 3 plant

Mr Leach said the colliery was already producing about 170 000 tons of coal a month following the successful completion of two shaft systems Once the colliery was fully operational it would have a work force of 6 400 people.

The coal reserves at Bosjesspruit were sufficient to meet the needs of the two Sasol plants for at least 70 years, he said

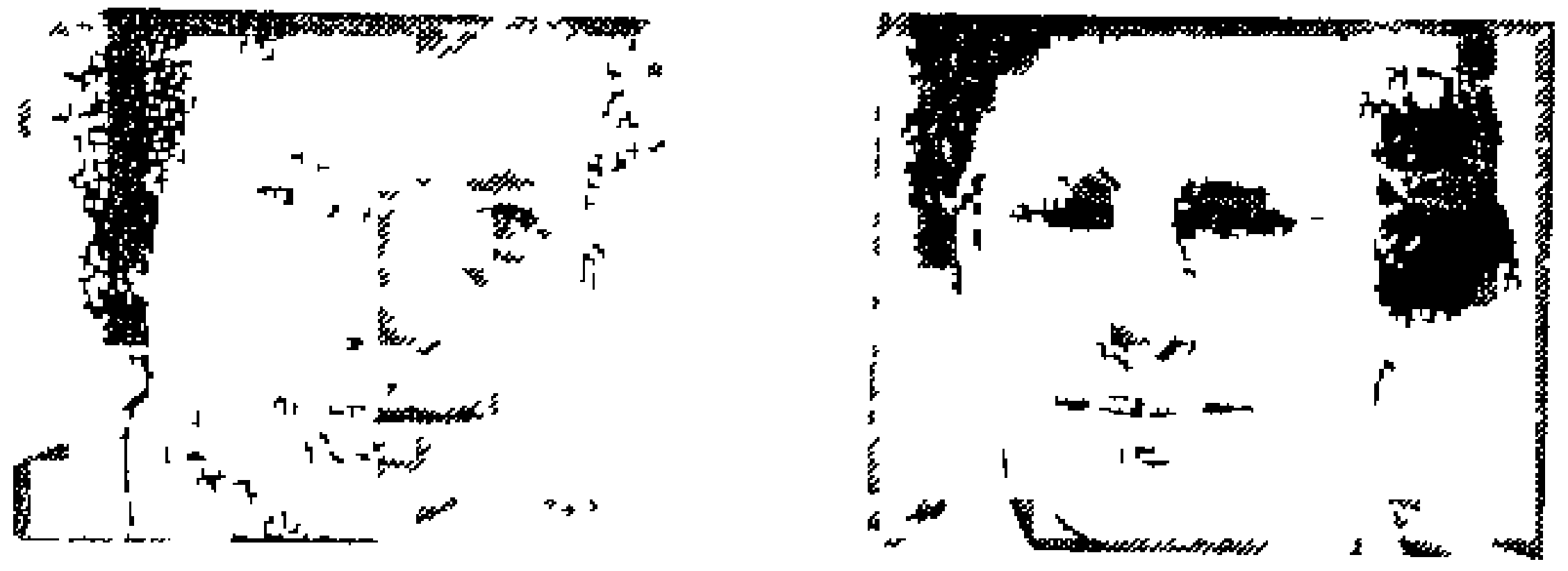
An estimated R458 000 000 will have been invested in the Bosjesspsruit Colliery once it has been completed

Mining at Bosjesspruit will be done at a depth of between 100 and 200 metres below surface using proven mining techniques.

R10 m sea gem boom

CT 8/12/79 (216) ~~131~~

Cape Times investigation



Gordon Kling and Stephen Wrottesley

Villem Truter looks through the concentrate for diamonds.

A NEW DIAMOND rush, in which four lives have already been lost, has developed along the Western Cape coast. Divers, some allegedly employed in contravention of new regulations, have earned R15 000 in a single day.

Mining company executives describe the coastal rush as a boom which has produced diamonds worth more than R10-million in the past year, compared with about R500 000 previously, creating new jobs and new wealth for depressed towns in the region

The rush has also provoked a bitter row, now the subject of a government investigation, over the safety of hundreds of divers employed in the undersea mining operations

A spokesman for the Department of Mines confirmed yesterday that the Government Mining Engineer was working on legislation intended to protect the divers which would be comparable with stringent Department of Manpower Utilization laws governing commercial diving

A Cape Times investigation has found mining companies adamant that they are taking reasonable precautions in what was an admittedly hazardous line of work Divers interviewed said the risks were worth the money

November 6 1979 7

Employment Offered

STUDENTS

Two divers with own suits for Diamond operation in Hondeklip Bay — Phone 29 Hennie.

G—7

One of the advertisements that appeared in local newspapers recently seeking divers — but no mention was made of certificates required in terms of regulations sent recently to concession-holders

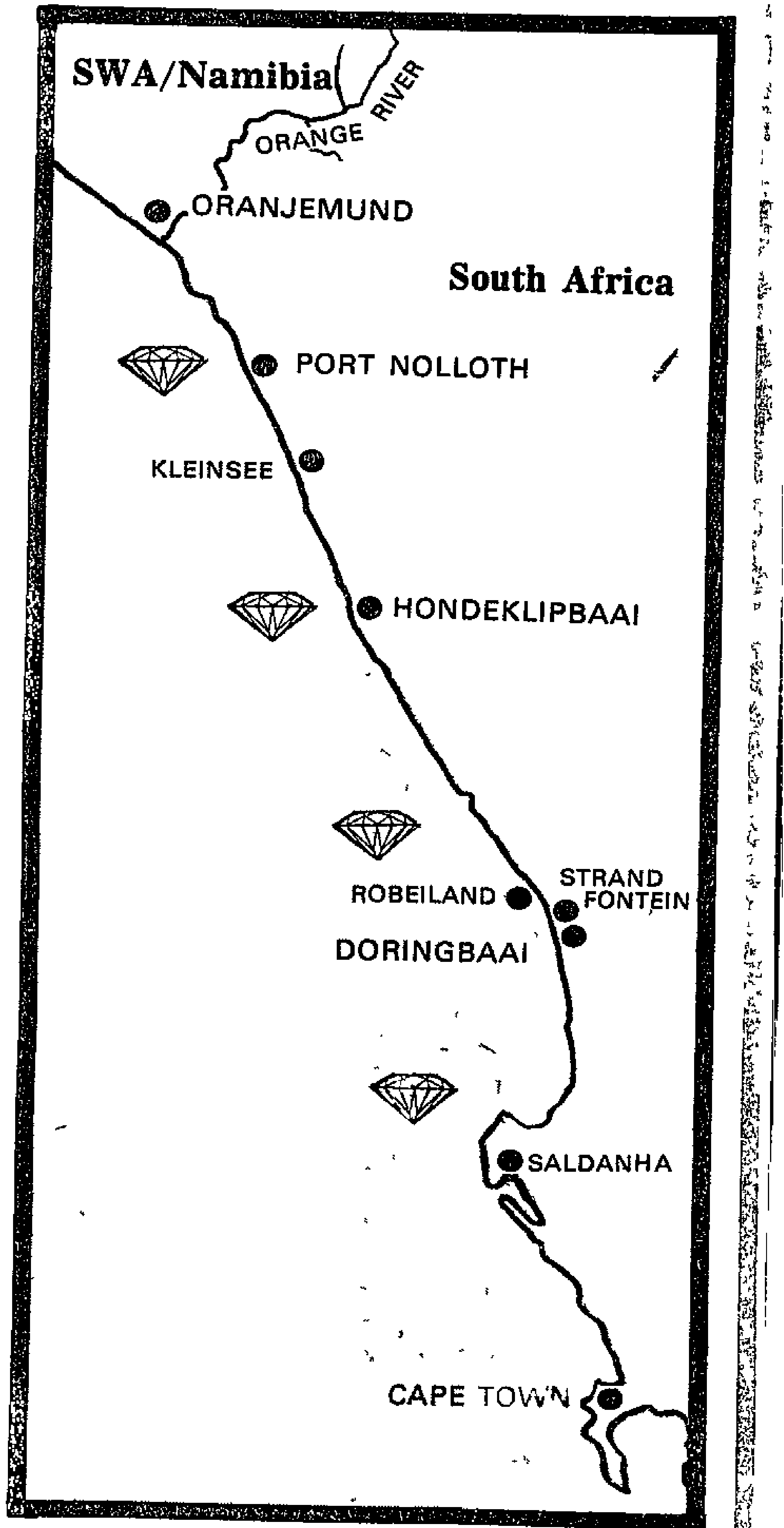
But at least two firms had not complied with regulations in terms of the Mines and Work Act, although a spokesman for the Government Mining Engineer said all concession-holders had been notified of the regulations by registered mail several months ago

One employer was openly advertising for student divers at a time when the regulations required that all new employees hold government diving certification

A commercial diving instructor, Mr Scott Richardson, maintained in Cape Town yesterday that many diamond divers were not adequately trained and that some employers were ignoring their responsibilities

Estimating that there were about 278 divers operating along the West Coast, he said 250 would require further training to attain government certification standard

A former diamond diver himself, Mr Richardson said at least six men had died working in the coastal diamond industry in the past few years, but the Cape Times was able to establish that only four had died while at work Two men had heart attacks days after their last dive



① 244
② 216

Massive diamond haul

RDM 8/12/79.

Crime Reporter

POLICE and mine security officials this week seized diamonds worth about R1-million and arrested eight Ovambo mine workers for allegedly stealing them from the Oranjemund mine in South West Africa.

Brigadier J Erasmus, head of the South African Gold and Diamond Squad, said the 1 008 diamonds seized weighed 867 carats. The men were arrested on Thursday after a two-day investigation

Police investigations are continuing

Two other men were also arrested in Johannesburg by Gold and Diamond Squad detectives on Thursday for allegedly dealing in uncut diamonds worth R15 749

One of the men was a businessman from Honey Hills, Florida. The other was Kimberley.

216 13/12/79 DD

Diamonds, riches or death

Gordon Kling and Stephen Wrottesley: Cape Town

A new diamond rush, in which four lives have already been lost, has developed along the Atlantic coast of the Western Cape Divers, some allegedly employed in contravention of new regulations, have earned R15 000 in a single day from gems being pumped from the sea

Mining company executives describe the coastal rush as a boom which will produce diamonds worth more than R10-million this year, compared with about R500 000 previously, and new jobs, and new wealth, for depressed towns in the region

The rush has also provoked a bitter row, now the subject of a government investigation, over the safety of hundreds of divers employed in the undersea mining operations

A spokesman for the Department of Mines has confirmed that the Government Mining Engineer is working on legislation intended to protect the divers It will be comparable with stringent Department of Manpower Utilisation laws governing commercial diving

Mining companies are adamant they are taking reasonable precautions in what is an admittedly hazardous line of work Divers interviewed say the risks are worth it for the money

Commercial diving instructor, Mr Scott Richardson, in a submission to the Department of Manpower Utilisation, said perlemoen and other untrained divers were "able to bypass, totally, any diving regulations laid down by joining underwater prospecting and mining companies on the West Coast"

Stringent regulations governing the employment of divers involved in the search for diamonds were sent to concession holders several months ago, according to a spokesman for the Government Mining Engineer

These regulations prohibit the hiring of new divers without a government-issued certificate and became effective immediately on receipt Divers already hired by concession holders or sub-contractors were to be given, on application, a six-month period of grace to obtain the certificate

The period of grace would be granted if they could produce a medical certificate of health and show they had experience in diving

The divers take considerable risks for big pay in relatively isolated areas offering few basic comforts

But in a tour of several West Coast concessions we came away with a picture of a largely contented workforce valuing independence, outdoor life and money, above job security or personal safety

"The sea is not man's natural environment and you have to be scared to survive," says Billie van Zyl, a chief diver at Strandfontein Mineral's De Punt concession north of the Olifants River mouth If you get careless about the sea, it's going to get you"

Pump-master and sorter, Willem Truter, looks through the concentrate for diamonds.

Danger is ever present because the normal operational zone is the craggy rocks along the surf line — a combination which offers the best diamond prospects and one which cracked the ribs of at least two divers last month

The work consists mainly of dragging around a big suction hose, connected to processing plants on the shore, to vacuum the sea floor for diamond-bearing gravel

Most companies have pay schemes with a basic salary of about R500, coupled with extra pay of between R5 and R10 for every diving hour A commission of about 2,5 per cent of the value of diamond production is offered by some companies, and it is common to pay workers 20 per cent of the value of any stone picked up without the aid of any processing equipment This happens fairly often University of Cape Town mechanical engineering student, Robby Stenhouwer, picked up a small stone on his second day on the job.

The volatile West Coast weather limited diving to four or five days in November, but a senior diver would probably earn about R1 000 for this. Most divers expect to be able to save at least R5 000 a year, and far greater earnings are a real possibility A man, working a particularly rich area, recently earned R6 000 in a single day

For the chance to make this kind of money the divers have to endure near freezing temperatures in the water, scorching heat out of it, dangerous currents and pounding surf, greatly restricted social life, and immense physical demands

Even the compensating closeness to nature can turn to tragedy One morning the manager of Strandfontein Minerals, Mr Willie Meyer, took us along the beach towards nearby Rob Eiland where we were confronted with scores of little pup seals washed from their homes in heavy seas during the night

Bleating like lambs and flopping on the sand, too weak to make their way back through the breakers to the island, the pups were slowly dying A pathetic little chap struggled through the stinking mounds of already dead pups towards Stephen Wrottesley It stared at his camera with one eye Where the other should have been was a pink hole in the midst of a festering sore

"It's the gulls," said Mr Meyer "They always go for the eyes first,"

Sitting around the mess table at De Punt, with Namaqua brandy sundowners and pungent toasted cigarettes, the divers accept the misfortune simply as part of life by the sea

They scoff at the word "diver" It isn't an accurate description "We're just underwater labourers," says senior Strandfontein diver, Deon Kruger He attributes the recent fatal accidents to human error "The big trouble with this game is that you can instantly go from the normal routine to a situation you might not be able to handle and so often you don't get a second chance"

The greatest fear is sharks A few blue pointers have washed up on the beach, and although none of the divers at De Punt has encountered one while at work, the ever present seals provide too close a resemblance in murky conditions underwater for comfort

Another worry is that the initially huge stocks brought by the weekly "wine train", as the liquor supplier is known, will run out.

A big problem with the work is the lulling effect which begins to exert itself soon after the divers go under A kind of narcosis takes over, even in shallow water, and the divers say they hum the same tune over and over, or crack jokes to themselves, to keep alert.

Some of the men concentrate on looking for the telltale signs of a wreck, such as copper nails. Billie van Zyl has plotted 436 wrecks on Admiralty charts from the Orange River mouth to Cape St Lucia He concedes, however, that there is little incentive to go wreck hunting after working in the sea all day

So in the end it's the money, and that ever so faint but so very, very important possibility of finding a diamond "as big as a sheep's head", that keeps the men on the job

A spokesman for De Beers has confirmed that the group is actively engaged in prospecting for diamonds off the West coast He would not say more "De Beers likes to play these things close to its chest"

Asked if the companies now working this area were by-passing De Beers' Central Selling Organisation, he said he did not believe their current production was sufficient to have much effect on the cartel which markets about 90 per cent of the world's uncut stones.

216 FM. 21/12/79

DIAMOND WORKERS

Cutting barriers

~~126~~

LC Diamond Cutting Works, the first company to be granted a cutting licence in 13 years, is setting precedents in SA's diamond industry Its 120 skilled and unskilled workers will be integrated at factory floor level and the company has applied for permits for black cutters

Says MD Johann de Villiers "We decided not to segregate our skilled and unskilled cutters They will all be working together " He says although the law does not prohibit blacks being granted licences, "no firms have made applications to date "

The diamond industry is traditionally one of the most controlled in SA De Villiers feels the company's initiative in the labour sphere will "lessen the tight hold government and official bodies have on the diamond industry."

Diamond cutters still adhere to the demarcation limit which stipulates that unskilled labourers may not work on diamonds greater than 1,69 carats De Villiers believes these restrictions will soon disappear and that LC will play 'a vital role in providing employment and training facilities for cutters "

De Villiers admits he "had to do some hard talking We had to prove that we have an adequate long-term source of diamonds "

In the past De Beers' control of diamond sources meant that rough diamonds were only available where the company granted allocations to private companies

LC is secure in its supply because it imports 66% of its rough diamonds from the international market "The European market source won't dry up in a hurry, so we're secure on that score " says De Villiers

Rough diamonds are also being bought from local mining companies LC has access to two highly productive mines from local group mining companies LC has access to two highly productive mines in Sendelingsdrift and the Bels Bank area Says De Villiers "Two more should be productive by June

XIV CERTAIN CAUS[E]

	W		A		C		B	
	M	F						
0–1	12,45	9,07						
1–4	0,02	0,02						
5–24	-	-			-	-	-	-
25–44	-	-	-	-	-	-	-	-
45–65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

211 276 ~~771~~ F M. 21/12/79

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IX

	W		A		C		B	
	M	F	M	F	M	F	M	F
0–1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1–4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5–24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25–44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45–64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

X DISEASES OF THE GENITO-URINARY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0–1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1–4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5–24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25–44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45–64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

216

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S. Times 30/12/79

Mystery SA-Angola diamond mining link

By KEVIN STOCKS

A COMPANY with strong South African connections, but mysterious parentage, is helping Angola mine its diamonds.

This is happening despite a deep freeze in official relations between Angola and South Africa.

Indications are that it is being done with the Government's knowledge and blessing and that South African engineers and technicians are among those recruited for the Angolan diamond industry

The company concerned is Mining and Technical Services (MATS) which is incorporated in Liberia and has its offices in Lichtenstein but whose board of directors reads like a Who's Who of all that's biggest in South African mining.

The directors are.

- Sir Philip Oppenheimer, a director of De Beers and deputy chairman of Charter Consolidated
- Dr Louis Murray, a director of De Beers and an alternate director and deputy technical director of the Anglo American Corporation
- Mr John Mackenzie, an alternate director and deputy technical director of the Anglo American Corporation
- Mr Murray Hofmeyr, chairman and managing director of Charter Consolidated.
- Dr Zac de Beer, Progressive Federal Party MP and Anglo American executive director, is an alternate director of MATS

Parentage

While admitting there is a strong De Beers/Anglo/Charter membership on the board, De Beers refuses to acknowledge parentage of MATS or to say what connection, if any, it has with the company

All a spokesman for De Beers would say was·

"MATS is one of a number of international organisations involved in mining who are assisting Diamang (the Angolan diamond company) in its mining operation on a contractual basis, MATS being involved in providing recruitment and technical [illegible]."

Backing from the Govt?

was of particular importance to the diamond industry with its built-in need to maintain stability in the supply and marketing of diamonds

Diamang, the sources said, had approached Mats and other international organisations (the De Beers spokesman said he did not know who the other organisations were) after Angolan diamond production had fallen catastrophically in the wake of the civil war.

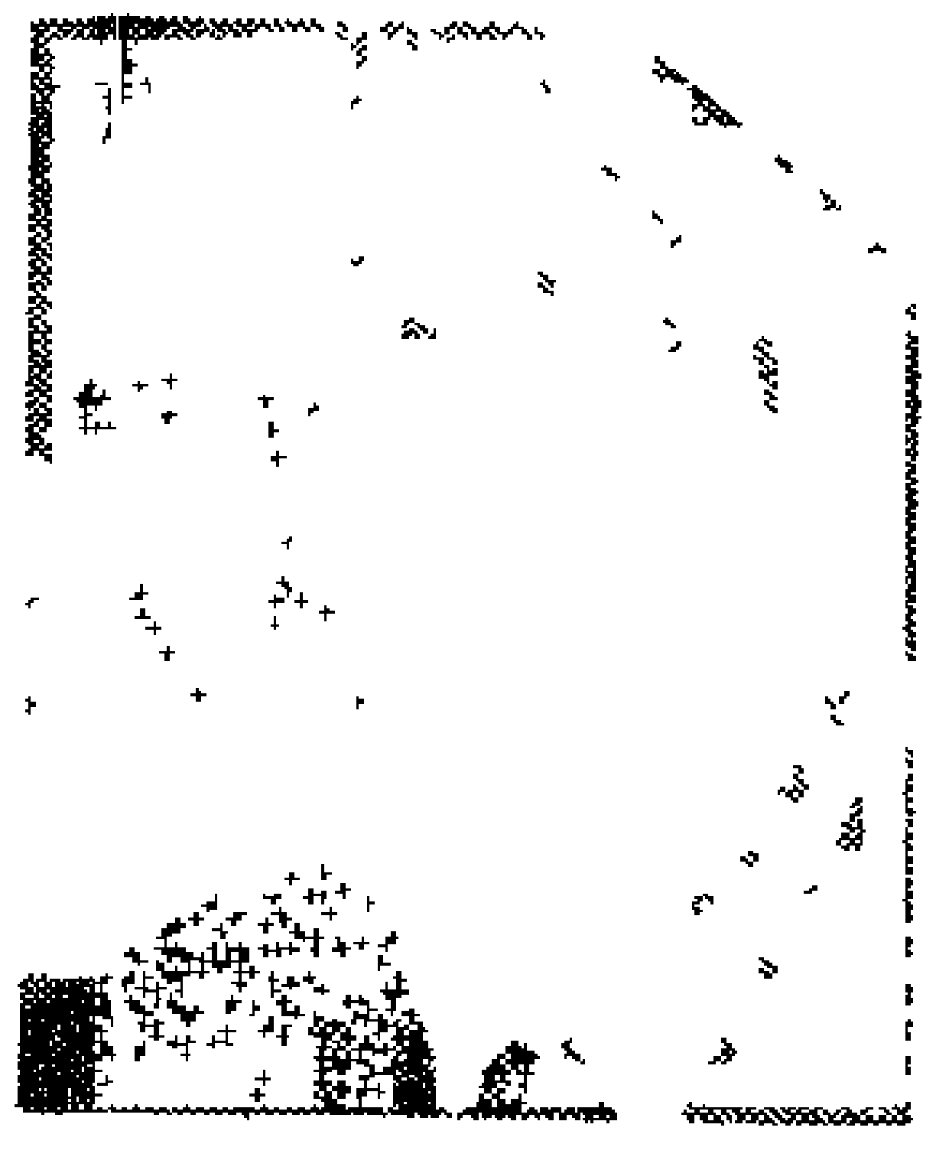
From producing 2,2-million carats of diamonds in 1973 (600 000 carats more than were produced in South West Africa that year) Angolan production fell to only 400 000 carats in 1976.

"Angola needed the revenue from diamonds and approached various organisations to help return its industry to a sound footing," the source said "This was done on a contractual basis with services being paid for."

De Beers, as the industry leader, and other diamond producers would have an obvious interest in helping the Angolan diamond industry and thus keeping Angola in the international diamond marketing setup in which the vast bulk of the world's diamond production is marketed through the Central Selling Organisation.

Regulated

Dr ZAC DE BEER
Alternate director



Mr MURRAY HOFMEYR
Director

tion De Beers, Anglo American and Charter had with MATS the spokesman said he had nothing to add to his previous statement.

He pointed out, however, that De Beers had never owned or run any diamond mines in Angola and that its prospecting operations in partnership with Diamang had ceased at the outbreak of the Angolan civil war in 1975 and had not been resumed

Expertise

Sources close to the mining industry pointed out that the Anglo/De Beers empire would find many uses for a company like MATS which had no geographic connection with South Africa and which would not be listed (as it is not) in the lists of subsidiaries and investments given in the groups' annual reports.

It could operate in the provision of technical expertise and services in countries officially hostile to South Africa and this

Although the Angolan production is probably not of itself large enough to seriously disrupt world markets, if marketed independently, it has long been the industry's policy to keep as many producers as possible within the system

Only thus can supplies to the market be regulated to keep pace with demand, and oversupply, which would result in lower prices, avoided. One major producer breaking away from the system could lead to others doing the same.

The need for a well-regulated international market overrides ideological differences — as much for the South African Government as for De Beers

Given the importance of the diamond industry to South Africa the Government would be unlikely to object to De Beers helping the Angolan industry if this was necessary to maintain the market Such a tie-up could also give the Government an unofficial, but probably effective, line of communication to the Angolan Government.

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(216)

MINING - Diamonds
1-1-80 - 31-12-80

CSO SALES

216

No sparkle

FM 11/1/80

Second-half CSO sales of R1 107m following the first half's R1 085m have been greeted with little enthusiasm by the market. On Wednesday, De Beers shares were marked down from 1 130c to 1 020c. The

sales figure comes despite a 13% diamond price hike in August and reflects an effective return to the traditional pattern of lower second-half sales

In London, some observers see the relatively poor second-half performance as vindication of their earlier view that the August 1978 30% price hike was as much as the market was able to bear for several months What we are now seeing, they claim, is a growing resistance to the CSO's sights and greater preference among cutters to run down stocks rather than incur high carrying costs with high interest rates

Just how these figures will reflect in De Beers' results, due within the next couple of weeks, remains to be seen. But it is probably safe to assume the results will indicate lower profits arising from sales from stocks and, perhaps, a lowering of the group's cash holdings as funds were ploughed into higher stocks

That, of course, may well be offset by higher group investment income And as De Beers can effectively choose where it takes its diamond profits, the impact on reported diamond earnings need not be great

But it holds out little hope for anything more than a token improvement on last year's 45c final dividend following the pegged 20c interim. Most analysts still opt for a final increase to 50c, but they are preparing for another year of dividend stodginess in 1980

Just when dividends will get onto a growth path remains to be seen But stodginess in diamond market is not the only near-term problem facing the group It is becoming increasingly reliant on non-SA sourced stones in its sales mix. And attributable profits on stones from, for example, Botswana are lower than for those from SA

At this stage it is probably safest to assume at least two years of relatively pedestrian dividend performance — and that despite some prospectively substantial gold-sourced dividend income advances

Jim Jones

SYNTHETIC DIAMONDS

216

Fm 25/1/80

Industry's best friend

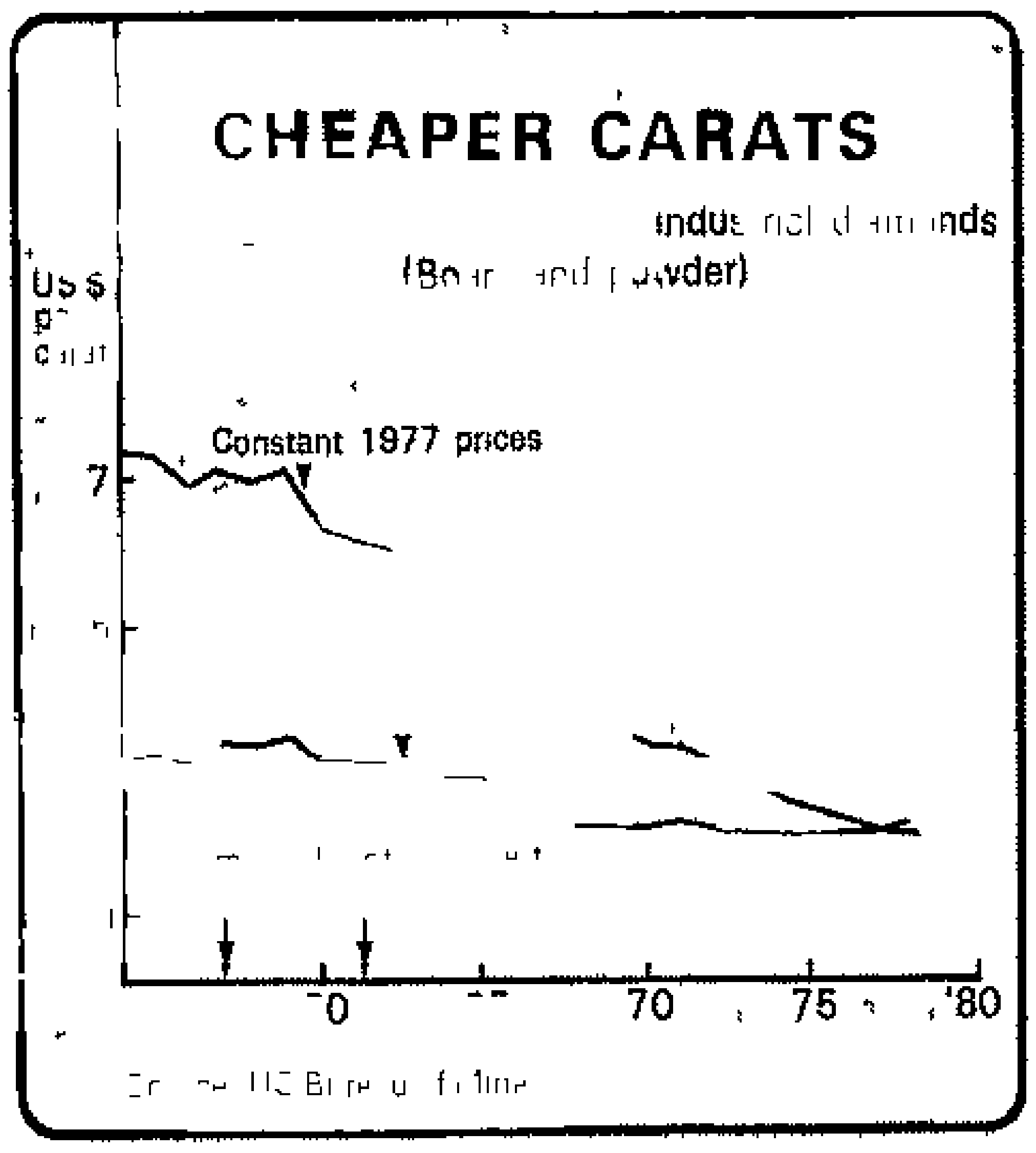
De Beers Industrial Diamond Division has embarked on a R130m expansion programme which will double its output of synthetic diamonds by 1985

Synthetics already account for two-thirds of the R300m a year world market for industrial diamonds, says MD Dr Henry Dyer But with demand growing rapidly as diamonds find their way into more and more industrial uses, and natural diamond output slowly declining, there is need for g expansion in synthetic production

De Beers currently produces and markets about half of the world production, with a mixture of natural and synthetic diamonds But in the purely synthetic market it plays second fiddle to General Electric of the US — a non-mining company

Synthetics are completely interchangeable with natural diamonds — and because of their uniformity they are superior in some applications — except that the technology of producing large stones has not yet been mastered But they can be made to measure, in different shapes for different applications, and are tending to replace natural stones, says Dyer

In descending order of quality and size, diamonds are ranked as gems, near gems (which can be used either as gems or industrials in varying circumstances), drilling stones and boart



De Beers has three synthetic diamond factories — at Springs (the largest), Shannon in Ireland, and a Swedish factory owned by the Irish company

The expansion of synthetic diamond production is only half of the total programme De Beers is undertaking

"We start to run out of the materials, such as special ceramics, required to produce the diamonds," says Dyer "So a lot of our effort has to go into the infrastructure development We have to make many of the materials for the manufacture of the synthesis capsule, or the electronics, ourselves "

The biggest single use for industrial diamonds is in sawing of concrete and stone (primarily the engineering and construction industries) Drilling comes next (firstly in mining, and secondly in construction) Then diamonds are used in the engineering, glass and ceramics industries

Limitations

"There are no technical limitations on the industrial uses of diamonds, and the economic limitations are being altered pretty drastically," says Dyer

' This is because prices are falling in real terms and because wages are rising The use of superior diamond-tipped cutting and drilling tools increases the productivity of labour, so there is still a very large potential for industrial tooling "

Industrial diamond sales have been rising 10% a year in real terms, he says, and this growth rate is expected to increase in the next 5-10 years

An example of how technological improvements are expanding the market is in the steel industries

"Diamonds are not much good for cutting steel because there is a chemical affinity between carbon (diamonds) and iron or iron alloys,' says Dyer 'You tend to get a chemical reaction which increases the rate of wear '

De Beers has overcome this by converting boron nitride to a cubic form which is an analogue of diamond — it s not quite as hard, but it does not react with steel

"This is opening up a new facet of the industry," says Dyer Both De Beers and GE are competing with similar products

The next generation of diamond technology is based on composite materials De Beers has developed a product called Syndite in which very fine diamond powder is sintered together to form a hard polycrystalline material

Discs up to 25 mm in diameter can be sintered in this way, making it possible to use diamonds as lathe tools This overcomes the size problem of diamonds, particularly synthetics Again, the main competitor is GE, which has a similar product called Compax

There are four major applications, says Dyer machine turning tools, wire-drawing dies, mining (particularly petroleum), and (an undeveloped market) wear-resistant surfaces

As natural industrial diamond production has always been a by-product of the gem industry, prices have tended to be arbitrary and not strictly related to production costs Synthetic prices have in the past been pitched slightly below those of natural diamonds in order to get into the market, but now the synthetic price structure (more closely tied to production costs) is beginning to dominate Prices range between $1 and $6-$7 per carat

De Beers and GE between them account for 88% of the West's synthetic diamond caratage (more in value terms)

Dyer opening up new facets

Japan is the only other producer of significance But because of the importance of synthetics, De Beers markets a smaller share of the whole industrial diamond output than it does (through the Central Selling Organisation) of gem diamonds

Industrial diamonds are marketed though independent distributors around the world, and De Beers is steadily increasing its market share Reasons for this, says Dyer, are an aggressive approach to selling, strong customer service and technological back-up, and good products

"In research, we are way ahead of the game," says Dyer "But it is also vital to get the product into the market as quickly as possible — and ahead of our competitors And we have learned to get this research into the firing line before the bullets get wet "

CT 6/2/80

Talks on sacking of 300 diamond cutters

Staff Reporter

A LABOUR Party delegation is to meet the management of a Salt River diamond cutting firm which has fired 300 coloured skilled diamond cutters — the company's entire staff

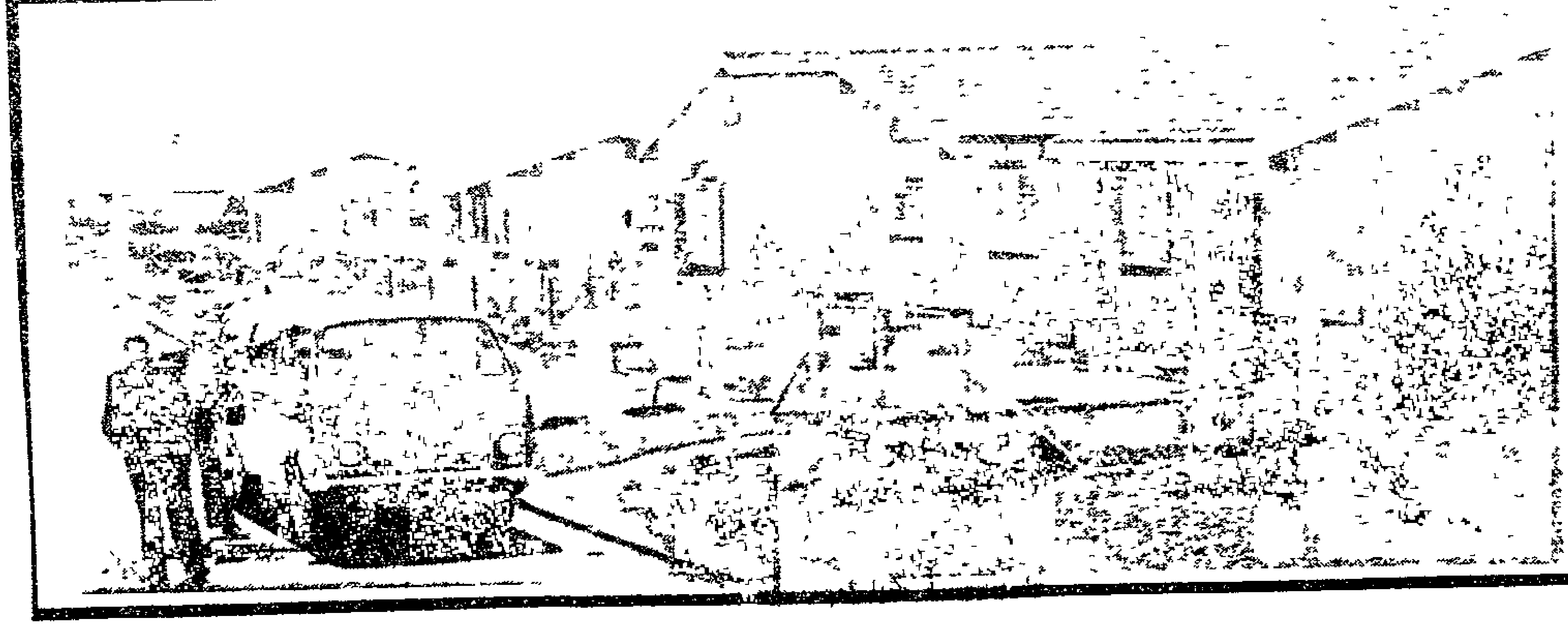
The national chairman of the Labour Party Mr David Curry confirmed yesterday that the manager of Electronic Diamond Processing Mr I Klein, had agreed to meet a delegation to discuss the move

The 300 employees were all handed letters signed by Mr Klein informing them that due to unforseen circumstances their services were no longer required Some were given a week's notice others a month

Mr Curry said he had been informed that pressure from white workers had forced the sackings

Page 4 POST, Tuesday, February 5, 1980

17 houses ready for employees occupation



ONE of the first South African companies to undertake a major block building project in Soweto for its employees, De Beers Industrial Diamond Division, has announced completion of the 17 houses in the scheme, valued at a total of R217 000.

Black employees of the company have now taken occupation of the architect designed homes, which are in the Pimville Zone 5 area and consist of three bedrooms, lounge, dining room, kitchen, bathroom and separate toilet. All exterior finishes are in high quality face-brick, and the houses have tiled roofs.

Under this home ownership programme, the employees are offered interest-free loans based on salary and service. The company then advances the balance of the purchase price at current building society rates; the whole amount being payable over twenty years.

The houses range in price from R10 000 to R15 000 each.

(216)

FM 8/2/80

DIAMONDS

Changed setting

The increase in the price of large rough diamonds of up to 40% posted by De Beers and the Central Selling Organisation effective February 18 goes some way towards confirming diamond dealers suspicions that speculative hedge buying of this variety of stone could increasingly become a factor to contend with in coming months

Assuming that international tension continues over the Afghanistan crisis, market experts suspect international operators may seek to move more into diamonds especially as gold, platinum and silver, traditional hedge arenas at times of economic and political uncertainty, are extremely volatile markets

These days they have to be monitored on a minute-by-minute basis to avoid possible substantial losses Moreover with the CSO tightly controlling around 85% of world rough diamond sales and given its associated tight price control which has meant rough diamond values have never declined, the speculator or investor is in some senses on to a safer bet

However, dealer sources in London agree that should heavy speculative activity take a hold of the market, De Beers is likely to act decisively to restore stability as it did two years ago when dealers, particularly in Tel Aviv, hung on to increased amounts of diamond stocks as a currency hedge. De Beers countered the menace by introducing a series of special premiums coupled with some adjustments in the volume of diamonds made available in an attempt to flush out hoarded supplies

Should investment demand for larger stones continue to rise, the price discrepancy between these and smaller gems is likely to increase further Once again precious metals will be partly responsible

Rocketing prices have choked off a considerable proportion of jewellery demand, with the result that demand for smaller gems has declined Gold demand for jewellery purposes is thought by some experts to have fallen to around 800t last year from almost 1 000t in 1978 -- and that was before the latest drive to record highs

Meanwhile, platinum has been similarly hit with Japanese jewellery demand, which traditionally accounts for one third of world platinum consumption, estimated to have dropped between 20% - 30% in recent months However, notes one dealer, if investment demand for larger stones rockets, there could be a "useful spin-off" for smaller stones which may themselves begin to attract a measure of speculative attention

RDM 26/12/80

216

Takeover Panel looks again at the rules after De Beers raid

BY NEIL BEHRMANN

LONDON — The London Takeover Panel is considering whether it should change its rules following De Beers' raid on Consolidated Gold Fields

Last week, Mr Patrick Neill, chairman of the Council for Securities Industry, which regulates the panel, said the Takeover Panel would join the London Stock Exchange and Department of Trade and investigate raids on companies

Besides the Consolidated Gold Fields affair, the huge US industrial group, Rockwell International, bought shares in a UK company, Serck

Institutions, similar to Consolidated Gold Fields, received very favourable prices while the small shareholder was left out in the cold

At an investment conference of the National Association of Pension Funds, Mr Neill said both the deals were entirely within the legal code However, there was no equality of opportunity for all shareholders

Only professional shareholders knew of the deal and were able to act in time

Mr Neill said the Takeover Panel was examining these problems The remedy could possibly be the enforcement of a partial bid and this would protect small shareholders

However, such a procedure could be costly and time consuming

Under current law, the Companies Act requires holders of a 5% interest in a company to declare themselves

But the shares which eventually ended up under the Oppenheimer umbrella were not registered, so it was difficult to determine the identity of the buyers

In any event, it seems that the predator 'warehoused' the shares so that other buyers under Mr Oppenheimer's wing could buy on behalf of De Beers

The Companies Act 5% provision was thus a failure in the Consgold case This meant that the Takeover Panel was powerless to intervene, despite the fact that the De Beers raid could lead to a full-scale bid at some future date

With no registration rules or partial bid requirements covering the circumstances, the law Stock Exchange and Takeover Panel proved to be powerless

All parties are now examining legislation and rules to see whether they can prevent a similar unfair raid occurring again

New shaft at Finsch mine

8/1/80

Sow 216

"Finsch mine will become an increasingly important element in all the operations of the De Beers," said the chairman, Mr H F Oppenheimer when he set off the first underground blast at South Africa's largest diamond producing mine

Mr Oppenheimer was officially inaugurating the start of shaft sinking at Finsch mine, 160 km from Kimberley, where production of diamonds will be raised by nearly 50 percent to over 4 m carats a year. Throughput is being increased to 16 800 from 12 000 tons a day and a new system which will increase the efficiency of recovery will come on stream towards the middle of the year.

Estimated costs of shaft sinking (excluding underground development) are R26m. Plant extensions will cost about R60m

STAR 12/3/80 (216)

Diamonds' benevolent dictator

The legendary Mr Harry Oppenheimer of Johannesburg last month was discovered to have bought 25 percent of Consolidated Gold Fields, in secret The Oppenheimer company through which he achieved the coup was De Beers Consolidated Mines.

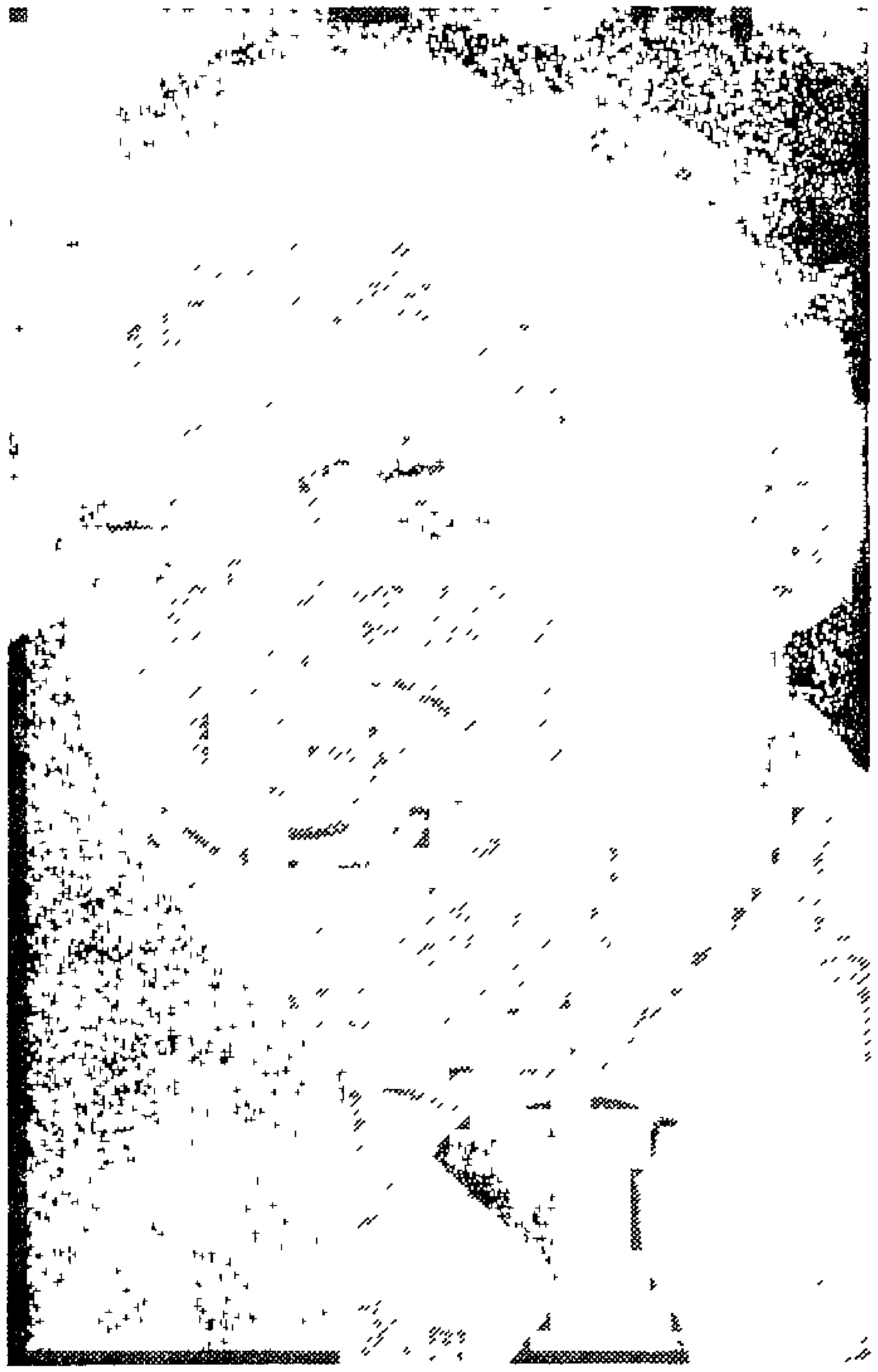
The holding in Gold Fields is apparently to be divided, with 12½ percent going to De Beers and the other 12½ percent going into the Anglo American Corporation of South Africa Characteristically Anglo American and De Beers (which are both chaired by Mr Oppenheimer, and whose shareholdings interlock in a group whose apex is called E Oppenheimer and Sons) acted as a single and decisive force

LEADER

The group thus both increases its stake in gold, and acquires a share of Gold Fields' interests in North America, Australia and Britain. There is no way of calculating the total wealth of the Oppenheimer companies But it is clear that their most valuable part, at present, is De Beers. Of all the world's major commodity markets, the market in diamonds comes nearest to being a monopoly, and De Beers is its leader.

The price of diamonds, as of oil, has soared in recent years De Beers has become one of the biggest and most profitable companies in the world.

De Beers is both the world's biggest diamond producer and the controller of the market for the stones The whole package is wrapped up in a single company. Almost alone among mining firms, it has never cut a dividend since the great depression



Mr Harry Oppenheimer, chairman of De Beers.

Beers — traditionally committed to maintaining the producer price for rough or uncut diamonds — could feel the strain even on its massive resources in cash and loan facilities

De Beers has lived through previous threats to its market power, and overcome them It has weathered large new finds, political hostility and market slumps It has survived attempts by the

oly, however, was organised only in the 1930s. During the great depression the then chairman, Sir Ernest Oppenheimer, averted a collapse of the diamond market by stockpiling large quantities of stones at great personal financial risk

From the 1930s on De Beers became as much a stockpiler and marketer as a producer The old Syndicate, a group of finance and marketing companies,

rising price for diamonds

Although De Beers dictates prices, it likes to think of itself as a benevolent dictator It seeks to sell only those stones for which it foresees a reasonable retail market, and does not force the wholesalers and cutters to take stones that they will have trouble selling So far in 1980, for example, the caratage offered at CSO sales has been well down on 1979

When sales are bigger than the market is likely to absorb, says De Beers, there is a danger of speculation, dumping and price-cutting by wholesalers, cutters and re salers — the opposite of De Beers' concept of orderly marketing

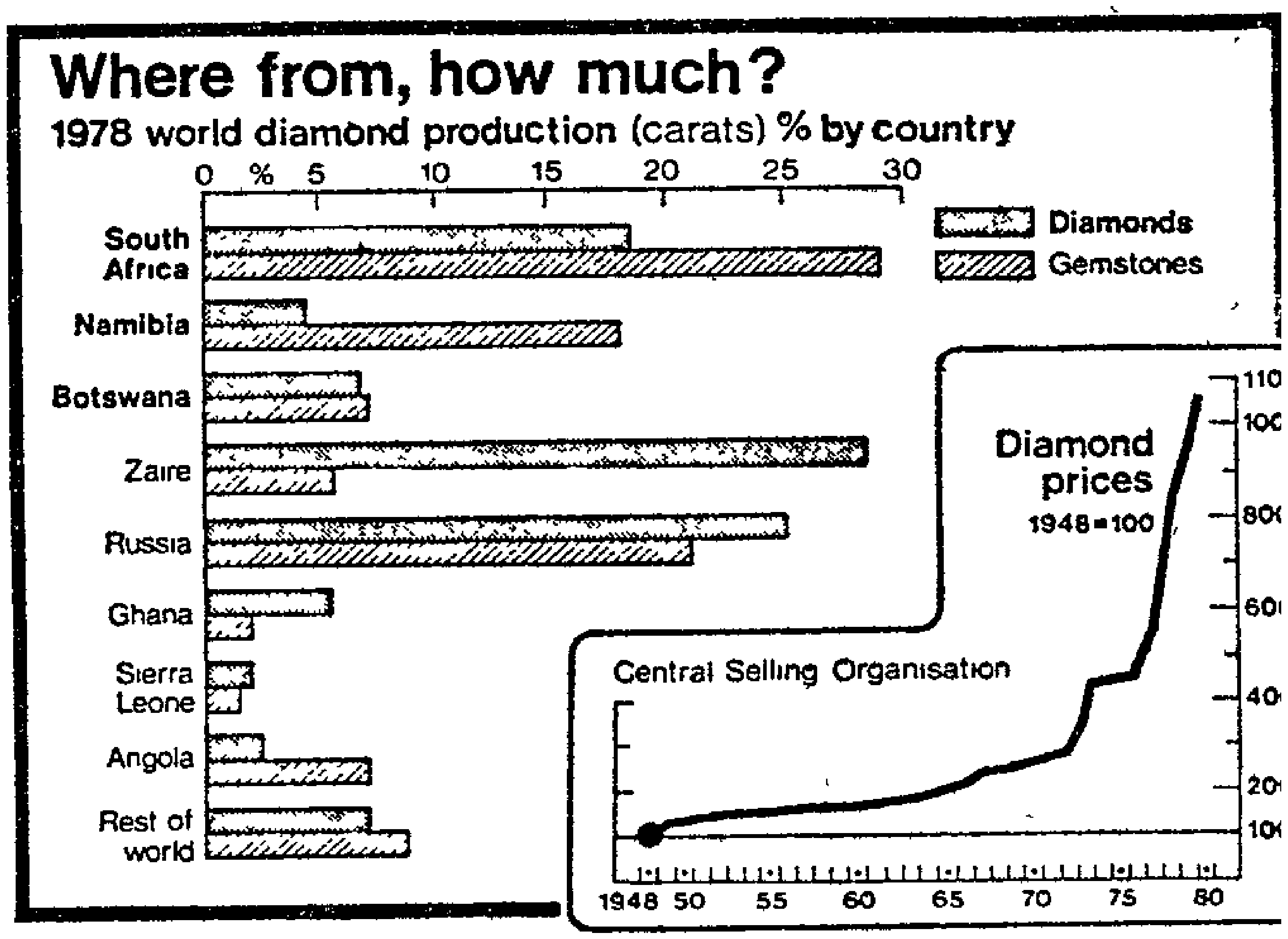
Worse for De Beers, stones in excess of the market's needs might be stockpiled by others That would threaten its control of the marketing chains.

The CSO is willing to make sacrifices and run down its cash reserves by stockpiling during market slumps When the market booms it makes large windfall profits Stones stockpiled years before at lower production costs are sold at higher CSO prices.

BOOM

De Beers is overwhelmingly dependent on diamonds. It is interesting to speculate how long diamonds will remain dependent on De Beers

In economic terms, the chances look good that De Beers will retain its unusual and successful monopoly. True, there is likely to be a production boom in the 1980s But the company spends astronomical amounts to keep demand expanding, and claims considerable success



Where from, how much?

1978 world diamond production (carats) % by country

CONT.

STAR 12/3/80 (216)

The independent neighbours

Botswana mined 2,8m carats of diamonds in 1978 The large new Jwaneng mine is scheduled to come on stream in 1982, and to produce 6m carats a year by 1985, bringing Botswana production to 10m carats a year. The country would then produce over half of De Beers' total carats, and would probably be the largest gemstone producer in the world. The Botswana government, which is sympathetic to private enterprise (if not to South Africa's idology) has a large stake in the Jwaneng mine, and may take as much as 80 percent of its profits The sparsely populated country's stability is, however, threatened by unpredictable events across its long borders with Namibia and with Zimbabwe.

Namibia is the world's leading gemstone producer. De Beers Consolidated Diamond Mines of South West Africa (CDM) produces about 95 percent gems, compared to an average for the De Beers group as a whole of 40-50 percent Many CDM stones are large and of high quality. CDM pays low taxes, which seem bound to rise steeply once Namibia gets real independence from South Africa. De Beers says that about 20 percent of its total profits come from Namibia. outsiders estimate that CDM's contribution to profits may be double that figure Namibia's independence is a crucial moment for De Beers.

PROBLEMS

Success, however, brings its own problems, which could eventually threaten De Beer' marketing power. The company's critics suggest three main reasons for this:

- Marketing vulnerability· high profits mean high visibility The diamond marketing system depends on secrecy. Several significant producers have tacitly acquiesced in De Beers' control of the market — such as the Soviet Union, Ghana, Sierra Leone and Angola.

Some of them are now politically embarrassed at being seen to work through a South African company Some producers would like to get for themselves a larger share of the growing profits The Soviet Union has broken ranks, and does its own marketing with help from a London merchant bank

- Production vulnerability De Beers' production is increasing much faster outside South Africa than within it, at a time when political alignments in southern Africa are shifting fast

A large and growing proportion of De Beers' production comes from Namibia and Botswana. Namibia is now the most important single source of gemstones, and control of the supply of gems, with their very high price, is the key to control of the entire market

- World oversupply De Beers predicts a possible 60 percent rise in production from its own mines by 1985 Angola has the potential to return to much higher, pre-civil-war production levels. Australia may be producing as much as 2m-3m carats by the mid-1980s. Higher prices have called forth higher production from many mines: this could lead in time to slump. De

Government of the United States—by far the world's largest retail market for diamonds — to apply antitrust legislation to the trade

It would be naive to underestimate the resilience of the monopoly built up, by expertise and financial muscle, over the years

The production, or near-monopoly, which was the foundation of De Beers' powers was built up by Cecil Rhodes in the late 19th century He amalgamated the Kimberley diamond fields with his customary dazzling ruthlessness, and gave birth to De Beers Consolidated

The marketing monop- fell under De Beers control and disappeared into the Central Selling Organisation (CSO) The CSO — still called the Syndicate within the trade — is an inextricably complex group of companies, and is still based in London Its major elements are controlled either directly by De Beers itself or by Anglo American

The CSO, backed by De Beers' resources, can stockpile stones and thus maintain their price in good times and in bad

Mr Oppenheimer argues that the entire diamond trade — De Beers and the other producers, wholesalers, cutters, retailers and even owners — have a stake in a steady or

The political problems look bigger De Beers could lose control of its two major producers, in Namibia and in Botswana Maybe the company could survive that, at great cost. But what if other big producers formed a marketing cartel to challenge the CSO?

South Africa itself in 1978 produced almost 20 percent of the world's diamonds, and 30 percent of the most valuable — and vastly the most profitable — gemstones.

CHANGE

Added to that De Beers' direct control of Namibian production, and its partnership with the Botswana Government, give it a large enough slice of world production to exert its present massive leverage on the entire marketing structure But add only Namibia's gemstones or Zaire's huge weight of industrial diamonds to Russia's production of both grades, and the balance changes

Without Namibia and Botswana De Beers would be in a very much less powerful position Mr Oppenheimer himself has for long been one of the most eloquent advocates of peaceful change throughout southern Africa, and of the evolution of South Africa's neighbours to independence under moderate, pro-capitalist regimes

Without questioning his sincerity, it is apparent from this look at the monopoly power of his most lucrative company how much he and the South African Government — which benefits from the vast tax payment of De Beers' diamond mining and marketing operations in that country — have at stake in southern Africa. — The Economist

(26) FM 14\3\80

DE BEERS

Lost sparkle

Though De Beers' disappointing year-end results were largely anticipated by the market, the share price firmed 20c to 1 030c by mid-day on Wednesday On anticipation of weak results and in sympathy with the declining gold market, the share lost 55c on Tuesday, despite a sharp drop in the FR rate to US 93c But it was probably the relatively low FR rate rather than promising prospects, which resulted in the share's rise on Wednesday

The diamond account contributed a 13,0% reduced R831,3m (R956,4m) to the pre-tax profit of R1 106,4m (R1 156,4m), following a slight decline in last year's CSO sales to R2 192m (R2 219m) The lower CSO turnover indicates a price elasticity in the diamond market proportionate to the 12,5% price increase in August last year Last month, the price of diamonds larger than one carat was lifted by some 12% On average De Beers expects this to result in an increase in CSO sales of the same order

The lower revenue from diamonds was partly offset by an increase in interest received and dividend income to a total of R311,7m (R234,1m) leaving revenue only R36,5m lower at R1 182,4m

Pre-tax profit declined by 4,3% to R1 106,4m (R1 156,4m), but due to a tax decline to R335,4m and a reduced R40,7m (R43,9m) being passed on to the State as its share of profits, taxed earnings were almost unchanged at R751,1m (R750,5m)

However, attributable profit was reduced by a further R14,0m due to a R28,9m lump sum payment into the pension fund following the admission of migrant labourers

Though De Beers calculates earnings at 205,7c (205,5c) before this item, it should be deducted from attributable profit On this basis, earnings amount to 201,8c, putting the share on a 5,1 earnings multiple

Despite the earnings decline, De Beers lifted its final to 52,5c (45c) following an unchanged 20c interim The balance sheet shows a drop in liquid assets to R974,7m (R1 294,9m), no doubt as a result of the increased 16% stake in Cons Gold and the acquisition of more Anglo shares following the reshuffling of the Minorco and Charter interests The directors point out in the preliminary report that De Beers exercised its option to take up a further 8,5% of Cons Gold's equity and that Anglo had taken over half of its 24,6% Cons Gold stake

However, the decline in liquid assets was also helped by a 60,1% increase to R409,3m (R255,6m) in diamond stocks Even so, De Beers' increased stock levels are not alarming as, according to market talk, the group was worried by low stock levels in previous years when the market was more buoyant

The impression may have been created that De Beers intends increasing its production drastically through the new Tweepad mine which is being developed at a cost of some R100m However, the company tells the *FM* that this development is to be undertaken to replace lost production at Dreyers Pan where grades have dropped According to the latest annual report the production at Annex Kleinzee and Dreyers Pan declined by some 100 000 carats in 1978

With the cost of holding higher diamond stocks, and sales mooted to increase by only 12% this year, De Beers' prospects look unexciting and earnings could remain on a plateau this year

At 1 020c the share yields a satisfactory 7,1% And it should be remembered that De Beers has long been an overseas favourite — and promises to stay that way

Peter Pittendrigh

Diamond sight . . . looking for growth

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 2

13030 BACHELOR OF ARTS YEAR : 3

STUD NO SURNAME FIRST NAMES COURSE DESCRIPTION SYMBOL

1331002 VILJOEN ADELE 116317 DRAMA III 2- (63)

11311[illegible] VAN[illegible]BURG MOIRA MARIA 908307 GEOGRAPHY III [illegible] (51)

Start 3/4/80.

Carrig Diamonds has exercised its right to acquire 250 000 ordinary shares of Leicester Diamonds for R250 000 (232)

This investment represents 25 percent of equity interest in Leicester and will be funded from internal sources. It also retains its right to receive royalty equal to 10 percent of Leicester's gross revenue. (216)

In order to rationalise operations, Carrig has sold its diamond recovery pilot plant at book value of R136 000 and payment will be received in instalments over the next two years.

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ographic film section, consisting of 5 films and 5 lectures, will be
by Dr John van Zyl of Witwatersrand University who recently
nonths in the U S.A studying ethnographic film The cinéma
ion will be presented by Mr Freddy Ogterop of the Provincial
ary who is one of the most knowledgeable experts in this field
e therefore comprises carefully selected films and lectures
the most up-to-date information available in this exciting
field

APHIC FILM

hich reveals one society to another may be regarded as an ethnographic film. Any film which reveals the texture of human life on as many levels as possible. the appearance of a people and their surroundings, their ritual activities, the quality of their interpersonal relationships, the rhythms of their society and their values, is not only a valuable historical document, but also increases society's knowledge of the present. There is, significantly, a shortage of this kind of film material in South Africa. This course will suggest some of the strategies and problems involved in ethnographic film-making.

Lecture One	The need for context. Film. *The Nuer* (70 min.)
Lecture Two	Whole acts Film: *Rivers of Sand* (88 min)
Lecture Three	History as it happens. Film: *Chulas Fronteras* (59 min.)
Lecture Four	Backyard Ethnography. Film: *Daguerrotypes* (78 min)
Lecture Five	The local scene. Film. *Bushmen of the Kalahari* (50 min.) OR a selection of local films

CINÉMA-VÉRITÉ

Some people think of cinéma-vérité, or direct cinema, as a modern version of candid camera, that is, recording life as it is lived by means of hand-held cameras and natural sound. It was, interestingly, a film style born out of technological developments and then evolved into a social concept Largely applicable to documentary film-making, the phrase was coined to describe Jean Rouch and Edgar Morin's *Chronique d'un Été* and has since been applied to many films that employed the techniques without necessarily subscribing to the philosophy The first 2 lectures in this series will explore the idea of cinéma-vérité as it emerged in France, Canada and the United States and the third will discuss possible applications to a relatively recent development, the committed, local-issue advocate

Lecture One	The observer. The fly-on-the-wall approach Film *Chiefs* (20 min) or *A happy Mother's Day* (26 min) *Running fence* (57 min)
Lecture Two	The catalyst Acknowledging one's presence Film *The moontrap* (84 min)
Lecture Three	The militant Fighting the good fight Film *It's ours whatever they say* (39 min)

NOTE Additional films related to this course will be screened each afternoon at 5.30 p m It is advisable to see as many of these as possible. Fee. 50c per session. The programme will be available in the final Summer School programme

The organisers <u>may</u> change some of the film material listed above, depending on what is available from abroad causes alter the catch: good weather, few schools of fish in the area that day, etc., are causes no man can control. Secondly, members working as a team can shirk and affect the outcome, often letting others bear some of the consequences. Since performance is not perfectly predictable or controllable, it is difficult to know whether it is a team member's negligence or everyone's bad luck that altered the outcome from what was expected. To allow for, or to control, those forces, institutional and organizational arrangements have been developed. In the remainder of this chapter we shall consider responses to the unpredictability caused by sheer luck or nature. We examine the way shirking or opportunism by team members or agents is countered and brought under control in a later chapter on the business firm, one of whose main functions as an institution is to permit team production while controlling shirking and opportunism.

(1) In Scene One of our boat scenario, the
three mutual sharing and cc
bore the risks of fluctuatio
caught.

(2) In Scene Two, with prive
and control, if the *crew* rented
of 14 fish (2.5 for each of
board) they bore the day's
catching less (or the benefit
pected. Alternatively, the *bo*-
(assign to each of) the five
four fish. The boat owner is
paying employees, and he b
size of the total catch With i
performance, the allocation c
whether the boat owner rent

men or rents fishermen by paying them prespecified wages.

(3) Under the communal system (Scene Three of our scenario), with anyone entitled to come on board, the risks are borne equally by everyone on board. And the total social catch will, as shown earlier, be smaller because of overcongestion.

(4) Under the government authority (Scene Four of our scenario), payments could, in principle, be arranged exactly as with private-property rights. Crewmen could rent the boat and bear the risks of the size of catch. Or the government authority could hire the crew for an assured wage with risk borne by everyone via their government, according to the political system, taxes, and government expenditures. In general, without a good theory of what government agents really do, who will bear which risks cannot be predicted.

One thing that can be said is that under government control no member of the public can avoid bearing whatever that risk is in the govern-
do not like that con-
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n risk-bearing).

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(216) ~~538~~ CT. 17/4/80

Gems case trio wanted regular deals - evidence

THREE Johannesburg men bought diamonds from a police trap and then asked if the policeman could arrange regular supplies of diamonds for them

This evidence was led in the Cape Town Regional Court yesterday when the three men appeared on charges of dealing in rough or uncut diamonds

Mr Jacobus Liebenberg, 55, Mr Johannes Liebenberg, 52, and Mr Ignatius Schutte, 58, have been charged with buying uncut diamonds weighing 66,41 carats from Sergeant D W Clampett in a police trap on August 18 last year

Sergeant Clampett allegedly sold 19 uncut diamonds to the men in the Strand after extensive negotiations with Mr Jacobus Liebenberg

R120 paid as security

The asking price was R36 000, but Sergeant Clampett accepted an offer of R30 000 R120 was paid in notes as security and a cheque for R30 000 was written out and handed to him, Sergeant Clampett said

While the transaction was being discussed, Mr Jacobus Liebenberg asked him where he had got the diamonds and whether it would be possible for him to arrange that further deals went 'through'

Lieutenant Johannes Pool told the court he and two other policemen followed the three men and Sergeant Clampett to the Strand, where the alleged transaction took place

He searched the men after a signal was given by Sergeant Clampett, and found a small bottle containing the diamonds in Mr Schutte's hand

The hearing was postponed till July 14 by the magistrate, Mr G van Eeden

Mr Frank Silbert prosecuted Mr T J Ahlers appeared for Mr Johannes Liebenberg, Mr B M Griesel for Mr Jacobus Liebenberg, and Mr C Oosthuizen for Mr Schutte

R18,5m Debex expansion

(216) RDM
30/4/80

Mining Editor

THE Debex group, a subsidiary of De Beers Industrial Diamond Division, will spend R18 500 000 over the next two years on an expansion and relocation programme at its Springs factory.

This is part of an international expansion programme involving R130-million over the next five years

De Beers Industrial, a major producer of industrial diamonds, which, together with General Electric, provides 88% of the world market, has production facilities in Ireland and Sweden.

Mr Oppenheimer indicates that the demand for industrial diamonds will increase.

A total of R10 400 000 will be spent on plant and equipment in the synthethis operation in South Africa, with a further R8 100 000 on buildings designed to meet increased demands from the expanded ultra-high-pressure units diamond synthesis plants and for the requirements of the Diamond Research Laboratory

LTA Construction has been awarded the first phase of the contract

The managing director of Debex, Mr Dennis Haywood, predicts that the new facilities will ensure a marked decrease in the volume of imported goods needed for the plant and will result in a significant rise in production to keep pace with the rapid growth of De Beers Industrial Diamonds.

De Beers sees diamond sale increase

(216) RDM
30/4/80.

By DON ROBERTSON
Mining Editor

DIAMOND sales by the De Beers-controlled Central Selling Organsiation should be higher in the current year than the R2 192-million in 1979 in spite of an expected weakness in the demand for small gemstones, according to the chairman of De Beers, Mr Harry Oppenheimer.

Her says in his report for the year to December that sales for the year to date have been higher than they were last year and that this level is likely to be maintained

Sales by the CSO, which handles about 85% of the world's diamond production, directly affect De Beers profits

However, Mr Oppenheimer warns that the demand for small sizes of diamonds remains weak

"At the beginning of this year some improvement in market demand overall made itself felt, but the rise in interest rates to unprecedented levels is likely to create increasing financing problems in the cutting centres, where the holding of stocks has become extremely expensive and, as a result, the position has become more uncertain.

"Market conditions for the rest of the year will obviously depend to a large extent on developments in the American economy and we expect the weakness in the demand for small sizes to continue "

Mr Oppenheimer stresses the importance of the group's diversified interests and the investment income from these sources

In the year to December, income from investments outside the diamond industry was sufficient to cover the dividend The market value of these investments at December 31 was R1 875-million compared with R817-million in the previous year

"While the outlook for the diamond industry is not without its problems, it is on the whole satisfactory and this, taken together with our growing diversified holdings in other businesses, gives good reason to expect satisfactory results for the present year.

One of the major holdings of the group is Anglo American, and Mr Oppenheimer, also chairman of that company, gives a good indication of potential profits of Anglo

Recording that Anglo achieved excellent interim results, he says "There is every reason to expect that its final accounts for the year will prove equally satisfactory

"De Beers has successfully maintained its position as the leader of the diamond industry, but it is today very much more than a diamond-mining company.

"It has therefore achieved a geater solidity than ever in the past "

The market for industrial diamonds remained firm throughout the past year and with the decline in the supply of natural industrial diamonds, there has been a swing to synthetic industrial diamonds.

De Beers Industrial Diamond Division has embarked on a major expansion programme.

"The industrial diamond market continues to expand and we are well placed, both technically and commercially, to take advantage of this situation."

The group is working steadily to an overall increase in production. Last year output rose to 13 985 000 carats from 11 995 000 carats

The expansion programme at Finsch mine is nearing completion. The new plant will be be in operation in the middle of the year and production is scheduled to rise from about 2 500 000 carats to about 4 500 000 carats a year.

Good progress is being made with the development of the Jwaneng mine in Botswana and production when the mine comes to production in 1982 is expected to be 4 800 000 carats annually

In the year to December, De Beers profits dipped marginally to R727 900 000 from R741 200 000 and the total dividend payout was increased to 72,5c from 65c.

(X1)

FM 2/5/80 2Ka (2K)

DE BEERS

Rocky road ahead?

Activities *World's principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation Investment portfolio includes 39% of Anglo American Is itself 30% owned by Anglo ,*

Chairman *H F Oppenheimer*

Capital structure *359 8m deferred shares of 5c, 800 000 40% cum prefs of R5 and 2,9m 8% second prefs of R1 Market capitalisation R3 346m*

Financial *Year to December 31 1979 Borrowings long- and medium-term, R57,0m Net cash R975m Current ratio 2 5 Net cash flow R465m Capital commitments R497m*

Share market. *Price 930c (1979-80 high, 1 215c, low, 800c, trading volume last quarter, 3,7m shares) Yields 22,0% on earnings, 7,8% on dividend Cover 2,8 PE ratio 4,5*

	'76	'77	'78	'79
Listed investments (Rm)	342	612	817	1 876
CSO sales (Rm)	1 352	1 803	2 219	2 192
Pre tax profit (Rm)	520	888	1 156	1 106
Earnings (c)	85	173	205	205
Dividends (c)	35	52 5	65	72 5
Net asset value (c)	338	535	748	1 154

Be Beers digging deeper this year . . . but where is the market heading?

As far as diamonds are concerned, this could be a rough year for De Beers and that despite the impact for the full year of last September's 13% overall diamond price hike which was followed by a further 12% in February The problems will be difficult to avoid despite the company's virtual monopoly of world diamond sales through the CSO cartel

Stones of less than 1 ct are not in demand, even though Christmas season sales in the US were better than expected and "sales by the CSO have so far been higher than last year' It is, perhaps small wonder that Christmas sales in the US beat expectations, for by the end of last year almost everyone in that country with spare cash was climbing into anything perceived as an inflation hedge

However, things have changed, higher interest rates and the tightening credit squeeze in the US are almost certainly dissuading customers from buying diamonds on credit, while higher interest rates worldwide point to cutters running down stocks as far and as fast as possible And that could mean near-term CSO sales weakness Meantime, if the diamond market does weaken, De Beers might find it expedient to hold back on sales of its own stones to keep other producers happy with the CSO by allowing them a greater percentage share of the sales cake

This year, increased production from Finsch alone should push total production to over 15m ct from last year's 14m ct, despite possibly lower output from CDM A production target of 19m ct is being aimed for in 1983 But if the market remains weak that implies a solid rise in diamond stocks from end-December's R409m (R256m)

Not that this need strain the group's cash holdings At end-1979, cash holdings, less amounts owing on dividends stood at R668m (R1 132m), having been dented by the need to finance higher diamond stocks, the start of the Cons Gold paper chase and, to a lesser extent, by De Beers' cash contribution to last October's rationalisation of the greater Anglo group

More will have been knocked off since year's end by completion of the Cons Gold acquisition, while more is probably earmarked for that if the Anglo/De Beers holding is increased from the current 25%-odd to 29 9% as chairman Harry Oppenheimer appears to be promising How much more of Cons Gold is acquired could depend on how quickly that company's apparently recalcitrant board starts bedding down amicably with its new masters

Further down the line, funds could be required if the planned marketing agreement with prospective Australian diamond producer Ashton develops into more direct participation in the venture While the group could eventually seek participation in possible mining ventures by, for example Utah International in BophuthaTswana Those developments are, however, somewhat speculative at this stage

Though the near-term diamond capex and new investment scenario is possibly one of carefully managed cash flow, the need be no squeeze on dividend distrib tions though the growth rates of the pas four years may not be maintained In 197 dividends on the deferred shares jus about equalled interest and investmen income receipts Last year they we covered 1,2 times

This year if cash balances decline, in terest receipts could fall below last year' R118,7m (R120 6m) but unless gold fal out of bed and SA's economic recover falters badly, income from listed invest ments will be well ahead of 1979's R66,4 (R45,4m) Over the next few months management will be keeping a sha watch on world economic trends And will almost certainly be cautious on distri butions if world economies are firmly se on a recessionary tack during the secon half

On that basis and though Oppenheime feels that CSO sales are likely to b maintained at the first few months' high levels for the rest of the year, it probably safest to assume that at be there will only be a token increase in th interim dividend compared with las year's 20c And at the moment it difficult to predict a total payout of mor than 80c

At 930c the share yields a prospectiv 8,6% which is more or less in line with th prospective yield this time last year an at the half-way stage For the prese there is no need to rush into the share unless by holders of golds who are gettin cold feet over near-term prospects fo bullion Even then, there could be better buying opportunities later in the year

Jim Jones

BUSINESS MAIL

Investment pillar for increased De Beers payout

(216) ~~77~~

RDM 14/5/80.

By NEIL BEHRMANN

LONDON. — Although diamond earnings are likely to decline this year, a sharp increase in investment income should enable De Beers to raise its dividend once again

According to brokers Fielding Newson-Smith, demand for diamonds is weakening and only the top quality "investment" diamonds remain well bid

The brokers expect lower sales from De Beers marketing arm, the Central Selling Organisation This is inevitable, considering the compound rise of 30% in diamond sales each year from 1975 to 1979 and the recessionary influences in major economies

Yet, the brokers expect an improvement in De Beers investment income because of sharp dividend increases from gold and industrial investments

Tax will remain below average because of the continuing diamond-mining expansion programme and the increase of "already franked" investment income as a percentage of total profits

The brokers estimate that income from the company's diamond account (diamond profits) will fall from R831-million in 1979 to R700-million in 1980 Investment income, however, will rise from R312-million to R390-million

Total revenue may decline slightly and with the expectations of a lower tax rate, attributable earnings may drop from R742-million to R730-million

Fielding Newson-Smith estimates that earnings a share could fall from 206c to 200c This forecast allows for a decline in CSO sales in spite of a 13% average diamond price increase in September 1979 and a further 3% fall in the diamond account's profit margin Nevertheless, the brokers forecast that the dividend will rise from 72,5c to 80c because of the 25% increase in investment income a share

In fact, investment income of 87c a share covers the entire dividend

The brokers note that cash balances have shrunk from R1 295-million to R975-million However, listed and unlisted investments (valued at cost) rose from R494-million to R681-million at the end of 1979 The increase arises from larger holdings in Anglo American, Minorco and the purchase of Consolidated Gold Fields

The brokers say that De Beers is standing at a 15% discount to net assets

And this discount could be much wider because the diamond-mining and trading interests are based on a balance sheet value of only R282-million (77c a share) when these operations generated R831-million last year, or 75% of pre-tax profits

Noting a potential dividend yield of 8,5% and a prospective price earnings ratio of under five, the brokers conclude "De Beers financial power, low rating and grasp of the diamond market contrast so strongly with the short-term easing in the diamond market that we counsel against selling and to purchase on weakness"

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RDM 16/5/80

Diamond traders see slump threat

By SIMON WILLSON
Industrial Reporter

THE ECONOMIC problems of the West's industrial nations posed a direct threat to the world's diamond traders, said Mr Moshe Schnitzer, president of the World Federation of Diamond Bourses (WFDB), this week

Opening the congresses of the WFDB and the World Federation of Diamond Manufacturers Associations (WFDMA) in Johannesburg, Mr Schnitzer said the fall in the price of gold at the beginning of this year had led, in a short time, to certain investors redirecting investable funds into diamonds

"We have just emerged from the serious effect of uncontrolled speculation in the prices of rough diamonds, followed by sharp increases in the prices of polished stones When the price of gold eventually collapsed, the switch to investment in diamonds became a full-scale movement," Mr Schnitzer said

The congresses are held every two years and this year more than 550 international diamond industry delegates came to South Africa for the two day event

Mr Schnitzer admitted that, at first sight, diamantaires (diamond dealers) ought to be happy about what seemed to be a positive development in their industry

New marketing outlets in diamonds would encourage business for diamantaires by diversifying their clientele

"However, all of us know that encouraging the sale of diamonds for purely speculative investment purposes exposes our entire industry to the dangers of a powerful time-bomb which may ruin not only those directly involved but also inflict heavy damages upon our trade as a whole," Mr Schnitzer said

"It is one thing to emphasise the investment value of diamonds to jewellery buyers and it is a completely different matter to renounce a a long-established solid trade to enter the no-man's-land of ruthless international financial investment sharks "

Mr Schnitzer believed that through comprehensive and sincere discussions within the diamond community, insurance from unexpected financial surprises could be agreed on to limit the danger to "manageable proportions"

"I propose that we immediately open consultations with all interests involved, and above all with the heads of De Beers

"As we all know, it has always been De Beers pronounced policy to keep diamond prices realistic and prevent undue speculation

"I believe that close, positive cooperation among all serious elements and groups in our trade will eventually prove to be powerful enough to curb and minimise any damaging and undesired outside influences "

De Beers — market overlooks the hidden riches

(216) (74) ~~232~~

RDM
16/5/80 ~~244~~

LONDON. — There is a major anomaly in the mining share market which cries out for rectification, writes Andrew Wilson in the Sunday Telegraph

For years platitudious arguments have held sway rather than fact — and it is frequently difficult for the major investment funds to reverse their long-held beliefs and even more so those of their trustees

To begin at the beginning The world's most efficient monopoly is that of the Central Selling Organisation which can count among its customers every significant diamond producer other than Ghana

Even the Australians are likely to join the list of those who receive monthly cheques in respect of the Ashton mine when it begins to produce marketable quantities of diamonds later this year

Ghana's production of 1 500 000 carats has a gem content of only 15% and these are not of high quality That leaves the CSO selling revenue in 1979 of $2 598-million (R2 192-million)

By far the largest proportion came from gemstones and this is where the CSO's parent, De Beers, really scores At present, it produces around 45% of world gemstones from its mines in Southern Africa

But as pointed out here before, this proportion will rise over the next few years so that its share will exceed 55% with the major variables or unknown being Australia

But the evidence from there indicates that Ashton could best be compared with the Orapa mine in Botswana with an 80% industrial diamond content

Industrial diamonds have prices around 200p a carat at a crude approximation whereas a poor quality gemstone would start off a hundred times higher in the uncut form

But there now appears to be some pressure on supplies worldwide This has encouraged De Beers to develop synthetic alternatives, including one incorporating boron nitride for use in machining hardened steels. This points to a higher cash contribution from this source to De Beers revenue in future years

Part of the adverse market sentiment to De Beers arises from the historically high proportion of profits gleaned from South West Africa at Consolidated Diamond Mines Until recently, these accounted for over a quarter of net group profits But in 1979 this had declined to 18% accompanied by a decline in diamond output of 246 000 carats to 1 650 000

While the future of South West Africa remains a little uncertain, De Beers is still plugging ahead to evaluate new reserves although CDM's life expectancy is now the equivalent of 10 years at 1979 production levels unless there are significant discoveries

The shortfall is to be made up from that part of the De Beers group which I have found the most exciting — Namaqualand which is to the south of the Orange River. There too, as at CDM, the ancient marine beaches contain large quantities of diamonds, although for some inexplicable reason these tend to be smaller than those on the northern bank

But the deposits seem to extend ever farther south with desposits at Mitchells Bay, 65 km away from the mines at Kleinzee appearing to have the potential to be a significant contributor to group profits

The heavy concentration on research is leading to greatly improved diamond recoveries Treatment of the old spoil dumps at Kimberley saw a sixfold jump in the quantity recovered in 1979 at 335 000 carats At the nearby Finsch mine, a switch from an open pit to underground mining will lead to a 2-million carat increase to 4 500 000 carats, so that with the discoveries in Botswana, De Beers output by 1983 will have risen from 14-million to 18-million carats

So far, so good Will diamond prices hold? The market is quiet at present, with the amounts being offered at the sights being reduced. Against reduced volume, however, the 12% increase in prices announced in February, coming in the wake of a 13% rise last September, appears to be sticking

At this stage, it seems fairly safe to assume that diamond profits will be much in line with the R831-million of last year But from here on, the inherent strength of De Beers begins to show itself On a balance sheet basis, the mines and plant are valued at a mere R155-million, whereas on a realistic basis their value is nearer R1 000-million This is computed on the basis of De Beers earning 60% of its diamond profits from its own operations

Once De Beers had only its cash balances to fall back on But in return for being treated as the Anglo American cash milch cow for several years, it has now accumulated an outstanding investment portfolio In addition to cash on hand of R981-million at the end of December, it had 38,5% of Anglo American and 15,9% of Minorco

The overall portfolio excluding cash was worth R2 304-million at the yearend which generated income of only R82 700 000, or a mere 3,6% But that was a year when gold averaged only $307 compared with the average for the first four months of this year, calculated on a perhaps artificial daily basis, of $603,25 an ounce Income from this source will explode in 1980 helped by the acquisition of a net 12½% of Consolidated Gold Fields

It says much for the De Beers cash flow and profitability that it did not have to seek Reserve Bank permission to buy the Cons Gold stake, the amount of cash accruing through double taxation relief was sufficient — and we are talking of sums of around £150-million being held outside South Africa not required for diamond stockpile financing, which were used effectively to help fund Anglo's 12½% stake as well

The links between Cons Gold and De Beers/Anglo are to become closer The probable appointments to the Cons Gold board of Mr Julian Ogilvie Thompson from South Africa and Mr Neil Clarke from Anglo/Charter Consolidated will be balanced by Cons Gold chief executive Mr Rudolph Agnew taking his place around the table at 44 Main Street

At this stage, investment income should improve by over R100-million to R240-million This leaves pre-tax profits around R1 200-million and earnings showing a positive trend with a rise from 206c a share to 220c, depending on tax

The dividend total could well increase from 72,5c to 80c a share This would cost R288-million which dividend income alone covers over 1,4 times, leaving the diamond profits in for nothing So one has an investment yielding a prospective 11,5% with the shares at 348p, covered by assets of R12,50 a share

The discount against the mining-finance house such as UC Investments or Amgold is unjust and De Beers emergence as the world's largest investment holding company has still to be realised

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te-
rial may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

to disqualification and to possible exclusion from the
niversity

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Anglo taking a look at Simmer's mine

(~~222~~) (216)

24/6/80 RDM

By ELIZABETH ROUSE

AN ANGLO American prospecting company will be looking at Simmer & Jack Mines' Germiston property, according to an announcement by Simmer.

This confirms speculation dating back to the beginning of the year that Anglo was interested in the possibility of exploiting Simmers' Kimberley reefs and surface dumps

At this stage, the agreement reached between Simmer and Anglo American Prospecting Services (AAPS) involves merely a gold prospecting and exploration programme in property belonging to Simmer and its subsidiary, Simmer Extensions

Depending on what AAPS discovers in investigations in the Kimberley reefs, where a limited amount of diamond drilling was last carried out by Union Corporation in 1974 (when the gold price was around $197), further steps will be studying the feasibility of a treatment plant and, finally, assessing the possibility of a new mine

An Anglo spokesman stressed the investigatory aspect of its agreement with Simmer yesterday, while Simmer chairman Mr Peter Gain said "No comment.'

The only concrete news so far is that an AAPS team has done a first intersection of the Kimberley Reef and that "results were not promising "

According to the Simmer announcement, the project — to exploit the underlying and surface material of Simmer's mining lease claims at the Kimberley reefs for their gold content — also includes a feasibility study for building of a plant to treat 150 000 tons of combined material a month

If it is decided to proceed with the Kimberley reefs and surface material exploitation, AAPS or its nominees will later carry out an additional prospecting and exploration programme in Simmers and its subsidiary's lease areas in Main Reef, Main Reef Leader and other reefs.

According to a mining analyst, Simmer's dump reserves were reported to amount to 80-million tons including waste material and mostly low-value slimes grading up to 1 g/t

As to possible underground operations, Unicorp's drilling indicated 11-million tons of Kimberley reefs ore in the dry-pumped area above 1 200m from surface and another 10-million tons of ore in other reefs, in flooded areas, down to 2 400m

Should a new mine be established, the Anglo American group will finance the capital costs of a new mine Simmer & Jack will receive income in the form of royalty

Royalties are payable only after Anglo has recouped the capital cost of a new mine

Excited Simmers shareholders should hold their horses until AAPS reports to Simmer by August 31 whether it intends to establish a new mine Simmer will make a statement immediately afterwards

Gold tops in grand year for Anglo

~~244~~
216
~~247~~
~~184~~
~~232~~
~~275~~

RDM 30/6/80

By DAVID CARTE

Deputy Financial Editor

ANGLO AMERICAN Corporation produced 36% of South Africa's gold, 35% of its coal and 41% of its uranium in pushing up taxed profit 52% or R104-million to R306 600 000 in the year to March, says the annual report.

Pre-tax profit rose 44% to R382 500 000, earnings a share 50% to 136,1c and the dividend 52% to 70c Had Anglo equity accounted, earnings would have been 260c a share

The market value of investments rose to R5 058-million (R3 071 400 000), while assets employed totalled nearly R8 000-million The total market capitalisation of companies administered by Anglo rose to R11 000-million

Anglo s own market capitalisation rose 73% to R2 929 million

Even though all divisions, except level-pegging diamonds, achieved vastly improved results, the gold division outstripped all others, contributing 52% of group income, compared to 37% in 1979

Diamonds were the second biggest profit contributor, weighing in with 19%, compared to 28% in 1979

Even though Amic pushed up earnings 62% to a record, industrial investments contribution fell to 13% from 17% Coal's contribution also dropped from 6% to 5% in spite of a 25% rise in Amcoal's earnings Finance contributed 4% (1979·7%), and platinum and other mining 2% (1%) each

A geographical breakdown of profits shows that South Africa's contribution rose from 74% to 81%, while the South West African contribution fell from 5% to 3% The rest of Africa contributed 5% (7%) and North America 4% (6%)

Gold production declined marginally to 260 019 kg, and uranium production rose 253t to 2 149t Working revenue of the gold mines rose 47% to R2 151 200 000 in spite of increased working costs, working profit rose 78,2% to R1 274 600 000 Dividends paid totalled R350 600 000 (R194 700 000)

During the year the South uranium plant at Vaal Reefs was commissioned and a R715-million additional shaft system and gold plant at Western Deep Levels was announced Both the Joint Metallurgical Scheme and Ergo were operating satisfactorily

While total mine output rose by 2-million carats to 13 900 000 carats, diamond sales by the Central Selling Organisation

— $2 598-million This was a $46-million improvement in dollars, but a R27-million decline because of exchange rate movements

While De Beers diamond account income was R125-million lower because of lower stock profits and higher working costs, interest and dividend income compensated and equity earnings at R741 900 000 were almost the same as 1979's

In coal the most important development was the securing of contracts to supply two new 1 800 MW Escom power stations Sales rose 23% to 36 300 000t and pre-tax profit 25% to R104 million

Among industrial holdings, Highveld Steel, incorporating a full year's results of Rand Carbide for the first time, lifted earnings 30% to R27 300 000 Scaw Metals Boart International and Mondi Paper all achieved record results, and Sigma became South Africa's biggest vehicle maker, selling nearly 59 000 units A 35% stake in Haggie Ltd was acquired

The report says mining and engineering studies of the possible exploitation of low-grade gold and uranium deposits in the Erfdeel Dankbaarheid block, north of Free State Saaiplaas, are " far advanced", and other Free State prospects are encouraging

Boreholes are being sunk south and south-west of Vaal Reefs with the aim of confirming reserves Exploration near Klerksdorp yielded mixed results, and further drilling south of Western Areas yielded similar gold values to those obtained previously But much more work is required to confirm the gold grades of a num ber of reefs at great depth

Coal reserves improved in the year increasing by 995-million tons to 7 700-million run-of-mine tons Amcoal's target of reserves of 9 000-million tons is expected to be met by the end of 1982

Further encouraging results have been obtained from the copper, lead, zinc discovery in the Sperrgebiet in South West Africa and further drilling is planned this year

Anglo increased its stake in Amgold from 48% to 49%, in Amic from 44% to 49% and in Australian Anglo American from 37% to 41% Mainly as a result of the Charter Minorco restructuring, the holding in Anglo American of Canada fell to 22% from 39% and in Minorco to 32% from 40%

Apart from the acquisition of a 12,5% stake in Cons Gold, the most important additions to the investment portfolio were 7-million Rusplat, 1 200 000 Shan-

million Huletts 3-million Sasol and 400 000 Tongaat Sales included 200 000 Deelkraal and 210 000 Loraine

Anglo is being for sued with 28 other uranium marketing companies in America by Westinghouse Corporation for allegedly violating anti-trust legislation Anglo has refused to take any notice of the suit as it argues that it is not subject to the jurisdiction of the US It is not perturbed at an injunction not to remove assets from the US, saying it has none there

The report does not mention it, but Mr Gavin Relly said at the time of the preliminary report these results were obtained on an average gold price of $306

The report also does not describe prospects This is the prerogative of the chairman, Mr Harry Oppenheimer, who reports in August But with gold still so high, prospects can only be brilliant

Sparkling sales of SA diamonds

916

RDM 9/7/80

Deputy Financial Editor

INTERNATIONAL diamond sales by De Beers' Central Selling Organisation in London rose 17% or R182 million to a record R1 267-million in the six months to June

And in two other important announcements for the Johannesburg Stock Exchange, Goldfields of SA has announced sharply reduced gold profits in the June quarter and the Reserve Bank has approved non-residents investing in mutual funds through blocked and financial rands

According to official CSO sales figures released yesterday, diamond sales expressed in dollars totalled $1 567-million — a 23% improvement The rand appreciation was not as great due to its recent strength against the dollar

These results followed a 13% diamond price increase last September and a 12% increase in February

Johannesburg mining analysts said the figures suggested that sales in terms of carats must have held "at least steady" This they said, was a pleasant surprise in the light of recessionary trends in several Western countries

Analysts said the coming six months would be "more interesting for De Beers, and most were expecting a sales fall — at least in carats — by the end of the year

In the first set of gold quarterlies for the three months to June, Goldfields of SA has announced a 15% taxed profit fall to R176 million (R206-million)

The average gold price received by GFSA was R13 814/kg —a 16 2 % fall on the R16 479 received during the March quarter

In addition, due to lower grades, 827kg less gold was produced, with the result that total gold revenue fell 10% A 5% increase in working costs further eroded working profits, which declined R121-million or 23 6% to R392 million (R513-million) Other revenue and a lower tax rate reduced the fall in taxed earnings to 14,6%

Mutual fund managers expect an inflow of millions of rands to their funds, following the Reserve Bank's permission for non-residents to invest in unit trusts through financial and blocked rands

This gives non-residents access, at a 25% discount, to well diversified portfolios of top quality South African mining, financial and industrial stocks

© See Page 12

Diamond sales record

246

RDM 9/7/80.

By ADAM PAYNE

DE BEERS Central Selling Organisation reports better than expected sales of gem and industrial diamonds for the six months to June 30 with a record total of R1 267-million

This total is R182-million, or 17%, more than sales for the six months to June 30 last year, and 15% higher than in the six months to December last

Although De Beers does not issue volume figures one can deduce that volume was no higher, but the increase in the value of sales was due to price rises of 13% in September last and 12% in February this year

In dollar terms the increases were greater than in rands with sales totalling $1 567-million — $296-million, or 23%, more than the sales for the six months to June 30 last year and R240-million, or 18%, more than the sales for the six months to December 31 last

The disparity in the rand and dollar figures occurred because sales are converted from dollars into rands at the exchange rate prevailing at the time of each of the sales and the rand has continued to appreciate against the dollar over the six months

Sales for the year totalled R2 192-million, or $2 598-million

The next six months are likely to be less successful if the American depression persists Mr Oppenheimer, chairman of De Beers, warned in his annual review that the prospects for the remainder of the year would depend on the state of the US economy, where most sales are made

As the depression is severe it can be expected that sales will decrease in volume

A Johannesburg analyst who specialises in diamonds says the results for the past six months exceeded his expectations He had expected a rise of 18% in dollar terms as against the 23% achieved and a rise of 10% in rand terms as against the 17% achieved

Allowing for the average price rise of between 15% and 18% for the second six months as compared with last year he expects sales value to be down about 7% in dollars and 12% in rands in the second half of the year compared with the first half This would be because of a drop in volume

The second half is traditionally lower than the first half because the July and August sights are held during the northern holiday season and the December sights are usually small

(216) ~~[illegible]~~ RDM 18/7/80.

Korsten wants diamond stake

By HAROLD FRIDJHON

CONTROL of Trans Hex Beleggings, a Cape-based company with considerable diamond interests, as well as investments in the motor trade, financial services and engineering, will shift to Mr Laurie Korsten if shareholders of Naskor Mynbou and Seeland Mynbou agree to two inter-related schemes of arrangement.

Mr Korsten, who is managing director of Volkskas Merchant Bank, controls in his private capacity — and with the approval of the bank — a financial company, Corporate Credit Services (Pty)

CCS is making offers to the shareholders of Naskor and Seeland either to buy out their shareholding for cash or to buy out their holdings for cash plus Trans Hex shares with a view to getting control of Trans Hex Naskor owns 38,3% of Trans Hex and Seeland 25,7% of Transhex

From the Trans Hex accounts for the year to February 1980, the company appears to be a desirable property Taxed group profits amounted to R2 136 698 (R2 061 480), equivalent to 53c a share It has a seven-year history of growth The net asset value a share is 229c

Most of the company's profits are derived from its diamond interests as well as from earthmoving operations Profits from other sources account for only 14% of income

Mr Korsten plans to rationalise Trans Hex's operations and in about 18 months, if the time in opportune, to apply to the JSE for a listing Obviously he would prefer it to be an all-diamond company

Such a move would appeal to the shareholders of Naskor and Seeland who have been locked into their companies for the past 15 years or more Most of them have indicated that they would prefer to take cash plus Trans Hex shares, and they have also indicated that they would like more Trans Hex shares if these become available

CCS is also making an offer to the 370 Trans Hex shareholders If they sell, Mr Kirsten will be in a position to provide more shares for the Naskor and Seeland shareholders

Mr Kirsten told me that he would be happy to hold only 51% of Trans Hex, not the 64% which would accrue to CCS after the scheme of arrangement was approved

His bid to the Naskor and Seeland shareholders is about R5-million

DIAMONDS

Taking a breather

Fm 18/7/80 (216)

Ask almost anyone in the diamond industry, outside De Beers, which way the market is headed and the answer is down How far is another matter However, the slack demand for smaller gems which has prevailed since last year has now deepened to include stones of 1 ct and over And some dealers are battening down the hatches in preparation for a recession worse than that of 1974 75

But don't rush out and sell your De Beers shares There is no need to panic Though the recession is arriving at the same time as some major production advances De Beers has the resources to see the downturn through And, though this year's dividend increase may be pedestrian, subsequent advances could make the wait worthwhile

Some of the signs are still straws in the wind Despite the rush into investment quality gems during the last few months of 1979 and the first few months of 1980, first-half Central Selling Organisation (CSO) volume sales were lower this year than last In dollar terms sales were 23% ahead at $1 567m (1979 first half $1 271m) Which is all well and good but they had the benefit of last September's sharp price hike in larger stones which averaged 13% overall, plus this February's 12% advance

For the second half however, a downturn is more than likely Stocks in the world's major cutting centres are at historically high levels And with demand for rough stones drying up, the CSO has reduced the quantities offered at its sights in London in part to hold back the number of roughs which could flood onto the market if cutters decide to reduce inventories

One problem is that beyond the CSO, which markets De Beers own stones as well as those from such major producers as Zaire, Russia and Angola marketing structures are highly fragmented Even if the will was there it is unlikely that individual cut diamond dealers could mount an effective marketing campaign, That is the province of De Beers

Perhaps a sign of the times however is that one disgruntled London dealer complains that, in its advertising, De Beers never mentions the investment attributes of large diamonds When that sort of complaint surfaces, it is a pretty safe bet that even stones larger than 1 ct are meeting consumer resistance Sales of smaller stones have been clobbered by the growing recession in the US which accounts for some 50% of total world gem sales And as the recession deepens, particularly if there are better "investment" opportunities in, say, gold, demand for larger stones could fall apart

A cutter at work. . . a softer market?

There are other wrinkles As one London diamond dealer sees it, further sight reductions are on the way At the start of the year, many cutters reduced inventories as interest rates soared But restocking since then has reached maximum levels despite further possible interest rate falls That limits further potential stock building

Perhaps more to the point, the premiums on CSO prices, at which larger stones were trading in the secondary market and which prompted the last two CSO price hikes, have all but disappeared On that basis, De Beers could find it difficult to increase prices again this year, particularly if an increase resulted in greater sales resistance among cutters

At De Beers itself, management will be watching the world's economies with more than its usual care In 1979, the group produced 14m ct of which 4,4m ct came from Botswana while Namibia-based CDM was reported to have produced 1,7m ct, 475 000 ct down on 1978 By 1983, however, the group should be producing some 19m ct of which more than half will be Botswana-sourced So if the recession is long and deep, De Beers' stocks could be set for a major increase And that is particularly so if it is decided to sell proportionately less of the group's own stones so as not to unduly disturb sales from other countries which are tied to the CSO

As it is, though most gem producers accept that selling through the virtually monopolistic CSO (it controls over 80% of the world's rough gem market), has its advantages, concern has been expressed over the CSO's pricing policies

Because of De Beers' secretive reporting and its close relationship with the SA government to maintain both this secrecy and the company's monopoly position, radical elements in other producing countries frequently intimate that prices received from the CSO are fixed to benefit the monopolist itself It is difficult for anyone to prove that, especially as the CSO has a virtual monopoly on skilled diamond evaluators *vis-a-vis* smaller producers

What it means, though, is that, particularly during recessions, De Beers needs to keep other producers happy They will certainly not pull out of the CSO during a recession But if they are unhappy with their treatment during it, there is the risk that they could seek alternative outlets once the market recovers

For example, various Swapo spokesmen have already accused De Beers of cooking the books over SWA's production And if a radical Swapo ever gains power in SWA, it could become an irritant in CSO affairs The situation could become intolerable if, say, a post-Khama Botswana got in on the act along with other producers such as Angola and Sierra Leone Mind you, in the shadowy world of diamonds, there is always a Mr Fixit available to ensure that things do not get out of hand

But those are bridges De Beers could already have crossed Though the company plays it low key, Russian gem sales are, effectively, marketed quite happily through the CSO And the Soviets are unlikely to let client states such as Angola and, heaven forbid, a Swapo-run Namibia rock the boat Bet your boots that De Beers has come to, at least, tentative agreements with the possible government of "Africa's last colony"

To get back to the next couple of years, however At end-1979 De Beers' consolidated balance sheet revealed cash resources of R975m And though that could have been depleted by the final stages of the Cons Gold raid, there is enough to fund any conceivable stockpile increase for two or three years Back in 1974 and 1975, when CSO sales fell 22% to $1 066m, the group's cash holdings fell only R163,5m to R187,4m

And though De Beers is now working from a much larger production base (in 1975 it produced only 10,8m ct) don't forget that in 1975 the group's interest and dividend income was a mere R94,8m compared with 1979's R311,7m Clearly there is greater financial muscle to ride out the downturn than there was five or six years ago And once the recession is over, a repeat performance of 1976 could be on the cards, but on a grander scale In 1976, CSO sales rose by 46% to $1 555m, while De Beers' diamond account income more than doubled from R216,8m to R451,5m, geared up by stock profits

A strong rand

At this stage, there is little doubt that De Beers' diamond account earnings could be stodgy for the next couple of years And if the diamond market does deteriorate sharply this year, while the rand remains strong against the dollar, a further fall from last year's R831,3m (1978 R956,4m) from this source is more than likely

That could be enough to scare many investors away from the shares But in a couple of years there should be some solid profits for those who are prepared to wait out the current recession

Jim Jones

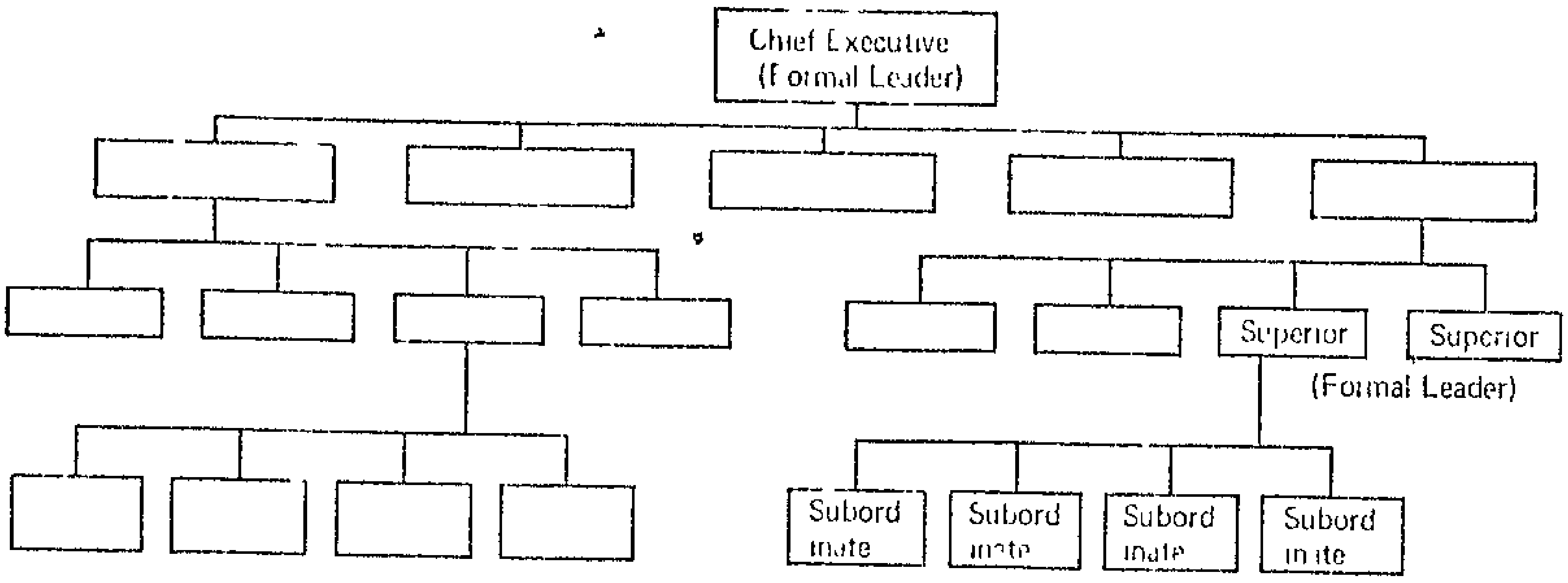

Chart 1 *A formal structure*

central persons are called "informal leaders" The informal structure, when described by way of a chart, looks like a nuclear structure in chemistry, or like a child's toy The informal leaders are those people who appear on the chart with a larger amount of relationships with others (see Chart 2)

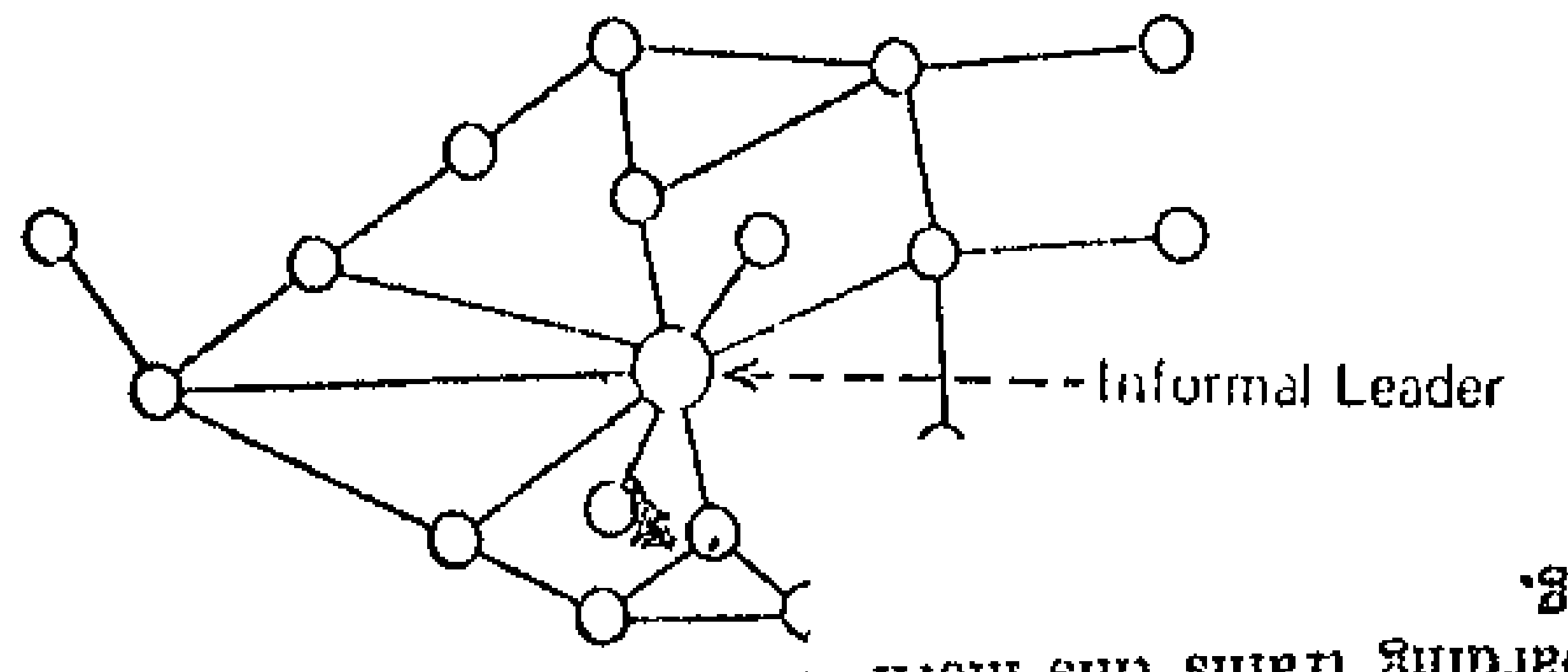

Chart 2 An info

We have described the p
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The study of the relation
and informal, as part of th

zational structure, can be performed in three different ways

—by observation
—by interviewing
—by self-recording (filling in questionnaires or pre-arranged forms)

The study of a relationship structure can be done through one or two or all of the three above-mentioned ways Usually, the study is not done in more than two of the above-mentioned ways because different organizational researchers support and are
mitted to different research methodologies in the
nizational relationships study.

here are two different existing approaches to the
y of relationships and interactions The first is
d on observations conducted by the researcher,
le the other is based on data received from the
nbers of the organization by way of interviews
elf-recording

hen the study is based on the observations of
researcher, its results are clear-cut When the
ly relies, however, on data received from mem-
s of the organization, the evolving formal and
rmal structures are not at all clear-cut This is so
ause perceptions of members of the organization,
their role in the organizational structure, are not
ys harmonious —that is to say, that every two
bers of the organization are not always in agree-
as to the relationship between them Two
e might disagree as to the formal relationship

Star
23/7/80
216

600 mine strikers are paid off

Own Correspondent

KIMBERLEY — About 600 strikers were being paid off today at the Finsch Diamond Mine in the Northern Cape, Mr George Louw, public relations officer for De Beers, who own the mine, said in Kimberley

This follows their refusal to return to work since the night shift on Sunday

Mr Louw said workers demanded a 50 percent pay increase at a meeting last night addressed by De Beer's general-manager, Mr K W Hartley They said they wished to leave the mine's employ if their demand was not met.

Mr Louw said the demand was not met and the strikers stayed away from work for the third day Transport was being arranged for the workers to their home areas — most of them come from nearby Bophuthatswana — and the first parties were boarding trains this morning.

Miners at Finsch keep up strike

Post 24/7/80

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THE majority of the strikers at the Finsch Diamond Mine in the Northern Cape — reputedly one of the richest diamond mines in the world — continued their strike yesterday as management tried to ascertain what their grievances were.

About 650 black workers went on strike on Tuesday in what was believed to be a wage dispute.

Mr George Louw, the Kimberley-based public relations officer for De Beers — who own the mine — said yesterday that although workers at the mine had agreed to return to work, only a small number reported yesterday morning.

Negotiations between mine management and workers continued throughout the day, he said. De Beers' general manager, Mr W K Hartley, had addressed workers in the mine hostel on three occasions. There was no indication when the majority would return to work.

A worker said yesterday that strikers felt the recent 14 percent increases granted did not cancel everyday expenses and that most workers felt their hostel facilities and working conditions were not up to standard.

He added that workers felt they were responsible for the production and should be treated with consummate respect. They felt the workers constitution and committee offered by the compnay were not effective, and that they wanted to form a union. — Sapa.

Only diamonds are harder than a cutting newcomer

2171 216 RDM
7/8/80.

By SIMON WILLSON
Industrial Reporter

A NEW South African product is to challenge the worldwide stranglehold of tungsten carbide on the steel cutting tool market.

Amborite, an ultra-hard synthetic cutting tool material, has been developed by De Beers at its Diamond Research Laboratory (DRL) in Booysens, Johannesburg, and is to be marketed domestically for the first time this month after two months of test use in Europe and the United States

De Beers' aim is to seize an appreciable share of the estimated $500-million world market in hard-cutting materials, which is cornered by tungsten carbide

The director of research at the DRL, Dr Corrie Phaal, is confident that Amborite has the extra hardness to compete with tungsten carbide, and says the response from test users after only two months has been favourable

He claims Amborite is the second hardest material on earth after the diamond, and says its greater resistance to wear will give it a clear advantage over tungsten carbide

The DRL, which has an annual research budget of R18-million, took four years to develop Amborite At this early stage of production, before increased manufacturing volume can lower unit costs through economies of scale, Amborite's costly birth has left it with a price disadvantage compared with tungsten carbide

Amborite now on sale overseas costs between $130 and $230 (R170-R301) for inserts with diameters of between 9,5 mm and 12,7 mm Comparable inserts of tungsten carbide are selling for $4 to $5

"Amborite is more expensive, but it quickly recovers its cost outlay by increased performance," says Dr Phaal

De Beers' top priority in launching Amborite on the domestic market is an aggressive marketing campaign to clarify its claimed performance edge over rival cutting materials.

Amborite is being produced under a blanket of secrecy to avoid industrial espionage Journalists were allowed into the DRL's top-security wing for the first time yesterday to see the new material's production processes

The substance is produced by subjecting amber boron nitride to conditions found 200 kilometres below the earth's surface — a temperature of 1 500 degrees celsius and a pressure of 60 000 kilograms a square centimetre

Compared with conventional ceramic tooling, the resultant material is claimed to give 100 times greater tool life in machining chill cast iron, 25 times longer life in machining cold work steel and four times longer life in machining high speed steel

Among the successful uses to date cited by De Beers for the material is as a reinforcement for the track contact strip on the skirts of ground-effect grand prix cars, and in the manufacture of rough cast suction liners for the slurry pumps of a Johannesburg company

30% lift in De Beers interim seen

216

RDM 11/8/80

By IAN THOMAS
Mining Editor

WITH De Beers interim results due next week, shareholders are looking for at least a 30% increase on last year's 20c dividend, according to investment analysts.

This suggests 26c, but some forecast that it will rise to 27,5c, taking into account the company's decision to reduce the disparity between the interim and final dividends for the year to December 31

Investment sources say the market for diamonds has weakened because of recessionary factors in Europe and the United States, but that De Beers will offset this by drawing on reserves to raise the interim.

Company tax is expected to remain at a lower rate because of investment rebates.

No immediate increase in Central Selling Organisation prices is foreseen after the 13% and 12% rises last September and February respectively.

Analysts say much will depend on the Christmas jewellery trade, although a sales decline is virtually certain at coming sights, the next to be held on August 18 in London

In the longer term, analysts say that should Mr Ronald Reagan win the US presidential election and formulate a tight monetary policy resulting in a strengthening of the dollar, the outlook for increased diamond sales will be brighter

They point to the growing acceptance of a diamond futures market, with investors recognising the attractions of diamond certificates

Analysts say that as a longer-term investment, De Beers at Friday's 1 160c closing price represents a relatively under-priced share in terms of its yield Last year, De Beers turned in a R582 100 000 pre-tax profit (R721 400 000), which was lower than the previous year's mainly because of the rand's steady appreciation against the dollar in which sales are conducted. If De Beers can keep the dividend 30% ahead of last year's payments for the full year it will pay 94c odd, which puts it on a prospective yield of just over 8%.

OCHTA LEADS IN BATTLE FOR TRANS HEX

4/9/80 KRUUS.

216

OCHTA, a company with wide interests in the diamond industry, has emerged as the frontrunner in the R10-million takeover battle for control of the Namaqualand diamond company, Trans Hex.

Representatives of Ochta will today meet the boards of directors of Naskor Mynbou and Seeland Mynbou — which between them control 64 percent of Trans Hex — and the boards will announce tomorrow their recommendations on which offer shareholders should accept

Major shareholders were hurriedly called to a meeting in Cape Town last night to be given information and will vote on October 13

The latest developments came after board meetings of the controlling interests of Trans Hex yesterday and on Tuesday following two days of inconclusive meetings last week

But on Monday Ochta increased its offer for the second time in two weeks Its bid for 57 percent of Trans Hex is now worth about R5,8-million

The initial proposal by Transvaal banker, Mr Laurie Korsten, for 64 percent of Trans Hex was worth about R5-million.

Mr Korsten, through his company, Corporate Credit Services, put in 'a materially different proposal,' last week after the first counter bids by Ochta and Natal Makelaars

The latest offer increases Ochta's bid n for 49,9 percent of Naskor and Seeland shares by about 10 percent to R3,55 a share and R3,30 a share respectively

CONSORTIUM

Merchant banker Hill Samuel, acting for Ochta, has also arranged for a number of private individuals to form a consortium to buy shares over and above the 49,9 percent which Ochta is bidding for

Mr J A de Villiers and his family trusts are the major shareholders in Ochta, which has associated companies involved in diamond cutting and polishing and has a diamond mine on the banks of the Orange River

Shareholders of Trans Hex were urged after a meeting early last month to keep their shares until advised what to do by the boards of Naskor and Seeland

Mervyn Harris

MR P HOFFMAN, chairman of Naskor Mynbou.

K & L back with a sparkler

216

RDM 19/9/80.

Deputy Financial Editor

AFTER A loss of R622 000 in the year to end February 1979, Katz and Lourie, the diamond wholesaler and retailer recently taken over by Theron Holdings, achieved a taxed profit of exactly R1-million in the 16 months to end June.

Turnover rose 110% in the 16 months, compared to a 2,2% gain in 1979. Pre-tax profit was R1 356 000, compared to R378 000 in 1979, when a R510 000 currency loss hit the company hard The tax rate at 26% made the tax bill R356 000, leaving taxed profit of R1-million

Earnings in the most recent accounting period were 106,4c, compared to the 1979 loss of 40,7c The dividend will be announced in the annual report in four weeks

Annualised, the 16 months figures give a pre-tax profit of R1 017 000, taxed profit of R750 000 and earnings per share of 79,8c So, on an annualised basis, Katz and Lourie has achieved an effective turnaround of 120,5c a share

As Theron Holdings has 70% of the equity of Katz and Lourie, R700 000 of the earnings for the 16 months is attributable to Theron,

The report says these results are a record in Katz and Lourie's 85-year history and an excellent Christmas is expected The group has plans to open new branches

Chairman, Mr Arnold Katz, says the vertical integration of Theron and Katz and Lourie is already paying off Katz and Lourie had a useful stockpile of diamonds, which it could sell on local or export markets if the diamond price rose

Asked how earnings came to be a neat R1-million, Mr Katz said these were pre-audited figures The actual taxed profit was about R1 000 more than a million and it was decided to round the figure off until the annual report came out with audited figures

COMMENT: Domestic diamond sales look set to continue their recent rise for some time Nevertheless, another takeoff on the scale of 1979-80 seems unlikely. After all, a portion of these sales must have come from profits on the JSE, which may not perform as well in 1981

Katz and Lourie has large Swiss franc loans and a strong rand or dollar is positive for the company.

The company does seem to be dramatically on the mend but is hard to value without a dividend and a truly comparable track record.

De Beers declares a 25c interim

216 RDM
20/9/80

By ADAM PAYNE
and
IAN THOMAS

DE BEERS has declared a 25c (20c) interim dividend which will disappoint the market

Analysts had been looking for 27,5c and for more encouraging figures than those contained in the interim results for the six months to June now issued

De Beers points out that the increase from 20c in the same time last year to 25c this year follows the company's stated intention of reducing the disparity between the interim and the final

Net attributable profits where virtually unchanged at R343 400 000 (R340 100 000) This represents earnings of 95c a share giving cover of 3,8

The surprise in the interim figures is contained in the diamond account which includes dividend income from trade investments

It dropped from R480 600 000 last year, including income from trade investments, to R437 900 000, in spite of a 17% rise in rand terms in CSO diamond sales in the six months to June compared with the sales in the same six months of 1979

In dollar terms the sales rose 23% from $1 271-million to $1 567-million

De Beers makes no explanation but it can only be assumed that, although sales rose, profits were down because of increased costs and increased capital spending at a time of expansion on the diamond mines

The accounts are, of course, in rands and the appreciation of the rand against the dollar in which currency the diamonds are sold has been an adverse factor

Income from investments outside the diamond industry rose to R116-million (R107 400 000) This may surprise people who expect De Beers investments in gold mining companies and Anglo American Corporation to be big contributors to investment income

These investments in terms of income are, however, not as important as the interest on the huge sums of money held by De Beers on which rates have fallen heavily so reducing investment income

Net surplus on investments rose to R5 100 000 from only R300 000

Prospecting and research general charges, and interest payable, amounted to R42-million (R40-million) leaving pre-tax profits of R539-million (R569-million) from which tax and State's share of profits amounting to R189-million (R225-million) were deducted to give group after-tax profits of R349 900 000 (R340-million)

COMMENT: On April 3, Mr Harry Oppenheimer, chairman of De Beers, said that while the outlook for diamonds was not without its problems it was on the whole satisfactory and this, taken together with diversified holdings in other businesses, gave good reason to expect satisfactory results in 1980

Mr Oppenheimer is seldom wrong.

The most reliable forecast I have of earnings this year is for 170c compared with 203,8c last year, which allows for earnings of only 75c in the second half

From these earnings the final dividend could be 55c to make a total of 80c compared with 72,5c last year

This would give a yield of 6,6% on yesterday's share price of 1 200c.

These forecasts, if fulfilled, could disappoint those who have been buying the shares and moving up the price, but the US recession has been biting hard, hence the forecast of reduced earnings in the second half.

However, there are signs of the recession softening and President Carter could take inflationary measures ahead of the election.

As usual for De Beers, the outlook depends mainly on diamond sales and these sales in the second half of the year depend mainly on the state of the US economy.

Vacuum-cleaners of the seabed reap a rich harvest

(216)

Rom 26/9/80

ON the surface, it is an exciting looking operation, almost too good to be true. But would I buy the shares?

The answer has to be yes but, with diamonds as risky as they are, only with money I could afford to gamble. By DAVID CARTE, Deputy Financial Editor.

LLOYD ADLEM, burly, bearded 29-year-old financial director of Theron Holdings, turned the baby food bottle upside down and 230 carats of uncut diamonds spilled on to the table

"That's two days' production from five boats," he said, "worth about R270 000 These are just the specified stones "

"Specified" diamonds are over two carats Several of these were well over that and the biggest was 8 carats, the size of a pea

After he had put the "specifieds" away, he took out twice as many unspecified stones — 430 carats worth about R80 000

Though not a record, the 700 carat haul in two days off the tiny hamlet of Doringbaai on the Namaqualand coast was a good one for Theron subsidiary Dawn Diamonds

The stones were dredged from the surf by a revolutionary new technique that has made Dawn's parent, Theron Holdings, the Johannesburg Stock Exchange's hottest stock of the past two years

In this period Dawn's diamond recoveries have soared from nothing in 1978 to 13 000 carats in 1979 to 37 700 carats in the year ended June, 1980 In August, 1979, the company brought in a record 8 500 carats, which it sold for more than R2-million Its biggest stone to date has been 34 carats and the average stone is just less than a carat

Largely on the strength of this performance by its 61%-owned diamond subsidiary, Theron shares have risen from 7c two years ago to a recent high of 510c They are currently on 420c and one respected mining analyst says they could go to R50 one day

Theron's burgeoning financial strength had enabled it recently to buy control of Katz and Lourie the listed diamond retailer This company, too, has performed spectacularly since the takeover turning a R600 000 taxed loss into a R1-million taxed profit in the 16 months to end June

eight operating from Doringbaai on Concessions 11 and 12

It is a very simple operation and that is its beauty About 100km north of Port Nolloth, near Oranjemund, De Beers' Consolidated Diamond Mines also takes diamonds from the sea floor

But its mining technique, involving reclaiming undersea areas by means of huge dykes, is massively expensive

The legendary Sam Collins lost a fortune trying to pump diamonds from the sea but he used not divers but expensive high technology, including underwater television cameras, to find the elusive little sparklers

Dawn's "Tupperwares" are broad-beamed and shallow drafted and are thus able to operate in shallow water with heavy loads They are very basic craft and can be delivered three weeks after order

They cost R75 000 fully equipped and are operated by a seven-man crew, comprising a skipper, mate-cum-engineer, two deckhands and three divers

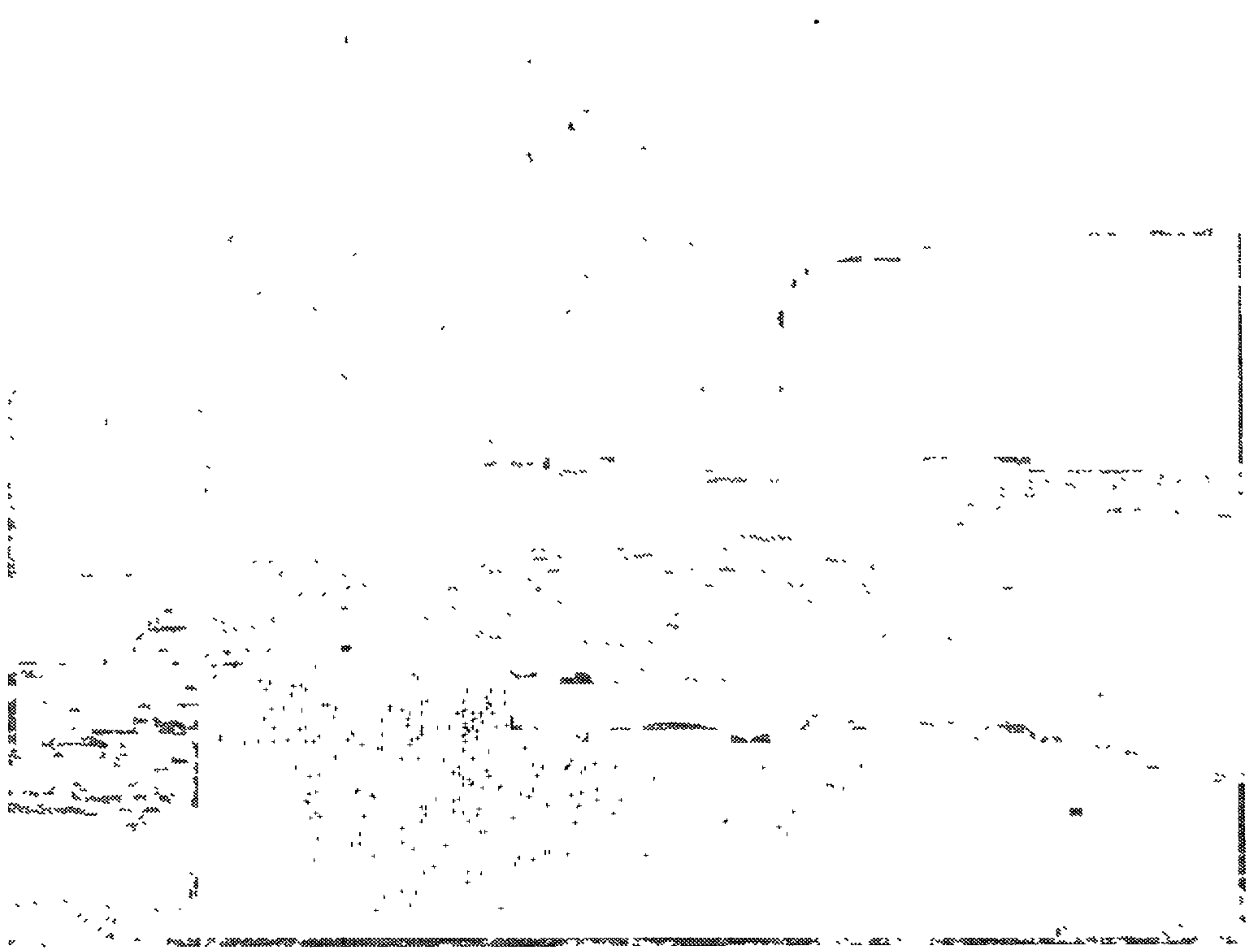
Boats go out for five days at a stretch and because life on the unstable, cramped little boats is so uncomfortable and dangerous, the men are paid well Divers, for instance, earn R1 000 a month basic plus 1,5% of the value of the diamonds they suck up That averages between R2 000 and R3 000 a month Some have earned as much as R18 000 in a month

But even though the men are well paid, it costs only R150 a day to operate a "Tupperware" Dawn Diamond, which operates 17 boats, three of them much bigger wooden hulls costing R1 000 a day to operate, can cover all its costs with less than 1 000 carats a month

Its target is 500 carats a day

Another advantage of the new system, the Dawn men say, is that the sea does the company's mining for it

One particularly rich undersea pothole has been vacuumed clean of diamondiferous gravels by another company eight mes and the fifth time produced more diamonds than the first The sea is apparently refilling it each time



A wooden-hulled boat dredges for diamonds off some treacherous rocks near Doringbaai on the Namaqualand coast

Mr Hugo Richter, chairman of Theron, claims an equally important reason for Dawn's success is that he and Mr Ivan Prinsep, Swiss-based holder of 27% of Dawn, have done their geological homework, choosing concessions not only on today's river mouths but where river mouths used to be millions of years ago

These are the reasons Dawn chose concession numbers 5, 11 and 12 The company has also applied to prospect area 13, north of Lamberts Bay, and the waters off the 12 South African islands off South West Africa, which it sees as highly exciting prospects

It has the right to prospect on Concession 2 but this is open to other miners as well and the concession has been rife with piracy Boat crews operating in this area carry rifles in case their boats are sabotaged or their diamonds seized

The concessions are granted by the Government and belong to Terra Marina, a subsidiary of Trans Hex Holdings Dawn pays Terra Marina a royalty on all diamonds recovered Last year Terra Marina made R1-million out of Dawn without lifting a finger

The Government grants the concession semi-automatically, bi-annually on condition they are worked Some Theron watchers have suggested that Trans-Hex may one day not renew Dawn's leases, preferring to exploit them itself

But one of the unsuccessful prospective purchasers of Trans-Hex tells me Trans-Hex has neither the desire nor the expertise to undertake underwater mining and the leases are "water-tight"

Just to start, Trans-Hex would have to invest more than R2-million in boats, equipment, personnel and worker accommodation Far better, he said, for Trans-Hex to receive royalties and take no risks

People in Namaqualand say Trans-Hex will never be sold They say the major Trans-Hex shareholders are divided into friends and foes of Theron The foes of Theron will make sure Theron does not get it, while the friends of Theron will make sure no-one else does This could explain the failure of Ochta's apparently attractive bid

Dawn Diamond is highly excited about the Jao, a survey vessel that was delivered 10 days ago This R200 000 vessel with sidescan sonar and profiler will enable Dawn to map the sea bed

It will identify sand, diamondiferous gravel and bed rock and enable pinpoint navigation, so that once a rich pothole is found, it can be returned to without difficulty

But, more important, it will enable the company to attempt deeper mining If this is successful — and so far there have been no indications that there are fewer diamonds further from the shore — Dawn will have overcome the biggest obstacle to really big profits — the weather

The diamond dredgers find diamonds nearly every time they go out But it takes only a slight wind to bring up waves and make diving in the surf impossible During April, for instance, the boats were able to operate for only 1,5 days. May, June, July and August were also indifferent months because of the weather

If the divers can operate in deeper water where there are no waves, Theron will build up a deep water fleet and become independent of the weather

Mr Richter has an untested theory that millions of years ago the sea shore was further out and that there will be just as many diamonds in deeper water

Another attraction of mining deeper is that boat losses, at present terrifying, will be reduced Dawn has lost five boats and one man to the wild Namaqualand surf in the past two years

According to Mr Richter, Dr Jacques Piccard, a famous French submariner who designed underwater bells for Jacques Cousteau and also a leading consultant to underwater oil prospectors, is a friend of Mr Ivan Prinsep and holds 5% of the shares of Dawn.

Dr Piccard was apparently partly responsible for the concept of "diamond mining by vacuum cleaner" and could be a useful technological contact in the future if Dawn goes deeper

Because individual stones can be worth thousands of rands, security among Namaqualand miners has to be exceedingly tight. Every diamond recovered is immediately registered with the super-efficient diamond police, who have actually infiltrated the work forces of all the diamond companies.

The penalty for pinching uncut stones is heavy. Still, some take the risk but few get away with it

A diamond mining company may not cut its own stones, so the uncut stones are sold to the independent cutters at prices established by the Diamond Producers Association (51% controlled by De Beers)

But Katz and Lourie finances the diamond cutters, who, in turn sell cut stones to another company in the Theron-Katz and Lourie stable. This company is, effectively a "diamond bank" like De Beers' Central Selling Organisation (CSO). The "banker" eventually sells to the retailer, in this case, usually Katz and Lourie

So without cutting stones, Theron and Katz and Lourie are effectively an integrated mining and diamond retailing operation with the middleman's slice reduced to a minimum

This is very important to an understanding of the group Not only does it reduce the middleman's cut, but at any given time thousands of carats of stones are in stock, valued at cost — about a quarter of their real value.

This means that Theron's assets and profits are very conservatively stated. One analyst has deduced that 6 000 carats or several months of production worth R1 600 000 were in this "pipeline" at the last year end year and this had the effect of reducing earnings from about 100c to the declared 80c

This pipeline will enable Theron to cash in if the CSO increases diamond prices and also ensures that there are profits already in the can for the current financial year It will enable the company to smooth an earnings curve, which could otherwise be as rough as the Namaqualand weather.

The Johannesburg financial community has been concerned at the chairman apparently "dealing in the shares". Some have even speculated that he has attempted to depress the price of Theron and boost the price of Katz and Lourie in order to buy out Theron minority shareholders cheaply with expensive Katz and Lourie paper

Mr Richter explains that he has sold 60 000 shares and bought an equivalent number in the name of Sortex a family trust He sold when the share price was strong and bought when it was weak purely to cover the cost of transfer he says He would buy another 50 000 if he could get a parcel at the right price At present he owns 1 500 000 of the 2 500 000 shares in issue

Financial director Lloyd Adlem examines 230 carats of "specified diamonds worth R270 000

CONT

Mr Richter savs the undul ing behaviour of the shar leads him to believe that c tain brokers have been "j bing in Theron shares, talk them down, then buying the at just under 400c then talk them up again and selling 460c

Theron also owns a fish fleet operating out of Mos Bay This made R500 000 bef tax last year — about 7c earnings per share It is pected to do even better n year

According to Mr Richter, fishing fleet could curren carry the entire operation ev if not one diamond w recovered

RDM 26/9/80

(216)

Unsurprisingly, in a field such as diamonds where some of the biggest frauds in financial history have been committed—and some of the biggest fortunes lost, Theron's success has been greeted with a fair deal of scepticism

Many observers, particularly "heavyweight" analysts and institutional investment managers who tend not to believe in a stock unless it has a big fat balance sheet and a long record of rising earnings, have been sitting back confidently waiting for the balloon to burst

So far they have been disappointed

The secret of Dawn Diamond's success has been a little 15m fibreglass boat nicknamed "Tupperware".

These are anchored just beyond the breakers and divers descend from them to the sea floor with hoses connected to pumps on deck. The divers search for readily identifiable diamondiferous gravels Where they find them they simply "vacuum" the sea floor

The gravels are tested on deck and, if they look promising, the diver is informed. Promising gravel is put into bags, which are stored in the hold and taken back to port.

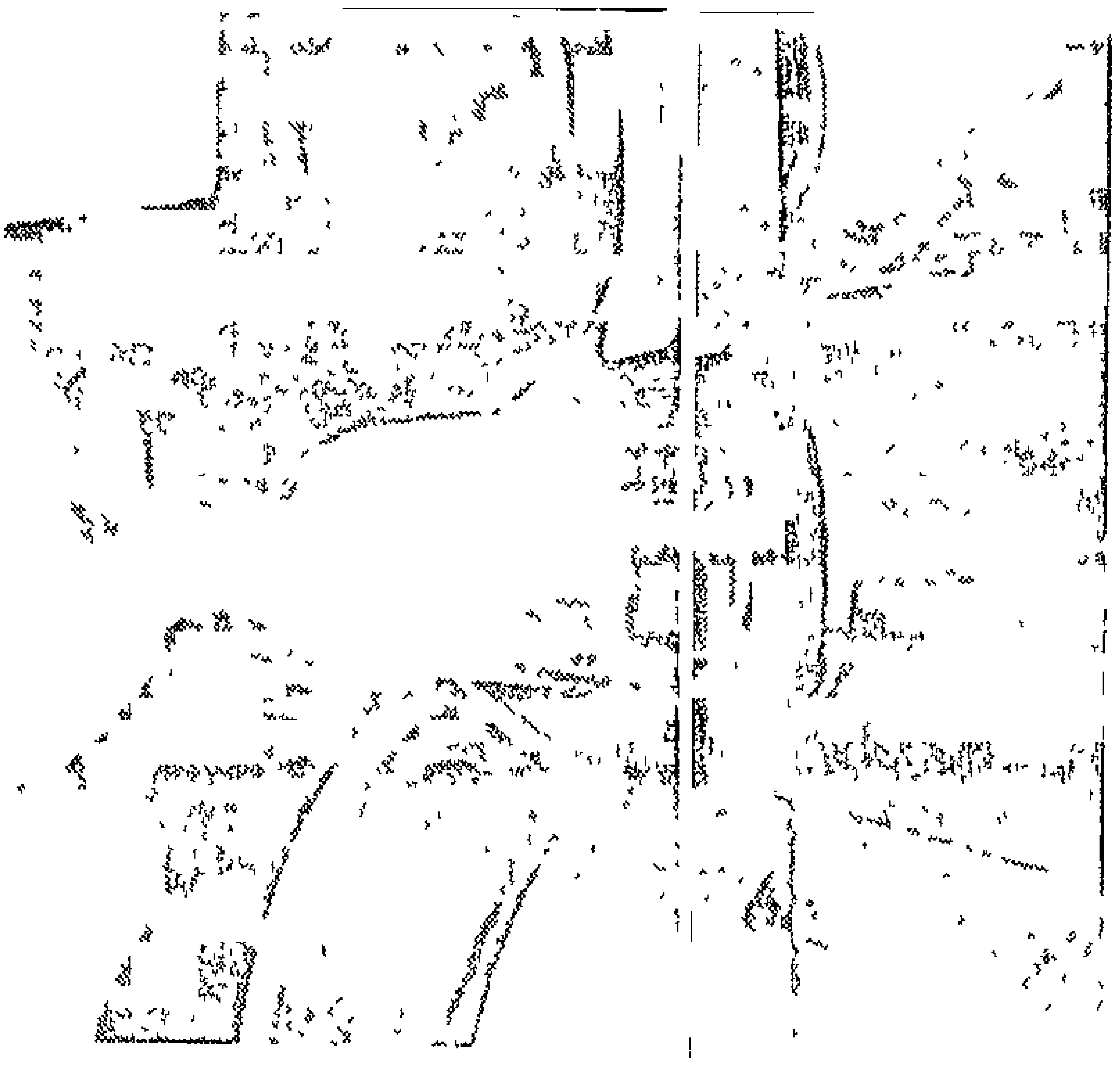
On shore, the gravels are mechanically sorted and sieved for diamonds Finer gravels are searched twice and the rougher ones four times Rougher gravels are eventually ground down to a paste in a ball mill, as smaller stones are often found inside pebbles.

Dawn Diamond has eight boats operating out of Port Nolloth on Concession 5, which is directly off De Beers' Kleinsee on-shore mine, and another

Diamonds still have a big role to play

NM 7/10/80

(216)



Synthetic diamonds used to cut crystal glass.

THE history of diamond as an industrial tool goes back so far that its origins are shrouded in the mists of time, but it is thought that ancient craftsmen used the attractive crystal to etch and shape a variety of articles, including other diamonds, as long ago as 800 BC

Over the centuries increasing use was made of this remarkable substance in 70 AD, for instance, the Roman historian Pliny wrote of 'tools coated in diamond dust for engraving and cutting 'the very hardest substances known'

But it has been in the years following the second world war that the greatest surge in industrial diamond business has occured, as an ever-widening range of applications have developed

Materials

Today, diamond, cubic boran nitride and derivatives of these ultra-hard materials, are widely used to process metals, glass, ceramics, plastics, asbestos, fibreglass, stone and concrete, and it is hard to imagine modern construction, industry and engineering without these important tools

The free world's voracious appetite for diamond has resulted in a market worth US$300-million a year with an average growth of around 10 percent pa By the mid-80s it is estimated that this growth rate will be nearer 20 percent

Broadly speaking, demand is made up of 50 percent for abrasive applications, 10 percent powders and the remainder for whole stones

Over 100 million carats a year are consumed in the production of everything from marble slabs to contact lenses New applications are continually being found as harder materials come onto the market and diamond is seen to be the most effective way of shaping them to man s requirements

Until the early 50s, industrial diamond demand was met entirely from natural sources Those stones recovered on the mines which were too small or insufficiently attractive for the 'gem' trade were crushed, graded and sold — almost as a by-product

Industrial demand soon began to outstrip supply, however, and a real need emerged for a more plentiful and regular flow of the precious material

Synthetic

The development of diamond synthesis fulfilled that need

During the 50s the complex problems surrounding the synthetic production of real diamonds were finally solved in independent research projects carried out in Sweden, America and South Africa

Since then, the 'state of the art' has taken huge strides forward and computers now give a degree of process control so precise that diamonds can be tailor made for specific uses

At the De Beers Industrial Diamond division's (DEBID) synthesis plants in South Africa, Ireland and Sweden, 15 different diamond types in a wide range of sizes are manufactured, and 'synthetics' now comprise two thirds of the free world's industrial diamond supply

International

DEBID, operating through an international network of distributors, holds a major share of the total industrial diamond market With expansion plans calling for a doubling of production by 1985, the division obviously intends to maintain this position and possibly increase its market lead

Diamond and related products are sold to distributors, who in turn deal with diamond tool manufacturers The tools are then sold to 'end-users'.

The stone and construction business is the main user of diamond at present Thirty million carats a year are consumed in the operation of the diamond-tipped saws, drills and polishing discs needed to work a variety of natural stones and reinforced concrete and projects ranging from skyscrapers to airport runways

Prominent

In their endless quest for oil, the major petroleum companies are also prominent 'end-users of diamond drilling tools, which are used for both production and exploratory work in highly abrasive or particularly tough formations Geologists probe the earth s secrets with diamond drills in exploratory work for most mining ventures

In dental drills and special scalpels and saw blades diamonds play an essential role, whilst fine powders are used to grind spectacle and contact lenses, along with many other items

It is in the engineering field, however, that some of the most exciting developments have taken place

Conventional

Tool steels and conventional machining inserts have to be re-sharpened and shaped — and this can be done quickly and economically with diamond and CBN, whilst wire drawing dies can now be made from compacts as well as natural diamond stones

During the past decade a number of ultra-hard metals and ceramics have been introduced, and these have created engineering problems which only diamond and cubic boron nitride can solve in a practical, time-saving way. Cubic boron nitride second only to diamond in hardness, is produced by subjecting hexagonal boron nitride and various additives to high temperatures and presures

Requirements

Keping pace with the market's requirements has called for continual research and development by establishments such as the De Beers Diamond Research Laboratory, which has an annual budget of R19 millon

The DRL not only develops better ways of recovering natural diamond at the mines, but also concerns itself with improved methods of synthesis, new products and application problems

The next generation of ultra-hard material is already with us in the form of polycrystalline compacts

These are tough, intergrown masses of randomly orientated particles of diamond or CBN, and are produced by the same ultra-high pressure and heat technology used to 'grow' diamonds

Grinding

The end product resembles a small black plastic disc or square, but is so tough that only diamond/CBN grinding and lasers can sharpen or shape it

Three years ago DEBID introduced its first composite to the market in the form of syndite This diamond-based material caused a considerable stir when it proved a better machine tool insert (and dresser) than single point natural diamond with greater versatility and life than conventional cutting inserts such as tungsten carbide and ceramics

However, one of the great disadvantages of diamond remained the chemical reaction between diamond and ferrous metals continued to cause heavy wear, and the time consuming method of grinding with CBN wheels remained the only satisfactory way to work with tool steels

Revolutionised

Amborite is a compact based on cubic boron nitride 'which has revolutionised the machining of what were hitherto 'problem' ferrous metals

In sheer economic terms, the new product is capable of significant time-savings because it is tough, effective and capable of machining very hard metals containing iron thus doing away with the need to grind On the 'softer ferrous metals which are normally worked with tungsten carbide, amborite has an advantage in terms of both life and speed

Diamond and CBN with their derivatives, have made it possible for virtually any materials on the market today, or indeed for the forseeable future, to be quickly and efficiently machined

Industrial

The development of industrial diamond and its CBN 'cousins' has probably gone about as far as it can for the present, and it now appears likely that future R and D will be largely devoted to improving existing products still further, finding new applications or perfecting current ones and keeping costs under control in today's inflationary business environment

Whatever the future holds, industrial diamond and cubic boron nitride products will be playing an important role, and our own South African company De Beers, will be a leader in this highly competitive field

DIAMOND CUTTING

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Government's view

FM 17/10/80

If the local diamond cutting industry is relying on government assistance to bring it out of its depressed state, it may be disappointed

A top official of the Department of Mineral and Energy Affairs has made it clear that the government sees this industry as a private enterprise concern that has to operate in terms of the buyers and sellers market

Says Dr Wessel van Wyk, deputy director general of the department, and chairman of the Diamond Cutting Board "The industry, as well as the board, are run by private enterprise and we (the government) have very little to do with it "

Those in the industry, however, see the board as yet another facet of government bureaucracy which they have to finance

Van Wyk qualifies his official status on the board by saying "I have no executive power "

Members of the industry have stated (*FM* October 3) that it is up to the government and De Beers to decide whether the SA diamond cutting industry will survive

Although Van Wyk agrees the industry is in the doldrums at present, he feels this is a cyclical thing "At the moment prices are very high and people are allergic to these prices and are lying low "

However, he says it is "very difficult" to say whether or not De Beers should lower the prices of rough stones to enable local cutters to compete more successfully on the international market

"De Beers price their rough diamonds according to world prices and adhere to this scale I don't think they chop and change prices as they like," he notes

The 10% government rebate on stones bought by the industry — an inadequate rebate in many cases, according to cutters — only applies for stones purchased from the Diamond Producers' Association (DPA), Van Wyk says He adds that De Beers and government sources are the main members of the DPA, although "any SA producers are free to join "

De Beers says it has "no further comment" to make on its responsibilities to the diamond cutting industry

C.T.

12/11/80

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Man denies mine theft

Staff Reporter

AN employee at a Namaqualand diamond mine paid another employee R13 500 for diamonds he snatched from a conveyor belt, the Supreme Court was told yesterday

Petrus Gawie van Zyl, 30, pleaded not guilty to stealing more than 139 uncut diamonds from the Ochta diamond mine in Namaqualand between June 1979 and July this year

He also pleaded not guilty to an alternative charge of encouraging a worker at the mine, Paulus Haksteen, to take possession of more than 139 uncut diamonds

He offered a plea of guilty to stealing 54 uncut diamonds, but this was not accepted

He pleaded guilty to a second charge of offering for sale 54 uncut diamonds near Citrusdal on July 16 to Major Johannes Bornman of the South African Police He was found guilty on this charge

Haksteen said he was sentenced to five years in the Malmesbury Regional Court in September for stealing 85 diamonds from the mine

He said that Mr Van Zyl asked him a number of times to get diamonds for him He did not want to do at first, but Mr Van Zyl offered him wine and money. He snatched the diamonds from gravel as it passed along a conveyor belt

He said Mr Van Zyl had given him R13 500 for the diamonds When he went on leave he bought a car for R9 000

Mr Van Zyl said that he got the diamonds from Haksteen Haksteen's room was searched and 85 diamonds and R4 664 in cash were found in two trunks

The hearing continues today

Miss Justice Van den Heever sat with two assessors, Mr A J van Niekerk and Professor L van Huysteen Mr F van Zyl appeared for the State Mr W J Louw, instructed by Mr A J Burger, appeared for Mr Van Zyl

Oscar Hnadlin shows how this new approach allowed historians, especially of different religious backgrounds, to come to grips with history: "Accumulation of tiny bits of information could soften if not resolve the differences about [illegible] truths over which men and states had done bloody battle for hundreds of years." The growth of experimental scientific study in the 18th and 19th centuries contributed to the idea that the only kind of knowledge that Man could obtain, is through direct observation, experimentation, and careful, accurate use of scientific instruments. With so many scientific discoveries and mechanical inventions (machines of all sorts) and with the Darwinistic description and observation of animals, optimism about the concrete and atheistic pursuit of knowledge extended into other areas such as History. Now man could study documents, Rosetta Stones and sarcophagi and say things about the people or heroic exploits of certain times. I think this idea in any case, that definite things can be said about specific people or times, rests on the people writing the history coming from similar backgrounds and having similar aspirations, too. But when you have people from the Third World, people from fascist institutions, people writing for perhaps liberal journals, as is the case nowadays, it becomes so much more obvious that one truth about any subject doesn't exist - cultural and political differences will lead people to see many things differently.

To get to the original argument, though: this kind of attitude towards history and the social sciences is usually referred to as "empirical". As E.H. Carr says about the "positivist" views of history from Locke to Bertrand Russell, that one must first ascertain the facts before drawing a conclusion; this presupposes "a complete separation of subject and object" - that is, facts are independent of our consciousness, and all we have to do is register them with the right instruments accurately. Of course, the problem of how one interprets the facts still remains at this stage.

In the 20th century, this empirical approach was still popular, with people like Popper and Ayer. In America various other interpretive strains evolved, like some glowing positive ones showing how things are improving, ones showing how life is deteriorating, and so on, but the basic thrust was empirical, even "atomistic", as the use of many single bits of information rather than analysis of relations, is called. In Europe, many more idealistic theories about history evolved, with guiding ideas as patterns in history. Despite Toynbee's idea about cyclical rising and falling of empires, and covert guiding ideas in American historical writing, the American and British historians have, on the whole, been hostile towards the European, more theoretically laden approaches towards history - especially towards the Hegelian notion of thesis, antithesis and synthesis in the last century, and Marx's use of this "dialectic" to describe the various changes in the relations of production in history.

So what we are left with, then, is two prominent strands, as it were, products of the 19th century, but which have been amplified, refined, and applied to new situations in our time: the one, antagonistic to theory and the imposition of theory onto facts, actually believing that it is possible to find such objective facts, and placing high value on common sense; the other, usually Marxist, believing that there is an objective state, or rather dynamic, in history although the historian might not be able to be objecti

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(21b)

The Cape Times, Friday, November 14, 1980 3

Gem theft: Trainer testifies

Staff Reporter

RACEHORSE-TRAINER Mr Terrance Millard yesterday told the Regional Court that a man whom he had employed to repair the roof of his house made off with his daughter s gold jewellery

Mr Millard was giving evidence at the trial of Joseph Wilson, 35, of Atlantis, who is charged with housebreaking and theft Mr Wilson has pleaded not guilty

It is alleged that on Feburary 27 last year Mr Wilson climbed through a window of Mr Millard's house and stole a radio and about R400 worth of jewellery including four gold rings, a gold necklace and five pairs of gold earrings

Mr Millard said that Mr Wilson had come to his house in Koeberg Road, Milnerton on February 27 to fix some tiles on the roof

"At about 10 am I went out and left Mr Wilson and his helper working on the roof and when I came back about two hours later, both men were gone I went upstairs and noticed the window of my daughter's bedroom was open wider than usual So I went into the room and found the jewellery and radio missing"

Mr Millard said that he had then asked his assistant who looked after the horses Mr Patrick Kruger, to find the men

Mr Kruger told the court that he and two stable hands had driven into Milnerton and found the two men sitting outside the Killarney Hotel

Mr Wilson said that he had gone to the Killarney Hotel to look for his co-worker, who had "disappeared"

"I decided to stay at the hotel and have a drink, and when I came out I saw Henry (the co-worker) run out from behind some bushes chased by the foreman (Mr Kruger) and some blacks These men began to hit us both and forced us into a bakkie," he said

Mr Wilson denied knowledge of the stolen jewellery

Judgment will be passed on Monday

Mr G van Eeden was on the Bench Mr H Kotze prosecuted and Mr J Kudo appeared for Mr Wilson

MINING – Diamonds

9 JAN. 1981 — 15 NOV. 1981

Diamond sales slump

RDM 9/1/81

9/6

By JOHN MULCAHY
Mining Editor

DIAMOND sales by De Beers Central Selling Organisation slumped to R874-million in the second half of 1980 — the lowest since June-December of 1977, and 21% down on the figure for the final half of 1979.

The overall figures for the year reflect a fall of 2%, or R50-million, in the value of rough gem and industrial diamond sales to R2 142-million from R2 192-million in 1979

In dollar terms, sales in 1980 were 5% higher than the previous year at $2 723-million against $2 598-million the previous year, the disparity in comparisons flowing from the fact that sales are converted from dollars to rands at the exchange rate prevailing when the sale is concluded The rand continued to appreciate against the dollar throughout the year

The fall in the value of sales indicates how far volume sales have declined, especially when one considers the price increases over the past few years

In December 1977 diamond prices were raised by 17%, in August 1978 by a further 30%, in September 1979 by 13% and in February 1980 by 12%. On a compounded basis, the increase over that period totalled 90%

It is clear, therefore, that volume sales have dropped significantly, particularly considering that the value of sales for the second half of 1977, in rand terms, was only marginally lower than in the latest reporting period

The problems facing the diamond industry over the past year have been numerous — and serious. The recession in Western economies, notably in Europe and the US, accompanied by high interest rates, reduced demand for jewellery of all sorts

A further and perhaps more telling blow to the gem market in 1980 was the Russian dumping exercise, which resulted in a flooding of the market with polished stones late in the year

Some months ago the CSO was reported to have reduced sales to support the market, the balance having been taken up by De Beers to add to its stockpile

In November, diamond dealers complained that the Russians were selling on a planned quota system to pay for grain imports and the cost of the Afghanistan war The Soviet polished gems were reported to be coming on the market at discounts of 5% to 15%

This had the effect of destabilising the depressed market, with Western cutters and wholesalers coming under increasing pressure becauser of lower prices.

One market analyst said yesterday that the trend in sales showed a disturbing similarity to the recessionary period of 1974-75 In the first half of 1974 sales (in rand terms) amounted to R535-million, and then fell almost 40% to R314-million in the final six months

In the first period of 1975 sales totalled R355-million, and started to improve in the latter part of that year to reach R438-million for the six months, subsequently improving from 1976 onwards.

The analyst believed that the slump in sales in the second half of 1980 would continue into the first six months of this year, levelling off later in the year and possibly improving in 1982

Asked to comment on projections for diamond sales for this year, a De Beers spokesman said "Tell me what the gold price and international interest rate levels will be and I will be able to give you a projection of diamond sales"

De Beers is believed to have begun stockpiling as early as April 1980 on indications of a slump in the market. The group's stockpile was unusually low 18 months ago, and the restocking fell within the policy framework.

De Beers has enormous cash resources and is well able to afford carrying large stocks, and this will enable the group to take immediate advantage of any upturn in the market

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CSO SALES

Little promise

FM 16/1/81

No one should have been surprised by 1980's lower second-half diamond sales figures reported by the CSO At $1 155,8m they were 26,3% down on the first half's $1 567,2m and 12,9% lower than those in the second half of 1979

However, as I pointed out in July (*Fox* July 11 1980), it was clear that first-half volume sales were lower than in the first half of 1979 — the 13% price hike in August 1979 and the 12% increase in January were responsible for the increase in sales revenue.

What now? It will be difficult for the CSO to increase the price of rough gems again at this stage of the market's cycle Recession has reduced demand for cut stones, high interest rates discourage the world's cutters from carrying excessive stocks, the Soviet Union appears to be breaking ranks with the CSO and De Beers and selling greater quantities of cut gems to fund grain imports, its Afghan venture and a deteriorating communist bloc economic situation, and the mad scramble of Americans into anything that looked like an inflation hedge has died on its feet.

At the half-way stage, De Beers' diamond account income had fallen to R437,9m against R480,6m in the first half of 1979 and R462,5m during that year's second half And that was despite higher CSO sales in the first half of last year There will have been no relief from currency shifts as the rand was strong against the dollar throughout most of last year's second half So it is almost inevitable that there will have been a sharp drop in diamond account income during the second half

The full extent of the drop is impossible to calculate as De Beers can choose to take its profit at almost any stage in the diamond distribution chain However, along with likely lower diamond account income, there will be a rise in diamond stocks from the R409,3m shown in the end-1979 balance sheet And total diamond account income in 1980 could be as low as R700m against R943,1m in 1979

The second-half CSO figures have confirmed most brokers in their caution over 1980's likely dividend The best bet seems to be for a final of 55c (52,5c), making a total of 80c (72,5c) for the year. Nor, for the moment, does there seem much possibility of improvements for 1981.

During the first half of this year CSO sales are likely to fall again Diamond prices have firmed, but volume demand has yet to recover And an improvement in the second half will take a major recovery in the world's economies Link that with potentially lower earnings from gold investments and the need for De Beers to finance larger diamond stocks and this year's likely dividend performance is none too exciting. An 85c total distribution for 1981 seems to be the best to count on.

As for De Beers shares, they still seem to have downside potential to around 900c from their current 1 000c US buying, which lifted them to around 1 400c in the latter months of last year, has ended, nor are Americans likely to hurry back into the market Perhaps the best advice to short-term investors is to lighten holdings now and to buy back ahead of the next CSO figures if the diamond market is on the mend and gold is performing well

Jim Jones

DE BEERS CUTS U.S. DIAMOND DELIVERIES

Argus 18/2/81

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Argus Bureau

NEW YORK. — De Beers Consolidated Mines has cut United States diamond deliveries by 60 percent because of flagging business.

New York dealers said De Beers had notified them that their February diamond supplies would be cut 60 percent from the January level.

In addition De Beers was said to have cut supplies to Antwerp by 50 percent and to Tel Aviv by 80 percent.

In the past year, the economic slump and surging interest rates have reduced the lure of hard assets and increased the appeal of interest-bearing assets.

As a result the price quoted by New York dealers for a D-flawless, one-carat diamond, the top-grade investment stone, has fallen 17 percent in the past three months.

The price of such a stone has dropped to about 45 000 dollars (R35 160) from about 54 000 dollars (R42 190).

Because of flagging business, De Beers plans to step up its advertising campaign in the United States. It will spend 20-million dollars (R15,6-million) in the US this year, against 14-million dollars (R10,9-million) last year.

New York diamond dealers believe the De Beers diamond 'sight' meeting now taking place in London will be poorly supported.

De Beers holds about 10 sights a year for dealers to examine stones. The meetings usually attract about 300 dealers.

CSO stockpiles diamonds as market weakens

RDM 19/2/81

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By NEIL BEHRMANN

LONDON. — De Beers marketing arm, the Central Selling Organisation, is continuing to stockpile stones because the market remains weak.

A CSO spokesman confirms diamond dealer reports that the company is selling fewer stones at the sight being held in London this week.

The CSO holds 10 sights a year Dealers are given boxes of rough diamonds to examine and buy

Antwerp, New York and Tel Aviv dealers say that fewer diamonds are being offered Some New York dealers claim that the CSO has reduced the amount of diamonds on offer by 60% from the January sight

The CSO spokesman was not prepared to confirm these estimates, but he acknowledged that the diamond market remained flat because of worldwide recession

De Beers has been selling fewer diamonds at the sights since september.

The CSO spokesman says the company has traditionally absorbed excess diamonds to keep rough diamond prices from falling

"Since 1930, De Beers has supported the market during slack periods," he says.

Diamond dealers say jewellers are keeping their diamond inventories low because of high interest rates and poor demand, especially for smaller stones

With retail demand down, manufacturers at the main cutting centres of Antwerp, Tel Aviv and New York have maintained high inventories Their profit margins are under pressure, partly because of the decline in demand and because the Russians are selling more polished diamonds and are undercutting the market

Unemployed diamond workers have demonstrated in front of Tel Aviv's diamond bourse, chanting, "Bread and work".

In the past two years recession has plagued Israel's diamond industry — 200 workshops have closed and 3 000 diamond cutters are out of work At one time Israel employdd 12 000 diamond cutters.

In the past few weeks three cutting firms went insolvent

Israel's Minister of Industry, Mr Gideon Patt, recently flew to London to try to talk to the CSO.

Israeli banks, fearful of trends in the diamond business, are calling in loans Interest charges on loans were once subsidised by the Bank of Israel, but future loans must be issued at Eurodollar rates — much higher than previous interest charges.

Last year, some diamond analysts said that the larger investment stones had held up well and to some extent had offset the declining demand for smaller diamonds But New York dealers say the price for a D-flawless, one-carat diamond, the top investment stone, has slumped by 17% in the past three months from $54 000 to $45 000 These stones were trading at $60 000 to $70 000 a year ago.

CSO sales fell to R874-million in the second half of 1980 — 21% lower than for the same period in 1979 and the lowest July to December figure since 1977

The value declined in spite of an increase in prices last year. This indicates that the deterioration in sales volumes has been much greater

The last time De Beers withheld diamonds on any scale was in 1974 when the markets were weakened by poor jewellery consumption in the recession which followed the first huge increase in oil prices.

With sales disappointing in the first two sights of this year, there are indications that first-half CSO turnover could be disappointing again. De Beers interest income could fall because more cash is being used to pay for stocks.

Australia to cut SA gems

Argus 3/3/81

216

Argus Correspondent

BRISBANE. — Diamonds mined in South Africa will be processed in Perth by the middle of the year in Australia's first commercial diamond cutting and polishing operation.

Gem Exploration and Minerals of Perth will use the plant to process the diamonds mined from its offshore concessions on the west coast of South Africa and from the Monastery Mine in the Free State, in which it has a 74,9 percent interest.

UNCUT STONES

Gemex's move into the diamond industry has been only recent, with the company having paid nearly R3-million last year to buy substantial interests in South African areas

The company secretary and director, Mr Nigel Forrester, said based on present production from the six offshore areas, the company expected to bring to Australia uncut stones worth R225 000 a month.

The revenue from the Monastery Mine could exceed that The mine closed in 1972 but it was expected to resume production in June

RAND DAILY MAIL, Wednesday, March 18, 1981

CSO cuts back on diamond sales

RDM 18/3/81

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NEIL BEHRMANN — in the commodities markets

By NEIL BEHRMANN

DE BEER'S marketing arm, the Central Selling Organisation is cutting back on diamond sales to support the market

Antwerp and London dealers say that since September the CSO has been selling fewer diamonds at its sights

At the CSO "sights" or sales in London parcels of uncut diamonds are sold to dealers from the major cutting centres, Antwerp, Tel Aviv, New York, Bombay and elsewhere

A CSO spokesman confirmed that the company was "absorbing excess rough diamonds" to support prices He said that since the great depression, De Beers had always supported the market

Besides slower sales, diamond dealers complain the Russians are dumping polished diamonds on to the market

An Antwerp polished diamond dealer, Mr Vahram Barsamian says that Russian polished diamond sales have risen considerably during the past few years

He calculates that Belgium imports of Russian polished diamonds soared from 3 700-million Belgium francs (R80-million) in 1977 to fr6 200-million (R133-million) in 1979

'In only eight months this year imports were already 6 700-million Belgium francs (R142-million)' adds Mr Barsamian who also heads the Belgium association of polished diamond importers and exporters

Besides direct sales to Antwerp — the largest diamond centre in the world — the Russians hold their own polished diamond sights" in Moscow So Soviet polished diamonds are also going to other centres The Russians are selling via a "planned quota system" to pay for their grain and the cost of the Afghanistan war

Dealers complain that the Russians are not considering the depressed state of the market and are de-stabilising it by selling their polished stones at discounts of 5% to 15%

Margins of Western cutters and wholesalers are under pressure because Soviet polished diamond prices are lower

Dealers say that the Russians should come to an arrangement with the CSO to keep the polished diamond market steady — especially since the Russians tend to sell their rough diamonds to the CSO through a London intermediary

The CSO spokesman would not comment on Soviet marketing policy He says the real reason for the cutting centres' problems is that demand for diamonds, particularly the smaller stones, is weak Manufacturer and wholesale stocks are growing

Mr Barsamian says the market is depressed and at each level of trade dealers are waiting and hoping that sales will improve

On the retail end, jewellers are maintaining low stocks In the past few years retail diamond sales doubled in value to $12 000-million At today's high interest rates it is expensive to hold excessive stocks, especially if sales are slow, besides diamonds the jewellers are also saddled with high gold, silver and platinum prices

In short it is difficult to move stocks For instance, US sales of diamond pieces were brisk in the first quarter, poor when interest rates soared in February to April, and steadier again in the third quarter when the precious metals market was buoyant

Now US jewellers are anxious about Christmas turnovers and to compound their problems, interest rates have been rising

The other two major diamond markets, Japan and Germany have also been flat this year

Stockbrokers have said time and time again that despite the weakness in the small diamond market, the larger "investment stones" are doing well But price performance indicates that this view is incorrect

According to diamond sources the investment market is miserable At the beginning of the year, a rare flawless diamond was selling for $60 000 to $70 000 a carat This type of investment diamond is currently trading between $40 000 to $50 000 a carat

Yet CSO marketing executives are not pessimistic about the future They believe that the diamond market has behaved exceptionally well considering that the world economy is sliding into recession

They say that the market has broadened considerably and that there is more discretionary income available for spending on luxury goods. Many more women are buying diamonds

Yet their projections are for 1981 and as yet no-one can be certain about the extent and duration of the world recession

There are four levels at which people involved in the dairies sell:

a) From their houses locally in the village.
b) At local village centres, cafés, bus depots etc.
c) Idolophu shops.
d) Contract at a big centre e.g. the Idolophu hospital contract, and the Bloemfontein creamery contract.

a) The problem with selling locally is that because of restrictions concerning hawkers licenses people have to wait until customers arrive at their houses. Thus there is no proper advertising and no centralised sure supply to attract buyers. The most often cited problem is poverty at the village level.

b) Selling at village centres: Teddy Mhlauli and Ncomonde Nkalitshani at Amathole manage to sell a fair amount of milk by hawking it outside shops and at bus stops. This is illegal and it also requires that someone should make hawking a pretty full-time job. Where the person is only selling a small amount, hawking does not justify the labour spent on it. The main problem is again the limited market. In all of the three villages where people hawk milk they say it is difficult to sell, especially in summer.

c) The Idolophu shops are supplied with milk by a white man in Idolophu and by a Free State town. The small co-ops cannot compete with this regular supply. The people at Amathole used to sell to Idolophu but the shops refused to buy, saying their quality was bad and the supply irregular. In both Inkomo and Amathole we worked out that transport costs (if they could find transport) would be too high unless they were supplying vast amounts of milk.

d) Both the Amathole people and the people who's milk N.M. will not take, tried to establish a contract with the other hospital in Umhlaba. Neither could guarantee to deliver it. The type of contract with the Bloemfontein co-op requires travelling and high level liaison to be established.

In the situation where production is low people cannot afford the travelling costs to send their milk to big centres. In Inkomo after N.M. refused to transport members milk they tried to sell locally to shops and from a centre in the location. This involved hiring a vehicle to bring the milk from the dairy which then cancelled all their profits. Everyone then reverted to

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SA to help Aussies put that sparkle back into diamonds

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S. Express 22/3/81

By MARSHALL WILSON

PERTH — An Australian mining and exploration company is to import South African diamonds and labour from the Free State as part of a R3 300-million operation to set up Australia's first cutting and polishing factory.

Nigel Forrester, a director of Gem Exploration and Minerals, has confirmed that negotiations are underway to appoint a manager and about nine diamond cutters and polishers for the new plant

Gemex owns the Monastery mine at Marquard and has 12 offshore concessions off the north-west Cape coast It also owns considerable mining rights throughout Australia, but will import about R250 000 worth of uncut diamonds from South Africa each month until its local operations become commercially viable

Forrester defended his company's decision to import South African workers by saying

"There is nobody here with the expertise to do the job Within the next few weeks we will appoint a man from South Africa to run the factory and he in turn will appoint his staff and get on with it"

The operation will be independent of the international Central Selling Organisation

With the gem industry reportedly depressed due to oversupply, Australia's Gemex company hopes its new operation will put the sparkle back

RDM 23/3/81

(216)

Diamonds: a gem of an investment!

DIAMOND prices have reached rock bottom!

That's why they can only go UP says Geoffrey Katz, executive director of Katz and Lourie, Johannesburg

"Now is the best time to buy, the right time to invest in diamonds — not when the price is high," Mr Katz says

"According to the Herald Tribune the price of a one-carat blue white flawless (D) was approximately $63 000 a carat 18 months ago Six months ago it was $54 000 a carat and recently $45 000 a carat

"Gold and diamonds are both down at present, but we believe that diamonds will appreciate soon "

Mr Katz advises major investors to go for D E and Fs — blue white, ice white and top white — bearing in mind that prices are high

For the man in the street he recommends pure stones — top silver, silver and light Capes

"As an investment the prices are right These are affordable stones which will give the man in the street a reasonably sized, pure, flawless stone which in the long term will be an excellent hedge against inflation

"Recession moves in cycles and the recession in America has been going on for some time. We expect the American economy to grow and this will automatically spur on the price of diamonds again," he says

Mr Katz stresses that "this is the right time to invest in stones before they reach a peak" but warns

● It is imperative when buying a diamond that it is from a highly reputable jeweller and,

● That the buyer must insist on an evaluation certificate from the jeweller or the Jewellery Council Diamond Laboratories

Arthur Thomas, of Arthur Thomas (Gems) Pty, agrees that what happens in America is important to the world diamond market

America has about 70% of the total diamond market and naturally this affects the price structure

"When diamonds were initially intensely promoted as an investment in America a number of astute businessmen and dealer groups made applications for permits to operate schemes for public participation The total injection amounted to some $100-million," he says

"While this is not a vast sum in relation to the US diamond trade, an injection of that amount of capital into the market place is bound to result in an upturn Typical bureaucratic delays have resulted in a situation where the schemes have only just begun to get the go-ahead

"How long it will take the new American administration to approve all the various operations remains to be seen, but it is bound to have a positive effect as far as the US price is concerned. There will be an increase in confidence," Mr Thomas says.

He echoes the advice of Mr Katz to buy now at the RIGHT price.

The Certified Diamond Exchange, South Africa's leading commercial exchange for trading in diamonds, says that current conditions in the local and international diamond markets are presenting attractive opportunities for long-term investment in diamonds.

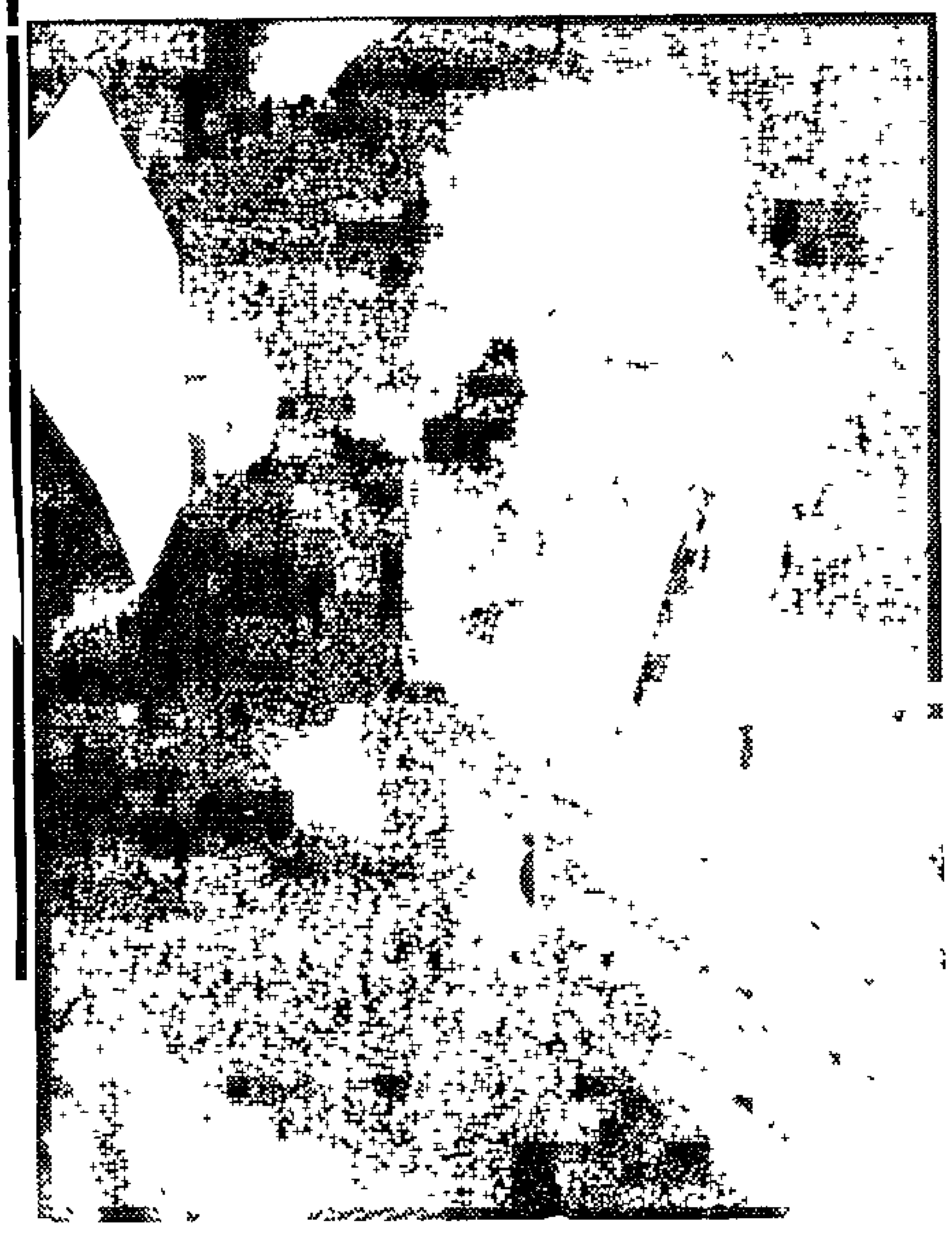
High interest rates and other adverse economic factors are causing a definite slowing down in the diamond market. The main areas that are showing signs of softening are the better quality, more expensive stones although there would seem to be a general softening particularly when compared with the exceptionally high prices of last year.

The CDE suggests that with the market in its present condition, the opportunities for investment buying are now exceptional "Bread and butter stones" are holding their prices very well and it is the "expensive" stones that have now become speculative.

The CDE indicates that people have been brainwashed into believing that every stone they purchase must be "blue-white and flawless". This is a fallacy and can lead to some serious miscalculations. The exceptional qualities are now so rare that prices have risen to extremely high levels.

The answer is to look for stones that have quality, but are nevertheless available. Stones from virtually flawless to VS quality and of virtually any colour are excellent for investment.

The CDE sells and buys diamonds without markup; it takes commissions on transactions in the same way as conventional exchanges work The exchange trades in certified stones — the stones are usually certified by the laboratory of the Jewellery Council of South Africa — and the exchange board gives details of all stones



Geoffrey Katz buy diamonds now!

Stamps — it's supply and demand that counts

Philately will get you everywhere, says Ken Joseph

AGE doesn't always make a difference to the value of a stamp

It's supply and demand that counts, says Mr Ken Joseph, director of Robemark Philatelists (Pty), Johannesburg

"Many people believe that the older the stamp the more valuable it is," said Mr Joseph

"In 1841, only a year after Rowland Hill was instrumental in initiating postage stamps, the Penny Red was printed However, so many were printed that you can purchase one for as little as 50c Even a Penny Red on a cover goes for about R4

"But, in contrast, on January 15, 1981, Transkei issued a set depicting fishing flies and due to a planned scarcity by the Philatelic Bureau one of the first day covers, which was available at approximately 70c over the Post Office counter, now fetches between R60 and R80 "

Where the printing quantity of a stamp is low, the investment potential of such an item is greatly enhanced

Stamps had international appeal, he said, and unlike many other hard assets "no one controls the world stamp market".

"Portability is also a big plus as stamps can easily be carried from place to place. It is also easy to establish a value in various currencies Different catalogues give prices in US dollars, British sterling, German marks, French francs and South African rands."

Mr Joseph said stamps were a good asset in times of tension and a good investment — "but not for the short term, for instance, not less than three years"

Mr Joseph's advice

"I recommend the ISLANDS where the local population and local economy have little to do with collectability and value of stamps

"Tristan de Cunha, Ascension, St Helena and the Falklands are good examples as are the Australasian islands — Norfolk, Papua/New Guinea and Christmas Island They are all on the up and up

"And as a 'sleeper', I would also recommend the Seychelles and George VI issues of British Commonwealth countries It is important that buyers choose countries where the issue is limited, unlike Great Britain which has a massive population and hence a large print order," he said

Mr Joseph gives as an example the Pitcairn Islands which in 1948 issued a set of stamps on King George VI's Silver Wedding

"The face value then was 10 shillings Both the quantity printed and the demand, at that time, were small

"Pitcairn is now very popular and the stamps have rocketed in price In August, 1978, the set fetched R40 Today the set is worth R350 if it is in perfect condition "

Mr Joseph who has been in the business since 1972 says that stamps have enjoyed big price increases in the last 10 years

"It doesn't matter if a customer spends R10 or R100. Cheap stamps have become expensive and expensive stamps even more so," he added

He warns that countries to avoid are

● **Modern African states and the British West Indies after independence.**

"They are churning out large quantities and killing the stamp market with too many issues," he said

He cited Ghana and Nigeria as foremost culprits in this regard

Weather slashes marine diamond profits

CT 25/3/81 (216)

Own Correspondent

JOHANNESBURG. — Theron Holdings, involved in marine diamonds, Katz and Lourie and fishing, has reported a 54,8% fall in taxed profit for the six months ended December 31, to R535 782 from R1 185 132, and the dividend has once again been passed.

Earnings a share dropped to 20,5c from 48,1c, and Theron says "Whether the company can achieve or better last year's earnings of 78c a share is greatly dependent on weather conditions and recovery in the diamond market"

The diamond operation, Dawn Diamond Company (Pty) was heavily hit by adverse weather conditions off the West Coast, which reduced days available for diamond recovery operations by 38%, compared with the six months to December 31

In addition, prices obtained for uncut diamonds dropped by an average of 8,4% over the period, although financial director Mr Lloyd Adlem says there has been an improvement in prices, starting in the last week of January, but not to the previous high levels

The weather remains a factor outside the control of the company, and no significant hardening of prices is foreseen

The company's research vessel, the JAO, is operating satisfactorily, says Mr Adlem, and has produced some "interesting results" further off the coast than the current working area

The diamond operation remains a major contributor to Theron's earnings, and recoveries have improved significantly, with recoveries in January and February exceeding 7 000 carats, compared with a total of 12 722 carats recovered in the first six months

Mr Adlem says the company recently acquired diamond rights on the Namibian coast, as far as the Kunene, and the area is presently being evaluated to determine recovery techniques

The granting of Concession 13 adjacent to Doring Bay on the West Coast is still the "million dollar question", says Mr Adlem, as Theron has been applying for this particular area since 1977, and the result of the tender has not yet been disclosed

The Concession 13 area is believed to be underlain by considerable amounts of diamondiferous material

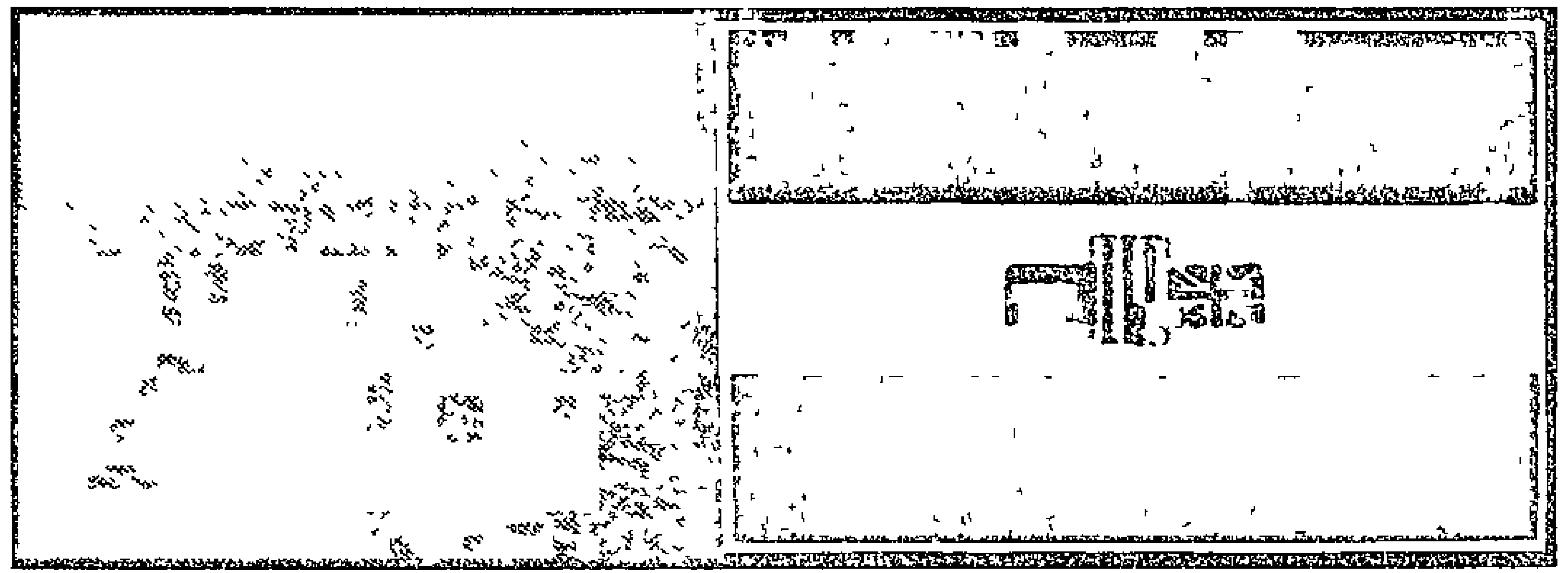
Mr Adlem says the group is quite happy with its 70% investment in Katz and Lourie, which has, in fact, exceeded expectations Katz and Lourie is embarking on an expansion programme which should increase its contribution to Theron

On the fishing side, restrictions on hake and sole quotas resulted in Outeniqua Fishing Company's trawlers being tied up in October last year, and were capable of only three months trawling during the first half of the year

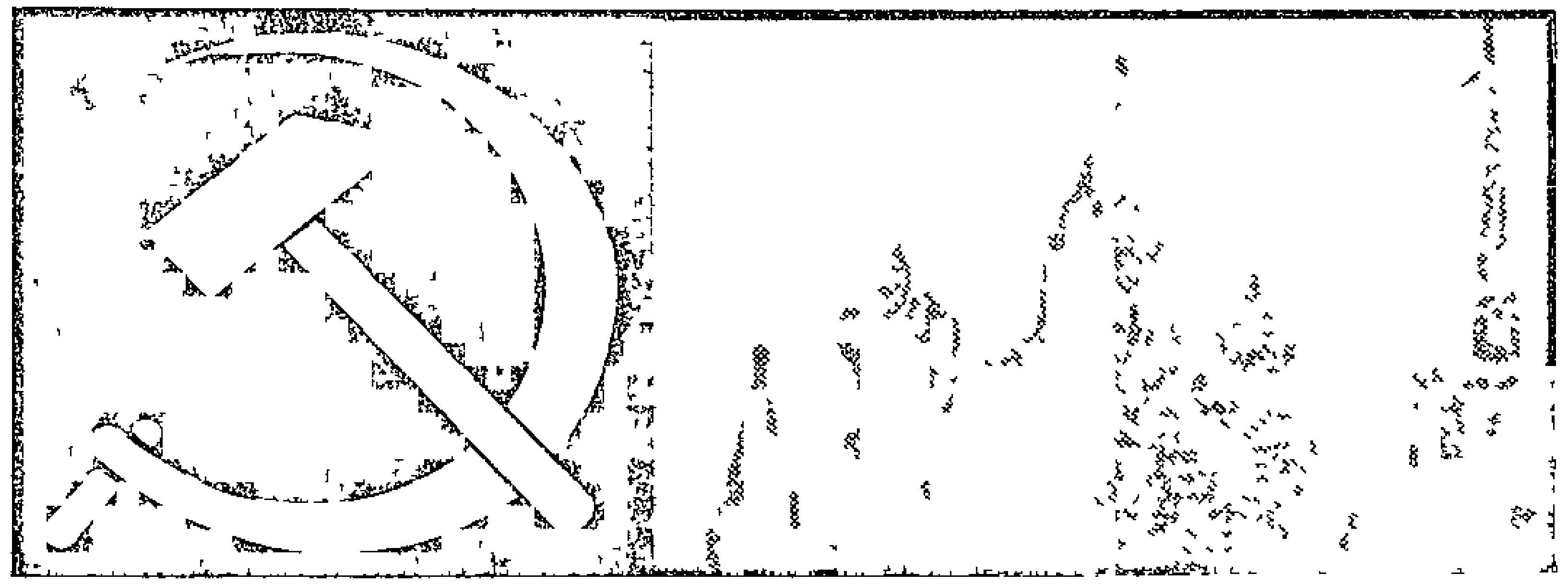
Mr Adlem says the ultimate aim is for the fishing division to form the third major arm of Theron, alongside marine diamonds and Katz and Lourie, although this is still some way off

Trawling capacity has been increased and land and buildings have been acquired at Mossel Bay Outeniqua is expected to significantly increase its contribution to Theron's earnings over the next two years

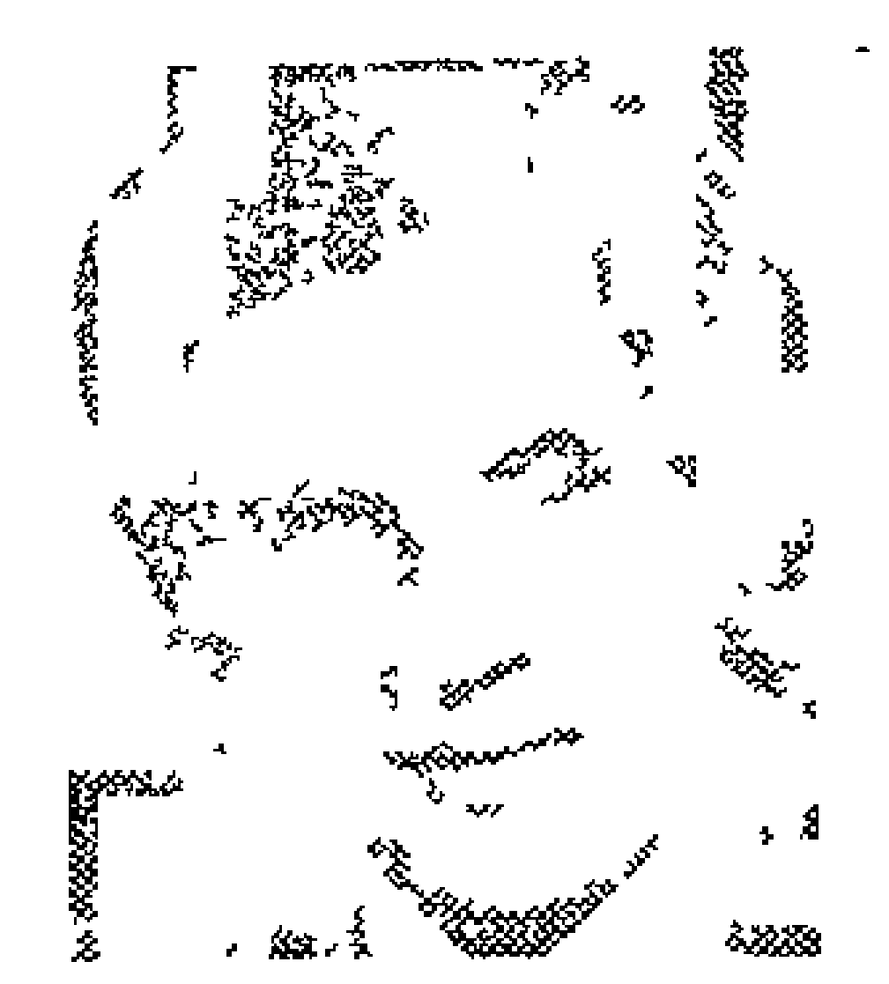
SUNDAY TRIBUNE, APRIL 12, 1981



THE ASTONISHING STORY OF SECRET MEETINGS WITH THE RUSSIANS



Supping with the Reds . . .



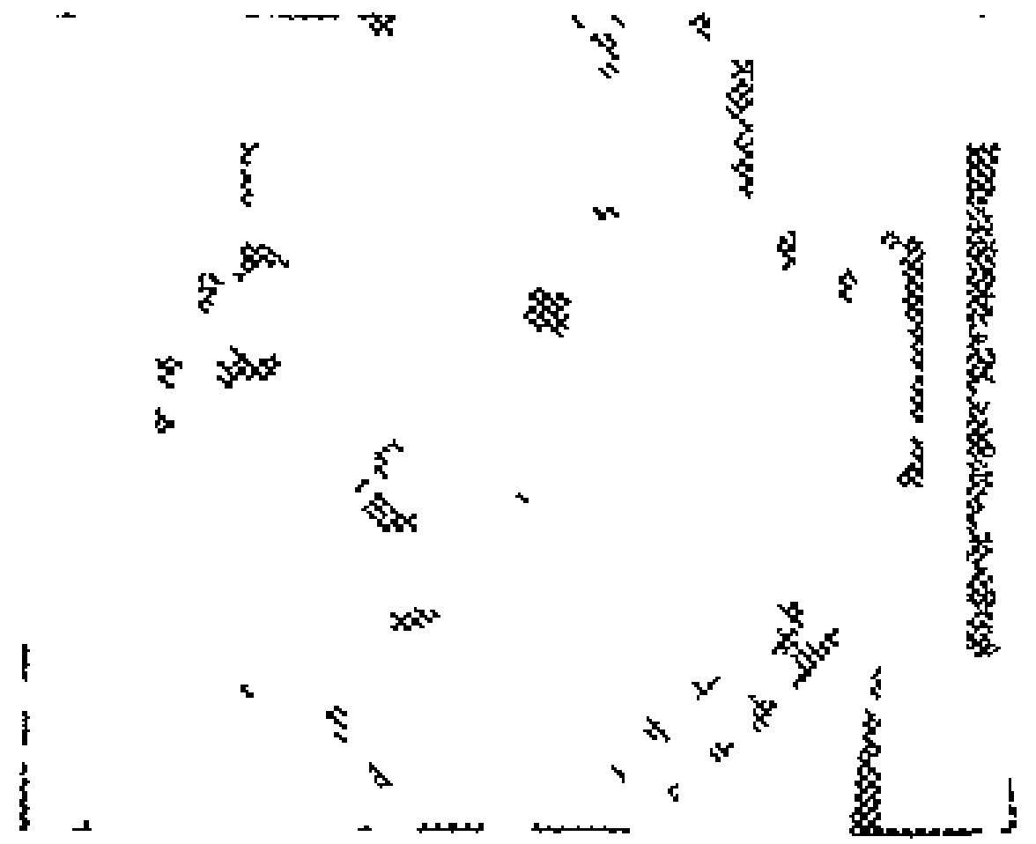
MICHAEL COCKERELL of BBC Television's Panorama reports from LONDON

Harry Oppenheimer
Diamond love

Gordon Waddell
Trusted emissary

Dennis Etheredge
Denies collusion

Boris Sergeev
Connaught dinner



Eugene Manakhov
Soviet trade boss

Victor Sinev
Platinum dinner

How implacable enemies control world's gold, diamonds and platinum

S. Tribune
12/4/81

216

THERE is no harder currency than gold and diamonds "You can carry enough diamonds on your naked body to set you up for life," said Ian Fleming And gold is the traditional means of paying spies — acceptable all over the world

By geological accident, most of the world's supplies of gold, diamonds and platinum are found beneath the earth of two bitter enemies — South Africa and the Soviet Union The minerals are uniquely important to their economies and both sides have a vital interest in keeping the world prices as high as possible mently deny they collude to fix prices Officially they have no diplomatic, trade or economic relations But investigation reveals considerable evidence of the secret links between Johannesburg and the Kremlin over the marketing of gold, diamonds and platinum.

From his fortress-like headquarters at 44 Main Street. Johannesburg, the man who presides over the world's largest mining empire is Harry Oppenheimer Most of the Western world's gold and platinum comes from the South African mines controlled by his Anglo American corporation

And its sister company, De Beers Consolidated Mines — whose chairman is also Harry Oppenheimer — totally dominates the world diamond trade

Oppenheimer's business enterprises and connections are rarely questioned — partly because the Anglo groups keeps its affairs shrouded in secrecy.

"I think MI5 would have a hard job keeping up with the affairs of the De Beers Corporation," says South African diamond dealer Arnold Katzen.

The Russians also keep their activities on the world's gold, diamond and platinum markets as secret as possible

Punishable by death

Figures for Soviet gold production have been a state secret since 1928 and it is still an offence punishable by death even to collect newspaper cuttings from the official Press on gold

At the Soviet Embassy in London, the deputy ambassador, Vladimir Bykov, indignantly denies any suggestion of co-operation with South Africa.

But a funny thing happened at the Bolshoi theatre in Moscow last November Among the full house at a performance of Moussorgsky's Boris Godunov was the BBC's correspondent in Moscow, John Osman He had previously been the correspondent in Johannesburg

To his astonishment, he recognised a man from his days there — one of the most senior executives in Oppenheimer's business empire — Gordon Waddell

Very top mining man

"He was a bit taken aback I think he would have preferred me not to be there He was with another gentleman, also from the Anglo American Corporation, and they were with two Soviet officials," says Osman "Mr Waddell told me he was just 'passing through' but of course, it was unprecedented to see in Moscow anybody with this kind of South African connection"

Gordon Waddell is one of the very top mining men in South Africa For the past seven years he has been a member of the four-man operating committee that runs the Oppenheimer empire.

Once a Scottish rugby international, Waddell has been a South African citizen for 10 years and became an MP. He is Anglo's most trusted emissary, sent abroad to make deals in the stickiest and most unpromising terrain

Waddell would have preferred his visit to Moscow to have gone unnoticed "He was clearly here on business," says Osan "The presence of the two Soviet officials indicates that

"But I have reason to believe that he's been here on other occasions and may come again

"At the Soviet Embassy in London, Vladimir Bykov at first professed ignorance of Gordon Waddell's visit, then assured me that there were no business negotiations with him as a South African, then suggested he be regarded as the representative of a multi-national company" When I reminded him that Anglo American was a company incorporated in South Africa and that Waddell was a South African citizen, and there are officially no ties at all with Moscow he replied' "Perhaps he went there as a tourist Why not?"

Mr Waddell himself was less forthcoming Approached in London about his Moscow visit, he replied, with his cigarette-holder clenched in his teeth. "No, thank you very much. I have nothing to say Just go away"

It turns out that his visit was just part of a network of ties and institutional contacts between the two sides of the marketing of gold, diamonds and platinum that have until now been kept secret.

Keep price of gems high

Over diamonds there is considerable evidence of collusion to fix the world market and keep the price of gems high and ever-rising Diamonds are Harry Oppenheimer's first love. De Beers has turned diamonds into the world's most strictly controlled commodity market

The company controls the market by buying up the vast majority of the world's supply of newly-mined diamonds and regulating their release

The price De Beers sets when it sells rough diamonds to the trade has gone up 28 times since 1949 and has never fallen — only the amount of diamonds offered has varied with the economic climate

"We're well financed and we're prepared to stock diamonds in bad times and sell them in good times" says Harry Oppenheimer

It seemed the South African company's monopoly control of the world supply would be destroyed when the Russians first discovered significant quantities of diamonds in Siberia 25 years ago

But Harry Oppenheimer's cousin, Sir Philip Oppenheimer went to Moscow, and he persuaded the Russians to sign a contract to sell their rough diamonds directly to De Beers who would then market them

The land of apartheid

Sharpeville changed all that In the world-wide revulsion that followed the killings, it was politically impossible for the Russians to be seen to be doing profitable business with the land of apartheid

In 1963 the Soviet Union publicly repudiated its diamond contract with De Beers For a time, the Russians tried to go it alone, but it did not work

Secretly, contacts were restored. "The Russians realised that De Beers have more expertise in their little finger when they are likely to have in a life-time," says Timothy Green, author of The World of Diamonds

What happens to the Soviet production of rough diamonds these days? I understand there is a top-secret contract, under which the South African company agrees to buy most of the gem diamonds the Russians produce

The Soviet Union receives guaranteed payments of hundreds of millions of dollars a year One of the channels the two sides use is the London Merchant Bank, Hambros. It owns a number of diamond companies — one of them, called Consolidated Gems, has offices conveniently next door to De Beers

Diamond merchant Arnold Katzen, told me "When we went to buy from De Beers, we were always offered a certain amount of rough diamonds of Russian origin You can tell by its characteristics where the rough comes from — so one knows De Beers are marketing Russian rough"

One of the most senior Anglo-De Beers executives told me that Harry Oppenheimer himself was due to fly to Moscow for a secret meeting It had been set up by a top De Beers man in Paris with first-class contacts with the communists Oppenheimer was on his way to Orly Airport when the trip was abruptly cancelled for fear of the news leaking at De Beers

Those people who deal regularly with Moscow are referred to as being "on the Russian run"

Pair of unhappy lovers

The two sides need each other But like a perpetual pair of unhappy lovers they often give the impression they can't live with each other and can't live without each other.

Recently it has become clear that the Russians have been holding back some of their best stones to sell them directly to the West, by-passing De Beers

Aware of their pivotal position in the De Beers control strategy the Russians have again been trying to screw up the price the South African company pays them

Negotiations continue

And I learn from one of the top Oppenheimer executives that a Soviet delegation has secretly visited De Beers' headquarters in Kimberley, and a Soviet delegation recently visited De Beers' central selling organisation in London

Harry Oppenheimer has had a number of secret meetings with tthe Russians, favouring the Connaught Hotel in Mayfair

Russians paid for meal

Oppenheimer and other De Beers' executives came to dine with the top men from the Soviet Ministry of Foreign Trade Oppenheimer sat next to Boris Sergeev, who is now deputy president of the diamond and platinum marketing organisation in Moscow.

Perhaps the biggest surprise was that the Russians paid for the meal

Deputy ambassador Bykov scarcely blinked when I asked him about the meeting

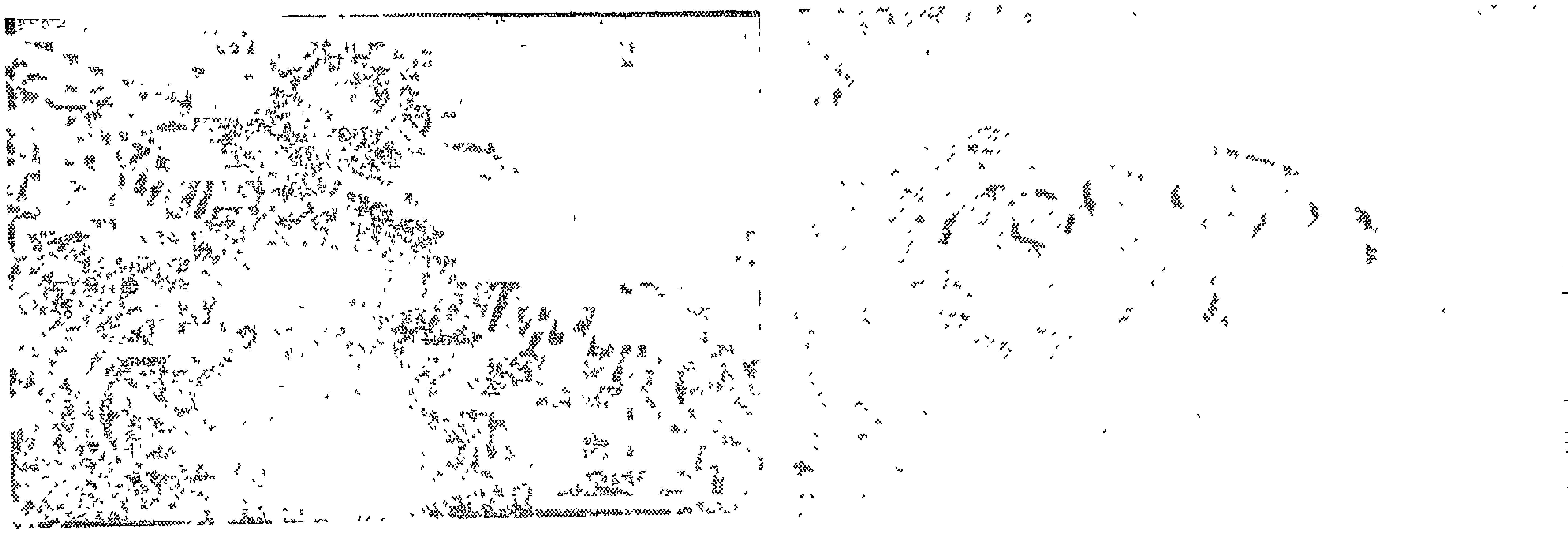
"Our representative talked to him as a businessman from United States or Great Britain, not as a South African businessman,"

It clearly takes a particularly agile mind to see Harry Oppenheimer, born and brought up in South Africa, as something other than a South African businessman

As with diamonds, the world market for platinum is totally dominated by Russia and South Africa Together they produce 95 percent of the world's supply As one of his 60 directorships in South Africa, Gordon Waddell is chairman of the company that runs the world's biggest platinum mine

By jointly agreeing

SIDE BY SIDE — LIKE UNHAPPY LOVERS



South African gold (left) and Soviet gold lie side by side in a Zurich bank

Evidence of secret marketing links between Johannesburg and the Kremlin are disclosed

hold back supplies the Russians and South Africans can keep the price from Moscow and South high Both sides naturally deny collusion, but there are a number of contacts and meetings between them over platinum

In the River Room of the Savoy Hotel in London each May, long spoons are obviously the required cutlery The two sides which publicly regard each other as the devil incarnate sit down to sup together at the platinum dinner.

The dinner is organised by one of the big three London platinum merchants, Barry Salter, who invites the top producers and consumers from all over the world

Soviet trade officials and South African platinum producers sit next to each other at the top table Two years ago, Gordon Waddell sat with Boris Osipov, the London representative of the Soviet platinum and diamond marketing organisation

A recent secret meeting in Oslo provides further evidence of collusion over platinum between the Russians and the South Africans.

"The meeting between them took place in Oslo, because the Russians did not particularly want to be in the position of having to invite the South Africans to Moscow," says Prof William Gutteridge, a British specialist in Soviet policy in Africa with top-level contacts in both Johannesburg and Moscow.

Wild fluctuations

"It was an international meeting which dealt among other things with the supply of platinum. And it appears the Russians told the South Africans they were opting out of the world platinum market for the time being. Presumably they parted with the information to ensure the world platinum market would not be subject to wild fluctuations"

It is over gold the two sides have the most obvious interest in co-operation. Between them the two sides produce 80 percent of the metal Both sides want what they call stability, which means a high and ever-rising price of gold.

They passionately want to avoid the recent extreme volatility in the gold market with the price jumping and falling sharply, and costing their exchequers hundreds of millions of dollars a time.

Most of the gold Russia and South Africa produce each year is sold through the Zurich banks. Both sides find the Swiss bankers' reputation for confidentiality and secrecy admirably suited for their purposes One of Harry Oppenheimer's top executives told me "We use the same bankers and the same lawyers as the Russians Zurich is where both sides can learn about each others' intentions, because Switzerland is the middleman we can all trust"

Dennis Etheredge, the head of Anglo American's gold division, denied collusion but added "If the bankers in Zurich or London were to say to the South African bank 'Look, the Russians are heavy in the market', that would cause the South Africans to hold back"

In a spectacular "dawn raid" on the London Stock Exchange last year Harry Oppenheimer acquired a major stake in the Consolidated Goldfields, the parent company of the South African mining group that runs the most profitable gold mine in the world. Oppenheimer had acquired a unique new Russian connection

Help run the mine

After the Bolshevik revolution Lenin had invited Consolidated Goldfields back into the Soviet Union to help run the mine they had previously owned.

Though the mine was expropriated by Stalin, Consgold have become experts in the West at unravelling the mysteries of Soviet gold in their annual surveys.

Last September, six months after Harry Oppenheimer's dawn raid, a three-man delegation from Consgold went to talk to the Foreign Trade Bank in Moscow.

Mission leader Michael Beckett says their aim was to collect information for the gold survey and to learn about Soviet gold mining technology. He also revealed that Consolidated Goldfields talk regularly to the Soviet Bank in Zurich about gold prices.

Ian Wright, a former Consgold executive who now works as a gold mining analyst for a City of London stockbroking firm, retains close contact with his old company. He believes the Consgold mission and the Moscow visit by Gordon Waddell two months later had the same purpose

"I would suspect they were talking to their counterparts about the price of gold and whether it was possible to conduct an orderly market along the same lines as De Beers has done so well in diamonds"

Diamond chickens come to roost

RDM 216 9/4/81

By SIMON WILLSON
Industrial Reporter

INFLATED diamond prices paid in 1980 by investors desperate to escape inflation have caused the worldwide recession in the diamond market, says the Certified Diamond Exchange in its bulletin.

The exchange warns investors to beware of self-styled professional investment advisers giving advice on the diamond market, saying it is these advisers who precipitated the present recession

It says the fall in the diamond market is essentially a return to equilibrium from price levels which were artificially high as a result of intense demand from investors looking for inflation hedges

The trouble started a year ago when world economic and political factors made people pull their money out of inflation-eroded investments and look to the commodity markets

The gold price soared and demand rose sharply in the diamond markets

"Extraordinary" interest was reported in certain categories of stones — mainly the one-carat top-quality stone

"The so-called professional diamond investment advisers, most of whom were, at best, thinly disguised retailers with a new gimmick, advocated this type of stone as being the ultimate investment," the bulletin says

"They even produced graphs which showed the rate of increase in the value of these stones to be much higher than that of other categories of stones This resulted in inflated prices being paid for these top stones "

The market could not tolerate the artificial conditions generated by the inflated prices, and in the middle of last year prices tumbled back to the levels they would have reached if the market had not been subjected to what was effectively panic diamond-buying

The bulletin draws three main conclusions from the diamond recession

●It is only the top end of the market which has been affected

●The price of rough diamonds from De Beers has not dropped, and any drop in the market value of a stone is the result of market forces

●Prices in other stone categories may have softened slightly, but this is because of the Western industrial recession

"Indications are that prices have bottomed out, goods are in shorter supply than they were a month ago (thanks to De Beers cutting back on the last few sights) and stronger prices are being paid

"Investors are advised to be very wary of some of the 'investment houses', whose knowledge of the diamond trade is limited, as must be the quality of their advice," the bulletin says

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involved. In general these findings are similar to the American study *Boys in White* by H. Becker *et al.* (1961)

3.4. Students' Views on Their Medical Training

The views of students on various aspects of their training in the Medical School were obtained, and were generally favourable. As far as we at this Conference are concerned

did not have any direct evidence on this. Becker (1961) found that the Kansas Medical School pre students learnt what the Faculty wanted, and th years saw a change in student attitudes and or I dare suggest something similar occurs here

3.5. Students' Views on the Socio-Medical Problems T Encounter as Doctors

The students were questioned as to the type of problems they envisaged they would have to face

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to this kind of altruistic motivation was 8% saying that the country needed more doctors. On the other hand the attraction of the financial security and status of a doctor attracted some. Altogether 26% mentioned one or other or both of these two reasons as grounds for deciding to take up medicine, while a further 9% said that for people of their race there were limited opportunities a alternative professional careers. It was mor Africans (who are a more depressed group econ Indians) who mentioned this. Over a half of students mentioned these kind of reasons as a under a quarter of the Indian students. Seve all students interviewed said that they took because of their parents' wish (these were al 1% (all Africans) mentioned that bursaries an available for medical training and this had a while 2% said they had been inspired by a doctor's example. The remaining percentage of cases gave various reasons.

3.3. Aspects of a Future Career in Medicine which Appealed to Students

We questioned students about the aspects of a future career in medicine which appealed to them. Mentioned most frequently as the reason that appealed to them most of all about a future career in medicine was 'being able to help others', with 51% mentioning this. A further 20% mentioned as their first choice the associated reason 'being able to deal with patients'. Other aspects which attracted attention were, in order of frequency of mention, the challenging and stimulating nature of the work; being able to do scientific work and/or research; and being in a secure and lucrative profession (a quarter mentioned this).

To sum up, while there is a strong altruistic element in the reported motivation of the students, it was also evident that in some cases the financial security and status offered by medicine were an inducement, and other less frequently reported aspects related to the nature of the work and the challenge

Diamond company seeks urgent investigation into its affairs

(216) S. Tribune 12/4/81

Gems contract shock

By Ian Wynne

A MYSTERIOUS contract with Pretoria millionaire Werner Ackerman and the Administrator General of South West Africa, Danie Hough, is the reason a Namaqualand diamond company has asked for an urgent investigation into its own affairs

Shareholders, including New York investor Ling Kai K'ung, who holds a controlling interest in the company, were not informed of the deal — and when Mr K'ung did find out, it resulted in the resignation of the entire South African contingent of the board

The company, Broadacres Investments, is now asking the Minister of Commerce, Industries and tourism, Dr Dawie de Villiers, to appoint former Chief Justice Newton Ogilvie-Thompson, to investigate its affairs

The move, established this week, is aimed at enabling Broadacres tto terminate the contract with Mr Hough and Mr Ackerman, who is the husband of opera star Mimie Coertse, as well as to investigatte certtain marketing procedures adcpted by the former board

The contract is binding on Broadacres for as long as Mr Ackerman, Mr Hough or their descendants retain control of the company formed to carry out the mining operations They can however terminate the contract at a month's notice

It is this and the fact the contract was signed at the same time Broadacres announced it had decided to acquire the share capital of another diamond mining company, Namiros which will be under investigation

Shareholders believed mining operations on Broadacres concessions would be carried out by Broadacres, using the newly purchased Namiros equipment

It was later discovered Ackerman and Hough's company, Rumera, was carrying out mining operations on these concessions

Mr K'ung, the nephew of the late Chiang Kai-shek, is believed to be behind the move to have Broadacres investigated

He bought a majority shareholding in the company's diamond interests from Natal businessman, Mr Hubby Hodes, in 1978

It was agreed at the time of purchase that the board of Broadacres should remain unchanged, but this was drastically altered in 1980 when the entire local board resigned over "a major disagreement" which is believed to have surrounded the contract with Mr Hough and Mr Ackerman as well as certain marketing procedures adopted by the board

The chairman of the board, Mr Norman Lowenthal and co-directors, Gideon de Wet and Mr Ackerman were replaced by two Johannesburg lawyers and Mr John Tcheng and Dr Alfred I-Te Wang, representatives of Mr K'ung

Mr Lowenthal has welcomed the prospect of an investigation, saying it would show the vendetta being conducted against the ex-directors

Mr Lowenthal was in the Eastern Transvaal this weekend and could not be contacted by the **Sunday Tribune**

Mr Hough said he knew nothing about the move to have Broadacres investigated or that the contract with his company was in dispute

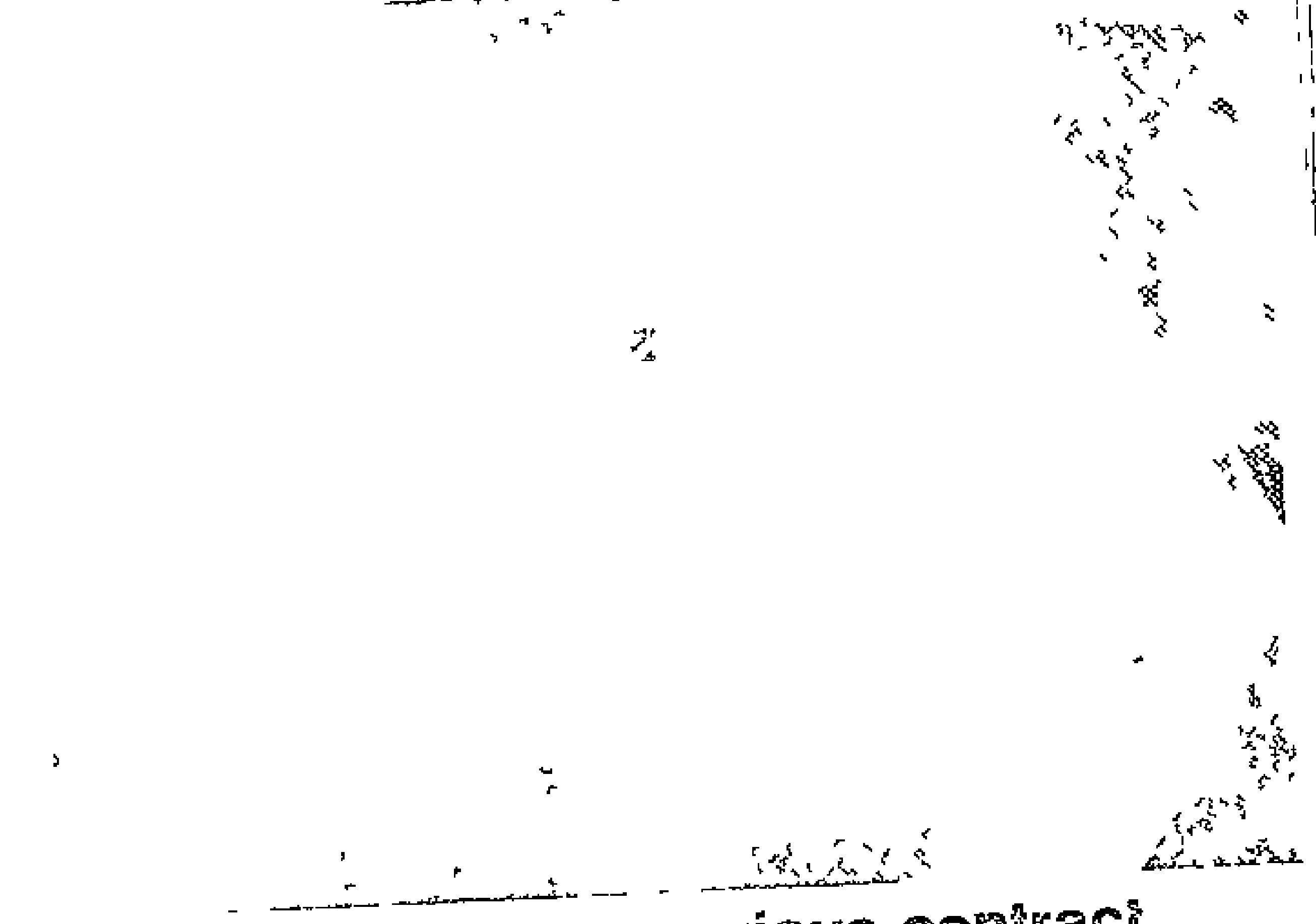
"I have shares in a company with Mr Ackerman and another chap and this company has certain rights on concessions on the West Coast" he said

Mr Ackerman handled all the business of the company

Speaking from Pretoria, Mr Ackerman confirmed he was a major shareholder in a company which had a contract with Broadacres to mine diamonds "We are still mining," he said

He confirmed the contract provided for 60 percent of the profits to go to their company, Rumera and 40 percent to Broadacres and said he had only been appointed to the board of Broadacres after negotiations for this contract had been completed

Asked why the new board of Broadacres was attempting to terminate this contract he said 'You seem to have knowledge I don't have and I cannot comment"



Hough . . . mysterious contract

S. Times 26/4/81 ② 216

Messina buys out Dutch company

Finance Reporter

THE Messina (Transvaal) Development Company has acquired a 73 percent interest in Gunning and Mining Enterprises, which owns the Goodhope diamond mine in the Barkly West area of the Cape

Messina acquired its shareholding at a cost of R1 million from Handelmaatschappij Duynvlied BV of Holland The balance of shares is held by Dr J. J. Scholtz, the mine's general manager

The Goodhope diamond mine has been in operation for three years, producing good quality gem stones with a size range from one quarter to three carats

Casn earned from home industries and farming per month (Table Twelve)

Amount	Percentage of Total	Percentage malnutrition	Percentage non-maln.
Nil	70%	57%	43%
R1-R10	8%	50%	50%
R11-R20	18%	22%	78%
R21-R30	2%	100%	
Amount unkown	2%		

Cash sent by other relatives monthly (Table Thirteen)

Nil	70%	48%	52%
R1-R10	14%	57%	43%
R11-R20	8%	75%	25%
R21-R30	0%		
R31-R40	2%		100%

R1-R10	10%	80%	20%
R11-R20	8%	100%	
R21-R30	14%	57%	43%
R31-R40	20%	40%	60%
R41-R50	10%	40%	60%
R50+	34%	44%	59%

Total per capita monthly income: (Table Sixteen)

Nil	8%	75%	25%
R1-R3	30%	66%	34%
R4-R7	46%	43%	57%
R8-R11	14%	28%	72%
R11+	2%	100%	

L, Wednesday, April 29, 1981

RDM 29/4/81

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Diamond mine near Messina possible

By JOHN MULCAHY

DE BEERS chairman Mr Harry Oppenheimer says in his annual review that prospecting results on the cluster of diamondiferous kimberlites on the farm Venetia in the northern Transvaal are "encouraging", although it is too early to assess the economic significance

This positive indication by Mr Oppenheimer adds weight to the belief that a new diamond mine may be established in the Zoutpansberg district near Messina and that this may well transpire sooner than the much-discussed kimberlite field in North Western Australia

The Australian field, in the Kimberleys region, is being investigated by Cons Rio Tinto Australia, whose chairman Sir Roderick Carnegie recently pointed out that there would be a tremendous capital outlay in establishing a mine in the area, due to the lack of infrastructure

In addition, the Australian field is still being assessed, and the diamonds are believed to be of low quality

De Beers has been prospecting the Venetia for some time, and the discovery of the diamond-bearing kimberlite was announced in October last year If a mine is established, De Beers would be entitled to acquire the precious stones rights, presently owned 65,6% by Mid Wits and 21 9% by Anglovaal

From the point of view of infrastructure a mine in the Zoutpansberg would have comparatively few problems, as it is west of Messina, and not too distant from a mainline railway system

The diamond industry worldwide is running short of quality pipes, and apart from the Orapa development in Botswana there has been little new of note for De Beers, or any other diamond producer

The kimberlite pipes in the north western Cape must be in the twilight of their lives, and the northern Transvaal field would be a welcome extension for De Beers

COMMENT The term "encouraging" when read in the light of the mining industry's traditionally conservative language can usually be seen to be an indication of positive results, and the next step in the process will probably be a feasibility study

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No. of horses and donkeys (Table Nineteen)

Nil	82%	51%	49%
1-2	14%	57%	43%
3-4	4%	50%	50%
4+			

No. of sheep (Table Twenty)

Nil	68%		
1-10	16%	75%	25%
11-20	8%	75%	25%
21-30	8%	25%	75%

No. of pigs (Table Twenty one)

Nil	66%	45%	55%
1-3	34%	64%	46%

31-45	12%	60%	50%
45+	2%		100%

Other than ownership of a few chickens, a few head of cattle and maybe a pig - there was little evidence that active farming was contributing much to the economic life of the households investigated. The figures for ownership reveal a greater incidence of malnutrition in those households that owned little or nothing in the way of livestock.

(216) FM 1/5/81

De Beers Chairman's statement

The established policy of the CSO is to maintain stability in the diamond market

— Mr H. F. Oppenheimer

An abridgement of Mr Oppenheimer's annual statement

In the middle of 1980 the boom conditions experienced during the late seventies came to an end In the early part of the year, however, speculation in the larger sizes of diamonds still continued and the premiums above our selling prices which were being realised in these classes of stones in the secondary markets made it necessary for the CSO in February to increase substantially the price of rough diamonds above one carat in weight The demand for smaller sizes was however already showing signs of falling off and in the second half of the year a weakening of the market generally became apparent In spite therefore of the February price increase, which amounted to an average overall rise of about 12 per cent, total sales by the CSO measured in US Dollars (the currency of sale) increased by only $125 million, or 5 per cent in 1980, while sales in Rand actually declined by R50 million to R2 142 million owing to the 11 per cent appreciation in the value of the Rand against the US Dollar Since the end of 1980 the market in the cutting centres has further weakened and it has become necessary for the CSO, in accordance with established policy, to reduce its offerings to the market substantially in order to maintain stability

These difficult conditions are due not so much to any serious decline in the consumer demand for diamonds as to the effects of unjustified speculation over the boom years in the cutting centres Indeed consumption of diamond jewellery during 1980 was a record and though there was some falling off on account of general recessionary conditions in the second half of the year, retail sales were better at Christmas than had been expected and are still continuing at a satisfactory level From early in 1978 onwards, however, speculation in the cutting centres in diamonds at premium prices, financed largely by bank credit, assumed alarming proportions and as long ago as my statement of March 1978 I drew attention to the obvious dangers of such a situation when a downturn in the market came about This is what has now happened and some fall in retail demand from its previous exceptionally high level, coupled with unprecedentedly high interest rates and pressure on diamond dealers by the banks who had financed the speculation in the first place, have combined to undermine confidence in the cutting centres However, retailers have reduced their stocks and before too long they will have to replenish them in order to meet the continuing consumer demand This must in due course enable the cutting centres to reduce their stocks of polished diamonds to reasonable proportions though undoubtedly some losses will be incurred in the process Stocks of rough diamonds in the trade are not excessive but in view of the large stocks of polished diamonds, the CSO as I have mentioned is carrying out its traditional function of reducing the quantity of goods offered to its customers in order to assist the market to recover its balance In particular the CSO is withholding from sale the larger diamonds of high quality which were the prime medium of speculation and of which significant quantities are now still held by the trade In the longer run such goods are rare and desirable and we are by no means concerned at stocking them

Apart from supporting the market by a very conservative sales policy we are taking steps to improve conditions by stepping up our advertising and promotional campaigns which are now active in 24 countries Our South African, South West Africa/Namibia, Botswana, Tanzania and Lesotho sales contracts expired at the end of 1980 but agreement has been reached to renew them for a further period of five years We are thus assured that the long established structure of the trade will be firmly maintained, something which is obviously a matter of special importance when we are as at present going through difficult times

The industrial diamond market felt the impact of the general economic recession in the second half of the year but has not been affected by special difficulties such as those experienced by the gem market Sales of industrials both in volume and value were at about the same level as in 1979

The Group s net attributable profit for 1980 (excluding the attributable undistributed earnings of associated companies which have been included in the accounts for the first time) at R670 million was less by R58 million than in 1979 However, if the undistributed earnings of associated companies are taken into account the profit for the year at R856 million exceeded the corresponding figure for 1979 by R20 million The net diamond account was less by R146 million than in 1979 The reduction is accounted for partly by the weaker market conditions and partly by an increase of R123 million in mining expenditure Investment income at R147 million, was higher by R64 million Dividends on our deferred shares at 75 cents were higher by 2 5 cents than last year

Allowing for minority interests, the total value of net investments, loan levy at R129 million and net current assets attributable to De Beers at 31st December was R3 536 million or 983 cents per deferred share compared with 833 cents the previous year

Diamond production by the Group amounted to 14 7 million carats compared with 14,0 million carats in 1979 A further increase in Group production is expected this year principally from Finsch

Prospecting was continued on a large scale during the year In the northern Transvaal we are prospecting, under an agreement with the owners of the mineral rights, a cluster of diamondiferous kimberlites on the farm Venetia The results so far are encouraging but here again it is too early to assess the possible economic significance of these pipes The resampling of the dormant Voorspoed mine has been completed with disappointing results

I drew attention last year to the importance of the investments De Beers has made outside the diamond industry Our revenue from these shareholdings in 1980 amounted to R147 million compared with R83 million the previous year The income from these diversified sources is obviously of particular value in times when the diamond market is weak and contributes greatly to the overall stability of the Group

Recently De Beers cooperated with Anglo American, Charter Consolidated Limited and Minerals and Resources Corporation Limited (Minorco) in a scheme to enlarge Minorco by concentrating in it a major part of De Beers and Anglo American's non-South African holdings

The effect on De Beers is that in exchange for its holdings in Consolidated Gold Fields and Anglo American Corporation of Canada, it has obtained an additional 21 307 285 new shares in Minorco thus increasing its interest in the company to 23 per cent Minorco has been greatly strengthened by these transactions both in respect of the total net value of its assets which is now in the order of $2 billion, and by substantially increasing its dividend income De Beers and Anglo American have cooperated over some years in the development of Minorco as a substantial independently managed group through which they might conveniently expand their investments on an international basis with special reference at this stage to investment in North America Minorco as now expanded will be very much better equipped for this purpose

During the year we have continued our efforts to improve wages and working conditions for all our employees Training and training facilities for mine employees which we regard as matters of the highest importance are under continuous review and major improvements have been and are being effected Amenities also continue to be improved for those employees resident on the mine properties

It is with deep regret that I must record the death, on 13th June 1980, of Mr A Wilson, who was a director of De Beers for thirty years Mr Wilson concerned himself particularly with the need for the best possible human relations between employees of all sections and races within our Group and was regarded by us all with affection and respect In him we have lost a valued colleague and a true friend Mr P J L Crokaert resigned from the board after 21 years of service His intimate knowledge of all aspects of the diamond trade was of inestimable value to us and he will be greatly missed Mr P J R Leyden and Mr A E Oppenheimer were appointed to fill these vacancies

The 1980 report and chairman's statement are obtainable from Consolidated Share Registrars, 62 Marshall Street, Johannesburg 2001

The annual general meeting of members will be held at 36 Stockdale Street, Kimberley on Tuesday, 26 May 1981 at 14h30

DE BEERS CONSOLIDATED
MINES LIMITED

DE BEERS (216) FM 1/5/81

Costing the downturn

Activities: *World's principal diamond mining and marketing organisation, mining diamonds mainly in southern Africa and marketing through the Central Selling Organisation. Investment portfolio includes 38,4% of Anglo American De Beers is itself directly and indirectly 30%-owned by Anglo*
Chairman: *H F Oppenheimer*
Capital structure: *359,8m deferred shares of 5c, 800 000 40% cum prefs of R5, 2,9m 8% second cum prefs of R1 Market capitalisation R3 256m*
Financial: *Year to December 31 1980 Borrowings long- and medium-term, R61,3m, Net cash R615,6m Current ratio 1,5 Net cash flow R399m Capital commitments R418m*
Share market: *Price 905c (1980-81 high, 1 400c, low, 880c, trading volume last quarter, 2,7m shares) Yields 20,6% on earnings, 8,3% on dividend Cover 2,5% PE ratio 4,9*

	'77	'78	'79	'80
Listed investments (Rm)	612	817	1876	2670
CSO Sales (Rm)	1803	2219	2192	2142
Pre-tax profit (Rm)	888	1156	1106	978
Earnings (c)	173	205	205	186
Dividends (c)	52,5	65	72 5	75
Net asset value (c)	535	748	1154	1345


De Beers' Oppenheimer . . . prematurely confident?

De Beers' diamond operations went through a progressively difficult time last year And though chairman Harry Oppenheimer has some positive things to say about the diamond market, it is unlikely that there will be any significant improvement in diamond sourced profits this year

Last year's sales and profits had the full benefit of the 13% price increase of September 1979 and, to an extent, they were helped by the February 1980 price increase for larger stones which boosted overall prices — in dollars — by 12% But that was far from enough to overcome what appears to have been a significant sales volume decline and the debilitating effect on rand-denominated profits of a weakening dollar against the rand If anything, things will be worse this year

Oppenheimer's optimism is based on the fact that retailers who have reduced stocks will soon have to replenish them That, however, may be some time in coming Recessionary conditions led to a slackening of sales in the second half And though, for example, the US economy grew relatively quickly during this year's first quarter, it seems to be running out of steam and could well show negative growth in the second and third quarters The influence of that on retail diamond sales and restocking by retailers is obvious

Even if retailers do restock to any great extent, the effect on CSO sales and De Beers could be limited for some time Deliveries to the retail sector will come first from cutters' stocks, which are still too large So it seems likely that the reduced offerings, which have been in effect at the CSO's first few sights this year, will continue for several months

Then there is the question of prices Last February's increase was for larger stones, just the material the CSO is now witholding from the market If they are meeting some market resistance, and demand for smaller stones is highly susceptible to economic conditions, there is little reason to expect much in the way of price increases this year Not that that need be too bad a thing for De Beers itself The rand is well down on last year's levels, so even if dollar prices level peg, rand prices and revenues should be helped

De Beers' major problem this year and next, however, will be the funding of stocks Sales volumes are down and southern African production is rising Finsch's production should be at least 25% higher than last year's 2,91m ct, Jwaneng is due to start production next January, and further production increases are in the pipeline at Orapa and Letlhakane

These increases may be offset by lower output at CDM and from the Namaqualand mines But by 1983, the group is scheduled to be producing at an annual rate of 19m ct against last year's 14,7m ct.

So unless the market for rough diamonds improves fairly rapidly next year, the group could be in for a protracted period of stockpiling Last year, diamond stocks rose to R697,7m (R409,3m) while cash holdings, which were partly depleted in the raid on Cons Gold, dropped to R776,4m (R974,7m)

Since the end of the financial year the Cons Gold stake has been swapped for an interest in Minorco Thaat could lead to something of a drop in dividend income, but for the present it is unlikely to result in any calls for funds as happened last year with Cons Gold Minorco has been put on a sufficiently firm footing to be able to fund its own operations But can still fall back on Anglo and De Beers if necessary

During the same period, higher investment and interest income helped offset part of the diamond account income drop. But that is not likely this year As cash holdings fall, interest income will be lower despite higher rates available. And though large parts of the investment portfolio's non-gold component should post higher dividends this year, lower gold-sourced income will probably have a more than offsetting effect

Though the diamond market is in the doldrums, prospecting expenditure is almost certainly set to increase And within the next few years it will be no surprise if some relatively heavy capex is incurred at the several unexploited pipes the group has in the northern Transvaal and in Botswana, near the Namibian border

On the Zoutpansberg farm Venetia, which is owned by Anglovaal, a sampling plant is to be erected this year to examine the cluster of kimberlite deposits found in the area And, willy-nilly, additional funds may have to be committed to Australia. The group has its own prospecting programme there and could well try for a stake in deposits being examined by other mining companies

It all adds up to a fairly pedestrian year for dividends De Beers will not be counting its coppers, but it is unlikely to be unnecessarily generous to shareholders until the market is well out of the woods For the present it is probably safest to count on a repeat of last year's 75c payout, putting the share on an 8,3% prospective yield. There could be better buying opportunities, particularly if the interim results are poor The share is best reserved for buyers looking for gains in the mid-Eighties

Jim Jones

RDM 9/5/8

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De Beers warns Zaire on CSO deal

FRANKFURT — Failure to reach agreement between De Beers Central Selling Organisation and Zaire on a marketing contract for Zaire's diamonds is not of vital commercial interest for the company, says a director of De Beers Consolidated Mines, Mr Philip Oppenheimer

He told analysts he would not expect this to lead to other producers following suit

He warned that a move away from the CSO could be unfortunate for Zaire

Zaire needed guaranteed prices and sales, and without them it would be doubtful if it would get International Monetary Fund loans

Mr Oppenheimer said the CSO had had a contract with Zaire for 14 years to buy its total diamond production

However, President Mobutu Sese Seko decided recently that Zaire should handle sales of all its minerals

Mr Oppenheimer said negotitions were under way to see if Zaire's diamond sales could still be channelled through the CSO

Zaire's position would be influenced in future by the emergence of Australia as a large diamond producer

Another De Beers director, Mr Julian Ogilvie Thompson, said the percentage of diamond jewellery sales in proportion to total sales of jewellery was rising

Consumer demand last year reached record levels in value terms and in terms of pieces and carats was second only to 1979

Signs were that prices in the diamond markets were bottoming out and steadying He expected a year or two of quieter growth in the market — Reuter.

Dominion sells 2 mines and hopes for JSE listing

RDM 13/5/81 (216)

By DAVID CARTE
Deputy Financial Editor

DOMINION Mining, the controversial unlisted mining company, is to sell its two diamond mines to Ochta Holdings for R1 800 000. It then proposes obtaining a listing on the JSE via reverse takeover of an unnamed listed company

These proposals were revealed and approved, despite argument, at a general meeting of shareholders on Tuesday

The chairman of the company, Mr John Stephens, said Dominion was selling its two mines, valued in the most recent balance sheet at more than R4-million, for only R1 800 000 because it lacked the "huge capital injection" required to make them profitable.

He said negotiations were at an advanced stage for Dominion to obtain a listing on the JSE through reverse takeover of an unnamed, listed industrial company

Mr Stephens told me yesterday the reverse takeover was practically "signed, sealed and delivered"

He had already been appointed to the board of the victim company and this would be announced as soon as he supplied a picture of himself He said the listed company was a going concern, earning a taxed profit of about R600 000

"With the R1 800 000 we shall have in cash after selling our two diamond mines, we shall acquire, partly for cash, partly on loan account and partly for shares, unlisted financial and industrial companies

"Once this is done, we reckon the company will be worth R4-million again and we shall have made good our capital loss on the mines"

Mr Stephens estimated that the proposed acquisitions would earn R800 000 after tax and that together with the R600 000 already being earned by the listed company, the reconstructed company would make R1 400 000 after tax

He was quite confident the JSE would approve the move

He would neither confirm nor deny shareholder speculation that the listed company was Hugh Parker, the Pretoria furniture company

Another resolution at the general meeting liquidated a R1 250 000 loan account of Jesco Holdings for the issue of 500 000 new shares in Dominion at 250c a share Mr Stephens is the sole proprietor of Jesco Holdings.

Before this, Mr Stephens had no stake in Dominion, although over several years, he frequently solicited funds from the public, describing the diamond prospects in the most glowing terms

Over the years, Mr Stephens told me yesterday, shareholders had put "about" R4-million into Dominion He acknowledged that to date they had received nothing from the company, except for the R1 800 000 now being offered by Ochta

In 1979 the company lost R571 000 Major expenses were salaries, wages, commissions, emoluments and directors fees of R360 000 and legal fees of R34 000

The company has yet to produce an annual report for the year ended June 1980 but Mr Stephens said another loss had been sustained He could not remember the extent of the loss but it was about R140 000

A spokesman for the auditors, Norman Sifris & Co, said permission had been obtained from the Registrar of Companies to produce the accounts late because "the firm went through two different bookkeepers in 1980 and it took a long time to sort the accounts out"

He said the accounts would be posted to shareholders before the end of June — a year late He said the 1981 accounts would not be so late

Several shareholders at the general meeting said decisions about the sale of the mines should have been deferred until the accounts were ready but they were over-ruled

Over several years Dominion has solicited funds from shareholders for its "outstanding" Blaauwbosch and New Elands prospects near Boshof in the Free State It claimed its Blaauwbosch pipe, which had produced stones of 20 carats, was "the 19th biggest in the world" and had "enormous reserves"

Apart from the exciting pipes, both mines had "massive tailings dumps containing thousands of carats of diamonds"

Today, although diamonds worth only R210 000 have been recovered since the reopening, the chairman still describes the mines as "illustrious"

He says they were leading quoted stocks at the turn of the century and were closed only after floods and "mudrushes" — Blaauwbosch in 1966, and New Elands in 1974

In 1979, the chairman told newspapers Swiss interests had bid R4 500 000 for the mines and that Belgian interests were keen to invest R2 300 000

As recently as January 22 this year, shareholders were told in a letter that "small diamonds of high quality" were being recovered at Blaauwbosch mine, that the New Elands main pipe was a "consistent producer of good quality diamonds", that the Falk Shaft had given the company access to "another source of diamonds ready to be tapped"

The "most exciting news", for shareholders four months ago was that the company had begun to extract fissure on an open-cast basis at New Elands "and it is a proven geological fact that diamonds from fissures are larger and of higher quality than from the main pipe

"Using just one machine, we took out sufficient lovely stones to encourage us to arrange for purchase of more heavy earth-moving equipment", said the letter, and the company was looking foward to "some very pleasant surprises "

Mr Stephens said yesterday he was highly optimistic about the mines as recently as four months ago but it only very recently became apparent that a large injection of capital was required to bring them to profitability

"I sincerely believe the mines are worth R4-million They are definitely worth more than R1 800 000 but that is all we could get for them Remember, there were a limited number of cash buyers

"Ochta has bought a fantastic proposition and after it has spent about R5-million, will do very well out of them We just did not have the resources to carry on "

CSO bid to save Zaire deal

RDM 16/5/81

~~358~~

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By NEIL BEHRMANN

LONDON. — Executives of the Central Selling Organisation have met with Zaire's State-controlled mineral marketing agency, Sozacom, in an attempt to salvage a 14-year agreement to market Zaire's diamonds.

It is a paradox, but De Beers hopes Zaire will realise that it needs the CSO more than the CSO needs it

Zaire has signed contracts to sell diamonds directly to several Antwerp dealers and an industrial diamond dealer in London instead of through the CSO, the De Beers marketing arm

Although Zaire is the world's largest producer of industrial diamonds and produces sizeable quantities of gems dealers said its decision would have a negligible effect on a diamond market which continued to be depressed.

Zaire has signed contracts with Antwerp dealers Caddi and Glasol and with Industrial Diamond Company of London

Although all firms confirmed that they had signed contracts with Zaire, they refused to discuss details They acknowledged that they had signed "blank contracts" with Zaire, indicating that there had been no firm sales arrangements

A CSO spokesman said the organisation was negotiating with Zaire.

Under the previous marketing arrangement, Zaire's major diamond producer sold its full production through the CSO

Last year Zaire produced more than 8-million carats and it is expected to produce about 6-million carats in 1981

Over and above that output, the CSO bought about 2-million carats from independent diamond diggers through buying offices in Brazzaville and Bujumbura in Burundi

A large proportion of Zaire diamonds, estimated to be 1-million to 2-million carats, is also smuggled out and the CSO has been buying these diamonds, mainly in Antwerp, for years

Dealers believe that Sozacom intends selling 25% of its production through the CSO, leaving the remaining share to the three independent dealers

In Washington a spokesman for the Zaire Embassy confirmed that Sozacom planned to market diamonds independently of De Beers

The CSO seems to be taking an "all or nothing" attitude

A De Beers director, Sir Philip Oppenheimer, said that all diamonds should pass through the CSO and that the sales should not be split between various parties

He said failure to renew the agreement was "not of vital commercial interest to the company" and the break from the CSO could have unfortunate financial consequences for Zaire because it needed guaranteed prices and sales

A dealer said the Zaire diamonds were poor-quality stones averaging $10 a carat, indicating annual sales of $60-million to $80-million.

Another London dealer said that the mood in the diamond market had begun to improve in April, but the latest bout of interest-rate increases had dampened enthusiasm

The diamond sight, or sale, which was held in London last week was small and was about the same volume as the March and February sights — about 60% lower than the January sight

Some diamonds continued to trade at a 5% to 10% discount to CSO quotations

A polished-diamond dealer in Antwerp said the market, especially for large stones, remained depressed Cutters in Antwerp had 'laid off 30%' to [illegible] of their staff over the past 12 months and a similar situation prevailed in Tel Aviv

Dealers were reluctant to build up stocks because high interest rates had made stockpiling costly

Dealers believe that the CSO will continue to keep offerings low when it holds its next sight in June

All these factors indicate that the CSO is stockpiling a relatively large quantity of diamonds, and that 1981 first-half CSO sales in volume and value terms could be much lower than stockbrokers' expectations

De Beers action brings firming in diamonds

S.Times 17/5/81

2/6

By John Spira

ACTION taken by the De Beers Central Selling Organisation (CSO) has resulted in a marked firming in the diamond market, according to the Certified Diamond Exchange's (CDE) John Lebowitz

In December 1980, the CSO reduced the amount of rough diamonds being made available to the cutting trade

The European sights were reduced by more than 60% and the Israeli sights by almost 100%. In South Africa, cutters were given the option of taking their sights in full or in part

As a result, many of the local cutters did not take any rough, while others took only part of their normal allocation

The reason for this cut-back was to reduce the amount of diamonds being pushed on to a market which was already saturated because America and other traditional outlets had not taken their normal volume of stones as a result of the economic recession

In addition, De Beers indicated at the end of March 1981 that it would, for a period, be withholding from the market all rough in the top white grades of three carats and over

As this is the material from which one-carat polished diamonds are produced, the CDE sees this as another step by the CSO to support that portion of the market which has already experienced the most extreme price drop

"The effectiveness of these measures," says Mr Lebowitz, "has become evident as prices have firmed considerably and trade has been reasonable under the present market conditions"

In reporting that prices have firmed, the CDE implies that the incredible bargains that have been available seem to have been snapped up and that the asking prices for specific goods in the trade are now within closer limits but are nevertheless nowhere near the levels they reached six months ago

The strengthening of the dollar against the rand is also having an effect on local prices

'Over the past two months the difference in the rate of exchange between these two currencies has had the effect of increasing the prices in South Africa by about 9%.

De Beers to cut back production

21/6

By JOHN MULCAHY

DE BEERS Consolidated Mines has decided to put into effect plans to reduce diamond production, in view of the depressed state of the diamond market.

The chairman, Mr Harry Oppenheimer told shareholders at the annual general meeting in Kimberley yesterday that the weakness in demand for diamonds in the cutting centres had intensified, with sales at a low level, and De Beers were accumulating stocks

"We do not anticipate any improvement until well into the second half of this year "

In his annual report published in April, Mr Oppenheimer confirmed that the Central Selling Organisation was substantially reducing its rough diamond offerings to the market

He said at the time that the difficult conditions were due not so much to any serious decline in the consumer demand for diamonds as to the effects of unjustified speculation after the boom years in the cutting centres

Mr Oppenheimer strongly criticised the speculation which developed after 1978 at cutting centres in diamonds at premium prices financed largely by bank credit

He also noted that diamond retailers had reduced their stocks and before too long would have to replenish them in order to meet the continuing consumer demand

It would now appear, though, that the replenishment has not yet come, or has been to a lesser degree than originally expected

Another possibility is that any increased demand from retailers has been satisfied from stocks in the cutting centres, and no effect has filtered through to the CSO or De Beers.

Mr Oppenheimer yesterday expressed confidence in De Beers' ability to weather the storm

"The financial strength and diversified investments of the company enable us to meet these difficult conditions in the knowledge that we will be able to sustain the stability of the market and the price of diamonds until general economic conditions improve "

Unofficial reports recently indicated that CSO sights had been reduced by at least 40%, and the CSO sales for the first half of this year can be expected to be substantially down on last year De Beers lost 10c on the JSE yesterday, to close at 940c

● See Page 16

De Beers to cut production

KIMBERLEY. — Diamond sales had remained at a low level since he had reported in the De Beers annual report that demand for diamonds in the cutting centres had weakened, Mr H F Oppenheimer, the chairman, said at the annual meeting of De Beers here yesterday.

"These conditions have continued and have intensified, with the result that sales have remained at a low level, and considerable stocks are being accumulated."

Mr Oppenheimer added that the company did not expect any improvement until well into the second half of this year.

"In these circumstances, we have taken steps to reduce or delay expenditure wherever possible, and have decided to put into effect plans to reduce production to some extent. This will not involve any redundancies," he added. — Sapa

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Why diamond sales are falling steadily

CT 27/5/81

216

LONDON. — The depression in the diamond industry indicates that De Beers diamond sales are likely to be much lower in the first half of this year

After a buoyant first quarter in 1980, sales of De Beers Central Selling Organisation (CSO) have been steadily slipping

And dealers in the diamond trade believe that the situation has worsened in the first five months of this year, while there are no signs that there will be an improvement in June

In the first six months of last year the CSO's sales of rough gem and industrial diamonds amounted to R1267m But in the second half sales declined by 31 percent to R874m

Estimates of three London stockbrokers who specialize in De Beers place first half sales within the R700m to R800m range

They say that sales would have been lower if the rand had not declined by 10 percent against the dollar

James Picton , partner of Capel-Cure Myers, says he would be surprised if sales reach R700m But dealers are likely to increase their stocks of rough diamonds over the next few months, and sales could pick up again in the second half

For the year as a whole diamond sales would probably be a little higher than R1,6m — about 25 percent lower than last year

Other brokers estimate that total sales will be about R1,8 billion to R2 billion — only 10 percent lower than last year

Diamond dealers tend to agree with the more pessimistic forecasts Their proviso is that De Beers has been able to adjust the books in the past

But the diamond trade says that their market is as depressed as ever and the jump in US interest rates has aborted the chances of quick revival At the latest sight held early in May, De Beers continued to offer fewer diamonds to dealers

De Beers' marketing arm, the Central Selling Organisation (CSO) cut supplies by 60 to 70 percent at the February and March and May sights, below January levels (that sight was regarded as normal)

The CSO holds 10 sights a year, which are attended by about 300 dealers who are given plain-paper boxes to examine in private rooms They must buy all the diamonds in the box or none at all

The CSO has been cutting supplies since last autumn because recession and high interest rates dampened enthusiasm for diamonds and precious metals

Diamond dealers reported that the CSO withheld almost all categories of rough diamonds and the firm did not supply the expensive investment grade diamonds

In some cases investment grade diamonds represent nearly a quarter of the total value of each box of diamonds which is offered to dealers

Antwerp dealers said that the smaller allocations from De Beers have helped to steady the market yet it continues to be weak

A London diamond dealer said that the mood had begun to improve in April, but the latest bout of interest rate hikes had dampened enthusiasm once again

An antwerp dealer reported that some diamonds were trading at 5 to 10 percent discounts to De Beers quotes Yet there "was more movement and small stones were much more active"

The dealer said that jewellery demand in the Far East had improved but he was worried that soaring US interest rates and the dollar would hinder the slight revival

An Antwerp polished diamond dealer said that trade was slow In the last 12 months Antwerp diamond manufacturers had laid off 30 to 50 percent of their staff

Tel Aviv was experiencing similar problems He said the market was very quiet and the sharp appreciation of the dollar against the Belgium franc had made diamonds costly for dealers This had affected dealers, manufacturers and the wholesale and retail jewellery trade

In 1980, the Russians were dumping polished stones on to the market at discounts to the Antwerp dealers Yet in recent months Russian polished diamond sales have been poor as well "Russian diamonds are priced in dollars and they are also expensive," complained the dealer

Dealers were also reluctant to build up stocks because of expensive finance charges

They forecast that the CSO would withhold diamonds at the next sight which will be held in June **Neil Behrmann**

TC [illegible] takes place → , [illegible] wine = [illegible] 2 units of cloth ~~and~~ therefore [illegible] moment is reached →

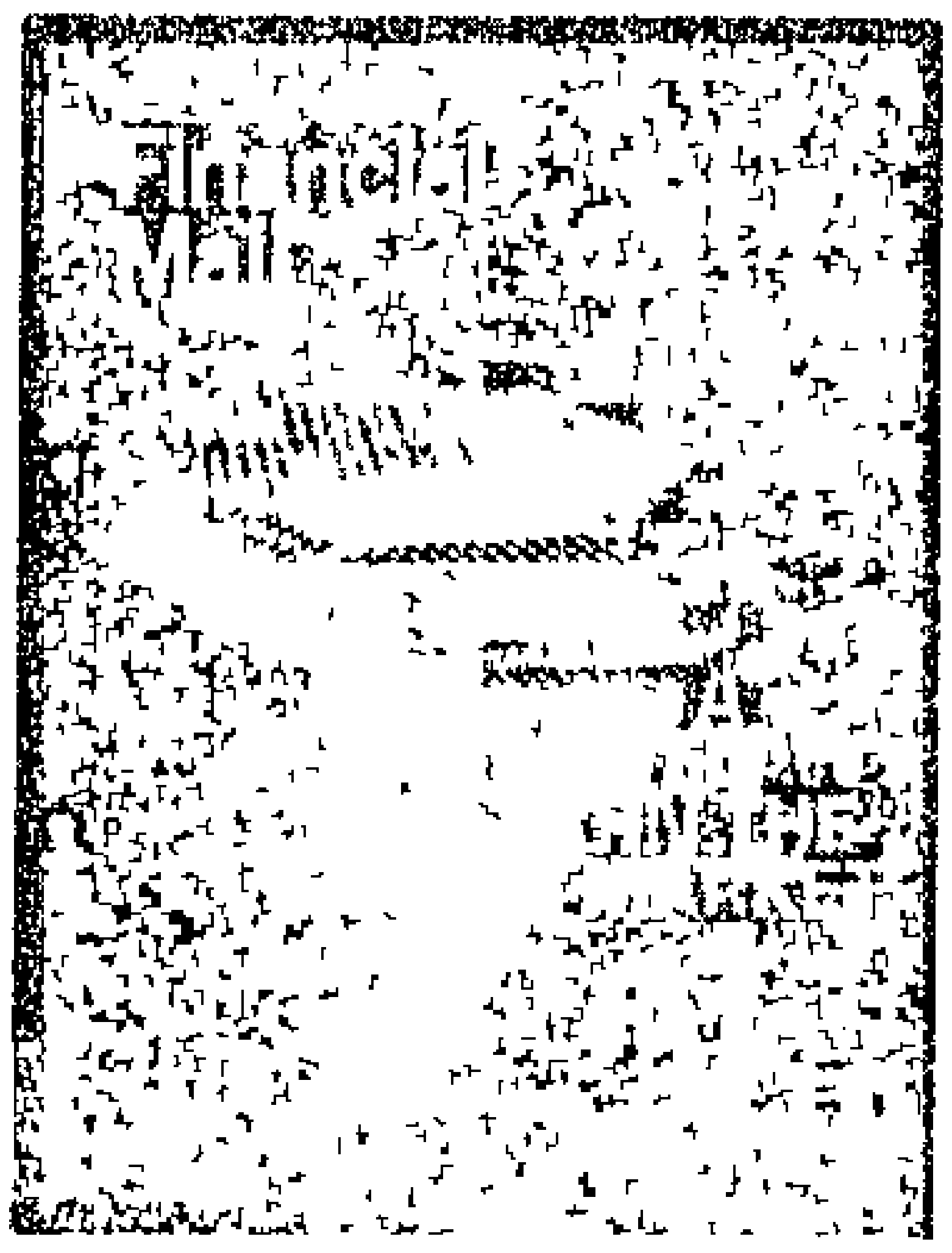
DIAMONDS

Less than perfect

FM 5/6/81 (216)

Anyone still entertaining doubts that 1981 will be one of the most difficult years faced by De Beers had best shelve his credulity. And there is probably little point in expecting a meaningful improvement until well into 1982 at the earliest. The urbane public statements by the company and its marketing arm the Central Selling Organisation, appear to gloss over severe near-term threats to diamond profits and the CSO's hold on about 80% of the world's diamond trade.

At last week's De Beers agm chairman Harry Oppenheimer dropped what was to many the bombshell that the firm was cutting production. He gave no figures, but a company spokesman concedes that an output reduction of about 5% is on the cards. Last year De Beers' mines in SA, Botswana, SWA/Namibia and Lesotho produced 14 7m carats (ct). The as yet unchanged target is an increase to 19m ct by 1983.



According to the same spokesman the brunt of the cut back is likely to be borne by SWA/Namibia's Consolidated Diamond Mines where extraction has become increasingly difficult. The last thing SWA/Namibia needs is a drop in diamond revenues. It provides Swapo with the spurious ammunition that CDM uses exploitation of its coastal diamond concessions as an economic football. But the fact that political expediency is taking second place to economic necessity at this stage of the territory's emergence from SA tutelage merely underlines the diamond market's problems.

Those difficulties have become increasingly apparent during the past few months. Firstly there was the announcement that the CSO was reducing the number of rough gems offered to cutters at its monthly sights in London. Again no precise figures have been disclosed but European cutters mention reductions of up to 40% and almost total elimination of the larger investment gems on offer. They were the small percentage of stones whose prices were increased in January 1980 boosting the average price of all the roughs sold by the CSO by 12%.

The market has simply fallen away though Oppenheimer — in his latest chairman's statement — was optimistic that retail sales of cut diamonds remain satisfactory following a better-than expected Christmas. The combination of sharply higher stock financing costs an advancing dollar — the currency in which CSO sales are denominated — and large inventories in the hands of cutters had an irresistible economic logic.

Judging by SA's diamond sales figures there was some relatively heavy re-stocking by cutters in January. We exported 1 14m ct worth R110 4m. But by February our exports were 496 669 ct worth R18 8m while in March exports were only marginally lower at 495 739 ct. And that was at a time when the rand was progressively weakening against the dollar. In contrast SA's monthly sales averaged R45 5m last year, while the gold-fuelled rand was rising against the greenback.

Now compounding De Beers problems, Zaire — a relatively minor gem producer, but an important factor in the industrial diamond market — has apparently decided to break its links with the CSO and entrust the marketing of its output to two dealers in Antwerp and another in London.

De Beers' executives are playing Mr Cool and minimising the effect of Zaire's withdrawal on the CSO. Last year, it is pointed out only 5% of Zaire's 8m ct production was gems 20% near-gems and the rest industrials and boart. But it is enough to make a small crack in the CSO's monolithic marketing edifice. And it is enough, according to some continental diamond dealers who almost perpetually complain about the CSO, for De Beers to bring out its heavy artillery.

Reports cannot be confirmed but it seems, De Beers has already pressurised the three dealers with threats of cutting them off from further CSO offerings. And it has apparently been made clear that if necessary De Beers could flood the industrial diamond market with synthetics from its plants in SA, Sweden and Ireland.

The near-monopolistic diamond market is no place for pussyfooting when even the smallest threat to market hegemony could lead other producers to follow suit. Maintaining the CSO's position is central to De Beers' strategy.

Of course De Beers has been through all this before. Sierra Leone broke with the CSO 10 years ago with no visible impact on De Beers. So even if Zaire cannot be lured or pressurised back into the fold the CSO need not lose its market grip.

Perhaps more to the point there is no compelling reason for longer-term investors to ditch De Beers shares or as several operators appear to be doing try to finesse the price bottom.

The company can call on tremendous cash resources to ride out the present downturn and will almost certainly emerge stronger than before. Diamonds stockpiled now should eventually be converted into spectacular bottom line figures.

CT 18/6/81 Q16 ~~9214~~

CDM budgets R27m this year for SWA prospecting

Own Correspondent

JOHANNESBURG — De Beers Consolidated Mines, through its wholly-owned subsidiary CDM (Pty), is spending R27-million on prospecting throughout South West Africa this year compared with a total of R51-million spent over the past three years.

CDM's resident director in Windhoek Mr Douglas Hoffe, in a recent address to the Namibian Chamber of Commerce and Industries, said the tempo and scope of CDM's prospecting activities reached record levels

The London Mining Journal notes that CDM is the world's largest individual producer of gem diamonds, with output of 1 600 000 carats in 1980, of which 98% were gem quality

While CDM's current mining lease expires only in 2021, present reserves of alluvial stones along the coastal strip north of Oranjemund have an expected life of ten to 15 years

Mr Hoffe said exploration activities included a major search for further diamond reserves in the area south of the present workings and along the Orange River, as well as northwards along the Atlantic coast in Diamond Areas Nos 1 and 2

Outside the diamond areas, CDM Prospecting (Pty) is conducting a diamond survey of the whole country north of the Tropic of Capricorn, which bisects SWA about 100km south of Windhoek

In the coastal waters, CDM s marine division has three vessels operating at an annual cost of R4 600 000, engaged in reconnaissance prospecting

Elsewhere in SWA, says the Journal, CDM, together with Anglo American Corporation, is searching for base metals and other minerals, over an area of about 28 000km, including the eastern part of Diamond Area No 1

CDM is also conducting a five-year geological and economic mineral survey, which was intitiated in 1977, at a total cost of R5-million The survey covers 100 000km^2 in lesser-known parts of the country, including the remote Kaokoveld in the north-west, which is thought to contain significant iron ore deposits

These areas have been considered prime prospecting regions because of the nature of the surface geology and the expense involved — as results come to hand they are being placed on open file by CDM at the regional office of the Geological Survey Department in Windhoek

A major discovery already made as a result of the CDM survey is the location of a coal deposit near Aranos in the south-east, between the Nossob River and the border with Botswana — CDM has acquired a concession area covering 9 000km^2

Although much drilling work remains to be done to ascertain whether the deposit will be economically viable, it is already known that the coal, present in two-metre-wide seams at an average depth of 300m, is of power station quality

It is believed that exploitation of the deposit could transform SWA's prospects for indsutrial development

At the moment no coal is mined in SWA and all its power needs are provided by coal and oil imported from South Africa, and the limited amount of power available from the Ruacana Falls station on the Kunene River

To meet the demand for power, particularly from the mining industry, a link to the SA grid at Aggeneys is now under construction

The journal says CDM is the biggest taxpayer in SWA, accounting for about 40% of the direct taxation in 1980, although the Rio Tinto's Rossing uranium mine will soon become another top payer, as a large proportion of its development costs have been paid off

CDM is the biggest source of income for De Beers, accounting for 17% of taxed profit last year, while contributing about 11% of group output

In spite of political uncertainties existing mining operations are generally expanding investment in plant and equipment Gross domestic fixed investment in the mining sector rose by 114% to R118-million in 1980, reversing the previous year's declining trend

However, growth in mining's GDP contribution was sluggish, reflecting weak prices for most of the base metals exported from SWA Mining s contribution to GDP increased by 8% to R627-million last year, about 52% of the total GDP of R1 200-million

● De Beers chairman Mr Harry Oppenheimer told shareholders at the annual meeting in Kimberley last month that the company had decided to put into effect plans to reduce diamond production in view of the depressed state of the diamond industry

Mr Oppenheimer said the weakness in demand for diamonds at the cutting centres had intensified, with sales at a low level, and De Beers was accumulating stocks

In his annual report in April the chairman confirmed that the Central Selling Organisation was substantially reducing its rough diamond offerings to the market

The man who dares to fight the De Beers 'syndicate'

S. Times 28/6/81

(216)

Special Correspondent
New York

JACK Lunzer is a man who puts great store in independence.

Fifteen years ago his London-based Industrial Diamond Co broke with De Beer's Central Selling Organisation after a long association that stretched back to his grandfather's day with the syndicate

This month the 56-year-old gem trader was instrumental in luring Zaïre away from De Beers.

Although he plays down the significance of Zaïre's break, Lunzer is delighted with his role in the diamond rebellion "Colonial methods just don't work any more," he says.

"The minerals of Africa belong to the people of Africa, and they should sell them as they see fit. In Zaïre they finally said 'Enough is enough' — they are ready to be masters of their own destiny."

That is certainly Zaire's intention. Under the new agreement, the output of its Miba mine — worth about $100-million annually — will be marketed by Lunzer's IDC and two Antwerp firms, Caddi and Glasol

For the African nation, the direct sale cuts down on costs and commission — enough to allow 38% higher profits. "They are certainly getting more money than they did," says Lunzer "And they are getting it a damn sight faster too."

For his part, Lunzer has won access to an important source of supply that used to be sold entirely through the CSO But he is quick to point out that his company is not a threat to De Beers's near-monopoly of the world diamond market.

"Other companies do not have the financial muscle to take over operations in major producing countries such as Namibia or Botswana," he said last week "What has taken place in Zaïre might have hurt De Beers's feelings, but while other companies can be annoying they certainly cannot jeopardise De Beers's position "

Some diamond dealers question the wisdom of Zaïre's move — and Lunzer's readiness to thumb his nose at De Beers.

They point out that most of Zaïre's diamonds are industrial and may not find a ready market when the current slump ends and demand for higher-quality diamonds picks up.

But Lunzer defends Zaïre's — and his own — right to assert its independence. "When you go to the greengrocer you like to pick your own head of lettuce," he says "It is essential to have a choice, and I defend the right of the African nations to do so as well "

No decision yet on diamond mine

Star 6/7/81

(216)

Southern Sphere Mining and Development, a subsidiary of American mining giant Utah International, will decide early next year whether to start operations on a diamond mine in Bophuthatswana.

Southern Sphere's managing director, Mr Ken Barnard, said that the company has excavated 13 trenches across the Kimberlite pipe and has so far sampled 75 000 tons.

But he says it is too early to comment on the viability of the area as a large cross-section of diamonds is required in order to be able to determine quantity and quality.

HALF-SHARE

Since prospecting started in September 1979, the company has spent about R3-milion in plant and exploration.

The area is situated on the farm Palmietfontein, just west of Pilanesberg and Mr Barnard says the Government of Bophuthatswana will have a half-share in the venture if the company decides to start mining operations. — David Bramber.

QUANTITY SURVEYING

(Continued)

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URBAN & REGIONAL PLANNING

De Beers to close Tweepad treatment plant

RDM 7/7/81

216

By JOHN MULCAHY

IN line with its plans to reduce diamond production, De Beers Consolidated Mines has decided to close the Tweepad treatment plant in the Namaqualand area of the north-western Cape.

Commissioning at Tweepad began during May last year and production was built up to 217 800 tons a month by the end of 1980, with the intention of achieving designed capacity of 270 000 tons a month during this year.

Tweepad's production last year, of 1 309 000 tons, yielded 144 348 carats at a grade of 11,03 carats/100 tons, representing a little over 10% of the Namaqualand mines' total output in 1980, which was 1 434 262 carats.

The staff employed at Tweepad will be absorbed into other existing operations in the area, and there will be no redundancies.

De Beers announced last month that it had closed one of the four conglomerate treatment plants at Consolidated Diamond Mines in South West Africa, as well as a sample plant and two small screening plants.

The chairman, Mr Harry Oppenheimer, said at the time the cutback of tonnage of ore mined and treated was intended to reduce costs and ameliorate the substantial loss of revenue to De Beers resulting from lower diamond sales.

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(Continued)

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Rand London buys small diamond mine

RDM 7/7/81

216

RAND London Corporation has acquired Southern Fissures which operates the Una mine, a small underground diamond mine 30km north of Kimberley, for R396 000 in cash.

The mine, which has been operating for the past 10 years, was acquired from Triad Holdings, a Johannesburg-based company. Current production is around 60 tons of ore daily.

"The acquisition represents a first entree by our group into diamond mining," said Mr Bernard Holtshousen, managing director of Rand London Corporation.

"We do not intend to increase production immediately but the mine's diamondiferous fissures and pipes will be subjected to a detailed geological investigation in the near future."

Mr James McArdle has been appointed acting manager of the mine which currently employs a total staff of 50.

The name of the company is to be changed from Southern Fissures (pty) to Rand London Diamond Mines Limited. — Sapa

25% drop in De Beers earnings predicted

RDM 14/7/81 216 247

By JOHN MULCAHY
Mining Editor

DE BEERS Consolidated Mines' earnings for the first six months to June this year, due to be published next month, are expected to be about 25% lower than for the comparable period last year, but the interim dividend should be maintained.

A Johannesburg analyst estimates earnings at 68c to 70c a share, compared with 95c last year, while the half-time dividend should be unchanged at 25c

Income from investments is likely to rise significantly, at least in the first half, due to the higher dividend from Anglo American However, the diminution in interest earnings resulting from the fall-off in cash holdings will probably at least offset the higher investment income.

For the first time this year De Beers will include attributable earnings from associated companies in terms of the equity method of accounting, and this may distort comparisons, but the above earnings projection is based on the method used last year

The Central Selling Organisation sales figures for the six months to June, announced this week, fell by 40% to R748-million, and it is clear that De Beers has built up its stockpile of diamonds to an enormous level

In fact, one analyst believes the value of diamond stocks may reach R1 000-million by the end of the year, which compares with R698-million at the end of December last year

This will impact heavily on De Beers' cash holdings, which stood at R776 400 000, but analysts believe the company has strong enough resources to withstand the difficult period without resorting to extraordinary borrowings, at least until next year

De Beers has a $250-million revolving credit facility, which may well be exercised to assist in purchases from the CSO

The CSO undertakes to purchase the entire output from member producers, but the contracts are phrased somewhat differently

The contract states a specific quantity of stones to be produced, and purchased by the CSO — say 50 000 carats a month — and in good times, when demand is high, the organisation may take as much as 70 000 carats from the producer

However, when the market becomes tight, as it is at the moment, the CSO can revert to the express terms of the contracts, so forcing producing mines to hold their own stockpiles

It is believed that this quota system is in force at the moment

This does to an extent alleviate the pressure on De Beers, which is committed to buying the surplus production

At present De Beers accounts for about 35% of the CSO's total output, although this proportion is expected to increase as De Beers planned expansion comes on stream

The whole stockpile position does have serious implications for De Beers short term performance, but in the longer term, when the diamond market does turn around, and demand improves across the board, the profits to De Beers in selling directly from its stockpile will be astronomical

CSO sales for the rest of the year are expected to fall further in volume and dollar terms, but in view of the stronger dollar the rand value of sales should be higher, with estimates running at around R800-million.

This does not mean that De Beers profit will rise proportionately, as the weakness in demand for bigger, investment grade diamonds in favour of smaller stones for jewellery has been squeezing margins, and this is likely to continue

The big stones, of one carat and above, have far higher mark-ups than the smaller diamonds, and have not recently been offered by the CSO

Some analysts feel that while the market had to a large degree discounted the lower CSO sales figures in the price before the announcement, the rise in the share price over the past two days has been a psychological movement on the back of the gold price, and that there could still be significant downside potential in the price

The price has risen from 850c on Wednesday to 880c last night

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QUANTITY
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(Continued)

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Star 7/7/81

216

Kimberley diamond mine sold

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"The acquisition represents a first entrance by our group into diamond mining," said Mr Bernard Holtshousen, managing director of Rand London Corporation

"We do not intend to increase production immediately but the mine's diamondiferous fissures and pipes will be subjected to a detailed geological investigation in the near future"

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QUANTITY SURVEYING

(Continued)

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CT 7/7/81 (216)

De Beers cuts diamond output again

By JOHN MULCAHY

JOHANNESBURG — In line with its plans to reduce diamond production, De Beers Consolidated Mines has decided to close the Tweepad treatment plant in the Namaqualand area of the north-western Cape.

Commissioning at Tweepad began in May last year and production was built up to 217 800 tons a month by the end of 1980, with the intention of achieving designed capacity of 270 000 tons a month during this year

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The chairman, Mr Harry Oppenheimer, said at the time the cutback of tonnage of ore mined and treated was intended to reduce costs and ameliorate the substantial loss of revenue to De Beers resulting from lower diamond sales.

Meanwhile Reuters reports that South African analysts are forecasting a sharp fall in first half CSO diamond sales

Diamond sales by the Central Selling Organisation in the first half of this year, to be announced later this week, are expected to total only R700m to R750m against R874m in the second half of 1980, analysts said

Demand for large gems has fallen considerably since the third quarter last year, with investors attracted more to financial instruments, particularly US interest rates This has left dealers with substantial stocks of diamonds, which has put additional pressure on prices already depressed by the fall in gold

This trend is expected to continue in the second half of the year, though total 1981 sales should not be much below R1,4-billion after R2,14-billion last year

Business Mail

Mining
Finance
Commerce
Industry
Property

216

9/7/81

CSO gem sales drop 40%

By JOHN MULCAHY

AS expected, De Beers Central Selling Organisation has reported a substantial — 40% — drop in sales of gem and industrial diamonds for the six months to June 30, while the figure of R748-million is 15% lower than the sales for the second half of 1980

In the period to June last year sales amounted to a record R1 268-million and for the final six months of 1980 sales were R647-million, indicating that the crack in the market was already evident late last year

In fact it is common knowledge that the CSO has reduced its supplied to the market since the last quarter of last year while the February and March sights were 60% to 70% lower than the January sight

De Beers does not publish volume figures, but these must be proportionately down, as the CSO does not reduce its prices and has certainly not been in a position to raise prices over the past six months

The market had been expecting sales of R700-million to R750-million so the actual figure will not surprise but only confirm the gloomy anticipations

Expressed in dollar terms the currency of the sales the total for the six months is $940-million which is $627-million or 40% down on the previous year and 19% lower than the sales for the six months to December last year

The disparity in comparisons flows from the fact that sales are converted from dollars into rands at the time of each sale

De Beers says in a statement the reduced sales figure reflects the implementation of the CSO's established policy of stocking diamonds not in immediate demand so as to stabilise the rough diamond market.

"The overall level of sales has consequently been reduced significantly and this policy will be continued into the second half of 1981 '

It adds that sales at the retail level continue at a satisfactory level with an increase in value in the first quarter of 1981 over the corresponding period last year

The combination of reduced rough sales to the cutting centres and continued healthy retail jewellery demand has had the effect of improving the balance of stock in the cutting centres, and a return to more normal trading conditions, can be anticipated when general economic conditions improve and the level of US interest rates declines

Dealers in the US and Europe this week reported that jewellery demand was continuing at a high level, with a concommittent increase in demand for diamonds

There is negative news on demand for investment grade diamonds which are in the one carat and above category and where the CSO has at recent sights cut supplies of almost all categories it has supplied none of the expensive investment grades

Sales are traditionally lower in the second half of the year and on present indications this year will be no different in spite of good retail demand

There is still no sign of improved demand from the cutting centres as they have built up large stocks while the July and August sights are held during the northern holiday and the December sight is traditionally small

In addition, US interest rates have not shown any inclination to come down while the recession in Europe is by all accounts far from over

The effects of the lower sales on De Beers share price should not be as drastic as the sales figure suggests as a significant sector of the market had expected the lower figures and the price has already discounted a fair proportion of the bad news

Downward pressure could however result from the combination of the CSO figures and the ever-falling gold price which could have a psychological effect in turning overseas investors against South African mining investments

A stabilising factor for the De Beers price is that there is no prospect of a dividend reduction although earnings figures are likely to be pounded by the sales as well as by the cost to De Beers of holding huge stocks of diamonds

De Beers has traditionally regarded the dividend as sacrosanct and has never reduced its payment from year to year

At December 31 last year De Beers stocks of unsold diamonds stood at an unprecedented R698-million and with demand falling off even more since then the stocks have been growing

Chairman Mr Harry Oppenheimer has repeatedly warned of the unfavourable situation in the diamond market starting with his confirmation in the annual report that the CSO had reduced supplies to the market while the stunning news came in his announcement at the annual meeting in May that production was to be reduced

He said at the time that the weakness in demand for diamonds in the cutting centres had intensified, with sales at a low level and De Beers was accumulating stocks

"We do not anticipate any improvement until well into the second half of this year " he added

De Beers has been falling steadily on the JSE for some time in anticipation of the CSO sales figures and last night closed at 850c exactly 100c down on the price ruling when Mr Oppenheimer announced the planned production cut

Metro priced

Cenprop

De Beers diamond sales drop 40% in half-year

CT 9/7/81 (216)

By JOHN MULCAHY

JOHANNESBURG — As expected, De Beers Central Selling Organisation has reported a substantial — 40% — drop in sales of gem and industrial diamonds for the six months to June 30, while the figure of R748-million is 15% lower than the sales for the second half of 1980

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"The overall level of sales has consequently been reduced significantly and this policy will be continued into the second half of 1981"

It adds that sales at the retail level continue at a satisfactory level, with an increase in value in the first quarter of 1981 over the corresponding period last year

The combination of reduced rough sales to the cutting centres and continued healthy retail jewellery demand has had the effect of improving the balance of stock in the cutting centres, and a return to more normal trading conditions can be anticipated when general economic conditions improve, and the level of US interest rates declines

Dealers in the US and Europe this week reported that jewellery demand was continuing at a high level, with a concommittent increase in demand for diamonds

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Sales are traditionally lower in the second half of the year, and on present indications this year will be no different, in spite of good retail demand

There is still no sign of improved demand from the cutting centres, as they have built up large stocks, while the July and August sights are held during the northern holiday and the December sight is traditionally small

In addition, US interest rates have not shown any inclination to come down, while the recession in Europe is by all accounts far from over

The effects of the lower sales on De Beers share price should not be as drastic as the sales figure suggests, as a significant sector of the market had expected the lower figures, and the price has already discounted a fair proportion of the bad news

Downward pressure could, however, result from the combination of the CSO figures and the ever-falling gold price, which could have a psychological effect in turning overseas investors against South African mining investments

A stabilizing factor for the De Beers price is that there is no prospect of a dividend reduction, although earnings figures are likely to be pounded by the sales, as well as by the cost to De Beers of holding huge stocks of diamonds

De Beers has traditionally regarded the dividend as sacrosanct, and has never reduced its payment from year to year

At December 31 last year De Beers' stocks of unsold diamonds stood at an unprecedented R698-million, and with demand falling off even more since then the stocks have been growing

Chairman Mr Harry Oppenheimer has repeatedly warned of the unfavourable situation in the diamond market, starting with his confirmation in the annual report that the CSO had reduced supplies to the market, while the stunning news came in his announcement at the annual meeting in May that production was to be reduced

He said at the time that the weakness in demand for diamonds in the cutting centres had intensified, with sales at a low level, and De Beers was accumulating stocks

"We do not anticipate any improvement until well into the second half of this year," he added

De Beers has been falling steadily on the JSE for some time in anticipation of the CSO sales figures, and last night closed at 850c, exactly 100c down on the price ruling when Mr Oppenheimer announced the planned production cut

302 9/7/81 216

Diamond stocking reduces sales

Sales of rough gem and industrial diamonds by the Central Selling Organisation for the six months ended June 30 amounted to R748-million which is R520-million, or 41 percent lower than the sales for the six months ended June 30 last year and R127-million, or 15 percent, lower than the sales for the six months ended December 1980

Expressed in the currency of sale, sales for the period amounted to 940-million US dollars which is 627-million dollars or 40 percent lower than the sales for the six months ended June 30 1980 and 215-million dollars, or 19 percent, lower than the sales for the six months ended December 31 1980.

The disparity in the comparisons flows from the fact that sales are converted from dollars into rands at the exchange rate prevailing at the time.

The reduced sales figures for the first half of 1981 reflect the implementation of the CSO's policy of stocking diamonds not in immediate demand so as to stabilise the rough diamond market.

The overall level of sales has consequently been reduced significantly and this policy will be continued into the second half of 1981.

Sales at the retail jewellery level, however, continue at a satisfactory level with an increase in value in the first quarter of 1981 over the corresponding period in 1980

The combination of reduced rough sales to the cutting centres and continued healthy retail jewellery demand, has had the effect of improving the balance of stock in the cutting centres.

A return to more normal trading conditions can be anticipated when general economic conditions improve and the level of interest rates declines — Sapa

Huge Aussie diamond strike shocks SA

S.Express 216

By MARSHALL WILSON

12/7/81

PERTH — A massive diamond strike in the remote corner of Western Australia has been described as possibly the world's biggest — with the potential to upset South Africa's stranglehold on the market

An exploration report released to the Stock Exchange here this week indicated that the "Argyle Pipe" contained about 800-million carats — worth upwards of $A15 000-million — concentrated to a depth of 200m

So far only a small range of diamonds from the pipe have been valued, but the values produced put an underground worth of $A15 200-million on the project

The report by the Argyle project's sole Australian partner, Northern Mining Corporation, said drilling had indicated a resource of 160-million tonnes of diamond-bearing ground

Northern's chairman and managing director, Mr Rees Towie, said the potential reserve figures and surface grades were well above those in many of the world's largest mines in Africa

Argyle's grades at the surface averaged four or five times those of the famous Orapa mine in Botswana, operated by the giant De Beers group

Mr Towie said estimates from industry analysts indicated the Argyle deposit could contain as much as 5% of the world's known gem-quality diamonds and at least 50% of the industrial stones

Its potential was sufficient to upset the De Beers diamond marketing cartel operating from Europe, although more exploration was needed to define its capacity

Operators for the project, CRA, refused to comment on the Northern Mining statement Its own progress report is due in the next few weeks

The Argyle prospect is contained in one of about 50 "kimberlitic pipes" — usually the cores of ancient volcanoes — found in the remote north-east of the vast state of Western Australia

This week, shares in Northern Mining rose on stock exchanges across the country, with Northern's contributing shares gaining 35c each to $A3,15 and its ordinary shares putting on 15c each to $A3,25

Methods of economic analysis generate questions which may at present be unanswered ; the techniques may be inapplicable due to lack of data. Thus the approach of health economics which stimulates the collection of information in the form required for policy making, and which seeks to define the real nature of health problems, may be a more valuable contribution than specific techniques, at this stage in the history of the health systems of Southern Africa.

APPENDIX I

INDICATORS OF HEALTH STATUS

Different measures of 'health' are appropriate for different purposes. Some of the functions which indicators can serve are:

a) to measure changes in public health status over time or difference between regions;

b) following from the above, to estimate the impact of health services over time and in different areas;

c) to provide an overall measure of health for public discussion and debate;

d) to provide a measure for the evaluation of specific expenditures according to the results each is expected to produce.

A single indicator obviously has advantages of convenience for all of these but more than one indicator could be used. Only for the last function, evaluation of health expenditure, is there a fundamental need for a single indicator.

The use of a health measure to indicate relative need for health programmes in different areas is an important related issue, but measures of 'need' normally [illegible]

12 The Cape Times, Tuesday, July 14, 1981

Lower diamond sales will have impact on De Beers cash

CT 14/7/81 (216)

By JOHN MULCAHY
Mining Editor

DE Beers Consolidated Mines earnings for the first six months to June this year, due to be published next month, are expected to be about 25% lower than for the comparable period last year, but the interim dividend should be maintained

A Johannesburg analyst estimates earnings at 68c to 70c a share, compared with 95c last year, while the half-time dividend should be unchanged at 25c

Income from investments is likely to rise significantly, at least in the first half, due to the higher dividend from Anglo American However, the diminution in interest earnings resulting from the fall-off in cash holdings will probably at least offset the higher investment income.

For the first time this year De Beers will include attributable earnings from associated companies in terms of the equity method of accounting, and this may distort comparisons, but the above earnings projection is based on the method used last year

The Central Selling Organization sales figures for the six months to June, announced this week, fell by 40% to R748-million, and it is clear that De Beers has built up its stockpile of diamonds to an enormous level

In fact, one analyst believes the value of diamond stocks may reach R1 000 m by the end of the year, which compares with R698 m at the end of December last year

This will impact heavily on De Beers' cash holdings, which stood at R776 400 000, but analysts believe the company has strong enough resources to withstand the difficult period without resorting to extraordinary borrowings, at least until next year

De Beers has a $250 m revolving credit facility, which may well be exercised to assist in purchases from the CSO

The CSO undertakes to purchase the entire output from member producers, but the contracts are phrased somewhat differently

The contract states a specific quantity of stones to be produced, and purchased by the CSO — say 50 000 carats a month — and in good times, when demand is high, the organization may take as much as 70 000 carats from the producer

However, when the market becomes tight, as it is at the moment, the CSO can revert to the express terms of the contracts, so forcing producing mines to hold their own stockpiles

It is believed that this quota system is in force at the moment.

This does to an extent alleviate the pressure on De Beers, which is committed to buying the surplus production

At present De Beers accounts for about 35% of the CSO's total output, although this proportion is expected to increase as De Beers planned expansion comes on stream

The whole stockpile position does have serious implications for De Beers short term performance, but in the longer term, when the diamond market does turn around, and demand improves across the board, the profits to De Beers in selling directly from its stockpile will be astronomical

CSO sales for the rest of the year are expected to fall further in volume and dollar terms, but in view of the stronger dollar the rand value of sales should be higher, with estimates running at around R800-million

This does not mean that De Beers profit will rise proportionately, as the weakness in demand for bigger, investment grade diamonds in favour of smaller stones for jewellery has been squeezing margins, and this is likely to continue

The big stones, of one carat and above, have far higher mark-ups than the smaller diamonds, and have not recently been offered by the CSO

Some analysts feel that while the market had to a large degree discounted the lower CSO sales figures in the price before the announcement, the rise in the share price over the last two days of last week has been a psychological movement on the back of the gold price, and that there could still be significant downside potential in the price

The price rose from 850c on Wednesday to 880c by Friday, and held at this price last night

'World's richest gems deposit' to be opened up off Cape

Argus 17/7/81

(216)

Argus Correspondent

JOHANNESBURG — The Government is about to create 42 alluvial diamond mining concessions off the West Coast, said to be the richest known gem deposit in the world

A Department of Mineral and Energy Affairs source has confirmed that the announcement, to be made in the Government Gazette and newspapers, is being delayed only by a final scrutiny of the language bureau

In terms of the Government decision, 12 existing concession areas comprising 32 km slices from the low-water mark to the continental shelf are to be divided into three areas each — a surf, middle and deep sea area.

STARTED IN 1979

In addition, a further four similarly sized areas are to be added, also subdivided into three each

The entire area involved stretches from the Orange River in the north to Cape Columbine in the south

Successful alluvial mining operations began in the area as recently as 1979, after it had been said that no alluvial diamonds would be found south of the Orange River.

It has been found that the most economical method of recovering diamonds from the seabed is to send a diver down to find diamond-bearing gravel which is then dredged and sorted.

The method was pioneered by a Cape Town company which holds mining contracts for three concession areas number of other contractors and sub-contractors have since copied the system.

Diamonds-from-the-sea operators said the most sought-after concessions would be the surf areas, where wave action exposes the diamond-bearing gravel.

It is understood that surf area concessions will be granted on a preference basis to existing concession holders and that other concessions will be granted to applicants who qualify by virtue of expertise in the recovery of alluvial diamonds.

WORLD'S RICHEST

The prize concession — said to be the richest single alluvial gem diamond deposit in the world — is off Kleinzee.

A Cape Town firm recovered 10 000 carats of mostly gem diamonds from the Kleinzee and two other concessions in August 1979.

It is learnt that the Government has decided to grant all three of the new concession areas adjoining the Orange River and the surf areas of two other concessions, known as No 3 and No 4, to its own State alluvial diggings.

CREATING PRECEDENT

The decision was strongly opposed by existing operators, who claim that since the Government owns land-based concessions opposite two of the three concessions to be granted to itself, it was creating a precedent favouring other land-based mining companies — among them De Beers.

DISEASE CATEGORIES AND TREATMENT - THE FOLK MODEL

Home	Herbal	Dutch	Patent (a)	Patent (b)
1. Respiratory tract				
Malt, honey & olive oil Cod liver oil Flannel & camphor oil Honey, egg & bors druppels+ Hot lemon	Berg kruie van die Pêrel Als (wormwood)‡ Buchu Wild dagga‡ Wild garlic Kruistemint‡ Blue gum leaves Ganse keurtjie flowers[x]	Turlington Honey tea Bors druppels+ Tinct benz. co	Sterns cough mixture Extract of lettuce "Chamberlains" Med lemon Bells lung tonic Puma balm rub Krogs inflammation oil Eucalyptus oil Olino - great chest & lung remedy Vicks vapour rub Watkins menthol camphor	At least 9 different brands of chest, lung, 'flu and cold cure in one supermarket Vicks vapour rub
Notes + for asthma. x used in various combinations, infused and drunk				
2. Gastro-intestinal tract				
Flour water (d) Brandy, sugar, boiling water, cloves Egg, red lavender, als & olive oil in cloth round stomach Olive oil coconut oil & red lavender rub (c)	Als (d)[x] Red lavender (c)[x] Buchu (k) Kruistemint Olie boom poultice Cloves Kruidjie-roer-my-nie Kalmoes root	Essence of aloes, ginger, rhubarb Tinct aloes Wonderkroon Jamaica ginger Groenemara Kramp druppels Haarlemensis (k)	Chamberlains Mother Segal's syrup Milk of Magnesia Silver Spring Salt Syrup of Figs Watkins blood purifying pills Bismarax Enos	At least four simple purgatives in one supermarket, also Enos Andrews Rennies Milk of Magnesia Worm syrup Glycerine & borax.
Notes (d) diarrhoea (c) constipation (k) kidney trouble [x]used in combination'				
3. Rheumatic/arthritic				
Camphor & meths rub	Buchu & spirit rub Guava leaves & celery[x] Willow leaves[x] Kruidjie-roer-my-nie	Nil	Wondergreen Wintergreen Deep heat Embrocation	Deep heat Wondersol balm
Notes [x]infused and drunk.				
4. Headache				
Nil	Nil	Nil	Grandpa Disprin Codis Watkins pain pills Beserol	At least four "pain" pills or powders
5. Sprains, strains and bruises.				
Kelp	Buchu & vinegar rub		As for 3 above	
Note Also rubs as in 3 above.				
6. Antiseptics				
Hot compress (for boils)	Wild dagga		Menthol camphor (for boils)	Three antiseptics Vaseline
7. Mystical & miscellaneous.				
Green bean (warts)	Als, buchu & wild dagga (backache)	Wit dulcies (heart) Flea tea (measles)	Dr Williams Pink Pills + Vidaylin + Sanatogen Multivite[x]	Eyegene Foot powder Sticking plasters Multivite Nerve pain remedy
Notes + to prevent boils. x to prevent migraine				

General notes

a) Number of remedies mentioned by informants in each class

1 Respiratory tract - 27

2 Gastro-intestinal tract - 27 (note that opening and closing herbs may be used in combination for "stomach ache"

3. Rheumatic/arthritic - 9

4 Headache - 5

5 Sprains, strains and bruises - 7

6. Antiseptics - 3 (It is probable that informants had others, but did not think of them as medicines)

7 Mystical and miscellaneous - 7 (a meaningless figure).

b) Als, buchu, Kruistemint and wild dagga were mentioned in many contexts and are used in various combinations and forms - as infusions to drink, poultices for a sore stomach, and in rubs. Buchu and kruistemint were described as being "good for any illness."

Diamonds from the sea

Star
17/7/81

216

Story by Bob Davies
Pictures by Alan Coxon

Gem - diamonds worth millions of rands are being taken from the sea off the Western Cape coast, in an area said to be the richest find in the world.

The Dawn Diamond Company attributes its success to the ability to find and bring to the surface, diamond-bearing gravel washed down by the Orange and Buffels Rivers over a period of millions of years

Income ranges from R500 000 in a poor month to R4-million in a good month

More than 100 000 carats have been recovered since January 1979 from the sea-bed, "and we have worked only one percent of the area we have under contract," said Mr Lloyd Adlem, financial director of the holding company

The best month to date was August 1979 when 10 000 carats were recovered

Mr Adlem said the major recovery area was off Kleinzee, near the mouth of the Buffels River and now recognised as the richest known deposit of gem-diamonds in the world

'As recently as 1969 it was said that diamonds from the sea would not be found south of the Orange River,' Mr Adlem said

The company's chief geologist, Mr An Cornelessen said in the 1960s a diamonds-from-the-sea operation was set up by the American millionaire Mr Sam Collins

'That was after Mr Johan Viviers had found diamonds in a few bucketfulls of gravel he had dredged from the sea-bed to the north of the Orange River "

Mr Viviers had discussed the find with members of Cape Town's Bloomberg family, who had brought Mr Collins into the picture

'Mr Collins used dredgers to suck up tons of gravel and sand from the sea-bed' Mr Cornelessen said, "but the operation proved to be uneconomical because of the large volume of material involved "

Mr Collins had concessions to the south of the Orange River as well, but he allowed these to lapse and in 1970 a firm called Terra Marina Mynbou obtained six of 12 concession areas given out by the South African Government

The concession areas comprised the sea-bed between the Orange and Buffels rivers to the edge of the continental shelf in 32 km slices

Terra Marina did not attempt to mine the area however but kept paying the annual fee of R100 per concession to the Government

In 1978, Mr Hugo Richter of Cape Town chairman of Theron Holdings, decided to take another look at diamonds-from-the-sea

Mr Richter obtained sole and indefinite contracting rights from Terra Marina for three of its concessions, including the Kleinzee area

"What gave us the edge over previous efforts was that Mr Richter decided to put a diver down to find exploitable gravel instead of pumping up tons of worthless sand," Mr Adlem said

'We began recovering diamonds on a regular basis from January 1979 and in August of that year, we brought up 10 000 carats "

The company had three boats operating from Port Nolloth, converted trawlers which proved to be inadequate for the job

"We lost seven vessels, Mr Adlem said, 'before we changed to boats designed for us by Mr Michael Lavranos of Cape Town "

The new boats soon proved their worth and the operation became increasingly profitable, especially after Mr Piet Verkuil had been appointed as manager of the Port Nolleth operation

By the beginning of this year the company had 20 boats and 72 divers working off the Cape West Coast from both Port Nolleth and Doring Baai, but it hadn't managed to solve all problems

We can operate only when under-water visibility allows and in winter that may be only for five or six days a month " Mr Adlem said

In May no diamonds were recovered because of bad weather and in June, by operating only six days, diamonds worth R500 000 were brought to the surface

The operation involved sucking up the gravel in a vacuum-cleaner-like action and sorting by hand and machine at Port Nolleth and Doring Baai

A possible solution to the poor visibility problem in the form of a research vessel was launched in a low-profile operation earlier this month

And a twiggy-like (from Buck Rogers) constant atmosphere device to enable divers to go deeper and remain on the job for longer periods was also being looked at

A further problem was disputes with land-based operations

"Diamonds-from-the-sea concessions start 31,7 metres measured horizontally from the low-water mark," Mr Adlem said, 'but the exact line can be in dispute "

He said there had been occasions when his men had found land-based operators in an area which Dawn Diamonds considered to be theirs and his men had also been moved from places which the land-based miners disputed

Despite rumours to the contrary however, neither land based or sea-bed operators were willing to admit to The Star there had been open clashes

'We have come to an agreement that where there is a dispute we will come together and physically measure the distance from low-water,' Mr Adlem said

Premier Mine's hard time over a tough sill

870 27/7/81 (216)

The intrusion of the 50-million ton Gabbro sill through the workings on the Premier Diamond Mine near Pretoria has necessitated change in mining and development techniques.

The 75-m thick sill is a barren intrusion of rock which intersects the kimberlite pipe across the whole area of the pipe at an oblique angle.

DIFFERENCE

Premier, which basically mines the kimberlite ore from beneath surface using drawdown methods, has had to modify this method in order to meet the hardness of the sill and ensure ore is not diluted.

The mine traditionally works well below surface, where waste material (including cave-in material from the sides of the pit) presses down so that with fandrilling and blasting, pressure from this surface material helps force blasted ore through a system of passes to hoisting bins.

The difference in mining below the sill has come about because the extreme hardness of the sill (in comparison with kimberlite) means that it will not ordinarily cave in.

The mine's engineers have decided to mine out a large cavern beneath the sill (roughly the size of Loftus Versfeld) which will separate it from another cavern of equal size. A pillar of ore will separate the two When removed it will induce caving so that the broken Gabbro sill will become surface waste material.

To have mined the sill conventionally would have meant that at the mine's 5-million throughput rate, it would take 10 years — and no diamond recovery.

Preparations to mine under the sill have taken six years to accomplish.

Mining of kimberlite pipes is usually by three methods. The first, which is still being used above the sill, is that of bench mining where the ore is broken down in stages of steps. Then there is block-cave mining and finally sub-level stoping.

The type of mining to be adopted by Premier below the sill is a variation of sub-level stoping used for iren-ore mining in Sweden. The major difference is in the scale of operations and the problem of having no pressure to force ore to the drawpoints because the sill remains intact.

In bench mining, umbrellas — that is the roof area developed by outward mining — are usually between 81 m and 100m square, but beneath the Gabbro sill such a surface area was found too small to induce a cave in.

In previous operations it was found that areas smaller than 100 by 100 m would not cave in. The two blocks to be mined beneath the sill will be substantially larger than this when the pillar is removed

Mining beneath the sill has uncovered other problems. The band closest to the sill has been metamorphised and is relatively hard but the kimberlite beneath decomposes rapidly when in contact with water or even moisture.

FOAM USED

This has meant extensive protection of draw-point tunnels and all drilling has had to be done with foam rather than water. Decomposition is extremely rapid and four hours of exposure to moisture is about average.

The mine has made provision for normal mining beneath the sill as a contingency plan. This means that in the event of the sill not caving in, extra draw-point tunnels can be developed and block-cave mining undertaken until the roof section surface area is wide enough to induce a cave in

II. Gill Westcott: "Obstacles to the Development of Transkei Agriculture" S.A.L.D.R.U. Farm Labour Conference 26 September I976, Paper No.26 p.I7.

I2. Information from Jeff Thomas. EDA Fieldmaker Natal.

I3. C. Board op. cit. p.43 and p.45.

I4. G. Westcott op. cit. p.I7 and I8.

I5. IO families have full economic units.
22 families have half economic units.
200 have one morgen plots.
... and more than 300 have no fields at all.

I6. This is due partly to the exodus from this area to

Ore flow improved at diamond mines

ore 27/7/81

216

The need to replace maintenance intensive equipment with a system capable of ensuring a more reliable flow of ore through its crushing plant, has led to the Premier Diamond Mine installing three new vibratory feeders in its headgear stockpile area

The De Beers mine at Kimberley moved to the use Carman feeding systems as a result of problems experienced in withdrawing run-of-mine ore from the headgear stockpile.

These problems were leading to erratic materials flow and, as a result, stoppages in the main washing-and-crushing plant.

Initially, the mine engineers examined the possibility of buying mobile vibratory feeders which could be used to serve the various discharge points. However, after careful examination, it was concluded that with the use of a dual-chute, two mass vibratory feeders would allow for the accommodation of two discharge points simultaneously, resulting in a cleaner and more efficient installation than that achieved with a mobile feeder

Carman feeders are located in fixed positions and this ensures that there is no breakdown in the flow of materials — a problem which exists with mobile units.

A feature of the Premier Mine installation was the incorporation of feeders with exceptionally high sides. This design eliminates the use of skirtplates, and other additional chute components.

It has also been found that high-sided feeders contribute to more efficient material flow because not only the feeder, but also the chute is vibrated

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26. Bundy in "Roots of Rural Poverty" p.2I3.

27. Edward Brett op. cit. p.8.

28. Michael Lipton. "Towards a Theory of Land Reform" in "Agrarian Reform and Agrarian Reformism" ed. by David Lehmann. Faber and Faber I974 p.302.

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Neil Alcock: 'Thoughts on Kwa-Zulu's Agricultural Future."

30. Interim Report of Select Committee on Land Tenure in KwaZulu I975 p.26.

3I. Merle Lipton op. cit. p.29 and 30.

32. "Ninety-one per cent of the households in the Ciskei and eighty-five per cent of the households in the Transkei receive an income that is below the Poverty Datum Line". (Basedon surveys in 64 & 68).
J. Maree & P.J. de Vos p.II.
Johann Maree & P.J. de Vos "Under employment, poverty and migrant labour in the Transkei & Ciskei". S.A. Institute of Race Relations May I975.

33. Quoted in Brett p.I7: C.B. Lamb "Peasants, capitalists & agricultural development in Kenya". B.A. Universities of Social Science Council, 8th Conference, I972 Paper No.39 p.IO.

34. Keith Griffin. "Policy Options for Rural Development" Oxford Bulletin of Economics & Statistics. Vol. 35 No.4 November I973 P.248.

35. U.J. Lele & J.W. Mellor "Jobs, Poverty and the Green Revolution" International Affairs Vol.48, I972.

36. Michael Lipton op. cit. p.280 and passim.

37. Edward Brett op. cit. p.I5 and Michael Lipton op. cit. p.280.

38. Edward Brett op. cit. p.6ff.

39. Edward Brett op. cit. p.I7.

40. J. Illife "Agricultural change in modern Tanganyika" quoted in Brett p. I7.

4I. Griffin op. cit. p.250.

42. G. Westcott op. cit. p.29.

43. In Philip's preface to "Researches in South Africa". Quoted in Majeke op. cit. p.8.

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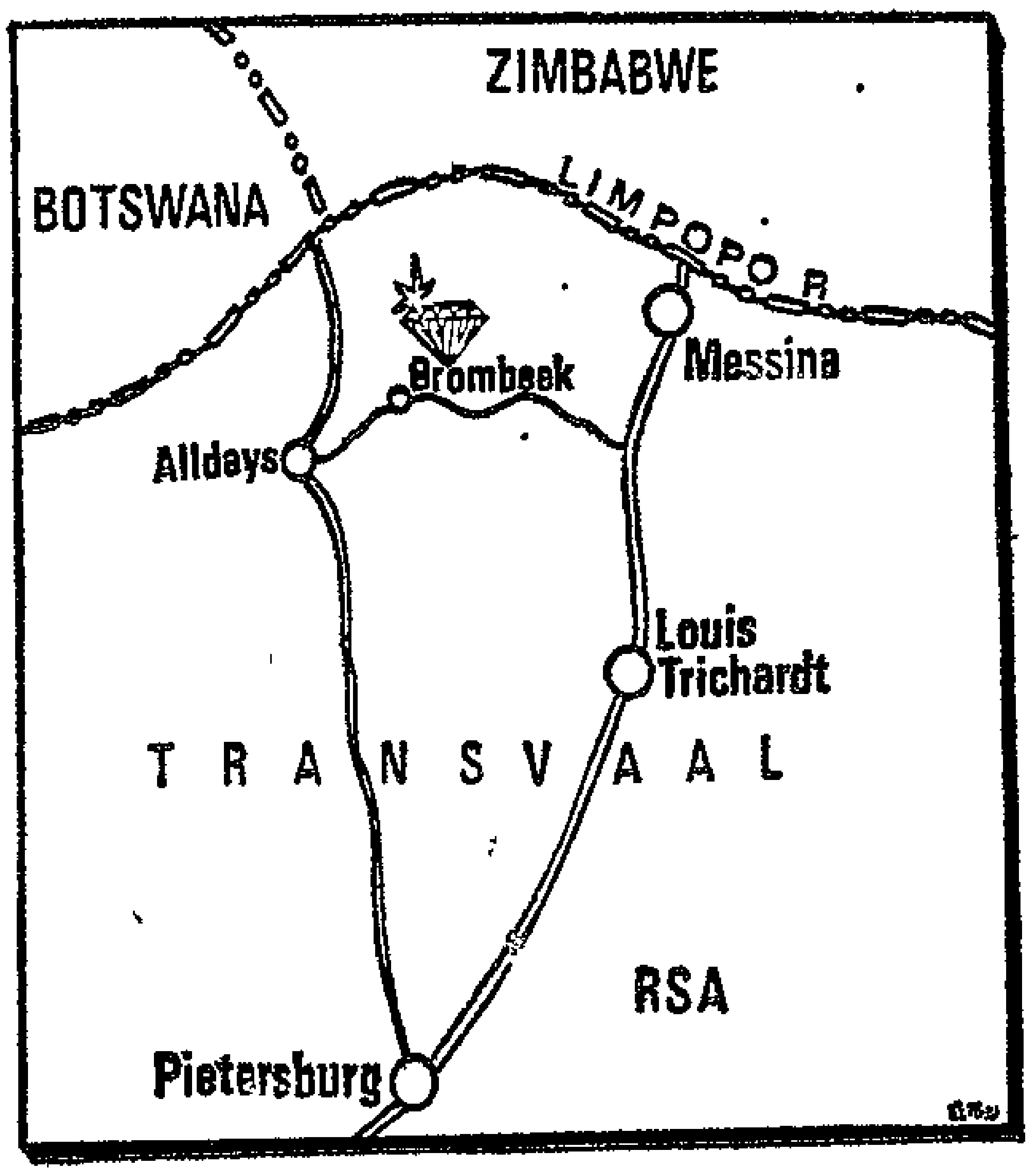
45. Consider "A second advantage is that the costs of resettlement in Zululand has not reached astronomical proportions. So far the cost of developing one morgen of arable land has varied from R2.62 to R8.36 and the cost of developing an economic unit has varied between RI78 and R360. Considering what is involved, these figures are not excessive. In Eastern Nigeria on the other hand, the cost per settler on the farm

Abuzz with excitement over new diamond find

Star 29/7/81 216

By Dirk Nel
Northern Transvaal Bureau

ALLDAYS — A diamond strike in the northern Transvaal may result in a dramatic boost for the region's economic development. Geologists are trying to determine whether the new find is a viable mining proposition.



Since the announcement of a diamond discovery on Venetia farm near Alldays eight months ago the area has been buzzing with excitement, with several farmers claiming their land has become "hot property."

In his chairman's report, published by De Beers earlier this year, Mr Harry Oppenheimer referred the company's prospecting near Alldays, describing the initial results as "very encouraging"

A spokesman for the group told The Star this week it was too early to predict whether the new find could be economically mined He expected it would take at least another twelve months of research before any decision could be made

In Pietersburg Mr Jack Botes, chairman of the Northern Transvaal Regional Planning Advisory Council, was optimistic about the prospects of diamond mining in the area. He said there was keen interest in the project as it could have considerable influence on the economic development of the northern Transvaal.

"Mining is already playing a major role in the north as a variety of minerals are found here and diamonds would add a great new dimension to the industry," he said.
per and gold are among the minerals at present
Chrome, asbestos, cop-
being mined in the region

Mr Botes said a sharp increase in mining activity could help to solve nearby Lebowa's serious unemployment problem.

Geologist Lee Harrison and his colleagues follow a hard daily routine as they excavate and analyse at the remote site, about 40 kilometres from Alldays Several of the men are accompanied by their wives and they say this has helped to brighten their stay in the bush

Prefabricated buildings provide accommodation and offices for those involved in the preliminary work

Finding the site turned out to be a sort of "treasure hunt" for The Star, and the farm road leading to the "treasure" is best negotiated by four wheel drive vehicles. There are no signboards

Security is strict and visitors must sign in and out at the gate Company officials use light aircraft which land on an airstrip near the site

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b) An elaborate article, explaining the full hi
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on his Pholela experience, was published by Ka
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De Beers falls 39%, 25c interim same

216

RDM JW 14/8/81

THE continuing slump in the diamond market has been translated into a 39,3% drop in De Beers taxed profit for the six months to June, but the interim dividend has been left at 25c.

The gravity of the decline in demand for gems is shown in the 55,3% fall in income on the diamond account to R200 700 000 from R449 200 000. Taxed profit was R212 400 000 compared with R349 900 000 in the six months to June last year.

By JOHN MULCAHY

The fall in earnings was expected after the 40% drop in the Central Selling Organisation figure for the first half of this year, but the extent of the fall is a surprise.

Earnings, excluding retained profits of associated companies, fell to 55,8c a share from 95,2c, and to 70,2c a share from 115,2c including the share of profits from associated companies.

Minorco's results have not yet been published, and De Beers has excluded its share of income, but the equity earnings of other associates have fallen to R53 200 000 from R72 000 000

The profit attributable to outside shareholders rose to R10 700 000 from R6 500 000, and net profit after these items amounted to R254 900 000 compared with R415 400 000 last year.

The drop in diamond account profit indicates that margins have been squeezed even further than expected. Reports that bigger, investment quality stones had been excluded from the regular sights are confirmed

In a time of slack demand fixed costs play a more important role, and although the group has reduced production by an average of about 5% overheads remain high.

Profit margins on smaller diamonds are substantially narrower than on the larger stones, and it is likely De Beers has built up a large stockpile of better-grade gems

Interest payable more than doubled to R13 400 000 from R6 200 000, reflecting the sharp rise in De Beers overdraft — at December 31 last year the overdraft was R160 800 000 compared with R15 400 000, and indications are that the overdraft was raised substantially in the second half of last year.

The group has a $250-million revolving credit facility, and this appears to have been used

At the same time interest and investment income from outside the diamond industry rose to R138 800 000 from R116 900 000, indicating that there was still some cash on deposit

Other revenue amounted to R21 700 000 from R14 800 000 last year, and the surplus on realisation of investments fell to R600 000 from R5 100 000

There was a substantial increase in prospecting and research activity in the first half of this year compared with last year, with costs rising by 44,1% to R27 100 000 from R18 800 000

De Beers has been active in developing upgraded diamond recovery methods, as well as in the development of improved synthesis methods.

On the prospecting side, the group has for some time been involved in the Zoutpansberg area of the Northern Transvaal where sampling of kimberlite found on the farm Venetia has disclosed some diamonds.

The next step in the process at Venetia is a sampling plant, which is being installed, but it will be some time before a detailed feasibility study can be carried out

General charges rose to R27 800 000 from R22-million, and the drop in diamond income reduced tax and State's share of profits to R81 100 000 from R189 100 000.

COMMENT: The directors say it cannot be assumed that results for the half-year will be repeated in the second half as income does not accrue evenly throughout the year.

This can be interpreted as a lower or higher forecast, and indications of the diamond market since the end of June are anything but encouraging.

July and August are holiday months in Europe and the US, and demand is traditionally slack. There seems little prospect of any dramatic improvement before the end of the year.

Forecasts for the CSO for the current six months are that sales will be lower than the first half in dollar terms, the currency of sales, but the lower rand exchange rate against the dollar may result in a rise in rand receipts.

The share price has been moving up steadily over the past few days, but this reflects generally improved market sentiment and not expectation of good results.

The price moved down from 950c to 850c ahead of the CSO figures, and when they were announced the market absorbed the bad news and immediately sent the price on an upward trend to 901c yesterday.

The sharp drop in the diamond account will come as a shock, but market sentiment, buoyed by the improved gold price, should cushion the blow and limit selling of De Beers.

Earnings for the year should be 125c to 130c compared with 185,7c in 1980, but there is no danger of the dividend being cut — it is unlikely that De Beers, even in these difficult times, will renege on its tradition of at least maintaining its distribution.

In the longer term, assuming the diamond market turns around in 1982, the company will start selling gems from its stockpile, production costs of which will already have been absorbed, and margins should rocket.

Diamond slump 'false'

S. Tribune 23/8/81

216

Finance Reporter

MANY large international dealers believe that "so called" recession in the diamond industry is artificial

This astounding claim is made by Certified Diamond Exchange of Johannesburg which says the recession had been caused by dealers who wished to reduce their inventories because of high interest rates, particularly in Europe and America

Although sales in volume to manufacturing jewellers and retailers have remained constant, "most dealers were, in fact honest enough to admit that during the boom years prior to mid-1980, they had become overstocked value wise without taking sufficient cognisance of the interest factor which was then at a very much lower level".

Most of the large dealers have indicated the level of their own inventories has declined and they are holding a well-balanced stock of goods of a total value which they now feel is in line with normal business trading practice.

CDE says the consensus from all levels of the trade seems to be that the overstock situation has now virtually ended and the diamond industry can look forward to many years of "well adjusted, consistent trading"

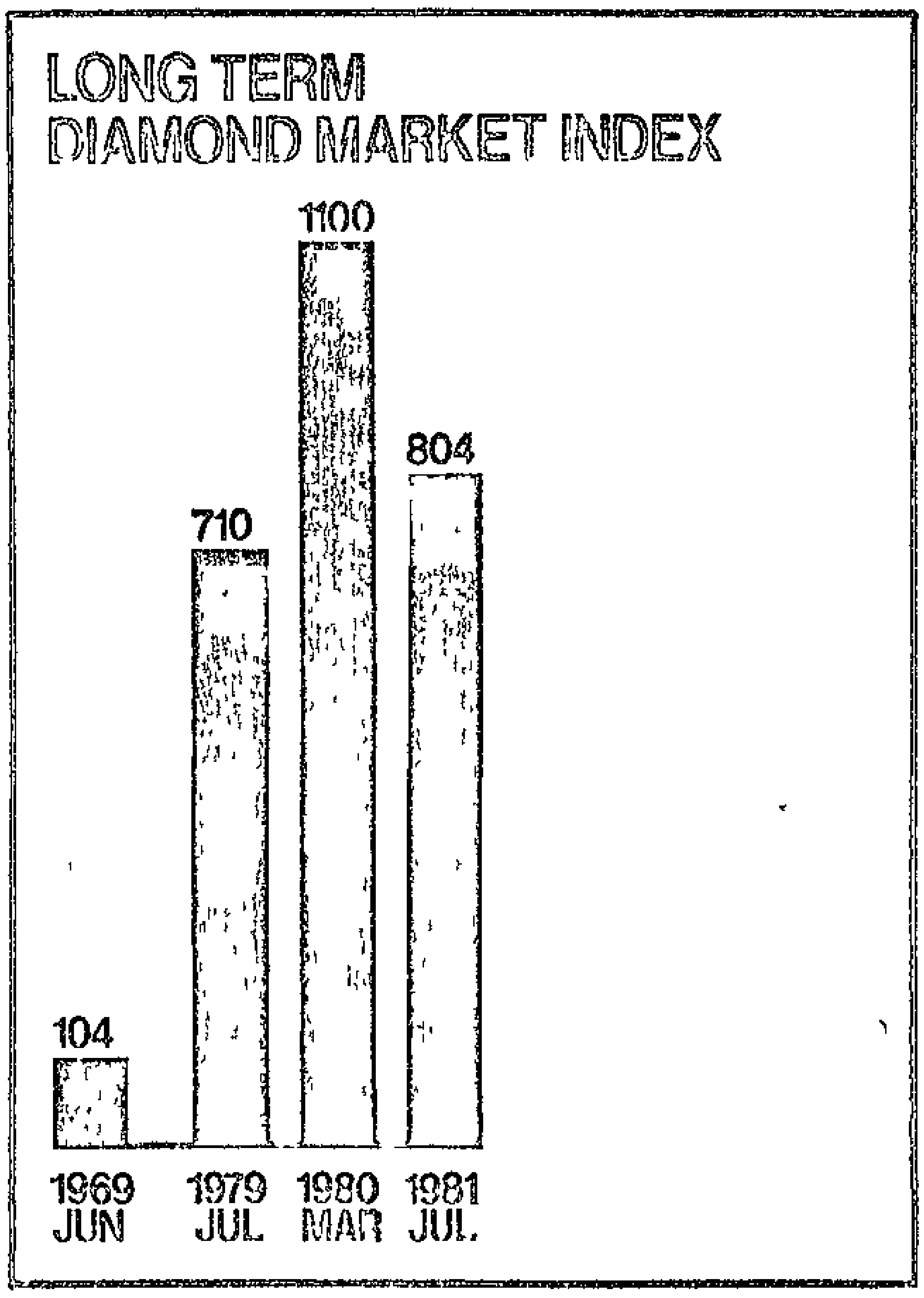
Commenting on De Beers' last diamond site in Kimberley, CDE notes that amount of stones available to diamond cutters in South Africa was greatly reduced

In spite of this there were several cutters who refrained from purchasing

But CDE says the action taken by De Beers and the central selling organisation together with the fact that cutters are taking less than their reduced quotas, are factors which are going to strengthen the international diamond market

"A further note of optimism is that in retail, jewellers traditionally build up diamond stock levels from September in order to supply the Christmas demand and it is therefore likely that a strengthening in the market will be seen from next month"

o The graph shows the long term diamond market index



WORDS, WORDS, WORDS

Gerrard Boulle

Word processing at UCT is now as easy on the UNIVAC for beginners with no previous computing experience, as it is for seasoned users of the computing facility. (Do I hear departmental heads pricking up their ears?)

But what IS word processing?

It is the manipulation of words, sentences, paragraphs and phrases to produce documents such as manuals, reports and letters. (Do I hear departmental secretaries pricking up their ears too?)

The secret to this new delight is the wizardry of the Computing Service whose boffins have now made available new routines called PRINTIT and PAGER, as well as a high quality printer. In reply to simple questions at the terminal, PRINTIT will produce beautifully formatted documents at the touch of the keyboard. For the record, and your reference, details on PRINTIT can be found in the Computing Service bulletin No 184/A40 issued in January this year. To assist the proof reading of a document at a terminal before it is printed, the

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De Beers could do without diamonds

rnm

27/8/81

216

By JOHN MULCAHY

DE BEERS share price has shown remarkable resilience in the face of a 40% drop in Central Selling Organisation figures and the shock announcement of a 55% fall in diamond account income

It is believed that a large part of the profit fall was already reflected in the share price, but that there is still some downside potential in the actual figures

There is a significant cushion in De Beers non-diamond interests in that the pre-tax earnings from investment and interest will probably cover the dividend of 75c this year Net asset value of De Beers without diamonds covers the share price

One analyst estimates that net asset value is 900c — excluding all diamond interests and assuming that R200-million was used to support the diamond market in the first half of this year

In effect, at a price of 900c De Beers diamond assets are free to the investor, an attractive proposition to institutions looking for assets

It seems that this downside was offset by improved stock-market sentiment, but the market could be holding De Beers up artificially, and institutions are not convinced that the bottom has arrived

There has been constant selling of De Beers from New York and London, but the stock has been well taken up in SA, although without aggressive buying

Down to a low of 845c before the CSO sales figures in July, the share price promptly moved up to 900c in front of the profit announcement, and the additional bad news in the diamond account figure took the price down to 890c

The weakness in the gold market has knocked stock-market sentiment, and with it De Beers, which has fallen to 880c But it is still well above the level many observers believe is the bottom

With the gold and industrial markets advancing strongly, De Beers traded in a narrow range, with no desperate attempts to sell or buy But brokers say that in a strong market De Beers was at best dull, and was certainly not sought after

The fear (hope in some quarters) is that if the steam runs out of the rest of the market there may be a big sell-out of De Beers, possibly to below 800c

Indications are that institutions are waiting in the wings for a shake-out before buying for growth next year and in 1983

There is little logic in buying De Beers now for short-term returns or growth as there are yields far better than 8% available on the JSD, and no expectations of a turnaround in the diamond market before the end of the year

An improvement is expected next year, but any fireworks will not come before 1983, and the trend in the share price is likely to remain dull until there is positive news on the diamond market

There seems little likelihood of any significant improvement in the US economy in the current and fourth quarters of this year, and the US gemstone market being the most important individual contributor to De Beers diamond account profits, there will probably be no major recovery in diamond demand until late 1982

There is however, enough optimism at the retail end of the diamond market to indicate that CSO sales could be maintained at the first-half level in dollar terms, and the devalued rand could lead to improved diamond account profits for the second six months

Assuming interest and investment income again reaches R138-million, earnings from this source alone (before tax and expenses) at R276-million will account for the annual 75c dividend, which will cost R269-million

One analyst said the trick would be in reading the turnaround in the market, which would come well before the turnaround in De Beers fortunes as it was difficult to reading the market's expectations

"It is just about impossible to estimate accurately how far ahead the market is reading De Beers,' said a broker

DIAMONDS

Australians against De Beers interference

SA 28/8/81

216

CANBERRA — The Australian Government is coming under strong pressure to take action to ensure that the South African diamond giant De Beers does not get a stranglehold on the rich Argyle mine in north-western Australia.

Public pressure is being applied by the opposition Labour Party and it is also believed that there has been private pressure from some Australian companies for State action

Latest estimates of the size of the Argyle prospect and the value of the diamonds in it indicate that it has the potential to be the biggest diamond mine

Potential production is estimated at 50-million carats a year, as much as current world production

The mine is being developed by the Ashton joint venture which is 382 percent owned by Ashton Mining, owned by De Beers and the Malaysian Mining Company The remaining 56,8 percent is held by Conzinc Rio Tinto Australia, in turn 58 percent owned by the foreign giant RTZ

Labour's minerals and energy spokesman, Mr Paul Keating, told Parliament that it was likely that the Oppenheimer group, which controlled De Beers, would be most unhappy about the emergence of a large low-cost producer outside their sphere of influence

Mr Keating said that the Australian Government's attitude to the development of Argyle was that it should be left to market forces to determine what happens However, this meant that the development of Argyle and the marketing of its produce had been left to the whim of individual companies and "the caprice of De Beers Central Selling Organisation"

Without State supervision of negotiations to develop the mine, Australia would be at a complete loss to resist a joint-venture contractural marketing proposal and arrangements that were disadvantageous to Australia

26/8/81 Eoin

216

De Beers accused of exploiting Aussies

PERTH — The South African De Beers diamond group's involvement in the Ashton joint diamond venture — according to some unconfirmed reports the world's richest — would mean that Western Australia was "being grossly exploited," the state parliament was told last night

The opposition Labour spokesman on mining matters, Mr John Harman, said a report recently leaked to the Press had said that the Oppenheimer family was interested in buying all diamonds produced by the venture

This would cause a drop in the value of diamonds from the project and in the royalties paid to the state because the gems would not be processed in Western Australia

The state Minister for Mines, Mr Peter Jones, said he would have a clause inserted in the agreement between the state and the joint venturers providing a for a certain amount of Ashton gems to be processed in Western Australia — Sapa-AP

New diamond investment firm

RDM 31/8/81

(216)

Shares are being issued in a new float which its general manager, Mr J L Huntingford, claims is the first public company for investment in diamonds in South Africa — and possibly the world.

The company is called Diamond Growth Company (DGC) and 499 993 R1 shares are being offered to the public at par. The offer closes on August 31.

Mr Huntingford said the object of the company was to get the small investor into diamonds and to help him avoid what he saw as pitfalls in diamond investment — the chief one being a lack of knowledge about diamonds and the diamond market.

"I have yet to meet anyone in South Africa who feels he has had a good buy in diamonds," he declared.

"A person has to rely entirely on the advice of the diamond dealer for value. You can go to an unscrupulous dealer who could give you a piece of glass."

He said he believed the diamond-buying public should be advised that gems should be taken to an independent certification laboratory, and the current trade price lists be examined, before people part with their cash.

"The trade would hate this," he said. "And they won't like my company much for recommending it."

Mr Huntingford described the current method of diamond grading and classification by dealers — in which among other things, they compare a stone's colour against a set of masterstones — as subjective.

TOP

"The top diamond in the colour range (the one-carat flawless) is currently worth 32 000 US dollars. If you go down just one letter it's 19 000 dollars.

"And in this thing it's very much your own eyes that determines price and the boys (dealers) think their eyes are superb — which they are, 99 times out of 100"

The idea behind DGC, which began "germinating" in Mr Huntingford's mind 12 months ago, is that the firm (based in Export House, Bree Street) will use its share capital to buy a portfolio of investment diamonds from the diamond trade at below wholesale prices "as and when suitable purchases present themselves."

The portfolio will then be sold in the overseas retail diamond market in three to five years "when conditions are favourable and beneficial" and the proceeds distributed to shareholders

Barclays Bank will act as custodian for DGC — the diamonds will be locked in its vaults — and the auditors are Coopers and Lybrand. The issue is not being underwritten.

ADVANTAGES

Among the advantages Mr Huntingford lists for small investors:

- DGC is exempt from the 25 percent ad valorem excise duty (and the four percent General Sales Tax) which is included in retail prices paid by inves

- before purchase, all diamonds will be certificated by one of three independent South African diamond grading laboratories;
- the portfolio will be valued quarterly using two US diamond trade price lists and the valuation sent to shareholders.

De Beers pulls out of Zaire as contract ends

Sta 3/9/81

[illegible] 216

From The Financial Times

LONDON — The South African diamond giant De Beers has finally pulled out of Zaire after having had exclusive rights to the marketing of the country's important diamond production for the past 14 years.

The move follows Zaire's decision this year to break away from De Beers Central Selling Organisation (CSO) and sell its industrial-grade diamonds at higher prices on the open market.

Sales have been handled by the country's Sozacom Agency which now holds the marketing monopoly.

Sales have been made to independent diamond dealers, — the firms of Caddi and Glasol of Antwerp and Mr Jack Lunzer's industrial-diamond company of London.

Based in Hatton-Garden, Mr Lunzer specialises in industrial diamonds, the usually small gritty material which sells for about 10 dollars a carat compared with prices of thousands of dollars for the good-quality gem stones which are often bought for investment

Because of his lower costs, Mr Lunzer and the other independent dealers can offer better prices for the material to Zaire and, at the same time, sell to customers at a profit.

Zaire is the leading producer of industrial diamonds and total output last year amounted to about 14-million carats (there are 142 carats to the ounce) of which it is thought about 4-million carats were smuggled out of the country

Total world production of gem and industrial diamonds last year amounted to 47,2-million carats The CSO, which markets more than four-fifths of world production of rough (uncut) diamonds, is having to carry huge stocks of unsold diamonds because of depressed demand.

These stocks, worth about 740-million dollars at the end of last year and higher now, arise from the CSO policy of buying a guaranteed minimum quantity of mine production and regulating supplies to match market demand.

Zaire's breakaway from the CSO will have loosened its grip on the market to some extent and raises the possibility that other producers might follow suit

However, the lure of higher prices may be tempered by the fear of the dangers inherent in an uncontrolled market at a time of rising production capacity and poor demand.

NOTES

1. 'South Africa' includes Transkei, Bophuthatswana and Venda, otherwise stated.

2. Following the sustained public discussion of unemployment in 1976 the Department of Statistics started (from October 77) a Current Population Survey of Africans (and 'Coloureds'). Its object is 'to obtain current short-term information on the structure of the economically active African population, particularly as regards the unemployed'. It does this by collecting information from 'a sample of nearly 10 000 dwellings (in clusters of 30 for practical reasons) ... selected after stratifying on the basis of geographical area and national unit'. (Statistical News Release, P 27.3 of 14 May 1980.

3. For a detailed account of the introduction of the labour

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De Beers yields to Zaire

RDM 4/9/81

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LONDON. — De Beers Consolidated Mines has finally bowed to competitive pressures and has pulled out of Zaire. The marketing monopoly for Zaire's important diamond production has been taken over by the State-controlled Sozacom marketing agency.

De Beers Central Selling Organisation, which handles the pricing and marketing of over 80% of world production of rough diamonds, now sees the end of its 14-year exclusive purchasing concession for Zaire diamonds All CSO rights and concessions there have been withdrawn.

The departure of De Beers was foreshadowed earlier this year when, seeking better terms for its sales, Zaire broke away from the CSO and began to sell a part of its diamond production on the open market.

Sales were arranged with independent diamond dealers, Caddi & Glasol of Antwerp and Mr Jack Lunzer's Industrial Diamond Company of London's Hatton Garden

So far four sales have been made, bypassing the CSO The most recent was last Friday when 504 300 carats from the Miba mine of Bakwanga Mining were sold to la Banque Commerciale Zaioroise for $4 600 000

Zaire's diamond production is mainly of industrial-grade material which fetches around $10 a carat compared with prices reckoned in thousands of dollars a carat for quality gems.

But the total value of Zaire's production is considerable It is the world's leading producer of industrial diamonds and its output last year is estimated at 14-million carats — of which about 4-million carats were reckoned to have been smuggled out — compared with world production of gem and industrial diamonds amounting to 47 200 000 carats.

De Beers, whose mines produced 14 700 000 carats last year and which is cutting output by about 5%, now has to stomach the first major breakaway from the CSO since that of Ghana in the late 1950s

It has not yet been decided how the production of the Ashton joint venture in Western Australia will be marketed. This will be mainly in the form of industrial stones and an annual capacity of 22-million carats is expected after full production starts in 1985

Whether the market will be able to absorb this big new production remains to be seen. It has been assumed that, for practical reasons alone, the sales will be made through the CSO which undertakes to buy a guaranteed minimum quantity of mine production, stockpilig if necessary to regulate the flow of diamonds to match demand

But resentment has been expressed in Australia at the prospect of the potential diamond production being controlled by South Africans

The Australian opposition party's shadow Minister for Minerals and Energy, Mr Paul Keating, has criticised the Government for leaving the marketing of diamonds to the "whim" of individual companies and the "caprice" of De Beers and has called for export controls on diamonds

Perhaps a solution to Australia's nationalistic desires might be found in a pattern established elswhere This would mean setting up an Australian Government marketing agency which would fall in line with the CSO selling policies but not be dominated by them

While the Zaire breakaway has to some extent loosened the CSO's iron grip on the market, the selling organisation's main fear is that other producers might be tempted to follow suit in a quest for better prices

Such a move however, might lead to an uncontrolled market developing against the background of depressed demand for diamonds and rising world production capacity In the long run this would seriously harm the higher cost producers — Financial Times

De Beers cast as 'baddie' in Aussie furore

S. Express 6/9/81 (216)

By MARSHALL WILSON

THE South African-based diamond cartel, De Beers, has been cast as the bogyman in an alleged bid to take over Australia's $500-million fledgling diamond industry being established in Western Australia

In Canberra last week the Fraser Government was accused in parliament of preparing to sell out Australia's newfound wealth to a sinister "South African connection"

The cry came from Labour spokesman on minerals and energy, Mr Paul Keating, who claimed the government had negligently disregarded the national interest in its handling of the Ashton Joint Venture mining project

Mr Keating warned that the project could soon become shackled to the De Beers consortium, and that a part-owner of the AJV conglomerate could be "warehousing" for a future purchase by a De Beers affiliate

The opposition frontbencher claimed that De Beers, which controls more than half the world's diamond trade through the European-based Central Selling Organisation, viewed the AJV project as a potential threat since the marketing of low-cost diamonds would fall outside of the CSO's influence

"The Oppenheimer group, which controls the diamond syndicate companies of De Beers and Anglo American is particularly concerned at the emergence of a large, low-cost producer outside their sphere of influence

He accused the government of having no diamond marketing strategy, leaving it instead to the "whim" of individual companies and the "caprice" of the De Beers CSO

Mr Keating outlined the De Beers influence as being through its 56,8% stake in the venture, held by CRA Exploration Company, which in turn is 58% controlled by the British Rio-Tinto Zinc group

Oppenheimer interests have the largest holdings of RTZ stock

Ashton Mining, which holds 38,2% of the AJV is dominated by the Malaysian government and De Beers

He said the 38,2% share of the diamond project of Ashton Mining was worrying, since the Malaysian government was vulnerable to De Beers policy because the CSO had a large processing plant in Malaysia

The acting Prime Minister, Mr Doug Anthony — Prime Minister Mr Malcom Fraser has been ordered to rest because of an upper respiratory infection — has called for full details on the AJV project

An Anglo-American spokesman in Johannesburg told the Sunday Express "Obviously the Central Selling Organisation seeks to co-operate with any major new producer in the interests of orderly marketing and stability, which is of concern not only to all the existing producers, but to the new producer as well"

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF ACCOUNTING

TAXATION AND ESTATE DUTY II - 1981

COURSE OUTLINE/READING LIST - 3rd & 4th QUARTER

LECTURE DATE	LECTURE NO.	TOPIC	TH
31 August	20	Tax Planning for Asset Acquisitions - leasehold improvements - lease or buy decisions - leverage leasing	ss de 11 8(
		VACATION	
14 September	21	Tax Planning for Business Acquisitions - partnerships and joint ventures (briefly) - acquiring assets and liabilities - acquiring shares - interest payable on acquisition	ss 22
21 September			EXAMI

N.B. THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THE QUESTIONS ARE UPDATED BY ONE YEAR.

Rise in gold production

Rom

file

16/9/81

Financial Reporter

SOUTH African gold production rose slightly in August to 1 795 060 ounces from 1 788 105 oz in July, but was down from the 1 816 314 oz produced in August last year.

Chamber of Mines figures show that output was down to 14 116 421 oz in the eight months to August from 14 580 075 oz in the same period last year.

RONALD WINSTON

(216) FM 18/9/81

Behind the downturn

Ronald Winston, the president of New York's largest gemstone dealing firm, Harry Winston Inc, was in SA last week to show a collection of gems at two charity dinners for the African Children's Feeding Scheme. The *FM* asked him his views on the international diamond market.

FM: **What do you see as the main developments in the cut diamond market in the past 10 years or so?**

Winston: Diamonds went through a slow evolution in value for many years In the past decade or so, however, appreciation has been explosive or stellar This, to a large extent, was due to elimination of many uncertainties surrounding the quality of individual gems by the development of reproducible valuation standards

My company, for example, has developed its own grading system which allows retailers to buy stones of a particular type sight unseen That has developed into the certification of individual stones, removing many of the problems which arose when the retail jeweller was the general arbiter of a stone's value

Certification has made possible the growth of the auction business That, in turn, has created a type of sales theatre which has resulted in a greater awareness of the value of diamonds And it has led to the development of the so-called investment business with a group of entrepreneurs dealing in paper.

How do you view the present downturn in the diamond market?

Though the diamond business has advanced rapidly in the past decade, no one has repealed the basic laws of supply and demand Diamonds are essentially a commodity like everything else, but their prices have not fluctuated as widely as, for example, gold

A disproportionate advance in prices had taken place in gems of "D" flawless 1 ct, in large part because buyers had developed the idea that this size of stone is of investment significance Thus the price differential between 1 ct and "D" flawless 10 ct stones narrowed to a 20% gap But 10 ct stones are 100 times more rare, and what we have seen is a readjustment of the price of 1 ct diamonds to more realistically reflect their relative rarity in nature The dramatic drop was in 1 ct stones which resulted in some views that the whole diamond market was in decline.

How long is demand slackness likely to last?

At the wholesale level, business is quite strong, though retailers are tending to concentrate their purchases towards the end of the stocking season because of high stock-holding costs. There is, I believe, a lot of repressed demand which should be released when the US economy improves But, in the meantime, large new markets have developed in oil producing areas such as Mexico, which has followed the Middle East. I do not foresee a dramatic recovery in the market That should mean that offerings at De Beers' diamond sales sights will continue at their current lower levels for some more months

Do you believe that De Beers will or can increase the price of its rough stones in the near future?

Most of De Beers' profits derive from its bread and butter business — sales of stones between 0,5 ct and 2 ct An increase in the price of cheaper stones would be of great help to marketing in America As I have said, the price margin between smaller and larger stones has narrowed significantly and an increase in the price of smaller gems would turn buyers' attentions to the merits of larger gems I am as much in the dark as any outsider on the timing, or extent, of De Beers' next price increase.

Do you believe that the defection of Zaire from the Central Selling Organisation (CSO) is a forerunner of problems for De Beers' marketing arm?

Not really We are always likely to see defections from and re-integrations with the CSO and, in this case, Zaire is not a significant producer of gems For some years we took over the marketing of stones from Sierra Leone from the CSO and we are associated with prospecting in several parts of the world — Sierra Leone, Guinea and Venezuela, for example But that does not imply that De Beers' control of the rough gem market is in any way threatened

I haven't seen any of the production from the potential Ashton mine in Australia But even if its stones are marketed independently of the CSO, it should have little effect on the stability of a roughs market which is currently some 50m ct/year

Apart from diamonds, which gemstones offer the best prospect of price improvement?

That depends on quality But as a general point, the most certain are those stones which are no longer mined — Burmese rubies, for example

Oppenheimer not worried by Zaire defection

Star
22/9/81

216

BTS

Kenneth Martson of the Financial Times interviews the chairman of Anglo American.

LONDON — "I think you will find over the period ahead that people who look at the thing carefully may come to the conclusion that the Zaire experience should be looked upon as a warning rather than an example."

Thus Mr Harry Oppenheimer last week delivered his verdict on the defection of Zaire from the Central Selling Organisation.

Would it lead to the organisation's breakup, he was asked in a long interview? He smiled disarmingly "Our contracts have a good long time to run in most cases," he said

"I can't pretend that we are pleased that anybody breaks away It's a bad example

"The worst thing is the loss of prestige perhaps which is involved rather than the actual material which is about two percent of the CSO intake, largely in extremely low quality diamonds"

COMPETITION

He pointed out that the kind of diamond produced in Zaire was going to come under tremendous competition from the £316-million Ashton joint venture in Australia when the latter reaches full production in 1985 with an annual capacity of some 22,5-million carats

Would other black African diamond-producing countries consider leaving the CSO?

"You do run risks with some of these African countries," Mr Oppenheimer admitted, "because for political reasons they are prepared sometimes to cut off their nose to spite their face and of course

The Ashton Consortium leader, the Rio Tinto-Zinc group's CRA, was composed of "highly sophisticated people"

"They have had long and friendly talks with us and they've also quite rightly talked to a great many other people What they will finally decide I don't know"

"Was the growth in the size of the CSO stockpile of rough diamonds near the limit of what might reasonably be financed?"

"We are a good long way from that level," said Mr Oppenheimer, but he confirmed that borrowings would be made if necessary to finance the stocks

Mr Oppenheimer did not envisage any reduction being made by the CSO in its purchases from mines outside those in the De Beers group "We can handle this all right"

There was no question of the CSO lowering its selling prices which are currently above those being fetched in Antwep for smuggled stones

He pointed out that the market in the larger, high-priced "investment" diamonds "is particularly bad"

But the importance of this area of the market had been "a little bit overdone because it was the area where the prices were pushed up by speculation to levels which really had no relation to any reality"

Mr Oppenheimer was concerned at the high level of retail price mark-ups, "it is one of the major difficulties of this trade"

One of the problems of the investment diamond scene was that during the boom "people sold diamonds for investment purposes at quite absurd mark-ups"

"SOPHISTICATED"

Asked about the political objections raised in Australia about the possibility that the South African Organisation will market Ashton diamonds, Mr Oppenheimer replied that it was natural that there would be a prejudice against South Africa and a fear that the Australians had something important that they would lose by dealing with the CSO.

"All we can do is to do our best to show to the Ashton people that by selling to us they are going to do better than selling to other people"

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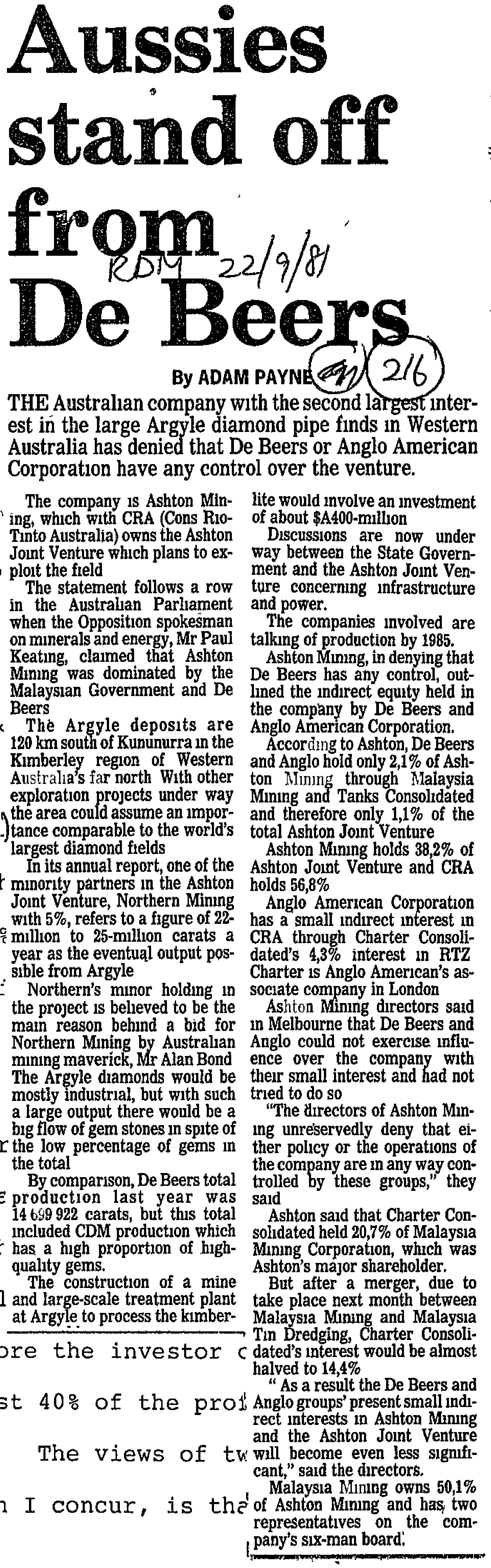


Aussies stand off from De Beers

RDM 22/9/81

2/6

By ADAM PAYNE

THE Australian company with the second largest interest in the large Argyle diamond pipe finds in Western Australia has denied that De Beers or Anglo American Corporation have any control over the venture.

The company is Ashton Mining, which with CRA (Cons Rio-Tinto Australia) owns the Ashton Joint Venture which plans to exploit the field

The statement follows a row in the Australian Parliament when the Opposition spokesman on minerals and energy, Mr Paul Keating, claimed that Ashton Mining was dominated by the Malaysian Government and De Beers

The Argyle deposits are 120 km south of Kununurra in the Kimberley region of Western Australia's far north With other exploration projects under way the area could assume an importance comparable to the world's largest diamond fields

In its annual report, one of the minority partners in the Ashton Joint Venture, Northern Mining with 5%, refers to a figure of 22-million to 25-million carats a year as the eventual output possible from Argyle

Northern's minor holding in the project is believed to be the main reason behind a bid for Northern Mining by Australian mining maverick, Mr Alan Bond The Argyle diamonds would be mostly industrial, but with such a large output there would be a big flow of gem stones in spite of the low percentage of gems in the total

By comparison, De Beers total production last year was 14 699 922 carats, but this total included CDM production which has a high proportion of high-quality gems.

The construction of a mine and large-scale treatment plant at Argyle to process the kimberlite would involve an investment of about $A400-million

Discussions are now under way between the State Government and the Ashton Joint Venture concerning infrastructure and power.

The companies involved are talking of production by 1985.

Ashton Mining, in denying that De Beers has any control, outlined the indirect equity held in the company by De Beers and Anglo American Corporation.

According to Ashton, De Beers and Anglo hold only 2,1% of Ashton Mining through Malaysia Mining and Tanks Consolidated and therefore only 1,1% of the total Ashton Joint Venture

Ashton Mining holds 38,2% of Ashton Joint Venture and CRA holds 56,8%

Anglo American Corporation has a small indirect interest in CRA through Charter Consolidated's 4,3% interest in RTZ Charter is Anglo American's associate company in London

Ashton Mining directors said in Melbourne that De Beers and Anglo could not exercise influence over the company with their small interest and had not tried to do so

"The directors of Ashton Mining unreservedly deny that either policy or the operations of the company are in any way controlled by these groups," they said

Ashton said that Charter Consolidated held 20,7% of Malaysia Mining Corporation, which was Ashton's major shareholder.

But after a merger, due to take place next month between Malaysia Mining and Malaysia Tin Dredging, Charter Consolidated's interest would be almost halved to 14,4%

" As a result the De Beers and Anglo groups' present small indirect interests in Ashton Mining and the Ashton Joint Venture will become even less significant," said the directors.

Malaysia Mining owns 50,1% of Ashton Mining and has two representatives on the company's six-man board.

Yes, diamonds ARE forever

RDM 25/9/81 (216)

Harry O: It's been a down but we'll make money yet

By KENNETH MARSTON

"I THINK that you will find over the period ahead that people who look at the thing carefully may come to the conclusion that the Zaire experience should be looked upon as a warning rather than as an example."

Thus Mr Harry Oppenheimer, 72, head of the giant Anglo-American Corporation of South Africa and its sister company De Beers Consolidated Mines, last week delivered his verdict on the defection of Zaire from the Central Selling Organisation.

Would it lead to the organisation's breakup, he was asked in a long interview. He smiled disarmingly. "Our contracts have a good long time to run in most cases," he said.

"I can't pretend that we are pleased that anybody breaks away It's a bad example The worst thing is the loss of prestige, perhaps, which is involved, rather than the actual material which is about 2% of the CSO intake, largely in extremely low quality diamonds."

Ashton

He pointed out that the kind of diamond produced in Zaire was going to come under "tremendous competition" from the A$500-million (R183-million) Ashton joint venture in Australia when the latter reaches full production in 1985 with an annual capacity of some 22 5-million carats.

Would other black African diamond producing countries consider leaving the CSO? "You do run risks with some of these African countries," Mr Oppenheimer admitted, "because for political reasons they are prepared sometimes to cut off their nose to spite their face and, of course, we run these risks

Market

"Mind you, when they do decide, if they do decide, and I must say there has been [illegible] sign of this — on the contrary it's been really quite good, in rather difficult areas too — but you know, at a pinch, we don't go out of business and they've got to sell the diamonds."

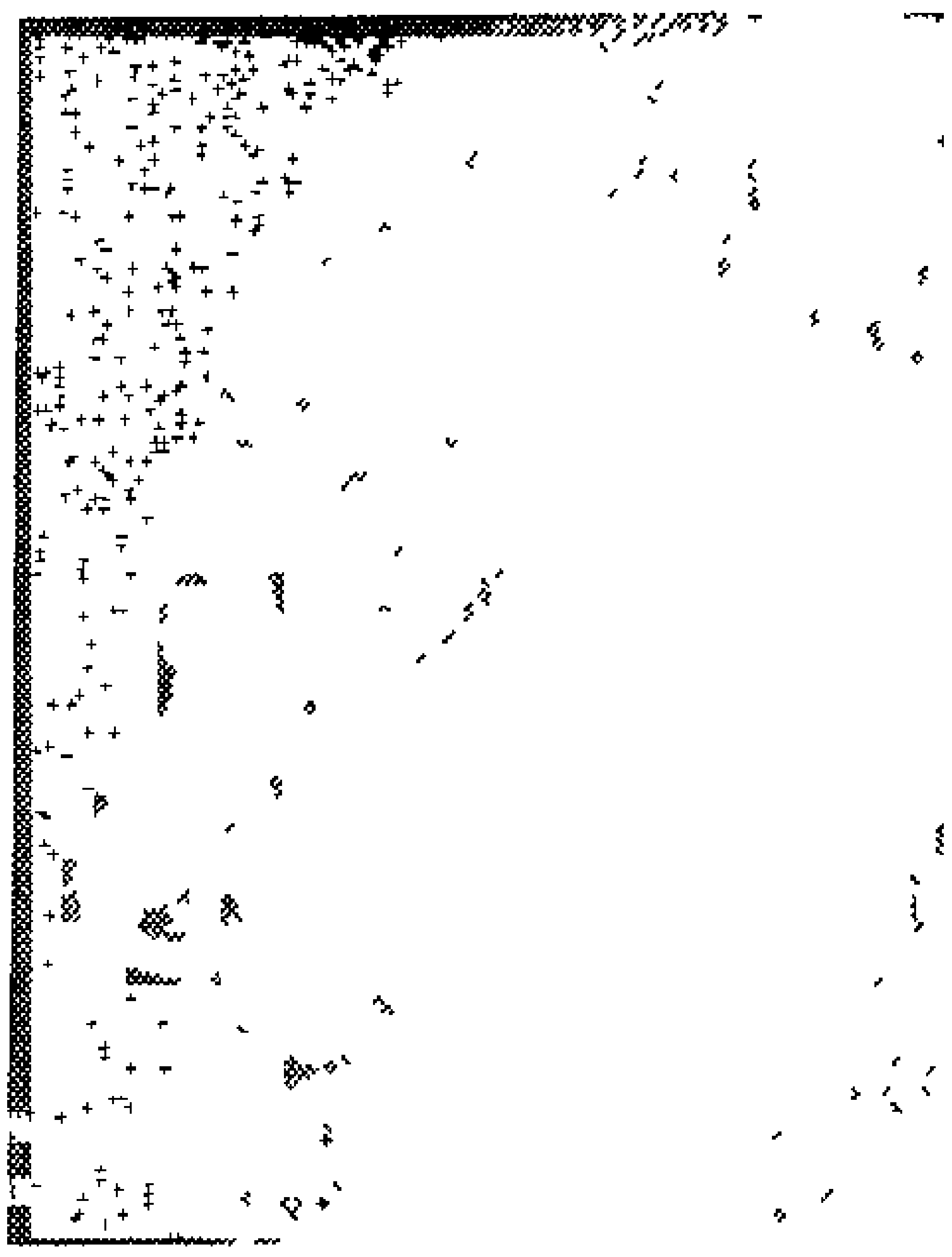
Asked about the political objections raised in Australia about the possibility that the South African organisation will market Ashton diamonds Mr Oppenheimer replied that it was natural that there would be a prejudice against South Africa and a fear that the Australians had something very important that they would lose by dealing with the CSO

"All we [illegible] to do [illegible] best to show to the Ashton people that by selling to us they are going to do better than selling to other people" The Ashton consortium leader, the Rio Tinto-Zinc group's CRA, was composed of "highly sophisticated people"

"They have had very long and friendly talks with us and they've also, quite rightly, talked to a great many other people What they will finally decide, I don't know" In any case the Ashton diamonds were going to be "rather difficult goods to handle"

"Because while it is going to be a very big production it consists to a considerable extent of industrials — well, that is no doubt handleable — but to a very great extent (these are) very common diamonds on the margin between gem and industrial

"This is not going to be an easy thing to do and I think that if they are going to market those things they should try to do it in a way which doesn't invite a great deal of competition with other people"


HARRY OPPENHEIMER
Zaire's CSO defection won't lead to break-up

Was the growth in the size of the CSO stockpile of rough diamonds near the limit as to what might reasonably be financed? "We are a good long way" from that level, said Mr Oppenheimer, but he confirmed that borrowings would be made, if necessary, to finance the stocks

"We've always had bank facilities we so far haven't had to use but we would certainly do this"

Curtailing

The group has huge assets to borrow against, but borrowings would not necessarily be made on the international market

De Beers was not slowing down its current capacity expansion programme nor was it considering at this stage any further cutbacks in its mine production Last year the group mined 14 7-million carats out of a world total of 47 2-million and is currently curtailing output by about 5%.

Mr Oppenheimer did not envisage any reduction being made by the CSO in its purchases from mines outside those in the De Beers group "We can handle this all right."

There was no question of the CSO lowering its selling prices which are currently above those being fetched in Antwerp for smuggled stones

Everything depended on the world economy and the course of interest rates, "I would say that if the stocks (at the cutting centres) are reduced, and they are falling, this must make the position better independently of what happens in the general economic sense

"You are not going to get really good times if you have interest rates at 20% I would hope at the end of the year one may see something somewhat better."

"The market is gloomy now but when people started this thing and a perfect one carat stone sold at $60 000 and now sells at $25 000 (R23 500), to my mind $25 000 is a pretty good price"

Mr Oppenheimer was concerned at the high level of retail price mark-ups "It is one of the major difficulties of this trade"

One of the problems of the investment diamond scene was that during the boom "people sold diamonds for investment purposes at quite absurd mark-ups

"I've always liked the diamond business better than any of the other businesses we're concerned in One goes up and down and this has been a disagreeable down We haven't had one like this for a long time," he added.

"But I'm not frightened by it I think we will come through and you will find that with the stocks we have accumulated we will make a great deal of money out of it" — Financial Times, London

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Keeping the cats under control

THE diamond worlds' Central Selling Organisation, sometimes referred to out of Oppenheimer earshot as the "syndicate", is under pressure as never before in recent past.

Set up by Sir Ernest Oppenheimer in the 1930s and now headed in London by Anglo American chairman Mr Harry Oppenheimer's cousin, Sir Philip Oppenheimer, the CSO dominates the world diamond industry which generated real jewellery sales alone last year of some R16 000-million. More than 80% of total world diamond production is marketed under the CSO's auspices.

Retail sales have held up remarkably well so far this year, but the recession and high interest rates have dealt a crushing blow to the diamond cutting and polishing industry. And Zaire's decision to pull out of the CSO has raised fears that other countries could follow and seriously undermine CSO market dominance

For the industry, meanwhile, it is the worst crisis for a decade.

In Antwerp, the world's major cutting centre which deals with the highest quality gems priced in many thousands of dollars per carat, there are stories of disastrous losses and impending bankruptcies

The result is that in South Africa the CSO is having to finance a record level of unsold stocks of rough (uncut) diamonds This is because of the organisation's policy of buying a guaranteed minimum of diamonds mined by De Beers and other producers

The supply of diamonds to the market is then limited in line with demand. At times such as these the CSO withholds stones from the market. It also fixes the prices for the roughs and these prices have never been reduced.

The role of the CSO is thus rather like that of a lion tamer There is always the fear that if one of its member-producer "cats" should get out of control other might follow and the act could disintegrate into the kind of chaos that was seen in the diamond industry before the CSO was formed

Australian company seeks to turn tables on De Beers

Star 28/9/77 216

In a neat turnaround of circumstances, an Australian company has slipped into diamond prospecting in South Africa while the hoo-ha rages "down under" about De Beers' intrusion on the diamond prospecting scene in that country.

Caris Corporation, the West Australian jewellery chain which is 50 percent owned by Western Continental Corporation, has the controlling interest in Kosovo Exploration — a company involved in diamond prospecting in the northern Transvaal and Kimberley areas

Kosovo managing director, Mr Richard Jules-Macquet, confirmed that a quoted South African mining holding company had started a geological survey in the northern Transvaal.

This included the collection of stream sediment samples which would be tested for kimberlite indicator minerals.

The prospecting will be conducted in terms of a joint venture agreement and Kosovo's partner will finance all exploration costs.

Kosovo is entitled to subscribe for 30 percent of the share capital of any company formed to mine discoveries which may result from the prospecting programme.

However, this is not where Kosovo's activities end. It has obtained prospecting rights on six farms in the Barkly West district near Kimberley and on one farm southwest of the diamond city.

EXCITEMENT

Perhaps the farm creating the most immediate excitement is Salpetrepan where underground development is currently under way.

Attacking the mine from an existing winze, Kosovo has dewatered the shaft and has sunk it to the 30,8 m level A 5 000 ton bulk sample for confirmation of grade and quality of diamonds will be extracted from the Kimberlite dyke at this level.

The material will be treated by a 25-ton-an-hour heavy media plant. This plant, together with the unnderground planning, is designed to bring the mine into fullscale mining operations if sampling is successful.

Previous prospecting has revealed marginally economic grades but the viability of the project is dependent on the quality of the diamonds.

Mr Jules-Macquet said treatment operations of the bulk sample is scheduled to be completed by the year-end when a final feasibility study will be made

Preliminary laboratory results from samples collected on farms comprising the Newlands area near Barkly West are encouraging and heavy earthmoving equipment to pit and trench kimberlite dykes located during a recent geological survey will be moved on site shortly.

The remaining block of farms held under option — Than, Mozib and Drooge Veldt — lie south of Newlands on the Vaal River

A gravel-filled river channel situated on the north-eastern corner of the farm Than is presently being evaluated and diamond recoveries to date have been encouraging

According to "Wagner (1934)" the diamond publication, of the 66 diamonds larger than 100 carats, recovered from alluvial deposits in this area to date, no less than 31 were discovered on the three farms

While the world diamond demand is depressed at present, Kosovo has two distinct advantages over similar scale operations

The major advantage is the connections with the Australian jewellery business through its parent, Caris Corporation.

It will therefore be largely unnecessary for Kosovo to have to find markets for its diamond production and it will presumably get preferential handling from Caris.

Secondly, working costs are well controlled by the relatively small but efficient operation.

Under the company's progressive management, the South African business world is bound to hear more about Kosovo in the future and, no doubt, the turning of tables on SA raids into the Australian diamond market, will result in a few quiet smiles "down under"

Mystery on gem digs in N Tvl

Star 28/7/87

An Australian - controlled company, Kosovo Exploration, has apparently joined forces with one of Lonrho's South African listed subsidiaries to prospect for diamonds in the far northern Transvaal.

The Mining Journal says that Kosovo has concluded an agreement with "a quoted SA mining company" for prospecting for precious stones on certain farms in the Zoutspansberg district.

Kimberlites

The journal says that the 19 800 ha prospecting area is near Venetia farm where De Beers and Middel Wits have located high-grade, high - value kimberlites.

Under the agreement, Kosovo has the right to subscribe for 30 percent of the shares of any company formed to mine discoveries which may result from prospecting

Approached for comment, Kosovo's locally-based managing director, Mr Richard Jules-Macquet, declined to name the South African partner.

Natural

However, Lonrho SA chairman Mr Sid Newman, without confirming or denying that a Lonrho company was involved slipped, "it has not been made public yet." He also conceded that Lonrho companies had for many years held prospecting options in the area.

It was natural that mining companies continuously took up options and there was nothing significant in doing so, he said.

However, Mr Newman's reaction was vastly different from that of other mining houses which denied association with Kosovo.

Furthermore, a statement "I am trying to find out how much you know" from Mr Newman added to the belief that Lonrho was somehow involved.

Substantial

In addition, a deeds search of mineral-rights holders revealed that Mineral Holdings, a Lonrho company, held substantial rights in the area

It was therefore logical for Lonrho to prospect these farms in view of the excitement caused by the Venetia discoveries.

Minerals Holdings can, however, be scrapped from the list of probables as the Mining Journal clearly stated that the company involved was listed.

Subsidiary

The only mining holdings companies in the Lonrho South Africa stable are Coronation Syndicate, which has a subsidiary in Zimbabwe and Duiker Exploration, which has two collieries in the Witbank district

If it is accepted that Coronation Syndicate's interests are in Zimbabwe only, it would be a fair assumption that Kozovo's partner in the prospecting area in the Northern Transvaal is Duiker Exploration.

RDM 12/10/81

Theron slump

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Financial Reporter

THERON Holdings, which derives most its profit from dredging diamonds from the Namaqualand surf, reports a slump in pre-tax profit to R1 410 000 (1980 R5 030 000) in the year to June 30

Earnings a share were 18c (77c) An annual dividend of 5c (25c) has been declared

Tax was R675 000 (R2 050 000), leaving R730 000 (R2 980 000) Minorities came to R267 000 (R978 000), making attributable income R463 000 (R2 000 000)

The company said earnings were mainly affected by lower prices paid for rough diamonds and retail earnings were affected by the lower gold price and poor demand for diamonds

DIAMONDS

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New facets

FM 13/11/81

Family-owned company Octha Holdings, which is to seek a listing on the Johannesburg Stock Exchange (JSE) next year, is to open a diamond cutting factory in Taiwan in an attempt to move into the Far East market

The group's activities include the mining of and trading in rough and polished diamonds Chairman Attie De Villiers says Octha bought the cash shell "Morlite" last year, and subject to discussions with the JSE, investors and merchant bankers will try for a listing early in the new year

In the 1981 annual report, Octha MD Johan de Villiers, says consolidated net profit after tax amounted to R13,1m, compared with R2,7m for the 16 months to end-June 1980

The first nine cutters from the Republic of China completed their training in Johannesburg recently and will be employed in the Tojo Diamond Cutting Works at Kaohsiung They have reached the so-called operative level and will cut rough diamonds smaller than 1,19 carats

De Villiers says the factory should become operational next year and is intended to reach a maximum polishing capacity of 10 000 carats/month by 1984

He says the group already has offices in Zurich, Antwerp and New York and will be in Hong Kong by mid-1982 It is he believes logical for Octha to manufacture in the East which by virtue of population, has the best potential

The idea, he says, is for the Chinese factory to process the SA raw materials and supply the Hong Kong market And the Japanese potential is not yet receiving the attention it deserves, he adds

De Villiers complains that the company is being hamstrung by an outdated law which precludes producers from owning a cutting works He believes, though, that the situation could change in the coming year

If so, associate company LC Diamond Cutting Works (Pty) Ltd would be incorporated as a subsidiary

The LC Diamond works, he claims, is one of the most modern and efficient in the world

Also five black women are now being trained which could foreshadow the establishment of a "smalls" diamond cutting industry in the homelands

Australian stand against 'SA rape of gem industry'

S/o 15/1/81

216

By Geoff Kitney

CANBERRA — The Australian Prime Minister, Mr Malcolm Fraser, has warned that South African interests would not be permitted to gain control of Australia's wealth

Mr Fraser told Parliament that he believed it would be contrary to national interest to strengthen a South African monopoly in the diamonds area

His comments indicate that the government will move to impose strict controls on the export of diamonds from the rich new Argyle diamond area in remote north-western Australia

INVOLVEMENT

They also reveal a difference of opinion between Mr Fraser and his deputy Mr Doug Anthony, over the question of South African involvement in the Australian Diamond industry

Mr Anthony who is Minister for Trade and Resources, told Parliament recently that the marketing of Australian produce was in the hands of the companies involved

"It is basically the organisation's responsibility to its shareholders to sell its products in a manner which is in the best interests of those shareholders" he said "No need is seen at this stage for the introduction of export controls on the sale of diamonds"

SWALLOWED

Mr Fraser said, however, in response to claims that the De Beers Central Selling Organisation was likely to control the diamond production form the Argyle mine said "I can see no advantage to Australia or its industry in having arrangements in which diamond discoveries only serve to strengthen a South African monopoly in these areas

"I believe that this would be contrary not only to the interests of Australia but to the interests of natural corporations"

Mr Fraser was commenting after the opposition Labour Party's spokesman on minerals and energy, Mr Paul Keating, warned that potentially huge diamond production could be swallowed up by the South African diamond syndicate, serving only to make the De Beers monopoly stronger and more resilient at a time when its old, high-cost diamond mines were rendering it less and less competitive.

Mr Keating said that the Ashton diamond project in western Australia would produce 25-million carats when in full production This would easily exceed De Beers total production of 19-million carats

Ashton would become the single most important diamond source and when other kimberlite pipes in the region were developed, Australia would become the major force in diamonds

"The government's South African policy would lie in tatters if De Beers were permitted to absorb the Ashton project within its empire on terms and conditions disadvantageous to Australia," he said.

ZAIRE AND RUSSIA

"Zaire and Russia have already left the De Beers CSO and are marketing independently Australia can do the same."

Mr Keating said that it appeared that Mr Anthony and the Department of Trade and Resources are obviously content with the prospect of "South Africa raping our fledgling diamond industry"

Mr Fraser had, however, at least indicated some concern for the national interest and sensible commercial policy

Star 16/10/81 ~~232~~ 216 [illegible]

De Beers named in US anti-trust suit

NEW YORK — Newmont Mining filed an anti-trust suit yesterday over acquisition of its shares by foreign rivals which it claims have interlocking interests and could monopolise copper smelting and refining and gold and ferrovanadium production in the US

Named as defendants by the New York-based Natural Resources Concern in a complaint filed in US district court, were Amcon Group, a holding company owned by Consolidated Gold Fields of London.

The complaint said the two have publicly disclosed acquisition of 8,1 percent of Newmont's shares for about R125 million.

Also named as defendants were De Beers Consolidated Mines of Kimberley, and Minerals and Resources Corp, a Bermuda-based holding firm

The complaint alleged that all the defendants have interlocking interests or directorates and the power to gain control of Newmont, thereby tending to lessen competition or monopolise domestic copper smelting and refining, production of certain copper products, gold and ferrovanadium

Newmont asked the US district court to declare the acquisition of its shares by Amcon in violation of anti-trust law and to order an orderly disposal of them on the public market.

It also seeks to have all the defendants enjoined from buying or voting any Newmont shares or to exert any influence over its management. — Associated Press

THERON (216) FM 30/10/81

Spectacular slump

Activities: *Offshore diamond recovery Owns 73% of diamond retailer Katz & Lourie*

Chairman *H A J Richter*

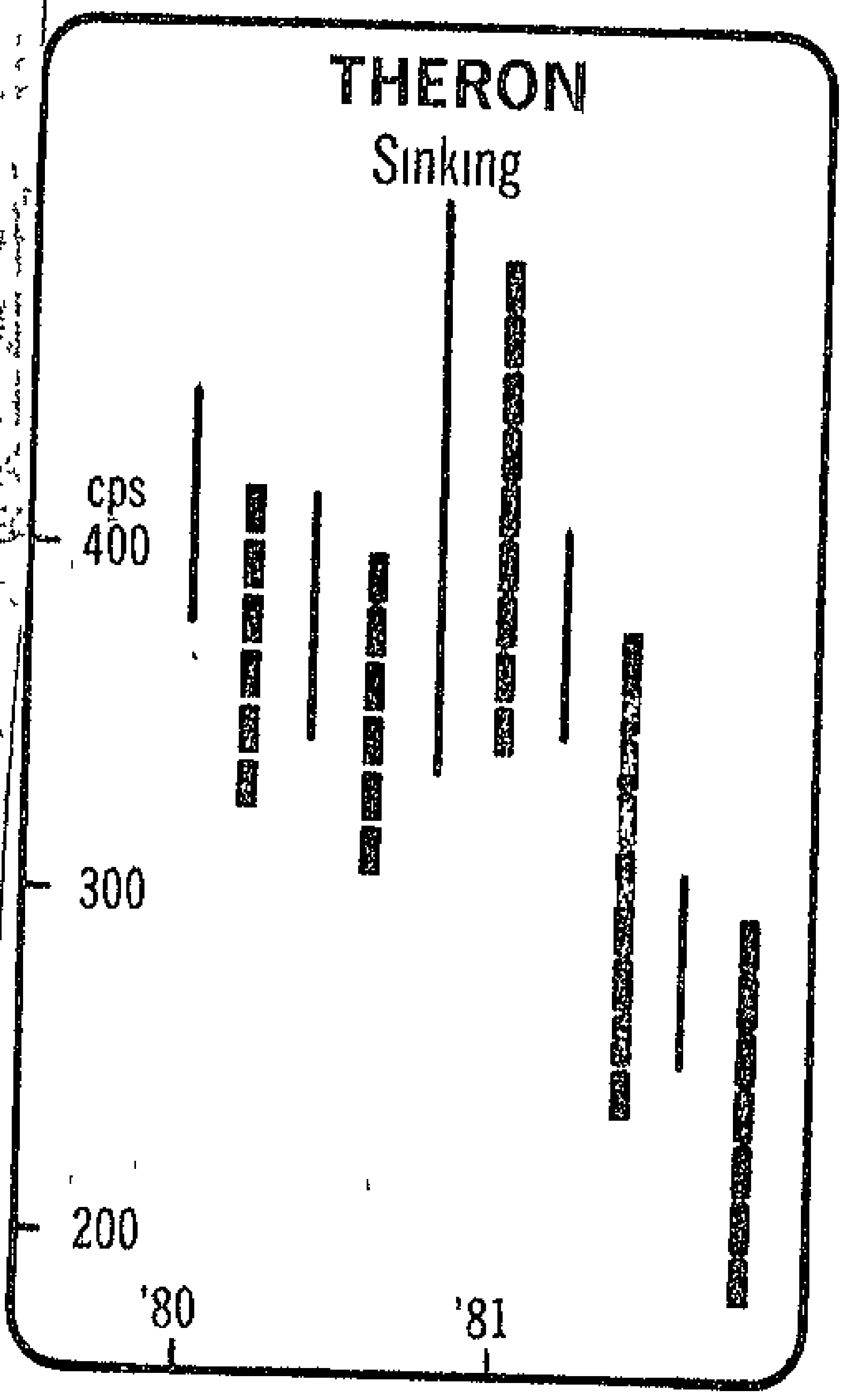
Capital structure· *2,6m ordinaries of 10c Market capitalisation R4,4m*

Financial· *Year to June 30 1981 Borrowings long- and medium-term, R2,5m, net short-term, R1,4m Debt equity ratio 155,0% Current ratio ·1,2 Group cash flow R1m Capital commitments R139 000*

Share market. *Price 170c (1980-81 high, 510c; low, 170c, trading volume last quarter, 140 000 shares) Yields 11,2% on earnings, 2,9% on dividend Cover 3,8 PE ratio 8,9*

	'80	'81
Return on cap (%)	110 4	25 2
Turnover (Rm)	23,1	14,6
Pre-tax profit (Rm)	4 9	1 4
Gross margin (%)	22 4	12 1
Earnings (c)	77 6	19,1
Dividends (c)	25	5
Net asset value (c)	34 6	57,0

If Theron last year succeeded in gaining a certain degree of respectability as an investment, the results for the past year are certain to place the company firmly back in the speculative category After a satisfactory performance in the previous year, some estimates of earnings in financial 1981 went as high as 250c a share That has proved to be nothing more than wishful thinking, but few shareholders can have been prepared for the extent of last year's earnings decline



Theron, in turn, is hardly likely to be pleased with the performance of its subsidiary Katz & Lourie Part of Theron's motivation in acquiring control of K & L was to provide a retail outlet for diamonds recovered from the offshore dredging operations However, sharply lower production from these operations, combined with dismal results from K & L, resulted in a 75% slump in Theron's earnings to 19,1c (77,6c) a share

The directors say prospecting activities by subsidiary Dawn Diamonds were severely hampered by adverse weather conditions off the Cape west coast Nevertheless, the recovery of 27 223 ct (377 763 ct) is described as "satisfactory" The risky nature of the business and the vulnerability to such factors as weather means that Theron is capable of producing spectacular results at both ends of the scale There is however, persistent talk that the company is experiencing serious problems with its mining operations That may just be rumour, but the directors statement does little to allay investors' fears

One problem with Theron's disclosure — or lack of it — is the fact that diamond stocks are not identifiable However, if K & L s inventory is deducted from Theron s stock figure, the balance of roughly R520 000 is presumably diamonds Another flaw in the report is the fact that 1980's pre-tax figure has been changed

Chairman Hugo Richter says a year of "planned internal growth" is envisaged in financial 1982, with the object of strengthening the financial structure That explains the increase in dividend cover to 3,8 (3,0) times The high cover seems justified in view of the almost doubled borrowings of R4,1m (R2,3m) That raised the debt equity ratio to 155% (101,2%) With gearing at that level, interest payments could impact heavily on the company's profit

The group's fishing interests have been expanded and the contribution to earnings from this source is expected to increase Diamonds, however, remain by far the most important profit source For this reason forecasting is fairly hazardous, but there seems little chance of a generous dividend this year, even if the retail diamond market improves, because of the gearing

The market's disenchantment with the share is reflected in the fact that it is currently trading at its low of 170c — compared with 400c a year ago — and yields only 2,9% on dividend With Theron backing it, Katz & Lourie could be in a good position to take advantage of any upturn in demand, and investors may feel safer buying into K & L rather than Theron itself

Chris Wilson

DIAMONDS

Clouded outlook

(216) FM 30|10|81

Simple questions about the future of the diamond market tend to stir up mud rather than produce clarity A Babel of views (direct, inspired and/or simply guesswork) has flooded European diamond trading centres both before and after the fuss caused by Australian Prime Minister Malcolm Fraser's chauvinistic utterances on the Central Selling Organisation (CSO) Fraser dealt with the issue of the CSO being allowed to market the 22m carats which the Ashton Joint Venture expects to be able to produce by 1985

If there is one clear (non-De Beers) opinion of the outlook — once the current severe recession in the market ends — it is this that the new production from Ashton and from Zaire — which have both opted out of the CSO — and Guinea will mainly affect the market for industrials and thus the big investment of De Beers and General Electric of America in the manufacture of synthetic material for cutting and abrasion

As for the gemstone market, it will "probably heave a sigh of relief when diamonds from Ashton become available," according to London diamond consultant Reg Huddlestone. Huddlestone reckons De Beers' stockpile contains about one-third of 1980 sales — and could in fact be two-thirds because of conservative valuation But he says that when the next upturn comes within two years, "there will again be a shortage of supply of fine diamonds "

It is a view supported by London cutters and dealers who refuse to be quoted by name, and by Harry Oppenheimer, De Beers chairman Discussing with the *Financial Times* the withdrawal of Zaire from the CSO umbrella, the advent of Ashton, and the market, Oppenheimer said " this (recession) has been a disagreeable down We haven't had a bad one like this for a long time But I'm not frightened by it I think we will come through and you will find that with the stocks we have accumulated we will make a great deal of money out of it "

Nor does Jack Lunzer, chairman of Industrial Diamond Company of Hatton Garden, necessarily disagree with Oppenheimer, even though he challenged the De Beers chairman on his assessment of the quality of Zairean stones Industrial Diamond Company with two Antwerp firms, Caddi and Glasol, have handled Zaire's output since it ended its 14-year agreement with the CSO

Lunzer, not unnaturally, quarrelled with an assertion by Oppenheimer that the CSO's intake of Zairean material had been largely in extremely low quality diamonds He claimed that at the recent fifth sale of stones in Kinshasa, 67,9% (in caratage) had been industrial while 32,1% were gem quality (84,2% by value) Lunzer's point was that Ashton, which may produce only 10% gem quality, would not necessarily pose a major threat to Zaire

But as he saw it, Ashton's 20m carats of industrial output would be worrisome to makers of synthetics (De Beers and General Electric) rather than to miners — in a total world market of more than 100m carats (of industrials) last year The 30% price premium enjoyed by natural industrial diamonds over synthetic indicated a preference by consumers And Lunzer asked whether, if the CSO were to market Ashton output, it would stockpile natural stones or the "synthetic equivalent produced at great cost by De Beers itself?"

De Beers, according to follow-up reports, is not concerned Estimated compound annual growth of 10% in demand for industrial diamonds puts consumption at over 161m carats in 1985 and 250m carats by 1990

Oppenheimer, however, did see a problem with Ashton's output In what read like a strong hint to the Australians that they would be better off within the CSO cartel, he described the Ashton output as "rather difficult to handle" Oppenheimer said that while Ashton's preponderance of industrials could be coped with, the problem lay in "very common diamonds on the margin between gem and industrial This is not going to be an easy thing to do and I think that if they (Ashton) are going to market those things, they should try to do it in a way which doesn't invite a great deal of competition with other people "

In contrast to Oppenheimer's public insouciance, a propaganda compaign appears to be being orchestrated in favour of the CSO One which seems aimed at giving the Australians food for thought is a report that since breaking with the CSO, Zaire is receiving on average only $7,50 per carat against the $11 it got when it was in the ambit of the CSO If that is the case, expect Zaire to scrap other arrangements and scamper back to the security of the CSO's embrace

In the September quarter, initial, and limited, production at Ashton's prospect areas was valued at $10,80/ct — very much in line with Zaire's averages when it was dealing through the CSO That has led to further questioning of Ashton's ability to generate the funds needed to sustain an independent marketing operation That is particularly so as it seems that the Australian gems are generally of a brownish colour and will command low prices

All in all, the arrival of Ashton on the diamond scene and the well-publicised withdrawal of Zaire from the CSO's marketing arrangements are merely symptomatic of the present depressed state of the world's diamond market They need to be seen in perspective When there are problems everyone argues and tries to squeeze out the maximum advantage for himself

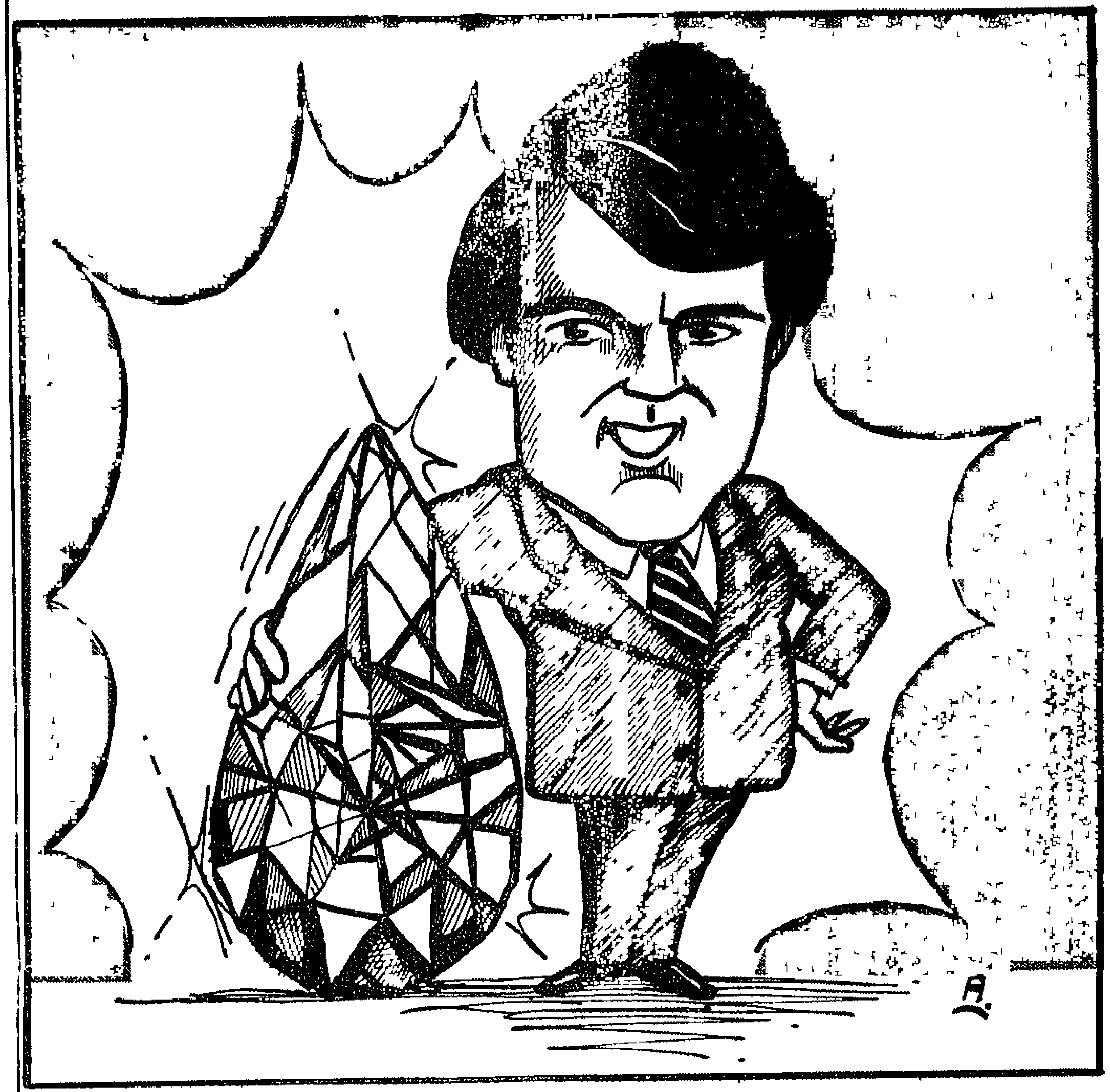
Huddlestone puts it succinctly "There is no chance that the CSO will lose its dominant role on the world diamond market Whether it markets 80% of world production or 60% it will still be the biggest source of stones and the pacemaker in prices "

Once all the fuss has died down, it seems safe to assume that Australia will reach some sort of *modus vivendi* with the CSO, even if it does not go so far as turning over marketing to the De Beers-controlled company In any event, by the time Ashton is scheduled to reach full production, the world's diamond market should be out of its present trough and starting to boom

The diamond market has been through depressions before and, largely because of the market stabilising policies of the CSO, has emerged stronger each time This setback will see a repeat performance In the meantime though, the squabbling could rise in pitch

New diamond giant unveiled

Sun Times (B.T.) 15/11/81 216



OCTHA MD JOHAN de VILLIERS many more sparklers

THE Octha diamond group plans to spend more than R160-million on a far-reaching expansion.

The programme would establish Octha as a mini De Beers, creating an integrated diamond mining, cutting, marketing and retailing operation with a wide international network

This was disclosed to Business Times late this week by the managing director, Johan de Villiers.

He confirmed that the R72-million group is heading for a listing on the Johannesburg Stock Exchange through the Morlite cash shell as foreshadowed in Business Times on October 18.

By Andrew McNulty

Although small compared with mines in the giant De Beers group, Octha's Namaqualand mine — the mainstay of the group, and employing about 700 people and moving nearly a million tons of earth a month — is claimed to be the world's richest producer of quality-gem diamonds

The group's ambitious capital spending programme "could well average R40-million a year up to 1986", Mr De Villiers says

The programme is planned to be financed from the group's own cash resources, by involvement of a major partner and by the public share issue

Most of the spending will be on establishment of four old mines acquired recently by Octha in the Kimberley area, and now producing "quite a substantial output"

Each will require about R40-million to carry out shaft sinking and establish underground operations and infrastructure

"We know from extensive prospecting that all contain very substantial ore reserves"

Past development of the mines, he says, has been unsuccessful because of the lack of capital, expertise, an international marketing network and the higher diamond prices of the past few years

"Detailed planning is well under way and we expect to be seriously developing the mines by February 1982"

The mining expansion would lift Octha's present production from 100 000 carats a year to about a million carats by 1985/86 — about 850 000 derived from the new mines

However, while 85% of current production is in the form of gem diamonds, by 1986 the output will comprise about 50% gems and 50% industrial diamonds

Other expansion plans include

- Establishment at a cost of R2 5-million of a diamond-cutting works at Kaoshiungin in Taiwan which by 1985 will have a capacity to polish 10 000 carats a month and will employ 300 polishers

A team of Taiwanese polishers completed their training at Octha s Johannesburg cutting works this week

The opening of a cutting works in Taiwan looks unusual but logical — with Far East markets in Taiwan, Singapore, Hong Kong, Korea, the Philippines and Japan they could have a consumer market ultimately larger than

- Establishment of another R2,5 million cutting works in a homeland area in about 1985
- Expansion of training facilities for cutters and polishers in Johannesburg
- Expansions to the marketing network already operating in Antwerp, North America, Hong Kong and Zurich — the Hong Kong office is likely to be moved to Japan and further offices planned for the US and Europe
- The next major step will be to establish retailing outlets

"This will complete the creation of a fully integrated diamond operation, taking the diamond from the earth to the finger " Mr De Villiers says

Longer-term plans — possibly in the next five years — he says, are for diversification into a different mining field

Although the gem diamond market has slumped by 40% in the past 12 months, Mr De Villiers says that the exceptional qualities of the gems from the Namaqualand mine indicate that earnings for the past year — when net income was R13,2-million — will be maintained or will decrease only slightly

He expects the market to firm from mid-1982

He cautions, however, that, although present plans are to obtain a JSE listing in 1982, final decisions are likely to be dictated by the state of both diamond and stock exchange markets

MINING — DIAMONDS

1982

JAN. — ~~8~~ DEC.

Diamond find in Australia puts Fraser on the spot

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From the Christian Science Monitor

CANBERRA — Discovery of what is potentially one of the largest single sources of diamonds is creating unexpected difficulties for the Australian Government.

The main problem is the marketing of the diamonds, and the extent to which Australia should tie itself in with the South African Central Selling Organisation (CSO)

The CSO markets about four-fifths of the gem quality diamonds traded around the world, and the prices it sets determine the pricing of the remaining fifth.

The Australian discovery has not been fully evaluated but early mining suggests it may be one of the richest diamond sources Located in the barren north-west of Australia in the eastern Kimberleys, the Lake Argyle deposit is in the remains of an ancient volcano

Tests so far are producing a gram of diamonds for every ton of diamond-bearing rock— about 20 times the return from most South African mines. However, the diamonds produced so far are mainly industrial rather than gem quality

The lode creates problems for the Prime Minister, Mr Malcolm Fraser, who is under pressure from the opposition Labour Party to impose export controls to ensure that the diamonds are not handled by the CSO

The Prime Minister is on the spot because he was antagonistic towards South Africa and expressed sympathy for black African nations at the Commonwealth heads of-government meeting in Melbourne last October

When Mr Paul Keating, the Labour Party's mining expert, asked Mr Fraser to ensure that the diamond industry would not fall into South African hands, the Prime Minister replied "I can see no advantage to Australia or to Australian industry in having arrangements in which Australian diamond discoveries only serve to strengthen a South African monopoly in these areas

"I believe that that would be contrary not only to the interests of Australia but to the interests of Australian corporations"

Mr Fraser's comments prompted the Western Australia Premier, Sir Charles Court, to warn him not to interfere with the development of the diamond industry.

After several telephone conversations, Mr Fraser backed off from any federal moves to control the diamond marketing

The Prime Minister's political support is so low at present that he cannot afford to antagonise the Premier of Western Australia, a member of Mr Fraser's own Liberal Party

Mr Fraser said that his remarks had been misunderstood and that his concern was that Australia should not support arrangements that "only" strengthen the monopoly

Sir Charles welcomed Mr Fraser's retreat and said that his government would seek the best deal possible for Western Australia and the nation in marketing and processing He said that Western Australia was not reluctant to consult the federal government "at the appropriate time, as long as it is fully accepted that resource developments of this kind are basically our responsibility"

Mr Keating sharply opposed Sir Charles's approach, and his views may take on added significance if Labour wins the 1983 federal election — at about the time the diamond mines go into commercial production

Mr Keating claims that the government is content "with the prospect of South Africa raping our fledgling diamond industry" and this was a complete mockery of Mr Fraser's Africa policy

He estimates that the Lake Argyle deposit will produce 25 million carats of diamonds at full production In comparison, he says that De Beers produces 19-million carats from its South African mines.

The diamond deposit is to be mined by a consortium headed by Conzinc Riotinto Australia (CRA) More than three fifths of consortium stock is owned by the English-based company, RTZ

CRA's chairman, Sir Roderick Carnegie, is trying to keep out of the debate about the diamonds He stresses there is no diamond industry in Australia at the moment.

'What has happened is that we have found a diamond pipe which contains a large quantity of low-quality diamonds," he says.

Sir Roderick denied that De Beers was trying to influence decisions through RTZ. "All the speculation is fuelled by people jumping to conclusions because of the emotional content

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De Beers report 41,6% diamond sales drop

By Pieter de Vos

World diamond sales slumped by almost R893-million to R1 249-million in 1981, the Central Selling Organisation — the marketing arm of De Beers and most other producers — reported today

This represents a fall of 41,6 percent compared with the previous year's total sales of R2 142-million.

However, as the fall was substantially dampened by the weakening of the rand against the dollar, sales in dollar terms showed an even sharper drop of 46 percent from 1980's total of 2 723-million dollars to 1 472-million dollars

The fall in sales accelerated sharply in the second half of 1981, registering a drop of more than 54 percent from 1 156-million dollars in the second half of 1980 to 531-million dollars in the past six months.

In rand terms, sales fell by 41 percent in the first half of the year and 42,6 percent in the second half.

Sales amounted to R502-million in the past six months compared with R874-million in the second half of 1980.

The extent of the sales slump surprised most analysts who predicted total sales from R1 500-million to R1 600-million for 1981.

Sales were significantly reduced as the CSO continued to implement its established policy of stocking diamonds not in demand to stabilise the rough-diamond market.

Mr Harry Oppenheimer, chairman of De Beers, said last year that De Beers was not slowing down its capacity expansion programme nor was it considering any further cutbacks in its mine production.

However, the market reaction to the announcement would be keenly watched today by investors and analysts.

Mr Oppenheimer said then that there was no question of the CSO lowering its selling prices, which were above those being fetched for smuggled stones.

World interest rates and the state of the world economy would have a strong effect on this year's prospects, analysts said.

Retail diamond jewellery sales had continued at a satisfactory level in 1981, the CSO reported today.

Initial reports from the US were that sales of diamond jewellery for Christmas were even better than last year, it said.

"The combination of these factors has helped to reduce the level of stocks held in the cutting centres.

"More normal trading conditions can be expected when general economic conditions improve."

However, a similar prediction was made in the first-half report.

Economists agree that an improvement in diamond sales which would result from an improved economic outlook could only occur towards the end of the year.

Currently, De Beers spends about 1-million dollars a week on advertising diamond jewellery in 24 countries.

Research last year indicated that while the number of pieces of jewellery sold had gone up steadily, sales had tended more towards the cheaper items.

Dividend cover slashed as diamond mountain grows

Pressure on De Beers mounting

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RDM 14/1/82

By JOHN MULCAHY

THE awesome collapse in diamond sales over the past year is likely to reduce De Beers distributable earnings for 1981 by more than 100c a share to about 85c from 185,7c in 1980.

The Central Selling Organisation figures for 1981, announced on Tuesday, were nearly R300-million lower than the most conservative estimates, and point to a dramatic build-up of stocks and a concomitant erosion of cash reserves.

De Beers is holding a mountain of diamonds — by the end of 1980 the stockpile had risen in value to R697 700 000 from R409 300 000 the previous year, and is believed to have been more than R1 000-million by the middle of 1981

Projections for the upturn have all been extended, and the expected turnaround is not regarded as a possibility before 1983

One analyst said the diamond market appeared to have entered its weakest phase since the early 1950s. There were no signs of improvement in demand for investment-grade stones, the real profit generators

There can be no question of a dividend cut — De Beers is in an extremely strong financial position, and has never reduced its dividend But an unchanged 75c for the year will be covered only 1,13 times by earnings.

This cover is the lowest in at least 15 years Since 1967 the cover has been above 2,0 in every year except 1970 and 1971 when it was 1,5 times and 1,9 respectively.

The 85c earnings forecast excludes retained earnings of associated companies which are non-distributable.

De Beers net cash at the end of 1980 was R616-million, and it has been estimated that the stockpile could be costing R100-million a month.

This estimate is based on the assumption that De Beers is required to stockpile surplus CSO diamonds at any sales level below R2 400-million.

If this figure is accurate, and it can be considered a reasonable "ballpark" estimate, the cash balance has been run down, and the group has probably been forced to borrow to fund the stockpile

It is probable, however, that the unit cost to De Beers of absorbing surplus CSO stocks has dropped significantly.

A small producer in the Western Cape is reported to be receiving prices 50% below the averages a year ago.

In the 1980 report it was stated that bank overdraft had risen to R160 800 000 from R15 400 000, and that a $250-million revolving credit facility had been arranged.

The extent of the sales drop in the second six months of 1981 has surprised the industry, which at the wholesale uncut level saw good demand in the last three months of the year.

One theory, which has been expressed before, is that the CSO may be losing its grip on the market, and that sales have been bypassing it.

It is possible that some CSO suppliers have taken umbrage at the stern measures adopted at the height of the diamond boom three years ago when substantial surcharges were imposed at sights in an effort to discourage stockpiling by cutters and speculators.

Whatever the CSO's current problems are, it seems that the organisation in its present form is vulnerable in spite of its marketing expertise.

Zaire's withdrawal from the CSO has not been successful, but it has sold its diamonds The controversy surrounding the CSO's possible marketing link with the Australian Ashton project stems directly from the close association with De Beers and South Africa.

As De Beers diamond production increases, the ratio of South African output to the total is diminishing, with Botswana becoming an increasingly important producer. Namibia accounts for a large proportion of gem production.

It has been suggested that the South African link is regarded as an embarrassment to Botswana, and an independent Namibia might prefer to distance itself

A solution to the problem, and it would be naive to believe that political pressures will abate, would be for the marketing of diamonds to fall under a truly international umbrella, and Minorco appears to be the vehicle

The Bermuda-based conglomerate has a wide spread of international interests, and it has a wide geographical spread of shareholders

De Beers is set for one of the most difficult years in its history, with early forecasts suggesting that unless there is an early and substantial improvement in demand 1982 may prove to be even less profitable than last year

The gold market and platinum markets, which in 1980 provided 50% of De Beers investment income, are weak and indications are that the industrial sector, which contributed 21% of income, is unlikely to maintain the growth achieved last year

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De Beers: Is the worst over?

Sunday Times 17/1/82

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THE past year's precipitous 46% CSO sales slump has produced a plethora of pessimism over the outlook for De Beers

A leading Johannesburg analyst strongly contradicts these views He believes that the worst is over and that De Beers is good value at the ruling share price

By John Spira

In the wake of this week's announcement that CSO sales in 1981 had fallen to $1 472-million from the previous year's $2 723-million commentators are anticipating that De Beers's attributable per-share earnings for 1981 will plummet from 185,7c to around 85c

If they are correct, De Beers's dividend cover will drop to 1,13 — the lowest in at least 15 years

They are bearish on the prospects for De Beers because

- The expected turnround is not regarded as a possibility before 1983
- The diamond market appears to have entered its weakest phase since the early 1950s and there are no signs of improvement in demand for investment-grade stones — the real profit generators for De Beers
- It is estimated that it has been costing De Beers R100-million a month to stockpile surplus CSO diamonds
- The CSO may be losing its grip on the market, with sales bypassing it
- The gold and platinum markets, which in 1980 provided 50% of De Beers's investment income, are weak, and indications are that the industrial sector, which contributed 21% of income, is unlikely to maintain the growth achieved last year
- The bad winter in Europe will affect this year's Russian harvest and result in increased sales of gold and diamonds
- De Beers' profits in the second half of 1981 will also have been hit by the gradual implementation of the production cutbacks announced during the first half

In spite of these gloomy observations, one analyst (who may not be named because he is employed by a stockbroking firm) expects the level of CSO sales to start increasing in the fairly near future — "probably the first half of 1982"

He believes that 1981 will prove to have been a trough year and that the coming bull market might be a powerful one

He draws attention to the experience of former diamond bull markets Between 1949 and 1957 CSO sales increased by 170%, between 1962 and 1969 by 167%, between 1970 and 1973 by 140% and between 1975 and 1978 by 180%, for an average rise of 164%

"There seems to be little to suggest at this stage that the pending bull market will prove to be below average"

He continues "Stocks are probably in an area where, all things being equal, the trade could begin to restock during the first half of 1982

"The recent easing in interest rates in the US and elsewhere is a positive factor for diamonds, and the now widely recognised recession in the US hopefully will not last long

"Further, US unemployment — now about 8-million — which will result from a prolonged recession is politically inexpedient ahead of the mid-term congressional elections

"The level of stocks generally in the US is low and the element of destocking that can take place before reordering is limited

"Due to the uncertainty of the longer-term outlook for the US economy, and for Reaganomics in particular, I feel it is likely that a greater proportion than usual of the extra liquidity that is needed to spark a revival will find its way into hedge assets at the expense of new production capacity

"I would expect, at this stage, to see good jewellery demand developing in the second half of 1982, a sideways drift in 1983 and a renewed impetus in 1984"

De Beers, he maintains, will be able to maintain its pre-eminent position in the gem diamond market, both from its own production and from CSO contracts

"Despite current conflicting statements, I expect that Australian production will be marketed through the CSO and that there will not be further substantial breakaways following Zaire's lead

"I expect sales of rough to pick up in early to mid-1982 and that De Beers will be able to keep the market controlled and orderly

"The industrial-diamond market should continue to show good growth and the non-diamond interests, which should contribute about 40% to 1981 per-share earnings, are likely to benefit from a recovery in both the gold price and a more active world economy"

CSO blocks Soviet diamond figures

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Star 18/1/82

The Star Bureau

LONDON — De Beers Diamond Mining Company has blocked publication by the British Government of sensitive figures on shipments of diamonds from the Soviet Union to London.

Under the move, which affected Britain's trade statistics from the beginning of last year, the government is no longer providing figures on clandestine shipments of Soviet diamonds to London where they are sold through the SA company's worldwide marketing network.

The move effectively wraps another layer of secrecy around the highly discreet international trade in gold and diamonds when the Soviet Union is struggling hard to raise funds in the West by boosting gold sales.

Britain's Customs and Excise admits that De Beers asked for the diamond statistics to remain unpublished and it agreed to this

The Department of Trade defended the action — which affected all diamond exports and imports — on the grounds that it removed a distortion of the trade figures Asked to provide the missing figures, Customs and Excise refused because it would identify the trading position of De Beers.

"The trader was consulted (about the possibility of publishing the figures) and turned it down," Customs and Excise said.

Moscow's deliveries to London have mainly been rough (unpolished stones) which are passed on via a third party to De Beers and then sold through its Central Selling Organisation The CSO handles the marketing of about 80 percent of the world's diamond production

Russian shipments to the UK normally run into several hundred million rands a year Reflecting Soviet foreign exchange shortages, the deliveries are thought to have continued at a high rate last year in spite of the weakness of the diamond market

[redacted]

Aussies square up to challenge De Beers

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RDM 23/1/82

NEIL BEHRMANN visited Australia to determine the extent of the huge diamond deposit discovered there. His report covers the production potential of the mine.

PERTH — The impressive diamond discovery in the Northern Desert region of Western Australia will have a significant impact on the world market and De Beers for many years to come

"Sampling results have indicated high grades and it appears that the area will be a diamond resource of considerable significance," says Mr Alan Jones, chief executive of Ashton Mining, one of the three companies taking part in the Ashton Joint Venture which is developing the project

Mr Jones estimates that the venture will be producing 2-million carats a year from the second half of 1982 If a feasibility study is approved in the next few months, a plant processing 2 250 000 tons will produce a further 17-million carats a year from 1985 onwards

The main participant is CRA, the Australian mining house and subsidiary of Rio Tinto-Zinc The third partner is Northern Mining They say that in terms of quantities of stones, the potential is the most exciting since the discovery of diamonds at Kimberley over a century ago

Initial sampling, however, indicates that the proportion of gems is small, even though the quantity of diamonds yielded a ton of rock far exceeds the amounts from De Beers Southern African mines

"In terms of carats it is the richest diamond mine ever discovered, but when quality is considered it does not match South African standards," says Mr Ewen Tyler, technical director of Ashton Mining He says the mine may eventually raise world diamond production by 40%, but this quantity will only be worth about 6% to 10% of the value of world output

Mr Greg Walker, an executive and spokesman of CRA, which is the manager of the Ashton Joint Venture, agrees with this view

But Mr Rees Towie, chairman of Northern Mining, believes the gem values are understated and that the area has far greater potential than the published estimates of his two partners

The Ashton Joint Venture had its origins in the Kalumburu Joint Venture which was formed in 1972 to conduct diamond exploration in the northern part of Western Australia, coincidentally called the Kimberley region Northern Mining was a key venture and one of its geologists discovered the first diamond in 1973

But the small exploration company was short of cash and Mr Towie says that its interest was watered down from 20% to 5% when CRA was asked to back the venture The group was renamed Ashton Joint Venture and CRA, which manages the project, now has a 56,8% stake, followed by Ashton Mining with a 38,2% interest and Northern Mining with 5%

While De Beers' Australian exploration company, Stockdale Prospecting (Pty), was

unsuccessfully for

deposits

In 1977 it found a large group of kimberlite pipes (volcanic rock which can yield diamonds) at Ellendale, 120 ke east of the dusty cattle town of Derby in Western Australia and 2 000 km north of Perth

An Ashton Joint Venture document says 30 kimberlite bodies were sampled, but only two had sufficient commercial diamond content The two pipes covered areas of 46 hectares and 84 hectares and in 1980 about 51 000 tons of kimberlite was processed yielding 3 190 carats, mainly small beautiful gems with colours ranging from yellow white to blue

Northern Mining reports that the largest high-grade stone was 6,5 carats For every 100 tons of kimberlite sampled, however, only five to six carats were found This compares with a range of 19 carats to 75 carats a 100 tons from the gem-rich Southern African mines

In September 1979, a team of geologists including Mr Towie's son John and his future daughter-in-law discovered the mammoth Argyle prospect

This deposit is south of Lake Argyle in the eastern Kimberley region, 600 km from Ellendale, about 2-200 km from Perth and 200 km south of another cattle town, Wyndham The discovery was so impressive that the Ashton Joint Venture shelved plans to develop Ellendale

The Argyle prospect consists of four distinct deposits

An elongated kimberlite pipe, called the AK 1 pipe, which is the remains of a volcanic injection of magmatic rock, is the main deposit

The pipe is 1,7 km long and 450 metres wide It covers 45 hectares in a valley surrounded by rugged hills of quartzite at the headwaters of an area called Smoke Creek

Structural drilling suggests that AK-1 contains 100-million tons of kimberlite which on a production 2 250 000 tons a year to 5-million tons could indicate a life of anywhere between 20 and 50 years

CRA's latest quarterly report says 152 000 carats were recovered from nearly 34 300 tons sampled and treated This is a yield of 443 carats a 100 tons The southern portion of the AK 1 pipe is much richer than the northern and from accumulated samples it is yielding 760 carats a 100 tons Recrushing raises the value to 848 carats a 100 tons

The three remaining deposits are alluvial and surround the AK1 pipe over a wide area because the ancient volcano spewed out the kimberlite over a wide surface

The first is Upper Smoke Creek which has limited resources of rich diamond-bearing alluvial gravels between the AK1 pipe and a gorge 1,5 km to the north of Lake Argyle So far 79 400 carats have been recovered

Smoke Creek which covers low alluvial deposits and continuing from Upper Smoke Creek into Lake Argyle The yield from accumulated samples is 368 carats a 100 tons

Finally, in September 1981 the joint venture discovered another large alluvial resource called Limestone Creek east of AK1 The yield is 165 carats a ton

These grades compare with 75 carats a 100 tons at De Beers Finsch mine and 64 carats a 100 tons at Orapa and nine carats at CDM in Namibia But the stones are mainly industrial and the larger diamonds weighing 11 to 12 carats fit into the industrial category

Mr Jones and Mr Towie reckon that once a feasibility study is approved by the end of March, a plant will be commissioned to produce 2 250 000 tons a year from the AK1 pipe Production will start in 1985

By mining the richer southern area of AK1, about 17-million to 18-million carats could be produced a year

Mr Tyler says that the three alluvial deposits and scree (the diamonds above the pipe) could contain some 14-million to 15-million carats The Ashton Joint Venture will be able to mine about 2-million carats a year until this resource is exhausted Production is expected to start this year

If the feasibility study is approved the project will come on stream in 1985 and could yield a total of 20-million carats, including the alluvial diamonds Depending on the market, the companies could raise production to 4 500 000 tons a year — or 30-million carats

De Beers marketing arm, the Central Selling Organisation, values the diamonds at $7,75 to $8,40 a carat, but Mr Towie says the valuation is ultra-conservative He says it suits De Beers and the partners to underplay the grade and deposits because of the depressed state of the diamond market

Mr Tyler and Mr Walker say that the gem content of the diamonds is 8% to 10%, about 40% of the diamonds are "near gem" and the remainder are industrial or boart On this assumption gem output will be 1 500 000 carats to 2-million carats

Mr Towie disagrees and says the gem content is nearer 15%

Whatever the estimates, there is little doubt that the Ashton Joint Venture will change the world diamond market considerably and De Beers can only hope that the market improves in the next few years

Diamonds don't lack their lustre in the doldrums

RDM 25|1|82

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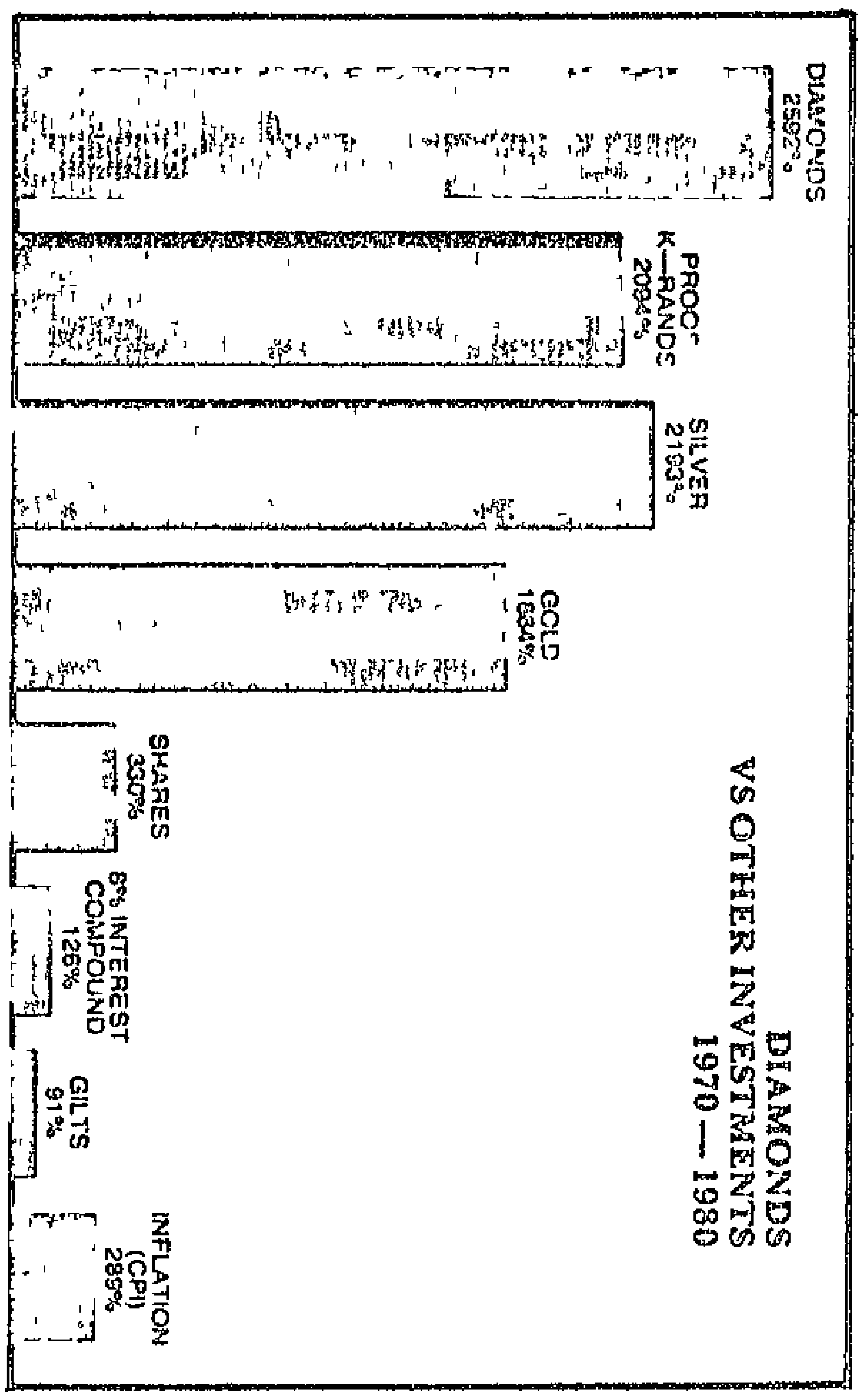

☐ Table showing how diamonds performed against other investments

IT IS a matter of record that diamonds impressively outperformed all other popular growth investments through the decade of the 1970s

But what about the 1980s? Recently the investment diamond market has been in the doldrums, says Len Gullan of the Hard Asset Group

Reviewing diamonds' past performance he says that the growth in values of investment grade stones over the period 1970-1980 was nothing short of spectacular

As can be seen from the table on this page diamonds outperformed shares, fixed interest, gilts and inflation by enormous margins

They also convincingly outstripped other popular hard asset investments such as Proof Krugerrands, silver and gold, he points out

Although the long-term price trend for diamonds is one of impressive growth, this growth as with all investments, is subject to short-term price cycles, he explains

Mr Gullan says that in keeping with most other hard asset investments there is something of a correlation between the movement and timing of diamond price cycles and that of the US inflation cycle

"Both the US inflation rate and the prices of investment grade diamonds have been in a cyclical decline since early 1980

"To see this decline in perspective, however, one should bear in mind that while diamond prices have come down about 35% on average, the price of gold has declined as much as 53% and silver has plummeted a whopping 81% from their peaks of early 1980 to their lows of recent months

"In the last few months, US inflation has once again edged upwards and many analysts believe this is the commencement of a new inflationary wave

Already the prices of gold and silver have bounced up sharply which could well be the signal that another bull market in investment diamonds is imminent," he says

Mr Gullan says that the diamond trade, however, is still in the doldrums and this has led to recent speculation that diamonds may have permanently lost their lustre as investments

"There has been some speculation in the Press that De Beers, which has long exercised a rigid control of the diamond market, may have lost their grip on the situation

'I do not for one moment believe this to be the case What has happened is that the nature of De Beers' control has changed in keeping with market circumstances and this is likely to lead to somewhat more volatility in the price of diamonds in the future than has been experienced in the past

"From an investor's point of view, however, this should be seen as a welcome development because for an investment to be worthwhile its price must move up and down in order to keep bringing new buyers into the market and allow earlier investors to take profits

"I am afraid that the traditional diamond trade may have to get used to the fact that 'Big Daddy' (in the form of De Beers) may no longer be prepared to smooth out the price cycles for them But for those who can adapt their thinking, diamonds could prove an even better investment medium in the future than they have in the past,' he explains

Mr Gullan said another factor which has exerted a bearish influence on the diamond market has been the fact that Zaire and Australia have opted to market their diamond production outside of the De Beers "syndicate"

However, investors should understand that only a small proportion of the diamond production of both these countries will fall into the 'investment grade' category, he says

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"Personally, while I believe that the syndicate will continue to retain a degree of control on the market, I do not see it as a material factor for investors whether they do or not

"Investment grade diamonds constitute less than 2% of total production and this percentage is steadily diminishing As such these stones are valid rarities and their prices will continue to appreciate long term no matter what developments occur within the diamond industry as a whole"

He stresses that investors would be well advised to only buy stones which meet international investor requirements because their added rarity value is likely to underpin their price appreciation regardless of developments in the industry as a whole

`It would appear to be an excellent time for serious long-term investors to buy investment-grade diamonds The risk of substantial price declines must surely be limited, while the potential for large-scale profits looms larger as each week goes by, says Mr Gullan

"Remember, however, when investing in diamonds, that it is important not to overpay as this can offset much of your profit potential," he warns

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CSO withdrawal a success

Zaire to double diamond output

RDM 25/1/82

By JOHN MULCAHY

ZAIRE'S Miba diamond mine is expected to double its production in two years in an expansion programme costing $40-million

The Government of Zaire and the World Bank's International Finance Corporation for a loan to finance the expansion are expected to agree to the loan on Friday

Mr Jack Lunzer, managing director of Industrial Diamond Company (IDC), Hatton Garden diamond merchants and one of the three companies handling the marketing of Zaire's diamond production, said the Miba expansion would double production in two years from 6-million carats now

Mr Lunzer was in Johannesburg last week after attending the monthly diamond sale in Kinshasa where the Societe Zairoise de Commercialisation des Minerais (Sozacom), Zaire's State mineral marketing organisation, sold 542 733 carats of diamonds for $8 500 000

He rejected claims that Zaire's withdrawal from the Central Selling Organisation (CSO) had been unsuccessful, and said its production was not sufficient to meet demand

Evolutionary

Since Zaire's withdrawal from the CSO last year the entire production from the Miba mine, as well as from Tchikapa, had been sold without difficulty, said Mr Lunzer

Questioned on the possibility of other producers following Zaire out of the CSO, Mr Lunzer said Zaire was an unusual case because most of its diamonds were industrial quality, "and the marketing of gems is a completely different ball-game"

The IDC had operated independently of the CSO for 15 years

He foresaw changes in the diamond market, but equated these with evolutionary change "Nothing stays the same — we see a different Africa to 10 years ago, with a national pride and determination for independence"

While the nature of the CSO would change with the world, it would still be around in one form or another

Surcharges

He defended the CSO's action in imposing surcharges on gems three years ago which sent the prices of wholesale diamonds rocketing

"The CSO had no option — they had to put a stop to the madness that had swept the investment diamond market"

If its monthly sales continued at the current level — and Mr Lunzer expects demand to increase — Zaire's annual sales could reach $120-million, representing 8,5% of the CSO's 1981 sales

Mr Lunzer said other areas of Zaire produced diamonds, but these were smuggled out through Brazzaville and Burundi

While these stones were produced by hand on a small scale, the combined total from these operations was significant It was estimated that in December exports from Brazzaville amounted to $6-million against $5-million in November last year

Mr Lunzer said "By far the greater proportion of Zaire's diamond output is in industrial stones where the market is determined by straightforward supply and demand factors, and is unaffected by speculation or investment

"The relatively small quantity of gem diamonds produced in Zaire are in the medium-quality range, which at the retail level are selling like red-hot cakes"

Mr Lunzer said there had always been strong demand for Zaire's industrial diamonds, and in the 1950s and 1960s the US built up a huge stockpile of the stones

Production was adversely affected in the civil war in Zaire, and around the same time the US decided to release 6-million carats a year of the Zaire stones for sale by tender as the development of synthetic diamonds had reduced the strategic need for such a large stockpile

According to Mr Lunzer the IDC continually underpinned these US sales as it had substantial markets for the Zaire diamonds

All minerals

Zaire's decision to follow an independent marketing approach was not confined to diamonds, and Sozacom was established to market all Zaire's minerals.

In its first step towards increasing production the Miba mine had placed a deposit of $5-million for a dredge to produce 1 500 000 carats a year

Mr Lunzer said the world should welcome the discovery of the huge diamond field in Australia as there was an inadequate supply of natural industrial stones

Annual synthetic diamond production had reached 130-million carats, but the size of these stones was limited, and because there had not been enough natural diamonds to satisfy the market, synthetic compounds of smaller stones had been developed which did not always have properties equivalent to "naturals"

"I am not concerned about the world's ability to absorb the Ashton production," said Mr Lunzer But the likely impact on the market could not be judged until the performance of the Ashton industrials had been assessed

Australia had produced diamonds from various sources for 50 years, but the friability of the stones varied from place to place, and the Ashton diamonds would have to be tested to determine their best use

Mr Lunzer would not be drawn on Ashton's possible marketing plans, but said the Joint Venture management had been in close contact with every major distributor and user of diamonds, "and are handling the situation in a most able way"

PHB Weserhutte South Africa has received a R6-million order from SA Coal Estates, a subsidiary of Anglo American Coal Corporation (Amcoal), for the supply of three slewing stackers, two bridge-type scraper reclaimers and one portal scraper reclaimer

The equipment, due for commissioning early next year, will be used for blending raw coal and storing washed coal at the R214-million Goedehoop Colliery to be established in the Witbank area

The mine will have an output of 4-million tons a year, and will produce steam coal for export through Richards Bay

UK sells trawlers to New Zealand

ONDON — Britain's two iggest and most successful rawlers have been sold to a New Zealand company because of the decline in fishing opportunities for the UK leep-sea fishing fleet

Arctic Buccaneer and Arctic Galliard, both operated by Boyd Line of Hull, have been bought by Fletcher Fishing of Auckland This reduces the Hull deep-sea fleet to 14 from 16 in 1974 The UK deep-sea leet, which exceeded 500 vessels in 1974, is now fewer han 90, and many of these are not active

More ships from the Hull fleet may be sold to join similar ships in offshore oil operations in various parts of the world

Boyd Line had offers for the vessels from British buyers, but these would have meant their being taken out of the fishing industry The

De Beers cover-up for Soviet gem sales

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ADH 25/1/82

LONDON. — De Beers has blocked publication by the British Government of sensitive figures on shipments of diamonds from the Soviet Union to London.

Because of the move, which affected Britain's trade statistics from the beginning of last year, the Government is no longer providing figures on clandestine shipments of Soviet diamonds to London where they are sold through De Beers worldwide marketing network

The link in diamond marketing between two countries at opposite ends of the international political spectrum has been known for years But it is not formally admitted by either side, and is a subject of considerable embarrassment, particularly for the Russians

The move effectively wraps another layer of secrecy around the highly discreet international ,trade in gold and diamonds when the Soviet Union is struggling hard to raise funds in the West by boosting gold sales

South Africa and the Soviet Union, the main world producers of both commodities, have been hard hit in the past year by weak prices De Beers had a 46% drop in diamond sales last year as it built up stocks to try to steady the market

Britain's Customs and Excise admits that De Beers asked for the diamond statistics to remain unpublished and that it agreed to this

In the 1970s the British Government took action to block statistics on gold imports into the London market, partly in response to Russian complaints made through London bullion dealers

The guarantee of discretion in London, together with some lessening of anonymity in Zurich, the rival trading centre, contributed to a Soviet decision last year to switch some gold shipments to Britain from Switzerland

Moscow's diamond deliveries to London have mainly been rough (unpolished) stones which are passed on through a third party to De Beers and then sold through its Central Selling Organisation The CSO handles the marketing of about 80% of the world's diamond production

Russian shipments to the UK normally run into several hundred million pounds a year Reflecting Soviet foreign exchange shortages, the deliveries are thought to have continued at a high rate last year in spite of the weakness of the diamond market

But no proper figures are available because at the beginning of 1981 Britain's Department of Trade stopped publishing figures for Russian gems sent to London for transhipment

The department defended the action — which affected all diamond exports and imports for last year — on the grounds that it removed a distortion of the trade figures It also made a similar move on aircraft shipments last year, for the same reason

Asked to provide the missing figures, the Customs and Excise — which is responsible for collecting the figures — declined to do so because it would identify the trading position of De Beers

"The trader was consulted (about the possibility of publishing the figures) and turned it down," said Customs and Excise

For several years up to 1980, Russian diamond shipments to London made up the lion's share of imports from Moscow under the Trade Department's opaque heading, "non metallic mineral manufactures" These came to £202-million in 1978 (out of total imports from the Soviet Union of £668-million), £335-million (total £828-million) in 1979 and £367-million (total £786-million) in 1980

Last year, however — for which only four months' figures are available because of the civil servants' dispute — the identified imports dropped to only about £100 000 a month because of the changed statistical coverage — Financial Times

FC4 R137 00
BARS
OC62 R33 00
PRICES EXCLUDE GST

216 Star 26/1/82

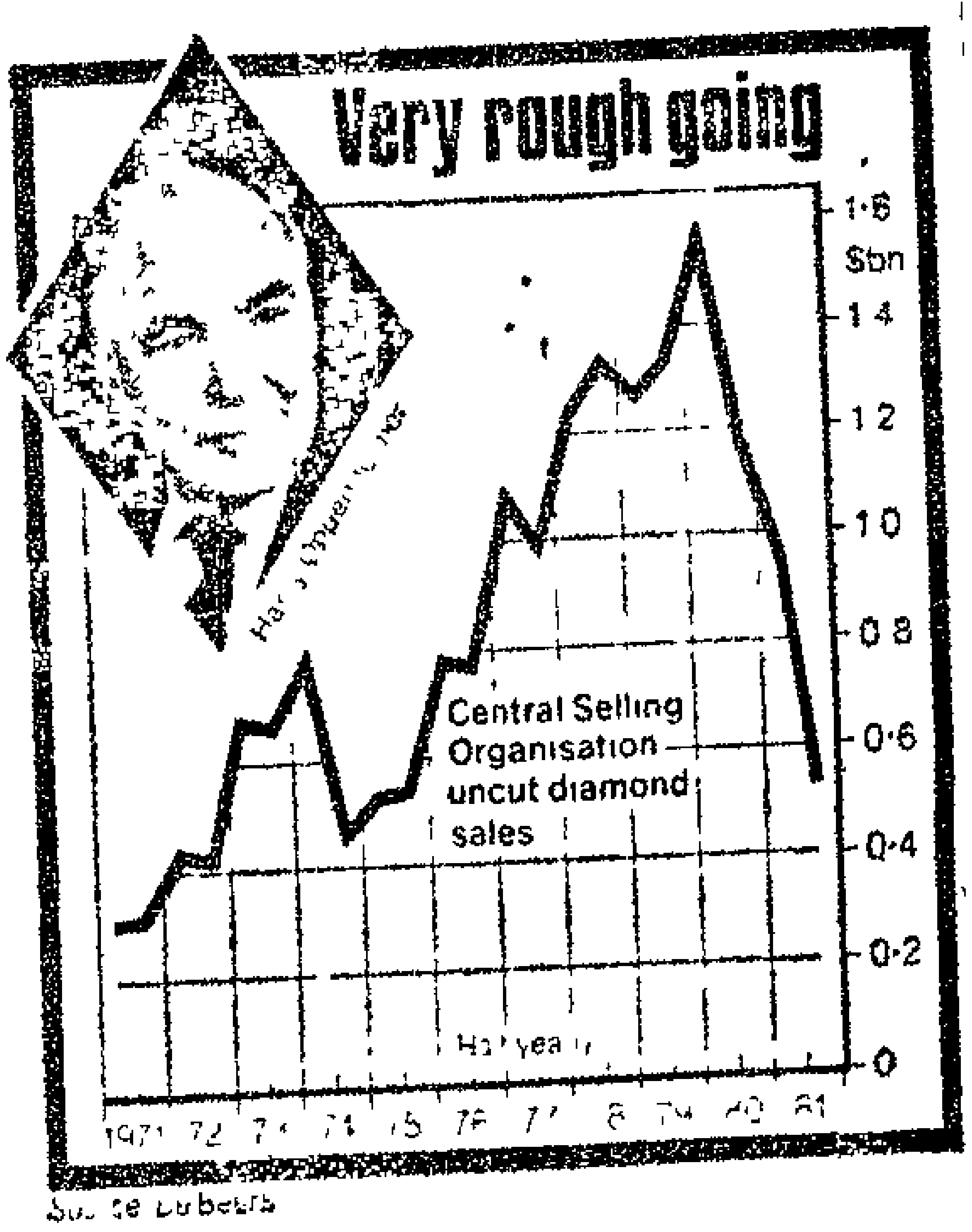
Fall in gems hits De Beers

LONDON — De Beers, which markets four fifths of the world's rough diamonds by value through its Central Selling Organisation (CSO) is wincing from the collapse in the gem market in 1981 Total CSO sales of uncut diamonds fell by 46 percent last year to R1 470-million The market's fall accelerated in the second half of 1981 No sparkle of recovery is in sight.

It is an expensive business for De Beers to retain its near monopoly on the gem industry during a recession The company has been stockpiling diamonds for more than a year, reducing sales through the CSO s "sights," at which rough gems are displayed and sold to dealers Output at its own mines was cut by 5 percent in 1981 to around 14-million carats but this has not stopped the growth of its diamond mountain Financing the glittering stockpile has probably eaten away a big part of its cash reserves, which stood at R1 040-million at the end of 1980 But if the monopoly survives profits will be high when demand eventually recovers

According to De Beers, the drop has not come into the shops It says that the worldwide jewellery trade was fairly steady in 1981 Sales in America, which make up about a third of the R18 000-million annual worldwide retail market, rose by 8 percent, or not much less than the rate of inflation. Jewellery sales in Japan (with 18 percent of the world market) were unchanged A steady trade in western Europe at Christmas, usually the busiest time there for jewellers, has brought some cheer to De Beers

But it will be some time before retailers finish running down their swollen stocks. De Beers spent more than R60-million in 1981 promoting diamond jewellery around the world, about a fifth of this in America Its latest marketing aim is to encourage the wearing of diamonds by the conservative British male one in four American men is now said to own a sparkler De Beers is also trying harder to attract people aged between 18 and 35, with arty designs like diamond-studded sheriff badges



Source De Beers

Diamond stocks at the cutting centres in Israel and Antwerp probably fell in 1981, but not before a handful of Israeli cutters went bust. Bank borrowings by the Israeli diamond industry have fallen to around R700 million, which is 40 percent lower than in January, 1981 Cutters there have also been hurt by the expansion of cutting factories in Bombay, where low wages have helped Indian dealers to get more business at the cheap end of the gem cutters' market Indian output may have risen by as much as 40 percent in value last year

In most countries demand has been weakest at the top end of the market, particularly from investors in diamonds Top quality gems are now worth around R25 000 a carat, less than half their price at the height of the boom two years ago

Threat to De Beers report debunked

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Star
26/1/82

The Star Bureau

WASHINGTON — Diamond dealers in America are reading the latest issue of "Atlantic" magazine with raised eyebrows.

A report in the respected monthly says the De Beers cartel could lose its hold on the world diamond market and be unable to prevent a crash in prices.

The report says De Beers faces the threat of a flood of diamonds from several sources, which could permanently deflate the price.

It lists the possible liquidation of Israel's large stockpile, uncertainties about Zaire, any panic by those who began buying investment diamonds in the late 1970s, and the vast deposits recently discovered in Australia.

The magazine says the public holds more than 500 million carats of gem diamonds, adding: "The moment a significant portion of the public begins selling diamonds from this inventory, the price of diamonds cannot be sustained."

Diamond dealers discount the magazine report.

Mr Samuel Schick, chairman of the 2 000-member Diamond Dealers Club of New York, said: "De Beers is not at all in danger of giving up control of the diamond business."

● See Page 32

Diamond fears drive foreigners from De Beers

(216) RDM 27/1/82

EUROPEAN INVESTORS increased their holding of South African mining shares in 1981 at the expense of U.S. shareholders, according to a report on foreign portfolio investment in South African mining companies compiled by Davis, Borkum, Hare, a firm of Johannesburg stockbrokers

However, both U.S. and European investors have been large sellers of De Beers' shares in the past two years as fears have mounted over the effectiveness of its future control of the diamond market

The proportion of foreign shareholders in De Beers slipped from 46.7 per cent in October 1979 to 40.3 per cent two years later South African institutions, however, have been willing buyers, thereby preventing a sharp decline in De Beers' share price

The findings of the Davis, Borkum, Hare report confirm the impression of many stock market analysts that the fall in the bullion price since early 1980 has caused greater alarm among U.S. investors than their European counterparts. A partner in a leading Johannesburg stockbroking firm said yesterday that Europeans, particularly the Swiss, "have adopted a more bullish approach They think that the drop is temporary."

According to the study, the total value of foreign portfolio investment in the South African mining industry, measured by market capitalisation stood at around R13bn ($13.4bn) last October Of this sum, R8.2bn was invested in gold mines.

U.S. investment in the gold mines totalled R3.5bn, accounting for some 27 per cent of total shareholdings, which was four times its value in 1977.

Although the study is a thorough analysis of mining companies' share registers, it does have several shortcomings It excludes foreigners' indirect beneficial shareholdings which in some cases are substantial.

Further, the compilers have had to estimate the extent to which shares owned by non-residents are registered in the names of South African nominee companies

Also, as it is restricted to investment in companies listed on the Johannesburg Stock Exchange the survey understates foreign involvement in the South African mining industry

BP, Shell and Total, a subsidiary of Compagnie Française des Pétroles have sizeable coal mining interests. Newmont Mining of the U.S. employs more than 7,000 at its copper and lead mines in South Africa and Namibia while other foreign companies with substantial unlisted mining investments include Phelps Dodge of the U.S., Bayer of West Germany and Pechiney Ugine Kuhlmann of France

Several listed gold mining companies are more than 50 per cent owned by foreigners with Blyvooruitzicht, Durban Deep and East Rand Proprietary Mines (ERPM) held more than 60 per cent by non-South Africans. The foreign shareholding in Blyvooruitzicht jumped from 50.3 per cent in 1977 to 61.6pc in 1981.

Blyvooruitzicht is one of several short-life mines which pay a relatively high dividend, making them attractive to foreign investors who buy shares through South Africa's cheap investment currency, the financial rand, but are able to remit dividends at the commercial exchange rate.

According to Davis, Borkum, Hare, the 10 most popular gold stocks among U.S. investors are Blyvooruitzicht, Durban Deep, Bracken, Loraine, Elsburg, Free State Geduld, Venterspost, Grootvlei, Randfontein and Doornfontein. The U.S. interest in these mines ranges from 30 per cent to 50 per cent

Despite these large foreign investments, there is little likelihood of outsiders wresting control of the mines from the South African mining houses which manage their operations Foreign shareholdings, particularly in the U.S., are widely dispersed and it is doubtful whether other companies would have the expertise to run the mines, even if they wished to

Although the South African Government allows foreign control in other sectors of the mining industry, it is doubtful whether it would allow a foreign company to acquire direct control of a large gold mine

Foreign investment in the mining industry is far heavier than in most other sectors of the South African economy, with the exception of the oil, motor and pharmaceutical industries

The high cost of establishing mines long ago prompted the mining houses to raise capital abroad, and most are listed on European stock exchanges

FOREIGN OWNERSHIP OF SOUTH AFRICAN MINES (% at October 31)

	1977	1980	1981
South African gold mines (total)	37.7	30.4	30.0
Anglo American Corporation	32.9	24.9	22.7
De Beers	43.0	43.2	40.3
Rustenburg Platinum*	9.9	20.0	24.3

* Reflects Charter Consolidated's sale of interest

U.S. SHARE OF FOREIGN TOTAL (%)

South African gold mines (total)	23.3	27.0	24.7
Anglo American Corporation	n.a.	7.6	6.9
De Beers	n.a.	15.9	11.0
Rustenburg Platinum	n.a.	18.5	20.7

Source Foreign Holdings in South African Mining Companies published by Davis Borkum Hare, Johannesburg

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EEC farmers get price increase boost

BRUSSELS — The EEC's 9-million farmers last year secured the largest increases in product prices since 1976, although in most member states the price rises did not match increased production costs

According to preliminary estimates from the EEC's statistical office the EEC's index of producer prices for farm products rose by 11,3%

puts — the cost of goods and services used in agricultural production

This is one factor used by EEC farmers' organisations

are thought likely to average between 7% and 9%, but interest will focus on the extent to which the commission seeks to apply its proposals

text of the commission's price proposals

Although the prevailing double-eight rate of inflation in the EEC will put pressure on farm ministers to award generous price increases, the gap between producer price increases and the rise in production costs over the past 12 months is substantially less than last year when it amounted to 4 to 5 percentage points

In addition there has been little or no drop in farmers' real incomes, whereas in 1979-1980 they fell by an average of 25% — Financial Times

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German Govt to boost economy

BONN — A broad hint that the West German Government will decide shortly on steps to help boost economic growth and curb unemployment has been dropped by the Chancellor, Mr Helmut Schmidt

In an interview with the weekly magazine Stern, however, he stressed that such measures would only have an effect if employers exercised discipline on prices and employees on wages

His comments were made public on the same day that the annual wage negotiations opened in the pace-setting metalworking industry They

for 1982 This is due on January 27, by which time Mr Schmidt will have had talks with union and employers leaders

Mr Schmidt said that tax measures which came into

CSO and the Ashton diamond manoeuvre

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RDM 8/11/82

NEIL BEHRMANN explains in his second report on his visit to Australia why it is virtually certain that De Beers will market Australia's huge diamond deposit.

ALL PARTICIPANTS in the Australian diamond industry — even those who favour independent marketing — agree that the initial long-term sales contract for the Ashton Joint Venture's production will be won by De Beers marketing arm, the Central Selling Organisation.

Australian diamonds will have a significant impact on the world market If production studies are approved, the Ashton Joint Venture will start producing 2-million to 3-million carats this year, rising to 20-million carats by 1985 (A carat equals a fifth of a gram)

Ashton will raise world diamond production by 40%, and could increase world diamond gem production by a quarter to a third

De Beers executives admit that Ashton will be the most significant variable on the diamond scene until the end of the century To ensure the CSO's profitability and control of the world market, it is essential that it sell Australia's diamonds

De Beers executives say this is the only way market stability will be maintained

Appreciating the importance of Australia, De Beers seconded Mr Neville Huxam, a young public relations executive, from Johannesburg to Melbourne to study the scene In the next few months he will be "educating" Australian journalists by flying them to London, Antwerp and South Africa

The fight for the Ashton sales contract is clouded by intrigue, and the in-fighting associated with the diamond business

It involves differences of opinion among the joint venture partners, Australian efforts for a diamond-cutting industry, politics and an unsavoury takeover of the rebel joint venture partner, Northern Mining

Rio Tinto-Zinc's Australian subsidiary, CRA, has the major interest of 56,8% in the Ashton Joint Venture Ashton Mining, 50% owned by Malaysian Mining Corporation, is the next biggest partner with 38,2%

The third participant with a mere 5% interest is Northern Mining This company, headed by a fiercely independent mining character, Rees, Towie, played a significant role in the exploration and discovery of the diamonds

Anglo and De Beers have an indirect interest in the joint venture of less than 5% through inter-company shareholdings in Rio Tinto and Malaysian Mining Corporation Because of the "old boy" mining network, De Beers has considerable lobbying power

Mr Towie says that by February last year both CRA and Ashton Mining had decided to market through the CSO Mr Towie, however, criticised the decision because other potential buyers had not been approached They were General Electric, the powerful US corporation which makes synthetic diamonds, and the large US gem retailer, Zale Corporation

"I was not, and I am still not, against marketing through the CSO, but I felt it was necessary and reasonable for the joint venture to properly examine all the alternatives," says Mr Towie

Mr Towie dislikes the CSO's middle-man profit This includes a 10% commission and low valuations for bulk buying — the producer fee to the CSO for supporting the market in bad times

In January 1981, Northern Mining's independent valuer, a respected Australian diamond merchant, Mr Albert Joris, valued samples from Ashton by a third to 50% higher than the independent Ashton Joint Venture valuer, who was probably recommended by De Beers

The difference increased Mr Towie's suspicions, especially as Mr Joris said that the gem quantity of the Argyle deposit was about 15% against the 8% to 10% estimates of the two partners

In July 1981, Northern Mining brought in independent valuers from New York, Antwerp, Tel Aviv and Japan Mr Joris says the content of the July parcels was very different from the samples he saw in January There were far fewer gems

Other dealers wrote that they found the assortments odd

"The composition of material presented to me does not represent original mining production," wrote one valuer

These statements made Mr Towie even more sceptical Mr Greg Walker, spokesman of CRA, insists that the parties agree to differ on the values and grades of the deposit and that the Ashton valuations are carried out by an independent London valuer, who examines Botswana parcels

It might not be unreasonable to conclude that Mr Towie irritated his partners and De Beers Whether it was a coincidence or not may never be known, but Mr Towie was soon to become a takeover victim which would push him out of the way

Towards the end of 1980, Mitchell Cotts, fed up with the accumulated losses arising from Northern Mining's exploration sold its 15% interest in the company The chairman of Mitchell Cotts was also a director of Consolidated Gold Fields

A large proportion of the parcel went to National Mutual Life, an Australian institution and the chairman of National Mutual, Mr Gerald Niall, was coincidentally on the board of Consgold's Australian company De Beers and Anglo American have a significant holding in Cons Gold

Mr Towie feared a takeover from Cons Gold and searched for a godfather He found a Western Australian entrepreneur, Mr Alan Bond who bought 10% of his company, aiming to give Mr Towie a blocking mechanism

National Mutual began buying more shares on the market, raising its stake to 20% Mr Bond did the same

In June last year, National Mutual sold its holding through a London broker In spite of Australian security regulations, the buyer was not disclosed for several weeks

This led to speculation in the London Sunday Telegraph that the shares had been warehoused for De Beers However, Mr Bond turned out to be the buyer amid considerable criticism from the Australian financial press

There was an even greater furore when Mr Bond tried to withdraw from the takeover

"I was set up," says Mr Towie, adding that Mr Bond was taken to court by Northern Mining and the Australian National Companies and Securities Commission One of Mr Bond's companies, Endeavour Resources, now has control of Northern Mining and like many other enterprising mining men who lacked sufficient financial resources, Mr Towie will have to look for other minerals in the desert

He suspects that it is possible that Mr Bond is a front man for De Beers

About August, documents — possibly leaked by disenchanted Northern Mining executives — found their way into the hands of the newspapers and a report that South Africans were "seeking to control" Australian diamonds was published in the Melbourne Age

The article appeared only weeks before the Commonwealth prime ministers' conference in Australia and embarrassing questions were asked in Parliament, leading the Australian Prime Minister, Mr Malcolm Fraser, to say that marketing options should be thoroughly studied Indications, however, are that the Western Australian and the Federal governments believe that the CSO is the best bet

Mr Bond, who now owns Northern Mining, says the CSO should market the diamonds, although a small proportion, possibly Northern's share, should be sold independently

"That was my idea, they just should not have steamrollered me," says Mr Towie, adding that in current depressed conditions the CSO should sell the diamonds Mr Joris agrees

With the other partners in favour of the CSO, it is almost certain that the CSO will hold the first contract

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S. Times 7/2/82

CSO expected to stay dominant in world diamond market

By Andrew McNulty

CONTRARY to current fears, the structure of the world diamond market strongly favours continued dominance by the Central Selling Organisation (CSO), De Beers's marketing arm

A secure future for the CSO implies a return to stability in the diamond market and a sound long-term outlook for De Beers

This is clearly shown by a full study of the market

Most close observers are confident that initial long-term sales contracts for Australia's new Ashton Joint Venture (AJV) — planned to start producing at a rate of two to three million carats this year, rising to more than 20-million carats by 1985 — will be awarded to the CSO despite controversy surrounding the "South African monopoly"

But the CSO is likely to maintain its control of the market even in the event of new diamond production from Australia being marketed through other channels

Diamond market analysts agree that Australia presents the biggest single uncertainty in the market for probably the next decade

De Beers's outlook becomes clearer when a distinction is made between gem and industrial diamonds

It is projected that the new Australian prospects will produce as much as 25-million carats by the mid to late 1980s apparently substantially overshadowing the 19-million carats which De Beers will mine at that stage

"This is emphatically not the case To understand why not, one must look at the nature of the diamonds," concludes a comprehensive report on De Beers by a Johannesburg firm of stockbrokers

The quality of the Australian find is uncertain, but current indications are that at least 85% (21,3-million carats) will be industrial stones with a value of about $3 to $4 (US) per carat

In addition to the De Beers mined output, the group produces about 40-million to 50-million carats of synthetic industrial diamonds

This will increase materially over the next five years — so that the De Beers group's total production of all types of diamonds could be 70-million to 80-million carats in the mid-1980s

This leaves De Beers the dominant party in the industrial market — which, in any event, faces a future of expanding demand which should maintain a shortage even with increased supplies of the natural stones

The Australians will be well aware that if co-operation between suppliers is needed to maintain an orderly industrial market, possibly by reduction of synthetic or other marginal industrial diamonds supplies, the CSO will be the best channel for achieving this

Turning to the gem market, the stockbrokers' analyst notes that

"Even 2,5-million carats of gems (from Australia) is a very substantial addition to the world's supply of gem diamonds, and there is no question that close consideration will have to be given to the marketing of these stones"

Of estimated present world gem production of 13,6-million carats, De Beers mines 6,3-million carats (46%) while the CSO has agreements to market about another 4,5-million carats (33%)

In addition, CSO buyers operating in the open market probably buy about 0,5-million carats, to give the CSO a total of about 83% of the total gemstone market

Based on existing contracts, the CSO should market about 11,8-million carats — 68% of 1985 gem production, and the figure rises to 70% with an additional 0,5 million carats for open market purchases

If Australian production is marketed through the CSO, then the CSO would increase its share of the market to about 83% — the same level as it is now

However, these figures fail to reflect the quality of the stones

Of the 5,5-million carats that might not go through the CSO in 1985 (assuming that Australia stays out of the CSO)

- ● 2,5-million carats from Australia will be very small gemstones which, not being alluvial, are unlikely to be of particularly good shape Their value will be low
- ● About 1-million carats are likely to be cut and polished in Russia
- ● About 700 000 carats from Zaire tend to be small and are not of high quality
- ● About 200 000 carats from Venezuela are of poor quality
- ● About 1,1-million carats from Brazil, Sierra Leone, Liberia, the Central African Republic and Guinea are of good quality and size

Thus, of the projected 5,5-million carats that might not go through the CSO in 1985, 3,2-million carats are small, 0,2-million carats are poor quality, 1,1-million carats are of good quality and one million carats are in polished form

(216). RDM 11/2/82

44% De Beers profit drop seen

ESTIMATES of De Beers attributable profits for 1981 range between R305-million and R375-million against R668-million in 1980 — a drop of at least 44%.

By JOHN MULCAHY

The results, due on March 10, are likely to show profit for 1981 to be the lowest since 1976, resulting from a 42% decline in diamond sales to R1 249-million from R2 142-million in 1980

The Central Selling Organisation has experienced its worst trading period for many years, and Sir Philip Oppenheimer recently equated the current slump to the depression of the 1930s

Dollar prices for diamonds are unchanged, but costs throughout the mining industry have risen at an average rate of about 20% over the past year As a result De Beers margins have been cut

The declining rand and lower third-party output may have led to a slight improvement in margins in the second half

One of the ironies in the diamond market's dilemma is that the very factors which led to the boom conditions two years ago are now aggravating the slump

Stocks of diamonds were built up to unprecedented levels, merchants in the cutting centres willing to pay almost any price to acquire stones

These stockpiles at the cutting centres became a negative factor when demand began to fall, and as US interest rates climbed and demand for rough stones collapsed, the CSO was forced to reduce its offerings

Throughout last year demand for diamond jewellery at the retail level was reported to be good, but there was little call for the bigger investment stones, which offer the best profit margins

Profit on the diamond account for 1981 is expected to be about R400-million, less than half last year's R816-million Non-diamond income, which includes dividends and interest, is estimated at R270-million against R269-million in 1980

De Beers had net cash of R616-million at the end of 1980, and diamond stocks totalled R698-million

Stocks at December 31, 1981 have been estimated at between R1 100-million and R1 200-million, suggesting that De Beers has had to resort to borrowings to finance the stockpile, but only in the second half of the year

For the first six months of last year interest earnings were probably only slightly lower than in 1980, but by the second half it is likely that cash was largely depleted

There has been little price weakness in De Beers shares since the shock CSO sales figures were announced, and a significant proportion of the confidence is in the underlying strength of the non-diamond investments

A year ago the value of De Beers non-diamond investments was 916c a share — against the present market price of 855c

The certainty in De Beers results will be the dividend — an unchanged final of 50c is almost guaranteed, taking the total to 75c, the same as 1980

De Beers has never cut its dividend, and is unlikely to reduce it this year, although the cover will be the lowest in at least 15 years

For the current year, hopes are widely held that the bottom of the diamond market has been reached, but there is no evidence that these hopes will be realised

US interest rates have shown no inclination to turn down — in the past few days the major banks have raised their prime rates to 16,5% — and while there are real rates available there is little chance of renewed demand for investment stones

Most analysts are cautious about 1982, and few expect any significant upturn before the second half of this year

However, the normal diamond supply pipelines are believed to be comparatively bare, and if retail demand continues to improve there may be some upward pressure on prices towards the end of the year

The share is still generally regarded as a hold, although some analysts are pessimistic about this year, and believe the 1982 dividend may be endangered

De Beers has, however, ways and means of improving its average margins by selling stocks with a lower cost of production than current output, and at this early stage it would be excessively bearish to expect lower profit this year

De Beers to recognise black union

Star 15/2/82

~~241~~ ~~216~~ ~~123~~ 216

By Drew Forrest

For the first time in South African labour history, a trade union representing black workers has been recognised in the mining industry

The Kimberley division of De Beers Consolidated Mines has recognised one of the country's largest "mixed" unions, the Tucsa-affiliated SA Boilermakers Society as representative of black workers at its Kimberley, Koffiefontein and Finsch mines

At the same time, De Beers has recognised a coloured union operating under the wing of the Boilermakers Society, the Federated Mining, Explosives and Chemical Workers Union

WAGE RIGHTS

About 6 000 coloured and black workers in all categories except the artisan trades are covered by the agreement, which embodies wage negotiating rights, the recognition of shop stewards, health and safety clauses, and redundancy procedures

The impact of the agreement on the negotiating structures in the diamond mining industry is likely to be revolutionary

JOINT COUNCIL

At present, all negotiations are conducted with the Council of Mining Unions, of which the right-wing Mine Workers Union is a prominent member — and which recognises only white workers.

It is understood that the Boilermakers Society is pressing for the immediate formation of a new joint negotiating council for unions representing all workers in the industry

A De Beers spokesman said today that no negotiating structure was specified in the agreement, but that discussions on the issue were already in progress with both the CMU and the Boilermakers' Society

The controversial Mine Workers Union general secretary Mr Arrie Paulus, could not be reached today for comment But sources fear that his union may refuse to sit at the same negotiating table as representatives of black and coloured workers

The Federated Mining, Explosives and Chemical Workers Union is also organising coloured workers in the coal and gold mines, and in time the same problem is expected to arise in these industries

1982
18 RAND DAILY MAIL, Wednesday, February 17, 198

CSO may go to Minorco

216

By **NEIL BEHRMANN**

LONDON. — Brokers in London believe that De Beers marketing arm, the Central Selling Organisation, will be placed under Minorco.

Although the rumour has been doing the rounds for a long time, brokers speculate that a reshuffle will be announced before publication of De Beers annual results

They say Minorco is now the multinational mining corporation of Anglo American and all its international interests will eventually come under Minroco.

It is also likely that the CSO will market Australia's large diamond deposit. At the end of last year, Australian politicians voiced concern that Australia's diamonds would be sold through a South African concern.

The theory is that Minorco is a Bermudan-registered company and similar to Engelhard would be regarded as an independent international unit of Anglo.

Brokers say that in spite of the possibilty of a sharp slump in De Beers earnings, the shares have remained remarkably firm. They believe it is possible that Anglo is supporting the price because a share swop may be involved in the reshuffle.

The slump in the diamond market means that De Beers liquidity has dried up. There is a good chance that it may be borrowing to support the market. Some analysts and diamond dealers believe De Beers will reduce diamond production again. There was a 5% reduction last year.

Australia's Ashton Joint Venture is expected to make an announcement on its marketing plans within the next few months Brokers speculate that the Mionorco-De Beers reshuffle will take place before Ashton announces the sales contract with the CSO

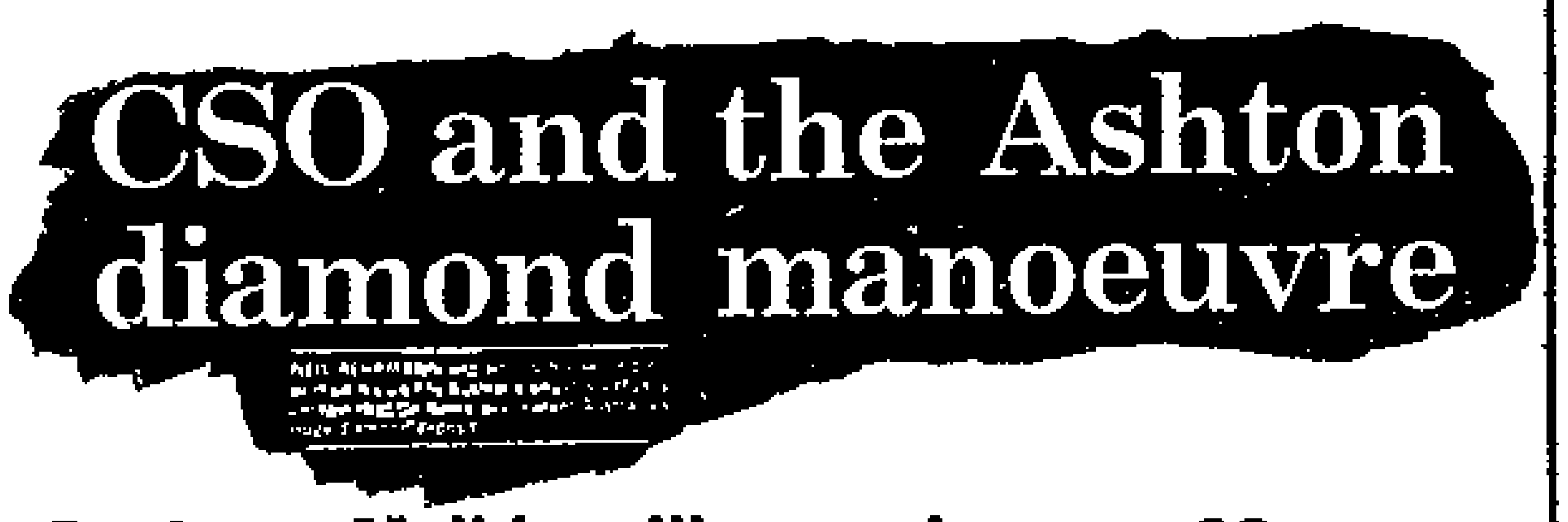
Minorco's main quoted investments are Zambia Copper Investments in which it has a 50% holding, Hudson Bay Mining 44%, Charter Consolidated 36%, Consolidated Gold Fields 29%, Engelhard Corporation 27%, Phibro Corporation 27% and Francana Oil & Gas 17%

Marketing deal almost wrapped up

RDM 20/2/82 (216)

De Beers set to sell Australian gems

By NEIL BEHRMANN



CSO and the Ashton diamond manoeuvre

Business Mail headline on January 28

LONDON. — De Beers has all but won the marketing contract of the impressive diamond discovery in Western Australia.

CRA, the Australian mining house which has the largest stake and is the manager of the Ashton Joint Venture which is developing the mine, says the basis for a marketing arrangement has been agreed with De Beers Central Selling Organisation.

If the other Joint Venture partners, Ashton Mines and Northern Mining and the Australian Government approve of the arrangement, De Beers will sell Ashton's full production on a five-year contract

Now that the announcement has been made, it is highly likely that the arrangement will go through.

In an interview in Melbourne last month, Mr Alan Jones, chief executive of Ashton Mines, told me that the mine would produce 2-million to 3-million carats a year from its alluvial deposits from the second half of this year and another 17-million carats from a kimberlite pipe AK1.

CRA and Ashton estimate that gem production will be 10% of total output, 40% will be near-gem and the rest industrial diamonds.

In terms of the provisional arrangement, De Beers will sell all the gems. But a quarter of the remaining output of near-gem and industrial diamonds will be sold independently on the "free market".

CRA said yesterday. "De Beers has agreed that as a basis for further negotiations the Ashton Joint Venture will receive its most favourable commission rate."

The Ashton diamond mine is expected to make a significant impact on the world market for many years to come Both CRA and Ashton Mines estimate that gem output will be 10%, or 2-million carats, a year, but the other partner, Northern Mining, reckons that the gem value could be as high as 15%, or 3-million carats, a year from 1985

This would add 20% to 30% on to world gem output, depending on the estimates, from 1985 onwards

Diamond dealers and De Beers say that the market remains depressed.

"The January sight was well down on the same time last year, but is the same as depressed sales during the rest of the year," said a dealer.

In an interview with Australian journalists who visited Johannesburg recently, Mr Harry Oppenheimer said there would be no problem about marketing initial production of 2-million carats from the alluvials at Ashton

He admitted that the state of the diamond market was "very bad", but he would be "very surprised" if the depressed diamond market lasted until 1985

Mr Oppenheimer also disclosed that De Beers was borrowing to support the market. So far borrowing was not enormous, but De Beers could borrow substantially more if necessary

The Australians intend starting their own diamond-cutting industry in Perth as soon as possible

UCT

CSO slice is hard to swallow

216

Star 23/2/82

The Australian Opposition party is ready to fight "with all its might" the De Beers cartel possibly taking control of the marketing of the country's diamonds at "an insulting price."

Own Correspondent

CANBERRA — The prospect of the South African-controlled diamond cartel, the Central Selling Organisation, gaining control of Australia's rich diamond mines has sparked a political storm.

The opposition Labour Party has warned that it will fight hard to stop control passing into foreign hands.

Although members of the Government have not reacted to marketing proposals for the Australian diamonds it is known that there is concern within the Government about the proposed deal

Conzinc Rio Tinto Australia, the major shareholder in the Ashton Joint Venture which owns the diamond deposits, announced during the weekend that it had reached preliminary agreement to sell to the CSO all the initial diamond production and 75 percent of production (including all the gem diamonds) from 1985

The labour opposition's spokesman on minerals and energy, Mr Paul Keating, who has closely studied the diamond industry, said the party would fight "with all its might" the proposed deal

"The Government can no longer sit idly by and watch a unique Australian resource fall prey to another country at prices which are an insult to our commercial acumen," he said.

He said that Labour was prepared to see a deal done between the Ashton Joint Venture and the CSO for the sale of some of the diamonds, but was totally opposed to a deal which gave the CSO exclusive control of the gem diamonds

He agreed that the De Beers company, which controls the CSO had made some concessions in negotiations, including allowing some diamonds to remain in Australia for a local cutting and polishing industry and not insisting on exclusive control of all the diamonds from the mine — gems, industrials and boart.

"But the CSO got what it was really after — 100 percent of the gems I regard the deal as a poorly negotiated one for Australia.

"The Ashton Joint Venture should be negotiating from a position of strength because of the size of its resources. It could have split the CSO monopoly down the middle

"If Malcolm Fraser's rhetoric about South Africa and Australia's commercial and political interests mean anything, then the Federal Government must insist that any arrangements with a South African monopoly should be conducted on the basis of maximum benefits for Australia"

The proposed deal was also strongly criticised by Australia's leading diamond export, Mr Albert Jorris

He said the deal would only return Australia about R250 000 million a year for the mine's entire production

He believes that if Australia sold just the gem diamonds outside the CSO they alone could return R1 200 million a year in export income

Solution to

(2) Premiums Tr

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04, Jan 1:		300	
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Jan 2:	ompany)	24 000	
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	olicy		23 460
	ceeds receivable		
Jan 2:	Income from Life Policy	23 460	
	Income Statement		23 460
	being closing entry		
Jan 31:	Bank	24 000	
	Debtor		24 000
	being receipt of proceeds		

Note 1:

At the end of year 03, the life policy would be reflected on the partnership balance sheet as a non-current asset at its surrender value of R240.

Note 2:

The death of a partner automatically dissolves the partnership as legal and accounting entities. For this reason a partnership income statement would have to be drawn up for the period up to the date of death of the partner so as to ascertain the correct balance on his capital account. The proceeds from the life policy would be shown as income in this income statement and NOT credited direct to the partners' capital accounts.

23/2/82 Star

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Australia to check De Beers gem price

By Geoff Kitney

CANBERRA — The Australian Government is to carry out independent valuations of diamonds from the Argyle mine to establish if the price being paid by the De Beers Central Selling Organisation is reasonable

The Deputy Prime Minister and Minister for Trade and Resources, Mr Doug Anthony, told Parliament today that this would be necessary to ensure that Australia got maximum benefit from its diamond industry

It is the first time that he has indicated that the federal government will intervene in the development of the diamond project Previously the federal government has insisted that development was a matter for the companies concerned and the West Australian state government

Mr Anthony's comments follow growing concern that the majority shareholder in the diamond venture, Conzinc Riotinto Australia, has negotiated with De Beers

Concern centres on the price offered and the volume of diamonds that will go from the Australian project to the CSO

The CSO will get the mine's total initial production, reducing later to 75 percent but still including 100 percent of the gem diamonds

Critics of the deal say that the reported price is only about half the real value of the diamonds but Australia will not have any capacity to check the CSO valuations

Mr Anthony said today that it was clear that the benefits that would accrue to Australia would depend on the value placed on the diamonds

De Beers forced to borrow to support market

216

S. Times 28/2/82

DE BEERS' preliminary report — to be announced on March 10 — is expected to be a shocker following the disclosure that the company has been forced to borrow to support the ailing diamond market.

De Beers chairman Harry Oppenheimer admitted recently that the market "was very bad".

The company has been supporting the diamond market since the second half of 1980.

By Neil Behrmann: London

Previously, De Beers was using its own cash resources to support the market but now it is borrowing funds

"We are borrowing to a certain extent This is not something that was planned," said Mr Oppenheimer

So far, borrowing was "not enormous," but De Beers had sufficient collateral to borrow substantially if necessary

Mr Oppenheimer made this disclosure when he was interviewed by Australian financial journalists recently, and De Beers' London office has confirmed his statement

Mr Oppenheimer said that he had hoped the depression in the market would be over by 1985, when the huge Argyle diamond mine in Western Australia comes on stream with full production of 20-million carats a year

On various estimates from the partners involved in the Ashton diamond mining project, gem production could be anywhere between two and three million carats a year, which would raise world gem output by 20% to 30% from the mid-eighties onwards

De Beers is likely to market these gems

It is the gem market which accounts for 80% of the value of the world diamond market

Although smaller, cheap diamonds are fairly buoyant, the more valuable stones, which account for the greater proportion of De Beers profits, are very depressed

Some diamond dealers reckon that the diamond market is as bad as it was in the great depression, when De Beers was forced to slash production

Last year De Beers announced a production fall of 5% and dealers expect further cuts to follow

In the second half of last year De Beers diamond sales collapsed by 42% and diamond dealers say the latest sight sale held in January was as bad as the sales last year It was well down on the January 1981 levels

In 1970, the last time the market was depressed, De Beers was down to its last R71-million in cash. That memory haunted its management for years

At the end of 1978 De Beers' net current assets (liquid assets excluding diamonds) were R889-million, but by the end of 1980 were down to R403-million

Mr Oppenheimer's latest statement indicates that cash resources may be depleted.

The explosion in diamond prices in the Seventies means that it has become exponentially more expensive to finance De Beers' diamond stockpile

In the Seventies this stockpile was worth between R200-million and R300-million.

But from R256-million in 1978 the stockpile grew to nearly R700-million by the end of 1980

Brokers estimate that this stockpile is probably well over R1 000-million depleting cash reserves and forcing the company to borrow

Besides the impact of lower diamond sales, De Beers' previous interest income may become an expense (in 1980 interest was 10% of total revenue).

Also, dividends from its gold investments are expected to fall.

Mining brokers James Capel believes that De Beers' interest in Minorco will to some extent alleviate the situation. This is despite the fact that, including earnings of associate companies, Minorco's earnings will fall to 117c from 237c in 1980.

The actual cash flow or direct earnings from subsidiaries is expected to be 105c, according to Capel

Other brokers contend that this forecast is too optimistic. Some are predicting earnings of 85c to 95c a share, hardly covering the dividend of 75c a share.

In the first half of last year, following a good sale in January, De Beers' earnings were only 56c a share and in the second half the market was worse.

Brokers believe that De Beers will maintain its dividend, but if the market continues to be sour this year there may be pressures for a reduction.

ACCOUNTING A

TO: GLS

iums Treated as Business Expense

Jan 1: Insurance Expense 300 300
Bank 300 300
being payment of premium

31: Income Statement 300 300
Insurance Expense
being closing entry

02 and 03 - same as 01

an 1: Insurance Expense 300 300
Bank

2: Debtor (Insurance Company) 24 000 24 000
Income from Life Policy

Cape Times
1/3/82

(106)

Black worker: Marais replies

Own Correspondent

JOHANNESBURG — The leader of the Herstigte Nasionale Party, Mr Jaap Marais, says his party s "vote our city white again' campaign in the municipal elections here will not be affected by his being summonsed for employing an unregistered black employee

But he is furious that the incident was allegedly leaked to a newspaper for party-political purposes And he is to complain to the Central Transvaal Administration Board over the alleged leak.

The Sunday newspaper Rapport yesterday said he had been served with a summons for employing two unregistered black servants

Yesterday Mr Marais said he was being discriminated against because of his and his party's views

He confirmed being summonsed, but said he had only one unregistered servant, who had been with him for less than two days when he was summonsed — before he had a chance to register the worker Usually people were given a warning and a chance to register black employees

"When we refer to keeping our cities white, we mean amenities built for whites, with white peoples money, and now open to all races"

5/3/82 (216)
Star

Kimberley stays open – De Beers

Own Correspondent

KIMBERLEY — There is no intention of closing down operations at Kimberley's diamond mines until at least the turn of the century, a De Beers spokesman said.

He was commenting on a television interview with the Mayor, Mr L Botha, and news reports, following an economic survey by Unisa on Kimberley, which showed that the closing down of the diamond mines would have a detrimental effect on the economy of the city

The spokesman said· ''In May 1978 the chairman of De Beers, Mr H F Oppenheimer told shareholders. 'We have been reexamining the possibilities of extending the profitable life of the Kimberley mines and I am pleased to say that a scheme has been devised which will extend the life of the underground mines, and related operations, to approximately 20 years, with important social advantages in assuring continued employment and prolonging the important contribution which De Beers makes to the community of Kimberley"

The spokesman said "De Beers stands by this statement and has never had any intention of deviating from it"

The Unisa report referred to by the spokesman was compiled by the university's bureau for market research and it said that the closing of Kimberley's diamond mines could have a substantial negative effect on the city's growth if it were combined with other "negative factors."

"Under normal circumstances it can be expected that the total economy would either not grow at all or at the most show a small negative growth, after which business confidence would be resumed," the report said

It added 'The local authority has little scope in which to cancel out the disadvantages of the closure of the diamond mines in Kimberley"

In a television interview this week Mr Botha was asked about the report and mentioned that, among other things, the tourist industry would replace the mines

UCT

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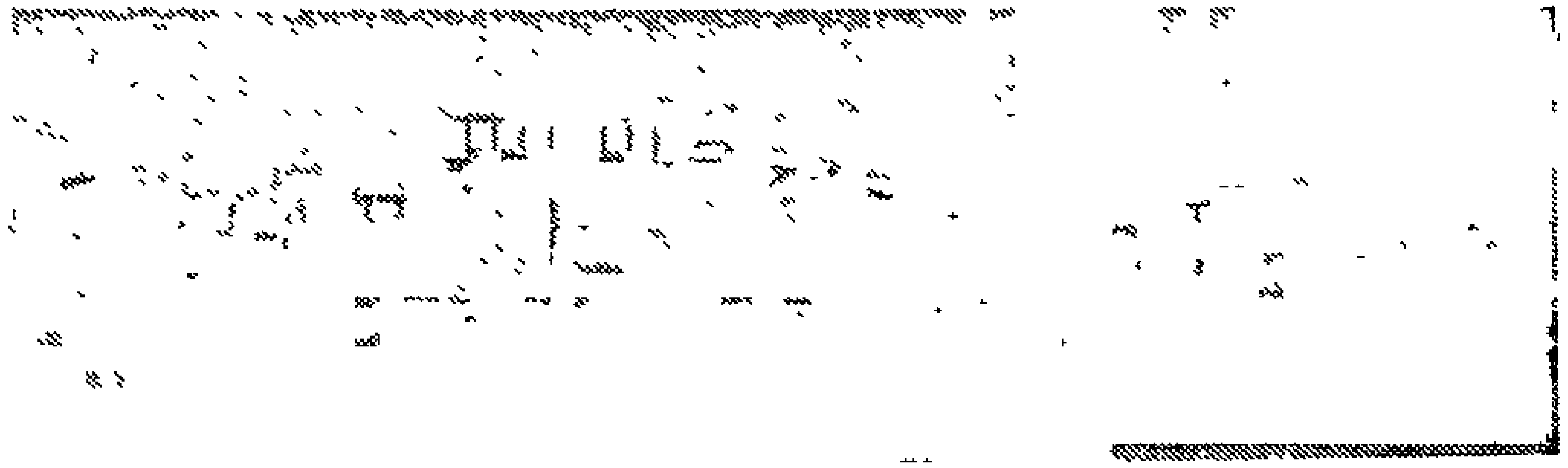
Investors may shy away from new mine



Beisa . . . Gencor's new uranium mine in the Orange Free State and the first primary uranium producer in South Africa with gold as a by-product. The outlook for the price of the mine's product is none too good.

By
Patrick McLoughlin

South Africa's first primary uranium producer with gold as a by-product — Beisa — was officially opened on Friday with a flourish, but the outlook for the Gencor mine's profits is hardly going to make investors enthusiastic.

The nail was hit on the head by one JSE broker who commented: "Beisa was originally going to be listed separately but it was decided not to do so because with the world uranium price prospects there was no real possibility of selling such a share as an attractive investment."

Investors who take a (very) long term view and who want to have a stake in Beisa must now invest in St Helena which last year acquired the uranium mine's assets, properties and the right to mine, extract and sell all metals and minerals recoverable.

But it would take a supremely optimistic person to work up any excitement about Beisa with indications that the world supplies of uranium will exceed demand up to 1986 One is therefore not looking to any price rises in uranium.

Beisa is, however, a bit better off than some mines in the world with a lot of uranium and no buyers.

Loans

To help finance the development of Beisa, long - term consumer loans were negotiated which the mine will repay with yellow cake, or uranium oxide

Thus the mine has guaranteed users of its product and some analysts are predicting a modest profit for the current year

Beisa is situated in the Orange Free State 25 kilometres south of Welkom It is the fourth mine in the province to be managed by Gencor The others are St Helena, Unisel and Beatrix

Full output

Total cost of the mine will be about R220 million and the proposed full production of 100 000 tons milled a month is expected to be obtained in the second half of the current year.

At a rate of 1,2 million tons a year the life of the new mine is estimated at 26 years.

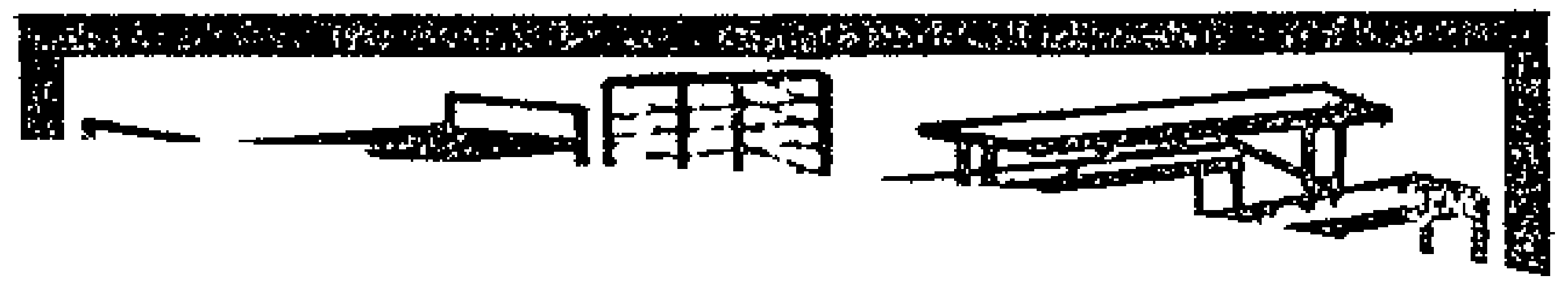
In 1930 Union Corporation began exploring the area in which Beisa is situated, but it was not until about 1967 that further investigations started

In 1972 a uranium bearing reef was located on the farm of Palmietkuil, now part of the mine. Extensive diamond-drilling proved an area of payable uranium and gold mineralisation and on July 19, 1978 the birth of Beisa was heralded

Shaft sinking began in October that year and No 1 shaft was completed in September last year Up to the end of February 1982 14 400 metres had been developed, of which 2 880 metres (or about 20 percent) were on the reef.

Beating

This new mine, said a share analyst, will obviously provide only marginal advantage in the short-term for St Helena shares, which like all gold stocks is currently taking a beating with the declining bullion price.



Shock waves from De Beers

(216) RDM 10/3/82

Slashed 25c final rocks institutions

By JOHN MULCAHY

DE Beers Consolidated Mines unprecedented dividend cut sent shock waves through the investment world yesterday as the 50% slash in the final to 25c sparked an avalanche of selling on the Johannesburg Stock Exchange

Investment in De Beers averages about 5% of South African institutional portfolios, says Mr Jack Mitchell, of the Old Mutual's investment department

A cut in the dividend for the first time in the company's existence will shake confidence

Anglo American Corporation of South Africa has 112-million De Beers shares, and its income from this holding will be cut by R28-million this year, equivalent to 12,5c an Anglo share

De Beers earnings without retained profits of associates fell to 101,1c from 185,7c, and the final 25c dividend takes the total for the year to 50c against 75c in 1980

The earnings figure is at the upper end of most market forecasts, and analysts expressed dismay at the dividend cut

"On distributable earnings of over 100c they should have been able to pay 75c," said one

No De Beers directors could be reached yesterday for comment, but most analysts believe there is a message that recovery in the diamond market is still a long way off

A crisp announcement accompanying the results says that "while the demand for the lower categories of rough diamonds continues to be satisfactory, the market for the more expensive categories remains depressed"

"Notwithstanding world economic conditions diamond jewellery consumption still continues at a buoyant level"

The Central Selling Organisation last year sold diamonds worth R1 249-million, a drop of 42% from 1980's R2 142-million

The investment diamond market has been depressed for over a year, and De Beers chairman, Mr Harry Oppenheimer, recently told Australian journalists that the market was "very bad"

In November last year a De Beers spokesman in London quoted an example of a one carat D-flawless investment quality stones, which reached a peak in 1980 of about $65 000 The same diamond could in November be bought for $32 000, and could be sold for only $22 000 at the same time

The 25c dividend reduction will save De Beers R90-million, and if this sum is seen in relation to the build-up in stocks over the past year — at a rate of over R58-million a month — the lower payment can be read as a compromise to shareholders

Some analysts argue that to have any meaningful impact on cash requirements the dividend should have been passed, and the 50% reduction is a statement to the world's other producers that De Beers is also suffering from the slump while at the same time trying to retain the confidence of investors

It amounts to a severe smack in the face for the many institutions which have traded on the sanctity of the De Beers dividend, and once the dust has settled De Beers could find itself rerated as a trading stock instead of its historic cornerstone position in many portfolios

Profit on the diamond account fell 55% to R360 300 000 in 1981 from R802 700 000 the previous year, investment income rose to R179 600 000 from R147 100 000 and interest income dropped to R62 700 000 from R89 100 000

Prospecting and research accounted for R62 500 000 in 1981, a sharp increase from the R42 500 000 spent in 1980, and reflecting partially the accelerated research drive on synthetic diamonds

Pre tax profit fell to R489 300 000 from R977 800 000, and tax was cut by almost two-third, to R101 100 000 from R292 500 000 After deducting minority interests and preference dividends, distributable profit amounted to R363 800 000 against R668 300 000 in 1980

De Beers share of retained profits of associated companies rose to R264 500 000 from R149 900 000, leaving attributable profit of R628 300 000 against R818 200 000 in 1980

The extent to which De Beers has been forced to protect the rough diamond market is reflected in the level of stocks at the end of December They more than doubled to R1 403-million from R698-million at the end of 1980

Financing this stockpile has cost De Beers dearly, and cash holdings plummeted to R224-million from R776-million An associate company, believed to be Anglo, contributed a further R200 600 000 in, a short-term loan

While the borrowings situation at the yearend does not necessarily reflect the movement of funds during the year, the combination of higher interest rates and increased short-term borrowings lifted the interest bill to R38 300 000 from R13 800 000 in 1980

Long-term' loans at December 31 totalled R156-million, compared with R160-million a year before

COMMENT If one looks dispassionately at De Beers as just another mining company battling through a difficult time in the market, the dividend cut must be seen as a prudent business decision, the retention being necessary to finance the stockpile

The diamond market is in its worst slump since 1929, and the company is committed to protecting that market by buying surplus production from the CSO

This is a fact of life, and the De Beers directors have not been able to come up with an alternative to reducing the dividend

However, De Beers is not just another mining company, and its troubles have already sent repercussions through the stock market. Anglo American, whose income is under severe pressure because of the gold price slump, may itself find difficulty in maintaining its dividend

With its investments in gold and other minerals De Beers represents a reasonable spectrum of the South African economy, although it is no longer the microcosm of the economy that it once was

De Beers will be hard pressed to win back the confidence of shattered investors when the silver lining finally does appear, and its huge stockpile — at cost — has the potential for rebuilding the pack of cards

The pressure on the share price may not be over, and some analysts regard 10% as a fair yield, which could mean another plunge — to about 500c from yesterday's 620c

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Diamond index crashes 16%

R420m wiped off a blue chip's value

Financial Reporter

MORE than R420-million was wiped off the market capitalisation of De Beers on the Johannesburg Stock Exchange yesterday

The RDM index of 100 industrial shares continued on its crash course, dropping to 598,1 from 606 on Monday After 12 days' trading it has slumped 15% from the 704,7 at which it opened on Monday, February 22

The diamonds index crashed to 1 119,1 yesterday from 1 329,9 on Monday — a fall of 16% In 12 trading days it has fallen 22%

Trading volume was high yesterday -- 3 247 000 shares valued at R17 395 000

A total of 504 000 De Beers shares changed hands Trading in De Beers alone accounted for more than R3-million of yesterday's turnover

There was no denying that the company's 1981 performance, and the dividend cut, disappointed an already brittle market and De Beers shareholders rushed to unload their holdings

The result was a 117c slump to 620c after trading as low as 615c

Rumours emanating from New York that De Beers would slash its dividend on a poor performance had been doing the rounds on the JSE for weeks, but most SA traders did not listen

A broker said market analysts considered that De Beers might drop its dividend, but because it had not done it before they remained hopeful the payout would be unchanged

The fall in De Beers was

sector, falls outweighed rises at a ratio of nearly four to one

ATI lost 40c to 710c, Barlows 15c to 885c, Fed Volk 15c to 425c, Rennies 10c to 410c, Triton 30c to 270c and W & A 40c to 600c Issues moving the other way included HLH and Advance

AT AUTO BAVARIA WE APPROVE

CANDIDATE MUST

216

Diamonds aren't quite forever — but very nearly

13/3/82 Star

By Brian Vine
of The Daily
Express, London

NEW YORK — Diamonds are forever — the world's most beauteous gilt edged investment The fashionable way of showing a girl how much she means and handing her an inflation proofed life policy at the same time.

So runs the legend. But this legend has just received a nasty shock.

De Beers, the diamond consortium run by South Africa's Mr Harry Oppenheimer who controls the sale of four out of every five diamonds through the London end of its organisation, rocked the financial markets by revealing a savage fall in profits.

Analysts believe that sales of uncut diamonds last year may have slumped by as much as 50 percent.

One who has researched this unpleasant scenario in depth is American author Edward Jay Epstein, whose book "The Diamond Invention" is due to be published later this year.

Epstein's thesis is that the value of a diamond is totally artificial, a myth which has grown around the brilliant creation of a world diamond cartel built around the De Beers empire.

Buy a stone and try and resell it, warns Epstein, and you will get your first ugly taste of the true state of the market.

I put this theory to the test and bought a solitaire diamond for nearly R3 000 at Cartier's in Fifth Avenue. A swift taxi ride to the Empire Diamond Corporation enabled me to offer it for resale exactly 24 minutes and 22 seconds later — and I was offered R800.

The Cartier ring had lost more than 70 percent in less than half an hour. The experiment was a withering commentary on the unhappy state of the diamond business in general.

Mr Epstein's tracing of the "diamond invention" dates to when British financiers invested in the huge South African diamond discoveries in the 1870s.

This resulted in what Epstein calls "the most successful cartel arrangement in the annals of commerce"

For most of this century it has not only owned and controlled all the diamond mines in southern Africa, but also owned the diamond trading companies in England, Portugal, Israel, Belgium, Holland and Switzerland. It still controls 85 percent of the world's diamond trade.

Epstein's wishful thinking about a De Beers "crumbling empire" appears unfounded, however, as only last week it was announced that De Beers all but won the contract to market the Australian stones through its Central Selling Organisation.

Diamond kings like Mr Oppenheimer may still control the flow but if too many people try to cash in their chips, mink coats could still become a girl's best friend.

Subject
(to be copied from the heading on the Examination Paper)

Paper No ONE
(to be copied from the heading on the Examination Paper)

Examiners' Initials		

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used
4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

48%

Diamonds withheld from market

Opening CSO sales slump

216

RDM 16/3/82

By NEIL BEHRMANN

LONDON. — The latest diamond sale by De Beers Central Selling Organisation was depressed. Dealers say it is still being forced to withhold large quantities of diamonds to support the market.

The CSO holds 10 sales a year at secretive rituals known as sights.

The CSO holds 10 sales a year at secretive rituals known as sights Two were held this year, the first in January and the second this month Both were disappointing, leading some dealers to believe that this was the main reason why De Beers slashed its dividend

An Antwerp dealer says "The sight at the beginning of March was small Dealers took only token amounts "

He says that dealers find CSO prices too high and discounts on diamonds are about 5% on small stones and 15% on the more valuable investment stones Prices of D-flawless one-carat investment stones are $20 000 to $23 000 a carat — a new low — compared with peak prices of $67 000 in January 1980

Dealers estimate that the CSO withheld 60% of production.

Antwerp dealers say the Russians have been dumping polished stones on the market and have been selling rough diamonds to the CSO

"The Russians have always been sellers in the market, but their sales now have a greater impact because dealing centres are so depressed," says an Antwerp dealer

Demand in Taiwan, Hong Kong, Singapore and the Philippines is fairly buoyant, but dealers are demanding large discounts on diamonds from the cutting centres

The US market is "very depressed" and New York dealers are flying to Antwerp because they believe they can buy diamonds at cheaper prices there than from the CSO

"The market is bad, but I think we are reaching the end of the tunnel because stocks at the cutting centres are being depleted," says a dealer

Most London brokers are bearish on De Beers prospects

"The current first-half results will contain little cheer and it will be a brave man who says that the interim dividend of 25c will be maintained," says Mr Wynn Davis, consultant to brokers James Capel

De Beers reduced its final dividend from 50c to 25c, making a total of 50c for 1981 compared with 75c in the previous 12 months

"I think De Beers will continue to disappoint the market and it is possible that the interim dividend may be slashed to 10c a share," says Mr Dick Robinson, head of mining research at brokers Bone Fitzgerald Mr Robinson was one of the few brokers who thought the interim would be cut

Mr Peter Davidson of W Greenwell & Co estimates that earnings will fall from 101c a share in 1981 to 87c in 1982

He believes will fall another 10% to R1 080-million, leaving De Beers little room to manoeuvre

"The interim dividend may not be maintained We recommend that no new money should be committed to De Beers until after the sales figures are announced in the first week of July," says Mr Davidson

Grieveson Grant, however, takes an opposite view "The current very depressed share price should be used as an opportunity to accumulate holdings in De Beers as an asset situation

"The price appears to take little cognizance of the estimated realisable value of diamond stocks which comfortably exceed the share price," says Grieveson Grant

Mr Davis estimates production cuts at De Beers mines at 15%

"Volume of sales have registered the biggest decline since the Second World War and the decline has exceeded that which occurred in the last recession," says Mr Davis

"With past cycles in mind, an optimist, will see that De Beers and the diamond market could be climbing slowly out of the current morass over the next two years

"It is certainly doubtful if they will ever see the bonanza years of 1978 to 1980 again New capacity is coming on stream in several places, mainly Australia, ensuring that the market tightness which characterised those years does not reappear," says Mr Davis

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2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

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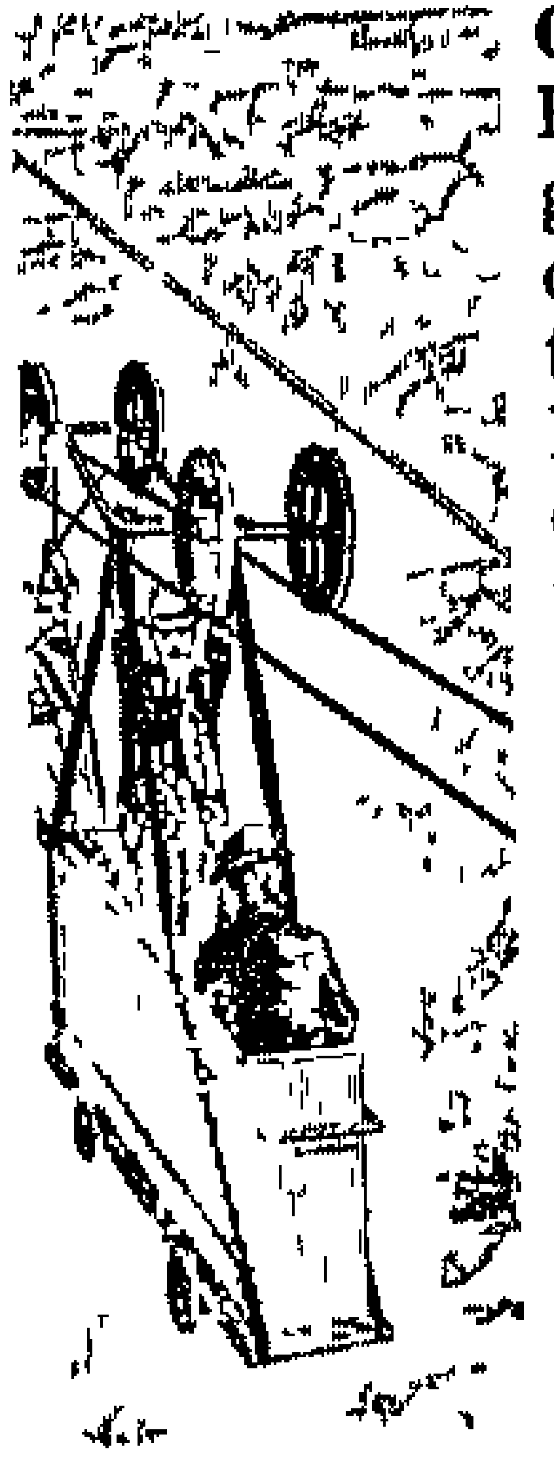
(216) FM 19th March 1982

HARRY OPPENHEIMER

De Beers maintains its grip



Over the past year or so De Beers has had to come to grips with the most difficult diamond market since the Thirties Its chairman, Harry Oppenheimer, talked candidly to the *FM* about the difficulties the group is facing and its future plans

FM Has De Beers miscalculated the diamond market? It appears to have done so as it is cutting back production in the middle of a programme to increase production to 19m ct over the next few years

Oppenheimer: Not at all The major field of increasing production is in Botswana These are big new discoveries and one could not have left these mines unopened even if we had wanted to In any case, I am not so gloomy that I think this sort of production is not going to be needed Times are extremely bad but we have to think over the longer term and I do not think our production plans are unsuitable

Of the world's present production, what proportion is gems?

A great deal of the gems come from our own operations CDM and Namaqualand are big producers in particular The Kimberley mines are big producers, as is Koffiefontein, though it is a smaller operation Elsewhere in the sub-continent Botswana is a large producer, though the average production there is of a lower grade than the ones I have mentioned Outside the group, Angola produces gems on a considerable scale

In three or four years' time, the Ashton operation in Australia is due to produce between 2m and 3m ct of gems. Is this not large in proportion to the world's total production of 14m ct?

You cannot just lump together all gem production For the very common, small sizes of gem there is a big market now — quite exceptionally big It is the market for bigger and more expensive gems which is particularly bad Roughly, the smaller gems which can be sold make up about half of total production in terms of value, while the larger gems make up the other half. That is why our sales have been running at about 60% of what would be available to us if we sold everything we could lay our hands on

What will Venetia add to your production of gems?

Venetia is a long way off and it remains to be seen if it will be opened — that it is something which is by no means certain

And Ashton in Australia?

When it comes into production in three or four years, its total annual production will be worth some $150m at present prices Of that, about $70m will be gem So one is not talking of a gem production which is a major factor That is not to say that the mine itself is not a major factor because it is an immensely rich mine, but the area in which it will play the major part is in the so-called marginal goods which are sometimes seen as gems and sometimes as industrial material depending on the nature of the market That is the way it looks to us on the parcels of stones we have seen so far

Jwaneng came into production in January. What will it mean to Botswana's gem production?

Botswana will become a bigger producer of gems as a result of Jwaneng The country has a quota — that is to say it delivers diamonds in the proportion which its production bears to the production which is available to us from other, similar contracts It means that as Botswana's production rises relative to that of other countries which sell through the Central Selling organisation, Botswana will sell more diamonds

So have the sales of all countries dealing with the CSO fallen in the same proportion?

Yes, roughly speaking

Where have the cut-backs implemented by De Beers itself fallen?

We have closed one of CDM's four plants and one of the plants in Namaqualand. And we are going somewhat slower at Finsch than we would have gone Not, I might add, slower than we were a little while ago, as Finsch is producing more diamonds than it was 18 months ago But we have not carried the extension programme as fast as we would have done had there not been this set-back

What do you expect for CSO sales this year?

At the moment we are selling about the same as we were at the end of last year It is a question of whether the market for the larger and better sizes which we are not selling, is going to improve A particularly important factor in that is the trend of American interest rates They have a major effect when it comes to selling the larger and more expensive diamonds

At the moment, things are going on much as they were last year We cannot say that we see any particular signs that the market is going to get better That is the worst scenario and it is for that reason that we dropped our dividend That signals two things that times are particularly bad and our determination to maintain our control of the market

What have the Russians been doing recently?

The Russians always sell cut stones As far as we can see, they are selling more or less as they have for some years — they certainly have not stepped up their sales of polished goods But when you have a bad market, naturally the impact on it is greater

The CSO handles the Russian rough stones indirectly Do they have a quota the same as, say, Botswana or SA?

I can only say that we have understandings with the Russians which work reasonably smoothly They do not really disrupt the market — the Russians have been behaving very reasonably But we have no direct arrangement with them

So you are not worried that they will come in with larger sales as their economic conditions deteriorate?

One can never be quite sure what they will do But so far they have understood clearly that co-operation in the trade was in their interests just as much as ours They have acted and are now acting in that way

Is it possible to manage the industrial market by cutting back on De Beers synthetic diamond production?

No Synthetics are required for specific purposes and we are, of course, not the only producer of synthetics The synthetic market is hightly competitive, but I think the natural industrial goods we have can be placed But the worries we may or may not have about selling crushing bort are not the major cause of our present difficulties We are, in fact, not stocking large quantities of industrials

If the various countries selling through the CSO have quotas which depend on their production capacity, does the CSO stockpile stones for them or do they stockpile themselves?

Partly them and partly the CSO And,

continued on page 1292

of course, the CSO buys diamonds from sources where there can be no question of quotas — the open market, for example — to maintain prices

How flexible are these quotas?

We enter into long-term agreements based on the principle that no major producer is treated unfairly in relation to another We tell countries selling through us that we will do our best to hold the market When, for example, diamonds appear from uncontrolled sources, we step in and buy to control the situation

You have said that the retail market is buoyant Why has this not been reflected in CSO sales?

The market is buoyant for very small diamonds The number of pieces of diamond jewellery being sold is high — maybe higher than it has ever been But what we are not selling are the expensive diamonds The sort of diamonds we are selling are those going into pieces of jewellery, selling for between $250 and $2 000 — that market is very buoyant

The difference between that market and the market for larger goods is that people buy cheaper jewellery out of their income There are very few people who can buy pieces costing, say, $20 000 and above out of income Different circumstances attach to that In the field where one is thinking of capital investment you have the major impact of high interest rates and the general recession

De Beers final dividend cut saved the company R90m against a stock increase last year of R700m Why did you not go further and pass the final dividend altogether?

We thought that would be a little too hard on our shareholders and felt we had to strike the right balance In any case, as we saw it, unless things improved, we could not have maintained the 75c dividend total in 1982 The stability of De Beers dividends has been a by-product of following a reasonably conservative policy

Last year, we paid out just more than half our profits and that, considering the fact that we needed to mobilise funds to hold the market together, was all we thought proper to pay

Do you think that it is time to become a bit more open in De Beers' reporting? You do not, for example, provide De Beers' own turnover figures or divisional profit breakdowns

That may be very helpful to financial journalists, but I do not think it would help the interests of our shareholders

Where do you see De Beers' borrowings and stock figures going this year?

It depends on the market We had to stock R700m of diamonds last year, but I don't think we will have to add another R700m this year There are certain favourable factors Borrowings in the diamond centres have decreased quite spectacularly In Israel for example where they were borrowing up to $1 3 billion, the figure is now down by a half In Belgium, where borrowings, too, were about $1,3 billion, the figure is now less than $1 billion The borrowings in New York are down about 40% All this produces a sounder position in the market

The other thing is that prices of those larger sizes of diamonds which are difficult to sell are now at sensible levels at which the stones could be considered as investments In the boom the so-called investment diamonds were sold at prices which did not make them investments Things have changed now

It has been said that the diamond market is slipping out of De Beers' hands, to an extent Do you agree?

No This has been said because of our inability to continue with our arrangements with Zaire Zaire is not important as far as gems are concerned but the agreements lapsing in bad times did have the effect of leading people to say we were losing our grip

For the rest I do not think we are losing our grip at all In some ways we have a greater grip than we had in time of boom In the boom we lost control of the market Prices simply rose to levels we thought were completely foolish and we couldn't stop it

Is there any truth in the rumours that the CSO is to be put into Minorco?

None whatsoever

DE BEERS

Whose best friend?

(216) FM 19th March 1982

Any other SA company could probably have escaped a dividend cut with little reaction from local and foreign investors After all, the gold price has been falling more or less steadily for more than a year, the economy as a whole is losing growth momentum, and our extractive industries have generally been hurt by the industrial world's recession So investors are expecting lower dividends

But De Beers is another matter

De Beers has, of course, been affected by all these things Its diamond earnings and sales have been under growing pressure as demand for the more valuable, larger investment quality gems dried up in the face of high foreign interest rates The group's gold-sourced income was squeezed by the falling gold price And interest receipts were clearly very suspect as the group's large cash holdings were diverted into non-revenue generating stockpiles

Nevertheless, most investors and analysts here and overseas went along with the conventional wisdom that De Beers' dividend was inviolate There was certainly little chance that it would be increased this year, but a reduction was not even worth consideration That, at any rate, was what most people thought But, now that the unthinkable has happened, it is not difficult to understand the reactions of the many observers who were taken unawares

In SA, of course, it is not possible to name or quote from research material put out by Johannesburg's shy and retiring stockbroking community So to see how De Beers' investment rating stands, it is necessary to look at research put out by the brokers' less secretive London counterparts

A problem with this is that De Beers, rightly or wrongly, is the standard against which many foreign analysts measure other SA investments The diamond company's dividend has not been cut since 1944 And it clearly has been management's intention to maintain the payout on a growth curve, even if this led to lower payments than might otherwise at times have been expected

One reaction to the dividend cut has been that something is radically wrong with the SA economy and the local investment scene That is understandable De Beers is, after all, the SA company which has the widest foreign following But the reaction seems to be somewhat off beam

De Beers' results are more a reflection of circumstances overseas That is where the bulk of its diamond sales are made And the fact that the group's earnings, dividends and tax payments have fallen is not due to some fatal flaw in SA's economy De Beers lower earnings, along with those of our gold and other minerals exporting companies, will, of course, lead to a slackening of domestic economic growth But we are not entirely at the mercy of poorer export performances by our raw materials industries

With that in mind, the majority of London mining analysts have reacted to De Beers' dividend cut with expressions of shock which verge on the emotional

Most of them had got the earnings trend right — to within 10% of the outcome But very few had resisted the advice of their Johannesburg correspondent brokers that the De Beers dividend was inviolate Some, indeed, were forecasting that De Beers would repeat the sort of statement of confidence in the future it made in 1974 and 1980 and *increase* the payout Messel was one example, forecasting a 77,5c dividend from net earnings of 95c/share

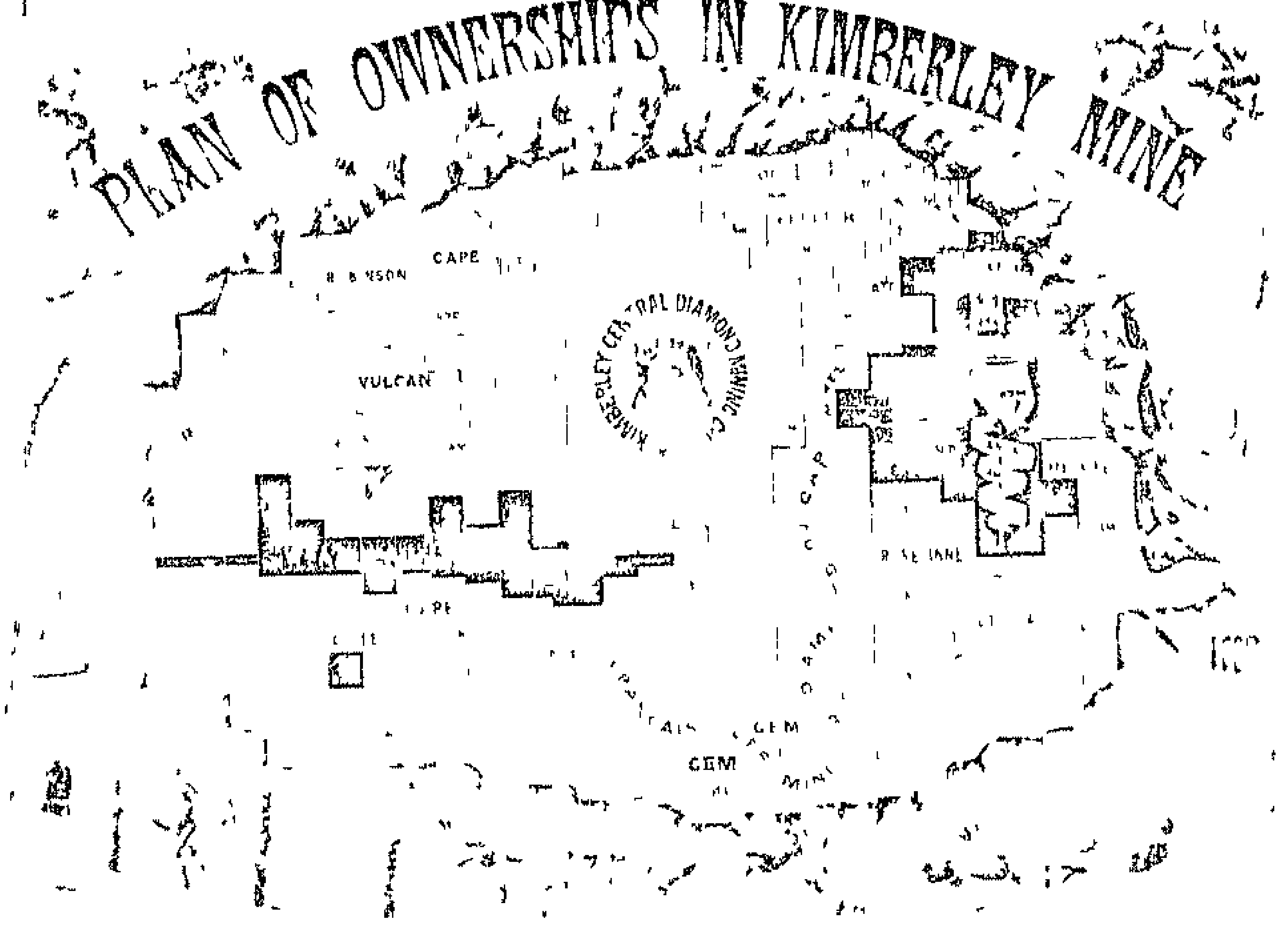
So, with the exception of a few siren voices, the conventional advice going out from analysts to clients, even after the disastrous Central Selling Organisation (CSO) figures announced this January, was hold or buy De Beers for its yield of 11,5%-12%, massive asset backing and, above all, its record

As a result, investors are now being bombarded with a babel of conflicting advice about the short- to medium-term outlook for De Beers It covers the full range, from contracyclical opportunism to cautious "wait and see," through to downright bearishness

Such is the status of De Beers that the darkest edge of the spectrum is marked by an almost incoherent comment rushed to clients by Buckmaster & Moore, which read "Disappointment was unrestrained The ripple effects are liable to continue to be significant — the SA market has probably undergone a sharp change in sentiment and trust — very much for the worse Put simply — 'If *this* bastion can crumble, what is possible elsewhere?' " The writer carried on in like vein The market view of De Beers was "probably permanently tarnished," its blue chip status "critically questioned" by investors for whom it represented the "bedrock" of any mining portfolio And, "one of our major conclusions is that, more than ever before, De Beers will be considered to be part of the *gold* share market in terms of yield and other rating ingredients"

But that came from an analyst who is relatively new to the business Brighter opinions are available elsewhere Grieveson, Grant is looking for a second-half revival to take CSO sales to R1,5 billion this year — citing an upturn on Wall Street, increased Japanese buying and, ironically, the fact that bullion's fall will

face to face



The original heart of De Beers

make gold-mounted jewellery cheaper Even though Grieveson's Eldred Halton forecasts a 14% fall in De Beers' equity accounted earnings he unequivocally rates the share as a "buy" (at $4)

But the more cautious view predominates Derrick Espley-Jones of Fielding Newson-Smith typifies those who are worried that the De Beers dividend reduction was made because of the future not the past That is clearly the case, as the *FM's* interview with Harry Oppenheimer shows On the face of things he reckons the 26% drop in consolidated earnings 'would not have warranted the slashing of the final dividend" The fact that it was, "does suggest that De Beers is expecting a long wait before things start to pick up

Greenwell's Peter Davidson bases his "wait to buy' conclusion on the belief that first-half CSO sales will be worse than the second six months of 1981 That seems a fair enough estimate in view of Oppenheimer s comments on this year's first two CSO sales sights Davidson believes the interim dividend 'may not be maintained" But his opinion is that the "impeccably timed" dividend cut (in view of the gloom in the mining sector) "suggests that, following the measures taken in the last 12 months, De Beers can now see some light at the end of the tunnel and has now completely cleared the decks so that 1982 will form a new base '

Nobody casts doubt on the ability of De Beers and the diamond market to recover Nor is the London market overlooking the attractions of non-diamond assets, which more than cover the current dollar share price before even considering a stockpile (at cost or bought in values) worth $3,77/share

The question is When? The answers hang on the US economy, the Russian economy and imponderables such as the alleged overhang of larger cut stones in the hands of disillusioned investment buyers Even if markets do turn up in 1983, De Beers will need more cash to take in additional stocks this year Richard Taylor of Simon & Coates asks the question "Who will pay — Anglo or De Beers' shareholders via another dividend chop?"

As it is, Michael Coulson of Laing & Cruickshank says the task of shifting the huge volume of De Beers' stockpile will at best keep the dividend stagnant for the next two years And the need to build up cash to R500m-R750m to accommodate increased production from Australia after 1984 could make it an even longer haul

Speculation about structural changes to help De Beers through its bad patch is mainly about the possible conversion of Anglo's R200m loan into equity and the story floated by James Capel that the CSO will be hived off into Minorco But even this theory begs the question of whether that would really benefit De Beers, apart from the argument that a more "neutral," less SA address for the CSO would pay political dividends in maintaining the cartel's position

Until chairman Harry Oppenheimer can reassure the market, the shares of SA's most widely held international bluish chip will continue to be regarded with regret and suspicion Tony Watson, a director of fund managers Touche, Remnant, summed it up "What we need to know is what the company was expecting when it cut the dividend We need to know what Oppenheimer believes"

IMAGE NOT FLAWLESS

Knocking copy about De Beers and diamonds has extended beyond the plethora of stockbrokers' comments to their clients The London *Daily Express* (circulation 2,1m) published a full-length feature from its New York correspondent based on an upcoming book, *"The Diamond Invention,"* by an American author, Edward Jay Epstein

The core of the book is the "artificial" value of diamonds and the role of De Beers in fixing it Nothing new or dramatic in that

But the *Daily Express*, being a "pop" paper, chose to liven up the story by buying a $3 000 diamond solitaire at Cartier's and then (24 minutes later) trying to sell it to a trading group, the Empire Diamond Corporation in the Empire State Building Expressman Brian Vine was offered $800 and noted· "The experiment was a withering commentary on the unhappy state of the diamond business generally" (Cartier's took the ring back with a full refund)

Naive and misleading as this empirical exercise was, it has not made life any easier for the embattled burnishers of De Beers' corporate image

Old Mutual's Mr Peter Bieber

Sanlam's Marinus Daling

Business reactions varied

JOHANNESBURG — Responsible, realistic, disappointing, surprising — these were only some of descriptions of the Budget by business leaders

Surprise centered upon the cutback in government expenditure and the avoidance of direct taxation on the man-in-the-street, save a five percent loan levy, previously expected by most commentators to be at least that, or more

Disappointment was expressed in most quarters on increased company taxation in the form of loan levies, and particularly on the gold and silver mining industries

In these cases, with turnover and profits down and the gold price at a 30-month low, it was felt that "below the belt" tactics had been employed

The president of the SA Federated Chamber of Industries, Mr C H W du Toit, said the minister had succeeded in achieving a sound balance of tax and financial measures, through constraint over government expenditure and by financing the deficit in a rigidly non-inflationary way He added that the Budget would have only a moderately dampening effect on the economy, which was necessary

In Cape Town, however, chairman of the Life Offices'

Mr R "Ralph" Roseman, assistant general manager of Old Mutual, has been elected president of the Insurance Institute of the Cape of Good Hope

US business inventories

WASHINGTON — United States business inventories fell $2,08-billion, or 0,4%, to a seasonally adjusted $509,67-billion in January, the commerce department said

The January drop followed a revised 0,7% drop in November and left inventories 6,3% higher than a year earlier

Chamber of Mines on extra burden

By JOHN MULCAHY

JOHANNESBURG — Already reeling from the devastating slump in mineral markets, the gold and diamond industries have received another body blow from Finance Minister, Mr Owen Horwood

The increase in the tax surcharge to 15% from 5% announced in yesterday's Budget will have a significant impact on all gold and diamond producers, and some mining analysts forecast a 5% to 10% softening in gold and diamond share prices on the Johannesburg Stock Exchange

Reacting to the Budget shock, the president of the Chamber of Mines, Mr Lynne van den Bosch, said the Chamber was concerned that in these difficult times the minister found it necessary to place an additional burden on the gold mining industry

"The gold mining industry is under severe pressure, as a result of the substantial fall in the gold price, a depressed uranium market and continuing escalation of mining costs

"Furthermore, immediate prospects for any really significant improvement in the gold price are not favourable," said Mr Van den Bosch

At a gold price of $325 an ounce gold mines' distributable earnings will be slashed by between 10% and 14% as a result of the increased surcharge, with direct implications for dividends

While market sources expected some form of additional tax, the manner chosen in raising mining tax has come as a surprise, as it penalizes the 'good' mines and is less harsh on high cost producers

Dissension with the existing state assistance scheme has arisen in the past because of its impact on the tax liability of low cost producers

It has been suggested that marginal producers be allowed to suffer the consequences of gold price declines, and avoid the "rob Peter to pay Paul" syndrome

While it could be argued that the Budget burden had been placed on all companies, Mr van den Bosch said the mining industry was such a sensitive nerve in the economy that the increased tax on gold and diamond mines would have disproportionately adverse effects

Had the 15% surcharge been in effect last year, De Beers Consolidated Mines tax bill would have been about R10m higher, and distributable earnings would have been around 3c lower

One analyst expressed the fear that the increased tax bill could be a decisive factor when the De Beers board comes to an assessment of the interim dividend

The diamond market is as weak as ever, and with no immediate signs of an upturn the interim dividend may have to be passed

De Beers last year paid an interim of 25c a share, and analysts suggest that the interim may be passed and the final left at 25c

The surcharge will have the most serious impact on the low cost producers, and analysts estimate that at a $325 gold price Driefontein s distributable earnings could fall 14% as a direct result of the additional tax

Total gold mining tax in calendar 1981 dropped to R1 685m from R2 279m the year before, and Mr Horwood estimated additional revenue of R115m to flow from the higher surcharge

One industry source said the increased burden would have a retarding effect on the gold and diamond industries's ability to stage a recovery when the markets improved

The two industries were already struggling to cope with immense market and cost problems, the source said, and some producers already on the brink of losses would find great difficulty in operating at a profit.

Another view is that the gold and diamond industries contribute a lower proportion of earnings when profits are under pressure and it was to be expected that they would be called on to assume more of the burden

However, some analysts contend that the industry is ill-equipped to cope with this setback and the authorities should beware of "killing the goose"

LABOUR LAW FM 26/3/82

A cutting edge

(216) [redacted]

The ability of an employer association to restrict the free flow of labour in its particular industry has been curbed The Industrial Court has found that such a restriction — operating in the diamond-cutting industry for many years — amounts to an unfair labour practice

This month the court heard a case involving the SA Diamond Workers' Union and the employer body, the Master Diamond Cutters' Association At issue was a regulation in the association's constitution dating back to 1961 The regulation required member companies to contact the association for all their labour needs

The union claimed that the regulation had been used by employers to block the employment of certain workers and "freeze" labour mobility The union took up the case of an employee who claimed he was unemployed for two weeks last year because the association refused to allow him to be employed This was in spite of the fact that a member of the association was willing to employ him

The union complained that there had been many similar cases in the past, but that employers had refused to discuss them at meetings of the industrial council for the industry

A settlement was, however, reached between the union and the association soon after the start of the hearing The court acceded to a request that its determination be based on the terms of the settlement

As a result, the court ruled that the regulation at issue amounted to an unfair labour practice and that the regulation should be deleted from the association's constitution In addition, the association has to compensate the union member for the period during which he was unemployed.

It appears that there are very few other industries in SA where such severe restrictions on labour mobility have been imposed by employers However, some observers believe that the court's finding is significant because it represents yet another step towards the court playing an important role in defining just what does constitute unfair labour practice

As a result of a recent amendment to the Labour Relations Act, disputes about victimisation can also be taken to the court. Transferred to the court is the power, previously held by the Minister of Manpower, to order the reinstatement of workers in their jobs, or the restoration of their conditions of employment

Financial Mail March 26 1982

Star
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29/3/82

More cuts in De Beers diamonds

By
Patrick McLoughlin

De Beers has confirmed that it is cutting back in production in two more of its mines — Koffiefontein and Finsch Mines — because of the international depression in diamond sales.

A spokesman for the group said the cutbacks came into effect at the start of the year He did not, however, reveal their extent, and this will not be disclosed until April 29, when production figures are published in the De Beers annual report.

The pruning of production is one of the latest moves by De Beers and its London-based marketing arm, the Central Selling Organisation, to stabilise the depressed diamond market.

Pattern

Finsch, which produced 2,9 million carats in 1980, is one of the biggest of De Beer's nine mines; Koffiefontein, which mined 431 480 carats in that period, is one of the smallest.

Last year there were cutbacks from the Namaqualand mines and CDM in Namibia.

The De Beers spokesman, confirming the cutbacks, said the reason was "obvious" in the sense that diamond sales had fallen and the group had two basic options — to stop the diamonds above or below the ground.

Last month De Beers announced a 50 percent slash in final dividend — its first dividend cut since World War 2 — because of whopping fall in diamond sales in 1981 and costs incurred through stockpiling.'

The move sent shockwaves throughout the world's stock markets and caused the blue chip's share price to tumble.

Recently released Minerals Bureau minerals production and sales figures for 1981 showed that while production of diamonds in South Africa increased from 8,52 million carats in 1980 to 9,53 million carats, the value of export sales plunged 38 percent, from R533 million to R340 million

The spokesman said there was nothing "really dramatic" about the production cutbacks which were following the market situation

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DIAMONDS FM 2/4/82

Hard times

(216)

Diamond dealers believe the 5% hike in ad valorem duties on luxury goods announced in last week's budget will be counter-productive Says one "It's like kicking a dying horse

[illegible]

With sales already 30% down on 1980, the industry was looking for help Instead, it has been hit by what diamond dealers describe as "draconian" taxes which will further depress sales

Robert Schwarz, MD of manufacturer/retailer Schwarz Jewellers, says 25% duty on imported articles, plus the present 30% ad valorem duty, plus 5% GST, plus 50% margin for retailers, adds up to the sort of mark-up that will surely scare off customers They can buy far more cheaply abroad Even tourists, who form a substantial percentage of Schwarz's clientele, are being frightened away by overpriced SA diamond jewellery

Schwarz expects turnover to drop a further 30% this year, and he believes that government has little chance of reaping its expected R28m from excise on luxury goods Says he "These crippling taxes are counter-productive"

Gerhard Bindeman, secretary of the Diamond Cutting Board agrees Although the SA cutting industry exports its diamonds to markets like the US, he says, SA is nevertheless regarded as a supportive market, particularly in view of the worldwide slump in diamond sales The cutting industry, which already has problems of its own, will also be hit by the increase in duties.

"Exports are down 50% over the last two years," says Bindeman "Export sales of polished stones were down 37% in value and 36% in carattage in 1981 compared to 1980. Exports totalled R301,6m in 1980, R188,3m in 1981" Nor does he expect exports to improve in the foreseeable future

But one cutter, 99% of his business is export-oriented and therefore not affected by the new ad valorem duty, says his exports have slumped because of the US recession and high interest rates

"High interest rates resulted in investors moving out of commodities like diamonds Demand is right down," he says He doesn't expect price and demand for diamonds to improve until the price of gold moves up sharply

Hardest hit are the sales of highly priced investment diamonds, both in export markets and locally, says Caress Jewellers MD Mannie Judin. Stones in category D flawless have dropped from $65 000/carat to about $25 000 over the past 18 months Prices of smaller commercial stones have remained stable.

Despite the 30% ad valorem and 5% GST, Judin expects medium-priced diamond jewellery to also remain stable "A diamond engagement ring is no longer regarded as a luxury," he says

Even the high cost of HP finance — Caress is essentially a credit operation — will not affect sales adversely, believes Judin Payments over 12 months on a R745 engagement ring will increase by only R4/month

Botswana's challenge to De Beers

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Star 19/9/82

From the Economist

GABORONE — Botswana has begun to question the workings of De Beer's Central Selling Organisation, following Zaire's successful UDI from this near-monopolist of the world diamond trade last year.

Recession has weakened demand for diamonds. So De Beers has cut the price it pays producers, and asked them to stockpile precious stones. De Beer's own stocks have doubled in the past year as it tried to stem falling prices. Zaire, by contrast, has managed to keep prices of all its grades of diamonds above the Central Selling Organisation's prices since it broke with De Beers in 1981.

OVERTAKING

Botswana, which mines 15 percent of the world's diamonds, is likely to overtake South Africa as the biggest producer by the end of the decade. Diamonds are the brightest sparkle in Botswana's economy The decision by De Beers to cut prices and purchases from Botswana in 1981 halved Botswana's diamond revenue

Work is still going ahead, however, on a new diamond mine, the Jwaneng, which will soon be producing 3,5 million carats a year. With expansion planned at the Orapa (Botswana's first diamond field) and another deposit nearby, Botswana's diamond output should rise above 10 million carats a year by the mid-1980s.

GUARANTEES

The Botswana government has been happy until now with Debswana, its 50-50 joint venture with De Beers. Debswana owns the country's diamond mines and markets through the Central Selling Organisation. De Beers guarantees to buy a minimum amount of diamonds when times are bad, as they are now.

AGREEMENTS

Mines in Namibia and Angola, bound by similar agreements to De Beers, have also had to cut production to avoid stockpiling diamonds which De Beers will not buy Officials in Gaborone, Botswana's capital, complain that their stocks of diamonds are huge and their cash is short. "The situation in Zaire," said one official pointedly, "is certainly very interesting we hope our sales will be back to normal next year."

Whatever happens to sales, Botswana is probably bound tightly to De Beers for some while yet. Mr Harry Oppenheimer, chairman of De Beers, put it this way in the company's last annual report: "It is not too much to say that the interest of the government of Botswana in the stibility and prosperity of the diamond industry is virtually as great as that of the De Beers company itself . . ."

14 RAND DAILY MAIL, Tuesday, April 13, 1982

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De Beers to reduce production again

By NEIL BEHRMANN

LONDON. — De Beers is expected to announce further production cuts because its stockpiling policy is proving expensive in a weak diamond market.

First-quarter sales of De Beers were so low that there are rumours in the major cutting centres that De Beers might have closed some mines.

De Beers, however, denied that there were any closures, but admitted that there might have been additional production cuts.

"There may be further news of production adjustments in the company's annual report to be published at the end of April, but so far there have been no closures," said a De Beers spokesman.

The company announced production reductions a year ago.

In the diamond boom De Beers planned to raise output from 14 700 000 carats in 1980 to 19-million carats in 1983. The depression in the market forced the company to change its plans and in March last year De Beers announced that it would close plants in the Namaqualand and Consolidated Diamond Mines (Namibia) divisions

Analysts estimated that the reductions amounted to 5% of production, but diamond dealers believe additional reductions were made in recent months

De Beers London marketing arm, the Central Selling Organisation, holds 10 sales, known as sights, a year There have been three sights this year, the latest at the end of March. Dealers report that the three sights, especially the latest, were small. Few stones were on offer and there were hardly any large gems in the assortment of diamonds offered to dealers.

This policy suited the dealers because the market in small gems is far stronger than for the more expensive larger stones. But they assume that it pays De Beers to keep valuable stones in the ground and not sell them in a depressed market.

De Beers diamond stockpile increased from R409-million in 1979 to R1 400-million at the end of last year. With cash resources depleted, De Beers began borrowing funds to support the market and then cut the final dividend

With first-quarter sales unimpressive and the cutting centres still depressed it appears that De Beers first-half diamond sales will be as low as they were in the second half of 1981 They could even be worse

Sales for the second half of 1981 amounted to R502-million against R748 million in the first half

A London diamond dealer said that sales of small rough diamonds priced up to $1 000, were buoyant and there was a shortage of certain categories. Even so, the lingering world recession, high interest rates and falling inflation rates continued to hinder the diamond market, he said.

Business is so slack that dealers are taking several weeks' holiday now Both Antwerp and Tel Aviv manufacturers continue to work on short time. Some Antwerp cutters are working a three-day week because of poor demand for their stones

Sales of Russian polished stones have also had an adverse impact on the cutting centres.

Belgian imports of Russian polished stones fell from 399 000 carats in 1980 to 326 000 carats last year, but in the first two months of 1982 the Russians sold 97 000 carats

As part of a general sanctions move, the European Economic Community has demanded that the Russians reduce diamond exports by 25% But dealers are sceptical and believe the stones will enter Antwerp through other channels

"There are few signs of improvement in today's diamond market, but plenty of hope," says a diamond dealer

Mining for diamonds on a moonscape

(216) 23/4/92

D. Dispatch

One of the most isolated spots in South Africa is the Octha diamond mine — on the southern bank of the Orange River where it makes a horseshoe bend above the Richtersveld

In this "moonscape" of ancient rock and desert sand, where the summer mercury frequently climbs to 42°C, geologists have uncovered the source of what has been described as the world's finest diamond gems

The Octha mine, situated in the far north west Cape about 100 km from the Atlantic and just across the river from Namibia's desert, has gathered together a community of hardy diamond people. Some live and work at Bloeddrif, one of the source mines, and the main body 40 km upstream at Sendelingsdrif.

Apart from the security fenced diamond settlements at the mouth of the Orange River, the nearest accessible town is Port Nolloth, nearly 200 km south west, and the closest railhead is at Bitterfontein, 300 km further south. Conditions are harsh and life is what man, with the very substantial aid of the river, has been able to make of it

The river is the key to all at Octha, it gives and sustains life and it is responsible for the presence of the diamonds. Geologists say the Octha diamonds originated from the erosion of diamondiferous pipes in the inland areas of South Africa. Mixed with silt, sand, rock and other semi-precious stones, they were swept down the Orange River some 25 to 40 million years ago.

Many were caught in the pockets and crannies of the riverbed and some of the larger and heavier stones came to rest at Octha. Over the millenia they were covered by tons of silt, sand and rocks, forming huge terraces, which in turn forced the river to change its course and to adopt a new river bed

These terraces are within view of the present Orange River which flows about 30 m below the terrace level. The diamonds, discovered about 15 years ago, are considered by many to be an important source of the world's most perfect gems, roughly 90 per cent of the stones being large and of high quality

But if the river is the positive key to Octha then isolation is the negative Access is not easy. The desert road to the coast is rough and long and the alternative — its continuation east through the Richterveld to Vioolsdrif on the main South Africa/Namibia highway — is even more tortuous. There is an airstrip but clearly heavy goods must come by land.

That is why Octha needs the most reliable possible machinery, vehicles, service and suppliers

The trucks that haul the diamond bearing gravel from the mines to the central recovery plant are Nissan CK 20D's. They work six days a week, 24 hours a day Nissans are the standard vehicle in the fleet and Octha has 12 One might call them millionaire trucks because on average each has carried more than R1 million worth of diamonds

Why Nissans? Kobus Nel, resident engineer at Octha for the past three years and in charge of all vehicles and machinery, summed it up simply

"Because they are fantastic trucks", he said "If you could see the working conditions you would not believe that they could have lasted as they have

He said when it came to reliability he found Nissans to be tops. The trucks have been acquired from 1975 and each was "unbelievably" economical.

De Beers

Rand Daily Mail, Thursday
April 29, 1982

Chairman's statement

'The long-range outlook, judged from the consumer market, gives good reason for optimism.'

Mr H. F. Oppenheimer

The recession in the diamond industry which began in the middle of 1980 continued and deepened throughout 1981 and the end is not yet in sight. Sales by the Central Selling Organisation (CSO) fell, measured in Rand, by 42 per cent to R1 249 million and, measured in Dollars, by 46 per cent to $1 472 million and the Group's net profits, excluding its share of the retained profits of associates, fell by 46 per cent from R668 million to R364 million. Stocks of diamonds increased during the year by R705 million to R1 403 million. Sales to the market this year have been running at higher levels in dollar terms than in the second half of last year, but a further increase in diamond stocks is anticipated during the year. In these circumstances the Board concluded, with great regret that prudence required a reduction in the final dividend from 50 cents to 25 cents resulting in a total dividend distribution for the year of 50 cents (which was twice covered) as compared with 75 cents (covered 2,5 times) in 1980. The reduced dividend reflects both the continuance of the world recession and our determination to carry out our traditional stabilising role in the industry. I would add that the Company has arranged facilities with its bankers, made possible by the conservative dividend and sound investment policies of the past, which are ample for its requirements

'Any improvement in world business should be rapidly reflected in the diamond industry'

The fall off in the demand for diamonds is concentrated in the larger sizes and finer qualities including in particular the so-called investment goods in which speculation during the boom years was especially concentrated. These sizes and qualities normally account for a large proportion of the CSO's sales. Sales of the smaller sizes and lower qualities

the boom the prices of the so-called investment diamonds rose out of all control and at one time the price of top colour flawless brilliants of one carat weight which had acquired a quite unreasonable importance as a market leader and indicator rose to about $65 000, a figure which had no relation whatever either to the cost of the rough from which such stones are manufactured or to the price which they could even in good times be expected to command as an item of jewellery. This particular description – the "1 carat D-flawless brilliant" – is only one of many classifications of polished diamonds of which minimal quantities are produced each year. The prices currently quoted for this particular article (and there must be some question as to the number of transactions actually concluded) are low in relation to the corresponding prices of rough. This would certainly suggest that although demand at the investment end of the market remains very restricted a sound psychological basis has been established for a resumption of growth in overall sales of rough diamonds as soon as economic conditions improve.

We are making every effort in the difficult times through which we are passing to contain working costs and reduce capital expenditure [illegible]

ducts partly because of technical improvements in the synthetic field and the entry of new synthetic producers into the market and partly because of the fall off of production from Zaire. The new mine recently discovered in Australia to which I make reference below will in about three years' time become an important producer of industrial diamonds and we shall make every effort to develop the market in a way as to allow for the absorption on satisfactory terms of the output from this new source.

The Jwaneng mine in southern Botswana, owned in partnership with the Government, was commissioned in January of this year and is due to reach its initial rated capacity of 4,8 million tons per annum during the second half of the year. Commercial production is due to start in June. It is probable that the recovery grade at Jwaneng will be higher than that at any other mine of the Group and the diamonds produced will be of medium quality. Jwaneng is probably the most important kimberlite pipe discovered anywhere in the world since the original discoveries at Kimberley more than a century ago.

In the course of the year our long-standing agreement for the marketing of the production of the Miba mine in Zaire was terminated by the [illegible]

The continued development of skills and the pursuit of equal employment and advancement opportunities for all races are essential to the long-term development of stable and fair employment conditions, and the Company's commitment to education and training remains unaltered.

For the first time in South African mining history, it has been possible to conclude a recognition agreement in Kimberley with an established trade union providing for the inclusion of blacks among the employees it represents in wage and other negotiations. As the composition of the black workforce becomes more permanent and their contribution to skilled work increases, it is entirely appropriate that participation in organised union activity should broaden.

Early in 1982, for the first time, black apprentices were indentured in Kimberley and at Premier while a steady increase is being recorded in the number of coloured and black trainees at the engineering draughtsmen training centre in Kimberley, and on the mines. Through its Chairman's Fund, the Company is, at the same time, contributing to the establishment of educational facilities for the less privileged throughout southern Africa, of benefit not only to the mining industry but to society in general. Among these, the Valombola Technical Institute in Ovambo, in the northern part of South West Africa/Namibia, has now been in operation for two years. The Mangosuthu Technicon in Kwa-Zulu opened early in 1982, and work is in progress on the Isidingo Technical College and Dinoto Technical Orientation Centre on the East Rand, as well as on the non-racial Concordia College in Windhoek.

'Improved growth and earnings potential acquired in the industrial [illegible]'

consumption of diamond jewellery particularly, though not exclusively, at the lower end of the market has continued throughout at a high and encouraging level. The market for the rare and more expensive items of jewellery is adversely affected to a much greater extent than the rest of the market by the unprecedented levels of interest rates particularly in America In previous statements I drew attention to the obvious dangers of speculation in the cutting centres at premium prices and on this account the recession in the diamond industry started sooner and is perhaps deeper than the world economic recession as a whole. This speculation was largely financed by bank credits and it is satisfactory to see that by now largely on account of our policy of withholding diamonds from sale when the market is weak, the level of bank credit in the leading cutting centres has been substantially reduced, in some cases by as much as 50 per cent, and is now generally speaking at a reasonable level This reduction strongly suggests that the special reasons which existed for the recession in the diamond industry are a fair way to being overcome and that the continuation of a low level of sales reflects adverse economic conditions in general to a greater extent than circumstances peculiar to the diamond industry. We cannot expect prosperous conditions in our industry at a time of world depression and in particular while interest rates remain at their present high level. However, any improvement in the world economy and in particular in business conditions in the United States should be rapidly reflected in the diamond industry

In November of last year the CSO, in order to lay a sound basis for recovery as soon as general business conditions improve, made important modifications in the manner of presentation of diamonds to the market. The sales assortments were altered so as to allow our customers to fit their purchases more accurately to their individual requirements in the new market conditions. It is essential for any trading organisation to be alive and sensitive to changing needs and conditions and we are satisfied that the new selling arrangements we have introduced will help to preserve the value of diamonds and to protect the stability of the trade. The state of the market for those diamonds which are bought wholly or partly for investment is a matter of considerable significance, mainly from a psychological point of view since they have never made up a large proportion of the worldwide trade in polished diamonds. Diamonds have proved good investments over the years so long as they have been bought at prices which bear a reasonable relationship to the level of rough diamond prices maintained and protected by the activities of the CSO However, diamonds bought at high premium prices in times of speculative boom are obviously not likely to prove good investments. During Group during 1981 production was reduced both in Namaqualand and at CDM and total mining expenditure excluding Jwaneng, the new mine in Botswana which started production at the beginning of this year, at R513 million was less by R39 million than in 1980 Group production for 1982, excluding Jwaneng, has been further reduced and is estimated to amount to 13 794 000 carats as compared with 15 438 000 carats in 1981. In spite of this reduction working costs (excluding Jwaneng) at R415 million are estimated to be higher by R55 million than last year, an indication of the rate of inflation. On the other hand we estimate it will be possible to reduce capital expenditure (excluding Jwaneng) to R119 million, a reduction of R34 million below the comparable 1981 figure so that the total expenditure at the mines is estimated to show a net increase of only R21 million as compared with last year. These figures reflect a great effort by the consulting engineers and general managers and their staffs and further significant reductions in expenditure would not be possible without serious redundancies at the mines with all the social consequences involved Nevertheless expenditure at the mines is under constant review in order to ensure the strictest economy

'Consumers are reacting as favourably as ever to diamonds and the traditions associated with them'

On the other hand we have thought it right, while making every effort to avoid waste, to make a significant increase in our expenditure on promotion and advertising and here there will be increased emphasis on the marketing of the larger, better quality diamonds It is satisfactory to be able to report that consumers are continuing to react as favourably as ever to diamonds and to the traditions associated with them.

It is estimated for example that in 1981 some 70 per cent of all first-time brides in America acquired a diamond engagement ring, and the ownership of diamonds by American women in general has been rising steadily to the extent that last year more than one in ten acquired a new piece of diamond jewellery. We are actively opening new consumer segments such as men's diamond jewellery. In the other leading markets, Japan and Germany, the corresponding figures have been rising towards the levels in the United States and the use of diamonds has also been increasing satisfactorily in the other European countries, in South East Asia and also in Latin America. Generally speaking, therefore, the long-range outlook judged from the consumer market gives good reason for optimism.

The general business recession was felt in the market for industrial diamonds also, but nevertheless total sales only declined slightly. Sales of natural industrials continued to lose ground in relation to synthetic production. We regret this development but its importance can easily be over estimated. Miba production has decreased over some years and the prices obtained by the mine have recently declined with the result that the total realised value of this production is now under $45 million per annum. While this is a significant figure it does not make up an important percentage of world diamond production.

'A detailed marketing agreement for the Argyle production is now in course of negotiation'

The important discovery recently made in Western Australia by the Ashton Joint Venture (AJV) – the Argyle mine – will produce very large quantities of diamonds similar in quality to those produced in Zaire. Argyle will be a very big mine indeed with the highest recovery grade anywhere in the world. A major part of its production will consist of so-called "near gem" qualities and "industrials", and when the mine reaches full production its output of these qualities will make up more than half of the total produced in the world. Argyle's output of gem qualities, while significant, will amount to only a comparatively small proportion of world production. Production on a moderate scale from the gravels surrounding the mine is due to start in the second half of this year and production from the mine itself will probably begin in about three years' time. An agreement has been reached in principle between the CSO and the major partners in AJV in regard to the marketing of this potentially large and unusual production. It is intended that subject to AJV's right to extract diamonds on an agreed basis for the purpose of establishing their own cutting factory in Australia, the CSO should market the Argyle gem production on an exclusive basis and that the "near gem" and industrial qualities should be marketed as to 75 per cent through the CSO and as to 25 per cent by the AJV directly, in recognition of its special position in this sector of the market. Details of an agreement along these lines are at present in the course of negotiation.

In spite of depressed conditions we are continuing prospecting activities on a large scale on the African continent and elsewhere, particularly in Australia and South America. The cluster of pipes on the farm Venetia in the Northern Transvaal to which I referred in my statement last year are being sampled through surface trenches and shafts and the ground treated in a heavy media separation plant. Much work remains to be done before a definitive valuation of these deposits can be made. In South West Africa/Namibia prospecting inland along the Orange River has given very encouraging results. Application has been made in response to enquiries put out by the South African Government for prospecting rights for diamonds offshore at various locations along the Namaqualand coast.

Our investments outside the diamond industry were valued at the year-end at just over R3 000 million Two important changes have been made in their composition In the course of last year we exchanged our holdings in Consolidated Gold Fields (Consgold) and in Anglo American Corporation of Canada (Amcan) for additional shares in Minerals and Resources Corporation (Minorco) This was part of a reorganisation by which Anglo American Corporation of South Africa similarly exchanged its Consgold and Amcan holdings and also its 36 per cent interest in Charter Consolidated for new Minorco shares The effect has been substantially to enlarge and strengthen Minorco and to put it in a better position to expand its business. Our interest in the enlarged Minorco amounts to 23 per cent. In January of this year De Beers Industrial Corporation (Debincor) was merged with Anglo American Industrial Corporation (Amic) and our interest in the combined company amounts to 25 per cent. The enlarged Amic is a powerful and well diversified industrial group with total assets of about R2 700 million Through this reconstruction we have acquired an improved growth and earnings potential in the industrial sector together with a wider spread of interests. Recently we have increased our South American investments through the purchase of an effective 10 per cent interest in Empresas Sudamericanas Consolidadas which has diversified mining and industrial interests in that continent.

'We are well equipped to see through what may remain to be faced of this time of depression'

The year has been an exceptionally difficult one – indeed we have not gone through such hard times since I entered the business fifty years ago during the depression of the 30s. The structure of the trade built since then is, however, standing up firmly to this severe test. Our problems are no longer specific to the diamond industry but are world wide in nature. We are well equipped to see through what may yet remain to be faced of this time of depression and to take full advantage of better economic conditions when they return.

De Beers Consolidated Mines Limited

The 1981 report and chairman's statement are obtainable from Consolidated Share Registrars, 62 Marshall Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107)

The annual general meeting of members will be held at 36 Stockdale Street, Kimberley on Tuesday 25 May 1982 at 14h15

(216) RDM 29/4/82

R260m Jwaneng at full tilt after June

Mining Editor

DE BEERS R260-million Jwaneng mine is expected to start commercial production in June and should reach its initial rated production capacity of 4 800 000 tons a year in the second half of 1982

Mr Oppenheimer, De Beers chairman, says in his annual review that the recovery grade at Jwaneng will probably be higher than at any other mine in the group, and the diamonds will be of medium quality

"Jwaneng is probably the most important kimberlite pipe discovered anywhere in the world since the original discoveries at Kimberley more than a century ago"

The Jwaneng mine is owned by De Beers in partnership with the Botswana Government, which has exercised its option to subscribe up to 20% of the equity share capital required for the poject

Although no details of grades at the mine have been disclosed, initial production is expected to be between 3 500 000 carats and 4-million carats a year, and the production start-up in January this year came ironically at a time when the other mines in the De Beers fold were trimming output

Mr Oppenheimer makes no reference to this anomalous situation, but the expansion of the group's output has been planned for some years, and is intended to provide long-range benefits

The difficulty facing De Beers now, however, is placating the Botswana Government, which has reportedly cast interested glances in the direction of Zaire

Zaire last year broke away from the CSO and claims to have received consistently higher prices for its diamond production than it did from the CSO

Botswana's situation as a gem producer is different to that of Zaire, which produces mainly industrial diamonds, and Botswana's reliance on diamond production was summed up by Mr Oppenheimer in his 1980 report

"It is not too much to say that the interest of the Government of Botswana in the stability and prosperity of the diamond industry is virtually as great as that of the De Beers company itself"

Mr Oppenheimer says in his latest review that in spite of depressed conditions in the industry, De Beers is prospecting on a large scale in Africa, Australia and South America

The cluster of diamond pipes on the farm Venetia in the Northern Transvaal is being sampled through surface trenches and shafts and the ground is being treated in a heavy media separation plant

"Much work remains to be done before a definitive valuation of these deposits cane be made"

Prospecting inland in Namibia along the Orange River has given encouraging results, according to the De Beers directors, but sampling is difficult at this depth and in this type of ground

Evaluation which is slow and expensive mav prove the interesting values obtained to be sporadic

Mr Oppenheimer says De Beers has applied for prospecting rights for diamonds offshore at various locations along the Namaqualand coast in response to South African Government inquiries

The directors say increased activity and expenditure in Australia reflect a change in emphasis in prospecting techniques so that areas of potential interest may be covered more rapidly

In Brazil, newly discovered diamond-bearing gravel deposits are being evaluated and delineated, but their potential may not prove to be large, say the directors

Testing of kimberlite pipes found in recent years continues, and although this work has not shown any signs of being of economic importance, many discoveries remain to be sampled

De Beers again cuts output

216 RDM 29/4/82

And stockpile likely to rise

By JOHN MULCAHY

DE BEERS Consolidated Mines is reducing production by a further 10,6% this year to 13 794 000 carats (excluding Jwaneng) from 15 438 000 carats in 1981.

Although Mr Harry Oppenheimer is mildly optimistic in his chairman's statement for 1981 — sales this year have been running higher in dollar terms than in the second half of 1981 — he warns that the stockpile is likely to increase again.

Production at De Beers mines in Namaqualand and at Consolidated Diamond Mines in Namibia was reduced last year, and total mining expenditure fell by R39-million to R513-million in 1981

In spite of the production reduction, De Beers working costs (excluding Jwaneng) are expected to rise by 15,3% to R415-million from R360-million But capital expenditure should fall by R34-million to R119-million, so that overall expenditure at the mines other than Jwaneng is expected to rise by R21-million

Mr Oppenheimer paints a picture of gloom for the past year, describing 1981 as "an exceptionally difficult one — indeed we have not gone through such hard times since I entered the business 50 years ago during the depression of the 1930s"

De Beers diamond stocks more than doubled last year to R1 403-million at December 31 from R698-million at the end of 1980

The prospect of higher stocks was a significant influencing factor on the decision to reduce De Beers final dividend to 25c a share from 50c, a decision which "reflects both the continuance of the world recession and our determination to carry out our traditional stabilising role in the industry"

De Beers has arranged facilities with its bankers which are ample for its requirements, he says.

The balance sheet at December 31 shows a loan from Anglo American of R200 600 000 as well as long-term liabilities totalling R64-million, and the notes to the financial statements reflect R79 600 000 in undrawn loan facilities

In a positive note on the longer-term prospects, Mr Oppenheimer says there are strong indications that the special reasons which existed for the diamond industry's weakness "are a fair way to being overcome" and the low sales now reflect adverse economic conditions to a greater extent than circumstances peculiar to the industry

He refers to previous statements spelling out the dangers of speculation in the cutting centres at premium prices, which ultimately brought about a recession in the diamond industry sooner and deeper than the world economic recession

This speculation was financed mainly by bank credits, which have now been substantially reduced — in some cases by up to 50% — and Mr Oppenheimer says the credits are now at a reasonable level

The improvement in the situation peculiar to the diamond industry has not, however, removed the unfavourable economic conditions, and Mr Oppenheimer says it cannot expect prosperous conditions at a time of world depression "and in particular while interest rates remain at their present high level"

Any improvement in the world economy and especially in business conditions in the US should be rapidly reflected in the diamond industry

In November last year the Central Selling Organisation made important modifications in the manner of presentation of diamonds to the market, says Mr Oppenheimer

The sales assortments were altered to allow customers to fit purchases more accurately to individual requirements in the new market conditions

"It is essential for any trading organisation to be alive and sensitive to changing needs and conditions and we are satisfied that the new selling arrangements we have introduced will help to preserve the value of diamonds and to protect the stability of the trade"

The state of the investment diamond market is of considerable significance "mainly from a psychological point of view since they have never made up a large proportion of the world-wide trade in polished diamonds"

He says diamonds have proved good investments over the years so long as they have been bought at prices which bear a reasonable relationship to the level of rough diamond prices maintained and protected by the CSO

"However, diamonds bought at high premium prices in times of speculative boom are obviously not likely to prove good investments"

The current decline in demand is concentrated on the larger sizes and finer qualities, and sales of the smaller sizes and lower qualities have been satisfactory.

Consumption of diamond jewellery particularly, but not exclusively, at the lower end of the market has continued at a high and encouraging level, says Mr Oppenheimer

The market for the rare and more expensive items of jewellery is adversely affected to a much greater degree by the unprecedented levels of interest rates in the US.

Mr Oppenheimer says the structure of the diamond trade built since the 1930s is standing up firmly to "this severe test"

"Our problems are no longer specific to the diamond industry but are worldwide in nature We are well equipped to see through what may yet remain to be faced of this time of depression and to take full advantage of better economic conditions when they return"

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DE BEERS (216)

No quick fix

FM 30.4.82

"The year has been an exceptionally difficult one — indeed, we have not gone through such hard times since I entered the business 50 years ago during the depression of the Thirties"

Harry Oppenheimer, in his chairman's statement, makes no bones about the problems De Beers has to contend with — problems which he says are not specific to the diamond industry but are worldwide in nature. Nevertheless, he is imperturbably optimistic in adding that De Beers will see its way through this depression and emerge in a position to take full advantage of the eventual economic recovery

There's a pretty good chance he will be right — but that is not going to make the intervening months any less difficult We may be nearing the end of the decline in rough diamond sales but that is a far cry from the situation in which production capacity is fully employed And until the market reaches that position, De Beers will remain hungry for cash while its shareholders remain on a relatively thin gruel of dividends

In the meantime, the group is having to implement some very basic changes in its operations For a start, let's take the demand/production capacity balance Oppenheimer says that the CSO's dollar sales of rough diamonds have been running at a higher rate this year than in the second half of last year This, at least, is one ray of light at the end of the tunnel But full daylight is still a long way off This year it is expected that the cut-backs in Namibia and Namaqualand will reduce output to 13,8m ct against 15,4m ct in 1981 and 14,7m ct in 1980

This, however, excludes any contribution from the newly-opened Jwaneng mine in Botswana Jwaneng, which Oppenheimer describes as "probably the most important kimberlite pipe discovered anywhere in the world since the original discoveries at Kimberley more than a century ago," is due to reach its initial annual rated treatment capacity of 4,8 Mt in the second half of this year Its recovery grade will be higher than that of any other mine in the group Last year, for example, recovery at Finsch was over 92 ct/100 t, so De Beers is clearly expecting well over 100 ct/100 t from Jwaneng And that means an output somewhere in the region of 2,5m ct this year and 5m ct or more in 1982 In other

words, total group diamond production could be higher this year than last by a factor of 5% or 6% So much, then, for any chance of cutting diamond stocks this year

De Beers is preparing itself for yet another diamond stock increase this year — and, possibly a very substantial one In March, Oppenheimer told the *FM* that he did not expect this year's increase to be as big as that recorded in 1981 when stocks doubled to R1,4 billion But there seems little point in expecting an increase which is substantially less than last year's rise

Much of the slack demand of the past couple of years has been due to buyers in the major cutting centres choosing to reduce their own stocks High interest rates and the virtual disappearance of speculative profit possibilities saw to that And, under these circumstances, there was little or no incentive to buy from the CSO So difficult did the situation become that apart from reducing the number of rough stones offered at its sights, the CSO is selling cutters the stones that they, in turn, can market Until recently, the CSO sights, according to one disgruntled diamond dealer, were run very much on a take-it-or-leave-it basis The CSO decided which roughs were to be included in the parcels on offer and, on the whole, dealers or cutters were obliged to take them even if they contained stones which were difficult to sell Such was the strength of De Beers and the CSO

Last year, as Oppenheimer puts it, "sales assortments were altered so as to allow our customers to fit their purchases more accurately to their individual requirements in the new market conditions" It remains to be seen whether this continues once the diamond market recovers But if it does it may well be part of a complete reappraisal of De Beers' marketing strategy

This year will, as far as possible, be characterised by savings Operating costs are being pared where possible, as are capital spending projects Marketing, on the other hand, is to receive a great deal more effort Whereas capital spending is planned to be some R34m less than in 1981, this year's expenditure on promotion and ad-

De Beers . . . under the microscope, indeed

the period when "investment" demand chased the price of larger stones well above levels which were reasonable compared with the prices of roughs being charged by the CSO A lot of stock has to leave speculative hands, and the investor/speculator who raced so precipitately into the diamond market needs to nurse his wounds for a while In a move which might accelerate the recovery process, De Beers is to angle its advertising more towards promotion of larger, better quality stones

It is quite obvious that this is needed While retail demand for smaller cut diamonds has remained relatively sound — and as a result helped demand for this quality of roughs — the highly profitable investment market has been flattened

Though these strategies are necessary, there may be little point in expecting them to work immediate miracles — even small ones As mentioned above, De Beers' problems are not specific to the diamond indus-

countries — America, Germany and Japan But what has still to be proved is that demand is sufficient to absorb the great production increase likely to reach the market by the middle of this decade Apart from Jwaneng and under-utilised capacity at De Beers' other operations, there is the Ashton Joint Venture due to start producing in Western Australia later this year When it reaches full production the mining area is expected to produce about half of the world's total natural diamond caratage Though a large proportion of the Ashton diamonds will be industrial and near-gem quality, there will be a great many gems which the CSO will have to market in addition to those from existing sources

Further ahead is the Venetia prospect in the northern Transvaal This is still being prospected but, like Jwaneng, De Beers may not be able to delay exploitation no matter what the state of the market

It all adds up to a quantum increase in gem demand being needed if existing production capacity and that in the pipeline is to be fully exploited or if De Beers is not to spend several years adding to its diamond stocks The company has admitted that this year will see a further increase in stocks — last year's dividend was cut ahead of just such an eventuality And it has arranged borrowing facilities which are expected to be adequate for its needs

All this will not prevent this year's income statement from looking relatively sickly The cost of borrowings will not be negligible while interest receipts will be more or less non-existent Investment income, 33% of which came from gold and 39% from industrial interests last year is unlikely to improve and is more likely to fall And finally, and most importantly, it seems unlikely that diamond account income will be much better than last year's R360m even though the rough gem market is better than in the second half of 1981

There will be no quick fix for De Beers the structure of its market will see to that And on that basis perhaps the best that can be expected is a repeat of last year's 50c total dividend And it may not be investment heresy to expect a further reduction

progresses the company de

De Beers cuts workers

RDM 14/5/82

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DE BEERS, in line with its policy of reducing operating costs, is cutting its work force at the Premier Mine in the Northern Transvaal by 9%

Carat production, however, will remain unchanged

De Beers confirmed yesterday that reductions in long term capital expenditure at Premier, relating mainly to developments below the sill, have made it necessary to reduce the number of employees

This will effect 498 employees at all levels, out of the present workforce of 4 275, but every effort will be made to re-absorb affected employes within the De Beers and Anglo American groups, and where this cannot be achieved compensation will be paid

De Beers commented that as a consequence of the high level of diamond stocks and the current level of sales, group policy was to reduce operating costs and long term capital expenditure wherever possible The resumption of development work at Premier will be reviewed from time in the light of prevailing conditions

De Beers' Lesotho mine to close

RDH 216
15/5/82

By JOHN MULCAHY

THE Letseng-la-Terai diamond mine in Lesotho, which is jointly owned by De Beers and the Lesotho government, is to close, and at least 700 workers will be retrenched

Letseng mine employs 792 workers, and De Beers says they will, "to the maximum possible extent be re-absorbed within the De Beers and Anglo American groups, and where this cannot be achieved, compensation will be paid as required by law"

It is believed that about 70 of the workers are ex-patriots, and will be absorbed elsewhere, but the rest of the work-force is likely to be retrenched

Yesterday's announcement of the Letseng mine's closure came hard on the heels of the decision to cut the work-force at De Beers Premier mine in the Northern Transvaal by 498 people, and highlights the continuing depression in the diamond market

De Beers, which has a 75% interest in Letseng, says the mine has for some time been operating at a loss, because of cost inflation and the depressed state of the diamond market "particularly for the larger, high-quality stones which the Letseng mine produces"

Letseng produced 52 921 carats last year, compared with 53 714 carats in 1980, at an average grade of 2,80 carats/100 tons, and diamonds bigger than 10 carats constituted 12% of the mine's production

The Letseng closure will come about 'on an orderly basis over the coming months", says De Beers, and it is believed the mine will finally close in September

De Beers is clearly keeping its options open, however, and says " the plan to extend the mine's life by developing the satellite pit is for the time being uneconomic"

In the annual report, published last month, De Beers said that in August last year it was decided to limit the planned depth of the satellite pit at Letseng to 100 metres, subject to the economic feasibility of mining to greater depths being kept under review

"On current plans the pit has a remaining life of about four years," the report added, but circumstances have clearly deteriorated since then

Mr Harry Oppenheimer, chairman of De Beers, hinted at the possibility of a mine closure in an interview with the Wall Street Journal published earlier this week

With the exception of one small mine about which discussions were taking place, Mr Oppenheimer said "There aren't going to be any mine closures this year we're going to go more slowly We've got these stocks We aren't going to be in need of diamonds for some time"

In further disclosures to the Wall Street Journal Mr Oppenheimer said falling gem sales could cause De Beers to trim 1982 diamond production slightly more than the estimated drop to 13 800 000 carats from 15 500 000 carats in 1981, excluding output from Jwaneng in Botswana

He said De Beers was encouraging a decline in attendance at the Central Selling Organisation's regular sights, because "we mustn't push more diamonds on to this very bad market than can be properly absorbed'

On a recent visit to Israel — only the second time he has been to that country — Mr Oppenheimer told representatives of the Israeli diamond industry " we have got to be in a position, when times are bad, to accept the fact that we are not going to sell very many diamonds, because if we try to force diamonds on to a market we will cause a disaster"

In an obvious reference to the discouragement at CSO sights, Mr Oppenheimer told the Israeli cutters "It means that we don't sell to some of our oldest and most valued customers, and this is sad for them and very sad for us"

Dismissing speculation that De Beers was losing control of the world's diamond production, Mr Oppenheimer said "it is important for us, and for you, that we at the producing end of the business control as large a proportion of the production as possible"

The new diamond discoveries and the new sources of diamonds controlled directly by De Beers were far higher than the diamonds produced outside the group's direct control, Mr Oppenheimer said

"I do think it worth mentioning to you — because I think it may encourage you — that in spite of the things that have been much publicised like our no longer buying diamonds from Zaire in spite of discoveries of diamonds in Australia the proportion of the total world production of diamonds which are directly produced within our group is very much higher than it was a few years ago, and this is largely due to increased productive capacity in South Africa and to major discoveries which we are responsible for running in Botswana

"Therefore, our position of control in this industry is greater — not less — than it has been for very many years, and I hope you too will find this encouraging"

De Beers was strong enough not to force diamonds on an unwilling market, said Mr Oppenheimer "We have made sacrifices not to do so"

"We have cut our dividend but this has not happened in all the years since I have been in business

"It is not agreeable that we do this but we are economising so as to save money and we are doing this to give ourselves the financial strength to hold this industry together, and it is our intention, our determination, to do so

"I can tell you that we have the resources to see this through and we intend to see it through"

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

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Hoffe denial on 'fleecing' Namibia

Star 24/5/82

The Star's Africa News Service

WINDHOEK — Allegations by a Namibian businessman, Mr Eric Lang, that the diamond industry and the South African Government were fleecing the territory's resources were "seriously misleading," the resident director of Consolidated Diamond Mines, Mr Douglas Hoffe, said in Windhoek yesterday

Mr Lang had told a visiting German cultural group that Namibia was losing millions of rands in revenue by taxing CDM, a wholly owned De Beers subsidiary, at the first stage of production only

Replying to Mr Lang's allegations, Mr Hoffe said these 'disparaging remarks were based on incorrect facts "

Contrary to Mr Lang's allegation that Namibia only derived revenue on about R180 a carat for its diamonds, while they were sold for substantially more to the cutters Mr Hoffe said the diamond price remained constant

'The price for diamonds produced in Namibia is not increased to the benefit of a third party at any stage between valuation and sale to the CSO," he said

"In other words it is quite incorrect for Mr Lang to allege that CDM sells its stones 'cheaply' and that the CSO later sells them 'expensively,' to the ultimate detriment of CDM and the State "

Of Mr Lang's allegations about CDM's tax payments, Mr Hoffe said "As a diamond mining company CDM pays tax at a higher rate than any other taxpayer

"Taxes paid to the state by CDM have always exceeded by far the dividends paid to shareholders "

Mr Harry Schwarz, the PFP parliamentarian, pledged to campaign in South Africa for immediate financial and social assistance for Namibia in an address to the Namibian Chamber of Commerce and Industry

It was in South Africa s interests to create a climate of friendship between South Africa and Namibia before the territory attained independence

"I've got to go back to the people of South Africa and tell them that what is needed in Namibia is money and action and job creation — now," he said

you are registered (e.g. B A , B Sc) . . .

Subject ....
(to be copied from the heading on the Examination Paper)

Paper No . . ..
(to be copied from the heading on the Examination Paper)

Examiners' Initials		

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1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2. Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3. Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used
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1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2. Candidates are not to communicate with other candidates or with any person except the invigilator
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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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MAY 30, 1982

DIAMOND MINES ARE NOT FOREVER . . .

S. Tribune

(716)

30/5/82

Letseng closure could have been averted

Finance Reporter

THE closure of the Letseng-la-Terai diamond mine in Lesotho, announced earlier this month, may have been averted if the Lesotho Government had agreed to a number of proposals made by De Beers, the majority shareholder in the venture

According to a mining official, Letseng-la-Terai has been losing about R500 000 a month for the past year A high proportion of its output consists of large gemstones which have been particularly hard hit by the slump in demand for investment-grade diamonds.

De Beers suggested a compromise to the Lesotho Government, which has a 25 percent stake in the mine In return for allowing Letseng to continue operations, De Beers asked for several concesions

One was agreement by the government to postpone collections of a Sales Tax levied on Letseng-la-Terai's diamonds

Despite its name, this tax is paid on production rather than sales

With offtake of diamonds sluggish, De Beers has been paying tax on stones still lying in the Central Selling Organisation's stockpile.

The company also asked the Lesotho Government to allow it to reduce spending on some non-mining items, such as training programmes for local workers

These requests were turned down by the authorities in Maseru.

Although negotiations were conducted with the country's Solicitor-General and Mining Commissioner, the decision to reject De Beers' proposals was taken by the Cabinet.

None of the officials involved in the negotiations was available for comment "We don't want to deal with any publication," an official at the Department of Mines said

The closure of Letseng will probably hurt Lesotho more than De Beers. With almost 800 workers, it is the country's largest private employer It is also the largest foreign exchange earner, excluding migrants' remittances

Letseng produced 52 900 carats last year. The grade of its pipe is by far the lowest of any De Beers' mine.

At last: Some cheer for diamonds and economy

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S. Times

30/5/82

SOUTH Africa and the leading JSE blue chip, the R6 000-million De Beers octopus, stand to benefit at last from what looks like a surprisingly firm recovery in world imports of polished gem diamonds.

Diamonds rank among the top three foreign exchange earners on the list of SA exports.

Imports of all gemstones into the US last year were 48% up on those in 1980 and no less than 56% higher by value

In the first quarter of this year, De Beers tells Business Times, some further improvement has been experienced

The US accounts for 56% of all gemstone sales

By STEPHEN ORPEN

The value of Japanese imports rose some 50% in 1981 and, at more than 30%, France produced the most outstanding increase in sales last year

World sales at retail level topped R6 000-million

These figures were supplied to Business Times on Friday by SA delegates to the World Diamond Conference in New York

The hard times which have battered De Beers have generated banner headlines for some months — sparked by the release of the frightening setback in the fortunes of this monumental stock

The shock waves to the already beleaguered SA economy were aggravated by the fact that there has for long been a mystique about De Beers

It has been regarded by many as the single most important yardstick of investment expectations and stock-exchange mood in SA, and even of the state of the economy at large.

The world diamond market largely managed at the first level by De Beers through the Central Selling Organisation (CSO) in London, is a complex business

For this reason, the large leap in imports of gemstones (as opposed to industrial diamonds) into the major retail markets cannot automatically be translated into better times either for De Beers or SA exports

The bulk of South African gems are not necessarily those currently selling best overseas

For instance, the CSO is continuing to stockpile larger, finer stones, for which (as a generalisation) demand remains weak in relation to stocks

Also some of the imports into, say, the US are re-exported

Thus De Beers is not saying that it expects a sharp upturn in its own profits performance, especially since the cost of holding stocks is so high — if diminishing

However, it is cautiously optimistic that an upturn in diamonds has taken root, and will bring better results some time in the coming months, with increasing stability in the meantime

Revenues from SA exports of diamonds fell to R340-million last year from R560-million in 1980, and the Minerals Bureau estimate for 1982 is about the same as for last year

However, it now seems that this estimate will almost certainly be bettered, perhaps substantially, provided the current overseas recession turns into economic recovery (or at least does not deteriorate) in the next 12 months

There are those who, with good reason, feel that this as-

● To Page 3

The Star Thursday June 3 1982 25

More cutbacks at De Beers mines in Free State

7/6

By David Braun

De Beers has temporarily suspended production at Koffiefontein diamond mine, Orange Free State, affecting 1 200 workers.

In the Namaqualand division, production will be transferred from the Annex Kleinzee plant area to the Tweepad plant area, which was temporarily closed in May 1981

The Finsch diamond mine, where production has been restricted to an annual rate of 3,5 million carats since the beginning of the year, will be immediately restored to production at full plant capacity of 4,5 million carats a year.

In the last three weeks De Beers has announced cutback in Premier's workforce by 10 percent, affecting 498 workers, and the closure of Lesotho's Letseng-la-Terai mine, which will lead to the retrenchment of another 700 workers

These developments are indicative of the recession in the diamond industry and underscore Mr Harry Oppenheimer's rationale for staying on as chairman of De Beers "for the time being".

De Beers said in a Press statement yesterday that since May 1981 it had been adjusting production on its mines periodically to bring it more closely into line with the prevailing pattern of demand in the cutting centres

TRADE CHANGE

In spite of the overall decline in sales of rough diamonds a steady demand continued for the smaller and lower qualities of gem stones, resulting in some cases in a reduction of stocks.

The value of the extra production from Finsch would be greater than the whole of Koffiefontein's present production, and a much larger portion of it would consist of diamonds currently in demand, so that the overall effect should be an increase in total sales.

De Beers said stocks of Koffiefontein-type diamonds were sufficient to meet a revival of demand during the few months that it would take to bring the mine back into production

Every effort would be made to offer the Koffiefontein workforce employment on other De Beers' mines and in the Anglo American group, and where this was not possible compensation would be paid

De Beers cuts staff but adds to carats

(216) RDM

3/6/82

By JOHN MULCAHY

BAD news is said to come in threes, and De Beers is confirming this belief with its third announcement of staff cutbacks in as many weeks

In what was described as "further re-arrangements of production" De Beers yesterday released details of adjustments to output in its Namaqualand and Kimberley divisions.

The basis for De Beers' latest production changes, which will result in a marginally higher carat production, is that while the overall slump in demand for rough diamonds continues, there has been steady demand for the smaller and lower qualities of gems, in some cases resulting in a depletion in stocks

Among other moves, the re-arrangement will result in the suspension of production at Koffiefontein mine, affecting 1 200 workers

De Beers says every effort will be made to offer the Koffiefontein work-force employment on other mines in the group and in Anglo American, "and where this is not possible compensation will be paid"

Some of the Koffiefontein workers will be absorbed at the Finsch mine, where additional labour will be needed to assist with the reversion to full capacity at Finsch

Yesterday's disclosure was the third from De Beers in recent weeks, the first being the cutback in Premier's workforce by 10% — affecting 498 workers — and the subsequent decision to close the Letseng-la-Terai mine in Lesotho, which will ultimately lead to the retrenchment of another 700 people

After the decision to cut the work-force at Premier by 10% and the subsequent decision to close Lesotho's Letseng-la-Terai mine, De Beers yesterday announced a re-arrangement of production at some of its other mines

Production from De Beers' Namaqualand division is to be transferred to the Tweepad plant from Annex Kleinzee, with carat production unchanged and employment unaffected

The new Tweepad plant was closed down in May last year, reducing production from the Namaqualand division by 220 185 carats in 1981 to a total of 1 214 077 carats

Preparatory work is starting on the transfer of production to Tweepad, and the changeover is expected to take place during the last quarter of this year

There is a higher proportion of smaller stones in the Tweepad area, and the new plant is also probably more cost-efficient than the old Kleinzee operation

In the Kimberley division, where production at Finsch mine has been restricted since the beginning of this year to an annual rate of 3 500 000 carats, steps are ot be take immediately to restore production to the full plant capacity of 4 500 000 carats a year

The Finsch mine produced 4 463 944 carats in 1981 compared with 2 906 961 carats the previous year

The increase in Finsch production is a direct result of the decision to suspend output from Koffiefontein, and De Beers said yesterday "the value of the extra production from Finsch will be greater than the whole of Koffifontein's present production"

In addition, a much bigger proportion of Finsch production will consist of the stones now in demand, with the overall effect an increase in sales

Koffiefontein produced 322 635 carats last year, compared with 431 480 carats in 1980, and the plant has been running below capacity for some time

Production at Koffiefontein was last year shifted to underground from open-pit, and this created production problems late in the year, reducing tonnage treated to 3 263 500 from 3 645 700

According to De Beers stocks of Koffiefontein-type diamonds are sufficient to meet a revival of demand during the few months it would take to bring the mine back to full production.

COMMENT: While the net effect of the latest announcement is an increase of carat sales, it seems clear that the market for the larger, more profitable stones is set for a further period in the trough.

That De Beers is now concentrating its efforts on the smaller stones, to the temporary exclusion of the higher quality gems points to narrow margins, and strict cost control at this level of the market is imperative.

Presumably the re-arrangement was designed to effect savings, firstly by transferring some production to a new, efficient plant from an older one, and secondly by increasing production at an existing operation to replace output from an entire mine.

A De Beers spokesman could not quantify the saving, but market analysts read the new arrangement as confirmation that the group is "digging in its heels" in preparation for a continuing slump.

De Beers' share price has wilted under the pressure of the now familiar cutback announcements, but yesterday's statement is the first that may engender some confidence, in that the area of demand has been identified and the emphasis is being placed on optimising it

RAND DAILY MAIL, Monday, Jur

Bleak future as gems lose glitter

RDM 7/6/82

THE DEPRESSION in the diamond industry which led to this week's closure of a major mine and the collapse of a 35-year-old cutting firm will continue until the world economy picks up again

Mr James Courage, public relations officer for De Beers, said this yesterday when asked about his company's closure of the Koffiefontein mine which employed 1 200 workers

"I cannot say categorically whether any more mines will be closed. Nothing is on the cards at the moment but the position is constantly under review," Mr Courage said.

The mine was closed, he explained, because the large, more expensive diamonds it produced were not in demand Production at the Finsch mine had been stepped up because its smaller diamonds were selling well

Bigger diamonds were not selling because investors did not have the capital to buy them.

"De Beers is fortunate in that it has many different mines and this facilitates changes in production when market patterns change

"This reflects the fact that we are constantly reviewing the situation and adapting our production accordingly", he said

When the demand for larger diamonds picks up the Koffiefontein mine will be re-opened, Mr Courage said

The Koffiefontein mine was re-opened in 1970 after being closed for almost 40 years. It is one of the newest mines of its kind and is equipped with some of the world's most modern equipment

This will be carefully maintained so that it can be re-opened at only four months' notice, Mr Courage said

The company would make every effort to transfer as many of the mine's 1 200 workers as possible. The rest would be retrenched

Mr F G Bindeman, secretary of the Diamond Cutters' Board, said yesterday he doubted any more firms would follow M & A Goldstein which was wound up in the Rand Supreme Court on Wednesday.

The family business owes Standard Bank R18 500 000.

"The state of the diamond market is affecting all the companyies, some more than others", he said.

"It is difficult to say what will happen to other companies and we can only speculate.

"But I think most of them will restructure their operations to avoid liquidation", he said.

~~211~~ 216 RDM 7/6/82

Diamond town faces death as mine closes

Reports: ANTON HARBER
Pictures: NATALIE GOLDSMITH


Koffiefontein's ultra-modern concrete shaft stands as a reminder of more prosperous days.

ON Saturday morning, almost half the breadwinners in the small Free State town of Koffiefontein were looking for work

A decision by De Beers to close the town's large diamond mine had suddenly put 1 200 workers out of their jobs And Koffiefontein — which has boomed in the last decade from mine revenue — lost the source of most of its business and trade

On Saturday thousands of the town and district's 8 500 residents were already packing to leave and all the businessmen were re-assessing their prospects Some shops will close, most will cut back drastically and all will retrench some of their staff

The mine produced the larger, more expensive diamonds that are no longer in demand, according to De Beers officials The closure is part of the company's rearrangements to adapt to the depressed diamond industry, but if the market changes, digging will be resumed

Koffiefontein mine was reopened in 1970 after lying dormant for 38 years At the edge of the town, a few vandalised houses from that period still stand — a chilling reminder of how much the town depends on the fluctuations of the international diamond market

The mine was commissioned until the year 2005, and only five years ago De Beers scrapped the old open pit mine and built an ultra-modern new concrete shaft So the announcement on Tuesday that digging had stopped was unexpected

For the white miners, the decision means uprooting their families and moving on Many of them hold skills that are in demand and will find new jobs fairly easily elsewhere, but their biggest problem is taking their children out of school

"I will miss this town and my friends We are all losing a lot," said Mr Charles Clark, a mine electrician

"It is a terrible shock I don't know how I am going to take my children out of school at this stage," he said

The headmaster, Mr Rolf van Schalkwyk, will lose 121 of his 268 pupils The English-medium section of the school will close

De Beers have transferred some workers to other mines Others received two months' retrenchment pay

For most of the black miners, the prospects are bleaker Scores of migrants were already being bussed back to their homes on Friday to face unemployment and uncertainty

The many who live in Koffiefontein or the surrounding area have little chance of finding new work nearby

"We will starve," said Mr Patrick Kgwatle, who was born in Koffiefontein

"I worked in Jaggersfontein for many years, until the mine there closed Then I came here and have worked for De Beers since 1970

"Now there is no work All the mines around here are full already I'll have to find work in Johannesburg to stop us starving," he said

On Friday, the town clerk, Mr B D le Roux, was checking the municipality's debts More than half the town's revenue came from the mines and without this the municipality will struggle to repay these debts, he said

Shop owners — most of whom opened up during the prosperous years of the mine — were rapidly calculating whether there would be enough business for them

"I bought this shop three months ago, so I have no choice but to stay here," said the town's chemist, Mr Mike Wessels

The mayor for the last seven years, Mr Chris Cronje, dismisses suggestions that Koffiefontein will become a ghost town

"It is a terrible shock, but life must go on This town has been here since 1892 and it will carry on," he said

Is there any bitterness? "Not at all De Beers has done so much for all of us We only wish they could find a solution to this problem."

Mr Daniel du Toit, 55-year-old manager of a furniture store, has lived in the town all his life and remembers clearly the internment camp in which former Prime Minister Mr B J Vorster was held during the war

An ablution block, now part of the caravan park, is the only remnant of that camp

"Of the 30 businesses, maybe 16 or 18 will close," he said "We'll all lose money and customers, but it will become just like the old days when Koffie was a farming town"

This is the best prospect facing Koffiefontein — that it will follow in the footsteps of Jaggersfontein, a town only an hour's drive away, where a mine closed 15 years ago

Today, it is small and stagnant, with only a few shops to serve the nearby farmers The old mining houses have been filled with old age pensioners by the Department of Health and Welfare


MR CHRIS CRONJE
"Life will carry on"


MR PATRICK KGWATLE
"We will starve"

Octha MD denies UK reports of debt troubles

216

Star 9/6/82

By David Braun

Speculation that the Octha diamond group is in serious financial difficulty and close to being put into receivership has been dismissed by the group's managing director, Mr Johan de Villiers

"These rumours apparently originated in London, but we have no office there, so I don't know how they started," he said

Speculation has been rife in diamond and banking circles that Octha is in trouble and had run up total liabilities of from R45 million to R60 million. A consortium of banks is said to hve granted the group a few months' grace before calling its debt

Mr de Villiers denied this was the case. "In line with the present situation in the diamond industry things are not rosy for us. We are not having parties as things are extremely tight and rough

"We have done a lot of restructuring and cutting down of overheads and, since last November, we have closed mining operations which were not economical," he said.

"We have been reducing our inventory systematically since last August, so it is not true we are sitting on large stocks"

Octha was now in a good position to "sit out the storm." The diamond market was entering the seasonal upturn which normally saw sales improving for the Christmas rush

Octha embarked on a R160 million expansion programme last year that was designed to make it a "mini De Beers," creating an integrated diamond mining, cutting, marketing and retailing operation with a wide international network.

Much of the financing of this is said to have been supplied by a consortium of banks

The family owned group (Mr De Villiers and his family trusts own 83 percent of Octha's shares) owns a mine in Namaqualand reputed to be the largest single gem producer in the world

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Indian challenge to De Beers

Star 18/6/82

Own Correspondent

BOMBAY — De Beers faces a new challenge from the Indian diamond industry in its bid to gain marketing control of the output of the western Australian Ashton Mine at Lake Argyle

The mine is expected to double current world production by about 1985 Output will be mainly of industrial quality diamonds.

Representatives of the mine are in Bombay for discussions with the Indian Government's Metals and Minerals Trading Corporation

The corporation's chairman, Mr R Dhaom, revealed that the corporation was prepared to buy Ashton's entire production of 20 million carats a year.

Mercury 24/6/82

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Diamond industry 'a brilliant illusion'

Mercury Correspondent

NEW YORK— The multi-billion rand diamond industry is 'a brilliant illusion', on the point of being shattered, according to a just-published examination that is winning critical acclaim.

Titled 'The rise and fall of Diamonds' and written by E J Epstein, it traces the industry's growth and current woes and concludes that myth and crafty marketing were mainly responsible for its decades of success.

At one stage, Sir Ernest Oppenheimer even considered dumping tons of diamonds into the North Sea to keep them off the market, it asserts, while co-ordination with Moscow has been so great that when faced with a flood of smaller Russian stones, 'American consumer tastes were subtly changed to accommodate Soviet sales to a South African business,' a 'Wall Street Journal' review noted.

Now, faced with improved synthetic processes, vast new Australian supplies, the disappointment of investors with diamonds' failure to match inflation and the fraying of De Beers' control over supply, 'the diamond invention will disintegrate and be remembered only as a historical curiosity, as brilliant in its way as the glittering, brittle little stones it once made so valuable,' Mr Epstein concludes.

Ambassador Kenneth Adelman, the United States' Africa specialist at the United Nations, commented in a review: 'Little did the urbane Harry Oppenheimer realise during his candid, relaxed interview with Mr Epstein in 1978 just how devastating the result may prove.'

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RDM

24/6/82

Russian diamond dumping claim strongly rejected

By NEIL BEHRMANN

LONDON. — De Beers and Antwerp diamond sources vigorously deny an author's claims that Russians have been dumping synthetic diamonds on to the market.

In The Diamond Invention (Hutchinson £7,95) author Edward J Epstein writes that the Russians are producing synthetic gem diamonds from carbon, the rough synthetic stones are sold to De Beers and polished in the major diamond centres

And according to a report in the London Sunday Times, which is serialising the book, a spokesman for the Institute of High Pressure Physics in Moscow confirmed that Soviet scientists had succeeded in synthesizing gem-quality diamonds weighing up to half a carat

The process was developed in the 1960s by a Soviet scientist, Leonid Vereschyagin, who headed a staff of 1 200 researchers

"The statement that De Beers is buying gem diamond substitutes manufactured in Russia is rubbish," said a De Beers spokesman.

He added that the company "totally refutes the allegation of the Sunday Times"

An Antwerp source also denied that the Russians were selling synthetic gem diamonds on to the market He said it was very expensive to produce synthetic gems and General Electric had announced that it was unprofitable several years ago

"You need intense pressure, temperature and a catalyst but there is a fourth factor — and that is time," said the Antwerp diamond expert

He added that the world did not have the technology to convert carbon into gem diamonds fast enough so the process was unprofitable

Mr Epstein claims that Russian sales were the most serious threat to the diamond market Early in 1962 the Soviet Union agreed to sell virtually all its roughs to De Beers and within a few years gem exports reached 2-million carats a year.

"De Beers executives were mystified by the progressively larger shipments of Soviet diamonds," he writes The outflow was not consistent with the estimated size of the Soviet diamond mines De Beers sorters, writes Mr Epstein also found that the Siberian diamonds tended to be almost identical octahedrons, whereas African diamonds came to London "in a multitude of shapes"

"The enigma of Soviet diamonds became all the more perplexing when De Beers received fragmented reports about Soviet advances in high pressure physics

"In 1966, an English mineralogist, Henry Heyer, examined half a dozen small, white gem diamonds, all perfectly shaped, each weighing about a quarter carat. They were not like any gem diamonds he had ever seen The Soviet scientist then explained that all these gems had been synthesized from carbon in a hydraulic press He boasted that manufacturing gems was no longer a scientific problem in the Soviet Union, but an economic one

"Even though the mystery surrounding Soviet diamonds was never fully resolved De Beers succeeded in absorbing the constantly expanding production"

But in the late 1960s polished Soviet diamonds called "silver bears" began to appear in increasing number in the grading halls of Antwerp. They had some extraordinary features: They were almost exactly the same size in girth and weighed about two tenths of a carat each, each had the same octhahedron shape, and they were nearly identically faceted and polished

"It was as if the silver bears had been cut from the same pattern," one Belgian trader observed

If, as Mr Epstein claims, both De Beers and diamond dealers were fooled by these synthetic diamonds, no-one can really be sure. It would be lunacy for either De Beers or international diamond dealers to admit their mistake. They have sufficient problems already

The basic theme of Mr Epstein's book is that the de beers diamond cartel is faltering and the company is losing control of the market.

Whether one agrees with this assumption or not the book makes intriguing reading and has had a considerable impact on the diamond market and De Beers shares An important US stockbroking firm for instance believes that it encouraged US investors to sell De Beers

(216) Star 28/6/82

Octha operations bow out to exploration

By David Braun

Octha mining group has switched operations from mining to exploration at its Eland and Bloubos diamond mines near Kimberley

Mr A J de Villiers, chairman of the group, said the repossessing of old dumps at these mines had been suspended and that exploration had started so that the mines would be "properly prospected" before the next upturn in the industry

"We are trying to come up with a really good report of the reserves so that when the market does turn we can start to mine immediately," said Mr de Villiers.

He said that mining these operations in the past had been a hit-and-miss affair as there was not much in the way of a prospector's report. The slack period in the diamond industry was the ideal opportunity to put this right.

"Ultimately we will be undertaking large-scale development at those mines If we can get all our mines producing, including the old mines, Octha will be able to produce one million carats a year But this still requires a large capital expenditure and exploration programme," said Mr de Villiers

The exploration project is to have three stages of development, the first of which has already begun.

This stage involves a drilling depth of up to 2 000 m from the surface, and 600 m a month from underground

The total cost of this phase is R210 000, and the labour involved requires 30 people Cost, labour and drilling depth will increase with each successive stage

"This method allows money to be spent in reasonably small amounts, making sure that a possible loss would not be too dangerous for the company. A loss is not expected, however," said a company spokesman in Kimberley.

Octha has recently been the subject of speculation that a consortium of four banks has given it until the middle of this month to put its affairs in order or have debts of up to R60 million called in.

Mr Johan de Villiers, the managing director, has denied this and said the company had taken action to weather the storm of recession in diamonds, although, like all in the industry, it was feeling the pinch

R3,3m offer for two diamond listings

RDM 29/6/82

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By STEVE ELLIS

AN undisclosed party is offering R3 381 500 for Diamond Mining & Utility (Dias Min) and Industrial Diamonds of SA (Ind Dias).

The offer is 125c a share for Dias Min's shares (R1 941 500), and 180c for Ind Dias (R1 440 000)

It represents a healthy premium over the 70c last sale prices of both stocks when they were suspended from the Johannesburg Stock Exchange yesterday morning, pending finality on details of the bid

Shareholders owning 923 894 (or 59,5%) Dias Min shares and 472 400 Ind Dias shares (59,1%) have accepted the offer, which will be extended to minorities

Senbank, which is acting for the buyer, says that "in terms of the agreement, Dias Min will dispose of all its assets other than cash". Similarly Ind Dias will dispose all its assets other than cash

After the sales, both companies will be cash shells

Dias Min will have cash assets of R1 500 000 (101c a share) and Ind Dias R1 000 000 (133c).

The two companies have close links with Dias Min holding 25,6% of Ind Dias which in turn holds 12,5% of Dias Min

The largest shareholder in Dias Min is Offshore Diamonds (SWA) which holds a 37,4% stake The directors of Dias Min and Ind Dias are believed to be involved in the management of Offshore

Dias Min has shares in three unlisted companies·

- Diamond Dredging & Mining (95 000 shares representing 45,3%)
- Lorelei Copper Mines (200 000 shares, or 33,3%)
- Tidal Diamonds SWA (preference shares)

In Dias Min's annual report to June 1981, the directors said "A dispute has arisen between your company and Tidal Diamonds regarding the respective rights of your company and Tidal Diamonds to certain mining claims

"Tidal Diamonds have instituted an action against your company and, on the advice of senior counsel, your company is defending the action"

Dias Min also holds sea grant M46/3/100 for all minerals other than oil, gas, and other prescribed material

The grant covers an area from three miles offshore from Hottentots Bay to the continental shelf, to a point northwards between Conception Bay and Sandwich Harbour

The company now has little to do with diamond mining, and concentrates more on zinc — through a Diamond Dredging subsidiary, Moly Copper Mining & Exploration.

Ind Dias holds a 48,1% stake (or 100 800 shares) in Diamond Dredging, and a 33,0% stake (197 900) in Lorelei.

The boards of Ind Dias and Dias Min are nearly identical Mr G D E Kahan is the chairman of both, and Mr D Lidchi, Mr C Kahan, Mr G F P Bohrer and Mr E Lidchi sit on both boards

The only differences are that Mr I H Leitch sits with the Dias Min directors, and Mr L H Isaacs with Ind Dias

9/7/82

RDM

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Market relief as De Beers sales increase

Financial Reporter

SIGHS of relief were heard from New York and London last night as De Beers announced diamond sales of $624-million for the first half of 1982, $93-million up on the second half of last year.

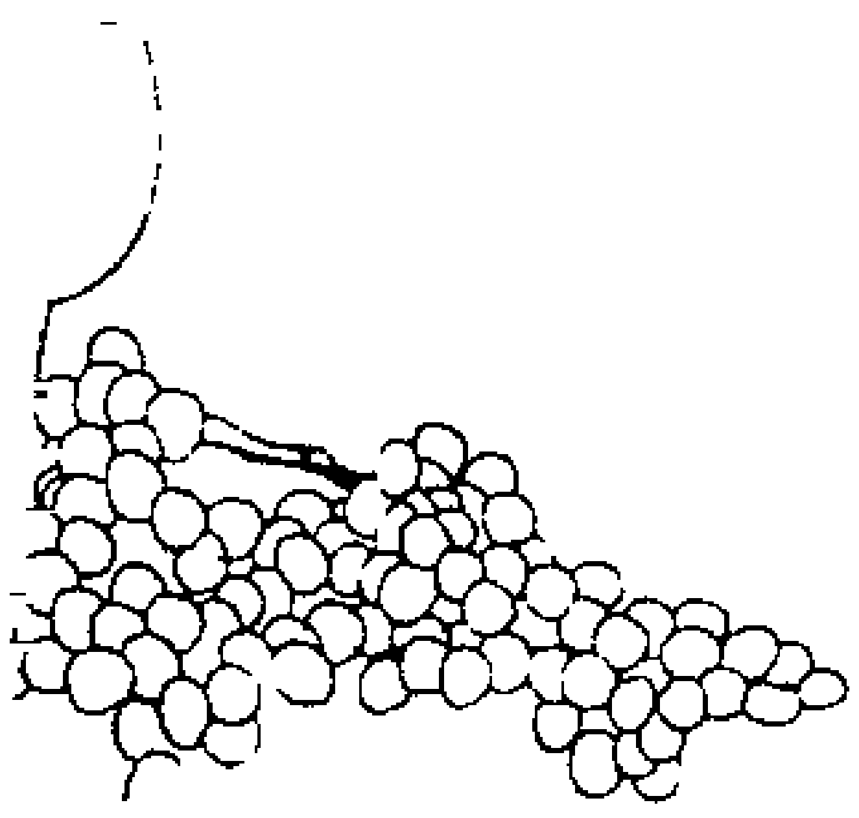
The Central Selling Organisation, De Beers London-based diamond trading operation, reported sales of R635-million for the six months, compared with R748-million in the half-year to June 1981.

The figures were released after the Johannesburg Stock Exchange closed but the New York and London markets are reported to have reacted favourably and with relief, as forecasts of sales had been as low as R420-million

Although the figures are still low by previous standards, there is some encouragement in that the sales of smaller gemstones, used mainly in jewellery, were higher than in the second half of last year and by all accounts are still strong.

RAND
Daily Mail

WINE CLUB



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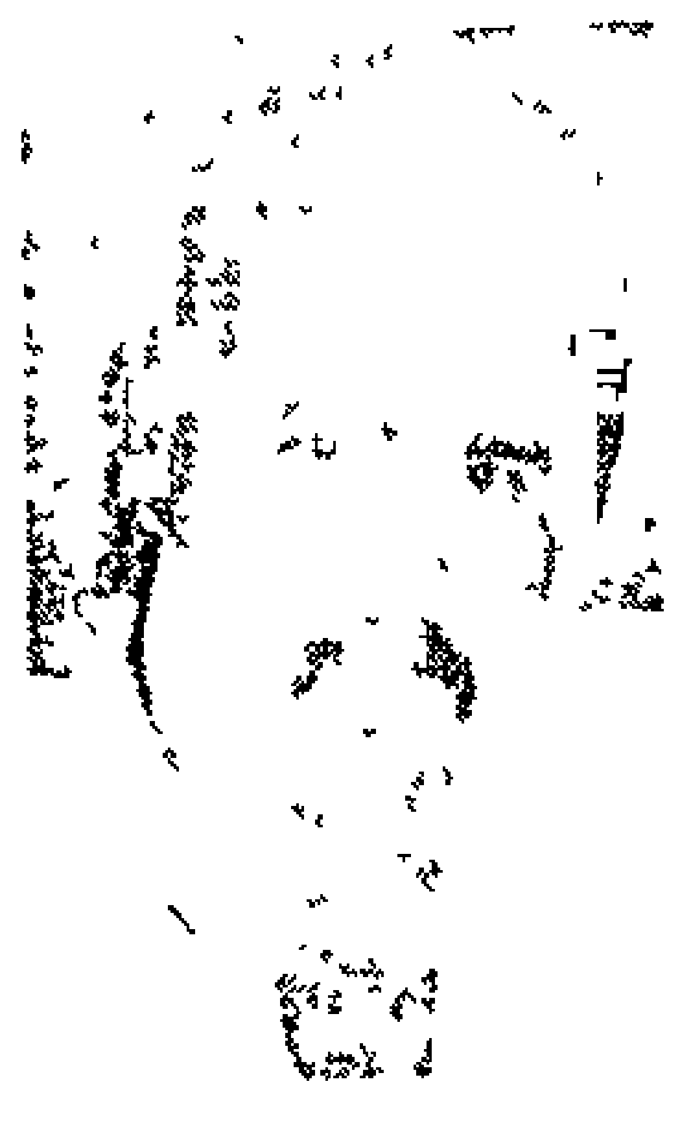

Stanly Goldberg

Soviets step up gem sales

By NEIL BEHRMANN

LONDON — The Soviet Union has increased diamond exports this year to earn foreign currency and its sales of gold and platinum have fallen

Diamond dealers report that polished Russian diamonds are pouring into Antwerp, the world's leading diamond centre

All sources insist, however, that the diamonds are natural They deny claims that many of the stones are synthetic

According to De Beers, the Soviet Union is the second largest producer of diamonds after Zaire Russia produces about 12-million carats a year against 12 500 000 carats by Zaire

Russia produces 2 5000 000 carats of gems, says De Beers

The US Bureau of Mines reckons that the Soviet Union produces 17-million carats of all kinds of diamonds a year Of these 3-million to 4-million carats are gems and the rest are industrial for use in Russia

Antwerp diamond sources believe that the De Beers estimate is too low and maintain that Russian exports both uncut and polished diamonds, are about a third to 40% of world output

Previously the Russians sold nearly all its rough diamonds to De Beers But in the Seventies it established its own cutting industry and sold polished stones to Antwerp, Frankfurt and Zurich It is also selling cut diamonds to the Japanese Dealers report that representatives of Japanese concerns were recently in Moscow to buy stones

In the first six months of this year Russian polished-diamond exports to Antwerp totalled 235 000 carats against 116 000 carats in the same period last year The value of these exports rose from $62-million to $113-million

A carat equals one gram

On an annualised basis, the 470 000 carats far exceed peak Russian exports in 1980 But prices and revenue are lower

In 1980 the Russians sold 399 000 carats to Antwerp for $328-million This year the annualised value is about $226-million

Antwerp also receives Russian polished diamonds from Frankfurt and Zurich In previous years direct and indirect imports were $350-million Antwerp dealers believe that both direct and indirect imports of Russian polished stones are increasing

They stress that it is difficult to quantify diamond statistics because there is much double counting But they reckon that the Russians are exporting $1 000-million worth of diamonds on an annualised basis

Diamond sources say that De Beers recently signed a three-year contract with the Russians In terms of the agreement, De Beers must buy Russian rough diamonds If the growth of polished diamond exports is any indication, say dealers, then De Beers is buying an increasing quantity of rough diamonds from the Soviet Union

However, most Russian diamonds are medium to small in size The current average value of Antwerp's imports of Russian diamonds is about $480 a carat Dealers say this market is firmer than the depressed investment diamond market, so stones are saleable

Even so De Beers may be forced to stockpile Russian stones

Sanctions on Soviet pipeline

EEC backs off from trade war with US

BRUSSELS — In spite of tough statements, the European Economic Community seems to be backing away from an open trade war with the US over its ban on technology for the Soviet Siberian gas pipeline.

Diplomats and officials in Brussels and in other European capitals say the threat of Western European trade reprisals against Washington appears to have been shelved

Instead, European governments are concentrating on diplomatic efforts to persuade President Reagan to change his mind, coupled possibly with actions against specific points of US trade

AEG-Telefunken, for example, has a $280-million contract to supply turbines for the pipeline, using General Electric technology It has suffered losses of $800-million in the past two years, and company officials fear it may have to sack more than 2 000 employees if it is forced to abandon the deal

Alsthom-Atlantique has a contract to build 40 rotors for the pipeline, which it will make under a licence from General Electric, and Creusot Loire has an order for 125 rotors

John Brown has a £104-million order for gas turbines, with deliveries due to begin by the end of this year, and hundreds of its 1 700 Clydebank workers could be laid off

The British Prime Minister, Mrs Margaret Thatcher,

than in other trade disputes in the past

"There has been no breaking of ranks," says a senior EEC official "It is crucial to maintain this solidarity for the sake of our credibility"

But if it came to an all-out trade war, officials say Europe has few weapons in its arsenal "Nobody wants a trade war which we cannot win To fight a war you need ammunition and that's just what we don't have," says a West German diplomat said

US and EEC officials are still trying to defuse another damaging quarrel over steel after the imposition of hawkish anti-subsidy duties on European steel exports to the US

The EEC Commission has raised the idea of restrictions on imports of US farm products such as corn gluten

CSO sales $93m up on December half

Diamond slide halted

(216) ECON
9/6/82

By JOHN MULCAHY

DE BEERS Central Selling Organisation reports diamond sales of R636-million for the six months to June — 27% ahead of the second half last year.

This is the first good news from the diamond industry in about two years.

The sales were 15% lower than in the first six months of 1981, but were above most estimates, and the overseas markets reacted immediately by pushing De Beers bid price up to 435c

In the six months to June 1981 the CSO diamond sales realised R747 552 157, falling to R501 889 966 in the second half of the year for a total of R1 249-million, or $1 472-million

In the currency of sale, the CSO figures amounted to $624-million to June this year, or 34% below the sales for the first half of last year, but $93-million higher than in the six months to December

Market analysts viewed the figures as positive, especially in the light of increasingly negative speculation about the diamond industry Although there was no cause for elation, they felt relief that sales were above R600-million

The most pessimistic forecast was about R420-million The top end of the forecasts was R600-million

Analysts said before the figures were released that "anything over R600-million will be regarded as favourable"

One analyst said "I don't think the figures will upset the market With De Beers share price at 420c the market was obviously expecting something bad"

The increased sales volume reflected in the dollar figure indicates an improvement in the market for smaller stones, but the CSO is still believed to be withholding bigger, investment-quality gems from the regular sights in London

Although stocks in the cutting centres have been reduced, it is believed that the CSO sales still consist mainly of smaller and lower-quality stones, which are selling better than in the second half of last year.

De Beers said yesterday the CSO was continuing its traditional role of stocking diamonds not in immediate demand

"This has not only helped to reduce the level of stocks held in the cutting centres, but will leave the CSO well placed to take advantage of any improvement in general economic conditions"

A favourable factor in this development is that polished stones and bank indebtedness are down in the cutting centres, although analysts believe they are still above realistic levels

The first-half sales will not bring any relief to De Beers beleagured cash position, and figures released by the South African Minerals Bureau recently showed that exports of diamonds in the first four months of 1982 were significantly lower than in the same period last year

This suggests that the improvement in sales has come from non-South African producers, at a profit level below that for De Beers production

The continuing commitment to stockpile stones not in immediate demand means that De Beers has some way to go before the upturn.

At the end of 1981 De Beers stockpile amounted to R1 403-million — more than double the previous year's level — and although the group has made more production cutbacks this year, the stockpile is growing.

Some informed estimates show that sales of at least $4 000-million will be required this year before there will be any reduction in stocks

De Beers executive director Mr Julian Ogilvie Thompson foreshadowed the improvement in sales in May when he told the Council of Mining and Metallurgical Institutions in Johannesburg "I am glad to say that so far this year sales of diamonds by the CSO in dollar terms have been running at higher levels than in the first half of last year"

Mr Ogilvie Thompson also highlighted the problem of financing the huge stockpile "The group has arranged facilities with its bankers, made possible by its conservative dividend and sound investment policies over the years, which are ample for its requirements."

COMMENT: It is too early and the figures are not high enough to suggest that the diamond market has finally turned the corner, but the signs are encouraging, and sales of about $1 400-million for the year are not out of reach.

The maintenance of Anglo's final dividend is an important aspect in De Beers investment income this year, and fears that the interim dividend may be cut must now recede

The rand equivalent of the dollar sales figure indicates an average rand exchange rate of $0,98, and as the rate has fallen considerably from this, and is likely to remain depressed for some time, there should be further exchange benefits in the second half.

A reduction in the interim by De Beers would suggest to the market that the group was more pessimistic about the market than it was at the end of last year But Mr Harry Oppenheimer and Mr Ogilvie Thompson indicate that the reverse is true

The market needs some positive news, and although it is too soon to talk about a revival in the diamond market, a slight rally in De Beers would provide a welcome relief to the embattled mining sector.

Tuesday July 20 1982

The Diamond Connection

Harry Oppenheimer's South African mining empire has been expanding its stake in North America's resources

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Star

20/7/82

From the Washington Post

WASHINGTON — The South African diamond and minerals empire controlled by Harry F Oppenheimer is rapidly becoming a major investor in mining, energy and commodities companies in Canada and the United States

Through a subsidiary called Minorco, a holding company based in Bermuda, the South African firms headed by Oppenheimer have invested hundreds of millions of dollars in North American coal, uranium, gold, copper and other important minerals, and have developed the capital to finance further acquisitions

Documents filed with the US Securities and Exchange Commission (SEC) show that dozens of mining and minerals companies throughout Canada and the US are wholly or partially controlled by the South African interests

STRATEGY

Though no total figure for the value of their holdings is available, a study by a New York researcher says the South African group has been one of the biggest foreign investors in the US over the past two years

The investments reflect a long-range corporate strategy that Oppenheimer developed in the 1970s and spoke about publicly at the time

Oppenheimer sought to expand his companies' stake outside South Africa for economic and political reasons To execute that plan, he transferred assets now worth more than R2 000 million to the Bermuda subsidiary to circumvent his country's restrictions on the export of funds

The policy of investing in North America "is no accident," corporate research specialist Ruth Kaplan says in a report published by The Africa Fund

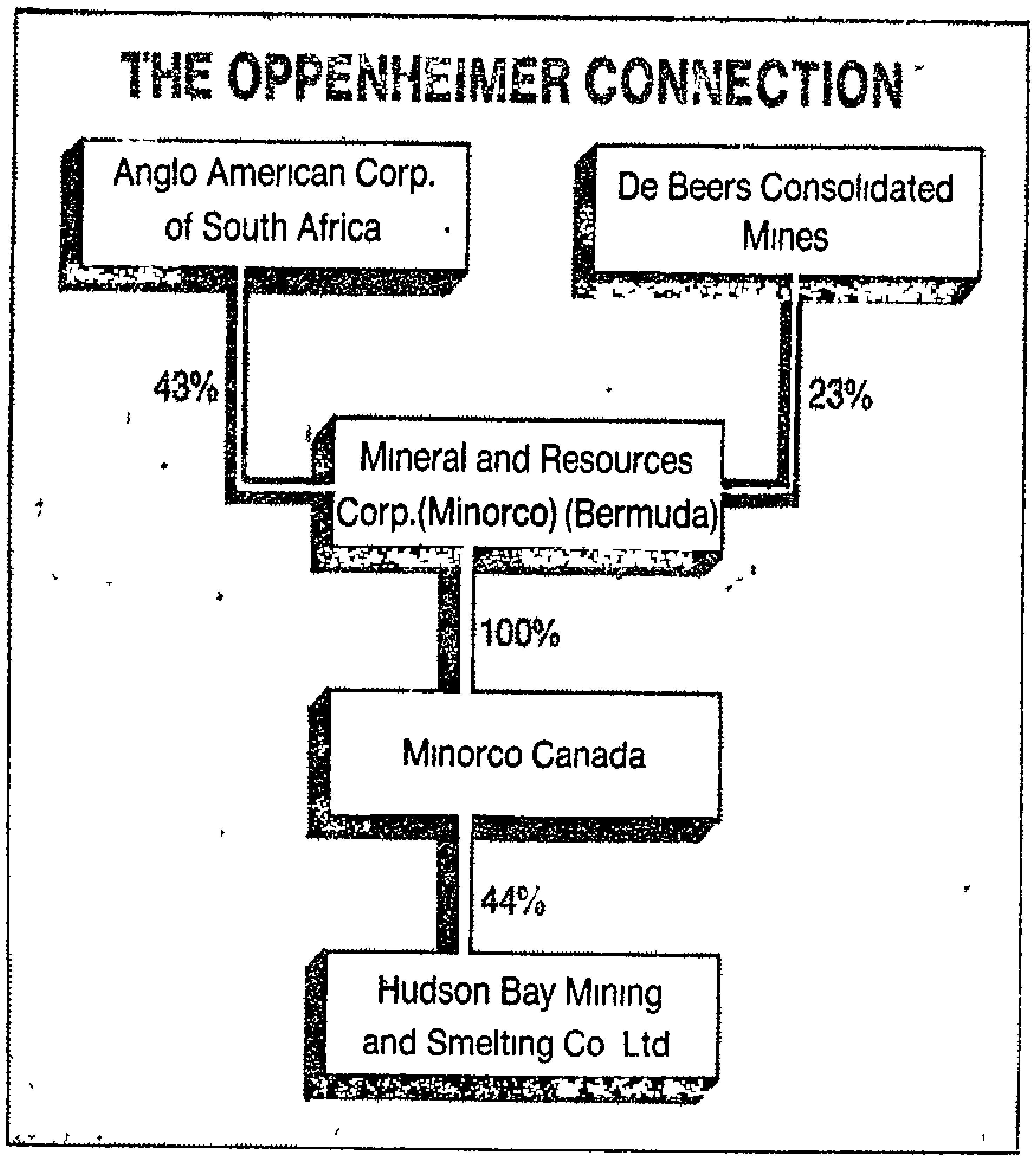
STABLE AREA

"It offers a stable area politically and economically, it is an area rich in mineral and energy resources and (the company) will realise a high return on successful investment

"In addition ' she said in a telephone interview, "it allows them to position themselves outside South Africa in the event of trouble there"

In addition to investments by Minorco, Kaplan says "a total of 144 separate investments in North America by Oppenheimer-controlled companies have been identified — 108 of these investments are in the US, 36 are in Canada"

Business relationships between US firms and South Africa have been controversial for many years because, critics say, they contribute to the economic power of the white minority regime in South Africa and support its apartheid racial policy Most attention from church groups, institutional investors and stockholders, however, has focused on investments in South Africa by US corporations.



MONOPOLY

Oppenheimer, one of the world's richest men, has a longstanding reputation as a liberal, in the South African context, using his personal wealth and power to oppose apartheid and improve living conditions for his country's blacks

Nevertheless, Timothy Smith, director of the Interfaith Center, says Oppenheimer is still a "profiteer" whose fortune was built on the backs of low paid black miners

Oppenheimer is chairman of the Anglo American Corp and of its affiliate, De Beers Consolidated Mines Ltd, each of which owns a substantial interest in the other

According to Kaplan, whose findings are confirmed by SEC records and by investment experts in the US Commerce Department "Anglo American is the biggest single economic factor in South Africa the Western world's largest producer of gold, diamonds and platinum"

And De Beers "operates a monopoly in the diamond trade, marketing 80 percent of the world's diamonds, including the Soviet Union's"

Oppenheimer is chairman of Minorco, an acronym for Minerals and Resources Corp Also on the board of directors, besides Wriston, are Robert Clare, a partner in the New York law firm of Shearman & Sterling, which represents Citibank; Felix Rohatyn, head of the investment banking firm Lazard Freres; and Cedric Ritchie, chairman of the Bank of Nova Scotia

Minorco, wholly owned by the Anglo De Beers interests and their subsidiaries, is the largest single stockholder in Phibro Corp, a giant New York commodities trading company

According to SEC records, Minorco owns 18,5 million shares of Phibro stock, or 27,2 percent of all outstanding shares, a stake worth almost R500 million And Minorco's H Ronald Fraser sits on Phibro's board of directors

SOLE OWNER

Phibro, the world's largest publicly owned commodities trading company, had worldwide sales of more than R31 000 million last year a fourfold increase over its sales five years earlier

It is also the sole owner of the New York investment house of Salomon Brothers, which it acquired last year for R900 million

Harry Oppenheimer . . . "transferred assets worth more than R2 000 million to Bermuda."

That acquisition, Kaplan notes, offers Minorco 'potential new sources of capital and different ways to get at it," because of Salomon Brothers' expertise at corporate fund-raising and merger management.

Phibro became a separate company last year when it was spun off from the former Engelhard Minerals and Chemicals Corp, now known as Engelhard Corp

NETWORK

Minorco is the largest stockholder in Engelhard, with 7,4 million shares, or 27 percent Engelhard in turn owns a network petroleum and mineral subsidiaries, and controls a major segm of the market for k in, a clay-like substa used in making porc lain

Another branch the complex Ang American family t runs through Consol dated Gold Fields L of Britain De Beers secretly acquired 29

[redacted]

percent of Consolidated's stock in 1980, then transferred its holdings to Minorco in exchange for Minorco stock

Consolidated Gold is the largest single stockholder in Newmont Mining Company, one of the largest US copper producers Consolidated owns about 22 percent of Newmont's shares and has an option to increase its stake to 26 percent

Newmont in turn controls an extensive network of oil, uranium, zinc and cement companies, including sole ownership of Atlantic Cement Company, Newmont Oil and Carlin Gold Mining Company

HUDSON BAY

Newmont also owns 27,5 percent of Peabody Coal Company, the biggest US coal company, which indirectly gives Anglo American one of its largest stakes in US energy resources.

Another skein of the Anglo American web runs through Canada, where Anglo American Corporation of Canada, a wholly owned subsidiary of Minorco, owns 44 percent of the stock of Hudson Bay Mining and Smelting Company

H Ronald Fraser, the same Minorco executive who sits on the Phibro board, is a former chairman of Hudson Bay.

HudBay controls the Terra group of fertiliser and chemical companies and a group of seed, fertiliser, and agricultural warehouse companies in the US midwest farm states, according to Kaplan's report.

PATTERN

Amcan and HudBay also controlled Francana Oil and Gas Ltd. until last week when the assets of the Canadian-based energy developer were sold Calgary-based Sceptre Resources Ltd bought Francana's Canadian assets while HudBay and Minorco Canada Ltd purchased the non-Canadian assets

The Anglo-American group's pattern has been to leave the operating management of its acquired or controlled companies in place keeping an eye on its investment through its network of interlocking directorates

"Anglo's control of its subsidiaries and affiliated companies is not organised in a hierarchical structure but rather as an associated group of companies with interlocking connections," Kaplan's report says "In effect Anglo gets maximum control with a minimum investment"

24/7/82 (216) RDM

India strikes at SA diamond strength

Mail Correspondent

MELBOURNE — In a surprise move last night India approached Australia — using their common hatred of apartheid as a lure — to secure the marketing rights of the lucrative Argyle diamond fields in western Australia

An Indian spokesman for the high commissioner in Canberra said last night the deal would be "an entirely new direction for Australian-Indian relations"

The two countries, with India providing the cutting expertise and Australia the stones, should "line up together" to market Argyle's entire estimated output of about R5 000-million

The spokesman, who declined to be named, said by making the move both India and Australia could strike a blow against apartheid

The latest move comes after an Indian diamond trade delegation visited Perth earlier this month following an Australian tour of India's diamond cutting works late in June

Acceptance of the Indian bid by the three joint venture partners of the Argyle Mines is seen here as having extremely serious consequences for South African-owned De Beers

Until six weeks ago De Beers was the only bidder for the Argyle diamond marketing rights, which it would like to wrap up to protect the estimated R1 400-million stockpile it now holds worldwide

From Perth last night Mr Neville Huxham, PRO of De Beers, was quick to point out that De Beers chairman Mr Harry Oppenheimer was opposed to apartheid.

The senior official from the Indian high commission said his country's bid for the rights was more favourable than De Beer's

The owners of the mine are now discussing the new move with De Beers

A final decision on who will market Australia's new-found diamonds must then be submitted to the government of the state in which the mine is sited.

216 D. Dispatch 28/7/82

Move on Australian diamonds to hit SA?

MELBOURNE — India has officially approached Australia — using their common hatred of apartheid as a lure — to secure the total marketing rights of the lucrative Argyle diamond fields in Western Australia

An Indian spokesman for the High Commissioner in Canberra has said the deal would be "an entirely new direction for Australian-Indian relations"

The two countries, with India providing the cutting expertise and Australia the stones, should "line up together" to market Argyle's entire estimated out of about $5 000 million, he added

The spokesman, who declined to be named, said by making the move both India and Australia could strike a blow against apartheid, which both countries were committed to eradicating

At the least, the spokesman said, such a joint venture would help weaken the current stranglehold South Africa had on the gemstone industry through its De Beers-operated central selling organisation

The latest move comes after an Indian diamond trade delegation visited Perth earlier this month in a reciprocal move following an Australian tour of India's diamond cutting works late in June

Acceptance of the Indian bid by the three joint venture partners of the Argyle mines is seen here as having extremely seriously consequences for De Beers

"It would greatly reduce their already shrinking role in supplying diamonds for the cheaper jewellery market," said one observer

"And this is the only healthy side of the industry at present, which is all but completely dominated by the Indians"

Until six weeks ago, De Beers was the only bidder for the Argyle diamond marketing rights, which the Central Selling Organisation would like to wrap up to protect the estimated $1 400 million stockpile it now holds world-wide until the end of the recession

From Perth last night Mr Neville Huxham, PRO of De Beers, was quick to point out that De Beers chairman, Mr Harry Oppenheimer, was opposed to apartheid

He described apartheid as a "colonial injustice that has become part of an entrenched system"

But Mr Alan Jones, chief executive of Ashton Mining, which has a 38,2 per cent interest in the Argyle deposits, said it appeared that the Indians were now concerning world markets

He refused to say what valuation the Indians put on Argyle diamonds, but said they were far higher than De Beers had quoted

The senior official from the Indian High Commission said his country's bid for the marketing rights was more favourable than De Beer's

He said it was made "with the agreement of the Indian government" and he hoped would prove mutually profitable to Indian and Australia "to cut out the middle man of South Africa and fight apartheid at the same time"

Mr Prakash Jhaveri of the Indian state-owned Minerals and Metals Trading Corporation, said from Bombay "We are certain that only India has the labour force and skill to polish the Australian diamonds We have made an extensive inspection of the Australian stones We are confident we can market them"

He confirmed his company had put in a bid for the entire output of the giant Argyle mine, situated almost 3 000 km north-east of Perth

The Ashton joint venture partners are now discussing the new move with De Beers

A final decision on who will market Australia's newfound diamonds must then be submitted to the state government of the area in which the mine is sited — Western Australia — and it appears likely that Canberra will take an active interest in proceedings

Given Mr Fraser's known dislike of the Republic, he could use his influence to have a say in the outcome

A final decision is expected by early October — DDC

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

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BUSINESS 2

216 Star

16/8/82

Botswana is in front rank of diamonds

By Jasper Mortimer
The Star's Africa News Service

JWANENG — Botswana is now in "the front rank of world diamond producers," said President Quett Masire at the opening of the country's third diamond mine, Jwaneng, at the weekend.

Lying 125 km west of Gaborone, Jwaneng produces 3 million carats a year, but by 1985 this will have risen to 4,5 million carats — the output of the largest South African diamond mine, Finsch.

De Beers chairman Mr Harry Oppenheimer, who gave the "thank you" speech at the ceremony, has called Jwaneng "probably the most important kimberlite pipe unearthed since the original discoveries at Kimberley more than a century ago"

Jwaneng, whose output is about 30 percent gem, was discovered in the early 1970s by De Beers geologists led by Dr Gavin Lamont and brought into production the past four years at a cost of R280 million.

President Masire called the mine "a gem in the world of gems" but said the "true beauty" of diamonds was in the development of infrastructure and services that they funded.

"I am sorry that the mine opens in bad times," said Mr Oppenheimer, referring to the slump in sales of high-grade gems which has caused De Bers to cut its dividend for the first time since 1944

"But that the mine has gone ahead says something important," he continued. "It says that we have confidence in the future and that people outside Botswana have confidence in the government and people of Botswana."

With Jwaneng and its two other mines, Orapa and Letlhakane, Botswana produces about 8 million carats a year or 15 percent of the world's output South Africa produces about 9,5 million carats — which Botswana will achieve when Jwaneng reaches full output — but South Africa's output is expected to decline during the next 10 years

The new mine recovers one carat for every ton of ore — the highest recovery rate in southern Africa.

De Beers weighed down by stocks

(216)

RDM
24/8/82

By NEIL BEHRMANN

LONDON. — The increase in the price of gold and lower interest rates have had a minimal impact on the diamond market.

At De Beers latest sight, allocations to dealers were lower than at the same time last year when the diamond market was weak

De Beers marketing organisation, the Central Selling Organisation holds 10 sights a year

At these sales dealers receive boxes of rough diamonds The sights in August and September should be buoyant because the rough diamonds are bought by dealers for manufacturers ahead of the Christmas season

But diamond sources and dealers are disappointed with the latest sales and hope that the rough-diamond market will improve when De Beers holds its next sight in September

Stocks in the diamond pipeline are much lower than they were last year

Inventories of rough diamonds at the cutting centres in Antwerp and Tel Aviv have been falling because De Beers has been forced to stockpile diamonds from its mines and buy excess stones on the market

The cutting centres have sold surplus diamonds to retailers who have been holding low stocks

The market in small diamonds has remained firm These diamonds are priced at $200 to $400 a carat in the wholesale market after they are polished

De Beers has stockpiled the more expensive larger stones It is accepting fewer large diamonds from producing countries because it buys on a quota basis

The quotas are based on previous years' sales, so the 1981 turnover means that producers are selling fewer diamonds to De Beers

Because the proportion of small diamond sales is increasing at the expense of large diamonds, De Beers profit growth is adversely affected

The profit margin on sales on large stones is higher than on smaller diamonds

Most London stockbrokers are bullish on De Beers because they believe that the worst is over.

Their optimism is not reflected in the diamond market, although sales of small diamonds are firm

Broker Laing & Cruikshank believes that De Beers represents excellent medium- to long-term value "on anything other than a doomsday scenario" and below R5 a share it is "an excellent buying opportunity"

But James Capel & Co is cautious

Its diamond consultant, Dr Wynn Davis, says the group still has "a king-size problem financing CSO stocks".

"This problem, more than any, will decide the shape of the profit and loss account, balance sheet and dividend prospects"

Dr Davis estimates that volume has fallen to about 40% of the record rate achieved two years ago With sales down to these levels, De Beers must raise more money to finance stocks or cut production further

To finance stockpiling, De Beers has been forced to borrow at high rates of interest and this will depress earnings

On the other hand, if interest rates keep falling in the US and elsewhere, these charges will fall.

Dr Davis estimates De Beers first-half earnings to be 45c a share, but "to say that the dividend at 25c is safe on an earnings cover of 1,8 would be very brave indeed, given the previous dividend cut and the problem of financing stocks"

"It will be kept at this level only if the group feels confident about second half prospects," he says

The shares have risen considerably over the past week and considering the uncertainty of the diamond market De Beers is "hardly at bargain levels"

'Octha's licence illegal'

216

ROM 25/8/82

By GEOFFREY ALLEN

THE SA Master Diamond Cutters' Association yesterday asked the Diamond Board to strip the giant Octha mining house — one of the biggest in the country — of its licence to polish gems

The association has alleged that the international mining and gem polishing operation is constituted illegally in terms of the Diamond Cutting Act of 1979, which forbids a single company to both cut diamonds and deal in unpolished stones

Mr Tim Davison, secretary of the association, said that criminal charges had also been laid in terms of the relevant section of the Act

No senior officers of the Gold and Diamond Squad were available last night to confirm that a charge had been laid.

Yesterday's dramatic action was the culmination of a long-standing feud between the association and Octha

Last night Mr David Morris, chairman of a committee of bankers fighting to save Octha from the possiblity of a liquidation application by the French Bank, which it owes R750 000, said the company did not regard the association's threat as a problem

Octha has been in considerable financial trouble since the beginning of the year and the move could strip it of one of its most lucrative operations

The company owes its bankers over R30-million and has total debts in the region of R46-million

17 AND (8

De Beers slashes dividend by half

(216) 25/8/82 RDM

By JOHN MULCAHY

IN its second major shock to the investment community this year, De Beers has slashed its interim dividend by half to 12,5c, leading to an immediate wave of selling yesterday afternoon which stripped R137-million off the market capitalisation.

While some analysts had been expecting a dividend cut, and some had forecast 12,5c, the slump in diamond account profit was more pronounced than the most pessimistic prediction, and cast doubts over the ability of De Beers to hold the total dividend for the year at 50c.

Distributable earnings — excluding the share of associated companies' taxed profit — plunged to 28c a share for the six months to June 30 from 56c in the first half of 1981, and the fear is that if there is no significant improvement in the diamond market for the rest of the year De Beers will find difficulty in paying a 37,5c final

The first shock to come from De Beers was the 50% cut in its final dividend for 1981, to 25c from 50c, which sent shudders through the market in March, and was the catalyst in initiating the worst slump the JSE has experienced since 1977

In recent weeks, and especially since the CSO figures were released in July, the market has pushed De Beers' share price to almost 50% above its lowest levels, believing that the better than expected Central Selling Organisation figures were a portent to improved diamond account profit

The CSO reported diamond sales of R636-million for the half-year to June, compared with R502-million for the six months to December 31, and at the time the market read the sales improvement as a positive factor in De Beers recovery

In the event, the improved CSO turnover was at the expense of margin, and profit on the diamond account amounted to only 17% of the total CSO sales, compared with 27% a year ago and up to 40% at the height of the diamond boom two years ago

Diamond account profit fell to R108 500 000 from R201 400 000 in the first six months of last year and, more significantly, was considerably lower than the R158 900 000 earned in the second half of 1981

The improvement in CSO sales had thus misled the market into believing there would be an equivalent rise in diamond earnings, or at least a figure similar to the second half of last year

One analyst said yesterday he had taken what he thought was a most conservative view of the possible results, and had come up with earnings of 35c a share

Another had based his forecast on a 21% return on the CSO figure, which would have given a diamond account profit of around R135-million

Investment income for the six months fell to R91 300 000 from R104 500 000, while interest received fell to R23 200 000 from R36 000 000, a reflection of the depleted cash reserves

The share of retained taxed profit of associated companies rose to R152 300 000 from R53 200 000

The investment income and associate companies' earnings are not comparable with the first half of last year, as Debincor ceased to be a subsidiary after its merger with Amic on January 1 this year, when Amic became a 25% associate of De Beers

De Beers directors Mr Harry Oppenheimer and Sir Philip Oppenheimer say in the interim report that sales by the CSO of the smaller sizes and lower qualities of rough diamonds have continued at satisfactory levels, "consistent with continued demand at the retail level, but there has as yet been no improvement in sales of larger sizes and better qualities

"The CSO has therefore continued its policy of withholding from sale those qualities that are not in immediate demand and producers are operating on the quota system"

The directors say that stocks are expected to rise this year by about $300-million — equivalent to R345-million at a rand exchange rate of 87 US cents — although some analysts were yesterday that the increase in stocks could be maintained at this level without a substantial improvement in demand

Last year diamond stocks more than doubled to R1 403-million from R698-million at the end of 1980, with diamonds being amassed at the rate of almost R2-million a day

The stock build-up has led to a substantial borrowing requirement, and at the end of June short- and medium-term borrowings were R531-million, compared with R349-million at the end of December

These borrowings have come at a time of high interest rates throughout the world, and for the six months to June the interest bill leaped to R48 600 000 from R13 400 000 in the first half of last year and R24 900 000 in the six months to December

In a positive note the Oppenheimers say stocks and bank credit in the cutting centres have continued to fall "and shortages have begun to appear in certain categories of rough so that a sound basis exists for an improvement in CSO sales as general worldwide economic conditions improve"

When the profit from associates is included, De Beers attributable profit shows little change from last year, at R253 100 000 compared with R254-million (before extraordinary items)

There is an extraordinary item of R14-million, described as De Beers' share of extraordinary losses of associated companies, which relates mainly to the write-off of goodwill arising from certain acquisitions by Anglo

Share price plunged before news broke

A bugbear which is likely to become a regular feature of any announcement from De Beers again surfaced yesterday afternoon

Brokers were crying "leak" shortly after lunch yesterday, as the De Beers share price plunged dramatically in advance of the official announcement at 3pm

Whether there was a leak or whether "informed speculation" triggered the selling will probably never be proved, but after the misunderstanding at the time of the final dividend announcement in March De Beers' security was tighter than ever yesterday

On the other hand, some brokers insist that there was "very definite information" from London before the appointed time

COMMENT. If earnings are maintained in the second half, and over the past two years there has not been a great seasonal fluctuation, there seems to be little prospect of De Beers being in a position to pay an unchanged annual dividend.

The blow to the diamond account, and thus to distributable earnings, is more of a shock than the dividend cut, as it must extend the recovery period further than expected

With the annual dividend now suspect, the income-conscious overseas investors can be expected to re-assess De Beers, and if the initial Johannesburg reaction — that the final may be kept at 25c — becomes accepted dogma, there could be a major sell-out before a new level is found

While it would be rash to expect a drop to the year's lows, considering the buoyant gold price, any correction in gold will remove De Beers safety valve and could see a reaction down to 400c

After dipping to 525c shortly after the dividend announcement yesterday afternoon De Beers recovered to 542c, and the latest dividend puts the historic, and possibly the prospective yield, at 6,9%

This yield is too low for a share that has developed an uncertain earnings capability, and a more reasonable yield of 9% suggests a drop in the price to around 440c

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216

Star 26/8/82

Diamonds-the great illusion

Jaap Boekkooi discusses some of the fascinating facets of the De Beers operations as shown in a new book.

There was a report earlier in the year of an American satellite taking a close look at some faraway planet and reporting via spectograph that the whole heavenly body was possibly covered with diamonds.

I don't know how they took that news at De Beers, but I imagine their engineers to be working now on a giant space rocket which will be sent to the planet scoop the stuff up with a radio controlled shovel, and bring it all back to 44 Main Street, Johannesburg.

For that is typical of De Beers natural reaction to scoop up diamonds wherever they are found.

At the same time it is also De Beers nightmare those interplanetary diamonds will add to the world's present diamond glut which has left De Beers with R1 000 million of unsold diamonds in its vaults and almost no cash in the kitty to buy new diamonds and continue controlling world prices.

And the diamonds apart from those on the mysterious planet keep on coming.

Russia is pouring them out from Siberia (or even from factories) and Australia threatens by the mid-80s to unleash a rockfall of stones from its vast new Ashton diamond mine.

Just as they talk of surpluses in Europe as "meat mountains" (or wine lakes, or potato piles) one could talk of a "diamond mountain" in this case — one, like the Aberfan coal tip, with an overhang that could come crashing down any time.

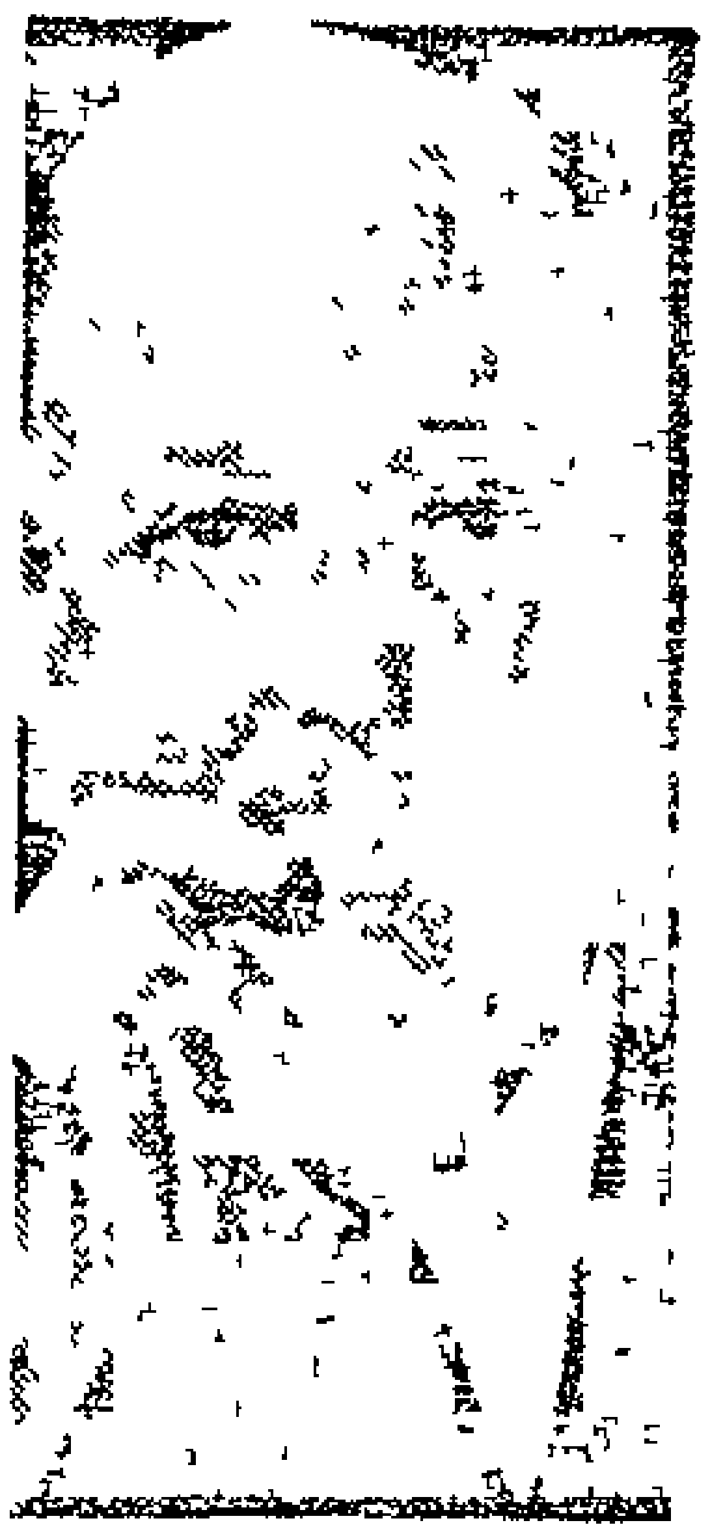
One writer Edward Jay Epstein, author of a new book titled **The Diamond Invention***, thinks the diamond crash — which could bring values down to zirconia levels — will come next year.

This all sounds like heresy in South Africa, international home of sparklers, but Epstein believes that as Lincoln said you can fool all the people some of the time in regarding diamonds as rare and valuable a girl's best friend, forever, etc.

Diamonds Epstein tries to prove in some 250 pages are overpriced because of De Beers cartel. They are not forever because they can be burnt into a gas. They are not an investment because you can sell them at only a fraction of the purchase price.

And they are popular only because of that expensive "a diamond is forever" publicity. The campaign is now having such success in Japan that last year six out of 10 girls getting engaged did so with diamonds up from one in 20 in 1968.

To keep diamonds scarce, stable and wanted for most of this century while some 500 million carats are hoarded in this world, was a truly herculean effort by De Beers and its Central Selling Organisation.



Ernest Oppenheimer wanted to ditch surplus diamonds.

As a corporate labyrinth De Beers somewhat resembles the tangled spiderweb of ropes which used to gleam in the moonlight over the old Kimberley Big Hole mine.

But its life has been a long series of sauve qui peut panics a barrel riddled with holes where for each leaking hole freshly plugged another would burst open.

There were many leaks in the vat attempts to stockpile and go it alone in the United States, Sierra Leone, Zaire and other African countries, sea diamonds, a US anti-trust action, Williamson's Tanzanian mine, the Soviet finds an unending series of headaches for De Beers.

Shakily the corporation survives, bringing together such odd "friends" as South Africa, the Soviet Union, Zaire, Israel, Australia and others.

Sir Ernest Oppenheimer once wanted to dump tons of surplus diamonds into the North Sea, it was a silly idea for as the members of the diamond cartel still stand together. They would put the stuff back into the mines rather than sell below price.

So Epstein obviously underestimates the power of self-preservation among the diamond miners dealers cutters and stockpilers, not to mention the fact that if diamonds become the new cheap zirconias it would invariably become too costly to mine them.

From it all De Beers emerges as brilliantly ingenious, ruthless, benign, high-handed and unscrupulous.

To further the cartel it created the diamond illusion, and even used the British royal family to add weight to its status, to tighten the grip of the cartel it used governments and gunmen (in one Zaire operation some 200 students, mistaken for smugglers, were alleged to have been shot dead) and it employed such men as Fred Kamil SAA airliner hijacker who it is here claimed was paid another R100 000 after emerging from his Malawi jail.

It is a monopoly that has manipulated a whole world that could create wants where there were none, such as the successful campaign for "eternity rings" used simply to take up the surplus of small Soviet stones.

Whether it is a cat with nine lives, or more remains to be seen. At the bottom of the pit, as the cartel now is it may still prove to be the hero who with one enormous jump.

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* The Diamond Invention by Edward J Epstein (Hutchin [illegible]

Low-

That benign and curable despot, King Sobhuza II of Swaziland appears never, ever, to have given Press interviews. That's a good way not to get misquoted and to preserve a mystique.

But it also meant that whispered rumours and conjectures — whether about ill-health, secret statecraft or favoured heirs or ministers — would always proliferate throughout the little kingdom.

As they are doing right now over who or what is to follow the remarkable monarch. Any Swazis who may be privy to the succession plans are still inhibited from talking by that same pervasive royal mystique.

Over the years, Sobhuza kept very much to his own country and his own kingly quarters, appearing and speaking only on rare ceremonial occasions.

One such was his diamond jubilee a year ago. My colleague Barry Ronge (who boldly donned a waiter's jacket at the big royal reception in order to get closer to Princess Margaret and the other VIPs) caught some glimpses of the king there, but only through phalanxes of officials and courtiers.

A fact he did observe was that the Ndlovukazi or Queen Mother (now acting as regent) looked in fact

The Star

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De Beers pays dearly for policy errors

(216) RDM

30/3/82

By NEIL BEHRMANN

LONDON. — Fortune magazine says that it may be premature to make dire predictions about De Beers.

"As far as De Beers has fallen, it remains a strong company," says the magazine.

The article, written before the latest interim report, says De Beers has assets of more than $5 000-million and debt amounts to a fraction of its borrowing capacity

"Far from verging on collapse the diamond cartel over which De Beers presides remains a tightly cohesive group.

"The important owners and producers of diamonds are countries, but De Beers has been strikingly successful in bringing them under its corporate rule

Fortune is by no means happy about De Beers prospects in the short term

"The startling thing about De Beers is that it has fallen so far so fast.

"On Fortune's 1982 list of 500 largest industrial companies outside the US, De Beers Consolidated Mines fell from No 169 to No 339, the largest drop of any listed corporation."

FORTUNE says that even Mr Oppenheimer does not see better times just around the corner.

"I would not buy De Beers shares now," the owner of 222 250 shares told the magazine.

The magazine is also critical of the company's management.

"Although to some extent the victim of forces beyond its control, De Beers made bad mistakes in the years before its fall. As befits such a company, they were enormous and costly.

"The process of adjustment and correction will not be easy: any real turnaround will have to wait until 1984 at the earliest."

The most costly mistake of De Beers management was to raise prices dramatically in 1978 and 1979 after wild speculation in the markets

After a "speculative orgy", especially in Israel, De Beers stepped in to control the market by slamming on a 40% surcharge in March 1978 The surcharge dampened speculation and benefited producers

But instead of keeping the surcharge, management raised prices by 30% in August 1978 This encouraged renewed speculation and diamond dealers bid up prices in their own centres.

Once again De Beers responded by increasing the prices of stones by 13% and another 12% five months later.

"These prices, one climbing atop the other, constituted a shocking misjudgment of the market.

"In 1980 diamond prices were 140% above what they had been in 1975 But unit sales — the total number of carats sold per year — were still at 1975 levels.

"The last price rise came just as demand actually turned down, particularly for larger stones, where the greatest increase had occurred.

"De Beers was supporting its own (much higher) price structure by buying from dealers as well as producers, but it had no place to sell what it was buying"

De Beers diamond stockpile soared and profits slumped The depression in the market meant that De Beers had to become "far more solicitous of its captive clients".

"Monty Charles, the executive in charge, is not a man who sees things from the perspective of customers, but he has been telling them recently that the CSO would understand if they bought fewer diamonds.

"In the past a dealer was likely to be purged if he missed a sight To help customers get the diamonds they want, the CSO now sells 5 000 varieties instead of the 2 000 offered before."

COMMENT: Two other management mistakes not mentioned by Fortune were:

In the early Seventies De Beers was approached twice to join the Ashton Joint Venture to prospect for what has become a significant diamond resource in Western Australia.

This was disclosed to me by Mr Rees Towie, one-time chairman of Northern Mining, one of the three partners in the Ashton Joint Venture. In an interview in Melbourne last January, Mr Towie said that the second offer to De Beers was made after the discovery in 1973 of the first diamond in Western Australia by a Northern Mining geologist. In the meantime, De Beers prospecting unit failed to detect diamonds.

The second management mistake was losing Zaire to an outside consortium.

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Four years of growth halted

By JOHN MULCAHY

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the end of June were about R321-million, compared with R379-million at the end of December, but the effect of the substantially increased loan account on interest charges is not disclosed

The return from the financial division fell to R17 100 000 in the six months to June from R19 900 000 in the same period last year

Attributable income from platinum fell 26,6% to R8-million from R10 900 000, and the contribution from commerce and industries fell to R53 400 000 from R56 600 000

The industrial division was still by far the biggest contributor in the group, providing 39,8% of attributable income, and the dip in earnings probably stemmed from the ailing steel and engineering sectors, and especially Dunswart, which reported a taxed loss of R3 700 000 in the first six months compared with a profit of R1 700 000 in the first half of last year

Coal was again an important contributor, providing R13-million to attributable income in the six months compared with R11 100 000 in the first half of last year

There was a surplus on the sale of investments of R7 900 000 (nil last year) and exploration costs rose to R11 300 000 from R10 300 000

The market value of Gencor's listed investments fell to R1 019-million at the end of June from R1 602-million at the end of December, but the rally in the market recently pushed the portfolio value up to R1 423-million on August 27

Gencor's pyramid, Federale Mynbou, reduced earnings to 148c a share in the six months to June from 171c last year, but the interim dividend has been maintained at 47c

COMMENT: If Gencor maintains earnings in the second half, for an annual total of 326c (401c in 1981), there should be no problem in maintaining the year's dividend at 175c

The difficulty is in maintaining liquidity as the strain on cash resources from the huge capital expenditure programme at Sappi and at Trans-Natal will be around for some years.

What is probable is that the December yearend gold mines, Stilfontein and St Helena, will be squeezed for as much as possible, especially if the gold price remains buoyant, suggesting high dividends from the two producers at the end of the year

The interest bill is an inhibiting factor for earnings in the second half, although the tendency to raise finance offshore and to eke as much as possible out of the funds held on deposit in SA will go some way to easing the burden

At yesterday's 2 225c closing price Gencor is on a historic and prospective yield of 7,9% after moving up steadily with gold over the past weeks

The climate for industrial companies is likely to deteriorate before it improves, and the group is likely to lean heavily on gold for at least the next year

Pavitt's post

MR TED Pavitt's appointment as executive chairman of Gencor was ratified by the group's board yesterday

Mr Pavitt succeeds Dr Wim de Villiers, who announced his retirement in cavalier fashion last week with a vicious attack on Federale Mynbou's controlling shareholder, Sanlam, and on Dr Andreas Wassenaar, Sanlam's chairman.

At his request, Mr Pavitt's appointment will be for two years, and the vacant managing director's post will be considered early next year

Gencor said yesterday it was hoped the vacancy could be filled from within the group

Reserves up

LONDON — Britain's gold and foreign currency reserves rose $170-million in August to $18 110-million There was a $240-million rise in July to $17 940-million The underlying position, net of new borrowing and repayments, showed an increase of $122-million compared with a $159-million rise in July.

De Beers lifts price of small stones

216

ROM 3/9/82

By NEIL BEHRMANN

LONDON — De Beers will raise the prices of its low-quality rough diamonds by an average of 2,5% at its sight on September 27

The previous price increase of 12% was in February 1980 But that price increase was for better-quality diamonds which were then relatively buoyant

"We have raised prices because sales of small, low-quality diamonds have remained firm," says a De Beers spokesman He hopes the price increase will have a favourable "psychological impact on sentiment"

The price increase covers 5 000 categories, mostly smaller than half a carat. Once polished these diamonds are priced between $200 and $400 There will also be price increases on low-quality stones of one carat or more

A carat equals one gram, or 1/142 of an ounce

The spokesman says the market in the quality and expensive stones, which have a higher profit margin than the others, remains depressed

CRA, the major partner in the Ashton Joint Venture in Australia, says the Argyle mine in Western australia will start producing diamonds in the last quarter of the year Initial production will be 2-million carats a year Analysts estimate that about 10% to 15% are low-quality gems De Beers will market most of the mine's production

The price increase for the low-quality rough stones is not likely to have a significant impact on De Beers overall profitability, although it does show that the market for small stones is improving

De Beers interim results showed the extent to which margins have been trimmed as the profit on the diamond account expressed as a ratio of Central Selling Organisation sales figures was the lowest in 12 years

Johannesburg analysts said yesterday that the price rise indicated that the worst was over in the diamond slump, but recovery was still a long way off

W&A ear way off ta

By JOH

W&A Investment Corporation came up against the hard realities of the economic slowdown in the second half of its financial year and has missed its earnings a share forecast by a wide margin

Whereas it was confidently expected at the interim stage that the then-buoyant trading conditions would permit a sharp rise in earnings to about 230c a share from 152c in 1981, the outcome is a disappointing but respectable 201c

The dividend, however, is much as expected with a final of 35c bringing the total up to 60c for the year with cover at 3,4 times compared with 3 times a year ago

As is normal with W&A no turnover figure is given, but pre-tax profits showed modest growth of 14,4% at R16 695 000 against R14 507 000 Only a smaller tax charge, taking advantage of allowances, of R3 815 000 (R4 485 000) allowed attributable profits to put on a more promising show, with a 32% increase to R9 671 000 against R7 325 000, though this performance cannot compare with the 78% leap in the interim figures

The directors comment that "the general downturn in the economic cycle during the six-month period, pressure on sales and gross margings, high interest rates and increase in the rate of taxation have all had a negative impact on earnings"

The increase in the tax rate caused an additional deferred liability for previous years in World Furnishers and Bradlows Stores, both of which are W&A subsidiaries The portion attributable to W&A of R608 000 has been charged against retained income at June 30, 1981

The directors say the present economic climate makes its difficult to forecast earnings with accuracy, but they are budgeting to at least maintain current earnings and dividends in the coming year

Pyramid company Waicor which holds 50% of W&A has declared a final dividend of 9c to bring the total for the year to 17c compared with the previous year's 16c

W&A's preliminary statement confirms Business Mail's conclusion that on Wednesday it sold its pledged shares in Enyati on the Johannesburg Stock Exchange and bought back 14 500 000 shares constituting about 70% of Enyati's share capital

Steps are being taken to realise the other assets which are subject to the pledge, but W&A says that unfortunately Tenergy shares remain suspended and it has called on the directors of Tenergy to apply to the JSE for a lifting of that suspension

COMMENT A bull market high-flyer, W&A shares have fallen sharply over the past six months, the rating not being helped by the Enyati involvement, even though the group is fully covered

The market was also sceptical that the earnings forecast would be met, hence the current dividend yield of 11,1% at 540c But the slow-

UK cap outflow

LONDON — Britain's net capital outflow nearly quadrupled in 1981 to £7 200-million from £1 900-million in 1980 with higher direct and portfolio investment overseas, Central Statistical Office figures show

Private investment overseas rose about £2 000-million for the fourth year running to a record £10 600-million This was mainly accourted for by non-oil companies

The figures include two major British takeovers of US companies, Intercontinental Hotels by Grand Metropolitan and Crocker Bank by Midland Bank

Another major factor ac-

Attack on MFA

GENEVA — Third world textile exporters plan to campaign within the General Agreement on Tariffs and Trade for an end to an international pact limiting their sales to industrialised countries, say third world diplomats in Geneva

Section A

Rumours of Minorco, Rembrandt buying

De Beers shares move up 80%

(216) BDM
17/9/82

By JOHN MULCAHY

DE BEERS Consolidated Mines, the pariah of the investment community only months ago when it took the unforgivable step of cutting its dividend, closed on the Johannesburg Stock Exchange yesterday at more than 80% above the year's low.

"Why?" is the R1 138-million question — for that is the amount by which the market capitalisation has risen since mid-June, when the price fell below 400c briefly.

Persistent buying from unidentified New York and London sources has fuelled rumours that there is a major deal in the offing, but there are almost as many theories as there are brokers on Diagonal Street

The only indisputable fact is the share price, which at 710c suggests either that someone knows something of which most diamond market observers are unaware, or the domino principle is operating in reverse

While De Beers has been a strong market for some time — it has moved from 530c in a month — the appearance in New York on Wednesday night of a firm buyer of large parcels of shares sparked the advance yesterday

Yesterday's predominant theories, in order of popularity, were

- The buying is in-house, and forms part of a grand scheme to shift portion of De Beers' assets offshore, the suggested buyer being Minerals and Resources (Minorco)
- Rembrandt Group, with its much-publicised R500-million in cash resources, and its stated ambition to expand its interests in the mining sphere, is said to have been buying De Beers for some time
- South African institutions, frustrated by their comparative aloofness from recent market activity, are trying to get money into equities, with price a secondary consideration
- Desperate short-covering
- Someone has simply taken the view that on asset considerations De Beers is a worthwhile buy for the longer term

The first theory, which has been rejected by De Beers spokesmen in Johannesburg and London, first surfaced some months ago, when there was strong speculation that De Beers' diamond trading companies might be moved into the Minorco fold

The logic was that the continued control of the world's diamond markets could be better orchestrated if it were seen to be notionally out of the hands of a South African company

What this restructuring of the diamond trading companies has to do with De Beers share price is not immediately clear, but brokers supporting this proposition point to the parallel strength of Minorco over the past few days

If Rembrandt is seriously mounting a raid on De Beers, it is doing so on extremely small volumes — with almost 360-million shares in issue, volumes of 400 000 (in New York on Wednesday) do not represent a significant slice of equity

There have, however, been unconfirmed reports of large off-market deals over the past few months, which could add substance to speculation of Rembrandt's involvement

The fact that most of the buying was initiated from overseas discounts the possibility that SA institutions have been pushing the price ahead, and although there is substance in the reports of renewed institutional activity in the market, this has been aimed at gold shares and industrials

De Beers can be expected to pay an unchanged final dividend of 25c, for a total of 37,5c this year, unless there is a dramatic and as yet unforeseen recovery in the diamond market

This puts the share on a prospective yield of 5,3%, which is way out of line with what is regarded as a "reasonable" yield of 10%

One broker, who is distrustful of the JSE's current buoyancy, said "The whole market is phony — this euphoria is going to come to a sad end at some point"

He added that after pointedly ignoring De Beers' assets — over the past few years the De Beers share price has consistently been covered by non-diamond assets — the market now seemed to be ignoring the yield

"I believe a reasonable price for De Beers now is between 450c and 500c, and there is no justification for this madness"

Ironically, only weeks ago most analysts would have regarded 700c as a very good price to unload De Beers, but in the true spirit of any market, the temptation to sell is in conflict with the nagging possibility that whoever is buying may just be right

Whoever emerges as the buyer, and whether it is part of some grand plan, the surge in De Beers' price is contrary to the investment advice of someone who definitely is in the know

In an interview with Fortune magazine late last month De Beers' chairman, Mr Harry Oppenheimer, said "I would not buy De Beers shares now"

NEIL BEHRMANN reports that there were also rumours in London that either Rembrandt or Minorco was buying De Beers shares, but a De Beers spokesman in London denied knowledge of such transactions

"In these markets rumours feed on rumours" said the spokesman

US brokers said volume in New York was around 300 000 but although above average the trading was "not unusual"

London and US brokers believe the Rembrandt takeover rumour is nonsense because of the size of De Beers But they don't laugh off the suggestion that Anglo American companies might be reshuffling their stake or increasing their holdings

So far these theories are unconfirmed, but US brokers report that there has been a persistent buyer for many weeks and the buyer has been operating through several brokers

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BUSINESS 2

Jwaneng sign of confidence in diamonds

Star 20/9/82

216

412

JWANENG — On the fringes of the Kalahari desert, a major diamond mine has begun production despite a worldwide over-abundance of the precious stones

It is described as one of the biggest underground mines since the discovery of the Kimberley in 1871.

Why is it opening, when some mines elsewhere have closed, and a good part of this mine's production will have to be stockpiled?

CONFIDENCE

"It says that we have confidence in the future of diamonds," says Mr Harry Oppenheimer, chairman of the De Beers diamond empire.

Mr Oppenheimer said De Beers' investment in Botswana equalling more than 200 million US dollars, showed private industry's faith in the desert democracy

There were reports last year that De Beers preferred to delay the opening of the Jwaneng mine, but a delay in the opening would have seriously hurt the country's economy and ultimately could have undercut the De Beers diamond monopoly

PROTECTION

A major strength of De Beers has been its willingness to protect producing countries by buying their stocks during bad times This persuades major producers not to market outside the organisation

Mr Oppenheimer reputes charges that De Beers is a monopoly by saying thst if it is, it is a good one It benefits the producers, sellers and the consumers by keeping prices within reason and guaranteeing the long-term value of diamonds

Jwaneng was a desirable mining site because of the high quality of its diamonds. Production is projected to rise to 4,5 million carats annually by 1985. Nearly doubling the output from Botswana and quite possibly doubling its diamond income In 1981 the country earned 150 million dollars from diamonds, or 60 percent of its exports

OPTIMISIM

At De Beer's corporate headquarters in Johannesburg in recent weeks, there has been a sense of a possible upswing in the world diamond market Mr Julian Ogilvie Thompson, De Beers deputy chairman, announced that because of "very strong demand" for smaller, low-quality, rough stones in the main cutting centres, De Beers was raising its prices by 2,5 percent

In an interview, Mr Ogilvie Thompson said "The diamond market is going through a difficult time, indeed its most difficult time for many decades"

But he said the "basic business" — jewellery retailing in the mass market — has been very good for a recession period He said far too much attention has been paid to the collapsed market for so-called one-carat, D-flawless, stones They are so rare anyway that he calls them "museum pieces" These are flawless polished stones, not used in jewellery, but held strictly as investments.

SPECULATION

Speculators pushed the prices of these stones from 7 000 dollars in 1976 to 62 000 in early 1980 before they plunged to about 20 000 dollars

For Botswana Jwaneng, is the third diamond mine to be jointly operated by the Government and De Beers It has created 4 000 jobs — 1 500 at Jwaneng alone

CRUCIAL

The Botswana Government provided 20 percent of the financing for the mine, which is crucial to the country's economic recovery because copper and nickel exports have dropped and a drought has hurt the livestock industry — Associated Press.

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2 RAND DAILY MAIL, Saturday, October 23, 1982

Major SA diamond firm loses licence

By GEOFFREY ALLEN

THE SA Diamond Board has withdrawn a cutting and polishing licence from one of the country's biggest mining concerns because it was allegedly operating illegally.

But the company, LC Diamond Cutting Works (Pty), a subsidiary of the giant Octha Holdings mining house, has asked the Witwatersrand Supreme Court to decide whether it or the board is right

According to the board, LC Diamonds had operated illegally since October 16 when it was discovered that a major transfer of ownership had taken place without reference to the board

Yesterday the board chairman, Dr Wessel van Wyk, confirmed he had written to both the company and the police saying control of the company and the diamond cutting licence had been transferred without reference to his board

In terms of Section 23 of the Diamond Cutting Act anyone transferring control of a diamond cutting works is required to seek the board's permission to also transfer the cutting licence

Mr Stephen Borwaardt, a senior director of Octha, said yesterday the company had "no comment whatsoever" to make

For the past 18 months Octha has been controlled by a committee of bankers to whom it allegedly owes R60-million

Mr David Morris, chairman of the controlling banking consortium, has refused to accept or answer my phone calls for the past 48 hours

Dr Van Wyk said "The licence had lapsed and at a meeting of the board we discovered that LC Diamonds had contravened the Act

"You cannot transfer a licence without getting board permission

"A letter was addressed to the company informing them of this and at the same time a copy was sent to the SA Police

"As I understand it the company can continue to operate until the Supreme Court gives a ruling"

Mr Tim Davidson, secretary of the Master Diamond Cutters Association which initially pointed out that LC Diamonds might be operating in contravention of the law, said "The Master Diamond Cutters instituted an action in terms of the Diamond Cutting Act, but we found that the LC Diamond's licence had lapsed"

SUNDAY TRIBUNE, OCT 31, 1982

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MIGHTY DE BEERS LOSES ITS SPARKLE

THE hold of the giant De Beers group on the world's diamond market is slipping.

Within the next few weeks De Beers will negotiate an agreement with an Australian mining company which will break the group's monopoly on the international diamond trade

Tribune Reporters

Australia is due to break into the big time in diamonds following the opening of a new mine at Argyle, near Darwin.

According to an Australian geologist, De Beers missed a major opportunity when their geologists failed to read the area's geology correctly — leaving the area open for exploitation by locals who seized the opportunity.

However, because De Beers have such a large say in the international diamond market, the Australians — their company is known as Ashton Joint Venture — will be in partnership with De Beers.

A condition of the De Beers-Ashton agreement, however, is that the Australians will be able to market part of their own production. This marketing coup is seen as a major indication that De Beers grip on the diamond market is not what it used to be.

De Beers could have averted the Australian challenge to its selling organisation if it had not misread the signs, according to a correspondent in the London Observer.

The newspaper quoted an Australian geologist who said De Beers men had walked over the Argyle deposit in Western Australia "looking for signs that said this way to the diamond mine".

Some years after De Beers had tried and failed to locate the deposits, the Ashton group's chief geologist started following the same trail which had led the De Beers men astray — and the Aussies had better luck.

As the value of De Beers shares has dropped from $12 to $4 across the counter in the United States, the group's chairman, Harry Oppenheimer, has told the respected magazine *Fortune* that he "would not buy De Beers shares right now".

Mr Oppenheimer holds 222 250 De Beers shares himself.

The selling organisation set up by De Beers to market its diamonds, the Central Selling Organisation (CSO), has collared the entire diamond-producing world in its monopoly of the diamond market.

The advantages for the diamond producers in being part of a cartel like the CSO are obvious: prices are maintained, and the market is strictly controlled to the advantage of the seller.

However, diamond prices have skyrocketed since 1975, and diamond buyers have hit back — with disastrous results for De Beers.

Two years ago De Beers controlled production, dictated prices and laid down the law to the trade, according to *Fortune*.

However, the magazine reports that in 1980 diamond sales brought De Beers $2,8 billion, $1,1 billion of which was profit. Last year sales dropped by half and profits sagged by 34 percent

Flush with $1 billion in cash two years ago, De Beers by now has spent most of it to support high diamond prices, and the company is sitting on a "veritable mountain" of diamonds

For the moment De Beers still controls the marketing of 70 percent of the world's diamonds, and 40 percent of this comes from its own mines.

But by 1986 Australia will have increased the world's supply of industrial diamonds by 75 percent. And by 1990, according to Mick O'Leary, the Australian group's managing director, the Aussie "new boys" hope to be in position to market their own stones without going through the De Beers cartel.

Gem monopoly not to break up

(26) Mercury 15/12/82

JOHANNESBURG— De Beers chairman Mr Harry Oppenheimer said he is confident that diamond producing nations will not try to break away from the Central Selling Organisation (CSO) to sell diamonds unilaterally.

Asked by Reuters if some poorer countries, heavily dependent on diamond income may be tempted to make such a move, he said that on the contrary, countries like Botswana have to very careful 'not to rock the boat' when the market was in its present state.

'I think our relationships in this regard with Botswana are very, very good', he said.

Mr Oppenheimer retires at the end of the month as chairman of Anglo American but will carry on at the helm of De Beers for the time being because of the poor state of the diamond market.

He noted that the proportion of the world diamond supply which comes from De Beers-administered or controlled mines was considerably higher than it has been for many years

This will continue even when production from Australia's Ashton Joint Venture was in full flow.

Mr Oppenheimer said he is quite certain there will be a lasting recovery in the diamond industry

At the moment the diamond business is a little bit better and people are coming for a wider variety of stones than a few months ago, Mr Oppenheimer said, but added he was not sure if this was the start of a real improvement or just temporary.

He thought this improvement came about mostly because the problems peculiar to the trade have largely been tackled, 'though we're not going to get a really prosperous diamond business until we get an end to recession in America'.

Problems

These problems, which arose from speculative buying of diamonds at inflated prices during the last boom, had been met by withholding supplies from the market, Mr Oppenheimer said.

Although a recession in the market had been foreseen, Mr Oppenheimer said De Beers did not gauge how deep the downturn would be or how high interest rates on finance for the stockpile would rise.

'Every drop in the rate of interest is a major factor for De Beers, both in making the recovery of the trade more probable and for our internal financial problems,' he said.

Asked about Anglo's recent announcement that it had raised its direct holding in De Beers, Mr Oppenheimer said he did not think the two group's cross holdings would rise in the future.

He said the purchases were made because in the long run they were thought to be a good investment. Anglo now holds almost 34 percent of De Beers directly and indirectly while De Beers controls 38 percent of Anglo.

Asked if the move was to fend off a possible rival stake in the diamond group he replied 'I think one would be rather brave to want to take over De Beers'.

On the group's overseas holding arm Minerals and Resources Corp (Minorco), Mr Oppenheimer said he hoped it would play a bigger role in Anglo earnings in future, although he noted Minorco's major U S interests are in companies with low dividend policies

He said Minorco's partnership with Hudson Bay Mining and Smelting (Hudbay) in Plateau Holdings Inc will have to be looked at, as the holding of U S interests through a Canadian company present tax disadvantages in the long term

Minorco had no major new plans 'although if we can expand in America we would be very pleased to do so' Mr Oppenheimer said Minorco will persevere with its loss-making interests in Inspiration Consolidated Copper and Hudbay and feels confident that the price of copper will recover.

Unions

Asked about future developments in the South African gold mining industry, he said he welcomed the recent growth of black trade unions on the mines, although he realised they may create enormous difficulties for companies like Anglo, because they enable black miners to voice grievances which have often led to riots in the past.

He added he is confident job reservation on the mines for white workers will end and that an agreement to this effect will be reached between the Government and white trade unions — (Reuter)

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RDM
22/12/82

De Beers faces Aussie gem glut

By BRENDAN RYAN
Mining Editor.

DE BEERS has won marketing control of most of the production from what will be the world's largest diamond mine at Argyle in Western Australia.

It must now face up to the problems of selling its share of the estimated 20-million carats the mine will produce from 1984

CRA and Ashton Mining, which together hold 95% of the Argyle Diamond Mines Joint Venture, announced yesterday they had concluded an agreement with De Beers marketing arm, the Central Selling Organisation with the approval of the Western Australian Government

The deal, which was provisionally announced in February this year, is a coup for De Beers and one of the most important developments in the group's history

De Beers had to get control of the Argyle production if it hoped to maintain its virtual monopoly on the international diamond market

However, market analysts believe the group faces a mammoth task to accommodate the new production on top of the stockpiles built up by the CSO in the past two years of the worst diamond market depression in its history

The problem lies with the 50%, or 10-million carats, of industrial production which the mine will produce annually at full output In addition a further 8-million carats will be cheap gem or near industrial stones which could be classed either way depending on the state of the market

According to De Beers chairman, Mr Harry Oppenheimer, these will be difficult stones to market No problem is foreseen selling the 2-million carats of gem stones which Argyle is expected to produce annually from 1984

The CSO agreement reached with the Joint Venture is a major departure from its previous marketing agreements It allows a degree of independent marketing which reflects the political opposition the CSO faced in Australia as well as the importance of the new mine

Under the marketing arrangements, CRA and Ashton Mining will sell all their gem diamond production to the CSO — except those stones kept back for cutting and polishing in Western Australia

They will also sell all their cheap gem stones and industrial diamonds to the CSO from the start of alluvial mining until June 30, 1984 After that, 75% of their cheap gem and industrial diamond production will be sold to the CSO

The remaining 25% of cheap gem and industrial diamonds will be sold by the two companies independently on the open market

Polished stones produced from the cutting and polishing centre to be set up in Western Australia will be sold independently to the open market

The remaining shareholder in the Argyle Mine, Northern Mining, will sell its 5% share of the mine's production through a diamond dealership, Arslanian Freres, in Antwerp, Belgium

The marketing agreement is for seven years covering the two years needed to set up the main kimberlite plant at the mine during which production from alluvial deposits will take place, and then for five years after the first diamond sales from the kimberlite plant

Any changes to these arrangements will have to be approved by the Western Australian Government

"The combined marketing arrangements conform with the Western Australian Government's aspiration for the further processing of diamonds in Western Australia," said the Premier, Mr Ray O'Connor, yesterday

Production from the alluvial deposit is expected to start immediately A pilot cutting and polishing operation will be set up in Western Australia by CRA-Ashton next year

Sorting of the 95% CRA-Ashton share will take place in Western Australia initially with the assistance of seconded CSO staff, but Australian recruits will be engaged in the next two years

Northern Mining's 5% will also be sorted in Perth but to a more basic assortment suitable for the open market and not to the detail required by the CSO

Successful marketing of the production will depend on economic conditions in two years' time

Observers say that although the diamond market is showing marginal signs of improvement, the longer-term outlook is still cloudy and a recovery in the world economy and the demand for diamonds is needed to reduce the current stockpile and handle the Argyle stones

A De Beers spokesman said yesterday the marketing of the Argyle production was a problem which the group was addressing He declined to give details of marketing strategies

He also declined to give details of any quota arrangements between the CSO and CRA-Ashton which might be enforced if depressed market conditions meant the mine's output could not be sold and CRA-Ashton had to stockpile diamonds at its own expense

The increased amounts of natural industrial diamonds to be placed on the market from 1984 may cause problems for the synthetic industrial diamond market.

The estimated 4 750 000 carats of industrial and near industrial stones which CRA-Ashton will market independently from 1984 are another market imponderable

* * *

NEIL BEHRMANN reports from London that a spokesman for CRA says production from the alluvial deposits will start next month

The mine will start producing at a rate of 2 500 000 carats a year, rising to 5-million carats a year from mid-1983

The average value of the alluvial diamonds is US$11 a carat

From mid 1985, however, the alluvial diamond deposit will be depleted and the value will drop to $6,5 a carat because most production will be industrial diamonds from the kimberlite pipe, which is estimated to produce between 20-million and 25-million carats a year

An Antwerp report says Argyle's gems represent 10%, or 5-million carats, of the alluvial deposit Gem output from the AK 1 kimberlite pipe is estimated at 5%, or 1 250 000 carats

World gem production is 9-million to 10-million carats a year, so the alluvial deposit will raise supplies by 5% The kimberlite deposit will increase supplies by about 12%

A De Beers spokesman says, however, that the value of the alluvial diamond sales will be $55-million and the AK 1 sales between $160-million and $170-million a year

CSO sales are running at $1 200-million to $1 400-million a year, so the increase in supplies will have a minimal effect in value terms

The life of the AK 1 deposit is 20 years, but the three companies own diamond deposits at Ellendale about 600 kilometres from Argyle

The Argyle deposit is in north-western Australia, about 640 km south-west of Darwin and about 2 200 km from Perth

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MINING — DIAMONDS.
1983 - 1984

De Beers Consolidated may maintain next dividend

(216) Star 11/1/83

CSO diamond sales rise 14%

By Trevor Walker
Assistant Financial Editor

De Beers Consolidated Mines may maintain the next dividend, the first time in three declarations, following yesterday's announcement that CSO diamond sales for the second half of last year rose 14 percent to R724 million over the first half

Total sales for 1982 were R1 359,7 million, against R1 249,4 million in 1981, with the dollar price, the currency in which the sales are made, totalling 1 256,6 million for 1982 (1 472,7 million)

But when compared with sales for 1980 of R2 141,6 million and 2 723,0 million dollars it is obvious the diamond market has not yet recovered

Most stock market analysts were expecting second half Central Selling Organisation sales of about R750 million

But all agree the market has now bottomed out and should begin to firm slowly this year

One analyst says it is a fallacy that CSO sales are generally better in the second half

He says sales tend to reflect economic cycles and the latest figures underline the fact the market is in a recovery cycle

De Beers share price has risen strongly on the market ahead of the figures and analysts are now fully discounting the present situation, particularly if the current improvement in the diamond market is likely to be slow

The share closed 50c higher at 930c yesterday and over the past 12 months has touched a high of 1 090c and a low of 393c

Analysts note that De Beers for the first time in its history halved its 1981 final dividend to 25c and then followed this with a further 50 percent reduction of the next interim to 12,5c

But not two months later Anglo American told a closed meeting of stock brokers in London that it had bought 10 million De Beers shares in the market

It still rankles analysts that almost immediately following a policy decision by De Beers to cut its interim dividend — albeit to show the market that diamond sales were still falling — Anglo must have acquired the shares at an average of some 550c to 600c and thus in the space of a year could well show a profit of R50 million to R60 million

A spokesman for De Beers says stocks of rough diamonds at the cutting centres have eased and a wider range of sales are expected in 1983

He also says the CSO has been allowed to open an office in Zaire and this could indicate that country may be considering selling some of its output through the CSO Zaire sells its diamond output through a consortium in Belgium

12/1/83 (214)

Aid for project

RDM

WASHINGTON — The West African Republic of Guinea and a group of Western countries are co-operating on a big diamond mine, says the World Bank

The bank's International Finance Corporation, which invests instead of lending, will help with the $95 700 000 venture.

The mine is expected to produce 175 000 carats of diamonds a year, mostly high-quality gems, beginning in April 1984 It will provide about 850 jobs, access roads and basic health services in the undeveloped Banankoro region of Guinea

The Government of President Sekou Toure owns half of the Societe Mixte Artedor Guinea, the company which runs the project

De Beers buys in Zaire

IN an attempt to counteract smuggling Zaire has partially lifted the ban on De Beers and is allowing the company to buy stones in Kinshasa, NEIL BEHRMANN reports

Most of the output from the Miba mine will continue to be sold through Zaire's agents — Industrial Diamond Company in London and Caddi and Glashol both of Antwerp.

In 1981, the Central Selling Organisation lost its agency to sell Zaire's diamonds to the three London and Antwerp dealers But in the past two years, report diamond dealers, smuggling has increased and De Beers bought Zaire diamonds in Brazzaville, Burundi and Antwerp The rest of the official production was sold by Zaire's minerals marketing organisation, Sozacom, to its agents

Mr Pinchis Rothem, a director of Industrial Diamonds, says Miba is producing about 8-million carats a year De Beers and seven licensed dealers can now buy diamonds, mined from alluvial diggings at other sites in Zaire

He believes the Zaire Government has made a good decision because between 2-million and 3-million carats can now be sold legally within Zaire But Zaire now gains foreign currency from these sales as the diamonds are not smuggled out

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Israeli gem industry over worst

216

RDM
19/1/83

By NEIL BEHRMANN

LONDON — Israeli diamond dealers and manufacturers are mildly optimistic about prospects this year, but do not believe that there will be a surge in sales

Traders in Tel Aviv, the second-largest diamond market after Antwerp, told me that Israeli diamond exports fell from $1 070-million in 1981 to $905-million in 1982, but sales rose in the fourth quarter

"Sales of small polished diamonds priced under $300 a carat remained firm and there was renewed interest in medium-sized stones priced between $300 to $500 a carat," said Mr Benjamin Lieberman, general manager and economic adviser to the Israel Diamond Manufacturers Association

Although the market in D-flawless investment diamonds had bottomed out about $20 000 a carat from more than $60 000 a carat in 1980, there were few orders

The Israeli diamond industry has gone through traumatic times and its misfortune played a major part in the collapse of the diamond market in the past few years In 1978 Israeli dealers speculated wildly in diamonds and paid up to 100% more than De Beers price for stones. They used borrowed money, and were soon caught by falling demand and prices and huge debts and interest payments

Many firms went under from 1979 to 1982, and the Israeli diamond industry laid off 5 000 workers.

However, the Tel Aviv market is recovering

"Following years of stress, our industry is much healthier,' said Mr Mordechai Noam, president of the Israel Diamond Manufacturers Association At the beginning of 1981, Israeli diamond dealers and manufacturers owed banks $1 200-million for their huge diamond stockpile Since then they have whittled down their debt to $470-million

The normal debt of the Israeli diamond industry, used for stock financing, should be $350-million to $400-million, said Mr Noam

Mr Noam said that although the worst was over, the market "is still not good"

"Interest rates have fallen, but the weak international economy remains the main problem and is the key to any revival in the diamond market,' said Mr Lieberman, the economist at the association

Stockbroker James Capel & Co says that in recessions and the early part of booms diamond sales have always increased more slowly than industrial production With international economic growth expected to increase by a small percentage in 1983, the broker believes that diamond sales will rise only moderately in 1983.

"De Beers share price has outperformed the sales record and is discounting a substantial improvement in sales"

Sales of the Central Selling Organisation rose from R636-million in the first half of 1982 to R724-million in the second six month

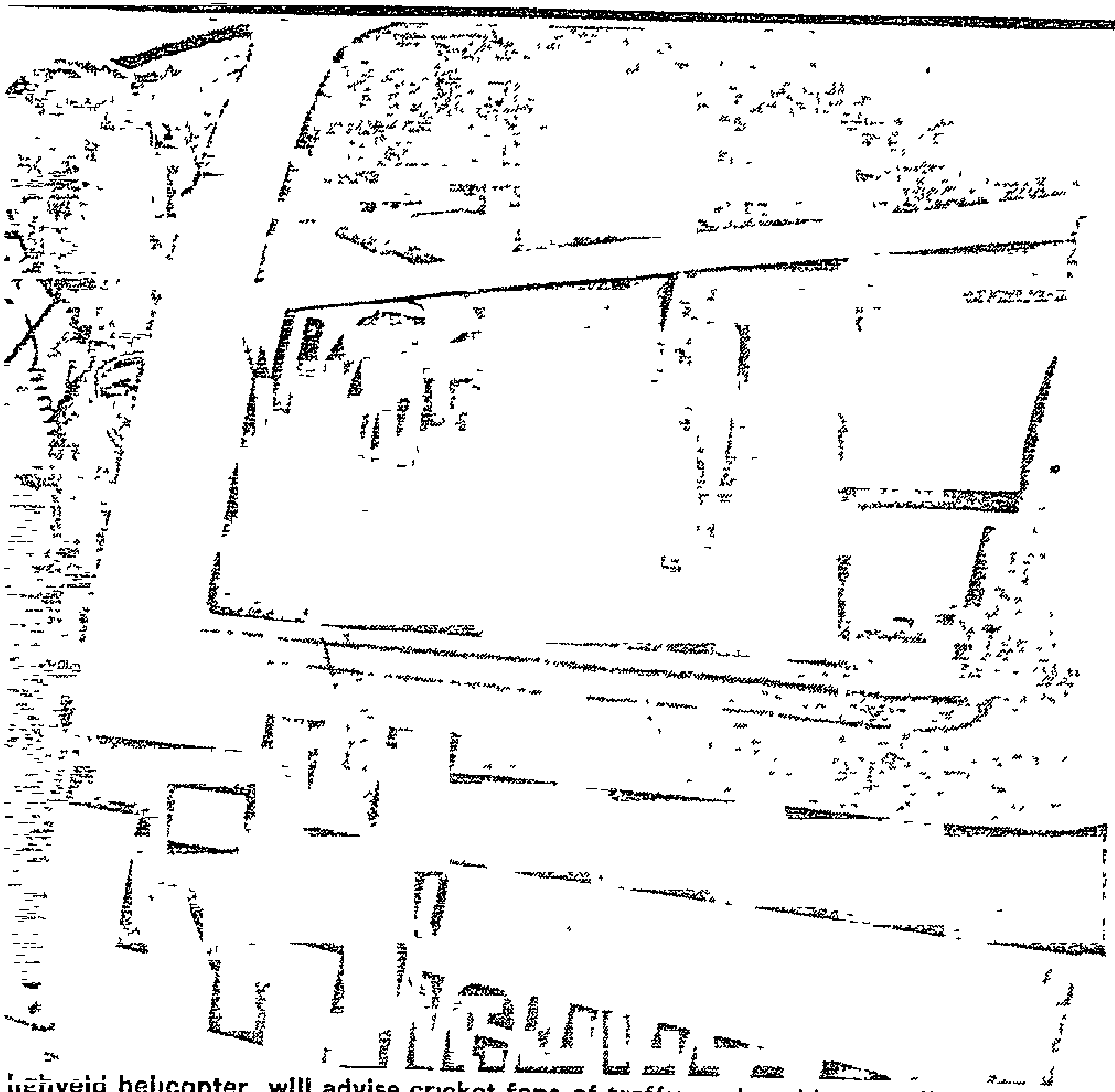
But although sales for the year were R1 360-million compared with R1 249-million in 1981, turnover was less than half that of 1980

James Capel says that although De Beers "is through the worst, it is still far from healthy In 1978, De Beers had R1 300-million in cash and net current assets of R900-million By 1982 the cash had declined to just R200-million with net current assets of R86-million Meanwhile, long-term loans had increased from R69-million to R357-million

"In 1981 alone, De Beers had a negative cash flow of R1 000-million. The position at the end of 1982 will have worsened"

James Capel believes that De Beers must accumulate cash as soon as possible As a result it cannot be generous to shareholders

For an international investor, net of withholding tax De Beers dividend yield is less than 4% and Capel believes the shares are too expensive



ighveld helicopter, will advise cricket fans of traffic and parking conditions around
possible by the Rand Daily Mail, Pick 'n Pay discount supermarkets and Brut 33

o guide Wanderers traffic

Those who find that their cars have been towed away will have to walk to their vehicles Culprits can find out the whereabouts of their cars by asking any traffic officer

"All we want from the public is cooperation and patience" Inspector De Boer said

The special buses of the Johannesburg Transport Department will start running from 8 30 tomorrow morning The fare is 70c

The route begins at the south side of the station in De Villiers Street and then goes along Loveday, Plein Twist, Edith Cavell, Sam Hancock Queens St Andrews Victoria and Oxford streets and Corlett Drive to the Wanderers

A transport department spokesman said all buses would be clearly marked and would stop at all bus stops At close of play the buses would be waiting outside the grounds

Fans have also been asked not to make arrangements to be picked up outside the Wanderers after the game

"Rather catch a bus to The Firs or the Mall and make arrangements to be met there Otherwise there will be massive traffic jams with people stopping to make their pick-ups," he said

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RDM 28/1/83

Mine upsets diamond market

By MARSHALL WILSON

MELBOURNE — Israeli experts believe the South African De Beers-controlled Central Selling Organisation will never be the same once diamonds from the Argyle mine in Western Australia come on the market

For the first time in 50 years De Beers has lost the exclusive right to market diamonds after it won an agreement to handle 75% of the production of Argyle — the richest diamond mine in the world

The mine has already yielded 25-million carats, conservatively valued at R160-million

The experts believe the CSO will instead become more of an international club with Australia, the Soviet Union and Zaire (which withdrew from the CSO but is considering an invitation to rejoin) being dominant partners in worldwide production and marketing

Diamond sorters seconded from the London offices of the CSO arrive in Perth early next month to evaluate the huge stockpile of gems from the mine

A recent large-scale testing programme has already yielded 500 000 carats of diamonds from the Kimberlite Pipe and the rich alluvial deposits now being mined at Smoke Creek

With stones mined last week when commercial production began, the diamonds will be flown to Perth, where a campaign is already under way to recruit and train sorters to join the experienced CSO team

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ers may take off their belts if they them would endanger them- or other people, and taxi drivers do not wear a belt if they are seeking or a call for hire or carrying a pas- for hire

Somerville says "I am deliberately break the law because I think it is a to wear seat belts during tuition You hold of the controls, and when the are applied the seat belts lock"

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One medicine — and police were able to trace them quickly

Michael Smith 25, Thomas Tuitt, 20, and Guy Joseph 21, all unemployed East Enders, were each jailed for three years when they admitted robbery and possession of a toy pistol and two knives

City telex numbers to change

THE Post Office has announced that certain telex numbers in Johannesburg will change tomorrow

Some numbers starting with the digits "4-2 and "4-3" will change The new numbers appear in the latest issue of the telex directory which has been available for the last month

The Post Office has pointed out to subscribers that because it was impossible to change all the answer-back codes timeously callers would still receive the existing answer-back codes for some time The codes will be changed as soon as possible — Sapa

Artificial heart ops are still suspect

By RICHARD WALKER

NEW YORK — Dr Chris Barnard's suspicion over artificial hearts may be vindicated, doctors treating Dr Barney Clark the world's first artificial heart recipient, have conceded

The procedure "is still very much in question", Dr Chase Peterson said in Salt Lake City, Utah, where he is tending the 62-year-old dentist who received a plastic heart on December 2

In the gloomiest comments yet to come from the pioneering team, Dr Peterson said Dr Clark had made only "undulating progress" and remained "very weak"

It was too early to say whether the surgery had been a success and too soon to decide on further artificial heart implants he said

He also said of Dr Clark "He has not developed the muscle strength that would permit him to test his life That test is yet to come"

Doctors had hoped to release Dr Clark from hospital this month but now they say they do not know when he will be able to leave He has had three operations since the implant — most recently to stop a persistent nosebleed — and can walk only a few steps

"He's had moments of despair and moments of elation," said Dr Peterson

nd the Skyline

Thundering herd sparks De Beers stampede

(216)

RDM
4/2/83

MERRILL Lynch, the New York stockbroking firm known as the Thundering Herd, was responsible for the stampede into De Beers shares this week.

JOHN MULCAHY in Johannesburg and NEIL BEHRMANN in London

The firm's salesmen throughout the world received advice from the research department that the rating of the diamond colossus had moved from a hold to a buy, prompting an avalanche of buying yesterday that sent the price to its highest on the Johannesburg Stock Exchange in more than a year

After trading up to R10,40 at one stage in the morning, some of the steam went out of De Beers, and it closed at R10 — up 30c on the day and 120c higher than last Friday's close.

Led by De Beers, the JSE continued to march upwards The Rand Daily Mail 100 index of industrial shares climbed to a record 831,8, and the RDM golds index gained more than 12 points to 1 079,5

De Beers volume on Wednesday reached almost 175 000 shares and more than 151 000 yesterday, considerably higher than its daily average of 50 000, and rivalling the heavy trading conditions experienced last September which culminated in the shock announcement that Anglo American had bought another 10-million De Beers shares

De Beers watchers were at a loss to explain the share's move earlier this week, but when Merrill Lynch emerged as the bullish influence, scrip moved out of Johannesburg at a rapid rate

The buying spree came after Merrill Lynch's London-based precious metals specialist Mr David Fitzpatrick telexed a six-page report on Tuesday changing his intermediate opinion from neutral to buy

Mr Fitzpatrick said the report was written last week and he remained bullish He thought it "quite conceivable that US investors could build up their stake to around 25%, in line with their interest in many gold shares"

He estimated that US ownership in De Beers was now between 12% and 14%

A dealer at Merrill Lynch said that although the firm's clients had acted on the De Beers report, news of the activity encouraged speculative buying in Johannesburg, London and New York

He referred to a similarly bullish report on platinum shares issued by the firm about three months ago, which also prompted speculation and price increases

The dealer stressed that the buy signal was one of many Merrill Lynch share recommendations "When this happens, the rats and mice get in and quite frankly, I don't like it." Such speculation was dangerous, he said

Mr Fitzpatrick thought that US investors could be attracted to a lower-priced share such as De Beers because top-quality gold shares were $100 or higher De Beers traded at $7,65 in London yesterday

The Lynch report is unabashedly bullish, even though many other stockbroking analysts in London believe the revival in De Beers more than discounts an expected revival in the diamond market this year

A Johannesburg analyst said that the logic in buying a share purely because the price was substantially lower than those generally ruling in a totally different sector was superficial Even if the gold price remained buoyant for the rest of the year, enhancing De Beers investment-earning potential, the spectre of financing the huge diamond stockpile was an important issue

De Beers was unlikely to pay a 75c annual dividend before 1985, and this could be delayed until 1986

Mr Fitzpatrick is far more optimistic, believing that improved earnings and declining capital expenditure should rebuild De Beers cash balances, and "significant dividend increases are likely in 1983 and 1984"

The argument that De Beers has been trading at a discount to its net asset value is not new At one stage last year the share price was less than 40% of nav

One cynical view of Merrill Lynch's unexpectedly positive analysis of De Beers is that the New York broker could have sold its own holdings at about 950c, feeding scrip to the market to satisfy its many followers

The author of the report was, however, still confident about De Beers yesterday, in spite of the galloping price, saying "The diamond market is recovering after good Christmas sales"

He also referred to the gold-price recovery, which would help De Beers earnings He said precious-metal shares were outperforming the gold price and "there continues to be considerable US interest in De Beers"

Mr Fitzpatrick estimated De Beers earnings of $2 a share if associate company earnings were consolidated, and profits "to be in an improving trend in 1983"

Earnings would be boosted by a reviving diamond market, and Mr Fitzpatrick expected sales to return to $2 000-million to $3 000-million in 1984 and 1985

"Healthy sales of diamond jewellery during the 1982 Christmas sales bode well for prospects over the next 18 months"

This assessment of Christmas sales is not, however, shared by everyone in the diamond market, and dealers in Antwerp and Tel Aviv describe sales as satisfactory, but not that good

Mr Fitzpatrick said gold was "in a major bull market which could last well into 1985 This could directly help the dividend income from (De Beers 38% stake in) Anglo American Corporation, and also the income

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CSO sells Zaire diamonds again

By ADAM PAYNE

DE BEERS Central Selling Organisation, which handles 80% of world diamond production, has won a major coup by reaching agreement with Zaire to resume marketing of most of its diamond production

The Government of Zaire, through its Sozacom State mineral marketing organisation, has signed a two-year contract with the CSO for the exclusive sale of rough diamond output from the Miba mine

This mine is the main producer in Zaire with an output of more than 6-million carats a year

The announcement is a second victory for De Beers, following the decision two months ago of Argyle Diamond Mines in Australia to market through the CSO after much pressure was applied on the mining company and the West Australian Government for marketing arrangements to be made outside the CSO

Zaire withdrew from the CSO in May 1981, after having dealt through that organisation for 14 years The move drew comments that the CSO was disintegrating and even the publication of a widely-quoted book by Edward Jay Epstein saying that De Beers was losing control of an overstocked and overproduced diamond industry

Of the Miba mine's production last year between 60% and 70% was industrial quality About 5% were high-quality gems and the balance were in the cheaper gem category

An estimated 2-million carats, produced by alluvial miners was smuggled out of the country and neighbouring Brazzaville which has no diamond mines listed diamonds among its principal exports

The value of Zaire's official diamond output runs at about 2% and 3% of the CSO's annual intake

According to a CSO spokesman in London, De Beers and Sozacom will review ways of improving the Miba mine's production

Coming hot on the heels of the Australian decision to market through the CSO, the action by Zaire is a bull point for De Beers It will be noted by Swapo, which has indicated that uranium and diamond mining in an independent Namibia could be nationalised in which case the government might think of dodging contact with De Beers

Swapo will obviously be less inclined to adopt such a course following Zaire's experience

Although Botswana has close links with De Beers, it might also be tempted at some time by political pressure to move away from the CSO but Zaire's experience would not be overlooked

Zaire has evidently found the grass a lot less greener on the other side of the fence It has encountered wide fluctuations in industrial diamond prices which have upset Sozacom's budgeting and it can be assumed that De Beers has undertaken to pay a guaranteed stable price to Sozacom for industrial and gem stones

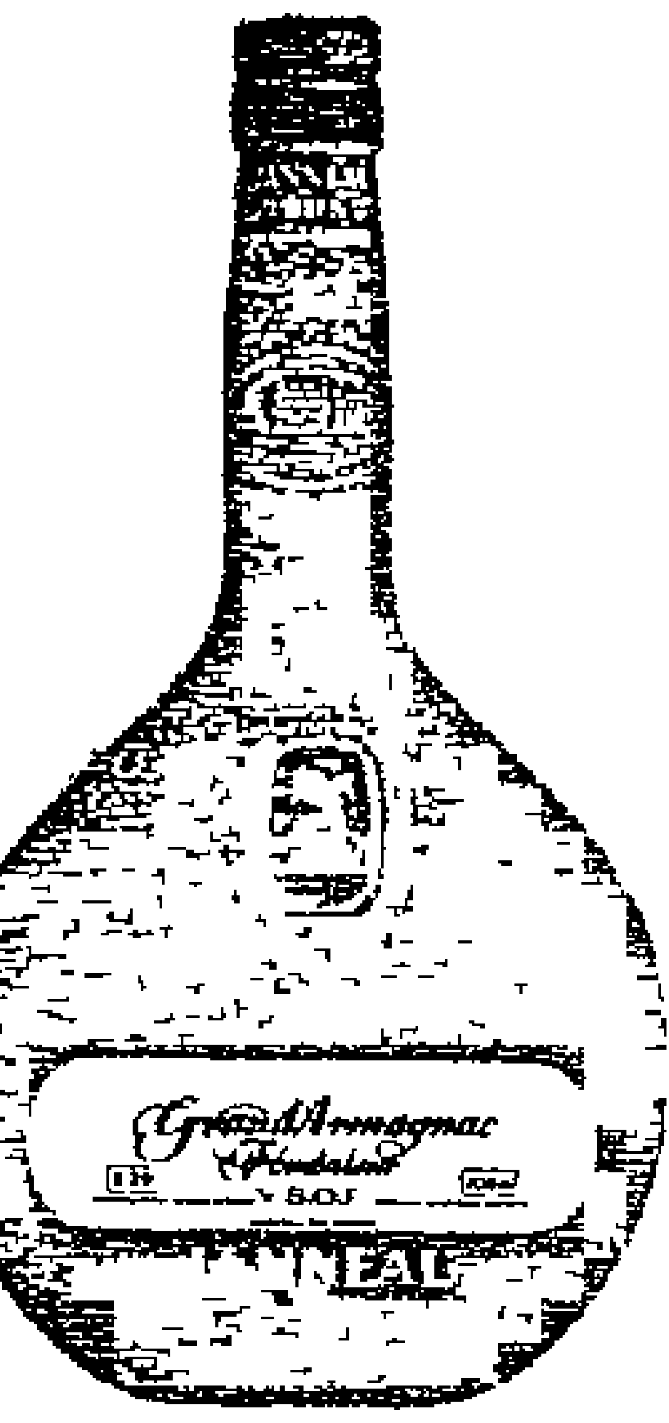
When Zaire left the CSO it signed agreements with independent buyers — two in Belgium and one in London Presumably these buyers have not been able to match the buying services available from the CSO

The Argyle decision to market through the CSO was embodied in an agreement allowing Argyle to withhold a small proportion of the gem output for the establishment of a local diamond cutting industry A total of 75% of the remaining production — mostly industrial — will be contracted to the CSO and 25% wil be marketed by Argyle Mines, possibly to India

COMMENT The announcement from Zaire is a bull point for De Beers whose prelimary figures and dividend announcement will be issued next week.

As a rough rule of thumb, one expects De Beers share price to move up with the Dow Jones Average which has risen strongly This is because De Beers' main market is in the USA

Although the share price has been pushed high to 800c because of heavy buying last year, this price is well below De Beers' net asset value With a recovery in the US economy my guess is that De Beers diamond sales will improve and the company will turn the corner after a hard spell of lower sales and high-cost stockpiling



For the Connoisseur's Cabinet

A very special old after-dinner brandy from the Armagnac district of France

JANNEAU

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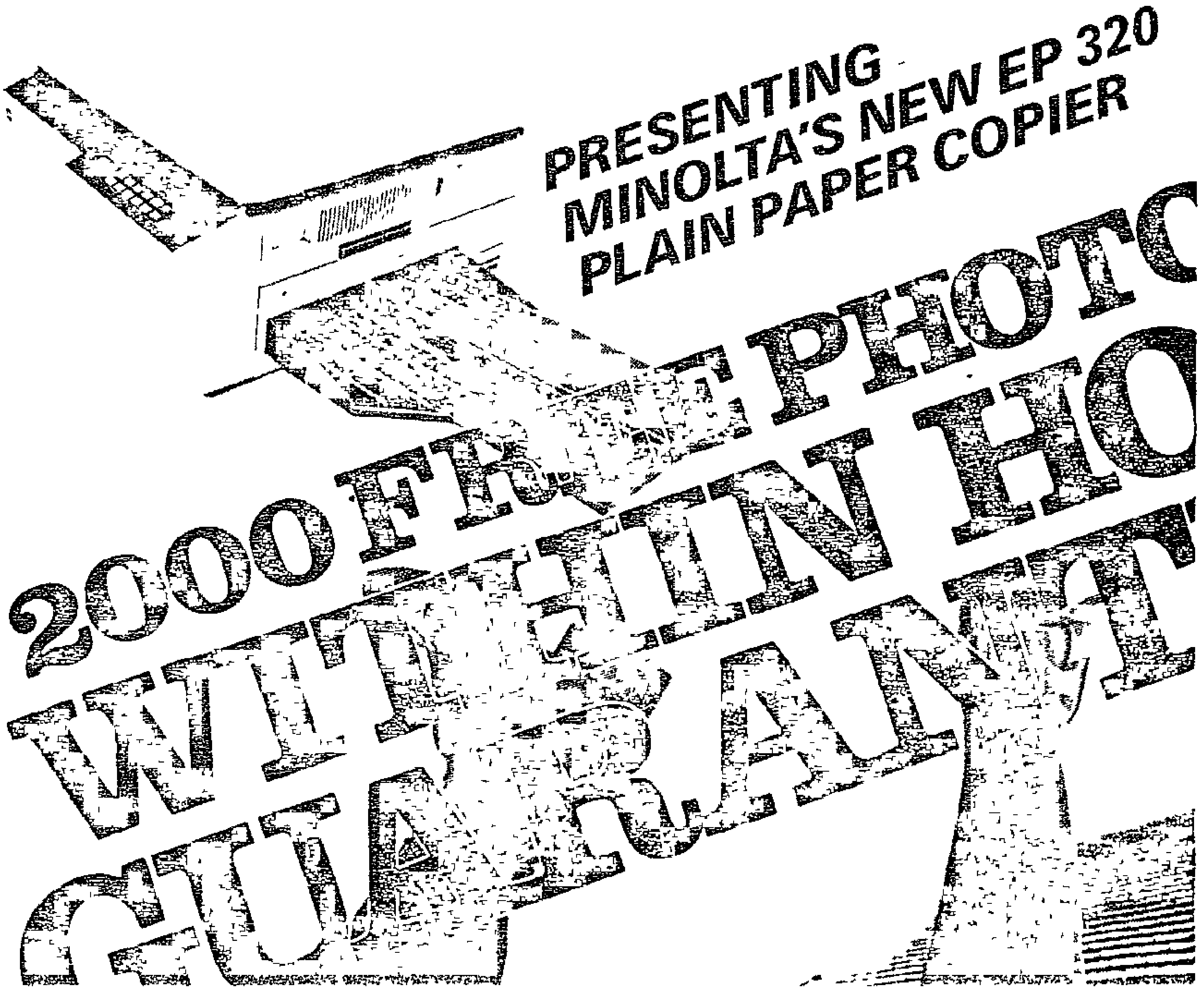

Diamond sale record of 33m pieces

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NDM 10/2/83

By NEIL BEHRMANN

LONDON. — De Beers marketing research division estimates that world sales of diamond jewellery rose to a record 33-million pieces in 1982 from 32-million pieces in 1981.

But the sales value of retail diamond jewellery pieces was slightly lower than in 1981, mainly because retailers reduced prices to attract customers

Mr Derek Palmer, a De Beers market research executive, said in an interview that Christmas turnover was "better than expected"

Comparing last year's Christmas turnover with 1981's, Mr Palmer said sales were higher in the US, Japan, West Germany, France, Britain, Spain, Austria, Canada and Denmark Sales were flat in Italy and South Africa and down in Australia

De Beers promotion consultants surveyed more than 100 independent jewellers in the US.

"The market is weaker than the buoyant times in 1980, but many jewellers say that sales of more expensive and larger diamond jewellery pieces, priced at $5 000 or more, are improving," he said

"Most retailers, especially in the biggest market, the US, were optimistic about prospects in 1983."

Falling stocks at jewellery shops have boosted sales at the main cutting centres of Antwerp, Tel Aviv and Bombay

In the three months to October 1982 compared with the same period in 1981, US jewellers increased the volume of imports from polishing centres by 15% Japanese imports of polished diamonds rose by 14% Polished-diamond imports by Hong Kong, the distribution centre for the Far East, soared by 41%

West German demand, however, slumped by 16% in volume West German diamond jewellery consumption was flat because of the deepening recession, and the weak currency increased the cost of diamonds

A large proportion of cheap diamonds are being imported from Bombay

The Antwerp Diamond High Council says sales of medium-quality diamonds are beginning to improve.

"The market in medium and expensive stones is more active," says Mr Jacques Zucker, a director at Lachowsky-Zucker PVBA, Antwerp diamond dealers He says flawless brilliant diamond prices have increased from about $7 500 a carat in June to $9 000. Prices of other diamonds have increased by 5% to 10%

Another Antwerp diamond dealer said De Beers was buying all available stones at the cutting centres to keep tight control of the market

A London diamond dealer said that contrary to expectations De Beers sold a smaller quantity of diamonds at the January sight than in the previous year

Supplies of smaller diamonds, priced when polished at $120 to $400 a carat were in short supply, and half-carat diamonds were difficult to find He predicted that De Beers would raise prices this year

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WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
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Cape Times

11/3/83

Legal dispute feared over Zaire switch to De Beers

By NEIL BEHRMANN

LONDON — An international legal dispute is likely if Zaire abandons its previous agents, and markets its diamonds through De Beers marketing arm, the Central Selling Organization.

The previous agents insist that they have valid contracts with Zaire's minerals and diamond marketing agency Sozacom and that these contracts are only due to expire in three years' time

Earlier this week, the Zaire authorities announced that "henceforth all direct production from Miba marketed by Sozacom, will be exclusively sold to the Central Selling Organization"

Miba is Zaire's main diamond mine which, according to De Beers' estimates, produces six million carats a year. De Beers said that a further six million carats are produced in alluvial diggings elsewhere in Zaire

Two-year contract

"We have signed a two-year contract with Zaire, exclusively to sell the diamond production of Miba, Zaire's biggest diamond mine," said a spokesman of De Beers in London

But the news has astounded Industrial Diamond Company in London and Caddi and Glasol in Antwerp The three agents which have been selling Miba's stones independently since May 1981

"I maintain that our contract is a legally binding agreement which we scrupulously honoured," said Mr Jack Lunzer, managing director of Industrial Diamond Company

"I am certain that the government of Zaire has acted without due consideration of the facts"

"We have a contract, during the past 22 months we have sold Zaire's diamonds and honoured our obligations," said Mr David Susskind, managing director of Caddi He threatened to "go to the Belgium Government to defend myself"

Not informed

"We don't know what is happening — we have not been informed," said a spokesman of Glasol

The contract with Industrial Diamond Company, dated April 23, 1981, states "The present contract is concluded for a period of five years, renewable by tacit agreement."

"However, each party can terminate it, notice of six months being given to the other party by registered letter with acknowledgement of receipt from the post office before the expiry of the current five-year period"

All three agents insist that they were not given such notice

"Any objection arising between the parties regarding the interpretation or execution of the present contract will be settled amicably as far as possible

"If the difference still persists, it will be decided once and for all according to the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbiters chosen according to these rules"

The diamond agents believe that these provisions give them a very strong legal case

Mr Lunzer maintained that the "force majeure" clause also covered his firm

That clause states "In the event of measures taken by government, war, fire, strike, lock-out, accident in the mines or plant outside the control of the parties, the present contract will be suspended throughout the duration of the said hold-up which will be speedily remedied

"If this hold-up lasts longer than six months, each party can terminate the present contract without prior notice and without indemnity"

It is believed that all three contracts with Sozacom are similar

In response to the firm's statements a De Beers spokesman said· "We have a contract to market the Miba production."

Besides diamonds, Sozacom markets copper, cobalt and other minerals

Executives of metals dealings firms believe that any reneging of the initial contract with the three diamond traders could have much wider international implications

At least one of the firms has been approached by metals companies for details of the contract

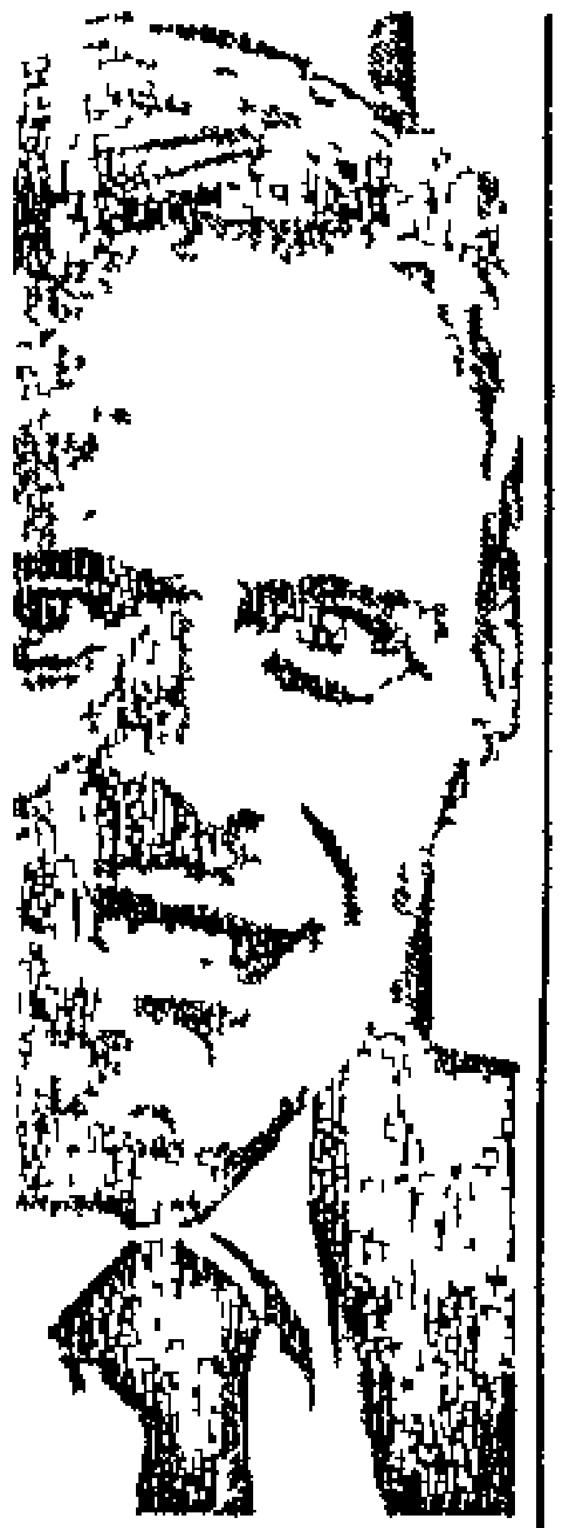
Intrigue and mystery

As normal in international diamond dealings, there is intrigue and mystery surrounding De Beers' dramatic move to regain Zaire's contract

"There is much more to it than meets the eye," said a diamond dealer

In July 1981, the director general of Sozacom, Mr Muengula Lukuza, complained bitterly that from 1967 to 1978, De Beers' marketing costs amounted to 25 percent. From 1978 to March 1981, the costs were 20 percent

At the time De Beers did not refute Mr Lukuza's public statement.



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Legal dispute threatens on Zaire switch to CSO

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RDM 11/3/83

By NEIL BEHRMANN

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Sozacom also markets copper, cobalt and other minerals

Executives of metal-dealing firms believe that any abrogation of the contracts with the three diamond traders could have wide international implications

At least one of the firms has been approached by metals companies for details of the contract

In July 1981, the director-general of Sozacom, Mr Lukuza Muengula, complained that from 1967 to 1978 De Beers marketing costs amounted to 25% of Sozacom diamond sales From 1978 to March 1981 the costs were 20%

De Beers did not deny Mr Lukuza's statement

Miba production is mostly low-quality industrial diamonds, known as boart Mr Lunzer complained that De Beers had been dumping boart and the price had collapsed from $2,80 in 1981 to 80c a carat

Although De Beers executives retorted that they were "merely withholding support", Mr lunzer said that De Beers recently offered 100 000 carats of boart at between 80c and 90c a carat

Soviets cut oil price

ROTTERDAM — The Soviet Union has notified some companies holding contracts for its Urals crude oil of an official $1,25 a barrel price cut The new price is $28 cif Mediterranean effective March 1 against $29,25 which has been in force since the beginning of February. — Reuter

Harmony final up 66%

By ADAM PAYNE

HARMONY Gold Mining Company has raised its final dividend by 66% from 90c to 150c, making 235c for the year compared with 210c in the previous year

The payment more than matches the dividend prospects spelt out by Mr D T Watt, the chairman, in his annual statement issued in September The company's year-end is June 30

Harmony benefited from the higher gold price in the past six months, particulary because of its fairly high gearing through a low grade and a comparatively small number of issued shares at 27-million

The mine earned 93c after capital spending in the six months to September 30 and paid out 85c, carrying forward only 8c

It earned 70c in the December quartei and it can be assumed that the mine's results in the March quarter will be at least equal to those in December Earnings for the second six months should be at least 140c a share

Bearing in mind the capital spending programme now under way, coupled with increased costs, any improvement in earnings a share in the March quarter over the December quarter is likely to marginal

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By JOHN MULC

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CSO holds talks with Thailand

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15/7/83

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Financial Editor

PRELIMINARY talks have begun between the Central Selling Organisation and the Government of Thailand with the aim of expanding the diamond-cutting industry in that country

A De Beers spokesman confirmed that two CSO executives, Mr E M Charles and Mr M Grantham, were in Thailand recently to hold 'discussions'

Trade talk is that the two current cutting firms with about 700 cutters will be expanded (it exports about $10m of cut diamonds a year now) The country will export about $400m in cut gems this year — or double the 1982 figure

The Thai Embassy in London has confirmed the talks, saying that 'De Beers was seeking out possible partners for future expansion, and if it reached agreement would guarantee a regular supply of rough diamonds'

Such a move will put Thailand into the big league

(216) C. Times 16/3/83

De Beers well below expectations

By BRENDAN RYAN

JOHANNESBURG. — De Beers has maintained its final dividend at 25c a share for the year ended December 31, 1982 for a total payout of 37,5c compared with the previous year's 50c.

Earnings for the year are sharply down at 56,3c a share compared with 101,1c a share and are well below most analysts' expectations of around 70c a share

De Beers earnings were hit by a higher-than-estimated tax rate in the second half of the 1982 financial year and by a R14 900 000 share of extraordinary losses which Anglo American Industrial Corporation (Amic) and Anglo American Corporation (AAC) made during the year

Amic is a 25% associate of De Beers following the merger of De Beers Industrial Corporation (Debincor) while De Beers holds 38,4% of AAC The provision relates mainly to the R55m lost by Sigma Motor Corporation during a disastrous 1982

There was also a 45% jump in the profit attributable to outside shareholders in subsidiaries to R32 800 000 from R22 600 000 previously

Outside shareholder's interests in subsidiary companies more than trebled to R220 500 000 from R59 700 000 previously because of the issue by De Beers subsidiaries of R200m redeemable preference shares

Troubled market

Dividends of R7m accrued to these shares less the elimination of the minority interest in Debincor and this is one of the costs to De Beers of its support of the troubled international diamond market over the last year

The net increase in preference shares long-term and net current liabilities over the year was R282 700 000

The diamond market remained weak during the year and the value of De Beers stocks of diamonds rose to R1 832m from R1 403m at the end of 1981

Of this increase R280 200 000 relates to larger stocks and R149m to the change in the rand-/dollar exchange rate as applied to the opening stocks

Diamond sales improved in the second half of the year as income on diamond account rose to R179m in the last six months compared with R108 500 000 in the first half

De Beers feels this trend will continue as the maintained final dividend is a bullish stand and the company's comments reinforce this

"Stocks in the cutting centres have been reduced to realistic levels and since the end of the year confidence has markedly improved," a De Beers statement said.

"CSO sales are running at a considerably higher level than in the previous six months and demand has expanded to some extent into higher categories

"However the market for the larger and better qualities remains restricted

"Consumer demand for diamond jewellery in 1982 was only 3% below the record level of 1981 which must be regarded as satisfactory in a year of recession

"Christmas sales were better than expected and the retail trade is in a more optimistic mood than for some time," De Beers commented

Diamond account income for 1982 totalled R287 500 000 (1981 — R360 000 000), investment income amounted to R149-million (R179 600 000), and other interest was R49 500 000 (R62 700 000)

The share of after-tax retained profits of associated companies was R240-million (R264 500 000) while the surplus on realisation of investments and fixed assets amounted to R11 800 000 (R3 200 000)

Expenses jumped to R171 700 000 from R116 500 000 previously of which the major contributor was a more-than-doubled interest payable charge of R94 800 000 (R38 300 000)

Pre-tax profit was 25% down at R566 100 000 (R753 800 000) and with tax dropping to R89-million (R97 300 000) taxed profit was 27% lower at R477 100 000 (R652 700 000)

COMMENT The maintained final dividend is in line with expectations by analysts provided De Beers could see justification for it in terms of market prospects

If the diamond market picks up in the year ahead as De Beers is indicating there is the prospect of sharply increased earnings as the company sells stones from its stockpiles

This, however, is no immediate cause for joy to shareholders as De Beers' initial concern will be to repay the debt run up by its stockpiling operations and to rebuild its cash resources to the levels seen in 1979 before the depression started

At that time it had a cash holding of R1 295m and some analysts feel De Beers could rebuild this to around R2 000m in preparation for the next downswing in the diamond market

This could occur against a background of much greater diamond production once the Argyle mine in Western Australia hits full production of some 20 million carats annually from around 1985

The outlook for 1983 is, therefore, one of improved earnings but maintained dividends and shareholders may only get meaningfully higher payouts in 1984

This outlook is reflected in the market's reaction to the results which were released during trading hours yesterday After opening at 830c they rose to 840c on the release but closed at 820c, 3c down on Monday's close

The only hope of higher payouts in the year ahead are if De Beers can maintain an orderly market during the recovery and avoid the excesses of the previous boom If this is the case the company may aim at lower asset holdings and pay out dividends more readily

69½%

De Beers back on top of the diamond pile

(216)

ROM

5/4/83

By NEIL BEHRMANN

LONDON. — De Beers has reasserted its control over the world diamond market after the worst diamond depression since the 1930s

Two diamond price increases in only seven months show that De Beers marketing arm, the Central Selling Organisation, has pulled the market into balance

The Syndicate — as the CSO is called in the trade — has regained authority over Zaire diamond sales, won the important marketing contract of the Australian Argyle mine and is thought to have persuaded the Russians to place fewer polished stones on the market

Throughout the two-year diamond depression and intermittent crises, De Beers waited patiently, isolated its opponents, and then picked up the pieces

As soon as the diamond market began its decline in 1980, the CSO began to support the market by withholding diamonds from dealers

The aim was to reduce stockpiles in Antwerp, Tel Aviv and other cutting centres

But the process was slow and at several sights — sales — De Beers was forced to withhold up to 60% of diamonds from dealers

But high interest rates and falling demand continued to depress the market, and De Beers reduced production on a selective basis

In 1981 it cut output of expensive slow-selling diamonds at its own mines and reduced quotas of producing nations which sold to the CSO.

It stepped up sales of the cheap low-quality gems which continued to be in demand This market is so buoyant that the increased prices imposed by De Beers last September and in March this year affect mainly small diamonds

In the midst of the diamond depression, De Beers experienced two upsets

Mr Jack Lunzer's Industrial Diamond Company in London and two Antwerp firms, Caddi and Glasol, snatched the CSO's contract to sell Zaire's diamonds Although most of Zaire's stones are industrial, Zaire's breakaway could not have happened at a more inopportune moment

At the time, the Ashton Joint Venture, comprising CRA, Ashton Mining and Northern Mining, was still debating who should sell Australia's diamond production, projected at 25-million carats a year from the mid-1980s

But through indirect shareholdings and the "old boy network" De Beers persuaded CRA and Ashton to come into its fold

But the CSO was faced by a dissident.

Mr Rees Towie, who headed Northern Mining, wanted the Ashton Joint Venture to study other sales outlets

His case was strengthened by Zaire's decision to sell its diamonds independently Mr Towie led a protest movement pleading that Australian diamonds should not fall into the hands of a South African concern

In controversial circumstances, Northern Mining was taken over, and Mr Towie was pushed into the mining wilderness Mr Towie believes that De Beers was connected with his downfall, but this has not been proved Whether it was a coincidence or not, Mr Towie was conveniently out of the way, and towards the end of last year the CSO gained the contract to sell most Australian diamonds

The regaining of the Zaire contract is equally intriguing According to De Beers executives, Zaire approached the CSO and asked it to sell its diamonds once again. De Beers executives say Zaire gave no reasons, but they speculate that Zaire was worried by future Australian sales and needed De Beers protection

Prices of Zaire's stones fell from an average of $9,50 in 1980 to an average of $7,59 in 1982

Mr Lunzer, of Industrial Diamond Company, and Mr David Susskind, managing director of Caddi, insist that Zaire's mineral marketing agency, Sozacom, was happy with their sales arrangement Prices of Zaire stones were falling before they took over the De Beers contract

Mr Muengula Lukuza, director-general of Sozacom, complained that De Beers charged extortionate commissions and expenses of more than 20%

While the three companies were selling Zaire's diamonds, De Beers was dumping surplus low-quality boart stones on the market. The price of these boart stones, which account for about 70% of Zaire's Miba mine output, collapsed from $2,80 a carat early in 1981 to under 90 US cents a carat in March this year

At the latest sale De Beers paid $8,95 a carat for Miba's output against the average of $7,95 received in 1982 Sales revenue of the mine was $50-million in 1982 and is expected to increase this year

Diamond dealers believe that this collapse helped De Beers to negotiate a favourable contract with the Australians because the Argyle Mine will also be a big producer of boart stones

Possibly, De Beers promised the Australians that it would renew its control over Zaire to underpin the boart market

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa R.A. LTD. Vervaardig in Suid Afrika

Where the men live to reap 'spinklers'...

216 RDM 7/4/83

By CHRIS MARAIS

BIG Alf Wewege was a bored and a lonely man

The winds were chilly in Port Nolloth, the beer was beginning to give him heartburn and the 'spinklers' were being their elusive selves

Also, there was no woman in his life

So Big Alf Wewege bought a magazine with a lonely hearts club page in it He studied the eager faces and found a lady from Sabie

"I wrote to her, and she took the train

All the way from the wooded mountains of the Eastern Transvaal through the dragon deserts of Namaqualand to a railroad siding called Bitterfontein

"I went to fetch her at Bitterfontein, my mate," says this genial diamond diver and ship's cook, this gem of a man in the last frontier

"She was 15 years older than her lonely hearts picture I was a little disappointed until something clinked in her luggage"

Alfie discovered his new friend from Sabie had come well supplied — with two bottles of mampoer'

They spent a glorious weekend together He showed her the western sea sunsets, the crude diamond boats and they shared some devil's tipple

"On the Monday I took her back to Bitterfontein with a sore head"

That's Alfie Wewege, mayor of the divers and joller extraordinaire

At 47, he's living hard in a young man's world of spinklers and treacherous depths

Spinklers? Sure, those little diamonds that can make a young adventurer proud and rich overnight — or addict him to the hell-raising desert-sea that is Port Nolloth

Port Nolloth lies near the officially protected diamond strip on the north-west coast of the Cape, leading up to South West Africa

Everything revolves round the small diving community that waits for those 40 calm days each year when they can manoeuvre their little boats through deadly reefs and fetch up the spinklers

Remember those tales from a century ago that came from Pilgrim's Rest, the gold boom town where they used to make robbers dig their own graves? Where the fandango girls trekked in wagon trains to entertain the bearded panners and perhaps make a nugget or two in the deal?

This is now, and this is Port Nolloth

A place where you'll find former lawyers and drifters living side by side in converted buses, with the desert sands for spacious gardens

"Sure, we've had schoolteachers, lawyers and gangsters out here at some time or other" says Alf "We even had a friend on Police File one night"

At Port Nolloth you'll perhaps find a long-time-no-see school buddy at the bar, talking about everything but what's closest to his heart — the undersea diamonds

Sometimes the girls arrive from Cape Town or Johannesburg There's something attractive about the divers, and the men appreciate the attention

We met Jeff down by the loading dock To avoid the reefs about Port Nolloth, they've set lines of rusty drums out to sea It was chillwind, and we watched the chuggers jinking their way through the drum slalom to the dock

"We all seem to be in debt out here,' the lanky Jeff volunteered "I was lucky to be on the bottom of the log last year — I was only ten grand down"

The devil-may-care laugh comes, and you know it's not the end of the world

A friend strolls by, shakes a promising-sounding little box at Jeff

"Good day, heh?"

"Sure, now it's off to Cape Town, my buddy"

Alfie confirms this Some of the young bloods go a little crazy out there after a few months of Port Nolloth So, when they get good stones and that commission, it's in the bakkie and off to Cape Town

Not to visit mother, mind you Uh, uh the venue is often a top class hotel One can just imagine wild-eyed divers dragging their gear in through the foyer past pencil-line moustachioed doormen and the like

For a week of high times and good company, to put this all quite mildly

"They come back broke — and full of good stories"

Out to sea long before dawn on a calm day, the diver's job is to snake and guide the suction pipes down to various levels He is basically the go-between for the men in the boats and the depths below

They stake claims — just like the Pilgrim's panners did — using marker buoys For a 100m radius that section of sea belongs to a specific crew on that day

The local police and the divers have a healthy respect for each other Big Alf holds his own kind of justice — a 3m-long sjambok he calls Ou Willem

"I once hit a trouble maker so hard with Willem he jumped out of his lumberjacket!"

With the good times and the parties, tragedy also sometimes makes an appearance

"Old Billy died the other day All the divers chipped in to give him a funeral We don't throw each other away out here"

On Sundays — no matter how glassy calm the sea is — no divers are allowed out to look for spinklers

So they catch a little kreef (crayfish), lie in late with their koekoes (lady friends or wives) and meet later that day for a braai in someone's backyard

Alf who used to know all

Eastern Transvaal through the dragon deserts of Namaqualand to a railroad siding called Bitterfontein

"I went to fetch her at Bitterfontein, my mate," says this genial diamond diver and ship's cook, this gem of a man in the last frontier

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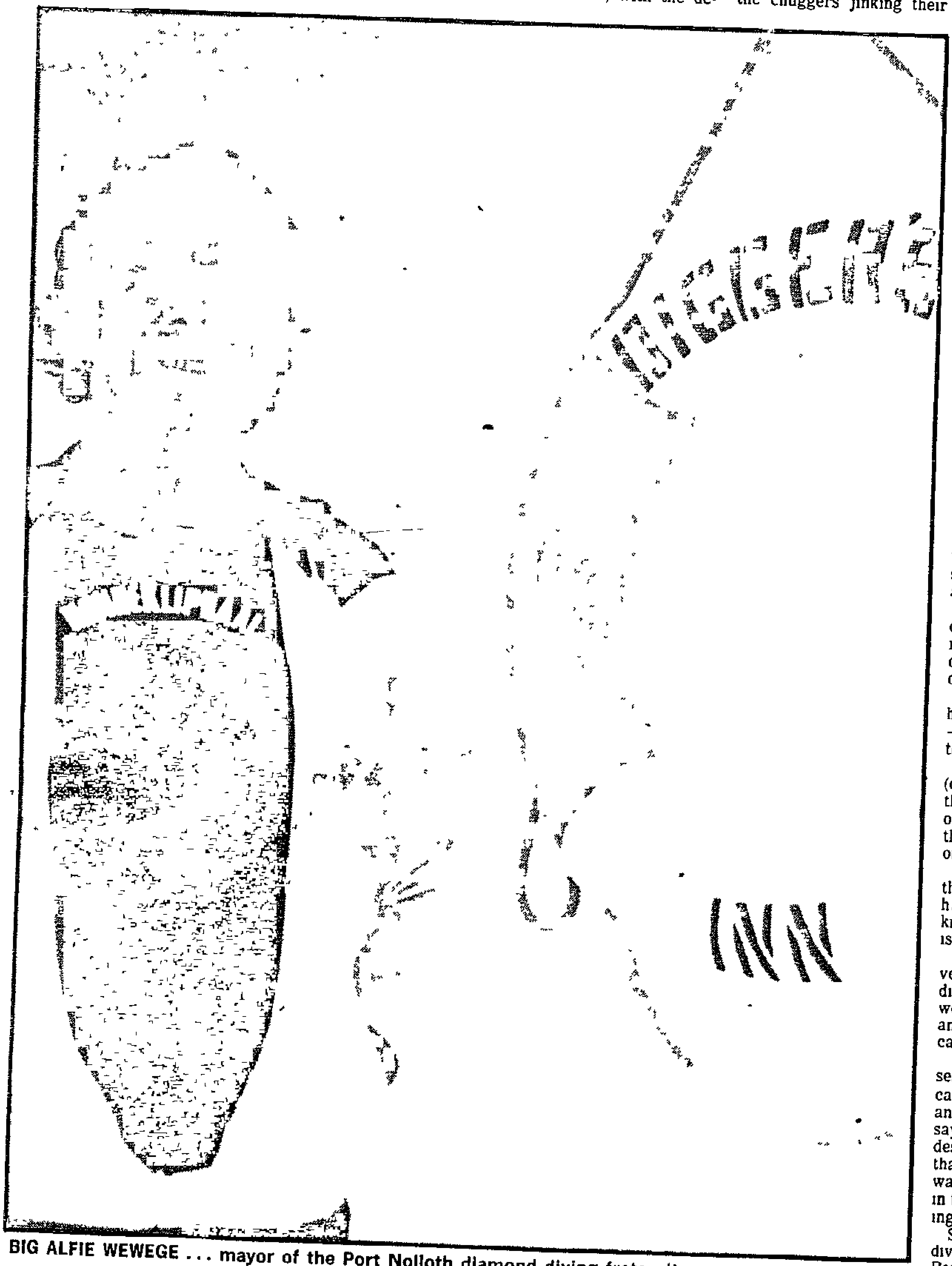
Alf, who used to know all the 60s Hell's Angels in Johannesburg where he knocked around as a youth, is now a cook

"Hell man, I make a good vetkoek out to sea The divers need their greens as well, so I give them steaks and vegetables as often as I can"

About 100km south as the seagull flies, there's a place called Hondeklipbaai It's another Port Nolloth, they say But really desolate So desolate is Hondeklipbaai that they have to buy fresh water from the few farmers in the area to survive a diving expedition

Someone said a two-week diving course costs R300 Port Nolloth calls, and the car is packed with wetsuit and beer



BIG ALFIE WEWEGE ... mayor of the Port Nolloth diamond diving fraternity

Picture: NOEL WATSON.

Former valuator's charge

216 ~~328~~ RM

De Beers costly blunder in Zaire

25/4/83

By BRENDAN RYAN

Mining Editor

DE BEERS refused to lend $2-million to Zaire in 1981 to improve the Miba mine, but may now be providing more than this after Zaire's return to the Central Selling Organisation fold, according to Mr Jacques Graubart, the former official diamond valuator to the Zaire Goverment.

Mr Trevor Tarring, managing director of the Metal Bulletin, read a paper by Mr Graubart to the Southern African metals and minerals conference in Johannesburg

Mr Graubart wrote that he believed the commission terms for the CSO under the new deal were radically different from the 25% of the old deal

"In 1983, if my information is in any way correct, the CSO has agreed to invest in the Miba mine to the extent necessary to restore its production to the 1974 level of 13-million carats over the next two years

"I leave it to you to guess how much money the CSO will have to mobilise for that purpose"

Mr Graubart was asked not to attend the conference by Sozacom, the Zaire minerals marketing agency, because alongside the new deal with the CSO, Zaire has set up its own organisation for diamond valuation

Mr Tarring said "The new national body to serve as valuator does yet legally exist This puts the situation somewhat in limbo and is, I believe, the principal reason Sozacom asked Mr Graubart not to come here."

Mr Graubart wrote "The Zaire Government had asked for financial help to save the mine, but after many meetings, for many months, the negotiations broke off

"The London end did not give in as they were certain that Zaire would not be able to commercialise the Miba production without them

"The demands of Zaire could have been satisfied and De Beers had the means to do so

"The loss of Zaire proved to be disastrous for the negotiations with other producers, notably Australia, where for the first time De Beers had to modify its terms and sales rights covering less than total production exclusivity," Mr Graubart wrote

"I must say their demands were logical and could have easily been fulfilled by the Diamond Trading Company The psychological damage to the prestige of De Beers caused by this loss was severe"

Mr Graubart also alleged that De Beers threw huge quantities of industrial diamonds on the market to punish Zaire for not having renewed the marketing agreement

Mr Tarring commented "When Zaire broke away, a big fish was seen to escape the CSO's net To an extent that fish has now been recaptured, but there remain some more significant exceptions to the rule than before

"That, as Jacques Graubart has highlighted, undermines stability in the market and is to be regretted"

Asked to comment a De Beers spokesman said "Mr Graubart says that keeping the world diamond production under control is a very difficult task

"He says that 'luckily' De Beers is around to stockpile and maintain stability during the bad times

"He also says 'the situation would have been much worse without the CSO'

"If any further comment is necessary the fact that Zaire has recently seen fit to rejoin the CSO speaks for itself"

Frelimo congress will focus on internal problems

Machel accepts winds of change

The STAR MONDAY APRIL 25 1983

The Star's Foreign News Service

There was immense optimism at the last Fremilo congress in 1977. But two wars, a world recession and a succession of internal blunders have taken their toll. This week President Machel and his party leaders have an opportunity of getting their house in order.

MAPUTO — Frelimo's leaders meet this week to plan Mozambique's course for the coming five years and although no dramatic shifts are expected, there will be significant changes

The meeting is Frelimo's fourth party congress. Hundreds of delegates from throughout the country will elect a new central committee and politburo and debate and approve new policy directives for both the party and the country.

Frelimo's third congress was held in 1977 in the flush of victory over the Portuguese, and it approved ambitious development plans

But bringing socialism to one of the world's poorest and least developed countries has proved far more difficult than was believed in 1977 Two wars, the world economic crisis, catastrophic drought, and Frelimo's own mistakes have made a mockery of many of those earlier plans.

The congress follows six months of meetings throughout the country, many of which involved outspoken and angry debate

Observers in Maputo say few Mozambicans question the country's basic socialist orientation, and Frelimo still retains much popular support The nationalisation and expansion of health and education are seen as major victories of the revolution.

But at the meetings there was heavy criticism of economic policy and management, and of the centralisation and bureaucratisation of both the government and the Frelimo party itself

President Samora Machel and the group closest to him, which has changed little in 15 years, remain popular and their positions are not at risk But some ministers and central committee members, and probably one or two members of the 10-man politburo, will lose their jobs during the congress

The issues under discussion this week are largely internal ones and it would be unwise to interpret the congress in East-West terms, or to look for trends involving more or less socialism

Two factors have pushed these questions off the agenda at least for this congress

First is the continuing war with the Mozambique National Resistance (MNR).

Frelimo claims the MNR is a South African "puppet" and that South Africa is waging an "undeclared war" against Mozambique Thus South Africa is seen as the primary enemy and Frelimo is looking from help from both East and West against it

The second factor is the largely negative impact of selling off many state-run shops and businesses to private owners two years ago The explosive growth of the black market since then has created such public bitterness and anger that any further suggestion of "privatisation" would be howled down by congress delegates

At the 1977 congress, there was immense optimism — anything seemed possible and it was believed Mozambique could overcome five centuries of colonialism in just a few years.

But the world recession meant less foreign investment and lower prices for its exports than Mozambique expected, making a nonsense of ambitious development plans. Attacks, first by Rhodesia and now by the MNR, have further slowed many big projects

Frelimo clearly underestimated the problems caused by the lack of technicians, itself a heritage of Portuguese colonialism which left independent Mozambique with one of the lowest adult literacy rates in the world — under 15 percent

Frelimo's biggest mistake was to continue developing the "modern" sector despite these problems, which meant less attention to family farmers and peasant co-operatives

Tractors were imported instead of peasant hoes, resources went to state farms and new development projects instead of to basic consumer goods like soap and cloth. One of the biggest complaints at rural meetings has been empty shops — the peasants have made it clear they are not prepared to wait for cloth until Mozambique's giant new textile mills begin operating in five years

Speaking at the parliament session, President Machel was highly critical of the national planning commission and of Mr Mario Machungo, Planning Minister and politburo member

Hinting that changes would be made, President Machel said planning was being done in offices in ignorance of what was going on in rural areas, and that serious errors were being made

The congress delegates include not only national and local leaders but many workers, peasants, and ex-guerilla fighters elected by party meetings throughout the country

But when the delegates meet this week, it will not be simply to discuss the inevitable mistakes made by a very young party and state Rather, it will be to chart a new course to socialism in a world that has become much more hostile since the last congress

Happier days in Mozambique as Frelimo soldiers voice their support for President Samora Machel

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The Cape Times, Thursday, April 28, 1983

De Beers Chairman's statement

'The diamond industry has come successfully through a very testing time'

Mr H. F. Oppenheimer

The year 1982 was another very difficult one De Beers' earnings including the retained profits of associated companies – but before its R14,9 million share of the extraordinary losses of associates – were R442,5 million or 123 cents a share, that is 30 per cent less than the R628,3 million earned in 1981 Excluding the Company's share of the retained profits of associates, profits were R202,5 million or 56,3 cents a share compared with R363,8 million or 101 cents the previous year, a reduction of 44 per cent Dividends for the year totalled 37,5 cents a share against 50 cents in 1981

'I am now able to report much more optimistically about future prospects'

These figures are in themselves disappointing Nevertheless I am now able to report much more optimistically about future prospects than at the time of my last annual statement While sales by the Central Selling Organisation (CSO) for the year as a whole at $1 257 million were $215 million or 15 per cent less than in 1981, sales in the second half of the year were higher than in the first six months of 1982 or the last six months of 1981. This reflected a significant improvement in the demand for smaller sizes and cheaper qualities, although the market for the larger and better qualities remains depressed In September last year prices of the more saleable sizes and qualities were raised, resulting in an average increase overall of 2,5 per cent, which was well received by the market. During 1982 there was a further reduction in the stocks held in the cutting centres and a shortage of the popular qualities of

year It is interesting to note that measured by the value of potential output from installed capacity the South African mines of the De Beers Group still make up the biggest individual producer in the Western world, followed by Debswana and CDM in that order.

'Zaire has decided to renew the association'

I have already mentioned that the Government of Zaire has decided to renew the association that it had with the CSO for many years until its termination two years ago. A contract has been signed in terms of which the CSO will be responsible for marketing the production of the Miba mine and we have further undertaken to review with the mining company and the Government measures to restore production – which has been much reduced in recent years – to a level which would better reflect the real potential of the deposit The majority of the Miba diamonds are similar in quality to those that will be produced from the Argyle mine in Australia, and the marketing of both outputs through the same channel will be to the benefit of the two producers and the diamond industry as a whole

Exploration continued actively throughout the year in Africa, Australia and South America but no new discoveries of importance were made. Sampling of the group of kimberlite pipes on the farm Venetia is still in progress; much work remains to be done before the results can be assessed. Testing of gravel along the north bank of the Orange River continued to be encouraging

Mr H F Oppenheimer, beneath a portrait of Sir Ernest Oppenheimer at the Company's head office in Kimberley, with Mr J Ogilvie Thompson who was appointed deputy chairman in August 1982

[illegible] demand for cheaper qualities increased further and expanded to some extent into the higher categories CSO sales are at present considerably higher than in the second half of last year, though still limited by a restricted market for the larger sizes and better qualities At the end of March the CSO announced a further selective increase in prices, averaging 3,5 per cent overall

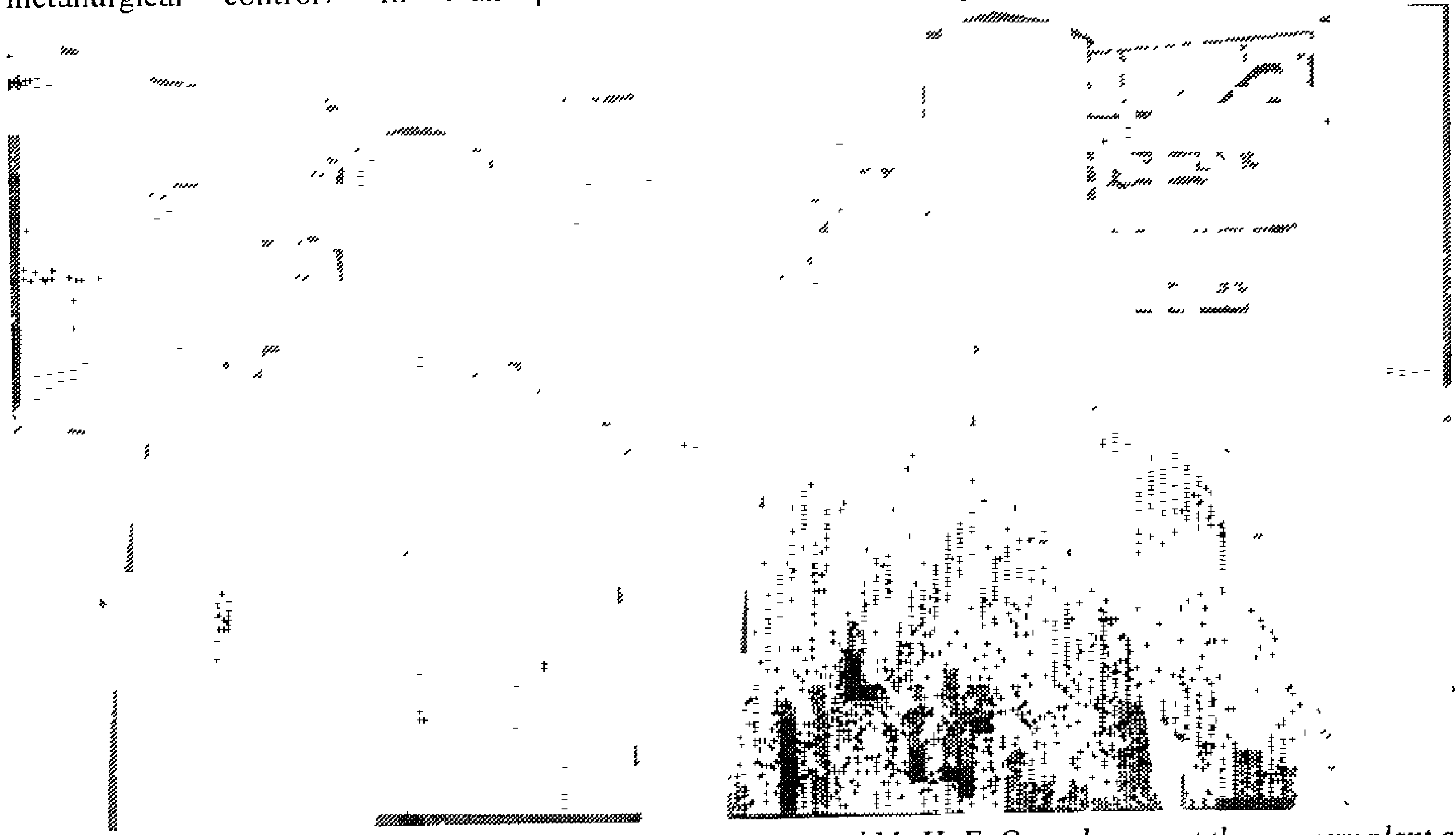
'Confidence has been restored in the market'

Confidence has been restored in the market and it is reasonable to expect that as general economic conditions improve, particularly in the United States, demand will continue to grow and to broaden into the higher qualities. Retail sales of diamond jewellery in 1982 were only three per cent lower than in 1981, which was a record year, and Christmas sales were considerably better than had been anticipated As a result the mood in the retail market is more optimistic than it has been for some time While a rapid return to prosperous conditions is not to be expected it can, I think, be said that short of a further setback in the world economy a solid base has been established from which a gradual improvement in sales and profits can reasonably be hoped for The diamond industry has come successfully through a very testing time, and had it not been for the willingness and ability of the CSO to protect the trade by reducing offerings to the market at the cost of accumulating exceptionally large stocks, the outcome would have been very different Our stocks now stand at R1 832 million, and in accordance with our established policy we will liquidate them gradually, as the market is able to absorb them The part played by the CSO is generally appreciated in the trade and it may perhaps be regarded as a sign of confidence in our organisation that companies in the CRA Limited and Ashton Mining Limited groups are marketing their 95 per cent interest in the gem and 75 per cent of their "cheap gem" and "industrial" production from the new Argyle mine in Western Australia under a long-term contract with the CSO, and further that the Government of Zaire has recently judged it to be in its best interest to renew its old-established relationship with us The diamond industry, because of the nature of its product, is in many ways unique, and co-operation on a fair and reasonable basis between the major producers is necessary for its stability It follows that the higher the proportion of world production that is marketed through a single channel, the more effectively the CSO can protect the interests of all concerned, whether as diamond producers, cutters and dealers, retail jewellers or as the ultimate owners of diamond jewellery

For the second year in succession sales of industrial diamonds declined marginally, because of the continued economic recession of the United States, Western Europe and, to a lesser extent, Japan Here again there are now signs of the beginning of a return to more normal conditions

Diamond production from the mines of the Group, including Debswana – which is owned in equal partnership with the Government of Botswana – amounted to 17 399 815 carats compared with 15 438 288 carats in 1981 Of the 1982 total, 2 621 643 carats were from the new Jwaneng mine in Botswana which was brought to production during the year Excluding, for the sake of comparison this new production, there was a reduction of four per cent in Group output to 14 778 172 carats Efforts to contain costs and to keep capital expenditure to an absolute minimum were continued and in June, in order to tailor production so far as possible to the needs of the market, operations at Koffiefontein – a producer of high quality diamonds – were suspended and operations at Finsch which produces smaller and lower quality stones, were restored to full capacity At Premier mine production increased by 21 per cent to 2 459 966 carats as the result of an improvement in grade brought about by better mining and metallurgical controls In Namaqualand the Tweepad plant, closed in mid-1981, was re-opened in September 1982 in the light of market considerations while the Annex Kleinzee plant was temporarily closed, the overall effect being a reduction of 22 per cent in the divisional output to 951 216 carats At CDM production at 1 014 464 carats was 19 per cent lower than in 1981 as a result of a planned reduction which did not affect the Company's ability to meet its sales entitlement

In the course of the year it became apparent that the small Letseng-la-Terai mine in Lesotho was no longer economic and in May the Government and De Beers reluctantly concluded that the closing of the mine was unavoidable The total tonnage treated over the mine's life was more than originally estimated and though the venture unfortunately proved unprofitable to De Beers, it did create employment and generate substantial cash receipts for the Government That this should be so is of some satisfaction to us since we have long maintained cordial relations with the Kingdom of Lesotho, whence a large number of our workers have come over the years In Botswana production from the Orapa and Letlhakane mines was slightly higher at 5 147 196 carats, and with the completion of the Jwaneng mine the Group's total production capacity has reached the planned figure of 19 million carats a



His Excellency The President of Botswana, Dr Q K J Masire and Mr H F Oppenheimer at the recovery plant at Jwaneng Mine in Botswana, officially opened by President Masire in August 1982

that the broader participation which is being achieved in the negotiation of conditions of employment, and in regular consultation on matters of common interest, is making a positive contribution to the development of a sounder employment relationship An important milestone was reached with the participation, in the Kimberley Division, of trades unions representing our black employees at the 1982 wage negotiations.

The rationalisation of production led on some mines to unavoidable reductions in staff, at all levels The principle of "last in first out" was used, allied to generous redundancy payments for those who could not be placed elsewhere in De Beers or Anglo American Corporation group mines

The Company is maintaining its commitment to training and developing employees at all levels, both in the interests of optimal staff utilisation, and to open up equal employment and advancement opportunities In addition, the Chairman's Fund continued to contribute substantially to the provision of technical education facilities from which future recruits might be drawn

'The strength of our entire structure is greatly increased'

The value of our investments outside the diamond industry at the year-end was nearly R3 400 million These investments are soundly based and well diversified both geographically and in respect of the different sectors of the economy in which they have been made On account of this De Beers has a wider and more stable base and the strength of our entire structure is greatly increased

On 24th August 1982 Mr J Ogilvie Thompson was appointed Deputy Chairman of the board Mr Ogilvie Thompson became a director in December 1966 and over the years since then has come to play an increasingly important part in the administration of the Group and in the framing of its policy In his new position he will be still better placed to apply his great talents and knowledge in the service of our Company and the diamond industry

De Beers Consolidated Mines Limited

The 1982 report and chairman's statement are obtainable from Consolidated Share Registrars, First Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P O Box 61051, Marshalltown 2107)

The annual general meeting of members will be held at 36 Stockdale Street, Kimberley on Tuesday 24 May 1983 at 14h15

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11/5/83 Mercury

Angolan pilots held for diamond smuggling

Mercury Correspondent

LISBON—Four pilots of the national Angolan airlines had been detained in Luanda and accused of smuggling diamonds out of the country, the Angolan news agency, Angop, reported here yesterday

One of those detained is the personal pilot of President Jose Eduardo dos Santos Only three of the four were identified

The agency said that the contraband trade in diamonds between Luanda and Lisbon had reached epidemic levels and was now estimated to be worth more than R120 million a year

This is practically equal to the annual production of the national diamond mining corporation, Diamang, and represents a massive loss of revenue to the marxist government which is fighting a costly guerilla war against an opposition movement, Unita

The volume of smuggled diamonds, as revealed by Angop, placed Angola fourth in the ranks of the world's illicit diamond traders

Angop said Angola's chances of putting a stop to the trade were hampered by lack of legislation in Portugal where the State diamond processing factory was authorised to buy contraband diamonds

Portuguese authorities have repeatedly promised to tighten up the loopholes but so far nothing has been done in spite of pressure from the De Beers diamond-selling organisation responsible for marketing Angola's stones

De Beers also runs the Diamang concession in Luanda province

The situation is further complicated by the alleged existence in Lisbon of a 'diamond club' which acts as a pressure group on anyone attempting to halt the illegal trade and by repeated reports that leading figures in Angola and Portugal have monetary stakes in the trade

216

Mercury

19/5/83

De Beers look for diamonds in Northern Natal

Mercury Reporter

DE BEERS are looking for diamonds in Northern Natal

The company's local geologist, Mr A W Robertson, said: 'There is no other justifiable reason to look other than that there is no reason why diamonds should not occur in the area.'

He said that the company was prospecting westwards in an attempt to cover the area from Kimberley to Northern Natal. Other similar explorations were going on in the Cape, Transvaal and the Free State. In the past two years exploration in KwaZulu had been unsuccessful

'One problem is that we have to rely on the goodwill of farmers and ask permission to go on to their property to do tests. So the greater the co-operation from them, the easier the problem is.

'No money has been involved as yet, but farmers are offered a good deal,' he added

Mr I F Foster, of the geology department at Natal University, said there were no kimberlite pipes recorded in the area, but added. 'You find them when you find them '

Venetia looks a major find for De Beers

216 RDM

23/5/83

By BRENDAN RYAN

Mining Editor

EXTENSIVE development at the Venetia diamond prospect in the Northern Transvaal and intensive prospecting activity indicate De Beers is probably on to a major find.

De Beers has refused to comment on any matter relating to the Venetia prospect A request by Business Mail to visit the site was turned down because "exploration has reached a stage where any attention by the media would be inappropriate"

However, an aerial survey of the farm shows extensive sampling of the diamond-bearing pipes is being carried out and a large waste dump is growing next to a heavy media separation plant

Material is being mined from a closely patterned series of trenches in the pipes

Since De Beers came on site some two years ago an airstrip has been bulldozed out of the bush on the farm and a small mining community has taken up residence

A village of 12 houses with a communal swimming pool has been built for senior employees and there is a large temporary hostel for other workers

Little patches of green lawn around the houses stand in contrast to the grey, drought-stricken bushveld

De Beers geological teams have been scouring the veld around the farm from a separate base on neighbouring farm Krone 104 MS

De Beers has taken up mineral right options on farms on watercourses flowing from Venetia to the Limpopo River 30 km to the north

According to geologists from competing mining companies, this move is essential to search for any alluvial diamond deposits downstream of the diamond pipes

However, the search for other kimberlite pipes which may have "blown out" in the region has covered a much broader area west, south and east of the farm

De Beers is prospecting on farms in the region to which Transvaal Consolidated Land & Exploration, the mining arm of Barlow Rand, holds the mineral rights

Its exploration activities have caused considerable irritation among several farmers as this is the third major survey of the region

It has been prospected for copper and coal The western section of the Soutpansberg coalfield underlies several farms east and north-east of Venetia

One of the farms under optidn and for which the details have been announced is Letitia 93 MS, south-west of Venetia

De Beers has it under option until June 1984 and will pay R400 a hectare for the farm's 3 627ha area if it takes up the option Mineral rights' holder Waverley is also entitled to 5% of the initial working capital, free of consideration, of any company formed to work the lease area

It also has the right to subscribe for 7,5% of any share issue of the company

Mineral rights to Venetia are held by Saturn Mining & Development Shareholders in Saturn are Anglovaal (21,9%), Middle Witwatersrand (65,6%) and Industrial & Commercial Holdings (12,5%)

Saturn entered into a prospecting agreement with De Beers for the farm If a mine is set up on Venetia, De Beers will provide the capital and expertise and pay 50% of net profits to Saturn once it has recovered capex

The 1982 De Beers report says sampling by means of shafts continued on Venetia, but "considerably more evaluation work in the form of drilling and sampling is required before their potential can be fully assessed"

This has been challenged by exploration staff of other mining companies who believe development work is much more advanced than this They say the work has shown the find is profitable, but De Beers is stalling on development

De Beers 1981 report said the main kimberlite on the prospect "is of complex form and a considerable amount of sampling and drilling will be required to evaluate it and the adjacent smaller satellite pipes"

Exploration staff of other mining companies say the kimberlite found at Venetia is harder than that elsewhere and could be a problem in designing an extraction process to recover diamonds

This, they say, could be a cause of De Beers caution in announcing a mine

A mining executive says "They have been operating a large-scale sampling plant there for nearly two years How much longer do they need to make up their minds on the pipe?"

In the absence of information from either De Beers or the mineral rights' holders there has been considerable speculation on the grade of the find

Many analysts and mining staff believe the discovery is of a high-grade gem diamond pipe with a good proportion of large stones A grade of 70 carats a 100 tons has been suggested

They feel the depressed state of the market for larger diamonds could be another reason for De Beers holding back on development of Venetia

If correct, this would put the find in the same league as Jwaneng which last year announced a grade of 78 carats a 100 tons It was the second richest diamond mine after Finsch whose grade was 90 carats a 100 tons

Should De Beers decide to go ahead with a mine, it will be the easiest diamond mine it has had to develop in recent years

Broad tarred roads run to within 15 km of the farm in contrast to Jwaneng, which is nearly 200 km from Gaborone in Botswana, and the defunct Letseng-la-Terai on top of the Maluti Mountains in Lesotho

The find is also within 30 km of the Botswana border in an area where the Government is trying to develop industry and increase the white population

The nearest town is the village of Alldays, about 30 km south-west, which is the likely site of housing for a mine's white staff

Given the border security situation De Beers should be able to negotiate considerable incentives from the Government if it decides to go ahead with a mine

UNIVERSITY OF CAPE T
EXAMINATION ANSWER

All answer books must be numbered
Number of books handed in
Number of this book

~~72~~ (216) BUSINESS Star

28/6/83

Botswana Government 'ripping off De Beers'

In his second article on Botswana and the importance of its mining industry, JASPER MORTIMER of The Star's Foreign News Service discusses Botswana's large share of De Beers' profits.

The Botswana Government's taking 75 percent of the profits of the diamond mines discovered by De Beers is preposterous, says Professor Theo Beukes of RAU's mineral economics department

Asked why he thought De Beers agreed to it, the professor said "De Beers are locked in"

The image of the quiet Gaborone Government exploiting the world diamond monopoly seems absurd Yet the professor points out that Botswana's policies differ radically from South Africa's

There the government, admittedly of much greater resources, provides the infrastructure for a mine, allows the mining company to own the mineral rights (except with gold), and demands no free equity in the company

In 1969 De Beers formed the Debswana company to mine Orapa, the first pipe found in Botswana. The government received 15 percent of the equity without payment

To develop the mine De Beers had to provide the infrastructure — a township, a power station, a 50-km water supply line — and by the time Orapa came on stream in 1971 it had cost R25 million.

When Orapa proved to be more profitable than anyone had expected, the Government decided to re-negotiate the mining contract

In terms of the agreement signed in 1975 the government's equity in Debswana rose to 50 percent, again without payment, and the royalty and tax systems were revised

In developing the Jwaneng mine, which came into production last year, Debswana again had to provide substantial infrastructure

There was one difference This time the government paid 20 percent of the R280 million cost

Although the government and De Beers have equal shareholdings in Debswana, this does not reveal how the profits are split "These are shared on a formula agreed by the parties and designed to give the government the substantially larger share," said Mr Louis Nchindo, the resident Debswana director in Gaborone

Through this formula, which takes account of royalties, taxes and dividends, the government receives close to 75 percent of the profits, Mr Nchindo has disclosed

"The Debswana contract," asserted Professor Beukes, "rips rewards from risks There's no proportion between what De Beers invested and what it earns"

"If the government cannot afford to pay for the infrastructure, then it must forgo the gratis equity and the State's ownership of mineral rights The developer must have security of tenure"

The professor cannot accept that the re-negotiated contract has achieved the best deal for the Batswana

"Those rules of the game will mean that the Botswana people will be worse off, because other mining companies will be frightened and minerals will be left buried.

"A mining contract with the Botswana Government is no longer worth the paper it is written on because it can always be re-negotiated Re-negotiation is creeping nationalisation."

Botswana's policies towards mining companies have been a success, the Minister of Mineral Resources, Dr G K Chiepe, has said.

While most developing states have seen a decline in prospecting, Botswana has experienced an increase

Four multinationals, including BP and Shell, were looking for coal, Dr Chiepe said

The object of her department's policies was to ensure significant benefits for the Batswana and not just jobs for a few years

Asked to comment, a De Beers spokesman referred to a recent speech in Gaborone by deputy chairman Julian Ogilvie Thompson

Recalling the long and arduous negotiations that went into the Debswana arrangement, Mr Ogilvie Thompson said "They are the result of your government's negotiating skill A true sense of partnership has been built on both sides, comprising respect for each other and mutual concern"

A diamond market observer said that for De Beers to maintain its dominance of world trading, its negotiators could not afford to adopt a take it or leave it line with Gaborone

Will diamonds become a guy's best friend?

216

Star

27/6/83

I SAY!

Candid comment by Sue Grant

The sea of romance that the world diamond industry floats on has been a largely female one Now there are increasing numbers of male surfers taking to those sparkling waters

The latest market research figures issued by De Beers show that sales of men's diamond jewellery jumped dramatically in the last quarter of 1982 They doubled compared with the corresponding period in 1981

When I saw those figures, accompanied by a sophisticated, glossy magazine showing rather gorgeous men leaping off executive jets, striding down New York streets, basking on expensive yachts, and all wearing diamonds somehow or another, it struck me what a clever exercise in marketing it all was

I rang the Diamond Information Centre's Caroline Macleod-Smith and asked her if this new market had been developed to offset both the slump in diamond buying and what I had heard was an oversupply of diamonds on the world market.

"You're misinformed on both counts," she replied, and whisked me over to her attractive, brightly decorated office where she and De Beers group public relations officer Neville Huxham plied me with the truth

Although diamond jewellery sales were down by about nine percent last year, they have improved dramatically in recent months, says De Beers.

Rumours about a great stockpile of diamonds which, if released, would flood the market and bring prices crashing down are rumours and not fact, said Mr Huxham

"But we hear these rumours too, and they are worrying

"The chairman of De Beers, Mr Harry Oppenheimer, pointed out in his 1981 chairman's statement that some diamond prices were ridiculous and he warned people about chasing them and getting their fingers burnt," Mr Huxham said.

And he showed me an advertisement De Beers had placed in the United States which reads. "This is a D-flawless diamond. The rumours about it are not without flaws"

D-flawless means the diamond is colourless and internally perfect when viewed under 10 - power magnification

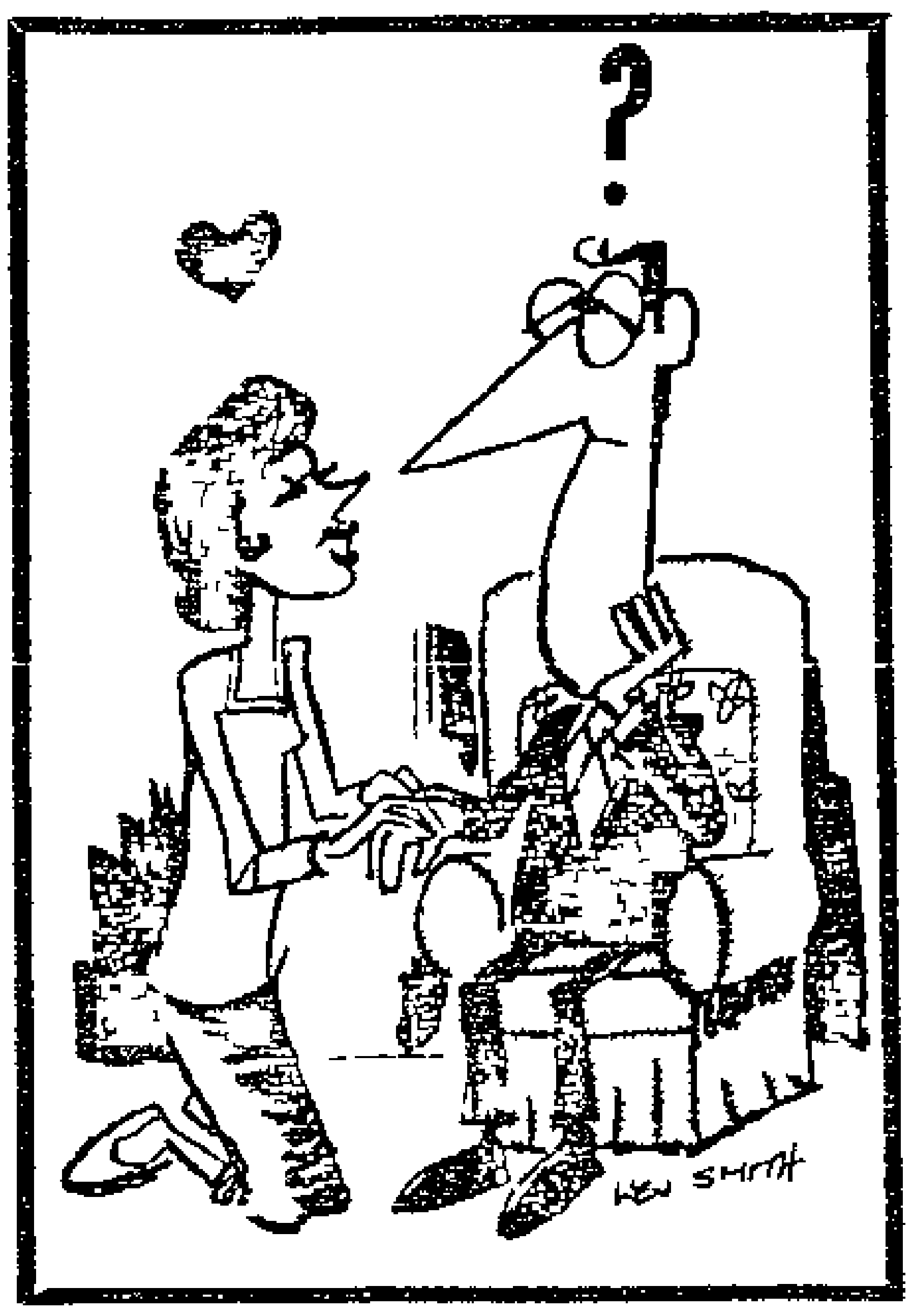
In 1971 a D-flawless one carat diamond sold for about $1 625

It shot up to $65 000 two years ago

Today the price is more realistic

People have used these figures to say the diamond market has collapsed

But De Beers says this is nonsense, explaining that there are only a few stones that meet the rare standard of perfection of the D-flawless (there were only 38 classified in the United States in 1981)



"Speculators simply bid up the price of the few D-flawless until it made no sense," said Mr Huxham

Then the price declined which, says De Beers, is not an unusual result when speculation gets out of hand

Mr Huxham is concerned that people tend to expect an immediate return on diamonds, and he told me about the television programme he saw on a recent trip to Australia

Because of all the rumours about the bottom falling out of the diamond market a television crew bought a ring at one store, then went around the corner and tried to sell it for the same price to another diamond dealer

"Are you buying or selling?" inquired the dealer

Selling, came the answer

"Well, today I am not buying," answered the dealer

And that, said Mr Huxham, is what happens when you operate on the fallacious premise that you get an instant return on a diamond

Investors can sell only when they find buyers, as is the case on the Stock Exchange

"But a diamond's value does appreciate with time, and if you look at the price of about $1 625 for a D-flawless rising over a 12-year period to over $20 000, that's not bad," said Mr Huxnam.

I wondered what would happen if women ever decided en masse that diamond engagement rings were outmoded

"I don't think De Beers would ever deny that we sell for romance Nearly all our advertisements and slogans deal with adornment and romance," said Ms Macleod-Smith

"There is definitely a market in diamonds for people who don't know how to show their affections," said Mr Huxham.

And he described an advertisement aimed at those poor, maligned, undemonstrative Englishmen It shows the stiff-upper-lip chap who wasn't at his baby's birth, but gave his wife a teddy bear with a diamond ring around its paw

His American counterpart, who has been wearing fraternity rings for years, made De Beers realise that they didn't mind wearing rings, and one with a diamond in it was a logical extension

Soon diamonds started appearing in Gucci belts, on key rings, tie pins, pendants, billfold clips, even those chunky medic-alert bracelets

There are 59 million men in the United States and 1,8 percent of them bought a new piece of diamond jewellery for themselves last year

And why not?

There is so much talk of Role Reversal now, I shall shortly expect to hear rumours of women on their knees proposing to men

Botswana takes 75 pc of diamond profits

ARGUS 1/7/83

(2/6)

Argus Correspondent

JOHANNESBURG — The Botswana Government takes a "preposterous" 75 percent of the profits of the diamond mines discovered by De Beers, says Professor Theo Beukes of the mineral economics department of the Rand Afrikaans University

He says Botswana's policy differs radically from that of South Africa, where the government, admittedly of much greater resources, provides the infrastructure for a mine allows the mining company to own the mineral rights (except for gold), and demands no free equity in the company

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Infrastructure

To develop the mine De Beers had to provide the infrastructure — a township, a power station, a 50-km water supply line — and by the time Orapa came on stream in 1971 it had cost R25-million

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R280-million

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Professor Beukes says "The Debswana contract rips rewards from risks There s no proportion between what De Beers invested and what it earns

"If the government cannot afford to pay for the infrastructure, then it must forgo the gratis equity and the State's ownership of mineral rights The developer must have security of tenure"

Best deal

He does not believe the re-negotiated contract has achieved the best deal for the Batswana

"Those rules of the game will mean the Botswana people will be worse off, because other mining companies will be frightened and minerals will be left buried

"A mining contract with the Botswana Government is no longer worth the paper it is written on because it can always be re-negotiated Re-negotiation is creeping nationalisation"

However, the Minister of Mineral Resources, Dr G K Chiepe, has said Botswana's policies towards mineral companies have been a success

Multinationals

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Four multinationals including BP and Shell, are looking for coal

The object of its policies was to ensure significant benefits for Botswana and not just jobs for a few years

Asked to comment a De Beers spokesman referred to a recent speech in Gaborone by the deputy chairman, Mr Julian Ogilvie Thompson

Recalling the long and arduous negotiations that went into the Debswana arrangement, Mr Ogilvie Thompson said "They are the result of your government's negotiating skill A true sense of partnership has been built on both sides comprising respect for each other and mutual concern"

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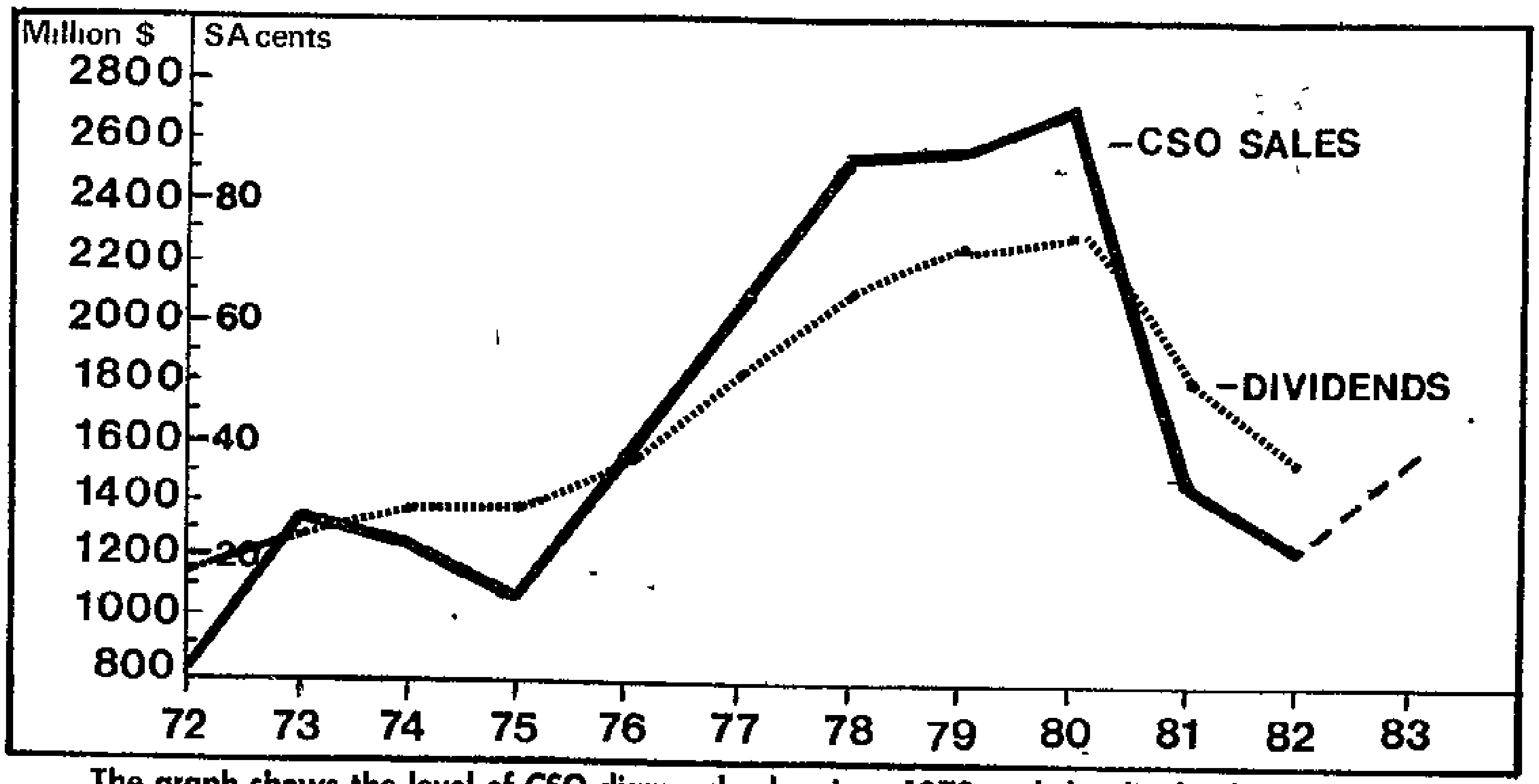

The graph shows the level of CSO diamond sales since 1972 and the dividends paid out by De Beers

216 Star 8/7/83

CSO sales up 40 percent, but likely to slow down

By Trevor Walker

De Beers chairman Mr Harry Oppenheimer has indicated he would like to retire as chairman once confidence and stability have returned to the diamond market.

And yesterday's announcement of a 40 percent increase in De Beers Central Selling Organisation sales for the first half of this year could indicate just that

Sales of rough gem and industrial diamonds by CSO rose 40 percent to $887 million in the first half of this year, compared with the last half of 1982

Sources close to De Beers are quick to point out, however, there is a traditional slowing of sales in the mid-year holiday period in the main international markets.

The rate of increase is unlikely to be repeated in the second half.

HANDSOME PRAISE

The increase was nevertheless higher than the market expected and must be viewed as encouraging in the light of difficulties experienced by the CSO in recent years.

The policy of withholding market supplies has now paid off and the De Beers' balance sheet has stayed strong, despite two appalling years At the end of last year the CSO stockpile had risen to $1 700 million

It is an indication of the financial strength of the company that it has been able to overcome huge market pressures.

The position of dealers and cutters in the main centres has improved recently and bank borrowings in Israel, always a good indicator of the state of the market, have fallen to $400 million from the $1 300 million two years ago.

It seems likely the total dividend for this year could equal the 50c paid in 1981, after having been steadily cut back from 75c of 1980

De Beers received handsome praise from the Wall Street Journal in New York today for the "glittering success" it achieved in the face of a threatened collapse of its operations last year.

In a lengthy, front-page survey the influential journal said De Beers had dominated the world diamond industry for more than half a century by maintaining "an iron grip" on supplies.

But two years ago it looked as though the "mighty empire was unravelling".

A sharp drop in demand sent retail diamond prices plummeting and the market into disarray.

Zaire, a major producer of diamonds, dropped De Beers as its marketing agent and began selling diamonds independently And huge new diamond discoveries in Australia threatened the market

"But De Beers fought back in a globe-spanning campaign that involved smugglers and heads of state, diplomacy and threats and a diamond hoard worth more than $1 000 million It appears to have paid off."

Late last year, Australia signed with De Beers. In March, Zaire returned to the fold

A look at how De Beers acted offered insight into the workings of one of history's great cartels, the newspaper said

Unlike Opec, which was forced to lower its prices for the first time in its history, De Beers never lowered its official price for uncut diamonds during the past two years of collapsing dealer prices.

The report quotes Mr Harry Oppenheimer saying· "We haven't gone through such hard times since I entered the business 50 years ago"

But having won Australia over and brought Zaire back into marketing operations, De Beers acted with more restraint than other cartels·said the journal, pointing out that since 1973 De Beers has raised its uncut diamond prices by 160 percent while OPEC, in the same period, raised the price of oil by 1 000 percent.

Big jump in CSO sales

216

RDM

8/7/83

By ADAM PAYNE

SALES of rough gem and industrial diamonds by De Beers Central Selling Organisation jumped 33% in rand terms and 40% in dollars in the six months to June 30 over the same time last year.

The increase is greater than expected by analysts, but sources close to De Beers warn that a similar increase is unlikely in the second half of the year because sales usually decline in mid-year.

Sales in the first six months of this year totalled R960-million — R636-million in the first half of 1982 — or $887-million ($624-million)

Sales for 1982 totalled R1 360-million ($1 257-million)

Analksts now expect an increase of about 35% for the year to R1 836-million (R1 360-million) and $1 700-million ($1 257-million).

A 3,5% overall increase in prices of rough gems at the beginning of April had little effect on the jump in sales which was attributable almost entirely to greater volume

The dollar increase in sales is more important to the CSO than the rand increase as its receipts are in dollars

The 40% rise in dollar sales was from an extremely low base Sales in the first half of 1982 at $624-million were low after the decision by De Beers in the second half of 1981 to cut sales to stabilise the market

Sales in the second half of 1981 at $531-million were less than half the $1 156-million in the second half of 1980

They rose marginally to $632-million in the second half of last year

Market circles say the recovery reflects not only a rally in Western economies, particularly in the main US market, but results from De Beers policy to reduce sales in 1981 and last year

The level of stocks in cutting centres is now reported to be down to manageable quantities and buyers will be restocking

However, De Beers does not expect a boom in the second half, but is cautiously optimistic that the figures will be better than in the second half of last year

The improved first-half sales this year reflect strong retail demand over Christmas with the improvement continuing into 1983

The demand for rough diamonds remains firm and the improved health of the market is reflected in the borrowings by people in the diamond trade in Israel Borrowings are $400-million against $1 300-million at the same time in 1980.

The dealers were formerly heavily indebted to the banks and could not afford to buy stocks, but having paid off a great deal of the loans they are in a better position to restock.

Reports from Israel show that the value of polished diamonds in the last six months has risen 10% over the figure in the same time last year

Mr Oppenheimer, chairman of De Beers, said in his annual review at the end of March that the mood in the retail trade was more optimistic than it had been for some time

He wrote "While a rapid return, to prosperous conditions is not to be expected it can, I think, be said that short of a further setback in the world economy a solid base has been established from which a gradual improvement in sales ands profits can reasonably be hoped for"

The latest figures confirm his forecast

NEIL BEHRMANN reports from London that the latest figures show diamond sales are set on an upward trend after three years of depression Sales hit a low of R502-million in the second half of 1981

But sales in the past 12 months of R1595-million are still well below the peaks of about R2 200-million in 1979 and 1980

Mr Michael Grantham, marketing director of the CSO, said yesterday "Polished-diamond demand, especially for cheaper, smaller stones has been firm for some time Most people in the diamond trade are optimistic about the second half"

A year ago, sales of polished diamonds priced up to $1 500 a carat were brisk, but the "recovery was broadening" into categories priced from $1 500 to $3 000 a carat.

Mr Grantham warned that the market in top-quality investment diamonds "remains depressed"

Although top-quality D-flawless diamond prices rose from $15 000 to $20 000 a carat, they were well below the peak of $63 000

First-half sales were helped by a revival in the United States, the biggest diamond retail market in the world

When compared with the same period the previous year, first-quarter retail diamond jewellery sales rose 16% in volume and 26% in value West German and other European sales were less impressive, partly because of the volatility and strength of the dollar

Mr Grantham said that the CSO had increased sales volumes of small diamonds, but it continued to stokpile and encourage production reductions of the expensive stones The recovery was still regarded as patchy

In September last year De Beers raised the prices of small stones by 2,5% and a broader range of diamonds by a further 3,5% in April.

Although the stockpile was worth R1 800-million, at the end of last year, Mr Grantham said the company was confident that it could handle finance for the huge inventory.

Cape diamond concessions

216 RDM

9/7/83

State and Trans Hex winners

By BRENDAN RYAN
Mining Editor

THE STATE and Rembrandt-controlled Trans Hex are the major winners in the Government's allocation of diamond-prospecting leases off the Namaqualand coast.

Other prospecting leases have gone to companies and individuals whose identities are puzzling established operators in the offshore diamond-mining business

Each succesful applicant was not told by the Department of Mineral and Energy Affairs who the other lease holders are.

The department will not name all the holders of prospecting leases as it believes it is up to the holders to make the announcement if they wish to

However, it has been possible to compile a list of lease holders and confirm the information

The concession areas have been split into three parallel zones running from Cape Columbine to the mouth of the Orange River which forms the boundary between South Africa and Namibia

The three zones are shallow water (zone A), middle-depth water (zone B) and deep water (zone C)

Shallow-water holders are 1A,3A and 4A State Alluvial Diggings, 2A Cliff Diamond Ventures (Gauche and Versluis), 5A, 7A, 11A and 12A Terra Marina, which is a wholly owned subsidiary of Trans Hex, 6A Dafah, 8A and 9A Nama group, 10A Baggers.

These 12 concessions form the shallow-water zones worked before the new system was introduced and the lease awards have been confirmed by the Department of Mineral and Energy Affairs

The new shallow-water holders are 13A North Bay Canning (a subsidiary of Lambert's Bay), 14A Boesmanlandt Beleggings, 15A Deuelside, 16A Mr J P van der Merwe, 17A Mr B G S de Wet, 18A Eilande Visserye, 19A Resipio Vaaldraai, and 20A Mr J D T Coetzee.

The middle-water leases awarded are 1B State Alluvial; 2B Versluis & Nortje; 4B O'Kiep Marine, 5B Dawn Diamonds, 6B Dafah, 7B Ocean Engineering, 8B Nama group, 10B Deep Sea Diamonds, 11B Terra Marina, 14B Seatek Corporation, and 15B West Point Fish

Leases 3B, 9B,12B, 13B, 16B, 17B, 18B,19B and 20B have not been awarded

The deep-water leases awarded are 1C State Alluvial, 2C Selection Trust, 3C Sedco/Swanson, 4C and 5C De Beers, and 11C Terra Marina

The remaining deep-water leases have not been awarded

According to a statement by the Minister of Mineral and Energy Affairs, Mr P T C du PLessis, applications for prospecting rights over the vacant sea areas will not be considered for two years

The statement said certain lease areas might not prove profitable and areas were being kept in reserve for those who invested on a large scale in unprofitable areas

Terra Marina, with six concession areas, is the major holder of leases. The company held four of the original sea-mining areas and has kept them as 5A, 7A, 11A and 12A

The addition of 11B and 11C gives the company a continuous strip of claims running out to sea, which is seen by mining men as a good combination

The only other lease holder to have a similar arrangement is the State Alluvial Diggings It has the three coast lease areas which border its alluvial operations on shore, and then 1B and 1C The No 1 leases borders Namibia and there is apparently some uncertainty over where the international boundary line is to be drawn

This may have been a major factor in the State's taking over these leases They will be mined by Government employees and profits made will go to Internal Revenue

There is considerable interest in diamond-mining circles over the number of newcomers to the operations and in particular the identity of the people to whom awards have been made personally

Setting up an ocean-bed mining operation requires a minimum of R500 000 in capital

This would be doing it in the cheapest way by chartering a boat, hiring a skipper, diver and crew, and buying a treatment plant

Anyone setting up a large operation with several boats is looking at an outlay of between R1-million and R3-million, according to industry sources

At least two companies, Dawn Diamonds and De Beers, do not appear to have done well in the awards

Dawn pioneered the geological examination and recovery of diamonds from the seabed in this area, working Terra Marina's four claims on a royalty basis until Terra Marina took three of them back

The one concession given to the company seems small reward for the work it has done

De Beers, according to Business Mail's information, has two deep-sea concessions A De Beers spokesman would not confirm this.

The company has considerable expertise in the recovery of marine diamonds and the financial muscle to do it in a big-way — major factors in its favour if what the Government wants is rapid development of the area and its subsequent rewards in tax and lease payments.

However, the Government may think, perhaps justifiably, that De Beers has more than its share of the South African diamond-mining industry

Interim dividend maintained

De Beers profit up 45%

216

RDM
24/8/83

By BRENDAN RYAN
Mining Editor

DE BEERS Consolidated Mines has increased its interim taxed profits, excluding the share of retained profits of associates, 45% to R146 500 000 or 40,7c a share.

The interim dividend for the six months to end-June has been maintained at 12,5c a share

For the half-year to June 30 last year De Beers had taxed profits of R100 800 000 or 28c a share.

The results reflect the continuing improvement in the world diamond markets but the unchanged dividend shows De Beers is not yet convinced of the recovery

The maintained dividend is in line with most market expectations although some analysts had hoped there would be a small increase in the interim payout bringing it up to around 15c to 17c a share.

De Beers shares dropped from Monday's close of 1160c to around 1140c in early morning trading ahead of the release of the results yesterday

The shares fell further in afternoon trading to close at 1115c

Income from De Beers diamond account rose 46,5% to R158 900 000 in the six months from R108 500 000 previously

Investment income was 11,6% up at R101 900 000 (R91 300 000) while interest receipts rose 38% to R32-million (R23 200 000)

De Beers also made R7 400 000 (nil) through the sale of part of its investment portfolio to take advantage of the stronger trading conditions on the Johannesburg stock exchange

The group's share of retained taxed profits of its associated companies, which include Anglo American Corporation, Anglo American Industrial Corporation and Minorco, dropped to R93 300 000 from R152 300 000

This share of retained earnings of associates is an equity-accounting measure and has no effect on De Beers distributable earnings as the money is not available to De Beers

De Beers' costs dropped 21,3% to R63 800 000 from R81 100 000 and the principal factor was a 34% fall in interest charges to R32 100 000 from R48 600 000

This figure reflects the cost to De Beers of maintaining the diamond stockpiling operations of the Central Selling Organisation (CSO).

Short and medium term borrowings were virtually unchanged at R532-million (previously R531-million) although they have dropped from the level of R564-million at the end of December last year

The cost of financing the stockpile has dropped because of lower interest rates but it appears the size of the stockpile has not declined

This coupled with the fact that sales of the larger stones, which are far more profitable, have not yet improved are probably why De Beers has maintained the interim dividend

De Beers tax bill shot up to R72 500 000 from R37 800 000 reflecting the improved diamond account profits and a sharp drop in capital expenditure

The group has completed its expansion programme to reach a total production capacity of 19-million carats and the only project left is the extensions to the Premier mine

Attributable profit including retained taxed profits of associates was R239 800 000 (R253 100 000) while De Beers was liable for R16 100 000 (previously R14 000 000) as its share of the losses made by Sigma Motor Corporation during the period

COMMENT While the diamond business is improving it clearly has a long way to go before it can be considered healthy That's the message of the De Beers interim results

While chairman Mr Harry Oppenheimer may be talking about improving conditions in the diamond market it will be some time before investors see them in the form of increased dividends from De Beers

Profit margins on the sales of the smaller diamonds for which there are bouyant market conditions are slim compared to profits made on the sale of the large stones.

Demand for these luxury items can only be expected to improve when the economic recovery is irrefutably under way and probably quite well advanced.

Assuming a 50% pick-up in De Beers earnings for 1983 as a whole this would put earnings a share at around 85c and total dividend prospects between a maintained 37,5c and a repeat of 1981's 50c.

De Beers causes concern in latest Aussie diamond pegging rush

(C16). R10 m

1.9/83

Own Correspondent

MELBOURNE — A new wave of diamond pegging has focussed attention on the remote far northern area of Western Australia, sparking talk of important new discoveries which have been denied by the giant companies operating there

The latest rush is close to the site of Lake Argyle, in the Kimberleys, where three major concerns have pegged almost 40 000km^2 in the past few weeks

CRA, which holds a major portion of the stake in the Argo joint venture, which runs the world's biggest diamond mine at Argyle, has claimed an area of 26 000km^2 — 130 exploration areas of 200km^2

The giant Australian conglomerate, BHP, has claimed 8 600 km^2 in a block adjoining CRA's ground, while the British Selection Trust Company (BSTC) has laid claim to 4 800 km^2 of the Kimberleys, including some 2 000km near the Gibb River also being claimed by CRA

A Warden's court hearing will settle that dispute in the near future The diamond hunt is now focussed on the Drysdale River area of the Kimberleys, with explorers working upstream in search of kimberlite deposits which gave away the site of the rich AK 1 pipe at Smoke Creek near Lake Argyle more than two years ago

That pipe is now coming on stream and contains enough diamonds to increase present world output by 50% for the next 20 years, with a production potential of 25-million carats a year

Bankers involved with the Argyle deal seem to be unimpressed with the Australian group's marketing contract with De Beers, which gives South Africa manipulative power over the resource

They claim to be disturbed at what they term commercial contradictions in the De Beers contract, especially the thought of Australian diamonds being sold through a group which owns competitive mines and manufacturing plants elsewhere

Tinto digging for Bop'swana gems

216 RDM 13/9/83

By BRENDAN RYAN — Mining Editor

RIO TINTO South Africa has opened a large alluvial diamond mine along the Molopo river, some 10km from Mafikeng, in Bophuthatswana

The group has so far spent R5-million on the project, which will treat 1 300 tons of gravel a day or a total of 400 000 tons a year

The first year's operations are intended as a trial mining programme to determine the distribution and value of the diamonds in the deposit.

Production started in June but the official opening by Bophutatswana President Lucas Mangope was held last week.

Rio Tinto SA managing director Mr Al Leroy said yesterday the deposit was low grade The viability of the operation would depend on the size and quality of the diamonds found

"You need a large sample from which to judge the viability of the total deposit.

"We intend taking samples from different parts of the deposit over the next year to establish the overall pattern," he said

Mr Leroy said that since starting in June, operations had confirmed the deposit was low grade but contained high quality gem diamonds

He declined to give the estimated grade of the deposit

He said the lease granted to Mafikeng Diamonds, the Rio Tinto subsidiary carrying out the mining, amounted to 2 300ha, of which about 760ha was alluvial gravel

Rio Tinto has set up a heavy media separation plant to screen the gravel and provide 20 tons of heavy mineral concentrate a day This is then processed by radiometric sorting

Diamonds in the concentrate fluoresce when exposed to X-rays and are then blown by air jets from the moving stream of concentrate into collecting trays, where they are sorted by hand

It is estimated there are about 20-million tons of alluvial gravel on the claims — enough to keep the plant going at a rate of 400 000 tons a year for 50 years

"The present operation is a respectable sized one and the viability of the mine does not depend on expansion

"However, a decision will be taken after the year's trial milling on whether to expand the mine's capacity or not.

"Hopefully, the year's results will show we are able to go ahead with the mine on a long-term basis," Mr Leroy said

The site is historic, as diamonds were discovered there in 1901 By the 1920s, considerable exploration activity was under way

Parts of the area were declared alluvial diamond diggings in 1925 and there are still some small family mining operations being carried on in the area

Mr Leroy said records showed the largest diamond found in the area in the 1920s was of gem quality and just under 110 carats

Rio Tinto started investigations in 1981 and last year decided to go ahead with the present venture

The Rio Tinto group allocated R6-million to cover the capital cost of setting up the mine and the first year's working costs

Mr Leroy said negotiations were presently under way for the sale of the diamonds

'I can't comment on our sales negotiations but as a relatively small producer, we could sell anywhere in the world"

Rio Tinto's previous diamond experience in South Africa involved an assessment of the Letseng-la-Terai kimberlite pipes in Lesotho in the early 1970's

The group eventually decided not to go ahead with the mine, which was subsequently opened up by De Beers

It was closed down last year and the latest De Beers annual report revealed the mine had overall made a loss on its operations

Rio Tinto associate, CRA Limited, is currently setting up the world's largest diamond mine at Argyle, in Western Australia

CRA holds 56,8% of the Argyle joint venture, which will produce 25-million carats annually at full output

Size doesn't worry Ogilvie Thompson

CSO stockpile could rise again this year

(216)

RDM

14/9/83

By BRENDAN RYAN

THE DIAMOND stockpile built up by De Beers to support the international diamond market may rise slightly this year according to deputy-chairman Mr Julian Ogilvie Thompson.

In an interview with the American jewellery magazine, The Goldsmith, he said, "I have never been worried about the size of our stockpile, providing it is properly financed, which it is."

Mr Ogilvie Thompson's comments in the September issue of The Goldsmith follow the release of De Beers interim results for the six months to end-June which were generally seen as disappointing

While the results were 45% up on the first half of 1982 they were well below expectations

Diamond account profits of R158 900 000 were below the R179-million earned the last six months of 1982

When diamond account profits were compared with the CSO sales figures for the relevant periods they appeared to show a slight drop in profit margins between the first half of 1983 and the first six months of 1982

The level of borrowings at June 30 also indicated there had been no drop in the size of the stockpile despite improvements in the international diamond markets referred to in the last De Beers annual report

The CSO stockpile was valued at R1 832-million at December 31 last year

Mr Ogilvie Thompson told The Goldsmith he was not concerned about the financial requirements placed on the Central Selling Organisation (CSO) by the need to buy the production of Zaire's Miba mine and Australia's Argyle mine

Zaire this year returned to the CSO fold after breaking away two years ago while Argyle is expected to produce 25 million carats annually from the mid-1980's

"If Argyle reaches its full planned capacity by the mid-1980 s its total production at current prices will be of the order of US$200-million a year

"Miba, now acheiving better prices with us than under its previous independent arrangements, represents at present production levels a total value of approximately $50-million a year

"In either case we are not talking of huge outlays in relation to our overall arrangements with and commitments to other producers," Mr Ogilvie Thompson said

Asked whether De Beers had flooded the market with Zaire-type diamonds to bring down prices after the country broke away from the CSO Mr Ogilvie Thompson said there had been no fall in the price of Zaire's gem diamonds

"We held stocks of natural boart, in accordance with the CSO's role and these were held off the market to support the pricing structure to the Zaire production, our only major suppliers at that time of natural industrial diamonds

"On the cessation of the contract in May 1981, we reassessed our stock levels in the light of the changed circumstances and concluded that we held more stock than one needed on purely commercial grounds," he commented

De Beers will not support the development of professional diamond investment markets such as a futures market or a computerised public trading market, according to Mr Ogilvie Thompson

He said De Beers policy would remain the promotion of good quality diamond jewellery available from reputable retail outlets as the best medium for investment.

"The events of the past few years have highlighted the problems brought about by the gyrations of the investment market

"There are a number of residual problems, including the number of different methods of certification and a lack of a facility for the consumer to resell easily, all of which make it difficult to conceive that a publicly recognized trading market is feasible," he commented

For a variety of reasons we have found it inappropriate to put our name to the investment market or to endorse any of the investment schemes which have been put to us," he commented

Mr Ogilvie Thompson told The Goldsmith that Thailand and Malaysia were developing as cutting centres for smaller diamonds but New York, Antwerp, Israel and India will continue to be the major cutting centres

"We have not been asked to assist the joint venture partners in the Argyle mine in establishing a cutting factory

"We understand the Australians are looking at the feasibility of setting up a cutting factory in accordance with their obligations to the Western Australian government

"Until their studies are completed there is no indication of what type of material they are proposing to cut.

"The first shipments to the CSO which commenced in April this year have been valued on a consistent basis

"As with all productions, there are variations in size and quality which has meant some variation in the average price of each shipment"

Mr Ogilvie Thompson said De Beers had no intention of lowering diamond prices in spite of the period of disinflation which the world's major economies have entered

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day

Fears of a revision in last Friday's United States M-1 money supply figures higher rates for United States Federal funds a stronger dollar and an IMF loan to Brazil were all cited as depressing factors

Trading activity was increased but dealers said actual volume was still not high

Traders said there is strong chartist based resistance too the spot price falling below $400 and support was evident once prices dipped below $405

Yesterday morning's opening of $407,75/$408 15 was some $3 above New York closing levels reflecting support in the Far East yesterday morning But selling from a few quarters forced prices down to give morning and afternoon fixes of $406 75

Closing prices

(In $ an ounce)

LONDON:
406,50-407,00
Fixing am· 406,75
Fixing pm: 406,75
ZURICH:
406,00-409,00
(404,00-407,00)

— Reuter

Rand climbs above 90 US cents

JOHANNESBURG — The rand rose sharply to close above 90 US cents in spite of the dollar being generally stronger overseas and the gold price falling below $410 dealers said.

The rand closed at $0 9007/12 after opening at $0,8965/75 for a gain more than one cent over the last three trading days

Trading was active, with a constant offer of dollars into the market even as rand quotes were marked up

Dealers said mining houses were substantial sellers of dollars and played their most active role since introduction of the new foreign exchange system last week in which they are paid in dollars for their gold sales

Some dealers said they noted intervention from the Reserve Bank who bought dollars in an attempt to stem the rand s progress

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De Beers stockpile properly financed — deputy-chairman

Own Correspondent

JOHANNESBURG - The diamond stockpile built up by De Beers to support the international diamond market may rise slightly this year according to the deputy chairman Mr Julian Ogilvie-Thompson

In an interview with the American jewellery magazine The Goldsmith he said 'I have never been worried about the size of our stockpile providing it is properly financed, which it is'

Mr Ogilvie-Thompson s comments in the September issue of The Goldsmith follow the release of De Beers interim results for the six months to end-June which were generally seen as disappointing

While the results were 45 percent up on the first half of 1982 they were well below expectations

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CSO stockpile

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'In either case we are not talking of huge outlays in relation to our overall arrangements with and commitments to other producers Mr Ogilvie Thompson said

Asked whether De Beers had flooded the market with Zaire type diamonds to bring down prices after the country broke away from the CSO Mr Ogilvie Thompson said there had been no fall in the price of Zaire's gem diamonds but industrial diamonds had been affected

"We held stocks of natural boart, in accordance with the CSO role and these were held off the market to support the pricing structure to the Zaire production our only major suppliers at that time of natural industrial diamonds

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Money market

JOHANNESBURG —

Money market rates were quietly stable on balance, although two and three-month rates eased slightly, after a brief flurry of opening trading in 90-day non-liquid assets

The key 90-day liquid bank acceptance rate was fixed unchanged at 16,25 percent yester morning, but was later bid a shade lower at 16,20 percent, as the market shortage decreased to R1 297m from Saturday's R1 560m dealers said

Buying yield rates on two and three-month NCD s softened 20 points to around 17 50 percent and 17,40 percent respectively

The following buying rates were indicated (percent)

BAs One month 16,70 two months 16,30 three months 16 20 Fix 16 25

NCDs One month 17 80 two month 17 50 [illegible]

Gilts harden

MOST of the trade yesterday was in the RSA 1998 and 1987 stocks

Although the gold price fell rates did not kick up as much as was expected There was some selling pressure with a four to five point upward reaction but the stock was easily absorbed

The central bank announcement during the day of another R400m accommodation helped offset the negative sentiment caused by the lower bullion price

Towards the close buyers predominated The market as a whole was marked by jobbing with little sign of institutional trading

Indicated rates in the gilts market yesterday compared with with Friday s were

RSAs

14 5%	1987	13 43
11 5%	1990	13 45
11 0%	1998	13 28
12 5	200	13 16

FRESH KABELJOU
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TELEPHONE 2973

LUNCH WITH CALEDON
it's the natural thing to do

De Beers among world profit leaders

216 C. Times

15/9/83

Own Correspondent

JOHANNESBURG — The diamond trade may be depressed but De Beers profits look surprisingly good when racked up against those of world business outside the United States

The point is driven home by Fortune magazine's latest survey of the largest 500 industrial corporations outside the United States

Fortune determines its rankings on turnover and on this basis De Beers is ranked a lowly 372 with sales for 1982 of $1 256,4m.

Top of the list is Royal Dutch/Shell with total 1982 sales of $83 759m

However, when the companies are ranked by profitability De Beers shoots up to number 16 in the list on its 1982 net income of $395m

Six oil giants

If you take out the six oil giants which are based outside the United States then Fortune ranks De Beers the tenth most profitable business in the world outside the United States

De Beers equity accounts its results and included in the net earnings figure used by Fortune is the group's share of earnings retained by its associates.

These retained earnings are not available to De Beers and therefore not available for distribution to its shareholders

Taking a harder line on De Beers and ranking it only by its attributable earnings, excluding retained earnings of subsidiaries, the results are still impressive

De Beers had earnings, excluding its share of the retained earnings of asoociates, amounting to $178m in 1982

That is still good enough for it to be the number 40 most profitable business in the world outside the United States according to Fortune magazine's figures.

Retained earnings

This comparison is probably unfair to De Beers as it ranks it against companies whose earnings may also have been equity accounted and include their share of associates' retained earnings

According to Fortune magazine 1982 was the worst business year since the magazine first started its international ranking system 26 years ago

Total net income of the 500 companies fell for the third year in a row and the 39 percent decline was the sharpest yet recorded

In all, 123 of the International 500 companies lost money which is another record for the survey

The biggest losers were YPF of Argentina which went $3 670m into the red, ENI, the Italian state oil company, which lost $1 207m and British Steel which lost $963,1m

Same league

De Beers profits are in the same league as those of Daimler Benz which earned $388,9m but on sales of $16 023m,

The 15 companies which earned greater profits than De Beers in 1982 were Royal Dutch Shell ($83 759m sales and net income of $3 487m), BP ($51,322m sales and net income of $1 245m), Unilever ($23 120m sales and net income of $659,6m), Petrobas ($19 005m sales and net income $579,2m), Elf Acquitaine ($17 785m sales and

De Beers finds fame and fortune

216 RDM 16/9/83

By BRENDAN RYAN

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Top of the list is Royal Dutch/Shell with total 1982 sales of $83 759-million.

When the companies are ranked by profitability, however, De Beers shoots up to number 16 in the list on its 1982 net income of $395-million

If you take out the six oil giants based outside the US, Fortune ranks De Beers the 10th most profitable business in the world outside the US

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De Beers profits are in the same league as those of Daimler Benz, which earned $388,9-million but on sales of $16 023-million, Ciba-Geigy with profits of $304 5-million on sales of $6 793-million, and Nippon Steel with profits of $256 7-million on turnover of $14 423-million

The 15 companies which earned greater profits than De Beers in 1982 were Royal Dutch Shell ($83 759-million sales and net income of $3 487-million), BP ($51 322-million sales and net income of $1 245-million), Unilever ($23 120-million sales and net income of $659,6-million), Petrobas ($19 005-million sales and net income $579,2-million), Elf Acquitaine ($17 785-million sales and $536,3-million net income), Nissan Motor ($16 465-million sales and $444,5-million net income), Petroleos de Venezuela ($16 451-million sales and $2 500-million net income), Hitachi ($16 262-million sales and $602,7-million net income), Toyota ($15 647-million sales and $605,1-million net income), BAT ($15 477-million $433,9-million), Matsushita ($14 862-million sales and $639,9-million net income), Nestle ($13 611-million sales and $540,2-million net income), Kuwait Petroleum ($12 234-million sales and $1 054-million net income), General Electric ($8 007-million sales and $683,7-million net income) and Schlumberger ($6 025-million sales with $1 348-million net income)

Financial Reporter

Mid Wits gets new reso

216 RDM 5/1/84

Diamond revenue likely to be up 35%

By **BRENDAN RYAN**

DIAMOND sales by the Central Selling Organisation will be between 35% and 40% higher in US dollar terms for 1983 compared with 1982.

These are the predictions of several De Beers analysts on the Johannesburg Stock Exchange

CSO sales in the second six months of 1983 are expected to be lower than those of the first half. Figures are due to be announced early next week.

Diamond sales for the first half of 1983 were 42% up at $886,6m compared with $623,8m in the first half of 1982. Total CSO sales for 1982 were $1,256bn.

Mr Des Mayers, De Beers analyst for JSE brokers Max Pollak & Freemantle, has forecast CSO sales for 1983 of $1,7bn — or R1,9bn in rand terms

The Mining Research Department of brokers Davis Borkum Hare has forecast 1983 CSO sales at $1,6bn — R1,83bn — while another analyst on the JSE has estimated the sales at $1,75bn — R1,95bn.

Estimates on the level of the CSO's second-half sales vary from $720m to $863,4m — from R870m to R991m Lower sales in the second half are usual.

However, another factor hitting sales last year was the strength of the US dollar, according to Mr Mayers

"The dollar was very strong over the last six months of 1983, which must have particularly affected investment demand for diamonds Investors looking for hedges have preferred to put their funds into dollars rather than diamonds."

The investment market concentrates on larger, better-quality stones the market for which remains depressed.

Recoveries in sales volumes during 1983 have been restricted to smaller, cheaper stones used in jewellery.

De Beers policy is to play down the importance of the investment market for diamonds and promote instead the sale of good-quality diamond jewellery incorporating larger stones.

"The big profits come from sales of the big stones. Sales of the smaller stones, where the demand has been good, are nowhere near as profitable, which puts a question mark over the De Beers profit figures for 1983," Mr Mayers said

The group's earnings for the six months to end-June last year were seen as disappointing by analysts after the healthy jump in CSO sales. This was attributed to lower profit margins on small diamonds

According to an investment report by Davis Borkum Hare, De Beers' strategy is now aimed at convincing buyers to trade up to better-quality stones and stop the trend to cheaper, poor-quality diamonds which has developed over the past few years of depression in the industry

"I really question diamond sales in 1984 Unless jewellery demand picks up further the CSO may battle to maintain its sales levels in 1984," said Mr Mayers.

He added that the reduction by the CSO in the number of diamond buyers at the regular sights — meetings of selected buyers — indicated things were not so good in the markets and sales could be adversely affected by this.

He said he expected the dollar to remain strong and continue to affect adversely investment demand for the larger diamonds

Another JSE analyst was more optimistic and said the reduction of the number of buyers by the CSO was a positive move

ARGUS 26/4/84 216 ~~E49~~

De Beers lifts profit 20 pc: Dividend 40c

ALTHOUGH the market for large stones was still weak, De Beers lifted profit 20 percent to R530,2-million (R442,5-million) in 1983 and the final dividend has been raised by 2,5c to give a total of 40c for the year.

Production from the group's diamond mines rose 22,7 percent to 21 349 522 carats

The book value of diamond stocks rose by R421,6-million — of which R223,4-million was due to the change in the rand-dollar exchange rate — to a total of R2 253,9-million

The chairman, Mr Harry Oppenheimer, says "The year 1983 was considerably better than 1982

"However, the early promise of a return to normal conditions which I reported in my last statement was not fully realised and the market for larger, better quality stones remained weak throughout the year"

THROUGH CSO

A higher proportion of the world's diamond production than ever before during his 50 years in the industry was marketed through the Central Selling Organisation

Sales by the CSO were 27 percent more than in 1982

"While markets are generally better the demand for the large stones of good quality is nevertheless still restricted

"Many of our customers suffered severe losses during the depression years and are naturally cautious about holding stocks of high quality goods, particularly at a time when real interest rates remain exceptionally high

"Moreover the banks who were perhaps unduly ready to provide credit during the boom years are now being extremely careful in making advances

INDEBTEDNESS

"Stocks of diamonds in the cutting centres and bank indebtedness have been sharply reduced so that the trade is in a much better position from which it should be possible to expand the current level of business with safety"

Most of the increase in production from the group's diamond mines came from the new Jwaneng mine

Its first full year's production was 5 852 998 carats — 3 231 355 carats more than in 1982

Spending on prospecting was cut by R1,8-million to R41,4-million

Income from the group's investments outside the diamond trade increased by R12,7-million to R161,7-million

Audrey d'Angelo

Diamonds are crumbling, but who is to blame?

W/C ARGUS
2/6/84

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RICHARD DOWDEN

BEHIND THE DIAMOND CURTAIN

THE African took from his pocket a small, grubby, square of paper He unfolded it and rolled a thumbnail-sized diamond on to the white pad

The dealer examined it through his magnifying glass under the fierce fluorescence of the desk lamp, tossed it on to his electric scales and stabbed at his calculator

"What do you want for it?" he asked "Five thousand dollars a carat" The dealer laughed "Forget it," he said, "Seven hundred maximum"

The African laughed, too, and rose, gathering his cheap, heavy overcoat around his thin tropical suit His companion wore a woollen jumper under his long white coat They paused for a little social chat, then shook hands and let themselves out through the double-locked doors

"They imagine prices are the same as five years ago," sniffed the dealer

But nothing is the same The diamond market has recently been violently depressed by unpredictable and half-hidden forces Some blame uncontrollable smuggling, and others the dominant giant of gem-trading, De Beers

The Africans hurry from dealer to dealer up and down Pelikanstrasse, the street which runs alongside Antwerp's monumental ironwork railway station and the heart of the world's diamond-dealing and cutting trade

It is not illegal to import diamonds into Belgium, a carrier simply hands them over to customs when he arrives, and names a dealer The customs send them to the diamond office at the back of Pelikanstrasse, where the dealer picks them up

The African traffickers have to smuggle them out of Zaire, Sierra Leone, Angola and other African countries Congo Brazzaville, which has not a single diamond in its soil, has become a minor exporter

One of the unwritten rules about the trade is that no questions are asked, though experienced dealers can tell from which country a rough diamond comes, even down to which mine

The smugglers stay at the Tourist Hotel, a gloomy block on Pelikanstrasse, or in flats just off the street I visited one at which 40 or 50 will stay, sometimes sleeping on the floor At least eight children sat and played on the floor and I could hear more next door It was an African "village" on the seventh floor

The Antwerp market is still devastated

Some of the traffickers are *logeurs*, with permanent residency in Belgium They act as brokers and provide a stream of various goods, from motorcycles to cloth, for others engaged in the trade to take back to Africa to exchange for rough diamonds in the bush

They provide up to 20 percent of the Antwerp market, earning a good living for themselves but causing severe problems to the countries from which they export Until recently, Angola was said to be losing up to a third of total production in this way

De Beers, the South African company which controls the world trade in diamonds, dismisses smuggling as a "mere trickle," but it takes it seriously enough to offer advice to client producers who suffer from the traffic

Diamdel, De Beers' buyers in Antwerp, buy smuggled diamonds too, but they do it to mop up pools of diamonds on the open market for their own stockpile, now estimated to be worth around R2-billion, which control the market

Dealers have mixed feelings about De Beers They recognise that violent fluctuations in the price and supply of diamonds would destroy the market None of them has the financial backing needed to stockpile, so they accept that monopolistic control is necessary

On the other hand, they are under no delusion about De Beers' motives, and they resent the company's methods In Antwerp they are still angry at the way De Beers handled the investment craze of the late 1970s and the subsequent collapse in demand and price

In March 1980, prices scrambled to a record $63 000 a carat for the highest grade, then fell to a fifth of that price.

The Antwerp market still lies devastated In the bourse, a high-windowed modern hall that resembles a student dining room, dealers play chess, drink coffee and chat. Only a few sit across the tables from each other, briefcases open, discussing the heaps of gems spread out on the white paper before them

"We will make a great deal of money"

Few dealers will talk publicly about the trade De Beers, ever publicity-shy, discourages the divulgence of trade secrets, but one dealer told The Times recently "De Beers followed the investment market and sold when the price was high"

New diamond investment houses sprung up in the high inflation period of the late 1970s, many of them lacking the knowledge and trustworthiness the trade relies on

Most of these disappeared with the crash, but many of the older firms collapsed too De Beers' insistence that its sight holders buy everything which the company offers them contributed to the fatal squeeze on some of these firms

A new system of grading diamonds introduced during the investment craze drew distinctions so fine that even the experienced human eye cannot distinguish between seven different grades

"The old system was based on trust," the Antwerp dealer said "You sold a diamond because it looked beautiful The new grades are just for investors" He argued that De Beers could have issued its own quality certificates and even created an investment institution to protect buyers and dealers

De Beers disclaims the power to influence the market or control the system, presenting itself as the responsible holder of an essential, almost inevitable, monopoly

One De Beers executive once called the company a producer cooperative merely responding to demand, a description that hardly matches the immense political and economic power of the multinational

The investment fever did put the company in a dilemma De Beers could not allow a big build-up by competition of stocks which might later flood the market and threaten their own monopoly

To deter demand, they raised their prices by imposing four surcharges This move, however, failed, and the bubble burst only as a result of a rise in interest rates in the United States

As prices were tumbling in 1981, Harry Oppenheimer, chairman of De Beers, said. "I think we will come through, and you will find that with the stocks we have accumulated . we will make a great deal of money"

Last month his prediction began to come true After two lean years De Beers announced profits of nearly £270-million in 1983 — a 20 percent increase on 1982

The ripples of this revival in the diamond trade are barely felt in Antwerp yet, and the market in good quality gems, Antwerp's speciality, is still weak On the Pelikanstrasse the only sign of life remains the African traffickers

DE BEERS

Life after the crack

Many intangibles will affect De Beers' future course. If the world economic revival continues, earnings should keep rising. However, major countries' inflation rates are low, so the hard assets boom of the Seventies is unlikely to be repeated. And while sales may be hampered by the strong dollar, the weak rand should benefit the company's diamond account.

A steady revival in the diamond market has not yet convinced investors that De Beers — once the bluest of the JSE's blue chips — is securely on a recovery path Indeed, some analysts doubt that the company is assured of even holding its firm grip on the world diamond market.

Every year, for decades, shareholders saw earnings and dividends rise consistently. Now just as much a part of the history of De Beers is the crack that occurred in 1981. Earnings fell 23%, and the dividend was cut for the first time in more than 30 years Inevitably, the market reacted with shock and the share price tumbled It fell from its peak of above R12 to just above R4. A steady recovery in the past two years lifted the price back above R11, but in recent months it has fallen again to its present level of 875c

World conditions

De Beers does have a central problem. Its stocks of diamonds are very high and demand for profitable, large high-quality gems — which comprise a large part of the stocks — remains weak Demand for diamonds is historically linked to world economic conditions The US-led economic revival in Western industrial nations in the past two years has boosted sales of both rough and polished diamonds substantially. But some analysts argue that the economic revival may not be sufficiently strong and lasting to reduce De Beers' stocks to former levels, rebuild its cash reserves, and allow earnings and dividends to return securely to earlier growth patterns.

Central Selling Organisation (CSO) sales figures for the first six months of this year — which show sales in US dollars up by a pedestrian 7% on same period last year and up 23% in rand terms (*Fox* July 13) — are unlikely to reassure the pessimists Nonetheless, De Beers deputy chairman Julian Ogilvie Thompson says the figures confirm a "quiet mood of optimism" both in De Beers and in the cutting centres.

"We have been seeing what you might call a slowly rising tide in the market," he says "We are confident that things are coming right"

But the tide will have to rise considerably higher before De Beers' financial position is restored to the levels of a few years ago. Stocks have increased from R221m in 1977, to R700m in 1980, and R2,3 billion at end-December 1983 De Beers' liquidity has also swung sharply around, although the company's financial structure remains strong Cash reserves fell from R1,3 billion in 1978 to R187m in 1983

Supply control

These stocks are held by the CSO, a group of companies owned and controlled by De Beers Its main function is to control the supply of rough diamonds to the market, which it does by acting as a selling agent for De Beers and most other world diamond producers It is estimated to market about 85% of gem diamonds, about 65% of natural industrial diamonds, and around half of synthetic industrial diamonds

Ironically, De Beers' problems really started in the late Seventies, when profitability and earnings growth were soaring. With economies buoyant in industrial countries, demand for diamonds was strong. After the 1978 oil price hikes, spiralling inflation rates fuelled a hard assets boom and sales of gem diamonds soared.

CSO sales nearly tripled from R793m in 1975 to R2 219m in 1978 (see graph). De Beers' profitability rocketed as well. The Beers' margin on the diamond account (De Beers' diamond revenue as a percentage of CSO

Financial Mail July 20 1984

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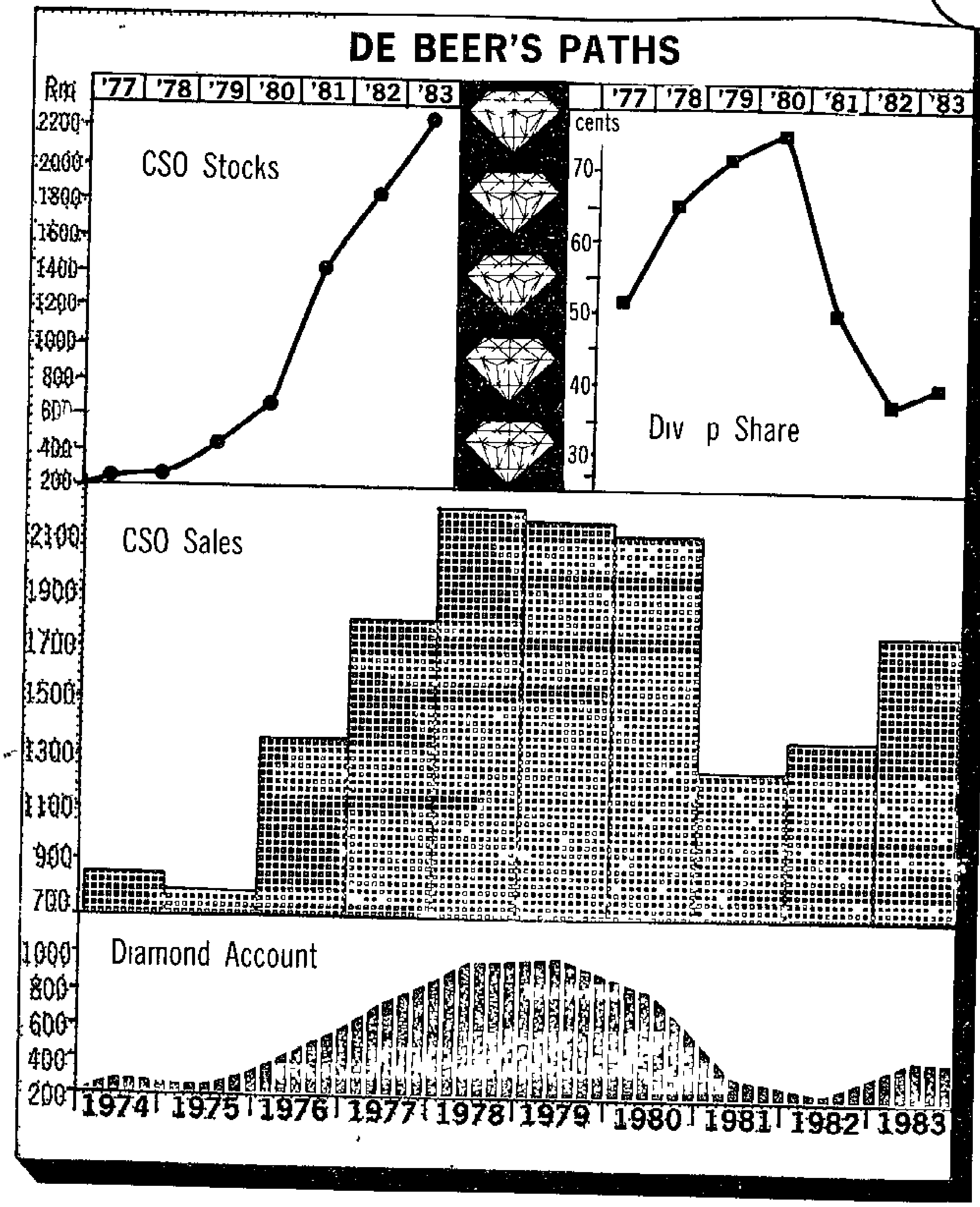

sales) climbed from 27% to 43% in the same period.

When economic activity declined, and inflation fell sharply, the diamond market cracked Between 1978 and 1981, sales fell 43% to R1 249m To avoid flooding the market, De Beers increased its stocks of diamonds

Sales have been gradually recovering since the trough in 1977 They rose to R1 360m in 1982, and R1 771m in 1983 But better retail sales of polished diamonds will have to precede any significant improvement in sales of rough diamonds from the CSO Last year's retail sales reached record levels and, according to Ogilvie Thompson, the retail sales in the first quarter of this year were as good as last — and substantially better in some countries Firm figures are not yet available for the second quarter, but indications so far are that the first quarter trend has in fact continued

"Until recently we were not selling all of the better qualities of smalls We are doing so now," he says "And while we were selling very little of the large gems, we are beginning to sell some of the large ones now The interesting thing is that retail sales of those diamonds at the very top have continued — not at the very high levels of the late Seventies, but they have remained at an encouraging level."

Ogilvie Thompson . . . boosting top-quality gems

Ogilvie Thompson adds that stocks held in the cutting centres appear to be declining, which should presage higher offtake from the CSO Of course, high interest rates in most countries do not encourage the trade to hold large stocks At the same time, interest rates may defer better demand for rough diamonds from the CSO The strong US dollar also impedes an improvement in retail sales by causing an effective rise in the price of diamonds in all non-US markets

De Beers is trying hard to boost sales of top-quality gems, largely by changing the emphasis of its advertising towards this sector "We have been encouraged by the warm reception that our shift in advertising has received, both from the retail trade and to some extent from consumers," says Ogilvie Thompson

Holding stocks

He adds, however, that it is simply too early to tell what second-half sales figures will look like What he does not expect, though, is a significant decline in De Beers' diamond stocks in the short term. He has various reasons for this

"I have never been that concerned about holding these stocks provided they are properly and soundly financed," he says. "It is certainly better for us to hold them than the cutting centres or people further down the line That is what we are there for The whole policy and structure of the group has been developed over the last 50 years to handle a situation like the one we have been going through While we would rather not have to be borrowing money, we are not borrowing an inordinate amount in relation to the total value of our assets"

Indeed, by most standards, De Beers remains very low-geared, and there can be no concern at present that it will ever face financial difficulties Last December the ratio of interest-bearing debt to shareholders' funds was only about 15%. The R73m interest bill barely exceeded the R66,7m received in interest Apart from the income on the diamond account of R430,2m (R287,5m the previous year), there was a further R161,7m (R149m) in investment income and R226,8m (R240m) received from associated companies

Overall, the diamond account comprised only 48% of income, yet has considerable upside potential with further improvements in demand for rough diamonds

Investment income is earned mainly from stakes in Anglo American, Amic, Minorco, JCI, gold shares and some leading industrials such as Barlow, Premier and Sasol With about 75% of total investment income derived from Anglo, Amic and Minorco there seems little prospect of a

Higher taxes blow for De Beers mine in SWA

CAPE TIMES 15/6/84 216

By BRENDAN RYAN

JOHANNESBURG — The tax increases slapped on Consolidated Diamond Mines (CDM) by the SWA/-Namibia government could shorten the life of the De Beers-controlled beach mining operation

CDM's resident director, Mr Doug Hoffe, said in Windhoek on Wednesday that the higher the taxes levied on CDM the greater the areas of mining ground which became unpayable

He said this trend was compounded by continued high working costs caused by inflation

A CDM spokesman said yesterday it was too early to say precisely how the tax increase would affect the economic viability of the mine's future operations.

The diamond mining tax imposed on CDM was increased to 55 percent from 50 percent in this week's SWA/Namibian Budget for the year to March 31

At the same time general sales tax was raised to nine percent from seven percent

Mr Hoffe said that without taking into account the increase in general sales tax the total tax to be paid in 1984 by CDM will rise to about 75 percent of profits which he regarded as excessive

CDM's previous total tax rate was about 66 percent

The company does not disclose its earnings but it is a wholly-owned subsidiary of De Beers and the group's only operation in SWA/Namibia

Operations

The 1983 De Beers annual report showed that its SWA/Namibian operations contributed 14 percent of group taxed profits — excluding share of retained profits of associates — of R360,1m which puts CDM's earnings for the year to end-December at about R50m

CDM is taxed in a number of ways by the SWA/Namibia government It must pay a 15 percent diamond profits tax in advance on estimated profits

It then pays a 55 percent diamond mining tax against which the diamond profits tax is deducted so the combined effective rate is 55 percent

In addition CDM pays diamond export duty of 10 percent on the sales value of all diamonds exported from the country

This tax has particularly incensed CDM's management because it is a tax on revenue and productivity, as opposed to profits.

Mr Hoffe has called for its abolition saying the tax is wrong in principle and works against motivation for greater productivity

Export duty is also applied to South African diamond mines but at a rate of 15 percent.

De Beers provides no detailed information on the financial performances of its various mines

However in the last three years of diamond market depression some mines, through the export duty, could have been paying tax while actually losing money on their operations

CDM sells its diamonds to the Central Selling Organisation (CSO) through the Diamond Producers Association in South Africa

It pays a commission to the CSO on these sales but cannot deduct this from the sales revenue on which the export duty is levied

The CDM spokesman declined to say how much commission the CSO levied on purchases from CDM

Mercury 17/8/84 (26)

Sequel to leaked documents

De Beers hits out over mining policy

Mercury Correspondent

JOHANNESBURG—De Beers has come out fighting in response to documents which have been leaked to the Press concerning mining policy at CDM in SWA/Namibia.

'Attempts are being made through the Press to convey a misleading and inaccurate impression about CDM's mining policy by the use of obselete documents stolen from the commpany

'The motives behind these attempts are questionable and seem to be part of a deliberate plan to create uncertainty and unfounded suspicion in the public mind at a sensitive time in the political evolution of South West Africa/Namibia,' the group said in a lengthy statement released last night

The strength of the reaction from De Beers is unprecedented. The group holds a near-monopoly on the world diamond trade and is obsessed with the secrecy of its operations

It has traditionally refused to comment on speculative articles or 'inside' stories about its operations

Allegations made against CDM concerning possible tax evasion during hearings of the Thirion Commission in SWA went largely unanswered by De Beers because Mr Justice Thirion was not prepared hear evidence in camera.

De Beers also did not reply conclusively to Press allegations arising from the hearings but it is believed a major concern was to avoid being found in contempt of the Commission through Press statements

De Beers' public relations manager, Mr Neville Huxham, said in Johannesburg last night 'We comment only if we believe the circumstances warrant it We are reacting now to avoid the allegations being made against us gaining credence by going unanswered.'

The documents which have been leaked to the Press date from 1977 and include life-of-mine plans based on possible alterations in the factors such as grade, taxes, production rates and costs which affect the mine's life

The plans looked at possible best, worst and average scenarios

The technique is one used throughout the mining industry in forecasting life-of-mine future operations

Documents

One of the worst case scenarios of the CDM documents showed that the mine could make losses in 1985

Mr Huxham said last night "The documents showed as a planning exercise that under certain adverse circumstances CDM could hypothetically make a loss next year

'However, the people leaking the documents are going around saying that it is gospel that CDM will lose money next year and we say that is nonsense.'

Other allegations being made against the group following the leak of the documents concern the remaining life of the mine and the question of over-mining

Last night's statement from De Beers says. 'The stolen documents have been used out of context and in such a way as to imply that the company's production policy has been deliberately designed to shorten the life of the mine to the detriment of the national economy and in breach of the Halbscheid Agreement.'

September 12 1984 Star

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Oppenheimer visits Aussie diamond site

The Star's Foreign News Service

MELBOURNE — Mr Harry Oppenheimer, chairman of De Beers and dubbed "the king of diamonds" by the Australian Press, yesterday surveyed the scarred face of a remote and desolate hilltop in the far north of Western Australia

He was inspecting the Argyle mine in the Kimberley district which, just two years from now, will produce more diamonds than De Beers' current output.

Last year De Beers produced 21,35 million carats and it is estimated that by 1986 Argyle will be producing 25 million carats annually

Just over half will be industrial diamonds and will significantly affect the Western world market now dominated by Zaire, South Africa and Botswana

Mr Oppenheimer is accompanied on his Australian visit by Mr Julian Thompson, who succeeded him as chairman of Anglo-American and who will also take up the reins at De Beers.

De Beers' central selling organisation will buy up to 100 percent of the mine's gems and 75 percent of the industrial diamonds.

Our Perth correspondent reports that Mr Oppenheimer said "The technical nature of these industrial diamonds will differ to some extent from those produced elsewhere, and similarly the gems will have different technical qualities

"They will require different skills and present different difficulties — and different advantages."

Mr Oppenheimer said this meant that a strong marketing effort would be needed

He was confident that the Argyle diamonds would be absorbed by the market

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S. Times 30/9/84

De Beers hit as Reds dump gems

By Nicholas Rothwell in New York
and Barry Sergeant in Johannesburg

HEAVY Russian diamond sales, forced by a poor grain crop, threaten to put further pressure on De Beers' control of the world market.

The Soviets are dumping diamonds on a major scale — depressing what would otherwise have been a highly buoyant market for SA's diamond cartel manager

Business Times has established the Soviet Union's dumping strategy after interviews with experts on Soviet exports and diamond dealers

This confirms statements from the 22nd World Congress of Diamond Bourses and Manufacturers held earlier this month in Antwerp Delegates said the Soviets were selling off diamonds in a bid to earn hard currency

The Antwerp congress passed an unprecedented resolution calling for restrictions to be reimposed on Soviet diamond sales

Restrictions on Soviet sales were also imposed in 1983 — with a resulting drop of 40% in Soviet polished diamonds sales. The Soviet Union had less need for foreign currency last year after a good grain harvest

The Antwerp congress also warned that the Soviets would be the principal beneficiaries from the current demand for high quality diamonds

Congress delegates said unless Western governments took strong action to prevent the Soviets from selling low-priced diamonds the industry would be adversely affected.

The Soviets have chosen diamonds instead of gold or oil because of strongly rising prices in this market over the last six months Both gold and oil, the traditional props, have suffered major price declines over the period

Diamond sales worldwide, in dollar terms, were 33% higher in the first six months of this year than in the same period during 1983 The Soviets are cashing in on this boom.

Double

In the first six months of this year the Soviets sold $160-million worth of polished stones, double the figure for the first half of 1983 Sales of other classes of diamonds have not yet been established but are believed to have increased similarly.

The Soviet Union, which has unknown diamond reserves in Siberia, has traditionally worked closely with De Beers, supplying through the SA's giant's Central Selling Organisation

Its new strategy is a clear divorce from past actions. According to diamond industry sources, the Soviets are selling diamonds this year below market prices in a desperate attempt to raise hard foreign currency Russia's grain crop did not satisfy domestic demands and Soviet foreign reserves need propping up

The Soviet tactic of dumping diamonds below market prices was confirmed by a spokesman for the Diamond High Council in Antwerp in an interview with the US's *Radio Liberty*

He said: "With world oil and gold prices depressed, the Soviets have turned to selling their diamonds in record numbers

"The Soviets don't follow the diamond market that closely — they sell diamonds when their government says so If they are uncompetitive, they will readily undercut market prices to move their stones They are selling stones right now and are hurting the industry"

STAR 27/11/84

(26)

Oppenheimer finally retires

By Duncan Collings

South Africa's best known businessman and one of the country's richest men, Mr Harry Oppenheimer, is to retire from his last active business post — that of chairman of the giant De Beers organisation — at the end of 1984

Previously chairman of the Anglo American empire, Mr Oppenheimer relinquished this post at the end of 1982, but stayed on at De Beers to help see the diamond group through some difficult years

He has served on the board of De Beers for the last 50 years and on the death of his father, Sir Ernest, took over as chairman in 1957

Mr Julian Ogilvie Thompson will take over

7/12/84

(216)

JULIAN OGILVIE THOMPSON

King of diamonds

By the time Julian Ogilvie Thompson becomes chairman of De Beers next month, the company will have emerged from the worst patch in its history He is also chairman of Minorco and Amgold, and joint deputy chairman of Anglo American Corporation Widely regarded as the inheritor of Harry Oppenheimer's mantle within the group, at 51 he is by no means a mere caretaker until Nicholas Oppenheimer's turn comes

Ogilvie Thompson projects assurance when asked about De Beers' medium-term and long-term prospects "We're well over the worst," he tells the *FM* "We show a very strong balance sheet, despite having had to borrow a good deal in contrast to earlier years when we had money on deposit

"The distortions of the late Seventies boom were the root of the problem There was a lot of speculative stocking of rough by the trade. This distended the pipeline When interest rates rocketed, dealers ran down their stocks Hence their bank debt"

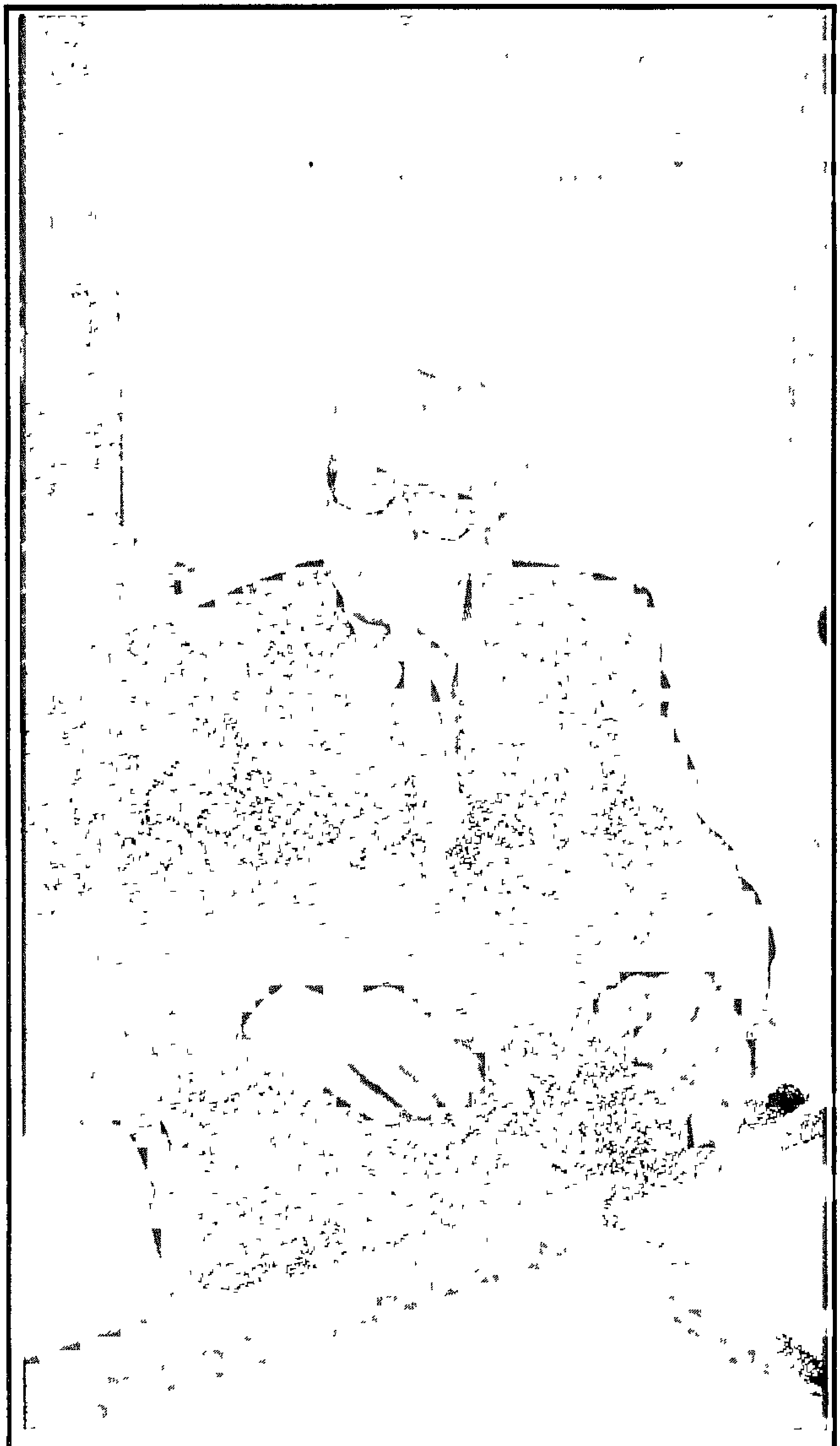
This has now largely evened out, he says, helped by two years of record retail sales "and we anticipate a record again this year.' Demand for higher-quality gems is increasing too — not so much in the US, which accounts for the bulk of sales, but in Europe and the Far East It's a slowly rising tide."

Speculation

There was a brief period of speculation that Zaire or Australia might successfully break with the Central Selling Organisation's (CSO) marketing function, but that led nowhere Asked whether the CSO did, in fact, flood the market with industrial diamonds to pull Zaire back into the nest, Ogilvie Thompson quotes Oppenheimer's remark at the time, to the effect that Zaire was more likely to be an example than a trend

"We're glad they're back in the fold To say we flooded the market to force them back is putting it the wrong way If we're responsible to a particular type of producer, we'll ensure an orderly market If we are not responsible, then obviously we have no reason to support them, and they face normal competition"

This year also saw the Soviet Union as a source of disruption in the polished-diamond markets "And because this is a market of rumours," Ogilvie Thompson says, "they upset the market badly They increased their rate of sale and changed their marketing method, selling more polished to a larger number of buyers at lower prices So I think we'll find we've sold less rough



Ogilvie Thompson . . . the man who never makes mistakes

(216) 7/12/84

this half than we would have thought earlier."

Ogilvie Thompson has something of the image of a chilly perfectionist Certainly, he is highly controlled and reserved, perhaps formal rather than cold, and extremely methodical in exposition

Oxford is in a sense the kindergarten for Anglo's top men. Ogilvie Thompson, son of a former Chief Justice, was a Rhodes scholar He took his PPE at Worcester College After a stint with Anglo's London brokers and with a merchant bank, he returned to Johannesburg and was soon working as Oppenheimer's personal assistant

After five years, he moved to Anglo's finance division. He first joined De Beers' board in 1966 at 32 As an executive director of Anglo after 1971, he had considerable pull in shaping the group's policy during the Seventies and was involved in developing Minorco.

He's commonly described as the man who never makes mistakes "Well, obviously it's an exaggeration, but pleasing all the same What does it describe? Caution, yes, and careful analysis — but luck is also a factor."

Outsiders often express bafflement at the Byzantine process of policy formation in De Beers and Anglo. Asked how the decision-making process works at his level, Ogilvie Thompson says "It's the result of research, study and intensive discussion Obviously, people look to the chairman for guidance

"But this isn't a sphere for quick, off-the-cuff decisions. Marketing diamonds involves developing consumer attitudes over a long period Structures, positions and decisions evolve over time. One needs a kind of statesmanship"

Will the publicity involved in his new position disrupt his hitherto closely guarded privacy? Ogilvie Thompson doesn't seem to be considering a much higher profile "Frequent statements aren't called for from the De Beers chairman They'd lose their validity."

And, of course, there are the large areas of confidential operation With some force, Ogilvie Thompson argues "We're entering contracts and setting terms with the trade and a wide range of producers They don't make those terms public, and it would be wrong to expect us to do so What major enterprise does? And, yet, people still react suspiciously to the CSO"

Ogilvie Thompson stresses the continuity of De Beers' policy What new developments does he want to see during his chairmanship? Fulfilment of plans worked out for a sound market, he says, to get stocks "a bit down, though not to the levels of the late Seventies I hope to see increasing diversification of assets, with further investment outside the diamond industry, so we'll continue to be able to meet crises

"And, of course, there will be crises There are the effects of the business cycle, and, as a luxury product, diamonds are susceptible Production increases don't happen on the same regular basis as rises in consumption, so there will always be fits and starts in the market"

Ogilvie Thompson lives on a sprawling, unpretentious holding in Sandown with his British wife Tessa, daughter of the late Viscount Hampden. He has four children, the youngest of whom are at university He enjoys bird-shooting and fishing, and has an eatern Transvaal game farm on the Klaserie River "which has some water in it again at last" He'll be spending Christmas there for the 14th time in 16 years — relaxing before assuming the mantle

FRITZ STOCKENSTRÖM

The real point

Fritz Stockenström, executive director of the Afrikaanse Handelsinstituut (AHI) jocularly describes himself as "abrasively aggressive and aggressively abrasive — sometimes" in furtherance of his duties

At 57, he's headed the AHI for the past 18 years, and is eager to instruct you proudly, and exhaustively, on the AHI's activities

He is disturbed by responses to the AHI's recent joint statement with Justice Minister Louis le Grange· "It's wrong to say that we recanted on the joint position taken with the FCI and Assocom Everybody missed the real point."

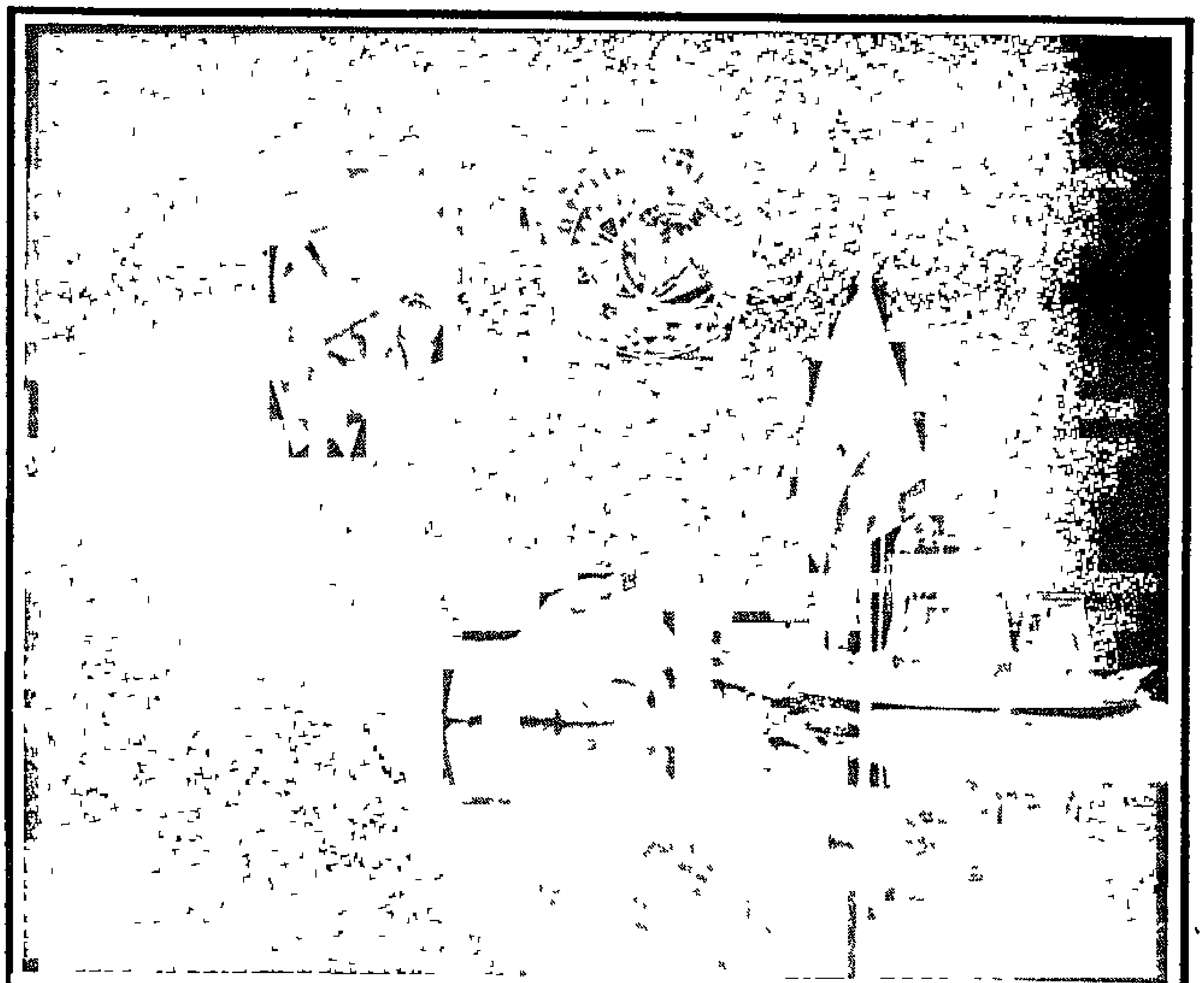
Stockenström explains energetically "It was a *joint* statement, and thus the paragraph on consultation between the AHI and the Minister reflects the Minister's agreement in principle to close co-operation in future, though naturally we can't expect police to check with us about every arrest. One can't ask more under the present invidious circumstances And of course we support government fully in maintaining order against possible insurrection"

Asked about future relations and possible co-operation with Assocom and the FCI, he says emphatically "I can tell you now that a take-over bid from them is just *not on* AHI is the only multi-sectoral employer body in SA. My executive consists of seven specialised sections responsible for commerce, industry, mining, finance, the motor trade, pharmaceuticals, tourism and consumer co-ops Where would such diverse membership go to?

"Our inception in 1942, emanated from the economic unit of the Federasie van Afrikaanse Kultuurverenigings It was designed to help Afrikaners catch up after years of exclusion from economic opportunity This has given us an idiom of our own And that in turn put us in the vanguard in establishing contact between modern government and the private sector — especially in the period after the Carlton and Good Hope conferences," Stockenström explains

The AHI was the first organisation, he says, to make representations to then PM Hendrik Verwoerd about forming the Economic Advisory Council. Stockenström serves on it, as well as on the National Manpower Commission, Dawie de Villiers' Industrial Advisory Committee and the State Tender Board

He feels strongly that, for its "beleaguered economy" to survive internation-



Stockenstrom . . . a multi-sectoral animal

ally, SA must broaden its range of economic opportunity, and that the new constitution has taken that as far as "our society can digest at the moment."

Dismantling influx control would detonate impossible urbanisation in the absence of appropriate jobs and housing, he believes. The AHI leaves representations on relaxation of Group Areas to local authorities.

Born and brought up in Prince Albert, a Karoo town in the Swartberg foothills, "a proper Afrikaans boy from a real platteland school," Stockenström did B Comm Hons at Stellenbosch. He went on to lecture in business economics at the University of the OFS in the early Fifties, where he graduated with an M Comm *cum laude*

But from 1954 onwards, he was honorary director of the FCI's Free State and Northern Cape branch in Bloemfontein· "The Chamber couldn't afford a full-time director, but it was practically a full-time job all the same. That was my professional turning point I developed a strong interest in development and deployment of SA's economic potential, particularly the factors of management and labour."

Stockenström served as president of the OFS chamber for two years before moving to Pretoria to head the AHI in 1967 "It gave me a solid background, put me in touch with businessmen and industrialists all over the country."

That's still his job, and it's satisfaction. "I'm a multi-sectoral animal. I like to move *fast*, take quick decisions. I don't suffer fools gladly" Clearly he enjoys his authority and responsibility. In any year, he spends at least 90 days on the road, away from his wife and son at home.

"I'm hooked on the variety, the kaleidoscopic life — dealing at one moment with multinationals and the giants of industry, and the next with small platteland entrepreneurs," Stockenström says. He's had a sufficiency of interesting offers from the private sector, but he intends to stay in the saddle at the AHI until he retires

Argus 8/12/84

Mine retrenchments bring deep concern

216

By PIPPA GREEEN
Weekend Argus Reporter

NAMAQUALAND community leaders are deeply concerned about the retrenchment of 600 workers at Octha diamond mine near Oranjemund.

The isolated Richtersveld village, Kuboes, from where most of the workers come, is already depressed and the huge retrenchment has seriously affected the already poor community, according to a local clergyman.

The Rev Benny Faroe of the NG Sendingkerk, the largest church in the district, said the community depended entirely on the diamond mines for work.

"There are no other job opportunities here and the other mines cannot accommodate these people," he said.

Namex, which owned Octha diamond mine, which went into provisional liquidation on September 11, has laid off all except 88 workers, according to a National Union of Mineworkers organiser, Mr Howard Gabriels.

He said the workers had received no severance pay and had major problems obtaining unemployment benefits.

According to Mr Faroe, there is no public transport in the area, which is designated a coloured reserve, and the jobless have to hire private transport to collect their benefits at the magistrate's court in Port Nolloth, 145 kilometres away.

Mr Gabriels said workers sometimes spent more on transport than they received in benefits.

The regional welfare board for Namaqualand said the retrenchment of the diamond workers would "contribute to the chaotic conditions of the area", already hard-hit by drought and unemployment.

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FURNITURE TVL       - Page 2                                                      1985
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MINING - DIAMONDS

1985

Parliament and Politics ~~[illegible]~~ (216)

CAPE TIMES 25/4/85

Diamond area labour malpractices probe

By **EBRAHIM MOOSA**
Political Reporter

LABOUR malpractices taking place on the diamond-concession areas in Namaqualand will be fully investigated, Mr Danie Steyn, Minister of Mineral and Energy Affairs, said yesterday

He was speaking at the committee stage of the Mineral and Energy Affairs budget vote in the House of Representatives

Mr David Curry, Minister of Local Government, Housing and Agriculture, also asked Mr Steyn to ensure that the issue of mining concessions in Namaqualand be brought under the control and administration of the House of Representatives These areas consisted predominantly of coloured people

Contracts had been given to prospectors by the . now defunct Coloured Development Corporation and were now controlled by the Small Business Development Corporation

Mr Curry also called for the conditions of these contracts to be changed to ensure that mining companies ploughed some percentage of their profits back into the development of the area

Mr Steyn agreed to the proposals in principle and said that Mr Curry should take the initiative on this issue

Labour MPs from the Namaqualand region emphasized that although their constituencies provided a large amount of South Africa's wealth, the local people gained little from it.

Mining companies in the Northern Cape spent large amounts of money on their white employees while coloured employees were neglected, Mr J D Krieger (LP, Hanatam) said

Mr Les Abrahams (LP, Diamant) said that developing communities required special State aid to bring them into the mainstream of the mining industry

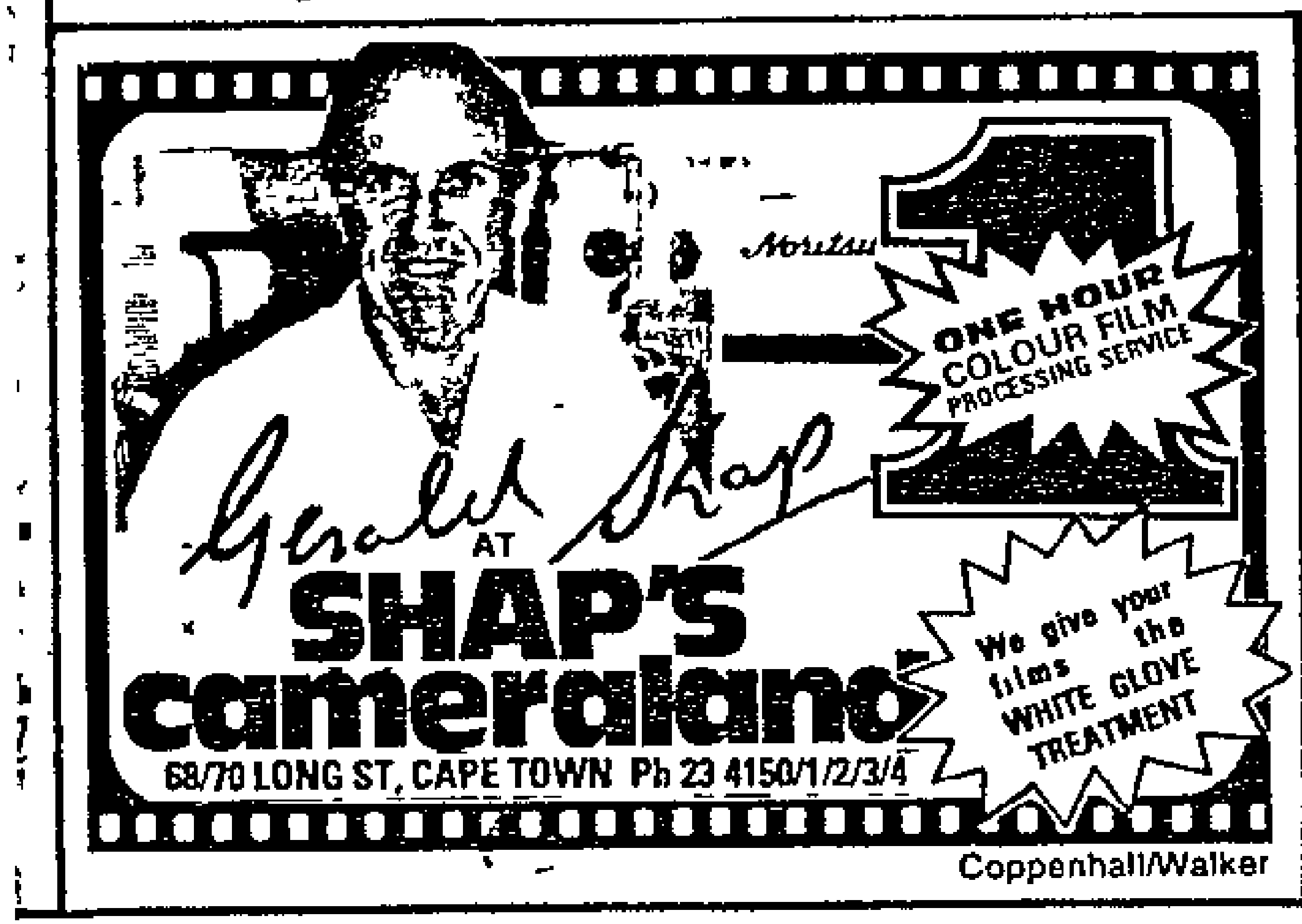
Mr A Friedberg (LP Springbok) said that operators on some diamond fields were paid an average of R100 a month

● Mr Les Abrahams also called for greater flexibility in the service station rationalization plan

Minimum standards for the benefit of consumers were necessary However, the Motor Industry Federation in its rigid application of the regulations had instructed oil companies not to supply fuel to service stations which did not comply with the requirements laid down

Coloured service station owners were affected by these regulations

Mr Steyn said the rationalization plan would be reviewed later this year



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on 4 occasions, Dorington and Fingo

(b) and (c) On all these occasions the police dispersed riotous youths who were involved in incidents of riot or public violence, arson and damaging state and private vehicles and property

(2) (a), (b) and (c) Yes, to protect life and property and to maintain law and order

(3) (a) No

(b) Yes, three

(4) No

Erasmia: liquor licences

*13 Mr J J B VAN ZYL asked the Minister of Trade and Industry †

(1) Whether his Department received any applications for the granting of liquor licences in Erasmia in 1984, if so, (a) when and (b) who were the applicants,

(2) whether any of these applications have been granted, if so, (a) how many and (b) to whom in each case?

†The DEPUTY MINISTER OF TRADE AND INDUSTRY

(1) Yes

(a) An application was submitted to the Magistrate, Pretoria on 30 May 1984 and considered at the Liquor Board's Annual Meeting for the Province of Transvaal during August 1984

(b) Mr Hendrik Graphorn

(2) No

(a) and (b) Fall away

Natalia Development Board

*14 Mr F J LE ROUX asked the Minister of Co-operation, Development and Education †

With reference to his reply to Question No 29 on 5 March 1985, how many persons are to be transferred to Pietermaritzburg from Durban as a result of the proposed establishment of the head office of the Natalia Development Board in Pietermaritzburg?

The MINISTER OF CO-OPERATION, DEVELOPMENT AND EDUCATION

When the transfer, which will take place in phases, is completed, the number will be 214 persons

Hansard Q.61.1084
16/4/85

(216)

Diamonds

*15 Mr F J LE ROUX asked the Minister of Mineral and Energy Affairs †

(a) What was the total value of the (i) uncut and (ii) cut diamonds exported from the Republic during the latest specified period of three years and (b) to which countries were these diamonds in each of the above-mentioned categories exported?

The MINISTER OF MINERAL AND ENERGY AFFAIRS (Reply laid upon the Table with leave of House)

HoA

(a) (i) and (b)

EXPORTS OF UNCUT DIAMONDS

Areas of Destination	Value in Rands		
	1982	1983	1984
Europe	544 657 495	692 505 538	589 117 788
North America	8 357 707	6 584 541	6 663 117
Far East	474 522	1 707 002	357 921
Middel East	2 574 266	1 266 536	2 309 621
Australasia	13 739	36 973	49 556
Other	1 932 349	601 977	1 289 560
TOTAL	558 010 078	702 702 567	599 787 563

(a) (ii) and (b)

EXPORTS OF POLISHED DIAMONDS

Areas of Destination	Value in Rands		
	1982	1983	1984
Europe	52 276 438	61 433 369	71 953 904
North America	46 555 294	60 069 892	126 472 956
Far East	25 319 267	34 176 607	42 630 539
Middel East	2 286 197	5 409 340	11 380 800
Australasia	514 361	245 553	209 219
Other	25 369	72 944	186 217
TOTAL	126 976 926	161 407 705	153 033 635

Statement made by South African ambassador

*16 Mr F J LE ROUX asked the Minister of Foreign Affairs †

(1) Whether he has been informed of a certain statement, particulars of which have been furnished to the Minister's Department for the purpose of his reply and which was allegedly made by a South African ambassador abroad, if so, (a) who made this statement and (b) what are the contents of the statement,

(2) whether the contents of the statement reflect (a) his official attitude and (b) the attitude of his Department, if not,

(3) whether he will make a statement on the matter?

The DEPUTY MINISTER OF EDUCATION AND CO-OPERATION (for the Minister of Foreign Affairs).

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(a) Ambassador Denis Worrall in London

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(a) Ambassador Denis Worrall in London

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EVENING POST, WEDNESDAY, MARCH 2

Post Business

Ship repair staff wary of offers

27/3/85 216 E. Post

Shipping Correspondent

THE most interesting feature of the South African marine engineering industry must surely be its unpredictability, since complexes no sooner put staff off because of absence of work when there occurs a rush of important contracts requiring instant service and appropriate expertise.

Advertisements have been appearing in the media in recent weeks for marine fitters, offering all sorts of fringe benefits But many men are mindful of the ease with which they are again declared redundant when volume of work slacks off.

Not even the most proficient market survey can correctly assess the number of *force majeur* assignments such as when the research ship Africana damages its steering mechanism in the Antarctic, or the Italian box carrier Alexandra must dismantle and rebuild its main engine after serious damage to bearings from misalignment.

And a ship bound to the Far East for demoliton which diverts to Durban for essential engine repair is another client for an industry seeking additional work.

But the rates of exchange tend to make shipowners thankful that faults occur when off the Cape coast rather than anywhere else To undergo repair in the United States, now leads to an account to European insurers which causes immediate shock, hence the relative inactivity of North American shipyards.

There is no doubt that the accelerated dredging for diamonds off the Namaqualand coast has produced more work for shore engineers in ships requiring modification and/or maintenance

Many prospectors foresee the day when waters north of the Orange River could be *verboden* for South African ships, hence the intense activity to dredge and sift the northern mouth of the Orange before the change of control.

Not only are ships being specially modified for the task, but another has just reached the Republic on charter to Johannesburg interests committed to the same operation. Coasting ships along the Namaqualand coast report the presence of a wide variety of craft sifting the seabed sand for gems

Little is ever said or written of the value of stones recovered.

While it has been said that political prejudice has kept some ships away from South African engineering expertise, there is no doubt that pure economics are inducing many owners to ignore other aspects and send their craft in.

British, Polish, Italian, Greek, Dutch and other countries have utilised Republic repair shops.

The prospect of further oil recovery from off Knysna and Mossel Bay should mean additional tenders and service craft, which in turn could use facilities at Port Elizabeth

Mossel Bay harbour is not large enough to accept any sharp increase in traffic volume, but there is no reason why this inlet halfway between Port Elizabeth and Cape Town should not become an important terminal for the gas pipeline, and depot for tenders.

It could happen that the marine engineering industry on the seaboard will see an encouraging renaissance in the next few months.

KDM 5/2/85 (216)

Leanest time since Depression feared

De Beers treads a rocky road

By NEIL BEHRMANN

LONDON. — Diamond dealers say that De Beers is facing the most trying times since the Great Depression of the 1930s.

The position could worsen if international disinflation continues for several more years

"I am very worried about the Central Selling Organisation (CSO) — the marketing arm of De Beers," a London dealer said yesterday "It is going through a very difficult period "

Dealers fear that the CSO could lose its hold over the international diamond market because demand for more profitable high-quality gems is not matching supply

For the moment, De Beers is clearly in control because it has the funds to enable it to stockpile unsaleable stones and because it is cutting production

But dealers believe these holding operations cannot continue indefinitely

This will be especially true if the downward trend in inflation continues to take the glint off quality diamonds and if the strong dollar keeps prices high outside the US

Such is the depression in demand for more expensive stones that several reputable dealers in Antwerp, the world's biggest diamond market, have failed.

Bankers in Antwerp say loan losses from diamond insolvencies could exceed several hundred million dollars

A spokesman for Antwerpse Diamant Bank says there have been about half a dozen bankruptcies in recent months About 20 to 25 diamond firms have been liquidated They are still trading under the management of creditors

The main bank creditors in Antwerp are Amro Bank, Antwerpse Diamant Bank and Algemene Bank Nederland (Belgium)

Amro, a large Amsterdam institution, has been forced to reorganise its Antwerp division. It has closed an independent subsidiary, Amro voor Belgie, and set up a branch that can be controlled directly by the head office

Amro voor Belgie operated in Antwerp for nearly 50 years.

An Amro spokesman says the new branch will continue diamond activities on a selective basis

Dealers fear the collapse of large Antwerp dealers and bank credit restrictions on others will have a bad effect on De Beers' sales.

CSO turnover dipped from $945m in the first half of last year to $668m in the second

Compared with annual turnover of more than $2bn in the boom years of 1977 to 1980, sales were $1,26bn in 1982 and about $1,6bn in 1983 and 1984.

A boom in cheap polished diamonds, produced mainly in India, has helped De Beers in the past three years

But Indian diamond sources say this boom is slackening India's Journal of the Gem Industry says that, despite the rupee's 11% fall against the dollar, exports of cut diamonds fell by 4% in the eight months to November The volume of diamond imports — purchases from De Beers — also fell

Mr Alok Kala, the editor, says the Indian diamond boom peaked at the end of 1983

Profit margins of Indian manufacturers are declining and there have been lay-offs

While demand is waning, supplies are increasing. Antwerp dealers say Soviet sales of polished gems are continuing briskly, even though De Beers has tried to persuade the Russians from dumping

The US Bureau of Mines estimates world production of gem and industrial diamonds jumped from 44-million carats in 1982 to 56-million in 1983

A large proportion of this increase was in industrial and cheap gems, produced mainly in Australia

Soviet gem production, the bureau estimates, rose from 2,1-million carats in 1982 to 3,7-million in 1983.

Other large production increases havwe occurred in Zaire, Botswana, South West Africa and the Finch and Premier mines in SA

Star

(216) ([illegible])

8/1/85

De Beers is cutting back

De Beers has retrenched five senior officials in Kimberley, reshuffled the posts of 23 and asked 13 to retire early

The retrenched officials were told yesterday that their services would be terminated on February 7

Employees fear more retrenchments in the next two months and expect the middle ranks of officials to be affected

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Cape Times 25/4/85

216

Diamonds resume rising trend — De Beers

By BRENDAN RYAN

JOHANNESBURG — Central Selling Organization (CSO) policies of stockpiling diamonds for which there is little demand are about to pay off for De Beers

That is the generally bullish message from Mr Julian Ogilvie Thompson in his first annual review as chairman of De Beers

Mr Ogilvie Thompson was appointed chairman following the retirement of Mr Harry Oppenheimer at the end of 1984

He says conditions now seem favourable for sales of rough diamonds to resume their rising trend

Mr Ogilvie Thompson says CSO policies of holding diamonds not in demand back from the market have brought about a major drop in diamond stocks held by cutting centres and the jewellery trade

"The large rise in our stocks in recent years, from $936m in 1980 to $1,95 billion in 1984 is the obverse of the reduction in the pipeline stock that our policies have brought about.

"We estimate that in those five years — in each of which, except for a small dip in 1982, retail diamond jewellery sales set a new world record — stocks in the cutting centres have fallen by nearly $5 billion or by five times as much as the rise in our own stocks.

"The low level of cutting centre stocks now prevailing is evidenced by the much more reasonable levels of bank finance outstanding

"Stocks in the hands of jewellery manufacturers and retailers have likewise fallen significantly.

"Hence if the world economy continues to grow — and one hopes it may soon do so at a more balanced rate overall — the stage is set for sales of rough diamonds to resume their rising trend," he says.

Mr Ogilvie Thompson says there was a welcome indication of interest in a wider range of diamonds at the first three sights held this year by the Central Selling Organization (CSO).

"Sales of the larger sizes increased," he says.

However, he comments total sales were affected by the decision of the Indian trade not to import rough diamonds over a period that included the February sight as a result of fiscal problems between the trade and the authorities in Bombay.

"It remains to be seen whether the sales lost by the CSO as a result of this action will be recouped in the remainder of the year."

Retail sales of diamond jewellery in the United States economy increased in value terms by 19 percent in 1984, while there were small increases in terms of local currencies in countries other than the United States.

"Overall more consumers acquired diamond jewellery than ever before and the increase in retail sales world-wide came to approximately six percent in dollars

"It follows that sales of diamonds in jewellery once again substantially exceeded the corresponding value of rough diamonds sold to the cutting centres," Mr Ogilvie Thompson says.

Turning to prospecting, he says De Beers has signed an agreement with the holders of two diamond concessions to the north of those already held by De Beers off the West Coast of South Africa

De Beers Marine will prospect all four lease areas and have the right to a 62 percent interest in any mining operation set up within the areas. De Beers will fund 62 percent of the overall exploration costs

De Beers holds deep water concessions 4C and 5C. The two deep water concessions now tied up are 2C, which is held by BP Minerals and 3C which is held by African Selection Trust Exploration

Mr Ogilvie Thompson indicates the potential Venetia diamond mine in the northern Transvaal is still on the back-burner.

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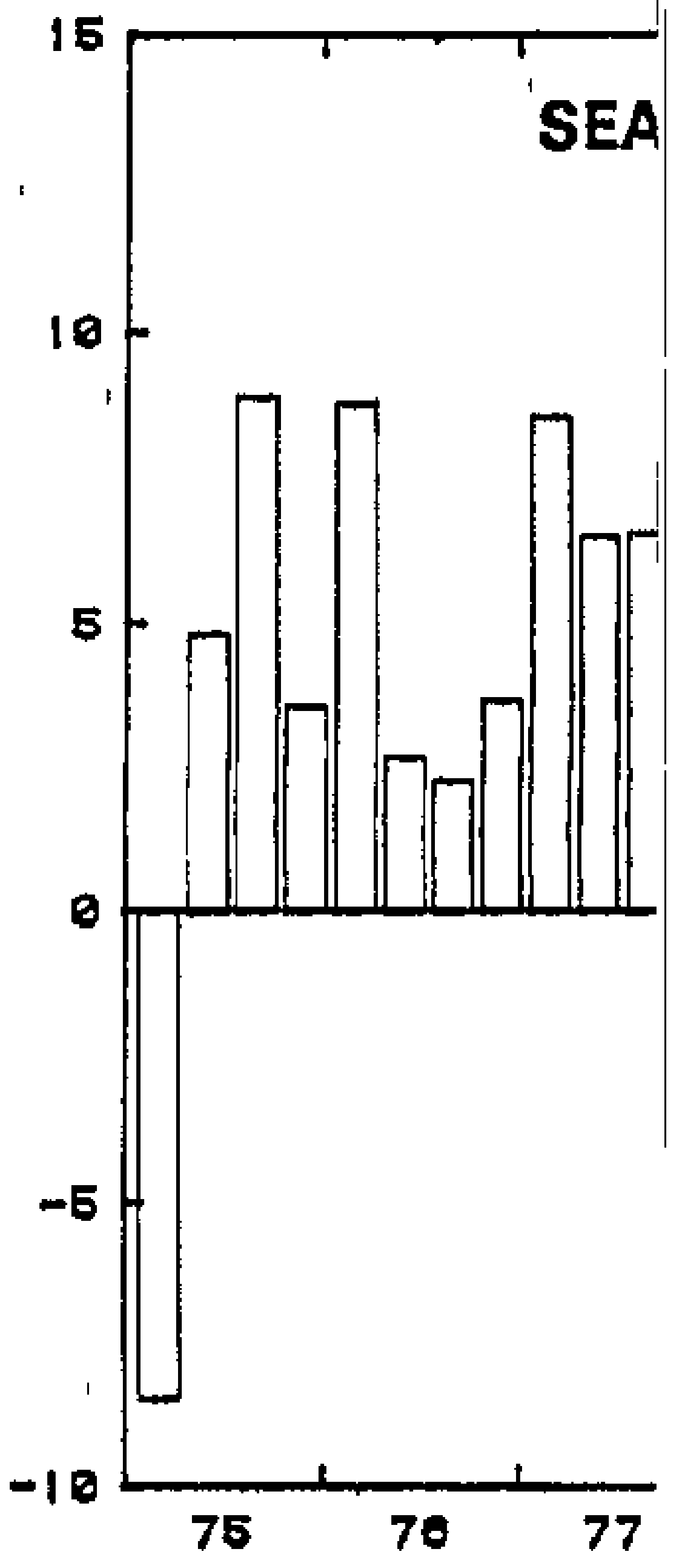

Business Report

THURSDAY, APRIL 25, 1985

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25/4/85

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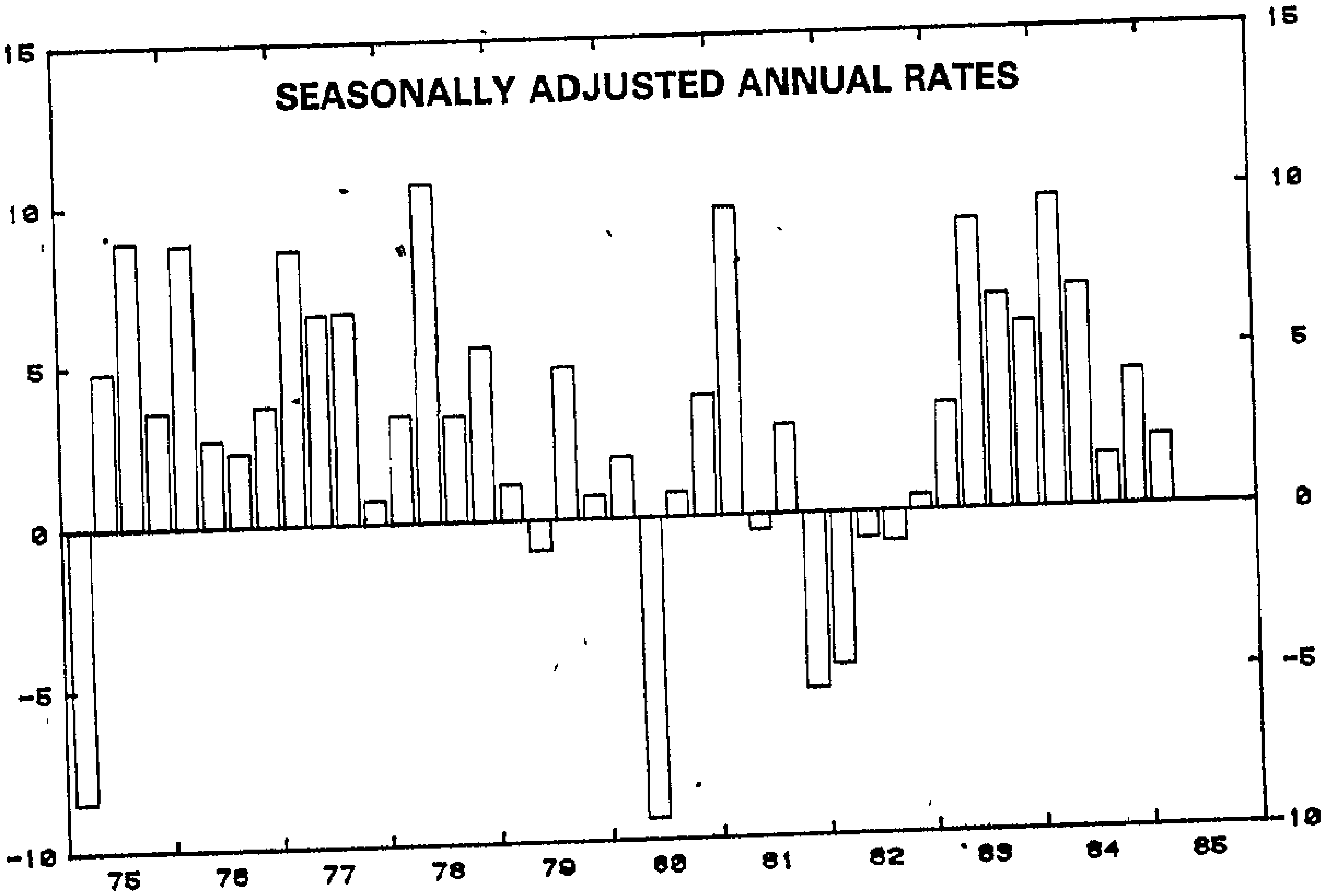
USA REAL GNP GROWTH



(c) Prof R F Fuggle (Chairman)
Dr D Hey
Dr A E F Heydorn
Prof W R Siegfried
Mr N Viljoen

(2) Falls away

(3) No (a) (b), (c)(i) and (ii) Fall away

(4) No

Maj R SIVE: Mr Speaker, arising from the reply of the hon the Minister, can he give the House the assurance that no missile tests will be allowed to start until such time as the whole environmental aspect has been properly investigated?

The MINISTER: Mr Speaker, I have nothing further to add

(216) Hansard Q. Col 1407 7/5/85

Diamonds

*9 Mr F J LE ROUX asked the Minister of Mineral and Energy Affairs †

With reference to his reply to Question No 15 on 16 April 1985, what was the total value of the (i) uncut and (ii) cut diamonds exported from the Republic to Israel during the latest specified period of three years?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS

	1982	1983	1984
(i)	R2 574 266	R1 266 536	R2 309 621
(ii)	R2 268 131	R5 395 046	R11 328 892

Small Claims Courts Act

*10 Mr D J DALLING asked the Minister of Justice

(1) Whether a committee has been established to report on the implementation of the Small Claims Courts Act, No 61 of 1984, if so, (a) when, (b) what are the names of the members serving on this committee and (c) what is the name of the committee,

(2) whether this committee has made any progress in its work, if so, what progress, if not, why not,

(3) whether pilot courts will be established in certain cities, if so (a) in what cities and (b) when in each case,

(4) whether there has been any delay in implementing the said Act, if so, what are the causes of the delay?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS (for the Minister of Justice)

(1) Yes

(a) 1 March 1985

(b) The chairman is Adv J J Nöthling. The other members are as follows Mr L S van Zyl, Adv I W B de Villiers SC, Prof F J Bosman, Prof D W Morkel, Mr A M Brokensha, Prof J T Delport, Mr O A de Meyer and Mr S W van der Merwe

(c) Implementing Committee Small Claims Courts

(2) Yes The committee is at present busy to finalize its report Extension of time has been granted to the committee to deliver its report not later than 15 May 1985

(3) A decision will be taken as soon as the committee's report has been received and studied

(4) Yes The hon member's attention is directed to my press statement on 1 March 1985

Three Arts Theatre

*11 Mr D J DALLING asked the Minister of Constitutional Development and Planning

(1) Whether, with reference to his reply to Question No 8 on 23 April 1985, he will furnish the House with the reasons for the refusal of the application to open the Three Arts Theatre to members of all race groups, if so, what were the reasons for the refusal, if not, why not,

(2) what criteria apply in considering applications of this nature?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) No, I have complied with the provisions of the Group Areas Act, 1966

(2) In considering applications the criteria, as laid down in the Group Areas Act, 1966, apply, namely, that a permit be issued only if the refusal of the permit could cause hardship or that the issue of the permit would be in the interest of the qualified group

Q. Col 1409

Hansard 7/5/85

Telephone tapping

*12 The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Law and Order

Whether, with reference to his reply to Question No 7 on 16 April 1985, (a) he or (b) any member of the Security Branch of the South African Police has authorized the tapping of any telephones in terms of section 118A of the Post Office Act, No 44 of 1958, since the insertion of this provision in the principal Act by the Post Office Amendment Act, No 101 of 1972, if so, (i) on how many occasions, (ii) what was the rank of the person who authorized the tapping in each case and (iii) in respect of what dates is this information furnished?

†The DEPUTY MINISTER OF LAW AND ORDER

(a) and (b) No

(i), (ii) and (iii) Fall away

Hansard

Revision of school textbooks

Q. Col 1410 7/5/85

*13 Mr R M BURROWS asked the Minister of Co-operation, Development and Education

(1) Whether his Department has initiated steps to revise school textbooks in the light of changing political and social conditions in South Africa, if not, why not, if so, which aspects of textbooks will be revised,

(2) whether any of these textbooks contain group descriptions which may be considered to be unacceptable to the pupils concerned, if so,

(3) whether such group descriptions will be removed, if not, why not,

(4) whether his Department has taken note of the suggestions for revision of textbooks made in a certain publication, the name of which has been furnished to the Minister's Department for the purpose of his reply, if not, why not,

(5) whether he will furnish the name of this publication, if so (a) what is the title and (b) who is the author,

(6) whether he will make a statement on the matter?

The DEPUTY MINISTER OF EDUCATION AND OF CO-OPERATION

(1) No As the Department selects all textbooks through its system of Subject Committees according to fixed criteria The Department does not revise textbooks as they are revised by authors and publishers when syllabi change Books are only revised when there is a change in syllabus Core syllabuses are prescribed by the Committee for Heads of Education and the Joint Matriculation Board

(2) No

(3) Falls away

(c) Prof R F Fuggle (Chairman)
Dr D Hey
Dr A E F Heydorn
Prof W R Siegfried
Mr N Viljoen

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(3) Falls away

Business Day/MINING

216 [illegible] RD 26/4/85

Debswana production rises

By BRENDAN RYAN

BOTSWANA's growing importance in the international diamond industry is underlined by the production figures for 1984 contained in the De Beers annual report

Production from De Beers Botswana (Debswana) mines rose to 12,9-million carats in 1984 from 10,7-million carats in 1983

This was equal to 55% of the total output from De Beers Southern African mines of 23,336-million carats for 1984

Botswana's contribution for 1983 was equal to 50,2% of the group's total production for that year of 21,349-million carats

The main reason for the boost was increased output from higher tonnage throughput and a sharply higher grade at the Jwaneng mine

Jwaneng increased the throughput of material treated to 5-million tons (1983 — 4,817-million tons) and grade jumped to 149,02 carats/100 tons (121,51 carats/100 tons)

Jwaneng's diamond production rose to 7,451-million carats from the previous year's 5,852-million carats

Output from Botswana's other two mines, Orapa and Letlhakane, also increased

Orapa produced 4,705-million carats (4,334-million carats) Letlhakane produced 757 054 carats (543 522 carats)

Production from all De Beers other mines was largely unchanged, with small increases or drops recorded

CDM went after higher grade material in 1984 The mine's grade rose to 12,32 carats/100 tons (10,04 carats/100 tons)

This meant diamond production fell only slightly to 930 183 carats (962 752 carats) despite a 21% fall in material treated to 7,55-million tons (9,59-million tons)

Output from the Kimberley division was 6,034-million carats (6,127-million carats) Output from the Namaqualand mines rose marginally to 908 617 carats (883 260 carats)

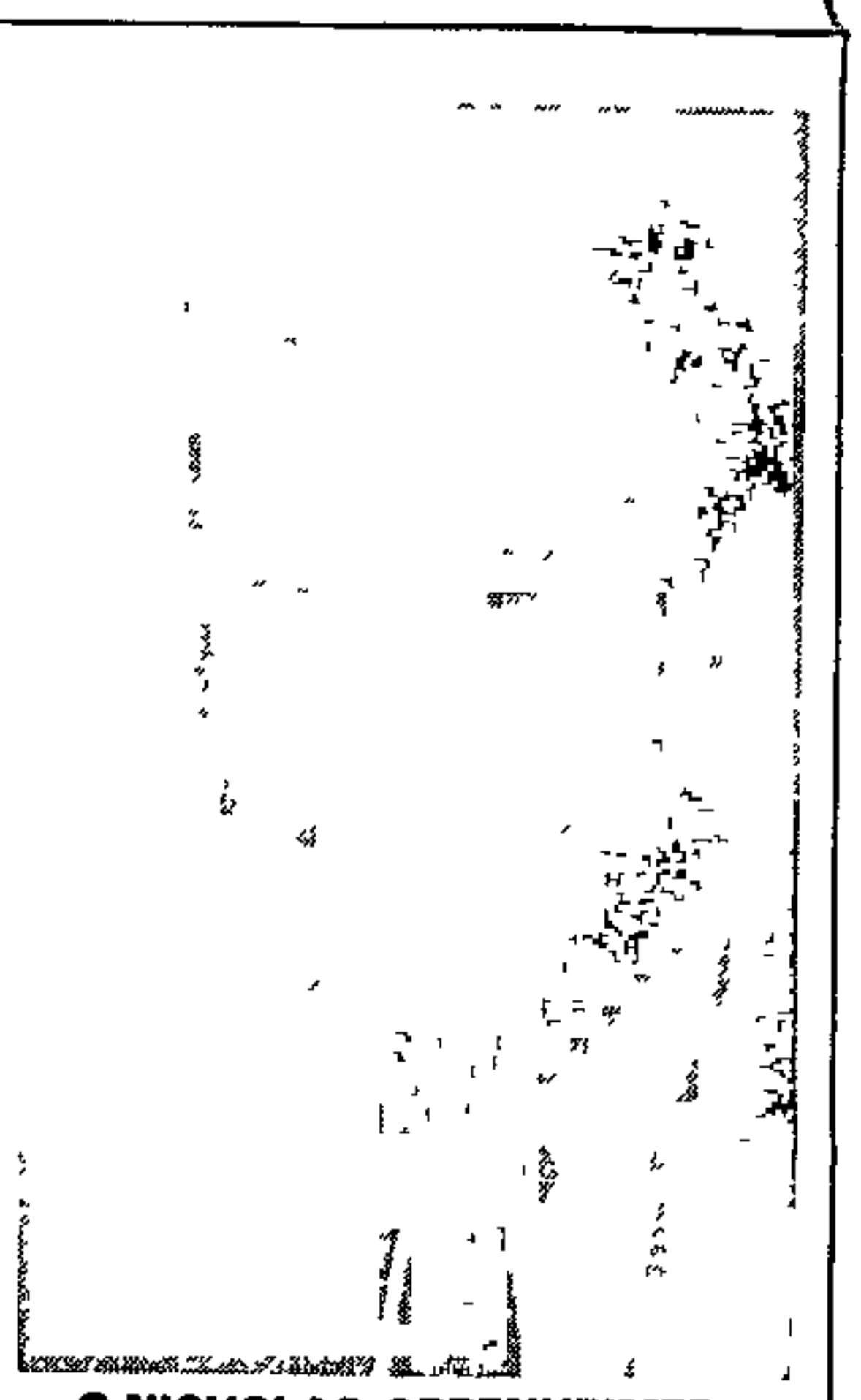
Production from the Premier mine, near Pretoria, dipped to 2,550-million carats (2,644-million carats)

The Koffiefontein mine in the northern Cape remained closed in 1984 as did the Annex Kleinzee plant in the Namaqualand mines division

10/5/85

Nicky is set to sparkle as king of diamonds

NEIL BEHRMANN in London



● NICHOLAS OPPENHEIMER

IT WAS during the Great Depression that Sir Earnest Oppenheimer formed De Beers' marketing monopoly, the Central Selling Organisation (CSO), to combat an international diamond slump.

The CSO, an ingenious cartel, was set up to control the supply and sale of rough diamonds produced the world over. Its formation was urgent.

The new diamond discoveries in the Western Transvaal and Namaqualand threatened to swamp the market from the late Twenties onwards

Demand collapsed in the wake of the 1929 Great Crash and the inevitable result was soaring stocks and tumbling diamond prices.

Just over 50 years after its birth, Sir Earnest's grandson — Nicholas Frank Oppenheimer — has become chairman of the London-based CSO. History is virtually repeating itself

Nicholas succeeded his uncle, Sir Phillip Oppenheimer, last month in the most trying circumstances since the slump in the Thirties.

Demand for quality stones is damp Sales are flat, world production is high and is increasing, stocks of the CSO and producers are rising, prices of some polished diamonds are falling and Antwerp, the world's leading diamond centre, is encountering a credit squeeze and bankruptcies.

Mr Oppenheimer is inheriting conditions beyond his control. The diamond market is suffering from the aftermath of a boom which pushed prices to record heights

Continual disinflation, high real interest rates and a very high and overvalued dollar — which makes prices even more expensive in other currencies — are stifling sales.

Diamond dealers believe that Oppenheimer the younger — with his modest, relaxed, informal and open personality — is the ideal man to head the CSO.

"We are putting a lot of hope in Nicky's personality; he is a very fine man, very positive," says Alfred Lachowsky, chairman of the Antwerp Diamond High Council

"He understands the problems, is approachable, listens carefully and is open to discussion."

But Mr Oppenheimer will be more than just a public relations link between producers and dealers

"He is very quiet, not forceful, but don't underestimate him," says Jack Lunzer, chairman of the Industrial Diamond Company, an independent London manufacturer, agent and dealer of industrial and gem stones.

"He sees all, assimilates all and gives very little away, he will make himself felt"

Adds Mr Lunzer, who a few years ago cocked a snook and temporarily snatched Zaire, an important sales contract, away from the CSO "Nicky is straight as a die, down to earth, not aloof and a wonderful mixer"

Mr Oppenheimer, who is an Oxford graduate in politics, philosophy and economics, deputy chairman of De Beers and is on the board of 70 other companies, finds that of all the jobs in the Anglo American empire he finds the diamond business the most enjoyable

"It is a fascinating, lovely business where you deal with individuals on a very personal basis People come and buy millions of dollars per sight you talk to the uncles and aunts, fathers and sons and deal with them, you don't have lawyers, there are so many attractions"

As a relative newcomer to the CSO, the 39-year-old heir to the Anglo and De Beers throne is encountering a power and bureacratic structure headed by Monty Charles, an elegant man in his 60s.

Mr Charles began life at De Beers in 1938 as a sorter, and as a British army officer was a PoW of the Japanese.

Dealers criticised Mr Charles and other key CSO executives, for being to "distant, snooty and inflexible" in the Sixties and Seventies They also say that Sir Phillip "lived in an ivory tower".

But dealers say that, even ahead of Nicholas Oppenheimer's arrival, Messrs Charles and fellow executive Teddy Dawe were more accessible and friendly

Mr Michael Grantham, the sales director appointed in recent years, also helped ease relations between the CSO and the trade "Poor business encourages people to talk, they tend to come closer togethor in tough times," says a diamond trader

Regardless of any power play, diamond traders and De Beers sources believe that Nicholas will assimilate and take over the reins

Messrs Charles and Dawe are entering retirement age and Nicholas will wield the ultimate power

Mr Oppenheimer says his tenure in London will be at least five years, but he is reluctant to discuss his longer term plans

"Nicky is a man of his time; he is orientated to the needs and traumas of dealers, the CSO's consumers," says Jacques Zucker, an Antwerp diamond dealer

"He adds the human touch; he calls and arranges meetings with us, his door is always open"

Dealers say that Mr Oppenheimer already has key responsibilities Besides actively liaising between the diamond cutting centres and the CSO, he is involved with producers.

The growing stockpile a pain for producers

Neil Behrmann warns that a crunch could come when the CSO negotiate new, long-term contracts

NICHOLAS OPPENHEIMER will be balancing on a thin tightrope to keep the CSO's hold on the market The main problem is the high diamond stockpile, not only in the hands of the CSO but with producers as well

African producer members of the CSO will guard their production jealously and will want to sell a greater proportion of their output on the market. Especially since the Australian Argyle mine has a favourable deal with De Beers and production will soon be coming on full stream.

Diplomacy and nifty footwork will be key tactics. The CSO will have to persuade African producers that it is in their best interests to abide by the rules Both Australian and African producers do not have the experience of the deep diamond depression of the Thirties. The international economic situation is beyond the CSO's control. Producers, dealers and the CSO urgently require a falling dollar and a bout of accelerating inflation to offload diamonds from an extensive and growing stockpile

The crunch may come this year when the CSO negotiate new, long-term contracts with producers Then there is the financial crisis at the Antwerp diamond market.

Dealers in Antwerp are suffering from stringent credit controls from banks which were only too anxious to lend them money when the diamond market was booming. Now that the value of diamond collateral has fallen, the banks are withdrawing credit. Leading firms have fallen and solid traders are restricted from buying more diamonds because bank loans are unavailable.

All the CSO's fingers are in the dyke, but unless demand improves at the centres leaks could appear.

The intricacies of the CSO must be understood to understand how the CSO has so far managed to succeed where other cartels — notably Opec — have failed

The CSO — or "Syndicate" to the diamond trade — is a sponge which absorbs diamonds in bad times and disgorges them when the market is ready It is an unbrella for several companies which markets 80% of the world's diamond production by intricately controlling supply and distribution It is virtually the same animal which Sir Earnest established half a century ago.

Diamonds from South Africa and South West Africa are sold to the CSO through the Diamond Producers' Association Other producers which market their diamonds through the CSO sell their output under long-term contracts with De Beers' wholly owned subsidiary, the Diamond Corporation (Proprietary) Ltd, or its subsidiaries and related companies. Through associated companies the CSO also buys diamonds offered on the open markets in Africa and elsewhere

During poor market conditions, as are now apparent, the CSO supports rough prices by selling less diamonds to the cutting centres It stockpiles unsaleable diamonds, awaiting better times It controls supplies through a rigorous quota system, so that when the market is bad producer members of the cartel can only sell a proportion of their output If they cannot cut production the share which is not accepted by the CSO must be stockpiled

Mr Oppenheimer has "the feeling" that the CSO's operations during the past few years are working He believes that the diamond market is close to equilibrium and supply and demand are almost in balance

Retail diamond jewellery sales reached new peaks last year, he says. Even though most diamonds in jewellery pieces are small, there "appears to be a widening of demand" into larger, better quality stones

Stocks at the cutting centres and retail end have fallen dramatically. "This can only go on for so long," says Mr Oppenheimer. He and De Beers chairman, Julian Ogilvie Thompson, believe improving retail demand must ultimately flow through the pipeline to the CSO. Cutters and dealers with low stocks will have to buy diamonds and CSO sales will begin to improve

Mr Oppenheimer contends that De Beers is in "much firmer control" of the market. But he concedes that CSO sales are "satisfactory" rather than "wonderful" He says he is unperturbed because he would like to see a stable market

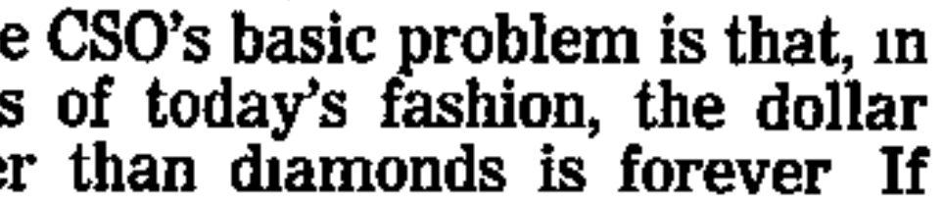
Many dealers and analysts are concerned about De Beers stockpile, which has risen from $936-million in 1980 to $1 950-million in 1984. But Mr Oppenheimer papers over these worries He says the stockpile "in our hands" is growing, but not substantially. He admits, however, that stocks are growing at the mines as well Mr Oppenheimer is not unduly worried about De Beers' higher borrowings, because the asset backing of the company's investments gives it plenty of leeway to borrow more

Diamond sources believe that De Beers has not spelt out the extent of the stockpile problem They say that the stockpile only includes diamonds which are exported to the CSO. De Beers has allowed producers, such as Botswana, to raise production but since they have small sales quotas with the CSO, their diamond stocks are piling up.

Dealers say, for example, that Botswana only has a quota of 30% to 35% and production of Debswana, the joint venture between De Beers and the Botswana Government, rose by 2,1-million carats to 12,9-million carats last year The De Beers annual report says that five-year contracts with producer members were renewed in January 1981 So new contracts will come into being early next year The question· will producers accept low quotas?

The crux of the Eighties diamond recession is that the combined CSO and producer diamond inventories are growing and there are more than sufficient stocks to supply the market for several years.

Antwerp dealers are also concerned about large-scale Russian selling. Last year, Antwerp's imports of Russian polished stones soared 96% to 509 000 carats, worth $285-million This is a quarter of Antwerp's polished diamond imports and Russian sales were running at 50 000 carats a month earlier this year.



Mr Oppenheimer believes that the Soviet Union is sensible and hopes that the sales won't be a problem this year He would not comment on what dealers believe. that there will soon be an arrangement between the CSO and the Russians

The CSO's basic problem is that, in terms of today's fashion, the dollar rather than diamonds is forever If the dollar falls, sales should rise and the stockpile should fall Until the dollar falls substantially below today's high levels, say dealers, they are "caught by a pincer movement".

The rough prices from the CSO remain high because the cartel cannot cut prices, yet polished diamond prices are falling "We and De Beers have to pray for economic recovery, a cheaper dollar and, above all, accelerating inflation," says a dealer "Otherwise diamond boom times will be a long time in coming" But he says that De Beers in the past has had a remarkable knack of surviving.

Coughing up for 'designer' cigarettes . . .

RALEIGH, NORTH CAROLINA — Five years ago, smokers could count on paying roughly the same price for cigarettes whether they were Marlboro men, Virginia Slims women or fans of any other brand.

But more varied pricing is the newest tactic in the war to win smokers, and its use is sending ripples of change through an industry that once depended on images and tobacco blends to distinguish its products.

"You're finally seeing a segmented market in cigarettes," said Ray Burry, a tobacco company analyst for Kidder, Peabody and Co in New York "It's an important trend that you see in most industries as they mature Actually, it's something you would have expected in the cigarette industry a long time ago."

Liggett & Myers was first to try a price variation when it introduced low-cost generic cigarettes in 1980. Its success prompted a flood of entries on the generic market from other companies.

Now two companies are considering a bolder move — higher-priced brands they hope will tempt smokers with snazzy packaging and status appeal. Industry analysts say their move is risky, because domestic companies have yet to make a mark with luxury brands

"I think it's a good move, and we'll have a whole new price segment if they succeed," Burry said.

Brown & Williamson is testing St James Court and R J Reynolds will soon begin trial marketing of Ritz.

Ritz will feature fancy packaging embossed with the logo of fashion designer Yves St Laurent, a plus that Reynolds hopes will appeal to the style-conscious female smoker "We've said we were going to look for more niches in the market place and try to fill those niches with products," said Reynolds spokesperson Betsy Annese. "There definitely was an opening in the luxury area"

The St Laurent collaboration came after the designer's name kept cropping up in Reynolds' market research St Laurent picked the package design for Ritz and his fashions will be used in advertisements

If the premium brands are successful, the range of cigarette prices will be nearly complete, with the only real gap between the premiums and standard-priced brands like Winston and Salem, Burry said

"You still wouldn't have a price break between the Oldsmobile and the Chevrolet," Burry said "Otherwise, you'd have about all the segments you could handle."

Generics have been the most successful of the variations Since piloting the generic cigarette in 1980, L&M's market share has grown from 5,8% to 12,3% More than 70% of the company's sales last year were its generics, marketed in more than 170 labels and packaging variations.

But L&M officials say generics didn't catch on immediately. "There was a real concern on the part of consumers that they get a quality product," said L&M spokeswoman Carol Jova.

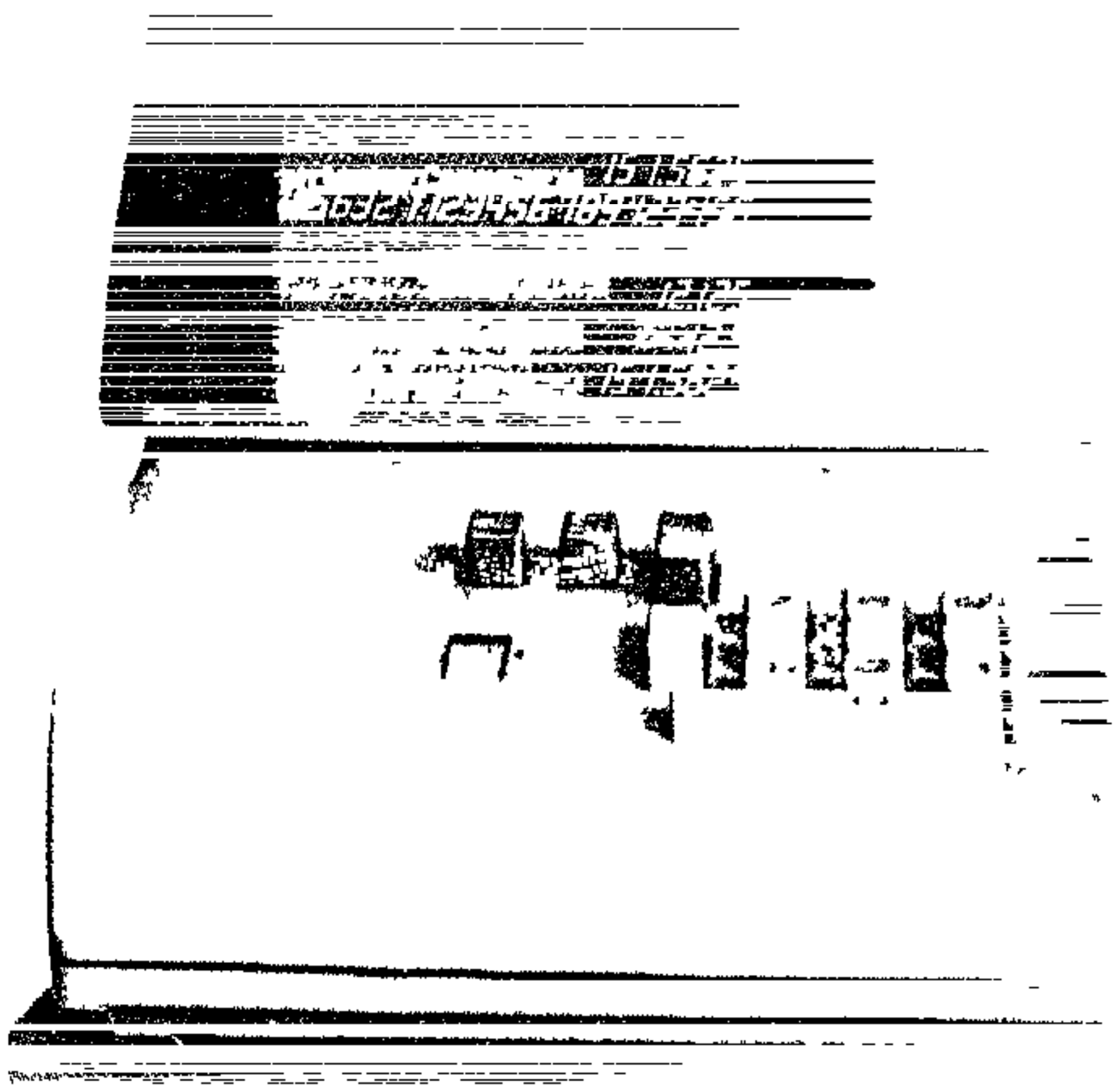
"I think a lot of people bought them one time out of curiosity, found they had gotten good quality at a low price and kept buying"

Poor economic times and increase of the cigarette excise tax from 8c to 16c a pack in 1983 combined to spark a boom in the generics market, but Jova said L&M still feels there is room for growth

Other companies disagree. "We think that market has pretty much stabilised," said Annese

Reynolds introduced Doral to compete with generics but plans no other low-priced brands.

Despite all the pricing and packaging variations, industry analysts say there is still a place for the regular mid-priced cigarette — at the head of the pack The traditional brands account for 90% of all cigarette sales, and experts say that's not likely to change — UPI



A SIMPLE LES
FOR ANYC
ADVERTIS

1965 Calculator – Over R2 000,

In the beginning there was the calculator.

It was a new idea. It had never been advertised. And it cost a fortune.

Then the people who sold calculators started to advertise them. That was hardly a new idea. But it, too cost a fortune.

Now, you might think all that expensive advertising would drive the price of a calculator to incalculable heights.

But no. What happened was exactly the opposite.

It doesn't make sense. How can something as costly as advertising end up saving you money?

It's really quite simple. Advertisin spreads news. When it spread the new of the calculator, people started to buy.

BUSINESS DAY, Monday, August 5 1985 9

216

Costly diamonds back in favour

ROY BENNETTS

DIAMOND prices have jumped recently on international markets, with the top-grade stones gaining favour as an excellent liquid asset for the investor.

The top-quality Solitaire is in demand once again, having been replaced in recent years by the lower-grade cluster diamond jewellery.

One market analyst warns that the move to high-priced single stone investment could be risky, as the value of a diamond is determined by taste as well as a complex scale of grades.

Top of the heap is still the one-carat flawless white D, but it is not unknown for a good "fancy" (coloured stone) to be changed to resemble a "white".

Quality diamonds are believed to make up 90% of the value of De Beers' stockpile, but they represent only 12% of the total amount of stones.

This implies that there are some very-high quality stones which could be released onto the cutting markets in Israel, Amsterdam, London and India.

Value of this stock is expected to show a 39% increase when the De Beers report is released in the next two weeks.

The first CSO diamond "sighting" this year realised a significant $837m (R1 676m), a 25% improvement compared to the latter half of 1984.

This figure is expected to exceed $900m (R1 802m) in the second sighting of this year.

Stockbrokers Warburg, Rowe & Pitman, Akroyd (Rowak) estimate rough diamond sales for the full year at $1 750m (R3 450m).

Threat of a Russian dumping of polished stones — at prices below the De Beers rough-stone mark — still hangs over the CSO, regardless of an agreement reached this year between De Beers and the Soviets.

Past experience has shown the Russians are prone to forget any agreement if they require foreign currency.

Red diamond threat fades

716

B Day

22/7/85

ROY BENNETTS

THE diminished threat of Russia dumping polished diamonds on the market and signs of an improvement in the sale of larger stones is seen by brokers, Warburg, Rowe & Pitman, Akroyd (Rowak) as reason to recommend buying De Beers shares

The recommendation takes into account the temporary fall in demand from India earlier in the current year, when authorities were investigating the local cutting industry

Rough diamond sales in the first half of 1985 totalled $837m (R1 676m), 25% better than in the second half of 1984 but still 11% lower than in the first half In rand terms, sales were 49% and 42% higher respectively due to the sharp fall in the rand

Rowak see these results as encouraging and believe there will be further improvements. The firm feels the market is becoming accustomed to the higher dollar price of the stones but cutters' stocks are falling.

For the full year, Rowak estimate sales of about $1 750m (R3 450m), and expects an increase in De Beers' earnings to 220c a share for 1985.

In view of the high discount on net assets, the better outlook for diamond sales and probable dividend increase, Rowak recommends a purchase of this stock

Estimates by Rowak for the year to end December 1985, compared to 1984, show a 39% increase in diamonds stocks to R800m and a 21% increase in income.

Pre-tax profits are estimated to gain 25%, with tax and minorities and pref dividends leaving a figure of R790m as attributable to De Beers.

Earning a share, excluding associates, is estimated at 122c and with associates 220c. The dividend is expected to rise 25% to 50c a share.

(216) B. Day 15/7/85

Better sales and weaker dollar renew diamonds' glitter

De Beers regains its sparkle

By NEIL BEHRMANN

LONDON — Improved diamond sales and a weakening dollar are making De Beers a favourite again.

S G Warburg, Rowe & Pitman, Akroyd, the Anglo group's brokers, recommend buying De Beers because of "the better outlook for diamond sales, the high discount to net assets and the probability of a dividend increase".

Rough diamond sales of De Beers' marketing arm, the Central Selling Organisation, rose by $837m in the first half of the year This is 25% better than the second half of 1984, but 11% lower than the first half.

RAND WEAKNESS

In rand terms, however, sales were 49% better than the six months to December because of the weakness of the rand

Rowe & Pitman is encouraged by the sales trend, especially since Indian diamond dealers temporarily boycotted De Beers *sights*, or sales, earlier this year.

Rowe & Pitman say stocks at the cutting centres are still falling

A report in the *Mining Annual Review*, which tends to be written by De Beers' staffers, backs this view, saying "During the last five years diamond stocks in the cutting centres have fallen by nearly $5bn, five times as much as the rise in (De Beers') stock Inventories in the hands of jewellery manufacturers and retailers have likewise fallen significantly"

Rowe & Pitman predict sales will reach $1,75bn (R3,45bn) this year

They expect an increase in earnings, excluding associate companies, from 92,4c to 122c and, including associates, from 188,4c to 220c.

They expect the dividend to rise from 40c a share to 50c

Brokers Laing & Cruikshank contend De Beers might become fashionable again The low rand rate "virtually ensures major earnings growth this year", they say.

"While the recovery in the diamond market is not convincing, the run-down in cutting centre stocks may be close to the stage where even modest gains in retail demand for diamond jewellery will have a disproportionate impact on the cutting centres."

This would indicate better *sights*.

"As with the gold mines, the rand value of De Beers' sales set a new record last year While the gold mines were able to capitalise on these trends, De Beers was hampered by the continued increase in the stockpile and — even more — the distortions of financing abroad this dollar-denominated asset

"Given the remarkable stability of the rand since last January, we do not expect the currency factor to have the same impact on the balance sheet this year; but there should still be a benefit to the profit and loss account"

"This is why we are forecasting an increase in earnings (including associates) from 188c to 307c."

Laing & Cruikshank say the main imponderables are the pending influx of diamonds from Argyle in Australia, and when the stockpile will be run down.

OUTPUT RAISED

A *Mining Journal* report, for example, shows that world diamond production has increased from 45,53-million carats in 1981 to 63,87-million carats last year.

Most of these stones are industrial but Botswana, which has a large proportion of gem diamonds, raised output from 4,96-million to 12-million carats

De Beers' 24,2% investment in Anglo, 10,1% stake in Minorco and 3,35% interest in Amic amount to about 965c a share. With other investments, net asset value — excluding the huge diamond stockpile of R3,6bn, or 1 041c a share — the non-diamond portfolio is worth 1 160c a share, compared with the market price of 1 045c.

276

25/6/85

De Beers 'quota shortened mine life'

WINDHOEK — Consolidated Diamond Mines over-mined at Oranjemund in SWA/Namibia to meet the quota demands of De Beers, South Africa, a former CDM official, Mr Gordon Brown, said yesterday

Mr Brown was giving evidence to the Thirion Commission of Inquiry into the misapplication of State funds and resources by the central and second-tier authorities in SWA/Namibia

The commissioner Mr Justice P W Thirion of Natal, began hearing evidence on the territory's Diamond Board and related issues before presenting a final report to the government.

Mr Brown said he had been employed by the CDM mine for 17 years and had once been technical assistant to the general manager

He alleged CDM had over-mined in respect of stone sizes and the quality of the diamonds

Economic basis

Over-mining could shorten the life of the mine because high-grade ore had to be exploited together with low-grade ore to maintain the economic basis of the mine

Mr Brown said production in 1963 was about three times higher than in the previous years and that over-mining had been introduced at that stage

The usual production of CDM was nearly 103 000 carats a month, but De Beers required 125 000 carats monthly

Over-mining at Oranjemund had shortened the life of the diamond diggings by 13 years

He had raised the issue with the SWA/Namibian Administrator-General, Dr Willie van Niekerk, and had been told the matter was being referred to the South African cabinet. He had not heard anything further — Sapa

Argus 21/6/85

BUSINESS TODAY 2/6

Zaire diamonds may slip through De Beers' fingers

Argus Foreign Service

LONDON - De Beers' Central Selling Organisation, which markets more than 80 percent of the world's rough diamond output, may face a second severance in relations with Zaire, probably the world's biggest producer

Negotiations have failed to produce a renewal of the contract between the two, which expired three months ago, reports George Milling-Stanley in the Financial Times

Zaire previously decided to market its stones independently of the London-based CSO and its South African parent, De Beers Consolidated Mines, in May 1981

That caused a serious blow to the CSO's pride, says Milling-Stanley, and aroused fears that other diamond producers in Africa, already uneasy about the closeness of their relationship with a South African group, might be tempted to follow suit.

AD HOC BASIS

In the event, none did, and Zaire returned to the CSO a little under two years later, as a result of pressure from De Beers and the World Bank, and falling revenue from sales to the independents as the downturn in the market intensified

At present, the CSO is continuing to handle Zairean diamonds on an ad hoc basis

There is, however, much speculation surrounding the latest batch of diamonds representing a month's production from the big Mba mine

Belgian interests are known to be eager to re-establish their traditional footing in Zaire's economy, and there have been suggestions recently that the whole of last month's diamond output was sold outside the CSO

Although probably the largest producer in the world by volume, Zaire's importance in the diamond business is lessened because the bulk of its output consists of the lower-value industrial material, with comparatively few gems

Mine security is lax and many of the better stones are smuggled out of the country.

Milling-Stanley says the consequences of a renewal of the struggle between the CSO and one of its leading suppliers would much more serious than the first breach.

"Antagonism towards South Africa is running much higher among the neighbouring black states than was the case four years ago, owing to a combination of the recent unrest in the country, the armed incursion into Botswana and the installation of a South African-sponsored interim government in SWA/Namibia

LARGEST MARKET

"This can only intensify the pressure which will be brought to bear on the other diamond-producing countries, Botswana, Angola and Tanzania, to sever their connections with South Africa"

But a second withdrawal by Zaire would not be the worst thing that could happen to the CSO

"That, without any argument, would be another downturn in economic activity in the industrialised world, especially the US, which is by far the largest market for diamond jewellery."

In any event, he adds, Zaire could probably be persuaded to toe the line again fairly rapidly

"With diamond stocks as high as they are,and the large Australian production of mainly industrial stones imminent, the CSO would have no trouble in adjusting the flow to the market so that Zaire quickly suffered the financial consequences of any further disloyalty."

De Beers' prestige on the line

CSO runs into trouble over Zaire contract

(216)

21/6/88 B Day)

By NEIL BEHRMANN

LONDON — The Central Selling Organisation, De Beers' London-based marketing arm, is having problems renegotiating a large sales agreement with Zaire estimated to be around $50m.

An agreement is crucial for the CSO's prestige because the cartel must demonstrate that it is well in control of most of the world's output Any breakdown in talks could hamper negotiations with Botswana, Angola and Tanzania when their sales contracts expire in January next year.

A CSO spokesman insisted that negotiations were continuing, but the company could not comment on the substance of the meetings. The two-year contract to sell the production of Zaire's state-owned Miba mine, however, expired three months ago.

An Antwerp diamond dealer well connected with Zaire said the CSO would eventually win a new sales contract with the country.

But the CSO was encountering problems, he said. It was negotiating for lower prices In the previous agreement it had paid an average price of $8,55 a carat for Miba's output. Miba produces about 6-million carats a year and about 80% of the diamonds are industrial.

The CSO, claimed the dealer, had insisted on lower prices while negotiations were continuing. To strengthen its hand Zaire had offered the output of April and May to an Antwerp dealer, George Evens, and had been having discussions with a Saudi businessman.

Evens said he had bought the diamonds, but would not comment on whether he was trying to whisk the contract away from CSO

But diamond sources said Zaire had not yet sold or delivered the diamonds to Evens. They believed it was merely a negotiating stance.

Zaire began selling diamonds to the CSO in 1967 But it fell out with De Beers in 1981 and signed a contract to sell Miba's output to three independent dealers The CSO regarded this as a bad setback.

The loss of Zaire was more symbolic than financial Most of Zaire's vast output is low-priced industrial grade diamonds known as boart Zaire's output was, and still accounts for, a small proportion of the cartel's sales.

But the real danger at the time, as it is now, was that Zaire's departure might encourage other African nations to follow suit The CSO regained the contract in 1983 because Zaire's financial plight worsened. The international diamond depression hardly helped either.

Dealers believe that Zaire cannot afford to leave the CSO because there is still a huge stockpile in the hands of the CSO and at mines, Australia's large production, will be coming on stream and the market is still uncertain.

Big boost for diamond market

De Beers gem deal will stem Red tide

216

B Day 11/6/85

LONDON — The Central Selling Organisation (CSO), De Beers' diamond marketing arm, has struck a deal with the Soviet Union to prevent the flooding of the market with Russian polished diamonds

The understanding reached by the London-based CSO will come as a relief to the depressed diamond market

A spokesman for De Beers in London confirmed yesterday that the CSO had been "authoritatively informed" that the Soviets would not increase the supply to the West of polished gem diamonds and that price levels would be maintained

The spokesman declined to elaborate on how the understanding had been reached, though it is an open secret that contacts between Anglo American executives and representatives of the Soviet marketing organisation have taken place over the years

However, in Johannesburg De Beers spokesman Neville Huxham said the arrangements in London had nothing whatsoever to do with the South African end of either De Beers or Anglo American Corporation

The news of the Soviet decision is likely to give the market a major boost and increase the sale of rough diamonds by apprehensive diamond cutters

Diamond dealers have complained that the Soviet Union is flooding the market with polished stones

By NEIL BEHRMANN

A sudden increase in the volume of sales of cut-price quality diamonds from the Soviet Union last year undermined market confidence

Buyers were told "The CSO has been authoritatively informed that there is no intention to increase the level of supply of Russian polished diamonds in 1985 and that current price levels will be maintained"

The new CSO chairman, Nicholas Oppenheimer, said last month that De Beers would use all its resources to finance its large diamond stockpile and keep a tight grip on the international market

The flooding of the market with cut-price Soviet gems last year came during a seasonal downswing in the market and raised fears that the Soviets could hijack the polished diamond market

The Soviet sales suddenly and inexplicably tailed off in September, but the impact on markets cut the CSO's 1984 second-half sales of rough stones to $668m from $945m in the first half

De Beers broke the news of the deal to its buyers at its selling *sight* in London yesterday

It was widely speculated at the time that the CSO had played its part in the Soviet restraint, though it was never fully explained why they had flooded the market in the first place

CAPE TIMES 11/6/85

2/6

De Beers in diamond deal with Russians

From JOHN BATTERSBY

LONDON — De Beers, the world's major supplier of uncut diamonds has struck a deal with the Soviet Union to prevent the flooding of the market with Russian polished diamonds

The understanding was reached by the London-based Central Selling Organization (CSO), the De Beers marketing monopoly, and will come as a relief to the depressed diamond market.

A spokesman for De Beers in London confirmed yesterday that the CSO had been "authoritatively informed" that the Soviets would not increase the supply to the West of polished gem diamonds and that current price levels would be maintained

The spokesman declined to elaborate on how the understanding had been reached

It is an open secret, however, that contacts between executives of the Anglo American Corporation and representatives of the Soviet marketing organization — some of them in Moscow — have taken place over the years

Flooding

The news of the Soviet decision is likely to give the depressed diamond market a major boost and increase the sale of rough diamonds by apprehensive diamond cutters

Yesterday De Beers broke the news to its buyers at its selling "sight" in London

Diamond dealers have complained that the Soviet Union is flooding the market with polished stones

A sudden increase in the volume of sales of cut-price quality diamonds from the Soviet Union last year undermined market confidence

Tailed off

The flooding of the market with cut-price Soviet gems last year came during a seasonal downswing in the market and raised fears that the Soviet Union could hijack the polished diamond market

The Soviet sales suddenly and inexplicably tailed off in September last year

It was widely speculated at the time that the CSO had played its part in the Soviet restraint although it was never fully explained why they had flooded the market in the first place

Business Report, pages 15, 16 and 17

BUSINESS BRIEF

Gold (close)	$312,75
Rand	$0,4990/$0,5000
FT index (close)	991,30
JSE	1059,70
Dow Jones	1 318,44

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5/6/85

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NUM, De Beers in wage dispute

By CLAIRE PICKARD-CAMBRIDGE

THE National Union of Mineworkers, which concluded its first recognition agreement within the diamond mining industry two weeks ago, has declared a dispute with De Beers over wages at its Namaqualand diamond division

The NUM, which is demanding a 40% wage increase plus other benefits, such as additional leave days and service increments, has rejected De Beers' offer of an 8,5% wage increase.

The union described the offer as a ploy by the company to break the union's influence among workers at its Namaqualand diamond division, and said the company had also refused to make an offer on other items

The union, representing 70% of the 3 000 workforce, claims the company has offered other unions increases of between 10% and 11%.

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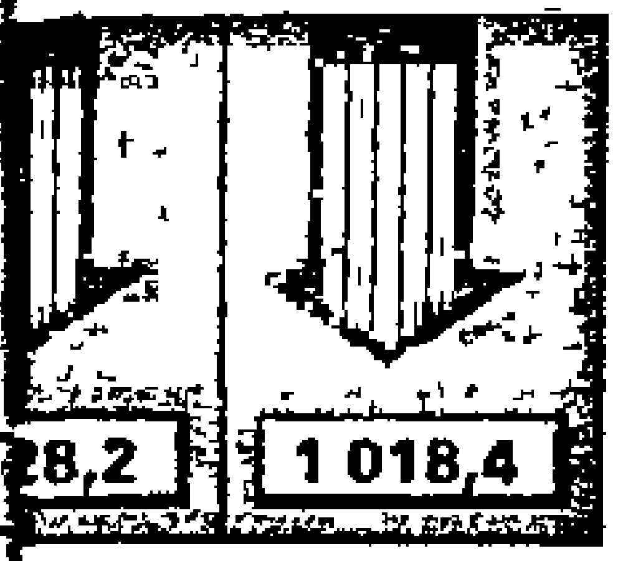

B Day (216)

3/5/83

NUM achieves new agreement

Labour Reporter

THE Namaqualand division of De Beer's Consolidated Mines has concluded a recognition agreement with the National Union of Mineworkers (NUM) — a breakthrough for the union in the remote north western Cape.

It is also the first time that the predominantly African NUM has been recognised on a mine with a majority of coloured employees

A De Beer's spokesman said they were in the process of "finalising a recognition agreement" with the NUM, though it is understood the agreement will be signed this week.

The spokesman said negotiations leading to the agreement had started after the NUM showed it had more than 50% representation among the mine's 2 500 employees

De Beer's already has a recognition agreement at its Kimberley Division with the Federated Mining Union, which recently merged with the SA Boilermakers' Society

A spokesman for the NUM said the agreement was significant for the union as it had suceeded in organising workers in a very remote part of the world

The only other emergent union to have recognition in the area is the General Workers' Union, which has organised workers at Jowell's Transport

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B. Day 2/8/85

DE BEERS CONSOLIDATED MINES LIMITED KIMBERLEY

De Beers back with a sparkle

ROY BENNETTS

DE BEERS' results for the first six months sparkled, in both share earnings and dividends, but still failed to satisfy the market

The interim was raised for the first time since 1982 — from 12,5c to 15c — after earnings a share (excluding De Beers' share of the retained earnings of associates) jumped by 15% to 53,6c from 46,5c for the same period last year

Before the release of the interim results JSE brokers were looking for earnings of 55c, and failure to reach expectations dropped the price of the shares from Monday's closing price of 1 195c to 1 165c at close of trading yesterday

The diamond account improved by R110m to R318m, with income from investments outside the diamond industry increasing to R127m (R110m), and other income marginally up at R41m (R33m)

Taxed profits climbed by 13% to R403m (R356m), having been trimmed by a 102% increase in taxation and the State' share of profits to R127m (R63m)

Biggest shock in the report was the loss of R60m from the share of the results of associated companies. In the six months to June 1984 this item showed a profit of R64m

Chairman Julian Ogilvie Thompson says that Central Selling Organisation sales for this first half amounted to R1,676bn, compared with R1,18bn for the corresponding period of 1984, and R1,126bn for the second half of the year.

He adds that over the six months, long- and medium-term liabilities were reduced by R105m to R776m and net current assets improved by R131m to R413m, showing an overall improvement of R236m.

De Beers glows only at home

22/8/85 B. Day

Z16

ROY BENNETTS

DE BEER's diamond account may look like the start of a renewed interest in diamond buying but in world terms the upswing is more of a stutter than a grid-start.

In the six months to June the account soared by 53% from R208m to R318m, but, converted to dollars, it limped up by only 4% from $153m to $160m.

This difference in earnings is the result of the weakening rand, which fell from $0,74 in June 1984 to $0,50 in June this year.

Central Selling Organisation sales in fact show a 11% fall from $945m for the first six months of 1984 to $837m for the first half of the current year.

Chairman Julian Ogilvie Thompson says that CSO sales continue to show the improvement reflected in the first half of the year, with interest being shown in a broader range of diamonds.

His comment in fact refers to a gain from the $668m sales in the second half of last year, compared with the sales to June 1985

First CSO sighting this year realised a significant $837m (R1,676bn), being a 25% improvement compared to the latter half of 1984.

Analysts believe that there has been an up-swing in demand for the top quality gem stones but these are only about 12% of the De Beers' stockpile.

Sales of the higher-grade gems can cause a large income variance because the 12% of quantity represents nearly 90% of the stockpile's value.

De Beers does not state the value of the stockpile in its interim report but, at the end of December, 1984, it shot up by R1,621bn to R3,875bn, mainly as a result of a revaluation against the falling rand.

Shock of the interim was the turn-around of R124m in the interests of associated companies. In the six months to June 1984, this item showed a profit of R64m against a loss of R60m for the comparable six months of the current year.

The was the result of De Beers' major holdings in Minorco and Amic.

Amic lost R44m in the second half of last year from its share of the down-turn in the trading of Amcar and the merger of Amcar and Ford SA

Minorco suffered an extraordinary loss of $40m (R76m) in the year to December from Charter's share in the Johnson Matthey fiasco and Cape Industries, and also from the closure of the Engelhard refinery.

Mail 7/11/85 (216)

SWA/NAMIBIA

Inquiry into mining is a ticking 'time bomb'

BRENDAN SEERY of The Argus Africa News Service reports on the background to a controversial judicial inquiry into alleged maladministration in SWA/Namibia

HIDDEN from public scrutiny behind closed doors in Windhoek's colonial Tintenpalast is a bulky document which has been described as a 'political time bomb' and which could bring about far-reaching changes in the SWA/Namibian diamond industry.

The interim report of the Thirion Commission of Inquiry into alleged Government corruption and maladministration — and the one which deals with the mining industry — has been sitting for just over a fortnight in the hands of the Cabinet of the Multi-party Conference (MPC) administration.

There have been calls for it to be presented to the National Assembly for debate during the current legislative session which began last week. However there is no sign as yet of the debate taking place.

Mr Justice E W Thirion of the Natal bench of the Supreme Court was appointed almost three years ago to probe the seamier side of the civil service in the South African administered territory.

The report about alleged government corruption in relation to the mining industry is the third to have been completed the other two having covered questionable practices in the ethnic administration.

After reading the reports of sensational evidence and sometimes stormy procedings during the commission's hearings many here believe Mr Justice Thirion's final report will make interesting reading.

A special investigator appointed to investigate the workings of the territory's Diamond Board in relation to that industry made startling submissions in his report and evidence to the commission.

Mr Martin Grote told the hearings that he had evidence suggesting SWA/Namibia could have lost revenue on as much as R1 000-million worth of diamonds exported from the territory between 1976 and 198.

Basing his conclusions on figures gleaned from the annual diamond prices published by the United States Department of Mines Mr Grote surmised that SWA/Namibia's diamonds may have been fetching up to R214 a carat more than their locally-quoted prices.

Mr Grote also alleged that SWA/Namibia's diamond wealth was being stockpiled outside the territory in centres like London whereas the normal practice was that surplus production was retained in the country of origin.

He also spoke of a time-honoured practice between De Beers in South Africa and its SWA/Namibian subsidiary Consolidated Diamond Mines (CDM) in which packages of up to 300 000 carats of SWA/Namibia's stones were exchanged for similar weights of South African stones. In such exchanges no accurate records of the quality or value of the swopped stones were kept.

In addition, claimed Mr Grote, CDM and independent estimates of the life of the diamond mine at Oranjemund might be inflated. He guessed the mines might be worked out by 1991 in contrast to CDM and other estimates which put its life at between 10 and 50 years.

An official reply by CDM to the allegations levelled by Mr Grote was rejected by Mr Justice Thirion as 'an insult to even the lowest intelligence and not based on fact'.

CDM for its part decided shortly after the hearings opened that it would not give evidence to the commission. The company felt that the judge was exceeding his terms of reference in launching what was a general probe into the whole SWA/Namibian diamond industry. CDM also believed that the publication of highly sensitive information about its production figures and marketing procedures would have damaging effect not only on the company itself but also on the whole SWA/Namibian mining industry.

The company indicated however that it would be willing to give evidence to a properly constituted commission of inquiry into the mining industry.

At the time the completed report was presented to the Cabinet in Windhoek Mines Minister Andreas Shipanga and senior Government financial officials visited London briefly to look at the De Beers Central Selling Organisation (CSO). Non-committal on his return to Windhoek about the results of the trip Mr Shipanga pointed out that the visit had been paid for by the authorities in Windhoek and had not been organised by De Beers.

Speculation about the likely recommendations in the report has been prevalent but under the Commissions Act it is an offence to anticipate or comment upon the findings of any commission of inquiry.

CAPE TIMES
7/11/85

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Women sue for urban rights

Supreme Court Reporter

TWO contract workers and two women from Khayamandi, Stellenbosch, applied to the Supreme Court yesterday for orders that the Western Cape Development Board should recognize their right to remain in a "prescribed" urban area

Applications by Mr Gavele Mduma and Mr Mjuleni Baleni were withdrawn after the rights were conceded and the WCDB and local labour officer agreed they should pay costs

The two women's cases were postponed *sine die*

One was an application by Ms Thelma Matinyani for an order declaring her right under Section 10(1)(a) of the Urban Areas Act to stay in the Peninsula

In an affidavit she said she was born in Stellenbosch in 1947 to parents who had lived there before the Act came into being All but four months of her life had been spent in Stellenbosch

She was arrested and fined "on several occasions, and even imprisoned" In 1982 she had been acquitted of being in a prescribed area but now had no fixed abode since the aunt with whom she had stayed feared prosecution

Mrs Nomission Pitsha, 27, said in an affidavit that she was entitled to section 10(1)(c) rights as she was married to a man who had urban rights

Appeal

She had been endorsed out of Stellenbosch last year and her appeal against this was dismissed by the Chief Commissioner, she said

She was still living with her husband, despite lack of permission

Mr Justice R M Marais presided Mr M Donen, instructed by Groepe and De Bruyn, appeared for all four applicants The respondents were not represented

A home

housing that can grow with time

C Press 3/11/83

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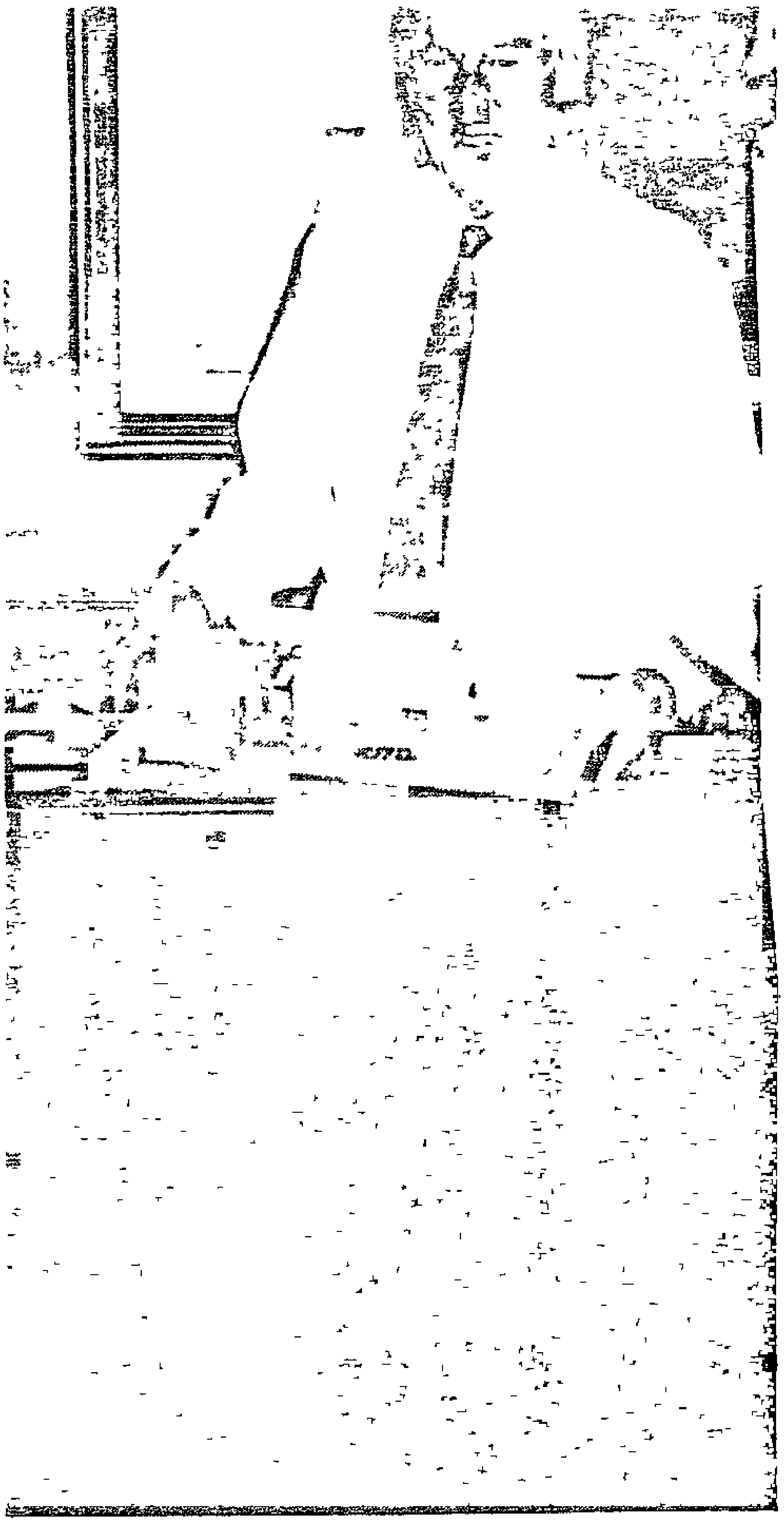


THE DE Beers Industrial Diamond Division, part of the giant De Beers group, has initiated a R1,3-m housing project to enable 49 of its black employees to own their own homes under 99-year leasehold at Protea North, Soweto.

The project is being financed by the company's housing loan fund with the balance coming from building societies.

An architect's model of the basic "core home" that Debid is offering its employees. It can easily be expanded, says Debid managing director Henry Dyer (top).

The architect-designed houses, which will cost between R23 000 and R30 000 each, will form part of the upmarket Urban Foundation 2 500 home complex at Protea North.

There are three designs on the "core home" principle. One is a basic unit with simple "add-on" expansion potential, another is a partially expanded home and the third is a maximum-sized home.

All the houses will have tiled roofs and face-brick finish. The basic house has a kitchen, bathroom, two bedrooms and a lounge dining room. The design enables the house to be expanded by adding a third bedroom, a dining room and a garage.

Debid managing director Henry Dyer said the division plans to extend black housing schemes on an ongoing basis.

"We already have some 150 of our black colleagues on the divisional housing scheme, and this number will continue to grow as we provide good quality homes at buyer prices which are as low as we can make them," he said.

PROFILE — Ogilvie Thompson

Diamond chief is cast in the mould of an Oppenheimer traditionalist

216 Star
8/11/85

Julian Ogilvie Thompson, who took over as chairman of De Beers Consolidated Mines from Harry Oppenheimer on January 1, is not a member of the dynasty which has controlled the world's diamond industry for most of the twentieth century

But after 27 years at Harry Oppenheimer's right hand this tall, courteous, ex-Rhodes scholar and son of a former Chief Justice has become, by a sort of osmosis, a classic product of the Oppenheimer tradition

At the relatively young age of 51 he has not been chosen to make any unsettling changes in the long-term strategy of the world's most successful cartel, but groomed to reassure a worldwide network of mines, governments, cutters, retailers and ultimately, customers, that the rules of a sometimes tough game will remain in force

De Beers is essentially a one-product business and the job of the chairman is "to give guidance and leadership"

This entails frequent visits to the Central Selling Organisation (CSO) in London, constant informal contacts and chairing the quarterly board meetings

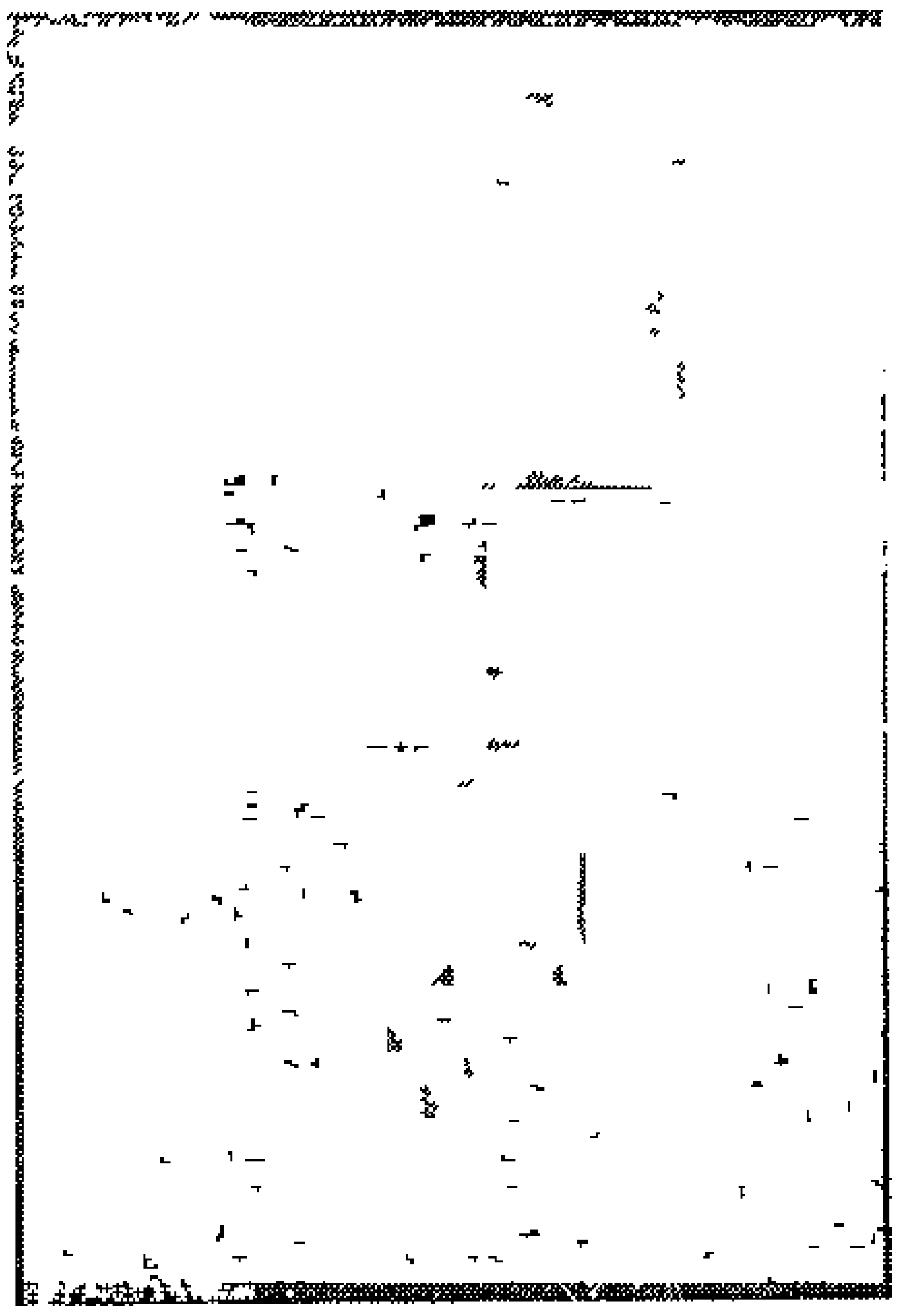
EXECUTIVE COMMITTEE

These take place in the relative isolation of the company's original headquarters in a two-storey, red brick colonial-style building at Kimberley, a stone's throw from the gaping pit of the Kimberlite Pipe which started the whole business

As joint deputy chairman of Anglo, alongside Harry Oppenheimer's 39-year-old son Nicholas, much of Ogilvie Thompson's time is spent working closely with chairman Gavin Relly — who also heads Anglo's executive committee, the top decision-making body which includes heads of all Anglo's varied operating divisions

The two men have what is described as a "very special relationship and can exchange ideas very easily" In case that gives the impression of a sort of conspiracy between them, Ogilvie Thompson hastens to add "and of course, with Nicky Oppenheimer, who is doing a very important job at the CSO in London"

Ogilvie Thompson's plans for De Beers are clearly for maintenance of the status quo As he puts it "The policy conceived by Cecil Rhodes, implemented chapter and verse by Sir Ernest Oppenheimer and further developed by Harry Oppenheimer, will not, and in my opinion and that of the



Julian Ogilvie Thompson

1982, much of his time has been spent in Anglo, for nearly a decade he was in the finance division.

His emergence as heir apparent to the diamond business really dates from the early 1970s when he relinquished day-to-day responsibility for the finance division both to devote more time to De Beers and in 1971 to become an executive director of Anglo of which he has been joint deputy chairman with Nicholas Oppenheimer since January 1983

These were the years when the Oppenheimer empire expanded strongly overseas through the building up of the Bermuda-based Minerals and Resources Corporation (Minorco), with its heavy involvement in both Americas, and Charter Consolidated in the UK.

OVERSEAS OPERATIONS

Ogilvie Thompson was closely involved in this process and is clearly sensitive to criticism that the overseas operations have not been as successful as expected Charter Consolidated, affected recently by its involvement in Johnson Matthey and Cape Industries and by the effect of the UK coal strike on its coal machinery interests "has not had a good run", he conceded

Neither has Minorco had much luck lately, although its US holding, notably Phibro-Salomon Inc and Engelhardt Corporation, have been "great successes — especially Phibro Salomon which has been stunningly good" Its six small goldfields in Brazil are also highly profitable

ORDERLY MARKET

That policy is "to harmonise the often conflicting interests of all the parties concerned — producers, host governments, cutters, merchants and owners of diamond jewellery . to maintain a high degree of stability in an industry which, because of the nature of its product, would otherwise be subject to even more violent fluctuations than any other business based on mining "

This has been particularly difficult to achieve over the last few years. A combination of rising output from new mines in Australia, Botswana and elsewhere, the temporary defection of Zaire from the CSO, recessions, high real interest rates and a soaring dollar have all taxed De Beers' ability to maintain an orderly market

But profits rose by one-third in 1983 to R752,3 million, pre-tax Gem output has been curtailed, the Australian mine has been recognised as a special case and allowed to market 25 percent of its own industrial and semi-gem stones, and Zaire has come back into the fold

CALMER WATERS

Nevertheless the stock of diamonds held by De Beers at great expense has risen from year to year Just when things were getting better, the Soviet Union caused a flurry earlier this year by unloading cheap polished stones on the Antwerp market

Two years ago, when Harry Oppenheimer gave up the chair at Anglo American Corporation he decided to stay on at De Beers to steer it through to calmer waters So does the elevation of Ogilvie Thompson mean that the diamond trade is now in better shape?

The answer is mixed, says Ogilvie Thompson "Diamond stocks will be up again this year, only slightly in physical terms but a lot in rand terms because of the rise of the dollar, not however to a level which presents us with any financing problem "

In the US, the biggest market, "sales have gone swimmingly ahead, the problem is that Americans buy small diamonds and hence the decision to go for maximum production at the Finsch mine west of Kimberley which produces mainly smaller stones "

In Europe "The market for big diamonds is a bit better but not much and not as good as we expected in the second half "

FINANCE DIVISION

Overall, however, "stocks in the cutting centres between us and the consumer have gone down so the pipeline beyond us is in a much healthier state," he added

Although Ogilvie Thompson has been a member of the De Beers board since 1966 and deputy chairman since August

The lack of success of most of Anglo's sorties into the industrial world has led some to question whether the rather clubby style and similar social and educational backgrounds of Anglo and De Beers' top management are as appropriate to, for example, the motor car industry, as they are to gold or diamonds

A MAJOR ROLE

Anglo's Amcar subsidiary has lost and continues to lose money heavily and is now engaged in rationalisation talks with Ford SA but the problem is not limited to Anglo — there are simply too many manufacturers, too many models and too high a cost structure for such a small market

Despite the losses Anglo intends to persevere and looks likely to play a major role in restructuring the industry as a whole "We've got a good factory, good management — which we control In the long run we'll get it right but I do not underestimate the problems."

As for the wider domestic political context in which De Beers and Anglo operate, Ogilvie Thompson's political views differ "little, if at all, from those espoused with such clarity and eloquence by Harry Oppenheimer

"To work better you must have a free society in South Africa with equal opportunities for all but I don't think that means a straight one-man-one-vote

POLITICS

"Even influential black leaders like Chief Buthelezi don't ask for that The whites here won't accept that in this decade or even this century other than unwillingly through violence or revolution and that would lead to the sort of Marxist-Leninist system that has not been a success elsewhere on this continent"

Unlike Harry Oppenheimer or his former son-in-law Gordon Waddell, who now heads the investment company Johannesburg Consolidated Investment, Ogilvie Thompson has never played a direct role in South African politics

But he is a member of the board of the Urban Foundation, set up after the 1976 riots in Soweto and which has been instrumental in persuading the government to allow 99 year leases for urban black housing and extending this to the former coloured preference area of the Cape Province

With the succession at Anglo and De Beers now assured, the main question mark for the future is who will succeed Gavin Relly when he retires around 1989 and at what stage will Nicky Oppenheimer fulfil his own ambition and that of his father and take over, to carry the Oppenheimer legacy into the 21st century — *Financial Times*

MINING _ DIAMONDS

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DIAMONDS

Bumper De Beers profits 'could be gobbled up'

The Argus Foreign Service

LONDON. — Rough diamond sales figures suggest that De Beers profits should be up this year, according to the Tempus column in The Times.

But it warns shareholders "not to be too eager the extra revunue may be gobbled up by debt reduction" and "special factors" may not apply in 1986.

Tempus says "De Beers has grappled mightily over the past four or five years with that monster of its own creation, the diamond market, and the latest Central Selling Organisation rough diamond sales figures suggest that the syndicate may be winning De Beers' profits this year should benefit accordingly.

"During the second half of last year, CSO sales amounted to $986 million, the highest six-month total for the last five years.

"It was a comfortable 18 percent improvement over the first half of 1985, and 48 percent higher than the same period of 1984. Overall sales rose by 13 percent over 1984 to $1,823 billion

"But it is the rand figures which will make the Johannesburg computers hum The rand's devaluation pushed second-half rand income up to R2,351 billion, more than double the figure for the corresponding six months of 1984

"Rand income for the whole of 1985 was R4,027 billion, up 75 percent on 1984

"The rising trend is unmistakable and industry sources expect what they coyly call "further consolidation" in 1986.

"It would be prudent, nevertheless, to separate the general improvement in the world economy, particularly in the biggest markets of the United States, Germany and Japan, from the specific changes in the diamond market.

"In 1984, the Russians sharply increased sales of polished stones and the dollar's strength deterred buyers in other currencies. But last year these factors went into reverse, and the diamond banks, notably in Israel, became more liberal in granting credit to the trade These special factors may not apply in 1986

"Still, the result is that De Beers has recently widened the range of stones sold to the trade to include the more expensive varieties

"But De Beers shareholders should not be too eager· the extra revenue may be gobbled up by debt reduction

"Much depends on the infamous diamond stockpile The stockpile figures due in March will tell us whether De Beers has quelled the monster"

COMPANIES

Diamond-recovery firm hopeful

BUSDAY (216) 30/1/86

MERVEST last week found favour with brokers and analysts at a pre-listing presentation given by University of Cape Town associate professor of geochemistry John Gurney

Mervest, a cash shell, is to become a diamonds-from-the-sea operation and will be listed soon in the JSE's development-capital sector

ROY BENNETTS

Certain small diamond-recovery companies have failed in the past to live up to their initial claims, which had led to some scepticism among investors.

Mervest's claims appear to be modest, while backed by a sound geological basis for diamond recovery.

However, it is one thing to find the stones and another to sell them at a profit — a factor which has been the downfall of some diamond companies.

Chairman Jack Walsh says Mervest sells its stones to De Beers, as well as other registered dealers, and has found demand to be positive.

Recovery is put at 2 000 carats a month, with an occasional peak of 4 000 carats The break-even figure is estimated by Walsh to be 500 carats a month.

Under its previous, unlisted name of Marine West, the diamond company analysed its R118 costs for every carat recovered as. R19,50 for administration, R89,50 for production and R9 as the State's share

However, in the six months from July to December 1985, the costs rose to R148 a carat R25,50 for administration, R107,50 for production and R15,50 to the State

The average selling price of the stones climbed from R183 to R311 a carat over the same period, and profits therefore trebled to R162,5 (R65) a carat

In this period the rand dropped from $0,55 to $0,41, which means the gain in the price of the stones sold was less spectacular in dollar terms, rising from $100,6 a carat to $128,4

When trading as Marine West, the operation posted pre-tax losses ranging from R500 000-R340 000 between the 1981 and 1984 financial years, before producing pre-tax profit of R1,6m in the 1985 year to June

Diamonds found on the seabed have originated from diamondiferous pipe-like kimberlite bodies found many kilometres inland.

Ground containing the stones has, over millions of years, been washed down rivers into the sea and then trapped by rocky extrusions Mervest, by means of suction pipes, recovers this ground in its search for the stones

Diamonds found by this method are, on average, about one carat in weight Gurney estimates that one of the offshore concessions being worked by Mervest contains at least 200 000 carats.

Mervest also owns two inland diamond operations at Kwaggaskop and Ventersdorp.

Director and sponsoring broker Norman Lowenthal is, in fact, the previous owner of the Venterdorp mine, and has been granted a lease by Mervest to rework the operation for a rental of 20% of the annual profits, after providing for a management fee of R36 000 a year

Lowenthal says the intention is to turn the Ventersdorp mine into a profitable concern before it is incorporated into Mervest's financial statements.

Frasers has sharp furniture upturn

Investment staff

FRASERS, helped by a remarkable recovery in its furniture division, boosted turnover by 27% in the first quarter of its financial year to end-December.

The group's Smart Centre Credit Clothing division, which recently acquired the Top Centre chain, also performed particularly well and chairman Donald Campbell is confident that sales for the half-year will be well up on those of the same period last year.

stantial number. Still, they are only getting a 5m private placing, plus a further 10,9m to be placed in terms of "undertaking arrangements." It's possible, of course, that the original owners of the properties — who have 18m shares — could sell later, although Payne thinks they won't. *Pat Kenney*

DIAMOND MINING 216 FIN MAIL

27/2/86

West coast moves

Almost hidden by the flood of publicity given to the new listings of various insurance companies on the JSE have been the quiet developments linked to companies exploiting the diamond concession areas on the sea bed off the Cape's west coast These concessions were allocated by the Department of Mineral and Energy Affairs (DMEA) in mid-1983.

It appears Loucas Pouroulis is preparing for another attempt at getting the **Dawn Diamonds** operation on to the JSE, and developments can be expected in about four months This would follow the listing of diamond company Marine West, which joined the development capital board early in February, through the Mervest cash shell

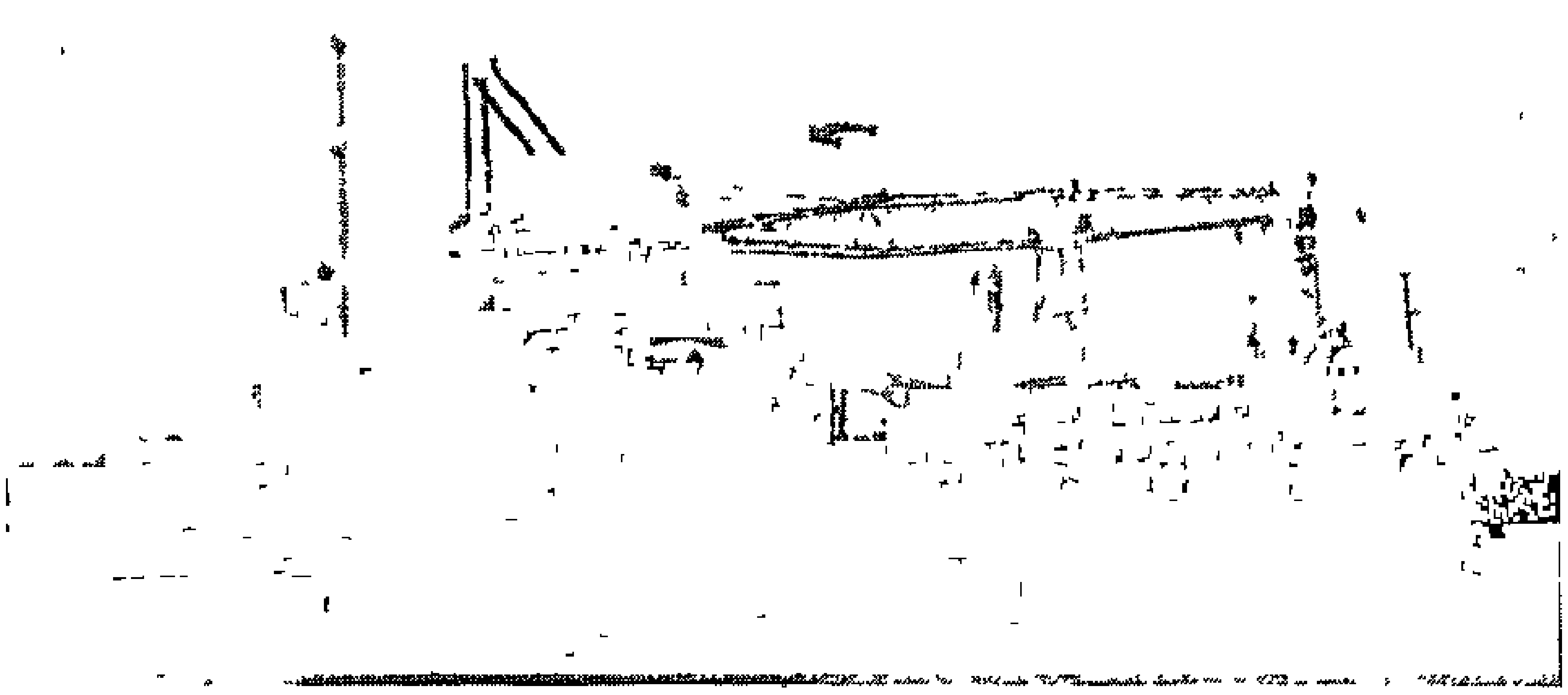
Talk is that Pouroulis is negotiating with listed diamond mining company **Carrig** What remains to be resolved is mainly the structure and mechanics of the deal. It could be a complicated deal, involving the Pouroulis-controlled Better Sales syndicate which owns Dawn Diamonds, and perhaps the delisted **Theron** company.

Neither Pouroulis nor Carrig chairman Don Grant-Hodge will comment on the speculation At first glance, it may appear strange that Pouroulis should work through Carrig rather than one of the remaining cash shells on the JSE The JSE has ruled that these will have to get involved in some active line of business before July 1987, or be delisted. Pouroulis should therefore be able to manage a more favourable deal with a cash shell than by linking up with an established company.

New ship

The reason probably lies in the JSE's rejection of Pouroulis' first attempts to list Dawn Diamonds through Theron, early in 1984, after unusual opposition from the DMEA The DMEA opposed Theron's relisting because it wasn't happy about Theron being used to raise money from the public to fund diamond mining operations in the 5B concession, which Dawn Diamonds had been granted

Pouroulis may be going through the established Carrig to avoid any objections that Dawn Diamonds listed through a cash shell is no different to Dawn Diamonds listed via Theron. What Pouroulis will say now is that Dawn Diamonds is returning to full-scale recovery operations from 5B, after the disastrous loss of his main recovery ship, the Poseidon Cape, which ran aground near Kleinzee last August after completing sea trials



Pouroulis's new ship ... heading for the west coast

Pouroulis' syndicate expanded Dawn, and had reached the stage where full-scale exploitation was about to start, when the Poseidon Cape ran aground With the insurance payout he has bought a replacement vessel for an amount which is undisclosed, but which runs into several million rands The ship is the Knut Constructor, currently in Singapore, which will be renamed Trident Cape Pouroulis expects to have the vessel converted and in operation by July

In the meantime, operations have continued on a reduced scale, using a small recovery boat and support vessel which are more vulnerable to the unpredictable west coast weather than are the larger vessels Pouroulis tells me the recovery operations have so far shown high grades, with the recoveries "all gem diamonds of very high quality." He won't specify grades or revenues

However, some indication can be gained from the Mervest prospectus And it provides the reason why Carrig may be keen to tie up with Dawn a successful off-shore diamond mining operation can be highly profitable and can lead to a healthy earnings performance — something sadly lacking from Carrig's record over the past five years.

Marine West holds a prospecting lease over concession 3B, and in 1984 won control of Cliffs Diamond Ventures (CDV), which holds a mining lease over concession 2A CDV had been operating this concession since 1975.

The Mervest prospectus says that from July to December last year, Marine West received an average selling price of R311/carat, while costs per carat recovered were R148,5, leaving a profit per carat of R162,5 The forecast for the year to December is lower at a profit per carat of R89,5, this takes account of working costs increased by inflation and sales revenue reduced by the stronger rand

John Gurney, associate professor of geochemistry at the University of Cape Town, offers an explanation for the high quality diamonds found. He says that only those high quality stones which could survive being carried by the Orange River for more than 1 500 km from the interior have been redeposited in the ocean north and south of the present mouth of the Orange.

Gurney is the recognised expert on west coast diamonds and his independent reports formed part of the Mervest prospectus, as well as Pouroulis' documentation submitted to the JSE supporting the Dawn listing That documentation, written in late 1983 and based on rand/dollar exchange rates much higher than today's, estimated Dawn could maintain dividends of about R1m/year once the new mining operations had been set up. The cost was then estimated at R5m

Other JSE companies involved in west coast diamonds are the Rembrandt group's **Trans-Hex** and **Broadacres**, controlled by one LK Kung Broadacres' share took off last year on improved diamond recoveries. Gurney reveals in his Mervest report that his unit keeps detailed records of the Broadacres mining lease, which is a tiny one covering 0,36 km² of sea floor contiguous with concession 12

He says this area has kept up to 12 pumps occupied for seven years to yield about 50 000 carats, is currently producing well and is projected to provide at least 75 000 carats (That was not in the Broadacres December annual report)

Trans-Hex has a large exposure to the west coast through six concessions about which management, like that of Broadacres, doesn't like to say much The group has been expanding its on-shore diamond activities in the north-western Cape and Swaziland; and it broke new ground recently with the acquisition of Cape Lime for R16,15m.

Gold Fields of SA (GFSA) has an indirect stake in west coast diamond mining through subsidiary O'oKiep Copper, which is involved in a joint venture with local partners in 4B GFSA deputy chairman Dru Gnodde says mining 4B hasn't proved too profitable and O'oKiep Marine's operations have been suspended until the outcome of the application to take over the shallower 4A concession inshore of 4B

The key point for investors contemplating buying shares like Broadacres, Mervest and Carrig (if the Dawn deal goes through), is that the share price can turn as swiftly and dramatically as the weather which affects the west coast mining operations They are not shares for widows and orphans.

Brendan Ryan

Diamond fever hits Kimberley

BUS DAY 11/3/86 (216)

DIANNA GAMES

DIAMOND-RUSH days are not yet over in Kimberley. The city council has put aside 72 claims, measuring 50m^2 each, for diamond diggers to prospect from the end of the month

The land belongs to the city council and has been lying dormant for decades but, claims a council spokesman, there are still plenty of diamonds in the ground.

George McLeod, a council spokesman, told *Business Day* that in the early days diamonds were not sorted as carefully as they are at present, and many small diamonds fell back into the ground.

The diggers will be given up to six months to start digging and two years to complete it Their contracts include enclosing the sites once digging is completed

They will be charged R10 per claim to enter the "rush" and R500 per claim for working the land. The municipality will register all claims — no more than five per person — and will take a 10% share of any diamonds found.

It plans to use the land for township building once the exercise is over

Mining inspectors from De Beers and the council will monitor the operation, and police will patrol the area

McLeod said the venture, which was separate from Kimberley's annual "fun" diamond rush, was a genuine exercise and would be called the Diamond Debris Rush. All finds will be recorded by the Jewellery Council of SA.

Diggers will set off from the City Hall on March 22 to stake out their claims, but will have to make the journey either on foot or by bicycle No motorised vehicles will be allowed

McLeod said the exercise was open only to licensed diggers, of whom there are a number already digging in the area around Kimberley.

Nearly 50 diggers have already expressed an interest in staking claims

4/3/86 (216)

Price-rise rumour boosts De Beers

By Neil Behrmann

LONDON — De Beers shares rose sharply in the past week because of expectations that the company's results will be good and rumours that diamond prices will rise.

A De Beers spokesman in London refused to confirm whether prices would rise But he said that demand, especially for lower quality diamonds, was firm. He also said that consumption was improving in medium and better quality stones

In London De Beers traded around 512 pence, double the lows of last year.

Prices of diamonds, both rough and polished were firm, said dealers

The Antwerp Diamond High Council, an industry association, said that after high sales in the first four months of last year, the Russians exported less polished diamonds to Antwerp.

An agreement with De Beers persuaded the Russians to sell fewer diamonds So much so that the Soviet Union raised prices in November

The Diamond High Council claims that despite tax problems and a spate of bankruptcies in recent years, Antwerp remains the most important trade centre for diamonds Last year Belgium imported 56 million carats of rough diamonds of which 35 million were gem quality

The High Council says that the United States and Japan are the most important buyers of polished diamonds Together with Canada, the United States buys 50 percent of the polished diamonds which are sold by Antwerp.

" Important trends in consumer behaviour are the slow but steady iumprovememnt in the average quality of the goods , says the Council

"A greater demand for high fashion jewellery and significant demand for larger diamonds are predicting a price increase in the future," says the Council

Japan's imports of polished diamonds rose by 14 percent last year, but purchases fell sharply in Germany and other European centres

"In Europe the typical delayed consumer reaction can be perceived," says the Council

"Similar to past behaviour of the United States, the potential diamond buyer reacts slowly to the economic revival

"When the purchasing power increases, people buy various other luxury products before buying diamonds

"The fall in the dollar, the expected world economic revival and the rise in purchasing power will stimulate diamond sales in the long term, " says the Council

De Beers says that Israel was a more buoyant market than Antwerp

W 8/3/86 (2/6

Inquiry digs deep — and comes up with ...

Startling report on SWA mining

Weekend Argus Foreign Service

WINDHOEK. — There is "something rotten" in SWA/Namibia's mining industry

As hundreds of millions of rands worth of minerals and profits flow out of the country annually, the Government in Windhoek has little control over what is happening and, in many cases, no knowledge of whether or not it is being "ripped off" by multinational mining corporations

This is the startling, and grim, picture painted by the final report of the Thirion Commission of Inquiry, which was presented to the National Assembly in Windhoek this week by Mines Minister Mr Andreas Shipanga

Commission chairman Mr Justice Pieter Thirion had harsh words of criticism for the civil servants supposedly keeping an eye on mining

There was among these people, the judge noted, "a naivete and inability to conceive the possibility that a multinational coporation could stoop to any impropriety".

He added "The pretence of the multinational corporation that it is incapable of abusing its power, convinces the unwary that there is no need for control"

Among the findings of the commission about mining practices in SWA/Namibia

- The De Beers group's Namibian subsidiary, Consolidated Diamond Mines (CDM), which holds a monopoly on diamond production, has been "overmining" its claims for years, significantly reducing their long-term life and profitability
- De Beers itself effectively controls "all aspects of the mining and marketing of the territory's gems
- SWA/Namibia may have lost revenue on hundreds, if not millions of rands worth of diamonds which were exported and sold for higher prices overseas than those which were quoted locally
- CDM holds a mining grant on 3-million ha of some of the world's richest diamond fields for an annual rental of R812 40 — a sum which has remained unchanged in 64 years
- The territory's Diamond Board is composed of unqualified officials and employes of either CDM or De Beers and has no control over the export or sales of Namibian gems
- Transfer pricing — where exported minerals are sold at a lower than prevailing price, as one of the ways of repatriating profits from SWA/Namibia — is rife among the multinationals
- Despite sales of hundreds of millions of rands of minerals annually, many mining companies pay little or no tax because of slack enforcement of income tax rules or because of overly-generous allowances granted them by the Government.

The commission's report and findings will be closely studied in both SWA/Namibia and overseas

In his report, Judge Thirion suggested that a detailed national mining policy be compiled and that the State's control over minerals be considerably strengthened

He commented. "SWA should not wait for independence before realising that its mineral resources are a blessing and have to be exploited with care and circumspection if the highest possible return is to be obtained from them"

Mr Shipanga says the document has been carefully studied by the Cabinet of the multi-party conference administration in Windhoek and many of the suggestions could form the basis of a national mining policy which is at present being formulated

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CDM accused of overmining

Own Correspondent

WINDHOEK. — CDM, a subsidiary of the South African diamond-mining giant De Beers, deliberately overmined its workings in the Sperrgebied of SWA/Namibia, according to the report of the Thirion Commission into mining

The report, tabled in the SWA National Assembly yesterday, was highly critical of CDM for trying to mine to maximum profit in the short term without regard to the future

The commission, chaired by Natal judge Mr Justice Thirion, received evidence from a senior employee of CDM, Mr Gordon Brown, that SWA/Namibia had lost R2,65 billion in diamond ore from overmining by CDM.

Company officials have claimed privately that the report's treatment of CDM was harsh and one-sided

Mr Justice Thirion said the commission was satisfied that there had been excessive depletion of reserves of diamonds by CDM in several years from 1945

He said that in the life of mine forecasts from 1971 to 1982 mention of overmining was made in almost every forecast

"Overmining at close to 100 percent was reported to CDM's board of directors for the 1981 and 1982 financial years"

Mr Justice Thirion said the effect of the excessive depletion of the diamond deposits will probably be the shortening of the life of the mine and a detrimental effect on its profitability towards the end of its life.

Board role

Mr Justice Thirion recommended that production should be geared to the market and the SWA/Namibian State should have a say in the setting of production quotas

The role of CDM on the Diamond Board of SWA/Namibia was also questioned in the report

It said that one of the functions of the board was to collect export duties and that CDM was by far the most important payer of duty

Secretary

"It is therefore not advisable that the board, on which CDM is represented, should be responsible for collecting of export duty," Mr Justice Thirion said

Nor should the "ridiculous situation be allowed to continue where the secretary of the board, who is also a CDM employee", had to assess on behalf of the State the export duty to be paid

Evidence was that when you telephoned the Diamond Board in Windhoek someone answered "CDM"

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Thirion accused of partiality

De Beers hits out at SWA gems probe

CHERILYN IRETON

DE BEERS has reacted sharply to the controversial Thirion report's claims on Friday that it had excessively depleted Namibia's diamond fields and conducted its business to the detriment of the fiscus.

It denied that this was so and, in turn, attacked the impartiality of the proceedings.

De Beers said Judge Pieter Thirion compiled the lengthy and critical report without calling for evidence or explanation from De Beers' subsidiary in Namibia, Consolidated Diamond Mines (CDM) The company said he neither visited the mine nor inspected its records.

Thirion's riposte yesterday was that CDM had been fully aware of the commission's activities "The inquiry was conducted in public. At one stage when it appeared likely that evidence would be given concerning CDM, its senior counsel was present."

The report, arising from an inquiry into the irregularities and shortcomings of the Namibian government, was tabled in the Namibian National Assembly on Friday and could spark a major row both here and abroad

De Beers, which covertly controls the world diamond producers cartel and is involved with other Third World countries in diamond production, could find itself facing increasing criticism if Thirion's accusations stick.

Thirion severely criticised De Beers' CDM for trying to maximise short-term profits without regard to the future of the area. The report said overmining at close to 100% was reported to CDM's board of directors for the 1981 and 1982 financial years A former senior employee of CDM, Gordon Brown, claimed that as a result of the overmining, Namibia lost R2,65bn in diamond ore.

Denying that it had overmined the territory, De Beers said yesterday that "through the introduction of new mining methods we have rendered previously unpayable ground as payable".

De Beers said it remained confident that it would be able to satisfy any impartial inquiry — by appropriately-qualified investigators — that its mining policies had never resulted in any mining reserves becoming unpayable

CDM is preparing a statement on the report for submission to the Transitional Government of National Unity.

The report found that there was reason to believe certain mineral producers in Namibia were carrying out transfer pricing by selling minerals at prices not market-related, which resulted in a loss

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De Beers slams probe

of revenue to the state. De Beers replied: "On this issue, the commission has refrained from coming to any finding It was entirely within the means of the Commission to have satisfied itself that this allegation was unfounded and to have rejected it."

Measured against mineral sales figures, the report concluded Namibia was not receiving an adequate return of income tax. It said the mines should pay a consideration to the state for the mining of minerals, irrespective of whether the mining was carried out at a profit.

Various changes to the mining tax legislation aimed at increasing the revenue to the Namibian Treasury were recommended by Thirion

CDM's role on the Diamond Board of Namibia was also questioned. The report said one of the board's functions was to collect export duties. Thirion said CDM was by far the most important payer of export duty and it was not advisable that

⇦ ● From Page 1

the board should be responsible for the collection of export duty

"Nor should the ridiculous situation be allowed to continue where the board secretary, who is also a CDM employee, has to assess on behalf of the state the export duty to be paid by CDM."

Thirion said officials of the Diamond Board had failed to exercise control over production and exportation of gem stones from the territory.

"This naievete and inability to conceive the possibility that a multinational corporation could stoop to any impropriety pervades the approach of the state representatives on the board and is not conducive to the watchdog functions which they have to perform," he said

Director-General of Mineral and Energy Affairs, Dr Louw Alberts would not comment until he had seen the report.

Controversial Thirion report receives attention

INHOEK — The three-year investigation by the Thirion Commission of Inquiry into alleged government corruption and maladministration in Namibia is probably the most important independent probe in the history of the territory

On Friday, the final and most talked about report of the commission was placed before members of the National Assembly in Windhoek by Mines Minister Mr Andreas Shipanga

The eight-volume report and recommendations was compiled by Natal Supreme Court judge, Mr Justice Pieter Thirion, after an exhaustive investigation of civil service inefficiency and corruption in relation to Namibia's mining industry

Appointed in November 1982, the commission looked at a number of areas where there were woodworms in the civil service

In a session of hearings in 1984 and 1985 in Windhoek, the commission turned its attention to the position of the State in relation to the mining industry Much of the evidence, presented in open hearings, was accorded wide coverage in the local and overseas Press

Much of the commission's work centred on the activities of the De Beers mining giant, whose subsidiary, Consolidated Diamond Mines (CDM) has a monopoly on diamond production in Namibia

The company refused to give evidence to the commission, arguing that Judge Thirion was exceeding his terms of reference in probing the diamond mining industry

When the completed report was delivered to the Multi-Party Conference (MPC) government cabinet in Windhoek late last year, few believed it would ever see the light of day However the document will, according to Mr Shipanga, be used as a possible basis for a future mining strategy for the country

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'Diamond industry controlled by De Beers'

The Star's Africa News Service

WINDHOEK — In spite of the "trappings and facade of state control", the Diamond Board was totally ineffective in controlling the export and sale of Namibia's gems, Judge Thirion found in his report on an inquiry into alleged government corruption in Namibia.

He said the control of "all aspects" of the diamond industry, from the production site to the sale on the overseas market, was in the hands of De Beers

Under its present structure, the Diamond Board is made up largely of Consolidated Diamond Mines (CDM) or De Beers employees who act as "agents" for the board However, the board's "purported control" remained "a sham" because of this, concluded Judge Thirion

"The board is composed of members with divergent interests to protect but in any event they are all opposed to any state regulation of the production of diamonds".

GEMS SWOPPED

The commission had heard evidence from investigator Mr Martin Grote that there was little or no control or accurate records of diamond exports and revenues. He estimated Namibia may have lost revenue on as much as R1 000-million worth of diamonds which were exported between 1978 and 1981.

Mr Justice Thirion recommended the present Diamond Board be reconstituted to become a body of people appointed by the state to "represent the interests of the state" Its members, he suggested, should be drawn from the departments of finance and economic affairs and include at least one person appointed for his special knowledge of the diamond industry

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CDM response to Thirion report

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De Beers and CDM are still studying the Thirion report This is a lengthy document containing inter alia recommendations concerning the future of the Namibian mining industry.

Insofar as De Beers and CDM are concerned, the Commission has addressed itself to three main issues, namely observance of obligations contained in the Halbscheid Agreement, in particular whether there has been a breach of Clause 3 in the form of excessive depletion of reserves; the possibility of "transfer pricing" on the sale of CDM's diamond production (on which no finding was made), and the deductibility against CDM's taxable earnings of expenditure incurred on deep-sea prospecting.

CDM rejects the Commission's findings relating to the conduct of its affairs and a detailed statement is being prepared by CDM for submission to the Transitional Government of National Unity.

The interim report explains that the purpose of the examination of the first of these issues, resulting in the finding that "excessive depletion in respect of grade and stone size occurred", was to show not only the failure by State officials to exercise control and supervision but also the need for such control and supervision because of the alleged prejudice to the State. The focus of the Commission's attention therefore must be presumed to be the adequacy or otherwise of supervision and control by the State. However, the Commission's investigations were broadened and the report is presented in a manner that focuses on CDM, rather than the State. Is is particularly unfortunate that in reaching conclusions on the complex and technical subjects of mining economics and life-of-mine planning the Commission should have failed to call for evidence or explanation from the mining company itself, or to have visited the mine or inspected its records.

The Company remains confident of being able to satisfy any impartial inquiry by appropriately qualified investigators that CDM's mining policies and practice have at no time rendered unpayable any known diamond-bearing ore reserves in the Sperrgebiet which otherwise would have been capable of being mined at a profit. On the contrary, previously unpayable ground has been rendered payable by the successive introduction of innovative and cost-effective new mining methods, whose impact will be to leave the minimum number of diamonds unmined at the end of the life of the mine.

It will be remembered that CDM since 1981, with the concurrence of the SWA/Namibian Administration, has closed the No 3 conglomerate crushing treatment plant, the 50 g sampling plant, two field screening plants and the 100 g sampling plant in response to conditions in the diamond market

In dealing with the allegation against CDM and the De Beers group of transfer pricing, the Commission has refrained from coming to any finding. CDM contends that it was entirely within the means of the Commission to have satisfied itself that the allegation was unfounded, and to have rejected it.

On the issue of marine prospecting, the Commission has commented upon matters which, at the time of writing, were the subject of confidential negotiations between the State and CDM and which have still to be finalised. As part of the negotiations it has been agreed that the deductibility against CDM's taxable earnings of expenditure on deep-sea prospecting should be subject to certain limitations acceptable by the State.

De Beers and CDM were encouraged by the press release of 13th February 1986 issued by the Ministry of Economic Affairs in Windhoek, inter alia giving assurances that the mining industry and all other interested parties will be consulted in the drafting of a mining policy, that it is not the Cabinet's intention to over-regulate the mining industry, and that it is not the Cabinet's intention to alienate any of the present rights held by prospecting and mining concerns. De Beers and CDM will of course co-operate in the consultative process, and where necessary enter into or continue negotiations with a view to ensuring that the State is satisfied with the conduct of the Company's affairs.

Windhoek
10th March 1986

De Beers confident it can satisfy impartial inquiry

Depletion of SWA diamonds is denied

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18/3/86 Mercury

JOHANNESBURG— The giant De Beers mining house has rejected the finding of a judicial commission that it over-exploited South West African diamond reserves

A statement by Consolidated Diamond Mines, a De Beers subsidiary, said the company was confident it could satisfy an impartial inquiry that its policies did not deplete the reserves

'CDM rejects the commission's findings relating to the conduct of its affairs,' the statement said

'The company remains confident of being able to satisfy any impartial inquiry by appropriately qualified investigators that CDM's mining policies and practice have at no time rendered unpayable any known diamond-bearing ore reserves in the Sperrgebiet which otherwise would have been capable of being mined at a profit

'On the contrary, previously unpayable ground has been rendered payable by the successive introduction of innovative and cost-effective new mining methods, whose impact will be to leave the minimum number of diamonds unmined at the end of the life of the mine'

The commission's finding that excessive depletion in respect of grade and stone size occurred, showed 'not only the failure by State officials to exercise control and supervision but also the need for such control and supervision because of the alleged prejudice to the State'

The commission's investigations were broadened and the report focused on CDM rather than the State

'It is particularly unforunate that in reaching conclusions on the complex and technical subjects of mining economics and life-of-mine planning the commission should have failed to call for evidence or explanation from the mining company itself'

The statement pointed out no finding was made on the possibility of transfer pricing on the sale of CDM's diamond production

'CDM contends that it was entirely within the means of the commission to have satisfied itself that the allegation was unfounded, and to have rejected it'

On the question of the deductibility against CDM's taxable earnings of expenditure on deepsea prospecting, the statement said the commission commented on the subject of confidential negotiations between the State and CDM

It has been agreed that deductibility against CDM's deductible earnings of expenditure on marine prospecting should be subject to certain limitations. — (Sapa)

Cpt Tms 10/3/86

2/6

De Beers rejects Thirion allegations

Own Correspondent

JOHANNESBURG — De Beers has rejected allegations of excessively depleting SWA/Namibia's diamond fields as the Thirion report claims

De Beers accused Mr Justice Pieter Thirion of compiling the lengthy report without calling for evidence or explanation from De Beers Consolidated Diamond Mines (CDM) He had also failed to visit the mine or inspect its records, a statement from the mining house said

However, the judge said yesterday that CDM had been fully aware of the commission's activities "The inquiry was conducted in public At one stage when it appeared likely that evidence would be given concerning CDM, its senior counsel was present," he said

Although the mining house was still studying the report yesterday, it rejected the findings relating to the conduct of its affairs

The report said overmining at close to 100 percent was reported to CDM's board of directors for the 1981 and 1982 financial years A former senior employee of CDM, Mr Gordon Brown, claims that as a result of the overmining, SWA lost R2,65-billion in diamond ore

CDM denied overmining the territory "In fact, through the introduction of new mining methods we have rendered previously unpayable ground as payable," the statement from De Beers said

De Beers said it remained confident that it would be able to satisfy any impartial inquiry — by appropriately qualified investigators — that its mining policies had never resulted in any mining reserves becoming unpayable

CDM is preparing a statement to submit to the SWA/Namibian transitional government.

Judge dismisses De Beers suggestions

STAR 11/3/86 By Colleen Ryan (216) ~~221~~

Mr Justice Pieter Thirion, chairman of a controversial report on corruption in Namibia, has dismissed suggestions by De Beers that his inquiry was not impartial.

In Press advertisements yesterday, De Beers and its Namibian subsidiary, Consolidated Diamond Mines (CDM), said they rejected the Thirion report's findings on CDM's operations in the territory.

The CDM statement said the company was confident it would "satisfy any impartial inquiry by appropriately qualified investigators" regarding its mining policies and practices.

Mr Justice Thirion told *The Star* today "I think the report speaks for itself. My findings were based on evidence and documents which I established were authentic."

He said the CDM had been free to give evidence at the inquiry and had chosen not to do so.

Judge Thirion, a Natal Supreme Court judge, conducted a three-year investigation into alleged Government corruption in Namibia which was made public last Friday. Much of the commission's work focused on the activities of the CDM, which has a monopoly on the Namibian diamond mining industry.

De Beers has rejected the finding that the company had been overmining the diamond ore reserves on the southern coast line for at least 20 years, "with the aim of maximising profit" and to meet "excessive production targets".

● *The Star's* Africa News Service reports from Windhoek that authorities are preparing a white paper with possible suggestions for amendments to mining legislation, in the wake of last week's startling revelations by the Thirion inquiry.

Mines Minister Mr Andreas Shipanga said here yesterday that until the white paper was complete, the commission's report would not be discussed in the National Assembly.

Cape Times 11/3/86

CDM 'refused to give evidence' — official

Own Correspondent

WINDHOEK. — CDM was given the opportunity of presenting evidence to the Thirion inquiry into state control of the mining industry in SWA/Namibia, but refused, the judicial commission's chief investigating officer, Mr A G Visser, said yesterday

He was asked to comment on a statement by Consolidated Diamond Mines which rejected the commission's findings

Mr Visser said CDM had "been afforded every opportunity to present evidence while the commission was sitting, but through its legal representatives had refused"

The commission found that CDM, a subsidiary of De Beers, had overmined its deposits in breach of the agreement giving it mining rights, and had entered into certain agreements with other De Beers subsidiaries to avoid taxes

CDM said in a statement at the weekend that it rejected the findings relating to the conduct of its affairs.

"It is particularly unfortunate that in reaching conclusions on the complex and technical subject of mining economics and life of mine planning, the commission should have failed to call for evidence from the company itself, or to have visited the mine or inspected its records"

The SWA Mininster of Mines, Mr Andreas Shipanga, said here yesterday a government White Paper on the Thirion report would be introduced in the National Assembly once an interdepartmental committee had studied its proposals and made recommendations to the cabinet.

De Beers group profits soar — div up 45%

Cape Times 12/3/86

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Mr Michael Peacock has been appointed financial director of Mitchell Cotts. He will also join the board of Mitchell Cotts Operations.

JOHANNESBURG — De Beers Consolidated Mines yesterday announced greatly improved results for the year ended December 31, 1985

Group profits attributable to deferred shareholders before extraordinary items improved by R316m or 95 percent from R333m (92c a share) to R649m (180c a share) before taking into account De Beers' share of retained earnings of associated companies — and by R392m or 61 percent from R643m (179c a share) to R1 035m (288c a share) after taking into account the group's share of retained earnings of associates

Final dividend

The final dividend was lifted by 45 percent to 40c a share (1984. 27,5c a share) making the total for the year 55c a share, (40c a share) absorbing R198m.

The directors report that the encouraging trend is Central Selling Organization (CSO) sales in the second half of 1985 has continued at the first two sights of this year

Improved sales and the further devaluation of the rand against the dollar resulted in a much improved diamond account which doubled to R1 140m (R565m)

Investment income rose from R183m to R215m and interest received was virtually unchanged at R82m (R80m)

The share of retained earnings of associated companies was R386m as compared with R310m in the previous year

Net surplus on realization of fixed assets was R8m (R1m loss) and the net surplus on realization of investments amounted to R27m (R8m)

Prospecting and research increased from R89m to R109m

General charges were R8m (R9m)

Interest payable was marginally higher at R162m (R155m) and amounts written off fixed assets and loans absorbed R3m (R5m)

Group profits before tax for the year amounted to R1 576m as compared with R887m in 1984

Higher diamond earnings caused taxation and the State's share of profits under mining leases to rise from R169m to R411m

The share of group profit attributable to outside shareholders in subsidiaries increased from R73m to R128m reflecting both better results and higher rand converted earnings of foreign subsidiaries

Losses

The group's share of extraordinary losses of associated companies amounted to R63m (R79m profit)

Diamond stocks increased by R1 012m of which R1 110m is attributable to the change in the rand/dollar exchange rate as applied to opening stocks offset by a real reduction in stocks of R98m

Converted at the rates of exchange at the end of each year, stocks totalled $1 950m in 1984 and $1 898m in 1985, a reduction of $52m. — Sapa

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London stocks after hours: Blyvoors 540, Bracken 200, Driefontein 18$\frac{5}{8}$, E Rand Prop 5$\frac{11}{16}$, Freegold 10$\frac{5}{8}$, Grootvlei 4$\frac{13}{16}$, Harmony 13, Leslie Gold 195, Randfontein 94, Crocker — the ultimate Iron Man

ECONOMICS

Argus 12/3/86 (216)

SWA to get a shake-up in its diamond industry

BRENDAN SEERY of The Argus Africa News Service reports from Windhoek on pending changes to SWA/Namibia's mining laws

AS the multinational companies cry "foul", the Windhoek government is going ahead with compiling a white paper on possible amendments to existing legilsation in the wake of last week's startling revelations about mining made by the Thirion Commission of Inquiry

Although he would not be drawn on the contents of the white paper, Mines Minister Mr Andreas Shipanga promised. "The mining story will never be the same again in this country"

The transitional government, he added, would move quickly, as the commission's recommendations were so clear that "we need no further head-scratching"

The commission — headed by Natal Supreme Court judge Mr Justice Pieter Thirion — suggsted that widespread amendments be made to existing legislation, including

☐ The reconstitution of the territory's Diamond Board so that the interests of the State are more fully represented, and that the administration has more control over the diamonds during the time they are extracted, sorted and sent overseas for sale

☐ The tightening-up of the procedure for issuing prospecting permits and the granting of mineral rights to prevent "landlocking" — the practice of tying up claims with no intention of exploitation so that other prospecting is excluded or monopolies maintained

☐ The revision of existing mining leases and contracts so that "realistic" rentals are paid for mining sites

☐ The imposition of a "royalty" on all minerals mined in the territory, rather than relying on irregular income tax payments as compensation to the State for the loss of a non-renewable natural resource

☐ The tightening-up of export regulations which permit, at present, large quantities of "samples" to leave the country without hindrance, and which keep no effective control on the shipping out of normal mineral exports

☐ The establishment of a Department of Mines, so that all matters concerning mining can be brought under one authority

☐ Closer monitoring, by State geologists and other experts, of the activities of mining companies

☐ An examination of an "over-generous" tax system which allows mining companies to off set much of their expense against their income and therefore pay reduced taxes.

☐ A thorough investigation into the practice of "transfer pricing" — where multinationals either sell exports to outside affiliates at lower than ruling world prices, or import goods and service from affiliates at higher than the normal rates This is one method, Judge Thirion found, that multinationals operating in Third World countries use to move their profits out of the host country or avoid any exchange control regulations

It is not known at this stage how many of the recommendations of the commission will be accepted by the government in Windhoek and incorporated into law Minister Shipanga and his colleagues have to tread a fine line in formulating their new national mining strategy

While it is obvious, from the findings of the Thirion Commission, that the State has little control and little knowledge of the activities of the mining houses opeating on its soil, the transitional government cannot impose so rigid a mining code that potential investors will be scared off

Multinationals such as Consolidated Diamond Mines (CDM) which is a subsidiary of De Beers, and the Tsumeb Corporation, which is largely American owned, have already epxressed their rejection of the findings of the commission

Both companies have claimed they were not given an opportunity to defend themselves when the Thirion Commission was carrying out its probe — a charge which has been rejected by government officials here

Earnings/share almost double to 180c

B DAY 12/3/86

(216)

De Beers' income at a sparkling R1,86bn

ROY BENNETTS

DE BEERS' earnings virtually doubled for the year to December.

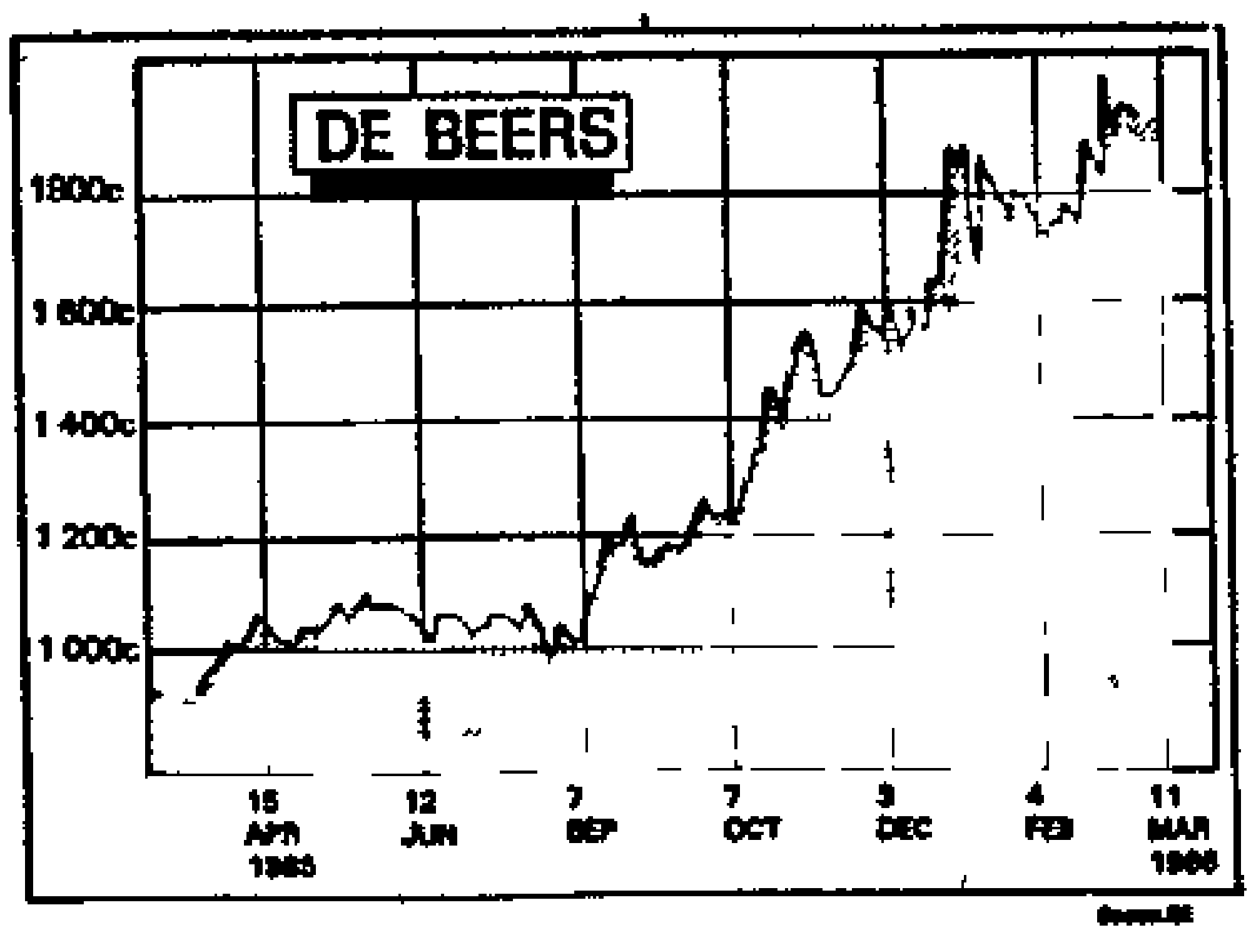
They soared to 180c a share compared with 92c a share in 1984. The final dividend has been lifted by 45% to 40c (27,5c) a share, making the total for the year 55c (40c).

With the inclusion of its share of the retained profits of associates earnings jumped to 288c (179c) a share.

De Beers' total income for the year jumped to R1,86bn (R1,15bn), aided by impressive increases in investment income to R215m (R183m) and the share of retained taxed profits of associates at R386m (R310m).

Outgoings were well contained at R282m (R258m), including the cost of prospecting and research at R109m (R89m), to provide for a pre-tax profit of R1,58bn (R887m).

The higher earnings from diamond sales caused taxation and the State's share of profits to rise to R411m (R169m), to leave taxed profits of R1,17bn (R718m).



The diamond account shows a remarkable recovery to R1,14bn (R565m). This figure was boosted by the continued weakening of the rand in 1985, but in dollar terms the increase still remained impressive at $524m ($390m).

Sales by the Central Selling Organisation in 1985 rose by 13%, from $1,6bn (R2,3bn) in 1984, to $1,8bn (R4bn)

Chairman Julian Ogilvie Thompson says that an encouraging trend in the purchase of diamonds seen in the second half of last year has continued at the first two *sights* — where dealers do their buying — of the current year.

Share of the group's profit attributable to outside shareholders in subsidiaries increased from R73 to R128m, with De Beers' share of extraordinary losses amounting to R63m, compared with a gain of R79m in 1984.

Of the R200m redeemable preference shares in issue by subsidiaries at the end of the previous year, R111m was redeemed during 1985, leaving R89m outstanding.

Long- and medium-term liabilities increased by R99m to R980m while net current assets improved by R202m at R486m.

Fixed assets rose to R843m (R710m), and the book cost of investments and loans to to R3bn (R2,6bn). The market value of these investments at the end of the year was R5,9bn (R3,7bn), equivalent to R16,34 (R10,25) a deferred share.

B DAY 12/3/86 (251) (278)

Afbal 12/3/86 216

COMPANIES

De Beers final div up 45 percent

AFTER a 37 percent hike in interim dividend, the thousands of De Beers shareholders are to get a 45 percent rise in final payout, up from 27,5c to 40c and amounting to R198 million

This follows an almost doubling of profits to a staggering R1 035 million after tax for 1985

Diamond sales more than doubled in rand terms, although up by 134 percent in dollar terms, and total income amounted to R1 858 million against R1 145 for 1984

The taxman, however, took a huge bite, up to R374 million from R167 million

The directors say the encouraging trend in Central Selling Organisation diamond sales in the second half of 1985 continued at the first two "sights" of this year.

The balance sheet shows the company's total assets increassed by R1 761 million to R9 343 million.

Diamond stocks increased by R1 012 million of which R1 110 million is attributable to the change in the rand-dollar exchange rate as applied to opening stocks offset by a real reduction in stocks of R98 million

Converted at the rates of exchange at the end of each year stocks totalled $950 million in 1984 and $1 898 million in 1985, a drop of $52 million

● **Foschini's** net profit dropped 12 percent for 1985 but the final dividend remained unchanged

Earnings were R16,3million R18,5 million, equal to 1684c (1911c) a share.

A final payout of 644c makes a total of 812c.

● Although still enjoying relatively good times the hitherto buoyant life assurance industry appears to have slowed slightly in 1985, judging by the results of the **Prudential**.

The group nonetheless still shows a credible 17 percent rise in attributable earnings - thanks mainly to rising investment income - and has increased total dividends to shareholders from 16,5c to 20c a share

At the bottom line net income was R8,2 million versus R7 million Shareholders share of life business profits was R5,9 million — virtually unchanged from the previous year — while investment income rose to R2 million from R1,1 million

Recurring annual premium income was up 18 percent at R128 million and total premium income was up 16 percent at R174 million.

Pensions business again performed well and accounted for the majority of the increase in premium income while individual new annual premium business only increased marginally

The company says that political uncertainty, the high rate of inflation and the effects of the recession have made selling of life assurance more difficult

● **Lifegro Assurance** reported further growth in 1985, despite difficult operating circumstances for the industry as a whole

Total income increased by 17 percent to R492 million As a market leader, the growth in Lifegro's premium income during the recession was similar to that expected of the industry as a whole — that is, below the average experienced in the past few years

This was also effected by the severe legislative restrictions imposed on the sale of tax efficient pure endowment business, says the company.

Premium income, as a result, rose only from to R319 million from R297 million.

Investment income, however, increased by 14 percent to R172 million, mainly as a result of the strategy to maintain a high level of liquidity when interest rates were high.

The benefits paid to policyholders amounted to R158 million which was more than double that of two years ago

Tax paid will be three times higher than two years ago.

A final dividend of 6,7c and the interim dividend of 5c makes a 1985 total of 11,7c, up 20 percent on the 1984 dividend of 9,75c

Tom Hood

2/6

Diamond fever still rages in N Cape

From DIANNA GAMES

KIMBERLEY. — Word has it that the diamond given by the Aga Khan to his actress wife Rita Hayworth was from Barkly West

That was a long time ago but this part of the Cape has not given up its precious store yet

And testimony to this are the 200-odd diggers who still sit sifting patiently on the banks of the Vaal River with enthusiasm about the all-important gem only slightly less evident than in their predecessors.

But the old-time fever is to be temporarily relived when about 80 diggers gather at the Kimberley City Hall next week for a "rush" to an area of 72 claims made available by the city council for a two-year dig.

Diggers will be charged R10 for a licence to dig up to five of the 50m² claims, R500 for working the land, and will give 10 percent of any findings to the city council which plans to use the land for township building at the end of the two years

The claims are situated within a kilometre of the Big Hole — closed in 1914 after producing 27 221kg of diamonds to greedy hands — and diggers believe there are still many diamonds to be found as the sorting at the time was not as careful as it is today

A newspaper cutting from 1872 about the finding of the "Star of South Africa", nearly 83 carats, tells of the thousands of men from all over the world who "from dawn to dusk . work their sieves hoping to find the big diamond that will make them a fortune"

So what has changed? Not much if you look in the right places

On the banks of the Vaal, 38-year-old Bruce Beukes is sifting through stones He says "I know right away if there's one in here You can't miss it . it's like seeing a man dressed up for a wedding"

Mr Beukes has spent thousands of rands on machinery to dig and sift through 200 tons of material a week all in the pursuit of one small stone, or hopefully more "I found a 15 carat on Thursday," he says

Mr Charles Drude, 77, in the shelter where he has spent the last nine years shifting five tons of material a week in search of elusive diamonds

Mr Johannes Mills, at 82 probably the oldest digger in the Northern Cape, with a now-rare diamond scale which he has used during a lifetime of diamond digging.

Not one to pass up a chance, he is sending a digger to work the Kimberley claims for him.

Mr Johannes Mills, 82, is probably the oldest surviving digger around those parts He lives in the tiny town of Barkly West, 30km from Kimberley, and is down at the diggings every day

Most of his life was spent on the banks of the Vaal, undaunted by failure but spurred on by success which, at that time, was rather more frequent than today.

"Diggers don't shout about their wealth. There were many who made as much as a million rands in those days but you'd never know it — they would just retire around Barkly and live ordinary lives," he said

And Mr Mills is testimony to his own words with at least "a plateful" of diamonds passing through his hands over the years — 175 carats is his biggest — yet he lives like any other pensioner

Mr Charles Drude is to be found sitting in the shade of his tin shelter near the banks of the Vaal, just metres from Beukes operation. Born in 1909, at the peak of diamond fever, he suffers from asthma, but will not leave his digging

Also born into digging — even his mother was a digger — he has never moved from the area Despite little success, he is there to stay He works about five tons of material a week and in nine years of working the same ground with handmade sieves has only made about R5 000 from finds — but there is always hope

"A friend of mine found a 12 carat up the road last week and he got R50 000 for it"

The only sign in Barkly West of the old days are six offices where the diamond selling market takes place each Saturday.

And you don't spend your life on one gamble without much hard bargaining for the spoils.

One of the earliest diggers was given a diamond by a Hottentot doctor who had used it as a charm The miner gave him 500 sheep, 10 cattle and a horse in return Nothing has changed except the terns

Glittering performance vindicates optimists

12/3/86 STAR

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De Beers earnings are almost doubled

By Gareth Costa

Overseas expectations of good results from De Beers and the resultant rise in the share price, have proved to be well founded with this morning's release of the company's results for the year to end-December which showed earnings a share of 180c, almost double the previous year's 92c

Earlier this year, however, one London columnist warned that shareholders should "not be too eager: the revenue may be gobbled up by debt reduction".

To some extent this has been the case, with the group transferringR336 million to reserves. A final dividend increase of 45 percent to 40c is declared, with a total for the year of 55c up from 40c last year

Earnings a share when associated companies profits are included jumped to 288c — up from 179c.

Total income for the year was up from R1,14 billion to R1,85 billion, with income from investments also up at R215 million and the share of retained profits from associates up from R310 million to R386 million

Deductions were held in line, with a total of R282 million made up of interest charges of R162 million, prospecting and research R109 million, general charges R8 million and fixed asset and loan write-offs of R3 million

Last year's total deductions were R258 million

Profit before tax was R1,57 billion and after tax R1,16 billion, up from R718 million

The Receiver's share of profits was markedly up from R169 million to R411 million

Central Selling Organisation sales last year rose by 13 percent to $1,82 billion or in rand terms almost double to R4,02 billion, and this contributed strongly to the increased diamond account from R565 million to R1,14 billion

Demand rises

The directors say that the encouraging trend of the last six months of the year has continued through to the first two sights of this year

This tends to vindicate recent predictions by analysts of a 10 percent increase in the value of sales in 1986 to more than $2 billion

Earlier this month a De Beers spokesman in London refused to confirm any rise in diamond prices, but he said that demand for lower quality diamonds and some medium and better quality stones had risen

The share of profits attributable to outside shareholders in subsidaries increased from R73 million to R128 million reflecting both better results and higher rand converted earnings of foreign subsidaries

Of the R200 million redeemable preference shares in issue by subsidaries at the end of the previous year, R111 million were redeemed during 1985, leaving the amount outstanding at R89 million.

Net current assets increased by R204 million, resulting in an apperent reduction in funding of R216 million

Diamond stocks have increased by R1,01 billion to R4,88 billion which should hopefully be reduced with the latest improvement in sales by the CSO.

Windhoek intends moving rapidly to alter mine laws

12/3/76 · STAR

216

By Brendan Seery,
The Star's Africa News Service

WINDHOEK — As multinational companies cry "foul", the Windhoek Government is going ahead with a White Paper on possible amendments to existing legislation — in the wake of startling revelations by the Thirion Commission of Inquiry last week about mining in the territory

Though he would not be drawn on the contents of the White Paper, Mines Minister Mr Andreas Shipanga promised "The mining story will never be the same again in this country"

He added that the government would move quickly, because the commission's recommendations were so clear that "we need no further head-scratching".

The commission — headed by Natal Supreme Court judge Mr Justice Pieter Thirion — suggested that widespread amendments be made to existing legislation, including:

- Reconstitution of the territory's Diamond Board so that the interests of the State are represented more fully and the administration has more control over diamonds during the time they are extracted, sorted, and sent overseas for sale
- Tightening-up of the procedure for issuing prospecting permits and the granting of mineral rights, to prevent "landlocking" — the practice of tying up claims with no intention of exploitation, so that other prospecting is excluded or monopolies maintained

TIGHTENING EXPORT RULES

- Revision of existing mining leases and contracts so that "realistic" rentals are paid for mining sites
- Imposition of a "royalty" on all minerals mined in the territory, rather than relying on irregular income tax payments as compensation to the State for the loss of a non-renewable natural resource
- Tightening-up of export regulations which permit large quantities of "samples" to leave the country without hindrance, and which keep no effective control on the shipping out of normal mineral exports
- Closer monitoring by State geologists and other experts of the activities of mining companies
- Examination of an "over-generous" tax system which allows mining companies to off-set much of their expense against their income, and therefore pay reduced taxes
- Thorough investigation into the practice of "transfer pricing" — where multinationals either sell exports to outside affiliates at lower than ruling world prices, or import goods and service from affiliates at higher than normal rates This is one method, Mr Justice Thirion found, that multinationals operating in Third World countries use to move their profits out of the host country, or to avoid exchange control regulations

Mr Shipanga and his colleagues have to tread a fine line in formulating their new national mining strategy

While it is obvious from the commission's findings that the State has little control and little knowledge of the activities of the mining houses operating on its soil, the transitional government cannot impose so rigid a mining code that potential investors will be scared off

Multinationals such as Consolidated Diamond Mines (CDM), a subsidiary of De Beers, and Tsumeb Corporation, which is largely American-owned, have already rejected the commission's findings

MAKING THE MOST OF RESOURCES

Both claim they were not given an opportunity to defend themselves when the commission was carrying out its probe — a charge rejected by Government officials Tsumeb has even gone as far as to suggest that a panel be appointed to review the commission's conclusions

What is clear is that the authorities in Windhoek will have to make some moves towards controlling the mining companies and ensuring that the State gets the most out of its own resources

If the commission's findings are accepted at face value, there would be few who would not understand an independent government wanting to nationalise the multinationals to halt the probable exploitation of the country

Mr Justice Thirion himself gave this ominous warning when making his findings in the report "The pretence of the multinational corporation that it is incapable of abusing its power convinces the unwary that there is no need for control"

The judge suggested that the base of a national mining policy should be the premise that the minerals belonged to the people of the country, and that any exploitation should benefit those people

State controls on the mining sector should also ensure that there was a transfer of technology from multinationals to locals, that repatriation of profits was "slowed down", and that reinvestment of profits by multinationals was promoted

STAR

(216) 12/3/86

SA may be implicated in Namibian report

By David Braun,
Political Correspondent

CAPE TOWN — The Department of Mineral and Energy Affairs is investigating the possibility of South African implications following the release of the Thirion Commission's probe into Namibia's mining industry.

The Commission found last week that Consolidated Diamond Mines, a subsidiary of De Beers, had been overmining the territory's diamonds to a detrimental extent.

The implication has been made that South Africa, in allowing this to happen, has maladministered the territory.

De Beers has since slammed the report and denied its allegations.

A spokesman for the South African Department of Mineral and Energy Affairs said yesterday it was not yet clear to what extent the South African Government could be expected to take responsibility for any overmining.

In the first instance, he pointed out, Namibian mines have traditionally fallen under Namibian mineral laws and not South Africa's, even when the territory was directly administered from Pretoria

Secondly, Namibia had been self-governing for some time.

The department had not had the opportunity to go through the lengthy Thirion report to see if it did have any implications for South Africa.

Once it had, there could be a statement, he said

B. Day 13/3/86 (216)

Government's cosy interest in diamonds

THE INVESTIGATION of the Namibian diamond industry by the Thirion Commission has set off a dispute that, sooner or later, was bound to happen. The ties between industry and government are just too cosy.

Ralph Nader's investigations in the US showed that government agencies tended to develop symbiotic relationships with the industries they are supposed to regulate, and that both parties become increasingly resentful of any public "interference".

It is a formula for public relations disaster when, as must happen sooner or later, a Nader or a Thirion comes along.

The Namibian diamond industry, represented mainly by CDM, the De Beers subsidiary, has been a classic case. The situation reached in 1985, as explained to me by industry officials, was this:

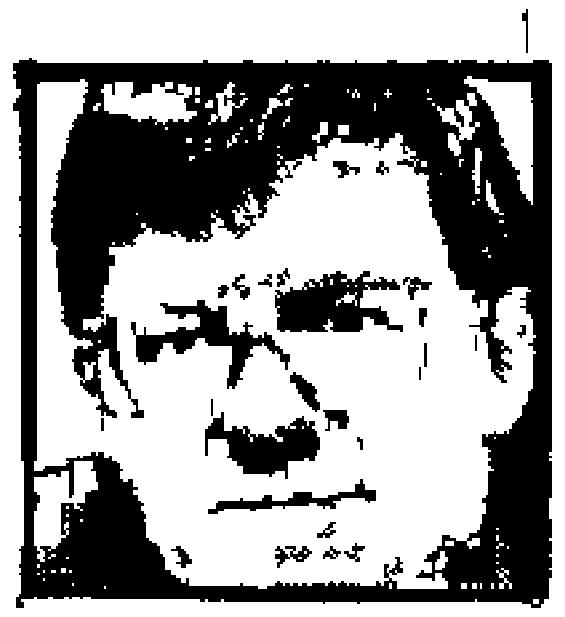
Responsibility for the public interest in the industry was assigned to the Diamond Board of South West Africa (DIBOSWA), which was created in 1939 to sort, evaluate and sell Namibia's diamond production.

DIBOSWA consisted of a majority of government appointees, but also had two representatives of CDM. Its chairman, Pieter J Malherbe, the Auditor-General of Namibia, has — in keeping with Nader's findings — evinced a strong hostility to the Thirion Commission.

In fact, he went so far, in a tape-recorded interview with the South West Africa Broadcasting Corporation last year, as to denounce Judge Thirion as biased and to call his investigation a witchhunt. He was formally rebuked by the judge.

DIBOSWA's task of sorting and evaluating the diamonds was vital. Since there was no free market in uncut diamonds, there was no other way to determine the tax value of CDM's production. But DIBOSWA proved incapable of performing its duty, and contracted with the Diamond Producers' Association (DPA) to do so on its behalf.

DPA includes representatives of De Beers, CDM and the Diamond Corporation (a subsidiary of De Beers) and one man who must represent both the SA government and the State Alluvial Diggings of the northern Cape Province. At this point the interests of producers and government merge completely.



KEN OWEN

Namibia, too, had a DPA representative, a retired medical practitioner and farmer, Dr Jan Lombard. He was appointed by the government to represent the smaller Namibian producers in DIBOSWA, which in turn appointed him as its representative in the DPA.

DIBOSWA did try to supervise the DPA's performance. The supervision was exercised by the secretary of DIBOSWA, a part-time employee whose full-time job was as manager of De Beers Services, a Windhoek subsidiary of De Beers.

He had the assistance of a number of agents at Oranjemund, all of them part-time employees whose full-time jobs were with CDM. They had to ensure that stones from the mines were properly sealed in packets every week to be flown to Kimberley. There the packets were opened under the supervision of the SA Police and various officials.

At Kimberley, ownership of the diamonds passes to the Central Selling Organisation, the international cartel that performs the indispensible function of ensuring a stable price for the gems.

It operates through two companies: PUTRA, a purchasing and trading company, buys the diamonds; and DITRA, a diamond trading company, sells them in London. For this service, the CSO takes a flat fee of 10% of the value of the diamonds.

PUTRA, registered in SA, gets 80% of the fee (or 8% of the value of the gems) and pays tax to the SA government. DITRA, a British company, gets 20% of the fee (or 2% of the value of the gems) and pays tax in Britain.

In Kimberley, DIBOSWA's interests were tended by a local agent, Fred Roussouw, who was also the chief evaluator for the DPA. Roussouw functioned, too, as chief evaluator for the SA government. Half his salary was paid by the government and half by the DPA representing the diamond producers.

It is not clear which of these roles prevailed, but Roussouw told Thirion that he would "probably fall off his chair" if he ever received an instruction from DIBOSWA.

Roussouw had too few assistants to cope with the task of sorting and evaluating the immense flood of diamonds that came through Kimberley. The task was therefore delegated under contract to a company called Valco, a subsidiary of De Beers.

Valco's staff assigned each of the CDM gems to one of nearly 7 000 categories based on colour, weight, clarity and so forth. It did so by comparing each gem with a standard sample of diamonds which is kept in Kimberley, each sample representing a category to which a value was assigned by the Central Selling Organisation.

Roussouw and his staff checked Valco's work on behalf of DIBOSWA, an important task because the values assigned were not only those at which the CSO would buy and sell the diamonds in London — they were also the values which ultimately determined the taxes paid by CDM.

Once the value was settled and ownership of the gems passed to PUTRA, the diamonds were sealed in packets and sent to DITRA in London, and offered for sale.

A final check was carried out in London on behalf of DIBOSWA to ensure that the stones did not miraculously increase in value in mid-flight. DIBOSWA's London agent, who monitored the progress of the CDM gems until they were finally sold by DITRA, was also an employee of DPA, the producers' association.

So powerful is the De Beers group of companies, and so unassailable its reputation for integrity, that nobody in the industry has ever questioned these arrangements.

The SA government does not have a matching reputation. Even before Thirion, public suspicion was aroused when a case came before the courts following an assertion that a former Air Force officer was promised diamond concessions for unspecified services to the government.

The diamond industry can only hope that if any official gets caught up in such scandal, he will not be wearing his industry hat.

14/3/96

THIRION REPORT

FIN MAIL 216

State losing out

The Namibian administration took a pounding in the eighth interim report of the Thirion Commission It was criticised for its innocent attitude to the actions of the mining companies, as a result of which it had lost millions of rands in potential tax revenues.

The report contains a number of examples illustrating how mining companies have benefited at the expense of the Namibian government — not through illegal actions, but by exploiting the country's mining legislation which Judge Thirion finds inadequate

While in any new development there must be a trade-off in benefits between the developer and the State, Judge Thirion believes Namibia is getting too much of the short end of the stick

His recommendations to stop these practices hold major implications for the country's mining industry. They include the changes, affecting capital expenditure by mines, which were introduced in SA last year in the teeth of opposition by the mining houses.

A major difference between Namibia and SA is that in Namibia the State owns the country's mineral rights; in SA the bulk of the mineral rights are in private hands

Dealing with the Rosh Pinah base metals mine, the report says "The State neglected its role as custodian of SWA's non-renewable resources by not negotiating the most beneficial deal for SWA It allowed Moly Copper (ie the Kahan family) to skim the cream off the top of the profitable mine Since the Kahans are not residents of SWA the royalty payments flow out of SWA and do not find their way into the local economy but are transferred to another economic entity."

Moly Copper had a prospecting grant on the area from the State costing R4 250 a year which it ceded to Imcor Zinc in 1969 — but with a clause entitling it to a royalty of 9% of the sales value of minerals produced from the area Imcor Zinc mined the area and paid royalties to Moly Copper rising from R216 905 in 1971 to nearly R2m in 1982 However, the State received only the R4 250 a year rental on the prospecting grant and R410 a year on the mining grant until 1980, when Rosh Pinah started paying tax

The report recommends that consideration be given to the imposition of a duty or royalty payable to the State on the sales value of all minerals mined in Namibia, and to prohibiting the leasing or tributing of mining areas or mining grants. Any cession or transfer of mining rights subject to the payment of a royalty in any form should be prohibited, it says.

The report cites probable "landlocking" for more than 10 years of limestone deposits by SWA Portland Cement, which is part of the Anglo Alpha group This was denied vehemently by SWA Portland Cement in a letter to the commission

Judge Thirion remains unconvinced."The facts of this matter raise a strong probability that landlocking had been practised: that is, that a prospecting grant had been obtained so as to exclude other prospective applicants from investigating the limestone deposits with a view to exploiting them and that this had been done to preserve for South African cement manufacturers a monopoly as far as the supply of cement to SWA is concerned"

The report recommends that government should be empowered to cancel prospecting grants before they are due to expire if the grantee is in default of obligations imposed on him regarding exploitation of the mineral rights

Judge Thirion then tackles the question of prospecting expenditure being offset against mining income for tax purposes He claims that by arranging the exploration and development work among its subsidiaries, De Beers seeks to reduce the liability of CDM for tax payments

De Beers replies that these negotiations on sea prospecting between the State and CDM are confidential and have yet to be finalised, but it had been agreed the deductibility against CDM's taxable earnings of expenditure on deep sea prospecting would be subject to certain limitations acceptable by the State.

The report is also critical of the accuracy of the information contained in monthly reports submitted to the Chief Inspector of Mines, citing numerous cases where this had not been done or had been done inaccurately and pointing to numerous inconsistencies and incompatabilities in the statistics received. ■

14/3/86

FIN MAIL

216

DE BEERS

Forecasts fulfilled

Bullish expectations for De Beers have been amply signalled in the share price on the JSE in recent months From a 1985 low of 807c, the price soared nearly 150% to a peak of just over R20 late last month.

In fact, the final results should have satisfied the more optimistic forecasts Attributable earnings before extraordinary items jumped 95% to R649m The diamond account more than doubled to R1 140m (R565m) and interest payable — which had climbed sharply in recent years — was only R7m higher at R162m.

The final dividend of 40c lifted the total payout by 37,5% to 55c and should also have fulfilled most of the higher forecasts. But on Tuesday's close of 1 955c, the share still yields only 2,8% So the market is clearly looking a long way ahead of the 1985 figures How much further earnings and dividends will rebound over the next year or two is critical to the share's outlook from here. As one local analyst says, "last year when the share was only R9 it was easy, but it's had a terrific run and it has become far more difficult to make a positive recommendation."

However, the signs remain positive Central Selling Organisation (CSO) sales turned sharply upwards in the second half of last year, and De Beers notes that "the encouraging trend continued at the first two sights of this year "

Locally, much has been made of the share's potential as a rand-sensitive stock Exchange rates dramatically boosted the accounts over the past two years, last year in particular. Earnings figures were magnified, as was the mushrooming value of the diamond stockpile, which is mainly held overseas anyway But while the rand has made the share look better than it might otherwise have done to South African investors, it has also made realistic analysis more problematic

In 1984, the margin on the diamond account, usually an important indicator of the quality of diamonds being sold, was 17,6% in the first half, 32,6% in the second half and 24,9% for the year as a whole In 1985 it was 19% in the first half, 35% in the second half and 28,3% for the year. But as the margin is calculated on the rand diamond account and CSO sales figures, there must be a distortion owing to currency fluctuations

While the rand may offer a bonanza for local investors, it carries little significance overseas, where a large proportion of the shares are traded. However, exchange rate movements have brought other advantages The dollar's recent weakness — it has, for example, tumbled 36,5% against the DM and 32% against the yen — has effectively reduced diamond prices in all non-US markets, and thereby fuelled demand for polished diamonds

A weaker dollar, and any boost to demand for gems that may result, is of greater fundamental importance to the share than the rand (The cash flow benefits De Beers gets from the low rand essentially apply only to diamonds mined in Southern African mines) But more robust demand would help considerably in shrinking down the dollar value of the stockpile

Perhaps the most encouraging aspect of the 1985 accounts is that in real terms the diamond stockpile has peaked. When converted at the rates of exchange at the end of each year, stocks actually declined by $52m to $1 898m at end-December Marginal as this 2,7% decline is, it will be seen as important evidence that the group is enjoying a fundamental recovery

A real fall in the CSO stocks suggests that the stocks held in the trade have at last been shrunk to normal levels And, apart from the likely direct effect on retail sales, dollar-induced price falls at retail level could generate a degree of restocking in the trade, which is widely believed to have become a lot leaner, with stocks in the hands of dealers and cutters run down There has been talk that the lower dollar could encourage purchases ahead of possible price increases by De Beers, although it remains to be seen whether the group is that confident.

Restocking in the trade could have a fairly swift impact on the CSO's stocks The significance of a real paring of the CSO stockpile can hardly be over-estimated It has been argued, for example, that the proportion of the CSO's rough sales to total retail sales could almost double if demand returns to the normal levels of the early Seventies. And retail sales have been setting new records every year since 1983

DE BEERS SURGES

Year to December 31	1984	1985
CSO Sales (Rm)	1 676	2 351
Diamond account (Rm)	565	1 140
Diamond stocks (Rm)	3 875	4 887
Investment income (Rm)	183	215
Pre-tax profit (Rm)	887	1 576
Earnings excluding share of associates (c)	92	180
Dividend (c)	144	198

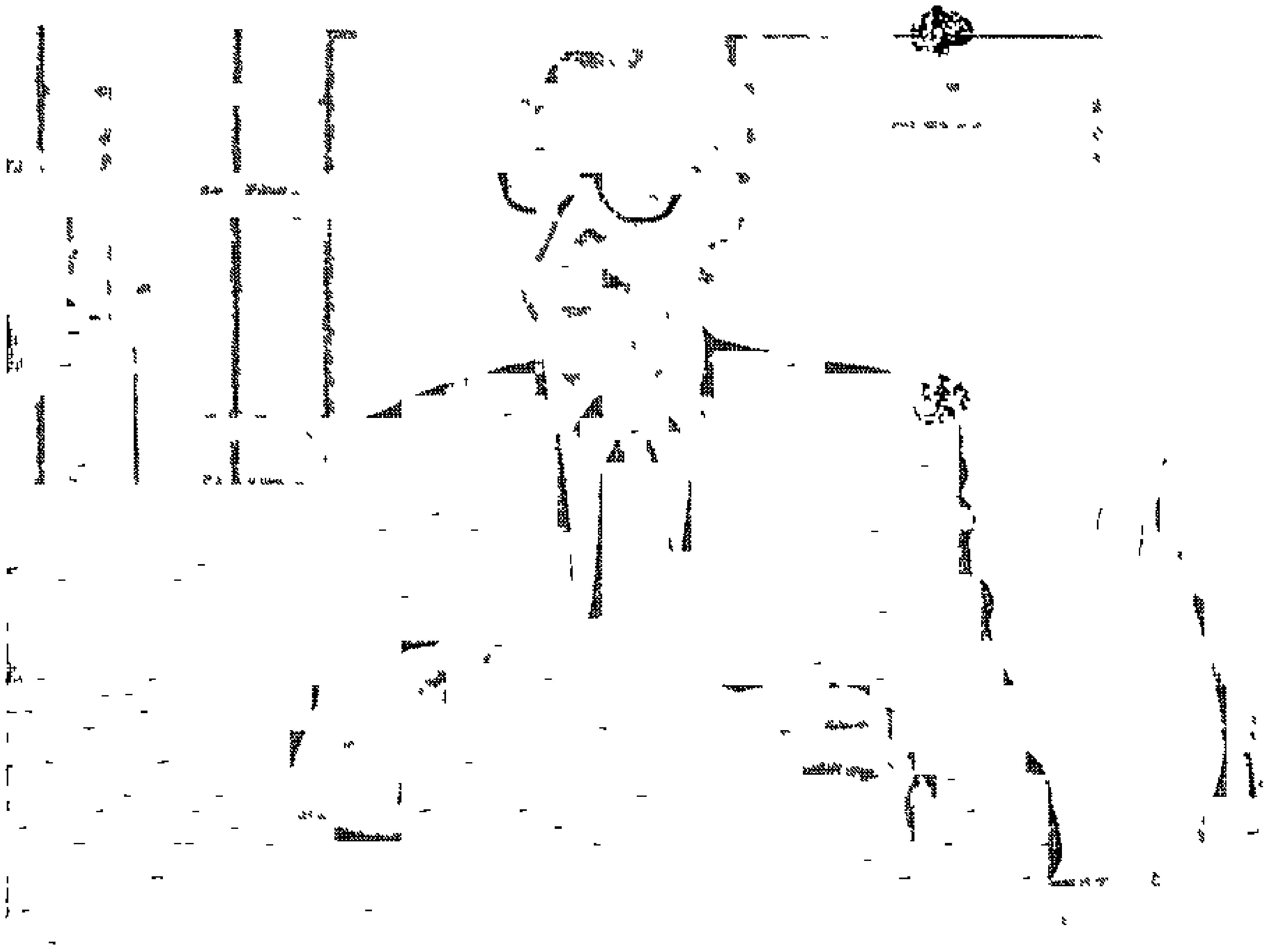
The longer that the improved level of economic activity continues in overseas markets, particularly those in Europe, the US and the Far East, the better the outlook for retail sales, and the better the prospects of a near-term dwindling of the stocks The presently minimal inflation rate in most industrial economies overseas means there is likely to be little interest in the share as an inflation hedge, so there won't be any more of the speculative buying that boosted sales and the share in the late Seventies.

De Beers has long argued that inflation was not a healthy or desirable element in the market anyway The positive side of low inflation is the boost it could give to both the pace and the duration of economic growth. Much the same applies to the plunge in oil prices in world markets This is bound to help boost growth and eventually to stimulate consumer expenditure

In addition to these developments, though, intensive promotional efforts have helped to broaden the diamond retail market The US, West Germany and Japan remain important markets, but I understand that there has been considerable growth in newer markets such as Korea

On the present outlook, De Beers could well be expecting a good performance for at least the next two years or so — and that cannot now be said for too many other shares on the market The share may be due for a breather, but it wouldn't be surprising to see further appreciation before too long either

Andrew Mcnulty



De Beers' Ogilvie Thompson . . . the encouraging trend continues

WEEKLY M.

Foot-dragging over Thirion

14/3/86

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Sceptics in Windhoek say that if the interim government takes as long to institute the Thirion report as it has taken to overhaul apartheid, De Beers has nothing to fear.

PETER KENNY reports

THE Mining Minister of Namibia's interim government, Andreas Shipanga, says Namibian mining will never be the same again following the sensational and damning findings of the Thirion Commission of Inquiry into government corruption.

The findings of the commission, which scathingly attacked controls in the Namibian diamond industry and singled out the De Beers subsidiary CDM for such activities as "overmining", will lead to important changes in the industry, Shipanga says

Sceptics in Namibia believe, however, that if the multi-party government takes as long to institute adequate checks on mining activities as it has to overhaul the ethnic system of governing the country, the changes could be long in coming.

The completed eight-volume report lay unattended in government offices for six months, until Friday last week when it was tabled in the National Assembly for the transitional government to debate.

A White Paper on Thirion's recommendations has yet to be drawn up prior to being debated.

Dr Kenneth Abrahams, editor of the academic publication Namibian Review, described the findings of the commission as "a damning indictment of the mining industry".

And on state controls of the industry, he added: "It goes beyond mere negligence. The government neglect in exercising control appears to verge on complicity."

The dust that has been stirred by the commission is going to take a long time to settle, with acrimonious words already flying between Judge Thirion and De Beers

CDM have long argued that if they cannot mine profitably — in their present secretive manner — there will be no mining or revenue for the government.

The findings cannot help but give ammunition to those who advocate the nationalisation of mining should Namibia ever become an independent state.

The report carries evidence of overmining, tax avoidance by companies, a sham state control body, false information on mining practices and transfer pricing (the practice of a company selling its product to another company owned by it to send profits out of the country)

A shortcoming of the commission is that it does not specify the amount of revenue that might have been lost to Namibia through such practices.

It proposes a radical shake-up in a watchdog body for the diamond mining industry and a reform of mining taxes

CDM, which mines in a secret security zone in the far south of the territory near the South African border at Oranjemund, is singled out as the biggest culprit of uncontrolled mining practices, probably because it is the biggest mining operation in the territory.

So tight are its security restrictions in the diamond *sperregebiet* that it is easier for the average Namibian — and even journalists — to enter the tightly-controlled operational area of war zone in the north.

The diamond colossus lost no time in issuing a statement over the weekend, saying it rejected the commission's findings on its affairs, and said a detailed statement was being prepared

"It is particularly unfortunate that in reaching conclusions on the complex and technical subjects of mining economics and life-of-mine planning, the commission should have failed to call for evidence or explanation from the mining company itself, or to have visited the mine or its records," CDM said in a press release this week.

CDM added that it was confident it would "satisfy any impartial inquiry by appropriately qualified investigators".

Judge Pieter Thirion, the Pietermaritzburg judge who chaired the commission, dismissed De Beer's assertions

"I think the report speaks for itself. My findings were based on evidence and documents which I established were authentic."

He added that CDM had been free to give open evidence at the inquiry, but chose not to do so.

Abraham Visser, chief investigator for the commission, said CDM had, through its legal representative, refused to give open evidence

The commission under Judge Thirion, a doughty and painstaking chairman, began sitting in November, 1982 to investigate maladministration, irregularities and corruption in all areas of Namibian government.

Thirion

n Commission of Inquiry brings to light many a dubious deal

amibia's dirty washing

STAR 15/3/86.

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By Brendan Seery,
The Star's Africa
News Service

WINDHOEK — It has been one of Namibia's longest-running sagas, opening up many cans of worms and shining light into the murkiest corners of the civil service.

The Thirion Commission of Inquiry into alleged Government corruption and maladministration last week presented its long-awaited report on a probe into the territory's mining industry

Its findings and recommendations were as startling as people expected following the often sensational evidence presented during the commission s hearings in Windhoek

Commission chairman Mr Justice Pieter Thirion found, in effect that the State had little control over the mining industry or knowledge of what was happening to Namibia's dwindling non-renewable natural resources

The report on mining was, however, only the highpoint of a thorough investigation which lasted three years.

Exorbitant fees

Going through the affairs of the 11 different "ethnic" administrations established by South Africa in the territory, Judge Thirion's investigation turned up some interesting facts, including

- Mr Tony Alves ("Tony Banana" to his friends) in Owambo, who made a more-than-comfortable profit delivering non-existent gravel to the administration and charging exorbitant transport fees
- Mr Chris Herbst, Owambo's State pharmacist, who was said to have opened his own "Oshakati Pharmacy', selling medicine including Government stocks, to the public for a profit.
- Mr Justus Garoeb, chairman of the Damara Executive Council, who along with four of his MECs, took State loans of R70 000
- Mr Simon Gobs, a close friend of Mr Garoeb who was said to have built a R100 000 house using at least R50 000 of State money Mr Gobs was also said to have used State employees and materials to build an electricity line to his farm

The commission also looked at the Herero Administration where, it heard the annual budget of R19 million was overspent in one instance by about R14 million The administration also involved itself in the purchase of farms, said to be for "emergency grazing", and bought a luxury house for Chief Kuaima Riruako

So far, however it seems there have been few, if any, prosecutions arising out of the investigations

Originally, Mr Justice Thirion was reluctant to launch a probe into the mining industry, but persistent allegations from a number of sources — including outspoken Windhoek businessman Mr Eric Lang — soon forced the issue

Transfer pricing

Among other things, Mr Lang claimed that considerable tax revenue was being lost because multinational corporations were not subject to any controls in their exports of minerals

He also claimed that such companies were indulging in transfer pricing – the practice of selling goods at a lower-than-market price to affiliated outside companies, or importing goods and services from foreig associates at a higher-than-normal rate In this way, taxes paid in Namibia were lower an profits could be exported

He also alleged that companies were overmining at a alarming rate

Many of Mr Lang's allegations were confirmed in th findings of the commissio which considered a number documents and lengthy repor in its deliberations

Among the documents were some from the De Beers subsidiary Consolidated Diamond Mines (CDM), which showed the company had been systematically overmining the deposits at Oranjemund on the South African border

The documents were produced by Mr Gordon Brown, a former CDM employee, who took the papers with him when he left the mine after 15 years service

He told the commission that he believed CDM was hoping to get as much as it could out of the diamond fields before Namibia gained independence

South African jewellery designer Trevor George Lewis has wo a 1986 Diamonds-International Award for this one-of-a-ki neckpiece The piece, with a total diamond weight of 27,16 c opens by pressing one of the front diamonds. And it is diamonds that are still very much in the news as shock waves o the Thirion Commission of Inquiry's report continue to reverberate in Johannesburg and Windhoek

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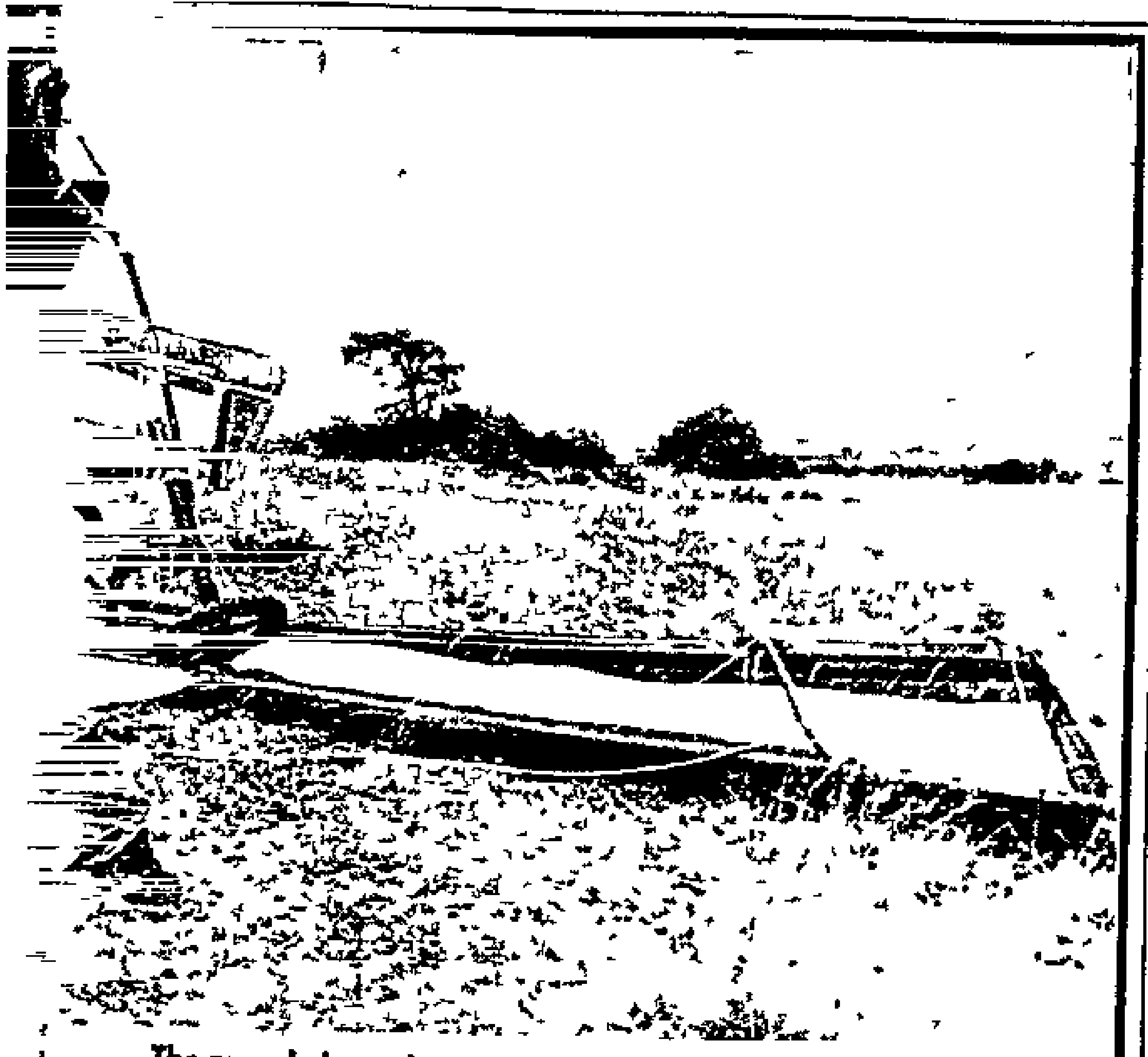

The mangled wreckage of Mr Glen Bower's microplane

Microlight championships are cancelled after young pilot dies

By Dirk Nel,
Northern Transvaal Bureau

ERSBURG — The death of Mr Bower (27) whose microlight air- crashed near Pietersburg this has caused the Northern Trans- Microlight championships to be led

They were to have been held at Pot- today.

Mr Bower, one of the most enthusi- members of the Pietersburg Mi- Club, married Miss Lou Silber- of Johannesburg only last month a seven-year romance.

y returned from their honey- a week before Glen died and his bride is now reluctant to m their memories-filled home

Like her husband, she loves the great outdoors and shared many happy hours flying with him in various aircraft.

He was also a keen sportsman, excelling at moto-cross, squash, scuba diving and boating Two years ago he was second in the Orange River inflatable boat race

Mr Bower earned his pilot's licence at 17 while working for the Atlas Aircraft Company, where he qualified as an engineer on Impala jets and Alouette helicopters

His father, Mr Hugh Bower, also a microlight enthusiast, was one of two pilots who landed at the scene of the tragedy

His son had died on impact and a full investigation is in progress

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Top union leader 'quits'

STAR 15/3/86

Veteran trade unionist and general-secretary of the Commercial Catering and Allied Workers Union (Ccawusa), Mrs Emma Mashinini, is understood to have resigned

A source close to the union said she quit yesterday, but Ccawusa has not yet received her official letter Asked to comment, Mrs Mashinini said she would be releasing a state-

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20/3/86. STAR.

STAR 20/3/86

Unita diamond centre raid rocks Angolan economy

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The Star's Foreign News Service

Unita's recent attack on the Angolan diamond centre of Andrada has shaken the country's diamond industry and dealt a further blow to the Angolan economy

Andrada is believed to be the largest diamond storage and processing centre in Angola.

In what is believed to have been its biggest action against the diamond industry to date, about 600 Unita semi-regulars and guerillas stormed the town on March 1, seized a large quantity of diamonds, kidnapped 170 foreign workers and destroyed workshop and storage facilities.

The town was defended by a battalion of about 300 Angolan soldiers, of whom 60 were reportedly killed in the attack. About 20 of the attackers were killed

Unita freed the hostages in Zaire earlier this week and they are expected to arrive in the Zairean capital of Kinshasa tomorrow or on Friday.

After petroleum, diamonds are Angola's most important potential earner of foreign currency.

However, Unita attacks on the industry have significantly curtailed production, and it is believed that at least one-third of Angola's diamonds are mined and smuggled out of the country by the rebel movement

About 700 expatriates worked on the mines in 1983, so the Unita raid has reduced the workforce by about a quarter.

Since 1981 Unita has regularly attacked diamond installations

Swaziland warning to poachers

MBABANE — Poachers in Swaziland face the bullet in future, the Minister of Natural Resources, Prince Khuzulwandle, has warned.

Announcing tougher measures against poachers in the kingdom's game reserves, the Minister said that in the past five years the number of black rhino in Hlane, the kingdom's largest sanctuary, had fallen from 100 to 30 as a result of poaching.

He compared the maximum fine of R50 for possessing poached wild game with the thousands of rands paid in the Middle and Far East for rhino horns.

"In Uganda it is policy for game wardens to shoot first and ask questions later," he said. "The Government is reluctant to enforce such a policy here but it seems impossible to find any other alternative."

216 FIN MAIL 21/3/86.

De Beers poised

As expected, the market has reacted favourably to **De Beers'** 1985 earnings figures The share has continued to advance, reaching a new high of R21 on Tuesday, up by some 180c since the results were announced last week.

I noted then that some analysts were becoming more cautious on the share, simply because the price has climbed so steeply However, it isn't difficult to find cause for bullishness on fundamental grounds. I also referred last week to the importance of the fact that De Beers' diamond stocks have peaked in dollar terms.

This is emphasised by the historic figures for the Central Selling Organisation's (CSO) sales of rough diamonds and total sales of polished diamonds at retail level Here I refer to the table, which was compiled some seven months ago by James Picton at Fergusson Bros Hall Stewart

These figures make several points The first is that if you go back 14 years, retail sales have increased every year except two It suggests only very limited relationship to American economic activity In 1976 there was a plateau and in 1982 there was a $700m fall after the hard assets boom of the late Seventies finally burst This was after De Beers cut its dividend from 75c to 50c, sparking a collapse in the share and doubts about the future of the industry

This table says retail sales over time have been a lot better than is generally realised. It adds some perspective to the mildly encouraging but cautious comments from De Beers in the last year or two Chairman Julian Ogilvie Thompson noted last year that retail sales set a new record in each of the five years from 1980 to 1984, except for a small dip in 1982 He was under-stating the case

The other, and even more important, point relates to rough sales. Between 1971 and 1976, before the inflation-inspired boom really got going and stocks accumulated in the trade, CSO sales were between 12%-18% of retail sales After the collapse, when the trade held large stocks and the CSO stockpile was climbing in dollar terms, the percentage fell to 7%-8%

The 1985 figures indicate that the trade's stocks are down to normal levels and the pipeline from the retailers to the CSO has shortened In addition, new production of gems has peaked and I understand that stocks are being drawn down at the mines.

Given, also, last week's comment from Ogilvie Thompson that the encouraging trend seen in last year's second-half CSO sales continued at the first two sights of 1986, and the implication is that 1986 CSO sales figures could soar. Add last year's sales of $1 823m, and the prospect that the proportion of rough to polished sales should start returning to normal — even, say, to 10% — and 1986 CSO sales of at least $2,2 billion looks realistic. But 1987 could be the really interesting year.

Bear in mind that a considerable part of the stockpile is said to consist of the gems mined in southern Africa. There are, finally,

CSO SALES AND WORLD RETAIL SALES

	CSO Sales (Rough) (US$m)	World Retail Sales (Polished) (US$m)	CSO Sales as a % of Retail Sales	COMMENT
1971	624	4 500	14	
1972	849	5 400	16	
1973	1 332	6 900	19	Normal
1974	1 254	7 200	17	Period
1975	1 066	8 700	12	
1976	1 555	8 700	18	
1977	2 073	10 800	19	Peak of
1978	2 552	13 800	18	Speculative
1979	2 598	16 100	16	Activity
1980	2 723	18 600	15	Uneasy calm before destocking
1981	1 472	19 300	8	
1982	1 257	18 600	7	
1983	1 599	19 800	8	
1984	1 613	21 000	8	Destocking
1985	1 823	22 000 (Est)	8?	
1986 (Estimate)	1 950	23 000	8 5+	
1987 (Estimate)	2 300	23 000	10	Back to
	2 760		12+	normal?

Compiled in July 1985 by Fergusson Bros Hall Stewart

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possible."

He says he was approached by the Saatchis to take over NMC to use it as a company which could be diversified into the services industry but not media-related services. He will not be more specific on the company's immediate plans.

While there are plenty of sceptics who believe the E R Cons share price is way too high — it has risen from about 45c in May 1984 — the sustained burst of activity would appear to indicate attitudes have changed fundamentally at the group and the rise in price is justified. *Brendan Ryan*

Falling stockpiles make De Beers attractive buy

24/3/86 216 STAR

By Gareth Costa

De Beers shares are looking extremely attractive with the weaker dollar, falling stockpiles and the likelihood of a 10 percent increase in the price of diamonds say brokers SG Warburg, Rowe & Pitman, Ackroyd (Rowak) in a report on the company

Earnings are forecast to rise from the 288c of last year to 350c for 1986, and the dividend from 55c to 75c Diamond sales by the Central Selling Organisation (CSO) are expected to be up from $1,8 billion to $2,5 billion, made up of an expected 10 percent increase in prices and a 25 percent increase in sales

Diamond account profits should rise to around R1,45 billion, but the report warns that the figure is sensitive to exchange rate fluctuations Investment income from Anglo American and JCI should also be boosted following the strong rand gold price and good platinum profits

"Interest income will rise and interest payable should be reduced as the stockpile is reduced and current assets improve However, the rate of taxation and lease payments will increase with the increase in diamond profits"

The report recommends that investors buy De Beers shares. However, at the time of compiling the report the price was R19,50, and it has since risen to over R24

The second half of last year showed a marked improvement in sales over the first half, which is traditionaly not the case as most buying is done in the first half of the year The improvement has continued for the first two sights of this year

The reasons for the second-half improvements were the decline in the dollar which made diamonds cheaper for non-dollar purchasers and a more normal supply/demand position following the Russian disruption of the market in the second half of 1984 They can no longer afford to upset the market like that since the drop in oil price has made them more reliant on diamond revenue

Thirdly, cutter's stocks continue to fall, with the overhang built up in the seventies being worked down Sales of larger diamonds has improved, with De Beers reporting at the interim stage that "interest in a broader range of diamonds" was being shown Jewellery demand has risen steadilty since 1981 and appears to be continuing to do so

"Prospects for this year are good and several of the favourable trends noted should continue The dollar has fallen further and the trade weighted index is now 118,6, 16 percent below the 1985 average of 140,7

"Prospects of further significant earnings growth this year, another good dividend increase and a very high discount on assets make the share a strong buy," the brokers say

(3) whether any conditions were attached to the granting of these permits, if so, what were these conditions,

(4) whether any arrangements have been made for the National Monuments Council to retain material recovered from the wreck; if not, why not, if so, what arrangements,

(5) whether the ownership of the wreck of the *Birkenhead* has been established, if not, why not, if so, who is the legal owner of this wreck,

(6) whether any countries have claimed ownership of this wreck, if so, (a) which countries and (b) on what grounds do they claim ownership;

(7) whether his Department has any information on the number of persons who died when the *Birkenhead* was wrecked, if so, how many persons died,

(8) whether he or any person connected with his Department has received any representations to have this wreck declared a wargrave site, if so, (a) from whom and (b) what was his reponse thereto;

(9) whether he will make a statement on the matter?

The MINISTER OF NATIONAL EDUCATION (Reply laid upon the Table with Leave of House).

(1) (a) Yes

(b) Yes

(i) 21 June 1983.

(ii) Depth Recovery Unit (Pty) Ltd.

(2) Yes.

(a) Depth Recovery Unit (Pty) Ltd.

(b) 8 August 1983.

(3) Yes.

- The salvor must co-operate with the South African Cultural History Museum in Cape Town, as well as with the Department of Archeology at the University of Cape Town

- Inspectors from the above institutions and the National Monuments Council must be allowed access to the wreck site and to the storage areas.

- All data and collections must be stored with the South African Cultural History Museum until recorded and studied.

- Progress reports on the salvage work must be submitted to the Council by 1 September 1984, 1 September 1985 and 1 September 1986 A final report must be submitted before 1 September 1987

- Reprints of all papers resulting from this work must be lodged with the Council.

- The Council shall not be liable for any losses, damages or injuries to persons or properties as a result of any activities in connection with the salvage work

- This permit does not cover the export from South Africa of any material from the wreck

(4) Yes In terms of this agreement with the Depth Recovery Unit (Pty) Ltd up to 50% of all the salvage material can remain the property of the Council. The *modus operandi* will be that the Council (or its delegated institution) has first choice of all salvaged objects, to be followed by the salvors' choice and so on until the material is satisfactorily shared by the two bodies.

(5) There exist a measure of uncertainty concerning the ownership of the wreck

(6) Yes

(a) The United Kingdom

(b) It alleges that is has never abandoned its rights and interests in the wreck

The matter is under discussion between the South African and the British Governments at diplomatic level

(7) Yes According to the available information 445 persons perished as a result of this shipwreck

(8) No

(a) and (b) fall away

(9) No, not at this stage

New Questions.

Ciskei: tax concessions

HANSARD 25/3/86

*1. Mr L F STOFBERG asked the Minister of Finance: †

QCOL 673

(1) Whether potential losses of income tax and/or company tax to the State have arisen as a result of the fact that companies and industries that establish themselves in Ciskei enjoy certain tax concessions; if so, (a) what is the total estimated amount in respect of these losses in the latest specified period of 12 months for which figures are available and (b) what is the nature of the losses;

(2) whether he contemplates taking any steps in this connection; if not, why not; if so, what steps?

The DEPUTY MINISTER OF FINANCE:

(1) Due to the short period of time since the commencement of the said tax concessions in Ciskei (in essence 1 March 1985), it is not possible to establish whether or not potential losses of income tax and/or company tax have taken place

(2) The situation is being carefully monitored and should it become evident that losses may occur, the appropriate remedial steps will be formulated

Mr A SAVAGE Mr Speaker, arising out of the reply given by the hon the Deputy Minister, in the light of the fact that Ciskei regards this as a decentralisation incentive, and also in the light of the fact that the South African Government normally pays half the incentives, has the Ciskei Government asked the South African Government to make a financial contribution which compensates Ciskei for what it loses by giving this tax relief?

The DEPUTY MINISTER: Mr Speaker, decentralisation benefits will not in fact accrue to companies that get tax exemptions in Ciskei

Mr A SAVAGE: Mr Speaker, further arising out of the reply given by the hon the Deputy Minister, although I appreciate what he has just said, will the Ciskei Government be financially compensated to a degree because this is regarded by the Ciskei Government as an incentive for establishing industries etc?

The DEPUTY MINISTER: Mr Speaker, if the hon member for Walmer has any further questions to ask in this regard, he should place them on the Question Paper.

HANSARD 25/3/86 QCOL 674

Export of diamonds

(216)

*2. ~~Mr L F Stofberg~~ asked the Minister of Mineral and Energy Affairs †

(1) Whether his Department exercises any control over the export of diamonds; if not, which department or what agency exercises such control; if so, what is the nature of this control;

(2) whether he intends taking any steps in respect of the control so exercised by his Department, if not, why not; if

so, (a) why, (b) what steps and (c) when?

The MINISTER OF MINERAL AND ENERGY AFFAIRS (Reply laid upon the Table with leave of House).

(1) Yes, the Department of Mineral and Energy Affairs excercises control over the export of polished diamonds but not over the export of unpolished diamonds The SA Police are charged with the latter function

The mechanism for control over exports of polished diamonds was established under the Diamond Cutting Act, 1979 and the function has since 1980 been exercised by the Diamond Cutting Board, which is under the control of the Minister of Mineral and Energy Affairs. Prior to that date the Police were also charged with this function

The nature of the control exercised by the Diamond Cutting Board is threefold· *Firstly* the Board is in close contact with diamond cutters and other parties in the diamond industry and in view of its intimate knowlege of the industry and available information, for example cutters' purchases of rough diamonds, it checks that all polished diamonds intended for export are presented to the Board for inspection. *Secondly*, diamond parcels are subjected to a physical inspection. The diamonds are counted and weighted and checked to ensure that they are fully polished *Thirdly*, the value of consignments are checked to ensure that the export value represents the fair market value of the diamonds.

My department unfortunately has no knowledge of the exact nature of the control exercised by the Police over the export of unpolished diamonds but I have been informed that consignments of unpolished diamonds are also inspected and can be referred to the Government Diamond Valuator if the Police are of the opinion that the consignment has been undervalued

(2) Yes, it definitely is my intention to take steps in regard to both the control which already falls under my department and the control measures which other Government departments are now charged with. These steps follow on certain recommendations by a Departmental Committee (known as the Van Wyk Committee) accepted by me. Control over the Republic's diamond industry, including control over exports of polished and unpolished diamonds, is currently divided between three Government departments, namely Finance, Police and Mineral and Energy Affairs There is however, agreement amongst these departments that such divided control is not satisfactory There are in my opinion also too many Acts in terms of which control is exercised over our diamond industry. The Department of Mineral and Energy Affairs has therefore prepared legislation in terms of which State control over the diamond industry will be rationalised and all the functions in this regard placed under the control of the Department of Mineral and Energy Affairs All the relevant Government departments have been consulted and they are all in agreement with the steps proposed The necessary draft legislation will be introduced during this session of Parliament

Export of diamonds

*3. Mr L F STOFBERG asked the Minister of Finance †

(1) Whether an investigation into the (a) quantity of diamonds exported and (b)(i) proceeds thereof and (ii) tax revenue received therefrom was ordered in his Department, if so,

(2) whether he will lay a report on the inquiry upon the Table, if not, why not,

(3) whether he will recommend that a select committee be appointed to go into this matter; if not, why not?

HANSARD 25/3/86 9 CSL

The DEPUTY MINISTER OF FINANCE·

(1) No

(2) Falls away

(3) No. At this stage there is no justification for the appointment of a select committee The Diamond Board, to be established in terms of draft legislation to be tabled during the current session, will carry out any investigations that may be deemed to be necessary

Mooi-Mgeni Government Water Scheme

*4 Mr R W HARDINGHAM asked the Minister of Water Affairs

(1) Whether compensation payments for servitude rights have been finalised in regard to the owners of properties through which the Mooi-Mgeni Government Water Scheme passes; if so, when; if not, why not,

(2) whether he will make a statement on the matter?

†The MINISTER OF AGRICULTURE AND WATER SUPPLY (for the Minister of Water Affairs):

(1) Yes The initial offers of compensation for the servitude rights were made during the middle of 1985 and revised offers in certain cases were made during February/March 1986. Certain claims in respect of alleged damage caused by the contractor outside the servitude area have, however, as yet not been finalised Although the Department of Water Affairs is not directly involved it is endeavouring to act as mediator between the owners and the contractor.

(2) No

Fuel distributing companies: supply of petrol

*5. Mr D J N MALCOMESS asked the Minister of Mineral and Energy Affairs:

(1) Whether he or any official of his Department made any requests of or issued any instructions to any fuel distributing companies regarding the supply of petrol to a certain chainstore group, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what requests or instructions, (b) to which fuel distributing companies, (c) when, (d) why and (e) what is the name of the chainstore group;

(2) whether the companies concerned complied with these requests or instructions, if not, what reasons did they give for failing to comply, if so, for what period will this request or instruction be in effect,

(3) whether he will make a statement on the matter?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No, a general directive was issued to all oil companies distributing petrol:

   (a) that no petrol may be supplied to any retailer thereof in the event of such retailer offering petrol at discounts directly or indirectly to consumers,

   (b) to all fuel companies acting as petrol distributors,

   (c) on 28 February 1986 and again on 6 March 1986,

   (d) in order to ensure a stable petrol distribution network countrywide; to protect employment and the interests of the small businessman and to prevent vertical integration,

   (e) falls away

Diamond industry rationalisation

STM 24/3/88 ㉑⑥

PARLIAMENT — Draft legislation is to be introduced during this session of Parliament to rationalise state control of the diamond industry under the Department of Mineral and Energy Affairs.

Minister Mr Danie Steyn said in reply to a question from Mr Louis Stofberg (HNP, Sasolburg) that control of the industry was at present divided among his department, the Finance Ministry and the police. — Sapa.

what was the average interest rate per currency and (c) what amount was payable in respect of (i) repayment of capital and (ii) interest

(2) whether the State has repaid any loans since the freezing of the repayment of foreign debt, if so, to what agencies?

The MINISTER OF FINANCE:

(1) (a) 1982/83—R1 466 165 488,05,
1983/84—R 731 527 260,26,
1984/85—R 602 728 163 ,22

(b) (i) Number of loans per currency—

1982/83
2—German Mark
6—U S A Dollars
2—British Sterling
3—Swiss Franc
2—Special Drawing Rights

1983/84
2—German Mark
1—British Sterling
2—Swiss Franc
4—U S.A Dollars
1—European Currency Units

1984/85
2—German Mark
3—Swiss Franc
2—British Sterling
2—U S A Dollars

(ii) Average rate of interest per annum—

1982/83
German Mark 6,56%
U.S A Dollars 13,34%
British Sterling 11,50%
Swiss Franc 7,44%
Special Drawing Rights 7,0%

1983/84
German Mark 8,52%
British Sterling 8,0%
Swiss Franc 5,81%
U S A Dollars 10,48%
European Currency Units 11,25%

1984/85
German Mark 7,75%
Swiss Franc 5,93%
British Sterling 11,89%
U.S A Dollars 10,45%

(c) (i) 1982/83—R398 866 498,67
1983/84—R626 254 868,96
1984/85—R371 402 831,10

(ii) 1982/83—R171 524 959,54
1983/84—R194 892 283,28
1984/85—R288 675 124,47

(2) Yes, loans not subject to the repayment obligations of the Standstill were repaid to agent banks, investors and the International Monetary Fund

QCOL 864
HANSARD 7/4/86

Diamonds

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327 Mr L F STOFBERG asked the Minister of Finance:†

(1) Whether his Department has any information on the countries in which accumulated stocks of diamonds of South African origin are kept, if so, (a) in which countries are such stocks kept, (b) at what total amount are the stocks in respect of each such country valued, (c) what is the total (i) product cost and (ii) selling price of these stocks in each case and (d)(i) in which currency is the interest in these stocks paid, and (ii) on what value is this interest paid, in each case;

(2) whether his Department sees to it that control is exercised over these matters; if so, what control is exercised, if not, why not;

(3) whether his Department takes any steps to ensure that the bookkeeping in respect of these stocks is administered to the benefit of the South African taxpayer; if so, what steps; if not, why not?

The MINISTER OF FINANCE

(1) No

(2) No control is exercised apart from the provisions of Section 22 of the Income Tax Act, 1962, which provide for the inclusion of stocks on hand

(3) Problems with the effective application of the existing legislation viz.

The Diamond Control Act, Act 39 of 1925;
The Diamond Export Duty Act, Act 16 of 1957;
The Diamond Cutting Act, Act 89 of 1979;

will be removed by proposed legislation to be tabled during the current Session The proposed legislation will provide for the creation of a central body, viz the Diamond Control Board, which will be responsible for Control over the entire diamond industry and this legislation will fall within the jurisdiction of the Minister of Mineral and Energy Affairs.

QCOL 865
HANSARD 7/4/86

Crude oil

[illegible]

332. Mr B B GOODALL asked the Minister of Mineral and Energy Affairs:

(1) What was the average annual landed rand cost per barrel of crude oil in 1980, 1981, 1982, 1983 and 1984, respectively;

(2) what was the (a) average quarterly landed rand cost per barrel of such oil in 1985 and (b) landed rand cost per barrel of oil as at the latest specified date for which information is available?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) 1980 R30,21;
1981 R33,09;
1982 R40,11;
1983 R34,89;
1984 R45,86

(2) (a) 1st quarter R56,51,
2nd quarter R57,45;
3rd quarter R60,80,
4th quarter R73,80

(b) January 1986 R67,21

General sales tax

HANSARD 7/4/86 QCOL 866

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336 Mr B B GOODALL asked the Minister of Finance:

What amount in general sales tax had been derived from (a) individuals, (b) companies, (c) the (i) building and construction, (ii) retail, (iii) wholesale, (iv) manufacturing and (v) services sectors and (d) any other specified sources in the 1985-86 financial year as at the latest specified date for which figures are available?

The MINISTER OF FINANCE:

Statistics which distinguish between payments of sales tax by individuals and companies are not maintained. For statistical purposes collections of sales tax are analysed under the groups specified below. The analysis for the period 1 April 1985 to 31 October 1985 was as follows:

1.	Building and Construction	R 919 946
2.	Retail	R2 462 235 110
3	Wholesale	R 829 791 171
4.	Manufacturing	R 729 057 099
5	Services	R 299 902 352
6	Agriculture and Mining	R 42 317 510
7	Catering and Accommodation	R 173 869 768
8	Advertising	R 58 876 535
9	Unclassified	R 2 759 838
	Total	R4 599 729 329

General sales tax

370. Mr R M BURROWS asked the Minister of Finance:

What total sum (a) was obtained by the State from general sales tax levied on (i) books and stationery and (ii) school books

BUSDAY (216)

9/4/86

Decision reflects stronger gems demand

De Beers ups dollar diamond price 7,5%

BRIAN ZLOTNICK
Investment editor

DE BEER'S decision to raise the dollar price of all rough diamonds by 7,5% reflects both stronger worldwide demand for gems and dollar weakness against major currencies.

It is the first in two years — since the 3,5% increase in April 1983 — and will take effect when the Central Selling Organisation (CSO), the marketing arm of De Beers, holds its next sight on May 6

In the wake of new wealth created through steady economic growth and share markets scaling fresh peaks in developed countries, volume sales are picking up smartly. Indications are that the diamond market is well on the road to recovery.

De Beers says it is now selling a wider range of diamonds and that demand has been broadening into larger and better-quality stones.

In the Antwerp polished diamond market — the largest in the world — prices have on average firmed 15% to 20% since the begining of the year. So far this month, they have risen by 5% to 10%.

Stocks at other major diamond-cutting centres are sharply lower and retailers stocks are fast declining

De Beers is now probably less anxious about reducing the huge stockpile built up when diamond prices collapsed in the early 1980s.

Investment demand for top-quality flawless stones, however, remains in the doldrums

With the dollar in recent months falling steeply against major currencies, some analysts expected diamond prices to rise significantly more than 7,5%.

Dollar prices measured in terms of the mark, yen, sterling and French franc have softened by more than 30% over the past year

The US, however, is still the largest retail market for diamond jewellery sales, accounting for about a third of the world market.

De Beers now appears to be cautiously testing the marketplace and to be signalling that prices in the short term will be

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De Beers ups prices

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lifted steadily in small jumps.

Winston Floquet, an analyst at stockbrokers Martin & Company, says. "If anything, the price increase is disappointing as we expected about 10% in order to reflect both the weaker dollar and the increased demand."

De Beers has probably learnt its lesson, however, after raising prices too sharply and too frequently in the late 1970s Being committed then to maintaining these prices was a major factor behind its problems in the early 1980s, Floquet believes.

Diagonal Street greeted the news by marking De Beers 50c higher to 2 380c.

The share, which has more than doubled in price over the past eight months, stands with[illegible] whisker of its all-time high [illegible] 470c

Last year, [illegible] sales rose 13% to $1,8bn [illegible] highest in five years — and De Beers profits soared. The total dividend for the year was raised by 15c to 55c a share.

However, much of the share's recent strength can be attributed to the weak rand

De Beers chief sees revival in gem sales

2/5/86 STAR (216)

Julian Ogilvie Thompson

By Gareth Costa

The world oil glut is putting the glitter back in the diamond business, according to De Beers, the world's dominant trader in the precious stone

Reuter reports group chairman Mr Julian Ogilvie Thompson as saying in London last night that higher sales of diamond jewellery should result from the recent sharp fall in the oil price and consequent lower inflation and increased economic growth

The diamond industry has been emerging from a protracted depression that set in after the market peaked out in 1980

Nevertheless, last year marked the turning point in the market for rough diamonds and underlined the strength and resilience of the Central Selling Organisation, Mr Ogilvie Thompson says in the annual report released today

A feature of the market's turnaround is the three percent increase in world retail sales of diamond jewellery

Mr Ogilvie Thompson says that the problems addressed in the 1984 report began to be solved during the course of 1985 "Just as the rising dollar, the currency in which diamonds are priced, had discouraged sales in other currencies, so the falling dollar has made polished diamonds more affordable in those currencies, thereby stimulating demand"

Secondly, interest rates are lower, even if they are relativley high in real terms, and the sales of imported polished diamonds through Antwerp and other cutting centres have been affected without the disruptions which Mr Ogilvie Thompson spoke of to last year

"Against this background the CSO continued its policy of only offering for sale those goods for which there was an immediate demand As a result stocks in the cutting centres have been brought down at last to reasonable operating levels, and manufacturers have been able to trade profitably in meeting the demand generated by the record retail jewellery sales

"Looking further ahead, the prospect that the recent sharp fall in the oil price should bring about lower inflation and higher growth in the industrialised countries, and hence higher sales of diamond jewellery"

Last year saw the broadening of demand for rough into sizes and qualities not offered by the CSO in recent years As a result, sales in the second half were the highest since 1980.

Mr Ogilvie Thompson says that the trend has continued into the first three sights of this year "We maintained our substantial global marketing and promotional campaigns, the budget for which has been increased again this year, with the emphasis continuing to be on the better quality gems"

He says that the industrial division had another satisfactory year, with profits in dollar terms slightly ahead of 1984's figures, though total sales fell just short of it Group expenditure on prospecting and research has been increased by R20 million to R109 million.

F.M.

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9/5/86

DE BEERS

Why the glitter is back

"I still can't figure out why the Central Selling Organisation is the only cartel I know of that has never failed and that seems to satisfy both producers and dealers I also can't understand why it pays De Beers to control their sights so tightly None of the explanations I have heard really satisfies me and yet there must be a good reason " — Economist Milton Friedman after visiting SA in April 1976

After the hard assets boom of the late Seventies, the slump came in 1981 and De Beers passed its dividend for the first time in 50 years. But now, after five hard years, the turning point has come and the market views the share as firm on fundamentals.

Friedman's puzzlement at De Beers' apparent success almost proved prophetic Soon after he said this, diamond sales were soaring in an inflation-driven hard assets boom When the 1981 collapse came, and De Beers cut its dividend for the first time in 50 years, large stocks of gem diamonds were held in the trade, outside the safe hands of De Beers and the Central Selling Organisation (CSO) For the first half of the Eighties, sales of rough diamonds remained disappointing, CSO diamond stocks climbed to a dizzy R4,7 billion, and De Beers' borrowings soared to R1,36 billion

Many analysts and investors questioned whether De Beers would ever regain its grip on the world diamond industry Yet in the past 12 months, the share has been seen as one of the JSE's truly outstanding recovery stocks Like most mining companies, De Beers' share has been fuelled by the weak rand But where it differs from almost all others except platinum producers is that De Beers is now seen to be enjoying a powerful upsurge on fundamentals

First confirmation of underlying recovery came with the figures for sales of rough diamonds in 1985 and the preliminary year-end profits Apart from the 95% increase in earnings, which are magnified by exchange rates, stocks had finally declined in real terms

Normality returning

In his review this week, and in an interview with the *FM*, chairman Julian Ogilvie Thompson offers even more positive assurances that normality is returning and De Beers is firmly back in control.

His comments suggest that after stagnating for half a decade, CSO sales should again move more directly with sales of polished diamonds And world sales of retail jewellery have increased for all but two of the last 15 years Last year they rose by 3% to another record at US$21,63 billion The best growth was seen last year in non-US markets, aided by the weaker dollar, this year the low oil price and firmer US economy should help sales there as well

This sets the scene for a considerable increase in volumes, which would be accompanied by better margins The quality and sizes

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F.M.

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9/5/86

JULIAN OGILVIE THOMPSON

Industry on track again

De Beers and the diamond industry are emerging from what former chairman Harry Oppenheimer described as its worst depression in 50 years. The present chairman, a clearly confident Julian Ogilvie Thompson, talks to the *FM*.

***FM:* You say that 1985 was a turning point in the market for rough diamonds. Would you say yet that De Beers and the industry have returned to normal?**

Ogilvie Thompson. We are well on the way to a return to full normality Retail sales of diamond jewellery were good throughout the Eighties We held back our sales in the earlier part of the decade while the difference between our sales and the ultimate consumer off-take was met by a reduction in stocks in the cutting centres

Those stocks are now more or less down to normal operating levels and so we hope our rough stone sales will be more directly related to what we believe are going to be satisfactory retail diamond jewellery sales So we are very nearly at the point of normal, profitable, satisfactory trading.

Have structural changes appeared in the trade since the hard assets boom of the late-Seventies?

No, I don't think so During the boom there was a mushrooming of so-called investment companies, almost all of which have collapsed and disappeared Those companies weren't really in the normal routine pipeline The cutting industry is one of the most flexible and adaptable businesses in the world I think they've adapted themselves to current circumstances and we would hope that the relationships between ourselves and them and the jewellery manufacturers and retailers is back to a normal long-term base

Your report says that inventories and bank debts have continued to fall in the cutting centres and the trade is now in a better position to finance further expansion. Could you elaborate.

They've been reducing their stocks and they have also been reducing their bank debt during this decade We believe both are down to sound levels If the retail jewellery market remains satisfactory, and it looks as though it's going to be, it means we could hope for higher sales than last year We don't think the cutting centres would have difficulty financing that, partly from their own sources and partly from more bank borrowings if necessary Certainly, if you take Israel, there's been an increase in polished exports in 1985 and a further increase in the first part of 1986

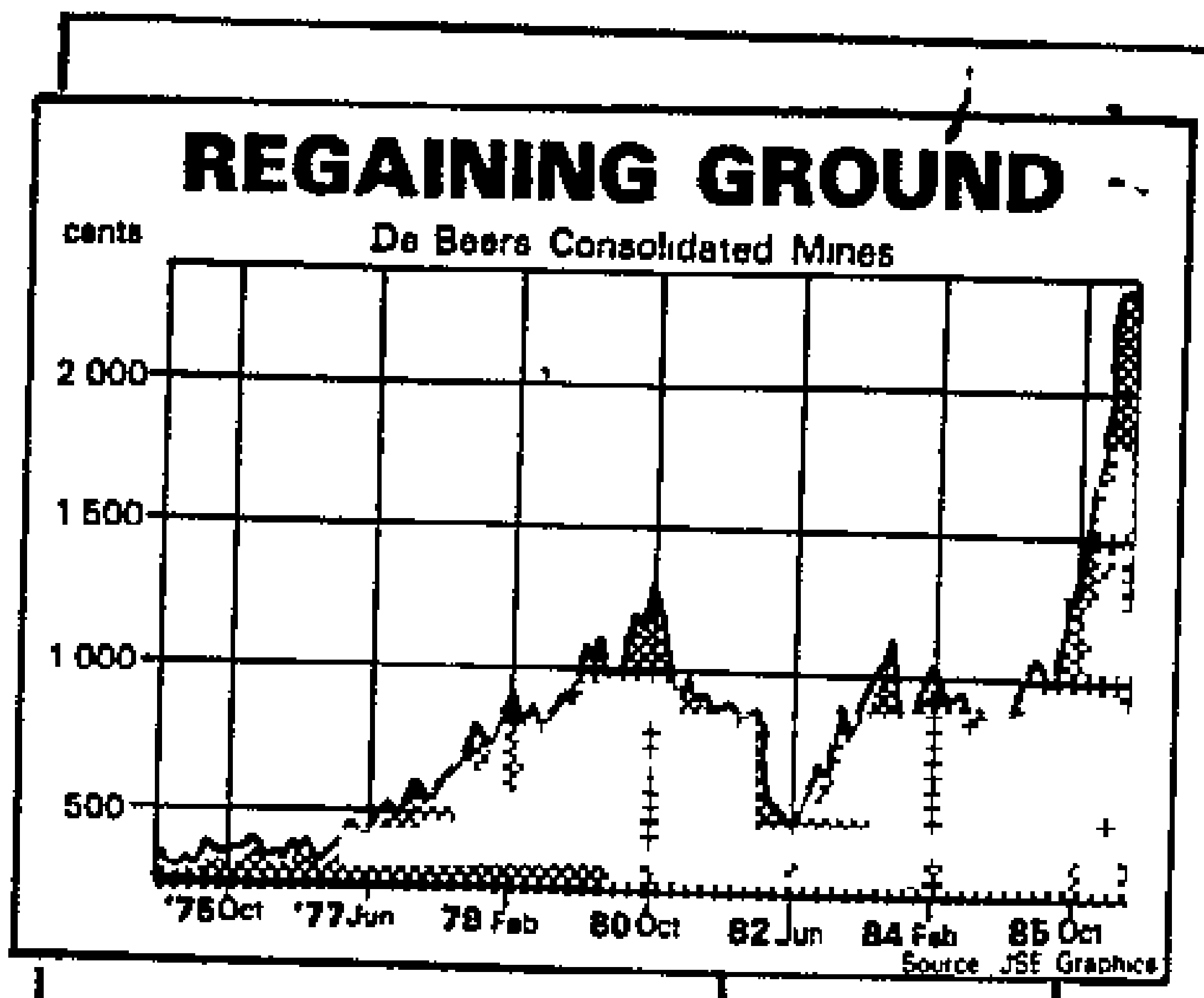
What changes have taken place in the jewellery market itself over the past few years? There appears to have been a broadening of the market geographically

Yes Our promotional efforts have been directed at facilitating that sort of change These efforts are directed at three main areas Firstly, the natural annual growth in industrialised countries Secondly, the newly-industrialised countries whose per capita incomes are coming to the levels where they can afford diamonds And, thirdly, in particular countries there are opportunities for new markets

You will remember how we were able to expand the market for diamond anniversary rings More recently, we have been spending part of our total budget on promotion of men's jewellery We have been encouraged to see that after a slow start, this market is beginning to take off, particularly in the US But these are not fundamental changes They are changes at the edge of what I've described as a highly flexible and adaptable business

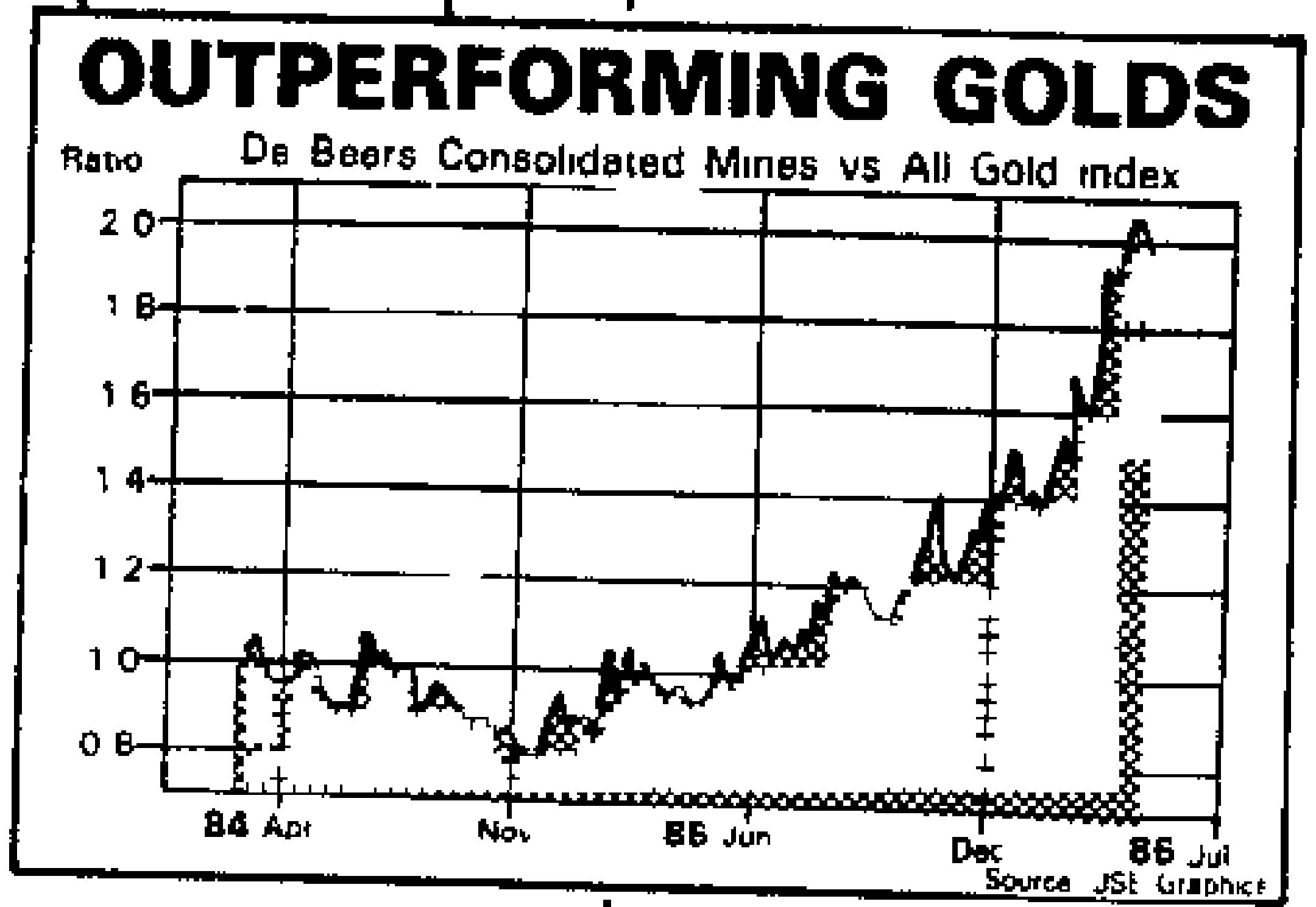
How has demand for jewellery been in the US? You say in your review that sales there were less spectacular, and some commentators seem to believe they were disappointing.

US sales were less spectacular in 1985 than in 1984, when there was a staggeringly high growth figure of about 19% In 1985,



REGAINING GROUND

De Beers Consolidated Mines



OUTPERFORMING GOLDS

De Beers Consolidated Mines vs All Gold index

of rough diamonds sold is improving, and an overall 7,5% price increase in the CSO's prices takes effect from the fourth sight in May

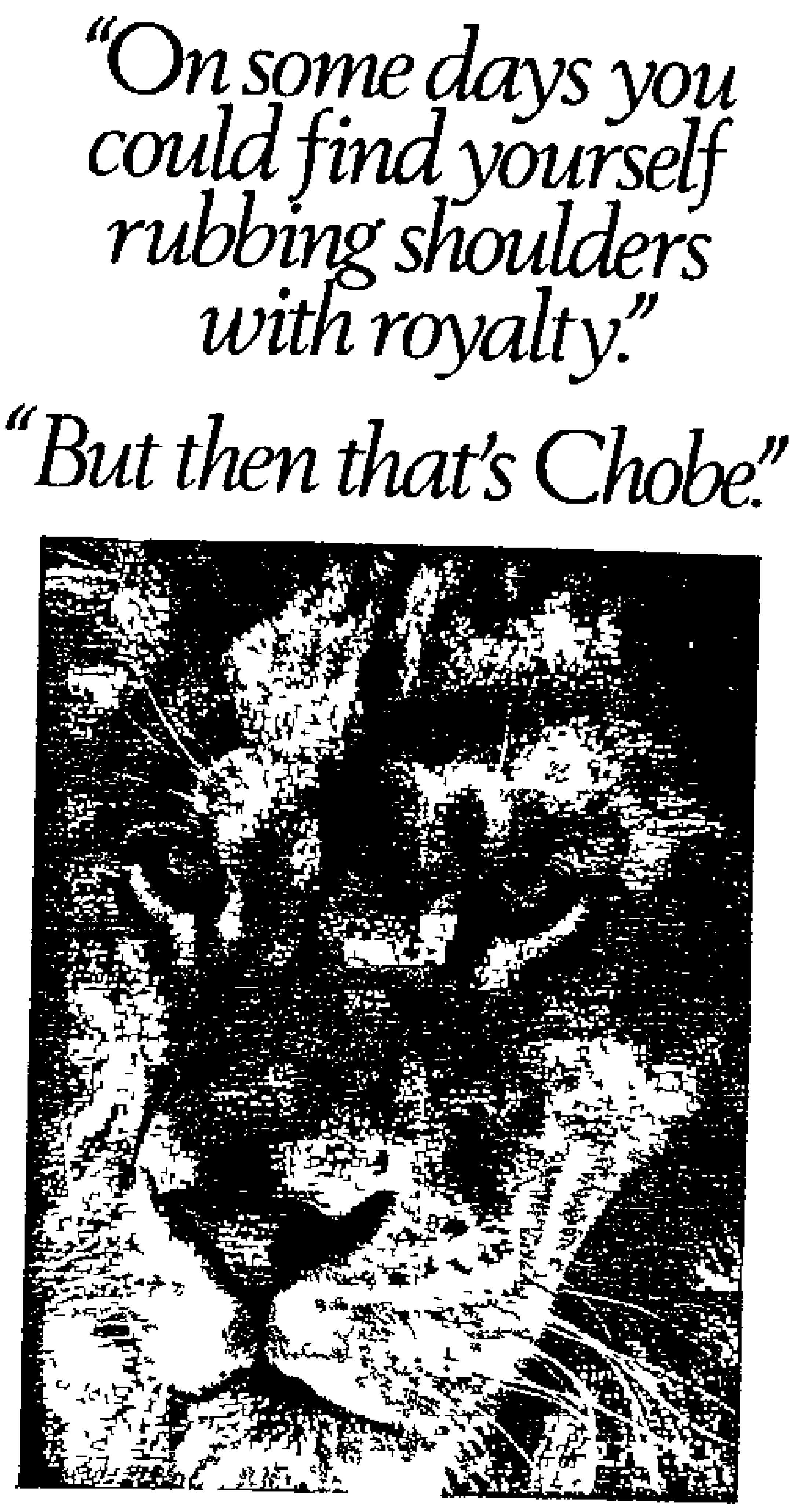
The balance sheet supports the impression of improving fundamentals Interest-bearing debt was down by R96m at end-December, but there was also a significant fall in the medium- to long-term borrowings in foreign currencies, with dollar loans down by $75m and those in Belgian francs by 30m francs In addition, cash reserves rose by R123m to R281m There is also confirmation that stocks are shrinking Apart from the $52m fall in the value of the CSO stockpile, stocks held at mines rose by only R4m to R104m, suggesting a lower dollar value

Local analysts generally are not expecting renewed growth in the share price just yet A phase of consolidation had to come after the advance seen in the last 12 months, and most of the known fundamentals are probably in the price

At R24,30c, the share yields a historic 2,3%, so the market is looking some way ahead

But after five difficult years the turning point has arrived So even assuming no more help from the rand, De Beers' earnings and dividends should rise strongly over the next few years More good news when mid-year sales and profits are published should boost sentiment on the share

Andrew McNulty



"On some days you could find yourself rubbing shoulders with royalty."

"But then that's Chobe."

COMPANIES

Profits surge at north-western Cape diamond mining company

Argus 11/6/86

216

TRANS-HEX, the North-Western Cape diamond mining company, boosted its net income by 44 percent in the year to March from R12,7 million to R18,3 million, it reports today

Net income attribute to shareholders was R5,2 million (R2,6 million) equal to 42,29c (21,21c) a share

Dividends totalling 15c (11,5c) have been paid

Shareholders funds rose during the year by R12,7 million to R19,3 million as a result of R3,4 million in retained profits and R3,3 million in non-distributable reserves

Capital employed at March 31 was R25,8 million against R18,5 million a yer earlier

● **Crookes Brothers** had a profit before taxation for the year ended March of R3,3 million (R3,2 million) and a taxed profit of R3,19 million (R3,17 million) equal to 106,5c(105,7c) a share

● **Gold Fields Group** dividends declared today are

Deelkraal — Final of 35c (20c) making 55c (30c) for the year

Doornfontein — Final fo 145c (140c) making 225c (220c) for the year

Driefontein — Final of 190c (195c) making 335c (310c) for the year

Kloof — Final of 70c (250c) making 125c (410c) for the year

Libanon — Final of 245c)(210c) making 415c (330c) for the year

Venterspost — Final of 110c (165c) making 200c (240c) for the year

Vlakfontein — Final of 45c (40c) making 45c (40c) for the year

● **Liberty Life** says its United Kingdom subsidiary, Transatlantic, has made an offer for the entire share capital of Continental & Industrial Trust, a major authorised United Kingdom investment trust listed on the Stock Exchange, London, with net assets exceeding £150 million It has high quality investments in a wide range of major listed companies, primarily in the United Kingdom and the United States of America

Transatlantic already owns 25,03 percent of Continental

For each Continental ordinary share, TransAtlantic will pay an amount in cash equal to 96,5 per cent of the formula net asset value of Continental, to be determined at the date upon which the offer becomes unconditional Preference stockholders will be offered cash at par for their stock

Ordinary shareholders in Continental will be offered up to a maximum of 20 million new preferred ordinary shares in TransAtlantic at 275p a share in lieu of their entitlement calculated at 100 per cent of formula net asset value

Liberty Life is proposing that Continental should concentrate its investment portfolio and take substantial strategic shareholdings in a small number of leading companies with outstanding prospects for long-term capital growth

Continental would intend to be involved, where appropriate in the strategic and financial decisions of the companies in which it invests In doing so, Continental would intend to be involved, where appropriate in the strategic and financial decision of the companies in which it invests Continental would be able to draw on the proven experience and financial resources of TransAtlantic and its associates, including the Liberty Life Group, which should provide a catalyst for the enhancement of Continental's future investment performance

These investments will be made primarily in international financial service businesses including leading companies in life insurance, real estate, investment

New life for Kimberley mines

(216)

STAR 14/6/86

Financial Staff

Bold new developments by De Beers at Kimberley's Dutoitspan and Bultfontein mines are expected to extend mining operations at these mines to 1991.

However, details regarding the influence these will have on the company's eventual shut-down of mining and dump rewashing operations in the city, are not available at this stage

The mines, both more than 100 years old, are being deepened in a project that will see a switch to sub-level caving from the long-established block-caving system of mining,

The two mines have for some years shared a joint shaft system and will continue to do so However, mining operations will be taken deeper with the development at each mine of a spiral roadway - from 700m level at Bultfontein and 760m level at Dutoitspan - rather than by deepening the shaft

MINING

ARGUS 16/6/84 216)

New plans for old mines

Argus Correspondent

KIMBERLEY — Bold new developments by De Beers at Kimberley's Dutoitspan and Bultfontein mines are expected to extend operations at these mines to 1991

However, details of the influence these will have on the company's eventual shutdown of mining and dump rewashing operations in the city are not available at this stage

The mines, both more than 100 years old, are being deepened in a project that will see a switch to sub-level caving from the long established block caving system of mining Sub-level caving is highly mechanised and makes substantial use of rubber-tyred equipment, such as development drill rigs and load haul-dumpers

The two mines have for some years shared a joint shaft system and will continue to do so However, mining will be taken deeper with the development at each mine, of a spiral roadway — from the 700m level at Bultfontein and from the 760m level at Dutoitspan — rather than by deepening the shaft.

Horizontal access tunnels at 18m intervals will be developed from the spiral roadway and from these, development drill rigs will develop a series of parallel tunnels, 11m apart, called drilling drives, into the Bultfontein and Dutoitspan kimberlite pipes

Routine production will involve blasting the roofs of the drilling drives at intervals so that the kimberlite falls into the drives in manageable quantities It will then be hauled to the access tunnels and dumped into ore passes

Separate primary crushing plants are to be established underground at each time — on 860m level at Bultfontein and on 885m level at Dutoitspan Mined ore will report via ore passes to the new plants for primary crushing. It will then feed on to conveyors which will carry it up the belt inclines to be developed from each mine, to a common transfer point on 760m level near the main shaft.

From the transfer point, ore will be carried by conveyor up a short transfer incline to the existing underground crushing plant at the joint shaft, and after crushing it will be hoisted to the surface

The new project will also involve substantial development for additional ventilation at Bultfontein mine

The whole project will involve 2,6 km of rock development and 7,3 km of kimberlite development, and at Dutoitspan, 5,1 km of rock development It is expected that full sub-level production will be reached at the two mines by 1991.

Hard-pressed LTA looks to break even

27/6/86 STAR

216

By Sven Lunsche

LTA believes it could break even on its South African operations this financial year, while the contingencies allowed for the closing down of its overseas operations should prove adequate

Chairman Dr Zach de Beer says in the annual report that LTA has suffered severely, almost entirely as a result of operations outside its mainstream business


LTA's Dr Zach de Beer

He says "it will now concentrate its energies upon its core activities, which have always been and still are healthy"

After allowances for its overseas activities, the group had an aggregate attributable loss of R46,8 million in the year to March 31 after local operations broke even

Dr de Beer gives three principle reasons for the poor results

The depressed state of the civil engineering industry world wide resulted in the group sustaining losses in offshore areas, where overcapacity led to uneconomic trading or, as in Australia, where the Federal government decided to forbid the award of federal construction contracts to South African controlled companies

The Anglo-American owned construction giant's total loss provisions on overseas operations amounted to R46 million (R19 million for losses, and R27,7 million for closing down overseas operations)

After LTA had withdrawn from all off-shore activities, Anglo-American agreed to inject R26,4 million in the form of 10 percent automatically convertible shares to strengthen the balance sheet

Furthermore, LTA has not yet received any payments for its completed Soweto electrification contract and the large amounts involved appear as borrowing on the balance sheet

DOMESTIC OPERATIONS

At the present the company does not expect any repayment of this amount as the debtors, the community councils of greater Soweto, are in severe financial difficulties

"The third major reason for the poor results is the severe recession which has hit the industry for the past two years

"Our domestic operations, however, have stood up rather well and we expect that the South African operations will break even in the following year," Dr de Beer said

Small sparkle in Sterns profit

BUS DAY

30/6/86

216

Investment Staff

SA DIAMOND jewellers Sterns should swing into a small profit this year, having reduced its losses substantially in the year to March

The preliminary statement shows that turnover increased by 0,5% compared with a decline of 12,9% in 1985 Taxed loss narrowed to R383 000 from R2,3m and directors report that borrowings have been reduced by R5,78m in the past 18 months

A worrying factor is the cost of providing credit to customers, which was a main cause of Sterns' high gearing

Bank Est 1925

CSO diamond sales rocket and rand receipts soar 62 %

4/7/86 STAR (216)

By Peter Farley

Diamond sales by De Beers' Central Selling Organisation (CSO) rocketed by 45 percent in dollar terms in the first six months of this year and by a staggering 62 percent in rand terms

Figures released by De Beers show that diamond sales in the six months to end-June totalled $1,2 billion, or R2,7 billion based on the average exchange rate of 44,80 US cents achieved at each sight

However, the improvement on the second half of last year is less marked — with sales before Christmas traditionally higher — and the gain is only 23 percent in dollar terms and 15 percent in rands

The lower rand improvement was due to the rand strengthening in the past six months from an average exchange rate of 41,94 US cents in the second half of last year

Nevertheless, the lower dollar against other international currencies also stimulated demand in many countries

If the current trend is maintained, and the exchange rate remains at its now depressed level of around 40c, it is possible that rand sales of diamonds for the full year could rise to R6,3 billion from R4 billion in 1985

This is based on second half sales also improving by 45 percent in dollar terms — from the $986 million in the second six months last year — and being converted back to rands at 40c


Julian Ogilvie Thompson.

This would be more than 50 percent higher than the 1985 total, and almost treble the rand sales achieved in 1984

The De Beers share price has reflected this possibility by recently touching the 3 000c mark, almost four times the 800c low seen at the beginning of 1985

However, with these latest CSO figures well beyond market expectations, the share price could resume its upward trend after easing back to 2 770c in the past few days

The encouraging aspect of the latest sales figures is that volumes have grown despite a 7,5 percent increase in dollar prices at recent sights and the fact that interest is beginning to broaden into the higher quality gems

In a speech last night in Israel, De Beers chairman Mr Julian Ogilvie Thompson told the World Diamond Congress that the CSO has gradually been making more top quality diamonds available to buyers after interest picked up last year

"This process has continued like a slowly rising tide, so that today the CSO is now selling all categories of rough diamonds," added Mr Ogilvie Thompson

He noted that the improvement in sales had also produced a small reduction in stocks and, "a welcome reduction in De Beers' borrowings"

"We believe that stocks in the pipeline beyond us are now in a much sounder relation to retail turnover and that demand for rough diamonds from the CSO is now back in balance with current production for the first time in many years"

Argus pins hopes on rationalisation

Gencor subsidiaries sell coal holdings

4/7/86 STAR (215)

Tel: 337-5658/9
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CSO turns in quite a sparkler

4/7/86

216

BRIAN ZLOTNICK
Investment Editor

THE continued recovery in worldwide demand for rough diamonds is reflected by Central Selling Organisation (CSO) sales of $1,214bn for the first six months of this year, a jump of 45% on the first half in 1985 and 23% up on last year's second-half

While first half sales are now at a six-year record, they are still a far cry from the peak in 1980

In the wake of the progressively weakening rand, sales measured in rand terms are at a record level with 1986 first half sales 62% higher at R2,71bn against R1,68bn in the comparable period of last year — the average rand/dollar rate at the time of each sight in 1986 was at $0,4480 and 1985 $0,4994.

The jump in turnover also reflects the overall 7,5% dollar price increase for rough diamonds — which came into effect and was well received at the sight on May 6 — and probably some restocking by dealers in expectation of that and a another price increase

In developed countries, new found wealth created by steady economic growth and share markets hitting new highs has helped boost demand for gems with retail sales noticeably buoyant

Furthermore, demand has now broadened into the full spectrum of stones with sales of better-quality and top-colour stones picking up smartly

This has occurred despite low worldwide inflation and high real interest rates and contary to the traditional view that quality diamonds are an inflation hedge

De Beers chairman Julian Ogilvie Thompson said last night, in a speech to the World Diamond Congress in Tel Aviv, that the process whereby the CSO had

● To Page 2 ⇨

CSO turns in a sparkler

BUS DAY

4/7/86

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⇦ ● From Page 1

gradually made available better-quality stones since 1985, was like a slowly rising tide and it was now selling all categories of rough stones

He said "There has also been a small reduction in our stocks and a welcome reduction in De Beers' borrowings

"We believe that stocks in the pipeline beyond us are now in a much sounder relation to retail turnover and that demand for rough diamonds from the CSO is now back in balance with current production for the first time for many years "

Ogilvie Thompson, however, said the industry was not entirely out of the woods

Sharp and violent fluctuations in currencies, and particularly further weakness in the dollar, could harm sales

Without doubt the CSO's latest sales have easily beaten analysts' expectations and might lead to another positive rerating in De Beers' share price, which has already more than doubled to yesterday's 2,770c in less than one year

STRK 2202 2204 4604 4602 216 4/7/86

Diamond miners on strike over detained unionists

By Sheryl Raine

Four de Beers diamond mines in Kimberley were shut yesterday and this morning when more than 1 100 mineworkers went on strike.

They are demanding the release of unionists detained under emergency regulations.

The mines affected are Du Toitspan, de Beers, Bultfontein and Wesselton De Beers chairman Mr Julian Ogilvie Thompson has joined other business leaders and employer associations, including the Chamber of Mines, in protesting to the Minister of Law and Order about unionists being detained.

The National Union of Mineworkers (NUM) said about 2 000 mineworkers were on strike in Kimberley while a company spokesman put the number at 1 100 out of 1 950

The strikers are also demanding pay increases backdated to May 1, but a de Beers spokesman said the increases had not been agreed to yet because the NUM's wage requests had only been received on June 30.

11/7/86. BUSDAY 216

Bill boosts gems industry

BEULAH BROWN

A NEW Diamonds Bill will be tabled in August, aiming to establish SA as a more important diamond manufacturing and dealing centre

One of the aims of the Bill is the restructuring of the diamond industry for the best interest of SA It will be published as the Diamonds Act of 1986

Although a major producer, SA cannot compete with market leaders because of the under-developed size of the manufacturing (cutting) side, says Master Diamond Cutters Association of SA chairman Nic Jooste

Diamonds generally were exported before local cutters could view them, he said

The manufacturing size of the diamond industry caused SA to be ranked low on the world market, said Jooste, who recently returned from the International Diamond congress held in Tel Aviv

"Compare our turnover of the finished product ($100m) with that of Israel ($1,2bn) and India ($1,12bn) — countries that don't even have their own resources," Jooste said

Another change includes the reconstruction of the Diamond Cutting Board, appointed by government, giving wider scope to all parties represented on it — producers, cutters, dealers as well as several government departments It will be renamed the Diamond Board

Government has already relaxed a rigid approach to issuing manufacturers' licences Since 1982, 32 additional licences were approved — a major development on previous years, Jooste said

Optimism in the diamond industry — now recovering from its worse recession in 50 years — was fuelled by demand improvement and positive market reaction

In 1985, SA's volume of diamond exports (230 000 carats) increased by 18% from the previous year, showing the improvement in market demand

The labour force increased by 30%

"In addition, De Beers had enough confidence in the market to mark up rough diamond prices by 7,5%," Jooste said

CSO SALES FIN MAIL 11/7/86

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Hard evidence

A number of times this year De Beers chairman Julian Ogilvie Thompson has indicated that the diamond market is back to normal He said it again last Thursday in explicit terms when he told the World Diamond Congress in Tel Aviv that demand for rough diamonds from the Central Selling Organisation (CSO) is "now back in balance with current production for the first time in many years."

His comments were backed by the hard evidence of the leap in the CSO's sales In dollar terms, the figures for the first half of 1986 were up 45% on the first half of last year This maintained the advance of the second half of 1985, when sales were 47% up on the second half of 1984

ANOTHER LEAP FOR CSO

Rough diamond sales

	$m			Rm		
	1984	**1985**	**1986**	**1984**	**1985**	**1986**
First half	945	837	1 214	1 180	1 676	2 710
Second half	668	986	—	1 126	2 351	—
Total	1 613	1 823	—	2 306	4 027	—

Exchange rates continue to distort the pattern in rand terms, but here too the trend remains encouraging As the rand/dollar rate averaged US$0,4480 at the sights in the first half of 1986 against the comparable $0,4994, the rand figure jumped 62% to R2 710m It is a slower growth pace than the 15% against the second six months of last year, when the rate averaged $0,4194, but a rand around US39c-US40c since May can only bode well for De Beers' profit figures for the second half of this year

Widely-held expectations of good CSO sales were reflected in De Beers' share price, which closed at 2 770c before the figures were released Even so, a number of local analysts said they were actually slightly above expectations This added further steam to the share, pushing it to 2 860c by Monday's close.

The market is likely to draw several inferences from the CSO figures Both investors and members of the diamond industry will be encouraged by the absence of new setbacks. More than once in recent years, a promising firming of rough diamond sales was followed by mishaps, such as happened in the second half of 1984, when the Soviet Union increased sales of rough diamonds and banks applied a more restrictive approach to the trade's finance

Secondly, the sales will be seen as extremely favourable for 1986 profits of diamond producers, particularly De Beers With stocks in the trade largely run down, rough sales are now almost directly linked to retail demand, the CSO's stocks, held by De Beers, are meeting this demand The CSO's stocks are believed to contain a considerable proportion of quality gems that sell at relatively high margins Sales of these diamonds would therefore have a sharp impact on De Beers' profits, and Ogilvie Thompson affirmed that is happening when he told the congress that the CSO "is now selling all categories of rough diamonds "

Apart from the stocks held directly by the CSO, very large stocks are believed to be held at certain mines, notably the Botswana producers owned by Debswana (held 50% by De Beers) and De Beers' Finsch mine in SA As these stocks eventually start being moved to the CSO and through the pipeline, this will also be positive for De Beers' profits

The 7,5% price increase announced earlier this year for rough diamonds will bolster the more buoyant trends The increase took effect on May 6, ahead of the peak selling season Trade sources stress that 7,5% is an average figure but the increases are considerably higher, estimated by some at 12%-15%, in the categories where demand is high, mainly the medium to lower quality areas

This makes top-quality stones more attractive by effectively lowering their prices, and should also encourage cutters and retailers to restock when they see the value of their stocks back on a rising trend Indications are that these prices are being well received, with the trade generally happy they will be absorbed without disrupting the market Benefits of the improved margins should flow through to De Beers' profits over the next six months

There may be cause for concern if the US economy shows serious signs of stalling But the fact remains that massive marketing campaigns have kept retail sales climbing even during downturns for the US, and the weak dollar is now helping in non-US markets Flaccid oil markets fuel consumption of luxuries in western Europe, Japan, the Far East and much of north America

For the many local investors who believe the rand is locked into long-term weakness, De Beers is seen as a prime investment that will enjoy steady appreciation of assets The assets and cash flow to come should continue to outweigh the slim 1,9% historic dividend yield As SA's most international stock, the share is traded heavily overseas, especially in the US For overseas stockholders the rand is a risk factor But this need not be too great a concern Recent trends suggest the price is still favourably influenced by local demand

Andrew McNulty

FINMAIL 25/7/86

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DIAMOND CUTTING

Looking for sparkle

SA's infant diamond cutting industry — as with most of its minerals, local beneficiation has yet to take off as a major industry — could be at the beginning of bigger things

While SA's De Beers Diamond Corporation controls the world gem diamond market through its London-based Central Selling Organisation, SA still lags behind in the diamond cutting stakes Change is, however, at hand

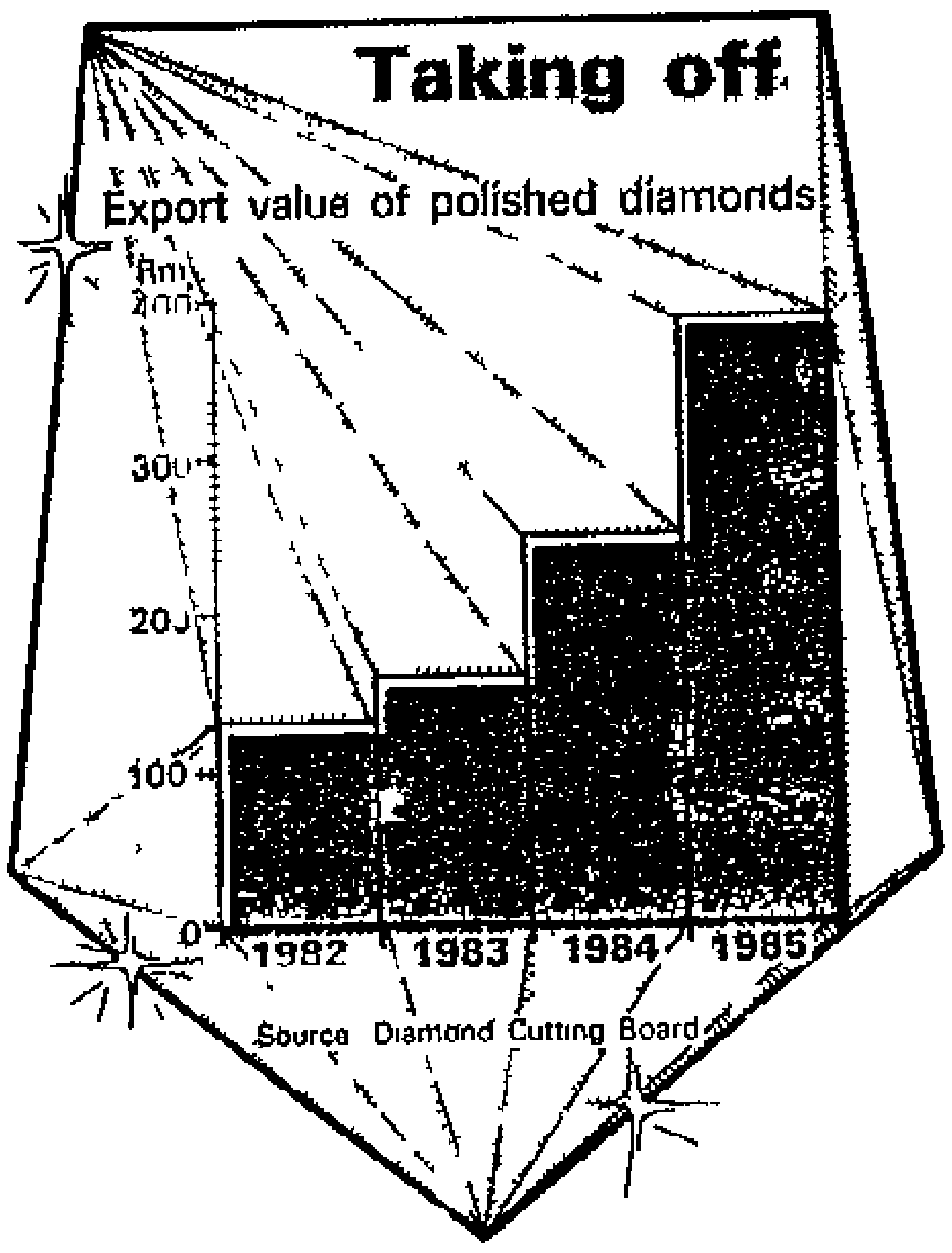
"Legislation pending this year would make more rough diamonds available to the trade from producers other than the Diamond Trading Company (De Beers), who are the main suppliers and supporters of SA cutters," according to the chairman of the Master Diamond Cutters' Association Nick Jooste

The government has already issued more cutting licences, Jooste adds, but the industry will have to play its part by training more labour and developing expertise to help expansion

Fortunately, any plans to expand the local cutting industry are assisted by the rosy picture for the diamond industry as a whole — liquidity and confidence have improved Proof of this confidence is De Beers' recent 7,5% increase in the price of rough diamonds

Jooste tells the *FM* that although local cutting has a strong international reputation, it lags a long way behind Belgium, Israel, the US and India.

Belgium exports about $2,1 billion worth of cut diamonds — Antwerp has taken over from Amsterdam as the diamond centre of Europe — and employs some 7 500 cutters. Israel's diamond cutting industry had sales of $1,26 billion last year, employs 9 000 cutters and is the country's biggest foreign exchange earner. For its part, India sells $1,12 billion worth and employs 350 000 cutters as it specialises in smaller, cheaper gems.



Taking off

Export value of polished diamonds

Source Diamond Cutting Board

In contrast, SA exported only about $150m in polished diamonds in 1985 and employs 1 462 cutters (see graph)

Diamond Club chairman David Woolf says diamonds are an essential part of the local tourist industry and visitors are disappointed when they see the small selection available from local producers

Nevertheless, the amount of rough diamonds purchased by local cutters increased from 489 000 carats (valued at R202,6m) in 1984, to 656 000 carats (R357,1m) in 1985. This represents a value jump of 76%, while caratage increased by 34%

Woolf says De Beers is doing its best to provide the local polishers, but some of the other companies export rough diamonds without giving SA polishers and cutters the opportunity to buy

In a similar vein, tons of the semi precious stone, tiger's eye, were exported rough to Hong Kong and Taiwan until this was banned in the mid-Seventies to help the local cutting industry SA is, therefore, belatedly waking up to the massive earnings potential from minerals beneficiation that has been wasted in the past

Woolf does not advocate anything drastic such as a total ban on rough diamond exports, but says he would like to see a voluntary code to make more diamonds available to the local market

"It is essential that we build on the sharp increases in both employment and exports in the 1984-1985 period — with the number of cutters increasing from 1 121 to 1 462, while exports grew in value by 54% and in caratage by 18%," he says. ■

29/7/86 BUS DAY ②16

Diamonds sparkle again

THE diamond industry is emerging from its worst slump since the Thirties and that ought to mean good news for De Beers Consolidated Mines, the SA cartel that controls 80% of the world's diamond supply, says *Barron's Financial Weekly*

Commercial-grade diamonds, used in mass-merchandised jewellery have held their own, but bigger (a carat or more), investment-grade gems have been chilled by the cold winds of disinflation.

The average wholesale asking price for a one-carat, D-flawless diamond, the benchmark of quality in the trade, tumbled from $63 000 in 1980 to as low as $12 600 early this year

And prices barely budged until foreign currencies began to make marked progress against the dollar The Japanese began buying fine diamonds hand-over-fist. At the same time, lower interest rates and generally prosperous economic conditions spurred US buying.

Result. prices have risen at a steady pace over the past six months. Responding to the revival in demand, De Beers raised prices for the better-quality rough gems by 10% in May, the first such increase for some time.

De Beers deserves much of the credit for engineering the industry's recovery When the bust came in 1981, virtually everyone in the business was sitting on top of huge stockpiles of large, fine rocks.

Faced with a potential flood of these diamonds on to the market place at fire-sale prices, De Beers reigned in sharply. Even at distressed prices, the firm's hoard of diamonds leapt to nearly $2bn in 1985 from $360m in 1979. It also cut back production.

As painful as these steps were, De Beers persisted in disciplining its market. Its marketing arm, the Central Selling Organisation in London, parcelled out few top-quality rough gems at its sales, stemming their flow.

It allowed one-third of its customers to drop out, cutting the number of CSO sight-holders to 200. These moves strained even De Beers' considerable resources.

Earnings from diamond operations tumbled drastically in 1982 and remained lacklustre until recently. In 1985, its diamond business began to show some sparkle: profits had a real comeback, gaining 94,8% to R649m — or R1,80/share, from R333m or R0,92/share the year before.

In US dollars, using year-end exchange rates, that translates to profits of $0,70 per American depository receipt (ADR) in 1985, up from $0,46.

As for 1986, De Beers appears to be on a roll Diamond profits could climb 34% to $0,94/ADR, according to analyst Hugh Wilmer of Dean Witter's Toronto Office. He estimates De Beers' overall 1986 earnings, including profits from other interests, at the current exchange rate of $0,40/rand, could hit $533m or $1,48/ADR, compared with $404m or $1,12/ADR last year.

He also estimates that De Beers will pay a dividend this year of $0,25 to $0,30/ADR

Speaking at the World Diamond Congress in Tel Aviv this month, De Beers chairman Julian Ogilvie Thompson disclosed that first-half sales were up 45% to $1,2bn, from $837m in the same period last year.

No one expects the current recovery to blossom into the kind of boom that sent gem prices sky-high at the start of the decade

Says one dealer. "We're still talking about $0,30 on the dollar, when you compare today's prices to five years ago. But, who's complaining?" — AP-DJ.

Mercury 29/7/86

Tax scandal fails to kill Antwerp's gem trade

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BRUSSELS—**The diamond trade in Antwerp, the world's biggest polished diamond centre, is flourishing again after recovering from a scandal in which two men were accused of laundering illegal gem profits.**

A spokesman for Antwerp's Diamond High Council said yesterday that the first half of this year saw a major leap in the volume of diamonds coming through the Belgian port.

Polished diamond imports rose 22% in volume and unpolished imports 40% while the corresponding increases for exports were 5,5% and 17%.

The value of exports in Belgian franc terms fell seven percent to 78 billion francs (R4 382m), but the spokesman said the heavy fall in the value of the dollar more than accounted for this drop.

The encouraging trend came despite a noticeable dip in trade in late February and early March, due largely to fears about the Belgian authorities' attitude to the taxation of diamond trading firms, the spokesman said.

Fine

These fears were sparked by the arrest last January of Antwerp stockbrokers Francois Leiser and Hilaire Beelen for tax evasion on behalf of their diamond clients.

They were told that the authorities planned to fine their company, Roger Kirschen and Co, 2,3 billion francs (R129m) for tax evasion.

Senior diamond dealers said at the time that the arrest of the two men ran counter to an unwritten agreement between the government and the industry on tax and warned that if tax probes continued, some dealers would move their businesses to other world diamond centres

Leiser and Beelen jumped bail of 7,5 million francs (R420 000) in March and are currently thought to be abroad

There have been no further tax scandals in Antwerp diamond circles since the so-called Kischen-Beelen affair and the High Council spokesman said calm has returned to the Antwerp trade partly thanks to a pledge from the government.

Brussels, anxious not to scare away a trade whose 355 billion franc (R19 943m) turnover accounts for six percent of Belgium's Gross National Product, has said it will investigate a new method of taxation for businesses which re-export virtually the whole of their imports

The Diamond High Council spokesman said the current method of taxing such businesses on the same basis as general industrial firms is felt to be particularly onerous.—(Sapa-Reuter)

De Beers drops a hint to the bulls

Sun Times

26

24/8/86

A DISAPPOINTING result this week appears to be a reminder from De Beers for the market not to go overboard

This is the view of a Johannesburg Stock Exchange expert on De Beers.

The share price has run in a virtual straight line from R8 in January 1985 to R34.

The analyst says that through its accounting, Byzantine in complexity, De Beers has enormous flexibility in declaring profits

"After a 62% rise in Central Selling Organisation sales in rand terms, the market was entitled to expect better margins and much bigger profits But De Beers is evidently more interested in staging a well-managed recovery from the gloom of two years ago than in flashy one-off performance.

"With the dollar down against the hard currencies, there will be a stronger flow of profits in the second half But De Beers will gradually run down stocks and rebuild its cash mountain"

Friends

The analyst says De Beers has won many friends in the international diamond business through its stabilisation policies, which in a world of tumbling commodities have been uniquely successful

The present share price is justified and the longer-term bull market in De Beers is far from over.

"But after the big rise, I would expect no fireworks in the share price until, at the earliest, the next CSO sales statement"

Some analysts have expressed concern at a R48-million (1985 R60-million) extraordinary loss of associates, but it is believed to have been the belated product of equity accounting and stemming from Minorco more than a year ago.

22/8/86 FIN MAIL

The latter, of which Mercabank has 70%, reduced its net loss in 1985 to R7,4m compared with R12,3m the previous year and expects a return to profitability in the current year. Caress Diamonds is reducing operations by selling outlets to store managers and a strong reduction programme is being carried out Offers of compromise for liquidated furniture company Kallenbach-Hendler are being finalised. *Kerry Clarke*

CLICKS FIN MAIL 22/8/86 [illegible]

More expansion

Following a relatively sluggish interim performance, Clicks has reported a strong surge in its second half-year to lift its earnings for the year to end-June to 34,72c (31,08c). The final dividend was 9,5c, giving a total dividend of 15,85c (14,25c)

In the second-half, group turnover advanced by 24,2% to R88,5m (R71,25m), and after-tax profits by 19,2% to R3,19m (R2,67m), reflecting a growth rate that should go some way towards dispelling any notions analysts may have had that, like Pick 'n Pay, that Clicks had reached saturation in its markets

Clicks' Goldin . . . an aggressive expansion

Clicks is in a unique niche of the retail market, and while trading conditions remain "extremely difficult," chairman Jack Goldin says the group has managed to keep to a growth track through "aggressive store expansion "

In the year to end-June, Clicks maintained the momentum of its expansion programme, opening nine new branches, three in the western Cape, four in the Transvaal, and one each in the OFS and Natal, creating a trading base of 65 stores. "I believe the Clicks chain could certainly grow to 200 stores," says Goldin, "and we are well on our way to achieving that target." In 1987, he says, nine new stores could be opened

Clicks shares have shown uncustomary weakness this year by falling from 950c to around 750c, before recovering ahead of the latest results to 800c At this price, the share yields 2% on dividend, which is a better rating than Pick 'n Pay, which at R34,20 trades on a yield of 2,7% *Neville Glaser*

DE BEERS 216

More to come

One thing is emphasised by the end-June interim profit figures released this week by De Beers the massive rise in the share price seen this year — it has almost doubled since January — is in anticipation of what is to come over the next 18 months, rather than based on the now negligible 1,6% dividend yield The market is realistically taking the view that with the diamond market back to normal, De Beers is looking forward to powerful earnings and dividend growth for some time

The 34% surge in earnings excluding the share of retained profits of associates, and the 33% increase in the interim dividend may seem somewhat disappointing after the impressive growth at the December 1985 year end, and the June Central Selling Organisation (CSO) sales figures already reported That view would, however, underestimate what should be in store later

An outstanding aspect of De Beers' interim is the 41% leap in the diamond account, which climbed to R447m Assuming that sales remain on track, and indications so far are propitious, the second half is likely to show better growth. The average 7,5% increase in the price of rough diamonds announced by De Beers earlier this year took effect on May 1, and, therefore, would have had only a limited impact on the interim

De Beers' Ogilvie Thompson . . . repaying borrowings

showed that debt was being repaid, and cash reserves were again being built up This continued during the first half of 1986, when long and medium-term liabilities were pared by R240m to R740m, and R89m of pref shares were redeemed Net current assets were reduced by R158m to R328m, so the overall improvement in funding amounted to R171m This, combined with reductions in interest rates that apply to the portion of debt which is held in local currency, indicates further reductions in the interest bill

What undid part of these gains for De Beers' earnings was the harsh jump in taxation and the State's share of profit under mining leases, which together soared by 72% to R218m This figure presumably would not continue to increase at a much faster pace than profits

The important element now is that retail sales remain strong De Beers says indications are that the positive trend will continue in the second half The fundamentally weak oil price, despite the recent Opec agreement, is likely to help. Indeed, the uptick in oil prices to around $15 after the agreement should support economic growth Current price trends remain low enough to keep a curb on inflation, but may have relieved some of the pressure on oil producers Overall, it is too early yet to consider De Beers' share fully valued *Andrew McNulty*

DE BEERS ADVANCES

Six months to	June 30 '85	Dec 31 '85	June 30 '86
Diamond account (Rm)	318	822	447
Investment income (Rm)	127	88	161
Interest payable (Rm)	76	86	48
Pre-tax (Rm)	530	1 046	707
Taxed profit (Rm)	403	762	489
Earnings			
— excluding associates (c)	54	126	73
— including associates (c)	98	190	118
Dividends (c)	15	40	20

That aside, the normal pattern is that the margin on the diamond account is much wider in the second half of the year than at the interim This year it was 16,5%, in line with the 16%-19% range since 1982, in the last three years the margin has varied from 33% to 35% in the second half, which is when the larger profit jump tends to come

The same applies to investment income, which rose by 26,8% — there should be more to come By far the largest contributors to De Beers' investment income are Anglo American, JCI, Minorco and Amic, other important ones are Ergo and WD Levels. Thanks partly to the rand, all but Amic will see further increases in profits, and much of the gains still have to flow through to De Beers, including the effects of the mid-year slide in the rand

Also encouraging was the 76% drop in interest payable The year-end balance sheet

FIN MAIL

KANHYM ③ MEAT

Slow turn

22/8/86.

Kanhym has turned the corner in announcing its first profit since 1982, but the legacy of previous years' losses will linger on for ordi-

Despite earnings, dividend rise

20/8/86

Big chill for De Beers at interim stage

BUSDAY

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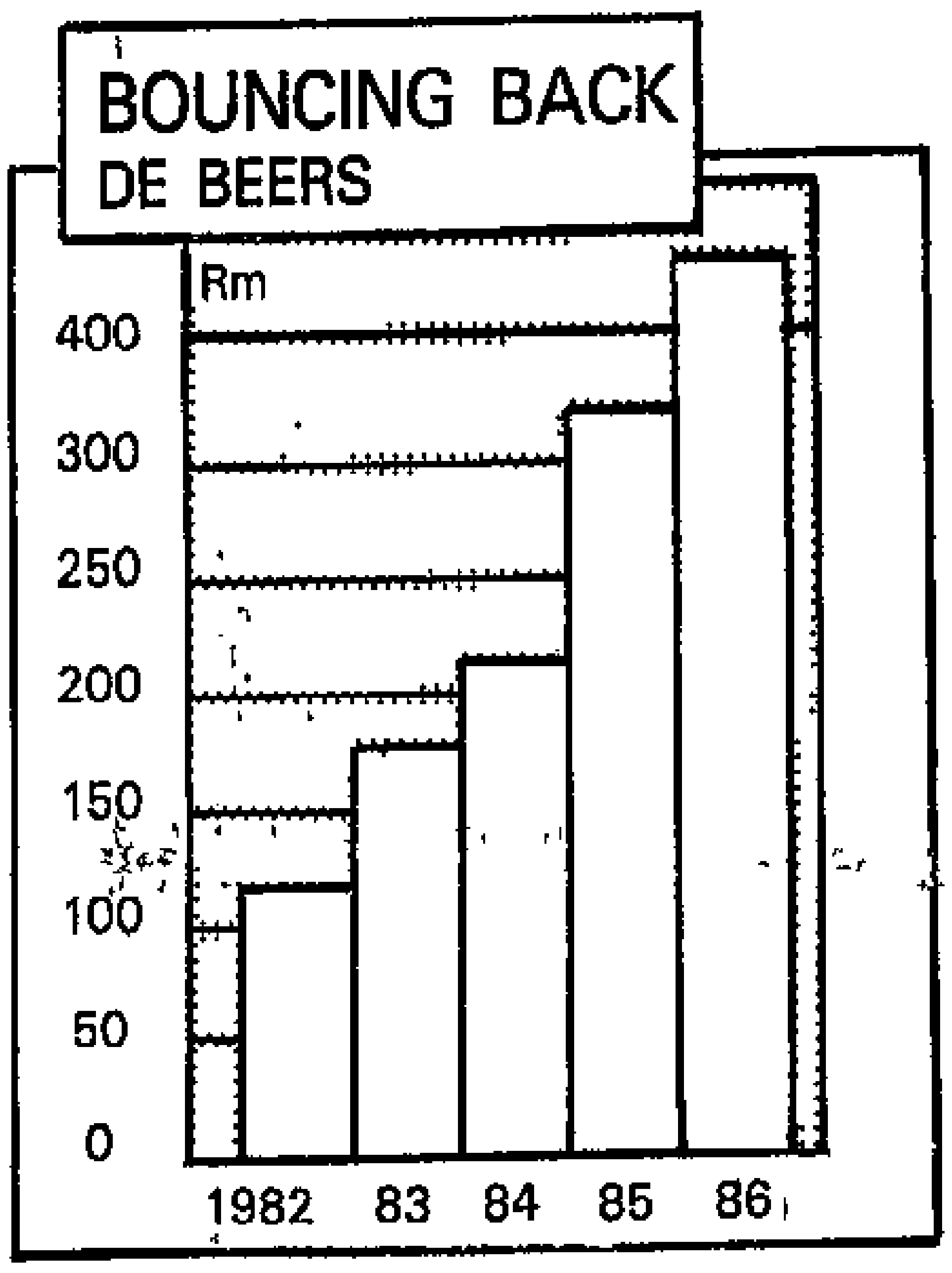
BRIAN ZLOTNICK
Investment Editor

DE BEERS' interim results received a cool reception from the market yesterday, despite a rise of a third in the dividend to 20c and an advance in earnings, excluding share of retained profits of associates, to 73c (54c).

In lively trade, the share plunged 9%, or 335c, after touching a peak of R35,35 ahead of results. It closed R2,50 down on the day at R32



INTERIM DIAMOND ACCOUNT PROFITS

More than R1bn was wiped off market capitalisation — now R11,5bn — in response to results that were at the lower end of analyst expectations

For unknown reasons, the sharp decline in the diamond-account margin — diamond-account profits as a percentage of CSO sales — to 16% from 19% does not tally with a number of favourable factors

In the wake of demand broadening into the full range of gems, including the more profitable, better-quality and larger stones, a reduction in stockpile and the price increase, the shrinking margin comes as a surprise

The combination of a continued strong recovery in worldwide diamond sales, a weak rand and higher investment income were among the more significant factors behind the earnings improvement

A R129m surge in diamond-account profits to R447m, within a whisker of 1980's record, reflected both higher volume sales and the 7,5% increase in May of the price of rough diamonds

Higher dividend receipts from the sig-

● To Page 2 ⇨

Big chill for De Beers

20/8/86

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⇦ ● From Page 1

nificant 38% equity stake in Anglo American and the increased rand value of dividends from its 21% holding in foreign-based Minorco, largely boosted investment income to R161m from R127m

The interest bill fell by a third to R48m, with long- and medium-term liabilities reduced by R240m to R740m

A R72m leap to R177m in tax was another significant feature of the results, which showed net attributable income of R377m, against R293m — equal to earnings, including share of retained profits of associates, up 20c at 118c a share

Disappointment over the results also emanated from London, which was reported to have offloaded some stock

But even if the high expectations of analysts and investors have been temporarily dashed, the fundamental outlook remains promising

The directors say indications are that the positive trend in diamond sales will continue in the second half

Furthermore, any fancy accounting footwork or other unknown factors that could have depressed diamond-account profits, and hence the margin, are unlikely to be at work in the second half to distort the underlying upward trend

In view of the weaker dollar and increased demand, rumours that another rise in the price of rough diamonds is in the pipeline have gained currency

20/8/86

De Beers fails to meet market expectations

STAR 216

By Sven Lunsche

The stock market is clearly disappointed with the news that De Beers interim diamond account has only shown an increase of 40 percent to R447 million

It had been widely speculated that profits would rise by at least the same margin as the 62 percent increase in worldwide Central Selling Organisation (CSO) sales

The share price dropped to R32,00 on Diagonal Street when the news reached the market, from the record high of R35,35 to which it had risen in expectation of a more substantial rise in the account

A spokesman for De Beers said. "The market was unrealistic in expecting such a return and a 40 percent improvement in profits is a commendable figure under any circumstances "

He added that the improvement "is a slowly rising tide and that the second half is usually better in terms of dollar sales of diamonds in anticipation of increased spending during the Christmas period"

While the rest of the interim report for the six months ended June makes excellent reading, with a 33 percent rise in the dividend to 20 cents and an improvement in net attributable earnings of 35 percent to R261 million or 73 cents a share (54 cents), dealers were at a loss to explain why De Beers had not achieved the expected increase in the diamond account

The diamond market is extremely buoyant, with sales improving across the full spectrum of gems, including the more profitable higher quality stones

In the first half the CSO — De Beers' marketing arm — sales had soared by 45 percent to $1,21 billion compared to the previous half. This translates into, because of the low rand exchange rate, a 62 percent increase to a record R2,71 billion

The results for the last financial year also indicated that De Beers and the CSO, which markets 85 percent of world output, had regained control of the diamond business after several difficult years

Dealers said the 7,5 percent increase in the price of rough diamonds, which admittedly was only introduced in May this year, should also have had a more favourable impact on sales returns

Most analysts, however, are confident De Beers can at least match its diamond account profits of R1,14 billion achieved in the 1985 financial year, as the second half of the year is noted for increased CSO sales, accompanied by a further reduction in the De Beers diamond stockpile

A question mark hangs over the group's share of retained profits of associates, which only increased by R4 million to R164 million, considering Anglo-American's total earnings improvement of 40 percent for the six months ending June on the same period last year

The company's investment income, however, improved by 27 percent to R161 million, with the interest bill coming down by a third to R48 million and long-term liabilities down R240 million to R740 million

Earnings, including share of retained profits of associates, were R425 million (R353 million) or 118 cents (98 cents) a share, with profit after tax improving by 21 percent to R489 million, a figure which was severely affected by a substantial 72 percent rise in taxation to R218 million

trading

19/8/86 BusDay.

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COMPANIES

De Beers shares active as market awaits results

BRIAN ZLOTNICK
Investment Editor

WITH investor interest yesterday heightened ahead of De Beers' results, the share moved up in early trading against the initial overall softer market trend to puncture the R34 level.

Investor confidence about the interim results, which are expected to be unveiled today, grew steadily as the day progressed and the share closed 85c higher at a new peak of R34,50.

In the wake of the strong first half CSO sales of $1,214bn — a jump of 45% on 1985's first half — an overall May 7,5% dollar price increase for rough diamonds and the progressively weakening rand, analysts have sharpened their pencils in expectation of a big jump in profits.

Measured in dollar terms, CSO — the marketing arm of De Beers — first-half sales were still a far cry from their 1980 peak, but in rand terms were at a record R2,71bn — 62% up on the comparable period for last year

Moreover, demand has now broadened into the full spectrum of gems, including the more profitable, better-quality and better-colour stones

Furthermore, according to chairman Julian Ogilvie Thompson "there has been a small reduction in our stocks and a welcome reduction in De Beers' borrowings"

The interest bill (in dollar terms) is thus expected to be lighter

Other positive factors are. investment income should be lifted by higher dividend receipts (mainly from Anglo), and a boost from the fall in its diamond stockpile, while the weak rand and improved volume sales send profits soaring.

Indeed, some analysts have pencilled in for the full year record earnings of 250c, excluding share of retained profits of associated companies, and a return to record dividends of 75c a share last achieved in 1980

They suggest an interim dividend ofthe order of 20c, up a third, and earnings of about 90c (53,6c) a share.

Attention will once again focus on the key diamond account margin — diamond account profits as a percentage of CSO sales — which in recent years has shown a pattern that reflects a marked improvement.

While the interim margin is expected to widen further, it is likely, as is normal, to be well-down on the previous year's second half.

Unknown factors may yet play havoc with the margin and distort the true underlying trend

Certainly there seems to be no reason for De Beers' dramatic profit recovery that gained momentum in the second half of 1985 — after about four and a half years of trauma — suddenly to grind to a nasty halt.

So analysts are looking farther down the line at the next two years for significant profit and dividend growth

Given that the share has more than trebled over the past year and has outperformed the all-gold index by more than 100% over the same period, investors understandably are a shade queasy about the stock's ability to scale new heights.

The low prospective dividend yield of about 2,2% at R34,50 also frays the nerve ends

However, there is still no shortage of analysts who say that De Beers' share price still has a full head of steam waiting to be let off

They view the rand-hedge stock as an ideal vehicle for investment in a company whose fundamental market is dollar-based and going well.

Growth prospects have now become the overriding concern for the investor in De Beers shares, rather than a paltry dividend yield

Star 18/9/86

216

De Beer defends closure of DET schools

By Susan Pleming, Education Reporter

The crisis in black education was illustrated this week by the Department of Education and Training's decision to close a further 13 schools — less than one week after classes were resumed for the final term

Since the beginning of this term 33 schools have been closed because, said the Deputy Minister of Education and Development Aid, Mr Sam de Beer, meaningful and effective education had become impossible in these schools

The National Education Crisis Committee and the African Teachers' Association of South Africa has slammed the DET's decision to close the 33 schools and has called for their immediate re-opening.

"I know that people have interpreted the closure of schools as an effort by the DET to deprive children of an education This perception is completely untrue," Mr de Beer told *The Star* this week

"Must we keep our schools open just so that our teachers can sit around? Is it not in the best interests of our children to use the manpower and money elsewhere?" he asked

MEET STANDARDS

The DET had been accused for many years of providing black children with an inferior education

"We must meet certain academic standards," he said

"It became very clear in the schools we closed that it would be impossible for the children to meet the scholastic conditions required by the DET"

The 1986 academic year had been marred by boycotts, postponement of examinations and suspension of classes

This last had been a common DET tactic this year

Mr de Beer said classes were generally suspended to create a "cooling-off" period so that negotiations could begin between parents, teachers and the DET to create a stable educational environment

In many areas the suspension tactic worked well and education continued normally after the suspension

The problem areas this year have been the Eastern Cape — where thousands of pupils have been boycotting classes — Soweto and the East Rand

BIGGEST PROBLEM

The biggest problem has been the re-registration of pupils, said Mr de Beer

Many children have refused to register because of the presence of the security forces at the schools

Mr de Beer said he would like to see the security forces withdrawn from the townships

"But at the moment our schools are being vandalised The safety of our property is at stake and we have to protect the children and teachers"

Soldiers were not permitted into the classrooms Their presence was allowed outside the school premises

The issue of "people's education for people's power" had been in the forefront of discussion this year and pupils had demanded that a relevant, community education be introduced, he said

Mr de Beer added that while he strongly disagreed with the political implications of people's education, he believed there was a positive aspect to this form of teaching

POSITIVE ROLE

"If it means a bigger involvement of the community then I agree with it Also, if education becomes more relevant to the children's background and helps them fulfill a positive role in the future of this country I would see people's education as positive"

Mr de Beer said he was angered by the response to the DET s youth education centres Recently it was revealed that batches of detainees were sent there upon their release to undergo courses aimed at rehabilitating them into the community

Several groups, including the Progressive Federal Party, said they believed the real purpose of such camps was to indoctrinate and brainwash

Mr de Beer dismissed these claims saying they had "damaged the goodwill" of the centres There are 167 youths at these centres

"Some of our students have been detained and we were concerned about their wellbeing Attendance at the youth centres is completely voluntary and anyone who wishes to withdraw may do so"

Anti-apartheid India found to have SA links

STAR

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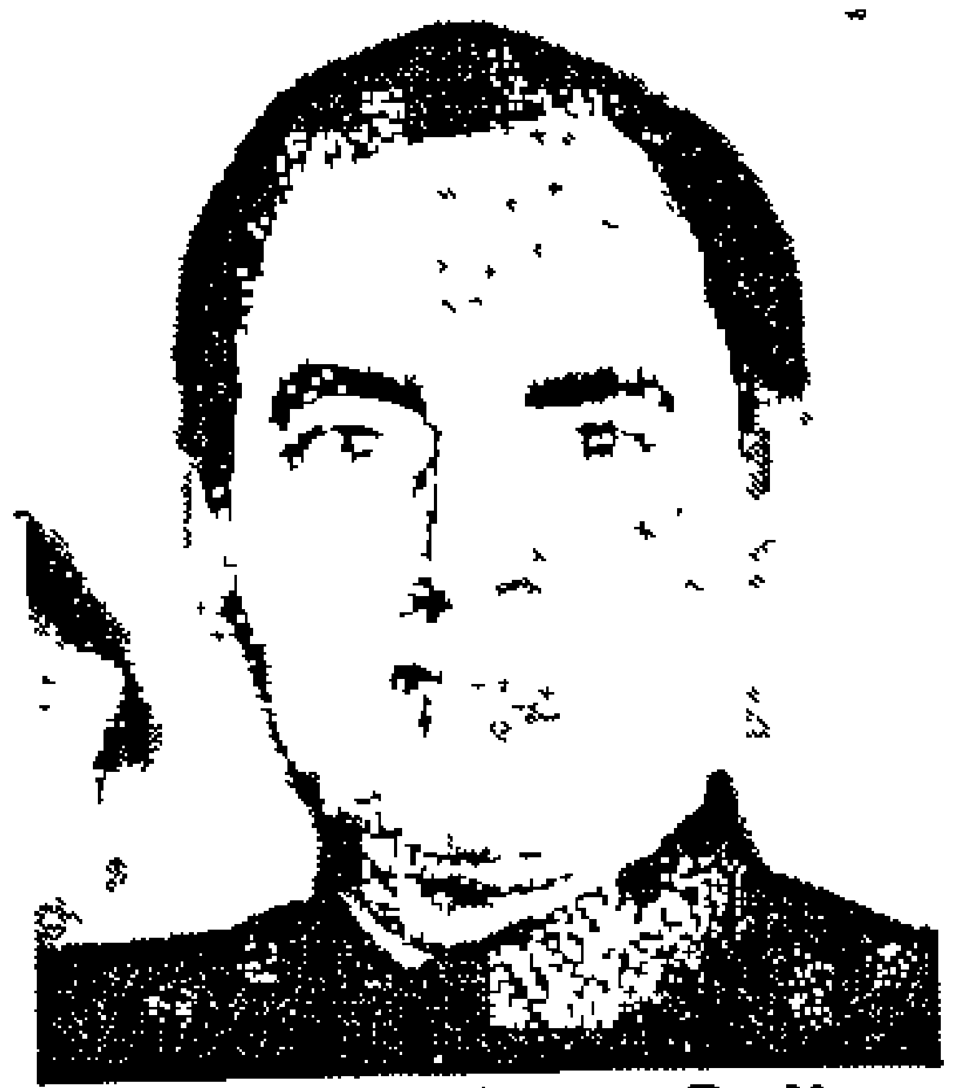
23/9/86

The Star's Foreign
News Service

DELHI — While India's Prime Minister Mr Rajiv Gandhi has been castigating the world, and Britain in particular, for maintaining trading links with South Africa, the Indian Press has been uncovering his own country's dealings with the "hated apartheid regime".

Press reports have concentrated in particular on the links Indian industry has established with the South African diamond trade. The *Sunday Observer* said that while Mr Gandhi was telling Mrs Thatcher not to give human rights and freedom second place to material gains, the diamond trade between India and South Africa continued to flourish.

Sunday Magazine said that in 1985-86 India imported 34,23-million carats of uncut diamonds worth more than R2 200-million, compared with 26,3-million carats in 1984-85.



Prime Minister Rajiv Gandhi. . . castigated the world for SA trade links.

The rough stones were polished and processed by about 400 000 jewel trade workers, mainly in and around Bombay, and were re-exported to bring in about R2 900-million of foreign exchange

Where, the writers asked, do these diamonds come from?

The answer they ~~give~~ is at least partly from South Africa. The diamonds are bought mainly through the Diamond Trading Corporation (DTC) of London and its associated company, the Central Selling Organisation. Both are the arms of major South African exporters such as De Beers.

Though the stones they buy are described as of mixed origin and though DTC trades in stones from many other sources, a large proportion of them come directly from the South African mines

Since the revelations that Indian traders are like American women — whom US Secretary of State Mr George Shultz feared would not be prepared to give up buying diamonds — the Bombay industry has been asked to buy its stocks from the DTC in Switzerland instead of London

But the *Sunday Observer* reports traders as saying that it does not matter where they get the raw diamonds from. The paper also reports that India's External Affairs Ministry feels that given the stranglehold De Beers has on the international market, it would be very difficult for India to plug the loopholes.

Loopholes in regulations governing trade other than diamonds have also attracted Press attention. Many have pointed out a curiosity in the spice trade, which has shown a startling rise with countries like Zambia, Mozambique, Malawi and Tanzania

In 1982-3, for example, *Sunday Magazine* noted, Zambia imported rich curry spices worth R24 000 — enough, the magazine suggested, for the few thousand Indians living in that country of 5,1-million people The very next year the trade went up more than sixfold

Simultaneously, the spice trade increased with the other Frontline states Mozambique's purchases doubled, Malawi's went up four times and Tanzania increased its trade from nil to R220 000.

It is not, the magazine suggests, that culinary tastes in black Africa have suddenly changed in favour of curry and rice, nor has there been an influx of people of Indian origin.

The answer is that a cheap and reliable supply of spices has opened up for the million or more residents of South Africa who are of Indian stock.

The interception of one cargo of spices in 1985 indicates the way Indians have been beating the formal ban on trading with South Africa.

The spices were loaded in Bombay and marked for export to Mozambique. They were labelled Maputo (D). But the D was a code for Durban, and when the ship called at Colombo, the crates were unloaded and reloaded on to a Durban-bound vessel.

No. R. 2071 **26 September 1986**

WET OP ARBEIDSVERHOUDINGE, 1956

WAS-, SKOONMAAK- EN KLEURNYWERHEID (KAAP).—HERNUWING VAN VOORSORGFONDS-OOREENKOMS

Ek, Mattheus Willem Johannes le Roux, Direkteur: Mannekrag, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings R. 1831 van 5 September 1980 en R. 2711 van 9 Desember 1983, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 September 1987 eindig.

M. W. J. LE ROUX,
Direkteur: Mannekrag.

No. R. 2072 **26 September 1986**

WET OP ARBEIDSVERHOUDINGE, 1956

NYWERHEIDSRAAD VIR DIE DIAMANTSLYPNYWERHEID VAN SUID-AFRIKA.—WYSIGING VAN PENSIOENFONDS OOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 3 Januarie 1991 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE DIAMANTSLYPNYWERHEID VAN SUID-AFRKA

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Master Diamond Cutters' Association of South Africa

(hierna die "werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en die

S.A. Diamond Workers' Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Diamantslypnywerheid van Suid-Afrika,

om die ooreenkoms gepubliseer by Goewermentskennisgewing R 2303 van 23 Desember 1970 soos verleng by Goewermentskennisgewing R 1517 van 5 Augustus 1977 te wysig. (Hierna verwys as die "Pensioenfondsooreenkoms").

1. TOEPASSINGSBESTEK VAN OOREENKOMS

1 Vervang die bestaande paragraaf met die volgende paragrawe

"(1) Hierdie ooreenkoms moet in dié Diamantslypnywerheid in die Republiek van Suid-Afrika nagekom word

(a) deur alle werkgewers wat lede is van die werkgewersorganisasie en deur alle werknemers wat lede van die vakvereniging en' wat onderskeidelik betrokke is by of werksaam is in genoemde Nywerheid.

No. R. 2071 **26 September 1986**

LABOUR RELATIONS ACT, 1956

LAUNDRY, CLEANING AND DYEING INDUSTRY (CAPE).—RENEWAL OF PROVIDENT FUND AGREEMENT

I, Mattheus Willem Johannes le Roux, Director: Manpower, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R 1831 of 5 September 1980 and R 2711 of 9 December 1983, to be effective from the date of publication of this notice and for the period ending 30 September 1987.

M. W. J. LE ROUX,
Director: Manpower.

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No. R. 2072 **26 September 1986**

LABOUR RELATIONS ACT, 1956

INDUSTRIAL COUNCIL FOR THE DIAMOND CUTTING INDUSTRY OF SOUTH AFRICA.—AMENDMENT OF PENSION FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 3 January 1991, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union

P T C. DU PLESSIS,
Minister of Manpower

SCHEDULE

INDUSTRIAL COUNCIL FOR THE DIAMOND CUTTING INDUSTRY OF SOUTH AFRICA

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Master Diamond Cutters' Association of South Africa

(hereinafter referred to as the "employers" or the "employers' association"), of the one part, and the

S.A. Diamond Workers' Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Diamond Cutting Industry of South Africa,

to amend the Agreement published under Government Notice R 2303 of 23 December 1970 as extended by Government Notice R 1517 of 5 August 1977 (hereinafter referred to as the "Pension Fund Agreement")

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Diamond Cutting Industry throughout the Republic of South Africa—

(a) by all employers who are members of the Employers' Association and by all employees who are members of the Trade Union and who are engaged or employed respectively in the said Industry,

De Beers and Red China in secret link

Star 29/1/86

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The Star Bureau

LONDON — Communist China has signed a secret prospecting deal with a company controlled by De Beers

The Chinese Government has often publicly forsworn links with South Africa and cast itself as the champion of Third World opposition to apartheid

The joint venture was signed last year Under it, a De Beers group company and the Chinese Ministry of Geology and Mineral Resources are prospecting for diamonds together in Shandong Province, source of most of China's diamonds

The Central Selling Organisation (CSO), De Beers' London-based marketing arm, named Chichester Diamond Services (UK) as the company involved, but declined to give details of exact ownership

Its directors are Mr Derek Finn, a CSO director, Mr Peter Gallegos, a senior CSO executive, and Mr John Hawthorne, one of De Beers' top two consulting geologists

CLOSE TO HEADQUARTERS

Chichester is registered in Panama but shares a registered London office with Chichester Diamond Services, a diamond broker of almost the same name with which it has no other direct connection The offices, in Charterhouse Street, are close to CSO headquarters

Mining companies are traditionally secretive about prospecting for fear of alerting competitors Here, however, the overriding consideration was the need to avoid embarrassing the Chinese Government The CSO said Chinese officials were aware of the links between Chichester and the CSO

De Beers has long been discreet about its trading links with black African states and the Soviet Union.

The political discomfort that disclosures of such links can cause has recently been brought home in India where Mr Rajiv Gandhi's Government has been under attack in the Press for allowing traders to import uncut diamonds of South African origin for polishing and re-exporting

De Beers extends diamond prospecting, mining, in deal with Peking Government

Post Correspondent

LONDON — De Beers has extended its diamond prospecting and mining to China, it was confirmed here yesterday

Following a report in the Financial Times a De Beers spokesman confirmed that the Panama-registered company Chichester Diamond Services (UK) — which was "loosely associated" with De Beers — had signed a diamond prosecting deal with the Peking Government

"It is quite a small prospect which began about a year ago," the spokesman said

China has a small diamond mining industry producing an estimated 200 000 carats of mainly industrial diamonds annually

The Central Selling Organisation (CSO), De Beers' London-based marketing arm which handles about 80% of the world's diamonds, confirmed Chichester Diamond Services (UK) as the company involved in the deal with the Peking Government

The Financial Times report said its directors include Mr Derek Finn, a CSO director, Mr Peter Gallegos, a senior CSO executive, and Mr John Hawthorne, a top De Beers consulting geologist.

The revelations about the De Beers-Peking link will be a political embarrassment to the Peking Government which has publicly rejected commercial links with South Africa and recently resumed relations with the African National Congress (ANC)

Eve Post 30/9/86 (216) ([illegible])

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N/M 30/9/8

De Beers is prospecting now in China

London Bureau

DE BEERS has extended its diamond prospecting and mining operations to China, it was confirmed here yesterday

Following a report in the Financial Times, a De Beers spokesman confirmed yesterday that the Panama-registered company Chichester Diamond Services (U K) — which was 'loosely associated' with De Beers — had signed a diamond prospecting deal with the Peking Government.

'It is quite a small prospect which began about a year ago,' the spokesman said

China has a small diamond mining industry producing an estimated 200 000 carats of mainly industrial diamonds annually.

The Central Selling Organisation (CSO), De Beers' London-based marketing arm which handles about 80% of the world's diamonds, confirmed Chichester Diamond Services (UK) as the company involved in the deal with the Peking Government

The Financial Times report said its directors include Mr Derek Finn, a CSO director, Mr Peter Gallegos, a senior CSO executive, and Mr John Hawthorne, a top De Beers consulting geologist

Although registered in Panama, Chichester shares a registered London office with Chichester Diamond Services — close to the CSO and De Beers headquarters in Charterhouse Street

The revealations about the De Beers-Peking link will be a political embarrassment to the Peking Government, which has publicly rejected commercial links with South Africa and recently resumed relations with the African National Congress.

Obligation

The disclosure follows a raging controversy in the Indian Press about the large-scale importation of South African diamonds in spite of Prime Minister Rajiv Gandhi's committed sanctions stance

A De Beers spokesman said yesterday that the company had an obligation to look for new diamond deposits, but he declined to comment on whether the prospecting in China had met with positive results

De Beers exploits gems demand

15/10/86 BUSDAY

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BRIAN ZLOTNICK

DE BEERS decision to raise the dollar price of rough diamonds by 7% after lifting the price by 7,5% only six months ago reflects continued strong world-wide demand for gems and dollar weakness against major currencies

The price hike takes effect when the Central Selling Organisation (CSO), marketing arm of De Beers, holds its next sight on November 3.

It appears that the diamond market, which was plagued with problems in the early 1980s after De Beers raised prices too sharply and frequently in the late 1970s, has recovered well

The latest price increase has come through quickly considering that the May increase was the first in three years, since April 1983's 3,5%.

Moreover, CSO sales of rough diamonds for the first half of this year at $1,214bn were 45% up on the comparable

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Another rise in diamond prices

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period of last year, with demand broadening into the full range of gems, including the more profitable, better-quality and larger stones.

De Beers' own first-half results showed a R129m surge in diamond account profits to R447m, which largely reflected higher volume sales and a weak rand.

While diamond prices in dollar terms are up sharply since the beginning of the year, prices measured in terms of the mark, yen, and French and Swiss francs, however, are still much softer.

Some analysts believe the latest price hike will have a favourable psychological impact on both the diamond market and De Beers' share price, even though it was widely anticipated.

De Beers shares were marked up 50c at R35 yesterday — to bring this week's gain to 175c — after news of the price increase.

CSO increases prices seven percent

Gem sales running at record levels

(216) 15/10/86
STAR

Financial Correspondents

Record gem diamond sales of more than $1,2 billion in the six months to end-December — making around $2,5 billion for the year — are now almost a certainty, say sources close to De Beers

But, despite a leap in prices over the past couple of years the going rate for top quality gems is still substantially below the value of the peaks achieved in 1980.

Nevertheless, increasing optimism comes after an announcement by the industry's Central Selling Organisation (CSO) that there is to be a seven percent increase in the price of rough gem diamonds as from the next international "Sight" on November 3

However, the industry and De Beers both concede that the price increase has been made possible by strong demand for gemstones, not least in Japan, which, after the US, is the largest producer of finished diamond jewellery

Thus the volume of sales is likely to be significantly higher in the second half of this year than in the same period last year, and probably better than in the first half this year

Following the spectacular 45 percent leap from $837 million to $1,2 billion in the value of CSO sales in the first half of this year (and the 23 percent jump in CSO sales over the $986 million in the second half of last year), the industry confirms that demand for gemstones is continuing to firm.

Buoyant market

The market for better quality and the larger, more expensive stones is especially buoyant, they say. A key reason is the fall in the value of the dollar against currencies like the yen, which has brought these more expensive gems within reach of buyers in major markets

"There have been record diamond jewellery sales each year in the past three years," comments De Beers, "and retail sales are continuing at high levels worldwide."

The new price increase comes some six months after the last hike, for the May Sight as announced last April. The increase then was 7,5 percent

Before that, one has to go back as far as March 1983 for an increase, which was 3,5 per cent at that time

Neil Behrmann reports from London that medium and larger sized rough uncut diamonds in the leading diamond markets, Antwerp, Tel Aviv and Bombay, are already being quoted at a premium over the stones sold by the CSO

"We expected De Beers to raise prices, " said Jacques Zucker of Lachowsky-Zucker, Antwerp diamond dealers " Even if it affects our margins, it shows the world that confidence in diamonds is returning "

The buoyant precious metals market also helped sentiment in the diamond market

" The trade is doing well in all centres said a spokesman of the Antwerp Diamond High Council Small medium and large sized diamonds were selling well, he said But prices of quality diamonds rose faster because there was a shortage

Price indices

The High Council's indices of polished diamond prices show that quotes of small cheap and medium quality polished diamonds, ranging between $140 and $1 300 a carat, surged 17 percent from their low point in November 1985 They are still about 70 percent below the levels seen in 1980, however

The price index of " Small brilliant" diamonds and " Melees" increased by only six percent in the same period because there are more than sufficient stocks

Output has soared in Botswana, Zaire and Western Australia

De Beers estimates that world diamond output was 66,5 million carats in 1985 against 47 million carats in 1982. About 20 percent of world diamond production are gems.

Prices of the D-Flawless, top investment grade diamond jumped by about 70 percent to $12 000 a carat from its low point of $7 000 in November last year But they averaged around $55 000 early 1980

Diamonds vary in cut, colour, clarity and carat weight. (A carat is 1/142 an ounce) Further down the line, E-colour diamonds rose from around $3 800 last year to curent levels of $7 000 a carat.

Rare large diamonds have been sold at very high prices at Christie's the London auctioneers A nine carat E colour " potentially flawless stone recently fetched $207 000, the firm says.

But sales volumes are increasing too The Antwerp Diamond High Council said that exports from the centre, the largest in the world soared to 41 million carats in the first nine months of 1986 against 31,2 million carats in the same period last year Israel and Bonbay were also experiencing better trade

" The market is much stronger and healthier following the depression in the first five years of the decade, " said Mr Zucker of Antwerp

The CSO not only began withholding diamonds from buyers in 1980, but also chose dealers who were financially strong Several manufacturers and dealers failed during the depression But the survivors have proved their mettle Now that their stocks are low, they are raising their orders from De Beers

The market also improved because De Beers persuaded the Soviet Union, a major diamond producer, from dumping large quantities of polished diamonds in Antwerp It is now selling most of its diamonds to the CSO.

De Beers' international diamond stockpile is still huge, however. It fell by only $52 million to $1,9 billion at the end of 1985 and has fallen further this year But production in Botswana and Australia is growing

And, unless there is a dramatic increase in consumption in coming years, it will still be difficult for the company to markedly reduce its huge diamond inventory

FIN MAIL

DIAMONDS 17/10/86 (216)

Price hike

Since the interim results were released in August, De Beers' share price has been consolidating around R33, rarely approaching the 12-month peak of R36 set before the figures were published

This week, the Central Selling Organisation (CSO) provided some additional impetus by announcing an overall price increase of 7% on all rough diamonds except boart and drilling stones De Beers' share price perked up on Monday, and by Tuesday afternoon was trading at R35,50

The announcement helps to explain why the share has remained firm despite the slim historical dividend yield of only 1,8% When the increase takes effect from the next sight on November 3, prices of rough diamonds will have increased by a total of 14,5% during this year, starting with the hike of 7,5% which became effective on May 1

Analysts say that as retail sales are known to have remained strong, the latest increase was not unexpected It is, however, seen as an indication that there have been no further disruptions in the industry — such as the problems in Indian cutting centres a few years ago — and that De Beers is confident that the market can bear higher prices at present

Currency factors have become pivotal in the diamond market Prices of rough diamonds, which are quoted in dollars, were effectively reduced by the dollar's steady slide against other leading currencies, particularly the DM and Yen This helped boost sales in the past 12 months and set the scene for this year's price increases

As became clear early this year, De Beers is now enjoying the benefits of both volume and margin improvements Stocks have been run down in the cutting centres, and demand for rough diamonds has become more directly related to retail sales Overall margins are believed to have increased anyway, because more of the larger gem diamonds — which carry higher margins — are being sold

The CSO sales figures published in July showed the effects of these factors on rough diamond sales, CSO sales for the first half of 1986 had jumped by 45% to $1 214m As the earlier price increase had then been in place for only two months, it would have had limited impact on the first half sales, but this will not apply to the CSO sales for the second half of the year.

A second price increase during this year is a reminder that it would be misleading to attach too much attention to the thin dividend yield offered by De Beers' share The current earnings yield is a generous 9,3%, but, more importantly, the real advances in both earnings and dividend are still to come In my view, there is still upside potential in the share.

Andrew McNulty

CMI

Good reception

When Consolidated Metallurgical Industries (CMI) is listed on the JSE on November 6 the shares could reach double the offer price of 400c if the performance of the nil paid letters (NPLs) since their listing on Monday is any guide The NPLs jumped to 300c and have remained there

The CMI pre-listing statement estimates that earnings for the year to end-June 1987 should at least equal the 98c a share for the 1986 year, and forecasts a dividend of 50c a share Assumptions behind this forecast are that the rand will be worth US45c, that current US dollar ferrochrome prices — which have dropped some 11% over the past 18 months — will be maintained, and that the effect of sanctions will be limited

The closest comparable operation to CMI on the JSE is probably Samancor which is, however, much more diversified It controls chrome and manganese mines and produces a wider range of ferroalloys CMI produces only ferrochrome from its plant near Lydenburg in the eastern Transvaal and buys chrome ore from nearby mines such as Rand Mines' Winterveld Chrome It does no mining, although controlling mining house JCI has chrome ore reserves which can be mined if necessary

CMI is to be listed in the steel and allied

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GFSA has retained these rights By comparison, Kloof gold mine paid an effective R12 851/ha for the 1 301 ha it acquired in the Leeudoorn expansion That included rights to all the reefs present Taking a conservative line on the Vlaks share price and knocking it down to, say, 600c the cost of Droogebult still works out at R19 277/ha.

Wright says this kind of comparison is unfair because Vlaks will start to get its money back on the development within some 18 months, instead of the five-year wait which Kloof shareholders will have, while Vlaks is laying out only R7,2m instead of some R500m "What the deal boils down to is that about 12% of the company is being given to GFSA and GF Props through the issue of new shares, in return for mineral rights worth considerably more to the company in terms of future revenue "

Vlaks intends to mine from an incline shaft which will be sunk on reef. Mined ore will be transported some 15 km to the existing Vlaks treatment plant Total mill tonnage is estimated to 2,7 Mt at an average grade of 3,4 g/t which will maintain a milling rate of 20 000 t/month for 11 years Vlaks has the capacity to mill 70 000 t/month, the balance of the mill feed will continue to be made up from its own dump reserves and dump material treated from surrounding sources on a toll basis

Vlaks' own dump material, combined with dump material from associated nearby mines such as Vogels, would have lasted another three to four years. An important source of outside material, Sub Nigel, will stop sending material to Vlaks from March next year, when its own treatment plant will be commissioned.

The new mine will be a stand-alone venture because capex will not be offset against Vlakfontein's current profits for tax purposes. Wright says that while it may have been possible to arrange this, it was better to have Droogebult treated as a new mine and taxed on the more favourable new mine formula of Y equals 60, minus 480 over X, instead of the existing Vlakfontein formula.

Wright estimates working costs at R50/t, including the cost of hauling the ore to the Vlaks plant. But he adds the caveat that. "It's been long since we did this kind of mining We cannot be sure of our estimate because we have nothing in-house to compare the project against "

That level of working cost is about the same as those of neighbouring mines Southgo and Sub Nigel, which are working on the Main Reef Wright will not be drawn at this stage on the possibility of working the Main Reef at Droogebult in the future, he points to the large capital investment needed to get to the reef, and to the rising water level in the East Rand basin, which would boost working costs because of pumping charges.

The immediate effect of the project on Vlaks is that this year's dividends are not going to be increased over last year's 60c, and may even be cut to fund the capex

Brendan Ryan

SUNTIMES 2/11/86 216

Diamonds make way for industry

By Udo Rypstra

BUSINESS may not be booming in Kimberley, but few other industrial areas in South Africa have shown as steady and sustained growth as it in the past three or four years.

Progress is being made in making Kimberley less dependent on the four De Beers mines and the railways with which its fortunes have been linked

In an attempt to make the designated decentralised area even more attractive to investors, the municipality plans new packages over and above Government incentives

James Millar, outgoing development manager of the Kimberley City Council, says "Although we have felt the recession, the area has probably suffered less than most Investment, particularly in light industry, is increasing The message is at last going home that this is an excellent spot in which to decentralise"

Farming

Mr Millar says De Beers employs only 4% of the Kimberley work force and generates less than 10% of the area's gross domestic product By contrast, SA Transdort Services employs 40% of the area's workers and its GDP stake is about 23%

There has been a swing to light industry and an increase in irrigation agriculture along the nearby Orange River

Kimberley is the focal point of the State's long-term economic plan for the so-called Region B, which includes Upington, De Aar, Colesberg, Douglas, Prieska and Kuruman, and other designated industrial growth points, such as Mogaswe, Mafikeng, Mmabatho and Pudimoe in Bophuthatswana

Apart from minerals, many of which still await development, the area produces milk and dairy products, beef, mutton, pork, cotton, vegetables, dried fruit and grain The largest table-grape farm in the southern hemisphere is near Kimberley at Barkly West

Mr Millar says that whereas the Government granted generous industrial decentralisation incentives in 1982 which attracted few investments, the new optimistic spirit is reflected in the growth of the Kimberly Industrial Association and the Kimberley Chamber of Commerce The Sakekamer and the Kimberley Development Foundation are also involved in bringing investors to the area

Liaison between these groups and the municipality, says Mr Millar, will lead to new incentives for industrialists soon They will probably include longer repayments — up to 10 years — at lower rates of interest for the purchase of industrial land

A sliding scale will be introduced to make it possible for industrialists to start paying only when acceptable production has been achieved Bulk discounts on industrial land of five hectares and more are also being investigated

Red tape

Kimberley Municipality is also prepared to help prospective industrialists with viability studies and will give businesses with depots and offices in Kimberley preferences on all municipal tenders, says Mr Millar

Much of Kimberley's recent success in attracting industry can be attributed to the municipality's young and highly qualified managerial team It believes in co-operating with potential investors and cutting out red tape wherever possible

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STERNS

THE STERNS DIAMOND ORGANISATION LIMITED

Registration number 67/06262/06

INTERIM REPORT 1986

RESULTS

Turnover increases are in line with those published for the retail sector, yet once again we have managed to reduce our loss per share by 85% (March 1986 by 84%) Cash flow is still under pressure as a result of the 24% boost in sales over last year and the fact that we are now almost fully stocked for the Christmas season We further experienced a noticeable swing to credit and hire purchase deals.

Because of these cash flow pressures, we were forced to divest ourselves of our company mascot — the STERNS STAR. This suite of three diamonds, the biggest weighing some 85 carats, was sold abroad and is accounted for in the period under review.

TAXATION MATTERS

At this stage there is still no resolution on the matter that we reported on in our March 1986 year-end accounts. Further consultations with our tax council have strengthened our belief that the challenge of the Receiver of Revenue is not valid within the Income Tax Act

DIVIDENDS

The directors deem it prudent not to declare a dividend at this stage but expect that by the year end the company can once again return to paying dividends

PROSPECTS

We have every reason to believe that the present upturn will continue through to the Christmas season and we will be able to close the year with positive earnings It is anticipated that the 1987 year will be one beset by a multitude of problems, the net result of which will be a further reduction in personal consumption expenditure. Nevertheless at this stage our forecasts indicate that we will show modest positive earnings in that year.

CONSOLIDATED INCOME STATEMENTS

		Unaudited results 6 months ended 30 September		Audited Year ended 31 March
		1986	1985	1986
		R'000	R 000	R'000
Turnover — Increase/(decrease)		24,1%	(11,7%)	(7,0%)
Operating income		766	136	1 665
Profit on sale of investment		1 260	—	—
Interest		(667)	(1 056)	(1 846)
Profit/(Loss) before taxation		1 359	(920)	(181)
Taxation		303	(331)	39
		1 056	(589)	(220)
Attributable earnings of associated company		16	—	(163)
Profit/(Loss) after taxation attributable to shareholders		1 072	(589)	(383)
Number of shares in issue	('000)	3 744	3 744	3 744
Loss per share before abnormal items	(cents)	(2,3)	(15,7)	(10 2)
Earnings/(Loss) per share after abnormal items	(cents)	28,6	(15,7)	(10,2)
Dividends per share	(cents)	—	—	—

CONSOLIDATED BALANCE SHEETS

		30 September		31 March
		1986	1985	1986
		R 000	R 000	R'000
Shareholders funds		11 747	10 292	10 676
Deferred taxation		564	37	392
Interest bearing debt		11 354	10 578	9 746
Capital employed		23 665	20 907	20 814
Fixed assets		3 475	3 496	3 523
Associated company		1 107	118	639
Current assets		24 594	20 789	20 384
Total assets		29 176	24 403	24 546
Interest free liabilities		5 511	3 496	3 732
Employment of capital		23 665	20 907	20 814
NOTES				
Maximum permissible borrowings in terms of the Company's Articles		23 494	20 584	21 352
Capital commitments		93	285	—
Contingent liabilities		6 250	6 750	6 750
Net asset value per share	(cents)	313,8	274,9	285,1

By order of the Board
S. F. Barnett
(Chairman and M D)
R E Krause
(Secretary)
6 November 1986

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HUNT LASCARIS TBWA 8611003

24/1/86

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De Beers explains R750 000 grant

CAPE TOWN — The need for impartial studies of human rights has been cited by the head of the chairman's fund of De Beers, Mr Michael O'Dowd, as a consideration behind his company's R750 000 endowment for the establishment of a chair of human rights at the University of Stellenbosch.

He said in an interview in Cape Town· "We hope the studies coming out of this chair will influence all parties. We regard this as a practical issue, and hope it would affect both constitutional thinking and the thinking of governments about day-to-day policy."

Mr O'Dowd, head of the chairman's fund of De Beers Consolidated Mines and of Anglo American Corporation, said the endowment was being made by De Beers as part of its centenary. There would also be endowments for other purposes to Rhodes University and the University of Cape Town.

Stellenbosch had been chosen for the human rights studies endowment to avoid any impression that it was a political gesture. There was a tendency among people to think of human rights as "Opposition property", which was not so.

The company was aware of the human rights debate that had been taking place at the university. In that debate, human rights was regarded as "a live issue and not just a hammering of a particular point of view".

"We regard human rights as an important issue. We think it requires much more impartial study than it has received in the past," said Mr O'Dowd. "We regard it as something to be looked at seriously by whites as well as blacks. To get that kind of serious discussion, it needs to be dissociated from particular parties and particular policies."

Mr O'Dowd said that to his knowledge the proposed chair was the first of its kind in South Africa — Sapa.

1/12/86.

FIN MAIL 216

Diamonds are poised for next strong boom

THE international diamond market (of which the SA market is effectively a part) has digested the excesses of the late 1970s and is poised for another strong boom

Good-quality gemstones currently represent excellent long-term investment value, although buyers must first trade out of the excise duty of 35% and sales tax of 12%.

According to Schwartz Jewellers MD Robert Schwartz, the boom of the late 1970s took diamond prices (which are always quoted in dollars, even in SA) along a dramatic upward trajectory, from which the fall was equally dramatic

But since the collapse, De Beers has been successful in clearing the market and all grades of stones are now scarce

At the peak of the boom a D Flawless stone was selling at $66 000/carat in New York. The price today is $20 000/carat, having been as low as $10 000.

But of course, the fall in the rand has had a major influence on rand prices of stones, not to mention the on-going effects of sales tax and excise duty, built into the local retail price.

In effect, the fall in the rand buffered the adverse effects of the international diamond slump for SA investors, and well demonstrated the ability of real assets like diamonds to act as a currency as well as a political hedge

There are various factors of importance in the tricky business of buying a diamond — the famous four Cs — caratage, cut, clarity and colour

Caratage has its own influence on value-a-carat: thus a one-carat D Flawless will cost $20 000/carat, a five-carat stone of the same grading $40/45 000/carat; a 10-carat stone $55 000/carat, and a 30-carat stone $75 000/carat The last figure reflects a maximum rate a carat for large stones.

Cut is most important, says Scwhartz. He says it is almost impossible to overstate the significance of cut a bad cut can reduce the value of a stone by as much as 90%!

The classic blue-white D diamond remains a benchmark of the market, but coloured stones are developing a strong following — good-quality blues, greens, yellows, pinks and reds are becoming increasingly sought-after.

Schwartz notes some fancy prices being paid in the US for high-quality coloured stones A price of no less than $200 000/carat has been realised for a flawless blue stone, for example.

The classification of stones has also become more professional. Laboratories are staffed by people with academic backgrounds, although there are times dealers do not fully agree with their estimates

But for all that it is now possible to buy a diamond along with a piece of paper setting out its vital parameters, based on a generally accepted system of nomenclature.

What of dealers' margins? In other words, what discount would be applied on the resale of a stone? Schwartz says he is happy with a margin of 2%-4% "depending on the stone and on the client"

But excise (in the case of a stone not previously sold) at 35% and sales tax at 12% represent irrecoverable costs associated with the purchase of diamonds

It is important to remember, as already noted, if a stone is sold back to a dealer, further sales would not attract additional excise duty Sales tax would, of course, be payable each time around

Obviously, these taxes strongly inhibit the short-term resale of diamonds They have also inhibited development of the local diamond cutting and jewellery industries

The diamond industry goes so far as to say that excise duty is destroying the local industries.

Schwartz says, however, that renewed representations to government have given rise to strong hopes of an early repeal of the excise duty — which would have markedly beneficial effects both on the diamond and jewellery industries, so creating more jobs