MINING – GOLD

1992

JANUARY – MAY

FM 3/1/92 (214)

FREDDEV

FM 3/1/92

Waiting for gold

(214)

Activities: *Mining exploration*
Control: *JCI 41,9%*
Chairman: *V G Bray*
Capital structure: *21,8m ords Market capitalisation R32,7m*
Share market: *Price 150c 12-month high, 400c, low, 130c Trading volume last quarter, 500 000 shares*

Year to June 30	**'88**	**'89**	**'90**	**'91**
Cash and deposits (Rm)	2,9	0,05	0,06	5,3
Exploration costs (Rm)	2,2	3,4	(2,5)	11,0
Taxed profit (Rm)	0,13	(0,04)	(1,0)	(0,8)
Earnings (c)	0,6	(0,2)	(4,4)	(3,7)
Dividends (c)	—	—	—	—

If anybody out there still believes in gold, then, among the mining exploration shares, Freddev rates a punt at current prices because a number of the projects in which it has interests are close to exploitation when the market increases sufficiently

Two of them, the Moab extension to Vaal Reefs and the Southbrand Venture, which covers the Jonkersrust and Du Preez Leger extensions to Freegold, were given go-aheads but then put on ice because of the depressed gold market and government intransigence over lifting tax ringfence conditions

These projects should be among the first to be reinstated, given a recovery in the gold price and/or further changes in tax legislation The ringfence has so far been partially lifted

That puts Freddev a cut above other mining exploration companies, such as Randex and Barnex, which have stakes in gold projects that, even with a gold price turnaround, are that much further from being brought to account

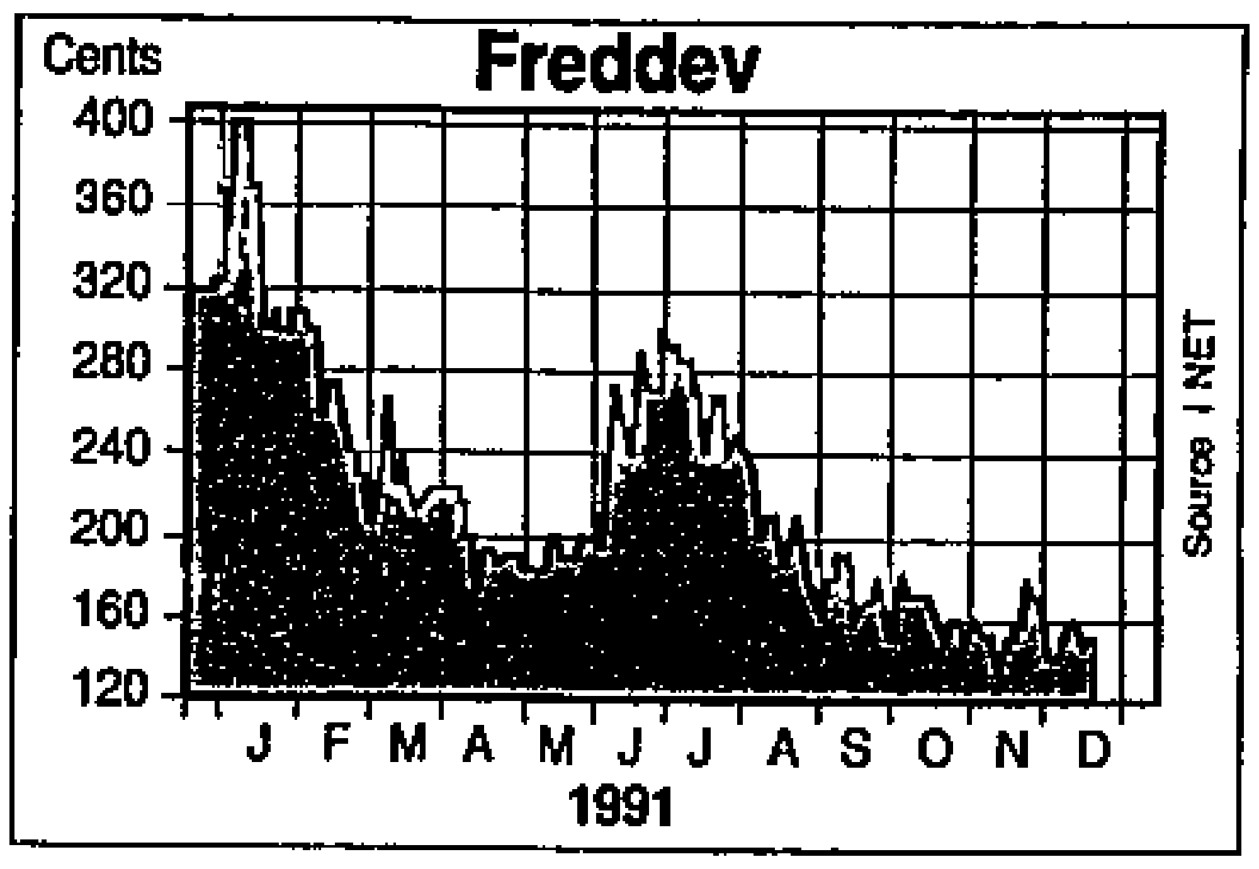
Another promising piece of ground, the farm Palmietfontein 229, was picked up this year by Freddev, when RTZ sold off the SA gold exploration interests it had acquired from BP Minerals The 272 ha farm is underlain by gold-bearing reefs at depths of fewer than 1 000 m and borders Anglo American Corp's Robijn prospect in the Free State

Freddev chairman Vaughan Bray says the Robijn prospect has been well-explored and has the potential for a relatively shallow gold mine The shallower the mine the better, because it reduces capital and working costs, but that is still no guarantee the mine will go ahead, as shown by the curtailment of Gencor's Weltevreden project last year

Freddev paid for Palmietfontein, and other properties acquired from RTZ, through the issue of shares The group bolstered its cash reserves during the year, eliminating borrowings of R6m and showing a net cash balance of R5m at year-end Bray says this should fund normal operations for several years without the need for further borrowings

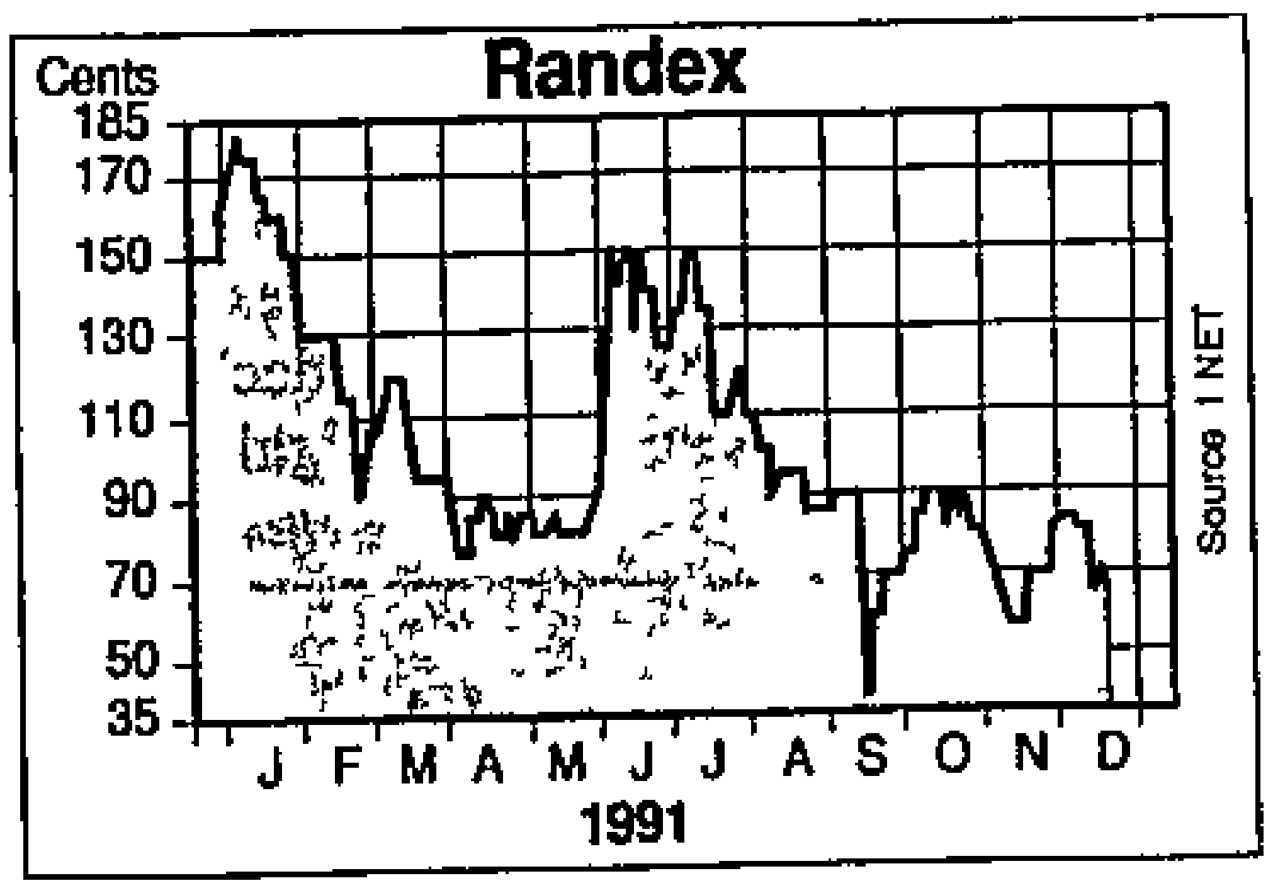
That was achieved through the separate listing of South Deep Exploration, in which Freddev passed its entitlement through to its shareholders by the issue of 2,83m Freddev preference shares at 675c

Chairmen of gold mining and exploration companies have to be optimists, and Bray is no exception He feels the fundamentals of the gold market, in particular the rising jewellery demand for gold, mean the gold price must recover "in the next few years"



When it does, Freddev will benefit because the good grades and shallow depths of its main projects make them first in line for development If you are prepared to speculate, then Freddev, near its 12-month low and compared with a 1990 high of R14,50, rates interest as a gold play *Brendan Ryan*

FM 3/1/92 (214)



RANDEX (214)

Conserving cash

FM 3/1/92

Activities: *Mining exploration*
Control: *Genbel 63%*
Chairman: *T L de Beer, MD M G Saner*
Capital structure: *90,1m ords Market capitalisation R63m*
Share market: *Price 70c Yields nil on dividend, 15,9% on earnings, p e ratio, 6,3, cover, nil 12-month high, 180c, low, 40c Trading volume last quarter, 157 000 shares*

Year to June 30	**'89***	**'90**	**'91**
Income (Rm)	8,3	23,3	12,3
Exploration Expend (Rm)	13,9	18,3	13,7
Cash assets (Rm)	24 1	30,1	22,3
Earnings (c)	(0 1)	5,7	(1,5)
Dividends (c)	—	—	—

* 18 months

Tough times for operating gold mines have meant even tougher times for exploration companies, such as Randex, which offer investors a stake in possible new gold mines on timescales that are being pushed further into the future

That does not mean investors cannot make money in the shares — Randex and other exploration counters are speculators' dreams at present On the back of the slighly improved outlook for gold, Randex recorded a 75% leap to current levels of around 70c, from the year's low of 40c in September That's what I call gearing but, ironically, Randex is cutting back on its exposure to gold to husband its cash resources as part of its survival plan

Randex is fortunate in that it has some income in royalties from dump reserves being treated and mining income from the Marievale gold mine, which should be closed sometime this year Normally, it's one-way traffic for exploration companies, forking out funds raised from shareholders to cover their portion of the expenditure on joint ventures in which they are involved

However, Randex is cutting its contributions to certain gold exploration projects — Fochville, Peritus, Leeudoringstad and Kroonstad — and diluting its stakes to retain cash Chairman Tom de Beer points out the mining houses controlling these projects are also re-assessing their expenditure This should limit the extent of the dilution of Randex's interests

Management is further diluting the company's overall exposure to gold by diversifying into base metals It is now involved in a joint venture run by Tridelta Mining over ground in the north-western Cape containing copper, lead, zinc, molybdenum, fluorite and gold

Randex has also taken a 10% participation right in the small copper/zinc Maranda mine being developed in the north-eastern Transvaal Work on the Tsongoari base metal project in Namibia continues, but the future of this extremely remote deposit remains unclear

It has an option to take up 60% of the SouthPlats project on the platinum-bearing Platreef near Potgietersrus but, given current conditions in the platinum market, that project also looks long-term

Randex was a pioneering mining exploration stock on the JSE when listed in 1985 The link up with Gencor through the merger with Marievale in 1988 made it one of the more favourably positioned exploration companies However, under current gold market conditions, prospects for the share are highly speculative *Brendan Ryan*

Gold quarterlies likely to show tough conditions

(214)

B/Day 9/1/92

MATTHEW CURTIN

DECEMBER's quarterly results from SA's gold mines, which are set to be published over the next 10 days, are likely to point to the tough conditions the industry faces in the next three months following the slump in gold prices

Analysts said yesterday that the fall in prices at the end of December came too late to knock the performance of the gold mines in the quarter

Simpson McKie analyst Rodney Yaldwyn said yesterday "If you can call maintaining quarter on quarter earnings a success, then the December quarter will prove to be a good one for the industry"

He and Frankel Kruger analyst Rob Gillan said mines received better rand gold prices on average in the period, and stable or improved dividends already declared suggested gold producers had consolidated their positions in the past three months

The unprecedented performance-related annual pay agreement between the Chamber of Mines and mining unions, which saw pay awards kept to between 4% and 6%, helped the industry contain working cost increases to 1% overall in the September quarter. Several mines paid workers productivity bonuses

The rand gold price peaked at R33 129/kg in the December quarter, against an average daily price of R32 955/kg in the September quarter However, many producers had secured forward contracts at prices as high as R36 000/kg for the fourth quarter of 1991. That contrasts with the slide in the rand gold price to R30 938/kg on January 2, from where it has edged up to R31 300/kg level

Simpson McKie's Yaldwyn said the mines had continued to contain costs

He said the quarterly results would again show the pressure on capital expenditure, which fell 14% in the September quarter

The exceptions to the stable performances were likely to be Gold Fields' Doornfontein, hit by several days of strikes, and Anglo American's Freegold, where violence at the President Brand mine might have affected production

However, Gillan said the mines had little room left to cut costs and the trend for the year ahead would be one of slowly rising costs, entailing retrenchments and closures if the gold price did not recover.

Gold Fields man says metal's super status will force price rise

B Day 7/1/92

NINA SHAND

GOLD's "super-commodity" status would drive the market forward, forcing the price to rise, Gold Fields of SA mineral services CE Stewart Murray said at a recent international gold conference

He said the metal would reaffirm its role as a "store of value", adding that the jewellery industry's demand for the commodity was likely to boost its long-term growth potential on world markets.

The largest investment in gold since 1970 took place during the past five years, although accumulated holdings did not keep pace with population increases, a recent Gold Fields study found.

The world's steady creation of wealth and would favourably affect the investor component of gold demand in the future.

Prospects for gold demand were also a result of rising world prosperity and the rising number of consumers, Murray said.

Should gold remain a basic element of the high value-added jewellery industry and a basic element of consumer purchases, the metal's salvation was guaranteed, said Murray

This was the case for the Organisation for Economic Co-operation and Development (OECD) countries and the lesser developed countries where gold fabrication had been about 1% lower than the growth in GDP wealth

Cumulative jewellery holdings in lesser developed countries were catching up with the growth rate in the OECD of about 2% a year

Q-14 ([illegible])

Meanwhile, the latest International Gold Mining Newsletter said despite the promising prospects of gold, the supply and demand for the metal in China might put a spanner in the works

Quoting JCI gold division head Ken Maxwell, the newsletter said attention in the gold markets was turning to mainland China as a growing force — with gold being the most popular purchase of Chinese and other Asians after the basic commodities of food and clothing

This, however, was countered by a fear that China might sell some of its gold reserves to pay foreign debts expected to reach a peak in 1992, it said.

"The Chinese government is reported to be building up its gold reserves as mining gold is regarded as a relatively cheap means of generating foreign exchange"

By increasing exports China had managed to boost its foreign currency reserves, so it was unlikely that significant quantities of gold would reach the market in the short term

Marginal gold mines dealt a double blow

B/Day 8/1/92

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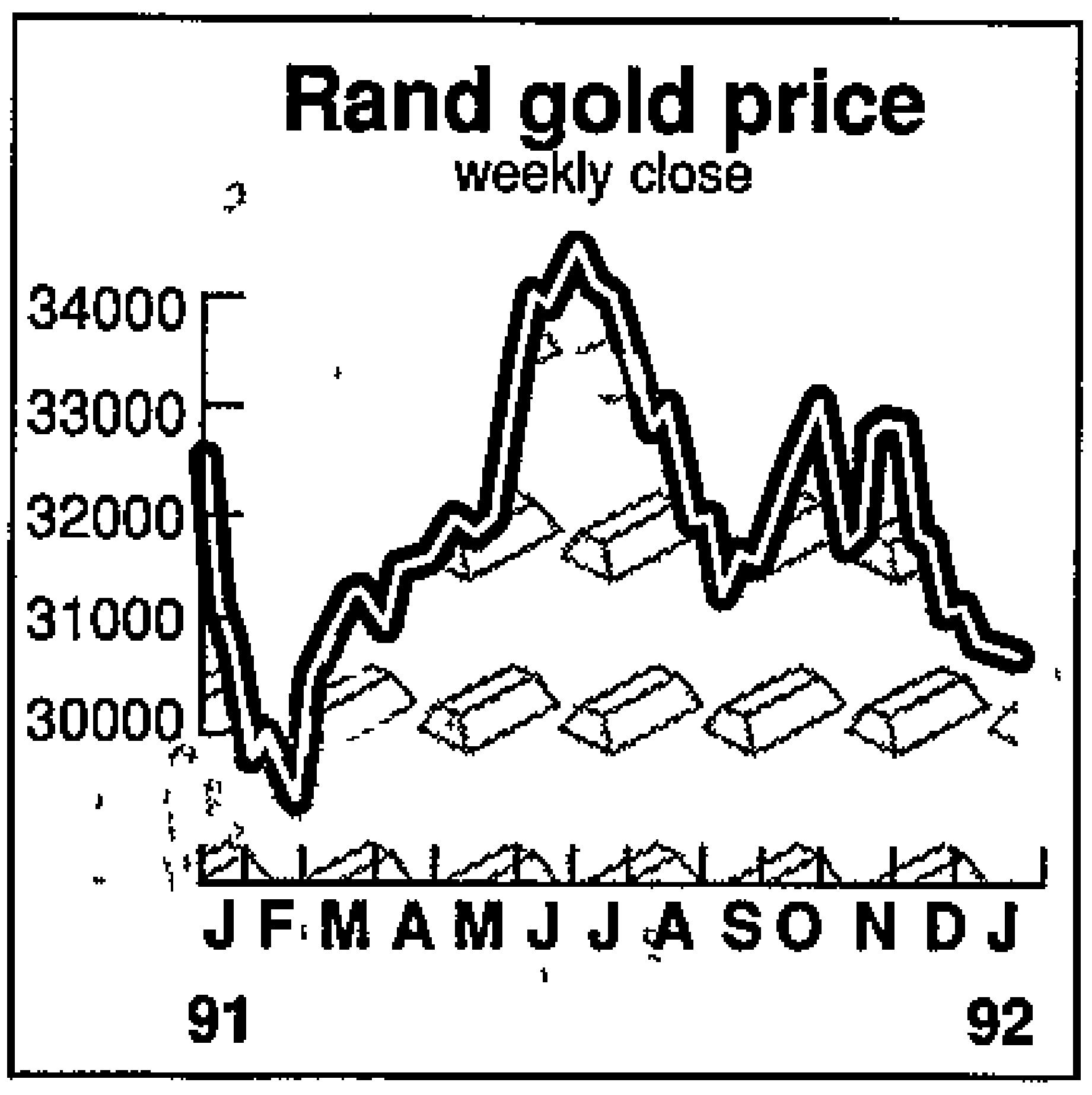
MATTHEW CURTIN

FICKLE dollar gold prices and the renewed strength of the rand against the US currency have dealt a double New Year's blow to SA's marginal gold mines

The exaggerated slide in gold prices to their lowest level since March last year in rand terms means that, based on working costs reported in the September quarter last year, 12 out of the 32 main operating gold mines are breaking even or losing money at current prices

After several months of successful cost containment amid stronger rand gold prices, the pressure is now back on these mines to cut costs still further in order to break even

Gold prices slipped to $349 an ounce yesterday and the rand improved to R2,74 to the dollar, which saw the rand gold price fall to R956 an ounce or R33 740 a kilogram The rand gold price is the crucial indicator for the profitability of the gold mines which, while receiving dollars for their product, have to pay their costs in rands



Graphic LEE EMERTON Source I NET

At the R33 740/kg level, three of Gold Fields' mines — Doornfontein, Libanon and Venterspost — are operating at a loss unless they were able to cut costs by at least 6% in the December quarter

In the September quarter, average working costs in the Rand Mines gold division stood at R30 543/kg, suggesting Harmony, ERPM and Durban Deep will have to have contained costs successfully if they are to record operating profits in the most recent quarter

The gold mine under the most pressure at the end of last year — with the exception of Gengold's dying Stilfontein mine which has only two to three months of payable ore left underground — was Anglovaal's Loraine Management has said the mine's survival after a succession of restructuring programmes depends on its successfully selling a large proportion of its gold production forward in the coming year. Loraine's working costs were nearly R38 400/kg in the September quarter

In the Gengold fold, the mines most at risk at these gold prices are Leslie, St Helena, and West Rand Cons which in the September quarter saw working costs soar to more than R39 200/kg Similarly JCI's Western Areas and H J Joel mines produced gold in the September quarter at costs above the current rand gold prices

Lydex set to capitalise on exploration opportunities

STAR 9/1/92

Finance Staff

214

The low gold price continued to affect the gold exploration sector in the past year, but exploration company Lydex has positioned itself to take advantage of opportunities likely to arise in the medium term

In the company's annual report for the year to end September 1991, chairman Peter Bieber says Lydex had in the past year turned its attention to seeking opportunities which would put the company in a financial position to capitalise on renewed potential for exploration

This has included, in addition to the holding of uncommitted cash resources

- The acquisition of the entire issued share capital of Potchefstroom Gold Areas from February 1991, giving Lydex approximately R13 million in cash and several major mineral participation interests in the Potchefstroom Gap and elsewhere;
- The arrangement with East Rand Gold and Uranium Company (Ergo) whereby Ergo will treat, through the Ergo plant, the high grade slimes of Project Pluto This project arose out of the acquisition from East Rand Proprietary Mines Limited of certain high grade slimes dams. It is anticipated that treatment of this material will begin in June 1992,
- The turning to account of the Weltevreden Mine (7,6 percent owned by Lydex), where activity is currently restricted to exploration but will no doubt be converted to mining as soon as the gold price shows sustained growth or reaches an improved level, and
- Subsequent to the year end, the sale of the Cason Sand Dump to Knights Gold Mining Company for a consideration of 9 832 500 Knights' shares which were distributed to Lydex shareholders in the ratio of 8 Knights' shares for every 100 Lydex shares

Mr Bieber says Lydex is particularly well placed to grasp future opportunities and has the necessary financial strength

Gold production expected to stabilise

STAR 9/1/92

By David Giese (214)
analyst, Davis Borkum Hare

Since 1988 the dollar gold price has remained in a downward trend

During the extended periods of a weakening gold price, gold producers have been taking advantage of gold loans and hedging arrangements to guarantee future revenue on a part or all of their production

For the past two years the gold price has moved into a narrowing trading band with a base around $370 an ounce Simultaneously we have seen a decline in gold loan activity which could have been brought about by the stabilising gold price.

Technically, the gold price has recently moved into positive territory as the 200-day moving average has been breached which could signal a return to the $370 level in the near-term

Recent events in the Soviet Union have lead to several disclosures of their gold holdings, which, although often contradictory, revealed reserves well below expectations

The removal of a supply threat overhanging the bullion market lent support to the gold price around $350.

The economic crisis in the Soviet Union has led to a breakdown in infrastructure The mining industry has been disrupted to the extent that we believe they will be hard-pressed to maintain their estimated production of 200-300 tons per annum

Visits to South African gold mines by Russian officials during the latter half of this year highlight the concern for their gold mining industry and the antiquated techniques and machinery that are employed

Australian production

Forecasts on Australian production indicate no further growth potential with production declining from the mid-1990's North American production has the potential to increase, albeit below the previous rates of growth

However, the cost of mining and extraction is expected to rise due to the depth of mining and type of ore that will be exploited

The South African gold mining industry is undergoing a major rationalisation exercise in order to combat rising costs and declining profitability The success to date indicates that gold production over the next few years is unlikely to show any significant reduction from the current 600 tons per year

Western world gold production appears to have peaked and could remain at the current level of approximately 1 700 tons for the next few years

Additional supply to the market to satisfy an annual demand of 2 800 tons is derived from scrap, offical sales, disinvestment, gold loans and forward sales The increased activity in gold loans and especially forward sales over the past few years, is generally accepted to have had a capping effect on the gold price.

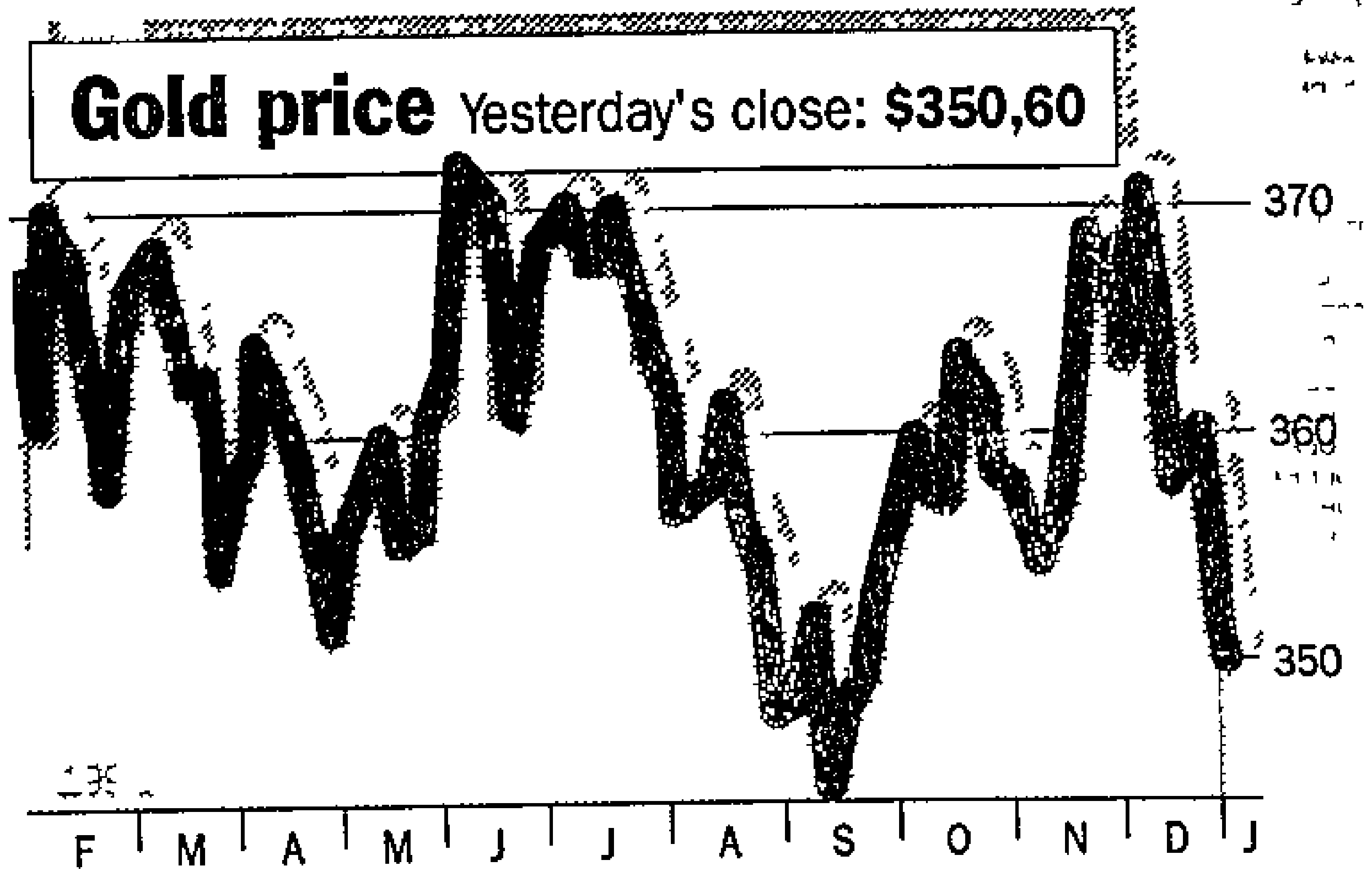
Jewellery demand has increased by all accounts and is expected to continue especially if world economies start to improve

Hedging and gold loan activities are expected to continue but the quantity of gold involved should be lower

The South African producer is the unknown factor in future hedging operations However, we believe that in volume terms, the amount of gold to be hedged will be limited and restricted mainly to the marginal mines

The negative influence gold loans and hedging activities have had on the bullion market is expected to decline and a sustainable improvement in the gold price is anticipated from 1992 as the short fall between supply and demand increases

OUTLOOK '92


Gold price Yesterday's close: $350,60

Mines' profits plunge nearly 6%

B/Day 10/1/92

(214)

MATTHEW CURTIN

OVERALL after-tax profit for gold mines in the Gold Fields' stable fell nearly 6% in the December quarter, but the fall masked the group's success at operating level where working costs were cut by 4%

After-tax profit fell from R224m in the September quarter to R212m as the group's tax bill rose from R121m to R135m After-capex profit fell even further from R119m to R96m as capital spending increased at all but one of the group's operations.

Executive director Alan Munro said the highlights of the quarter were the successful battle against costs and the sharp rise in gold production from 28 909 tons to 29 450 tons

These developments helped overshadow a disastrous performance by the Doornfontein mine, affected by wildcat strikes, and at Libanon which showed an after-capex loss for the fifth quarter in succession

He said the best performance came from East Driefontein where the yield rose nearly 10% from 7,8 to 8,5 grams a ton Munro said the mine was moving into expected higher grade areas which were "no flash in the pan" Despite difficult underground conditions in some areas, East Drie would sustain the higher yield

The mine's gold production shot up nearly 600kg in the quarter to more than 6 000kg, and with a 10% reduction in working costs, after-tax profit rose from R68m to R83m Capital spending increased because the mine started to sink its new No 7 ventilation shaft

Working costs at West Driefontein fell only marginally as the mine regained its target production level of 728 000 tons of ore milled in the wake of a fire at its reduction works in July which disrupted production

GFSA's other high grade producer Kloof recorded a good quarter with its yield rising from 12,9 g/t to 13,3g/t as it too reached higher grade areas Munro said work was going well at the Leeudoorn section, but the mine was still turning in disappointing financial results due to the low gold price

Deelkraal continued its improvement shown in the September quarter, but a drop in gold revenue and a sharply higher tax bill ate into bottomline profits which fell from R24m to R17m

Of the group's three marginal operations, the best performance came from Venterspost where costs were slashed by about 10% taking the mine to near break even point at the operational level. Income from the money raised by the company in its 1990 rights issue to finance its No 4 shaft swung a R536 000 operating loss into after-tax profit of R2m against a loss of R1,5m in the previous quarter. The mine's capex rose from R9,8m to R12m and Munro said it had enough cash for its development programme to last into the 1992/3 financial year

Doornfontein stumbled into the red as gold production fell 27% and working costs climbed 18% after the series of wildcat strikes in December

Munro said the mine was recruiting a new unskilled workforce after the dismissal of several thousand NUM members. The mine would be back to full production in two to three months

He said Doornfontein could not survive another bout of illegal strike action Workers had been fired because "the work of the mine was not being done in December"

Industrial relations in the group were otherwise good, with "the current economic facts of life" recognised by most workers, he said

Libanon now required "drastic action". Cost cutting measures so far had not pulled the mine out of the red, and expected richer areas of ore on the Ventersdorp Contact Reef had yet to be found

Gold Fields cuts costs to counter prices

MATTHEW CURTIN

(214)

GOLD mines in the Gold Fields fold responded to lacklustre gold prices by cutting overall costs an average of 4% in the December quarter. The cuts, at seven of the group's eight mines, were achieved by curtailing working expenditure which was not absolutely necessary

Total costs fell from R644m to R631m in the quarter. This translated into a drop in average working costs from R22 282/kg in the September quarter to R21 432/kg. That more than offset a 3% fall in the gold price the mines suffered.

Gold Fields' mines, which alone among SA producers do not sell gold forward, won an average gold price of R32 381/kg, down from R33 365/kg

Executive director Alan Munro said "The most notable feature in the quarter was the 4% cut in unit production costs, a long-standing objective achieved only by West Driefontein in the 1990/1991 financial year"

The mines reduced costs by concentrating only on essential production and development The group has yet to follow the drastic measures undertaken by Gengold, Rand Mines and Anglo American.

- Picture Page 3
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BDay 10/1/92

CT 10/1/92

GFSA mines report losses

JOHANNESBURG — Two of Gold Fields South Africa's gold mines yesterday reported losses for the quarter ended December 31, 1991

The heaviest loss was incurred by Doornfontein which turned around from a profit of some R3,808m in the September quarter to a loss of R7,047m in the December quarter

According to a GFSA statement released to the press yesterday an illegal strike in December, which severly interrupted production at the mine for some 25 days, was largely responsible for the reverse in fortunes

Gold produced declined to 1 339kg from 1 827,4kg in the previous quarter from a lower 310 000 (365 000) tons milled The grade also declined to 4,3g/t from the previous 5g/t

Cost per kilogram rose sharply to R38 670 from R32 633 while revenue declined to R32 251 resulting a loss of R6 419/kg

In an effort to alleviate the effects of the strike action; a greater proportion of low grade surface dump material was milled

Libanon suffered a similar fate but not to the same extent as its stablemate Doornfontein

The loss after tax was increased from R522 000 to R1,9m on a marginally increased gold production of 1 925,5kg (1 924,3kg)

Tonnage milled for the quarter was unchanged from the previous quarter at 435 000 The yield was also unchanged at 4,4g/t

Costs per kilogram of gold produced amounted to R33 804, slightly down from the previous quarter's R33 827 This was however not covered by the R32 368/kg (R33 183/kg) received from gold sales

Capital expenditure was increased substantially to R2 169m from R595 000 in the previous quarter

GFSA's tin mine Rooiberg turned in a loss of R1,168m for the quarter largely as a result of lower tin sales and a depressed tin price Previously the loss amounted to R388 000

GFSA mines show the way with lower working costs

214

STAR 10/1/92

By Sven Lünsche

Gold Fields of SA gold mines set the trend for the gold mining industry this year with a significant cut in working costs during the December quarter

An average four percent cut in costs at its six gold mines was enough to offset the R1 000/kg drop in the average gold price received and lift working profits by R2 million to R323,3 million

However, two of GFSA's gold mines showed sharp losses during the quarter, with Libanon "seemingly falling off the edge", according to executive director Alan Munro

Mr Munro says he is extremely pleased with the four percent fall in unit costs to R21 432/kg (September quarter R22 282/kg), which was the result of increased production from a lower tonnage

He adds that the mines will continue to seek higher grade production as a recovery in the gold price could take longer than expected

The lower costs offset the weaker gold price received of R32 381/kg (R33 365/kg), but a R15 million rise in tax payments to R135 million left after-tax profits slightly lower at R212 million (R224,7 million)

GFSA's capital expenditure was raised from R105,9 million to R115,7 million

Industrial action played havoc with the results of **Doornfontein**, which showed a loss of just over R7 million compared with a profit of R3,8 million in the September quarter

According to Mr Munro the loss at Doornfontein was largely attributable to industrial action which followed on the VAT stayaway in November and interrupted underground production for most of December

A majority of the labour force was dismissed in December and replacement labour was being recruited, but Mr Munro says it will take months to return the mine to full production

In an effort to alleviate the effects of the strike action, a greater proportion of low grade surface dump material was milled

Rationalising

Libanon's losses worsened significantly during the quarter from R522 000 to R1,9 million and management has instituted a rationalisation programme to reduce the scale of operations

Mr Munro says mining in the lower grade areas will be stopped and the milling rate reduced significantly

Retrenchments are not considered at present but employees would be offered work at other GFSA operations

The group's third marginal mine **Venterspost** mine made a substantial recovery during the quarter, turning in taxed profits of R2 million compared with September's R1,45 million loss

This was largely the result of increased gold production at 1 255 kg (1 166 kg) and a significant cut in costs from R36 972/kg to R32 969/kg

The star performer of the group was undoubtedly **East Driefontein** which boosted profits from R68,1 million to R82,9 million on the back of higher gold production of 6 025 kg (5 480 kg) a higher yield of 8,5 g/t (7,8 g/t) and reduced working costs of 18 720/kg (20 804/kg)

West Driefontein's earnings fell slightly from R138,8 million to R131,5 million on a lower grade of 11 g/t (11,3 g/t), but the two operations' combined taxed profits rose by R11 million to R132,2 million

Earnings at **Kloof** fell slightly from R78,5 million to R70 million but the results are being held back by the Leeudoorn development

Mr Munro says that the mining development is proceeding as planned, with the grade being lifted from 5,8 g/t to 6,3 g/t, "but the low gold price continues to upset operations"

Deelkraal continues to be a reliable performer in the GFSA stable with working profits holding firm at R21,8 million However, the tax burden increased significantly from R1,6 million to R8,5 million and this reduced tax profits to R16,8 million (R23,3 million)

● **GFSA announced that Stanbic chairman Dr Conrad Strauss has been appointed a director of the group with immediate effect**

Ailing Loraine back in the black

STAR 15/1/92

By Derek Tommey

214

Most of Anglovaal group gold mines put up outstanding performances in the December quarter

Loraine, the struggling Free State mine, which had a working loss of R5,1 million in September, was able to report a working profit of R817 000, even though its revenue was sharply reduced as a result of the R1 112 drop in the price received for each kilogram sold

Anglovaal's Klerksdorp mine, Hartebeestfontein, also hit by a R6,4 million drop in revenue as a result of the lower gold price, still managed to report taxed earnings of R34,4 million This was only R582 000 less than in September

Eastern Transvaal Consolidated increased its taxed profit from R3,56 million to R4,23 million

Only Village Main Reef disappointed A drop in the grade of sands treated from 0,98 grams a ton to 0,90 grams, owing to the intrusion of other materials, caused a working loss of R35 000

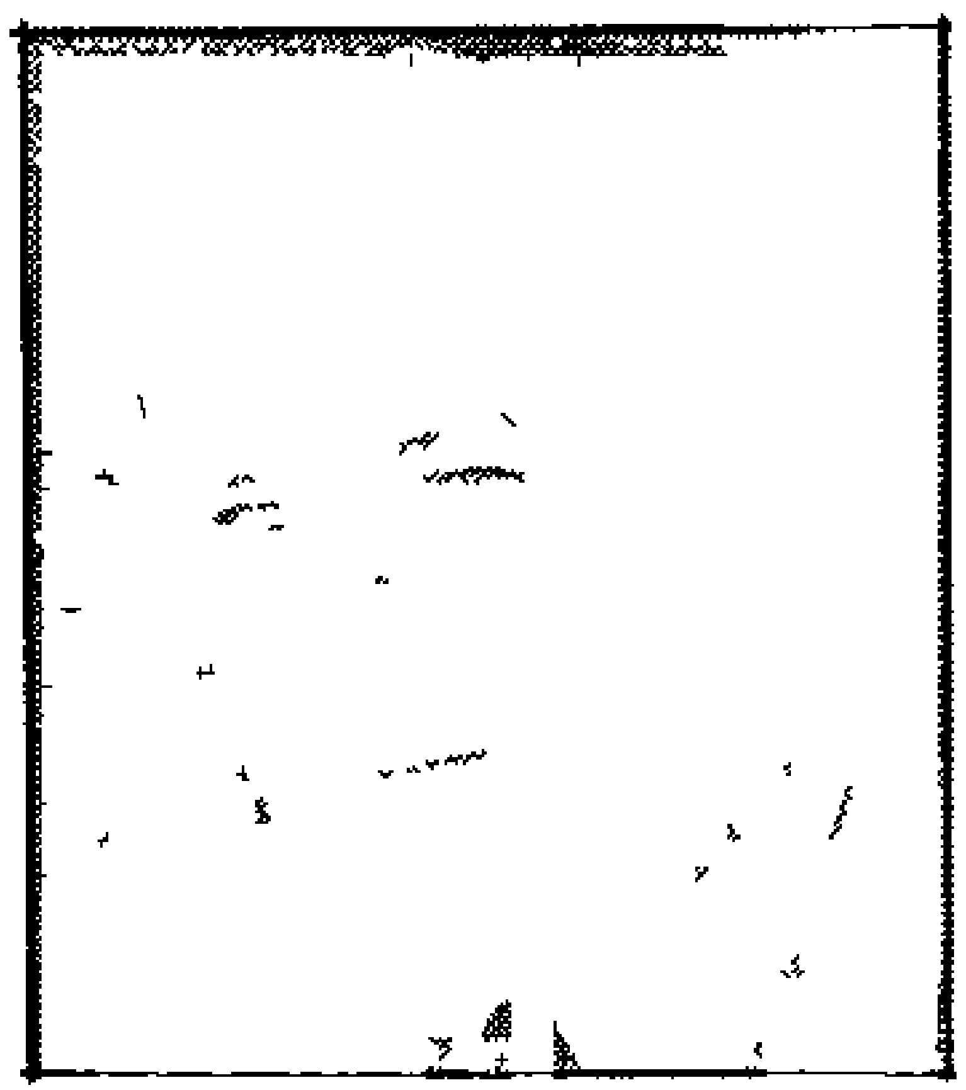
In September, the mine had a working profit of R736 000

Loraine's better profit was the result of an increase in grade of ore milled from 4,9 grams to 5,6 grams a ton, a drop of only 36 000 tons to 304 000 tons in ore milled, and higher income arising from hedging operations

After taking into account Loraine's non-mining income, the mine had a distributable profit of R2,785 million, compared with a loss of R2,59 million in September

Highly encouraging was the improvement in development results. In the September quarter, the 1 124 metres of reef sampled averaged 668cm g/t In the December quarter, the average value of the 1 079 metres sampled was 1 351 cm g/t

However, the directors warn shareholders against being too optimistic about the results They were the result of a more focused development and sampling programme, they say, adding that it is too early to assume these values can be maintained



David Crowe, director of mining, Anglovaal

They say the results bear out the December announcement that it expects to continue its mining and related operations for at least the next 12 months, providing that suitable hedging operations allow it to secure satisfactory prices for at least half its expected output

But here again, they sound a note of caution They say that when the December announcement was made the gold price was R32 700 a kilogram It is now around R31 000 a kilogram

Loraine, which produced just under 1 700 kilograms of gold in the December quarter, has sold forward 718 kilograms for the March quarter at R37 180 a kilogram, another 718 kilograms for the June quarter at R38 298 a kilogram, and 239 kilograms for the month ended July at R39 046 a kilogram

This suggests that if Loraine can get a gold price of more than R31 356 in the next two quarters, its results should be comparable with those in the December quarter when it received R34 238 a kilogram

At **Hartebeestfontein** the combined working profit from its two gold divisions was 6,5 percent lower at R56,3 million

However, a R1,7 million loss from uranium oxide and acid sales was more than made good by non-mining income of R7,3 million

Tax took R27,35 million (R28,6 million)

Hartebeestfontein also reports improved development results

A total of 1 024 metres (previous 1 166 metres) was sampled, assaying 27,8 (18,8) g/t, equal to 1 633 cm g/t (1 261cm g/t)

The directors say this is the result of a significant increase in development in high-grade areas at several shafts, with a corresponding decrease in low-grade areas

Mixed fortunes for streamlined Golden Dumps

Bday 15/1/92

(214)

WILLIAM GILFILLAN

GOLDEN Dumps' two gold mines experienced mixed fortunes in the December quarter A sharp increase in the grade at Consolidated Modderfontein (Cons Modder) contrasted with the drop in yield at South Roodepoort as both mines continued to streamline operations

The drop in ore milled at both mines, which finance director Edwin Coombes attributed to recent restructuring, saw gold production from the two decline sharply

However Coombes maintained the decline in itself was not important as the group had adopted a strategy to mine more selectively this quarter

In the case of Cons Modder he noted ore milled in the last quarter of the last financial year, at 140,6 tons, was more than double the 60,8 tons in the latest quarter

But the margin per kilogram of R7 477 in the latest quarter compared favourably with R1 181 in the previous quarter

At South Roodepoort the combination of the drop in ore milled and the lower yield saw gold production fall by about 14% to 122kg from 141kg Uneven grades helped to knock the mine's yield in the quarter from 3,28g/t to 3,01g/ton

That weakened the operating margin to R5 551/kg in the second quarter from R6 940/kg in the September quarter

Coombes said the 10% drop to R3,2m from R3,6m in working costs at South Roodepoort was also a result of restructuring

At Cons Modder the higher yield helped to offset a 32% cut in tons milled As a result gold production dropped by only 8%

Coombes said a dividend was likely to be paid in the 1993 financial year if results were sustained

STAR 15/1/92

Gold production reaches a peak

Gold production in the Western World reached a peak last year, but production of new unrefined gold is expected to begin decreasing

The authoritative mining publication, Gold Service, published in London, says in its latest edition gold production rose by about 1,4 percent to 1 758 tons last year, against 1 734 tons in 1990

Although production reached a record level last year, the increase of 24 tons was less than the increase of 51 tons achieved in 1990

(214)

Gold production in South Africa — the world's largest producer — dropped from 605 tons in 1990 to 602 tons last year — Sapa

Restructuring puts Loraine in profit

B/Day 15/1/92

(214)

MATTHEW CURTIN

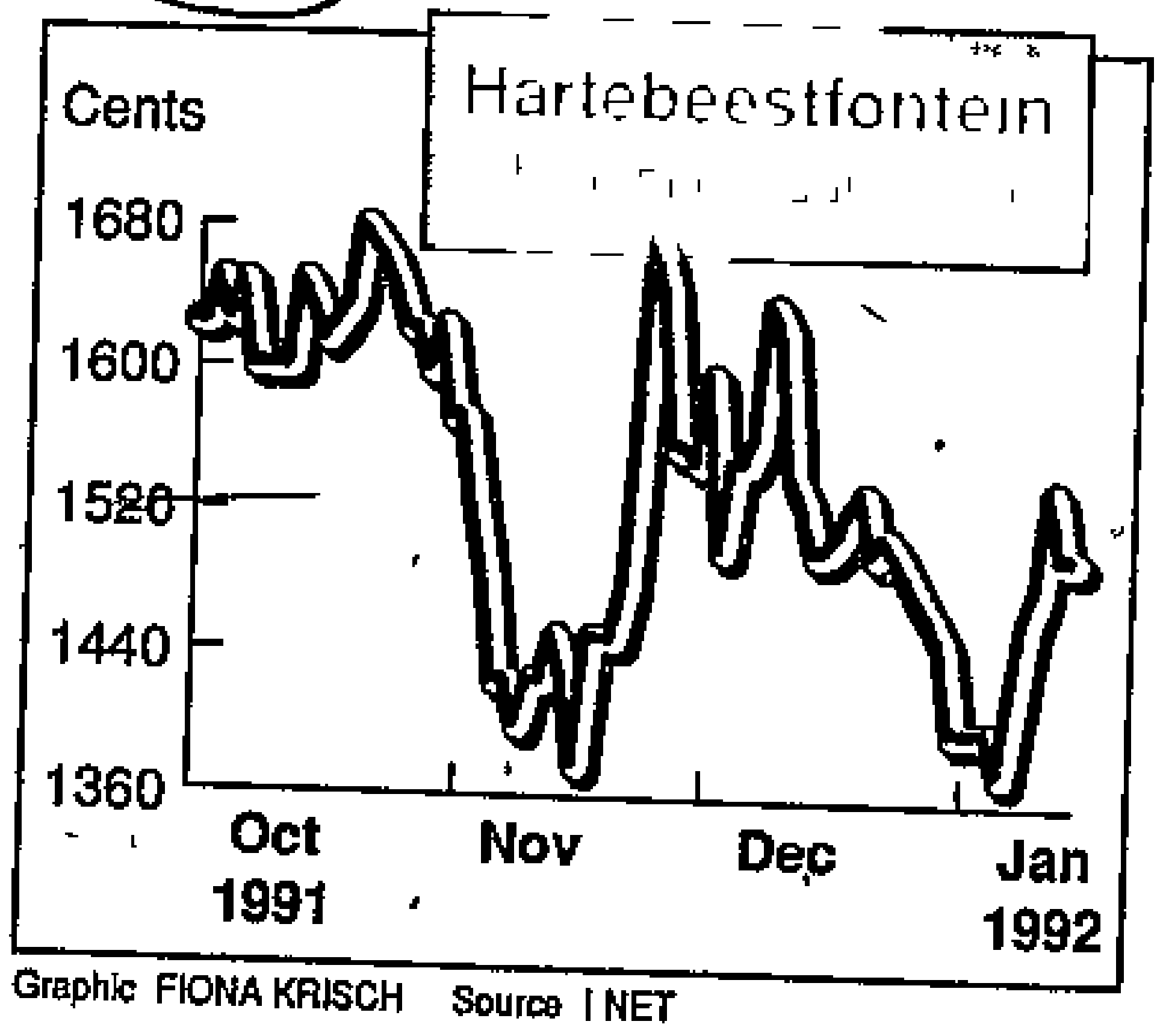
ANGLOVAAL's Loraine gold mine reaped the rewards of its last-gasp restructuring programme started at the end of last year by turning in a R2,8m after-tax profit for the December quarter

The mine turned a R2,6m after-tax loss in the previous quarter into a solid gain as it shed 1 000 jobs, cut production and concentrated on mining higher grade ore

The profit was the first posted at an operating level by the mine in 18 months

But its longer-term future is still in doubt. A spokesman said yesterday that Loraine's improvement was a "one-off occurrence" He reiterated that it would continue to operate in 1992 if "suitable gold hedging opportunities occurred to secure satisfactory prices for at least 50% of its planned gold production over the period"

He said the break-even gold price for the mine was about R36 000/kg against an average gold price of R34 238/kg in the quarter, and that it had sold forward nearly half of the March and June quarterly production, and a month's worth of its September quarter production at between R37 000/kg and R39 000/kg



Graphic FIONA KRISCH Source I NET

● See Page 5

Low prices and high costs knock Gengold's mines

BDay 16/1/92

(214)

WILLIAM GILFILLAN

A LOWER gold price and higher working costs knocked after-tax profit at gold mines in the Gengold group to R21,5m from R25,6m in the December quarter

After taking account of a sharp rise in capital expenditure at Grootvlei and Winkelhaak, bottom-line profit of the group as a whole was more than halved to R22,4m from R50,9m

The marginal rise in ore milled to 3,56-million tons from 3,48-million tons saw gold production up at 18 114kg (17 829 kg) on the back of the unchanged average yield of 5,1g/t

But the jump in group working costs to R499m (R485m) and the lower gold price — down to an average of R32 573/kg in the December quarter from R33 385/kg — more than offset the higher production As a result, working income fell to R92m from R112m

Milled throughput increased at Leslie, St Helena and West Rand Consolidated, suggesting Gengold reversed its cost-cutting strategy at some mines in the quarter

In the past three years, Gengold has reorganised its underground operations, especially at marginal producers, in a bid to keep operations in the black Marginal mines cut mill throughputs, targeted high-grade ore bodies and shed more than 30 000 jobs But as the gold market has remained weak, analysts have started to ask to what extent Gengold, which restructured its operations ahead of the other mining houses, has the ability to reduce costs further

By increasing tonnage milled in the December quarter, management cut unit costs but risked sacrificing the three mines' yield, which was maintained at St Helena but fell at Leslie and West Rand Cons

In another change of strategy, MD Gary Maude said that Gengold was increasing its gold-hedging activities Rather than increasing its forward sales, Gengold mines would sell call options and at the same time buy put options — to put a ceiling and floor to the gold price — on no more than 30% of production from its mines

He repeated his concern that forward sales capped the price of gold

Grootvlei which increased after-tax profit to R5,1m (R3m), and St Helena, where after-tax profit rose to R9,7m from R9,1m, were the only mines to achieve higher profits

Maude said underground production at Stilfontein would cease by the end of the current quarter, but added that the mine had two years' worth of treatable surface material A further 500 people were to be retrenched at the mine

The surge in working costs at Stilfontein as underground operations draw to a close saw the mine plunge into a R4,7m loss. Working costs increased to R32m (R28,4m) including R6,5m in retrenchments

Maude said West Rand Consolidated was still living from "hand to mouth" although the mine moved back into the black in the quarter The mine milled more ore from underground with only a marginal decline in grade and was able to cut costs across the board

He said a highlight of the quarter was the start of stoping at the Oryx developing mine Production would reach 25 000 tons a month in June

The jump in capital spending at Winkelhaak was the result of increased stoping and development at the mine The increase in output to 2 860kg from 2 804kg was expected to continue in 1992, he said

Leslie had a "disappointing quarter" as there was difficulty maintaining profitablility in the old part of the mine But he said strong profit was coming out of the northern part

He said the rate of development at Beatrix was high to compensate for the areas of low value But he was not expecting any fall in grade

GENGOLD QUARTERLIES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**510**	**6,0**	**3 060**	**134,58**	**22 429**	**32 658**	**11 531**	**8 906**	**10,5**
September	510	6,1	3 121	136,57	22 316	33 428	12 136	10 052	11,8
Bracken	**67**	**6,1**	**411**	**167,54**	**27 311**	**32 595**	**1 519**	**1 622**	**11,6**
September	74	5,6	411	162,04	29 175	33 753	1 583	1 576	11,3
Buffels	**535**	**5,7**	**3 075**	**175,16**	**30 475**	**32 451**	**5 373**	**3 239**	**21,2**
September	518	5,8	3 010	177,34	30 519	33 057	7 241	6 558	42,9
Grootvlei	**120**	**5,1**	**616**	**148,87**	**29 000**	**32 504**	**5 180**	**63**	**0,6**
September	118	5,2	610	144,97	28 043	33 489	3 012	2 599	22,7
Kinross	**471**	**6,4**	**3 002**	**153,49**	**24 082**	**32 565**	**19 840**	**10 977**	**60,9**
September	481	6,2	3 006	146,26	23 403	33 663	21 295	10 409	57,8
Leslie	**104**	**5,0**	**516**	**157,22**	**31 535**	**32 557**	**953**	**465**	**2,9**
September	95	5,4	510	166,26	30 808	33 522	2 672	2 496	15,6
St Helena	**354**	**5,8**	**2 065**	**171,04**	**29 321**	**32 692**	**9 789**	**7 171**	**74,5**
September	351	5,8	2 020	176,91	30 741	33 286	9 186	7 432	77,2
Stilfontein	**523**	**1,6**	**836**	**61,35**	**38 380**	**32 360**	**(4 701)**	**(2 342)**	**(17,9)**
September	493	1,7	848	57,76	33 583	33 223	218	3 637	27,8
Unisel	**180**	**6,4**	**1 153**	**183,4**	**28 631**	**32 660**	**3 126**	**500**	**1,8**
September	163	6,4	1 043	178,7	27 927	33 128	3 749	2 443	8,7
West Rand Cons.	**217**	**2,8**	**520**	**80,76**	**33 704**	**32 592**	**553**	**1 929**	**(45,4)**
September	205	2,2	446	85,34	39 226	33 280	(1 445)	(1 435)	(33,8)
Winkelhaak	**480**	**6,0**	**2 860**	**159,09**	**26 700**	**32 576**	**21 516**	**(10 121)**	**(83,0)**
September	475	5,9	2 804	149,94	25 400	33 524	25 639	5 194	42,6

Genmin weathers gold crisis

STAR 16/1/92

By Derek Tommey (219)

The good results in Genmin gold mining quarterly reports show that the group can justifiably claim it has weathered the two-year-old crisis caused by the collapse of the gold price.

This is good news for the group, its shareholders and for all South Africans

It will be remembered that at one stage during the crisis it appeared that a substantial part of the gold industry would have to be closed

One measure of Gencor's success is the way most of the mines are able to report satisfactory profits in the December quarter, despite a drop of up to R1000 a kilogram in the price received.

Another measure is the ability of St Helena and Grootvlei to increase their December dividend payments, even though they have been operating under trying conditions.

A third is that mine closures have been limited to Stilfontein and Bracken (Stilfontein could be reopened), although a large number of mines were initially threatened

Moreover, lack of ore, rather than higher costs has been the main reason for stopping work at these mines.

Then there is the reassuring fact that the loss of gold from these mines is being made good by increased production at Winkelhaak and Unisel, and by the start of production at the Oryx mine in the Free State

Gary Maude . not selling gold forward

After two years of contraction, the gold mining industry is starting to expand again

Buffelsfontein is paying a dividend of 90c (180c a year ago) to make a total of 120c (210c) for the year

Grootvlei is paying 25c (5c), making a total of 55c (30c)

St Helena is paying 150c (115c), making a total of 220c (280c)

West Rand Consolidated is paying 20c (50c), making a total of 55c (70c).

Stilfontein is passing its dividend, but Gary Maude, Genmin's managing director, says that the mine should resume dividends when underground working ceases and production is limited to surface operations

Mr Maude says the Gengold mines are not selling gold forward. Instead, the group is hedging against a fall in th gold price by using of "put" and "call" options, which do not increase the amount of gold in the market

Highlights of the quarterly reports

GROOTVLEI earned R5,2 million, an increase of more R2 million on the R3 million earned in September.

The State is to provide up to R3,9 million in 1992-93 for pumping water, which suggests that both Gemmin and the Government are confident that the mine, although an old one, will remain in operation for many years to come

Mr Maude says Grootvlei has large quantities of sub-marginal ore, which a small increase in the gold price would make payable

STILFONTEIN, which is stopping underground operations, had a loss of R4,7 million for the quarter, against a profit of R218 000 in September

Surface operations are expected to continue for another two years This will include maintenance of the shafts and surface facilities and keeping the mine dry

BUFFELSFONTEIN earned R5,4 million, against R7,2 million in September, reflecting the drop in the gold price received

BEATRIX had earnings of R11,5 million (R12,1 million) Development results dropped in the September quarter and development is now moving towrds areas of known high values

WELTEVREDEN is continuing with development work. More faulting has been found than expected, but values are also higher than expected.

Mr Maude says that if the gold price increases to R40 000 a kilo, Weltevreden will go into production

Still criticial

WEST RAND CONS moved back into the black, with a profit of R553 000 after a loss of R1,4 million in September

But the mine's position is still critical and it is living a hand-to-mouth existence, finding and developing reserves and then immdiately working them

It has been able to declare a dividend because it has enough cash to finance its shutdown

UNISEL's earnings dropped to R3,1 million from R3,7 million in September, partly because of the lower gold price and partly because of an increase in working costs

This was the result of the steady build-up in production, which will continue throughout 1992.

ST HELENA's earnings improved slightly to R9,8 million, helped by a R3,2 million contribution from slimes treatment.

Development on the Basal reef improved from 926 cm g/t to 1018 cm.g/t and on the Leader Reef from 349 cm g/t to 712 cm g/t

ORYX began trial stoping on December 29, and expects to build up the tonnage milled to 25 000 tons by mid-year

The completion of the subvertical main shaft next year should lead to a build-up to 125 000 tons a month So far the mine has cost R106 million

WINKELHAAK earned R21,5 million, against R25,6 million in September

The decline was the result of the lower gold price and a production build-up

The expansion plan has been changed, which should reduced capital expenditure to R80 million in the 1992 financial year

BRACKEN is expected to stop operations in August Shutdown costs are not expected to be as high as previously estimated

LESLIE earned R953 000 (September R2 672 000) Development results in the North area are good, but disappointing in the old mining area

KINROSS had earnings of R19,8 million (R21,3 million)

Anglo gold mines turn in a sparkler

(214) B/Day 17/1/92

MATTHEW CURTIN and WILLIAM GILFILLAN

STRINGENT cost control and shrewd forward sales saw Anglo American gold mines turn in sparkling results in the December quarter as after-tax profit climbed 13% from R162m to R183m

Gold and uranium division chairman Clem Sunter attributed the mines' good performance to improving productivity and further containment of costs, and noted the good gold prices the mines won in the quarter

Anglo kept the fall in the average gold price its mines received to only 0,3%, from R33 860/kg to R33 763/kg It cut unit costs 2% from R26 612/kg to R26 037/kg

At Gold Fields and Anglovaal, the two other gold mining groups to publish improved profits in the period, lower working costs were partially offset by weaker gold prices, dampening the rise in after-tax profit

Sunter said Anglo's hedging programmes were responsible for the good prices

The group was using forward sales approved by the Reserve Bank through foreign banks, the two-year contango offered by the bank, and options

Anglo was hedging cautiously at the moment as the market was weak

Sunter said the flat gold prices meant bonuses available to workers based on improvement in prices had not been triggered in the quarter However, productivity agreements, in place at most Anglo mines, had resulted in significant payments He would not give details

Workers at Ergo and Vaal Reefs won bonuses last year worth a total of R3m.

ANGLO AMERICAN Quarterlies December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 603**	**4,17**	**27 513**	**120**	**28 848**	**33 781**	**124 560**	**73 238**	**62**
September	6 655	4,24	28 185	124	29 282	33 778	119 012	68 816	59
Vaal Reefs	**2 801**	**6,58**	**18 443**	**152**	**23 114**	**33 858**	**158 457**	**64 437**	**337**
September.....	2 860	6,44	18 411	159	24 626	33 891	118 721	49 695	260
Western Deeps	**1 654**	**6,08**	**10 061**	**147**	**24 245**	**33 617**	**103 861**	**25 658**	**92**
September	1 675	6,21	10 404	147	23 646	33 896	93 822	32 247	117
Elandsrand	**589**	**6,55**	**3 857**	**164**	**25 082**	**33 761**	**33 444**	**12 240**	**13**
September	547	6,63	3 627	163	24 566	33 931	32 491	6 426	7
Sallies	**523**	**0,68**	**356**	**21**	**31 152**	**33 710**	**450**	**786**	**9**
September.	499	0,82	409	23	28 452	34 057	821	846	9
Ergo	**10 113**	**0,30**	**2 995**			**33 592**	**19 411**	**6 969**	**14**
September	9 992	0,28	2 794			34 202	19 203	4 182	8

The extent of Anglo's success at improving productivity was best shown at Freegold's mines, where milling and production costs fell despite lower gold production and disruption caused by the spate of violence at the President Steyn mine in November

Gold division MD Lionel Hewitt said Freegold's flexibility — the group has 27 shafts — enabled it to compensate effectively for production losses caused by the unrest.

Both the unaffected North and South regions moved into high-grade areas underground and lifted the amount of ore from dump reclamation operations in a bid to compensate for a ton of gold production lost in November.

The strategy boosted Freegold's after-tax profit 6% to R125m from R119m

Sunter said Anglo's cost-containment drive put mines' futures at risk no more than low gold prices did

Current capital projects amounted to R7bn

These would add a maximum of 85 tons of gold to total yearly production by the end of the '90s, making up for falling production from the more mature operations

Hewitt said Vaal Reefs' bottom-line profit rose nearly 30% to R64m despite higher capital spending Total costs dropped from R453m to R26m

The North Lease area, which he described as "performing exceptionally well", increased gold production to 9 056kg (8 874kg). However, revenue dropped because of a swing in the contango arrangement in favour of the South Lease area

Production at South Lease was down from 9 338kg to 9 185kg because of lower underground output

Lower grades at Western Deep Levels' South mine saw production drop from 10 404kg recorded in the September quarter to 10 061kg

Hewitt said Elandsrand almost doubled after-tax profit from R6,4m to R12,2m thanks to lower capital expenditure during the quarter Although gold production was up from 3 627kg to 3 857kg, this was offset to a degree by higher working costs

Lower capital spending and improving recoveries boosted the bottom line at Ergo

The rise in gold production at the Daggafontein division and the decline in unit costs helped operating profit increase from R13,2m to R15,5m

Southgo stable report is mixed

ANDREW GILL 2/4

GOLD mines in the South East Rand Gold Holdings (Southgo) stable yesterday reported mixed results for the quarter ended December 31.

Flagship Westwits increased its after-tax profit 24% to R2,68m on the back of increased production through a slightly higher grade and increased tonnage milled.

It produced 676kg (618kg) from its underground, opencast and heap leach operation milled tonnage.

B/Day 17/1/92

Its yield increased slightly to 1,29g/t from 1,27g/t.

The increased profit was achieved despite a lower gold price received of R31 305/kg from the previous quarter's R32 498/kg.

Sand and slime operation Benoni Gold reported a decline in after-tax profit to R691 000 from R2,3m as its yield slumped to 0,57g/t from 0,75g/t.

Despite an increase in tonnage milled, its production totalled only 285kg from 354kg in the previous quarter.

Its gold price received was marginally lower at R32 428/kg but a decline in working costs helped stem the decline in profits.

Nigel Gold lost R151 000 in the quarter from a profit of R269 000 as its underground section operated at an even larger working loss during the quarter.

A decreased yield of 3,36g/t (4,04g/t) saw underground production fall to 150kg.

Surface operation profit dropped as cost increases outstripped a rise in working revenue.

SA tops in journal's list of gold producers

B/Day 17/1/92.

WILLIAM GILFILLAN

(214)

SA's gold production still ranked highest in the world in 1991, says the International Gold Mining Journal

In its January edition, the journal said despite cost pressures which resulted in major steps to rationalise operations, there had been no significant mine closures As a result local production last year fell only slightly to 602 tons from 1990's 605 tons.

The largest declines in the first nine months came from Harmony (down 6,8 tons), Western Areas (down 2,2 tons) and Buffelsfontein and Harties (both down 1,5 tons).

These were partially offset by increases from several other mines a 4,7-ton increase was recorded at Kloof, while there were rises at Driefontein (4,5 tons), Western Deep Levels (2,5 tons) and HJ Joel (2 tons) Closures at small mines resulted in the loss of 1,2 tons

The journal said the rationalisations had enabled gold production to be maintained by mining higher grade ore

The forecast increase in Australia's gold production — up 2,2% to 246 tons from 241 tons in 1990 – had come as a surprise to industry analysts The increase contributed to the forecast 1,4% rise in Western world production to 1 758 tons in 1991 (1990 1 734 tonnes) Production had been expected to decline because of the imposition of a tax on gold mining profits

Figures published by the journal were based on a comparison of production figures for the first nine months of 1991 with the corresponding period in 1990

US mine production for 1991 was forecast to have increased six tons to 301 tons While several US mines continued to increase output, the number of new mines starting up and those expanding production fell

Gold output in the rest of the world in 1991 was forecast to have risen 2,1% to 436 tons from 427 tons in 1990

The most significant output rise was 24 tons from Porgera — which began production in September 1990 – in Papua New Guinea

Anglo American gold mines come up smiling

STAR 17/1/92

By Derek Tommey (214)

Anglo American's gold mines ended a difficult year with flying colours.

Quarterly reports show that with the exception of Sallies, all mines increased profits in December — some by substantial amounts — enabling several of them to pay far higher dividends than expected.

Western Deep Levels is paying a final of 210c a share, making a total for the year of 390c (310c last year)

Vaal Reefs is paying a 600c, making an unchanged dividend of 1 035c for the year

Elandsrand is paying 20c for a total of 35c (30c)

Afrikander Lease is paying an annual dividend of 12c (2c last year), and SA Lands, even though its profit was lower in December, is paying a final of 18c, making 28c for the year (42c).

Clem Sunter, chairman of Anglo American's gold and uranium division, says the improved performances were largely attibutable to better productivity and a further containment of costs.

Group gold mining profits in the December quarter rose by 13 percent from R162,2 million to R183,3 million.

Unit costs were reduced by two percent to R26 037 a kilogram and total working costs declined by three percent from R1,698 billion to R1,646 billion

Gold production declined marginally to 63 225 kilograms from 63 830 kilograms

The average gold price received was slightly lower at R33 763 a kilogram (R33 860 a kilogram in the September quarter)

The decline was far smaller than that experienced by many other mines.

Mr Sunter, reviewing group hedging activities, says it had good prices for the quarter, thanks to hedging contracts taken out some time ago.

He says that at the moment the market is thin and Anglo American is being cautious in the operating of its hedging programme

Productivity agreements are now in place on most group mines and significant payouts have been made So far no bonuses have been paid in terms of the price agreement because the trigger price is well above the current spot price.

The number of people employed by group gold mines has dropped by 22 200 to 161 400 since 1989, with only 2 336 people having to be compulsorily retrenched.

"We feel we have achieved a major reduction in our complement with as little pain as possible," he says.

The group is spending about R7 billion on new production facilities.

Maximum production from these new facilities could be 85 tons a year, which should replace some of the declining outputs from the mature shafts in the late 1990s

FREEGOLD had taxed profit of R124,6 million in December (R119,0 million in September) Profit available after capital expenditure was R73,2 million (R68,8 million), equal to 62c (59c) a share

Violence among mineworkers caused a R20 million loss in gold production in the northern sector, but this was partly offset by higher production in the northern area and savings in unpaid wages and unused stores

It was "a multi-million rand exercise in futility," gold and uranium division managing director Lionel Hewitt said

VAAL REEFS earned R158,5 million (R118,7 million) after tax Available profit after capital expenditure was R64,4 million (R49,7 million), equal to 337c (260c) a share

WESTERN DEEPS' taxed earnings were R103,9 million (R93,8 million) Available profit was R25,7 million (R32,2 million), equal to 92c (117c) a share

ELANDSRAND had earnings of R33,4 million (R32,5 million) Available profit was R12,2 million (R6,4 million), equal to 13c (7c) a share

SALLIES' taxed profit was R450 000 (R821 000) Available profit was R786 000 (R846 000), equal to 9c (9c) a share, reflecting the sale of underground equipment

An improvement in profits is expected in the current quarter

ERGO had taxed profit of R19,4 million (R19,2 million) Available profit was R7,0 million (R4,2 million), equal to 14c (8c) a share

Palabora underground probe on schedule

JONO WATERS

GFC MINING's R35m underground exploration project at Palabora is on schedule for completion in October

(217)

Assistant mining manager Mike Bevan said 400m of the 1 000m exploration shaft had been tunnelled and four of the 13 drill sites, which average 1 500m in depth, had been established B/Day 17/1/92

Palabora's 400m deep opencast pit is expected to continue production until about 2001 when it will reach a depth of 700m Underground mining is expected to increase the life of the mine by another 20 years

The probability of a large-tonnage underground mine is present but no preliminary results on the ore content have yet been compiled

(214)

Weak gold price hits New Wits

STAR 17/1/92

A depressed gold price has taken its toll on New Wits with earnings for the half year ended December 31 declining to 32c a share compared with the 65c a share recorded in the corresponding period in 1990

After tax profit was down by just over R10 million at R9,718 million

The company maintained the interim dividend of 17c a share and reduced cover to 1,9 times — Sapa

Mine violence cost Freegold millions

(214)

B/Day 17/1/92.

MATTHEW CURTIN

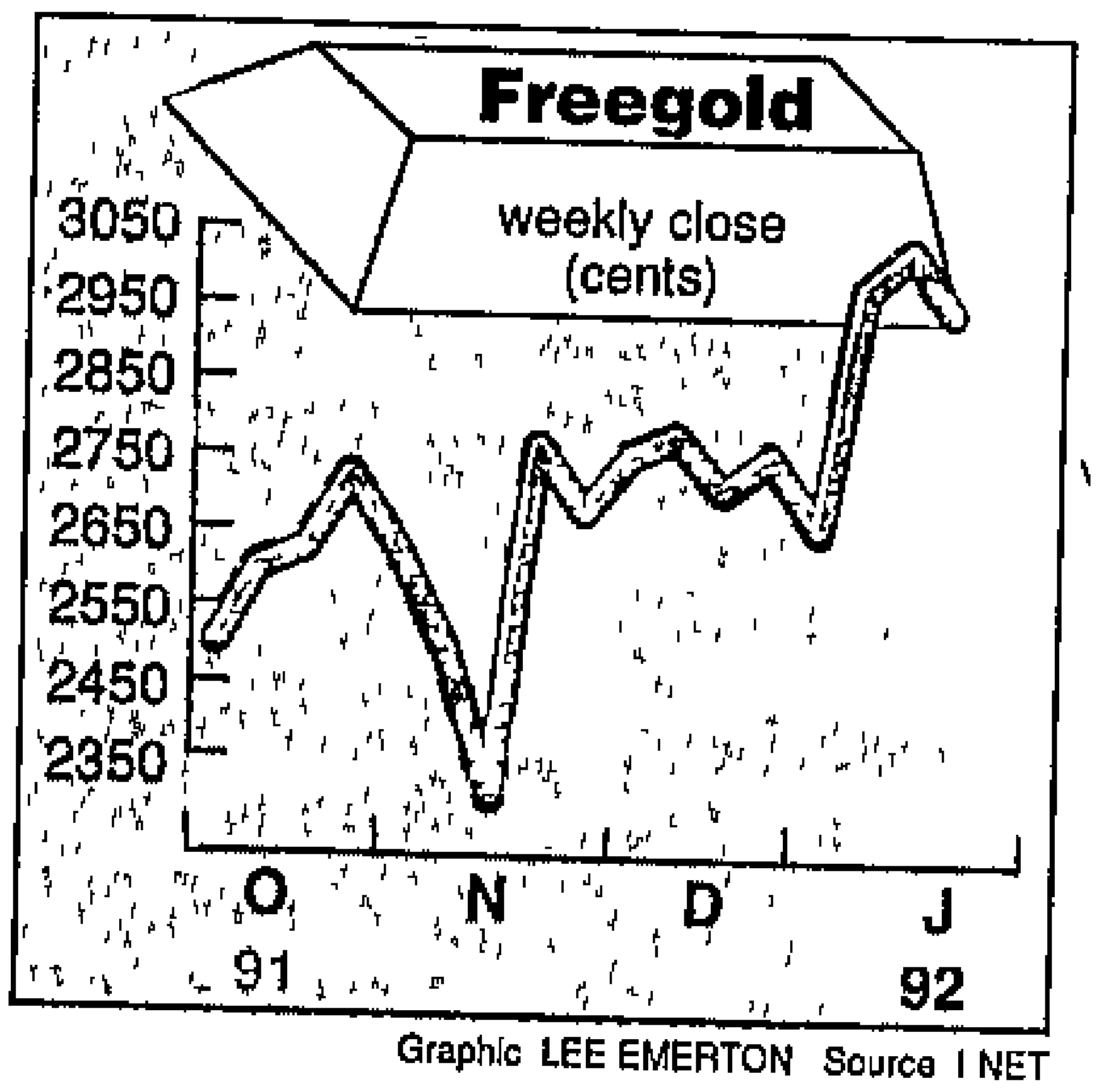
THE violence which claimed 86 lives at the President Steyn mine in November cost Anglo American's Free State Consolidated Gold Mines (Freegold) R20m in lost gold revenue in the December quarter.

Anglo gold and uranium division MD Lionel Hewitt said yesterday the clashes between mineworkers, which also left 417 injured, had proved to be "a multimillion-rand exercise in futility".

The gold mines near Welkom, which account for nearly 20% of SA's yearly gold production, were still able to turn in good results in the quarter as after-tax profit climbed 6,4% to R71m.

President Steyn is in Freegold's South division, which lost a ton of gold in the quarter. In December, the mine reduced the overall loss to 550kg, which was further reduced by R7m worth of cost savings from unpaid wages and unused stores

At a presentation of Anglo's quarterly results, neither Hewitt nor gold division chairman Clem Sunter would comment on the progress Mr Justice Goldstone's commission was making in investigating the incident, but said mining operations were back to normal.



Graphic LEE EMERTON Source I NET

Sunter said Anglo's successful forward

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Freegold

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(214)

☐ From Page 1

gold sales strategy and its success at containing costs — total working costs fell 3% from R1,699bn to R1,646bn in the quarter — meant the group's mines could weather poor gold prices if they persisted

He said that in the restructuring of Anglo's gold mines in the past two years, the size of the workforce had dropped by 12,5% from 184 000 workers in 1989 to 161 000 at the end of last year In 1991, 4 136 workers had taken voluntary retrenchment and another 2 336 had lost their jobs

He said natural attrition, early retirements and the extended leave programme worked out with the NUM had enabled Anglo to cut its staff complement with "as little pain as possible"

Sunter said 1993 would prove a tough year if gold prices did not improve But he was confident that a slowing of Western world gold production, good gold jewellery demand — which seemed to have held up in 1991 despite the world recession — and zero real interest rates in the US would bolster gold prices

● See Page 9

RM gold mines make useful profits

STAR 20/1/92

By Derek Tommey

(214)

The four operating gold mines in the Rand Mines group again made satisfactory profits in the December quarter, with Harmony and ERPM lifting working profits, despite the Christmas holidays

Costs were contained and, as a result of hedging operations, gold prices received were only slightly lower than in September

Good news for Harmony shareholders is that the mine, which until recently was making losses, is again paying dividends

It has declared an interim of 20c — its first dividend since the year to June 1990

Blyvooruitzicht is paying an unchanged interim of 15c It paid 30c for the year to June 1991 Durban Deep and ERPM have again passed their dividends

The group's fifth mine, Barbrook, which is being kept on a care-and-maintenance basis, is to be shut down

As the sales of assets could generate some cash, the directors say shareholders should exercise caution in their dealings

Unless an agreement is reached with a third party by January 30 for the sale of the assets, the noteholder, Rand Mines, will have to consider winding up the company

HARMONY had a net profit of R18,5 million in the December quarter, down R1,5 million from the September figure

Underground production rose by 90 000 tons and gold output rose from 5 634kg to 5 841kg Surface production dropped 32 000 tons and gold output fell from 437kg to 345kg

Revenue rose R3 million to R208 million and costs R1,2 million to R189,4 million

The working profit was R18,7 million (R16,7 million) Taxed profit was R18,3 million (R19,8 million) Earnings after capital expenditure equalled 68,7c (72,7c) a share

ERPM increased working profit from R5,4 million to R9,3 million This followed a 45kg drop in underground gold production to 1 597kg and a rise in surface gold production by 180kg to 344kg

However, interest payments of R13,4 million resulted in a loss of R1,9 million, though this was well down from September's loss of R5,7 million

DURBAN ROODEPOORT DEEP increased underground tonnage mined, gold production and grade Costs were lower, but so was the gold price

Total revenue rose almost R1 million to R42,8 million Taxed profit was R1,66 million (R3,39 million) and earnings after capital expenditure were equal to 71,4c (145,8c) a share

BLYVOORUIRZICHT's revenue fell by R8 million to R74,4 million, but costs fell R1,2 million to R74,4 million Pre-tax profit was R5,5 million (R11,8 million) and earnings after tax and capital expenditure were equal to 17,5c (29,4c) a share

Gold producers boost profitability

BDay 20/1/92 (214)

MATTHEW CURTIN

IMPROVING productivity and successful cost containment saw Rand Mines' four gold producers pull through the December quarter to post improved operating profits despite the weak gold price

However, the gold mines remain precariously balanced as four of SA's most marginal producers, largely dependent on forward gold sales for their profitability

Rand Mines gold division CE John Turner said in a statement yesterday that the quarter's results were "satisfactory". He noted the important role being played by productivity and profit-sharing schemes.

Workers on the gold mines won R3,6m in bonuses in the September quarter and it is understood that bonus payments were of that order in the December quarter.

Underground working costs were contained at R31 600/kg on average in the quarter, but they compared with a lower ruling gold price of R32 380/kg which currently stands at R32 270/kg

Thanks to forward sales at all of the mines, the average gold price Rand Mines received in the quarter was R33 591/kg, only marginally down from R33 811/kg

Only Durban Roodepoort Deep paid tax in the September quarter The 44% hike in the gold division's tax bill cut after-tax profit from R27m to R25m in the last quarter Capital spending rose 33% to knock bottomline profit to R23m (R29m).

The group's debt-laden ERPM and Free State producer Harmony turned in the best sets of operating results

ERPM showed a sharp improvement in its dump retreatment operation

Although working profit sharply reduced the mine's pre-tax loss, ERPM suffered R13m in interest payments and saw its total borrowings and deferred interest climb from R424m on September 30 to R430m on December 31

Rand Mines to close Barbrook

Gold mine forced to shut down

(214) CT 20/1/92

From MATTHEW CURTIN

JOHANNESBURG — Barbrook, Rand Mines' troubled gold mine near Barberton, is almost certain to be closed down.

Shareholders were warned today that Rand Mines would have no option but to consider applying for the winding-up of the company unless someone bought the mine as a going concern by the end of January

The demise of Barbrook marks the last chapter in the mining house's ill-starred expansion programme, which started in the '80s.

The Vansa Vanadium mine and refinery were mothballed late in 1990, and the Kennedy's Vale platinum mine was closed at the same time Both operations were sold last year along with the Crocodile River platinum mine which was later mothballed by new owner Impala Platinum

Rand Mines spent R125m to bring Barbrook into production after mining operations started in 1987 The mine's life was expected to be 50 years

Poor recovery grades, high working costs and labour unrest led to the mine's closure at the end of 1990 Since then, it has been on a care and maintenance programme pending a gold price revival

The directors said today there was no benefit to be had from continuing the care and maintenance programme at the mine They believe there is no prospect of a sharp rise in the gold price and, after a comprehensive review of Barbrook's potential, have concluded the mine should not be reopened

Prospective buyers had looked at Barbrook's assets, but none had made an offer for the company or its assets Barbrook had R83m in debts (including unpaid interest) at the end of the December quarter in which it posted a R4,4m loss

The book value of the company's mining assets was given as R148m on September 30 1991, although analysts say their true value could be considerably lower if the mine is closed and its plant and equipment are sold The directors noted that should the mine close, the company would incur a R2m liability to Eskom for the removal of electrical facilities in addition to the cost of rehabilitating the mine property and making it safe

Five hurt in one of two weekend blasts

(214)

JONATHON REES B/Day 20/1/92

FIVE people were injured when a bomb was thrown at a shack near Stilfontein's Hartebeesfontein gold mine yesterday and an Eskom transformer near Carletonville was damaged in a second weekend blast

Police suspect commercial explosives were used in both explosions

Stilfontein police said a mine worker from a nearby hostel was probably responsible for the explosion which injured three women and two men sleeping in the shack

It was believed the attack was not politically motivated and was the result of a personal dispute.

An explosive device detonated at the power transformer outside Carletonville's Khutsong township at midnight on Saturday, causing about R500 000 damage, police said.

Meanwhile, four men were killed as a result of unrest on Saturday — three in Natal and one in Daveyton township on the East Rand

In Soweto, five people were injured when about 80 Nhlapo hostel dwellers attacked a Meadowlands house after allegedly kidnapping a 15-year-old boy.

● See Page 2

Gold industry weathers crisis

(214) CT 21/1/92.

JOHANNESBURG — South Africa's gold mining industry has weathered what was described last year as the most critical period in its 105-year history, but difficulties may persist, analysts say.

They said the industry, the world's largest producer of gold, will remain under pressure in 1992 unless world prices for the metal strengthen.

Stringent cost containment, hedging and performance-based or market-related productivity accords have helped the industry ride out the crisis virtually intact, analysts said

But, they said, some of the mines were close to the limit to which costs could be cut, particularly those managed by Gencor's mining arm which started the rationalisation trend in the late '80s.

Analysts said even if market fundamentals, such as world demand for gold jewellery, improved in the second half of the year, mining houses could not allow cost controls to slip

Mines would continue to concentrate on mining higher grades rather than increased tonnages, they said.

Davis Borkum Hare and Co analyst David Giese said the industry "looks pretty healthy in the circumstances"

Results announced so far by leading mining houses for the quarter to December 31 were in line with expectations, save for those from Anglo American which were better than foreseen, Giese said

Anglo posted a 25% rise in combined taxed profit for its gold mines, before deducting capital spending, and Anglovaal a 14% rise Gold Fields of SA suffered a 6% fall, Rand Mines a 7% decline and the Gencor stable a 12% drop

Results for Johannesburg Consolidated Investment are scheduled to be released tomorrow, but are not expected to contain any surprises, analysts said

They noted the major mining houses were hedging to lock in prices so as to help counteract rising costs, and the industry's overall gold output is believed to have shown little change last year from the roughly 600 tons produced in 1990

Meantime worker absenteeism was at an all-time low, analysts said. Anderson, Wilson and Partners analyst Rene Hochrieter said bonus-linked productivity agreements, in place at most mines, were working well

The industry average for gold prices received rose to R1 028 per ounce in 1991 from the R990 per ounce the year before.

Analysts predicted gold shares, for which the index on the JSE fell for a second year in a row in 1991, would this year outperform industrials "Substantially," said one.

E W Balderson analyst Nic Goodwin tipped Randfontein Estates Gold Mining, Kinross and Vaal Reefs shares in the low-risk category

He listed Durban Roodepoort Deep, Grootvlei and Winkelhaak in the medium-risk category.

He suggested Loraine, Harmony and Venterspost in the high-risk category — Reuter

Randex passes interim

214

STAR 22/1/92

Finance Staff

Lower earnings from its gold mining interests saw total income at exploration group Randex fall from R5,28 million to R3,45 million in the six months to December.

The group, however, cut its exploration expenditure to R3,44 million (R6,19 million), thus reducing the interim deficit to R46 000 from one of R902 000

The interim dividend has been passed

During the period Randex acquired an additional 12 percent of Lucas Block Minerals in exchange for certain manganese mineral rights in the northwest Cape, bringing its total interest in the venture to 45 percent.

It has, however, elected not to exercise its right to acquire a 60 percent stake in the Southplats project after receiving the feasibility study.

Randex reports that its joint venture with Tridelta Mining, where Randex is participating in exploration of 60 000 hectares in the Richtersveld area of the northern Cape, is progressing well

GFSA's balance sheet little changed

STAR 22/1/92

(214)

By Derek Tommey

Gold Fields of South Africa maintained its earnings in the six months ended December, in spite of the hard times facing the gold mining industry and other metal producers

Profit after tax was R139 million against R140 million last year while attributable profits before extraordinary items were R133 million (R134 million) equal to 138c (140c) a share

An unchanged interim dividend of 70c has been declared

Income from investments dropped from R136 million to R123 million, but income from fees, interest and other sources rose from R103 million to R108 million No profits were made on the sale of investments

Expenditure amounted to R77 million (R76 million), with drilling and prospecting taking R18 million (R19 million)

Apart from an increase from R404 million to R547 million in net current assets the balance sheet was little changed from a year ago Total assets, with investments valued at book price, were worth R2,9 billion (R2,8 billion)

The net asset value a share was 9 784c (8 048c)

The directors say that profits for the six months ending June will depend on the average prices received for gold and other metals and minerals

GFSA posts 1,4% drop in earnings per share

214

CT 27/2/92

From MATTHEW CURTIN

GOLD FIELDS of SA (GFSA) has posted a 1,4% drop in earnings a share in the six months to end-December as the group's exposure to gold and base metal prices continues to knock profits.

Earnings fell from 140c to 138c a share, but the interim dividend was maintained for the fourth year in a row at 70c a share

However, if market sentiment is accurate, year-end earnings may well improve sharply.

GFSA's share price has jumped more than 10% in the past month from R77,50 to R87,50 as perceptions mount that the current trough in commodity prices may have bottomed out.

GFSA's net asset value stood at R97,84 a share on December 31 1991, compared with R80,48 a share the year before.

Chairman Robin Plumbridge said in a statement yesterday that profits for the second half of the financial year were dependent on metal prices.

GFSA derives the lion's share of its revenue from its eight operating gold mines, and its coal and base metals division

The rand gold price fell from R34 300 to R31 100 kg in the interim period, while I-Net's base metal index fell from 142 to 131 points in the same period, representing an 8% fall in average base metal prices

Although Driefontein Consolidated, Kloof and Deelkraal, as well as Gold Fields Coal, paid out increased or unchanged interim dividends, GFSA's other gold producers remain some of the most marginal in SA

The Libanon mine's survival depends on a drastic restructuring programme started this quarter

Poor tin prices also mean that the group's Rooiberg tin mine is in danger of closure, while low lead prices have eaten into profits at the unlisted Black Mountain base metal mine

However, the R2,2bn GFSA has spent on Kloof's Leeudorn section — the size of new gold mine in its own right — and the Northam platinum mine may boost earnings in the 1992/93 financial year

Leeudorn is on its way to breaking even.

In the six months to end-December, a 5% increase in investment and other income from R103m to R108m, static expenditure, and a 35% lower tax bill helped offset a 10% drop in GFSA's income from investments

That fell from R136m in 1990 to R123m.

After-tax profit fell from R140m to R139m, with attributable earnings down only 0,7% at R133m, against R134m last year

Primrose profit up

B Day 22/1/92 (214)

MATTHEW CURTIN

INDEPENDENT producer Primrose Gold Mines has posted improved pre-tax profit of R968 000 in the December quarter, up from R646 000 in the previous quarter

Ore milled from underground and surface sources fell sharply, but this was more than offset by a rise in underground grade from 4,8g to 5,4g a ton, lifting revenue from R7m to R7,3m with the help of forward sales and an unchanged price of R36 000/kg

With a slight fall in total operating costs, operating profit climbed from R1m to R1,5m.

Base metal prices erode GFSA profit

B/Day 22/1/92 (214)

MATTHEW CURTIN

GOLD FIELDS of SA (GFSA) has posted a 1,4% drop in earnings a share in the six months to end-December as the group's exposure to gold and base metal prices continues to knock profit

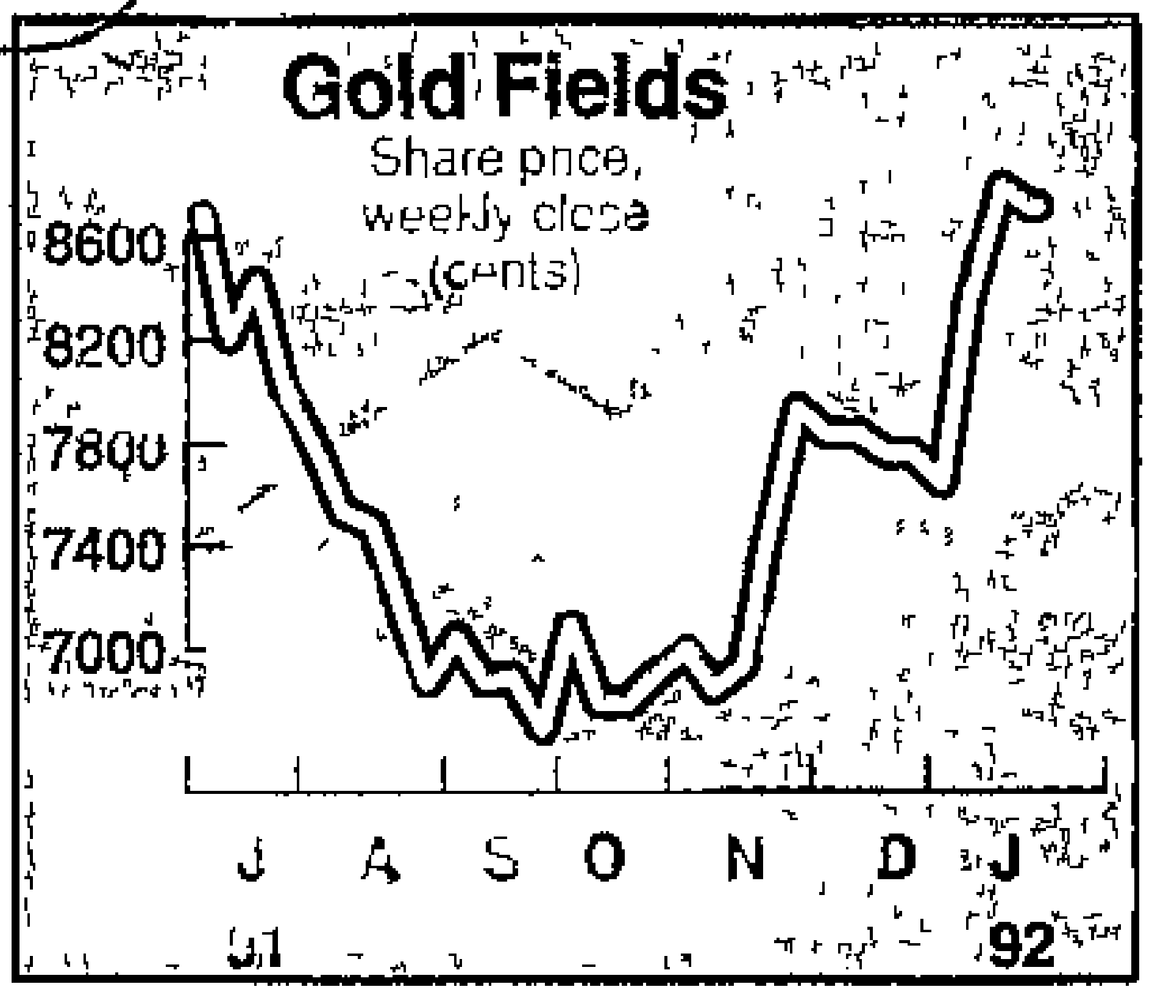
Earnings fell from 140c to 138c a share, but the interim dividend was maintained for the fourth year in a row at 70c a share

However, if market sentiment is accurate, year-end earnings may well improve sharply GFSA's share price has jumped more than 10% in the past month from R77,50 to R87,50 as perceptions mount that the current trough in commodity prices may have bottomed out

Chairman Robin Plumbridge said in a statement yesterday that second-half profits were dependent on metal prices GFSA derives most of its revenue from its eight operating gold mines and its coal and base metals division

Although Driefontein Consolidated, Kloof and Deelkraal, as well as Gold Fields Coal, paid out increased or unchanged interim dividends, GFSA's other gold producers remained some of the most marginal in SA The Libanon mine's survival depended on a drastic restructuring programme started this quarter

Poor tin prices also means that the group's Rooiberg tin mine is in danger of closure, while low lead prices have eaten into profits at the unlisted Black Mountain base metal mine



Graphic LEE EMERTON Source I NET

However, the R2,2bn GFSA has spent on Kloof's Leeudorn section — the size of a new gold mine in its own right — and the Northam platinum mine may boost earnings in the 1992/93 financial year Leeudorn is set to break even and Northam will start contributing to profits by early 1993

In the six months to end-December, a 5% increase in investment and other income from R103m to R108m, static expenditure, and a 35% lower tax bill helped offset a 10% drop in GFSA's investment income

That income fell from R136m in 1990 to R123m After-tax profit fell from R140m to R139m, with attributable earnings down only 0,7% at R133m, against R134m last year

Forward selling helps JCI gold mines lift profit 29%

B/Day 23/1/92 (214)

MATTHEW CURTIN

GOLD mines in the Johannesburg Consolidated Investment (JCI) stable posted a 29% rise in after-tax profit in the December quarter, due mainly to better prices on forward sales and good results from Randfontein Estates

JCI's mines are the only ones to have reported better gold prices in the December quarter than in the three months to September

The group does not publish details of its forward sales, but the average gold price the mines received rose 1,5% to R33 866/kg from R33 356/kg

Gold division chairman Kennedy Maxwell said the mines would continue to sell forward as protection against lower prices

Randfontein Estates improved productivity considerably for the second quarter running, an achievement gold division MD Bill Nairn attributed to cost-cutting and productivity bonus schemes

The mine increased the tonnage milled in the quarter without sacrificing its grade Total gold production rose to 7,8 tons from 7,7 tons

Randfontein's gold revenue rose to R263m from R257m, while total working costs dropped 1,2% to R203m from R206m

Nairn said the mine concentrated its higher capital expenditure of R38m in the quarter on development of the Doornkop section's sub-vertical shaft, which will permit underground exploration of the South reef

Doornkop's production is expected to enable Randfontein to maintain its ore production at 600 000 tons a month into the next century

However, faulting and poor grades have hit Doornkop's contribution to profits, and Nairn said that water had hampered development work in the quarter, though results were improved from the September period

Flooding

He added that the increased capital spending led to Randfontein's tax bill falling sharply in the quarter, to R7m from R15m

In contrast to Randfontein, Western Areas' results reeled under the impact of flooding in its South Shaft in October After-tax profit tumbled to R4,9m from R7,9m

Nairn said it was 19 days before workers regained the shaft bottom after power and pump failures, which cost R2,7m in repairs and an undetermined loss of revenue

More ore was mined from the mine's North Shaft, but underground tonnage still fell 2,6% tons to 561 000 tons from 576 000 tons Gold production fell 5% as the grade dropped to 4,98g a ton from 5,10g a ton

Western Areas turned in a R1,6m operating loss from its gold operations, which was more than offset by a R6,2m operating profit from its uranium operation

The mine's new GM, John Brownrigg, who resigned from Gold Fields' West Driefontein last year, said there would be no difference in his approach to managing a marginal mine from a star performer like West Drie

The approach at any mine was to mine more gold at a lower cost, although Western Areas had its particular problems, he said

Developing mine H J Joel posted an increased after-tax profit of R809 000 (R201 000) as a sharply higher gold revenue, from improved forward sales, more than compensated for poorer operating results

Although total costs fell nearly 10%, Nairn said the mine hit "low-grade development reef ends" which knocked the grade to 5,5g a ton from 5,8g, despite lower milled throughput

STAR 23/1/92

Bonus scheme pays off again for Randfontein

By Derek Tommey

214

Randfontein was again the star of the JCI gold mines in the December quarter, with the newly introduced productivity bonus scheme helping it produce further outstanding results

Joel showed a further rise in profits, Western Areas made a good recovery from the flooding of the south sub-vertical shafts, and South Deep had encouraging development results

RANDFONTEIN's profits from gold rose 15,4 percent to R59,4 million from R51,4 million in September

Since the beginning of July, when the productivity bonus was introduced, Randfontein has doubled it profits from gold In the June quarter these were only R29,6 million

Randfontein chairman Kennedy Maxwell says productivity picked up well in the six months to December As a result there was a significant payout of bonuses to employees

The payout for the December quarter was R5,25 million (R5,20 million in September)

Although employees received only a four percent pay rise at the end of June, the bonus was equivalent to a 12 percent increase.

Pre-tax profit was R61,4 million (R52,4 million), while taxed profit was R54,5 million (R37,3 million)

The increased was partly the result of a drop in tax from R15,8 million to R6,8 million which, in turn, reflected the jump in capital expenditure from R17,3 million to R37,8 million

This cut distributable profit from R20,1 million, equal to 32,8c a share in September, to R16,7 million, equal to 27,3c a share in December

Gold production at **JOEL** dropped 10 percent as a result of a lower tonnage milled and a lower grade But the R3,8 million loss of revenue was more than offset by a R4,6 million drop in operating costs, resulting in the profit from gold rising from R1 million to R1,8 million.

Taxed profit rose from R201 000 to R890 000 The mill grade is expected to improve in the current quarter

At **WESTERN AREAS** the effects of the flooding in October in the sub-vertical shafts of the south shaft was partly offset by increased tonnages of lower-grade material from the north shaft, which limited the drop in gold production to five percent

Revenue from gold was R96,2 million (R98,3 million), while working costs were R97,8 million (R98 million), resulting in a loss from gold of R1,6 million (profit R274 000)

Profit from uranium held up well, resulting in an operating profit of R4,9 million (R7,2 million) Profit after tax and the cost of flooding was R2,97 million (R7,9 million)

At **SOUTH DEEP** close grid drilling revealed better values in the shaft pillar area than predicted in the prospectus

Of the 12 boreholes to the Ventersdorp Contact Reef, two produced values of 700 to 820 cm g/t, two produced values of 2 000 to 2 600 cm g/t, another two values of 2 830 to 2 960 cm g/t

The remaining six values were above 3 000 cm g/t, with one producing values of 5 522 cm g/t and another of 6 291cm g/t

Weaker platinum price taking its toll

STAR 24/1/92

By Derek Tommey (217)

The drop in the price of platinum and rhodium has begun to take its toll on the platinum mining industry, SA's second-biggest earner of foreign exchange after gold

Rustenburg, the world's biggest producer of platinum, reports that its profit for the six months to December was R47,3 million, or 17,7 percent lower. The interim dividend has been cut by 30 percent from 125c to 87,5c a share

Another casualty is Lebowa Plats, which reports a loss of R9,4 million for the six months, against a profit of R1,2 million a year ago. The dividend has been passed

However, part of Lebowa's loss can be attributed to the drive to build up production from the present 60 000 tons a month to 70 000 tons a month in March The mine is expected to have a positive cash flow once this happens

Rustenburg MD Barry Davison says the size of the dividend cut reflects the directors' expectations about profits for the full year.

He says the company will not consider paying a dividend out of cash reserves at times like the present when prices are weak. There is no indication they will get better in the short term and the mine is engaged in considerable expansion, which it does not want to cut back on

Although the price of platinum has fallen, the fundamental demand for the metal remains strong.

Jewellery demand is still strong and the oil industry offtake has been better than expected The principal area where there has not been an increase in demand has been in North America

The industry is expecting an increase in demand in the second half of the calendar year as the European motor industry prepares to meet the January 1 1993 deadline when all new cars must have an autocatalyst

Capital expenditure at Rustenburg for the six month was R240 million (year ago, R186,1 million), of which R109,3 million (R66,5 million) was spent on expansion and projects

Planned capital expenditure for the full year is R448 million

Rustenburg's gross sales revenue dropped 15 percent from R1,7 billion to R1,5 billion This was the result of the lower platinum price and the lower sales of rhodium

However, cost of sales fell by 14,8 percent from R1,1 billion to R941,1 million, partly as a result of the large increase in the value of metal stocks caused by the reduced inflow of by-metal revenue.

Gencor pitches offer at R10 a share

214

STAR 27/1/92

By Sven Lunsche

Gencor's R2 billion rights offer has been pitched at an attractive R10 a share — a 14,5 percent discount on the ruling JSE price of R11,70

Announcing details of the rights issue yesterday, Gencor chairman Brian Gilbertson said the group was offering shareholders 17 new shares for every 100 held, resulting in 200 million new shares

Mr Gilbertson gave details of some of the projects which would require additional funding in the near future

The most important of these was Oryx, which would require a further R500 million to bring it to the self-funding stage, he said.

Projects already in the pipeline and on which financing decisions would probably be taken later in the year were the Columbus stainless steel project and the aluminium smelter at Alusaf.

Gencor was studying the position of the No 6 sub-vertical shaft at the Winkelhaak gold mine, currently on hold, with a view to rationalising the project with some of the group's Evander gold interests

"The decision could facilitate future gold mining developments in the area, particularly if the gold price rose," Mr Gilbertson said

He indicated that Gencor was looking at major off-shore projects, but added that such projects would only be undertaken with the support of international financing agencies and other partners

The funds would also be helpful as the group expected pressure on its profits in the current financial year without the contribution of one-off earnings, which had boosted the bottom-line by R350 million in financial 1990-91, he said

"However, we expect that income at the operating level for the 12 months to August is likely to approach that of last year"

Gencor's parent, Gencor Beheerend, which is underwriting the offer, also announced details of its R1,1 billion offer to follow its rights in the Gencor issue

Genbeheer is offering 18 new shares for every 100 held for 900c a share. On Friday, Genbeheer closed at R10.

Genbeheer, which is underwriting the Gencor offer, has also undertaken to obtain subscriptions for its rights, as well as those for Genbeheer's subsidiary companies

Sanlam and its subsidiaries have undertaken to follow their rights entitlement to 386,8 million new Genbeheer shares, equivalent to 54,7 percent of the issue.

The issue is underwritten by Sanlam's financial arm, Sankorp

Gold tonnage steady as ore grades improve

81 Day 28/1/92 (214)

WILLIAM GILFILLAN

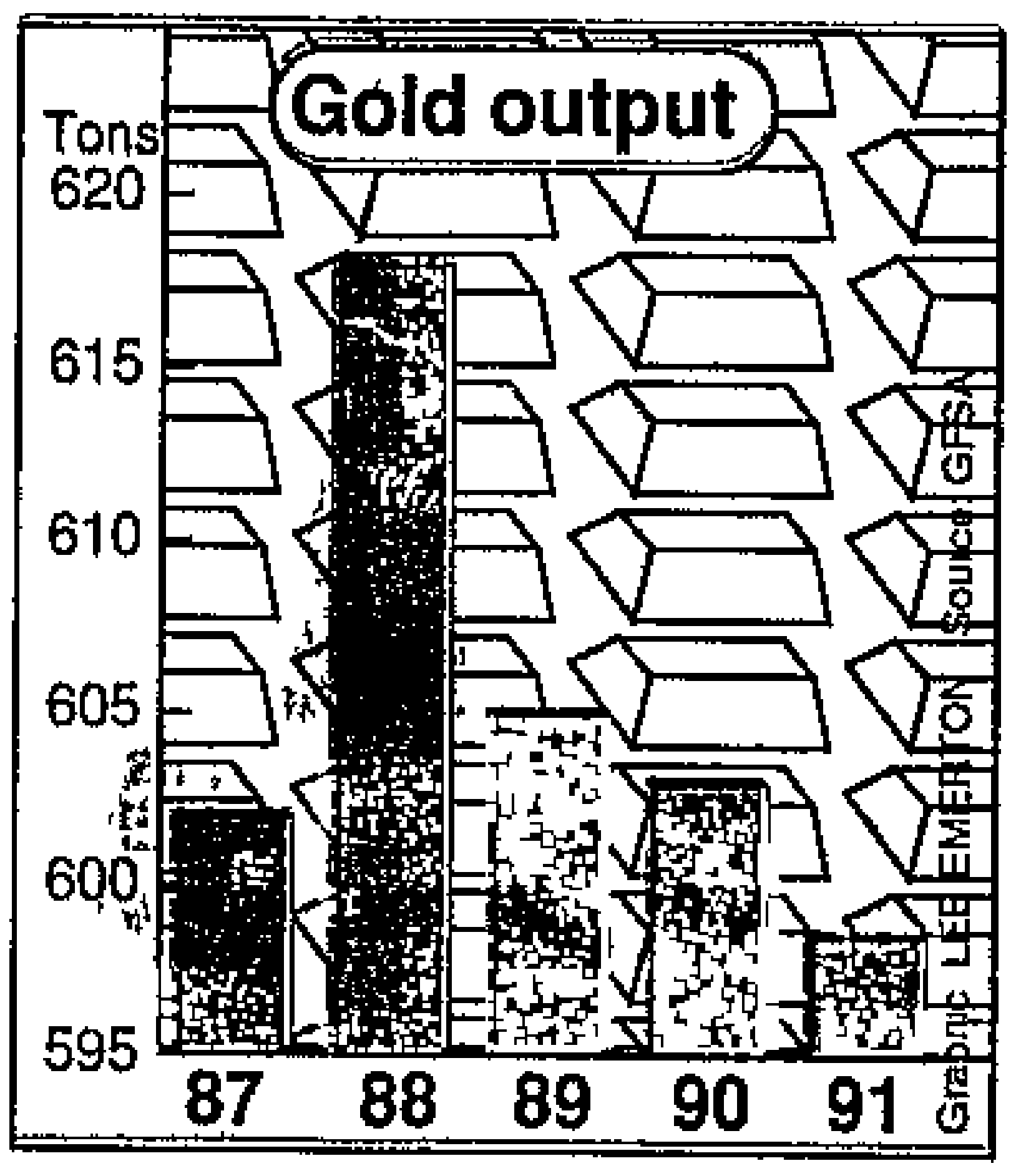
IN spite of production cutbacks SA's gold mines produced almost as much gold last year as in 1990 by targeting high grade ore.

Latest figures from the Chamber of Mines showed last year's production dropped only 1% to 597 941kg from 602 697kg in 1990

Gold Fields' Mineral Services CE Stewart Murray said last year's production figures had shown only a modest decline as the very high grades recovered in the first half of the year compensated for the reduced ore mined

Production last year was the lowest recorded by the local industry since 1958

Gold output was 549 177kg in 1958 but with the development of the Free State mines thereafter, output increased steadily and peaked at 1-million kg in 1970.



Graphic LEE EMERTON Source GFSA

Since 1970 SA gold production has dropped steadily and gold production in 1991 was only 59% of the 1970 level.

Murray attributed the drop in production in the '70s to the rise in the gold price which he said had an "apparently perverse" effect in that output fell as lower grades were being mined.

Although the present low gold price had seen producers become more selective and mine higher grade ore, the producers' ability to go back to mining grades similar to those in the '70s was limited as the grades available then were no longer available, Murray said.

"The average grade mined in the '70s has all but disappeared." In SA's record year of 1971 the 79 965 tons of ore treated produced 1 000 417kg. This compares with 1990 when the 97 197 tons of ore treated produced only 602 697 kgs.

Gengold MD Gary Maude said the better than expected production figures indicated how producers had reorganised their operations to mine higher grade ore.

Maude said he was not surprised to learn that production last year was the lowest for the past thirty years.

COMMODITIES

Gold forward sales debate still not over

BIDay 30/1/92 (214)

MATTHEW CURTIN

THE advent of forward gold sales has changed the formula for making money out of mining gold But the jury is still out as to whether the change is doing more or less damage to the fortunes of the industry

Traditionally, there are two variables over which SA gold mines have no control, the dollar gold price and the rand dollar exchange rate

Mines have little control over the gold content of the ore they mine Grades have fallen steadily in the past 20 years, but a flexible mine has the ability to pick and choose the ore it mines

The only part of the equation mines have direct control over is their costs Cost containment took new meaning when the mines discovered in the late '80s that they could no longer rely on a strong gold price and a weakening rand for their profits Rand gold prices have been static in the past four years, with the result that cost increases have all but swallowed profits

By concentrating on cost control, management has turned around the fortunes of Anglo American's giant gold producer Freegold, as well as Gengold's, JCI's and Rand Mines' marginal mines

The mines to have adopted this attitude most recently are Anglovaal's Loraine and Gold Fields' Libanon Both mines' survival is in doubt

Following the lead of others, they are lowering the amount of ore they mine This puts pressure on unit production costs But it enables them to reduce overall working costs as they target higher grade areas, producing more gold from less ore, and use a sharply reduced workforce

However, the crucial difference between Loraine and Libanon's approaches is that Loraine is dependent on being able to sell half of its gold production forward at prices higher than ruling gold prices

The decision by SA's mining houses, except Gold Fields, to sell increasing amounts of their production forward since the mid-80s, has led to gold producers winning a measure of control over revenue

All mines have to sell their gold to the Reserve Bank in terms of the Finance Act As gold prices weakened in the 80s, the Reserve Bank gave authority for mines to sell forward a portion of production

An Anglo American gold and uranium division marketing spokesman says at first the forward sales facility was used on an experimental and ad hoc basis, but by the late '80s certain mining companies moved more in line with their Australian and North American counterparts who consistently hedge large proportions of their gold production

Mines can also sell forward on a spot deferred basis, in which the producer can roll over the forward sales contract They can also use options, in which they have the right, but not the obligation to fulfil the sales contract

Anglovaal marketing manager mines Rocky van den Berg says gold mines worldwide commonly finance the purchase of put options to protect them against a fall in prices by selling call options The world's leading bullion banks in Frankfurt, London, New York and Zurich are the market makers

In mid-1990, SA's mines acquired another hedging device, the Reserve Bank's stabilised contango scheme, in which the bank effectively took the place of an overseas counterparty Mines using this scheme sell gold directly to the bank It pays them for regular metal deliveries over fixed periods of their choice, usually one to two years, at a price which is the average of the escalating forward prices

All SA's mining houses, including Gold Fields, have the facility to sell gold forward The bank permits mines to sell forward only a portion, usually starting at 25%, of their production, but there are natural limits

Van den Berg says there is no simple strategy for selling gold forward successfully It is a question of weighing up the huge volume of financial and economic information

The Anglo spokesman says "When the price is down, you've never hedged enough When the price is up, you've always hedged too much"

The real debate concerns the effect forward sales have on gold prices One camp believes that forward selling has significantly capped rises in the gold price

Producers have added metal to the market and have been quick to capitalise on any spurt in the gold price This has restricted upward movement of the price

From SA's hedging establishment comes the retort "Piffle" Firstly, because SA gold producers sell relatively small quantities of gold on the forward markets

Secondly, all mined gold production sold forward amounts to a small fraction of the volumes of futures contracts in gold traded on metal exchanges like Comex Thirdly, as one industry source notes "The real danger to the gold market is not forward sales, but the absence of buyers"

He says that hedging may well soften the peaks and troughs of gold price movements, but there is no evidence that it depresses the price itself

The response of local investors is more intriguing

The marginal gold mines in the Gold Fields fold — Doornfontein, Libanon, Venterspost — have consistently underperformed on the all gold index and other marginal producers which do sell gold forward That bears out the forward sellers' argument that it cannot be in the best interests of shareholders for a marginal mine not to sell forward to guarantee the prices it needs to stay in business

In contrast, the gold mines whose shares have performed best are Gold Field's Driefontein and Kloof, outclassing rival heavyweights like Vaal Reefs and Hartebeestfontein Investors recognised that these mines are better placed to profit from a surge in the gold price than those who have committed some of their production in forward sales contracts

GOLD QUARTERLIES FM 31/1/92

Hanging in there

(214)

December quarterly results prove ~~the~~ truth of the adage that "if needs must, the devil drives" The degree of control over costs

FM 31/1/92 (214)

achieved by most mines is truly impressive

Particularly pleasing are heavyweights like **Vaal Reefs** and **Driefontein**, which so far have not been under the same pressures as marginals to cut costs "The performances we are seeing are far better than I believed the industry capable of given its poor record on cost control," comments one analyst

Anglo American's mines cut average working costs 2% to R26 037/kg of gold produced (September quarter R26 612/kg), and that is just 1,4% up on the R25 673/kg average for the 1990 December quarter

Gold Fields of SA also did well Working costs quarter-on-quarter fell 3,8% to R21 432/kg (R22 282/kg) — a mere 2,7% up on the R20 868/kg for December 1990 **Gencor's** performance was not as impressive, with average working costs rising 1,4% to R27 577/kg (R27 208/kg), 6% up the R26 027/kg for December 1990

With inflation running stubbornly around 15%, Gencor's performance is still first-class but the comparison between it and other mining houses reveals the diminishing returns the longer the cost-control exercise carries on Key issue is just how long the industry can continue like this in the face of a gold price that refuses to budge

Gencor was the first house seriously to tackle costs and profitability generally on its mines in the face of a stagnant gold price and management has achieved considerable success over the past two years, bringing a number of marginal mines back from the brink of closure Houses like **Anglo** show better performances now because they started later and have more fat they can remove

There is an optimum size for a mine below which operations cannot be further rationalised because the loss of revenue from lower gold production outstrips any reductions in overhead costs If a mine cannot make profits in this situation then it must close, as **Stilfontein** will during the current (March) quarter and **Bracken** in August

The medium to long-term penalties of pushing up grade and cutting back on development work are that a mine's available ore reserves are reduced, which threatens its existence The remaining low-grade reserves cannot be mined profitably and lower development rates mean reserves being used up are not replaced fast enough

Results from **Anglo** were particularly good, thanks to excellent cost control and the effects of the house's forward sales campaign, which maintained the average gold price received almost unchanged at R33 763/kg (R33 860/kg) By contrast **Gold Fields of SA (GFSA)'s** mines, which do not sell forward, suffered a 2,9% drop in average price received to R32 381/kg (R33 365/kg)

Heavyweight **Vaal Reefs** shone with a 6% reduction in working costs to R23 114/kg (R24 626/kg), which is just 2,7% up on the R22 494/kg for December 1990

Freegold coped well with VAT-related violence at President Steyn Despite this mayhem, which must have severely disrupted operations, yield from underground mining

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FOX

was pushed up by 4,4% to 5,41 g/t (5,18 g/t) so that overall grade was only 1,6% down at 4,17 g/t (4,24 g/t), as more material was taken off low-grade surface dumps

MD Lionel Hewitt says Freegold has underground reserves of higher-grade ore that it can mine at greater rates if required However, Freegold may also have dipped into its gold "kitty" Mining house managements refuse to acknowledge the existence of these because they make a mockery of published quarterly statistics Mines build up a reserve of gold in good times by understating their yield This gold, which can amount to as much as a month's production, is held in reserve and drawn down by overstating the yield to smooth out production hiccups caused by events like strike action

Star performer at **GFSA** was flagship mine **Driefontein,** where East Drie dropped working cost per kg of gold by 10% West Drie reduced its by 1,2% Total working costs were 1,3% lower at R240,8m despite increased throughput

Doornfontein lost R7m (R3,8m profit), because of the strike in December. GFSA executive director Alan Munro comments another strike like this would mean the end of the mine **Libanon's** loss rose to R1,9m (R0,5m) and it is cutting back on production and staff in an attempt to survive According to Munro it's "falling over the edge"

GFSA continues not to sell gold forward though Munro declines to comment on whether this policy will carry on given the difficulties facing marginal producers like **Libanon, Venterspost and Doornfontein.**

Rand Mines has cut back on its hedging programme So has **Anglovaal,** except for **Loraine,** which has sold more than 40% of expected production forward through to July Loraine turned around dramatically to a R2,8m profit (R2,6m loss) but management warns it is too early to assume better development grades can be maintained

Good results from **Harmony** show the mine is at last solidly back on its feet Even **ERPM** continues to make operating profits which are, unfortunately, still swallowed by interest payments, though it got its overall loss down to R1,9m from September's R5,7m

At **JCI, Randfontein's** productivity bonus scheme continues to pay dividends Working profits rose 15,4% and it paid out R5,25m (R5,2m) in bonuses Chairman Ken Maxwell says the mine is running "beautifully" and, with a working cost of R26 018/kg (R26 678/kg), is no longer marginal

Among the independents good performances came from **Rand Leases** and **Primrose.** At **Rand Leases** new manager Glenn Laing is making good his claims for recoveries out of the 11 Shaft pillar Rand Leases made a profit after capex of R3m after a loss after capex of R4,4m in the September quarter

Primrose was boosted by hedging, which pushed gold price received to R36 253/kg (R36 248/kg), and a steady increase in yield

Brendan Ryan

BRIAN GILBERTSON

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Doing it his way

FM 31|1|92

After five years with Derek Keys as a kind of philosopher-king at the helm, Gencor has a more hands-on chairman Keys' departure to a Cabinet post was so sudden that Brian Gilbertson (48) had only 10 working days to prepare to take up his new position on January 14 — and he has continued his duties as chairman of the mining subsidiary Genmin

"No-one wanted to see Derek go," says Gilbertson "He was a kind of father figure to the other executives who were all younger "

Gilbertson points out that he would not be well cast as a father figure, he expects to interact on a basis of greater equality with his colleagues But he is adamant that there will no be return to rule by committee, which got Gencor into a mess before Keys arrived "I am executive chairman," says Gilbertson, "and I am quite prepared to take responsibility for charting the course of this group "

Gilbertson *prepared to take responsibility*

Gilbertson is down to earth He was brought up in Bothaville, where he spoke mainly Afrikaans, he then broadened perspective by earning a BSc at Rhodes He's a very private man, though he plays squash, and is married with two sons

Under Gilbertson Genmin took its medicine early, particularly in its gold mines "We were forced to grapple with costs earlier than the other mining houses Most of the brunt of the downturn has been borne by the miners It doesn't give me any pride to say that we have cut the numbers employed by Gengold from 92 000 to fewer than 60 000 We have tried to do what we can with social programmes but the disruption to mining communities has been terrible "

Gilbertson will retain hands-on responsibility for Genmin for at least a year, until he has completed certain tasks He says he's having too much fun at Genmin, what with Columbus stainless steel and the Oryx gold mine on the go

He is noted for being the only main board director in recent times to switch mining houses After two years as a researcher at the CSIR, he moved to JCI and stayed for 18 years It's fair to say he found his niche in platinum, and eventually ran Rustenburg Platinum, the world's largest platinum complex Then he was approached by Gencor, the controller of Impala, Rustenburg's main competitor

"They were very trying times, when I was making up my mind to move I lost a great deal of sleep The platinum industry tends to be very secretive, so Rustenburg was sensitive about its deepest secrets being revealed to a competitor "

Gilbertson was kept out of the platinum industry for two years, as part of an understanding between the two mining houses, but he chaired Impala from 1990 It's a sad irony that it was announced that platinum projects would be cut back in the week that Mr Platinum himself took over at Gencor

But his responsibilities now include food, energy and paper

"Mining and mineral beneficiation is one of the few areas in which SA has world-scale industries The good Lord has given us this mineral wealth Let's use it wisely " ■

Bully for gold this year, say the financial fundis

STimes [Buss] (214)

2/2/92

MAJORITY opinion among international analysts is that the gold price could improve significantly this year

Views of the forecasters are carried in the Mining Journal's International Gold Mining Newsletter

London financial house James Capel believes that if the world economy improves in 1992, a mere 2,5% growth in fabrication demand (the average annual growth from 1987 to 1990 was 13%) will require an extra 60 tons of gold.

Until now, the development of a shortage between mine supply and jewellery demand has been ignored by the market because the Soviets filled the gap at the same time jewellery demand growth paused.

Capel believes this situation has changed — reports are that Soviet gold holdings are even lower than the reduced amounts recently reported Capel says strong demand at the end of this year will bring a gold price of $440/oz to $480/oz

Carr Kitcat & Aiken reports that as bullion appears strongly underpinned by supply-demand fundamentals at current levels, there is growing evidence that producers are increasingly reluctant to sell into rallies except in a few desperate cases, for fear of undermining a potential recovery

This view is endorsed by several leading SA gold producers, notably Gencor

Carr says that because it is an American election year, investor interest is likely to be more closely linked to economic events than in the past few years

With the American economy looking as if it might have stalled, increasing the risk of a double-dip recession, short-term political stimulus is likely As a result, investor interest in gold could well return as priorities are reassessed

Carr forecasts an average 1992 price of $400

The more bearish Warburg Securities believes that jewellery growth levelled off in 1991 after the 1989 surge It says that with economic recovery faltering in America and muted growth in Japan, jewellery offtake is unlikely to grow much before 1993

Warburg says investment demand was flat in 1991 Weaker gold prices did not promote a resurgence in bar hoarding in the Far East, but Japanese buying was steady European and American investment buying was depressed and the market for gold coins poor

Warburg believes that the expected decline in mine supply will be accentuated by the fall in the size and role of Russian gold production. This and the impact of rising repayments of gold loans will remove 300 tons from total supply by 1993

Warburg expects gold to trade between $350 and $400 But it hedges by commenting that if gold does break above $400, it would have little difficulty in advancing rapidly to much higher levels.

Credit Lyonnais Laing calculates that in an international basket of currencies, taking account of inflation, gold is at a 15-year low

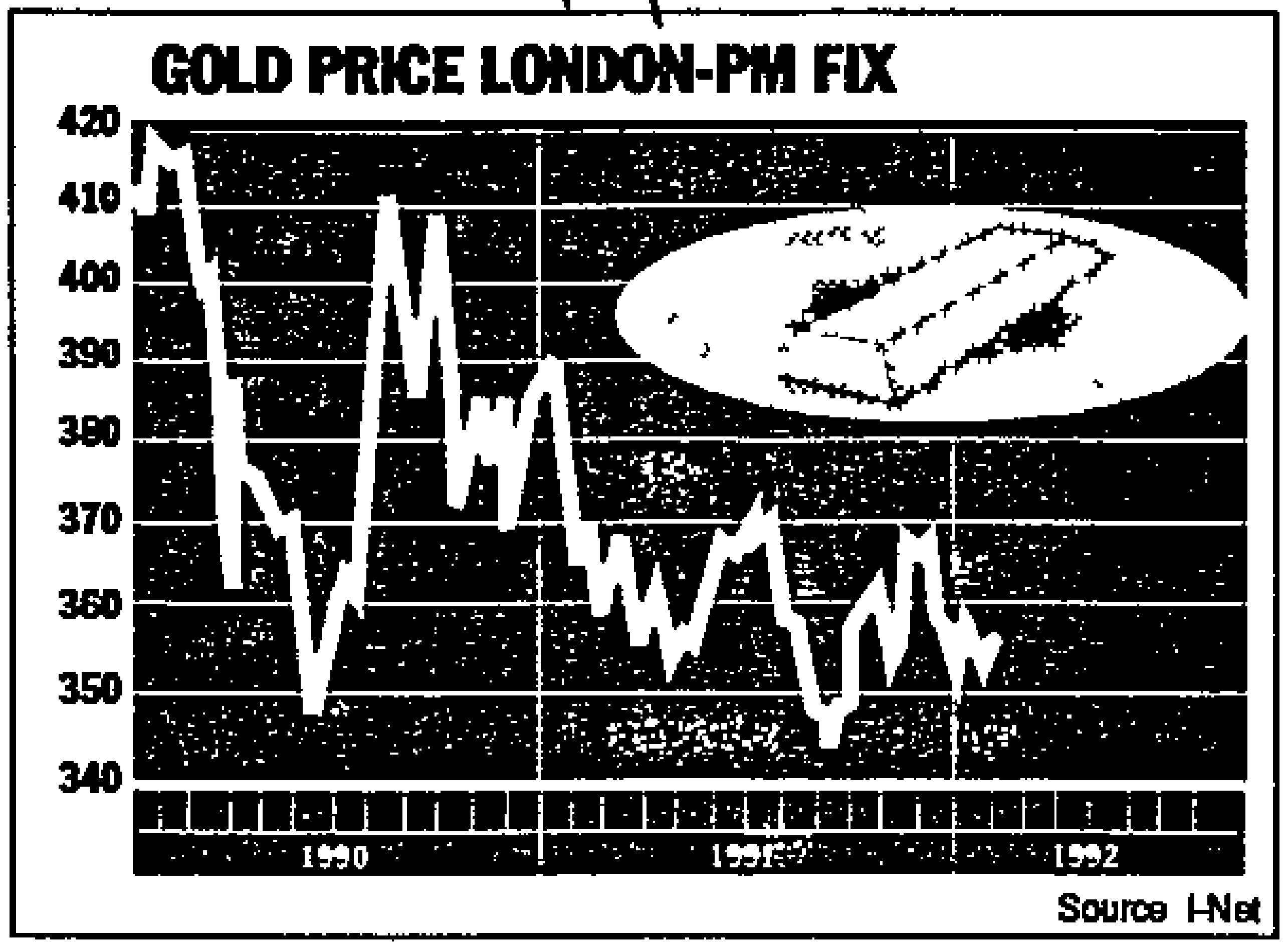
It believes that all the signs indicate the gold price has bottomed. It forecasts a 1992 average gold price of $400, with a spike up to $450 during the year Laing expects the 1993 average gold price to be $425

From $353 at the start of the year, gold dipped below $350 before rallying to the present $354 Gold shares seem to be moving up in expectation of a rise in the metal's price

Capel recommends that investors go seriously overweight into golds. Its preferred portfolio is 19,3% gold — the highest ever

Both Capel and Carr believe SA golds offer outstanding value in a global market often lacking fundamental value.

GOLD PRICE LONDON-PM FIX



Source I-Net

Booming Botswana

STimes [Buss] 2/2/92

SHARE prices of all companies listed on the Botswana Stock Exchange showed marked improvements last year

There are fewer than a dozen, but the healthy state of the Botswana economy helped the all-share index to grow by 23% in the year to October 1991

This year the Botswana Government expects the economy to grow by 5% in what it calls a period of consolidation but what other nations would regard as a boom.

Prime lending rates from commercial banks have risen from 8% to 12,5%, which has led to a fall in disposable income Company margins are coming under pressure

The business climate is becoming more competitive, not only from new entrants in the market but from the expansion of existing companies Food processor Sefalana's turnover grew by 29% to Pula 360-million in the year to October 1991 and taxed profit by 24% to P14-million. It is increasing production facilities

Patience and courage for gold exploration

SITimes [BUSS] 2/2/92

(214)

By ROBIN PEGLER

GOLD exploration companies must be the most unfashionable and unpopular of all sectors of the JSE

The gold price has been disappointing for two years and the rand's relative firmness to the dollar has made matters worse for mines

These circumstances have led to unfavourable publicity Projects which attracted interest in the past have moved down to a lower gear

Drilling

Exploration companies are volatile in price They are the last to take off when there is a boom in gold But if a boom is sustained, they can rise to extravagant heights

This is not the proper investment for everyone One needs patience and courage If you buy shares in gold exploration companies, it must be with money you can afford to lose

You should be ready to hold shares for a long time

A better share price will depend on an improvement in the gold price and good drilling results These would lead to the flotation of a mine, involving a rights issue which could ultimately be profitable

I stress the high risk But I can also say that exploration companies look cheap at current prices A patient investor who has spare risk capital can pick up bargains

John Handley, consulting geologist to stockbroker Kaplan and Stewart, has studied this sector

Mr Handley takes a favourable view of the gold price in the long term and I agree with him

He says

- Jewellery demand should increase, particularly in the Far East, when world economies recover
- Gold production is close to topping out Russian sales should be lower
- The low gold price has discouraged exploration and development in all countries Accordingly, ore available to be mined is not being replaced Some mines outside SA have closed without having recouped their capital costs Others may not do so unless the gold price rises The pay-back period is much longer at a price of $350 an ounce than at, say, $450
- Gold loans and forward sales have held the gold price back But there are prospects for a recovery and they should give support as they unwind

Delays

In the past, analysts have had difficulty in valuing exploration shares Mr Handley makes his valuations relative to gold producers This is in contrast to absolute monetary figures which others have tried in the past

For example, assume that an exploration company has a 10% stake in a mine which has the potential of reaching the size and quality of Driefontein or Kloof Mr Handley would use the market capitalisation (share price multiplied by the number of shares) of the mine in question and apply various discounts

These would relate to the probability of success and the time that it would take to establish a mine The capital cost is taken into account in this equation

A deep-level mine would incur large discounts on all three points

Inflation is increasing capital costs A deep-level mine could now cost between R2-billion and R3,5-billion

Because of delays caused by the low gold price, a new mine could cost double those amounts This is another risk that must be borne in mind A static gold price increases the grade of ore needed to make a mine profitable because inflation raises both working and capital costs

If you think the risks involved are too great, you can invest in mining financial companies, which give a good spread of interests Here the exploration stakes are for the most part thrown in at a low cost

Mr Handley singles out four companies Barnex, Freddev, Lydex and Randex All have a large portfolio of participations

Barnex's main interest is a 36% participation in the Doornrivier project, which would probably have been floated if the gold price had been better.

The present value of Doornrivier alone could be worth more than four times the current price of 80c Barnex has enough cash to keep it going for some time.

Freddev also has a stake in Doornrivier together with three others which are next to Freegold and will come to fruition when Freegold exhausts its ore and has to expand its lease area

It has R5-million cash which it is hoped will be sufficient Estimated present value is more than double the current price of 160c

Lydex has many participations and has invested in a dump retreatment project which will give it a cash income for some years It shares in a project to treat old ERPM dumps

Its main interest is a 25% share in a potential major mine to the south of Unisel Present value of all projects could be three times the current price of 55c

Randex is also priced at 55c But the present value of all its various interests could be up to eight times this price

Generation

Potentially, its most valuable interest could be a 50% interest in the mining project south of Unisel referred to under Lydex

Randex has declined its option to buy 60% of South Plats because is would take too much cash

The potential values given can be regarded only as approximate However, they do give an indication of what could happen in the long term if the gold price rises

Better prospects for gold should afford excellent jobbing profits, even though in some cases it will be the next generation that will collect the dividends

COMPANIES

Sub-Nigel mine grinds to a halt

WILLIAM GILFILLAN

SUB-NIGEL gold mine has been placed on a care and maintenance basis following the termination of the tribute agreement with the Nigel Gold Mining company, chairman Les Holmes said on Friday

In the December quarter Sub-Nigel made an operating profit of R19 000 from revenue of R102 000 About half the revenue came from a royalty payment through the tribute agreement with ~~the~~ Nigel Gold Mining company

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This agreement expired on January 15 and the Sub-Nigel mine had been placed on a care and maintenance basis "pending a possible rise in the price of gold", Holmes said He would not consider reopening the mine until the gold price stabilised between R38 000 and R40 000/kg The current price is R31 000/kg

B/Day 3/12/92

The sale of certain mine equipment could raise about R1,5m, Holmes said.

The directors are considering moving the Sub-Nigel listing from the gold board to the financial holdings sector following the decision to expand into offshore joint venture projects These will not necessarily be in the gold mining industry

Sub-Nigel directors, through an offshore associate, are investigating potential joint ventures for the development of mineral deposits outside SA One possibility is a joint venture agreement in West Africa for the development of an open-cast gold mine, Holmes said It was also examining joint venture projects in the Commonwealth of Independent States and eastern Siberia Holmes believed the potential in eastern Siberia was "far greater than in SA" as it had substantial mineral reserves

The proposed West African venture, between Sub-Nigel's offshore associate, the state and other parties, will cover $300km^2$ Full-scale prospecting would commence when the agreement had been signed

Zandpan's earnings dip

Finance Staff 214

Zandpan's earnings showed a slight decline in the six months to end-December falling from R10,8 million to R10,7 million

STAR 4/2/92

The decline was attributable to the fractionally lower dividend received from its investment in Hartebeesfontein and lower interest rates

Earnings per share amounted to 8,2c compared to 8,3c in the 1990 interim period while the interim dividend was unchanged at 8,25c a share

Investment income totalled R11,1 million (R11,2 million) of which Hartebeesfontein contributed a largely unchanged R11,02 million

Local firms could lead mining revival in Africa

214

B/Day 5/2/92

MATTHEW CURTIN

LED by SA mining groups, Africa might be on the brink of a mining revival which will provide considerable investment opportunities for overseas companies, says Gengold MD Gary Maude

Speaking in Paris yesterday, Maude said the mining industry in many parts of central Africa had become run down and inefficient, mainly because of insufficient reinvestment

At a seminar on mining in southern Africa organised by the French government's Board of Foreign Trade, he said money was available to help African countries revamp their mines, not least from the World Bank However, potential investors insisted mining reconstruction be done in partnership with major mining groups of proven ability and resources

SA's mining houses were ideally placed to provide this assistance and many approaches had been made to major groups to manage the rehabilitation of many mines on the continent

Maude said the prospects for overseas investors were good for two reasons

☐ If Africa's mines were to be revived, vast equipment and capital resources would be required, presenting "exciting business opportunities" for overseas companies, and

☐ The slump in commodity prices presented overseas companies with a chance to do their homework on investing in the African mining sector

By the time their homework was done, these companies would be well placed to take advantage of the upturn in the commodities cycle when it came

"This will provide significant opportunities for French companies to export a wide range of products to the mining industry It will provide investment opportunities for French financial institutions too," he said

Maude noted that SA had more than 80% of the world's manganese reserves, 70% of platinum reserves, 55% of chrome, 45% of gold, 32% of vanadium, and major coal reserves Investors and exporters of mining equipment could not ignore SA and the country's mining group system which had developed especially to make possible massive new mining ventures to exploit these rich mineral resources

Gencor alone had 15 gold mines, 12 coal mines, eight chrome mines, five base metal producers and the world's second largest platinum producer, plus 10 projects worth R5bn under way Gengold's new Oryx mine would reach full production of one ton of gold a month in 1994 at a cost of R1,3bn, and employ 7 000 people

Maude said "The major SA gold mining groups have never had a problem raising capital for projects like this The capital is readily available locally, and the mining house system provides the security and continuity that major investors require"

Genmin, Gencor's mining arm, signed an exploration and mining agreement last year with the French government's mining group, Bureau de Recherche Géologique et Minière

Rand Leases turned into top performer

B/Day 6/2/92

(214)

WILLIAM GILFILLAN

GROOTVLEI and Western Areas, both mines on the brink of closure in 1990, turned in two of the top share performances from the gold board last year, figures from a Simpson McKie report indicate.

The total returns on Grootvlei's and Western Areas' shares last year were 26% and 11% respectively. These figures were calculated by taking the rise in the share price of the mines over the year and adding any dividend payments

Rand Leases, with its total return of 72%, was the only mine to out-perform these two

The surge in its share price was attributed to Glenn Laing, who purchased the mine from Severins.

It jumped from 25c a share in January last year to 43c a share at the end of December

The mine had been expected to close down before Laing came to its rescue. The cleaning up operations at Rand Leases are expected to last about four years

At Grootvlei a drop in working costs, which fell from R44 391/kg in the September 1990 quarter to R27 879/kg in the September 1991 quarter, helped the mine move from a loss of 25c a share to a profit of 28c a share (after capital expenditure had been deducted)

But earnings a share in the December 1991 quarter fell to 0,7c as a large one-off capital expenditure charge was incurred as a result of a water pumping programme

Grootvlei's 26% total return last year came on the back of the rise in its share price from 405c a share in January to 475c at the end of December Added to this was the dividend payout of 35c a share.

The closure of Western Areas northern area in the latter part of 1990 saw grades jump from 4,4 g/t in the March 1990 quarter to 5,7 g/t in the December quarter.

Better grades helped convert the operating loss of R5m in the September 1990 quarter into an operating profit of R9,3m three months later

As a result Western Areas' share price rose from 450c a share in January 1991 to 500c at the end of December

No dividend was paid out during the year as Western Areas was trying to build up cash reserves

Driefontein and Beatrix (total returns of 0,3% in 1991), Randfontein (7%), and Western Deep and Libanon (9%) were the only other mines to record positive returns last year

Trans-Natal is over Eskom's closures

B/Day 7/2/92, (214)

MATTHEW CURTIN

TRANS-NATAL, the coal mining group in the Genmin stable, has fully recovered from the blow dealt to it by Eskom's closure a year ago of its Camden and Komati power stations, which the company served

Trans-Natal's operating results were marginally better in the six months to end-December 1991 than in the same period in 1990, but significantly improved on those of the six months to end-June 1991, in which the group felt the full effect of the Eskom closures

The group reported an operating profit of R108m in the interim period 1991, 3% higher than the R105m posted in 1990, but 44% higher than for the six months ended June 1991

Earnings were 10% higher year on year at 83,2c against 75,3c a share Trans-Natal declared an interim dividend of 23c, compared with 22c in 1990.

MD Mike Salamon said the closure of the Eskom power stations had altered the group's sales mix significantly

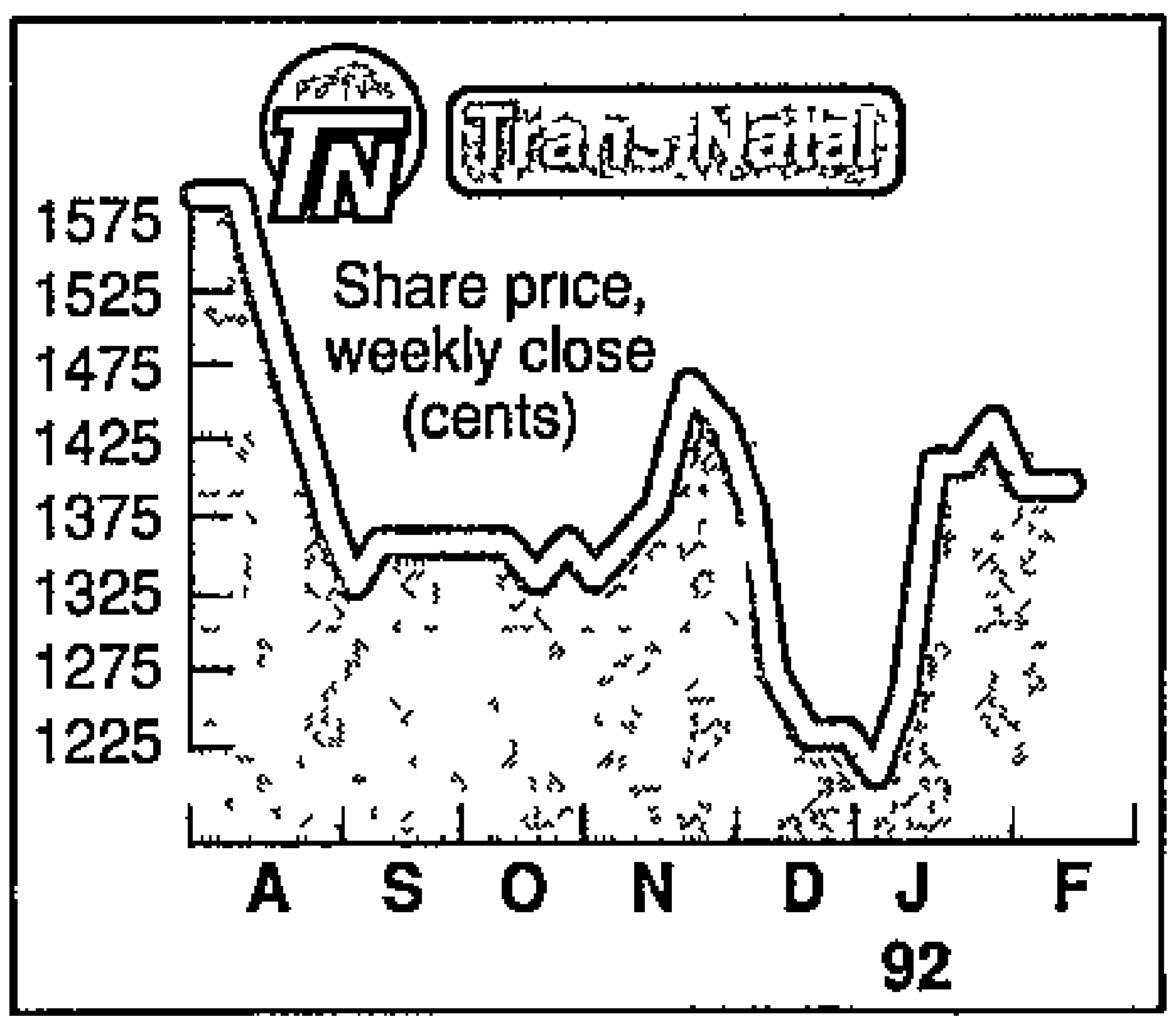
Exports rose to 5,5-million tons from 5,3-million tons in 1990 and contributed 67% of Trans-Natal's sales revenue in the interim, against 63% in 1990

In contrast, sales to Eskom had fallen to 4,9-million tons from 6,1-million tons, only partially offset by higher sales to non-Eskom utilities. Other inland sales were hit by declining industrial demand brought on by the recession Sales revenue climbed to R769m from R713m in 1990

Salamon said the 15% rise in the total cost of sales — to R661m from R607m — in comparison with only a 7% rise in unit mining costs reflected the swing in the group's production from low-cost coal supplied to Eskom to high-cost coal supplied to overseas markets.

In the 1991 financial year, the closure of Komati hammered the performance of the

☐ To Page 2



Graphic LEE EMERTON Source I NET

Trans-Natal

B/Day 7/2/92 (215)

☐ From Page 1

Koornfontien coal mines which served the power station

Salamon said the mines were now operating at satisfactory levels and both they and the Optimum Colliery had shown a 6% gain in productivity

A key figure was a 2,5% drop in the mines' saleable yield The group was having to mine more and treat more material at greater cost to produce the same amount of saleable coal

Trans-Natal had stopped supplying Sasol and was supplying Eskom with less raw coal, but was supplying export markets with more washed or beneficiated coal In 1990 74% of the group's coal was washed against 81% in 1991

Report says gold prices could fall even further

214

B/Day 13/2/92

MATTHEW CURTIN

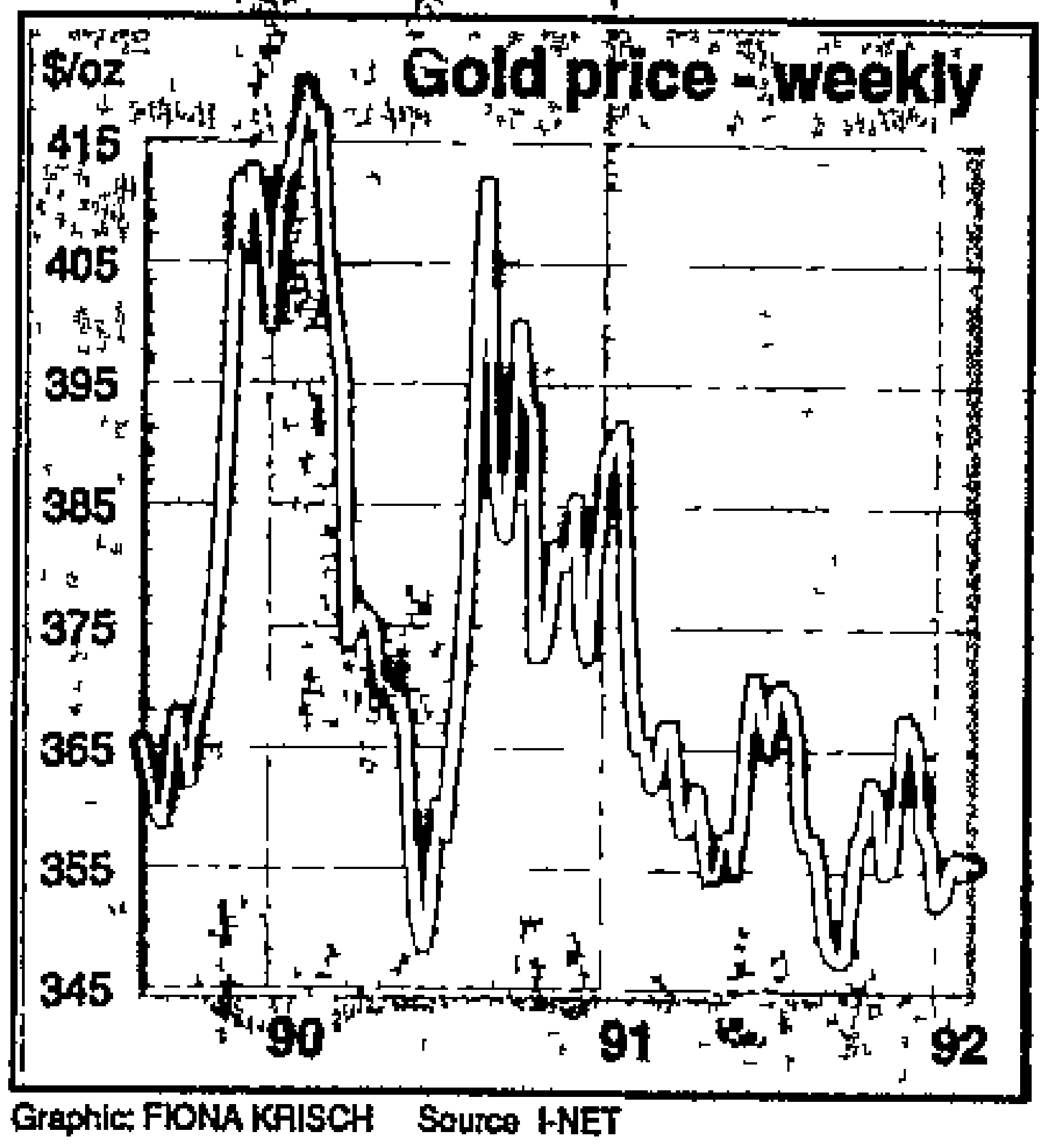
GOLD prices may be imprisoned in their current narrow trading range for years, and could perhaps fall even lower because of sales of central banks' gold reserves, says a report in a London-based journal

However, SA mining sources dismissed the speculation, saying the banks could not afford to offload their gold reserves, as this would knock prices and amount to a significant write-down of their assets

The International Gold Mining Newsletter says in its latest edition that central bank sales may limit future price rises by replacing any decline in mine supply and supporting greater jewellery demand, "a somewhat depressing long-term scenario for gold".

In the short-term, disappointing jewellery sales and the deferred closure of gold mines, thanks to forward sales and belt-tightening, had put off a significant rise in prices.

The report quoted analysts from Union Bank of Switzerland and New York's CPM Group who said. "There are no longer particularly strong reasons for retaining vast amounts of gold in official reserves. The thought process towards possible large-scale gold sales is clearly under way". Central banks hold nearly 36 000 tons of gold between them, equivalent to about 20 years of current mine supply.



Graphic: FIONA KRISCH Source I-NET

The report added the banks were under pressure to include gold sales in their "gold mobilisation policies". The US Commerce Department had recently revalued the US gold reserves at market prices rather than the official $42 an ounce, presenting it with an unrealised asset value of $80bn. It noted the opportunity cost of holding gold Paper investments yielding 8% a year in the '90s would give the same return as a rise in the gold price to $530 in five years, and $800 in 10 years.

Central bank sales would become more likely if, in the short-term, gold prices increased.

Anglo American gold and uranium division chairman Clem Sunter said yesterday it was not possible to discount "the central bank selling scenario", but the arguments had not proved persuasive "If you have an asset, to dump it and destroy its value is irrational".

Gengold MD Gary Maude said that despite some central banks' decision to sell gold in the past two years — Belgium, Brazil and Canada, among others — there was no sign of a general trend

Inflation was putting pressure on the survival on Gengold's mines, which had "cut away the fat" already, and producers in Australia and Canada.

Gold's only for baubles

(214) ([illegible])

SI Times (Buss)

16/2/92

GOLD's monetary role is now history for private investors and central banks alike.

Because central banks hold more than 35 000 tons of gold — equivalent to 20 years' current mine production — the outlook is depressing.

These views are discussed in the Mining Journal's gold newsletter under the headline Sword of Damocles.

Two reports by analysts indicate the market may have to contend with increased sales from central banks, although this is qualified by the need for a higher gold price.

Much of the banks' metal was acquired in the gold standard era before 1971

Significant changes in central bank management have led to a new breed of banker no longer holding any reverence for gold in spite of its long history as a monetary linchpin.

Central banks are active in the gold market. They provide cheap liquidity to the market for borrowed gold in the form of deposits and swops out of official reserves into commercial banks.

Up to 800 tons of official gold may be circulating in the inter-bank market on any given day

Central banks are under pressure to include gold sales in their gold mobilisation policies

The opportunity cost of holding gold in reserves can be illustrated. Paper investments can yield 8% a year

To match this, gold would have to rise to $530/oz in five years and to $800/oz in a decade.

Otherwise central banks would have to be even more satisfied with gold's other portfolio qualities, principally as a risk hedge.

Gold sales would be carefully considered, not least by looking at the effect a potentially lower price would have on the unsold reserves.

As part of a recent revised treatment of American net international indebtedness, the US Commerce Department revalued the gold reserve at market prices instead of the book figure of $42/oz.

An unrealised asset value of $80-billion has clearly not escaped attention.

Much of the gold held in reserves is valued at $42/oz, so is largely insensitive to price because good book profits could be made.

One analyst says gold could fall below $200/oz for a time.

It can be expected that central banks will become the swing source of gold supply as mine production falls in the 1990s. They could become net sellers of perhaps 700 tons a year shortly

The Mining Journal concludes that a depressing long-term scenario for gold would be central bank sales limiting future price rises by replacing any decline in mine supply and supporting increased jewellery demand.

This could result in a lower or lack-lustre gold price.

Gold's only for baubles

(214)

S/Times/Buss 16/2/92

GOLD's monetary role is now history for private investors and central banks alike.

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Giant invests R20-bn in SA projects

214

Sowetan 21/2/92

MORE than R20 billion is to be invested by the Sanlam group of companies in mining and other industrial projects to be completed within the next five years.

This is roughly equal to the value of South Africa's annual gold production or a quarter of the annual national Budget, says Sanlam's chairman, Dr Abe van der Berg

Speaking at the company's annual meeting in Bellville, Cape, he made no reference to the controversial kaolin mining project at Noordhoek, which has brought widespread criticism that could hit the insurance giant's business

New

But he said a new gold mine and expansion to other gold mines as well as platinum and coal mines were some of the projects involved

"Investments in ferro-alloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial developments ensure that our group is well represented in the most important mining and industrial activities"

Property investments in new areas of development created by urbanisation already comprised more than 100 000 sq m and they were still increasing With these investments, Sanlam was fostering development and progress in neglected areas

These investments showed how the policy-owners were contributing to economic growth, job creation and development.

The market value of Sanlam's assets grew to more than R50 billion last year while more than 450 000 people are employed in the Sanlam group of companies

Poverty

Van der Berg said the great disparity in the standards of living of South Africans of different races and the poverty of a large percentage of the population, were stumbling blocks to successful constitutional reform

The key was a prosperous South Africa for which, he believed, a market-oriented economic system, a higher economic growth rate to enable the creation of new opportunities at a faster rate, a lower inflation rate and a campaign to curb Aids were required

Without better economic prospects for the poor and the economically deprived, no political change would be able to effect lasting peace in South Africa Political ideologies alone could not ensure economic prosperity - *Sapa.*

Gold drills idle as metal price falls

S|Times (BUSS) (214)

23/2/92

By IAN ROBINSON

GOLD exploration in South Africa is in the doldrums

South African Drilling Association president Brian Coetzee says only 40 rigs are operating in the Witwatersrand Basin compared with more than 100 a year ago and 150 two years ago

Major drilling company Boart Exploration estimates that SA has 200 deep-hole gold rigs and less than 40% are working

Gold exploration in South Africa reached its most recent peak in 1990 when there was much drilling in the Potchefstroom Gap

Factors

The low gold price and the declining profitability of mines are the major cause of the fall in gold exploration Towards the end of 1991 the gold price fell below R1 000 an ounce — the lowest in real terms since 1977 Production costs have been rising at well above the inflation rate

Gold exploration is expensive and a hole to a depth of 3 000 metres costs from R3-million to R10-million

Mike Saner, managing director of exploration company Randex, says other factors had also played a role in the decline After 100 years, exploration of the Witwatersrand Basin has reached a mature stage and mining houses have demonstrated reserves and delineated potential mines

Potential mines which have been delineated include Poplar (Genmin) in the Evander area, Moab (Anglo American), south of Southvaal, Kalkoenkrans (Gold Fields) in the Free State, South Deep (JCI) in the Fochville area and the Sun project (Anglovaal), north of Loraine in the Free State

The low gold price more than lack of geological information is retarding development of these projects

If a rise in the gold price revives interest in them, additional drilling may be required to obtain more core to evaluate grades

Technological advances in drilling and exploration have also reduced the number of holes needed to provide geological information Oil-drilling technology has been succesfully adapted to gold exploration

Vibroseis prospecting techniques in which shock waves are projected into the earth to depths of up to 15 000m provide accurate information of structure and the succession of geological strata

A geophysical consultant says only one or two mining houses are conducting seismic surveys They can cost up to R50 000 a day

Major

Probes on wirelines can be used to measure dip of the beds and the verticality of the borehole and provide other information about the rock formation Information from these probes can be so useful that some companies have opened boreholes drilled in the 1970s

Wireline drilling has been the major change in drilling technology in the past 10 years This technique permits the core sample to be withdrawn from the hole through the drill rods without removing the complete rod string as in the traditional method This is a much faster process and has increased drilling efficiency and productivity

Along with the reduced volume of drilling activity there has been a corresponding drop in depths and the focus has shifted to shallower targets

SA bid to be top jewellery supplier

(214)

B1 Day 28/2/92

ADRIAN HADLAND

SA WILL soon make a bid to become a major supplier in the international jewellery manufacturing industry.

At a meeting in Johannesburg yesterday, representatives from SA's premier gold and platinum producing, manufacturing and retailing concerns agreed in principle to establish a SA Jewellery Development Corporation

The corporation, to be based in Johannesburg, will attempt to provide a strategy for increasing SA's share of the world and local manufactured jewellery markets

It is intended also that the corporation will co-ordinate technological advances and research

"We want to be a force in jewellery around the world," said the Johannesburg City Council's director of commerce and industry Collin Wright, who facilitated the meeting SA produced only five tons of jewellery in 1990 of a world total of 1 985t. The local market is estimated to be worth more than R500m, with considerable room for expansion

One idea mooted was to focus on ethnic, African designs for gold and platinum jewellery to secure a niche in the lucrative international market

Another idea was to consider providing locally manufactured jewellery aimed specifically at the expanding SA tourist industry

Top players in the global fabricated gold jewellery market at present are Italy, India, the US, Turkey, Japan, Taiwan and Thailand

"Ten years ago Thailand produced very little gold jewellery Now it is among the top 10 producers in the world We want to do the same thing with SA," said Wright

Restrictions on the SA jewellery industry, including a 35% ad valorem tax, were lifted two years ago and, with the introduction of a government gold loan system whereby manufacturing jewellers can obtain Reserve Bank gold from commercial banks at only 4,5% to 5,5% interest, the way has been cleared for the development of the industry

"The potential of the industry is not being realised at an international level," said Wright "What was needed was a bold, strategic initiative and that is exactly what we now have"

The possibility of a cheap supply deal with gold and platinum producers on behalf of the Jewellery Development Corporation is believed to be under consideration

A meeting within the next two weeks will discuss more concrete proposals and the undertaking of feasibility studies

MidWits's earnings boosted 7% to R24,9m

B|Day 2|3|92

2.14

Business Day Reporter

THE Anglovaal Group's investment, finance and exploration company, Middle Witwatersrand, has reported a 7% increase in earnings to R24,9m for the half-year ended December 31

An unchanged ordinary interim of 2c has been declared, payable on March 20

Although the board expects that earnings for the full year will be similar to those of the previous year — when attributable profits amounted to R46,6 million, equivalent to 14,5c — it warns earnings are subject to uncertainties such as world metal markets, interest rates, and to the Venetia diamond mine's development

Prospecting

Income during the period was R46,0m (1990 R50,3m) Mining investment income was generally unchanged as in the period a year ago Interest received fell to R29,2m from R42,3m, because rates were reduced as were surplus funds brought about by purchases.

Total expenditure was 15% lower at R6m (R7,1m), of which R4,5m (R6,2m) was spent on prospecting.

The net outcome was a pre-tax profit of R40,0m (R43,3m) of which tax took R16,5m (R20,3m)

MidWits's share of associated companies' earnings rose to R5,3m (R4,0m) because of the first-time equity-accounting of MidWits's share of Rhino Andalusite Mines' earnings for the period

The Venetia diamond venture, being developed by De Beers, is expected to start production in mid-1992 and reach full production in 1993 De Beers is entitled to recoup Venetia's full capital cost before full profit sharing comes into play.

Until then, however, Midwits's revenues will be restricted to its 65,6% stake in Saturn Mining which, in turn, will receive a royalty equivalent to 12,5% of Venetia's profit

The directors report that the current phases of the Free State gold prospecting programmes are nearing completion the Sun drilling programme is progressing as planned and is expected to be completed by about the middle of the current year

Results from the Oribi area are now being evaluated, and may lead to the purchase of additional mineral rights in the area, as well as further drilling

At one stage analysts believed the Sun prospect woud be developed as an extension of the group's Loraine mine They now believe this is unlikely as little would accrue in the way of tax benefits They are also cautious about Sun's viability and its likely cost

The group has acquired 850 000 Rand Coal ordinary shares at a cost of R11,5m and has invested a further R32m in preference shares

The market value of MidWits's quoted investments and listed associates on December 31 was R529,3m (R565,2m), the book value was R70,8m (R56,8m)

Forward sales depress gold price

STAR 3/3/92

214

By Derek Tommey

The practice of borrowing gold from banks and selling it forward to finance new mines has a permanent and severe impact on the metal price

This is the conclusion of a former mining engineer and former director of Union Corporation, Hugh Monro, in a paper published in the latest issue of the journal of the South African Institute of Mining and Metallurgy

In recent years several companies have financed new mines by borrowing gold at a low rate of interest from central banks, selling it and re-investing the proceeds at a much higher rate of interest

The central banks approve of the practice because it enables them to earn some interest on their gold stocks and virtually assures them of getting their gold back when the mine to which they have lent the gold starts production

Mr Monro has examined the supply-demand structure of gold in recent years and measured the various price elasticities of the structure's components

After analysing the effects of sales of gold borrowed from banks, he comes to the conclusion that every ton of gold sold forward depresses the gold price by 20 US cents an ounce

Without the forward sale of 240 tons of bank gold in 1990, he maintains the average gold price for that year, which was $383,59, would have been $49,25 higher

Mr Monro contends that as far as the gold mining industry is concerned, the practice is counter-productive and should be stopped at once

Furthermore, it should be reversed by the repayment of gold borrowed from banks

Mr Monro argues that if his work should lead to a reduction in bank forward sales and to many loans being repaid, gold could rise rapidly and even exceed $400

"Complete acceptance, including the repayment of all loans, might raise the price to about $500"

Mr Monro analyses the effects of selling bank gold and not of forward sales of new production by the mining industry

But his findings could lead to the practice being reviewed

The mining industry has been deeply divided about the merits of selling forward

Some see the practice as a valuable way of protecting marginal mines against a future drop in price

When a mine sells forward it undertakes to deliver gold at the current price and interest at a future date

Therefore the mine is guaranteed a higher price on its forward sales than the one obtainable at the time the forward sales are negotiated

If a mine is marginal and is having problems breaking even, the ability to sell forward and get a slightly higher price than the prevailing one is seen as a major benefit.

It is also argued that any depressing effect forward selling might have on the gold price will be reversed when the gold is delivered

But there is another school of thought, led by Gary Maude, manging director of Gengold, which contends that forward sales push down the gold price permanently and the industry as a whole suffers a major loss

For this reason Gengold has been reluctant to sell forward

Mr Monro's paper is bound to cause a re-evaluation in the industry

Everyone accepts that when the first forward sale is made it increases the volume of gold available and consequently depresses the price

Gold producers 'lost R2,5bn on forward sales'

B/Day 3/3/92 (214)

MATTHEW CURTIN

FORWARD gold sales cost Western gold producers $2,5bn in lost revenue in 1990, said a report published yesterday.

However the report, in the latest edition of SA Institute of Mining and Metallurgy' journal, has received a mixed welcome from industry sources, with some sceptical of the analysis which underpins its findings

The SA gold mining industry is already divided on the subject of forward sales Gold Fields of SA's mines do not sell forward and Gengold does so reluctantly to protect its marginal mines Anglo American, Anglovaal, Johannesburg Consolidated Investment and Rand Mines are all active in the forward markets, with Anglo selling forward the largest amounts

Former Union Corporation consultant mining engineer Hugh Munro said in the journal that forward selling depressed gold prices and outweighed the relatively paltry gains from the sales themselves.

Munro said his mathamatical analysis of gold supply and demand in 1990 found that "every extra ton of gold sold a year reduces the price by about $0,20 an ounce and the consequences have been disasterous".

He said his calculations showed that forward selling in 1990 saw Western gold producers earn a gold contango of 6,65% of the gold price on 240 tons of forward sales, worth $195m. That compared with $2,7bn which would have been earned on the 1 734 tons of gold produced had prices not been affected by forward sales.

Anglo American marketing director Kelvin Williams said yesterday "We continue to have difficulty with any view of the market which sees it as fixed and mechanistic."

He stressed that the gold market was dynamic and reacted differently at different times to similar offers. Even if the market was static, some of Munro's assumptions were limited.

Williams noted that Munro's analysis was firmly based on Gold Fields Mineral Service figures for supply and demand in 1990 which included now disputed figures for Soviet metal sales and ignored non-physical gold trading. In that year, physical gold supply was 2 800 tons, compared with 37 000 tons traded on US and Tokyo futures exchanges.

Williams said "All sales affect markets to some degree, but very few markets respond to such strict mathematical analysis"

An analyst said yesterday Munro's analysis was no more than "a curiosity" as it examined in academic fashion a commodity price in isolation.

However, Gengold MD Gary Maude said the research held important lessons for the mining industry. While it might be prudent for a gold mine to sell forward small amounts of metal, those which sold forward large amounts had to weigh up whether they were sacrificing potentially greater revenue from higher spot market gold prices

Maude said· "Munro has expressed in numbers what was until now only a matter of opinion"

Monro noted that forward sales consisted of gold borrowed from central banks and charged at a low gold leasing rate. That gold was immediately sold on the spot market and the proceeds invested at the US dollar Libor (London interbank offered rate), which in the past three years was between 3% and 8% higher than the leasing rate. The difference was then known as the gold contango.

"The contango has been very attractive to gold mines, but the borrowed gold represents an additional supply to the market which lowers the price," he said.

New investment for Anglovaal

Business Day Reporters

ANGLOVAAL is set to announce a major new investment on Friday in conjunction with the release of its results (214)

Anglovaal spokesmen would not comment yesterday, but it is believed that the group will announce an investment in a new field of business As Anglovaal has mining and industrial interests, the possibilities are wide-ranging

With a cash pile in excess of R1bn in shareholders' funds, the group could be looking at local or international investments B/Day 4/3/92 .

In September last year, group finance manager David Barber said the group would make an announcement early in 1992 on its Sun gold prospect in the northern Free State

Drilling results from a feasibility study on the prospect were available at the end of last year If a new gold mine is given the go-ahead, its estimated capital cost will be at least R2,5bn, and some analysts have said it would only be viable with gold prices above $400 an ounce

However, there was additional speculation that industrial arm Anglovaal Industries (AVI) could be involved in a deal with Pepsico, soft drink bottler Suncrush or tobacco and snacks company Utico

It was also suggested that AVI could be looking at the local production of all-aluminium cans for beverages.

Anglovaal pushing ahead with exploration

STAR 6/3/92

214

By Derek Tommey

Anglovaal, one of the country's major mining and industrial investment houses, is not letting the recession hold back its expansion plans

It is pushing ahead with a heavy capital expenditure programme including a major investment in prospecting for gold which could lead to the establishment of two and possible three new gold mines, an interim statement issued today shows

These developments should provide the group with strong growth when the economy and the gold price start to recover.

In the six months ended December Anglovaal increased its earnings by six percent from R135,3 million to R143,1 million equal to 240c a share

But as if to reassure shareholders that this sort of earnings' growth is not the norm it has increased its interim dividend by 10 percent from 30c to 33c a share

And a development which shareholders will also find encouraging, is that capital expenditure (on new plant and equipment) amounted to R116,3 million in the six months ended December, which was an increase of R24,5 million or 26,7 percent on the same period a year ago

Furthermore Anglovaal also reports that it is planning to spend a further R164,4 million on capital expenditure of which only R47,2 million had not yet been contractually committed

Financing

In view of Anglovaal's strong financial position and negligible borrowings, it should have no difficulty financing this expenditure, or of coping with the tough times and economic uncertainties which lie ahead

Anglovaal is continuing to spend heavily on gold exploration Expenditure in the northern Free State in the six months ended December was R38,2 million and it expects to spend a further R43,5 million in the six months ending June - which suggests that the results so far have been most encouraging f

The drilling programme in the Sun area is progrsssing as planned, says Anglovaal and is expected to be completed around the middle of this year when the results will be evaluated

The results of drilling in the Oribi area are being evaluated and may result in the purchase of additional mineral rights and further drilling

In the central Free State north of the Loraine gold mine, prospecting by the Target Exploration Company of mineral rights acquired from Loraine is making good progress

A total of 19 300 metres was drilled in 20 boreholes in the six months ended December 31 and in all but two of the boreholes initial intersections were achieved on all the major reefs Ten of these boreholes were completed in the sixth month period

The results of this drilling will be published when the outstanding multiple deflections have been completed and initially evaluated

The cost of this exploration until the end of December was R30,3 million An extra R6,0 million will be needed

Anglovaal increased its turnover by seven percent to R4,1 billion in the six months ended December Operating income dropped 5 percent to R376,1 million and income from investments rose 42, prcent to R22,5 million

Tax paid dropped seven percent R178,6 million and taxed profit was unchanged at R220,0 million

Earnings

Equity accounted earnings from associate companies rose 17 percent to R45,7 million while earnings of outside shareholders dropped one percent to R122,6 million

The result was attributable earnings of R143,1 million (R135,3 million)

Total shareholders' interest in Anglovaal at December 31 was R4,1 billion while debt capital, deferred taxation and long-term borrowings amounted to R521,1 million Net current assets amounted to R2,2 billion

The net worth per share was R50 (year ago R46)

Down in the dumps

Sowetan 6/3/92 (214)

MARIUS BOSCH discovers that a miner's lot is not a very happy one

GEORGE MATIWANA does not have the easiest job, sitting hunched over a noisy airdrill more than three kilometres underground in the world's deepest mine — Western Deep Levels.

Perched precariously above the metre-high stope on Level 97, 3 233m underground, where Matiwana drills holes for explosives to blast loose gold ore, are millions of tons of rocks which can shift at any time

If what miners call a "bump" and mine owners Anglo American Corporation describe as a "seismic event" occurs, the rockface explodes, triggering a rockfall which can be felt on the surface

Since January this year, 21 miners have lost their lives in three seismic events at one of the three mines making up the Western Deep Levels complex some 70 kilometres west of Johannesburg, according to AAC

"A rockburst is the silent enemy, it is like fighting a war and not knowing where the enemy is," Western Deep Levels East mine manager Mike Smith said

Humid workplace

But Matiwana, a 16-year veteran of goldmining, is unperturbed about rockbursts and the possibility that he may be buried beneath thousands of tons of rock

"I am not scared of it, it happens every day," he said in a cramped, hot and humid workplace where he and 22 other miners spend nine hours each working day to break loose the ore that will yield only 30 grams of gold per ton of ore when treated

Goldmining is a slow process, and despite some 5 500 miners descending into the earth at Western Deep Levels East mine every day, they progress at a mere 0 8m a day, Smith said

Extracting a kilogram of gold, worth close to 36 000 rands at the current gold price of 350 25 dollars an ounce, would take at least a month at the moment, as they were cutting through dead rock to reach the ore, he added

But it would be a month fraught with danger for the miners working in a grim inferno, with giant ventilators sucking used air out of the mine at a rate of 700 square metres per second and replacing it with refrigerated air

At its deepest point, the Western Deep Levels complex reaches 3 77km undergound

The recent deaths at Western Deep Levels prompted the National Union of Mineworkers to accuse mine management of having a "callous attitude" to the safety of black miners

But AAC gold division's chairman, Clem Sunter, has pointed out that the fatality rate at Western Deep Levels last year had declined by 37 percent although he has acknowledged that "seismicity remains a concern"

In a bid to prop up the millions of tons of rock, the mine employs timber packs, hydraulic props and recently blast-resistant props but NUM last month questioned compliance with international standards of the rockface supports

The supports did not help Amos Dhlomo in September last year He was trapped for some 60 hours 3km underground after a rockburst before being rescued by fellow miners

Dhlomo said he was trapped with two colleagues who later died from injuries To survive, he drank water trickling from the rocks which he collected in his miner's helmet

The first sign of rescue came when he felt a draft of cold air, Dhlomo said, adding "I felt very much happy (being rescued) "

Safety has improved at Western Deep Levels since the early 1960s, according to the mine's public relations superintendent, Martin de Beer, who has been working at the mine for the past 31 years, beginning as a learner mine official underground

But despite modern technology and improved safety it still remains "rough and tough," De Beer said, adding, "It's a man's world" — *Sapa-AFP*

That sinking feeling

Gold mines sturdy after restructuring report

(214)

MATTHEW CURTIN

DESPITE dire predictions two years ago that SA gold production would fall dramatically because of low gold prices, no more than 7% or 42 tons of total production is at risk from mine closures by 1994, says a recent report

SA gold production slipped from 605 tons in 1990 to 602 tons in 1991

The London-based Mining Journal, in reviewing gold mining results in the December quarter, said the gold mining sector would prove resilient in the short to medium term because of its severe restructuring in the past 18 months

The report said that although the sector was one of the worst performers on the JSE in 1991, "gold shares showed their worth as trading vehicles, being the top-performer in the second quarter of last year"

There was growing interest from US and European fund managers, as foreign investors looked more favourably on opportunities in SA

B/Day 6/3/92

Whether or not gold prices performed in 1992, the SA gold industry "appears to be weathering the current low gold price and SA gold shares maintain a high gearing to the gold price"

The report said research by stockbrokers James Capel showed that because of SA's high inflation and the 9% depreciation of the commercial rand in the past year, the profit margin in US dollar terms on SA gold shares had risen nearly 60%

Operating margins in dollar terms had also shown a steady recovery since a low in the second quarter of 1990

The journal said between the March and December quarters last year only the Gencor group's gold mines had shown a fall in aggregate working profit in dollar terms, a large chunk of which was associated with the closure of Stilfontein

The report said that in the current quarter, stockbrokers McIntosh Martin believed rising costs and a static bullion price would pose a threat to more profitability improvements

McIntosh said there would be above-average cost increases in the March quarter, with the prospects of improved earnings jeopardised by increases in capital spending in more profitable periods

Marriage fails to help out-of-favour Knights

(214)

S/Times (BUSS) 8/3/92.

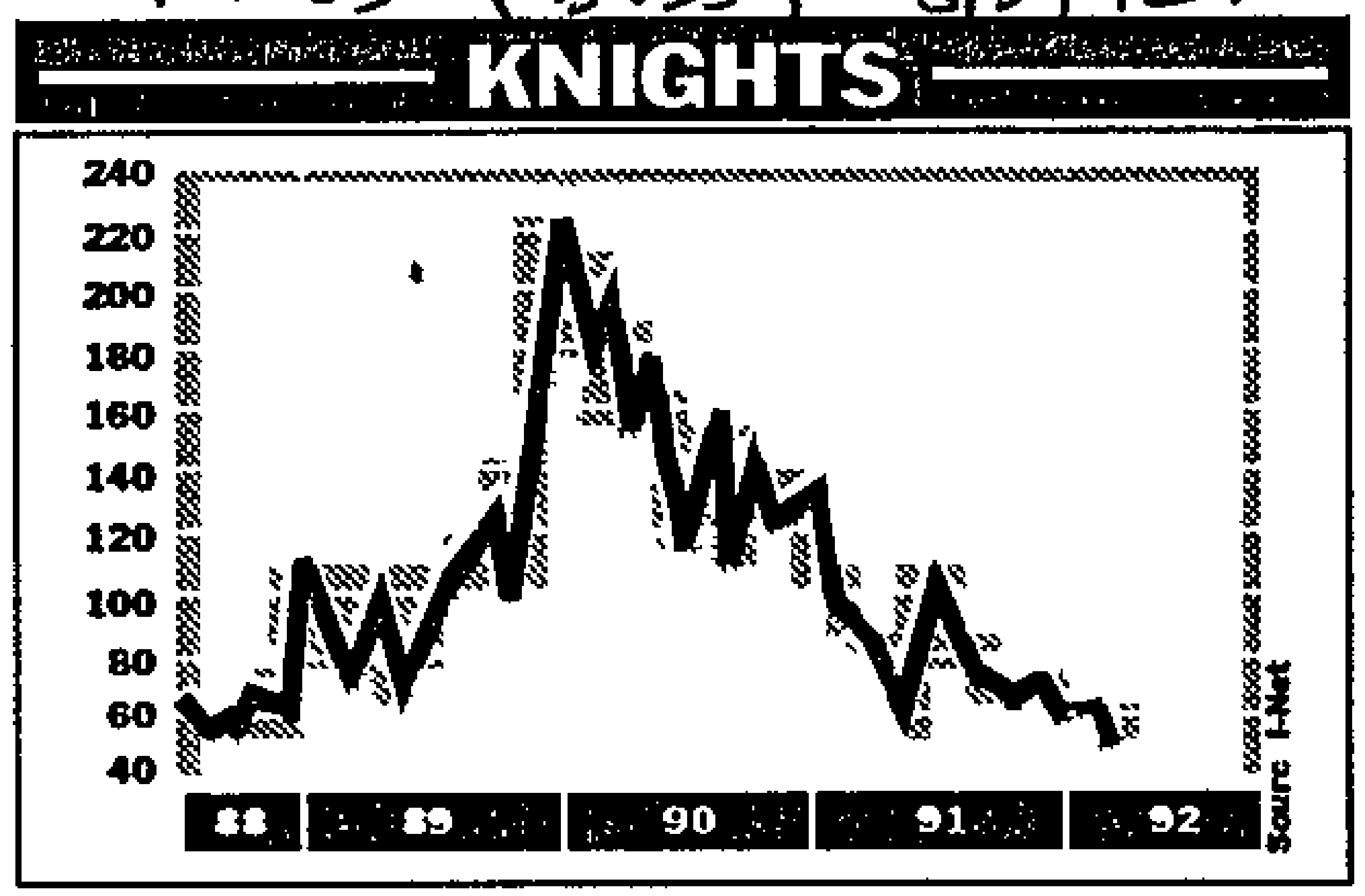
DIAGONAL STREET
by Julie Walker

INVESTOR confidence in Knights is at an all-time low, judging by the share price

From more than R2 in 1988 the price fell to 50c this week after the announcement of a deal with Simmer & Jack and Waverley

Cracks set in with the departure last year of driving force Glen Laing from CMC (Consolidated Mining Corporation), the holding and management company

CMC sold its 26% stake to foreign nominee company Solid G and the management contract passed to Christopher Mumby's Process Mining Consultants (PMC) Mr Mumby is a director of both Simmer and Waverley



During the tenure of that contract, the way was paved for a merger of the assets of Knights, Simmer and neighbouring Waverley Another facilitating factor was Solid G s being a common shareholder to the trio This raised queries about the arm's length nature of the deal, but it is hard to fault the rationale

Reasoning is that Knights has a Rolls-Royce plant to recover gold from dumps, but has limited reserves of its own and no cash Waverley and Simmer have plenty of dumps, land and cash, but no plant

Knights' estimated six-year life has been extended to almost 15 by the increased tonnage now owned There are 143-million tons of slimes, sand and mixed dumps of headgrades varying from 0,24g/t gold to 1,55g/t If the price of gold rises from the R32 038 used in the forecast to R34 000, the life extends to 25 years

Knights will be managed by David Wassung, a director since inception and former chief executive of construction group Basil Read

Mr Wassung was sole shareholder of Pied Piper, which owned 6% of the shares in colliery Maggie Mines That company went into liquidation owing R2,6-million to Basil Read

Mr Wassung says he was on the Maggie board only to protect Basil Read's interests

He remains a director of Basil Read while taking on the chief executive position at Knights He believes his experience in property development will serve Knights well — the three companies own many hectares of land

Since all Waverley's assets are part of the merger, its members are offered an exchange of 450 Knights shares for 100 Waverley Knights was priced at 67,5c for this evaluation, but has dropped to 50c Waverley had about R1 a share in cash It was 180c before the deal and is now 200c

Simmer's assets other than the underperforming Bobsat will be included in the deal It has about 57c a share in cash and the market price is 205c

Simmer shareholders have been offered 450 Knights for 100 Simmer because the company has renounced the Knights shares received for the assets as a dividend

Another 6-million Knights shares have been placed at 67,5c to defray costs

Mr Wassung says the Knights board was unhappy with large passive foreign shareholders It requires that the foreign members of Simmer who receive shares place them with other parties at 67,5c No party will have more than 29,9% of Knights

The outlook for Knights is brighter than it was before, although a high number of shares are in issue — 263-million That capitalises the mine at R132-million

Knights is forecast to generate cash flow of R112-million, or 43c a share, after costs in the next 15 years

Mr Wassung says this has been conservatively calculated and takes no account of the potential from property

The plant's capacity could be raised by 15% from the current 280 000 tons a month for little outlay Capital expenditure of R41-million to put in a mill and other facilities will be spread over three years and funded internally

Some members of Waverley and Simmer believe they have been sold short, particularly in the light of the pair's cash piles

Mr Wassung says both companies were obliged to remove certain dumps, but neither had plant Knights might have processed them in any event under a royalty basis

Knights had a poor December quarter and March won't be much better A low-grade dump is to blame, but is almost out of the system

Mr Wassung hopes more dumps will improve flexibility The cash will wipe out its borrowings


DAVID WASSUNG Lots left in property Picture HERBERT MABUZA

Knights employs only 100 people because it sub-contracts much ancillary work A pipeline to the plant from southern Johannesburg is used to deliver material for treatment The cost is a third of the road haulage price

In the 15 months to June 1993, Knights expects to earn 5,2c a share before capex Earnings will rise to 8c

To restore investor confidence management will have to prove itself Knights is one of the most tradeable shares on the JSE and moves on speculation It is closely geared to the gold price

● Mr Mumby declined to comment on the prospects of Simmer's remaining investments, mainly ailing gold mines in the Eastern Transvaal Talk is that it is interested in buying Barbrook

Fedsure on prosperous new track

S|Times (BUSS) 8/3/92

IT takes a special kind of company to form associations with groups as diverse in culture as Saambou and Investec

That was the achievement of Arnold Basserabie, chief executive of Fedsure, in its latest financial year.

Until 1991, Fedsure was a life-assurance, pensions and employee benefits group with a small short-term arm

Last year it formed strategic alliances with conservative Pretoria-based building society Saambou and with yuppie-bound high-flier Investec, as well as buying 30% of highly regarded Cape bank Fidelity

Saambou took a knock last year It had big write-offs from home-loan defaults and from misreading the capital market

Fedsure took 34% in a deal last year Mr Basserabie is happy with Saambou's focus and direction

"The management is dedicated to improvement," he says

Investec has been the fastest-growing bank in SA for the past few years and its share price has risen rapidly

Fedsure's has not lagged behind either, having nearly doubled to 780c in a year

Mr Basserabie believes the rerating has come on the back of the group's decision to enlarge its financial services activities

The ties with Saambou and Investec are two examples Others are Fedgro unit trust, now worth R27-million, Fedbond participation mortgage bonds and Fedlife Capital fund

The capital fund is almost an investment banking exercise It is a vehicle for investing in listed or unlisted but established businesses which have not reached blue-chip status and perhaps need capital to reach the next stage of growth

Independent Templeton Finance will investigate investment opportunities for proposal to the fund's Fedlife trustees Templeton is also required to invest in the recommended opportunities and watch the business Higher risk should be compensated by higher reward

Fedlink, the managed pensions portfolio, showed up better in recent surveys after a few years in the doldrums

Fedsure's earnings, out tomorrow, will show a 22% rise the compound rate over the past eight years The figures are arrived at mathematically, and hold no surprises

Taxed income reached R28,8-million, earnings a share 42,8c and the dividend 30,5c

Assets grew by a quarter to R5-billion Gross premium income was up 30% to R891-million, of which recurring premiums made up R638-million and single premiums the balance Single premiums jumped by 63% The lapse rate on new recurring policies is a low 10%

Investment income was 22% higher at R452-million

Fedsure introduced a 60-strong agency team to complement its broker referrals

All life offices need to increase their capital bases to allow them to grow The share swop with Investec coupled with the R80-million to be raised through the issue of 13,5% convertible preference shares will boost the capital base by R220-million The prefs are convertible when the ordinary dividend matches the coupon — in about eight years

Mr Basserabie says "The Investec deal allowed us to raise our capital base and at the same time the voting pool's control was enhanced"

It also allowed Investec to form a union with a previously unmarried insurer

Every player can now offer customers a broader range of financial services

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Clouds over Osprey

S|Times [BUSS] 8/3/92 (214)

MUCH-WARNED members of Osprey have another six weeks to wait before an announcement about the ailing Gazankulu gold mine's future is made

Manny Agrella, a director who represents foreign shareholders in Osprey, says control of the mine has changed Shareholders were told in September and October last year that negotiations were under way

The mine has not been worked since December and word is that staff have not been paid

Mr Agrella says the mine is in a bad state, but it was reopened last Thursday He confirms there have been staff disputes

The mine was sold with book debts of under R500 000, but the actual figure is believed to be about three times that The amount needed to keep the mine going was also underestimated

Mr Agrella is reluctant to disclose details He represents investors who have put R4,4-million into Osprey shares

The major shareholder was Golden Osprey, owned by Swiss company Evergreen A loan to Golden Osprey was serviced out of pre-tax earnings of the Osprey mine in commercial rands

Control of Osprey passed to Isle of Man company Financial, which ceded it to Garditex

Osprey was the object of a Reserve Bank investigation last year The company itself was cleared, but Garditex remains under scrutiny

Garditex also bought control of Manserv and the minority had to wait two years before being paid after Garditex transferred funds through the financial rand to settle them The validity of that transaction was in dispute Manserv was to buy 20% of Osprey among other investments

A rights issue in Osprey looks inevitable, and there is talk of an acquisition Whatever happens, it will take a miracle for Osprey shareholders to recover their losses

Neighbouring mine Gazgold recently held a rights issue after securing government assistance But other greenstone mines, such as Eersteling, Cengold and Barbrook, have withered

Osprey is 15c, off the 8c low of September — but a far cry from the 400c of 1987 Selling at any price looks like a good move

Chrome – gold of the future

214

STAR 10/3/92

If the visionary expectations of some people are realised, South Africans will become as aware of stainless steel and ferrochrome as major exports as they are today of gold

Industry leaders told The Star they saw this coming about as this country exploits its possession of some 80 percent of world chromium reserves to satisfy environmental needs

Lengthening the life of structures, eliminating waste, and improving hygiene of eco-systems through use of environmentally friendly materials will mean more use of stainless steel

"You can say the world will, within 20 years, need 40 projects the probable size of the Columbus Joint Venture in Middelburg," said one source, "and 10 of those could be in SA"

A prediction was made that the value of stainless steel and ferrochromium exports could rise to between R50 and R100 billion compared with R2 billion at present Essential- [illegible] local producers of ferrochrome — the vital ingredient in stainless steel — have to move forward together with stainless steel producers across the world

Combined capacity of four local producers at the moment is about 1,7 million tons a year (see report alongside)

The South African producers are among the 75 members of the International Chromium Development Association (ICDA), which has offices in Paris and Johannesburg

ICDA says its formation in 1990 was motivated by "chromium's high potential to enhance the materials needed by society" It will "foster and encourage the growth and development of the worldwide use of chromium in all forms

"Our vision over 20 years is to attain at least five times growth in the consumption of stainless steel through concerted action This will be stimulated by a strong desire for cost-effective and user-friendly materials providing powerful value benefits"

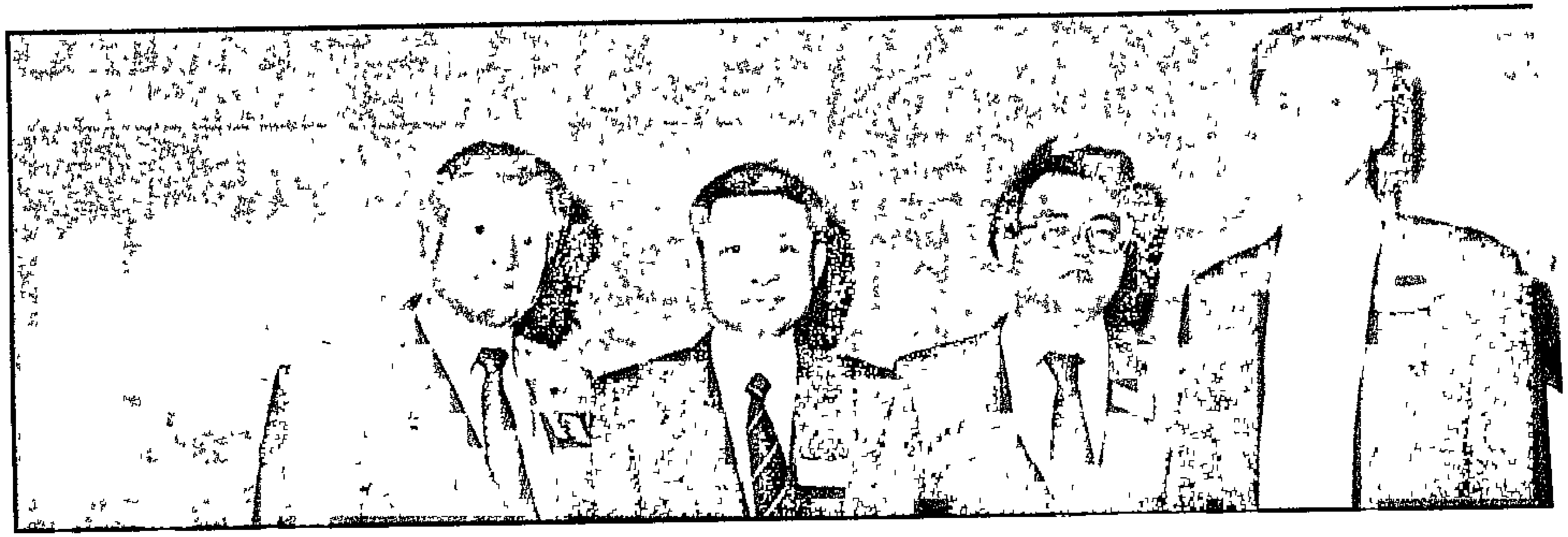
Current world production of stainless steel is slightly less than 12 million tons — including 4 million in Western Europe, 3 million in Japan and 2 million in North America

The 3,3 million tons of ferrochromium used in this production accounts for 75 percent of total world chromium consumption — making this the seventh most used metal

By comparison, less than 10 percent of chromium used goes into alloy steels and other metals used in, among others, engineering steels, superalloys, tools and ball-bearings Compared with stainless steel, these steels are in a mature phase of their growth cycle

Notwithstanding current slack demand, says ICDA, stainless and heat-resisting steels are in the rapid growth phase of the cycle Structural and utilitarian stainless steels, in particular, are "primed to develop into substantial use"

A defining comment from ICDA "Chromium is seldom used alone It is the supreme additive, endowing alloys or materials with economical new properties — strength, hardenability, permanence, hygiene, colour and resistance to temperature, wear and corrosion This versatility has established chromium in countless applications"



Four ferro-alloy experts at the Cape Town conference attended an Iscor seminar in Pretoria last week From left· Professors Dieter Neuschutz of Tech University, Aachen, Germany; Naburo Sano, University of Tokyo, Masa Iwase, University of Kyoto and Richard J Fruehan, Carnegie Mellon University US

Gold mining needs inflation stemmed

B/Day 11/3/92

GOVERNMENT needs to take urgent, bold steps to deal with inflation if the gold mining industry is to stem the erosion of its real income and secure the future of threatened mines and jobs.

Chamber of Mines senior economist Francois Viruly said in an article in the latest Chamber Newsletter that gold mines had been highly successful in containing working cost increases, but the relief had been fleeting in a climate of high inflation and a poor gold price.

"The industry's austerity measures resulted in the cost of milling a ton of ore increasing by just 6,3% in 1991, compared with 1990 — much lower than the 16,2% inflation rate over the same period" (214)

Viruly said an increase in gold grade in the year meant a more impressive increase in working cost per kilogram of gold produced, which rose a mere 1,6% or about a tenth of the official inflation rate.

"Methods employed in 1991 to achieve these results included the negotiation of a cost-containment agreement, use of more cost-effective mining techniques and the mining of higher grade areas."

In an attempt to sustain revenues, the industry also made selective use of forward selling and the gold option market to lock in better prices, he said.

Viruly said macroeconomic policies to effectively counter inflation were needed, including the need for government to reduce expenditure. — Sapa.

Mineral exports hit by price slump

(214)

B/Day 13/3/92

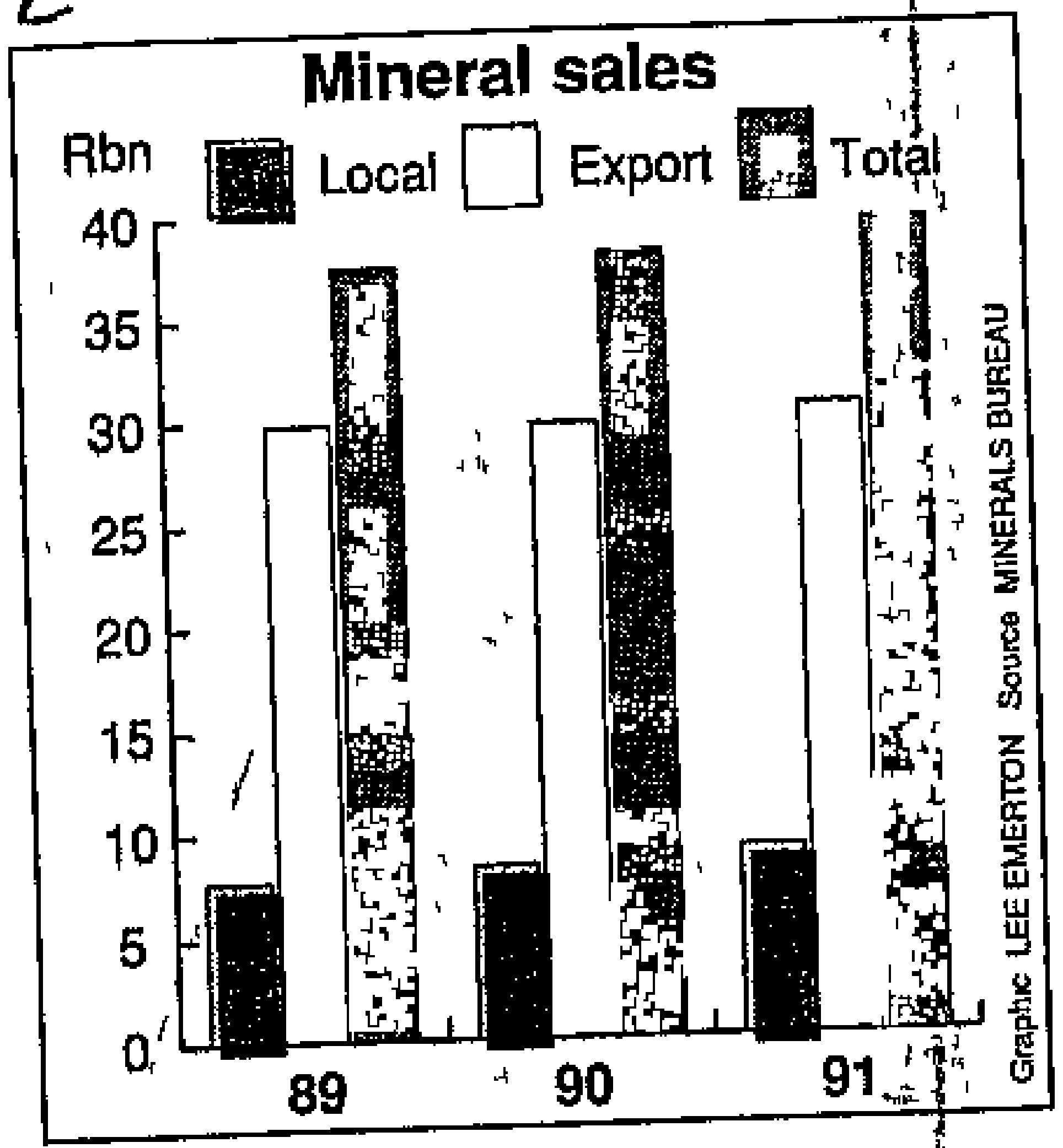
MATTHEW CURTIN

THE value of SA's local and export mineral sales rose a meagre 3,5% in 1991 Exports were hit by the slump in world commodity prices, but the rand's depreciation against world currencies helped offset the fall in prices

Figures issued yesterday by the Minerals Bureau show the value of SA mineral sales rose to R39,4bn from R38bn in 1990 (The figures do not show mineral production from the TBVC states) Export sales rose only 2,3% to R30,4bn (R29,7bn) Exports made up 77% (78%) of sales

Gold sales continue to make up the lion's share of mineral exports, but the second largest and growing contribution comes from coal Gold sales made up 63% of export sales in 1991, against 65% in 1989 This compared with 14% from coal exports last year, against 13% two years earlier

Gold sales rose in value to R19,3bn (R19bn), while production fell marginally to 598 tons (603 tons) The figures reflect the rise in the rand price of gold — to an average of R1 000 an ounce (R991) — in spite of a sharp drop in dollar prices They fell to a 1991 average of $362/oz ($384)



Graphic LEE EMERTON Source MINERALS BUREAU

Coal export volumes fell to 48,5-million tons (49,6-million tons), but the value of exports rose to R4,2bn (R4bn)

The value of SA base metal exports — chrome, copper, nickel and others — fell sharply in 1991, but the value of iron ore exports rose marginally

Granite sales continued their sharp increases to reach nearly R200m in 1991, 37% higher than 1989 levels of R144m

Homestake considers tie-up

STAR 16/3/92

SAN FRANCISCO —The US Homestake Mining Co said at the weekend it had agreed in principle to a merger with Canada's International Corona Corp, which would create one of the world's biggest gold producers.

Analysts said the marriage of the two major gold producers would also speed development of one of North America's most promising gold discoveries

The merger would involve an exchange of 0,35 Homestake shares for each Corona share.

Homestake said Dundee Bancorp, Corona's largest stockholder, had agreed to the offer, which is also subject to approval by the boards of both companies.

The merger would make San Francisco-based Homestake one of the world's leading gold producers, with expected 1992 production of 1,8 million ounces and gold reserves of 20 million ounces.

Homestake's production level would equal that of the No 2 producer — South Africa's Driefontein Consolidated.

Anglo American's Freegold mine is the biggest producer, with an output of 3,7 million ounces.

(214)

Vancouver-based Corona, which last year produced 716,835 ounces of gold, needs a million-ounce producer like Homestake to develop its rich Eskay Creek gold deposit in northern British Columbia, analysts said — Sapa-Reuter.

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Old mining property may be invaluable, says RMP

B/Day 16/3/'92

MATTHEW CURTIN

ONLY a quarter of the mine dumps and slimes dams on the Witwatersrand are likely to disappear in the next 15 years, but old mining property may prove an invaluable asset for property developers as urbanisation gathers pace around Johannesburg.

Rand Mine Properties (RMP) MD Colin Steyn said at the weekend that of the 2 000ha of dumps and dams owned by the group, only about 450ha would be cleared in the next 15 years

RMP has been one of the largest owners of old mining property on the Reef since its foundation in 1968 when it inherited the property of the defunct Crown Mines, City Deep and Consolidated Main Reef Mines

Steyn said the low gold content of sands and slimes meant they were unlikely to be treated even if gold prices improved considerably RMP, which runs two retreatment operations, treated material with an approximate grade of 0,7g/ton while it had large reserves with a grade of only 0,3g/ton Without higher prices or new retreatment technology, these reserves were unworkable

RMP operations manager Ron Lautré said dump sites posed special problems for property developers Even after dumps were cleared, land pollution was a problem Residual chemicals remained in the soil which could attack concrete and steel

Precautions could be taken to protect services and foundations but at a possibly prohibitive cost

Lautré said radioactive radon gas was another problem. Uranium was invariably left behind in soils after dumps were cleared The metal broke down into different isotypes over time, one of which was the dangerous radon gas which could percolate from the soil and pose contamination risks

He said RMP wanted to build on dumps and dams but it would have to wait for new engineering techniques — such as floating foundations — and more sophisticated environmental safeguards

Steyn said there were environmental dangers, and RMP spent about R200 000 a month monitoring and controlling its dumps and slimes dams

However, he said building on former mining property underrun by mine shafts posed no drawbacks for modern property development RMP had sold 200ha of residential property and 600ha for general industrial use in the past 20 years

There were no engineering restrictions in building on old mine property if underground workings were more than 240m below the surface Above 240m, building was possible on top of old outcrop workings depending on the particular circumstances

Lautré said that by laying concrete or steel supports across the bottom of old workings which were then filled with compacted soil, the land became safe for development, albeit at a cost

However, that was still more than competitive with property values north of the Reef RMP sold serviced mine property for general industrial use at R100-R150/m^2 Underground repairs would add R100/m^2 to the cost, but that compared with prices of R3 000 to R5 000 in the CBD

Steyn said there was an oversupply of land for industrial and commercial use in and around Johannesburg While some institutions had bought property in anticipation of economic recovery, the small investor was absent from the market

However, he noted the peculiar development of city property — because of apartheid and gold mining — was coming to an end Johannesburg was marked by large chunks of vacant but disadvantaged property which lacked infrastructure

He said the demise of the Group Areas Act had freed constraints on the development of much residential property and, given the proximity of old mining land to the city centre, both residential and commercial development was bound to take off

Marlin trades at a discount

WILLIAM GILFILLAN

TROUBLED granite group Marlin is currently trading at an 80% discount to net asset value after this week's sharp fall in its share price to 55c

The share plunged 8% after Marlin posted bottom-line losses of R4,9m in the six months ended December 1991

Marlin's net asset value stood at 297c a share on shareholders funds of R139m on December 31 B/Day 17/3/92

Finance director Ian Macmillan said yesterday "This discount can happen in the mining business However, by the same token, recovery in the industry often results in the share price reflecting a large premium over net asset value"

In its 1989 heyday Marlin traded at a large premium, he added

Although its balance sheet at end-December reflected gearing of about 6%, interest cover for the half year to December was negative

The sharp drop in trading income, lower cash holdings, and the increase of about R13m in short-term interest-incurring debt — included under current liabilities — contributed to the lack of interest cover

Net finance charges rose to R3,3m from R783 000 for the comparable period the previous year because of the higher short-term liabilities and smaller cash balances

The R13m increase in short-term debt resulted from the compulsory redemption of preference shares in September

About R30m of the R59m of current liabilities was interest-incurring debt

When R30m short-term interest-incurring debt is included, gearing rises to 28%

Macmillan said mining and quarry rights made up R57m of the R155m of fixed assets and investments

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Gold mines find ways to live with low prices

B/Day 19/3/92

MATTHEW CURTIN

SA GOLD producers have accepted that they have to live with low gold prices in the short term But the latest plunge in prices will not be grave cause for concern for any but the most marginal mines, say market sources

The rand/gold price is around R31 400 a kilogram — its lowest level since December

Simpson McKie analyst Rodney Yaldwyn said yesterday "gold producers have come to terms with the low gold price"

Yaldwyn said only the most marginal mines, particularly those which did not sell gold forward to protect themselves from low prices, would be under pressure in the current quarter or the coming June quarter

He said Gold Fields' marginal operations — Doornfontein, Libanon and Venterspost — were in the toughest position because of the mining house's aversion to forward selling Also under pressure would be Gengold's West Rand Consolidated and Anglovaal's Loraine

He said the larger gold mines enjoyed greater flexibility in being able to continue their cost cutting drives

Yaldwyn believed that the rand/gold price would soon return R1 000 an ounce and higher

Of the myriad of factors blamed for the fall in gold prices this week, he said an important one was the start of new hedging programmes by North American gold producers Once their contracts were in place, prices could recover

E W Balderson analyst Nick Goodwin said the gold mining sector, now "in tune with low gold prices", would experience a March quarter similar to that of the previous period, in which the industry improved its working profit for the fourth quarter running

He noted that the average rand gold price this quarter, before forward sales, of R32 200/kg compared favourably with the December quarter's R32,400/kg Forward sales then boosted average revenue to R33 500/kg

Goodwin said mines were finding new ways to cut costs both underground and on surface, with the installation of more efficient operating systems, careful use of equipment, pruning the workforce and reducing capital spending devoted to the maintenance of production

He noted that the billions of rands of new capital spending on shaft development at Gengold's Oryx mine, and by Anglo American, was going ahead as planned

Lower general capital spending meant that if gold prices picked up, many mines would have developed inadequate ore reserves Dividend payments would then probably suffer as the mines strove to make up for earlier cutbacks

GOLD

FM 20|3|92

Caught in a bear squeeze

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After moving in a range of US$345-$370/oz for more than a year, the price of gold fell through the floor on Monday, to a London afternoon fix of $343 By Tuesday it was well below $340

The Wall Street Journal reported rumours of heavy selling from the former Soviet republics, while the recent loss of confidence in Tokyo financial markets (see page 40), which had helped support the metal in the past year, must have contributed to the slide

Technical factors also played a part as the market tested a series of support levels

The effect on SA gold producers was cushioned by the fall in the domestic currency against the US dollar, so the rand value remained higher than it was at the start of the year But the falling currency, though sustaining revenue now, will soon be translated into a higher price tag on imported inputs So one way or another the effects of recent price movements on international financial markets will have a negative impact on industry profits

At $343 and an exchange rate of $/R2,90, the industry would average R31 980/kg With working costs averaging R27 000/kg, it would still be in a profit situation, though paying for capital expenditure out of this margin Moreover the cost is an industry average and a number of marginal mines will be at risk by the end of the year, says Gengold MD Gary Maude

The implications for the economy are significant

In June 1991 it was estimated that, if 10 marginal mines closed, GDP would contract by an estimated R3,5bn and 88 000 jobs would be lost in mining, with a further 48 000 jobs likely to be lost in service or mining-related industries.

The latest drop in the gold price comes at a time when the industry has drastically pruned its operations The latest Chamber of Mines newsletter records that the cost of milling a ton of ore increased only 6,3% in 1991, over a period when the official inflation rate stood at 16,2%

"The achievement is even more impressive when the working-cost increase takes account of the rise in the average grade of ore, which went up from 5,05 g/t in 1990 to 5,20g/t in 1991 Effectively, this means that the working cost per kilogram of gold produced rose a mere 1,6% — or just one tenth of the annual official inflation rate"

The flattening in the cost curve, at a time when the price was moving up in rand terms (see graph), left a margin for comfort in 1991 But what are the prospects for the industry if the price does not improve significantly?

Says Frankel Max Pollak analyst Adrian Finch "At this stage there is not much scope for further cost cutting Head office charges have been cut to a minimum and, on the mines, the cost of consumables such as timber and explosives has been held in check but inflationary pressures are building"

He says the full effects of productivity agreements negotiated with unions last year will take time to work their way through "In the UK, the British Coal agreement, which linked output per shift to wages, pushed up productivity dramatically since the mid-Eighties But this only happens as the workforce begins to realise how the system can work for them Once they are educated into it they look at everything very differently — saving on materials and concentrating on maximum output"

But this is in the future And there is the danger that existing profit- and productivity-linked deals will not be renegotiated in June The National Union of Mineworkers has been critical of aspects of the deals — it argues that a number of factors influencing productivity and profitability lies outside the control of the work force

Remuneration, which includes housing, bonuses and rations, represents more than half of the industry's costs Other costs are

☐ Electricity, 12% These costs are linked to the gold price so can be relied on to be counter cyclical, and

☐ Stores, 35% Mining consumables include chemicals, spares, timber and explosives Though there is some scope for containing costs of certain chemicals, there is little that can be done to cut the costs of timber and explosives

continue →

Gold and platinum decline continues

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B/Day 20/3/92

MATTHEW CURTIN

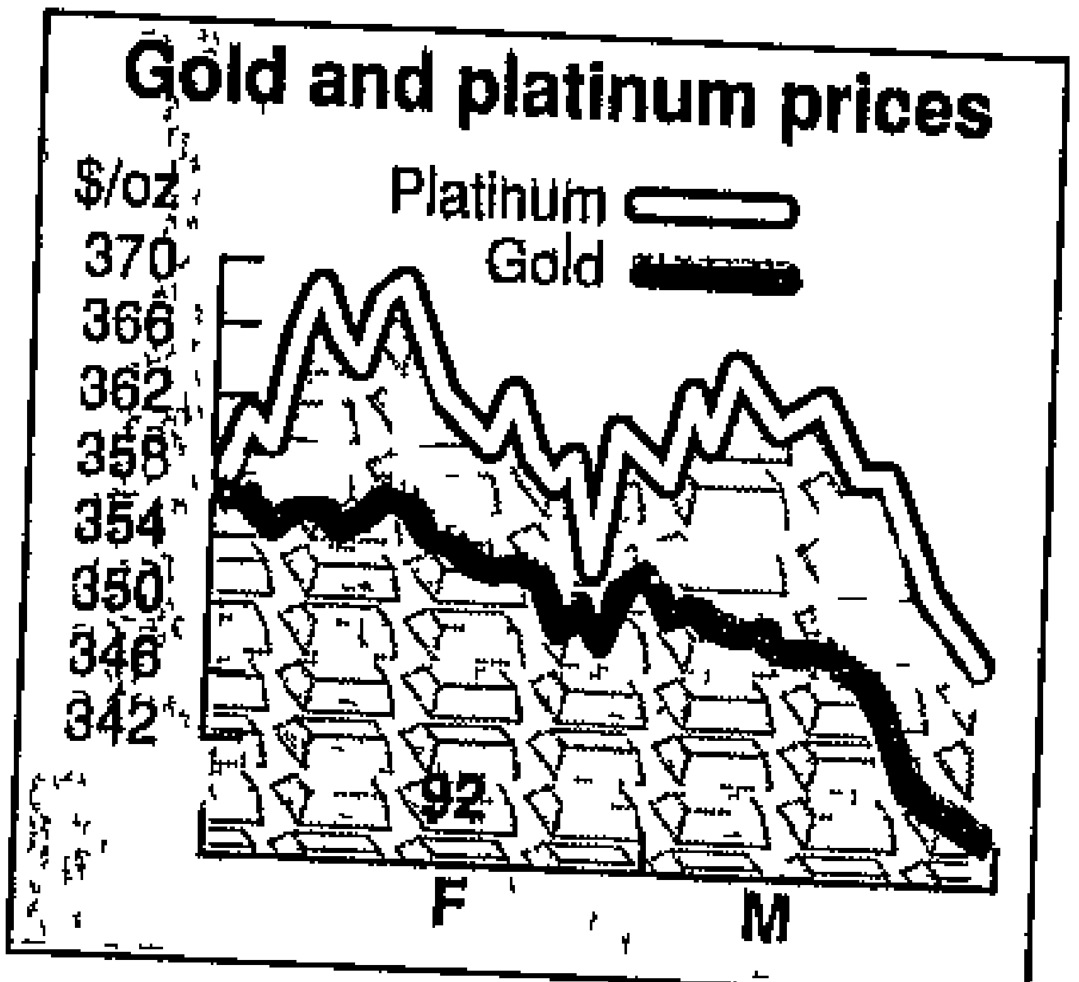
THE gold and platinum tailspin gathered momentum yesterday Technical analysts said worse was in store for the metals which had hit a severe bear market and could fall to their lowest levels since 1985 within weeks

Gold and platinum prices fell again yesterday, taking JSE shares with them, with overseas reports crediting the price weakness to Wednesday's "yes" vote in the referendum

Gold was fixed in London yesterday afternoon at $337,80, down from Wednesday's close of $340,25 The metal ended the day at $336,65.

Platinum's crash continued as the metal fell to $346,25, London's afternoon fix, down from $360 at the start of the week The all gold index shed 41 points to close at 1 126, while the platinum index lost 108 points, ending the day at 4 384

Irish Menell Rosenberg analyst Jack Singer said "Gold will move down to as low as $331 an ounce by March 24" He said the metal would recover towards the end of the month, before slipping back to $331 in early April "April 3 to 10 is going to be a crunch period for precious metals Gold may hit new lows, but then recover to test the key $350 resistance level again," he said



Gold and platinum prices

Graphic LEE EMERTON Source I-NET

Reuter has reported that fears of a no-vote and ensuing unrest which could disrupt gold and platinum production buoyed prices last week but soon evaporated when the extent of the pro-reform vote became clear.

However, Edey Rogers analyst Keith Bright said such fears were no more than "misplaced overseas investors' perceptions of SA"

More importantly, analysts said the strong dollar and increasingly fragile New York, London and Tokyo stock exchanges were taking their toll on prices

One technical analyst said "Gold prices have lost momentum ever since the dollar started to strengthen in early 1991 It's now a traders market and gold's downside is such that it could fall below $330 an ounce." She said gold would have to fall even more sharply if there was to be a good rebound in prices, with only a mild recovery likely in mid-year if the metal steadied around $330/340

Singer said platinum could fall as low as $329 an ounce

He said his point and figure chart analysis showed that platinum had fallen through the $355 support level, and while it would find support at $344 and recover in the short-term to $348, the metal "looks sick" and could fall lower

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It is the more profitable mines that still have room to manoeuvre, says an industry economist "While producers of low grade ore have been forced to cut costs, those with higher grades have not yet had to make the same economies " He illustrates the point by comparing two different sets of costs at two different mines, Kloof and Blyvooruitzicht.

"Because of the higher grade ore milled at Kloof, the working cost per kilogram of gold produced amounted to only R18 589 in the third quarter of 1991, while that of Blyvooruitzicht's was R29 342 Because of a lower grade ore, Blyvooruitzicht was forced to restrict its costs per metric ton of ore milled to R119 in the third quarter, while at Kloof the cost has remained relatively high at R241."

Though the difference in working costs can be partially attributed to the diversity of the mining operations at Kloof, it does imply there may be fat in the Kloof operation that no longer exists at Blyvooruitzicht But for those mines already lean, much depends on the price in the months ahead

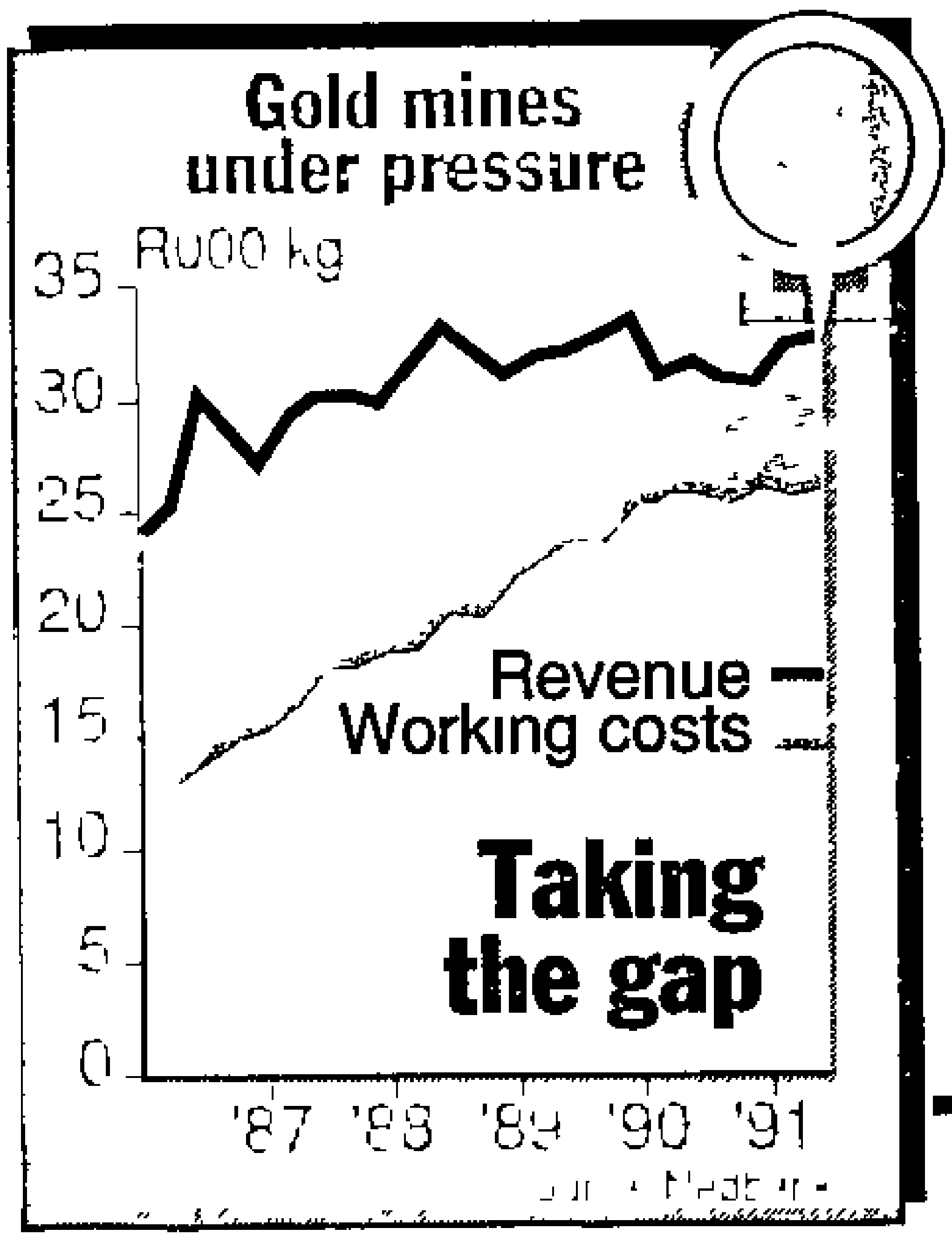
Except for a brief spike towards $420 after Iraq's invasion of Kuwait in August 1990, gold has failed to respond to all its traditional cues The immediate outlook is bleak, says Finch

But there are positive factors, he says. There is still support coming from Singapore and Thailand "And, in India, where there is a propensity to build up physical holdings, a 22-year ban on the importation of gold has recently been lifted "

Encouragement comes also from a Union Bank of Switzerland forecast, made at the end of January, when the metal stood at around $354 The one-month outlook then was $345, in a "sickly physical market " The three-month outlook however was $375 The reasons "A turning point in Russia, swaps sold, gold and platinum cupboards pretty bare; and low interest rates — opening a window in the brick wall of producer hedging "

And the year-end projection was $380

All this is well below the price of over $400 predicted by bulls at the close of 1990, when gold topped $391 But it looks comfortable enough from the present troughs ■



Minorco weathers global slump

B|Day 20|3|92

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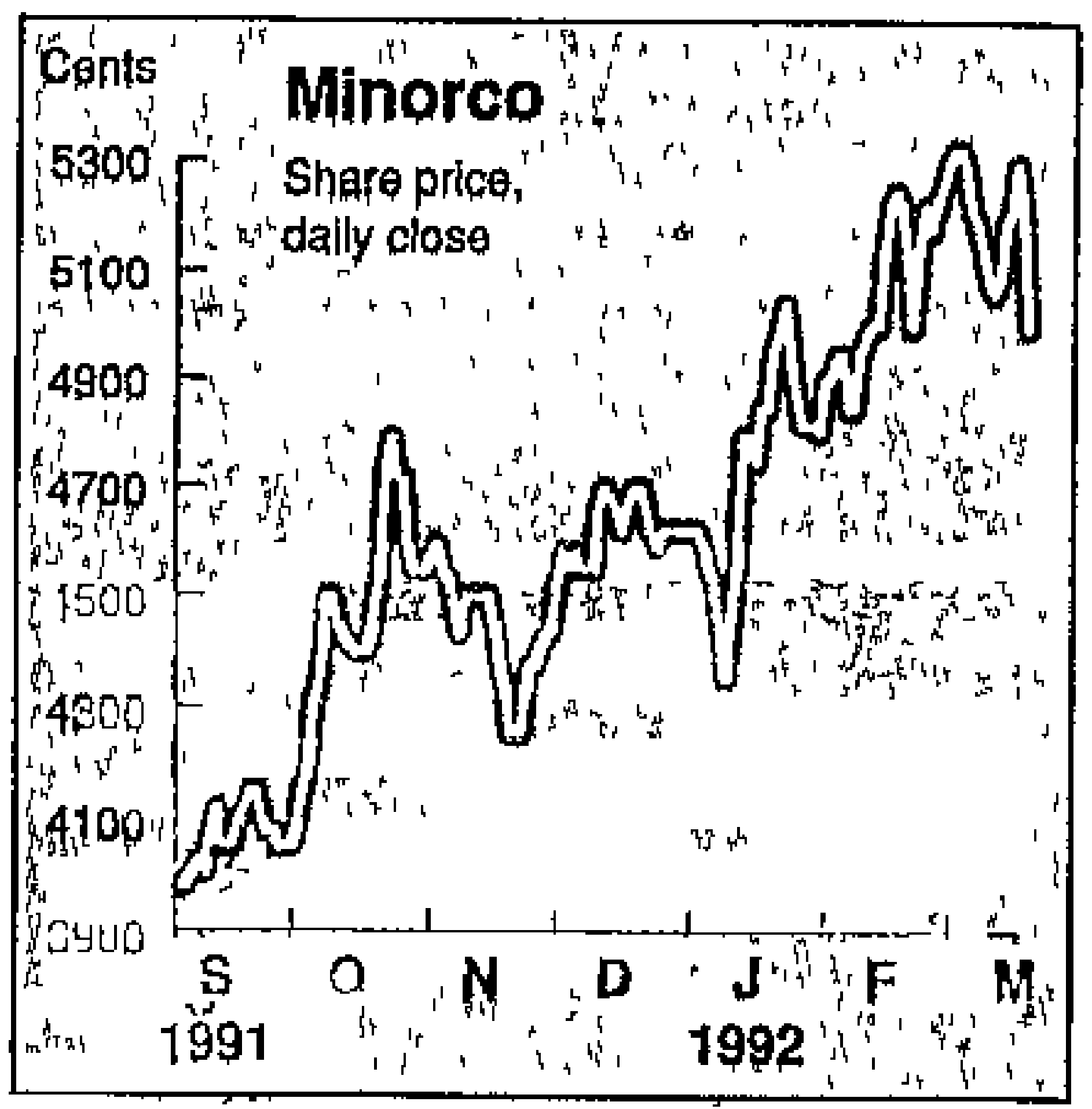
MATTHEW CURTIN



Graphic FIONA KRISCH Source I NET

MINORCO, Anglo American's European-based natural resources group, has weathered the world recession and slump in commodity prices to post a 2,5% increase in attributable earnings in the six months ended December 1991

Earnings before extraordinary items rose to $98m from $95,6m in 1990, equivalent to $0,58, against $0,56 a share Minorco declared a 6% increase in the interim dividend to $0,18 from $0,17 a share

Minorco proceeded cautiously in the period with its strategy of buying high quality, low cost natural resource assets, as it moved further away from being purely an

☐ To Page 2

Minorco

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☐ From Page 1

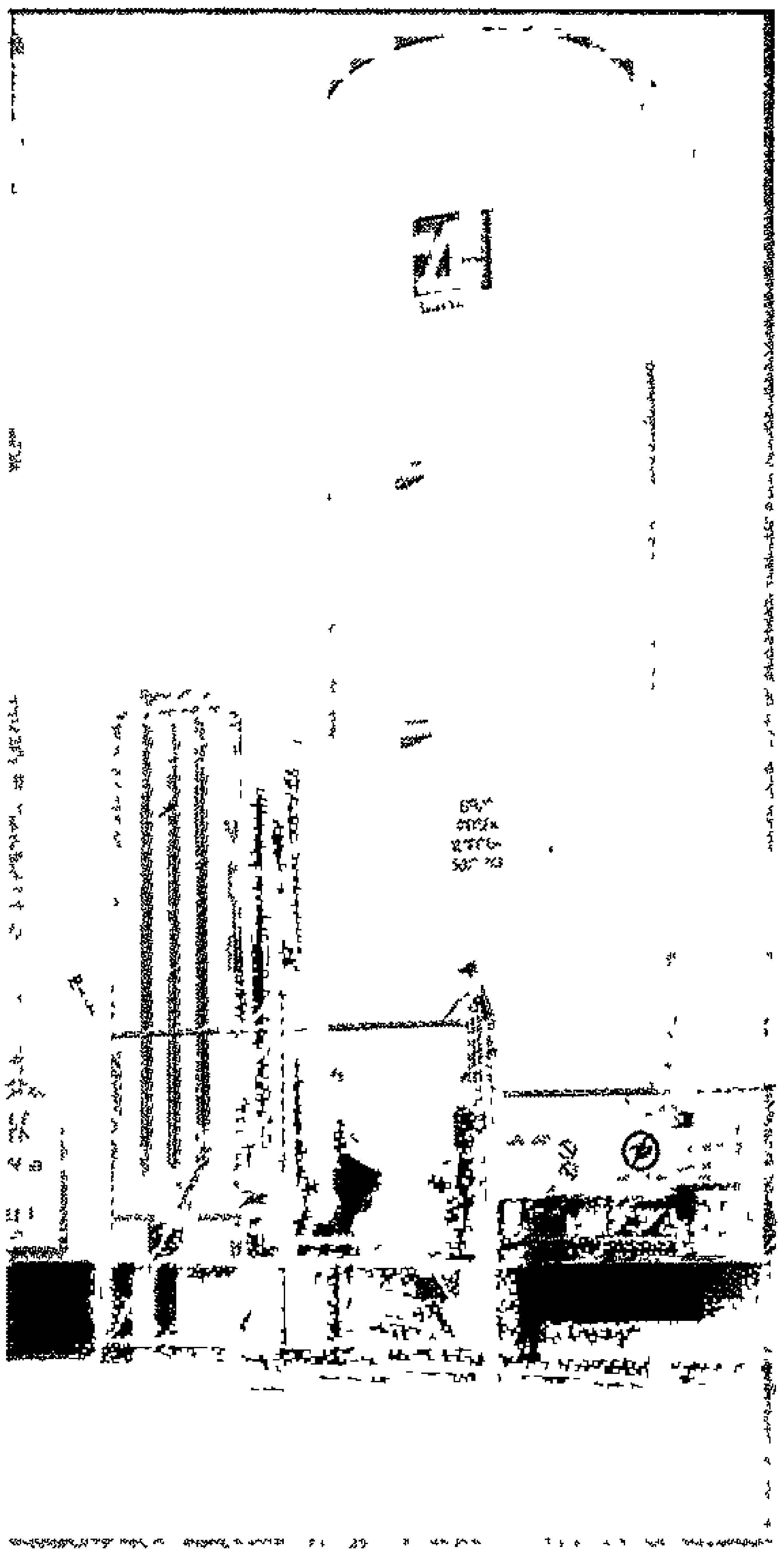
investment company

Minorco's operating profit was $72m in the period, on a turnover of $558m The group's key operating subsidiaries are US gold producer Independence Mining, base metal producer Hudson Bay Mining and Smelting and its German aggregatebusinesses

Equity accounted earnings amounted to $44m after strong showings from Engelhard Corporation and UK-based industrial group Charter Consolidated in which Minorco has 30% and 36% stakes respectively

A group spokesman said yesterday Minorco advanced its plans to develop a broadly based European industrial minerals business with the purchase of German hardstone producer Lausitzer Grawacke GmbH and ICI's UK-based lime business renamed Buxton Lime Industries

Minorco had cash and short-term investments of $1,8bn at December 31, almost unchanged from June 30, and total borrowings of $457m



A liquid oxygen tank for gold leaching, where Liquid Air uses oxygen to process ore

Process boosts gold recovery

BDay 24/3/92

AS the cost of gold extraction becomes higher and higher, process efficiency has become a key factor in profit maintenance.

The more gold that is dissolved, the better the recovery, says Liquid Air market development manager Christian Muller

The company's AuLoxal gold leaching product provides a technique for increased gold dissolution by boosting the dissolved oxygen concentration in leach solutions

Muller says the AuLoxal process depends on far more than simply pumping oxygen into a cyanide pulp and it gets the best possible contact between oxygen and gold. This results in higher gold recoveries, lower cyanide consumption, shorter leach times, less plant maintenance and slower carbon contamination

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He says Anglovaal, Rand Mines and Southgo have already made use of Liquid air's service and AuLoxal technology and a number of permanent AuLoxal installations are in profitable operation

Gold producers face further rationalisation

By Jacques Magliolo

MAGLIOLO
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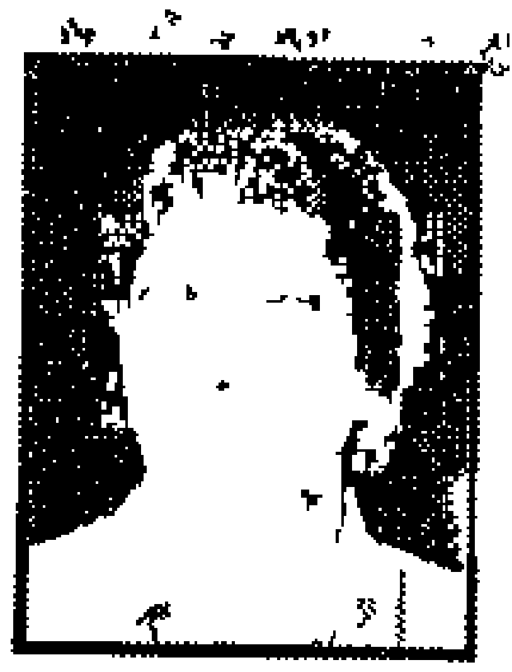
on the
MARKET



STAR 26/3/92

There seems to be no respite for gold producers

In just over a year, the gold price has endured pressures from a multitude of factors including a stronger dollar, low US inflation and continuous oversupply conditions

Even bullish events such as war in the Middle East, internal strife in the Eastern Bloc and high oil prices, have failed to give it a boost

Now, only two weeks before gold quarterly results are announced, the gold price has, for no discernible reason, fallen from a trading range of $350-$360 an ounce to around $340

While analysts say that price is only one variable which affects gold producers' bottom line earnings, they admit it has a substantial and emotional influence on investor confidence.

In the past three months, the metal has continued to display strong bearish tendencies, so investors can expect poor quarterly results.

Robert Gillan, analyst and head of research at Mathison & Hollidge, expects a general fall in bottom line earnings.

In addition, the quality of grades mined should fall and cost structures will be adversely affected by continuing high inflation

However, capital expenditure should remain static as producers have tried to maintain profitability

With this profile in mind, it is no wonder that analysts are reluctant to recommend gold shares for the short to medium term.

However, investors who want to buy gold shares should go for low cost operations which have the potential to improve grade levels

Best options

Anglo-American's Elandsrand and Southvaal appear to offer the best investment options

An institutional analyst strongly recommends Goldfield's Driefontein mine, which has outperformed the gold index since the 1987 crash.

The December quarterly results reveal that it cost this mine R643 to produce one ounce of gold (including capex), but on a revenue of R1 009 its gold mining operations thus provided a net working profit of R566 an ounce

If gold doesn't recover by year end, some producers will have to rationalise, and if there is no change in price in 1993 some mines will be forced to close down

Rationalisation could take place at Anglo's marginal mine, Freegold, and — to contain current profit levels — Vaalreefs

Gold field's Driefontein and Kloof mines could also be rationalised, but its Driefontein, Libanon and Venters mines would close on a continued low gold price

Analysts agree that while closures may lead to bad publicity, it would have a marginal effect on Gold Field's earnings (from gold mine operations) These mines are at present breaking even

Some technical analysts are more pessimistic They say that a comparison of gold mines' distributed earnings to the All Gold Mining Index proves that profit margins are under pressure and will remain so even if the gold price improves

Comparison

The comparison shows that, until 1986, earnings followed the same pattern as the index. However, after this profitability fell, even when the index rose.

At present, technical indicators show that distributed earnings could continue to fall.

from R113m at the end of December

did not reflect this year's performance

Manro falls far short of forecast

MARCIA KLEIN (183)

DESPITE forecasts of ~~substantial~~ profit growth in 1991, chemicals manufacturer Manro Chemical Holdings has reported an 18% drop in attributable earnings from R4,7m to R3,9m in the year to end-December

Directors said the anticipated profit growth was not achieved mainly because of a significant profit downturn in the Bevaloid division and an initial trading loss at Aquasol, a joint venture started in April

Turnover grew 3% from R86,3m to R89,1m, reflecting a marginal rise in domestic sales and a 15% increase in export sales Directors said "the continuing depression in the textile, paint and paper industries and a marked downturn in mining activity resulted in lower volume sales to these sectors"

Operating income dropped 24% to R7,2m from R9,5m, interest charges rose 45% to R3m, resulting in a 43% drop in net income before tax to R4,2m

B/Day 26/3/92

A substantial reduction in taxation, due to utilisation of tax losses and tax-exempt export incentives, contained the earnings decline to 18% — from 11,62c to 9,53c a share.

A 13% lower dividend of 3,25c (3,75c) a share was declared

Directors said operating profit would improve during 1992.

CMC's Nigel goes the way of gold mining's independents

(214)

B/Day 26/3/92

MATTHEW CURTIN

THIS week's decision by Consolidated Mining Corporation (CMC) to close its Nigel gold mine marks the latest in a long series of setbacks for the independent mining sector

Mining at Nigel, one of SA's oldest gold mines, first started in 1888 It was closed in the 1956 and reopened in 1981, and then taken over by mining entrepreneurs Roy Flowerday and Glenn Laing

Nigel's demise follows that of independent producers Osprey, Eersteling, Rand Leases, Wit Nigel and Sub Nigel, all in the past 18 months.

Analysts said yesterday that Nigel was typical of mines worked out by old mining companies but revived by entrepreneurs in the '80s

They raised money on the JSE in the mid-'80s boom with ease, but the mines proved be no more than holes in the ground, workable only at high cost and with rising gold prices

CMC finance director Hennie Buitendag said yesterday that under CMC's control, Nigel had always been a marginal operation Rising working costs and weak gold prices had made the mine's future as a large operation untenable

Buitendag said CMC now had no option but to liquidate the company, but he was confident that a compromise would be worked out between the company, its creditors and shareholders through which gold mining could continue

Although production at the Nigel mine was suspended last year and the company had only three months of surface reserves left, he said mining on the Droogebult section could be economic on its own in the future

In the '80s Nigel became the foundation for Laing's South East Rand Gold Holding (Southgo) which later formed the gold division of CMC

Flexibility

The company's longer term future was apparently secured in 1990 when it acquired mining title and virgin ore reserves from Gold Fields' Vlakfontein mine

Laing, who resigned as Southgo MD last year, said as recently as July 1990 that Nigel had enough ore reserves "to keep our mills full for the next 15 years and plenty of flexibility to mine underground"

Problems at Nigel, which broke even at the end of last year after falling R1,3m into the red in 1991, were highlighted by its auditors' qualified report of its 1991 financial statements

MINORCO FM 27/3/92 (214)

Still a cash mountain

Despite spending US$1bn-plus on acquisitions since "losing" the battle for Consolidated Gold Fields, Minorco excites little attention these days. Gold (Independence Mining in the US) is out of favour; quarrying (Germany) and chemical grade lime (UK) may be solid but hardly fire the imagination.

Hence the uninspiring interim figures attracted minimal interest. Pre-tax profits slipped by 8,6% to $105,6m but earnings per share notched up 2c to 58c and the half-time dividend is up 1c to 18c At $14, the share remains in the middle of its London 12-month trading range — a 36% discount to NAV, which includes cash of nearly $11 a share.

Comparisons of the newly acquired, wholly owned "operational" bits of Minorco will be more meaningful by the year-end (June

FM 27/3/92 (214)

30) Meanwhile, the bulk of earnings derives from the $1,8bn cash holding — with financial income up $3m to $102,6m in spite of lower interest rates — and the two main passive investments, Engelhard (30%) and Charter Consolidated (36%)

Engelhard and Charter contributed most of the equity-accounted profits of $44m, up 26%

Weak gold and commodity prices along with weak interest rates "persuade us to remain cautious about results for the second half," says Minorco, repeating its familiar line that conditions are favourable for "strategic acquisitions at attractive values "

That leaves the London market toying with endless permutations about what Minorco may do next — perhaps in tandem with Charter, also seeking hands-on situations, and its 38% holding in Johnson Matthey

Stone quarrying is the hottest option but Minorco has shown no sign of getting involved in the contested bid for Steetley, though there have been rumours that it may bid for Tarmac — a bigger mouthful at £1bn and not especially cheap

The group could also average down its investment in US gold mining One suggestion is that Hanson group may be a seller of the directly owned mines it picked up with Consolidated Gold Fields But then Lonrho is also cheap at its present crisis level

In addition, the Zambian budget and new government's commitment to privatising parastatals have raised the prospect of a return to the Copperbelt Broker Durlacher is tipping Zambian Copper Investments (50% held by Minorco) as a buy, on its 27% of Zambian Consolidated Copper Mines

Minorco's executives are to make a presentation to London mining analysts on Thursday at which a few more clues may be gleaned to inspire investment interest

John Cavill

Gold and diamond operations face closure

B/Day

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B/Day 27/3/92

MATTHEW CURTIN

THE diamond and gold mining operations of Consolidated Diamond Corporation (CDC) and Simmer and Jack Mines took a turn for the worse in the six months ended December, and both face closure in the near future

CDC director and Simmers chairman Chris Mumby said yesterday that both CDC's Samada diamond mine and Simmers' Makonjwaan gold mine might have to be closed

Mumby said that although Samada showed an operating profit in the period, it was well below expectations because of the poor grade of diamond reserves CDC had not been able to find alternative, richer ore reserves

He said the group was exposed to "uncovered foreign debt liability" and CDC might not be able to meet its obligations.

Samada might have to close if discussions with a foreign lender and other parties concerning the future of the group were not successful.

Samada, CDC's main asset whose 1991 results were qualified by its auditors, posted an operating profit of R824 000 in the period It was more than offset by R1,6m in interest charges and a R2,6m unrealised loss from a foreign exchange transaction CDC posted a bottom-line loss of R2,9m and the company was laden with R27m of long-term debts at December 31.

In addition, Mumby said that if work aimed at improving the mill grade at Simmers' Makonjwaan mine in the eastern Transvaal did not succeed, the mine might have to be closed temporarily.

Simmers turned in an after-tax loss of R1,6m, but the bottom line was boosted by R10m from the sale of investments and slimes dam material. Simmers is not having its large reserves of gold dumps and slimes treated at the moment, but after a deal last month with Waverley Gold and Knights, the three companies have formed a large dump retreatment and property group on the East Rand

Neither Simmers nor Waverley has a gold recovery plant, but their reserves are near Knights' plant, which now has 143-million tons of reserves, payable for 15 years at current gold prices

Mumby, a director of Waverley, said the company's turnover in the six months ended December came mostly from slimes material being processed by Knights

Waverley turned in an after-tax profit of R671 000, against R571 000 in 1990.

Toronto firm in gold deal

(214) (43)

S/Times [Buss] 29/3/92

Business Times Reporter

A LEADING Canadian mining investment company has acquired a R43-million major holding in the merging Knights Waverley Simmers gold-dump retreatment project

Dundee Bancorp Inc, the Toronto-based natural resources group, announced this month that it will acquire 24% of the merged Knights operation

The proposed merger, in which all three companies' assets will be absorbed into Knights Gold Mining, is expected to be implemented by the end of May

The merged Knights operation will have a projected annual production of 60 000 ounces of gold, produced at an operating cost of under $250 an ounce, and has the potential to expand production to 100 000 ounces a year Knights' annual gold production totals about 46 000 ounces (1,44 tons)

Profitable

The R43-million Dundee Bancorp deal is the first major foreign investment in a South African gold-mining operation since sanctions were first imposed in the mid-1980s

Dundee Bancorp chairman Ned Goodman says "This is a sound investment in a potentially very profitable enterprise and a good way for Dundee Bancorp to get into the African mining business"

The total reserves of gold-dump sand and slimes available to the merged group amount to about 143-million tons, with head grades varying from 1,55 grams to 0,24 grams a ton The new company will continue to treat dump material at the rate of 280 000 tons a month

The merged operation has a life expectancy of 15 years

Capital expenditure of R36-million is planned for the refurbishment of a non-operational mill owned by Simmers, and for improvements

ARG 30/3/92 (214)

Gold mines in vicious squeeze

JOHANNESBURG — South African gold mines are caught in a vicious squeeze between rising costs and weak gold prices, which mining analysts say might threaten future investment and development

The industry, the world's leading gold producer, has over the past year largely weathered what mining executives called the worst crisis in its 105-year history

But the benefits of stringent cost controls are threatened by failure to tame a 20-year run of double-digit inflation and sagging prices for gold

"The result is that even the most concerted effort to secure relief from the profit squeeze is being undermined as inflation relentlessly erodes the real level of income obtained by mines for their gold output," said analyst Ms Francois Viruly

Ms Viruly, senior economist with the Chamber of Mines mineowners' association, said that if gold revenues remained at present levels, the industry's long term fortunes and its international competitiveness would depend largely on efforts to curb inflation

South Africa was now the highest-cost producer among major producing nations such as Australia, Canada and the United States Just seven years ago it was the lowest-cost producer

World gold prices are now around $340 an ounce, against a peak of $850 an ounce in 1980

Mine owners have slashed costs to survive the downturn, curtailing mining operations, staff, wage increases, exploration and new mine development projects

The cost of treating a ton of ore was kept to only 6,3 percent last year, while working costs a kilogram of gold produced effectively rose 1,6 percent or one-tenth of the official inflation rate

This was helped by mining richer ores, yielding on average 5,20 grams of gold a ton, compared with 5,05 grams in 1990 As a result total output slipped only four tons to 598 tons

Minerals and Energy Affairs Minister Mr George Bartlett said last year South Africa could develop 15 new gold mines if the industry could overcome financial and technical challenges — Sapa-Reuter

Exploration companies looking to the future

B/Day 30/3/92 (214)

MATTHEW CURTIN

GOLD mining exploration companies, undeterred by current low gold prices, are focusing current exploration on preserving the industry for future generations, says JCI gold division and Barnato Exploration (Barnex) chairman Kennedy Maxwell

The mining exploration sector continues to be blighted by low metal prices and investor scepticism. Shares have lost 80% of their value since March 1990 and are currently bumping along the bottom of a profound bear market.

However, Maxwell said at the weekend JCI hoped to bring its multimillion-rand South Deep gold mine into production in the 1990s and that Barnex's exploration programme was designed to put the mining house in a position to exploit gold reserves as far ahead as the year 2020.

He said that Barnex was currently concentrating on spending money as carefully as possible, but important exploration was continuing albeit on a low level. JCI was confident that the demand/supply equation would swing in favour of higher gold prices in the coming year, bringing with it higher prices and a return in investor confidence in metal

As long as central banks did not offload their huge gold reserves, higher gold prices would come about and sustain the development on new mines, Maxwell said.

Simpson McKie analyst Peter Bahnemann said the weak exploration sector on the JSE reflected the low level of activity by the mining companies

Mathison & Hollidge analyst Rob Gillan added scathingly that if one looked at gold shares as an option on the gold price, then gold exploration shares were little more than expensive "options on an option on the gold price"

Analysts agreed that the sector was waiting for worldwide economic recovery and the prospect that that would see gold and industrial metal prices improve

Most gold deposits being investigated in areas like the Potchefstroom Gap were too deep and too costly to develop until gold prices improved dramatically

One analyst said it was only gold that could woo investors back to the sector en masse. However, there were exploration shares which held better prospects than others in the short term

He noted that Rhombus Exploration was one of the few companies which was not reliant on gold prices It had potentially lucrative mineral sands deposits and coal operations, while subsidiary Rhombus Vanadium had a quality vanadium mine.

Sea diamond mining was also an attractive high-risk, high-return sector, with the Ocean Diamond Mining and Benguela Concessions working hard to make their operations viable in the long term He believed they might eventually become attractive purchases for De Beers

In the longer term, companies like Barnex and Randex would weather the depressed conditions given the backing they had from mining houses Similarly Lydenburg Exploration had the benefit of cash flow from gold dump retreatment

Durban Deep prepares for tougher times ahead

By Derek Tommey

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Rand Mines' Durban Roodepoort Deep is preparing for bad times, even though it lifted taxed profit by 35 percent to R15,2 million in 1991

Chairman John Turner says the mine and the rest of the industry must expect costs this year to rise faster than the gold price.

The company will focus on improving productivity and containing costs Underground costs last year rose by only six percent a ton milled

This and the increase in gold output led overall costs to fall by two percent to R31 900 a kilogram.

The mine will also build up its cash reserves to respond to adverse developments and to provide for the requirements of environmental management.

The plan may not please shareholders But Mr Turner says that as long as the mine receives pumping assistance it is not allowed to pay dividends.

In any event, it does not contemplate paying dividends this year

State pumping assistance was worth R8,1 million last year, against R5,8 million in 1990

A 13 percent increase in underground ore production and an eight percent improvement in yield resulted in additional gold production of 746kg.

Hedging transactions enabled the mine to receive an average gold price of R32 910 a kilogram in the first quarter of 1991, R33 790 in the second quarter, R34 325 in the third quarter and R33 581 in the fourth quarter

Star 31/3/92

Mystery buyer to the rescue of Eersteling

STAR 31/3/92

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By Derek Tommey

The risks facing an investor who buys shares in a marginal gold mine at a time of a falling gold price have been painfully brought home to shareholders in Eersteling Gold Mining Company

They are being offered one cent for each of their shares in terms of a scheme of arrangement with creditors, which is aimed at keeping the mine in operation.

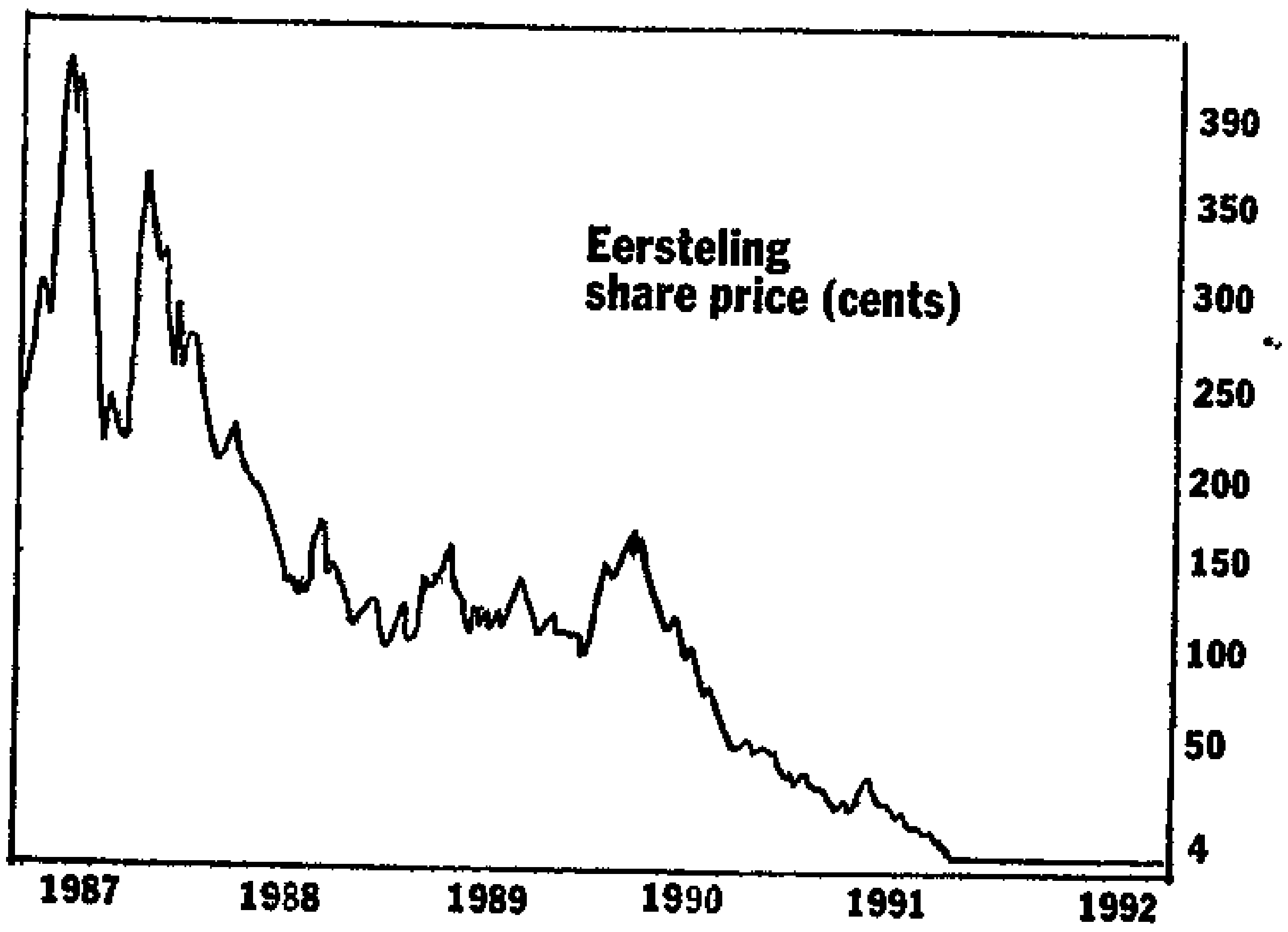
The offeror apparently has Swiss connections for its sole director is stated to be Dr Max Glauser of Zurich

The alternative to accepting the offer is to get nothing, according to a circular issued by stockbrokers Davis Borkum Hare to Eersteling shareholders

The mine, which was started with a flourish in 1987, went into provisional liquidation in May last year, when it could not pay its creditors

At their peak in 1987, Eersteling shares were trading at 395c each, but dropped to 4c just before the company went into provisional liquidation last year

The circular states that the offeror is prepared to inject not less than R5 million into Eersteling



This will enable the company to pay secured and preferent creditors 100c in the rand and concurrent creditors 90c in the rand

Capital

The offeror also proposes turning the 80 million Eersteling 1c shares into 800 000 R1 shares by consolidating them on a 10 000-to-one basis with no return of capital, and paying out 1c a share to holders of fewer than 10 000 shares which cannot be consolidated

Holders of 100 or more of the new R1 shares will have the option of remaining shareholders in the reconstructed Eersteling

In return for the injection of "not less than R5 million" and other considerations, the offeror will be entitled to receive 7,2 million new Eersteling shares

Davis Brokum and Hare says that were the Eersteling mine to be wound up and its assets sold by public auction, concurrent creditors would receive about 46c in the rand and Eersteling shares would be valueless

The circular shows that the Eersteling mine, which is still in operation, had a net surplus of R1,14 million in the nine months to January, and a net surplus after costs of liquidation of R923 000

Income in the period was R7 million and expenditure was R5,6 million, which included R12 373 in capital expenditure

Davis Borkum and Hare says that had the company not been in liquidation, interest would have been payable on most concurrent claims against it

The balance sheet shows that R58,9 million has been spent by Eersteling on mining assets

However, the realisable value of these assets on the winding up of the company is estimated at R4,4 million

In addition, the company has another R2 million in cash and expected profits from "clean-up" operations, giving it total realisable assets of R6,46 million

Liabilities

Against this sum, it has liabilities of R9,97 million, including R1,4 million owed for Master and liquidator fees and auctioneers' commission, R4,77 million owed to Severin Mining Development Company, R352 000 owed to Standard Bank and R1,4 million owed to trade creditors

A general meeting of Eersteling shareholders will be held at the Johannesburg Sun Hotel at 10 am on Thursday April 16 for the consideration of the proposals

BUSINESS DAY, Wednesday, April 1 1992 11

ERPM 'still sensitive to big interest burden'

BDay 1/4/92 (214)

MATTHEW CURTIN

RAND Mines' ageing and debt-laden ERPM gold mine is still critically sensitive to the gold price and its huge interest burden, says chairman John Turner

In his 1991 annual review, Turner said negotiations with government aimed at continuing state assistance to the mine were about to start

ERPM's interest subsidy of 10% a year received from government towards its R220m loan from a bank-led consortium would end in December this year

Turner said the current subsidy cut the company's yearly interest bill by R22m, and a failure to extend the concession would have a significant impact on the company

Talks with government would also address the issue of pumping assistance and other financial restructuring which might be necessary to secure the mine's survival

Turner said "The company still carries an enormous amount of debt totalling R435m which is increasing by the amount of deferred interest added thereto annually The disposal of surplus mining assets will continue to be an objective to assist in reducing the debt burden"

Turner said the turnaround at ERPM at the operating level in 1991 was a creditable performance given the low gold prices A R34m working loss was transformed into a R20m profit in the first full year of the implemention of the restructuring plan proposed by the Melamet Commission Working costs were slashed from R38 017/kg to R30 223/kg but working profit was not enough to offset the mine's R47m interest charge

Development of the Far East Vertical Shaft, on which the mine's future depends, progressed well in the year after it was commissioned in April.

Turner said Durban Deep's profitability in the current year was vulnerable to higher working costs and the gold price because of the mine's narrow profit margin

He said the mine would continue to focus on improving productivity and containing costs across-the-board

However, the mine, whose after-tax profit jumped 35% to R15m in 1991, would stay in the black if it was granted state assistance with pumping.

GF Props expects another tough year

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BDay 1/4/92

PETER GALLI

GOLD Fields Property had a difficult 1991, reporting vacancies in some of its modern buildings for some time, chairman Michael Fuller-Good said in the annual report released yesterday.

Rental income was little changed over the year, with rises being offset by vacancies in its Randburg office block and new West Rand mini-factories

"Our New Doornfontein office block saw a take-up of space, and sales of vacant stands at Woodhaven and Kya Sands continued, although at a slower rate," he said

Construction of its R20m business hotel next to the N1 highway at Midrand had started and was expected to be completed in early 1993 "Financing this investment will not be easy and we may have to consider selling some of our gold-linked investments," Fuller-Good said

The "disappointing" gold price adversely affected the group's gold investments

The year ahead would be challenging as vacancies had to be reduced to acceptable levels and construction of the hotel within budget had to be achieved

"This is a time of consolidation after five years of growth in the property business of the group and the dividend is expected to be maintained at 50c," Fuller-Good said

The group reported taxed profits before extraordinary items of R15,406m (R12,007m) in the financial year under review

Net assets for the group amount to R128,377m, with R100,51m or 78,3% in property and R10,64m or 8,3% in gold

Uncertain future for mine

B/Day 3/4/92

MATTHEW CURTIN

UNLESS there is a sharp increase in gold prices or an improvement in recovery grade, underground production from Gengold's 84-year-old West Rand Consolidated gold mine will stop this year, says chairman Gary Maude

In his yearly review of the marginal mine's performance in 1991, Maude said West Rand Cons was still threatened by inflation and weak gold prices, coupled with an alarming drop in development grades Average development values fell to 1 106 centimetre grams per ton from 1 559 last year

Maude said despite good cost control which kept increases at 6,6%, the mine made a working loss of R7,2m in the year

The mine produced 21 tons of gold in 1991, compared with 22 tons the year before Tons milled have fallen steadily in recent years from more than 2-million tons in 1986 to only 849 000 in 1991.

Maude said Gengold's Free State producer, St Helena, battled to sustain profits in 1991, with a 13% cut in tons milled, a 16% drop in gold production and the shedding of nearly 3 000 jobs in the year.

With the continuing reduction in the mine's pay limit, St Helena's reserves at a gold price of R32 000/kg stood at 2,5-million tons at an in situ grade of 14,6 grams a ton, compared with 1990 figures of 2,8-million tons at 10,6g/t

(2/4)

Senior consulting engineer Kobus Olivier said in his technical report on the Oryx developing mine, which is being financed with the help of St Helena's tax base, that the 1 100m deep subvertical shaft was commissioned late in 1991 Pro-

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Mine

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☐ From Page 1

duction would gradually increase during the year Construction of the mine's metallurgical plant and first part of the refrigeration plant were complete

Capital spending at Oryx was R260m in 1991, making a cumulative total of R853m, with another R413m planned for this year to complete phase 1 of the project

Maude said restructuring at Grootvlei was reaping rewards, with the mine pulling out of the red in 1991 to post a R8,3m working profit, after a 17% cut in tons milled

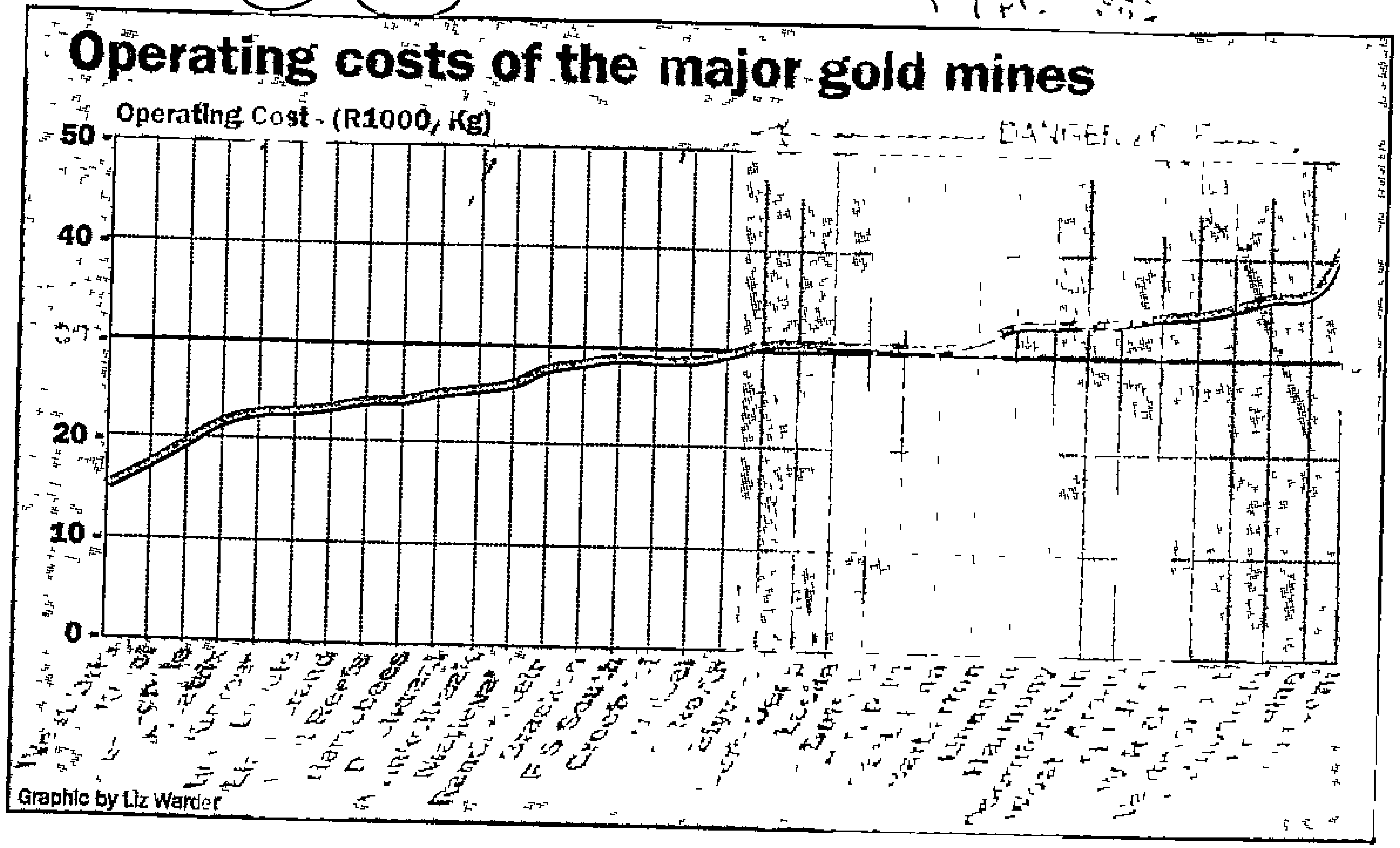
He said the constant rise of the water in the Far East Rand basin would flood and lead to the closure of the mine in late 1992 "unless timeous steps are taken to stem this rise" Management planned to spend R11m on a pumping station to combat the problem, while government had granted a maximum of R3,9m to defray pumping costs in 1992/93

Outlook bleak at mines

STAR 6/4/92

214

A weak gold price has already caused the loss of thousands of jobs in South Africa's mining industry and more than a dozen marginal mines are still in a profit danger zone, despite a wave of austerity measures to reverse the spiral in production costs, reports MICHAEL CHESTER


Operating costs of the major gold mines

Graphic by Liz Warder

THE NUMBER of jobs that South African gold mines have been forced to axe because of the dramatic slide of world bullion prices has swollen to 110 000 — in spite of a programme of austerity measures designed to hold the casualty toll as low as possible

Moreover, as the gold price sinks even lower and struggles to survive above $340 an ounce, the Chamber of Mines fears that still more cuts may hit the labour force — already down from 534 000 in 1986 to 424 000 by the start of 1992 — unless the outlook improves.

The latest alarm bells have been rung by Gengold chairman Gary Maude, who warned at the weekend that underground work at the West Rand Consolidated mine may be forced to a standstill this year

The mines have become trapped between low gold prices and the soaring costs of production.

What has gone wrong?

South Africa was the envy of bullion markets around the world a decade ago with its massive gold production At home, its mines were relied upon to serve as the goose that laid the golden eggs for the entire economy

The decline can be tracked in the computer records at the Chamber of Mines in Johannesburg

When the gold boom hit global markets in 1980 — triggered largely by the Soviet invasion of Afghanistan that sent international investors scurrying to seek safe havens for their cash — South Africa was in the grandstands

The gold price rose to a phenomenal $850 an ounce And South Africa, by far the largest producer, was turning out bullion at the rate of 675 tons a year — equal to 71,3 percent of Western world production

By last year, the average gold price had been more than halved at $359 and annual production was down to 598 tons

Moreover, South Africa's role among world producers had shrunk dramatically

It now accounted for no more than 34 percent of global production outside the Soviet bloc.

• The lion's share of an overall output that had climbed to 1 115 tons was now divided between such growing rivals as the United States, Australia, Canada and Brazil

Mercifully, the South African mines were able to benefit from the chronic erosion of the rand exchange rate which slashed the value of the rand by two-thirds in US dollar terms

Through the bizarre distortions caused by the devaluation, despite the collapse of bullion prices, the mines were earning more rands for every ounce they produced than they were in the 1980 boom

However, all the benefits were wiped out by rocketing production costs as double-digit inflation sank its teeth into profit margins and newly emerged black trade unions flexed their muscles at wage negotiations

The working costs for every kilogram of gold output had streaked from R4 165 in 1980 to R25 975 by the end of last year

By the early 1990s the mines had not only been knocked from their perch as the cheapest gold producers in the world but their actual working costs were now among the highest

Mines have been hit by new shock waves as bullion prices in recent trading dipped to around $340 an ounce, the lowest for six years in United States dollar terms

And concern has been deepened by still worse news from key markets — the gold price in Swiss francs is now at its weakest since 1978 and in Japanese yen at its lowest in 20 years

Production costs have been cut to the bone to avert retrenchments and even mine closures especially at marginal mines says Chamber of Mines senior economist Ivor Leibowitz

Thousands of jobs were saved when the National Union of Mineworkers last year agreed to a radical new pay package which held general increases down to about 5 percent or 6 percent but offered the incentive of bonus payments linked to the performance of the gold market and productivity levels

As it turned out, the weak gold price on world markets hit the bonus element tied to the bullion market.

But co-operation in productivity schemes yielded bonus pay-outs which lifted the overall size of increases for many miners to about 16 percent — "better than most workers did in the recession"

The success of the schemes plus austerity measures, slowed down the annual increase in average mine working costs which surged by 25 percent in 1987, to no more than 1 6 percent last year

It was a triumph that was also linked to management strategies to close down sections of mines where the low gold content of the rock involved working at a loss and concentrate instead on the shafts that promised richer yields

The result for last year was that the amount of ore that was mined dropped down from 111 tons to 107 million tons, but the average gold content rose from 5 05 g to 5 20 g a ton

The relentless pressures of high inflation however were still snapping at the heels of mines without rich grades to save them

The Stilfontein gold mines collapsed under the burden — and there were still as many as 13 mines with combined labour forces of 97 000 workers listed by the Chamber of Mines as marginal and hovering in the danger zone at the start of this year

That particular formula is based on working profit staying at least 6 percent above working revenue to leave a reasonable chance of staying alive

If one draws a line that puts mines in the danger zone if their operating costs are running higher than R30 000 a kilogram, as some analysts do the lists expands to 17 — almost one in every two mines

Fortunately, at least in economic terms, the main thrust of total gold production comes from the heavyweights with high-grade ore to work on

The lowest of all operating costs — and thus the chance of best profits — are enjoyed by such mines as West and East Driefontein Kloof Beatrix and Kinross

Economists at the Chamber of Mines feel fairly confident that overall, South African bullion production will manage to stay at about the current 600 tons a year at least until the mid-1990s

However, it seems the richest of the pickings have already been taken. Though the average grade of ore milled last year edged higher to 5,20 g of gold a ton, old-timers recall that the average grade 20 years ago was more than twice that — at 13 g a ton

Also, the more production is concentrated on the higher grades, the faster total gold reserves will vanish and so shorten the life-spans of many mines — unless investors come forward to foot the bill for replacing them with new mines

Harry Oppenheimer, former chairman of Anglo American has been quoted by the Financial Times of London as saying that unless the scenario improves, total gold production by South Africa could fall by as much as between 100 and 200 tons a year — perhaps 30 percent — by the year 2 000

The mind boggles at the implications for the economy

There comes a limit to the cost-cutting that can be achieved ' says Mr Leibowitz 'And many mines have reached or are very close to the limit by now

If the gold price stays at current levels of about $340 an ounce more production cutbacks will be inevitable '

The next hurdle for the mines will be the annual round of wage negotiations with the National Union of Mineworkers due in June

The union already looks disillusioned about the part of the bonus incentive package that was linked to the performance of the gold price Much may depend on union attitudes towards the renewal of agreements on productivity bonuses

It is not only the gold price that makes nerves twitch at the mines More ulcers are enflamed by the stubbornness of double digit inflation which gnaws away at profitability □

‘20% of industry workforce at risk’

Gengold cuts 1 500 jobs at St Helena

BDay 7/4/92

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**MICK ELLINGHAM
and SHARON WOOD**

GENGOLD announced yesterday that 1 500 miners would lose their jobs in cutbacks at its St Helena gold mine

This could be the first in a series of cutbacks at marginal mines because of the low gold price and could result in massive retrenchments industry-wide

Gengold MD Gary Maude warned that 20% of jobs in the gold mining industry were under serious threat if the gold price remained at current levels.

Anglo American, however, said it could survive an unchanged gold price until next year before having to consider closing marginal mines

Gengold said mining operations at St Helena's No 10 shaft would be curtailed because of a lack of payable ore reserves at the current high pay limit Sections in No 8 shaft and No 4 shaft would be closed.

The shafts would be maintained in good condition, ready for reopening if the gold price rose above $400 Gold closed in London last night at $339,55

The mine produced 720kg of gold a month at an average grade of 6,1g/t As a result of the cutbacks, production would decline to about 650kg a month at an average grade of 6,5g/t and make the mine more cost effective

St Helena is one of the 17 marginal gold mines at the current gold price.

Maude said the decision to scale down the mining operations and reduce the mine's labour complement from 6 500 employees to 5 000 was the only option to maintain the mine's profitability and to ensure employment for the largest possible number of people Employees were informed during the second half of 1991 of the possible closure of the No 10 shaft if economic conditions did not improve

About 100 employees had been placed at two of the group's other mines, Unisel and Oryx, while some employees had decided to take the option of early retirement

The other 1 400 affected by the cutbacks would be retrenched Management had consulted employees and employee representatives about the retrenchments and the retrenchment packages

The retrenchment programme would begin immediately and would be completed by the middle of May It would cost the mine between R4m and R5,2m. As a result of the cutbacks, St Helena's carbon-in-pulp gold extraction plant would be mothballed

Maude said the conventional plant at St Helena had sufficient capacity to treat St Helena's ore in addition to continuing to treat Unisel's ore

Anglo American gold and uranium spokesman James Duncan was more confident about the outlook for Anglo gold mines this year, saying "We are fortunate in that we have a relatively strong portfolio of shafts Our cost-cutting measures have proved very successful and we are confident ... we can withstand the pressure of the gold price at its current levels, at least through to 1993

"Were the gold price to continue at that level thereafter, we might be faced with the closure of some of our older, more marginal mines," he said

THE WEEK AHEAD by Simon Willson

Reserves could battle to hit R10bn

B|Day 7/4/92

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GOLD'S latest slide leaves the March reserves with a lot to do if the psychological R10bn level is to be reached in one jump from February's R9,45bn

A month ago it looked a good bet that the March reserves figures, due out today or tomorrow, would hit the R10bn mark and cover two months' imports at a single stroke

Early in March, however, the gold price suddenly broke below $350 an ounce and then quickly below $340 Almost simultaneously, the rand sagged from levels around R2,84 to the dollar at the beginning of March and straddled R2,88 for most of the rest of the month

This was not, however, enough of a depreciation to offset the weak dollar price of gold, and the rand gold price lost touch with the comfortable R1 000-an-ounce levels it posted at the beginning of March and slid briefly below R975 before rallying

Unless physical gold holdings show an unusually sharp rise, therefore, the gold component of the March reserves seems set to be hit by a lower valuation, and this will restrict its contribution to the total

The underlying trend in reserves looks strong enough, though, to absorb a knock from gold and still show an appreciable rise towards — possibly through — the R10bn level But, as the chart shows, an easier target for the March reserves figure seems to be two months' import cover

Reserves last covered two months' imports exactly four years ago, in the first quarter of 1988 The chart details how considerable the recovery in the imports reserves ratio has been since its low points of barely one month in 1989 and 1990 Attainment of the two months' level will, accordingly, be no mean feat

But the reserves composition has also improved in a way not detailed in either the nominal total or the amount of imports covered In mid-1989 reserves totalled a modest R5,2bn but were matched by the Reserve Bank's outstanding short-term foreign liabilities In other words, only three years ago pretty well nearly every cent in the reserves was spoken for — owed to somebody else It is about as close as any sovereign nation can be to being bust

Reserves will hit R10bn and cover two months' imports either this month or next, and should cover the International Monetary Fund's (IMF) recommended minimum of three months' imports by the end of the year As depicted by the chart, three months on the imports reserves ratio will be a red-letter day indeed as it was last reached in the second quarter of 1981

Internationally, the week is short of sheer statistics after last week's plethora of fresh US data Instead, the markets will take their cue from a series of epochal events on the political calendar which are likely to impact on interest and exchange rates

First up is today's presidential primary election in New York, which could be decisive in the race for the Democratic Party's presidential nomination between Arkansas governor Bill Clinton and former governor of California Jerry Brown The booty for the winner is 268 delegates to the nominating convention — the second-highest total on offer in a single state primary

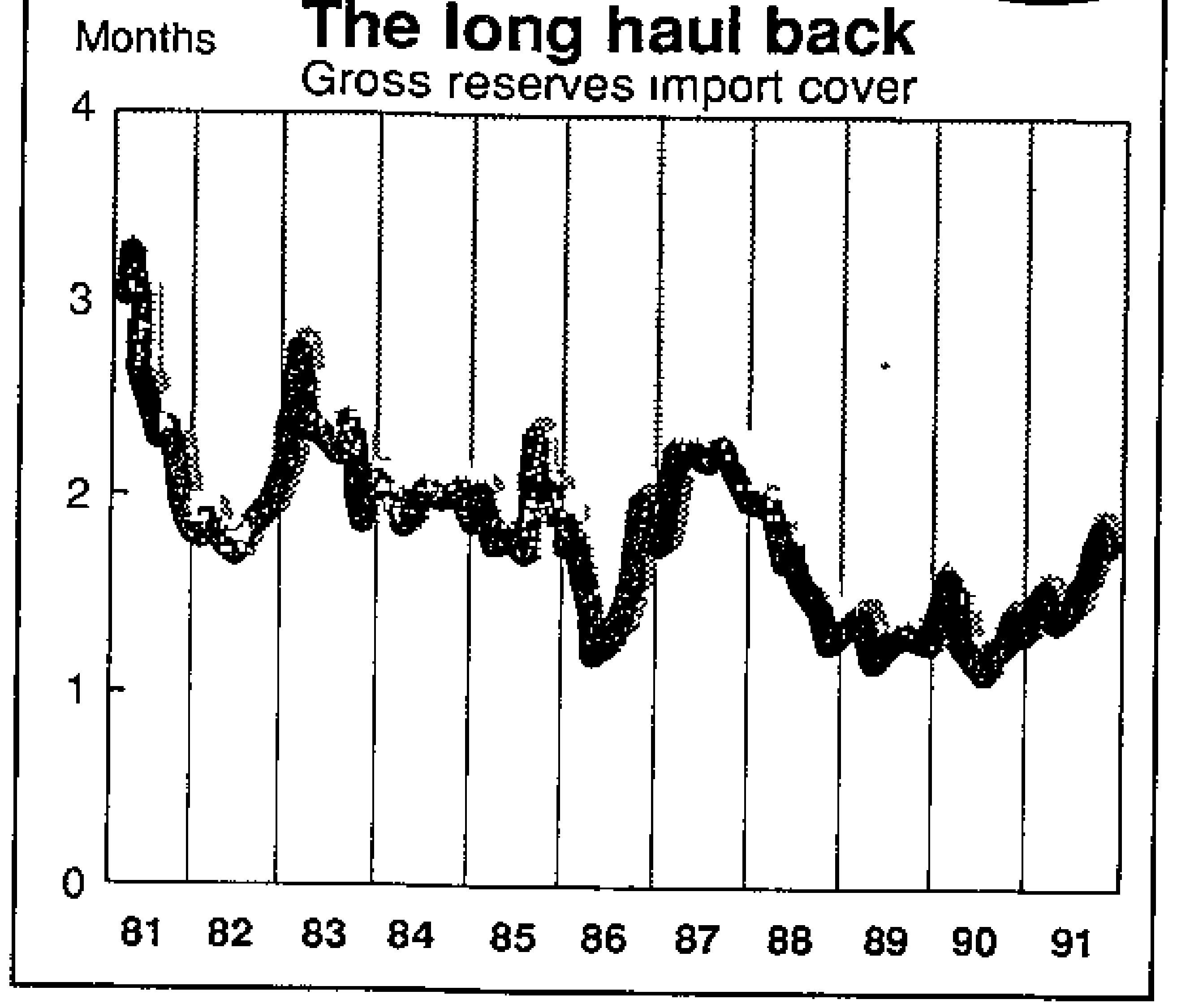
Brown's radical campaign platform — for example his proposal for flat-rate income tax and VAT at 13% and his thoughts on bringing US forces home from foreign bases — makes him someone for the financial markets to watch if support flows his way

Meanwhile today is the second and final day of the EC Foreign Affairs Council meeting in Brussels that is assessing the need for the EC's remaining sanctions on SA The council is mulling over a proposal from Portugal that EC-SA relations now be normalised This would entail the end of the oil embargo, the restoration of nuclear co-operation, the return of EC military attaches to SA and the stepping up of aid flows to SA

The announcement later today of any such decisions to dismantle the EC's remaining SA sanctions is likely to be reflected through instruments such as the financial rand and to be visible in the SA gilts market A decisive lifting of the oil embargo would have immediate implications for SA's external accounts and ultimately, perhaps, for its domestic price level

The British general election takes place on Thursday, and the opinion polls suggest the Conservative government is in danger of losing office The repercussions for SA of a victory for the Labour opposition may not be as serious as they were when the British Labour Party was more rigidly socialist in the 1970s, but British foreign policy will be different under Labour

Labour's stated policy is to keep remaining sanctions in force until after the installation of an interim government and to retain the oil embargo to prevent any reversal of existing reforms



The long haul back
Gross reserves import cover

Graphic Ruby Gay Martin Source SARB

Gengold scales down operations at St Helena mine

Star 7/4/92

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Finance Staff

The depressed gold price is now starting to affect even South Africa's larger producers of gold

Yesterday Gengold announced that mining operations at the number 10 shaft of Gengold's St Helena gold mine near Welkom were to be curtailed due to a lack of payable ore reserves at the current high pay limit

Sections in number 8 shaft and number 4 shaft will also be closed down for the same reason This decision will affect the jobs of approximately 1 500 people

The managing director of Gengold, Mr Gary Maude, said the decision to scale down the mining operations and to reduce the mine's labour complement from 6 500 employees to 5 000, was the only option to maintain the mine's profitability and to ensure employment for the largest possible number of people

During the second half of 1991 employees were informed of the possibility that number 10 shaft might be closed if economic conditions did not improve

Despite the severe pressure on the gold mining industry, management succeeded in placing approximately 100 employees at two of the Group's other mines, Unisel and Oryx, Some employees decided to take the option of early retirement The other 1 400 employees, affected by the cutbacks, will unfortunately be retrenched

"Management has consulted employees and employee representatives regarding the retrenchments and the retrenchment packages The retrenchment programme will be completed by the middle of May and will cost the mine between R4 million and R5,2 million

The mine produces 720 kg of gold a month at an average grade of 6,1 grams a ton As a result of the cutbacks production will decrease to some 650 kg per month at an average grade of 6,5 grams a ton

Eersteling minorities planning counter offer

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Star 7/4/92

By David Canning

A Natal investor in Eersteling is trying to rally shareholders to make a counter-proposal to save their interests following the offer they have received of just one cent a share

Mr Edward Howard, the value of whose investment in the marginal mine has reportedly declined from around R25 000 to R250 at the recent offer price, has been advertising for minority shareholders to join a campaign to work out an alternative proposal

He believes shareholders should inject an extra 10c a share in order to pay out creditors as an alternative to the offer being made by Dr Max Glauser of Zurich

Dr Glauser's proposal involves turning 80 million Eersteling 1c shares into 800 000 R1 shares by consolidating them on a 100 000-to-one basis with no return on capital He would pay 1c a share to holders of fewer than 10 000 shares which cannot be consolidated

Holders of 100 or more of the new shares will have the option of remaining shareholders in the reconstituted Eersteling.

Dr Glauser will inject at least R5 million and receive 7,2 million of the new Eersteling shares

Mr Pat Walsh, an associate of Mr Howard, said that as the mine was profitable at present, minorities should inject the extra capital to pay off creditors

He says minorities should pay out Standard Merchant Bank, which is reportedly owed around R5 million

He said the job of rallying shareholders would be monumental, however

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Tokyo market giving cause for concern

STAR 7/4/92

By Carole Mason
International Economist
Standard Bank

CAROLE on CURRENCIES

In what proved to be a good week for the Deutschemark, the dollar was forced on the defensive

With market concerns clearly focused on the extent of the interest rate differential currently in favour of the German currency, a notable reluctance to hold dollars manifested itself early last week, despite the publication of a number of key economic releases which pointed towards strengthening recovery in the US economy.

With most market participants choosing to keep dollar activity sidelined ahead of the release of US employment data (the economic variable deemed most likely to influence US monetary policy) generalised lack of interest in the dollar saw the US currency drift steadily down to the lower end of its recent Dm1,83-1,68 trading-range.

Lower rates

With focus on the dollar thus greatly lessened, market attention turned elsewhere Fortunately for those traders who earn their keep via volatility in the market place, there were a number of other developments on which to concentrate.

As widely expected, the Bank of Japan lowered domestic interest rates by 0,75 percent, bringing these to their lowest level since 1989

However, in contrast to the belief that lower interest rates would lend support to an increasingly fragile domestic stock market, the Nikkei-Dow Index weakened substantially further, a development which, in turn, gave rise to renewed yen weakness

This particularly noticeable on the yen/Dm cross, contributing in no small measure towards last week's Dm strength against the dollar also

The plunge in Japan's stock market last week defied not only moves on the interest rate front but the introduction by the government of a supplementary emergency economic package designed to thwart mounting evidence of economic slowdown in the Japanese economy.

Perhaps attributable to the perception that these combined measures leave the domestic stock market without recourse to any further supportive factors in the period before the results from these measures begin to manifest themselves, recent developments within Japanese financial markets have given rise to a great deal of international anxiety

Moving from Japan to Europe where developments on the political front proved more pertinent, market focus was immediately attracted to events in France, Italy, and the UK

In the case of the former, the replacement of Prime Minister Edith Cresson by Finance Minister Pierre Beregovoy was greeted with considerable enthusiasm by domestic financial markets, facilitating an immediate strengthening in the value of the franc against its European counterparts.

However, the opposite occurred in the UK and Italy, with market anxiety in the run-up to general elections in both these countries forcing increased vigilance on the part of their respective central banks.

While the Bank of Italy made its presence felt in markets the Bank of England refrained from such action However, in the few remaining days before the UK general election on Thursday, any further opinion poll evidence of the possibility of an outright Labour Party victory will probably force the Bank of England's hand

UK election

Indeed, should the general election result in either an outright victory for the Labour Party or, in what currently seems more likely, a hung parliament in which the Labour Party forms the single largest entity, sterling weakness could become such as to force increased interest rates in the UK.

In international forex markets currently beset by both political and economic anxieties, the only single element of consistency is that provided by the hardline monetary policy stance adopted by the Bundesbank.

For this reason alone, if for no other, the Deutschemark looks set to retain market favour over the short-term.

While medium- to longer-term prospects continue to favour the dollar (assuming that recent evidence of US economic recovery is not aborted, as was the case from July last year), in an environment where near-term activity is expected to continue to focus on technical developments, the dollar will have to accept temporary relegation to secondary status.

Gold mine jobs at a 16-year low

B/Day 8/4/92.

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MATTHEW CURTIN

THE number of people employed on Chamber of Mines gold mines has fallen to its lowest level since 1976, with the prospect of many more job cuts this year

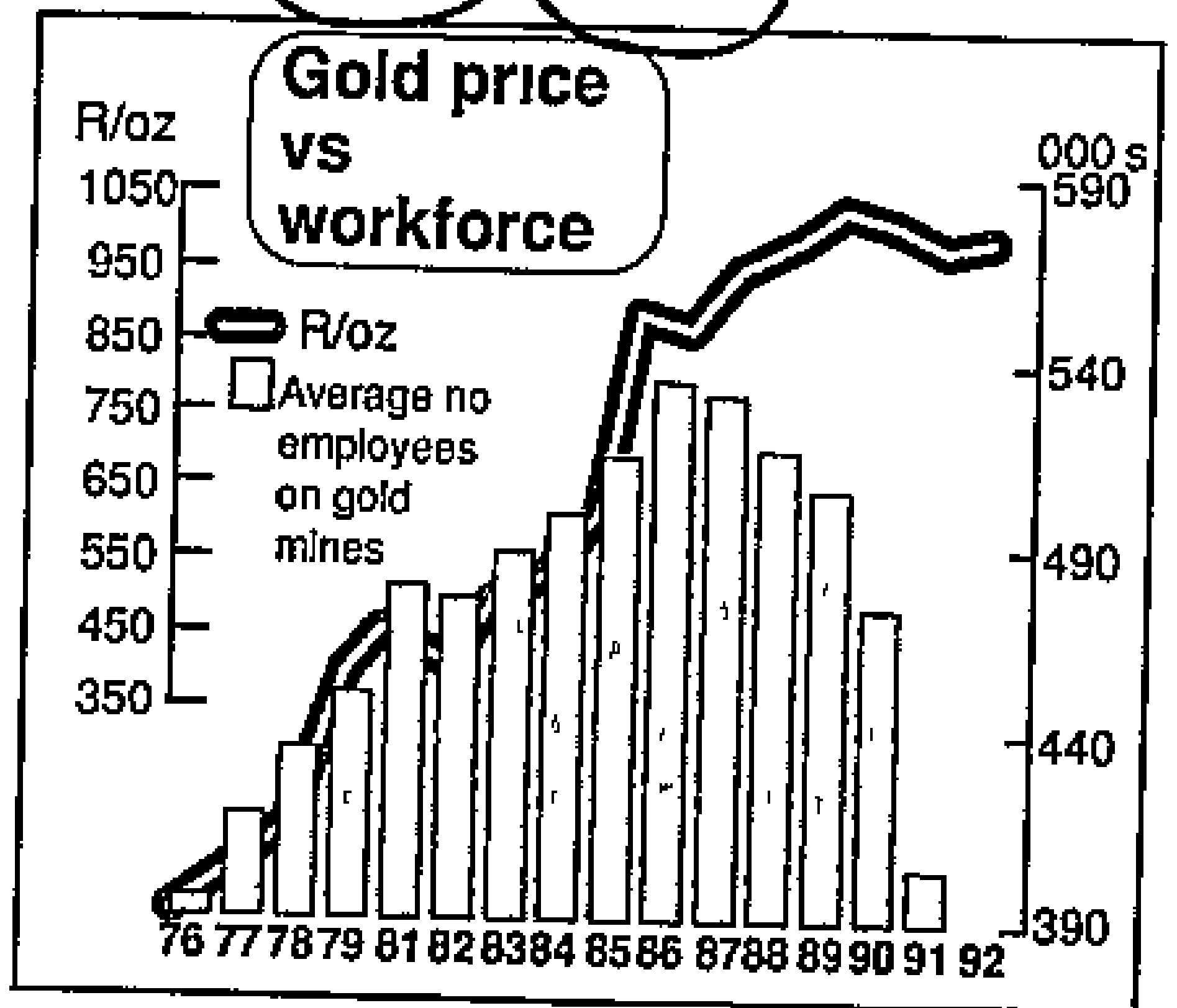
Chamber economist Francois Viruly said yesterday that in December last year, the gold mines employed 406 736 people, a 9% drop from January's 446 456

That compared with an average of more than 473 000 employees in the gold mines' service in 1990, and a record complement of 534 000 in 1986 The last time the number fell below the 400 000 mark was in 1976

Viruly said the rough average of about 3 000 job losses a month was likely to continue this year, confirmed by Monday's announcement that Gengold's St Helena mine would shed 1 500 jobs as part of its latest restructuring programme.

He said the gold mines had been victims of weak gold prices for several years and SA's high inflation rate

Real rand gold prices had not risen or fallen significantly since the late '80s, while dollar prices — which continued to hover around the $338/339 mark yesterday — were at their lowest since the mid-'80s



Graphic LEE EMERTON Source CoM

Viruly said "The Reserve Bank has clearly indicated that the exchange rate will not be used to prop up any industry."

In the past two to three years, gold mines had changed their approach to marginal mines and were no longer willing to run unprofitable operations

He said the result was that once mines were extracting the highest grade ore they

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Gold mines

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could and had restructured as far as they could to keep cost increases to a minimum, the next step was closure and the retrenchment of far larger numbers of workers

But Viruly noted many marginal mines were able to stay in the black and forestall severe cutbacks by selling gold forward at a premium to ruling prices

He added that it was unlikely SA gold production would fall sharply in 1992 because the mines which were most at risk produced relatively little gold, about 80 tons out of the 604 tons produced in 1991

In 1976 an average of 395 000 mineworkers produced 76-million tons of ore milled and 702 tons of gold

In 1990, 474 000 workers produced 111-million tons of ore and 565 tons of gold, a measure of the falling grades and some improvement in productivity in the industry Gold production in 1991 was almost unchanged in spite of the 9% cut in the workforce

Fergusson Brothers analyst Trevor Pearton said the cutbacks at St Helena "heralded things to come" for the industry in 1992 Many mines could reorganise their operations no further without cutting production, and with it jobs

Gengold's West Rand Consolidated, Gold Fields' Doornfontein, Libanon and Venterspost, and Rand Mines producers would be the mines showing signs of greatest pressure when the March quarter results were published in coming days

However, Pearton said mine closures were unlikely given the industry's confidence, especially from Gold Fields, that today's gold prices were only a temporary phenomenon

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Lindum Reefs counters lower gold price

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MATTHEW CURTIN

LINDUM Reefs, the first gold mining company to report results for the March quarter, posted a 22% increase in after-tax profit The company scored from a higher yield and lower working costs, due mainly to production cuts, at surface operations

The improved surface operations offset a lower gold price received and made up for the loss sustained by the company's short-lived joint venture to treat material from an old reduction plant which was being demolished Grades proved to be prohibitively low and the venture was suspended in February

After-tax profit rose to R586 000 from R479 000 in the December quarter Total gold production rose marginally to 137kg from 129kg

Eersteling row heats up

MATTHEW CURTIN

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THE war of words over the proposed rescue of liquidated gold mining company Eersteling is intensifying

The mine's owners dismissed calls yesterday for minority shareholders to reject their latest offer

Swiss-based Esor Establishment SA controls Eersteling, while original owners Severin Mining Development (SMD) retain a 4% stake SMD founded the mine in 1987, but it was never profitable, and went into liquidation last year with an accumulated loss of R11m

In a report in this week's Financial Mail, minority shareholders were urged to reject Esor's 1c share offer as they had nothing to lose, given the mining company's state and the chances that Esor might "sweeten the pot or that another bid might be forthcoming" The offer was "yet another example of minorities being left whistling in the wind while creditors are paid out almost in full and the assets go to new owners at a knock-down price".

This prompted local Esor representative Stefan Hayden, currently managing Eersteling, to reply "Eersteling continues to arouse more emotional response than critical analysis"

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Esor has proposed a scheme of arrangement involving consolidation of the company's existing share capital from 80-million to 800 000 shares. Eersteling would then issue 7,2-million shares in payment for Esor settling R6,5m of its debts Should minorities approve the scheme but reject the 1c-a-share offer, their interest would be diluted to 10% of the new equity

Hayden said minorities would gain nothing by rejecting the proposals

Rockbursts still the major enemy

BDay 9/4/92

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BILLY PADDOCK

CAPE TOWN — Rockbursts and rock falls on gold and coal mines increased by 4% last year despite special "high priority" being given to reduce these accidents. the Mining Engineer Jan Raath said yesterday

In the annual report tabled in Parliament yesterday, Raath said rock falls had accounted for 54% of all fatalities in mines during 1990 He had shown to the Chamber of Mines that most of the fatalities occurred at the stope face

The total deaths of miners last year amounted to 604 men with gold mines accounting for the bulk with 461 people dying in accidents Miners injured during the year amounted to 9 103 as compared with 9 858 for the previous year

He also reported a drastic reduction of 35 623 workers solely as a result of rationalisation in gold mines "resulting from the persistently low gold price" Labour figures for mines were 679 547 (719 170) with gold mines employing 426 830, coal mines accounting for 82 790 and other mines employing 169 927

Raath reported that strict control was maintained throughout the year over air quality as well as at plants at asbestos mines

Our political staff reports SA mineral sales rose a meagre 3,5% to R39,3bn as demand on the world market dropped last year, the 1991 annual report of the Department of Mineral and Energy Affairs has shown

"The stagnation in earnings can be attributed to the continued economic recession world-wide and the war in the Persian Gulf in early 1991," says the report, also tabled in Parliament yesterday

Higher sales in spite of lower export volumes and prices were attributed to an improvement in domestic sales and the weakening of the rand against the dollar

Export revenue increased by only 2,2% to R30,3bn and accounted for 77,1% of the total revenue

Commodities which had increased export volumes were the platinum-group metals, titanium minerals and rock phosphate

Revenue from the domestic market rose by 8% to R9bn, thanks to the increased local demand for diamonds, chrome and iron ore, titanium minerals and uranium

"Owing to the combined effect of a fall in the real price of gold and escalating working costs, gold mining was particularly hard hit Mining activities were curtailed in many instances and thousands of workers had to be retrenched

"A number of small gold mines were forced to cease operations altogether ."

Total sales of gold amounted to R18,9bn and output during the year was 597,7 tons, a drop of 0,9%

Coal was the biggest foreign exchange earner after gold, with 48,5-million tons valued at R4,2bn being shipped to foreign consumers — an increase in value of 5,45% over 1990 but a 2,1% decrease in volume Local sales decreased by 3% to 130,6-million tons

SA remained the world leader in the vanadium market with exports of 19,5 kilotons but this represented a decrease of 10,5% over 1990

Mixed results balance the scales at Gold Fields mines

BDay 10/4/92

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MATTHEW CURTIN

GOLD mines in the Gold Fields fold turned in stable aggregate results in the March quarter Costs were cut marginally helping to offset a weak gold price.

After-tax profit fell slightly to R208m from R212m, an improvement from the December quarter when it fell 6% despite cost reduction

However, the quarter was characterised by sharply contrasting performances from the mining house's high-grade and marginal producers

Gold Fields' three marginal mines, while far from immediate danger of closure, are struggling to restore themselves to profitability

Total gold production rose slightly to 29,6 tons from 29,5 tons in the previous quarter, but a 2% fall in the average gold price received, to R31 911 from R32 281/kg, cut total revenue to R945m from R954m.

Costs fell to R628m from R631m, with unit working cost still lower thanks to the higher gold production at R21 246/kg against R21 432/kg

Capital expenditure fell to R101m from R116m, but executive director Alan Munro said the mines' capital spending programmes were not being curtailed Rather the reduction reflected the timing of the mines' capital commitments

He said while the non-marginal mines — East and West Driefontein, Kloof and Deelkraal — turned in profits similar to or better than the previous quarter, the marginals lacked their flexibility He said management's efforts were nevertheless complemented by a "co-operative workforce"

Munro said the coming quarter would be difficult Gold Fields had misjudged the timing of the recovery in gold prices, but it remained confident it would come and the mines would be well placed to take advantage

East Driefontein continued to perform well with a sharp improvement in grade lifting gold production from 6 tons to 6,3 tons West Driefontein, which milled an unusually high amount of ore in the previous quarter and has consistently been the group's star performer, had a poorer quarter Problems mining underground saw milled throughput drop to 700 000 tons from 728 000 tons

Both mines saw the sinking of new shafts start in the quarter, projects which would run into hundreds of millions of rands of capital expenditure, Munro said

High-grade producer Kloof posted 5% higher working profits of R111m against R106m due to a sharp increase in grade and good cost control However, losses from Leeudorn section increased as the developing mine's lack of flexibility and sensitivity to the gold price took its toll

The bad news in the quarter came from Libanon and Venterspost The reduction of Libanon's mining operations announced earlier this year did not have the desired affect And a fire in January cost 20 000 tons in lost production

Munro said management would have to accelerate its restructuring programme

He said restructuring would go on at Venters, perhaps including further production cutbacks and job cuts

Venterspost is dependent on the successful development of its extended lease area, and Munro said the old mine might require "protection" to allow new areas to be exploited

He said the mine had larger cash reserves than Doornfontein which was in a similar position, struggling to generate the working profits needed to tackle the Carbon Leader Reef in its southeast lease extension area

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Drie	705	8,9	6 286,0	165,35	18 546	31 878	—	—	—
December.....	705	8,5	6 025,3	159,99	18 720	32 485	—	—	—
West Drie	700	11,5	8 077,8	188,56	16 340	31 944	132 151*	92 055*	45,1*
December	728	11,0	8 007,4	175,74	15 977	32 402	132 152*	81 622*	40,0*
Kloof	528	14,2	7 520,7	244,19	17 143	31 968	—	—	—
December...	540	13,3	7 193,9	235,89	17 703	32 421	—	—	—
Leeudoorn	200	6,5	1 303,2	253,89	38 963	31 856	72 640*	30 306*	25,0*
December... ...	195	6,3	1 235,2	240,52	37 970	32 462	70 074*	26 636*	21,2*
Venterspost	315	3,6	1 146,2	132,33	36 366	31 945	(3 258)	(13 595)	(67,3)
December...	310	4,0	1 254,5	133,42	32 969	32 433	1 997	(9 929)	(49,2)
Libanon....	375	4,6	1 718,3	156,58	34 172	31 965	(3 184)	(4 790)	(12,0)
December	435	4,4	1 925,5	149,63	33 802	32 368	(1 915)	(7 653)	(2,8)
Doornfontein	280	3,9	1 098,2	153,44	39 122	32 199	(7 010)	(7 064)	(17,7)
December..	310	4,3	1 339,0	227,10	38 670	32 251	(7 047)	(7 653)	8,1
Deelkraal	405	6,0	2 443,5	141,03	23 375	32 079	16 675	9 688	9,7
December.	405	6,1	2 469,3	143,15	23 478	32 301	16 786	9 791	9,8

* Consolidated results

Dividend fall offset by surge in interest

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WILLIAM GILFILLAN

INVESTMENT income at Amgold, Anglo American's gold mining investment company, was sharply lower in the year to end-March as a result of substantially lower dividend income from its smaller non-blue chip holdings

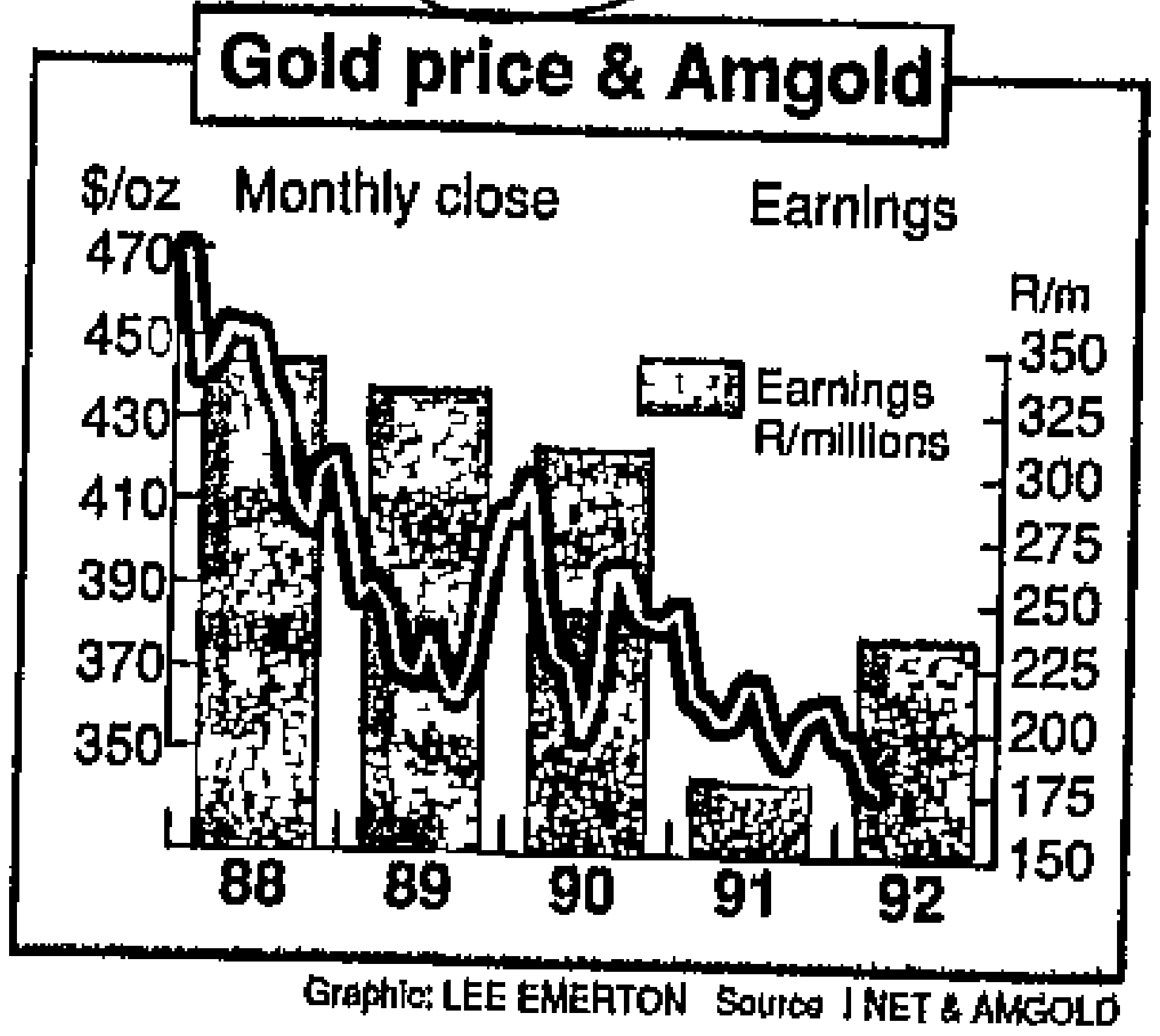
Dividend payments from holdings such as Buffelsfontein, Ergo, St Helena and Southvaal were well down on the previous year. But major investments such as Freegold, Vaal Reefs, Driefontein and Gold Fields of SA (GFSA) held up well considering the depressed climate in the industry, analysts said yesterday.

Although investment income was down, sharply higher interest income and lower prospecting costs contributed to the rise in attributable income to R235,5m from R178,2m.

A final dividend of 500c (1991: 375c) has been declared which, with the interim dividend of 475c, gives a total dividend for the year of 975c (775c).

The drop in investment income to R219,9m from R240,7m in 1991 was more than offset by the surge in interest earned (after administration costs had been deducted) to R58,7m from R4,9m. Interest income was well up as the company was cash flush after the November 1990 rights issue.

Analysts estimated Amgold's current cash holdings were in the R230m range.



Graphic: LEE EMERTON Source I NET & AMGOLD

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Amgold

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The large drop in prospecting costs to R33,1m (R47,4m) reflected the slowdown in gold exploration worldwide

Despite the current low gold price the market value of listed investments rose to R4,8bn from R4,2bn, lifting net asset value (NAV) to 22 585c from 20 118c a share

Amgold closed yesterday at 19 600c a share, reflecting a 13% discount on NAV

Driefontein and GFSA, making up 17% and 13,4% of Amgold's NAV, are the group's two largest investments

Freegold and Vaal Reefs, individually constituting 11,5% of Amgold's NAV, are the other large investments

Dividend contributions to Amgold for the year to March were higher from Driefontein and GFSA, unchanged by Vaal Reefs, and marginally lower from Freegold But contributions from the smaller marginal mines were mostly well down on the previous period

At the time the interim results were announced, management commented favourably on the 10-year "safe haven" ruling regarding the disposal of investments

Although this is to be cut now to five years, the directors made no mention of it in presenting their results

One analyst rationalised "At current prices, it would be senseless for the company to sell any investments"

Gold Fields battles falling gold price

B/Day 10/4/92

MATTHEW CURTIN

GOLD FIELDS' three marginal gold mines have their backs to the wall after suffering another three months of falling gold prices in the March quarter

(214)

Doornfontein, Libanon and Venterspost posted after-tax losses of R7m, R3,2m and R3,3m respectively The mines are battling to withstand low gold prices and their dwindling payable ore reserves long enough to open up the virgin ore bodies on which their long-term survival depends Restructuring programmes have failed to return them to profitability

Doornfontein has been hit by fires and strikes, Venterspost turned a R2m after-tax profit into a R3,3m loss and Libanon slipped deeper into the red

Gold Fields' management is not considering closing the mines, and is prepared to keep them open as long as necessary to exploit their unrealised ore reserves.

Gold division MD Mike Tagg said yesterday Doornfontein could not "go on making losses forever". But he and executive director Alan Munro told a news conference they were confident the mine would break even in the current quarter.

● See Page 9

Gengold's Maude . *forced to cut back*

FM 10/4/92 (214)

ST HELENA FM 10/4/92

More cutbacks

(214)

The decision to cut production and lay off another 1 500 of St Helena's 6 500 miners sets a gloomy tone for the March quarterly results, with the first mining house, Gold Fields of SA (GFSA), due to report on Thursday

Given the downward trend in the gold price, it's a foregone conclusion that industry results will reveal further attrition as the mines remain in survival mode. Question is just how long some marginal producers can continue closing underground sections and even entire shafts, as St Helena has just done, before they have to throw in the towel and close the entire mine

Gengold MD Gary Maude says operations at St Helena's No 10 shaft are being curtailed because of lack of payable ore reserves at the current high pay limit. Sections at No 8 and No 4 shafts are also being closed

An average rand gold price for the March quarter of R31 733/kg was 2% down on the R32 381 received by GFSA's mines — which do not sell forward — for December

On December figures, 15 mines would not cover costs, including capex, at R31 733/kg Mines have survived so far by cutting costs, selling forward and going for higher-grade ore reserves to maximise revenue

Trouble is that, as St Helena shows, higher-grade reserves are limited while there comes a point below which operations cannot be further rationalised At this optimum scale the reduction in costs does not match the drop in revenue from lower production

The continued disappointing performance of the gold price is starting to bring out the warnings sounded by Ed Hern, Rudolph gold analysts Grahame Graham-Parker and Ted McDermott in a report last June entitled "What if the gold bulls are wrong?"

Assuming a flat gold price of R950/oz (R30 543/kg) over the next three years they forecast that 15 of 47 producers would probably be forced into closure while another 14 would have great difficulty in remaining profitable The 15 exposed mines were· Buffelsfontein, Cons Modder, Durban Deep, ERPM, Gazgold, Harmony, Libanon, Lindum, Loraine, St Helena, Sallies, South Roodepoort, Sub Nigel, Venters and Village

So far Sub Nigel has closed while December quarter results showed Libanon to be in deep trouble, Lindum was kept going by a joint venture with big brother Randfontein Estates, and Gazgold managed to stay alive through negotiating State Assistance

ERPM has turned into the gold industry's version of notorious base metal mine Botswana RST — it makes operating profits which are swallowed by the interest payments on a debt mountain that reached R430m at end-December

While mines have done remarkably well in controlling costs — far better than many believed possible — production, jobs and earnings will continue to be ground down in a war of attrition unless the gold price revives It's not a pleasant outlook. *Brendan Ryan*

EERSTELING FM 10/4/92

Expropriation (214)

Minority shareholders should reject the 1c share offer from Esor Establishment SA but face a tough choice between electing to stay in the company in its new form or trying to block the scheme of arrangement in hope of getting a better offer

As it stands, the offer is yet another example of minorities being left whistling in the wind while creditors are paid out almost in full and the assets go to new owners at a knock-down price

The proposal is to consolidate the existing capital from 80m to 800 000 shares and then issue 7,2m new shares to Esor in payment for Esor settling Eersteling's concurrent claims of about R6,5m If minorities approve the scheme but elect to reject the 1c offer and stay in the company their interest will be diluted to 10% of the new equity.

An "expropriation" clause in the circular to members states that at least 10% of shareholders, or holders of at least 25% of the equity, must elect to remain invested or all shares will be forcibly redeemed. There are some 9 000 shareholders.

The circular contains errors concerning compliance with Securities Regulation Panel (SRP) and JSE rules. It states "Neither the offeror, nor any director of the offeror has any direct or indirect registered or beneficial shareholding in Eersteling," and "there are no arrangements with, undertakings by or agreements between the offeror and Eersteling and persons acting in concert with either of them in relation to Eersteling shares"

Those undertakings are not valid Clause 1.7 spells out that major creditor Standard Merchant Bank (SMB) has offered its R5,1m claims to Esor for 80c in the rand as well as its 26,8% shareholding for a nominal R1, and Esor intends voting those shares in favour of the proposals SMB is the major creditor and largest shareholder, having taken over the block of shares held by Severin Mining as surety for a debt

cont →

Esor's sole director is Swiss businessman Max Glauser. Management of Eersteling will be in the hands of a local board headed by Stefan Hayden, whose company, Industrial Brokers, operates as an agent in buying and selling surplus mining equipment.

Steen and Franka Severin, who started Eersteling through their holding company Severin Mining, retain a 4% stake. Steen Severin says they have no links to Glauser and are not among Eersteling's creditors.

Hayden says the arrangement with SMB was made after giving the initial undertakings to the SRP and JSE and it was not practical to change the circular. He says despite the error there is no inconsistency with SRP and JSE rules.

Hayden says he intends keeping the mine in operation if his deal goes through, adding that two of the proposed directors — Jack Muir and John Muir — have much experience running this kind of mine in Zimbabwe

Since it was put into liquidation on May 10 Eersteling has been running at a profit — though before interest on the concurrent claims, which total R6,5m.

The mine is being run on a contract basis by Peter Cox, a former consultant to Eersteling The report by liquidator Leslie Cohen of Westrust shows an operating profit of R900 000 for the period May 10-end-January after paying nearly R500 000 fees and costs to liquidators.

Eersteling seems viable if cut back to the correct small-mine size instead of pushing production too high, in terms of the policies of the Severins. Hayden believes the mine to be viable on his terms: "Otherwise we would not be making this offer."

The report says fixed assets that could be realised in winding-up have a book value of R20,7m, though realisable market value is put at only R4,4m by an independent appraiser If all shareholders accept Esor's offer its total outlay (including various other obligations) for full ownership of a debt-free Eersteling would be some R8m.

Some minorities feel Esor is trying to railroad them into giving up their rights for almost nothing so it can delist the company. Durban shareholder Edward Howard is trying to rally support for a scheme to hold a rights issue, chipping in 10c a share to pay off SMB and take things from there.

Hayden says he is happy if minorities stay aboard for the ride and believes enough will do so to maintain the listing.

Asked about the fairness of the offer, Cohen preferred not to comment, pointing out that his responsibility as liquidator is the interests of creditors — who will come well out of the scheme, receiving 90c in the rand, apart from SMB, which has accepted 80c

Blame for Eersteling's demise lies with the Severins Shareholders can't take out their frustration about this on Hayden. However, at 1c a share, minorities have almost nothing to lose If they are unhappy about being diluted to 10% they can try to block the scheme of arrangement completely by voting against all proposed resolutions. Hope then would be that Esor might sweeten the pot or that another bid might be forthcoming

Eersteling's Severin .. *out of the picture*

FM 10/4/92 (214)

There are rumours of another bidder but nothing concrete. Hayden points out that while there have been many such rumours since May, only his money has been put on the table.

Brendan Ryan

Mine pay rise will be 'similar to last year'

W/Mail 10/4-15/4/92

214

By DREW FORREST

NATIONAL Union of Mineworkers' pay claims announced this week for the gold and coal mines will bear no resemblance to what is finally agreed, mine employers insisted this week.

Stressing that its demands, which affect more than 400 000 black miners, took account of the "disappointing gold price and the problems many mines are experiencing", the NUM has proposed a minimum pay rise of 20 percent for gold mines

In line with its push for a uniform pay structure, it has claimed higher increases — of more than 25 percent — in lower-paying groups

On the collieries, it has proposed an average 55 percent rise, amounting to between 40 percent and 100 percent in different wage categories

Pointing to poor and declining gold price, now lower than at the same time last year at $338 an ounce, employers said the final award would be similar to last year's: a five percent basic They also said they would be pressing for a renewal of productivity deals struck last year at individual mines "If there were problems with these, let's correct them," said one executive

The alternative was further job cuts Employers pointed to the nine percent drop in gold mine employment this year — an average of 3 000 jobs lost a month — and the recent announcement that 1 500 jobs are to be shed at Gengold's St Helena mine

The NUM's Marcel Golding said the union would hold a special bargaining conference soon to consider alternatives to last year's performance bonus schemes

In terms of its shock central committee decision in January — which noted that productivity bargaining was not part of union wage policy — the NUM is unlikely to countenance such agreements in any form What is more probable is that it will press for differential increases taking account of conditions on different mines

"Last year many mines got away with paying lower increases than they could afford," said the NUM's Martin Nicol Using five percent profitability as a yardstick, the Chamber of Mines had argued that all gold mines were in trouble

Other NUM demands include:

- An end to racial discrimination in holiday allowances and pension contributions The mines paid 11,75 percent of white wages into their pension funds, and only five percent into the NUM's Mineworkers' Provident Fund, it said.
- Improvements in health and safety provisions, including higher compensation, and retraining and alternative employment for disabled miners The NUM also wants a say in determining accident pensions and representation on the Chamber-owned Rand Mutual Assurance Company.
- Full-time shaft stewards, and 10 days' paid annual leave for steward training.

Mine job cuts

■THE lacklustre gold price

(214)

W Mail 10/4-15/4/92

R BRIEFS

W Mail 10/4-15/4/92

forced Gengold to cut its workforce at the St Helena goldmine by 1 500 workers — the first marginal mine to shed jobs and rationalise operations. (214)

And further retrenchments are on the cards. Gengold said if the gold price did not improve, 20 percent of the jobs in the industry were under threat.

Anglo American said it would be able to maintain operations at its gold mines for this year at the current gold price.

GFSA mines weather declining gold price

STAR 10/4/92

214

By Derek Tommey

Shareholders in Gold Fields' (GFSA) Driefontein, Deelkraal and Kloof gold mines can expect unchanged dividends in the next six months

But shareholders in Doornfontein, Venterspost and Libanon have no hope of receiving any payment.

This is the tale disclosed by the March quarter gold mining reports

The group weathered the effects of the lower gold price and rising costs

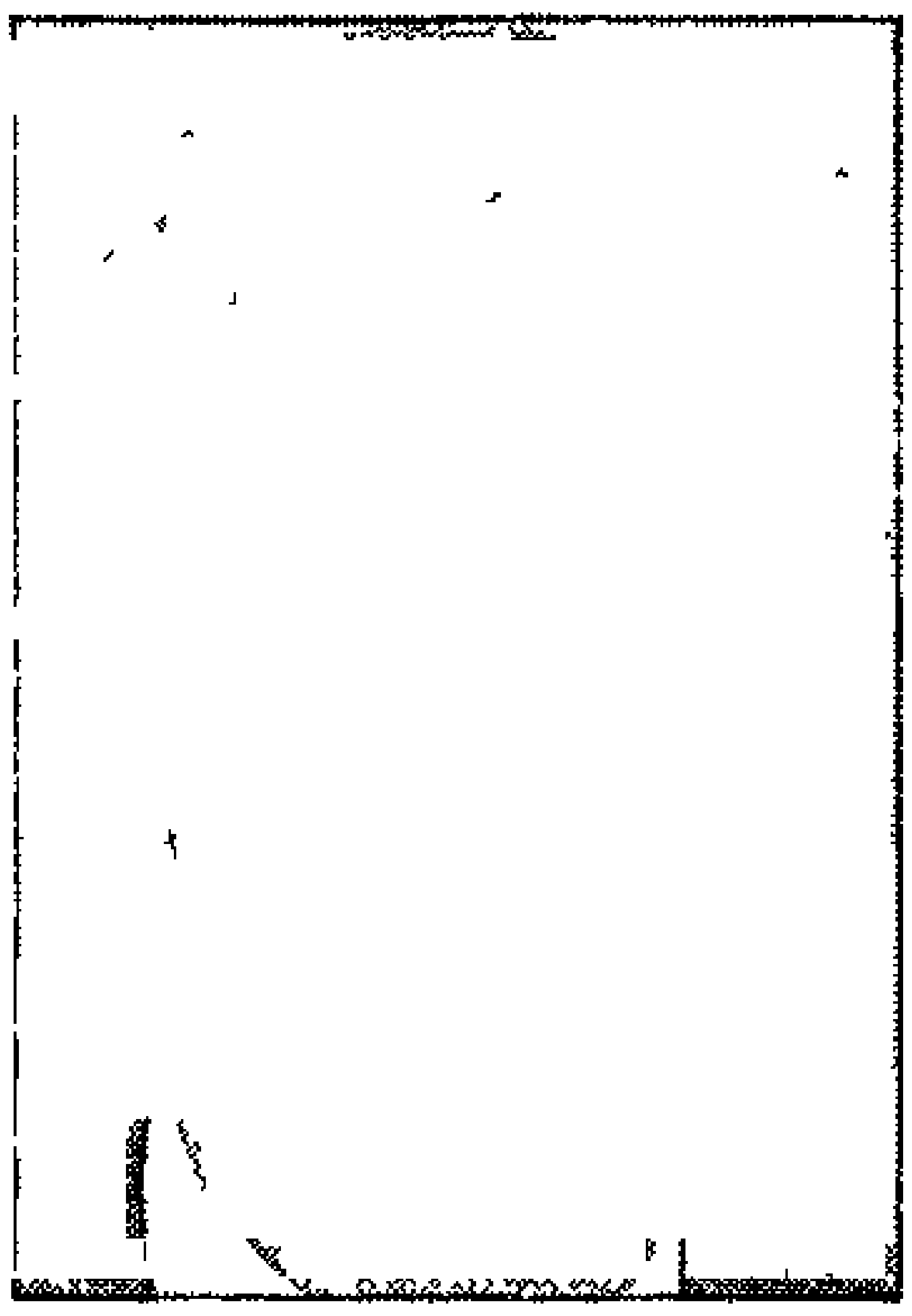
Tonnage milled was down a little and the gold price received dropped from R32 381 in December to R31 911/kg

But gold production rose by 144kg to 29 594kg and, most pleasing of all, working costs declined to R21 246/kg from R21 432/kg in December

The result was that group working profit declined only slightly to R316,9 million from R323,3 million in the December quarter

However, the fortunes of individual mines varied considerably

Alan Munro, executive director, gold, says marginal mines struggled, while quality mines succeeded in maintaining revenue



Alan Munro outcome not unsatisfactory

But the outcome was not unsatisfactory, considering the gold price, he says

One favourable development was the reduction in the gold mining tax

Savings ranged from R2 million to R12 million, depending on the mine

Driefontein, the giant of the group, which milled 1 405 000 tons of ore, had a virtually unchanged taxed profit of R132,15 million

Both East Dries and West Dries increased their milling grade, with East Dries reducing unit costs Unit costs were higher at West Dries, partly because of a drop in milling rate

East Dries had a profit of R83,8 million (R82,9 million) and West Dries R126 million (R131,5 million)

Net mining revenue of the two mines was R214 million (R221 million)

Capital expenditure was R40,1 million (R50,5 million) However, with work starting on the sinking of two shafts, capital expenditure will rise in the coming quarters

Deelkraal maintained taxed profit at R16,68 million (R16,79 million)

A reduction in grade from 6,1 grams to 6 grams a ton contributed to pre-tax profit dropping from R25,2 million in December to R24,4 million

Kloof lifted taxed profit to R72,6 million (R70,1 million), despite the new Leeudoorn sector increasing operating loss to R9,3 million from R6,8 million

Although the milling rate in the Kloof sector dropped by 12 000 tons, a further rise in grade from 13,3 grams to 14,2 grams a ton resulted in working profit rising from R105,9 million to R111,5 million.

At **Leeudoorn**, production rose from 195 000 tons to 200 000 tons

Plans are to raise this to 300 000 tons a quarter by the middle of next year

Some improvement from 6,3 grams to 6,5 grams a ton in grade was achieved, but the sector does not yet have the flexibility to mine only higher-grade ores

Leeudoorn is still a marginal mine and is fortunate in being financed by Kloof

Doornfontein had a working loss of R7,6 million, down from R8,6 million in the December quarter

This followed a drop in the ore milled from 228 000 tons to 187 000 tons Yield was down from 4,3 grams to 3,9 grams a ton, which represented good progress with the new workforce More than half the old force of 6 500 was fired in the December quarter

Mr Munro says the mine aims to break even in the present quarter and to concentrate operations in the deep south part of the mine on the Carbon Leader Reef

Venterspost had a taxed loss of R3,3 million (R2 million) Consideration is being given to further rationalising of operations

The mine is continuing to hang on while the new shaft area is being developed This is being delayed by faulted ground

Libanon increased its pre-tax loss to R3,2 million from R1,9 million in December

The rationalisation of operations began at the start of the quarter Operations were also affected by an underground fire, which reduced production by 20 000 tons

Amgold rings dividend bells

STAR 10/4/92

By Derek Tommey

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Anglo's gold mining investment company, Amgold, will gladden the hearts of its shareholders with its latest dividend

Despite the depressed state of the gold mining industry, Amgold has increased its final dividend by 33,3 percent to 500c from 375c a year ago

Payment

Together with the interim dividend of 475c, this makes a total payment of 975c for the year — an increase of 25,8 percent on last year's 775c.

It was not higher income from gold mining investments that made the increase possible, but increased interest income

Revenue from Amgold's gold mining investment actually dropped 8,6 prcent to R219,9 million from R240,7 million a year earlier, mainly because of the effect of the lower rand gold price on mining profits

Fortunately for shareholders, the drop in gold revenue was more than offset by a jump from R4,9 million to R58,7 million in interest earnings

A further boost to Amgold's cash flow came from a 30,2 percent cut in prospecting costs to R33,1 million from R47,4 million last year.

Amgold also made a smaller provision of R10 million (last year, R20 million) against any reduction in the value of investments and loans

The result was that net income rose 32,2 percent from R178,2 million to R235,5 million.

Earnings a share rose from 788c to 975c

The dividend absorbed R235,4 million (R178,3 million)

Investments

The directors estimate that investments and loans were worth R5 092,6 million at March 31 — an increase of 13 percent on a year ago

Net asset value rose by 12,3 percent to R5 453,6 million — equal to R225,85 a share

This is substantially above the R198 at which the company's shares are being traded on the Johannesburg Stock Exchange

Time for SA to join forward gold sellers

STimes [BUSS] 12/4/92 (214)

DIAGONAL STREET
by Julie Walker

BY rejecting forward selling of gold, directors of SA mines must firmly believe that the spot price will be higher than that which could be received from forward sales

Gold bulls have been wrong for more than four years now

Lower gold prices mean rising pay limits and mine planning can no longer be undertaken with confidence.

Willo Stear and Andy Clay of mine management consultancy Venmyn Rand say pay limits have risen because costs have climbed and spot gold prices have declined in real terms.

Higher-grade reserves are being depleted and the crunch comes when the paylimit exceeds the average grade of the mine. At that point, closure is imminent.

Venmyn believes the answer is a structured risk management programme SA's mining house directors might be wrong about a higher gold price in the future and steps should be considered to soften the impact of lower revenue.

Closures at Gencor's St Helena mine this week because of the shortage of payable reserves underline the problems facing gold mines. In trying to stay in the black they have cut costs until nothing more can be trimmed.

To maintain profit margins, they must consider what can be done to the revenue side of the equation.

H Monro published a paper two months ago about forward sales of gold. It is believed to have been commissioned by a mining house that vigorously opposes forward sales

Data for the calculations used price elasticity factors on both supply and demand for gold. The paper specified that mine production, gold loans and industrial demand were all inelastic to price.

The mine production argument was shot down this week by Gencor, which said that St Helena's No 10 shaft would be placed on care and maintenance until the gold price exceeded $400 an ounce.

The fact is that there are several shafts both here and elsewhere in a similar state of readiness. If the price rises, so will primary production.

By means of debatable assumptions and calculations, Mr Monro showed that every ton of gold sold forward reduces the price by about $0,20/oz. He claims that revenue lost as a result of forward selling of gold was $2,55-billion in 1990

"It should now be clear that forward selling is counter-productive and should be stopped at once," says Mr Monro

Perhaps there is a certain amount of petulance. SA's gold producers have generally shunned forward sales while the rest of the world's mines have made hay There comes a time when, if you cannot beat them, you have to join them.

Shareholders in SA's mines might be more interested in the theoretical calculation of the dividends they might have earned had the directors sold gold forward at better prices instead of stamping their feet about the rest of the world spoiling it for them.

Sean Llewelyn of Rand Merchant Bank differs with Mr Monro s findings Mr Llewelyn worked in foreign-exchange risk management and commodities markets, specialising in gold, in Australia and America before coming to SA two years ago.

He has been bemused by the comparatively negative attitude of the industry to securing more control over its revenue.

Mr Llewelyn says the forward price of gold, in rand terms, is a function of the difference between the rand interest rate to the forward date and the gold lease rate to that date.

Because there is so much gold around, having been hoarded for thousands of years, it is readily available for lending Consequently, the gold lease rate is low — below 2% a year — and the forward price in rands is significantly greater than the spot one.

Therefore, he says, a mine must have a compelling reason not to sell a large quantity of gold forward or otherwise to derive benefit from the forward price structure, such as by granting or buying options.

If it is both sensible and responsible to sell gold forward, who is fool enough to buy it? This question probably lies at the heart of the SA gold-mining industry's suspicions about hedging.

Mr Llewelyn provides the reason for it.

"No rational seller will sell forward at less than the actual forward price, nor will he write or buy his options valued off less than the forward price.

"This is because the seller always has the alternative course of borrowing the gold, selling it on the spot market and investing the cash in the money market.

"He repays the gold from future production and the net result after paying the gold lease rate will be to achieve the forward price. Otherwise, there would be risk-free arbitrage.

"Because the forward price is the fair' value, buyers will deal at this price. For every seller, there must be a buyer"

Mr Llewelyn contends that not all forward selling affects the spot price adversely For example, there is the time fallacy gold sold forward might affect the spot price in the year in which the contract was established, but it does not affect it in the year in which delivery takes place because that metal is already spoken for

He says the spot price is actually benefiting from repayments of gold loans taken out in earlier years.

Another factor is the extent of trading in the paper markets, such as Comex, where the volume of gold traded can be 50 times SA s annual output.

There is no doubt that much trading which would otherwise affect the spot market is taken off in these paper markets by investors and speculators.

The gold price might go up, but the mines at least should consider steps to hedge themselves in the event that the bullishness is unfounded.

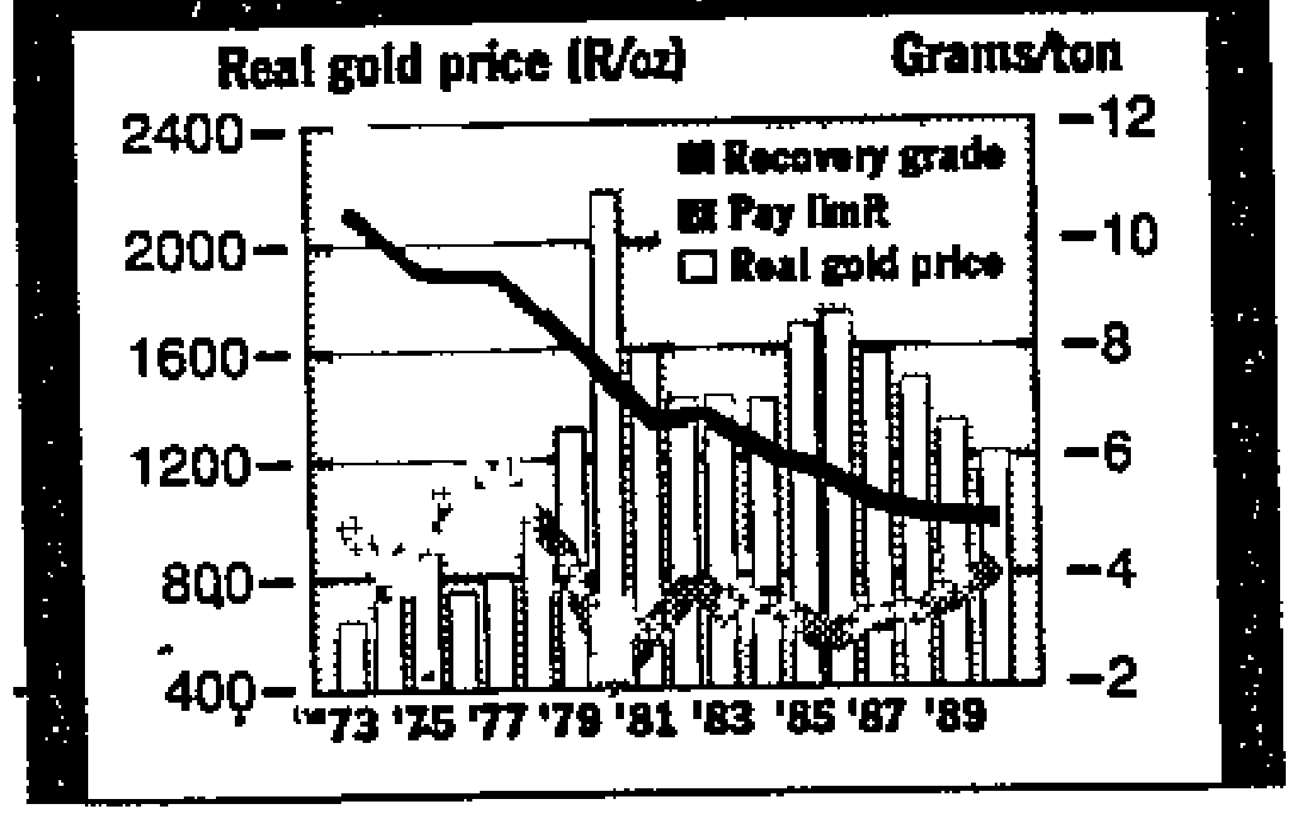
The current attitude is to hang fire, close the shafts and wait for gold to go better while options such as hedging are never tested.

A mine that hedges could reduce its pay limit, extend its life, pay dividends and keep jobs.

In their mine valuations, Venmyn Rand and Rand Merchant Bank have developed a method which measures the effects of changing pay limits with changing gold prices on mining profits and mine life.

A structured risk-management programme is crucial if mines are to survive a likely flat gold-price scenario for the rest of the century

RELATIONSHIP BETWEEN REAL GOLD PRICES AND SA GOLD INDUSTRY AVERAGE PAY LIMITS AND RECOVERY GRADES



Oc
warns

THIS week's drop on the JSE and other equity markets was arrested before the damage was too severe.

But it served to remind that share prices have run far ahead of the recovery in the economy

South Africa does not warrant a mention yet in the International Bank Credit Analyst (IBCA), a respected independent publication aimed at indentifying major investment oppo

risks.

Wednesday's share- slide underlines to SA that will not be excluded from a fall in the world's equity markets if they come down like a house of cards.

Showing early foresight, last month's copy of the IBCA gave an international summary which echoed the fears of certain commentators here: the global equity markets are too high and will undergo a major bull-market correction.

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Surprises ahead are likely to be the extent by which stock

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The world begin to expa major corre market in equ

Sanlam pair shine in a year's returns

STimes [BUSS] 12/4/92

TWO Sanlam funds came tops in the 1991 unit trust survey produced by Hugo Lambrechts of the University of Pretoria's Graduate School of Management.

The survey provides facts about the performance of every unit trust. On a repurchase-to-repurchase basis, Sanlam's Dividend Trust gave an all-in return of 44,69% in 1991.

Second was Sanlam Growth Fund with 41,58%, closely followed by Syfrets Growth Fund.

The worst return among general equity trusts came from the Allegro fund, now CU Growth, which returned only 23,38% Three funds topped returns of 40% and three were worse than 30% But only 10 of the 18 could beat the JSE All-Share index's rise of 31%

Sanlam's pair obviously had a good 1991, because in the longer run they are soundly beaten. Over 10 years, in which the All-Share index comparison is 23,2%, only Old Mutual Investors and Guardbank Growth were ahead.

The best 1991 return from a mining and resources fund was achieved by UAL M&R, which returned 24,46%, beating both the mining producers and the mining financial indices. It was the only such fund to do so

The pair of pure gold funds fared far worse than the decline in the All-Gold index. But the returns on the industrial funds all exceeded 40%

Half the high-income funds beat the consumer price index, but neither gilt fund could outpace the all-bond index.

At December 1991, there were 938 254 unitholders across the 41 funds, of which almost 300 000 were in one of the most consistent, Old Mutual Investors.

Over 15 years, the maximum for which representative statistics can be compiled, the average compound annual return from equity unit trusts is 25,2% compared with the average rate of inflation in that time of 14,3%

Eersteling holders urged to reject 1c

S1 Times (Buss) 12/4/92

(214)

By JULIE WALKER

EERSTELING's 9 000 shareholders should summarily reject an offer of 1c a share, says Shareholders Association chairman Issy Goldberg

Problems at the Northern Transvaal greenstone gold mine — listed in 1987 amid much euphoria by Danish couple Steen and Franca Severin — came to a head last year

Bacon

The Severins failed to bring home the bacon — the mine was liquidated because ore tonnage was too ambitious and the grade inconsistent

But since liquidation, in the eight months to January the mine has been operated at a profit of almost R1-million by liquidator Westrust — even after its R500 000 fee — under the management of a former consultant to Eersteling

Creditors are R6,5-million, including Standard Merchant Bank's (SMB) R5,1-million SMB now has almost 27% of shares, forfeited by the Severins under a surety

Swiss businessman Max Glauser has proposed a scheme whereby unsecured concurrent creditors will receive 90c in the rand and SMB 80c SMB has agreed to part with its holding in Eersteling to Mr Glauser for R1

Special resolutions to be put at the shareholders' meeting on Thursday include the one-for-100 consolidation of Eersteling's shares, then the issue of 7,2-million to Mr Glauser (in return for settling the creditors) to bring the total to 8-million

A hundred shares now owned would be reduced to one. Minorities would be diluted out of sight

Mr Goldberg says shareholders are theoretically creditors of the company, but are by far last in the queue for payment on liquidation Shareholders have no right even to attend the meeting of creditors, let alone vote

Little

"A prestigious merchant bank owed R5-million by Eersteling has apparently displayed little interest in the plight of 9 000 Eersteling shareholders by giving up to the offerors for the princely consideration of R1 a total of 21-million shares as part of a deal for securing virtually full repayment of its loan"

However, shareholders do have the power of veto in a subsequent members' meeting If more than 25% vote against the resolution, it will not go through

Mr Goldberg says the liquidators have proved that the mine can be run at a profit Shareholders who have been with the company for many years should not be cheated now of reaping some harvest There is also a whisper of a counter-offer

81 suppliers close as mines cut back

S/Times [BUSS] 12/4/92 (214) ([illegible]) ([illegible])

S/Times [BUSS] 12/4/92

By DON ROBERTSON

AT least 81 companies in the Free State Goldfields area, members of the Steel and Engineering Industries Federation of SA (Seifsa), have closed in the past 18 months.

This is a 13% cut in the number of groups supplying the mines

About 3 000 jobs have been lost and other companies have placed workers on short time.

A tightening of the purse strings by mines in the face of a declining gold price has hurt suppliers, but some believe the worst is over

Sharp

Seifsa has been asked to tell trade unions negotiating wages with it that Goldfields companies will ask for a six-month "stand-off" on pay They say they will review the position before the end of the year

In the year to December 1990 — the latest available figures — gold mines spent R8-billion on stores and services, such as food, machinery, equipment, civil works and electricity

A spokesman for the Chamber of Mines says that although figures are no longer calculated, he believes 1991 expenditure will be lower than in 1990

Most major supply companies have suffered a sharp fall in orders in the past two years, some by as much as 30% Others believe that the tight cost control by the mines has left them with reduced stocks which will have to be topped up

Murray & Roberts managing director David Brink says the gold mines have been depressed for two years and some almost stopped buying supplies This was particularly noticeable in companies such as Broseal, which supplies ventilation tubing, and Premier Valves

"They have squeezed the lemon to such an extent that their inventories have been much reduced"

Mr Brink foresees an increase in buying which should "tide us over in the short to medium term" — provided there are no more shaft closures

Envirotech, largest suppliers of pumps to the mines, says business dropped by between 15% and 20% last year

Dennis McElwee, divisional director of the pump division, says sales in the first three months of this year have improved after stock replenishment

Haggie, supplier of wire ropes, says orders have fallen by about 30% in two years But managing director Chris Murray says orders have begun to pick up

LTA says activity in every business sector has been hit, not only building and civil engineering but allied trades and sub-contracting work

Managing director Colin Wood says "We anticipated the diminishing market and reduced operations in the Goldfields"

Salvage

AECI, largest supplier of explosives to the mines, does not believe sales will be affected unless there are unexpected major shaft closures

Major suppliers of mining timber, Sappi and HL&H, say sales have dropped by between 10% and 20% in the past two years

Louis Taljaard, group executive director of Dorbyl which provides capital equipment to the mines, says conditions have been depressed for some years Most mines are salvaging equipment from underground

60 000 jobs on the line at R975/oz

By ROBIN PEGLER

ST HELENA's retrenchment of 1 500 miners is an ominous portent of a fresh batch of cutbacks

Nick Goodwin, director of stockbroker FW Balderson says about 60 000 jobs are in danger at a gold price of R975 an ounce (roughly the present figure)

But in terms of dependence on the mining industry, this is only part of the story

Each miner has many dependants Industry sources have placed dependants as high as 11 a miner, but there is scepticism about the reliability of such a figure

The Chamber of Mines says the concept of the extended family is too loose to give reliable figures

Gary Maude, managing director of controlling house Gengold, says the steps taken at St Helena were a last resort, reluctantly implemented by mine management and carried out only after consultations with employee organisations

Without the retrenchments, the mine might have had to close at a cost of 6 500 jobs

Gengold was the first mining house to introduce economy measures to combat the low gold price It was followed by the other houses

The measures include cutting out marginal ore and mining only the higher grades Savings are made not only in wages but in stores, power and other items

Cost cutting has been more successful than expected, but there are limits to which they can be carried out

Mr Goodwin calculates that at R975/oz, 17 mines are vulnerable, accounting for 10% of gold produced and 14% of employees

Theoretically, unmined gold is the State's property Mines must work to the average of their ore reserves without picking out the eyes This is done in consultation with the Government Mining Engineer

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Richest

However, mines calculate ore reserves at various limits of payability and do not need to seek permission to ignore marginal ore if the gold price is low

Nevertheless, failure to mine the marginal ore is likely to shorten a mine's life

Mr Goodwin says SA's richest ore has already been mined out and that progressively poorer areas have to be worked

For example, St Helena's ore deteriorates as one goes south No 10 Shaft, which is stopping production, is in the south of the property

ST Times BUSS 21/4/3

Gazankulu mine sold for R4,3-m

STAR 13/4/92

Northern Transvaal Bureau

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GIYANI — After two years of negotiations with various interested parties, the Gazankulu Development Corporation (GDC) has sold the Fumani gold-mine for R4,3 million to Severn Import and Export

Mine manager Alwyn van der Merwe said the GDC was shifting its emphasis from capital intensive forms of development to human resources in areas such as training, housing, small business development, farmer settlement programmes, and transportation

He pointed out that the corporation had absorbed a loss of about R3,5 million in 1990/91, and this had been incurred largely as a result of heavy exploration and development costs The mine's problems had been complicated by the poor gold price, and a low grade of ore from the mining operations

As a result, 100 workers had been retrenched, and it was established that an injection of between R20 million and R30 million would have been necessary to make the mine viable in the medium and long term

Gold slump dents NewCent income

BDay 14/4/92

(214)

MATTHEW CURTIN

THE SLUMP in the gold mining industry dented investment income earned by Anglo American's gold exploration and investment company New Central Witwatersrand Areas in the 18 months ended March 1992.

NewCent confirmed that Anglo and its associates had suspended Phase II of its drilling programme on the farm Gerhardminnebron in the Potchefstroom Gap because of poor results from Phase I and lacklustre gold prices.

Although the area has the bulk of the world's remaining untapped gold reserves, the ore is too deep to mine without significantly higher gold prices

NewCent's investment income fell 10% on an annualised basis, standing at R3,8m in the 18-month period compared with R2,8m in the year ended September 1990

The financial year-end has been changed to coincide with that the holding company, Anglo American.

NewCent declared a total dividend of 196c a share in the 1992 period, compared with 151c in year-end 1990

However, after-tax earnings were boosted by R332 000 earned from Rustenburg Platinum's 1991 special dividend and R4,3m profit on the realisation of investments sold to take advantage of amendments last year to the Income Tax Act

After-tax profit rose to R8,1m, compared with R2,7m in 1990 Total earnings rose to 457,2c from 150,9c a share, but stood at only 196,5c a share when calculated on investment income alone

The surplus from the sale of investments and dividends in specie were not considered available to shareholders and would be spent on acquiring "suitable investments".

Lower tax rate a boon to Anglovaal's gold mines

B|Day 15/4/92 (214)

MATTHEW CURTIN

ANGLOVAAL's four gold producers turned in an overall 2% increase in after-tax profit in the March quarter as the lower 1992 mining tax rate came into effect and countered weak gold prices.

After-tax profit rose to R42,3m from R41,6m as the mines' tax bill was shaved 26% to R22,7m from R30,7m. The lower tax rate was effective from January 1

The depressed gold market is starting to take its toll on the group's mines. Only marginal Free State gold mine Loraine reported income from hedging transactions in the quarter

High grade producer Hartebeestfontein received its lowest gold price since 1988, falling to R32 124/kg in the March quarter from R32 472 in the previous period, the same as the average price received in the year ended June 1991 In contrast to falling gold prices, working costs at the mine have risen to R25 682/kg in the March quarter from R25 512/kg in the previous period

Anglovaal's main producers, Harties, Eastern Transvaal Consolidated and Loraine, increased tonnage milled in the quarter against the trend in much of the industry adopted by mines battling to hold costs through more selective mining at reduced milling rates As a result total costs rose at all three mines

Harties' uranium operation continued to operate at a loss A spokesman said the benefits from sustaining uranium recovery because it improves gold recovery continued to outweigh the R1,3m lost in the process, down from R1,7m in the December quarter

The three mines near Barberton which make up E T Cons increased gold production to 920kg from 891kg Tons milled rose to 91 800 tons from 89 000 tons while the grade was maintained at 10 grams a ton However, higher costs and a sharp fall in gold revenue knocked working profit to R7,2m from R9,7m

Loraine posted its second successive quarter of after-tax profit due largely to non-mining income The mine narrowly broke even at the operating level, showing a working profit of R954 000 (R817 000)

ANGLOVAAL March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeestfontein	**767**	**8,8**	**6 727**	**225,25**	**25 682**	**32 124**	**34 674**	**27 503**	**24,6**
December.....................	761	8,9	6 736	225,82	25 512	32 472	34 361	27 627	24,7
ET Cons.......................	**92**	**10,0**	**920**	**235,21**	**23 470**	**31 247**	**4 581**	**3 032**	**3,5**
December...........	89	10,0	891	229,63	22 937	33 835	4 229	3 733	4,3
Loraine.................	**337**	**5,2**	**1 766**	**176,04**	**33 594**	**34 134**	**3 007**	**3 034**	**18,5**
December.....................	304	5,6	1 687	187,31	33 754	34 238	2 785	2 642	16,1

Loraine on brink of closure

MATTHEW CURTIN

LORAINE, Anglovaal's marginal Free State gold mine, is on the brink of closure again The depressed state of the gold market has made it increasingly difficult for the mine to win the forward sales contracts it needs to survive

The mine received a gold price of R34 134/kg in the March quarter, well above ruling gold prices However, without the prospect of further forward sales, Loraine's working costs, running at R33 600/kg, will prove significantly higher than nominal gold prices of around R31 000/kg B/Day 15/4/92

Loraine won a reprieve in December when management announced that its success in restructuring operations meant it would stay open for at least 12 months However, that was on condition that the mine secured suitable hedging contracts at satisfactory prices for at least half its production in the period

A spokesman said yesterday that Loraine could not secure "adequate forward prices beyond July 1992" (214)

Its open hedging contracts were limited to 718kg of gold, equivalent to 41% of the March quarter's production, sold forward for delivery in the June quarter, and only 239kg sold for delivery in July

The mine can restructure its operations no further, having already shed more than 1 000 jobs in the past year, and resorted to the selective mining of high grade ore, at a minimum average grade of 5,6g/ton, to stay in business

After turning in after-tax losses in five out of six quarters, Loraine moved back into the black in the December quarter, and yesterday reported a slight increase in after-tax profit to R3m from R2,8m in the March quarter

● See Page 8

COMPANIES

Gengold policy turns up trumps

B|Day 16/4/92

(214)

MATTHEW CURTIN

GENGOLD's persistent streamlining of its gold production has turned up trumps again in the March quarter

The strategy saw the group's mines as a whole post a 46% jump in bottom-line profit as a sharp drop in overall capital spending, good cost control, and hedging mitigated the effect of weak gold prices

Distributable profit after tax and capex rose to R33m from R22m in the December quarter, as capital spending was cut to R34m from R52m That masked a 10% drop in after-tax profit to R67m from R75m

Yesterday Gengold's consulting engineers stressed development work was proceeding apace, dispelling suggestions that working costs had been curtailed by reducing the mines' development rates Mines had to ensure they had as much payable ore as possible and adequately flexible underground operations to reach it

MD Gary Maude said the quarter was characterised by the good performance of all but two of the group's 11 producers Total costs were up only 5,6% overall since the March quarter last year

Maude added that each mine was focusing on the "basics" of the business, namely striving to maximise grades by technically efficient underground mining

He said the developing Weltevreden mine had applied diamond wire cutting for the first time Although it was at an experimental stage, the technique was a potentially highly efficient way to cut out gold bearing reef from the surrounding rock, without the use of explosives

The amount of ore milled by the mines fell by 2% in the quarter It was accompanied by a corresponding 1,6% rise in average yield to 5,2 grams a ton from 5,1g/t

By cutting production, the mines continued their successful battle against costs which fell marginally in the quarter to R498m from R500m Total gold production slipped to 18t from 18,1t Unit working costs rose negligibly to R27 626 from R26 577 a kilogram

The best performer of the group's Evander mines was Winkelhaak, which put a poor December quarter behind it to post an after-capex profit of R567 000 An increase in grade offset a lower milling rate to lift gold production marginally

In the Free State, Unisel lifted after-tax profit by more than 40% after an all-round stronger showing in the quarter Milled throughput, average yield and gold production all rose, while the mine was able to cut costs as well

The poorer news in the quarter came from the Western Transvaal mines

GENGOLD March	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**511**	**6,0**	3 064	**134,73**	**22 469**	**32 552**	**10 932**	**32 192**	—
December	510	6,0	3 060	134,58	22 404	32 658	11 531	32 298	—
Bracken	**54**	**8,2**	**449**	**209,28**	**25 403**	**32 632**	**2 507**	**2 343**	**16,7**
December	67	6,1	411	167,54	27 311	32 598	1 519	1 622	11,6
Buffels	**537**	**5,8**	**3 100**	**174,34**	**30 199**	**32 546**	**7 483**	**6 852**	**62,3**
December	535	5,7	3 075	175,16	30 475	32 512	5 373	3 239	29,4
Grootvlei	**117**	**5,3**	**620**	**151,54**	**28 597**	**32 506**	**3 089**	**2 163**	**18,9**
December	120	5,1	616	148,97	29 000	32 599	5 180	63	0,01
Kinross	**470**	**6,4**	**3 005**	**155,00**	**24 243**	**32 640**	**19 462**	**10 465**	**58,1**
December	471	6,4	3 002	153,49	24 082	32 626	19 840	10 997	61,0
Leslie	**100**	**5,3**	**531**	**157,61**	**29 831**	**32 893**	**1 937**	**1 140**	**7,1**
December	103	5,0	516	157,22	31 535	32 915	953	465	2,9
St Helena	**350**	**6,0**	**2 102**	**183,58**	**30 568**	**32 558**	**6 643**	**4 814**	**50,0**
December	354	5,8	2 065	171,04	29 321	32 686	9 789	7 171	74,5
Stilfontein	**513**	**1,6**	**513**	**41,10**	**41 101**	**32 559**	**(3 553)**	**(2 496)**	**(19,1)**
December	523	1,0	836	61,35	38 380	32 560	(4 701)	(2 342)	(17,9)
Unisel	**195**	**6,6**	**1 289**	**180,90**	**27 367**	**32 556**	**4 489**	**736**	**2,6**
December	180	6,4	1 153	183,40	28 631	32 680	3 126	500	1,8
WR Cons	**182**	**2,5**	**460**	**101,57**	**40 185**	**32 670**	**(2 578)**	**(2 563)**	**(60,3)**
December	217	2,4	520	80,76	33 704	32 637	553	1 929	45,4
Winkelhaak	**459**	**6,3**	**2 904**	**171,89**	**27 169**	**32 694**	**16 654**	**567**	**4,7**
December	480	6,0	2 860	159,09	26 700	32 700	21 516	(10,121)	(9,2)

ANGLO AMERICAN March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	6 369	4,45	28 337	124	27 845	34 473	169 678	81 696	69
December ..	6 603	4 17	27 513	120	28 848	33 781	124 560	73 238	62
Vaal Reefs	2 736	6,86	18 773	169	24 576	32 998	113 755	48 250	252
December	2 801	6 58	18 443	152	23 114	33 858	158 325	64 303	336
Western Deeps.	1 527	5,89	8 996	157	26 678	33 048	65 150	16 791	61
December	1 654	6 08	10 061	147	24 245	33 617	103 861	25 658	92
Elandsrand	539	7,61	4 104	186	24 424	32 925	34 460	13 068	13
December	589	6 55	3 857	164	25 082	33 761	33 444	12 240	13
Sallies ..	535	0,63	339	22	34 761	33 291	(309)	(310)	(3)
December	523	0 68	356	21	31 152	33 710	450	786	9
Ergo	10 159	0,29	2 941			33 605	25 386	7 532	15
December ..	10 113	0 30	2 995			33 592	19 411	6 969	14

Anglo's taxed profit on gold mines down

BDay 16/4/92 (214)

WILLIAM GILFILLAN

DESPITE a surge in the profit contribution from Freegold and a moderate 2% rise in total working costs, lower gold prices pushed the overall taxed profit of Anglo American's gold mines down by 7% in the March quarter

Vaal Reefs and Western Deep Levels were hurt the most as the group received a 1% lower average gold price After-tax profit dropped to R408m from the December quarter's R440m Available profit dropped 9% to R167m (R183m)

Unit costs rose only 1%, up at R26 367/kg from R26 037/kg Total costs were 2% higher at R1 674m (R1 646m) Gold production rose marginally to 63,5 tons from 63,2 tons

Gold and uranium division MD Lionel Hewitt said an improvement in grade at Freegold, the world's largest gold mine, more than offset the drop in tons milled The amount of ore milled was reduced to 6,3-million tons from 6,6-million tons, with an accompanying improvement in the gold recovery grade to 4,45 g/t from 4,17 g/t The result was an increase in gold production to 28,3 tons from 27,5 tons

Boosted by a higher rand gold price thanks to forward sales, after-tax profits at the mine climbed to R170m from R125m in the December quarter

Freegold was forecasting a 2% rise in unit costs this year Hewitt said the mine's labour force had been reduced by 12 000, about 10% of the total, in the past year

Hewitt said Vaal Reefs' lower after-tax profit, down to R113m from R158m, was because it had received no dividend from Southvaal Holdings Dividends are received twice a year, and the next is due after the June quarter

He added that the increase in production at Vaal Reefs failed to counter the effects of higher working costs and the lower gold price However, a higher recovery grade of 6,86 g/t against the December quarter's 6,58 g/t resulted in an increase in the quarter's gold production to 18,8 tons from 18,4 tons even though the quarter's mill throughput slipped to 2,7-million tons from 2,8-million

But the increase in costs to R24 576/kg (R23 114/kg) as well as the decline in the rand gold price received , R32 998/kg from R33 858/kg, sent profits plummeting before and after tax

Western Deep Levels' taxed profit dropped to R65m from R103m in the December quarter Production was hit by last month's earth tremor The mine suffered lower grades and higher working costs

Production dropped to 8 996kg from 10 061kg on the back of a drop in ore milled to 1,5-million tons (1,6-million) and a decline in grade to 5,89 g/t (6,08 g/t) This was exacerbated by the rise in working costs to R26 678 (R24 245) and the decrease in the gold price received to R33 048/kg (R33 617/kg)

Elandsrand, also affected by the tremor, increased after-tax profits to R34m from R33m Higher grades and reduced unit costs offset the lower ore milled and the decreased gold price received Ergo's gold production was down because of the winding down of the Simmergo division

Plunge in profit for Golden Dumps duo

MATTHEW CURTIN

(214)

ERRATIC grades, inflation and weak gold prices took their toll on the two marginal gold mines in the Golden Dumps group in the March quarter

South Roodepoort barely managed to stay in the black, posting after-tax profit of R349 000, 73% down from R1,3m in the December quarter Similarly, after-tax profit dived at Consolidated Modderfontein, falling 62% to R1,5m from R4m

At South Roodepoort, management cut production from 40 000 tons to 33 000 tons, but gained no increase in yield or decrease in unit costs Total costs were cut to R2,9m from R3,3m, but gold production fell

Average yield at Cons Modder dropped to 5g/t from 6,26g/t, although the amount of ore milled fell from 61 000t to 58 000t That cut total costs to R8,7m from 9,7m overall

BDay 16/4/92

However, rising unit costs were partially offset by shrewd forward gold sales which saw the average gold price received rise to R34 094/kg against R33 958/kg

Duiker's performance slips as sales fall

MATTHEW CURTIN

DUIKER Exploration, Lonrho SA's gold and coal producer, posted a 21% drop in after-tax profit in the March quarter due to sharply lower coal and gold sales (2/4)

Sales of steam coal and anthracite fell to a total of 996 000 tons from 1,2-million tons in the December quarter, with gold sales falling to 58kg from 64kg B/Day

A company spokesman said revenue did not accrue evenly throughout the year, but total sales were lower Domestic coal sales rose but exports fell 16/4/92

Duiker's pre-tax profit fell 26% to R6,4m from R8,6m Mining income fell by more than half to R2,7m from R5,8m, but was partially offset by income from other sources which rose to R3,7m from R2,8m

R4m was spent in capital expenditure, mostly on construction of a fine coal washing plant at its Tweefontein Colliery

Duiker said it was keen to increase exports of steam coal The company would consider investing in new export facilities, outside the Richards Bay Coal Terminal, such as the "red" terminal being investigated by Portnet

High-grade production expected

Anglo plans new R1,7bn gold mine

B/Day 16/4/92. (214)

WILLIAM GILFILLAN

ANGLO American is to develop a new high grade, deep-level gold mine in the Moab area of the northern Free State at a cost of R1,7bn in today's money The new mine, an extension of Vaal Reefs' South division, will extend the life of Vaal Reefs' facilities well into the next century

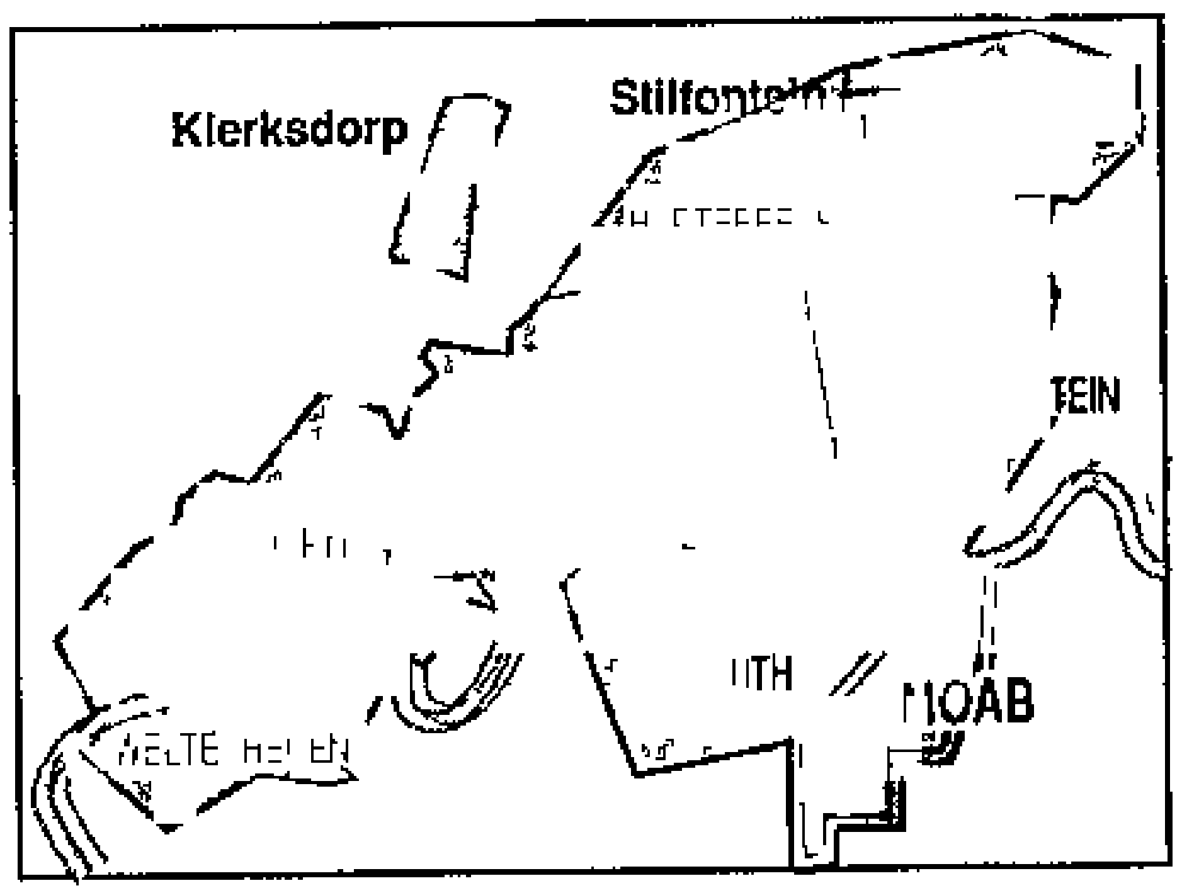
Anglo's last comparable major gold mining development was Elandsrand in 1974

Gold and uranium division chairman Clem Sunter said yesterday the mine had 26-million tons of ore in reserves and would produce about 13 tons of gold a year for 25 years at full production. At present, the Vaal Reefs complex mills just more than 10-million tons of ore a year to produce about 75 tons of gold Moab is scheduled to begin production in 1997

The group estimates the mine would have a recovery grade of 11g/t, which puts it in the same league as such high-grade producers as Gold Fields' Kloof mine and Anglovaal's Hartebeestfontein

Moab will be financed through a new company, Eastvaal Holdings, owned 30% by Vaal Reefs and 70% by the holders of mineral rights to be incorporated in the Moab lease area Sunter said it was intended to list Eastvaal shares in Johannesburg and London "in due course"

The new mine's capital costs will be offset against Vaal Reefs' current profits, generating immediate tax savings In exchange for developing Moab, Vaal Reefs will be allocated 30% of Eastvaal and will pay Eastvaal a royalty equivalent to 30% of Moab's pre-tax profits and dividends equivalent to the residual distributable profit from the area



Graphic FIONA KRISCH

The immediate intention is that Vaal Reefs will issue 200 000 "A" prefs with a nominal value of R5 each to Eastvaal It will also sell up to 5-million "B" red prefs at R250 each to Eastvaal's shareholders to raise a maximum of R1,25bn to finance the project Vaal Reefs' payments to Eastvaal will comprise both a royalty of 30% of the mining operations' pre-tax profits as well as dividends on the prefs equivalent to the available profit from the new project

Sunter said "the future gold price, and not the current price, is relevant when deciding to go ahead with such projects" But even at the current gold price the project's return was "highly satisfactory"

Simpson, McKie analyst Rodney Yaldwyn said the decision to go ahead with the mine reflected Anglo's bullish forecast for gold prices in the late '90s, because without

☐ To Page 2

New mine

B/Day 16/4/92 (214)

☐ From Page 1

an increase in real gold prices the project was likely to yield unsatisfactory returns

Vaal Reefs is getting a 30% stake in Eastvaal in return for its plant, managerial skills, and for supplying the whole infrastructure

As the mine represented replacement ore, employment in the area would not increase significantly, but the new project would enable Vaal Reefs to avoid retrenching people as ore in the North lease area was depleted, Yaldwyn believed

Chamber of Mines president Naas Steenkamp said the project was an exciting affirmation of faith in the future of the gold mining industry and one that would contribute to the restoration of confidence

Anglo, Gengold post contrasting results

(214)

MATTHEW CURTIN and WILLIAM GILFILLAN

THE gold divisions of Anglo American and Gengold have posted contrasting results in the March quarter due to their relative success and failure in containing costs Available profit at Anglo's mines fell 9% overall, but Gengold's rose 47%

After-tax and capex profit stood at R167m (R183m) and R33m (R22m) at the two groups respectively B/Day

With the exception of Freegold, higher costs began to catch up again with Anglo's mines which in the past have been some of the most successful in keeping costs down

Western Deep Level's cause was knocked by the earth tremor early in the quarter Several mineworkers were killed and the tremor cost the mine R10m in lost production and damage 16/4/92

On the day Anglo gave the green light for a new R1,7bn mine, Gengold said its ageing West Rand Consolidated mine would stop underground production in the current quarter if gold prices and underground grades did not improve within weeks to boost payable ore reserves Consulting engineer Jim Cockburn said such hopes amounted to "grasping at straws"

If so, Gengold's Bracken, Stilfontein and West Rand Cons will have stopped underground operations this year, with the loss of about seven tons of yearly gold production, a little more than 1% of total SA production

● See Page 8

Quarterly profits slide for Anglo

CT 16/4/92 (214)

Own Correspondent

JOHANNESBURG — Despite a surge in the profit contribution from Freegold and a moderate 2% rise in total working costs, lower gold prices pushed the overall taxed profit of Anglo American's gold mines down by 7% in the March quarter

Vaal Reefs and Western Deep Levels were hurt the most as the group received a 1% lower average gold price. After-tax profit dropped to R408m from the December quarter's R440m Available profit dropped 9% to R167m (R183m).

Unit costs rose only 1%, up at R26 367/kg from R26 037/kg Total costs were 2% higher at R1 674m (R1 646m). Gold production rose marginally to 63,5 tons from 63,2 tons.

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Anglo to launch new mine

(214)

CT 16/4/92

Own Correspondent

JOHANNESBURG — Anglo American is to develop a new high grade, deep-level gold mine in the Moab area of the northern Free State at a cost of R1,7bn in today's money. The new mine an extension of Vaal Reefs' South division, will extend the life of Vaal Reefs' facilities well into the next century.

Anglo's last comparable major gold mining development was Elandsrand in 1974

Gold and uranium division chairman Clem Sunter said yesterday the mine had 26-million tons of ore in reserves and would produce about 13 tons of gold a year for 25 years at full production At present, the Vaal Reefs complex mills just more than 10-million tons of ore a year to produce about 75 tons of gold Moab is scheduled to begin production in 1997

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Loraine to close

Weekly Mail Reporter (214)

ANOTHER marginal mine announced this week that it will soon be forced to cease operations.

W/Mail 16/4 – 23/4/92.

Anglovaal's Loraine goldmine in the Free State has exhausted all possible restructuring exercises. Last year 1 000 workers were retrenched.

The closure follows on the heels of last week's announcement by Gengold that operations at its St Helena mine would be extensively curtailed.

Another Gengold mine may close

STAR 16/4/92

By Derek Tommey (214)

Most of the Gengold gold mines had a good March quarter with higher earnings and Gengold's income after tax and capital expenditure for the quarter was up 45,6 percent to R32,6 million

But the group unfortunately also had some bad news to report.

One concerned **West Rand Consolidated** which made a working loss of R3,46 million in the March quarter — its third successive one

Unless this mine can return to profitability by May, it will be closed, said Mr Gary Maude, managing director of Gengold.

Although West Rand Cons showed a remarkable improvement in earnings when it was threatened with closure two years ago, a repeat performance is unlikely

At that time there were many ways in which it could improve efficiency but these no longer existed Meanwhile it had also experienced two more years of inflation

Mr Jim Cockburn, consulting engineer responsible for West Rand Cons, said the development results had deteriorated sharply in recent months Grade and percentage of gold-bearing ore had dropped.

Some 400 people out of the mine's 1700 work force were already being retrenched

West Rand Cons therefore seems on its way to joining Stilfontein and Bracken as spent forces.

Stilfontein has ceased underground production and is converting to dump operations. If the grade of the dump averages 0,9 grams a ton the operations will go well, if it is 0,8 grams the mine will break even, but if it is less the mine will have problems But all this also depends on what happens to the gold price, said Mr Maude

Bracken, which produced a working profit of R2,5 million in the March quarter, will stop production in August

Mr Alan Field, who is the consulting engineer responsible for the group's Evander mines, said it was too early to say whether Bracken would have any funds remaining after paying for the rehabilitation of the property

Meanwhile, further restructuring is necessary at **St Helena** which is closing the Number 10 shaft and retrenching 1500 people.

The good news is that **Winkelhaak** is now making a profit after capex and this quarter should also recoup R18 million from sale of assets.

This mine is getting back on its feet and is in a solid situation to cope with future expansion

Unisel, after experiencing many difficulties last year, had pushed up development, established more faces and was seeing a steady improvement in gold production. Its capital liabilities were falling and the mine was starting to work as Genmin wanted it to, said Mr Maude

It was planning further production increases as the year progressed.

Buffels, Grootvlei and Leslie are all well up on income after tax and capital expenditure.

The group's income after tax and capital expenditure increased in the 12 months ended March by 34,8 percent from R24,2 million to R32,6 million In the quarter ended December 1991 the group recorded income of R22,4 million after tax and capex

Costs per kilogram of gold produced were well contained, recording a mere 0,2 percent increase over the December quarter to R27 626 a kilogram in March On an annualised basis the increase amounted to a credible 5,6 percent.

Hedging was a feature of most Gengold mines with profits being recorded by almost all the groups mines where forward selling took place.

At **Grootvlei** production costs were reduced to R28 597 a kilogram (R29 000) while the yield was increased to 5,3g/t (5,1g/t) despite a reduction in ore milled and mined

Income after tax and capex however was sharply lower at R3,089 million compared with the previous quarter's R5,180 million

A larger tax bill amounting to R1,183 million compared with December credit of R784 000 contributed to the decline in after tax and capex income

R1,7-bn boost for ailing gold miners

(214) STAR 16/4/92

By Derek Tommey

The gold mining industry is about to get a R1,7 billion shot in the arm

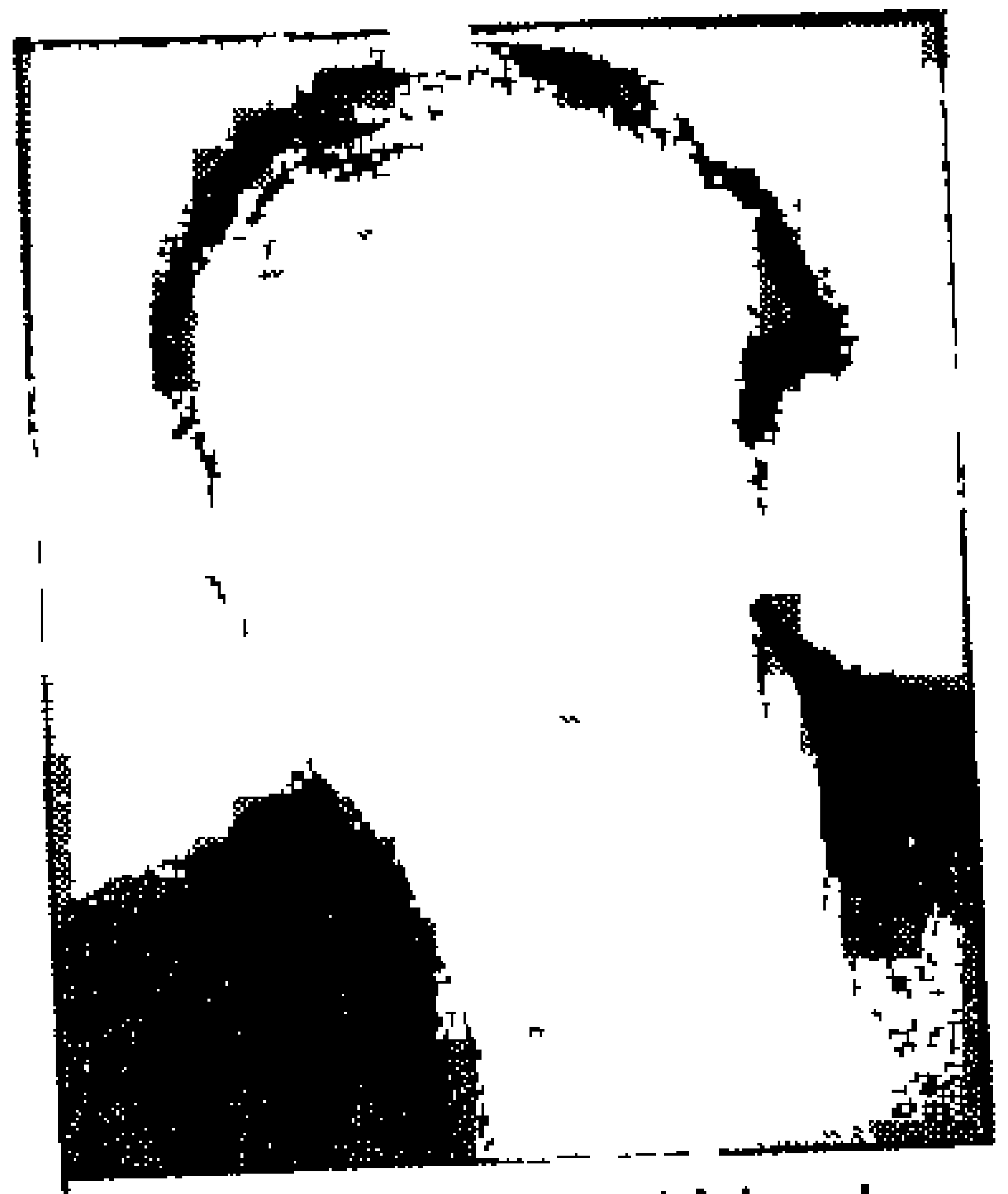
Anglo American and its associates are to spend this money developing a new deep-level mining operation which will be called Eastvaal and is contiguous with the Vaal Reefs' mine in the Klerksdorp area.

The new mine will exploit the Moab area It will be an extension of Vaal Reefs and capital expenditure on the new project will benefit from that mine's tax base.

This, and the fact that a portion of the capital expenditure will be financed out of initial operations, means that peak funding requirements from Eastvaal are expected to be of the order of R600 million in January, 1992 money terms

Mr Clem Sunter, chairman of Anglo American's gold and uranium division, said he was very pleased to be able to announce a new gold mining operation at this juncture in South Africa's history

"We hope this will be a turning point and that we will be looking to more prosperous times as the world recovers from the third and fourth quarter of this year"



Clem Sunter . . . a tricky deposit.

He said it was a decent project at the current gold price By the time the mine came into production he believed the gold market would be looking extremely good

The new operation, which in essence is an extension of Vaal Reefs is expected to produce 13 tons of gold a year for 25 years from 1997

It will mill 150 000 tons of ore a month with an estimated recovery grade of 11 grams a ton

The ore will be mined from a main shaft which will be about 2 500 metres deep and two subshafts which will be sunk to a depth of 3 700 metres below surface

Pre-shaft sinking operations have already begun and have reached a depth of 76 metres Shaft sinking should start on January 1 next year. The ore will be treated at one of the Vaal Reefs' plants as this mine is expected to have surplus capacity when the new project starts production

Mr Sunter said it was quite a tricky deposit and a deep deposit. But Vaal Reefs had experience in working such deposits

Production costs were expected to be the same as at similar Vaal Reefs' shafts but the grade or ore would be higher.

Anglo American told the mining engineers who planned the mine that it had to make a profit from the Moab ore body at a gold price of R32 000 a kilogram.

Holders of the mineral rights to be mined will receive a 70 percent st[illegible] Eastvaal

Vaal Reefs will get the remaining 30 percent In exchange it will pay Eastvaal a royalty of 30 percent of the profit before tax (but after capital expenditure) from the Moab area.

Board member

It will issue to Eastvaal 200 000 "A" preference shares, each having 10 votes This is to ensure that Eastvaal will be represented on Vaal Reef's board

Vaal Reef's present issued capital is 19,1 million shares

The "A" preference shares will be entitled only to a dividend equivalent to the after-tax profits arising from mining the Moab area, net of the royalty payments, ongoing capital expenditure and the dividend on the "B" preference shares

Eastvaal will have the option to subscribe for up to 5 million redeemable "B" preference shares at R250 a share Eastvaal will take up a sufficient number of these shares to cover the after-tax capital costs of mining the Moab area

Eastvaal will be listed on the Johannesburg and London stock exchanges

STAR 16/4/92

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Hedging and good cost control boosts Freegold

By Derek Tommey

Free State Consolidated Gold Mines (Freegold) should be renamed "The Tiger of the Free State"

At a time when the gold mining industry is having to fight extremely hard to survive - when the gold price is dropping and costs are rising — Freegold, the world's largest gold mine, reports an 67,0 percent increase in profit for the year ended March

Available profit rose from R167,4 million to R279,5 million.

With these sort of earnings under its belt, Freegold has boosted its dividend by 53 percent from 85c to 130c a share

This brings the total dividend payment for the year to 235c against 200c last year. However, the mine still has some way to go to repeat its 1989-90 dividend of 310c a share

Mr Clem Sunter, chairman of Anglo American's gold and uranium division, attributed the improvement to good operational control and a prudent hedging programme

He paid tribute to the management and workers at Freegold for their efforts in achieving these results

He said the mine's labour force had been reduced by 12 000 during the year. Although the mine produced less gold, the lower labour costs resulted in total costs dropping 1,4 percent to R3,2 billion and unit costs declining slightly to R28 687 a kilogram from R28 844 a kilogram.

At the same time successful gold hedging helped to increase the average price of gold received by 4,0 percent from R32 325 to R33 616 a kilogram

Profit before tax rose 35,7 percent to R642,6 million and profit after tax was 22,1 percent higher at R528,5 million. Capital expenditure decreased by 9,5 percent to R243,7 million.

Available profit for the March quarter was 11,6 percent higher at R81,7 million

Although Vaal Reefs available profit was 24,9 percent lower at R48,3 million compared with December's R64,3 million, an analysis shows that this profit comparison is distorted and the March quarter figure is actually highly encouraging

The absence of a dividend from South Vaal and changes in capital expenditure, cost Vaal Reefs about R20 million in the March quarter

On top of this Vaal Reefs' December quarter costs were distorted by year-end accounting considerations

Western Deep experienced a number of serious seismic events which resulted in loss of life Mr Sunter said that improving safety on the mines would be a top priority at Anglo American this year

The events cost the mine about R10 million in lost production and available profit dropped by R8,9 million to R16,8 million

Elandsrand was also affected by seismic events and also by mill maintenance After appropriating R21,4 million (R21,2 million) for capital expenditure, available profit was 6,8 prcent higher at R13,1 million (R12,2 million).

The East Rand Gold and Uranium Company (Ergo) increased its available profit by 8,1 percent to R7,5 million for the quarter

AMGOLD FM 17/4/92 (214)

Still sitting on a big cash pile

Main surprise in Anglo American Gold Investment's results for the year to March is the extent of the drop in exploration expenditure, even though chairman Nicky Oppenheimer indicated in his last review prospecting work would be reduced.

Amgold's cost of prospecting dropped 30% to R33,1m (1990 R47,4m) as work wound down on a number of Anglo American's major programmes, particularly in the Potchefstroom Gap. Amgold has a 20% stake in all Anglo gold exploration programmes.

The drop is sharper than expected by some analysts Amgold's exploration expenditure is likely to continue to fall Anglo has completed some drilling projects and curtailed others because of the low gold price

Driving force behind the 24% increase in earnings and 26% rise in dividends is the huge jump in interest earned to R58,7m (R4,9m), which accrued on the R500m cash held since the November 1990 rights offer

Amgold's Oppenheimer *interest to the rescue*

The money was raised "to take advantage of investment opportunities in the gold mining industry" but Amgold so far has not spent any of it This cash pile seems likely to remain intact for at least another year

As shown by the lower exploration there are not too many investment opportunities available in the SA gold industry The only likely call for funds could be from the Moab extension to Vaal Reefs, but major expenditure on this project is still some years off

The drop in investment income to R219,9m (R240,7m) was a foregone conclusion given the continuing squeeze on gold mine profit margins and dividends Amgold's cash pile also allows it to pay out current earnings in full as dividends whereas previously it retained some income.

PLENTY OF INTEREST

Year to March 31	**1991**	**1992**
Investment income (Rm)	240,7	219,9
Interest earned (Rm)	4,9	58,7
Taxed profit (Rm) .	178,2	235,5
Earnings (c) .	788	975
Dividends (c)	775	975
Net worth (R)	201	225

Looking ahead, some analysts forecast a further 10% increase in earnings and dividends this year, assuming a slight improvement in investment income — the better-quality gold mines have managed to raise their profit margins in the last six months — and an unchanged contribution from interest

Brendan Ryan

KNIGHTS FM 17/4/92

Merger terms

(214)

Final terms of the deal between Knights, Simmer & Jack (Simmers) and Waverley seem acceptable to all concerned, though Knights is doing what a number of its larger shareholders wanted to avoid — undergoing a large jump in issued share capital to acquire dump material

The feeling expressed by several shareholders at the time of Knights' AGM last September was that Knights should go for tributing or royalty agreements rather than outright purchase of dumps. It was argued that Knights held the whip hand in such negotiations because it had a successful dump treatment plant in place whereas Simmers and Waverley did not New Knights CEO Dave Wassung disagrees, saying dump material has become more difficult to acquire on a toll-treatment basis because of competition from existing operations such as Ergo

Knights will nearly treble its issued capital of 97m shares by issuing 127,8m shares to Simmers and 38,2m to Waverley in the ratio of 450 Knights per 100 Simmers or Waverley, based on a Knights share price of 67,5c

New manager Dundee Bankorp, listed in Toronto, will hold only 24% of Knights but will be the largest shareholder through a precondition with two major shareholders in Simmers, Durrant Investments and Transatlantic Mining, that they would not keep their Knights entitlements but have them placed elsewhere This has been done but, at only 24%, Dundee Bankorp's hold on Knights remains tenuous

FM 17/4/92 (214)

The deal goes further than previously envisaged in that Knights acquires not just Simmers' dump material, but also property assets and the joint exploration venture over its deeper extensions with Anglo American

If the deal goes through Waverley will be delisted while Simmers is left with various gold projects in the "greenstone" belt of the eastern Transvaal Simmers chairman Chris Mumby says the group is still considering its next moves on the development of these.

After the merger Knights will have about 140 Mt sand and slimes dumps of varying grades Payable reserves at a gold price of R32 038/kg will increase Knights' economic life to 15 years from the previous estimate of six years At R34 000, life expectancy increases to 25 years

Knights also acquires R8,75m cash from Waverley and R11,5m cash from Simmers, the latter to cover liabilities to Ergo under the "Makonjwaan" agreement Simmers last year sold dump material to Ergo that is covered by deposits of lower-grade material that Simmers undertook to move Knights now has to move this material and Wassung says it will be treated through the plant There is a risk involved because some of the material is of border-line payability

Mannie Rahn, analyst for sponsoring broker Anderson, Wilson, recommends shareholders accept the merger terms because "at a gold price of R32 500, the share offers a good return, especially if the property potential is taken into account "

Ed Hern, Rudolph analyst Grahame Graham-Parker says the deal seems neutral for shareholders Any excitement will depend on how fast property assets are brought to account, as well as if recovered grades from the sand dumps can be pushed higher than forecast.

Market value of Simmers' freehold ground is estimated at R121m Rahn estimates between R25m-R30m can be realised quickly through the sale of already proclaimed ground as well as open areas from which dumps have been removed That assumes a buoyant property market

FOX FM 17/4/92 (214)

The Knights circular forecasts EPS, excluding property, of 7,56c in the 15 months to June 1993, 7,68c for 1994 and 4,12c for 1995, assuming a gold price of R32 038 (now about R31 600) an adequate, but hardly exciting, outlook Rahn forecasts dividends of 6c in 1993, 8c in 1994 and 4c in 1995

The share price has recovered somewhat from the 35c low reached in early April but faces a long climb back to the 67,5c at which the deal was struck A jump in the gold price would help greatly

Brendan Ryan

Gary Maude the kindly hatchetman

MAN AT THE TOP

(214)

S/Times (BU 55) 19/4/92

By ZILLA EFRAT

GENGOLD managing director Gary Maude is fast becoming known as the hatchetman in gold mining.

Last week he announced the retrenchment of 1 500 at Gengold's St Helena gold mine in the Free State

In the past three years Gengold has taken the lead in closing uneconomic gold mines as production costs rose along with inflation and the gold price stagnated.

Its head count has fallen from 92 000 to about 55 000 in three years. But when Mr Maude takes a long knife out from his desk drawer it is only to adjust his cigarette lighter.

Jewellery

The friendly Mr Maude, 53, says he is facing the toughest time in his 31 years in mining. The challenge is to keep marginal mines operating at break even until the gold price improves.

But the man who left the coal mines in South Wales to come to SA in 1961 because he could not work in a nationalised industry believes there is light at the end of tunnel.

He says the fundamentals of supply and demand indicate that the gold price could improve later this year.

In the short term, the price could be boosted by a slowdown in Russian gold sales and jewellery production ahead of Christmas

Other positive trends include a reduction in world gold production as marginal mines in other countries close, new legislation which could liberate the Indian market and growing demand from China

With SA gold production in the doldrums, Gengold has turned its attention to Africa. Mr Maude says almost every African country has produced gold at some time in its history But nationalisation has resulted in the mines of many countries becoming overstaffed and inefficient

Aid organisations, with several failures behind them, recognise the contribution SA companies could make in developing Africa's gold resources

SA mining groups have the expertise, the resources, skills and a good reputation with international banks Joint-venture possibilities exist in Ghana, which used to be called the Gold Coast, and neighbouring countries

Beatrix

Mr Maude has faced a host of challenges in his long and varied career with Gencor, but the current situation is the most difficult because it has persisted for several years

However, the achievement he looks back on with most satisfaction was designing and commissioning Beatrix mine in the OFS as a "youngster"

He supervised Beatrix's development right up to the pouring of the first pot of gold seven years later as the mine's general manager

He says the job gave him confidence and taught him about every facet of mining

The part he most enjoys about mining is the people contact.

Mr Maude says: "Mining people are the salt of the earth I have made many wonderful associations in my years of mining and I like to get underground as often as possible."

He describes his management style as "benevolent autocracy" and says he tries to make it as easy as possible for people to tell him the bad news

Dirty

Mr Maude was the first person from his school in Somerset to go into mining. He was told he was best suited for a career in electrical engineering But when it came to doing a week-long work course, the only programme available was with the Coal Board

It appealed to him and he went on to study mining at Leeds University. After a stint with the Welsh coal mines where he really had to get his hands dirty he came to SA for two years' experience. He has stayed for 31 years

He says. "SA is one of the few countries where the individual can feel that he is making a contribution to the country."

Although market conditions are making his job tough, Mr Maude says his present position is satisfying because it enables him to draw on his many interests These range from mathematics to theatre productions

He has been brushing up on his French He gave a paper in French at a conference in Paris in February

Mr Maude started baking French bread last year and has been into chinese cooking for some time. Asked if his wife is pleased about this, he says: "That depends on the what the kitchen looks like afterwards"

Lawyer

He also enjoys getting out into the country where he often indulges in his hobby of taking black and white photographs of landscapes.

Mr Maude, who in 1982 told his wife that the then Mining Minister F W de Klerk would make a good president, has less and less spare time these days He tries not to take work home and enjoys horse riding and the odd game of tennis.

Having greatly enjoyed his career in mining, he would like to start all over again and do something different "like being a lawyer" or farmer.

Eastvaal outsiders must wait

STimes (Buss) 19/4/92 (214)

By JULIE WALKER

ANYONE wishing to invest in Anglo American's project in the Moab area next to Vaal Reefs will probably have to wait for a higher gold price

Announcing the project this week after a revision of the original draft, Anglo American gold and uranium division chairman Clem Sunter said that Japanese logic had been adopted

"Given that the gold price is R32 000 a kilogram, we had to see how a profit could be made The mine will only begin production in five years and we believe the gold price will be higher then"

The original Moab development was to have cost more than double the now-estimated R1,7-billion in January 1992 money

The project has been reduced to a production rate of R150 000 tons a month at a healthy recovered grade of 11 grams a ton A 12% mine-call factor has been built in

Costs

Holders of the Moab mineral rights, mainly Anglo American and associates, and Vaal Reefs, will be joint shareholders in Eastvaal Gold Holdings, in which Vaal Reefs will have 30%

Vaal Reefs will fund the after-tax costs of capital expenditure to mine the area This will allow part of the capex for Eastvaal to be financed out of cash flows generated by initial operations The peak funding requirement is expected to be R600-million in January 1992 money

Mr Sunter is confident that Vaal Reefs' tax shield will be big enough to keep the capital outlay down

Anglo American has shown its ability to deliver under these conditions with the No 10 shaft at Vaal Reefs and Freddies No 1 shaft at Freegold

He says conditions in gold mining now are identical to those in the late 1960s and 1970s when Southvaal and Elandsrand were launched

The Moab area has 26-million tons of ore and is expected to yield 13 tons of gold a year at full production

The area will be accessed by a main shaft to 2 500 metres and two sub-shafts to a depth of 3 700 metres The area is deep, faulted and tricky to mine

Mr Sunter is cagey on operating costs, which the announcement gives as similar to comparable shafts at Vaal Reefs Only an aggregate figure is given in Vaal Reefs' financial statements

CLEM SUNTER Japanese logic

The rand/ton figure will be higher than the R168/ton cost in the March quarter, but the rand/kilogram cost will probably be below R24 500 because of the high grade

Bullish

The ore will be treated at Vaal Reefs, so there is no need to build a plant About 5 000 will be employed, but they will not all be new jobs because employment on Vaal Reefs' existing operations will fluctuate

Eastvaal shareholders will follow rights issues to raise funds, but it is intended to list the mine in London and Johannesburg

A higher gold price would seem to be the objective because equity could be raised more cheaply in bullish circumstances

Italian jewellers link up with SA

SI Times (Bus) 19/4/92

214

By IAN ROBINSON

THE Italian jewellery industry has established direct contact with the fledgling South African business

Vicenza Jewellery Fair president Giuseppe Dal Maso — a former member of parliament — visited SA this week.

The Italian industry uses about 400 tons of gold a year compared with 4,5 tons by SA. About 40% of the gold is used in the town of Vicenza 70km from Venice

About 1 000 jewellery manufacturers attend the Vicenza Fair, which is held three times a year

Banks

Dr Dal Maso's visit resulted from approaches from SA Ambassador to Italy Glenn Babb and a visit to Italy by then Trade and Industry Minister Org Marais

The purpose of Dr Dal Maso's visit was twofold to explore the possibility of direct imports of gold from SA and to establish a closer link between the jewellery industries in both countries

Italy imports SA gold through Switzerland and the possibility of direct imports was raised at a meeting in March between the Trade and Industry Minister Derek Keys and his counterpart Vito Lattanzio

It was suggested that the Reserve Bank sell gold directly to Italian banks

Dr Dal Maso stresses the common interest of Italy and SA in promoting gold jewellery Growth in demand for jewellery is the major potential vehicle for raising gold sales

The SA jewellery market is of interest to Italian manufacturers both for potential growth and the possibility of establishing joint ventures

Dr Dal Maso believes that demand for jewellery in SA will grow as people become more prosperous

He believes that the production of semi-manufactures in SA for finishing in Italy would offer the best vehicle for joint ventures

Dr Dal Maso had discussions in SA with parties involved in the production of gold and the jewellery industry

They included the Chamber of Mines, the mining houses, Mintek and the Jewellery Council of South Africa

Dr Dal Maso's visit follows an initiative by the director of commerce and industry for Johannesburg, Collin Wright, who has established a forum of interested parties which will develop a national strategy for the industry

Mr Wright invited jewellery manufacturers, representatives of the mining industry, government organisations and the city council to the first meeting at the end of February

The forum — which has not yet been given an official name — has dealt with two issues It plans to develop a national strategy for the jewellery industry and will consider a proposal to establish a jewellery centre in Johannesburg

Mr Wright is also organising an exhibition by about 20 Italian manufacturing jewellers in Johannesburg in September

The discrepancy between domestic production and use of gold has highlighted the potential for expansion of the jewellery industry in SA

However, the Chamber of Mines and the mining houses give only a little help to domestic jewellers and are concentrating on promoting world demand through the World Gold Council

Raw

Senior general manager Daniel Pollnow says the chamber is not opposed to attempts to strengthen the domestic industry, but would need to see feasibility studies to justify major expenditure

Dr Pollnow says the availability of raw materials does not guarantee a market share for finished products The requirements for a profitable jewellery industry in SA include motivation, a favourable environment in terms of skilled labour and infrastructure and competitive costs

As none of these has been met, it will be a "tall order" to develop an export-oriented domestic jewellery industry

Gengold plans merger of two Evander mines

STAR 20/4/92

By Jacques Magliolo and Derek Tommey 214

Gengold wants to merge two of its most profitable Evander mines, Kinross and Winkelhaak

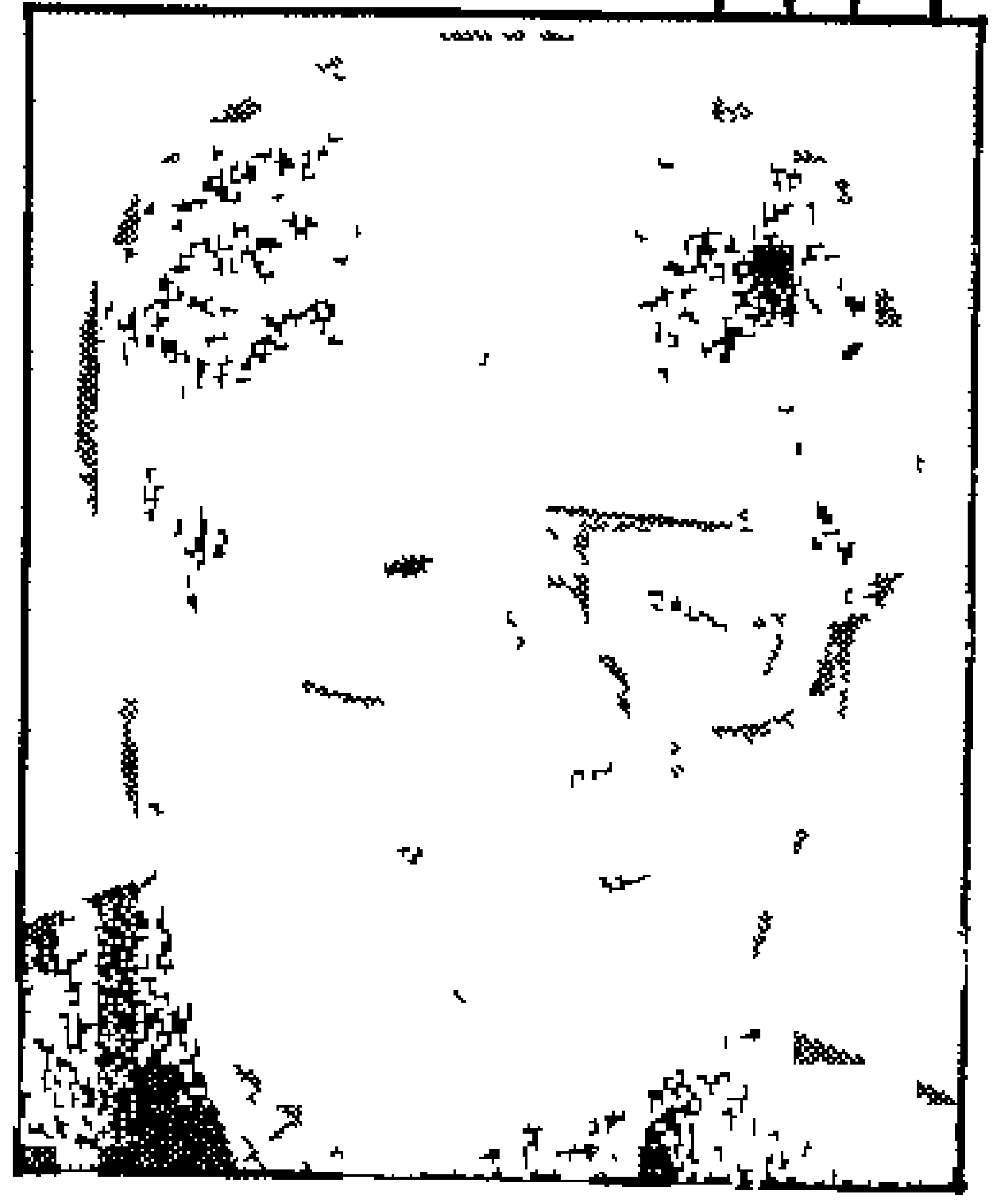
Gengold's managing director, Mr Gary Maude, says the two mines will submit a proposal to the Minister of Finance in the next few days seeking his consent for the merger

Mr Maude says "If the Minister gives us the go-ahead — and subject to shareholder approval — we plan to merge the two mines before the end of the year"

The merger would enable capital expenditure at Winkelhaak to be offset against Kinross's profits

Winkelhaak had a net profit of R16,7 million and a capex of R16,1 million in the March quarter while Kinross a net profit of R19,5 million and substantially lower capital expenditure of R9,0 million

"The merger reduces the possibility of retrenchment, should reduce costs, provide tax benefits and expand the life of the Kinross area by in excess of 15 years," says Mr Maude



Gary Maude Expanding life of Kinross gold mining area

The merger would be in line with Gengold's continued streamlining of its gold operations Even a low gold price — depressed by a strong dollar, low US inflation and continuous oversupply conditions — were unableto hamper the group's March quarterly results

Operating as a single tax unit would enable the one mine to use its profits to support the other while it has a high capex and vice versa

Mr Maude intimated that, while the two mines will operate under one umbrella, they will probably maintain the same management and names

"We haven't decided on all the details yet," says Maude, "but we could combine the names or keep only one"

According to mining analysts Winkelhaak, of all the mines in the Kinross area, has the greatest potential for major expansion and for a long life

This was recognised at the beginning of 1990, when the Winkelhaak board approved the sinking of the No6 Sub-vertical shaft at a cost of R701,5 million

Reviewing this programme, Winkelhaak's chairman, Mr Brian Gilbertson, said it would have created the infrastructure to mine 120 000 tons of ore a month and to produce 8,3 tons of gold a year, so extending the life of the mines by some 16 years

At the then gold price the project could have been financial comfortably out of Winkelhaak's profits while enabling the mine to maintain its dividends

Unfortunately for Winkelhaak, the gold price declined and by the end of last year no surplus was available for the payment of final dividends

This led to the production of an alternative mining plan which would maintain production well into the next century with capital expenditurelow enough to be enable a satisfactory dividend rate to be restored at the prevailing gold price

This new plan has led to work on the No 6 Sub-vertical shaft being stopped

The new mining plan proposes deepening the No 6 Main Shaft which could result in substantial saving in both capital cost and time to access the same ore reserves

At the same time the No 2A Sub-vertical shaft has been initiated This project will provide additional ore reserves at a relatively low capital expenditure of R41,7 million over a period of two years, enabling the deepening of No 6 Shaft to be delayed up to four years if necessary, says Mr Gilbertson

These changes will reduce the rate of capital expenditure from the second half of this year to around R80 million and in the absence of a decision to deepen the No 6 Shaft, capital expenditure in 1993 should be materially lower, currently estimated at less than R25 million

Mining analysts point out that if Winkelhaak was allowed to use Kinross's tax shield, the deepening of No 6 Shaft could start much sooner than now proposed, and enable Winkelhaak at least to maintain gold output at current rates

If Winkelhaak has to confine new development entirely to the No 2A Sub-vertical shaft, there could be a shadow over the mine's future production and profitability

COMPANIES

Plan to revive mine's fortunes

MATTHEW CURTIN

GENGOLD, Gencor's gold mining division, is bidding to revive the long-term fortunes of its Winkelhaak gold mine, hard hit by weak gold prices, through a possible merger with the neighbouring Kinross mine

The move may enable Winkelhaak to proceed with its multimillion-rand No 6 sub-vertical shaft project, which is expected to produce more than eight tons of gold a year from 120 000t of ore a month

The mines are the main producers in the Evander area in which Gengold has two other operations, Leslie and the ageing Bracken, which is on the verge of closure

A Gengold spokesman said yesterday that management was considering merging the two gold mines to offset the large capital cost of the No 6 shaft project against the profits of Kinross, through the creation of a single tax unit

Kinross turned in an after-tax profit of R19m in the March quarter, while Winkelhaak posted an after-tax profit of R17m, before capital spending of R16m.

(214)

The spokesman said the proposal was in the early stages of review and dependent on government approval of the merger

Tax concessions are an important tool which mines can use to cope with the huge capital cost of new gold mining projects For instance, the cost of Anglo American's R1,7bn Moab project will be offset against the profits of Vaal Reefs, of which the new mine is an extension.

BDay 21/4/92

The Winkelhaak-Kinross move would reduce the chances of job losses at the mines, cut costs, and increase the gold mining life of the Evander area

Youthful Joel helps JCI offset poor gold prices

B/Day 22/4/92

B/Day 22/4/92 2.14

MATTHEW CURTIN

HJ JOEL, the Free State gold mine in the Johannesburg Consolidated Investment (JCI) group, turned in its first after-capex profit in the March quarter which helped the group offset the effects of poor gold prices

Joel first produced gold in the June quarter of 1991

After-tax profit for JCI's three gold producers rose more than 2% to R60m from R58m in the December quarter, in spite of a 2% fall in the average gold price received The gold price they won fell to R33 134 from R33 866/kg, comfortably above ruling spot prices, thanks to forward sales

More selective underground mining and general improvements in efficiency were responsible for the mines' better performances at the operating level, although Western Areas again failed to show a working profit from its gold operation

Each mine showed sharp increases in yield, which rose nearly 4% on average With the amount of tons milled holding steady, gold production rose 3% to 12,4 tons from 12 tons Unit working costs were contained to an average of R28 226/kg against R28 898/kg in the previous quarter

At a news conference in Johannesburg yesterday, the mines' managers said they were focusing on mining a minimum of low grade material and eliminating wastage in a bid to maximise gold recovery

Gold division chairman Kennedy Maxwell said selective mining would not have a major impact on the mines' ore reserves Each mine was well placed to return to closed areas underground should gold prices improve to reduce pay limits

Low-grade, low-cost producer Randfontein Estates benefited from the strategy and better grades from the Cooke No 3 shaft area

The mine's gold revenue rose to R266m from R262m, but was outpaced by the rise in total costs to R208m from R203m

Randfontein's long-term future hinges on the successful exploitation of the South reef, underlying the Kimberley reef, from its Doornkop section from which it plans to sustain monthly production at 600 000 tons

Water hampered development of the Kimberley reef from Doornkop in the quarter, but the shaft-sinking programme to the South reef was on schedule

The mine's after-tax profit was hit by a sharp rise in tax because of a reduction in capital spending in the quarter

Profit from its uranium operation saved Western Areas as it more than compensated for an increased working loss from gold mining, up at R5,2m from a R1,6m loss in the December quarter The mine was still recovering from the blow to production caused by flooding of its South shaft last October

Western Areas remains highly geared to the gold price, with average unit working costs of R35 000/kg Maxwell would not comment on when gold operations would return to profitability

After-tax profit tumbled 40% and the bottomline was hit by the capitalisation of R18m in lease agreements, which were up for five-year review in the quarter Maxwell said an additional R11m had been rolled over on favourable terms

Developing mine H J Joel may at least be meeting expectations with a sharp increase in grade and corresponding jump in gold production and profits With problems with its trackless mining system out of the way, management focused on cost control and mining higher grade areas

Mine manager Chris Naude said Joel would be able to sustain these good results over the current quarter

JCI March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein Estates	2 227	3,6	8 014	119,47	25 929	32 201	50 293	26 377	43,1
December	2 203	3,6	7 821	119,31	26 018	33 606	154 506	16 676	27 3
Western Areas	537	5,2	2 787	172,22	35 113	33 184	1 854	(18 824)	(46,7)
December	561	5 0	2 791	171,44	35 034	34 400	2 968	1 051	2,6
H J Joel	242	6,5	1 560	210,85	27 722	32 708	7 455	2 016	2,1
December	252	5,5	1 375	186,27	32 823	34 138	890	(5 678)	(5,8)

Demand for gold should exceed supply by year-end

By Sven Lunsche

(214)

STAR 22/4/92

JCI is taking a bullish view on the long-term prospects of the gold price

Presenting JCI's quarterly results yesterday director Kennedy Maxwell said he expected the gold price to remain depressed for the next few months but predicted considerable improvements for the latter part of this year and early 1993

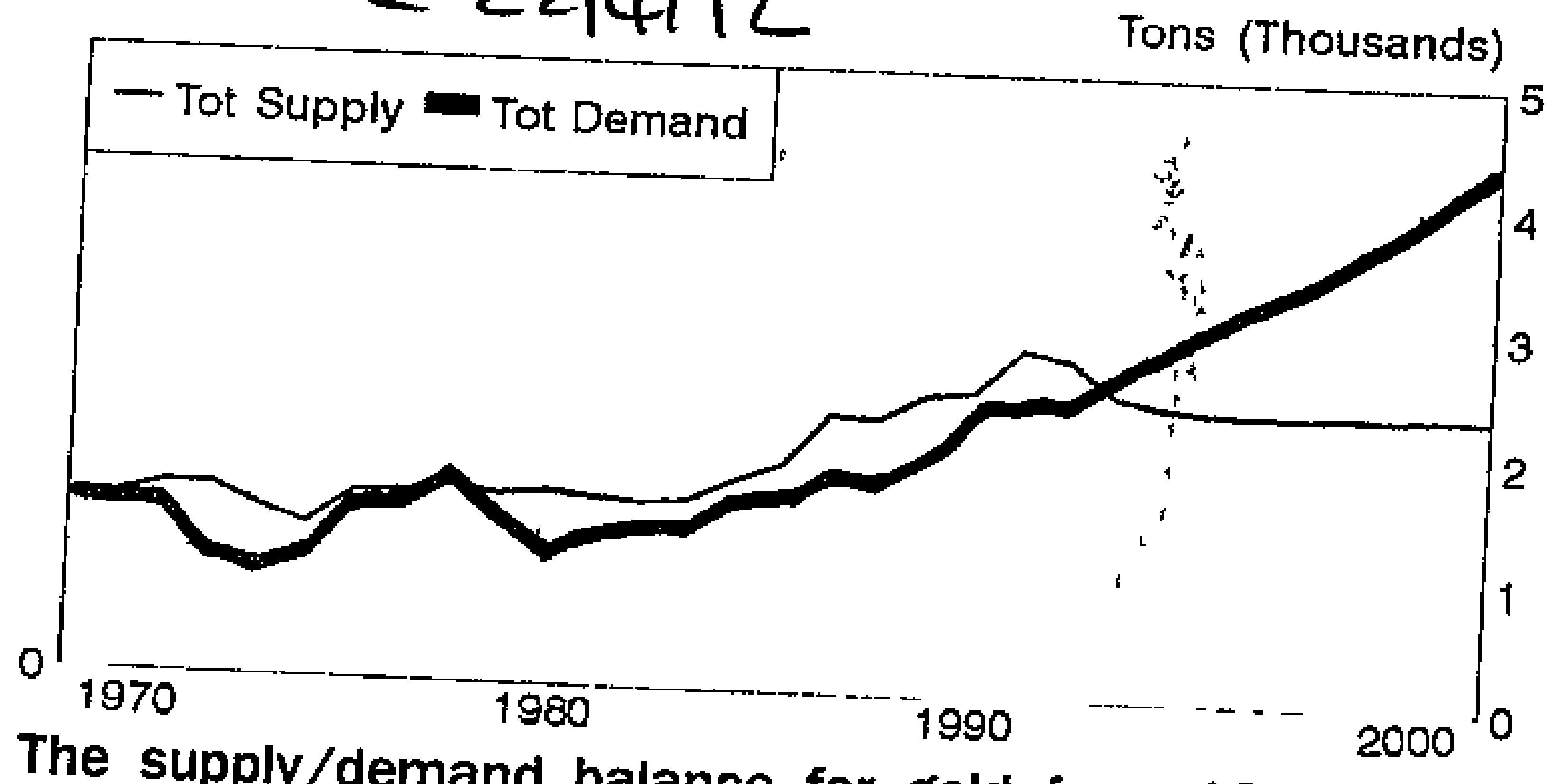
"Current factors contributing to the weak price include the cancellation of gold swaps from Russia and the liquidation of gold investments in Japan," Mr Maxwell said

Against this, however, he said demand from East and South-East Asia continued to grow for both jewellery and investment purposes

Referring to a supply/demand forecast for the metal by JSE stockbrockers Kaplan and Stewart (see graph) Mr Maxwell said "With the supply of gold from world producers levelling off, it is anticipated that physical demand for gold will start to exceed supplies from producers towards the end of the year

"As the major economies then enter a renewed growth phase this shortfall in supplies will grow significantly

"Sales of gold from central banks may well move in to meet this shortfall, but nonetheless the perception that physical demand is in excess of new production and secondary supplies should provide a further stimulus to the gold price," Mr Maxwell said



The supply/demand balance for gold from 1970 to the year 2000.

Joel turns in first profits

STAR
22/4/92

(214)

By Sven Lunsche

JCI's Joel gold mine reported its first quarterly profit after tax and capital expenditure in the January quarter, despite a four percent slump in the gold price received

Joel's good contribution to JCI's bottom-line, however, was offset by sharp declines in after-tax profits at Western Areas and Randfontein

JCI's combined net profit after tax and capex dropped by 20,57 percent in the January quarter to R9,57 million from R12,05 million in the December 1991 quarter

Profits after tax showed a marginal 2,12 percent rise to R59,6 million as results were hit by a 2,2 percent drop in the price of gold received — this alone accounted for a R9 million loss of revenue

The increase in the JCI gold division's profit was due entirely to Joel's profits which surged from R890 000 to R7,5 million after tax and improved from a loss of R5,7 million in the December quarter to a profit of R2,1 million after tax and capex Capex during the quarter fell slightly from R6,6 million to R5,4 million

JCI director Kennedy Maxwell expects the mine to sustain the level of profitability in the current quarter, as working costs continue to be contained

In the March quarter working costs dropped by 4,2 percent while gold production reached a record 1 560 kg (December 1991 quarter 1 375 kg) on the back of an 18 percent improvement in the grade to 6,45 grams per ton (5,46 g/t)

Western Areas was hard hit by a 3,7 percent drop in the gold price received, including forward sales, and higher working costs — the loss from its gold operation accelerated from R1,6 million to R5,4 million

This was partially offset by virtually unchanged profits from its uranium division of R6,1 million, leaving profits after tax 37,5 percent lower at R1,85 million (R2,97 million)

Capex soared from R1,9 million to R20,7 million as certain off-balance sheet leases were brought into account in line with new accountancy practises

This saw a profit of R1,05 million after tax and capex in the December quarter deteriorate to a sharp loss of R18,8 million

The group's largest producer, **Randfontein**, reported good production results the grade rose from 3,55 g/t to 3,60 g/t and gold production increased to 8 014 kg (7 821 kg)

But sharply lower capex of R23,9 million (R37,8 million) led to a virtual doubling of the tax bill to R13,3 million (R6,8 million) and left profits after tax 7,7 percent down at R50,3 million (R54,5 million)

After-tax and capex profits improved by 58,2 percent from R16,7 million to R26,4 million

The good production performance resulted in a bonus payment of R5,2 million adding 12 percent to workers' wages on top of the five percent annual increase

Restructuring may cut Harmony jobs

BDay 23/4/92

MATTHEW CURTIN

214

RAND Mines is planning to restructure its Harmony gold mine in a move which may see the marginal Free State producer lose yet more jobs. Harmony is the latest gold mine to be hit by weak gold prices, after Gengold's St Helena announced 1 500 job losses earlier this month.

Harmony had appeared to be healthy after recovering from a disastrous 1990, a year marred by labour unrest and production cutbacks It returned to profit last year

Harmony spokesman Martin Fallon said yesterday weak gold prices made further "rationalisation" necessary, and talks with employee representatives over possible retrenchments had begun yesterday. He would not comment further on the restructuring programme.

Harmony has shed nearly a third of its workforce since 1989 when it employed 31 000 mineworkers

Yesterday's announcement was unexpected because Harmony had improved productivity and contained costs in the last two quarters of 1991.

Farmer sues mine over 'crop damage'

B/Day 23/4/92

(214)

PRETORIA — A gold mining company is being sued in the Pretoria Supreme Court by a peach farmer, who claims the mine had caused him nearly R900 000 damages since 1986 by negligently allowing dust from a silt dam to damage his crops

Martin Smith van der Merwe, who farms next to Western Areas, claimed the mining company had been aware of the dust problem for some time, yet failed to take any steps to stop the dust from damaging his peach crops

He said the mine had failed to plant grass on the silt dam, and allowed the dam to become dry, instead of using the water and mud to keep the dust down The result of its negligence was a fine dust, which made his fruit unmarketable

Van der Merwe said the damage was not limited to the loss of his peach crops over five years, but he had also been prevented from using the soil to better advantage

The gold mine denied negligence, or that Van der Merwe had suffered any damages Had he done so, he was also at fault because he failed to protect his crops from dust, and did not wash down the dust The hearing continues — Sapa

Harmony 'has plans to cut 8 000 jobs'

MATTHEW CURTIN (214)

RAND Mines is planning to cut 8 000 jobs at its Harmony gold mine to ensure the Free State producer survives the trough in gold prices, industry sources say

If the planned cuts all go ahead, Harmony's workforce will have been slashed by nearly 60% from 31 000 in 1989 to only 13 000 this year BDay 24/4/92

The gold mines around Welkom will have lost nearly 10 000 workers this month, after the recent announcement that Gengold's St Helena would shed 1 500 jobs Anglo American's Freegold has reduced its workforce by more than 10 000 in the past 18 months

Rand Mines gold division chairman John Turner was not available for comment yesterday

NUM assistant general secretary Marcel Golding said the union was told by management this week that retrenchments were necessary, although the NUM did not agree this was the case The union was discussing ways of minimising or avoiding job losses with its members, and would consult management next week

However, Golding said "the move has taken us by surprise" The mine performed well in 1991, returning to profitability with the help of the NUM/Chamber of Mines bonus-linked pay award

Analysts said yesterday the timing of the move — Rand Mines' gold mining results for the March quarter will be published on Monday — and the size of the restructuring were surprising but said Harmony was one of SA's more marginal mines

Fergusson Bros analyst Trevor Pearton said the mine's key problem was that its large ore reserves were all close to current pay limits, meaning it had little flexibility to exploit high grade areas during hard times In the December quarter, Harmony produced 5,8 tons of gold from underground, milling 1,7-million tons of ore at a yield of 3,42 grams a ton in the December quarter

Turner warned in his 1991 annual review that the mine would have to cut costs and improve productivity if further cutbacks

☐ To Page 2

Harmony BDay 24/4/92

(24) ☐ From Page 1

were to be avoided Analysts said Harmony seemed to have achieved that in the 1991 September and December quarters

The mine surged back into the black with a R20m after-tax profit in the September period, after paying workers a R3,6m productivity bonus, and posted a R18m after-tax profit in the next quarter Harmony has nevertheless sold gold forward successfully to bolster its position

At the end of last year, the mine had about 18-million tons of ore reserves at a price of R32 000/kg, equivalent to three years of production at current rates Current prices are R31 380/kg, but Harmony received R33 642/kg through hedging in the December quarter

Analysts said hedging could be the crucial factor as the slump in bullion markets had knocked opportunities this year

They said Harmony was likely to capitalise on its improved productivity by trying again to produce as much gold with as few workers as possible

CMC division perks up in March period

214

BDay 24/4/92

WILLIAM GILFILLAN

SOUTHGO, the gold mining division of independent mining group Consolidated Mining Corporation (CMC), turned in a solid performance in the March quarter, mainly because of better operating results at its two gold producers

Profits at Benoni Gold (Benoni) rose sharply in the quarter to end-March on the back of increased production and a higher gold price received

After-tax profit at the dump retreatment operation jumped to R1,2m from R691 000 in the quarter to end-December

Benoni treated more, better quality material Tons treated rose to 523 600 from 503 600 An improvement in grade to 0,69g/t (December quarter 0,57g/t) meant production rose to 362kg from 285kg

The gold price received for the quarter increased to R32 691/kg from R32 428/kg in the December quarter

However, the mine's royalty and toll payments rose sharply Payment, up to R1,7m from R608 000, resulted from the increased treatment under royalty of material from outside parties

A maiden dividend of 1c a share was declared for the year to end-March

On the back of improved grades, after tax profits at Southgo's other operating mine, West Witwatersrand (Westwits), also increased in the March quarter

Grades improved to 1,46g/t (1,29g/t) and after tax profits increased to R2,9m from R2,6m

A dividend of 4c a share was declared, making it the first declaration since September 1990

☐ Independent gold producer Primrose boosted gold revenue in the March quarter to R7,7m from R7,3m, following an increase in gold production

However, a sharp drop in the amount of surface material treated and a rise in underground tonnage to 41 000 tons (37 000 tons) saw total costs rise to R6,5m from R5,9m The mine's after-tax profit dropped to R748 000 from R958 000

The magic is gone

FM 24/4/92

(214)

With gold apparently unable to stay at any support level for long, the huge supply in the vaults of central banks casts a long shadow over the international bullion market About 35 000 t of gold — equal to 15 years' output by today's mines — is held by the world's central banks

The potential impact on the market, should the banks become net sellers, was raised in a recent edition of *The Economist*

It was also the topic of a recent Bank of Lisbon *Economic Focus* which highlights an anomaly "Whereas, in the Seventies, central banks were consistent net sellers of gold, this feature was reversed at times during the Eighties " (See graph) It adds that central banks are not likely to make sizeable sales in the future

The rationale behind the argument is revealing

Central banks, it suggests, will be reluctant to depress the price and, therefore, the value of their remaining reserves It adds that the central banks of Canada and the US, countries that "have raised gold production significantly," may be under pressure to desist from sales So the value of the metal can be maintained only by creating artificial shortages

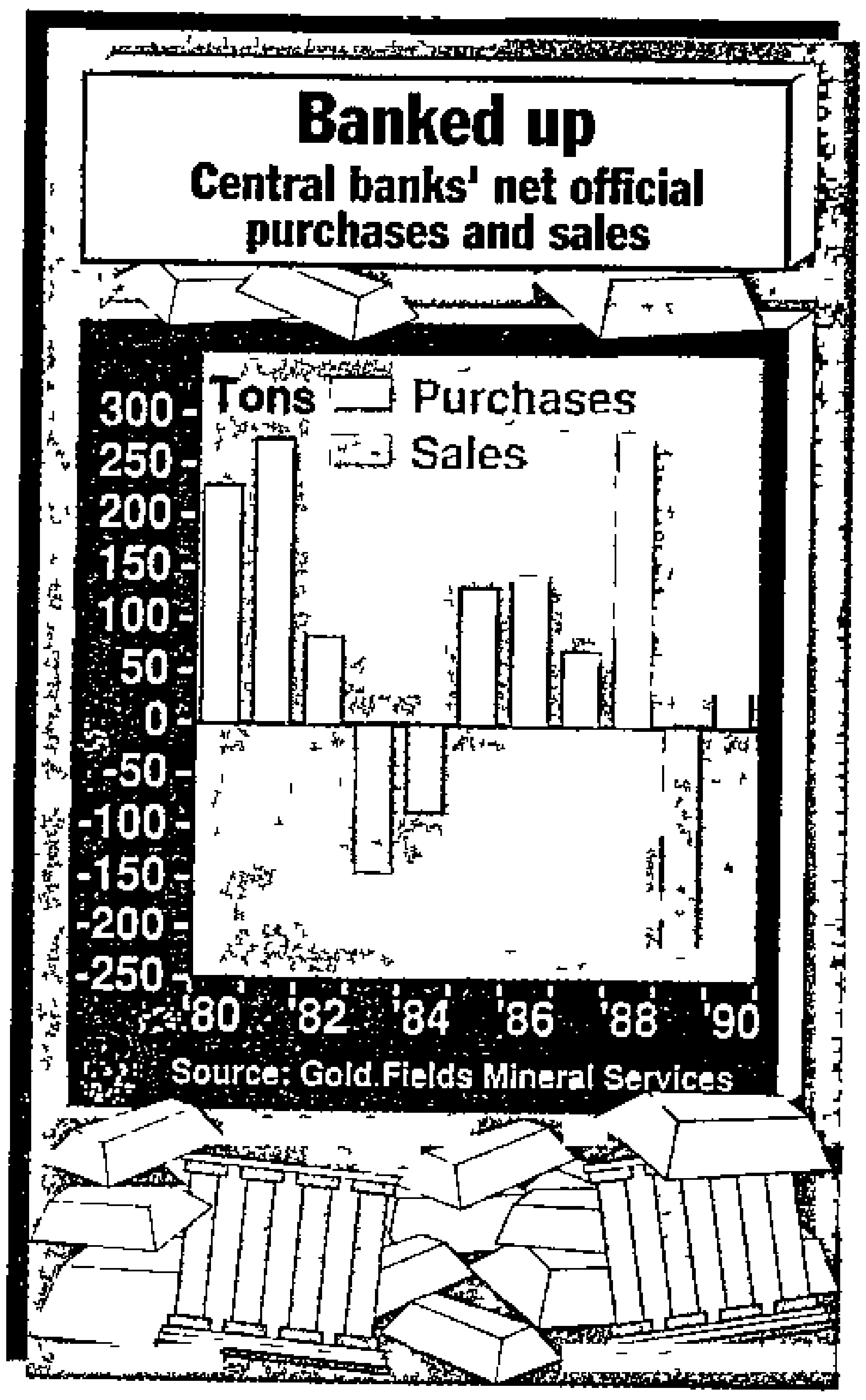
Economic Focus sees a limited role for gold as a medium of settlement between central banks The presence of international agencies such as the IMF and Bank for International Settlements (BIS) "has meant that countries facing external financial difficulties can apply for short-term assistance from these bodies and, in most cases, do not need to fall back on their gold reserves

"Moreover, if macro-economic policy co-ordination among leading industrial countries works effectively in the future, one by-product should be reduced balance of payments imbalances and greater stability of exchange rates This again would diminish the importance of gold as a settlement medium between central banks "

Regarding the holdings, which represent about a third of known gold production, *The Economist* says "If gold were still useful to central banks, such large numbers would be no cause for alarm But currencies have not been backed by gold for two decades That makes central bank gold the spent fuel of an obsolete monetary system, the main reason for owning the stuff is simply that it is there in the vaults "

But *Economic Focus* argues that gold retains a residual monetary role as a war chest This was emphasised by the freezing of the foreign assets of Iraq and Kuwait in the Middle East crisis of 1990-1991, which "demonstrated yet again the value of gold as an independent asset that cannot be tampered with by foreign powers "

A new dimension is a proposed single currency for the EC and the possible pooling of members' gold holdings *Economic Focus* says "Under the present system, settlement of bilateral debts can include gold However, once a single currency is introduced for all countries in the EC, such transactions will become redundant The gold stocks of the various central banks will no longer fulfil any settlement role within Europe "



Banked up

Central banks' net official purchases and sales

Source: Gold Fields Mineral Services

Other potential sellers are international agencies the IMF, the European Monetary Co-operation Fund and the BIS *Economic Focus* concludes "The threat posed to the gold market from sales by the central banks can be exaggerated, but sales from official agencies may grow in importance "

For more than 2 000 years gold played a pivotal role in investment portfolios It was valued for it beauty, durability, malleability, (comparative) portability and rarity Its colour and lustre created a demand among fabricators of jewellery, its durability made it suitable as legal tender and its rarity ensured it was always in demand

Now there has been a shift in the supply-demand situation The metal has lost much of its investment attraction as sophisticated hedging instruments emerged in the financial markets of the Eighties And the rise in the price of gold bullion to more than $800/oz, in 1980, tempted newcomers into production Recently, there has been an additional supply push from sales of former USSR reserves

Though gold production may well decline as mines are put out of business by the present low price levels, the central banks' supplies remain And there is little likelihood that the metal will recover its former role in financial markets, if for no reason other than that central banks might take advantage of an upturn in the price to sell reserves

The change has come so swiftly that it poses problems, not only to central banks and other holders but to producers and those economies that rely heavily on it for export revenue

The investment value of the metal was largely a matter of perception It was in demand because it was prized as a store of value, and it was prized because it was in demand Now the spell is broken

Gold's status as a commodity remains and it is hoped this will sustain the industry SA mines have already succeeded in reducing costs And the revival of the international economy will stimulate demand for all commodities, including gold So the rationalised industry will eventually see revenues rise

But it would be prudent for investment decisions to be based on conservative estimates of the price

GOLD FIELDS PROPERTY

FM 24/4/92 (214)

Move into hotels

Activities: *Property holding and investment company with some mining investments*
Control: *Gold Fields of SA 44%*
Chairman: *M R Fuller-Good*
Capital structure: *10,2m ords Market capitalisation R61,2m*
Share market: *Price 600c Yields 8,3% on dividend, 25,7% on earnings, p e ratio, 3,9, cover, 3,1 12-month high, 925c, low, 590c Trading volume last quarter, 114 000 shares*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
Taxed profit (Rm)	6,4	12 1	12,1	15,4
Earnings (c)	62,3	118,6	117,0	151
Dividends (c)	36	42	50	213*
Net worth (c)	548	713	853	828

* Includes special dividend in specie of 163c a share

Shareholders got a windfall last year in the form of 2m Ergo shares distributed as a dividend in specie That, along with a short-lived optimistic flurry in the gold market, saw the share spike at 925c in August

The price is back to 600c, just above its 12-month low, and this time around looks fair value given the state of the gold and property markets and that no further windfalls are in sight GF Props received the Ergo shares, as well as 760 000 East Daggafontein, from the sale of dump material on the East Rand

This year will be tough as the group invests heavily ahead of expected economic recovery, while income from gold and property investments remains under pressure

contd - - ⊳

GF Props' Fuller-Good *betting on Midrand*

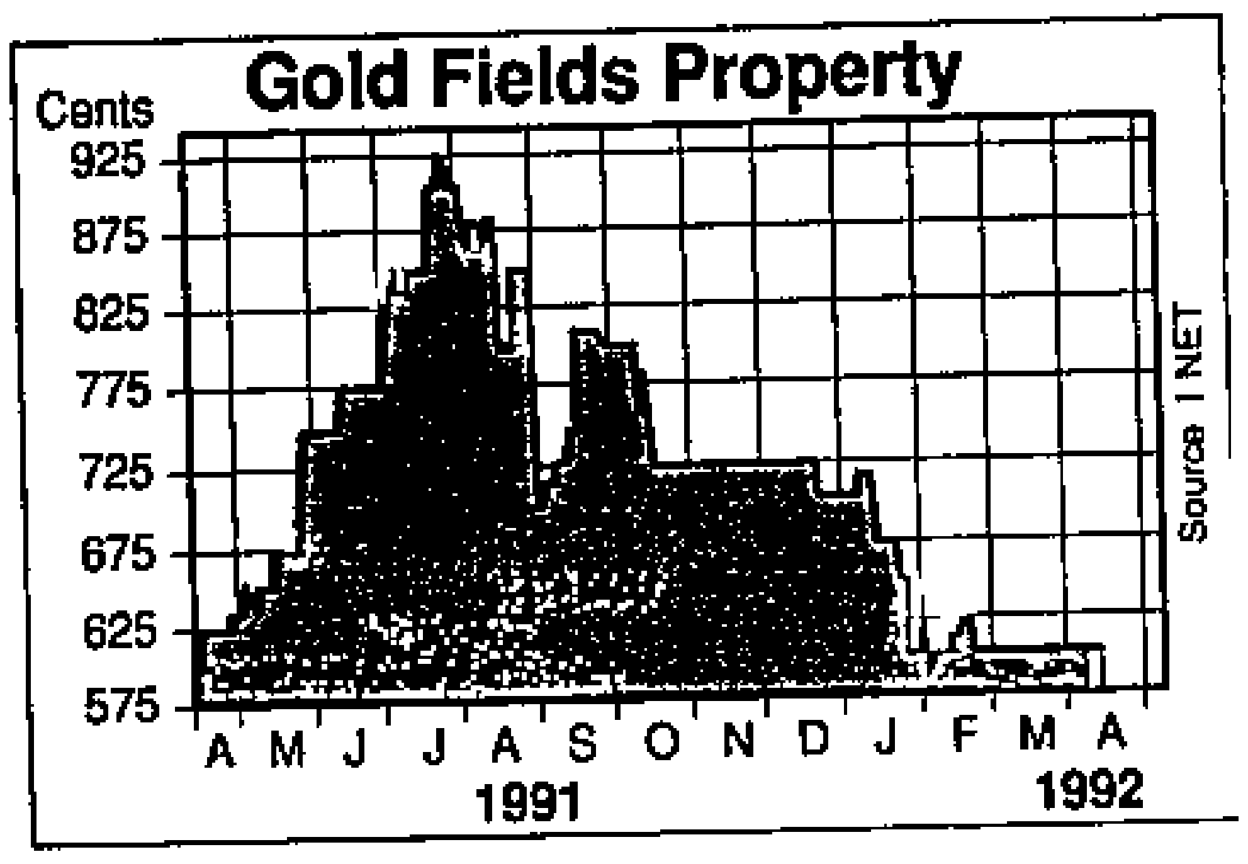
FM 24/4/92 (214)

Management has gone for an ambitious project at Midrand, where it has acquired property alongside the N1 motorway on which it intends building first a three-star hotel, then office blocks The hotel will cost more than R20m GF Props has signed a long-term lease with Oakpark Hotels, which will provide fittings and then run the hotel

Chairman Michael Fuller-Good says the project is based on optimistic forecasts on the development of Midrand as a business centre as well as expected growth in visitors coming to SA for business and general tourism purposes He says the hotel's situation is an important, strategic drawcard for visitors

Problem will be to pay for the project, which is large for a group GF Props' size Fuller-Good says some gold-linked investments may be sold to raise funds, but this will depend on the state of the stock market

Management has gone for a more flexible investment portfolio, selling 260 700 shares in Zincor and replacing them with 990 000. New Wits Fuller-Good says he is more optimistic over gold's future than that of zinc, but also Zincor is unlisted and the opportunity to dispose of these shares within the GFSA group does not arise often New Wits is listed and more marketable



He says GF Props will sell one property this year and hopes to sell another, but, if gold share prices are not attractive enough, it will have to borrow to pay for Midrand

The hotel is due for completion early in 1993 If it has to be funded through borrowings, debt (R1,1m at December 31) could reach between R12m-R15m on completion

Interest payments must put considerable strain on earnings, but Fuller-Good remains confident GF Props will pay dividends totalling 50c — which would keep distribution unchanged for a second consecutive year

Brendan Ryan

FM 24/4/92 (214)

VAAL REEFS FM 24/4/92

Moab goes ahead

(214)

The decision to sink a R1,7bn — in 1991 money values — shaft system to mine the Moab extension to Vaal Reefs is a confidence booster for the gold mining industry, but it has analysts worried about the short-term dividend stream from Vaal Reefs

Vaal Reefs will hold 30% of the new company, Eastvaal Gold Holdings, which is being formed to fund the after-tax cost of developing the project which involves sinking a main shaft system 2 700 m followed by two sub-shafts to 3 700 m

Capital expenditure on Moab will be offset against Vaal Reefs' tax shield, meaning the State should pay just over half the cost of the project in forgone tax revenues

That assumes Vaal Reefs can generate sufficient profits against which to offset this capex, amounting to R105m this year and then between R130m-R150m annually — again in 1991 money values — when work is fully under way Some analysts fear that at current gold prices Vaal Reefs will be hard pressed to handle this extra capex Worries are the Eastvaal shareholders will actually have to kick in funds beyond those protected by the tax shield — and that will hit dividends from Vaal Reefs

Anglo American gold and uranium division MD Lionel Hewitt feels such worries are overplayed However, he concedes Vaal Reefs shareholders will forgo short-term increases in dividends for the longer-term benefit of extended life of the huge complex, that produced 73,9 t of gold last year

He points out capex on the No 9 and No 10 shafts at Vaal Reefs is winding down Vaal Reefs' capex is forecast at R350m for 1992 and will be maintained in real terms in future years because of the money about to be ploughed into Moab

"We will be hard pressed but I believe the capex can be managed within the mine's tax base Obviously, shareholders could have expected an increased dividend stream from Vaal Reefs in the short term had we not opted to go ahead with Moab," he says

The shaft will have the capacity to haul 150 000 t/month of material of which 110 000 t will be ore This will all be replacement tonnage for production expected to decline from other, older shafts and Vaal Reefs' total annual milled throughput is expected to stay at the current 10 Mt or so

That means no milling plant will be built at Moab and the reef will be treated at existing plants

Plans are to produce the first ore from the Moab area through the new shaft system in 1997 To achieve this, development will be speeded up through twin haulages driven towards the site of the new shaft from the nearby 8 Shaft This trims some of the huge lead time needed to produce the first ore from such enormous, deep-level shafts, which can be between six and eight years after the decision is taken to start sinking

The Moab orebody will be the highest grade exploited by Vaal Reefs when mining gets under way with an estimated recovery grade of 11 g/t from the 26 Mt ore reserves At full output annual gold production from the Moab division will be around 13 t

Hewitt describes the ore reserve as "very robust" and says Moab will give a satisfactory real return at current gold prices around R32 000/kg, though he won't be specific

He says financial planning on the project has been extremely conservative, with Anglo

cont →

allowing for a further 5% squeeze in profit margins in 1993 After that Anglo expects the pressure on profit margins to ease gradually but it will still be another three to five years before the gold price recovers to the point where revenues and working costs are expected to escalate at the same rate

He is confident the capex forecast will be met, pointing to Anglo's recent success in bringing in Freddies No 1 and Vaal Reefs No 10 shafts on budget

It's planned to list Eastvaal Holdings eventually The timing will depend on gold and stock market conditions Anglo and associates such as Amgold hold the lion's share (93,1%) of the Moab mineral rights The balance is held by JCI-controlled exploration company Free State Development, which probably offers the cheapest exposure

There appears little pressure on the Anglo participants to raise funds to pay for the mine

Brendan Ryan

KINROSS/WINKELHAAK

Merger pitch

Gengold's Maude *thinks he has a reasonable chance*

Gengold's pitch to Finance Minister Barend du Plessis to merge its Kinross and Winkelhaak gold mines is the latest attempt by the mining industry to get the "ringfencing" of mining leases for tax purposes lifted

Government has come a long way in recent years in meeting industry requests for more equitable tax treatment, particularly of gold mines, where marginal rates had been as high as 75% Tax rates have been brought in line with normal corporate taxation while the "safe haven" requirement on investments held by mining houses has been reduced to five years from 10 years

That encourages houses to spend on new mine developments because they can raise money by selling mature investments in their portfolios without incurring tax

However, government has stopped short of lifting the ringfence provisions, that prevent capex on a developing mine being offset against the profits of an existing producer for tax purposes Allowing this means the State pays at least half the costs of the development in forgone tax revenues

The Department of Finance will listen to such proposals on an ad hoc basis Last year it turned down an application from Impala Platinum to lift the ringfence on its acquisition of Barmine After Impala took over Barmine it closed it down, citing the ringfence decision as one reason

Gengold MD Gary Maude believes the house has a "reasonable" chance of convincing the State to lift the ringfence on the proposed Kinross/Winkels merger

Justification is that Winkelhaak needs to spend R701,5m on its No 6 sub-vertical shaft system to extend its life by 16 years (to the year 2014) but cannot afford it at current gold prices The mine is buying time by generating some extra ore reserves through the No 2A sub-vertical shaft system, which will cost R42m over the next two years

Winkels had distributable income for 1991 of just R13,1m after funding R79,8m capex Kinross is in a much stronger financial position It had distributable income last year of R47,9m after R26,7m capex

Maude says Winkels' assured longer life would have considerable benefits for the State, including continued employment of the work force into the next century, as well as continued foreign exchange earnings

He won't specify what will happen to Winkels if the application is turned down, commenting that rejection would make it much more difficult to finance the proposed 6 sub-shaft Maude adds that while Kinross is cash-flush at present it will also need to undertake heavy capex later, when it would be supported by Winkels

Maude says application is being made to the Minister for a decision in principle on the proposed merger Final details will be worked out only after receiving a favourable reply

Brendan Ryan

Rand Mines silent on cuts

RAND Mines on Friday refused to confirm it was planning to cut 8 000 jobs at its Harmony gold mine.

C/Press 26/4/92 (214)

Rand Mines' Sue Vey said instead no decision had been taken on how many employees would be laid off from the Orange Free State mine, or even if any would be laid off.

Although rationalisation of the workforce could take place, nothing had been decided yet.

Rand Mines flounders amid weak gold prices

B|Day 27|4|92. (214)

MATTHEW CURTIN

THE four Rand Mines gold mines floundered in the March quarter The marginal producers were hit by weak gold prices, exacerbated by dwindling forward sales opportunities and sharp increases in underground working costs

After-tax profit at the group fell 71% overall, to R7,3m from R25m

Only the ageing Blyvooruitzicht showed a working profit from underground mining in the quarter

Cost increases at Durban Deep, East Rand Proprietary Mines (ERPM) and Harmony overtook the average gold prices the mines received

The total amount of ore milled, from underground and surface sources, was virtually unchanged, as was average yield and gold production at 11,6 tons

However, revenue sagged as the average gold price the mines received dropped 2,3% to R32 817 from R33 591 a kilogram

Costs

The depressed gold market has made forward selling more difficult, and the mines have outstanding contracts for 411kg of gold in the December quarter this year, compared with 3 353kg in the current quarter

Total costs, meanwhile, rose nearly 5% to R370m from R354m overall

The results demonstrate the vulnerability of SA's more marginal producers to small increases in costs, and poor gold prices

Rand Mines was one of the last mining houses to start restructuring its gold mines, and did so drastically to restore them to profitability

Months of production cutbacks, job cutting and reliance on low-cost but low-grade surface sources, to supplement the more costly underground mining, reaped rewards in the second half of last year

Harmony paid R3,6m in productivity bonuses in the September quarter as part of the bonus-linked annual wage agreement reached with mining unions last year

Management began to increase underground production at Free State producer Harmony, because of the mine's improved productivity

However, in a March quarter of falling gold prices, profit from surface operations provided the mines with only marginal relief from rising underground mining costs

Such relief is set to fall away in coming months Harmony is near the end of its surface reserves, and ERPM's and Durban Deep's reserves are low grade, at less than 1ga ton

Rand Mines gold division chairman John Turner confirmed in a statement yesterday that job losses were inevitable at Harmony

He said "Through the combined effort of both management and employees, Harmony has achieved improvements in its underground operation, and over the past four years has contained its cost increases to substantially lower than the increase in the inflation rate"

But the depletion of surface material, and the cost of underground mining relative to declining gold prices, had "made further rationalisation at Harmony necessary, and discussions with representatives of the employees have started", Turner said

Harmony again increased underground production to nearly 1,8-million tons from 1,7-million tons That lifted gold production to more than 6 tons (5,8 tons), but the mine paid the penalty with a fall in grade, and higher milling and working costs

Total costs jumped nearly 10% to R206m from R189m, and the mine turned a R2 294/kg working profit in the previous quarter into a R750/kg working loss

ERPM again failed to cover its R13m a quarter interest bill from the large sums borrowed to finance the development of Far East Vertical Shaft, commissioned a year ago

A temporary increase in surface grade meant the mine sand treatment operation increased its working profit, which helped offset a working loss from underground mining

However, total working profit and sundry income added up to only R10m

The mine is dependent on the new shaft area for its survival, but difficult ground conditions led to a sharp drop in milled throughput

In addition, there was a 15% jump in milling costs and a 12% increase in working costs to R36 048/kg from R32 002/kg

Blighted

Deferred interest took long-term debt to R440m at March 31 from R435m at December 31 last year

Weak gold prices blighted Durban Deep's quarter, where in spite of good cost containment, only profit from surface operations enabled the mine to stay in the black

Underground mining just failed to break even in the quarter

Blyvoor's payable ore reserves are on the decline, and underground production fell to 339 000 tons from 370 000 tons

Although the amount of gold produced from underground declined, Blyvoor milled more surface material as slightly higher grade

The mine cut overall costs to R66m from R70m, some compensation for the lower gold prices

After-tax profit fell to R2,7m from R5,2m, knocked by a sharp rise in the mine's tax bill rose sharply to R1,2m from R361 000

RAND MINES* March quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	339	5,73	1 942	183,09	31 961	33 046	2 727	1 710	7,1
December	370	5,65	2 091	180 22	31 890	33 592	5 170	4 200	17,5
Durban Deep	296	3,84	1 136	126,41	32 938	32 907	1 843	1 246	53,4
December	296	3,85	1 141	122,40	31 755	33 580	3 467	1 660	71,4
ERPM	260	5,57	1 449	200,90	36 048	32 677	(3 275)	(365)	(2,2)
December	291	5,49	1 597	175,63	32 002	33 436	(1 917)	(1 733)	(10,4)
Harmony	1 768	3,40	6 012	113,98	33 519	32 768	6 012	2 725	10,1
December	1 709	3,42	5 841	107,14	31 348	33 642	18 325	18 466	68,7

* Operating results for underground operations only

Harmony jobs toll seen as inevitable

61 ay 27/4/92 BD 214

MATTHEW CURTIN

JOB losses at Rand Mines' Harmony gold mine were unavoidable if the marginal producer was to stay in business, chairman John Turner said yesterday.

Harmony plans to axe 8 000 workers, but will first discuss the issue with unions.

Turner said the Free State gold mine had the "dubious distinction" of being the lowest grade underground producer in the SA industry, while also being the most efficient with an underground working cost of R114 a ton in the March quarter.

Harmony's ability to forestall further cutbacks was dependent on productivity and cost control, of which a key element had been its treatment of surface material. However, the benefit from the surface reserves was temporary.

He said yesterday that with an underground yield of only 3,4g a ton these factors meant the mine's working cost in the March quarter was R33 500 a kilogram, compared with the gold price of about R31 400.

Turner said there were no signs that gold prices would improve in the short term. Industrial and jewellery demand for gold had not increased recently. Poor market conditions had been knocked by additional supply from non-mining sources.

After-tax profit at Rand Mines' four producers fell to R7,3m from R25m in the previous quarter.

● See Page 5

More jobs to go at Harmony

STAR 27/4/92 (214)

Poor gold prices and higher underground production costs seriously dented Rand Mines results

Releasing its March quarterly reports, the Rand Mines Group said today the combined after-tax profit of Harmony, Blyvooruitzicht, Durban Deep and ERPM for the March quarter amounted to R7,3 million against R25 million in the December quarter

Free State producer Harmony was particularly hard hit by escalating costs, which were up from R31 348 a kg to R33 519 — against a gold price received for the March quarter of R32 768 per kg

"This scenario, coupled with the imminent depletion of surface material available for treatment, has resulted in the necessity for a further rationalisation at the mine", said the directors

It was encouraging to note that debt-burdened ERPM came up with another "stout performance operationally", resulting in the loss after capex coming down from R1,7 million to R365 000, Rand Mines said

Production wise, the Group had a virtual same-again quarter with gold production marginally up from 11618kg to 11699kg — which fetched an average gold price of R32 817 a kg against R33 591 in the December quarter

The four producers turned in an operating profit before tax of R10,2 million for the quarter — 67 percent down from R31,1 million previously The tax man's share dropped from R6,1 million to R2,9 million

Capital expenditure for the quarter was up from R5,3 million to R8,1 million, offset to a large extent by capital recoupment of R6,1 million (December quarter R2,9 million)

Looking at the individual performances of the four mines, **Harmony** showed a marginal increase in underground tonnage and total gold production for the quarter of 6350kg (6186kg)

After-tax profits declined from R18,3 million to just over R6 million

At **ERPM** an increase in surface tonnage treated and higher grades on both fronts saw gold production up from 1941kg to 1984kg

ERPM's revenue was virtually unchanged at R64,8 million while costs were up just over R2 million at R57,8 million leaving working profits R2,2 million down at R7 million

But at the end of the day, the mine's crippling interest bill of R13 million dragged it into a pre-capex loss for the quarter of R3,3 million against R1,9 million previously

Durban Deep came in with another characteristically solid performance but the weaker gold price saw after-tax (pre-capex) profits at R1,8 million against R3,5 million previously

A drop of 31000 tons in underground milling at **Blyvooruitzicht** could not be offset by a marginal increase in grade, and gold production was thus down from 2216kg to 2082kg

Taking sundry revenue and tax into account, Blyvoor's profit after tax amounted to R2,7 million against R5,2 million — Sapa

Gencor's high dividend cover pays off

STAR 28/4/92

By Derek Tommey

214

The policy of mining house Gencor in maintaining a high dividend cover in the good times has paid off for its shareholders in the bad times

The company's earnings in the six months ended February came under pressure, dropping 26 percent to 47,8c a share But the interim dividend has been raised from 15c to 16c a share

Dividend cover is still a most satisfactory three times — though down on last year's 4,3 times — which some investors might have thought excessive

But Gencor was able to increase its dividends as recently appointed chairman, Brian Gilbertson pointed out "Fortunately, the group is in a sound position to weather the present difficult phase of the commodity cycle."

He added that all the group's operations were poised to capitalise on the upturn when it came

However, he did not expect this to be soon

A break-down of Gencor's attributable income, which fell from R764 million to R562 million, shows that the group has been hard hit by the slump in commodity prices

Earnings of subsidiary Genmin dropped from R253 million to R206 million Income from Gengold fell from R66 million to R53 million, while that from Implats dropped from R62 million to R44 million Samancor contributed R76 million against R90 million a year ago and other minerals investments R30 million against R37 million

Only Trans-Natal was able to increase its contribution — from R37 million to R40 million

Of Gencor's other major investments, Only Engen shone, contributing R124 million against R92 million last year Malbak managed to raise its contribution from R59 million to R61 million and Sappi, from R102 million to R105 million

But the biggest setback was the drop in Genbel's contribution from R270 million last year to R78 million this year

Altogether, group profits from share transactions were down from R156 million to R21 million

Little respite in store for battered mining industry

B/Day 30/4/92 (214)

SA's gold mines, some already with their backs to the wall, can expect conditions to get worse before they improve, analysts said.

"Rising costs and no sign of an increased gold price will be another nail in the coffin for marginal mines that have run out of flexibility," said Irish Menell Rosenberg's Duncan Ingram "It's going to get worse"

The gold divisions of the six major mining houses reported mixed results in the quarter to March 31, but all reflected a return to the basics of mining

An analysis by Ed Hern, Rudolph said the mines generally showed further resilience in containing cost rises well below inflation, which is currently running at an annual 15,7%

"They were assisted by better efficiencies and yield increases through more selective mining against a background of falling tonnages," the stockbroking firm said

Ed Hern said results showed the combined gold production of the six mining houses, which make up the bulk of national output, was steady at 143 tons in the March quarter against 142 tons in the preceding quarter

The overall yield rose 5,0% to 4,87g/ton

Working costs excluding capital expenditure rose 1,0% to R814/oz

Ed Hern predicted further rationalisation of operations in the current quarter.

It expected more cuts in capital expenditure, as already evidenced by Gencor's gold mining arm Gengold, which slashed capital spending by 34,1% to R34,4m in the March quarter

Closure

More retrenchments and cutbacks in operations have been announced by Gengold's St Helena and Rand Mines', Harmony

Anglovaal held combined net profits steady in the March quarter, but its Loraine reported that an inability to secure adequate forward-selling prices beyond July could well mean closure

Analysts warned that the focus on high grade areas and cuts in capital spending, which dropped 12% overall in the quarter to R498m, would leave the mines vulnerable in the long term

"If we have a run on the gold price, the mines will have to spend far more to catch up

"In some cases they may have to completely recapitalise," said Ingram

He expected a gold price of R975/oz in the current quarter, versus an average R994 in the March quarter

Analysts said the tough economic conditions would influence the annual wage talks between mining houses and trade unions, which climax in June

"The mines can show the unions that some operations could close — it is a weapon they used successfully in the past," Davis Borkum Hare's David Giese said

Bonus schemes linked to productivity and movements in the gold price are likely to be renewed

However, analysts expected agreement on a more uniform application of the schemes

Analysts said Gengold had done unexpectedly well in the light of extensive rationalisation at its 11 mines over the past three years

"Just when you think they've exhausted all options, they pull something out of the hat," said Ingram, referring to the news of Gengold's plan to merge its Kinross and Winkelhaak gold mines to increase tax benefits

Anglo American sprang a surprise by announcing the go-ahead for a major new mine in the Free State

But its March quarter showed a 9% drop in its gold and uranium division's net profit to R167m — Reuter

SA gold producers 'need a strong market for survival'

B/Day 30/4/92 (244)

MATTHEW CURTIN

SA GOLD producers had to rely ultimately on a strong gold market for long-term survival, rather than the rand's depreciation against the dollar and cost cutting on the mines, said Amgold chairman Nicholas Oppenheimer.

"Increased physical demand is essential to sustain and increase price levels", he said in his annual review

That was despite the influence the large amounts of metal traded on futures markets had on gold prices

He said the protection afforded to producers by exchange rate depreciation was not a long-term solution for the industry's ills Similarly, cost cutting had won the industry "a much needed breathing space", but it could not continue indefinitely

"Effective and regular promotion of gold, and of gold jewellery in particular, is vital and deserves the support of all gold producers," said Oppenheimer

The outlook for gold was not entirely bleak although an overhang of large amounts of Russian gold swaps in central banks, and signs of increasing gold sales by those banks — which have huge gold reserves — were "reason for caution"

Oppenheimer said faster economic growth towards the end of 1992 and beyond should boost gold jewellery consumption There was every indication that the steady demand for gold bullion from jewellers would be sustained

The year-ended March was a difficult one for Amgold, Anglo American's gold investment subsidiary, in which its investment income from a variety of mainly SA gold mining companies fell to R220m from R241m The group's leading investments at year-end were gold mines Driefontein Consolidated, Vaal Reefs, Hartebeestfontein and mining house Gold Fields, in which it had a 11% stake

The fall in gold dividend income was more than offset by higher interest income and lower prospecting costs

Oppenheimer said gold prices had held up relatively well in the year given the world recession, investor disaffection, and increased supplies of Soviet gold They only fell 5% in the year ended March 31, to an average $358 from $377 a ounce Rand prices rose 3,5% to an average of R32 462 a kilogram

SA gold production fell to 598 tons from 605 tons in calendar 1991, with net world gold production marginally higher at 1 162 tons (1 128 tons) Jewellery demand fell to 1 929 tons (1 987 tons), with a sharp drop in official gold purchases, bar hoarding and investment demand to 309 tons from 417 tons in 1990

Oppenheimer said Anglo American's gold exploration programme, in which Amgold had a 20% stake, was shifting in focus from deep level prospects such as the Potchefstroom Gap to shallow or medium depth target reefs

He said the Finance Ministry's failure to abolish ring-fencing in the 1992 Budget was "a major disappointment", but he hoped undisclosed recommendations by the Tax Advisory Committee would encourage goverment to remove the obstacle

R260m strategy to stop armed passengers boarding trains, which involved active police and military support, was being implemented

The three-year project started in 1991 and about R25m had already been spent, with R40m budgeted for the 1992/3 financial year, he said during the Transport

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Anglo, NUM to study report

B/Day 30/4/92 (214)

ANGLO American Gold Investment Company and the NUM are to consider several recommendations made by the Goldstone Standing Commission on Public Violence and Intimidation, says Amgold chairman Nicholas Oppenheimer in his annual review

The review, which was released today, said the commission was called on by President Steyn gold mine's management to investigate violence there

Oppenheimer said the committee found the initial violence arose because of a militant element consisting of certain NUM members. This element was determined to ensure a complete stayaway and was not under the discipline or control of the union at the time

The anti-VAT stayaway called for in November last year, which led to "tragic and unnecessary loss life on several mines", was the exception to what was a quiet and constructive year, Oppenheimer said — Sapa

NUM wage strategy under scrutiny

W/Mail 30/4-7/5/92

(214)

By DREW FORREST

THE threatened axing of 10 000 more jobs in the Free State gold fields has again thrown the spotlight on the National Union of Mineworkers' wage strategy this year.

The NUM has confirmed that management at Rand Mines' Harmony mine, near Virginia, had informed it that 8 000 jobs are at risk It is understood no final decision on retrenchments has been made.

In response to the continuing stagnation of the gold price — hovering at around R980 an ounce, much the same as in the late 1980s — Genmin's St Helena mine in Welkom recently announced that it is to shed 1 200 jobs

Some NUM insiders insist that the central committee's (CEC) January decision to reject productivity bargaining was one of principle — based on the undeniable fact that it violates standing union wage policy.

But assistant general secretary Marcel Golding this week said the CEC had set its face against "the particular form and problems emanating from" bonus agreements reached on healthy mines in terms of last year's landmark wage deal

This suggests that if employers address some of the NUM's complaints about existing schemes, there may be room for manoeuvre Complaints include the "minimal" involvement of workers in setting and revising targets, management's refusal to supply information on the state of mines, the blocking of union meetings where bonuses would be discussed and the use of bonuses as a disciplinary weapon.

Gengold MD Gary Maude

But Golding also stressed that the NUM's upcoming bargaining seminar would look at alternative ways of addressing the "structural crisis in the gold industry", in preparation for Chamber of Mines' wage talks beginning in mid-May.

One option known to be up for consideration is a differential basic wage, with no productivity component, taking account of the circumstances of particular mines

Anglo American, Johannesburg Consolidated Investment and Genmin have all said they will push for a renewal of bonus schemes, if necessary amended to meet union objections, warning the NUM "not to throw out the baby with the bathwater".

This week Gengold managing director Gary Maude told *The Weekly Mail* he favoured the linking of bonuses to profits, rather than productivity or cost-cutting

The NUM accuses the group of paying the lowest bonuses in the industry, despite its recent posting of a 47 percent profit increase. But Maude stressed that factors other than worker performance were responsible for the improved results

"The current bonuses are treated as an incentive, and I don't believe they work," he said. "The aim should be an honourable wage increase in line with inflation, and workers should share in any windfall profits."

He defended Gengold's "capping" of bonuses at four percent of the basic wage — a key complaint of the NUM, which stresses that this is not the practice in other groups — by saying it averted large bonus fluctuations, which were difficult to explain to workers

●Anglovaal, which fought shy of last year's production bonus agreement, has said it may consider bonus schemes this year — but only in the event of a "very low" basic increase in the chamber negotiations

More gold mine job losses

JOBS in the gold mining industry are still set to take a knock Rand Mines announced it was to axe about 8 000 workers and Southern Life economist Mike Daly predicted more jobs would be shed in the industry Daly said in view of gold's having reached a seven-year low of $337 earlier this month mining'companies would have no choice but to shed labour. (~~210~~) (214)

W/Mail 30/4-7/5/92

GOLD QUARTERLIES FM 1/5/92

Wheat from chaff

(214)

FM 1/5/92 (214) FOX

The inexorable squeeze on profit margins continued in the March quarter The results show the men are being sorted from the boys a number of better-quality mines still perform surprisingly well while some of the marginals are losing ground fast The gold price is now into its fourth flat year, sitting around R32 000/kg A number of the marginal mines are fast running out of ways to cope with the crunch on revenue

Striking feature of the results is that a number of mines are running into trouble because they can no longer sell gold forward at favourable rates Such hedging programmes have saved the bacon of several marginal producers until now

Gold Fields of SA mines have never sold gold forward, making their prices and revenues an accurate measure of conditions in the "real" world Their average gold price in the March quarter dipped 1,4% to R31 911/kg from December's R32 381

A number of mines have achieved far better than this through hedging, Anglo American's **Freegold** securing an average price of R34 473 for the March quarter, Anglovaal's **Loraine** R34 134 and JCI's **Western Areas** R33 184

The trouble is that the gold price has been so flat for so long that it has become increasingly unattractive to sell gold forward as the forward interest differential has steadily declined There have been no "spikes" in the price since the Gulf War period last year allowed a fair spread on forward trading

The situation has been reached where, at Loraine, management has not been able to secure adequate forward prices beyond July In the absence of an improvement in the gold price, its life is on the line Working costs have run above the ruling gold price for the past year

Loraine is by no means alone Several of Gencor's marginal producers and GFSA's three marginal mines again look dangerously vulnerable Gencor was the first house to undertake serious austerity planning to allow its mines to survive the profit squeeze that was expected to continue

Two years ago, the demise of mines like **West Rand Cons** and **Bracken** seemed imminent Rationalisation, cost-cutting and high-grading aimed at improving profitability turned them around However, those measures were short-lived, buying time until the gold price recovered With no such recovery, both again have their backs to the wall

West Rand Cons' grade for the quarter dropped to 4,2 g/t (4,4 g/t) and working costs soared 19% to R40 185/kg (R33 704) The gold price received was R32 615 (R32 592) and Gengold MD Gary Maude says underground operations will be stopped this quarter if working losses continue

Bracken's underground operations are scheduled to stop in August **St Helena** will lay off about 1 500 workers following the decision to stop production from No 10 shaft

In the Rand Mines stable, alarm bells are ringing over flagship mine **Harmony,** which, after three reasonable quarters, slipped back to working losses at underground operations The cream on profits over the past year has come from the treatment of surface dump material, running at grades up to 1,75 g/t, but Rand Mines gold division chairman John Turner says this will run out this quarter Another 8 000 jobs could be lost in the rationalisation programme about to take place to keep the mine alive

Durban Deep remains marginally profitable thanks only to dump retreatment operations **ERPM's** costs jumped 12,6% to R36 048 (R32 002) and its debt mountain inched up to R439,7m (R435m)

JCI marginal **Western Areas** turned in a shocker, working losses more than trebling as its gold price dipped to R33 184 (R34 460) What will happen in June is anybody's guess as chairman Ken Maxwell continues the house's policy of refusing to give details of forward sales

The position of the GFSA marginals — **Doornfontein, Venterspost** and **Libanon** — is intriguing GFSA executive director Alan Munro is determined they will survive but refuses to provide specific information on how long they can last out a continued gold price squeeze Various gold mines have shown phenomenal resilience in the face of adversity The unanswered question about

Cont →

FOX FM 1/5/92 (214)

this trio is how much fat they have left that can be trimmed to keep them going

Both Doorns and Venters have the carrots of renewed long life dangling in front of them if management can successfully complete the No 3 shaft project at Doorns and No 4 shaft project at Venters Particularly disappointing was the news of difficulties at Venters in bringing No 4 shaft into production Munro says the mine has enough money from its rights issue to keep going until year-end

GFSA's heavyweights — **Driefontein** and **Kloof** — continue to do well, though the **Leeudoorn** division of Kloof is to all intents and purposes a marginal mine at present gold prices Munro concedes Leeudoorn is extremely lucky to have such a rich sister mine to support it

Cost control from these top-quality mines was excellent and, overall, the average working cost for GFSA's mines dropped 0,9% to R21 246/kg (R21 342) despite the troubles at the group's marginals

Cost control from Anglo American producers was almost as impressive, their average working cost rising just 1% to R26 367/kg (R26 037) **Freegold** turned in an excellent performance, raising grade to 4,45 g/t (4,17 g/t) and dropping working costs 3,5% to R27 845 (R28 848)

Despite the present rough ride, nearly all SA gold producers seem confident gold is at or near the bottom and that the fundamentals are falling into place for sustained recovery from the end of this year or early next

Maxwell says factors causing the weakness in price include the cancellation of gold swaps from Russia and further sales of stocks from the Commonwealth of Independent States (the former USSR) Gold investments have also been liquidated in Japan to fund margin calls of rapidly declining investments on the Tokyo Stock Exchange

"Against this, demand in East and South East Asia continues to grow, for both jewellery and investment purposes With the supply from world producers levelling off, physical demand for gold will start to exceed supplies from producers and scrap merchants towards the end of this year As the major economies then enter a renewed growth phase, this shortfall will in all likelihood grow significantly "

The big worry is what central banks will do with their vast gold stocks Anglo American gold division chairman Clem Sunter believes they will not go overboard

"I believe central bankers are rational people If they see scope for appreciation of gold assets, I do not think they will just dollop them out to the market and knock the price "

Yet Anglo is still planning for the worst Gold divison MD Lionel Hewitt says the financial plan for the development of the Moab shaft at Vaal Reefs assumes a further 5% squeeze on profits in 1993 It will be another three to five years before working costs and revenues escalate at the same rate, taking pressure off the gold mines

Munro shares Maxwell's and Sunter's optimism He believes the tide will turn for gold and it's a question of hanging on until that happens Judging by the March quarterly results from a number of the marginals, the number of mines left to float on to better times will be determined by how soon the tide changes

Brendan Ryan

Doomsday's the best hope for gold price

STimes (BUSS) 3/5/92

214

DIAGONAL STREET

by Julie Walker

MALCOLM STEWART Rabbits in the hat pointers to the future

THE only scenario under which investors would consider buying gold would be if it offered them a real return on their money.

If the global investment scene that prevailed through the 1980s — high positive returns from shares, property and cash — cannot be sustained in this decade, the glister might return to gold.

Stockbroker Malcolm Stewart of Kaplan & Stewart, commissioned a team of economists, geologists, statisticians and international affairs experts, to bring together a remarkable scenario for gold

The work has been presented to institutions, which have given it a tremendous response

First aired last year, it is being updated and further modelled by the team

The latest form was presented in Johannesburg this week

Every aspect has been viewed from likelihood to predictability Rabbits in the hat are used extensively to describe "what-if?" possibilities

Gold began the 1980s on a high and progressively weakened to its current low The price-depressing influences are well logged — better returns elsewhere

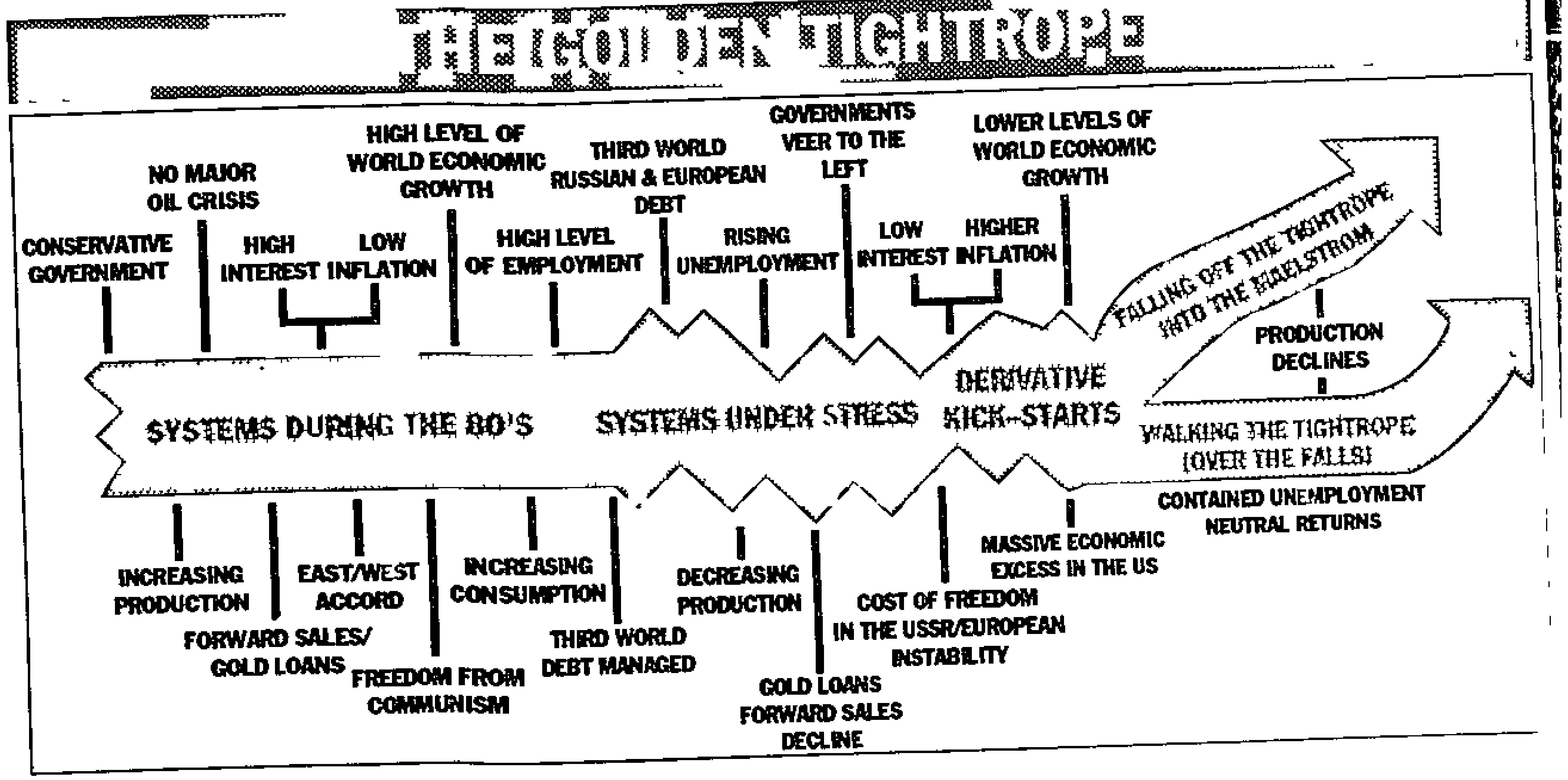
There was a deep-rooted fear of inflation, conservative government, lots of new gold producers, a new market in gold loans and forward sales

Into the 1990s the scenario team presents two factors that could erode the current positive real returns economic excesses and imbalances threatening the American economy (as a result of Ronald Reagan's "credit-card binge"), and the international economic consequences of the demise of communism (the cost of freedom)

On the first count, the current ratio of America's debt to gross national product of 2,6 1 was last recorded in 1929 The debt burden is coupled with the effects of a decade of strict monetary controls and a decline in productive investment

Ineffective fiscal controls have already caused an increase in the rate of inflation and unemployment is rising

The cost of unification of eastern and western Europe has enormous economic consequences for capital the West can ill afford A symptom of the fear is the European squatter-camp syndrome, which will worsen when Russian passports become available next year



Large-scale unemployment and resultant inflationary pressures seem likely

Unemployment is likely to replace inflation as the No 1 fear of the 1990s

Two potential scenarios arise should these factors prevail in the next few years as the world walks the golden tightrope

The first is that the waterfalls are crossed Here, the governments and central banks of the world's leading nations perform a balancing act between the demands for capital and unemployment They barely manage to maintain real returns on money

This scenario envisages an erosion of the current levels of return to a low of zero, the world going through a precarious time of economic and social unrest

The current low gold price will result in declining production levels in five or so years' time That could ultimately trigger an upswing in the gold price

The alternative to staying on the tightrope is falling into the maelstrom

Here, western governments bow to social and economic pressures

America will try to correct its economic imbalances and unemployment pressures, at the same time channelling capital to Russia and eastern Europe

Western Europe will be in fear of social unrest to the east of it, starvation on its doorstep and an influx of its refugees At the same time it will attempt the unification of former communist countries with the West

Should the second scenario emerge, negative returns on investment could easily appear It would be accompanied by a demand for hard assets and result in a sustained bull market for gold

Mr Stewart believes the world is already on the golden tightrope Even now, governments are veering to the left, to social democracy after a decade of Reaganomics and Thatcherism

There is a trend away from the discipline of monetarism, particularly ahead of Ameri can presidential elections

The topical rabbit in th hat is forced selling of gol by distressed nations Fro available information, seems there are 90 tons former Soviet Union gold an other unspecified amoun from Romania and Yugosl via overhanging the mark Such sales are taking pla now, accounting for the lo price

Mr Stewart makes no fo cast about gold's prospec but the consensus of the sc nario-planning team is th governments will bow to s cial and unemployment pr sures and that negative turns from 1980s-ty investments will recur

He does not say it, but looks like a time-depend thumbs-up for gold

Refinery 'can now pursue foreign deals'

Business Day Reporter

RAND Refinery Limited is now well positioned to go after foreign bullion refining contracts, reports the Chamber of Mines in its latest newsletter BDay

Quoting the refinery's annual report, the chamber says the refinery is equipped to offer international bullion customers prompt service and a fast turnaround time since the plant is now able to handle peak bullion receipts well above current day to day requirements. 4/5/92

About R8,48m was spent in capital expenditure at the refinery during the financial year (ending September 30 1991), bringing the reconstruction programme to a close at a total cost of R93,97m

Rand Refinery notes in its report that its attractiveness to foreign customers is enhanced by SA's renewal of international trading links, brought about by the easing of sanctions and favourable exchange rates available to foreign customers

In addition to gearing itself to take advantage of foreign refining business, Rand Refinery hopes to continue development of its value-added operations in the coming year In 1991 it started producing and selling gold granules as well as various alloys to the local jewellery manufacturing industry and it entered into gold chemical manufacturing via a joint venture

The successful broadening of the company's product range has accelerated further investigations into the penetration of other potential markets, says the report [illegible] (214)

South Deep could be JCI's best kept secret

STAR 5/5/92 (214)

By John Spira

I was never one to pay attention to body language — until I asked JCI managing director Kennedy Maxwell how things were going at Western Areas' South Deep project

South Deep has the potential (if and when exploited) to become one of the world's largest gold mines and since Mr Maxwell was outlining the background to the mining group's quarterly results, some comment on the South Deep prospect would surely not have been out of place

It was because Mr Maxwell hadn't alluded to South Deep that I asked the question

His reply? "South Deep's going according to plan."

I persisted: "But can't you elaborate?"

The retort "No."

The body language? A ghost of a smile and an almost imperceptible shifting of his position in the chair

My conclusion? JCI will soon launch South Deep as a new viable, functioning gold mine,

I don't have any facts or figures at my fingertips, nor am I privy to any inside information

But Mr Maxwell's duck and dive antics, taken together with the gauntlet cast to the ground by Anglo American in the form of its new gold mine in the Moab area of the OFS, points directly to the pending birth of South Deep

Anglo's Clem Sunter was quite clear when he released details of his group's new venture Much strategy adjustment was required before the figures made sense. The execise having been completed, Anglo was satisfied as to the prospect's viability

Yet this was but one of the motives of Moab's creation. Others included the need for the industry to tell the world that

- Nationalisation of South Africa's gold mines wasn't a serious threat
- Gold would in due course emerge from the jaws of the bear.
- New investment was crucial to shake the economy out of its present lethargy
- Employment creation was vital at a time when jobs are as scarce as new gold mines
- South Africa has a future, else an investment of R1,7 billion wouldn't have been forthcoming

Ultimately, Anglo challenged the rest of corporate South Africa to emulate its brave initiative

Perhaps JCI is about to show that it, too, is able to shake off the shackles of indecision, that it, too, can take the bull by its horns and thereby shake the beast out of the depression from which it has so long been suffering

ERPM seeks more state aid

(214)

BDay 5/5/92

MATTHEW CURTIN

ERPM, Rand Mines' debt-laden East Rand gold mine, seems set to become SA's Botrest

The mine is overwhelmed with debt And although its redevelopment has given rise to operating profits recently, they are unlikely ever to cover the crippling interest burden

With such a thorn in its side, Rand Mines is wary of repeating its mistakes, which helps explain the severity of the restructuring under way at the group's Harmony gold mine

ERPM is unable to cover its R13m quarterly interest payments from working profits, let alone start repayment of its R440m long-term debts

In the past quarter ERPM generated a working profit of R7m And though no tax was paid, the mine had to cover capex of R3,1m

Unless gold prices rise sharply, ERPM will need financial assistance to meet its interest burden indefinitely At one stage the mine was able to count on state assistance to bridge short-term needs But the state is nursing burned fingers and may not be amenable to new requests for help

The state would in any event be hard-pressed to justify such assistance There are other, more pressing demands on the privy purse which is unlikely ever to receive tax contributions from ERPM, which has not paid tax for years

Past arguments for financial aid for ERPM were based on promises that the mine would continue to be a major employer on the East Rand Today the mine employs only 5 000 compared with more than 20 000 a few years ago And ERPM's miners have been excluded from the industry's wage increases for the past two years

ERPM's debts, made up of loans guaranteed by government, more than doubled in the past four years to reach R440m at March 31 this year In 1988 the debt stood at R200m Another R220m was raised from the company's bankers with state guarantees to finance the Far East Vertical shaft And the debt misery was compounded as interest was capitalised quarterly

The root causes of the crisis are Rand Mines' over-ambitious forecasts of gold prices from the early 1980s when plans for ERPM's rejuvenation were hatched Chairman Dammy Watt told the Financial Mail in 1981, a year after Rand Mines gave the ERPM revamp the go-ahead, that the mine had at least 20 years to run, 45 perhaps if gold prices stayed above $600/oz

"This mine will be operating when some of today's stars are long gone," he enthused Rand Mines' engineers reckoned ERPM's expansion programme was less risky than starting a new mine, because "we know the geology and we know what the average grade will be, and we have the base of an operating mine"

This over-confidence blinded planners who produced excessively ambitious feasibility studies on the new eastern sections of the mine The rationale for their development was to provide high-grade low-cost mining to generate profits to repay debts

Melamet

The wheels were obviously coming off by 1988 when then-chairman Clive Knobbs conceded management had been over-optimistic about the speed with which it could open-up high-grade reserves from the Far East Vertical shaft

The area is plagued by poor ground conditions and earth tremors, but those drawbacks had not been taken into account when Watt, Knobbs and their colleagues were pushing their plans through board meetings

By 1990, the state reluctantly agreed to further financial assistance after the Melamet Commission had presented its report But Melamet's figures were unsoundly based on far higher gold prices than have materialised In fact, ERPM stands not the slightest chance of servicing and repaying its debt even on Melamet's optimistic gold price estimates

Melamet assumed average gold prices of R34 200/kg in 1991, R42 000/kg this year then, increasing in line with SA inflation, amounting to average prices of about R48 300/kg in 1993 Gold prices averaged only R32 150/kg in 1991, and only R31 750/kg so far this year Dollar gold prices are trading near $337/oz At current exchange rates, they would have to jump to and stay at more than $450/oz this year, and $520/oz in 1993, for ERPM to meet Melamet's expectations

In the meantime, Rand Mines' executives have little time to pay attention to ERPM Last week they were reluctant to discuss the matter with Business Day, saying they were concentrating on the restructuring and retrenchment talks at Harmony

Management is, however, finding time to present its case for more state assistance

Management has started preliminary talks before formal presentation of its case to the interdepartmental cabinet committee charged with evaluating calls for state assistance for marginal gold mines

Elsburg asset to be shared out

B/Day 5/5/92 (214)

ELSBURG Gold Mining is to distribute its sole asset, a 48,7% shareholding in Western Areas, amng shareholders in anticipation of a voluntary winding up of the company

Each Elsburg shareholder would receive 65 Western Areas shares for every 100 Elsburg shares held, a company spokesman said in a statement yesterday

"The effect of the proposed changes will be to eliminate a costly structure that serves no economic purpose," he said

Although costs would be involved in dismantling the Elsburg structure, these were justified in terms of the annual cost savings for the remaining life of Western Areas

The costs of maintaining the current structure were about R350 000 a year, whereas the distribution of Elsburg's shares in Western Areas would cost R800 000, he said Western Areas would bear the costs of winding up the company, but stood to gain in the long run

In order that Western Areas (Elsburg) shareholders were not prejudiced relative to direct shareholders, Western Areas would pay the stamp duty on transfer of shares to Elsberg shareholders

He said Western Areas stock would now benefit from greater liquidity with the delisting of Elsburg, providing improved tradeability which was hoped to "have a postive effect on the share price"

Elsburg and Western Areas, gold mines in the JCI group, merged their operations in 1974 Elsburg became a holding company whose only income came from dividends received on its holding in Western Areas — Reuter

Weak gold price ends the respite for marginal mines

B Day 7/5/92.

214

MATTHEW CURTIN

THE inexorable decline in gold prices and increases in costs have hardened the distinction between SA's marginal and non-marginal gold producers Older high-cost low-grade mines are reaping diminishing returns after a period of successful restructuring and cost-cutting programmes

The implications for SA's gold output may not be as serious as might appear at first Marginal mines produce a small proportion of current annual SA production of 600 tons However, those mines employ tens of thousands of workers whose future, which looked relatively rosy in the last two quarters of 1991, is now rather more bleak

In the March quarter, the gap between the gold mines was glaringly demonstrated by Gold Fields' producers Marginal mines Doornfontein, Libanon and Venterspost turned in a combined after-tax loss of R13,4m — compared to R7m in the previous quarter — while the Driefontein, Deelkraal and Kloof mines posted marginally higher after-tax profit of R222m

Three more mines are likely to close this year following Stilfontein's demise Gengold's Bracken's fate is already sealed and sister mine West Rand Consolidated, and Anglovaal's Loraine are unlikely to survive into 1993

However, Gold Fields' marginal mines — which have shied away from severe production cutbacks and retrenchments so far — and Rand Mines' Harmony have to take drastic action if they are to survive the current trough in gold prices

E W Balderson analyst Nick Goodwin says the March quarter last year was a low point for the industry, from which it recovered thanks to the ingenuity of cost-saving programmes carried out by mine management, and the success of forward sales of gold at many mines

Industry working costs stood at R25 817/kg in the 1992 March quarter, lower than a year ago when they were R26 364/kg, and only 0,37% higher than in 1990 — R25 721/kg — in spite of two years of 16% inflation

Hedging remains a crucial aspect of profitability Goodwin estimates the mines earned an extra R150m profit due to forward sales in the March quarter, 15% of the sector's R1,03bn after-tax profit, compared with R118m or 12% in the previous quarter, and R143m a year ago In 1990 profit from forward sales was the equivalent of 20% of industry profit which had plunged to R790m

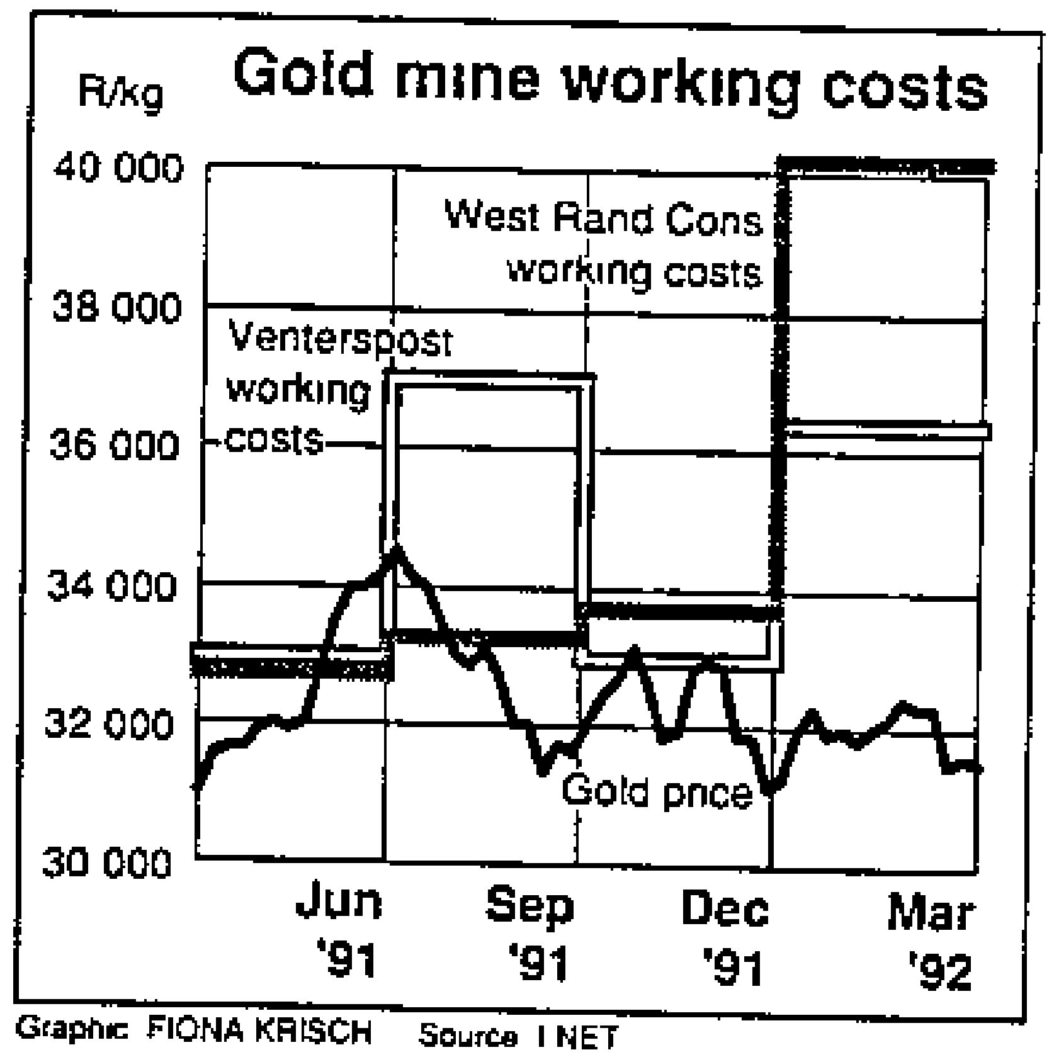
Capital spending has continued to fall, but Anglo American's preparedness to give the green light to the R1,7bn Moab gold mine in spite of the gloom in the industry suggests that gold mines are learning to spend money more efficiently

Moab will be developed as an extension of Vaal Reefs, with Anglo able to set off the capital costs of the new mine against Vaal Reefs' profits for tax purposes

Gengold and JCI mine managements have stressed that underground development work was going ahead to maintain proven ore reserves, in spite of the pressure to cut costs

Marginal mines, however, are being strangled by weak gold prices, in spite of their cost-saving success Low prices not only hit revenue, but ensure that pay limits — the lowest quality ore the mine can afford to mine at ruling prices — rise steadily

Rand gold prices have remained flat in nominal terms in the past five years In 1988, the average rand gold price was R31 920/kg, up 9% from 1987, but has since averaged R31 870/kg in 1990 and only R31 750/kg so far this year Mines which have won better forward gold prices — most notably Anglo American and Anglovaal, Gengold and Rand Mines to a lesser extent — have been able, to some degree, to lock in lower pay limits



Graphic FIONA KRISCH Source I NET

Marginal mines have large ore reserves left, much of which can be mined economically if gold prices rise Selective mining has arrested the slide in underground grades, but marginal producers have paid a double penalty — losing both payable ore reserves and the flexibility to mine what payable reserves remain.

Any ore body contains good and bad patches of reef As pay limits rise, underground mining teams find that areas which they have developed no longer contain ore they can mine, and have to be abandoned Higher grade ore may not be accessible at all, or only by mining low grade areas first Working costs rise, and by concentrating on the new areas above the pay limit, some development work vital for returning to lower grade areas should pay limits fall is inevitably neglected, further jeopardising a mine's long-term future At Gengold, recognised as the group which has most persistently streamlined production, analysts fear the problem is becoming acute West Rand Cons' future hangs in the balance because it is running out of payable reserves The same problem led St Helena to close underground sections, with 1 500 retrenchments announced early last month

Gengold has 10 mines currently in production, but operations at Bracken close in the second half of this year, and another four have working costs of more than R29 500/kg, compared with current gold prices of R31 000/kg

Harmony is beleaguered because it has large low-grade reserves, but not the high grade material it can tap to weather the poor gold prices Its only option is to beat costs down by cutting production, and may have soon have shed more than half its 30 000 workforce of three years ago

At Gold Fields' marginals, management is striving not only to keep the existing operations going, but to keep them in business long enough to generate the working profit necessary to develop the mines' virgin reefs

Gold Fields gold division executive director Alan Munro says the group is still confident gold prices will rise to save the group's marginal mines, but feels it is inappropriate to discuss contingency plans, should gold prices not rise, at this stage

Anglo American gold and uranium division spokesman James Duncan says the group can withstand current low gold prices until 1993, when older and more marginal mines could be affected Temporary and permanent cost reductions remain important objectives as well as focusing operations in order to keep gold output steady, he says

Goodwin says that if gold prices do not recover in the medium term, production at marginal mines will shrink sharply "Marginal mines have cut away the fat, and the meat, and are now down to the bone," he says Labour, which accounts for about 50% of mines' costs, will remain most vulnerable to the next round of surgery

Clyde explores new markets

214

MATTHEW CURTIN

THE slump in the gold mining industry has again dented the performance of mining and industrial supplier Clyde Industrial Corporation, as the company tries to diversify its way out of the recession

Earnings in the year ended February 1992 were 10,8c a share, unchanged from the previous year The company, which manufactures and distributes secondary steel products, declared a final dividend of 2c a share.

Chairman and MD Gordon Wilson said yesterday “As a result of the very difficult conditions prevailing in the gold mining industry new markets have had to be established” B|Day 8/5/92

Wilson said the change in direction had been costly, so although turnover rose 20% to R83m from R69m in 1991, earnings had remained flat Clyde's interest bill climbed to R1m from R375 000, with long-term loans increasing to R1,3m from R775 000 at end-February 1991.

However, he said Clyde's entry into new markets put the company in a better position to take advantage of new business opportunities These would be reflected in results in the current financial year.

FM 8|5|92 (214)

AMGOLD FM 8|5|92 (214)

Rights cash to the rescue

Activities: *Investment holding company with large interests in major SA gold mines and a 20% stake in Anglo American Corp's exploration programme*
Control: *Anglo American Corp 50,5%*
Chairman: *N F Oppenheimer*
Capital structure: *24,2m ords Market capitalisation R4,52bn*
Share market: *Price R187 Yields 5,2% on dividend, 5,2% on earnings, p e ratio, 19,2, cover, 1,0 12-month high, R259, low, R179 Trading volume last quarter, 260 000 shares*

Year to Mar	**†'89**	**†'90**	***'91**	**'92**
Net income (Rm)	330,3	308,5	178,2	235,5
Earnings (c)	1 505	1 405	788	975
Dividends (c)	1 350	1 250	775	975
Market value of investments (Rbn)	6,1	8,4	4,5	5,0

* 13 months to March
† Year to February

Amgold's Oppenheimer *hoping market will turn*

The share price managed to tread water in the year to March thanks only to the R500m raised by the November 1990 rights issue That cash lump remained intact throughout the year and is the sole reason for the increased earnings and dividend A jump in interest earned and other income to R67,5m (1991. R24,7m) more than compensated for the drop in investment income

A fall in investment income was inevitable given Amgold's dependence on the gold industry, even though its holdings are predominantly in quality shares such as Driefontein, in which it has an 11,5% stake, Vaal Reefs (16,8%), Hartebeestfontein (15,5%) and Gold Fields of SA (10,8%)

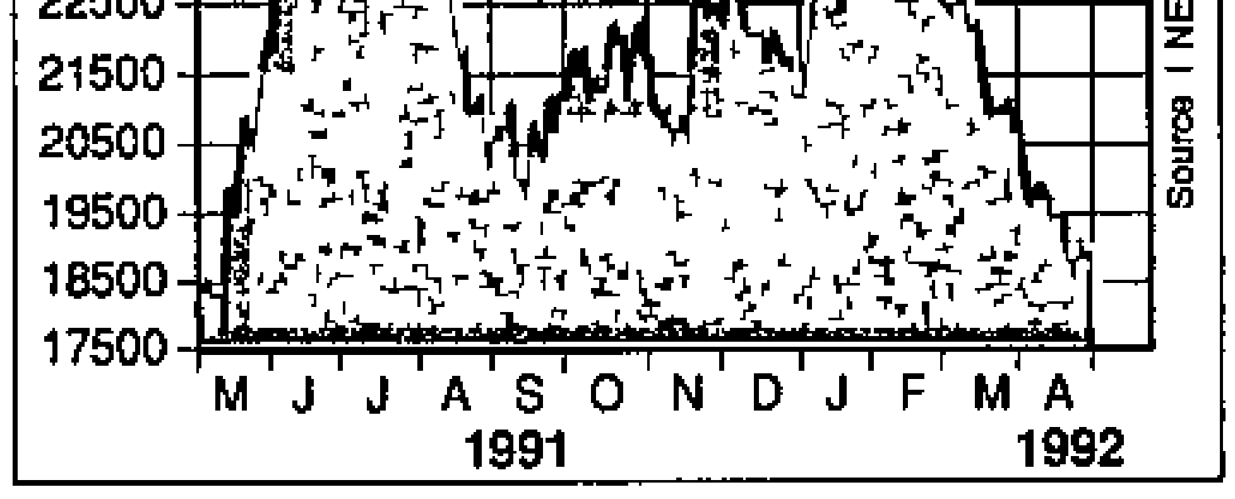
The rights issue was well timed, even if it was only 82,9% supported and Amgold became a subsidiary of underwriter Anglo American as a result, as the market for gold shares has gone steadily downhill ever since

The money was raised with an eye to commitments to gold mine expansions, one of which has now got the go-ahead the R1,7bn No 11 shaft in the Moab extension to Vaal Reefs Effect of this on Amgold this year should be minimal, so cash holdings will be maintained for another year and interest income should be more or less the same

Some analysts estimate earnings could rise by up to 10% this year through increased investment income because a number of quality mines are improving their profit margins and should pay better dividends Control over working costs over the past six months at mines such as Driefontein, Kloof and Vaal Reefs has been exceptional

That's still not an exciting outlook What is really needed to revive Amgold's fortunes is what the entire industry has been crying out for during the past three years — a sustained improvement in the gold price

As chairman Nicky Oppenheimer confirms, cost-cutting measures, which have resulted in the improved operating profitability, merely provide a breathing space "Such cost-cutting cannot continue indefinitely Producers have to rely ultimately on a healthy market to ensure their longer-term survival Effective and regular promotion of gold, and of jewellery in particular, is vital and deserves the support of all producers"



Oppenheimer, like the chairmen of the various mining house gold divisions, is optimistic market conditions should turn in gold's favour Jewellery demand held up well in 1991 at an estimated 1 929 t (1 987 t), which more than accounted for new primary supply of 1 760 t (1 733 t) from SA and other Western producers Total gold supply last year is estimated at 2 662 t (2 798 t)

A recovery in the world economy would stimulate demand for gold in jewellery manufacture Assuming this takes place then all the mines need worry about are sales from central bank gold stocks of some 36 000 t, unknown quantities of swapped Russian gold overhanging the market, and renewed forward selling by producers themselves, which has capped the price repeatedly in the past

In 1990 Amgold had to provide R20m on Rand Mines' dud Barbrook project Last year's provisions are lower at R10m but, even more embarrassingly, R8m is against an Anglo mine Eastern Gold Holdings, which is financing the Erfdeel section of Freegold Erfdeel is running at a loss at current gold prices *Brendan Ryan*

EERSTELING FM 8/5/92

Legal fight looms

(214)

When the acquisition of Eersteling by Swiss businessman Max Glauser comes up for sanction in the Johannesburg Supreme Court next week, it will be opposed by three minority shareholders

Glauser's offer to acquire Eersteling shares at 1c each, following a deal to pay off major creditor Standard Merchant Bank, aroused opposition from minorities, who claimed it undervalued the company and was overwhelmingly biased towards creditors The scheme also threatened to delist the company *(Fox* April 10)

At the April 16 meetings, shareholders voted both in favour of the scheme and to keep the listing Stefan Hayden, who will head Eersteling's SA management if the scheme is sanctioned, says shareholders representing 48% of the equity attended the meetings and 78% of the vote present was cast in favour of the scheme

FM 8/5/92 (214)

But nearly 2 000 shareholders voted to keep their shares, despite a dilution to 10% of their original holdings The scheme provided that at least 10% of the 9 200 shareholders had to elect to keep their shares or the listing would be terminated and all shares forcibly redeemed at 1c This means the listing will continue, subject to JSE approval

Three minority holders — Bob Plewman, Derek Molony and Joan Knox — together owning 64 000 shares have lodged affidavits opposing the scheme Plewman and Molony are both mining engineers Molony says the deal should be stopped because Eersteling is potentially profitable and worth far more than Glauser is paying *Brendan Ryan*

NUM rescue plan for Harmony

Union seeks mine's help to save jobs

BDay 11/5/92

(214)

ALAN FINE

THE NUM is seeking state aid to save jobs at Harmony gold mine and has asked Rand Mines to participate in a joint approach to government.

On Friday the union submitted to Rand Mines a detailed memorandum containing a set of "tax neutral" proposals it wanted to be put to government Rand Mines gold division CEO John Turner said he would study the proposals, but declined to comment further.

The mine's marginal status has forced it to begin planning the retrenchment of 8 000 workers.

Should a joint approach to government materialise, it would be the second such joint labour/management initiative, following the arrangement thrashed out last year in the clothing, textile and cotton manufacturing sectors

NUM negotiator Martin Nicol said the union was not seeking limitless state funds to save a declining mine What it wanted was assistance "for a limited adjustment period"

Instead of the sudden loss of 8 000 jobs in the Virginia region and the areas of Lesotho from where many Harmony employees came, the NUM hoped state aid would facilitate a slowing down of the process

This would allow management and the union to carry out specific tasks — such as a retraining programme — "which would mitigate the effects of the retrenchments on individuals and on the region"

Nicol said the union proposals were based on submissions it had made to last June's mining summit on short-term measures to alleviate the industry's crisis

The NUM's argument that short-term relief can be granted without any net cost to the fiscus relies on the "knock on" effects of a mine's substantial downscaling

Although a mine operating at a loss does not pay any tax, the NUM says its operations benefit state coffers in five important respects: employees' income taxes, direct taxes such as VAT they pay; RSC levies on the wage bill, mining lease taxes, and taxes paid by the mines' suppliers and their employees

The NUM's calculations for 1990 estimated that the tax generated by a mine making no profit was worth R4 912/kg of gold produced Hence, the union argues, a subsidy of that order would be rational and justified.

Nicol said on Friday that the figure for Harmony might be a little lower, but still substantial and certainly sufficient to allow for a a more gradual downscaling of operations.

The union suggested to the summit that such a short-term scheme would permit the maintenance of a significant number of jobs, at the mine and suppliers, the maintenance of economies of scale by suppliers in the electricity, food and engineering sectors and prevent a sudden decline in an important source of foreign exchange earnings.

The union believes, further, that a special case can be made for Harmony because the regional economy of the Virginia area depends largely on the mine.

Mixed views on NUM rescue plan

B/Day 12/5/92

MATTHEW CURTIN

(214)

THE NUM plan for state aid to save jobs at Rand Mines' ailing Harmony gold mine received a mixed reception from analysts yesterday

Simpson McKie analyst Rodney Yaldwyn said if government agreed to the NUM scheme, it would re-establish a precedent of allowing marginal mines to run at a loss simply to preserve jobs

Government's guarantee of loans worth R220m and provision of financial assistance with a interest payments to ERPM, which was still far from profitable, showed that the ordinary taxpayer could be left bearing the burden of an uneconomic mine

Yaldwyn said a number of marginal mines could make similar arguments for state aid

However, Frankel, Max Pollak, Vinderine analyst Mike Brown said given current political concerns and the recession, arguments for financial assistance might hold sway with government

Brown said the NUM seemed to have a good case, "and if government can spend millions in drought relief, might it not be willing to consider relief for the gold mines?"

Mathison and Hollidge analyst Rob Gillan said the NUM's approach to Harmony's problems showed the union's "maturing approach" to industry problems

Rand Mines plans to axe 8 000 jobs from Harmony, a low-grade producer with large reserves, but dependent on much higher gold prices to survive in its current position The NUM has proposed government provide assistance for a limited period to slow the rate of job losses, mitigating the knock-on effect to the local economy and allowing time for the retraining of miners

However, E W Balderson analyst Nick Goodwin warned time was the key to Harmony's financial security

Harmony might not be able to afford the luxury of protracted negotiations over possible tax concessions

A Chamber of Mines spokesman said the chamber did not consider the issue "an industry matter", but one for Rand Mines and the union ıl

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Dispute resolution alternatives urged

B/Day 13/5/92.

SUSAN RUSSELL

LAWYERS should be ethically obliged to discuss with clients the possibility of using alternative methods of resolving disputes before resorting to litigating through the courts, Harvard law Prof Frank Sander said in Sandton yesterday.

He was speaking at a one-day conference hosted by the Alternative Dispute Resolution Association of SA (Adra) which was supported by the Institute of Directors in Southern Africa and the Attorneys' Fidelity Fund.

The conference was aimed at giving attorneys, business people and anyone else involved in dispute resolution a clearer understanding of available alternatives to the route through the courts

Alternative dispute resolution originated in the US as a means of reducing the time and costs involved in civil litigation.

It makes use of methods such as mediation, arbitration and so-called "mini-trials" and has been successfully used to resolve disputes ranging from complicated commercial matters to community and domestic disputes.

Adrasa was formed last year with the objective of integrating alternative dispute resolution into the mainstream of legal practice and those involved have been promoting it in SA.

Three fight Esor's plan to rescue Eersteling

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B/Day 13/5/92

MATTHEW CURTIN

THREE shareholders in the liquidated gold mine Eersteling, representing 0,08% of the company's equity, are opposing a rescue plan for the company in the Rand Supreme Court today The disgruntled shareholders have won the support of the SA Shareholders' Association (Sasa)

Swiss-based Esor Establishment SA is planning to rescue the company liquidated last year with an R11m accumulated loss

Esor representative Stefan Hayden said yesterday "It seems strange that a few disgruntled shareholders should arrive at the last minute and attempt to jeopardise the rights of creditors and members and create further uncertainty in the lives of mine employees"

Eersteling faces claims worth R6,5m and has offered the company's major creditor, Standard Merchant Bank (SMB), 80c in the rand, and other creditors 90c Creditors have unanimously accepted the scheme of arrangement, proposed in terms of Section 311 of the Companies Act

At a scheme meeting for shareholders, 78% accepted Esor's proposal that the company's share capital be consolidated from 80-million to 800 000 shares, with an issue of 7,2-million shares to Esor in payment for settling Eersteling's claims Shareholders accepted an offer of 1c a share, with the option to receive one share for every hundred owned Esor has said without its offer, creditors would receive 46c in the rand, and shareholders nothing

At the members' meeting, 80 of Eersteling's 9 000 shareholders, holding 8-million shares, voted against the scheme, with shareholders owning 28,8-million shares voting in favour Esor was able to vote for the scheme with the help of 25-million shares it acquired for R2 from SMB.

Three dissenting shareholders owning 65 000 shares have taken the matter further They have submitted affidavits opposing the scheme It was reported yesterday that Sasa chairman Issy Goldberg said shareholders should reject "the indignity of the offer". Goldberg said the dissenting shareholders were confident they could run Eersteling "even more profitably" than the liquidators Eersteling has been run on a contract basis since its liquidation and turned in a profit of R900 000 between May 10 1991 and January 31 this year, but before interest payments of R800 000

Revised New Cent strategy highlights slump in gold

BDay 13/5/92 214

MATTHEW CURTIN

CHANGES in the investment portfolio held by New Central Witwatersrand Areas (New Cent), Anglo American's gold exploration and investm9ent company, and the curtailment of its gold exploration activities have highlighted the slump in the gold sector

Chairman Michael King said in his yearly review that in spite of improving prospects for a recovery in the local and international economies, "short term prospects for the mining industry should .. be viewed with caution, althought we remain confident about the longer-term outlook"

King said that in the 18 months ended March 1992, the company invested in a "balanced portfolio of mining and mining-related securities, including high-grade long-life gold mines".

Amendments to the Income Tax Act enabled the company to revise its investment strategy, because the changes allowed companies to dispose of investments held for more than 10 years without incurring income tax on the realised surpluses.

New Cent disposed of its stakes in Buffelsfontein and Doornfontein gold mines, with the value of its gold investments falling to R14m at March 31 from R25m in 1990

It also sold its interest in Zambia Copper Investments, which has an interest in Zambian Consolidated Copper Mines, and its stakes in AECI and Anglo American Properties

The company has focused on platinum stock, buying interests in Lebowa Platinum and Potgietersrust Platinums, worth R10m on March 31 against R7,9m in 1990. New Cent acquired stakes in copper producer Palabora Mining, Samancor and Gold Fields' Driefontein Consolidated New Cent remains most heavily invested in mining finance shares and De Beers.

King said the gold exploration programme on the farm Gerhardminnebron, investigating the large deep-level ore reserves in the Potchefstroom Gap, had been suspended.

Geological

Phase I drilling was completed in October 1990, but the definitive geological report submitted in February last year showed that subsequent drilling had not confirmed the encouraging results on which the decision to proceed with Phase II had been based.

The discovery of "a lack of continuity of gold mineralisation" had significantly downgraded the potential of Cobble Reef. New Cent and Anglo spent R40m on Phase II which had been suspended, and "no further drilling is planned in the foreseeable future".

Some sound reasons for helping Harmony

STAR 15|5|92

By Derek Tommey

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The National Union of Mineworkers has appealed to the government to help keep open the Harmony gold mine in the Free State where some 8 000 jobs are at risk

There are sound economic and social reasons for keeping Harmony in production — and also two other mines which are currently in difficulties, Loraine and West Rand Cons

Even at the present low gold price these three mines between them generate about R1 billion a year in foreign exchange The loss of this amount of foreign currency is something the country cannot afford in these difficult recessionary times

One of the main reasons for the current sluggishness in the economy is the low level of foreign exchange earnings

Because South Africa is not earning enough yen, pounds, dollars and Deutschemarks to pay for all the goods it would import if the economy was going full out, the Reserve Bank is having to keep the lid on economic growth

Losing another billion rand in foreign earnings would mean that the Reserve Bank would have to keep the lid on even tighter, which is not a desirable development when you have some 5 million unemployed or seriously under-employed people

At the same time, as well as helping the foreign exchange position, these three mines at the same time are pumping about R1 billion into the economy — and possibly between R2 billion and R3 billion when the multiplyer factor is taken into account

Not only would the jobs of the 12 000 or so employed on the three mines be lost should they close but many thousand more jobs throughout the economy, which would be quite disastrous

Admittedly, the Government will have to put its hand in its pocket to help these mines, and it is pretty strapped for cash at the moment. But the other side of the coin is that eventually a large part of the R3 billion generated by this mines flows to the Treasury in the form of income tax, company tax, Vat and other imposts, which it can ill-afford to lose at the moment.

In fact by not helping these mines the Treasury could end up a net loser

There's another important factor. A large part of the money invested in a mine is spent on shafts, haulages and other underground workings

If a mine is closed this investment, which can run into billions of rands, is gone for good, and the net loss to the community is large

Obviously the line must be drawn somewhere Some assessment must be made as to whether any particular mine is worth saving However, each of the three mines mentioned could have several years of life ahead of them if the gold price rises slightly — or aid is forthcoming

And there is a good reason for expecting an improvement in the gold price in time The current low price of the metal can be easily explained by the world-wide recession in which not only gold but most other commodities have been hit hard

The recession is now ending and a slow but steady improvement in all commodity prices seems likely, which suggests that any aid is unlikely to be needed for long

It's worth taking the chance, especially if it avoids what would be a tragedy in human terms

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B/Day
19/5/92

Award for Rand Mines

THREE Rand Mines gold mines were awarded the industry's Millionaire Safety Shield, the group said yesterday. Harmony North achieved a million fatality-free shifts on March 24, Blyvooruitzicht reached the mark on April 24 and Durban Deep on May 1

COMPANIES

Weaker dollar boosts gold

A WEAKER dollar, which analysts said was spurring demand from the jewellery industry, bolstered gold prices yesterday, as the metal flirted with the $340 an ounce level

B/Day 19/5/92

Gold was fixed at $338,90 in London yesterday afternoon, $1,80 higher than the afternoon fix on Friday, but down from the morning mark of $339,20 That was $2,70 higher than the comparable fix on Friday.

The JSE's all gold index rose 14 points to close 1,25% higher at 1 135

Among the heavyweight shares, Vaal Reefs gained 275c to close at R188,75, Driefontein gained only 25c at R40,75, but Hartebeesfontein climbed nearly 2% or 25c to end the day at R14,75

Reuter reports that traders in London said precious metals made up for earlier losses on European markets in subdued trade as gold remained underpinned by a weaker dollar

MATTHEW CURTIN

"We can't put a finger on why it's so firm here, other than the weaker dollar," one dealer said. Dealers in Zurich reported substantial demand from the jewellery industry as the weak US currency made the metal more attractive.

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In New York, gold prices on the Comex futures exchange remained firmer as most-active June delivery took tentative steps back towards resistance above $340

One analyst said traders were "backing and filling here" as gold prices retreated from morning peaks above $340

"We are in the process of bottoming and I think the momentum is to the upside," he said, citing the recent decision by US gold producer Newmont to buy back a large part of its $1m gold loan as evidence that gold had reached the bottom of the market

Chamber, NUM wage talks begin

B/Day 20/5/92

214

MATTHEW CURTIN

NUM and Chamber of Mines wage negotiations kicked off in Johannesburg yesterday, with employers offering a 4% wage increase on gold mines and rejecting key non-wage issues

NUM assistant general secretary Marcel Golding said last night talks would be "extremely tough" in the wake of the chamber's offers.

The union has demanded a 20% pay award on gold mines, and proposed introducing an "agency shop" in its non-wage proposals, an issue which analysts say will spark fierce debate among employers

Golding said the NUM had rejected the chamber's response to its proposal that an agency shop be introduced in the industry

An agency shop is a compromise between the closed shop — where all workers are required to belong to a trade union at a firm or in an industry — and a system allowing so-called free riders, workers who are not union members but who benefit from gains won by a union for the whole workforce

An agency shop agreement would see mineworkers pay a fee without having to join a union When it tabled its demands in early April, the NUM proposed that non-union members pay the same subscription as members into union coffers

Golding said the chamber rejected the proposal, arguing it ran against the principle of freedom of association, but did not substantiate its position He pointed out that white unions in the industry operated on a closed shop basis

The NUM said its demand for a 20% pay hike on the gold mines took into account poor gold prices and difficulties at particular mines. Minimum wages stand at between R413 and R575 a month

The slump in the sector has accelerated the rate of retrenchments in recent months, now running at about 3 000 a month The NUM and Rand Mines plan to approach government for tax concessions for the Harmony gold mine to soften the blow of 8 000 retrenchments planned at the mine

In 1991 the NUM agreed to a pay award of about 5%, with provision for productivity bonuses, but its central committee rejected the scheme in January. Analysts said the union was more likely to argue for differential wage increases depending on conditions at individual mines this year.

Golding said the union had not received wage offers from Gengold's Bracken and Leslie mines, nor Rand Mines' Blyvoor and Harmony. However, the NUM was not prepared to discuss wage and non-wage issues outside of the central bargaining unit in place in the sector.

He said the chamber had agreed to other non-wage issues, including medical aid for mineworkers' families and pay for union members involved in the wage talks.

The chamber offered wage increases of 5% to 10% on coal mines, against NUM demands for an average 55% wage hike

Wage talks between the chamber and the white mineworkers' federation, the Council of Mining Unions, began on Monday

UK group may sell 63% stake in GIC

B/Day 20/5/92

EDWARD WEST 214

UK-BASED general and electrical engineering group B Elliot plans to sell its 63,09% controlling stake in Goldfields Industrial Corporation (GIC)

Coinciding with the announcement of GIC's financial results for the year to March 1992, the company cautioned shareholders that negotiations which could affect its share price were in progress

The announcement said B Elliot planned to dispose of its interest in GIC Although negotiations were under way to sell the shareholding, arrangements would be completed only by July B/Day 20/5/92

B Elliot director Trevor Smith said the disposal was part of a restructuring of its 16 international subsidiaries

GIC yesterday traded at 500c a share, 79c lower than its current net asset value of 579c a share GIC director Andrew Crawley said the company traded below its net asset value because of the small number of shares in issue

Based on the 4-million shares in issue, the market price for the 63,09% stake would be about R12m

However, Crawley declined to comment yesterday on the price, or to whom the shareholding would be sold

In the year to March 1992, GIC's earnings increased 10% to 99c a share from 90c a share in the previous year Dividends for the year came to 55c a share

● See Page 10

New look at negotiations

PATRICK BULGER

THE ANC had begun a major reassessment of its approach to negotiations and had withdrawn all the constitutional compromises it offered in working group 2 in the run-up to Codesa II, senior ANC negotiators said yesterday

They indicated a fresh approach could place greater reliance on mass action and a demand that an interim constitution be limited to preparing for an election to a constitution-making body.

And in Oslo yesterday, ANC president Nelson Mandela ruled out a return to the armed struggle should negotiations fail An alternative would be to call for a general strike, he said B/Day 20/5/92

In coming weeks the ANC plans to undertake wide-ranging consultations with its regions to chart a way forward.

ANC negotiator Mohammed Valli Moosa said "We consider the failure of Codesa II an extremely serious matter After five months of negotiations we have nothing to offer the public"

At an ANC briefing yesterday, Joe Slovo said "We thought we had scored an important victory when government accepted an elected constitution-making body But they want an elected body with no real power and subject to a minority veto, in essence a white veto" He said government wanted Codesa itself to have the power to draw up a new constitution

"The device to effect this purpose is the concept of an interim constitution," Slovo said, adding government wanted Codesa to

☐ To Page 2

Barbrook gold mine for sale by tender

JONO WATERS 214

BARBROOK gold mine, delisted on the JSE and placed under liquidation in January, has been put up for sale by tender

Joint provisional liquidators Coopers Theron du Toit Trust (CTTT) and Metrust said the final date for acceptance of offers was May 29 CTTT director Clive Lansdown said no firm offers had been received to date B/Day 20/5/92

Fergusson Brothers gold analyst Trevor Pearton said the plant at Barbrook was "overdesigned" and would on the face of it be worth only scrap value, but the mineral rights would be worth something, a realistic bid would be between R5m and R10m

Barbrook was commissioned by Rand Mines in June 1989 at a cost of R126m with proven ore reserves of 250 000 tons at an average in situ value of 6,8g/ton

The mine started production in the first quarter of 1990 and operated until the end of the year, when it was placed on a care-and-maintenance basis

Barbrook's shares were suspended on the JSE in November 1990 Borrowing at December 1990 totalled R60,4m

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'Gloomy times ahead for gold'

B/Day 20/8/92 214

MATTHEW CURTIN

THE outlook for gold is gloomy, says Gold Fields Mineral Services in its Gold 1992 report

"The fall in price to the lowest level in real terms since the early 1970s, raises the questions of whether the four-year bear market is coming to an end, or whether the downward momentum might generate additional sales by disillusioned holders of gold, thus continuing the period of depressed gold prices for some time yet," the report said

With the prospects of only slow economic growth worldwide, physical demand for gold might not exceed supply fast enough to encourage current investors in gold to hold on to the metal

Western world mine production reached a record 1 782t in 1991, up from 1 744t in the previous year, but so did demand for gold from industry

The 2% increase in mine production was the smallest in years, with output from SA (601t), the US (300t), Soviet Union (242t), Australia (234t) and Canada (167t) holding steady Papua New Guinea joined the world's top 10 producers for the first time, with an 80% hike in gold output to 61t from 34t

Net communist sales of gold fell sharply to 226t from 425t Gold scrap supply also fell.

The gap between new gold output and fabrication demand widened for the fifth year running, standing at 761t in 1991 compared with only 280t in 1987

Jewellery consumption rose 4% in spite of the global recession and accounted for 2 111t out of overall fabrication demand of 2 543t, compared with 2 037t out of 2 440t in 1990.

However, the gold market was hit in the year by "implied disinvestment" of 241t, and the sale of 105t by the "official sector", namely central banks Brazil and Canada were regular sellers, Germany sold 22t of former East German reserves, with India selling another 20t to raise foreign exchange

Gold 1992 is at pains to emphasise the complexity of the gold market, and the potential for prices to improve significantly

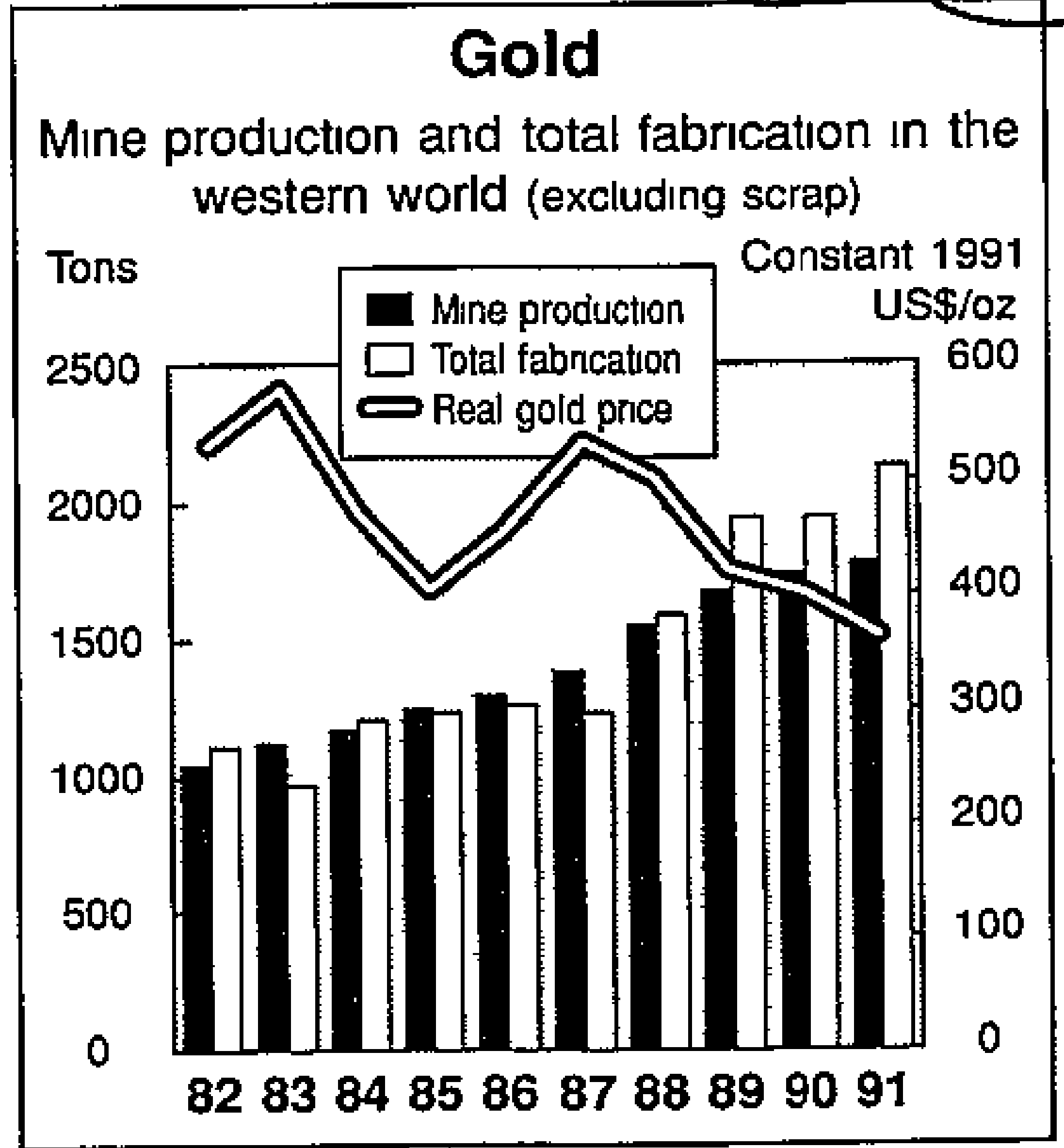
It said a third of gold production was currently unprofitable, and if prices did not improve, "it is very likely that gold production will fall off sharply rather than reaching a plateau in the next few years" However, the issue was complicated by 55 000t of bullion stocks, mostly held by central banks, plus quantities of gold coins, all of which could add to future supply.

The report said one school of thought believed prices would improve only when gold regained its attraction as an investment as confidence in other financial assets started to ebb "In the absence of rampant inflation or debt-induced implosion, or some other financial cataclysm, this might suggest that an increasing share of future supply could well derive from such disposals by disillusioned holders But such an argument is probably too simplistic," it said.

It was likely potential investors would realise the price decline had gone far enough, especially if they saw a sharp drop in mine production

The report said "It seems safe to assume that the future gold price will be influenced by what happens to mine production and supply from the former Soviet Union on the one hand, and to the offtake for jewellery, industrial uses and investment products on the other"

There were two contrasting sets of developments which could see gold prices regain the ground lost in the past few years One involved strong economic growth spurring jewellery demand The other extreme was massive asset deflation which would cause a flight to gold, similar to that brought on by inflation in the 1970s



Graphic FIONA KRISCH Source GOLD FIELDS MINERAL SERVICES

COMPANIES

Sales dip fails to harm GIC

ROLLED and strip steel supplier Goldfields Industrial Corporation (GIC) saw earnings increase 10% to 99c (90c) a share in the year to March 1992 despite sales falling slightly to R72,3m (R74m) due to the recession.

BDay 20/5/92

GIC also announced today that its UK-based parent, B Elliot plc, was negotiating the sale of its 63,09% stake in the SA operation Negotiations were due to be completed by July

Reduced scrap rates and greater manufacturing efficiency contributed to increased operating margins

As a result, management was pleased with the 4,6% rise in operating income to R8,33m from R7,97m, said GIC director Andrew Crawley

He said sales volumes declined because of the recessionary impact on its major markets, the motor and building and construction industries

After interest charges of R1,13m (R1,26m) and taxation of R3,17m (R3,05m), profits for the year came to R4,03m (R3,66m)

A final dividend of 33c a share was declared, bringing total dividends for the year to 55c a share

Net asset value rose to 579c a share from 535c a share in the previous year

Directors said overheads had been controlled and product processing and market development together with a plant upgrading and computerisation programme would lead to improved profit margins

EDWARD WEST 214

Gold price sags despite high jewellery demand

BDay 21/5/92

214

MATTHEW CURTIN

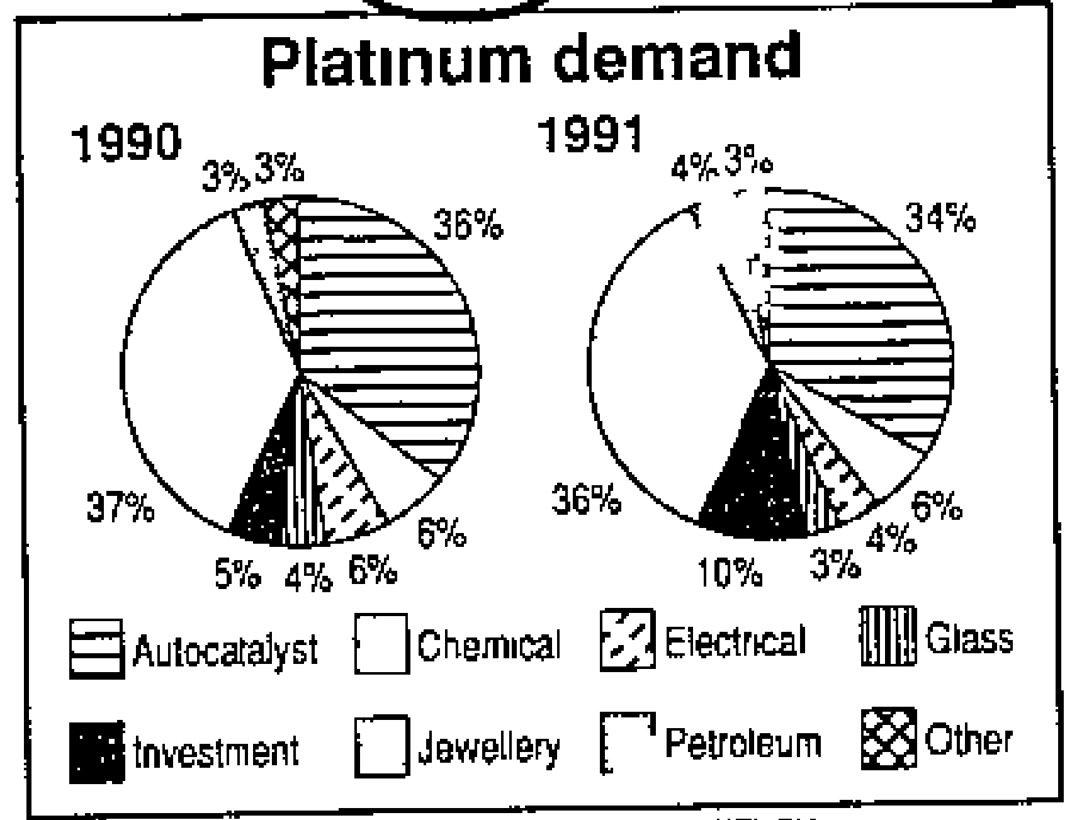
DESPITE solid jewellery demand exceeding increases in new mine production, the gold market needs another factor to trigger bullish sentiment and higher prices, says Gold Fields Mineral Services senior analyst Kevin Crisp.

He said one such trigger could be a sharp fall in mine production, noting SA gold mines were on average at the top end of the world production cost curve One third of current global gold output was uneconomic

Analysts say SA gold mines have maintained production tenaciously in face of rising costs and low prices, but as the most recent bout of retrenchments in the industry suggest, still further cutbacks are necessary to keep mines profitable

Crisp, who presented Gold Fields' Gold 1992 report to SA mining industry leaders in Johannesburg last night, said tightening physical demand for gold might not happen fast enough to stem investor disillusionment with the metal

Crisp noted that last year the gold market contracted overall for the first time since 1983, although there was record offtake by the jewellery sector


Platinum demand

Graphic FIONA KRISCH Source JOHNSON MATTHEY

Johnson Matthey has forecast a more overtly bullish future for platinum in its Platinum 92 survey, predicting prices could return to $400/oz because of impressive jewellery demand in Japan and increasing consumption in the car-making industry worldwide

The platinum market is significantly smaller than the gold market, but platinum has a far wider range of applications, cushioning it against economic ups and downs, and the vagaries of investor sentiment

An analyst said platinum's resilience derived in large part from its persistence as a precious metal and industrial commodity

He said that particularly in the Far East platinum was considered a greater store of value than gold, a sentiment underscored by the strength of jewellery and industrial demand for the metal

Johnson Matthey highlighted an increase in investor platinum purchases to 340 000oz from 200 000oz in 1990, equivalent in a jump to 10% from 5% of total platinum demand Platinum prices fell to a 14-year low in yen terms in Japan in December last year, and "presented investors with irrestible bargains"

At the same time, jewellery demand in Japan reached a new high of 1,26-million ounces, "stimulated by the falling yen price and by the growing popularity of platinum in the mass market" Japan accounted for 85% of platinum jewellery demand, and despite a slowing economic growth rate, demand was sustained by more moderately priced platinum jewellery and a preference for platinum alone instead of in combination with gold

The analyst said gold marketers such as the World Gold Council were turning their attention to the Far East to stimulate a more sophisticated market for gold, from hoarding to a wide range of jewellery

Bosses want pay freeze in a bid to save mines

214

MATTHEW CURTIN

B/Day 22/5/92.

RAND MINES has proposed a wage freeze to help save its Blyvooruitzicht and Harmony gold mines which employ nearly 30 000 workers.

NUM assistant general secretary Marcel Golding said last night Rand Mines had proposed a postponement of annual pay talks at both mines until September 1. That would give management time to work out a strategic plan to rescue the mine

Harmony paid out nearly R4m in productivity bonuses to workers last year, but as a high-cost, low-grade mine, it has been hit badly by poor gold prices. Blyvoor has dwindling payable underground ore reserves, likely to be exhausted by the mid-'90s, a problem exacerbated by low gold prices

Golding said the proposals were unacceptable to the union which would meet Rand Mines on May 27 to discuss Harmony's and Blyvoor's positions Rand Mines was planning to cut 8 000 jobs at Harmony

Golding said management had pointed out that Blyvoor was in "serious trouble", but had not raised the issue of retrenchments at this stage

Rising costs, weak gold prices and poor forward sales opportunities cut Blyvoor's after-tax profit in the March quarter to R2,7m from R5,2m in the previous quarter

Rand Mines excluded the mines from the 4% wage offer made by the Chamber of Mines to the NUM on Monday The NUM is demanding a 20% wage hike

Round two of wage negotiations between the chamber and the union takes place on June 1, when the chamber will respond to the NUM's rejection of its wage offers and some non-pay proposals

Rand Mines management declined to comment last night

FM 22/5/92 (214) ([illegible]) **FOX**

RAND MINES FM 22/5/92.

Bumping along (214) ([illegible])

Interim results show the house's fortunes appear to have bottomed after last year's orgy of rationalisation, in which R735m was written off through extraordinary charges while lay-offs cut management, admin and exploration staff by 25% to 493 One slight disappointment is yet another write-off of mining assets, this time R26,5m against the Crown Mines gold recovery plants This was, however, expected following the release of the interim report from 76%-held subsidiary Rand Mines Properties, which manages the gold recovery plants

With a R30m cash balance, and holding company debt down to R9m from R87m at end-September and R312m a year previously, there appears just one remaining area of uncertainty before the balance sheet is given a clean bill of health Barplats Market value of Rand Mines' 45% stake in Barplats is R55m below book value but the directors have not written this off because they feel the true worth of Barplats can be determined only once the revised corporate structure is finalised

Barplats' deal with Impala Platinum is stalled following minority shareholder Andreas Vaatz's application for leave to appeal against the sanctioning of the scheme of arrangement by the Supreme Court

Rand Mines now depends overwhelmingly on coal following the failure of the investments in Barplats and Vansa Vanadium and the sale of most of the investment portfolio along with Lotzaba Forests and Winterveld Chrome to reduce the debt mountain Coal's contribution to earnings jumped to 68,8% (previous comparable six months 55,1%) with the second largest contributor — management services, investment and sundry income — running a poor second at 15% (15,1%) Gold's contribution turned negative because of metallurgical problems at Crown Mines and cost 2% compared with last year's minimal 0,9% contribution

Property kicked in 7,1% (6,3%) The RMP report stated future dump treatment operations to recover gold would concentrate on economically viable dumps which would release land for township development

After being 12% down on half-time earnings, new chairman John Hall makes no firm prediction for the full year, commenting only that profits are unlikely to match 1991's Analysts estimate the year's earnings could be down between 13%-17% because marginal improvements in dividend income from Randcoal will not compensate for the drop in investment income resulting from the sale of much of the share portfolio

General expectation is the final dividend will be maintained, though some optimists hope for a slight improvement, bringing total distribution up to perhaps 320c from last year's 300c Key factor is the rand/dollar exchange rate, which is holding up far stronger than Rand Mines expected That seriously affects Randcoal's distributable earnings

Anyone expecting a swift return to 1990 dividends of 560c will be disappointed because the very high cover of 6,1 (7,0) looks set to continue as the house continues to rebuild its financial base Should the Crocodile River platinum mine be reopened the house is committed to kick in R160m as its share of the necessary rights issue Given this background and the limited prospects for growth the share looks expensive around R70, where it stands at a 21% premium to March 31 NAV of R57,87

ON THE BOTTOM

Six months to	Mar 21 '91	Sep 30 '91	Mar 31 '92
Turnover (Rm)*	755,0	836,8	868,6
Operating pft (Rm)	190,1	220,0	185,6
Pre-tax profit (Rm)	154,1	168,6	138,9
Attributable pft (Rm)	104,3	146,0	91,6
Earnings (c)	700	979	614
Dividends (c)	100	200	100
Net worth (c)	9 500,0	5 526,0	5 787,0

* Continuing operations

Mining house share prices normally stand at discounts to net worth For example Gencor, at its current R12,70, is 11% below February 29 NAV of R14,35 Reason for the strength of Rand Mines shares is probably that they are tightly held, controlling shareholder Barlow Rand sitting on 74%

For these reasons a number of analysts prefer other houses, such as Anglo American or Gencor, and advise investors keen on Rand Mines' coal prospects to go directly into Randcoal, but that is also tightly held because Rand Mines has 70,8% of Randcoal

Brendan Ryan

Enough to beat the best Au-gur

w/mail 22/5 - 28/5/92 (214)

With many mines on the brink of closure the gold price is vital to the South African mining industry. But even experts are hedging their bets, reports **REG RUMNEY**

GUESSING the direction of the gold price has been a mug's game — as many investors must attest Who would have guessed in those heady days when gold seemed to be soaring above $800 an ounce where the gold price would have settled a decade later The gold price now in the major currencies and adjusted for inflation is almost exactly the same as it was at the turn of the century

So it's with trepidation that one repeats the conclusion of Gold Fields SA's annual gold report, *Gold 1992*

However, like the gold mines themselves, the authors of the report hedge their bets gold could do well in two separate scripts

If economic growth rebounds strongly from its present doldrums, demand for among other uses gold jewellery should resume the rapid rise it saw in the 1980s, and move the gold price up

"At the other extreme," note the authors, "a massive asset deflation would cause a flight to gold, perhaps even matching the inflation-induced investment seen in the 1970s " This would be prompted by the enormous political and financial instability that has emerged from the ruins of the Soviet Union and its satellites.

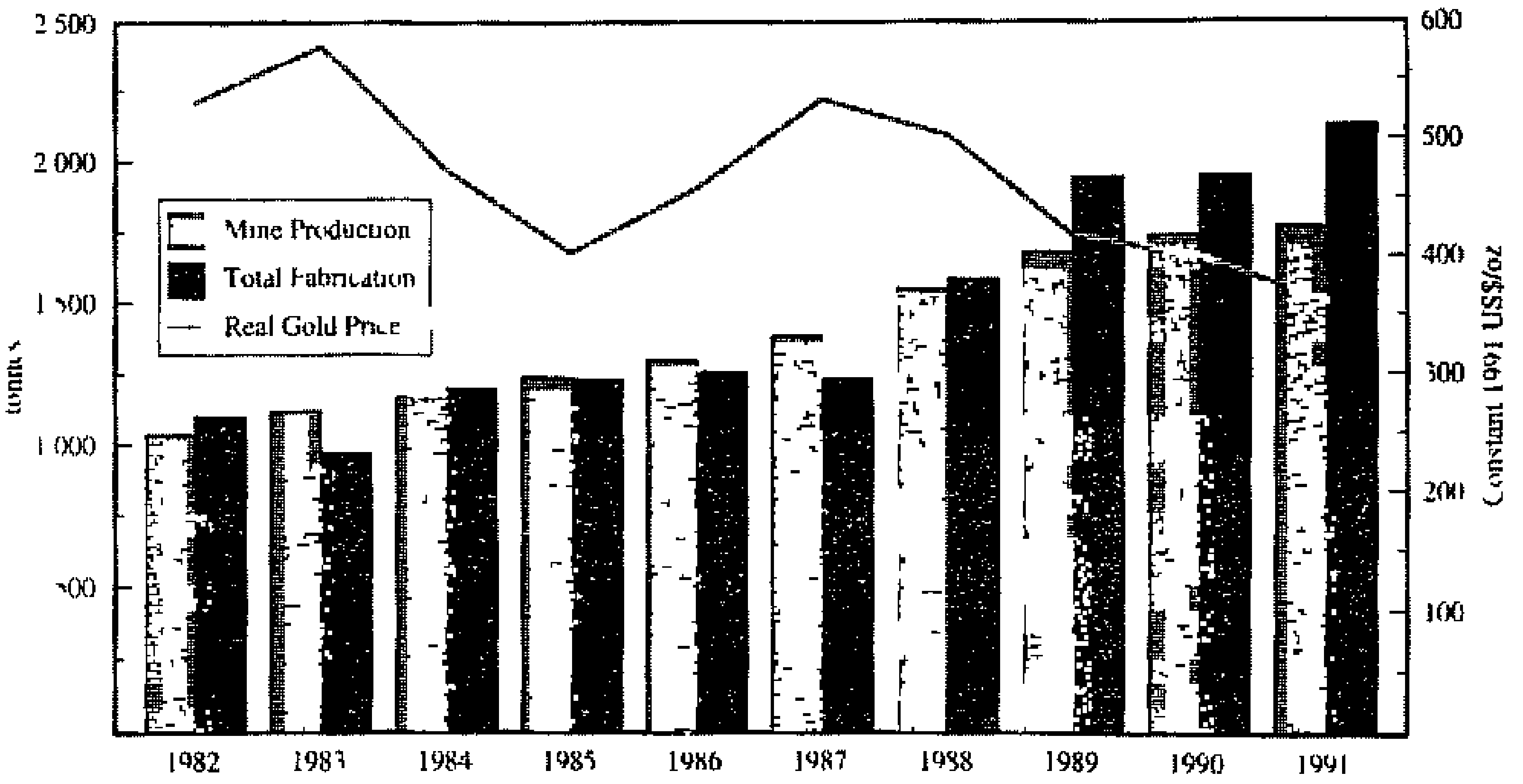
"Between these extremes, however, it is possible to imagine that, with a relatively mundane rate of economic growth, the physical market will not tighten fast enough to give much encouragement to gold holders who could thus continue as net sellers and maintain a depressed gold price for some time to come."

Gold 1992 admits the outlook for gold is far from as simple as the supply-demand equation supposes

At the present levels around one third of the producing industry is unprofitable. Both consumer spending and inflation are near cyclical lows.

If there is no improvement in the gold price over the medium term it is likely that gold production will fall over the next few years

Mine Production and Total Fabricaton in the Western World (excluding scrap)



No golden rule ... Despite mine production having outstripped fabrication — gold used in jewellery and industry — the gold price fell steadily **Source Gold 1992**

"However, the issue is complicated considerably by the existence of some 55 000 tons of above-ground stocks of bullion, primarily held by central banks, plus additional quantities of coins, all of which could, in theory, add to future supply "

In the light of the above fact, some believe the mine production, gold fabrication equation doesn't much matter to the gold price

For those who take this as axiomatic, the holders of the above-ground gold are all-important

Hence the gold price will only improve when and if confidence in other financial assets begins to ebb

Indeed, without rampant inflation, a debt-induced asset implosion, or some other financial disaster disillusioned holders of gold could start to offload it

The graph shows that fabrication over the past three years has consistently outpaced mine production in the Western world Despite this the gold price in real terms has steadily fallen

The report argues potential investors will eventually — no one can know when or at what level — realise the price decline has gone far enough, particularly if mine output plunges

Hence it seems safe to assume, says the report, that the gold price will be influenced by what happens to mine production and supply from the former Soviet Union on the one hand, and to the off-take for jewellery, industrial uses and investment products on the other

Production in the West itself has not fallen much It seem likely mine owners will face up to the necessity of closing mines, and this point is approaching in South Africa

Production in the former Soviet Union will influence not just supply but investor attitudes

In the short-term there may be more gold to export because local producers can't take up all that is produced In the long-term the gold mining industry behind the now raised iron curtain will have to be revitalised by higher local prices or Western investment

Other factors noted

- Forward selling — "selling" gold that has not yet been produced — could increase, and accelerate supply
- Jewellery demand held up well last year even in a time of world recession So an upturn would probably pack people into the jewellery stores again
- The outlook for the traditional investment in gold bars in Asia seems clouded

European interests get control of Eersteling

STAR 25/5/92

(214) ~~63~~

Eersteling gold mine has been saved from liquidation by European interests

The Supreme Court has sanctioned the scheme of arrangement and a reduction in the capital of the company It has also discharged Eersteling's final liquidation order

The measures approved by the court were the last steps in a rescue scheme comprising a scheme of arrangement to creditors and an offer to shareholders by Esor Establishment SA, a company registered in Liechtenstein and controlled by Dr Max Glauser of Zurich

New management appointed by Dr Glauser intends to keep Eersteling trading as a JSE-listed gold mine

Application is to be made to the JSE to relist Eersteling Pre-liquidation shareholders will end up with about seven percent of the company after the relisting even though their shareholdings would have been valueless had the company been liquidated

Had the liquidation gone ahead, concurrent creditors would have received only 46c in the rand and shareholders would have received nothing

Esor is to pay preferent and secured creditors 100c in the rand and concurrent creditors 90c in the rand

While Eersteling shares had a negative value before the rescue proposals, Esor offered minority shareholders 1c cash per share or one new Eersteling share for every 100 previously held

In the consolidation, the number of shares in issue will be reduced from 80 million to 800 000 After Esor has been issued 7,2 million new shares for settling creditors claims of about R6,5 million there will be eight million shares in issue

About 68 percent of existing shareholders have elected to accept the consolidated shares in the hope that the new management can bring Eersteling to profitability The other 32 percent either accepted cash or did not react to the circular to shareholders

Dr Glauser has appointed Mr Stefan Hayden chief executive of Eersteling Mr Hayden is the sole proprietor of Industrial Brokers, a company well known in mining circles The mine management includes the experienced Zimbabwean father and son team, Jack and John Muir and Mr Robin Stubbs CA, previously a director of Lonrho SA

Eersteling was founded and listed in 1987 by the husband and wife team, Steen and Franka Severin Initially R24 million was raised from some 9000 shareholders The issue was 37 times oversubscribed

In 1989 Eersteling started production and recorded a loss of R1,974 million By May 1991, the mine had lost more than R11 million and was in liquidation

The share slumped from a high 400c in 1987 to 4c when it was suspended

Save jobs or save an industry

STAR 25/5/92 [redacted] [redacted] [redacted] [redacted]

THE POOR state of the South African economy is forcing South African employers and trade unions to confront the highly emotive question of how to contain the human cost of workers losing their jobs by the thousands.

Efforts by unions and managements to cushion the impact of retrenchments have met with only limited success, making job security a central issue in labour relations.

The issue has emerged as a major stumbling block in the current wage talks between the National Union of Metalworkers (Numsa) and car manufacturers BMW, Volkswagen, Toyota, Mercedes Benz, Nissan, Sa[illegible]or and Delta

The bone of contention is Numsa's demand that the current moratorium on retrenchments, which expires next month, be extended Employers have dug in their heels, arguing that a resolution of the other issues up for discussion, relating to pay and conditions, depends on how the moratorium issue is dealt with.

BMW's Dave Kirby, chairman of the employer caucus in the talks, said employers felt that in the circumstances, layoffs were essential to controlling costs in a situation of declining output.

"Our view is that if we reduced manpower we would be able to give the people who remain full employment and that the (moratorium) agreement was a short-term offer.

"The difficulty lies in sustaining such an agreement in the long term, especially if you cannot foresee what will happen in the industry in a period of four to six months," said Mr Kirby

Although mindful of the fact that job security was important to employees, employers were reluctant to enter into an agreement they could not sustain in the long run.

The motor manufacturing industry, which survived a severe recession in the mid-1980s, is again experiencing a decline in demand, after recovering slightly three years ago Sales of motor cars, for instance, dropped from 221 342 in 1989 to 197 736 last year

Numsa has also demanded a halt to retrenchments in the other sectors where it is represented — the steel and engineering, tyre-manufacturing and motor indus try (the latter including operations such as petrol stations and panelbeaters)

The union is concerned that, hurt by a global drop in steel products and the curtailing of State expenditure on large projects, last year steel and engineering alone shed 35 000 jobs, and that retrenched metal workers are swelling the numbers of the unemployed at an average rate of 3 000 a month

Numsa chief negotiator Les Kettledas said "We believe that workers should not be the ones to pay for the state of the economy. We are concerned about the rising level of unemployment because it brings about many social problems.

"Our view is that that when retrenchments take place they are a cost-cutting measure by employers We believe that employers should instead look at alternatives to retrenchment, and have committed ourselves to discuss with them the long-term growth and viability of the industries concerned," said Mr Kettledas

In mining, also reeling from large-scale job losses due to inflation and a depressed gold price, the NUM has put forward a restructuring programme for the industry The proposals, first suggested to employers during the Mining Summit last June, are currently the subject of discussion in working groups including employers and union representatives

Meanwhile, a key element of the proposals, focusing on rescuing marginal gold mines through State aid in the form of tax paybacks (thereby preventing mass retrenchments), has been taken up by the NUM in the case of Rand Mines' Harmony gold mine, where 8 000 jobs are on the line

The NUM, believing that its approach can succeed only with the support of both the State and capital, has asked the Free State mine's owners to back the union in making representations to the Government

Employment on gold mines affiliated to the Chamber of Mines alone shrank about 20 percent from 534 255 in 1986 to 424 273 last year, with more jobs set to be axed this year

NUM assistant general secretary Marcel Golding explained that while the union accepted that the gold mining industry was set to contract in terms of output and labour "in the next 10 years", it believed that job security was a workers' right which should not be taken away "without due process and adequate compensation"

"We are not saying that in every situation there should be no retrenchments, but that we need an industry-wide retrenchment policy which will look at the future of the industry, including a properly managed down-scaling programme which provides for a national re-training scheme for retrenched workers," said Mr Golding

Believing that gold mining's crisis was a structural one, the union wanted the establishment of a permanent mining commission which would oversee the inevitable down-scaling in the industry

([redacted] 214)

Chamber of Mines chief economist Francois Viruly agreed that there were limits to what could be done to shore up the industry and save jobs in the short term

"The rationalisation programmes undertaken by the industry have been relatively successful But in the final analysis the question that has to be answered is whether one can keep a mine going profitably To a certain extent the life of a mine will be determined by whether the fiscal authorities can bring inflation under control If inflation continues to increase costs, even our gold reserves will, in the long run, become unprofitable," he said

In the retail industry, afflicted by shop closures and retrenchments, the SA Commercial, Catering and Allied Workers' Union has called for a crisis meeting with employers to discuss ways of saving jobs as the industry restructures itself ☐

COMPANIES

Rights issue will help clear debt

MATTHEW CURTIN (214)

EGOLI Consolidated mines, whose only assets are its 76% stakes in the gold and diamond mining subsidiaries of independent mining group Consolidated Mining Corporation (CMC), is to hold a R3,7m rights issue to help clear the R4m debt it owes CMC B/Day 27/5/92

Egoli will offer 10,6-million new shares to shareholders in the ratio of 25 new shares for every 100 shares held at a subscription price of 35c a share CMC has a 70% stake in Egoli

Egoli stock has risen 10c in the past month from a low of 30c reached on May 7

CMC finance director Hennie Buitendag said yesterday that CMC had decided to elimate all debt owing to and from holding companies in the group Egoli and CMC resolved to capitalise the loan by subscribing for new shares Buitendag said the capitalisation of the loan would enable dividends to flow directly from CMC subsidiaries Southgo and Carrig Diamonds to Egoli shareholders, without being swallowed up by Egoli's indebtedness

Egoli shareholders could subscribe for the new shares in the same proportion as their existing holdings CMC would apply the proceeds of the capitalisation to subscribe for its rights entitlement in terms of the offer and would apply the balance to underwrite the rights offer Last date to register is June 12, 1992

CMC has declared a 1,8c dividend in the year ended March 31 1992. Southgo declared a 2,25c dividend, and Egoli a 3c one

Gold producers fighting back

STAR 28/5/92

By Derek Tommey 214

The South African gold mining industry is fighting back strongly against the unpleasant circumstances in which it finds itself — a sinking gold price and constantly rising costs

Figures issued by the Chamber of Mines show that in the first quarter of this year the industry was able to contain the increase in costs to 2,1 percent in spite of a 15 percent rise in the inflation rate

This resulted in working profits rising 25,2 percent and total profit increasing 22,2 percent

This led to the industry paying both higher dividends and higher taxes Dividend payments were 36,6 percent higher than last year while tax payments rose 64,3 percent However, capital expenditure was cut by 6,2 percent

The Chamber's figures showed that the gold mining industry produced 142 290,2 kilograms of gold in the first quarter of this year compared with 132 227,2 kilograms in the same quarter last year

Working revenue was R4 685,6 million (year ago, R4 410,4 million) while working costs were R3 704,8 million (R3 627,1 million)

Working profit was R980,8 million (R783,3 million) and total profit was R1 044,7 million (R854,8 million)

Tax took R279,7 million (R170,2 million) and capital expenditure absorbed R501,4 million (R534,6 million)

Dividends paid in the quarter totalled R193,8 million (R141,9 million)

Coronation sees a slide

~~285~~

B l Day 29/5/92

2/14

MATTHEW CURTIN and MICK ELLINGHAM

CORONATION Syndicate, Lonrho's investment company whose main asset is its stake in coal and gold mining company Duiker Exploration, has declared an interim dividend of 5c a share, down sharply from 14c in 1991

In the year ended March 31, after-tax income fell to R533 000 from R849 000, with earnings a share down to 8,9c from 14,2c.

A company spokesman said Coronation had increased its stake in Gencor and holding company Gencor Beherend at a cost of R345 000 Sister investment company Tweefontein United Collieries, whose principal assets are stakes in Coronation and Duiker, declared an interim dividend of 40c, compared with 55c in 1991. Earnings fell to 49,3c from 55,4c a share

Duiker's weaker March quarter results reflected lower coal sales, particularly anthracite, and a fall in gold production.

Tweefontein's income dipped to R1,2m (1991 R1,4m), leaving attributable profits at R855 000 (R962 000)

Current liablities were substantially lower at R961 000 (R1,436m), while net assets increased to R7,756m (R7,454m)

However, the market value of investments was lower than the previous interim period at R29,399m (R31,870m)

GOLD FM 29/5/92

If winter comes

(214)

In a relatively stable gold market seasonal factors emerge more clearly in price movements Union Bank of Switzerland precious metals analyst Andy Smith is writing a thesis on the topic, "The Four Seasons of Gold," and hopes to publish it in his next *Precious*

Cont →

ECONOMY & FINANCE

FM 29/5/92 (214)

Metals Outlook

Smith examines the average gold price in the years between 1982-1991 and 1986-1991 when world events had a smaller impact on the price than underlying fundamentals This was because investors retreated from the market and the price was dictated largely by the metal's commodity value

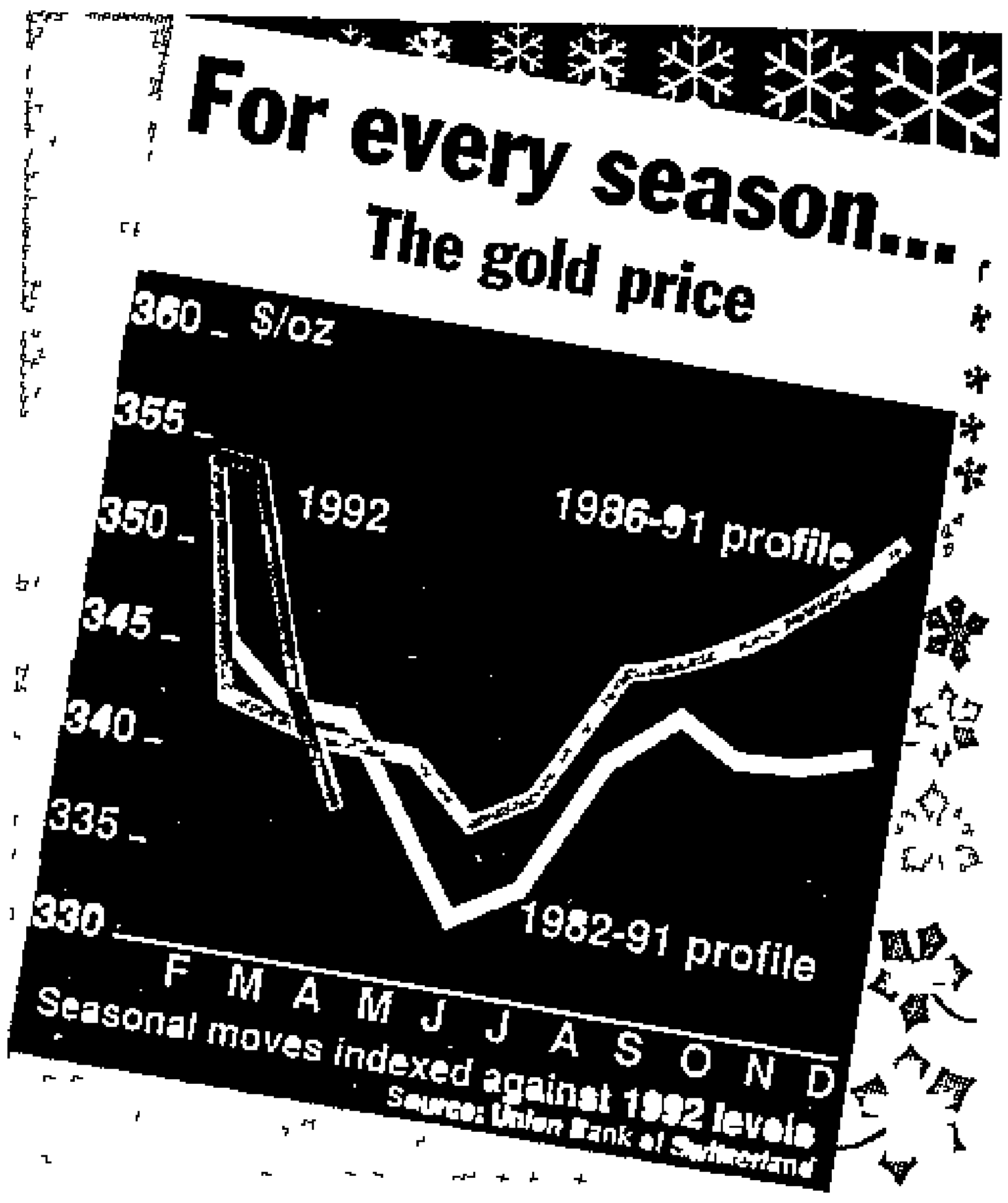
A V-shaped pattern emerged (see graph) Smith identified these demand-side and sociological factors

☐ Over the Christmas period there is an increase in gold buying by jewellers — though the pattern "is complicated by the fact that many jewellery manufacturers buy gold on credit",

☐ During and after Ramadan, the Muslim holy month, prices tend to fall,

☐ Few marriages occur in India during the monsoon (June-September) period, and

☐ A perception of greater demand prior to the Chinese new year in February



Source: Union Bank of Switzerland

One seasonal event that usually signals a rise in the gold price, he says, is the *Financial Times* Gold Conference in June

So will Smith's findings give market followers something to go on? Chamber of Mines economist Ivor Leibowitz is sceptical "There is definitely a seasonal and cyclical component to the gold price but it is virtually impossible to calculate using statistical analysis There simply isn't enough information" ■

Anglovaal gold mines keep in step

By Derek Tommey

(214)

Anglovaal gold mines have been fighting hard to maintain dividends in the face of rising costs and a lower gold price — and they have succeeded to a great degree STAR 29/5/92

Eastern Transvaal Consolidated has declared an unchanged final of 7c, making an unchanged total for the year of 14c

Hartebeestfontein has had to reduce its final by 5c to 45c, but the total of 95c for the year is only five percent down on last year's 100c a share

However, Zandpan, which derives most of its income from its 19,6 percent stake in Hartebeestfontein, has reduced its final payment from 8,25c to 7,0c a share, making a total of 15,25c (16,5c) for the year

Zandpan's profits for the year declined from R21,5 million to R20,2 million

Village Main Reef has been the hardest hit by adverse working conditions and has cut its final from 16c to 10c, making a total of 20c (29c) for the year

Anglovaal shares paying dividends

BDay. 29/5/92

(214)

MATTHEW CURTIN

SHAREHOLDERS in all but one of Anglovaal's gold mining companies have been rewarded with solid dividends in spite of the slump

Shareholders in struggling marginal producer Loraine have not received any income for three-and-a-half years

In the year ended June 1992, high-grade producer Hartebeestfontein declared a final dividend of 45c a share (1991 50c) taking the total dividend payment to 95c (100c)

A group spokesman said Hartebeestfontein did well to declare only a 5c lower dividend because of "escalating costs combined with lower average rand-gold prices" in the year

Zandpan, which derives most of its income from a 19,6% stake in Hartebeestfontein, declared a total dividend of 15,25c (16,5c) The company's after-tax profit fell to R20m from R21,5m

Eastern Transvaal Consolidated declared an unchanged final dividend, keeping the year's pay-out to 14c Village Main Reef's total dividend fell to 20c (29c)

Loraine last paid a dividend, worth 25c, in 1988 and the mine's future remains in jeopardy because it is unable to secure adequate prices through forward sales

A spokesman declined to comment on Loraine's position yesterday At the end of March, open-hedging contracts were limited to 718kg of gold sold forward for delivery in the current quarter, and 239kg sold forward for delivery in the September quarter The mine produced 1 766kg of gold in the March quarter.

Although Loraine posted a second successive after-tax profit in the period, working costs of R33 600/kg compared with nominal gold prices of less than R31 000/kg

RAND LEASES (214)

Golden challenge

Just how healthy is Rand Leases, the 105-year-old, independent West Rand gold producer, after last month's seismic shock? A terse note to the March quarterly results says that the No 11 Shaft, the main production shaft, was extensively damaged, particularly below the 21 level loading station

Clearing of debris and repairs is now advanced, with management saying it has spent more than R1m on the repair operation

Recently appointed MD Roger Kebble is incensed at delays in resolving the R2,5m insurance claim "I've had nothing but hassles and prevarications," he says, declining to be drawn further but confirming that the company has sought legal opinion.

Property sale windfall

Productive capacity for the June quarter has been cut to about 60% This must flow through to the bottom line and the quarter is now forecast to yield working profits of about R530 000 (March R1,8m)

For the year to June, working profit will be about R4,7m, excluding the R8,8m windfall on the sale of the property interests to Rand Leases Properties

Rand Leases is in an especially interesting and potentially highly profitable phase Formerly controlled by Anglovaal, it was taken over by the Severin group in 1986 Between 1986 and 1991, the Severins managed it with a mixture of traditional underground operations and an open cast venture.

When viable surface ores were exhausted, the company's fortunes declined and its debt burden grew A change of control took place last year through a group known as the Revere Resources Consortium, which includes Glenn Laing, formerly MD of Consolidated Mining, and Kebble, previously an executive with RUC, the mining contractor owned jointly by Gencor and M&R

FM 29/5/92 (214)

The new management's strategy is to focus on shaft pillar extraction, an operation acknowledged to be technically delicate Operations are concentrated on the No 11 Shaft pillar where proven reserves are about 750 000 t, with grading 8 g/t This is unusually high Recovered grade is 6,3 g/t and projected working costs about R20 000/kg

Kebble estimates potential profitability of the No 11 Shaft pillar area to be of the order of at least R30m over the next four years Since there is an assessed loss of over R60m, all this will flow through to the bottom line

Kebble says that given the capital expenditure programme completed recently on the treatment plant and unforeseen shaft repair costs, it is unlikely that a dividend will be paid this year However, he confirms that the company expects to resume dividends in 1993 and conservatively estimates them at 6c/share — which would absorb R7,1m

There is more to Rand Leases than just the pillar removal programme future developments include the possible exploitation of the Kimberley reefs served by the KR2 Shaft and in the western areas of the mine, all of which have been investigated comprehensively and the eventual treatment of the considerable sands and slimes dumps

"Of course," says Kebble, "it makes sense for these to be handled in terms of a bigger reclamation scheme for the West Rand, perhaps by an Ergo-type operation" Schemes like these could considerably prolong its life

Independent mining entrepreneurs have not exactly covered themselves with glory in recent years, as investors have found to their cost However, Rand Leases at 20c, significantly down from a high of 43c largely as a result of the shaft problems, may be an opportunity for those with courage

David Gleason

EERSTELING

Deal approved

The new management is set to run the mine from month-end following Friday's sanctioning by the Johannesburg Supreme Court of the scheme of arrangement, despite minority shareholder opposition Stefan Hayden, who will head the SA management of the mine, which is near Pietersburg and has been acquired by Swiss company Esor, says he knows of no moves to appeal against the sanction Bob Plewman, one of three minority shareholders who opposed the deal in court, said on Monday that he is "considering his options"

Esor is managing Eersteling jointly with the liquidator until month-end

Hayden adds application for a JSE relisting will be made in about two weeks once certain formalities are completed, like revising the share register and bringing the accounts up to date

It's planned to mine about 6 000 t/month at a recovered grade of at least 4 g/t About R6m will be spent to modify and refurbish parts of the treatment plant and expand development to open up extra ore reserves

Management wants to have sufficient reserves available so that individual mining faces can be blasted and then assayed to check grades before the decision is taken to produce from that area

Brendan Ryan

GOLDFIELDS INDUSTRIAL

FM 29/5/92.

Elliott wants out

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Last week, the UK parent of Goldfields Industrial Corp (GIC), B Elliott Plc, announced that it was looking for a local buyer for its 62% controlling interest Trevor Smith, B Elliott director in charge of the sale, says it's not a politically motivated disinvestment, nor is it motivated by GIC's results — far from it, as EPS increased by 10% for the year to March, 1992 to 99c.

FM 29/5/92.

It seems that Elliott just wants to shed a peripheral operation — even though it's a good performer — and concentrate on bigger opportunities in Europe. Smith will not name a minimum price but the market value of Elliott's stake is R12m

Despite the name and their common UK origins, GIC does not have, and never has had, any connection with Gold Fields of SA Its operating arm, Strip Steel, was formed in 1952 and listed in 1956

GIC turned over R72,3m last year — down from R74m the previous year — but benefited from reduced scrap rates and greater efficiencies Operating income increased by 4,6% to R8,33m

GIC sits on a p.e of 5,1 with an 11% dividend yield If there is a change of control it would make a good buy. *Stephen Cranston*

Mideast uses more gold than SA mines

214

S/Times (Buss) 31/5/92

ZILLA EFRAT, recently returned from a trip to Dubai, finds South African gold in the strangest of places

DUBAI is the thriving hub of the Middle Eastern and Indian gold jewellery market

It is no secret that much of this gold comes from South Africa

World Gold Council (WGC) Middle East manager Andre Bisang says the Middle East market, which includes Turkey and India, uses 37% of the Western world's annual production

History

The region's gold demand is 650 tons a year — more than SA's output of 601 tons in 1991

The WGC — to which SA is the major contributor and which was formed to promote gold use — regards the Middle East as its priority market, alongside South-East Asia

Its Middle Eastern operations are controlled from Dubai, part of the United Arab Emirates, which has a long history in the gold trade Indeed, many a Dubian fortune was made from gold in the early part of the century

Dubai's gold souk (market) is a shopper's dream Narrow streets are lined with shop windows glinting with bracelets, necklaces and earings in 18- and 22-carat gold In the evening the souk is abuzz with bargain-hunting Arab women and tourists

The gold is beaten, twisted and hammered to meet all preferences and cultural backgrounds Prices are among the cheapest in the world They are based on weight times the daily gold price. A small percentage is added for craftmanship

The souk's role, however, is dwarfed by Dubai's outward gold trade Mr Bisang, based in Dubai, says the Emirate imports about 170 tons of gold a year and re-exports about 150

Its main market has traditionally been India where gold prices are fixed at a higher rate than the free market

Dubai's advantages in the Middle East region include its free and competitive market and cheap labour, largely from India and Pakistan

Gold bars arrive in Dubai with the stamp of Swiss or UK refiners and without the mark of the country of origin

Mr Bisang says one reason for the forecast growth in Middle Eastern buying is the region's fascination with gold Gold is part of its tradition and culture It is mentioned in the Qur'an several times.

"Going to the gold souk is like going to a supermarket in SA. It's a way life," he says

"Gold is seen as an adornment, an investment, a present and insurance for the future When a girl marries she is given gold as a security for her future"

In addition, trends to liberalising the Turkish and Indian gold markets are set to boost the region's jewellery buying

For years the Turkish and Indian markets were supplied by smugglers from several countries, including Dubai

But in March 1989 the Turkish Government opened its borders and 145 tons of gold were imported in the first year

Mr Bisang says India buys more than 250 tons of gold a year In February this year, India changed its policy Expatriates, who have lived abroad for more than six months, are allowed to bring back gold in any form up to 5kg

Potential

The Indian Government imposed a 15% duty, but this has fallen to 7% and is expected to drop further

Mr Bisang says that as markets liberalise it is possible that Dubai's role in the gold trade will change Large markets like India could be supplied by traditional centres, such as London and Zurich

"But Dubia will quickly find new solutions to remain a part of the gold market because it is fast acting and aggressive"

MINING — GOLD
1992

JUNE — AUGUST.

Report says forward sales may boost gold

B/Day 1/6/92

MATTHEW CURTIN [illegible] 214

FORWARD sales of gold carried out by gold producers worldwide could increase gold prices rather than depress them, says a report in the latest Journal of the SA Institute of Mining and Metallurgy

The report by Industrial and Petrochemical Consultants director P Lloyd disputes claims by former Union Corporation consultant Hugh Monro that the gold price fell $2 for every ton of gold sold forward

Monro argued forward sales of borrowed gold represented an additional supply to the market which lowered prices Forward sales should be stopped at once to help revive gold prices, he said.

The report follows much industry scepticism about Monro's findings Industry sources have noted that his analysis ignored the thousands of tons of gold traded on metal exchanges worldwide

They said forward gold sales were comparable to the well-established practice of selling other commodities — such as coal and uranium — on the basis of long-term sales contracts. Prices were negotiated for sales throughout a trading year at the start of that year, much like a contract for forward selling of gold.

Lloyd said that by refining the mathematical formula Monro used to correlate gold prices to forward sales, it could be shown that prices rose nearly $1 for every ton sold forward.

The weakness in Monro's analysis was his assumption that current gold prices had no effect on current production, which went "totally counter to the whole spirit" of SA mining taxation, which made mines reduce grades as prices rose.

Lloyd noted that hedging could reflect gold producers' strategy for protecting themselves against falls in prices as well as capitalising on price rises, which again affected Monro's basic assumptions.

He said arguments similar to Monro's could be advanced against the selling forward of many other commodities, which "runs counter to the success of futures markets worldwide".

Monro was correct to draw attention to the possible effects of forward selling, but the values he assumed for important elasticities were not "exact or close estimates" but were of the wrong sign — positive when in fact they should be negative

1 100 jobs lost as West Rand Cons cuts activity

B Day 2/6/92.

(214)

MATTHEW CURTIN

GENGOLD's West Rand Consolidated gold mine has curtailed underground operations with the loss of more than 1 000 jobs as the slump in SA's gold mining industry continues. There is also mounting concern over the future of Gold Fields' struggling marginal producer Venterspost.

Gengold MD Gary Maude said yesterday that 1 100 of West Rand Cons' 1 400 strong workforce had been retrenched in the past two weeks

The move follows 1 500 jobs lost at sister mine St Helena earlier this year, and thousands more planned at Rand Mines' Harmony gold mine Employment levels in the industry are at their lowest since the late '70s

Maude said in a statement that "everything had been done during the past three years to keep West Rand-Cons in operation, despite adverse market conditions" Retrenchment costs would be R2,4m and talks over severance packages had been held with employee representatives Half the skilled workers had been offered jobs elsewhere within the group

Maude said that should gold prices improve sharply in the next two and a half years, underground work could restart easily In spite of good cost-containment, the poor grade of West Rand Cons' reserves, coupled with weak gold prices, put the mine's survival in jeopardy from the start of this year

Meanwhile, shares in struggling gold producer Venterspost closed at new lows on the JSE yesterday, falling 10c or 8% to 115c The automatic conversion on July 1 of deferred shares into ordinary shares in Venterspost, announced by the company yesterday, has put the spotlight on the mine's precarious position

The deferred shares, with options on those shares, were issued to raise funds for acquiring and developing new ore reserves at Venterspost These were supposed to extend the mine's life into the next century However, weak gold prices and high working costs, added to problems in developing new underground areas, have severely damaged the mine's future and knocked share prices

At the time of Venterspost's 1990 rights issue, which raised R160m, ordinary shares were trading above R11, and deferred shares hit 750c soon after their listing Options with a take-up price of 650c at the original date of November 1991 originally traded at above 300c. However, the premium of the ordinary shares over the deferred shares — issued on the basis that they would be converted on July 1 this year — has narrowed steadily as both prices have tumbled to current levels of 115c and 105c respectively.

The price of the options has never approached the level at which holders might exercise them The options are currently at 15c and the exercise date has been put back to November this year

Gold and platinum pick up

(214) [redacted]

STAR 3/6/92.

By Derek Tommey

The precious metals markets yesterday contained good news for investors in gold and platinum

The gold price spurted $2,15 in London yesterday to $339 an ounce, its highest price for two weeks, and the platinum price rose $2,40 to a ten-and-a-half month high of $374 an ounce

No specific reason has been suggested for the better tone in gold and platinum

But it seems it could be linked to recent reports showing that the slow improvement in the American economy is continuing

This has generated greater confidence in the stability of the recovery as indicated by the rise in US share prices to a new high on Monday

In turn this greater confidence is also expected to lead to increased demand for gold and platinum As the pipelines for the two metals are seriously understocked any rise in demand could trigger a perceptible price increase

The US Commerce Department said last night that higher commodity prices and lower jobless figures helped push up for the fourth straight month its index of leading indicators, reports Sapa-Reuter

The string of rises in each of the first four months of this year reinforces other reports from government and the private sector showing that the economy is gradually lifting out of recession

The April increase in the leading index was stronger than Wall Street economists' expectations of a 0,2 percent rise

The National Association of Purchasing Management said on Monday the manufacturing economy grew for a fourth straight month in May, which economists said showed continuing momentum for a slow-moving recovery

Last week the government raised its estimate of the country's total output of goods and services during the first quarter to 2,4 percent from a two per cent annual rate

However this did little to help the dollar whichfell against the major currencies in European trading

In Tokyo, the dollar closed at 127,48 yen, up 0,70 yen from Monday's close Later in London, the dollar was quoted at 127,55 yen — Sapa-Reuter

More gold mines face cutbacks or closure

By Sven Lünsche (214) [redacted]

STAR 3/6/92

The series of retrenchments announced by St Helena, West Rand Consolidated and Harmony could well herald the start of an extensive rationalisation and closure programme by the gold mining industry over the next two years

Rand Mines' Harmony mine yesterday announced plans to retrench almost 25 percent of its employees — reducing the employment level by 5 000 to 14 000

		1991	
	W/COST (R/OZ)	TOTAL (R/OZ)	GOLD (KG)
Western Areas	988	1 007	2 975
Winkelhaak	743	984	2 900
Durban Deep	1 005	1 053	929
Freegold	904	988	28 184
Blyvoor	1 029	1 037	2 171
Unisel	911	1 041	1 200
Libanon	975	1 008	2 0303
Deelkraal	813	1 029	2 308
ERPM	1 012	1 063	1 266
Doornfontein	1 096	1 106	1 667
Loraine	1 159	1 178	1 746
Harmony	1 229	1 233	4 872
Stilfontein	1 238	1 235	610
Joel	1 220	1 488	978
Venterspost	1 147	1 553	1 199

		1992	
	W/COST (R/OZ)	TOTAL (R/OZ)	GOLD (KG)
Winkelhaak	845	1 023	2 904
Harmony	1 043	1 061	6 350
SA Land	1 081	1 081	339
Libanon	1 063	1 093	1 718
Stilfontein	1 278	1 212	513
Doornfontein	1 217	1 219	1 098
W R Cons	1 250	1 249	460
Western Areas	1 092	1 331	2 787
Venterspost	1 131	1 421	1 146

The table shows a comparison of loss making gold mines in the first quarter of 1991 and the March quarter this year. The chart provides details of working costs, total costs and quarterly gold production.

A spokesman for Harmony said the retrenchments would take place over about a week

He would not comment on the possibility of further rationalisation measures

The move by Harmony came a day after the effective closure of 90 percent of Gengold's WR Cons, leading to the retrenchment of 1 100 mine employees

Gengold earlier this year laid off 1 500 workers at WR Cons' sister mine St Helena

Analysts expect that up to ten mines could be closed over the next few years, but they say that the rationalisation measures already implemented over the past year have prevented further large-scale losses at most other operations

Davis Borkum Hare analyst David Giese says that of total gold production of 146 097 kg by 34 gold mines in the first quarter of this year, only 17 315 kg, or 11,9 percent, was produced at a loss by nine mines

For the same period last year the amount of gold produced at a loss (including capital expenditure) was 38,1 percent, or 55 035 kg, involving fifteen mines (see table)

This was achieved despite the continuing decline in the dollar gold price and could be attributed to a combination of factors

- The weaker rand/dollar exchange rate lifted the average rand gold price by R100 per ounce from the March quarter in 1991 to the first three months this year

Since March, however, the rand gold price has fallen sharply, precipitating the latest retrenchment moves

- Most of the gold mines have hedged substantial portions of their gold production
- Extensive rationalisation programmes, including the retrenchment of about 50 000 mineworkers, as well as price negotiations with major suppliers

Despite these measures, Mr Giese says five of the nine mines that operated at a loss in the first quarter of this year — Doornfontein, Libanon, Sallies, Venterspost and WR Cons — are expected to make announcements on closures

Marginals

Furthermore, he adds, a group of five other marginal mines, responsible for 7 409 kg, or 5,1 percent, of March 1992 production, are expected to close down over the next few years St Helena, Village, Durban Deep, Blyvoor and Loraine

Mr Giese says while Blyvoor is undergoing a slow-down in production, with closure expected in the next few years, St Helena, which has laid off about 1 500 workers this year, has a life of three to five years

Loraine has been unable to secure adequate forward prices beyond July 1992 and is expected to announce closure within months

The net effect of closures over the next five years could reduce South African gold production by about five percent from 600 tons to 570 tons by 1994

However, Mr Giese expects the decrease in production to amount to only 1,8 percent in 1993, with the bulk of 15 tons predicted for the following year when closures and rationalisation programmes take full effect.

GSA consolidating on the Reef

STAR 3/6/92

By Meg Wilson (214)

Increasing competition from dealers in imported raw glass has prompted Glass South Africa, the country's largest glass distributor, to contemplate moving its Pilkington architectural division from Port Elizabeth to the Reef

The company says "a tremendous influx" of the raw material from which laminated building glass is made — chiefly from China — is being sold "at dumping prices" and that to stay competitive, it will simply have to improve production efficiencies

One way to do this will be to consolidate its building glass manufacturing and processing operations at its plant in Springs

This plan also includes relocating a small part of the processing plant at Driehoek in Germiston

Rod Fehrsen, chief executive officer of Glass SA, says the relocation of the architectural division would also help overcome the expected withdrawal of the decentralisation transport subsidy, which would have significantly increased the cost of transporting the glass sheets manufactured at Springs to Port Elizabeth for processing into laminate, and then taking this back to the major market on the Reef

Hw said negotiations with employee representatives and unions on the possible consequences are still under way, and the company is sensitive to the effect its plan may have on the local economy of Port Elizabeth

The move would affect 250 employees at the Neave plant in Port Elizabeth and about 25 at Driehoek, about three-quarters of whom are hourly-paid operators

● Pilkington sold its South African holdings to Glass SA earlier this year, but the trade name for its flat glass and laminate products is still in use

Gold Fields the 'greenest'

KATHRYN STRACHAN

GOLD Fields received the Green Trust Environment Award's top prize in Johannesburg yesterday

The awards, sponsored by Nedbank, were presented to winners in five categories by Green Trust Board of Trustees member Enos Mabuza 214

Gold Fields Foundation administrator Willie Jacobsz said his company's project aimed to teach people to produce food in a way least harmful to the environment BDay 4/6/92

The winner of the individual category was farmer and teacher Ian Garland

The John Bisseker Secondary School won the schools category and the media award went to reporter John Yeld

Winners of the organisation category were Ecological Clubs for Children Organisation and Metropolitan Open Space System

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Rusfurn to retrench 988 employees, says union

DIRK HARTFORD

RETAIL group Rusfurn plans to retrench 988 employees from its Wanda-Frazer furniture stores as part of its restructuring, says a SA Commercial, Catering and Allied Workers' Union (Saccawu) official.

Saccawu will be holding nationwide lunchtime demonstrations at Wanda-Frazer stores today to protest against the retrenchment plans.

Saccawu said yesterday it had been told the stores — which employed about 8 000 people — had lost R78m in bad debts. The company had made an offer of a R100 across-the-board pay increase for Wanda workers on the condition that the union accepted its restructuring plans. BDay 4/6/92

The Saccawu spokesman said the retrenchments were part of an overall assault on retail workers which included wage freezes and mass layoffs.

He said there would be national mass demonstrations by its 100 000 members on Monday to protest against these attacks. Saccawu was planning to meet all retail employers in two weeks' time to discuss the crisis in the industry. The union wanted a moratorium on retrenchments.

Rusfurn spokesmen yesterday declined to comment on the retrenchment claims.

Meanwhile, wage negotiations at Edgars and Dion have been finalised, with R200 across-the-board increases bringing minimum monthly wages within the companies to R1 200 and R950 respectively.

Comex gold futures trade at 13-year low 214 Sunter

BDay 5/6/92

MATTHEW CURTIN

WHAT little investor interest there is in gold is confined mostly to the Far East, and the amount of gold futures traded on New York's Commodity Exchange (Comex) in the past year is the lowest since 1979, says Anglo American gold and uranium division chairman Clem Sunter

However, Sunter said yesterday, gold prices had withstood the dearth of investor interest and large sales of Soviet reserves between 1989 and 1991 relatively well

In his annual review of Freegold's operations in the year-ended March 1992, he said 200 tons of Soviet gold, deposited on swap with Western banks, were a real danger for gold prices The disposal of such swaps during the attempted Soviet coup knocked prices to about $340 from $370 an ounce in September last year

"Under these circumstances the physical market has held up well", he said, noting steady jewellery consumption in 1991 and so far this year

"Now more than ever producers are dependent on a healthy gold market to ensure their long-term survival The effective and regular promotion of gold, and of gold jewellery in particular, is vital and deserves the support of all gold producers "

Sunter said good jewellery demand had played a key role in the steady buying of bullion, which had supported prices in the past year

He said Freegold had enjoyed a period of constructive industrial relations, blighted only by the outbreak of violence at the President Steyn mine last November, in which 86 people died and 403 were injured.

In spite of the completion of five-year long discussions with the NUM over a code of conduct, which dealt with many of the recommendations made by the Goldstone Commission investigating the violence at the mine, an agreement on the code had not been signed

"It is in the interests of all concerned that the code be signed and formally implemented as soon as possible", Sunter said

It was vital the realism and creativity which typified 1991 wage negotiations prevailed in the current wage talks Productivity and gold price related bonuses remained an essential part of the year's wage settlement

Sunter said the decision not to abolish ring-fencing in the 1991 Budget was "a major disappointment" He hoped undisclosed recommendations made by the Tax Advisory Committee would encourage the authorities to abolish "this artificial restriction", which would make it easier for gold mines to invest in new mining ventures once gold prices improved

In the year under review, Freegold increased its earnings to R280m from R167m, as forward sales lifted the gold price it received by 4% and more than offset a marginal drop in gold production to 19,8 tons (21,3 tons)

Prepaid meter market soaring

BDay 5/6/92

DUMA GQUBULE [illegible]

THE market for prepaid electricity meters is growing rapidly and SA electronics companies are gearing themselves to supply the large quantities needed when Eskom's "electricity for all" programme gets off the ground.

Purchases from Eskom, local authorities and the homelands have already reached an estimated 200 000 units, with Eskom taking more than half of those

But Conlog, Plessey Tellumat and Spescom — the companies who pioneered the technology — are expecting demand soon to reach hundreds of thousands every year

Eskom plans to eliminate the backlog of 3-million households needing electricity by 1996, and bring electricity to 90% of the population by the decade's end

Conlog, which has the largest installed base in the country, is already producing 800 units a day (nearly 200 000 a year) Plessey MD John Temple says his company is expecting production to reach "the hundreds of thousands" in the near future

At nearly R400 a unit, the potential financial rewards are great and other companies in the industry, including electronics giant Altech, are getting involved Export potential is immense, industry sources say

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Sage Life premium income has grown 22% to R350m

BDay 5/6/92 [illegible]

DUMA GQUBULE

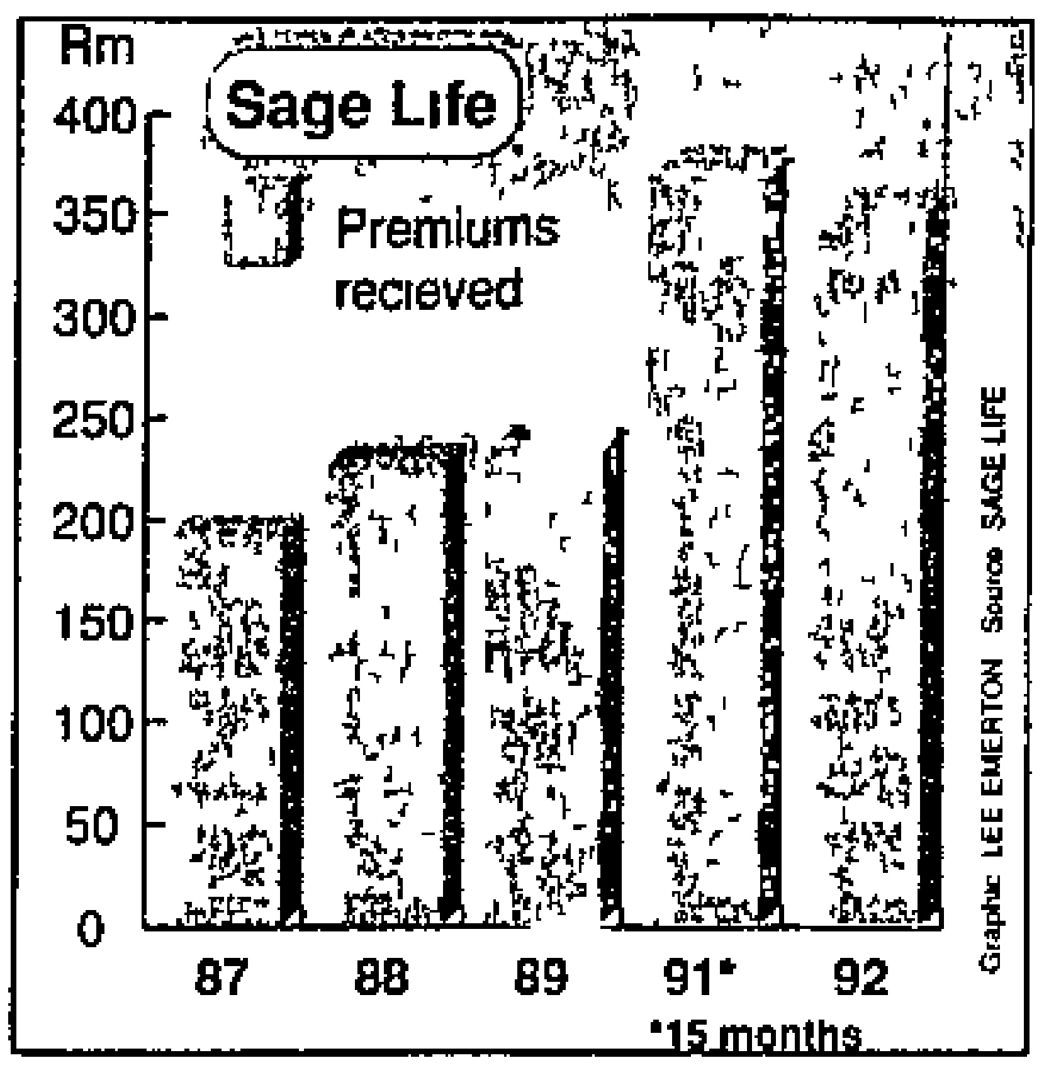
SAGE LIFE has maintained its good growth record, boosting premiums received by 22% to nearly R350m in the year to end-March 1992

The results are compared with estimated figures for the previous 12 months, as the results to March 1991 covered a 15-month period following a change in Sage Life's financial year-end

Executive chairman Louis Shill said the company had made excellent progress on all fronts

It had expanded the scope of its activities and achieved accelerated new business growth, reaching two milestones — total assets exceeded R2bn and total income passed R500m for the first time

The company's performance had further entrenched Sage Life's position as the largest single contributor to the earnings of the diversified Sage Financial Services (SFS) group



Graphic LEE EMERTON Source SAGE LIFE

Annualised new business premiums rose 27% to R173,2m, while total premiums received increased 21,7% to R348,6m

Shill and MD B M Ilsley said the increases could be regarded as satisfactory because the economy was in recession, unemployment was rising and stubbornly high inflation was restricting savings potential

The growth in business compared favourably with an increase in expenses of only 14,2%

Other salient features included a 20,2% increase in profits attributable to shareholders

The company significantly increased its internal reserves in spite of substantial technical strains resulting from the high level of new business

Total income showed an 18,7% increase in income to R504,1m Total assets rose 22% to R2,2m (R1,8m)

Sage Life's total assets had shown an annual compound growth rate of 21,4% during the past five years

Shill and Ilsley said the expansion reflected Sage Life's continuing position as one of SA's top 10 life assurers

Harmony unveils new survival plan

B'Day
5/6/92

MATTHEW CURTIN

(214)

RAND Mines' Harmony gold mine has presented the NUM with a multi-pronged strategy to buy the mine a year's breathing space from the effect of poor gold prices

The proposals would forestall retrenchments beyond the 6 000 already undertaken, said MD Karl Eick.

He said management had presented its "three-month survival plan" to the NUM The two sides would meet shortly

"Harmony is a low-grade producer and, with the depletion of surface material and the current gold price, its future survival and the retention of the remaining 14 000 employees is dependent on achieving improvements in productivity"

Among management's proposals were a call for a three-month delay in finalising this year's wage negotiations, a dispute resolution procedure with a ban on strike action, a revised productivity bonus and a commitment to flexible work practices.

Eick said that with the co-operation of employees and trade unions, management was confident Harmony could withstand static gold prices for a year at least, until inflation caught up with the mine again

He confirmed that the NUM and mine management would meet government in a joint approach to discuss possible state assistance for Harmony in the near future

Details of the 6 042 retrenchments had been agreed to by trade unions, officials and associations involved, with the exception of the Council of Mining Unions

GOLD MINING

FM 5/6/92

More retrenchments (214)

A new round of gold mining lay-offs appears to be gathering momentum Hard on the heels of Gencor's announcement that it intends laying off 1 000 employees at West Rand Consolidated near Randfontein comes confirmation that Harmony, in the Rand Mines stable, is to shed a further 5 000

Both are marginal gold producers that have struggled with a combination of falling grades, higher costs and lower gold prices

For the March quarter West Rand Cons reported a working loss of R7 500/kg Recovered grade was a mere 2,5 g/t, significantly below the cut-off required to achieve profitability It was one of the SA mines specified in the recent *Gold 1992* review as a candidate for imminent closure

Harmony is a significant producer — nearly 24 t gold in 1991 However, with low grades — 3,4 g/t for the March quarter — it is having to cope with the same problems as West Rand Cons Though Harmony is turning in small working profits, its working loss for 1991 was a massive R48,7m

Last year it laid off 6 500 The latest axings take job losses at the mine to 11 500 of the 27 300 employed in 1990

Rand Mines chairman John Hall says the latest losses are caused by a combination of a poor gold price and low grade Harmony has implemented what he calls a survival plan He warns that "if the gold price doesn't improve, and if productivity fails to respond, further action will be unavoidable"

National Union of Mineworkers spokesman Martin Nicol confirms the union was aware of the actions announced by Harmony, though it was not involved at West Rand Cons, where it is not fully recognised Nicol says NUM realises the problems faced by the industry, which he described as being in a scaling-down mode In the light of the disappointing performance of the bullion price, Nicol says "the NUM has been expecting another round of job-cutting"

The union is critical of government's lack of interest in and awareness of the industry's severe problems Referring to the 1990 Marais Commission into the problems of marginal producers and its prediction that 77 000 workers could lose their jobs over five years, Nicol says more awareness is needed of the problems of an industry, the backbone of the economy, "which is now crumbling"

FM 5/6/92 (214)

Further lay-offs are expected soon Marginal cost producers are suffering severely at present gold prices and productivity No end to these problems is in sight

David Gleason

FM 5/6/92 (214)

NEW CENTRAL WITS

FM 5/6/92

Drilled out

(214)

Activities: *Investment holding company involved in joint exploration work with parent Anglo American Corporation*
Control: *Anglo American 50,4%*
Chairman: *M W King*
Capital structure: *1,76m ords Market capitalisation R60m*
Share market: *Price R34 Yields 3,8% on dividend, 3,9% on earnings, p e ratio, 26,0, cover, 1,0 12-month high, R40, low, R29 Trading volume last quarter, 18 000 shares*

Year to Sept 30	**'88**	**'89**	**'90**	**'91***
Dividend income (Rm)	2,4	2,7	2,8	3,8
Income before tax (Rm)*	2,3	2,4	2,6	8,1
Earnings (c)	126,4	139,2	150,9	196,5
Dividends (c)	126	139	151	196
Net worth (c)	2 774	4 051	4 124	4 632

*18 months to March 31

In this gold market NCW is a nostalgia stock that brings back fond memories of the exploration boom of the mid-Eighties when it soared like an eagle from R17 in 1986 to a high of R155 in 1987 Those were the days, but the latest report makes it clear NCW has had its wings clipped and is back on the turkey farm because of a combination of low gold prices and disappointing borehole results

The share took off initially because of fierce speculation over Anglo American's exploration on the farm Gerhardminnebron in the Potchefstroom Gap between the established gold fields around Klerksdorp and Carletonville NCW holds most of the mineral rights to that farm

Interest was maintained by the intensive drilling programme and promising results from the first phase Much was also read into Anglo's moves to tie NCW more closely to it through the joint-venture agreement Unfavourable gold prices of the past four years hit the share because of the depth of the Gerhardminnebron deposits but the bubble was thoroughly pricked by the release of the definitive geological report on the Phase 1 programme in February

Chairman Mike King says mineralisation in the shallower, western block is erratic and not a viable orebody at ruling gold prices while the main target — the Cobble Reef — also has erratic deposition In March last year Anglo decided to curtail Phase 2 and wound down to a standstill by January In terms of the joint venture NCW had to decide by May last year to match Anglo's R38,9m prospecting costs on Phase 2 or sell its 50% stake to Anglo

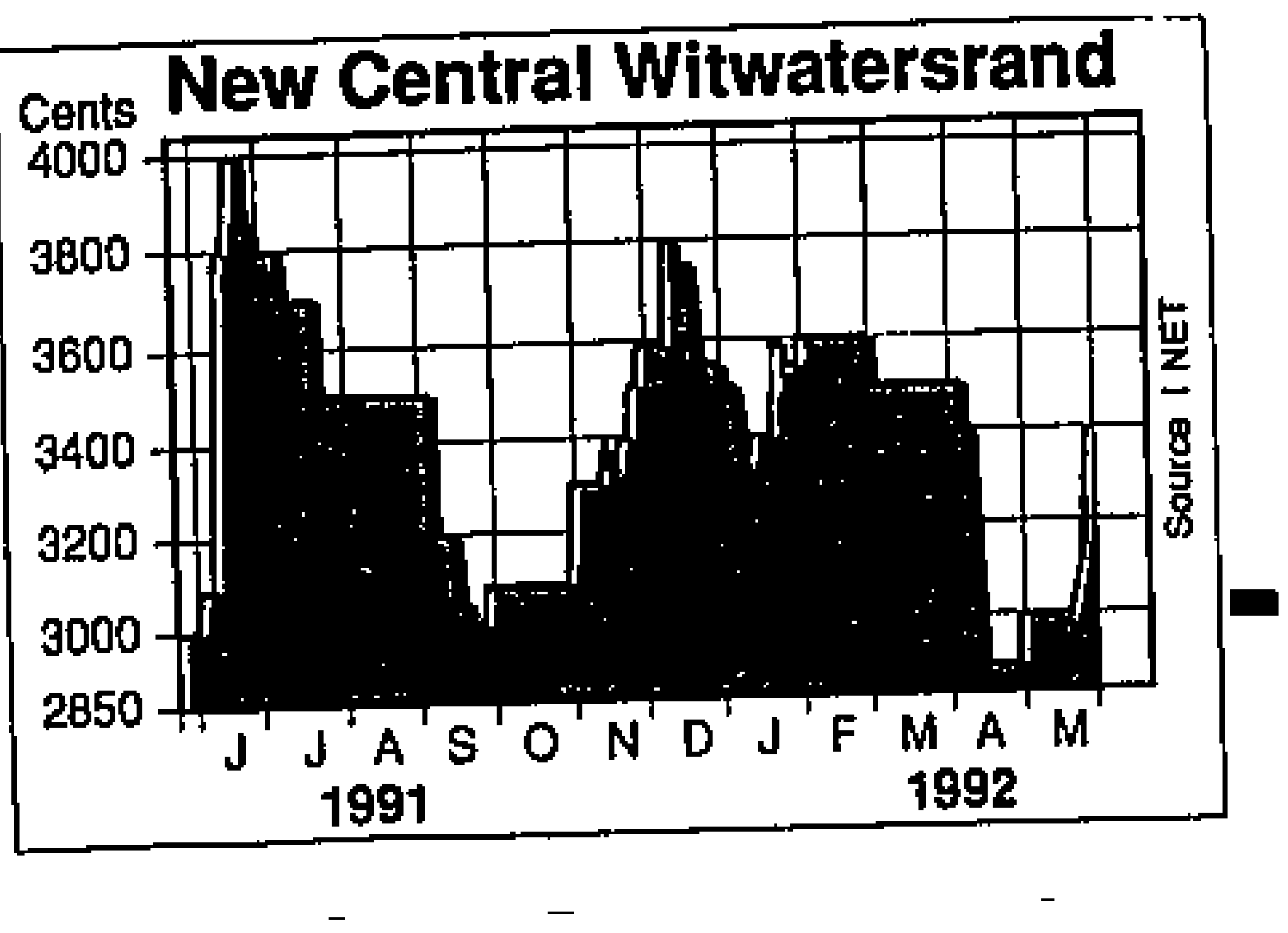
If it sells out NCW will be paid "market" rates for the mineral rights and keep the right to subscribe on ground-floor terms for 25% of the equity in any gold mine formed However, NCW has negotiated a change through which it will not have to decide until Anglo resumes exploration Anglo will bear all costs until then

That's a relief, because it could be a long wait until this deposit becomes financially attractive once more John Handley, geological consultant to stockbroker Kaplan, Stewart, estimates a real gold price of between US$500-$600/oz, at current exchange rates and working costs, is required

Another reason for Anglo to wind down this work and concentrate on other projects — it is still drilling in the southern part of the Potch Gap — is that it already owns the Gerhardminnebron mineral rights Priority must be given to a decision on ground where the house holds only options and has time constraints in which to complete exploration

Meanwhile NCW has no debt and a steady inflow of investment income Management took advantage of last year's Income Tax amendments to revise the portfolio, selling some shares held for more than 10 years and switching the proceeds There will probably be more changes this year

Recent recovery from the 12-month low shows NCW remains sensitive to sentiment in the gold market and a run in the gold price would get the share moving However, the stock is thinly traded because of its tiny and tightly held issued capital *Brendan Ryan*



COMPANIES

Talks on future of ailing mine

MATTHEW CURTIN 214

NEGOTIATIONS which may lead to the closure and possible sale of assets of Gengold's ailing West Rand Consolidated gold mine are at an advanced stage, market sources say

A Gengold spokesman would not comment on the talks at the weekend The group warned shareholders last week that it was engaged in talks which could affect the company's share price

West Rand Cons retrenched 1 100 workers, leaving a workforce of 300, after underground operations were curtailed In 1990 the mine employed more than 2 000 workers

BDay 8/6/92

The 84-year-old mine, which is near Randfontein Estates south of Krugersdorp on the West Rand, has run out of payable underground ore reserves, and needs significantly higher gold prices to survive

In the past, underground tonnage was supplemented by milling surface material, 57% of total tonnage in 1991 However, the dumps are low grade — only 0,5 grams a ton — and analysts say surface operations will keep West Rand Cons in business only in the short term

West Rand Cons's mining assets — consisting of mining rights over 1 309ha, 1 240ha of freehold property, mineral rights, buildings, plant and investments in joint assets — were valued at R41m on December 31 1991 The mine sold its West Metallurgical plant for R1,9m in 1991

The spokesman said plans for the group to merge its Kinross and Winkelhaak mines in the Evander area were under consideration

Gengold MD Gary Maude asked government in April to approve the merger of the two mines in a bid to allow Winkelhaak to offset the R700m No 6 shaft project at the mine against the profits of Kinross. The move would circumvent the current ring-fencing of mining leases, and, according to Maude, significanlty boost the fortunes of the Evander mining area

Mining houses have long campaigned for the lifting of ring-fencing, but while government has listened to ad hoc appeals, the most recent — such as Impala Platinum's with regard to the Barplats' Crocodile River mine — have been rejected

Industry leaders have been critical of government's failure to lift ring-fencing in the 1992 Budget

Mining's most precious asset – its black labour force

STAR 8/6/92.

214

BOOK OF THE WEEK

Our Precious Metal: African Labour in South Africa's Gold Industry, 1970-1990 by Wilmont G James
(David Phillip R40)
Reviewed by MIKE SILUMA

JUST as any overview of South African economic history cannot ignore the central role occupied by gold mining, a discussion of that industry is inconceivable without focusing on the crucial role played in it by black miners

And in the same way that gold mining has, over the years, come to symbolise the country's wealth, the industry has provided the most glaring example of the lowly status occupied by black workers in the Republic's economy

It is in the industry, for instance, that the much-criticised hostel system has flourished And until the last decade, the industry remained one of the last bastions of job reservation, which through legislation barred black workers from occupying the highest positions in the industry

These features of the gold mining industry, and how they affected the lives of black miners, are the subject of Wilmont James's study of the role of black mine workers in the industry in the 20-year period from 1970 to 1990

By focusing on the last two decades, James has chosen a crucial time that in the history of South African gold mining marked a turning point in relations between the industry and its black labour force, a process which gained momentum with the formation of the National Union of Mineworkers in 1982

His observations are enlightening For instance, he finds that despite the migrant labour system, the black staff in the industry is unprecedentedly stable, with more than 90 percent of workers returning to the same mine on renewal of their contracts

This, argues James, has made it difficult for novices to secure employment in the industry

And although the industry has successfully reduced its dependence on foreign labour in the past two decades, relying instead on labour from South African homelands, it has, he observes, failed to alleviate unemployment in South Africa's urban areas due to managements' failure to accommodate urban workers into what is essentially a migrant-centred culture

But what of the NUM's impact on relations between workers and managements?

While James concedes that the NUM, following its phenomenal growth (from next to nothing in 1982 to a signed-up membership of 360 000 in 1988), made a major contribution in helping black miners assert their rights — such as in fighting job reservation and improving working and hostel conditions — he warns that the union's task is far from over

First, he points out, the real wages of black miners have not increased during the period of the rise of the NUM

This is mainly as a result of a flooded labour market

Second, although statutory job reservation has been lifted, the upward mobility of blacks into skilled, supervisory and managerial positions on the mines has proceeded only at a snail's pace — the legacy of a poor education and the absence of affirmative action policies in the industry

This is likely to be aggravated by the fact that white miners, occupying the more skilled positions, are unlikely to voluntarily leave their jobs either during or after the transition to a post-apartheid South Africa

James' word of warning to the gold mining industry is that "the pressure to pursue corrective measures in employment patterns will undoubtedly increase in the light of the political changes begun in February 1990

"In particular, newly empowered African constituencies will very likely make demands for a level of occupational advancement denied them under apartheid," he says

But James also lays to rest any fears by management that the NUM's current campaign for the improvement of the lot of black miners, its support for socialism, coupled with its involvement in the ANC-SA Communist Party alliance, will automatically lead to nationalisation

"Negotiation politics (in which the alliance is a major player) provide the most unlikely circumstances for the transformation of ownership patterns and the reconstruction of class relations

They involve changing the racial character of the state, and not the class structures of society at large," James reasons □

Earth tremor rocks Goldfields

By Montshiwa Moroke (214)

[redacted] [redacted]

STAR 8/6/92

An earth tremor struck the Free State Goldfields on Saturday night, disrupting electricity supplies and causing considerable damage

Worst hit was the mining town of Virginia where windows were broken and walls cracked Several suburbs were left without electricity

The tremor's epicentre was the suburbs of Saaiplaas and Harmony, chief of emergency and protection services at the Virginia municipality Pieter Smith said yesterday

Water pipes in Riebeeckstad, Welkom, were damaged and the tremor was felt as far away as Bloemfonten and Vereeniging

In the western Transvaal, it was felt in Ottosdal, Lichtenburg and Rustenburg

Mr Smith said the tremor occurred at about 8 30 pm while he was watching TV at his home in the centre of Virginia

"All of a sudden there was a cracking sound like a rockburst underground, then a rumbling and windows started shattering

"I immediately called the fire brigade control room We sent out traffic and police patrols to all important buildings such as hospitals and old-age homes, after residents started phoning in The power failure lasted for two hours

"We are quite used to these tremors, which last for a second or two, but this one was felt for about 12 to 15 seconds It certainly was one of the most intense I have experienced in my 10 years here Others who have lived here longer say it was the worst in 30 years "

Tremor damage slight

(214)

JONO WATERS

DAMAGE to underground workings and surface installations in the Free State goldfields following Saturday night's earth tremor is not substantial, preliminary investigations at Anglo American's Saaiplaas gold mine have shown.

BDay 9/6/92.

However, the true extent of the damage was not yet known as reports were still coming in, Anglo American Gold and Uranium division spokesman James Duncan said yesterday

The epicentre of the tremor was 2km east of the No 3 shaft at Saaiplaas and measured between 4,6 and 4,8 on the Richter Scale.

Genmin spokesman Laing Geldenhuys said there had been no underground damage at its St Helena, Oryx, Unisel and Beatrix gold mines, but there had been superficial damage to buildings

At Rand Mines' Harmony gold mine there had been no damage, spokesman Martin Falon said

Gold producers now at the cross-roads

STAR 9/6/92

By Derek Tommey ⑵⑴④

The gold mining industry is at an important cross-roads, says the Chamber of Mines in its 102nd annual report issued today

If the gold price remains at its present level, the profitability of the gold mining industry will increasingly depend on the ability of Government and the Reserve Bank to implement effective anti-inflationary measures

"It has successfully contained the rise in working costs by mining higher grade ore and improving the productivity of both human and capital resources.

"But the possibility of further containing working costs will be difficult to achieve"

It reports that the effort to stem cost increases has led to retrenchment of workers and the closure of entire shafts This has contributed to the number of workers on the gold mines falling from 456 000 in 1988 to 354 000 last year

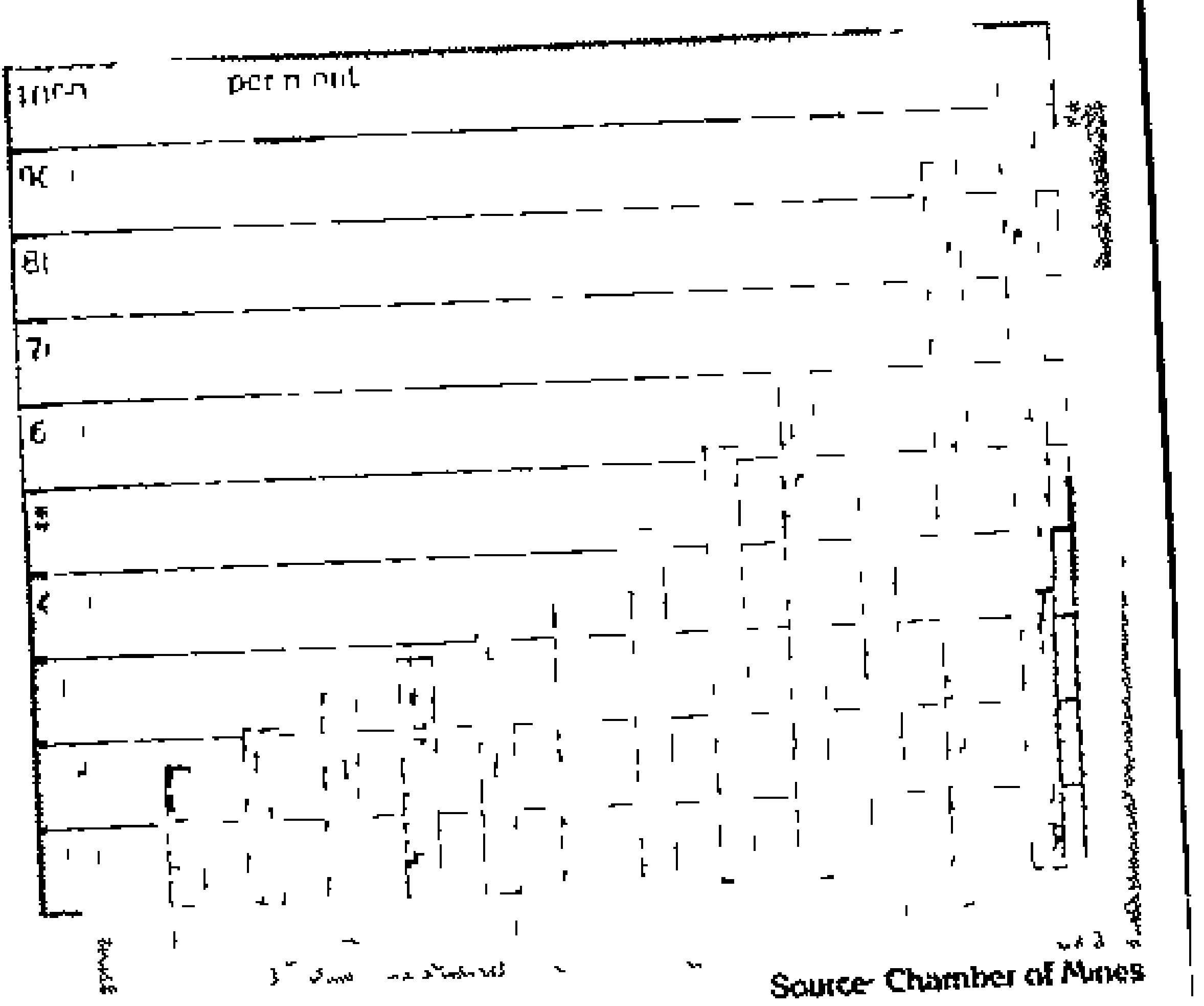
At the same time, some 12 mines, together employing 92 000 people, were marginal during 1991

The Chamber says that if the gold mining industry is to continue playing an important role as employer and earner of foreign exchange, gold producers will need to increase ore reserves to offset those mined.

It was therefore a cause for concern that there had been a 16,9 percent decline in capital expenditure (needed to develop new ore reserves) and a 10,4 percent drop in dividends (needed to raise new capital)

It says that the Government can reverse the drop in capital expenditure and stimulate investment in the industry by lifting import surcharges and "ring fencing", reducing tax rates and creating a suitable mining legislative framework

"The removal of all impediments to allowing mines to operate 24 hours a day, seven days a week, will also allow for the improved use of capital and human resources.



Source: Chamber of Mines

Average monthly earnings

NUM meets Bartlett over gold mining crisis

B/Day 10/6/92

(214)

ALAN FINE

THE NUM yesterday submitted to Mineral and Energy Affairs Minister George Bartlett a 16-page memorandum which it hoped would be the first step in the development of a comprehensive plan to deal with the downscaling of the gold mining industry

At the meeting were representatives of Harmony gold mine, whose situation the meeting had been called to address, the Council of Mining Unions, and officials' associations There will be further talks in two weeks

NUM assistant general secretary Marcel Golding said the state lacked a vision to deal with the industry's crisis because its study on marginal mines had underestimated the speed and extent at which mines would be forced to downscale operations

Harmony chairman and Rand Mines gold division CE John Turner said there was no economic justification for a state subsidy The mine accepted that state aid to troubled businesses should not be considered except as a form of bridging finance This was not the case at Harmony It was for government to decide whether any non-economic "national interest" considerations applied to any business

The NUM said long-term assistance to "lame duck" industries was not economically sensible, and a smaller industry in terms of output and workforce was inevitable But temporary assistance to promote restructuring to allow future economic viability could be justified

In Harmony's case, the union proposed a "reassessment of mining methods and work organisation to improve efficiency and make the mining of reserves economically possible" The mine should also receive direct state subsidies

It should, in co-operation with unions, seek to maintain employment levels and phase in job cuts where necessary, change working methods to raise productivity; retrain miners before retrenchment, investigate alternative uses of assets, and plan assistance to rural areas affected by retrenchments

The union argued that the subsidy would not represent a net cost to the state because of the "spin-off" revenue it would receive if downscaling could be slowed

COMPANIES

Gold set to benefit from market shift

B/Day 10/6/92

(214)

MATTHEW CURTIN

MARKET conditions were changing slowly but inexorably in favour of gold, said the Chamber of Mines in its 1991 annual report released yesterday

The report said a combination of falling new mine supply and resilient demand for gold from the jewellery sector, in spite of the global recession, boded well for the metal's prospects

However, chamber statistics showed the havoc wrought on sales by the slump in commodity prices in most sectors of the mining industry in 1991

The weaker rand lifted total gold sales by 1,6% to R19,3bn, but the industry's contribution to GDP continued its six-year slide to fall to 5,5%. The mining industry's overall contribution to GDP fell to 10,4%, its lowest level in years In 1981 it stood at 16,4%

"Industrial production data for the leading industrialised countries now suggest that the bottom of the economic cycle occurred in 1991 However, the recovery remains fragile and commodity prices tend to follow the business cycle with a lag," the report said

Gold mines milled 3,4% less ore in the year, 107-million tons compared with 111-million tons in 1990, but the average grade increased in line, by 3% to 5,2g/t from 5g/t Although cost containment in the industry kept working cost increases down to only 1,6%, that and weak gold prices ate into the gold mines' total profits They fell to R4bn from R4,2bn, as a 7,3% fall in the value of the rand against the dollar kept rand gold prices stable at R998/oz compared with R992 in 1990 The average dollar gold price fell to $360,25 from $383,74

The chamber said that although SA coal exporters had greater excess to world markets, the industry continued to operate in difficult market conditions

Supply was increasing from rival exporters like Colombia, Venezuela, and Indonesia, while static oil prices meant there was no incentive for energy consumers to switch to coal

In addition, plans for an EC carbon tax could increase the cost of producing coal by as much as 60% by the year 2000

In 1991, the chamber's income dropped nearly 30% to R89m from R124m in 1990 In line with this chamber spending fell to R87m from R118m

Genmin gears up for joint venture

B Day 10/6/92

MATTHEW CURTIN

(214)

GENMIN and its French partner, Bureau de Recherches Geologiques and Minieres (BRGM), have joined forces to pursue gold mining opportunities in the Ivory Coast and Canada, following an agreement signed last year

Genmin, the mining arm of the Gencor group, and the state-run BRGM, were gearing up for joint exploration and mining development in West Africa, the London-based Metal Bulletin reported yesterday The parties were evaluating a gold deposit in Angovia, Ivory Coast

Genmin executive director, finance, Philip Rademeyer said the two groups had identified areas in West Africa they wanted to explore "However, it is still very early days yet," he said with regard the development of new gold mines

Meanwhile, Genmin has taken a 30% stake in Canadian gold mining and exploration company Chemi Gold Mines at a cost of about R3m BRGM is the majority shareholder in the company, listed on the Toronto stock exchange, which mines gold in northern British Columbia at the Lawyers underground mine

A market source said yesterday the company had run out of cash, after disappointing grades and high costs at the mine It was probably unable to take up an option in the J & L polymetallic property in south-east British Columbia

He said the prospect had attractive gold and zinc grades, particularly if bio-leaching was introduced to treat the ore Genmin's gold division, Gengold, has done extensive research into ways of leaching gold biologically, and the source said this could be one reason why Genmin had taken up a stake

Speaking from London last night, Genmin deputy chairman Colin Officer said Genmin's involvement with Chemi was simply a part of its alliance with BRGM, which included exploration in North America and Africa

Genmin and BRGM signed a co-operation agreement in September last year

B/Day 11/6/92

Visitors' day at Westwits

JONO WATERS 214

THE small, open-cast, gold mining operation run by West Witwatersrand (Westwits) has a life of at least another 25 years, ensuring the company will grow slowly and pay steady dividends, says Southgo director John Donald.

Donald was speaking yesterday to stockbrokers and reporters visiting the mine, which is on old Randfontein Estates' mining property on the West Rand.

Southgo, the gold division of independent mine group Consolidated Mining Corporation, is one of the many small producers with underground operations which have battled to survive in defiance of the slump in gold prices.

Donald said Westwits was budgeted to make R8,4m after-tax and after-capex profit in the year ended March 1993 It processed about 165 000 tons of ore a month at an average yield of 1,47g/t

Fergusson Brothers gold analyst Trevor Pearton said Westwits was the best mine in the Southgo stable

Westwits declared a dividend of 4c a share in December 1991 and 2c a share in the previous period

Lydex to get cash from slimes sales

STAR, 11/6/92.

By Derek Tommey

24

Lydenburg Exploration (Lydex), the favourite of many gold speculators, will soon be getting a cash income, says chairman Peter Beiber

He says in the interim statement for the six months to March that the sale of 26,5 million tons of high-grade gold-bearing slimes to Ergo should start bringing in cash from July

This cash flow should continue for the next four years

Lydex will receive 50 percent of the net operating income earned by Ergo from these slimes

Actual revenue will depend on the gold price and Ergo's working costs But the aim is to get a return equal to double the R21 million paid for the slimes, Mr Bieber said earlier this year

Another major development has been the acquisition by Lydex of a one percent interest in the new Moab gold mine, which Anglo American is developing in conjunction with the Vaal Reefs gold mine

Decisions

Mr Bieber says shareholders will be kept informed of any decisions on the possible distribution of rights or shares acquired by Lydex in the Moab project

Lydex has participation rights in a number of potential gold projects, including Gencor's developing Weltevreden mine where surface work has been suspended pending a better gold price

Lydex also has a 10 percent stake in Benguela Concessions, which is recovering diamonds from the sea in certain areas along the Namaqualand coast

The company's total income in the six months to March was R6,6 million, which included the receipt of 8,9 million Knights shares in the wake of the sale of the Cason sand dump to that company

Exploration expenditure was sharply reduced to R2 000 from R1,298 million a year ago and administration expenses were cut — from R1,9 million to R1,27 million

This resulted in a profit of R5,3 million (loss of R1,9 million).

But after the distribution of R6,46 million worth of Knights shares to Lydex shareholders as a dividend in specie, a loss fo R1,13 million was carried forward, bring the accummulated operating loss to R11,2 million

However, Lydex remains cash-rich and at the end of March had R17,8 million in net current assets

COMPANIES

Final curtain looms for Osprey

JONO WATERS 214

OSPREY Gold mine is nearing the end of its chequered career after the voluntary suspension of the company's shares on the JSE yesterda and its provisional liquidation by the Supreme Court on Tuesday

The small independent Gazankulu gold producer has not been operating for much of this year, despite the reported refinancing of the company after a change of control in February

Osprey, like many other independent gold producers that include Barbrook, Rand Leases, Eersteling and Nigel, failed to meet forecast recovery grades

In the company's 1987 listing prospectus, results from four independent appraisals were published that showed Osprey had at least 276 000 tons of ore reserves, which would last 15 years at an estimated recovered value of 4,2g/t

However, after the operation started the initial recovery rate stood at 1,23g/t It rose gradually, but never surpassed the 3,18g/t reached in the September quarter of 1988 In the 1990 December quarter the yield had fallen to 1,79g/t

Shareholders were told in September and October last year that negotiations regarding the company's future were under way B/Day 12/6/92

Osprey director Manny Agrella, who represented foreign shareholders who had invested R4,4m in the company, announced in late February that the mine had changed hands again, but declined to name the buyer.

It was reported at the time that production at the mine, which had not taken place since December, had resumed

Johnson Matthey plods

STAR 12/6/92.

Finance Staff (214)

Minorco's UK subsidiary, Johnson Matthey, barely maintained earnings per share in the year to end-March despite rising sales of platinum-based catalytic converters

The company, which is agent for Rustenburg Platinum, lifted earnings from 23,9p to 24p, while the total dividend was raised from 12,25p to 12,65p

Group sales were maintained at £1,7 billion, from which pre-tax profits of £66,3 million (£66,1 million) were achieved

The precious metal division, hit by weak prices for gold and platinum, reported a 23 percent slump in earnings to £20,6 million, while profits of the materials technology division dropped by 11 percent to £17,7 million

But sales of catalytic converters to European car manufacturers, who have to fit exhaust emission systems to all their cars by next year, boosted income in the division by 28 percent to £22,5 million

‘State must aid gold mines’

(214) - W/Mail 12/6-18/6/92.

Weekly Mail Reporter

IN a desperate attempt to stop the large-scale loss of jobs in the gold mining industry, the National Union of Mineworkers this week called on the government to intervene

The NUM presented proposals to Mineral and Energy Affairs Minister George Bartlett during a meeting in Pretoria which was also attended by Rand Mines, the all-white Council of Mining Unions and the South African Technical Officials Association

The meeting took place against the backdrop of a mounting crisis in the gold mining sector

In the past fortnight alone more than 7 000 miners have been retrenched· more than 6 000 from Rand Mines’ Harmony mine in the Free State and 1 100 from Gengold’s West Rand Consolidated mine in the western Transvaal

Mining bosses blame the low gold price and rising operational costs for the retrenchments

The NUM said the state “should coordinate and sponsor a carefully structured assistance programme to assist mines that are in financial difficulties”

The NUM asked government to

●Ensure that employment levels were maintained on the mines and that any retrenchments be carefully planned

●Increase the life of the mines by changing underground working methods

●Investigate alternatives to the utilisation of the mines’ assets

●Assist the rural areas, which were hardest hit by the drought and unemployment.

●Help retrain miners so they could find alternative employment

Gold mine set to lay off 5 000

STAR 3/6/92

By Sven Lunsche

Rand Mines Harmony gold mine in the Orange Free State, near Virginia, yesterday announced plans to retrench 5 000 workers over the next week.

This follows a day after Gengold announced it was laying off 1 100 workers at its West Rand Consolidated mine near Krugersdorp.

So far this year about 10 000 mineworkers have been retrenched and analysts expect a similar number to be laid off in the second half of this year.

Last year alone the industry made about 50 000 mineworkers redundant in the face of the falling gold price and rising working costs.

The retrenchments at Harmony will reduce employment levels at the mine from 19 000 to 14 000

In a statement the mine said the retrenchments were taking place "because of the continious economic problems being encountered by the gold mine".

● More retrenchments expected — Page 23

Rising gold price is small comfort to mines

[illegible] (214)

STAR 16/6/92.

By Derek Tommey

The gold price has come to life in the past few days, jumping more than $3 since Friday to $342,70 an ounce to trade at its best levels since March.

But South Africans should not take it as a signal to start buying gold shares.

One reason for caution is the weakness in the US dollar which has substantially contributed to the decline in the rand gold price

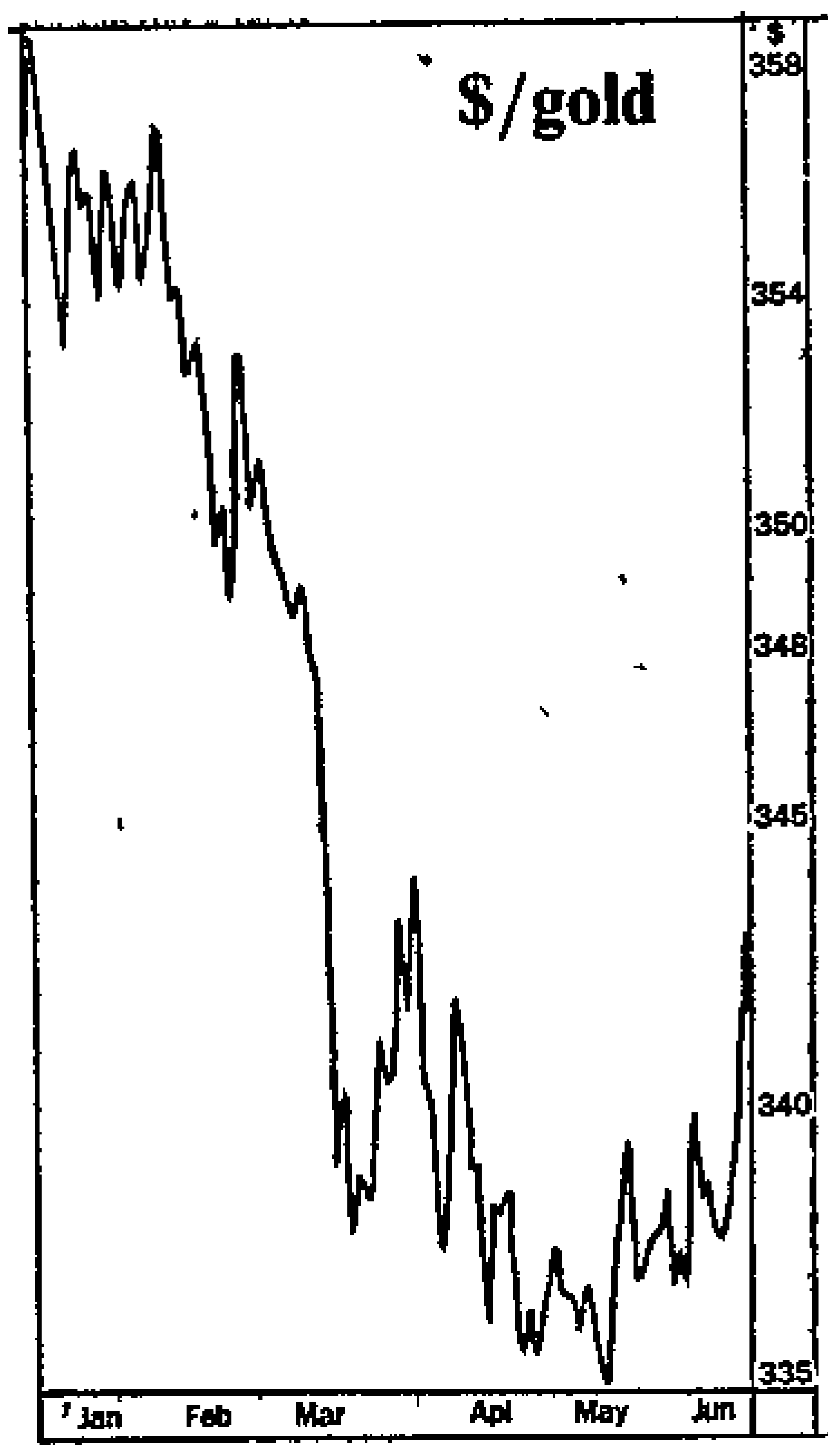
This is the price the mines get for their gold and is the one that determines profits

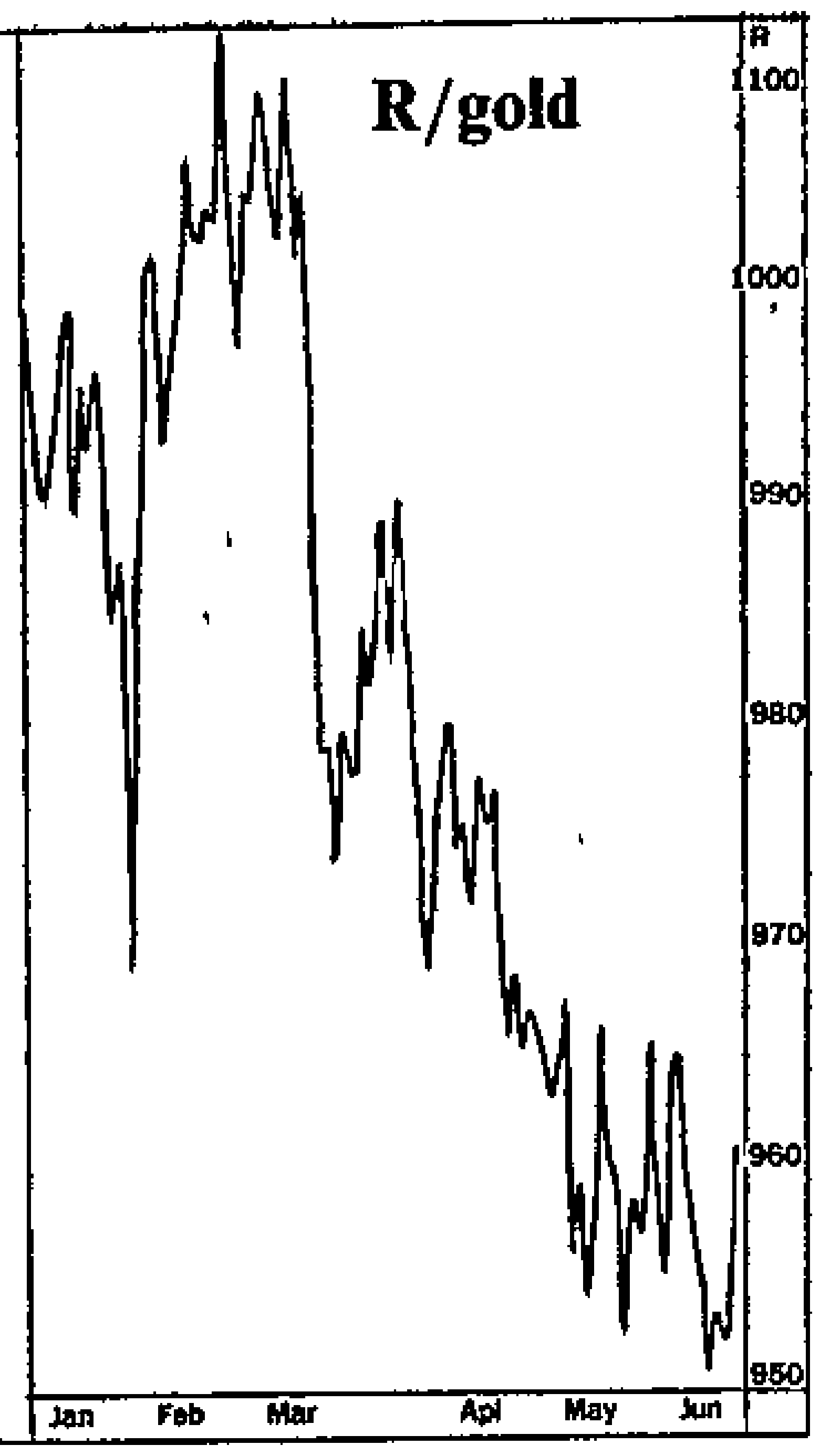
The weaker dollar and the low gold price together pushed down the rand price of gold last week to a 15-month low of R949,72. This spelt disaster for many in the mining industry who claim they need a minimum of R1 000 an ounce to break even.

The latest dollar rise in the gold price has only pushed the rand price to R960 an ounce It is clear, therefore, that it still has a long way to go before the mines can breathe easier

A second reason for treating the firmer price with caution is that it could be because of foreign concern about developments here, although a report last Thursday of a drop in Russian gold holdings may also have played a part

News of the planned mass action and a possible general strike could easily have upset overseas markets





Yesterday's sharp drop in the financial rand — often regarded as a barometer of foreign sentiment about South Africa — from R3,50 to the dollar to R3,60 could be a straw in the wind

One of the factors tending to depress the gold price recently has been the fear that the CIS states might start dumping gold in the market to raise badly needed foreign exchange

But according to the London Financial Times, Russia's gold reserves now stand at only 210 tons after the sale earlier this year of some 30 tons from the reserves

This suggests that the Russians have little scope for disrupting the market through injudicious selling

Yevgeny Bychkov, chief of the republic's co-ordinating body for precious stones and metals, says the reserves declined because little gold has been produced since the Soviet reserves were transferred to Russia

The Russian gold mining season begins in May and ends in November

Mr Bychkov refused to give figures for annual gold production, but he dismissed forecasts made by other Russian experts that production would fall by 30 percent this year

He said the government had committed itself to exporting at least 25 percent of gold production so that it could pay producers some hard currency

According to one Western estiamte, total gold production of the former Soviet Union last year was 220 tons and could fall to 200 tons in the next three years (SA produces about 600 tons a year)

Mr Bychkov said a priority for the Russian gold mining industry was to attract investment

Preliminary talks had been held with international mining companies, including RTZ and Newmont, on ways they could do business in Russia

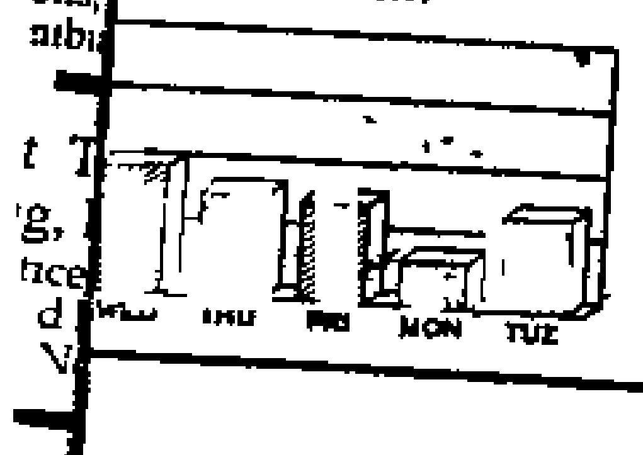
He said the Sukhoi Log mine, Russia's largest proven hard-rock gold deposit, would most likely be put out to tender — a process that would take a long time

● Overall gold production in South Africa for the first five months of this year increased marginally by 0,67 percent to 250 122kg (8 041 569 ounces), compared with 248 448kg (7 987 778 ounces) in the same period last year

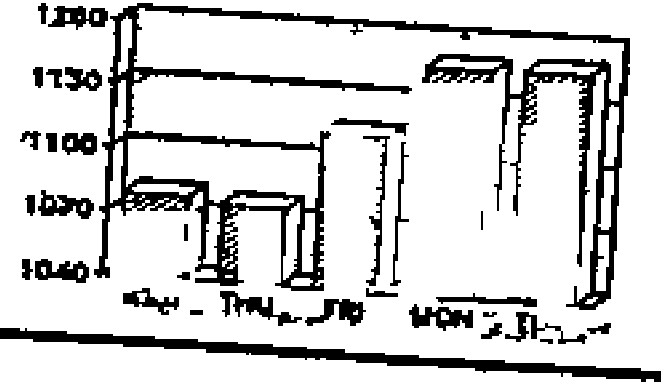
According to figures released by the Chamber of Mines, gold production attributable to members of the chamber fell by 2,5 percent from 47 618kg (1 530 962 ounces) in April to 46 434kg (1 492 885 ounces) in May due to a cutback in mill production of 1,2 per cent

The chamber said the balance of the decline was largely accounted for by the timing of the deposit of gold ore with the Rand refinery, in respect of non-chamber dump treatment operations

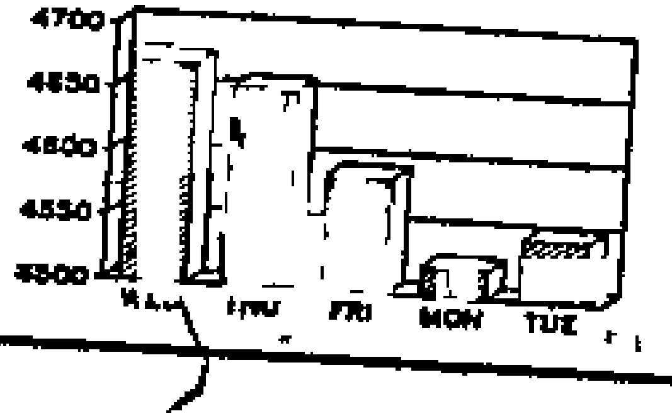
JSE Overall



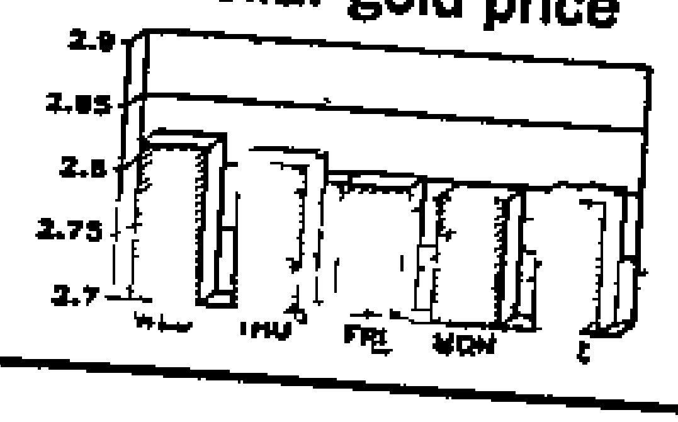
JSE All-gold



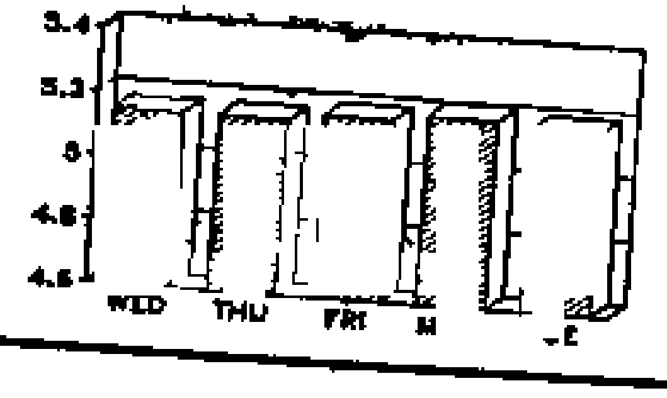
JSE Industrial



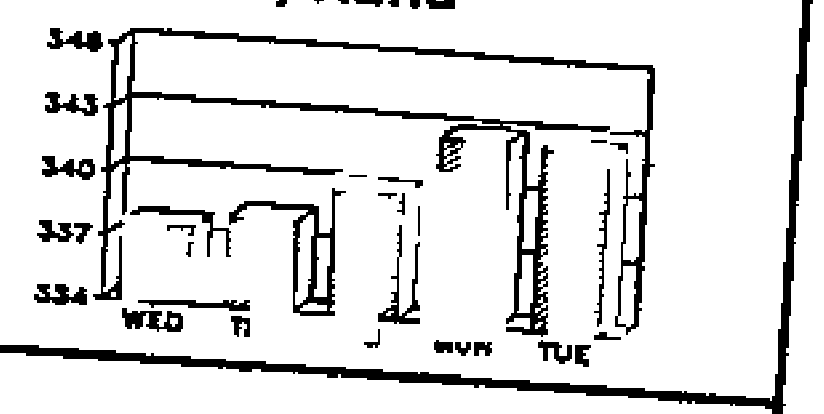
Dollar gold price



Dollar/Rand



Pound/Rand



BUSINESS

All not lost for gold, says mining chief

STAR 17/6/92

(214)

By Michael Chester

Provided the political and economic environment improved, the South African mining industry still promised an exciting and productive future, Chamber of Mines president Naas Steenkamp said yesterday

He told chamber members at the annual general meeting in Johannesburg that while the fortunes of gold were unlikely to show dramatic improvement in the short term, there were signals on world gold markets that supply-and-demand fundamentals made the outlook more favourable in the longer term.

The flicker of optimism broke the gloom of an analysis that showed overall gold mine profits, in real terms, had sunk to their lowest level since the 1960s.

Mr Steenkamp used the forum of the presidential address to urge the Government to encourage vital new investments by further reductions in tax rates and the complete removal of import surcharges and ring-fencing rules.

He also pressed for the abolition of all impediments that prevented mines from operating round-the-clock seven days a week.

In an annual review, Mr Steenkamp said financial pressures on the industry had been exacerbated by a rand gold price that had been virtually static for the past four years.

In real terms, the price had fallen by more than 33 percent. The 1988 level of R991 an ounce was equal to no more than R661 in current monetary terms

SA gold mines last year managed to hold production at 601 tons — only four tons below the 1990 total — by increasing the average grade from 5,05 grams to 5,20 grams a ton

However, while higher grades enabled the industry to keep annual production at around the 600-ton level, it also had the deleterious effect of shortening the lives of mines

Fortunately, considerable effort had been devoted to reducing year-on-year working cost increases.

In 1987, the annual rise in working costs per kilogram of gold output was 25 percent Last year the increase was held at only 1,6 percent — "a remarkable performance".

But there was a limit to the extent by which costs could continue to be curbed

In 1991, more than 36 000 miners lost their jobs So far this year there had been a shrinkage of 15 000 more jobs.

There was also concern that capital expenditure dropped by 16,9 percent last year and that dividend payments fell by 10,4 percent.

"The announcement of an investment of more than R1,7 billion to develop a new gold mine in the Orange Free State was a significant affirmation of faith in the future of the industry," said Mr Steenkamp.

"Unfortunately, investments of this magnitude are infrequent, and it is clear that existing strictures on the industry constrain investment

"This could be relieved by a complete removal of import surcharges and ring-fencing and a further reduction in tax rates.

The abolition of all impediments which prevent mines from operating 24 hours a days, seven days a week, would also allow for the improved use of capital and the workforce

"While there appear to be no short-term indications of a dramatic improvement in the fortunes of the gold mining industry, the sentiment to emerge from the gold market during 1991 was that the underlying supply-and-demand fundamentals are gradually changing in a manner favourable for gold. There is hope," he said.

50 000 jobs lost on mines

STAR 17/6/92

(214) ([redacted])

By Michael Chester

The number of jobs axed by South African gold mines in the past 18 months — blamed on the steep decline of the gold price — has now reached more than 50 000

Chamber of Mines president Naas Steenkamp disclosed in an annual review yesterday that more than 36 000 miners had lost their jobs in 1991, and 15 000 so far this year.

The threat of the closure of more mines and individual shafts still hung over the industry

Mr Steenkamp told the annual meeting of the chamber in Johannesburg that the profits of the gold mining industry had now sunk — in real terms — to their lowest level since the 1960s.

The industry could become even smaller if profits continued to be squeezed

Mr Steenkamp paid tribute to what he called "milestone wage agreements" reached last year with trade unions and staff associations, when modest pay increases combined with special bonuses based on productivity and the gold price, helped to curb operation costs and job losses

Similar packages needed to be built into current wage talks, he said

The chamber had also informed trade unions that it intended to start talks on the dismantling of "closed shop" agreements.

● All not lost for gold
— Page 18

…it says that insufficient …or products was viewed …in constraint on invest… the next 12 months

…as followed by the gen…tical climate and the …ort-term interest rates

…er, Mr Mocke expects …omy to show signs of …in the second half of the …eaction to an upturn in

partners come on stream, he says

The durable and semi-durable sectors are expected to be the first to react, followed by construction and heavy industries

In a separate survey concerning the expected imports of capital equipment, 70 percent of manufacturers reported that they imported less than half of their capital equipment.

Coal exporters facing price battle

STAR 18/6/92 (215)

The growth potential of South Africa's coal exports could be jeopardised by escalating costs and the lack of new investment in the industry, says Randcoal chief executive Allen Cook.

In a speech presented at the recent Australian Coal Conference, Mr Cook said large new coal markets were opening up in the wake of the lifting of sanctions — particularly in Japan, Korea, Denmark, France, Holland, Britain and America

Mr Cook believed South Africa's competitive position in coal exports was being diminished by increased wage demands and rising transport costs, while coal's current contract price levels were barely adequate to provide a return on existing investments

Elaborating on the possible expansion of South Africa's coal industry, Mr Cook said the country had the port capacity, and would soon have the matching rail capacity, to export 53 million tons of coal a year

However, further capital costs in expanding port facilities would have to be met by a rise of five to eight dollars per ton in FOB contract prices to make them economically viable

Competition

South African coal was price competitive in Europe, particularly if the price of coal from current low-price producers in the Commonwealth of Independent States and Poland began to reflect the actual cost of production.

"The main potential competitor in volume terms is the US Provided South Africa remains cost competitive with the US, its market share should at least be maintained for the foreseeable future." Mr Cook said — Sapa

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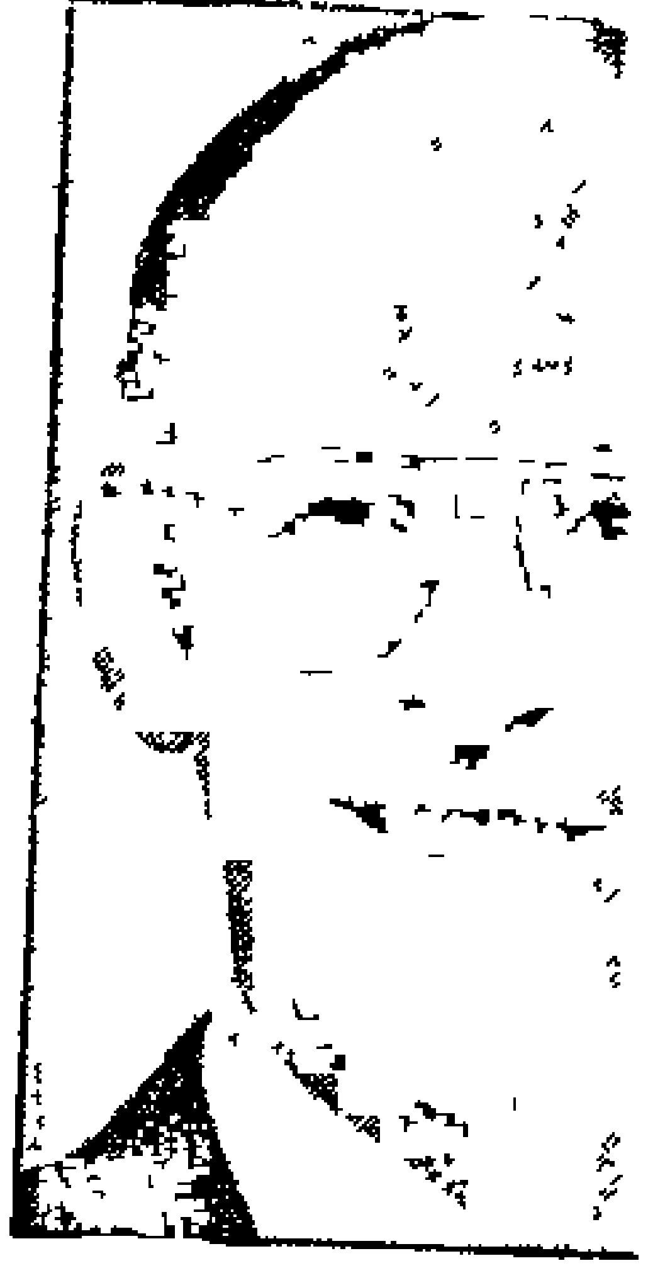

Michael McMahon

Gold mines look to Reserve Bank

214

THE future profitability of the gold mining industry depends on the success of the government and Reserve Bank in curbing inflation, says the Chamber of Mines in its latest annual report It says inflation is making it difficult to contain cost increases and this has led to the closure of shafts and the fall in employment from 456 000 in 1988 to 354 000 last year

Government could reverse this trend, the chamber says, by reducing import surcharges, lowering tax rates and lifting time limits on the operation of mines

W/Mail 12/6 - 18/6/92

CT 19/6/92

plan under threat

Independent Development Trust's capital subsidy scheme promised in the 1992 Budget were forthcoming, the project would run out of steam, says MD of EU Civils Nolan Marsh

Marsh said that he had been told by the IDT that they did not yet know whether they would be receiving further funding for the capital subsidy project this year

"This is extremely disturbing as there is no short term prospect of continuity for this concept despite acknowledgement in the Budget regarding the important role being played by the IDT"

He said the Community Development Consortium (CDC) comprising EU Civils, Clifford Harris and Power Construction, in conjunction with the Western Cape United Squatters Association and their consultants, Hill Kaplan Scott, had initially applied for funds to develop 10 600 erven in Khayelitsha on behalf of the Cape Provincial Administration

The application was submitted in May last year and met all of the IDT requirements The IDT notified CDC officially in July last year of acceptance in principle for the development of 4 100 sites but the development agreement had only been signed in May this year

CDC meantime had moved on site working at risk from January, he said

Marsh said when a further R3bn was earmarked for social spending, low housing and related infrastructure in the budget, they had applied again for funds for the bal-

risen to the challenge laid down by the government, the private sector and the community have combined forces to make a significant project a reality only to find that the momentum will be lost due to indecision and/or lack of direction on the part of policy holders"

Marsh said so far they had completed 600 of their allocated sites and first payments for completed erven started flowing through from the IDT this week

"These payments however are being made out of the R750m allocated to the IDT last year," he said

Neither Minister of Finance Derek Keys nor Jan Steyn, chairman of the Independent Development Trust was available for comment

Gold industry falls away as SA's mainstay

(214) CT 19/6/92

From CHRIS BATEMAN

LONDON. — The gold-mining industry in South Africa must regard itself as a declining industry which would eventually fade away, Dr Jaap Meijer, deputy governor of the South African Reserve Bank, said yesterday.

He was interviewed at the two-day political/economic conference organised by the Royal and South African institutes of international affairs which began at Chatham House here yesterday.

Dr Meijer said the country would not build its future on gold which he believed had now "bottomed out".

The government had to decide whether to lend at least temporary assistance to gold mines because of low current unemployment or whether it viewed the situation as part of structural adjustments where it realised gold would shrink structurally.

For the economy of a New South Africa to improve, the "encouragement, support and understanding," of the disenfranchised masses was clearly needed.

"This is fairly tricky because the matters of taxation and real wage levels come into it," he warned.

Asked how he viewed a future taxation structure, Dr Meijer said the current marginal and corporate tax rates should be lowered as they were having a "disinsensitive" affect

"Obviously we need a substitute," he said.

There was also "much room" for rationalisation in government expenditure.

The Reserve Bank hoped to reinforce "the propensity to save" and discourage the government from using borrowed money for current expenditure.

The IMF had recently warned him that restraining real wage increases was vital

● Meanwhile, Gold Fields of SA is planning to rescue its two faltering gold mines, Libanon and Venterspost, by merging them with moneyspinner Kloof. News of the proposed merger was preceded yesterday by sharp increases in the share prices of the two marginals and a slide in Kloof's price.

Gold division executive director Alan Munro would not comment on details of the deal yesterday, as negotiations were still under way. Stockbrokers are curious to know whether the merger will allow the group to save tax by offsetting Libanon's and Venterspost's losses and capital spending against Klpof's current revenues.

Venterspost has been in trouble for some years and had hoped to extend its life by developing new mining operations to the east of the original mine property.

The cost of that has been met from a rights issue and management had vainly hoped that gold prices would increase and persuade investors to exercise options which mature in November this year. However mining operations have teetered between loss and profit for several quarters adding to the drain on the mine's cash.

Though Libanon's gold recovery grades are higher than neighbour Venterspost's, it remains unprofitable at current gold prices and does not have access to additional exploitable reserves.

Report

EST

July 1 issue

Eskom would go ahead oupon bond issue despite wing this week in bringhe market, Willem Kok, Eskom said. He said the e on July 1, but no miniset.

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onth's total expected reted an increase of 11,9% last year, according to e Central Statistical Serine 1992's expected sales down on last month's adjustment

Malaysia signed

lalaysia and South Africa pact yesterday and are agreement, officials said sia Airlines (MAS) and erate two weekly fights ir and Johannesburg

Well-fed Fedics

AN increase in tourism

Russian refinement for Implat

Gold Fields bid to rescue two mines

B|Day 19/6/92 (214)

MATTHEW CURTIN

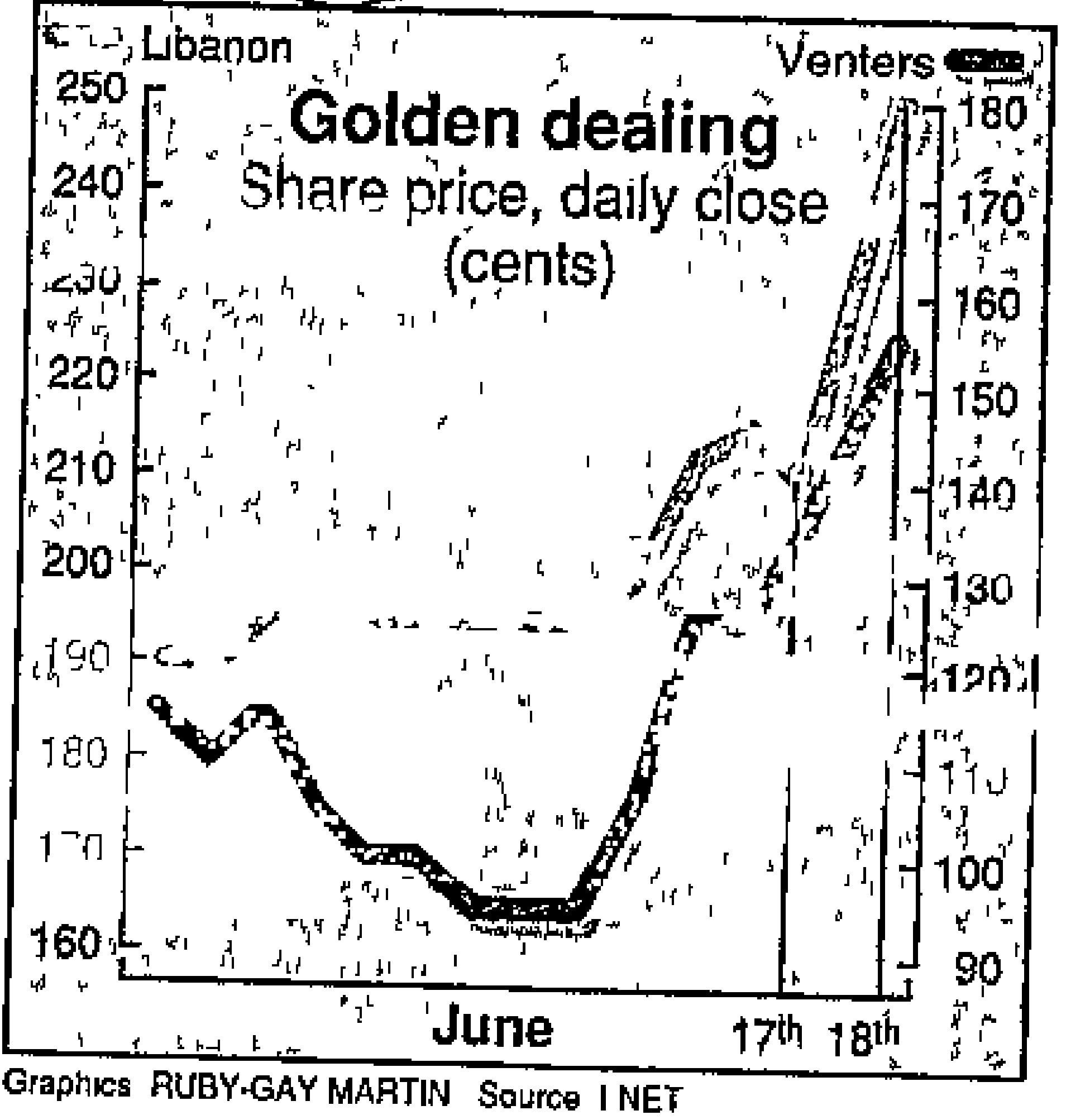
GOLD FIELDS of SA is planning to rescue its two faltering gold mines, Libanon and Venterspost, by merging them with moneyspinner Kloof

News of the proposed merger was preceded yesterday by sharp increases in the share prices of the two marginals and a slide in Kloof's price

Gold division executive director Alan Munro would not comment on details of the deal yesterday, as negotiations were still under way Stockbrokers are curious to know whether the merger will allow the group to save tax by offsetting Libanon's and Venterspost's losses and capital spending against Kloof's current revenues

Venterspost has been in trouble for several years and had hoped to extend its life by developing new mining operations east of the original mine property

The cost of that had been met from a rights issue and management had vainly hoped gold prices would increase and persuade investors to exercise options set to mature in November this year However, mining operations have teetered between loss and profit for several quarters, adding to the drain on the mine's cash



Graphics RUBY-GAY MARTIN Source I NET

Although Libanon's gold recovery grades are higher than neighbour Venterspost's, it remains unprofitable at current gold prices and does not have access to additional exploitable reserves

Kloof is near to completing its Leeu-

☐ To Page 2

Gold Fields

B|Day 19/6/92 (214)

☐ From Page 1

doorn expansion and would have the cash flow to keep the other two mines afloat if tax offsets were allowed. In the first quarter of this year, Kloof produced 8,8 tons of gold, while Venterspost weighed in with 1,1 tons and Libanon with 1,7 tons.

Stockbrokers gave the announcement a mixed welcome. Some were concerned that Kloof and its shareholders would be burdened with the costs of keeping two low-grade mines alive which might be better off closed. Some investors reacted more favourably.

Shares in Libanon and Venters surged nearly 20% in morning trade. At the close Libanon was 40c up on the day at 220c a share, while Venterspost closed 20c up at 155c.

Other gold shares fell across the board. Kloof itself shed 75c to close at R30.

Security regulations panel officials were not available for comment on whether they would call for an investigation of the surprising morning trade in the two gold stocks. JSE president Roy Andersen said the exchange would not comment before the panel had made its report, if it pursued the matter He described the shares' movement as "interesting".

The three mines said in a joint cautionary announcement that "negotiations were in progress regarding the possible integration of the operations ". Gold Fields public affairs head Michael de Kock said that if Venters stopped pumping operations, there would be "a significant inflow of fissure water into Libanon, which would exacerbate its financial position". If pumping stopped at Libanon, it would have "severe consequences for neighbouring Kloof". The companies were considering an integrated approach to the situation.

De Kock said the mines would try to minimise compulsory retrenchments in restructuring operations, as they had done in the past. Gold Fields had been able to place workers who had lost their jobs from Venters and Libanon in the past at its Northam platinum mine and Leeudorn.

‘No future for SA gold mines’

CHRIS BATEMAN 214

LONDON — The SA gold mining industry should regard itself as a declining industry which would eventually fade away, Reserve Bank Deputy Governor Jaap Meijer said yesterday BDay 19/6/92

He was interviewed at the two-day conference on SA which began at Chatham House in London yesterday.

Meijer said SA would not build its future on gold exports which he believed had "bottomed out" Government had to decide whether to lend at least temporary assistance to gold mines because of current unemployment or to view the situation as part of a structural adjustment.

The "encouragement, support and understanding" of the disenfranchised masses was needed for SA's economy to improve This was "fairly tricky" because taxation and real wage levels came into it

Meijer said the current marginal and corporate tax rates should be lowered as they were proving to be disincentives

There was also "much room" for rationalisation in government expenditure On the other hand "we owe it to the new SA that people will be paying more heavily in user charges and carrying a heavier burden in education".

The Bank hoped to reinforce saving and discourage government from using borrowed money for current expenditure

● See Page 8

Three gold mines in merger talks

STAR 19/6/92

By Derek Tommey 214

Three neighbouring major gold mines on the Far West Rand — rich Kloof and struggling Libanon and Venterspost — may be merged

The proposal flows from the serious problems which Libanon and Venterspost are facing Both had losses in the March quarter and are running short of cash needed to keep going and to finance essential capital expenditure

Against this, Kloof had a hefty profit in the March quarter and looks an extremely attractive "white knight"

Though whether it will be a straightforwrd takeover by Kloof of the other two mines remains to be seen

The existence of tax losses might lead to another sort of structure.

Kloof's strong financial position would enable it to absorb the losses made by the two other mines and provide much of the capital they need to keep them going

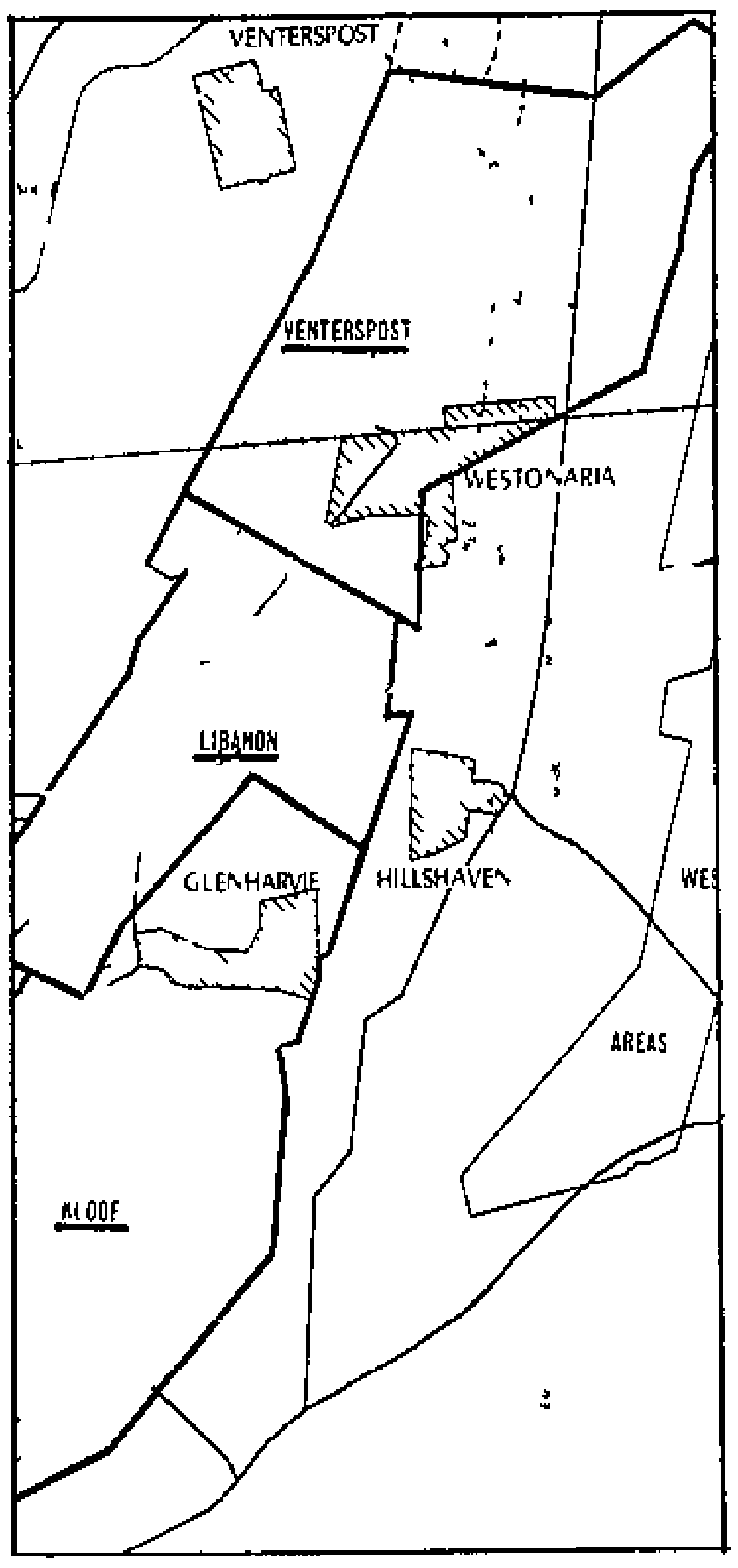
Question mark

However, one question mark overhanging the proposed merger is whether Kloof could do this and still maintain its annual dividend of 90c a share

If this is possible Kloof shareholders are unlikely to protest too much as the enlarged Kloof will have extremely strong long-term potential

On the other hand, Kloof's shareholders are not likely to take too kindly to a reduced dividend payout

But should there be a possibility that the merger will result in lower working costs then present shareholders in all the three mines should benefit



Three Gold Fields mines on the West Rand may be merged

In announcing the merger negotiations last night Gold Fields, the mining house administering the three mining companies, warned shareholders of the three companies they should exercise caution in their share dealings

However, this warning came a little late for some shareholders as the market got wind of the deal yesterday morning

By the close of trading last night the prices of Venterspost ordinary shares had risen 30c and the deferred shares 25c, both closing at R1,55 The price of Libanon shares was 40c higher at 250c

The 25 percent rise in the price of Venterspost shares added R13,5 million to their market value The 19 percent rise in Libanon shares added R16 million to their market value

As Kloof could possible lose out in the initial stages of the merger — though this is by no means certain — its shares dropped 50c to R30 which knocked some R60 million off its market value

Reluctance

However, this still remains at just under R3,6 billion emphasing the size and profitability of the mine

In view of the problems facing Venterspost and Libanon, the merger with Kloof makes considerable sense But Gold Fields must be approaching this solution to the problems at Venterspost and Libanon most reluctantly

Both mines, though marginal at the moment, are opening new areas Given a slightly higher gold price and a little bit of luck Libanon and Venterspost in particular could be entering a new era of profitability and the merger would not have been needed

Kloof is one of the country's most prosperous gold mines In the March quarter this year it had profits before tax of R97,7 million Venterspost had a loss of R3,26 million and Libanon a loss of R3,2 million

Gold will shine again

OUTGOING Chamber of Mines president Naas Steenkamp predicted that fortune was on gold's side in the long term Steenkamp said there were certain "supply and demand fundamentals" which bode well for the future of gold He noted that the R1,7-billion investment in a Free State gold mine was proof of growing confidence in gold's future 214

Steenkamp's comments reflect a new optimism in the country's gold mining industry which flies in the face of the low gold price and the resultant wide-spread retrenchments of the past 12 months Mining houses anticipate that a worldwide economic upturn next year will boost demand for jewellery in the West and thus demand for gold among jewellers

Anglo American industrial relations director Bobby Godsell is the new chamber president W/Mail 19/6-25/6/92

GOLD DIVIDENDS FM 19/6/92

Mixed bag

(214)

At first sight, the final dividends for gold mines in the Gold Fields stable provide some welcome encouragement to a beleagured industry Unfortunately, they also mask some worrying aspects

Deelkraal has declared a final of 15c, taking its total distribution for the year to 30c — 50% up on 1991's payout This has taken some market analysts by surprise Of particular concern is that the mine was scheduled to have spent about R50m on capital expenditure programmes this year, most of it concentrated on the new No 3 shaft complex

By end-March, only about R21m had been spent, analysts believe the final figure for the year will be about R27m

Some observers suggest Gold Fields' approach may have been to sacrifice capital expenditure in favour of dividends this year, especially at Deelkraal, where Gold Fields has a strong equity stake The planned No 3 shaft development system at that mine may have been mothballed temporarily

✓Driefontein, the other good performer, increased its total dividend payment by 10c to 165c — though hapless shareholders might reflect that the company paid a dividend of 200c in 1989

The dividend from Kloof was maintained at last year's 90c Analysts expected an increase in the distribution

But it is at the three remaining mines, Doornfontein, Libanon and Venterspost where Gold Fields faces its greatest problems and where it may be forced to bite some bullets in the next 12 months

Doornfontein continues to suffer from the effects of last year's strike when most of the mine's workers were dismissed The dividend was passed for the third year

A rationalisation programme at Libanon means the mine stands some chance of ultimate survival, provided further cost-cutting is undertaken

Gold Fields' biggest headache is Venterspost, where the loss this year, after capital expenditure, is expected to be about 230c a share, or R47m, of which R40m will have been financed by rights issue funds

David Gleason

VAT mineworkers trial drags on

TEN mineworkers this week appeared in the Klerksdorp Regional Court charged with intimidation and assault. The appearance of the NUM members is a sequel to the national VAT strike at Buffelsfontein Gold Mine in November last year.

The State alleges the 10 intimidated Alfonso Mokebe to participate in the stay-away. They are also accused of attacking Joseph Lesia and Robert Seselane to force them to participate. The case was adjourned until July 28. [redacted] (213)

Citizen 21/6/92

African region 'sitting on gold mine'

BDay 23/6/92

(214)

MATTHEW CURTIN

MONTREUX — Africa south of the Sahara, excluding SA, would produce at least 165 tons of gold a year if its geological potential was matched by the right commercial and political environment

International Financial Corp senior investment officer Mark Keatley told delegates at the Financial Times World Gold Conference in Switzerland yesterday that the region had to face two main challenges in its bid to become a major gold producer

Sub-Saharan countries had been starved of spending on exploration, which stood at $100m a year in the region, compared with $180m a year in SA and a global total of $2,5bn He said this "represented a major under-investment by all yardsticks"

The IFC, the World Bank's private sector investment arm, urged African governments to continue improving the political and commercial environment for such investments, while international mining companies had to respond to improved opportunities by devoting more spending to Africa, and gold mining in particular

BDay 23/6/92

Sub-Saharan Africa also had to overcome a "serious lack of equity capital investment in mining projects" Political risks prevented the listing of African mining ventures on world stock markets, and only SA and Zimbabwe enjoyed such opportunities on the continent

The IFC was backing the relisting of Ghanaian gold mining companies should market conditions improve

Keatley said Ghana was the prime example of the region's potential, with the country's gold production, based on ore bodies similar to those on the Witwatersrand, likely to reach 33 tons a year when current upgrading programmes were completed in the mid 1990s

Keatley said African gold production had increased 22% between 1990 and 1991 to 84 tons from 68 ton, with important production coming from diverse areas such as Mali, Namibia, and what seemed to be an impending gold rush in Tanzania

Rand Mines gold division chairman John Turner and Chamber of Mines CE Tom Main told the conference sub-Saharan Africa had a long way to go before realising its potential

Gold and platinum edge higher

B/Day 24/6/92

MERVYN HARRIS

UNDERPINNED by SA political uncertainty, precious metals yesterday edged higher with gold nudging key resistance at $345 in early New York trade.

Analysts were closely monitoring events in SA, concerned that the unsettled situation could spill over to the mines.

There have been workers' marches at several gold mines in the past two weeks and workers at Rustenburg Platinum's base metals refinery have downed tools.

Before the news of the strike, platinum firmed more than $2 to a London afternoon fix of $366,10. Reuter reports that Rusplat MD Barry Davison said there had been an illegal work stoppage since June 19.

(214)

Frankel Max Pollak Vinderine analyst Kevin Kartun said the political situation was affect platinum more than gold.

Bullish noises from the World Gold Conference in Montreux indicated that gold could hit $385 by year-end.

But gold shares received a subdued reception on the JSE yesterday as investors reacted disappointingly to the higher price and a weaker finrand The all gold index slipped seven points to 1 136.

● See Page 6

Gold could hit $385 by year-end, analyst predicts

BDay 24/6/92

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MATTHEW CURTIN

MONTREUX — Gold prices would reach $385/oz by the end of the year if a trigger, such as changing market perceptions of producer and central bank selling strategy, brought long-term bullish factors into play, Williams de Broe analyst Rhona O'Connell said yesterday

At the Financial Times World Gold conference, O'Connell said the gold prices had bottomed Long term influences would be far more important than short-term factors in lifting prices

However, there would be no strong rally until the perception that gold producers were not selling forward took hold "Whether (a rally) can be accelerated by resurgence of investor demand — on a physical basis as opposed to speculative elements, some of whom would be using the futures market — is still doubtful," she said

Ignoring market sentiment and using only commodity analysis, gold was well-placed for an upswing, albeit gradual On the basis that marginal production costs plus 5% represented a realistic price, gold was fairly set at current levels and, given one had to add the metal's risk-insurance value, gold prices had an extra upside worth of 10% to 15%

Much higher gold prices would depend on strong economic growth or a financial crisis, but the scene was set for a gradual recovery

An investment panel, comprising Sumitomo Corporation precious metals dealing GM Kentaro Ojima, World Gold Council chief economist Richard Scott-Ram, and Commerzbank International SA Luxembourg director Ralph Kriekenbaum, agreed gold had lost its attraction as a store of value in many parts of the world

Popular

Ojima said Japanese investment was largely confined to small investors Kreikenbaum said the 1980s had seen persistent disinvestment of gold holdings in Europe About 40% of gold reserves accumulated in the 1980 to 1987 period had been sold, and although sales had dried up so far this year, he saw little chance that buying would pick up

Scott-Ram said gold was not the pariah it was made out to be in the North-American investment community, with billions of dollars invested in gold equities, and growing availability of "high-tech investment products" Derivative instruments increased the chances that institutional investors would hold on to their bullion, he said

Most importantly, there was a discernible gain in the metal's legitimacy as "inflation insurance" Scott-Ram said that before gold's speculative appeal soared amid the 80's gold boom, it was normally regarded as a form of insurance With doubts about world economic recovery and US institutions planning ways to counter the risk of a return to high inflation in 20 years' time, gold was making a slow return to respectability

Gold Fields mineral services consultant Tim Green said "Jewellery fabrication will comfortably exceed the record level of last year (more than 2 000 tons and in excess of new mine supply)" although the sector would support prices rather than driving them higher It was crucial to understand that 22-carat gold jewellery in the Middle East and far East (Excluding Japan) was regarded as both decorative and an investment

Robert Stitt, MD of Hong Kong-based Mase Westpac, said jewellery consumption was maintaining if not increasing its record levels of the past three years in Taiwan, South Korea, Hong Kong, Thailand and Malaysia Demand was growing in Indonesia and in China

Gold production at Westwits up 19%

B/Day 24/6/92.

(214)

JONO WATERS

GOLD production at Egoli Consolidated'sflagship West Witwatersrand (Westwits) increased by 19% to 2 605kg in the year to March 1992 from the previous year's 2 189kg, leading to a 56% increase in operating profit, chairman Norman Lowenthal said in the group's annual report

Westwits total revenue amounted to R84,6m (R68,2m), operating costs were R74,4m (R61,6m), leaving an operating profit of R10,1m (R6,5m)

Revenue earned was R32 466/kg (R31 133/kg) and with operating costs of R28 574/kg (R28 155/kg) an operating profit of R3 892/kg (R2 978/kg) was achieved

With 2-million tons of ore treated — an increase of 15,9% — the average yield went up marginally to 1,33g/ton from the 1,29g/ton achieved in 1991

Egoli has a 76% stake in the gold and diamond mining susidiaries of independent mining group Consolidated Mining Corporation (CMC) through holding company Southgo. Southgo's portfolio includes Westwits, Benoni, Witwatersrand Nigel (Wit Nigel), Nigel and Carrig Diamonds

□ Benoni, involved in dump retreatment, and slimes, processed nearly 2-million tons of slimes and sands at an average yield of 0,68g/ton.

Total revenue amounted to R44m, with working costs of R33,8m A profit of R10,2m was produced.

A total of 1 349kg of gold was recovered from the dumps and slimes Operating costs were R25 043/kg, revenue was R32 598/kg, realising an operating profit of R7 555/kg

□ Wit Nigel No mining operations took place last year Lowenthal said the feasibility of exploiting the mine's deep virgin ore reserves was being examined.

□ Nigel was placed in liquidation in March this year as a result of the low gold price, declining grades and escalating costs.

Lowenthal said the revival of a section of the mine was being investigated

□ Carrig Diamonds remained a "disappointment", said Lowenthal

The company sold the Ardo and Du Plessis mines for R3,75m and bought the adjoining Sover mine

A total of 345 689 tons of ore was processed resulting in the recovery of 24 991 carats of diamonds

Lowenthal said a rationalisation process at the diamond mines would produce better results in 1993

By clearing its debt of nearly R4m from its parent company CMC through a 10,6-million rights issue announced in May, Egoli would be debt-free and able to distribute the profits through dividends, said Lowenthal

He said he was optimistic that Egoli's dividend trend would continue. Egoli declared a dividend of 3c a share in May

Whites demand protection

213

Sowetan 24/6/92

THE white Mineworkers' Union has deplored attacks on its members after last week's Boipatong massacre near Vanderbijlpark,

The union yesterday warned that white workers would have to take steps to protect themselves.

In an open letter to Law and Order Minister Mr Hernus Kriel, MWU general secretary Mr W Ungerer said union members working for companies like Metalbox, Consolidated Wire Industries and Cape Gate near Boipatong had come under attack since June 15

Ungerer said: "The final straw was when a Mineworkers' Union member employed by Cape Gate was assaulted on his way to work and his car burned."

Union leaders immediately met employers and officials of the local commando unit.

"The union decided that police protection must be provided 24 hours a day, that shifts be altered so that shiftworkers commute in daylight, and that union members be provided protected parking areas. - *Sapa.*

De Klerk in Malaga stop over

Sowetan 24/6/92

Sowetan Correspondent

MADRID - In spite of South Africa's grave problems, State President FW de Klerk's jet stopped off at Malaga while en route to Madrid for official meetings yesterday with Spanish Prime Minister Felipe Gonzalez and King Juan Carlos.

De Klerk has cancelled a trip to the Expo world fair to return home to face the crisis.

On Monday night he was staying privately in the upmarket Miraflores suburb near Mias Costa, midway between Fuengirola and Marbella.

A spokesman for the Miraflores Club said the developers were South African and the director of the Club Playa at Miraflores was at one time Mr Henry Staub, a South African At the height of the anti-apartheid protests, a substantial amount of South African money flooded into the Costa del Sol.

FW DE KLERK

The complex also contains a British timeshare resort, a golf course and other sports facilities. Civil guards had been called in to watch over the South African president.

Storms

If De Klerk had hoped for sunshine during his break, he would have been disappointed After months of drought, Spain is currently swept by storms and rain that have caused severe flooding in many areas, especially in southern Spain near the Costa del Sol.

The Costa del Sol sprang to fame in the early '60s with the jet set resort of Marbella but more recently has been associated with runaway British criminals, arms dealers and drug traffickers.

Gold and platinum edge higher

B/Day 24/6/92 (213)

MERVYN HARRIS

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● See Page 6

Rusplat refinery hit by strike

(28)

CT 24/6/92

JOHANNESBURG — Rustenburg Platinum Holdings said workers had gone on strike at its base metals refinery, and it would apply for an urgent court interdict today to stop the action

Asked to comment on market talk of a strike at the base metals plant, MD Barry Davison said workers had been on an illegal work stoppage since June 19

"There will be no effect on plant output," he said, adding "We are managing to run it on existing staff and we have drafted workers in from other areas "

Analysts said Rustenburg, acknowledged to be the world's largest platinum producer, has been quiet on the labour front over the past year, unlike its competitor Impala Platinum, where recent labour unrest hit output

Davison said National Union of Mineworkers members had demanded immediate implementation of a five-day 40-hour working week. — Reuter

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Marginal rise in

Mine peace accord signed

B/Day 24/6/92 213

DIRK HARTFORD

THE NUM and Anglo American yesterday signed an agreement designed to "bring peace to our mines".

The agreement — first mooted during the 1987 mineworkers' strike — took more than four years to negotiate and embodies about 20 labour and civil rights described as fundamental in democratic societies

It also includes some carefully worded obligations on the parties in the exercising of their rights

In addition, the parties signed an agreement designed to short-cut dispute procedures in the event of dismissals

According to NUM assistant general secretary Marcel Golding, the agreement would allow "protest action to be regulated to ensure no injury or death to miners".

Anglo director Bobby Godsell said the agreement would "shape behaviour at the coal face" and said it was likely the deaths at President Steyn mine last year would not have happened if the agreement had been in force

He said he hoped the politicians had taken note of the agreement forged between parties with "vastly different philosophies and programmes" and suggested that business and labour should do something to help the transition process

While the agreement now allowed, for example, workers to sing and dance on mine property, it restricted what might be sung and danced about

Trade union toyi-toying and songs were full of derogatory references about the "enemy" and most would not be allowed under the code which disallowed "language and behaviour which may incite, be derogatory or give offence to others"

However, peaceful picketing and assembly and the right to freedom of expression and full disclosure of relevant information

☐ To Page 2

Mine accord

B/Day 24/6/92 213

☐ From Page 1

were among the rights laid down. In addition, the agreement committed the parties to a "positive programme of job and skills development to address past imbalances".

Hostels would not be segregated ethnically and would be run democratically

The agreement would be implemented by joint committees at regional, mine and shaft level

The agreement to expedite appeals against dismissals would apply only to NUM members, and involved appointment of union-nominated and company-paid dispute officers to facilitate a process of compulsory mediation and arbitration.

☐ NUM general secretary Kgalema Motlanthe said yesterday that, contrary to a report in Business Day that the union was unable to back the mass action campaign, miners had been marching and demonstrating in their thousands at Anglo and Anglovaal mines over the past fortnight.

Anglo, NUM sign pact to end violent conflict

STAR 24/6/92

(1 [redacted]

By Mike Siluma ([redacted]) (213)

After nearly four years of negotiations, the National Union of Mineworkers (NUM) and Anglo American Corporation yesterday signed a ground-breaking agreement aimed at banishing violent conflict on the mines while guaranteeing the democratic rights of mineworkers.

In addition, the parties agreed to a new dispute-resolution procedure, which provides for a private, speedier settlement of disputes and for conciliation

Speaking at a joint press conference after the signing of the agreement at Anglo's Johannesburg headquarters, NUM assistant general-secretary Marcel Golding described the deal as "a major agreement of historical significance" which would "ensure that protest action on the mines and democratic dissent is regulated to ensure no injuries or death to mineworkers".

This was especially important in the light of the present countrywide mass action, which the NUM supported

A key feature of the new dispute-resolution mechanism — in which disputes over dismissals will be settled by regional dismissal review committees — is that it enables the parties to avoid the long delays and high costs associated with settling through a conciliation board or the Industrial Court

The dispute-resolution agreement will cover only NUM members.

Describing the agreement as hopeful and constructive, Anglo American executive director for industrial relations Bobby Godsell said. "I'm convinced that had the code of conduct been signed and implemented, it could have avoided the deaths at the President Steyn gold mine in November "

At the time, violence at the mine, related to the anti-VAT strike, claimed 86 lives and left more than 400 people injured

Mr Godsell said he was optimistic that Anglo would be able to persuade the other unions on Anglo mines, such as the all-white Mineworkers' Union, to enter into similar agreements

Among the provisions of the code of conduct are:

- The right of workers to peaceful picketing, assembly and freedom of expression
- The right to a healthy and safe working environment and to human dignity and equality

On the flip side, inflammatory language and behaviour will be prohibited, as will the wearing of political insignia and the carrying or displaying of weapons at the workplace

Hostels — the scene of most mine violence over the past few decades — will no longer be segregated on ethnic lines and will be run "democratically", but with management retaining the responsibility for their management, according to the signatories.

The agreement was signed by NUM president James Motlatsi, Anglo gold and uranium division chairman Clem Sunter and Amcoal chairman Dave Rankin

SA can still benefit from gold windfall

BDay 25/6/92

(214)

JOHN HANDLEY

THE report "No future for SA gold mines — Bank" (Business Day, June 19) did not contain the full text of the interview with Reserve Bank Deputy Governor Jaap Meijer in London. However, it gave the impression that he is ill-informed about the state and strength of the gold mining industry.

His comment that it is a "declining industry" which would eventually "fade away' is in fact true in the very long term — 50 years or more However, in the planning for the next 10 years, there is strong evidence that SA gold production will remain close to 600 tons a year and may, in fact, rise to slightly above this figure as new facilities, such as those at Kloof and Oryx, come on stream to replace the closure of smaller mines.

Gold production is closely related to price. If the price continues to languish below $350/oz, practically all mines will be forced to mine higher grades, increasing gold output for a few years and keeping SA still top of the league of gold producers This will be an unhappy scenario as much marginal ore will be left underground, never to be extracted.

However, should the gold price rise to the $400-$450/oz level, the lives of existing mines will be extended and at the same time development of already discovered ores would see SA keep its production well above 600 tons a year to about the year 2010 Yet higher prices would see renewed exploration in SA, and the best location in the world for discovering large ore bodies with gold contents in the range of 250-2 000 tons remains the Witwatersrand rocks

SA, within existing mining leases, still has about 18 000 tons of unmined gold. This is far greater than the Central Bank holdings of any single country, the largest of which is the US with 8 149 tons of gold at the end of 1991 The policy in SA should be directed towards getting maximum benefit from this natural windfall. Possibilities include

☐ Control of inflation to allow the mines to operate in a far more competitive climate,

☐ Creating a gold spot market in Johannesburg by imaginative mine taxation, and

☐ Permitting mines to retain gold as bullion indefinitely if they are able to create a surplus beyond their immediate needs

There are also possibilities of creating use for gold locally, thereby reducing sales on the world spot markets by, for example

☐ The issue of R500, R200 and R100 gold coins of nine carat gold in which the gold content of the coin is one half of today's gold price,

☐ Naming individual mines on coins so that a large number of different (but essentially similar) coins would become collectors' items on a world wide basis,

☐ Creating 10-year gold instruments, against immediate payment, whereby 1kg (or larger) gold bars can be purchased for delivery ten years hence, interest earned to be credited as gold,

☐ Creating mechanisms, as in Japan, for the purchase of small quantities of gold by payments over an extended period, say, 12 months, and

☐ Encouraging the production of low-labour, high-carat gold jewellery items in AuTi (99% gold) and AuCu (22 carat) to enable investors to get pleasure from their "gold" investment

These measures could remove many tons of gold from world spot markets and build up resources in SA The salutory effect this would have on the gold price would immediately generate additional wealth for the country.

The use of gold internally would not detract from the balance of payments as it would generate capital internally, thereby reducing the necessity for imported capital As a short-term measure to create resources to "kick-start" the project, some restrictions against luxury imports such as cars, art objects and wines, all of which are locally available, might be considered SA manufacture of capital goods, funded by local capital, could also drastically reduce imports

SA has incredible buried wealth The proper exploitation of this wealth should be directed towards the generation of internal development leading to job creation, financial strength and wealth distribution throughout the nation It is still not too late to creatively exploit our greatest natural asset in ways better than have been followed for the past 100 years

Much of what has been written about gold applies also to platinum group metals, and their creative marketing and selling with a spot market created in Johannesburg should be considered as well

☐ **Handley is a geological consultant with Kaplan and Stewart.**

LABOUR

Code for peace on Anglo mines

Wlmail 26/6 - 2/7/92

(213)

A ground-breaking code of conduct for Anglo American mines was signed this week. **FERIAL HAFFAJEE** *analyses the new accord*

IN the tradition of "new" South Africa conventions and accords the National Union of Mineworkers and Anglo American Corporation this week signed a Code of Conduct aimed at delivering "peace on our mines"

Senior unionists and managers signed the code under the gaze of a Harry Oppenheimer portrait at Anglo's stately Johannesburg offices on Tuesday

And in a related groundbreaking development, the union and the company also signed an agreement to establish an in-house dispute resolution mechanism for dismissals and other labour disputes

Anglo director Bobby Godsell said· "South Africa can take some hope from the signing of this code," adding that he hoped it would "make transition easier"

The Code has been four years in the making — the idea was first mooted after the mineworkers strike of 1987 which rocked the Reef and dealt collective bargaining a severe blow

Finalising the code was speeded up to satisfy a number of the recommendations made by the Goldstone Commission of Inquiry into the violence at Anglo's President Steyn mine last year when 86 miners were killed and more than 400 injured

But the lengthy gestation of the code has seen many of its provisions overtaken in the past four years, not only on Anglo mines, but also on other mines which negotiate at the Chamber of Mines

The right to picket, to peaceful assembly, to freedom of association and to human dignity and equality are examples of rights widely accepted on most mines, if only on paper.

More novel rights Anglo has now committed itself to are·

●Safer mines

●Full disclosure of relevant information

●"A positive programme of job and skills development which will redress past imbalances "

●Hostels no longer divided along ethnic lines

In a timely and important development, Anglo accepted "management's fundamental responsibility for the ~~management~~ management and maintenance of good order in the hostels" The Boipatong massacre has thrown the issue of corporate responsibility for hostels into full focus

The code also provides that workers will be allowed to meet freely, that mines will make meeting places available and that "traditional and cultural expression in the form of singing and dancing will be allowed"

This carefully worded clause is an allusion (and solution) to those mines which prevented workers from toyi-toying during demonstrations. It is up to the union to control meetings and ensure "that behaviour which could incite violence does not occur"

In the nature of negotiations, the union too has had to make commitments on behalf of members Miners will commit themselves to not use derogatory language and behaviour, not to carry weapons and not to wear party political insignia (presumably buttons and T-shirts) at the workplace

Management has the right to act where there is a "perceived threat to good order" and this action could include searches and other "lawful action"

Striking a vote of no confidence in lengthy and expensive legal proceedings the NUM and Anglo have set up an "Individual Dismissal Dispute and Adjudication procedure"

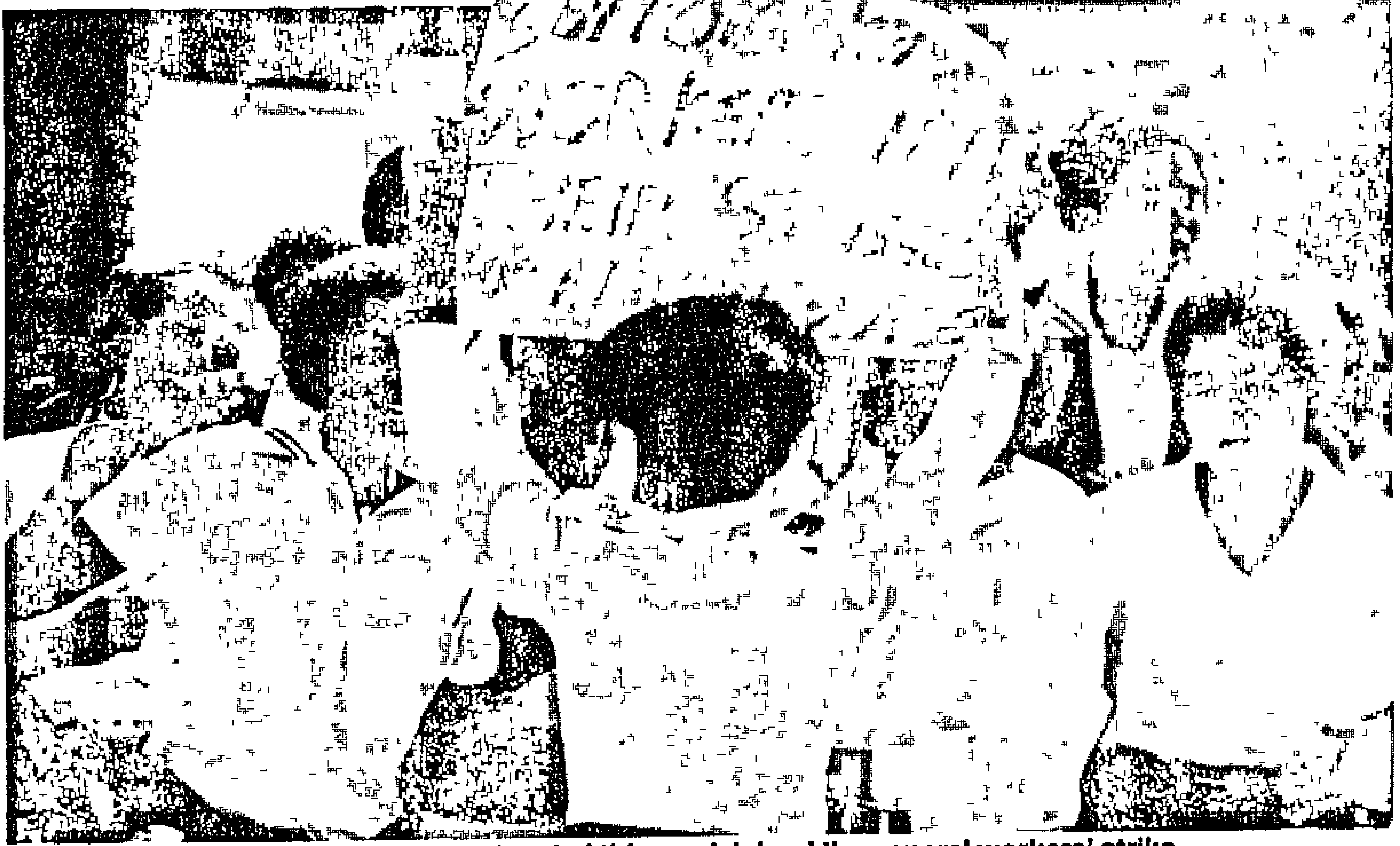
It is designed to bypass the courts, does not require lawyers services (or fees) and provides quick relief. Within 10 days of a miner's dismissal, he will be granted a hearing before a Regional Dismissal Review Committee which will consist of equal numbers of union and management representatives.

Both the Code of Conduct and the dispute resolution procedure apply exclusively to members of the NUM.

This is in line with the union's plans to make the road a lot more rocky for "freeriders" — workers who are not members of the union but who benefit from union negotiated gains

Asked whether this code stands a chance of succeeding where bigger plans like Codesa and the National Peace Accord have gone awry, Godsell said "We have no appetite for signing pieces of paper that mean nothing in practice "

NUM assistant general secretary Marcel Golding acknowledged that "the Code of Conduct needs a lot of work to ensure that the rights are understood But there is a commitment on our part and we believe it is a step in the correct direction".



Bara bop ... Nurses at Baragwanath Hospital this week joined the general workers' strike

Photo· GUY ADAMS

FM 26/6/92

GFSA's MERGER PLAN (214)

Who will benefit?

Will Gold Fields of SA's (GFSA) proposed supermine — involving the "integration" of Kloof, Libanon and Venterspost — get off the ground? Market talk suggests the reaction from institutional investors, especially overseas, is disapproving

The first indication that the option was being discussed emerged a few days ago in a statement from mine manager GFSA

Two European institutions told one Johannesburg market analyst that they had bought Kloof shares as an investment in a sound, high-grade, low-cost producer, they were unwilling to be saddled with a stock weighed down by its involvement with two marginal gold producers GFSA executive director Mike Tagg said all he knew about investor disapproval was what he had read in the press

The market was clearly taken by surprise by the GFSA announcement One analyst suggested GFSA's decision to make its deliberations public was inspired by above-average trading in all three stocks the day before Venters rose 35c on a share price of 125c, Libanon rose 20c on a price of 200c, but Kloof lost 100c on a price of R29

Tagg says the announcement was made in compliance with JSE requirements "It had nothing to do with market speculation," he says "I know it may be trying, but shareholders will have to await the next announcement which we will release as soon as clarity has been reached "

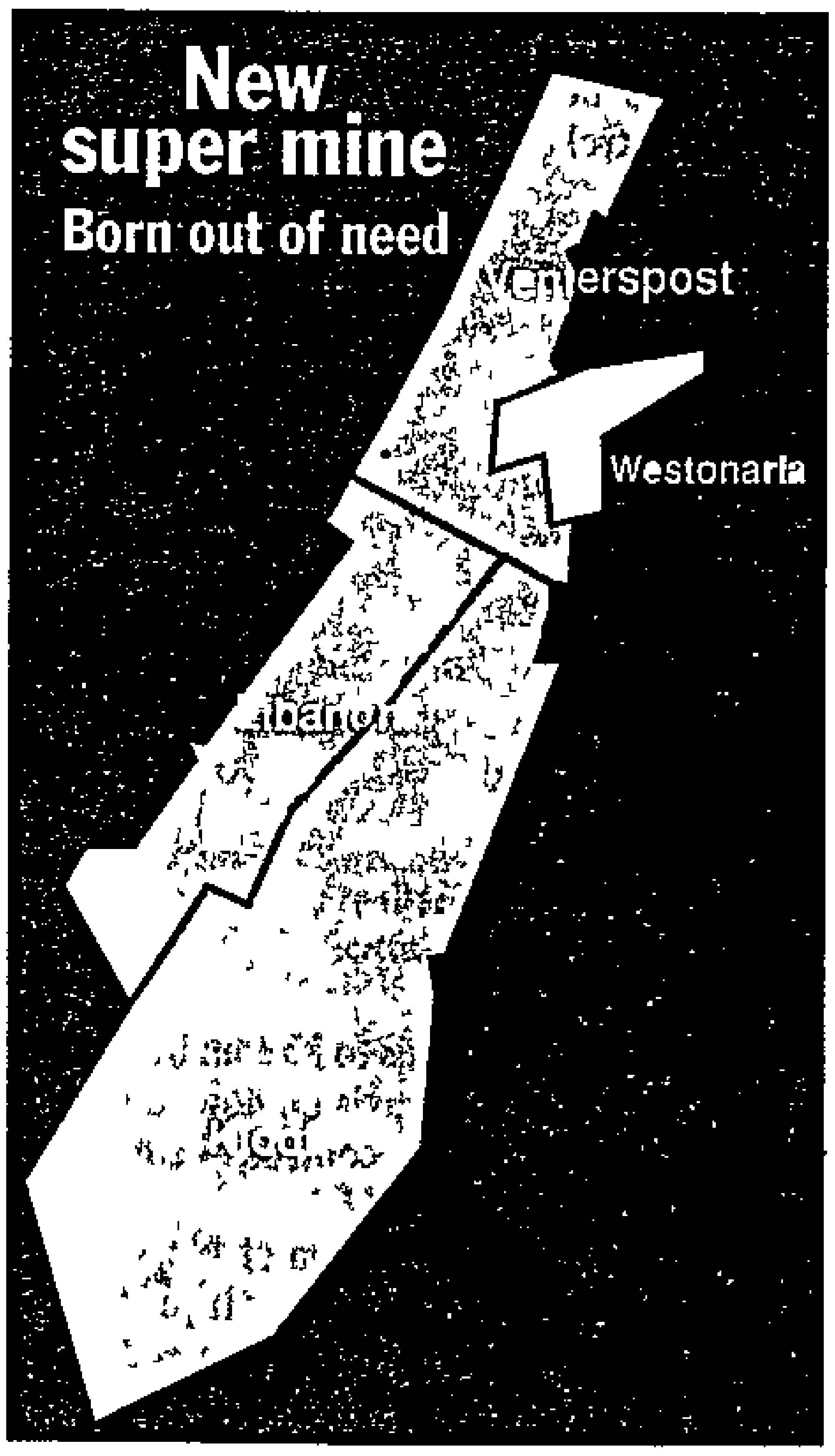
If it does go ahead, the merger will produce a mine with a monthly milling rate of about 500 000 t and an average recovered grade of about 8,6 g/t, compared with Kloof's present grade of 11,7 g/t This will make it one of SA's largest gold producers, ranking in size with Driefontein

The proposed merger will have been initiated by continuing poor results from Libanon and Venterspost Stockbroker Irish & Co mining analyst Duncan Ingram says Libanon has the better chance of the two of surviving as an independent producer Libanon has only just begun what GFSA calls a "rationalisation" programme — meaning cost-cutting — and, says Ingram, "its grade and established ore reserves are far more robust "

Venterspost has been battling financially since 1990 It has consistently recorded losses since the September 1990 quarter A rationalisation programme undertaken nine months ago has produced good results the mine's working costs have fallen from R146 per ton milled in September last year to the present R132 — not bad in an industry beleaguered by continual price rises

At least part of this cost-reduction was achieved by a reduction in the milling rate This should have been accompanied by an improvement in the recovered gold grade, however small Unfortunately, the reverse occurred — grade has fallen from 4,1 g/t recovered last September to the current 3,6 g/t

A rights issue by Venters in February 1990 raised R160m Nearly all of this has been applied against the development of the new No 4 shaft system, designed to exploit the extension area between Venters and Randfontein Ingram says he believes results from the area have been disappointing



Venters' financial position is that it probably holds about R15m from the rights issue and its reserves from previous years will have been reduced substantially in funding recent working losses Options attached to the rights issue are due to be converted in November at a price of R6,50 each Since the share price is significantly lower at 135c, it is unlikely anyone will convert and the company's chances of raising the intended R49m are remote

For any amalgamation or merger to take place in the gold mining industry, the properties must be contiguous to one another and the merger must receive the sanction of the Government Mining Engineer After a merger, the tax losses accrued in one area can be applied against the tax liabilities of other mining areas within the merger On this basis, the accrued losses of Libanon (R84,4m) and Venters (R334,1m) may be applied in reducing the lease and tax liabilities of Kloof

On the face of it, that doesn't sound a bad arrangement However, the reverse of the coin is that Kloof will have to pick up the continuing losses of Libanon and Venters and will be required to fund continuing capital expenditure

This is substantial Ingram estimates that Venters and Libanon between them will require capital expenditure at a rate of about R60m a year over the next four years Kloof and Leeudoorn divisions are estimated to spend about R240m a year over the same period This means the supermine's capital requirements will run at around R300m each year for the foreseeable future

It is these aspects which may be raising most doubt in investors' perceptions The effect on bottom-line distributable earnings for Kloof could be a reduction of as much as 10%, says Ingram That will certainly not please present Kloof shareholders

Among the issues raised when Anglo American Corp formed its megamine, Freegold, were the limitations of choice placed on shareholders who would no longer be able to discriminate between the operating divisions (formerly individually listed companies) It will be interesting to see how GFSA handles the matter this time Will investors be able to choose from Kloof, Leeudoorn, Libanon and Venters divisions? Or will the choice be reduced to one or nothing?

The irony of the proposed merger is that GFSA has long set its face against the trend, initiated by Anglo, towards much larger operating mines Anglo cited flexibility and economies of scale in defending its decisions Now GFSA is joining the pattern This about-turn in its position can only have been born out of need How GFSA persuades Kloof shareholders, already somewhat miffed about carrying the Leeudoorn expansion programme, that this new merger is in their interests will be the key to the operation

David Gleason

HUDACO FM 26/6/92

Kicking in

Based on these figures, Hudaco's R75m Valard acquisition is already paying off The acquired operations would have made a positive contribution to EPS had R300 000 (equivalent to 1c a share) in transaction costs relating to the deal not been deducted As this is a one-off cost, the acquired group should start making a positive contribution

Cont →

Gold forward selling prices go down

BDay 29/6/92

(214)

JONO WATERS

THE forward selling of gold has little advantage to producers in the short-term, as the gold price premium on hedging has almost evaporated, says Chamber of Mines senior economist Ivor Leibowitz

In the chamber's latest newsletter, released at the weekend, he said producers were now receiving far lower prices for gold forward sales than in the recent past, and the inability of producers to secure a significant price premium had prompted them, generally, to move out of the forward sales market

"It appears their action is not necessarily a move away from the principle of forward selling, but rather a signal the forward sale gold price is no longer at sufficient premium to tempt producers into the market"

Leibowitz said producers were awaiting a higher gold price which would provide the platform for new higher-priced forward sales He said forward selling was particularly important for marginal gold mines, as in the past it had assisted producers by securing higher prices

However, the present margin between the forward sale price and the ruling gold price was too small to be any incentive, even for marginal mines with "their backs to the wall"

Meanwhile, the Chamber of Mines productivity monitor, which tracks the industry's performance by measuring the rand a kilogram value of quarterly productivity change and the gold price recovery, showed the chamber's gold producers achieved overall improvement in productivity

An improvement of R534,30/kg of gold in this year's first quarter exceeded the equivalent productivity improvement of R493,50/kg for gold production in the fourth quarter

However, no financial advantage was gained from either quarter's productivity gains because of the simultaneous price underrecoveries

In the latest quarter, the gain coincided with a price underrecovery of R947,53/kg, which produced an overall decline in unit working profit of R313,23/kg (R140,25kg for the previous quarter)

The lower gold price also contributed to a decline in the rand/kg unit working profit, which fell from R7 268,55 to R6 916,10

Gold mines post productivity gains

STAR 29/6/92

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Finance Staff

If the financial well-being of gold mines depended only on productivity performance, they might have had cause for some celebration after the posting of 1992 first quarter results, says the Chamber of Mines in its latest Newsletter

The Chamber of Mines Productivity Monitor, which tracks industry performance reveals that member gold producers achieved an overall improvement in productivity equivalent to R534,30 a kilogram of gold produced in this year's first quarter.

"In the current gold mining industry climate, the reporting of a positive (rather than a negative) shift in productivity is a welcome development," the Monitor says

"It is made even more pleasing by the fact that it exceeds the equivalent productivity improvement of R493,50 a kilogram posted by the mines for gold production in the fourth quarter of 1991"

Unfortunately, no financial advantage was gained from either quarter's productivity gains because of simultaneous price under-recoveries

In the latest quarter the gain coincided with a price under-recovery of R947,53/kilogram which produced an overall decline in unit working profit of R313,23 per kilogram.

In the previous quarter this bottom-line deficit was held down to R140,25 per kilogram.

The mines' inability to narrow the gap can largely be attributed to the lower gold price in the period.

As a group, the mines evaluated by the Monitor achieved a marginally higher total working revenue, but the lower average unit price realised for their production contributed significantly to a decline in the rand per kilogram unit working profit, which moved from R7 268,55 to R6 916,10

"Unfortunately, conditions indicate that if the trend in the gold price continues, mines can expect to see a widening rather than a narrowing of the deficit between productivity contribution and price under-recovery".

According to the newsletter, it is apparent that the price under-recovery gap will continue to be a problem for gold mines unless there are significantly higher gold prices or unless new hedging contracts for forward sales can be written at higher prices than are being obtain at present.

Market in forward gold sales has lost much of its appeal

STAR 29/6/92

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The price premium available for gold forward sales has all but evaporated and it would seem that, at least in the short term, there will be little to recommend forward selling to gold producers

That's the view of Chamber of Mines senior economist, Ivor Leibowitz

According to a report in the Chamber of Mines Newsletter, he says that working results reported by gold mines in the first quarter of 1992 already indicated that producers were now receiving far lower prices for their forward sales than previously

"Barring a sharp rise in the spot gold price, it is expected that the average price achieved from gold sales is, as a result, likely to fall further in the coming quarter"

The mines' inability lately to secure a significant price premium through forward selling has, says Mr Leibowitz, prompted producers generally to opt out of the forward sales market

"It appears that their action is not necessarily a move away from the principle of forward selling, but rather a signal that the forward sale gold price is no longer at a sufficient premium to tempt producers into the market."

Producers, he adds, are now biding their time, awaiting higher a gold price which would provide the platform for new higher-priced forward sales

The loss of sparkle in forward selling is particularly important to the gold mining industry's marginal producers

Forward selling has, in the past, assisted these producers in securing higher prices for their output.

East Dagga now cheapest producer

STAR 1/7/92

By Derek Tommey ㉑④

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East Daggafontein, which recovers gold from sand and slimes dumps, seems well placed to benefit from any improvement in the gold price.

In the year ended March, the increase in production costs was restricted to 7,6 percent, resulting in it costing the company R16 957 to produce a kilogram of gold, reports the chairman, Mr EPH Bieber.

This made the company the lowest cost gold producer in the industry. The current gold price is R30 500 a kilogram

Its subsidiary, Dumpco holds rights to 12 slimes dams on the Far East Rand containing about 344,4 million tons of gold-bearing slimes, with estimated grades ranging from 0,23 grams to 0,72 grams a ton.

Mr Bieber says that the capital expenditure on the new slimes dams had depressed short-term earnings and dividends but the material would add significantly to the future profitability of the company.

Earnings from dump material dropped from R27,1 million to R16,9 million in the year ended March Profit before tax was R17,1 million (R29,8 million) and taxed profit was R8,974 million (R14,8 million) equal to 61c (104c) a share.

A 56c (100c) dividend was declared

FM 3/7/92

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"Our commitment to free market principles should not be in doubt But it is naive in the extreme to expect us to play by these principles when the realities of the market we are operating in clearly do not exhibit them Indeed, it is precisely because of our strategic aim to become more price competitive in a freer market that we have requested the additional tariff protection It will enable us to reduce our unit costs by going for increased volumes — while at the same time boosting our exports "

So, local consumers are being asked to make Haggie more profitable while it works on its long-term plan Murray doesn't disagree

"Haggie Rand is well on its way to becoming one of the most technologically advanced and price-competitive rope manufacturers in the world It has the capacity and means to be a significant worldwide player in the industry The use of properly targeted tariffs will get the company there quicker Surrendering in the face of artificially cheap imports will not "

Haggie's application may be one of Trade & Industry Minister Derek Keys's first tariff decisions and in his six months on the job, his comments have shown great sympathy for industries that crave protection and higher profits and little sympathy for the consumers who must pay the inflated prices and for the unemployed workers who can't find jobs because protection has made the economy uncompetitive Last week, he reiterated that "industrial development could not be sacrificed for the lower cost of products which reducing trade tariffs might bring "

If Keys's protectionist leanings are carried out in practice, a flood of applications for higher tariffs may come pouring in

As Bosomworth notes "Haggie's application is the thin end of the wedge, with further applications to follow if it's successful Increased duties will render important downstream manufacturers internationally uncompetitive, while primary producers continue to distort the economy, using exports as justification for their actions ". ■

[Sector 'Engineering' see McGregor's]

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IMPORT TARIFFS FM 3/7/92

Haggie's wire trap

Haggie Rand's application for a fivefold jump in tariffs on a range of imported steel and iron products is meeting with an increasing amount of flak

Haggie wants tariffs to go from 5% to 25% on non-insulated stranded wire, wire ropes and cables, which are used in the mining industry It wants the same tariff hike on "wire of iron and non-alloy steel," used extensively in beds and mattresses

Bill Emmett, the chairman of the Chamber of Mines' purchasing subcommittee, says the higher tariffs would increase mining costs by more than R20m a year

"Steel wire rope is extensively used by the mining industry We are extremely concerned over this application because it would counteract all industry efforts to contain costs "

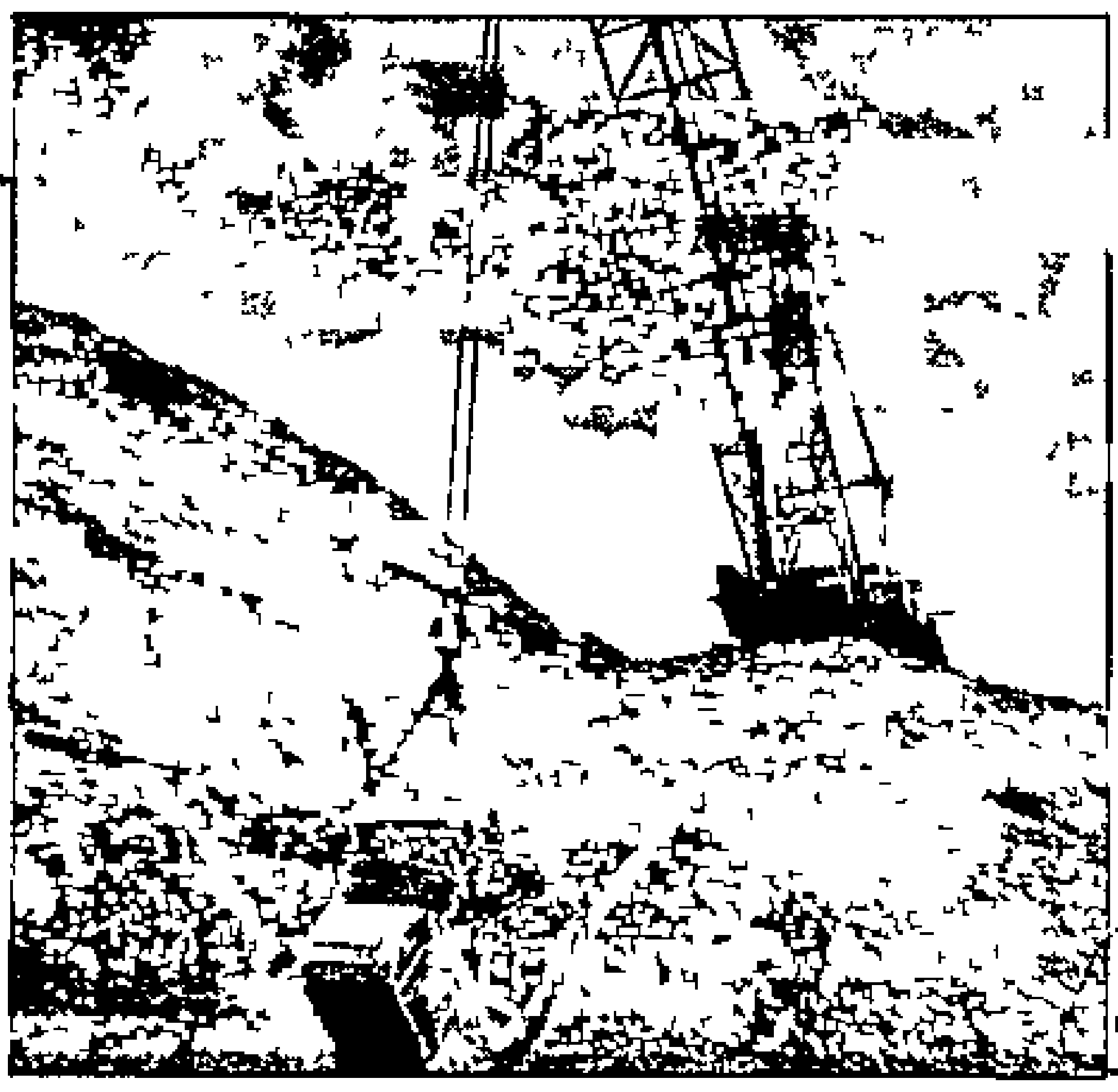
Genmin, for one, buys R42m worth of stranded wire ropes a year, with about 5% imported An Anglo American spokesman says that to keep the escalation of unit costs down to "as close to zero as possible," it has asked suppliers to keep their price increases modest "It is as much in their long-term interest to do so as ours," he adds

In its application to the Board on Tariffs & Trade, gazetted on April 24, Haggie asked that the higher, 25% tariffs be retained for five years to allow it time "to improve efficiencies and effectiveness " It adds "The company requires support in the form of increased duties for a limited period of nine years (which includes a 5 percentage point a year reduction over four years) to be able to achieve its objectives "

Hogwash, says Robin Bosomworth of the Independent Wire Converters' Association, which wouldn't be directly affected by the higher tariffs but feels that if the application is approved, it would enable Haggie to move eventually into its markets "Our association rejects Haggie Rand's application for increased duties as an exercise in increasing profits and harassing potential competitors Haggie is a neo-monopoly in high carbon wires, ropes, strand and cables and wants higher domestic prices for its product "

He also points out that as a large exporter and a world leader in the manufacture of many mining items, Haggie makes a poor candidate for protection

As with most tariff applications, Haggie's request has the insidious effect of shutting down most of the imports in question because importers are reluctant to sign import contracts with the possibility that tariffs could be raised at any time "This enables Haggie to achieve higher prices even while the application is under consideration, therefore, the application will be a worthwhile exercise," Bosomworth says



Haggie Rand *mining higher protection for profits*

FM 3/7/92 214

MD Chris Murray says Haggie, the dominant supplier of wire rope to the local industry, has to compete with local rivals and overseas suppliers And he says Haggie has no intention of hiking its prices to local customers, even if tariffs are increased

"The landed costs of these imports (mainly from Europe and the Far East), now running at about R100m, are far from free and fair, and benefit from both government support and price cutting due to chronic overcapacity in the world wire rope industry, while cross-subsidisation also takes place within major European manufacturers "

And, he adds, local steel prices are formula-rated, "meaning we have to pay far more for it than if we had direct access to world prices " Sales volumes have also shrunk in the current recession, putting "severe strain on margins and profits."

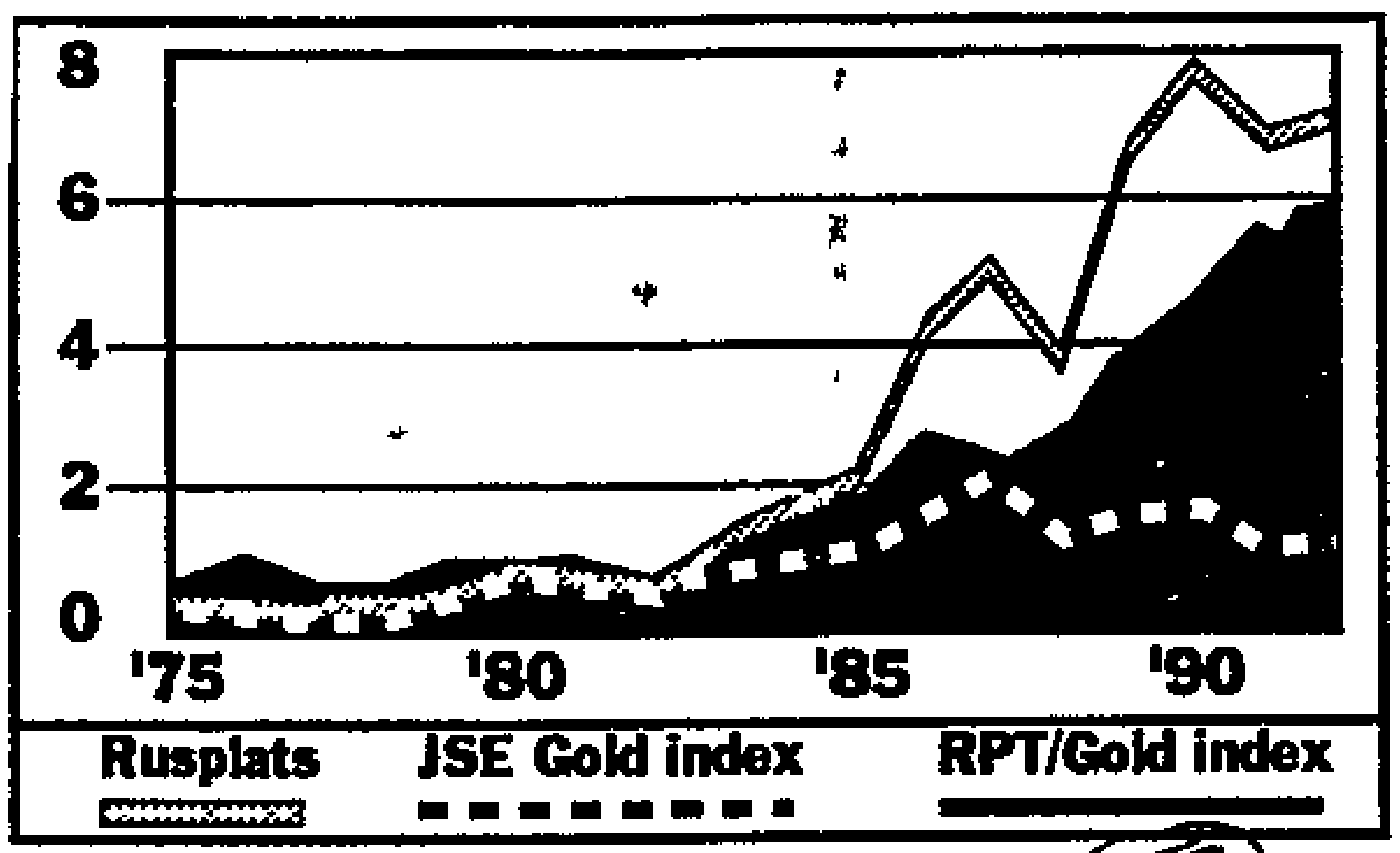
Bosomworth responds that "Haggie became a conglomerate in the halcyon days of permit protection and apparently greed knows no end It enjoys huge comparative advantages such as natural geographic protection of 15%-20%, an import surcharge of 5%, existing duties of 5% and a 10% convenience factor "

He adds "Whatever increase the board awards Haggie will be reflected in domestic prices proportionately (import price parity) It is not for government to award Haggie fat and comfortable prices and profits at the expense of industry and the economy, or to encourage it to sit back and become inefficient when it should be concentrating on the more competitive export market "

And, he adds, the two-tier pricing that exists across the entire range of Haggie products means that its domestic prices are already, on average, 40%-50% higher than its export prices "Why distort prices further — two-tier pricing does not even exist in Europe because of the level of internal EC competition "

But Murray remains adamant that Haggie's intentions are noble

RUSPLATS VS GOLDS



Platinum brighter than gold

(214)

5/7/92 ST Times (Buss)

PLATINUM'S $20-an-ounce rise to above $380 a week ago is timeous endorsement for a paper presented at May's Boston Gold Show

Three people, all British incidentally, spoke about South African precious metals and equity, highlighting the opportunities opening up for foreign investors now that economic sanctions are on the wane.

Mike Bedford of stockbroker Silvis Barnard Jacobs Mellet presented Platinum — a portfolio perspective Mr Bedford's aim was to show that even when gold and platinum are similarly priced, the performance of shares in the mines can be dissimilar

His research shows that leading producer Rustenburg Platinum has outperformed the gold index sixfold since 1983 The relative price performance of the metals has not been as dramatic. The reason behind Rusplat's run from 1988 is in part increased contributions from co-products, mainly nickel and rhodium, and from increased production.

Historical performance provides two conclusions platinum shares should outperform golds in an environment of high growth and low inflation, and platinum shares benefit from a bull run in the gold price.

Relative to golds, platinum shares offer diversity, says Mr Bedford Their investment merits are independent of the state of the economy because of the fundamental supply and demand advantages. They have relatively limited downside and considerable upside.

Mr Bedford says that in the longer term there is no good reason to invest in golds as opposed to platinums.

He says the oligopoly JCI, Gencor and Lonrho, is more able to keep platinum supply and demand matched than can producers do for gold. This should ensure platinum's long-term profitability.

Platinum outperformed gold in the last big bull run from mid-1979. Current profit margins in platinum are similar to those of 1983 — the start of a major bull run for the shares.

Another plus factor is potential secondary supply Central banks hold the equivalent of 25 years of gold production But only 3,5-million ounces — less than a year's total supply — of platinum is in investors' hands

Mine, union poised to make historic deal

B|Day 6|7|92

ALAN FINE (214)

RAND Mines' Harmony gold mine has become the first in the industry to respond positively to the NUM's proposal for the introduction of an agency shop system for non-union members

NUM assistant general secretary Marcel Golding said he hoped Harmony's response to a "legitimate" union proposal would make an impact on the Chamber of Mines which has, so far, refused to make any concession on the issue.

Because of its perilous financial situation, Harmony is holding its annual wage talks separately from the NUM/Chamber of Mines talks

The proposal is one of a number of unusual features of a proposed wage package designed to rescue the mine from closure Other management proposals include a particularly low wage increase and special arrangements regarding flexible work practices and wildcat strikes

Rand Mines gold division human resources executive Richard de Villiers said at the weekend the final agreement could be a "trail-blazing" one for the industry

Harmony management has proposed the establishment of a "collective bargaining fund" into which non-union members would be required to pay a monthly fee Although the exact amount was still under consideration, it could be the equivalent to the union subscription — 1% of salary

The arrangment would apply to about 15% of 11 000 workers in relevant job categories who were not union members

In terms of the proposal, half of those contributions would be paid over to the majority union — the NUM now — while the remainder would be used to contribute towards the cost of various collective bargaining activities carried out by the union, management and non-union members

De Villiers said this was not, strictly speaking, an agency shop arrangement

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Mine

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☐ From Page 1

It was designed to meet both union and management concerns The union was concerned about the problem of "free riders" — where non-union members benefited from negotiated improvements in wages and working conditions which they did not pay for through union subscriptions

Management believed this to be a legitimate union concern.

At the same time, it also satisfied management's concerns about freedom of association — that no individual employee should be forced to join a trade union against his will The fund would be administered by management.

De Villiers said the proposed fund could be used to finance activities like mediation, industrial relations training for worker representatives, negotiators' travelling and accommodation expenses, and payment for collective bargaining venues

Precise details regarding the flow of money through the fund were still under consideration Golding said while the proposal was not "perfect", it was a framework which did address union concerns

The monthly wage increase offered by Harmony at this stage is R25 across the board, the equivalent of 1,4% to 4%, according to Golding.

A profit sharing scheme negotiated last year, in terms of which workers' earnings were significantly supplemented, would remain in place

Management had proposed certain changes to a productivity bonus scheme

De Villiers said Harmony had made substantial productivity gains in recent years and had also successfully implemented the productivity agreement negotiated last year The latest proposals were designed to further improve productivity

Other management proposals being considered by the union include the establishment of flexible working practices, and a plan to regulate non-procedural work stoppages in a manner that would, among other things, mitigate the effects of political strikes

Golding said the NUM was not opposed to either of these in principle

The union believed that work flexibility could be achieved only through the enhancement of workers' skills

He said Harmony had recognised political stayaways as a legitimate form of protest In return, the NUM recognised Harmony's circumstances and was therefore "examining ways of minimising the impact of stayaways on the mine's profitability"

☐ Wage talks between the NUM and the chamber are scheduled to resume today following the walkout staged by the union 10 days ago in response to news that hostel premises on Gold Fields' Greenside Colliery had been rented out to a Koevoet paramilitary unit.

Poor grades force Sallies to cease operations

BDay 6/7/92

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EDWARD WEST

OPERATIONS at Anglo American's 29,5%-held SA Land & Exploration Company (Sallies) dump retreatment plant would cease on August 6, its directors announced at the weekend

Disappointing grades and low gold prices meant gold extraction could no longer be treated profitably. To minimise retrenchments, efforts were being made to relocate Sallies' 261 employees

However, the directors said the company's cash reserves were expected to be adequate to meet closure and clean-up costs

Depending on environmental liabilities — which were limited to environs surrounding the plant as most of its dumps had been sold — a modest dividend could be declared

Its London stock exchange listing would cease from the close of trading on August 7 Sallies would, however, continue to be listed on the JSE Results for the quarter to June 30 1992 would be published on July 17

Sallies' 1991 annual review warned of the possibility of closure The review said that in spite of hedging a portion of production, the company's remaining life would depend on an improved rand-gold price and grades

Dump grades had proved disappointing and with the gold price drifting lower, the company was incurring operating losses

Optimism over mines despite low gold price

B/Day 7/7/92 (214) [illegible]

MADDEN COLE

IMPROVED performances could be expected from a number of gold mines in the forthcoming quarterlies, in spite of the low gold price, Fergusson Bros, Hall, Stewart and Co gold analyst Trevor Pearton said yesterday

In the JCI group a significant turnaround could be expected in the results by Western Areas due to new management

"The mine has improved under the new management, and it even considered paying a dividend for the past six months If this performance is maintained, it is likely a dividend will be declared for the next half year"

However, costs were tied in by mechanised mining and the mine's ability to cut costs drastically was limited

Randfontein Estates, having achieved its goal of R70m capital reserve, would now be able to revert to a full declaration policy which should yield an increase in dividends

"As things are, management is running a tight ship"

HJ Joel's results should continue in the improving trend

The full effect of its cost-cutting improvements should become evident in the September quarter after the August commissioning of the new underground rail system

The mine has potential to show further improvements, but grade still had to go up another half gram to 7g/t

Western Deep Levels should comer back this quarter after severe seismic activities hampering production in the April quarter

"So it should come up with a better set of figures"

Gold Fields' results generally were expected to be flat

No big change was foreseen for the Anglo mines

Vaal Reefs' tight operation should produce slightly better figures.

Freegold's cost-cutting programme and forward gold sales had improved the mine's performance considerably.

The mine should be well positioned when the gold price starts rising again.

Anglovaal's Harties, on the other hand, would be hard-pressed to maintain figures at the present gold price

In the Genmin stable, Winkelhaak's results should look better on paper, but Pearton cautioned that the mine still had to take a decision on the No 6 shaft

Performances of both Beatrix and Kinross should be steady, but Leslie should record better than the previous quarter's results

Harmony's problem was its huge low-grade reserves

The geography of the mine made it impossible to mine selectively

While the gold price remained low the mine had a short life, but this would change with a rise in the gold price, Pearton said

Forward sales 'may help ease GFSA's problems'

B/Day 7/7/92

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NANCY KEATES

GOLD Fields of SA (GFSA) manages some of the industry's most profitable gold mines.

However, analysts say the mining house's autocratic management style is hurting its mines They say second-quarter earnings will reflect the company's inflexibility on forward gold sales and labour relations

SA's gold mines continue to battle falling gold prices The average rand gold price fell sharply to R963/oz in the second quarter of 1992 from R992/oz in the first quarter

A low gold price received was given as the reason for the 1,9% drop in GFSA's first-quarter gold mining net income and the fourth quarter's 5,7% fall GFSA gold interests' after-tax profit for year to June 30 1991 fell 19% to R170m from R210m a year earlier

Analysts expect its after-tax profit to have fallen to less than R170m for the latest year They say the mines which make profits will be the ones able to obtain higher gold prices through forward selling

GFSA refuses to engage in this practice Although its management will not say why, reasons given by other mining houses include the depressing effect on the spot market price of gold and the theory that playing the futures market is not one of management's responsibilities to shareholders

With gold prices expected to remain fairly level for the next few years and inflation keeping costs high, analysts say GFSA should reconsider its forward-selling policy

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GOLD Fields of SA said yesterday its quarterly report, expected today, would be delayed until July 14 to allow for advance comment on the proposed integration of operations at the Kloof, Libanon and Venterspost mines

Analysts say the merger is being considered because Kloof's location would result in its pumping costs rising sharply if Venterspost and Libanon shut down.

In what some see as a second sore spot, GFSA ignited the wrath of the National Union of Mineworkers (NUM) last month by refusing to consider profit-sharing proposals

Analysts do not expect mineworkers to join in the mass strike in August called by Cosatu as the NUM, although part of Cosatu, recognises the fragile state of the industry and wants to maintain jobs

However, analysts say union anger with GFSA could lead to labour unrest at its profitable mines, including Driefontein Consolidated and Kloof

Doornfontein lost several months' production to show a R7,05m after-tax loss in the fourth quarter of 1991 from a R3,81m profit in the third quarter after labour problems led to the firing of most of the workforce during the fourth quarter

Driefontein and Kloof are unlikely to show profits without dropping capex in the second quarter

"They might look reasonable, but it will only be because the bigger mines have the capacity to cut capital expenditures The marginal mines don't," says JD Anderson mining analyst Bruce Williamson

Driefontein's capex fell 21% in the first quarter of 1992 from the previous quarter's "That may be good for the short term, but not the long term," Williamson says

Analysts say Kloof could suffer in the third quarter if it is merged with GFSA's loss-making mines Venterspost and Libanon

"If it's a straight merger, it won't serve Kloof well," says Frankel, Max Pollak, Vinderine mining analyst Adrian Finch — AP-DJ

Knights lifts viable reserves with mergers

JONO WATERS

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KNIGHTS Gold Mining, one of the few independent producers left, had increased its viable reserves of sand and slimes dumps by 28-million tons as a result of merger agreements with other mines, chairman Anthony Lee said in the mine's annual report

He said the acquisition of dumps, following the merger agreement with Waverley Gold Mines and Simmer and Jack Mines, had increased viable reserves at the current cost/price relationship to about 49-million tons and there was an additional 93-million tons of material which was not viable at the current gold price

BDay 8/7/92

The mine treated 3,3-million tons (3,4-million tons) of slimes and sands in the year to end March 1992, at an average yield of 0,42g/t (0,39g/t) leading to an increase in gold production to 1 439kg over the 1991 figure of 1 360kg

Working revenue at the mine rose to R46,5m from R42,3m, which worked out to revenue of R32 323/kg of gold (R31 098kg) or R13,72 a treated ton (R12,28)

Increased working costs knocked working profit by 14% which fell to R9,8m from R11,4m

Working costs increased to R36,6m from R30,9m

Dump amortisation and royalties reduced operating profit to R7,5m (R9,5m) and earnings a share were lower at 7,9c (12,6c)

Lee said Knights did not declare a dividend because of recent high capital expenditure

Harmony payouts nail RM profits

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Own Correspondent

JOHANNESBURG. — Retrenchment packages at Harmony gold mine, a lower gold price and increased working costs saw Rand Mines gold producers turn from profit in the March quarter to loss in the June quarter.

The mines showed a R40,9m loss compared with an after-tax profit of R7,3m in the last quarter. Total group gold production dropped by 4% to 11,2 tons

The surprise in the group came from the aging Blyvooruitzicht, which turned in a loss of R1,9m after capex from a profit of R1,7m in the last quarter. The mine is expected to exhaust its viable ore reserves by 1994, but the prospect of an accelerated demise came as a surprise to observers.

Durban Deep and Harmony suffered from increased working costs a kilogram in their underground operations and although East Rand Proprietary Mines managed to decrease its costs, all three mines failed to cover the average price a kilogram of gold received. The average gold price received was 2% lower at R32 172 kg

All surface operations remained profitable despite the 25% increase in working costs due to lower grades.

Gold division chairman John Turner said the loss in the group was a result of a fall in production at Harmony and Blyvoor and the overall lack of flexibility in the grade Overall yield failed to compensate for the fall in the gold price The results further demonstrated the effects of a lower gold price on marginal mines.

The reversal of Blyvoor's fortunes did not seem to be over for the immediate future Turner said the full cost of retrenching 1 150 employees would be felt at Blyvoor in the September quarter

Although Blyvoor pulled more payable ore out of the carbon leader and its scattered mining operations on the main reef horizon, the increase in grade did not compensate for the fall in tonnage As a result gold production decreased

The R35,5m retrenchment packages paid out at Harmony in the June quarter had a devastating effect on profits, said Turner. However, he said the rationalisation through laying off of 6 208 men should see the mine return to profitability in the September quarter.

The loss in June quarter wiped out the mine's retained income

If the retrenchment packages were excluded from Harmony's costs, the result looked quite promising as costs would have been more than R6m less than in the previous quarter. This showed Harmony's rationalisation plans had the potential to succeed, assisted by the rising gold price.

However, Harmony had exhausted its extremely lucrative high grade surface material. Although it produced a lower profit a kilogram of R8 102 this quarter (last quarter R19 395/kg), the reduced revenue would help Harmony's return to profitability

Durban Deep struggled on, making a profit after tax but a loss after capex Without state assistance of R2,5m for pumping water, the mine would have produced a taxed loss

At ERPM, the mine managed to produce a working profit of R4,3m and sundry income of R2,3m but, this was wiped-out by the R12,7m interest bill that the mine had to pay out on its total debt of R479m.

UK firm sells stake in GIC

B|Day 13|7|92

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PETER GALLI

BRITISH engineering group B Elliott has sold its 63,09% interest in Goldfields Industrial Corporation (GIC) for R17,1m to management and FirstCorp The British parent will also receive R3,1m by way of an extraordinary dividend of 120c a share

Unofficially, the divestment was prompted by Elliott's own need for capital in Britain and not by SA's present political situation The British firm had put its SA interests up for sale by tender.

GIC MD Andrew Crawley said at the weekend that a consortium led by FirstCorp and GIC management had succeeded in winning the tender, beating other tender prices

"The management status quo will remain and there will be no fundamental restructuring of the company," he said

However, he declined to say whether any retrenchments would follow the change of control.

Elliott would dispose of its wholly-owned subsidiary Elliottona Investments, which holds 2,5-million GIC shares, "to FirstCorp or a nominee of FirstCorp for an ex-dividend amount of R16,782m"

It would also sell its direct holding of 48 100 GIC shares to FirstCorp or its nominee for an ex-dividend price of R310 000

An extraordinary dividend of 120c a share would be paid on July 29 to shareholders registered on July 24

A 644c ex-dividend cash offer or "an appropriate cash alternative" would be made to GIC minority shareholders.

While this was lower than the share price, which had risen markedly over the past few months and closed at 700c on Friday, the effective price was 764c when the 120c special dividend was taken into

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GIC

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account, Crawley said.

FirstCorp MD David Lawrence said the company had joined GIC's management in its tender against other bidders.

"We have become the predominant player in the management buyout field and our MBO team was involved in the deal and its success," he said.

FirstCorp was assisting in structuring the deal, providing finance and taking an equity stake. However, Lawrence would not disclose the size of the bank's equity stake, saying it would be "inappropriate" at this stage.

FirstCorp vice-president André Roux said the shareholding was not finalised but GIC management would probably acquire a controlling interest.

All parties were satisfied with the deal and he believed that management would "ensure the continued success of the company".

Gold Fields spells out merger terms

B|DAY 14/7/92 (214)

MADDEN COLE

GOLD FIELDS of SA yesterday announced the terms of the merger of Kloof, Libanon and Venterspost gold mines, a move which it expected would generate significant tax and operating benefits

Kloof was threatened by the possible closure of its two marginal neighbours, Venterspost running at a loss and Libanon hit by rising costs and a falling gold price Had the other two closed, Kloof management would have been faced with major pumping expenses.

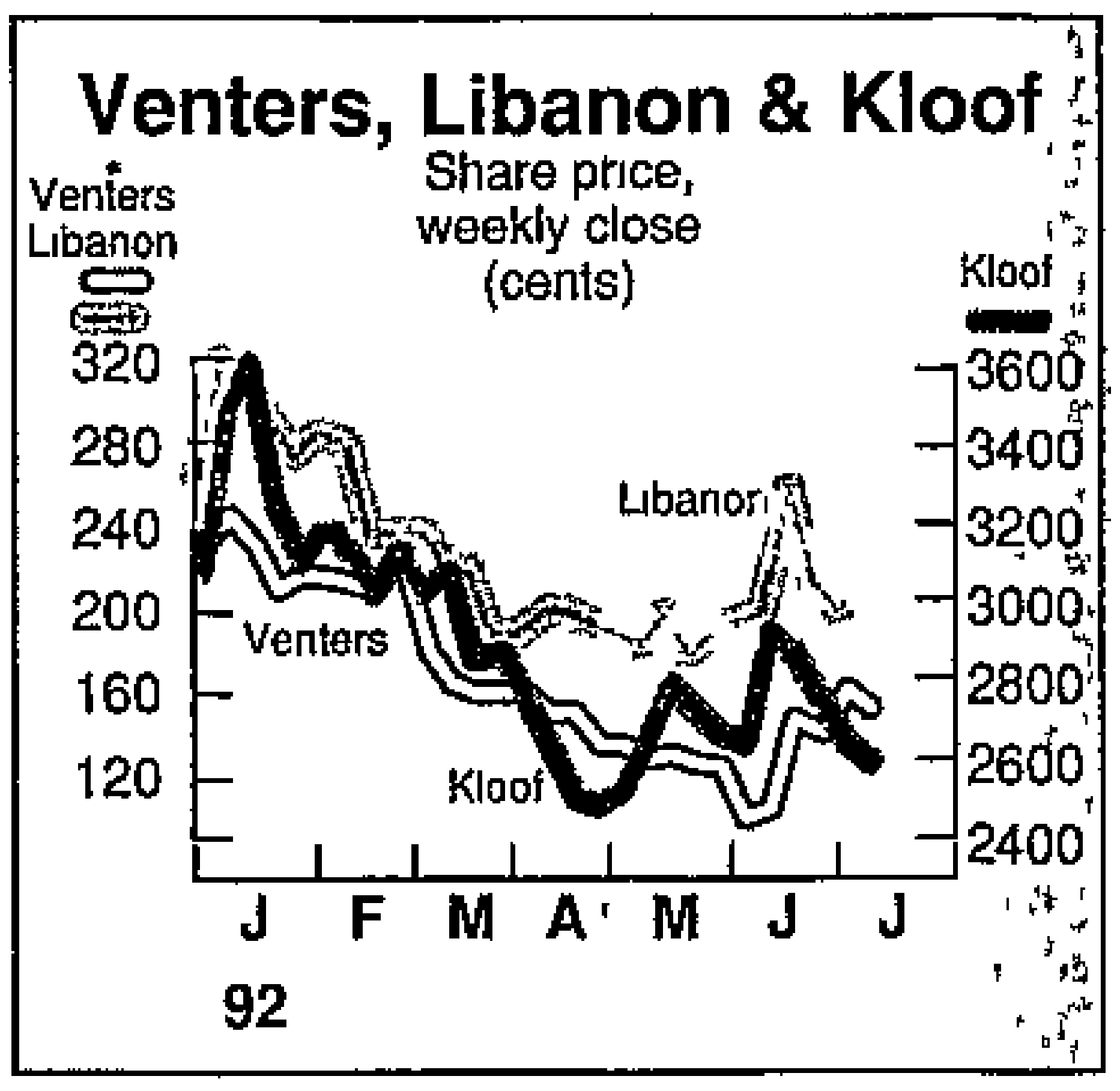
GFSA said yesterday that integrating the operations of the three far West Rand mines was the most viable and cost effective solution to the problems facing these companies Mining would continue at Libanon, and to a limited extent at Venterspost, Kloof's pumping problems would be resolved and disruption of its operations would be avoided

Announcing terms for the merger yesterday, GFSA director Alan Munro said

☐ Libanon shareholders would receive nine Kloof shares for every 100 Libanon shares held,

☐ Venterspost shareholders would receive six Kloof shares for every 100 Venterspost shares held, and

☐ Venterspost option holders could subscribe for six Kloof shares at R108,33 a share in November 1992 for every 100 Venterspost options held



Graphic LEE EMERTON Source I NET

Munro explained that these exchange ratios represented a premium of 32% and 37% for Libanon and Venterspost respectively over the ratios prevailing at the close of business on the day preceding the cautionary announcement

Munro said the merged operation would be taxed as one unit and that capital expenditure savings would be possible through the use of common facilities It would also operate with fewer employees.

☐ To Page 2

Gold Fields

B|DAY 14/7/92 (214)

☐ From Page 1

Venterspost's production would be sharply curtailed, and the focus would be on Kloof and its Leeudoorn section

Munro warned of "ghastly" consequences if shareholders did not agree to the merger terms. He said Venterspost would be in danger of closing, water from Venterspost would overflow into Libanon and increased pumping costs would "push Libanon over the edge".

Analysts point out that favourable terms for Venterspost and Libanon meant Kloof's shareholders might be short-changed. Overseas investors who had invested in Kloof because of its high-grade attractions had expressed disappointment that the two marginals were to be merged with it

In terms of the merger arrangement Kloof's 121,1-million shares in issue would increase by 6,6-million. To maintain last year's dividend after this dilution, Kloof would have to show a corresponding increase of 5% in profits, Munro said.

Munro added that the boards of Kloof, Libanon and Venterspost had agreed to recommend that shareholders accept the merger proposals and GFSA had indicated it would accept the terms for shares held by it and its subsidiaries in Libanon and Venterspost.

The integrated operation would be managed as three divisions — the existing Kloof and Leeudoorn divisions, and a third division based largely at Libanon, which would include limited mining at Venterspost operating at the Libanon plant capacity

Total tonnage was expected to be about 445 000 tons a month, with Kloof and Leeudoorn divisions each contributing about 150 000 tons, and Libanon/Venterspost division about 145 000 tons

Munro believed integration held benefits for all three mines "Cross-utilisation" of existing infrastructure would be possible and capital expenditure could be contained Mining would be allowed to continue at Libanon, and to a limited extent at Venterspost Both mines, on their own, did not have the financial resources to survive present conditions, he added.

Pumping problems which would affect Kloof if the other two mines were to be closed would be avoided and the water threat resulting from the closure of Libanon would be averted.

Munro believed that mining the combined area would result in an increase in gold extraction and higher potential profits There would be tax efficiencies, as the combined area could be treated as one mine for tax purposes.

Retrenchments would result from rationalisations, but Leeudoorn which would be increasing its labour force, would absorb some redundant workers, and efforts to find other employment would continue

The alternative to the merger would be too ghastly, Munro warned He said closure of Venterspost would "push Libanon over the edge"

"This would not be a pretty prospect for Kloof which would incur capex of R100m for additional pumping equipment and pumping costs of about R70m a year

"We expect Kloof shareholders to be enthusiastic about the proposals and accept them as a sensible solution to the problems facing the three mines."

Gold Fields revenue up despite falling gold price

BDAY 14/7/92.

(214)

JONO WATERS

AN increase in the overall recovery grade achieved by gold mines in the Gold Fields stable produced an increase in revenue for the June quarter despite the fall in the average gold price.

Total revenue increased to R952m (R946m) although the average price of gold received fell to R31 911 a kilogram from R31 086

Executive director Alan Munro said the highlight of the quarter was the increase in the average grade to 8,6g/t from 8,4g/t, producing an extra ton of gold. Total gold production rose to 30 576kg from 29 594kg

The average working cost a kilogram rose R100 to R21 346 from R21 246, but Munro said this was characteristic of the last quarter

Capital expenditure was double that of the previous quarter, rising to R201m from R101m. Munro said this was mainly as a result of Deelkraal's capex increasing sixfold to R38,5m from R7m.

As a result of the increased capex, the group's overall profit after tax was significantly higher at R287m (R208m).

Munro said East Driefontein was the best performer with yield increasing to 9,4g/t from 8,9g/t and working costs falling to R17 807 (R18 546)

East Driefontein's yield had been climbing steadily over the last few quarters, but Munro said the present grade was better than anticipated He did not expect the yield to stay up.

Munro said West Driefontein maintained its position as the lowest cost producer even though the cost a kilogram rose by nearly R500 to R16 824 The yield at the mine decreased marginally to 11,4g/t from 11,5g/t

Gold Fields' high grade producer, Kloof, was a "disappointment" as the yield dropped to 13,7g/t from 14,2g/t, he said Working profit at the mine fell to R91,4m from R111m as a result of working costs rising by 7% to R138m (R129m) for "no real reason", said Munro.

Leeudorn continued to make a working loss, although much reduced at R2,9m (R9,3m). However, the consolidated profit after tax for the two mines increased to R96,3m from R72,6m.

At Deelkraal, a decrease in working profit to R17,4m (R21,3m) resulted in a fall in pre-tax profit to R21,5m from R24,4m

Turning to the performance of the group's marginal mines, Munro said working losses of R5,7m at Doornfontein were "unacceptably high". Munro said grade remained poor and the mine required an "urgent improvement".

Doornfontein slipped into the red in late 1991 after a series of wild-cat strikes. It had been expected to make a profit in the June quarter, but this had not come about, Munro said

Management hoped to improve the production performance at Doornfontein by building up the tonnage underground

Doornfontein had a debt of about R20m at the year end

The effects of rationalisation in the milling rate at Libanon had realised an improved yield, he said. Libanon milled 25 000 tons of ore less than the previous quarter at a yield of 5,8g/t (from 4,6g/t)

While there had been an improvement in the yield of 0,2g/t at Venterspost to 3,8g/t, the working loss of R7,8m was "intolerable," he said

This brought the loss after tax for the year to R8,7m and Munro said it was clear that the mine could not go on like this.

GOLD FIELDS OF SA June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Drie	**705**	**9,4**	**6 627,1**	**167,39**	**17 807**	**31 212**	—	—	—
March… …… …… ..	705	8,9	6 286,0	165,36	18 546	31 878	—	—	—
West Drie	**706**	**11,4**	**8 046,5**	**191,75**	**16 824**	**31 087**	**161 545***	**96 544***	**47,1***
March……… ……. …….	700	11,5	8 077,8	188,56	16 340	31 944	132 151*	92 055*	45,1*
Kloof	**540**	**13,7**	**7 375,2**	**255,58**	**18 713**	**31 105**	—	—	—
March. ……………. ……	528	14,2	7 520,7	244,19	17 143	31 968	—	—	—
Leeudoorn ……. ……. ..	**235**	**6,9**	**1 616,7**	**224,74**	**32 668**	**30 872**	**96 330***	**10 211***	**8,4***
March….. ……. …….. …	200	6,5	1 303,2	253,89	38 963	31 856	72 640*	30 306*	25,0*
Venterspost … ………….	**235**	**3,8**	**899,2**	**150,59**	**39 356**	**30 737**	**(6 056)**	**(15 520)**	**(76,8)**
March…. ……. ………….	315	3,6	1 146,2	132,33	36 366	31 945	(3 258)	(13 595)	(67,3)
Libanon …………………….	**350**	**5,8**	**2 027,1**	**171,83**	**29 668**	**31 131**	**6 077**	**4 026**	**1,0**
March…… ……. ………. .	375	4,6	1 718,3	156,58	34 172	31 965	(3 184)	(4 790)	(12,0)
Doornfontein ………. …..	**299**	**4,0**	**1 534,2**	**179,54**	**34 992**	**31 277**	**(4 916)**	**(5 105)**	**(12,7)**
March …………………….	187	3,9	1 098,2	153,44	39 122	32 199	(7 010)	(7 064)	(17,7)
Deelkraal ……. . …….	**396**	**6,2**	**2 449,9**	**149,58**	**24 178**	**31 297**	**33 714**	**(4 781)**	**(4,8)**
March.. ……. ………. .	405	6,0	2 443,5	141,03	23 375	32 079	16 675	9 688	9,7

* Consolidated results

GFSA seeks exemption to push through merger

(214)

By Sven Lunsche STAR 14/7/92

Gold Fields of SA (GFSA) yesterday announced proposals to integrate the troubled Venterspost and Libanon gold mines with its low-cost producer Kloof

The scheme could, however, be opposed by minority shareholders because GFSA is not entitled to vote its shares in terms of Securities Regulation Panel (SRP) rulings

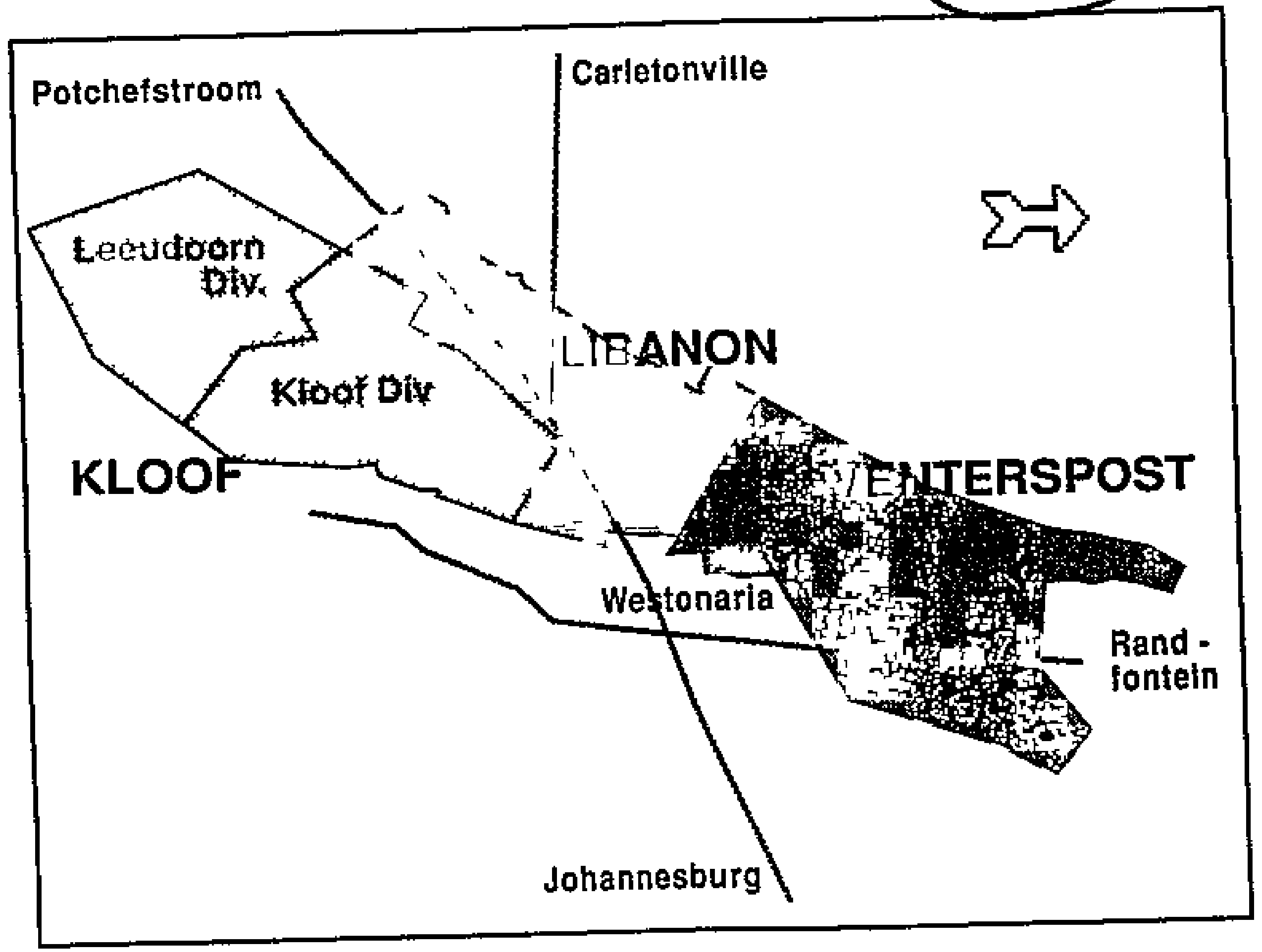
Presenting the scheme at a press conference in Johannesburg, gold division executive director Alan Munro said GFSA would apply to the SRP to seek an exemption from the ruling to allow the group to vote its 33 percent shareholding in all three mines

Mr Munro said GFSA would explain the advantages of the deal to shareholders The boards of the three mines had advised shareholders to support the scheme, he added

A majority of 75 percent is required at each producer to allow the scheme to proceed

GFSA said the proposals put forward were the most viable and cost-effective solution to the problems facing the companies

They would split Kloof into three managerial divisions — the existing Kloof and Leeudoorn divisions, and a third division, based at Libanon and including the sharply reduced operations at Venterspost.



The three GFSA West Rand mines being merged

Libanon shareholders would receive nine Kloof shares for every 100 held, while Venterspost shareholders would be entitled to six Kloof shares for every 100.

Venterspost optionholders would be entitled to subscribe for six Kloof shares at R108,33 per share for every 100 Venters options held in November this year

Outlining the financial implications of the scheme, Mr Munro said the profitability of the integrated operation would have to rise by five percent in the year to end-June 1993 to ensure maintenance of the total dividend

Production at Venterspost would be curtailed from the current level of about 80 000 tons to 25 000 tons per month and work at the new No 4 shaft temporarily stopped

The new division would aim at keeping the level of working costs in line with those achieved at Libanon, namely R29 000/kg; Venterpost is currently mining at a cost of R39 400/kg

Mr Munro said GFSA had examined other options but the proposed scheme was the most beneficial to all three operations

At present, working losses at Venterspost, combined with the prevailing low gold price, would force the closure of Venterspost, which in turn would seriously jeopardise operations of the adjacent Libanon mine

Libanon's own deteriorating financial position made it particularly vulnerable to the present low gold price and increases in working costs

Major additional expenditure would also be required to pump water from Venterspost.

The closure of these two mines would result in Kloof having to increase its pumping capacity substantially within a relatively short time — a costly and severely disruptive exercise.

Mr Munro estimated that the cost of supplying additional pump capacity to Kloof would be R100 million, while the annual running costs could exceed R70 million, compared with the R48 million currently paid by Venterspost and Libanon

At the same time, it would be possible to limit capital expenditure by "maximising the utilisation of the existing infrastructure with gold extraction being optimised"

For tax purposes the integrated operations would be treated as one mine

Mr Munro said Kloof would take advantage of the tax losses at the other two mines

While mineworkers would be retrenched at Venterspost, Mr Munro said the bulk of could be accommodated at other GFSA operations, namely Leeudoorn and Northam platinum mine

Loraine acts to minimise future losses

BDAY 15/7/92

MADDEN COLE 214

LORAINE enters the current quarter on largely untested ground as it scales down underground gold mining operations and treats additional surface dump material

The quarterly report today says the Anglovaal mine has started underground mining of higher grade ore from selected reserves in order to minimise future operating losses

This will result in a decrease in ore milled from underground to about 75 000 tons a month Current milling rate of about 100 000 tons a month should be maintained by the additional surface material

The mine only recently started treating dump material, and it will be difficult to predict how the additional dump material will affect gold production

The mine reported a loss of R3,4m for the June quarter because of once-off retrenchment costs of R4,8m from the rationalisation programme

Analysts say the mine, which is heading for closure, is cash-flush to maintain a reserve for closing-down costs There is not much high-grade ore left underground, and only a dramatic increase in the gold price can save the mine

The company was the only gold producer in the Anglovaal stable to report income from hedging transactions in the quarter

● See Page 13

Harties boosts annual result

JONO WATERS (214)

HARTEBEESTFONTEIN (Harties) gold mine's after-tax profit increased marginally to R149m (R146m) in the year to end June as a result of lower earnings and tax changes in the 1992 Budget. B|DAY 15|7|92.

But earnings a share dropped by 10c to 95c because of the increase in capex at Anglo Vaal's largest mine

Capex increased by 42% to R40,8m as a result of the need for water handling facilities because of the closure of Stilfontein mine

The mine produced 26 859kg (27 003kg) of gold at an average recovery grade of 8,9grams a ton (9,0g/t)

Costs increased by 4% to R226,96/t and the mine received an average gold price of R30 860/kg (R32 124/kg)

Better uranium oxide sales reduced the mine's loss to R2,12m (R13,8m loss)

Eastern Transvaal Consolidated (ET Cons) increased mill tonnage to 364 500 tons of ore (332 400t) at a marginally lower grade of 10,0g/t (10,1g/t).

Revenue decreased to R319,59/t (R323,74/t) while unit costs increased to R232,31/t from R223,52/t

After non-mining income and prospecting expenditure of R7,68m, the pre-tax profit was marginally down at R27m (R27,3m)

Reduced tax improved after-tax profit to R18,9m from R17m and earnings were unchanged at 14c a share

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Anglovaal mines improve profits

B|DAY 15|7|92 (214)

MADDEN COLE

THREE of Anglovaal's four gold producers benefited from improved tonnages, grades and well-contained costs during the June quarter, resulting in a 32,3% increase in taxed profits

Hartebeestfontein's taxed profits rose to R52,0m from R39,3m It was the only mine to pay tax, but this dropped to R11,2m (R20,8m) due to higher capex

Tax credits were received by Eastern Transvaal Consolidated Mines (R282 000) and Village Main Reef (R34 000) Loraine did not pay tax

Loraine swung into the red with a loss of R3,4m (from March quarter's profit of R3,0m) because of once-off retrenchment costs of R4,8m

Analysts believe the mine is heading for closure, unless the gold price rises dramatically The mine is digging into its high-grade ore reserves which are nearly depleted However, non-mining income remains high

The depressed gold market further affected the group's mines, and only Loraine reported income from hedging transactions during the quarter

The gold price received by high-grade producer Harties' dropped further in the quarter to R30 860/kg from last quarter's figure of R32 124/kg, the lowest price since 1988 Falling gold prices were offset by a slight improvement in working costs to R25 397/kg from R25 682/kg

Harties, ET Cons and Loraine increased tonnage milled, but with the exception of Harties, unit costs per ton were contained or reduced

In the case of Loraine, costs were reduced to R165,33/t from R176,04/ton

Harties' uranium operation increased production to 76 398kg (76 298kg) and reported a profit of R4,3m against the previous quarter's loss of R1,3m

The three mines near Barberton which make up ET Cons increased gold production for the third successive quarter to 959kg from 920kg and 891kg in the previous quarters

Tonnage increased to 93 800 tons (91 800 tons) and grade increased marginally to 10,2g/t from 10g/t

Loraine's milling rate increased to 403 000 tons from 337 000 tons, but the mine started mining higher grade ore from selected underground reserves

This is expected to decrease ore milled from underground to about 75 000 tons a month Total tonnage will be maintained at current levels by treating extra surface material

Rationalisation of underground operations resulted in further retrenchments of about 2 900 employees

ANGLO QUARTER June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeestfontein	**770**	**8,9**	**6 864**	**226,39**	**25 397**	**30 860**	**45 042**	**23 699**	**21,1**
March	767	8,8	6 727	225,25	25 682	32 124	34 674	27 503	24,6
ET Cons	**94**	**10,2**	**959**	**234,29**	**22 915**	**30 969**	**6 563**	**2 226**	**2,6**
March	92	10,0	920	235,21	23 470	31 247	4 581	3 032	3,5
Loraine	**403**	**4,4**	**1 765**	**165,33**	**37 750**	**34 296**	**(3 441)**	**(3 441)**	**-18,7**
March	337	5,2	1 766	176,04	33 594	34 134	3 007	3 034	18,5

Anglovaal gold mines boost profits

Finance Staff STAR 15/7/92

Although weaker gold prices were received by three of Anglovaal's gold mines — Hartebeestfontein, Eastern Transvaal Consolidated and Village Main Reef — for the year to June, improved tonnages and taxation adjustments all resulted in the mines' total unaudited taxed profits showing an increase.

Hartebeestfontein's earnings totalled 95c (105c) a share

Those of Eastern Transvaal Consolidated's (ETC) were unchanged at 14c

Village Main Reef's were 23c (31c) a share.

Tonnages milled at Harties and ETC were up, while those treated at Village were down

Gold production was up at ETC and down at both Hartebeestfontein and Village

Average recovery grades improved at Harties' low-grade plant, while those of ETC and Harties' main plant were only slightly down

The Village grade was unchanged

Harties' income from other sources was lower, as were other expenses, which left a pre-tax profit of R237,058 million (R279,385 million).

However, as the tax charge was substantially decreased because of lower earnings and the tax changes announced in this year's Budget, the mine's taxed profit increased to R149,020 million (R146,068 million).

ETC's non-mining income and prospecting expenditure decreased

However, tax was lower and taxed profits were therefore higher at R18,929 million (R17,029 million)

Village's pre-tax profit was down and, despite lower taxation, taxed profit decreased to R1,219 million (R2,342 million)

Capex at Harties and ETC amounted to R40,790 million (R28,820 million) and R6,744 million (R4,794 million) respectively.

GFSA to merge three gold mines (214)

GOLD Fields of SA this week announced it would merge Kloof, Libanon, and Venterspost gold mines Gold Fields said both Venterspost and Libanon were faced with closure Closing them would mean a costly and disruptive increase in Kloof's pumping capacity The best solution was to bring the mines under one umbrella W/Mail 15/7- 23/7/92.

Gengold mines perform steadily in June quarter

(214)

B/DAY 16/7/92.

JONO WATERS

HEALTHY performances by six Gengold mines produced a good June quarter for the group.

Gengold MD Gary Maude said gold production at Winkelhaak had passed a ton a month and the feasibility study into deepening the No 6 shaft had been completed

However, he cautioned that at the current gold price the project would not yield an acceptable return rate

The sinking of the mine's 2A subvertical shaft had, however, given Winkels latitude of two to three years to see if the No 6 shaft project would be feasible with an improved gold price before the present reserves were exhausted in 1998, he said

Bracken, which was winding down, managed to produce 500kg of gold in the quarter Its shaft pillar had now been mined out, but there were smaller patches of high grade ore that were improving the mine's financial position and Maude said this would provide for the payment of decent retrenchment packages The yield jumped to 12,5g/t

Kinross had a steady performance over the quarter

Capex had been constant for the last two to three years and had been budgeted at R17,6m for the next six months, Maude said

The Beatrix mine was getting into better ground and adding quality stock to its tonnage The yield remained constant at 6g/t.

A slight increase in Grootvlei's gold production was provided for by a marginal increase in tonnage with an unchanged yield of 5,3g/t.

Closing down St Helena's No 10 Shaft would save money, Maude said He expected gold production of between 1 750kg and 1 850kg a quarter

Treatment of slime from St Helena by Free State Consolidated yielded a profit of R1,3m

At Oryx, the shaft was just about finished and would be commissioned in March next year Maude said it expected to pull out 100 000 tons a month by April 1994

Maude said there had been a "major improvement" at Buffelsfontein where a change from full mining to selective production had proved very profitable

Underground operations at West Rand Consolidated had been sharply curtailed Maude said there were three parties interested in buying the mine Although West Rand Cons had lost R5,4m over the last quarter, he said this was not a reflection of the true situation as the mine had made a R200 000 profit in June

Unisel had increased its tonnage, but the yield had fallen to 6,2g/t (6,6g/t) Maude said there had been a period at Unisel when there was not enough face and the leader reef had been mined However, the gold price now made mining the reef unviable

At Leslie gold production increased to 555kg (531kg) as a result of improved yields from the northern block carrying mine

At Stilfontein underground production had stopped and the mine was working surface dumps

Mining operations at Weltevreden would not take place until the gold price was R45 000/kg, said Maude The rand gold price was currently more than 40% less than when the mine was given the go ahead in December 1989

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**512**	**6,0**	**3 072**	**134,45**	**22 408**	**32 022**	**11 579**	—	—
March	511	6,0	3 064	134,73	22 469	32 552	10 932	—	—
Bracken	**40**	**12,5**	**500**	**326,10**	**26 088**	**32 210**	**1 939**	**2 040**	**14,6**
March	54	8,2	449	209,28	25 403	33 459	2 507	2 343	16,7
Buffels	**510**	**6,3**	**3 198**	**189,21**	**30 174**	**31 911**	**6 198**	**4 606**	**41,9**
March	537	5,8	3 100	174,34	30 199	32 546	7 483	6 852	62,3
Grootvlei	**118**	**5,3**	**625**	**154,05**	**29 085**	**32 218**	**3 305**	**1 659**	**14,5**
March	117	5,3	620	151,54	28 597	32 506	3 089	2 163	18,9
Kinross	**475**	**6,5**	**3 090**	**156,12**	**23 998**	**32 295**	**20 845**	**12 073**	**67,2**
March	470	6,4	3 005	155,00	24 243	32 640	19 462	10 465	58,1
Leslie	**100**	**5,5**	**555**	**165,86**	**30 034**	**32 732**	**1 617**	**949**	**5,9**
March	100	5,3	531	157,61	29 831	32 893	1 937	1 140	7,1
St Helena	**319**	**6,4**	**2 050**	**197,66**	**30 757**	**32 190**	**6 954**	**6 718**	**69,8**
March	350	6,0	2 102	183,58	30 568	32 558	6 643	4 814	50,0
Stilfontein	**420**	**0,9**	**387**	**32,97**	**35 783**	**32 315**	**4 647**	**5 390**	**41,3**
March	513	1,6	513	41,10	41 101	32 559	(3 553)	(2 496)	(19,1)
Unisel	**209**	**6,2**	**1 290**	**174,33**	**28 244**	**32 002**	**3 122**	**1 024**	**3,7**
March	195	6,6	1 289	180,90	27 367	32 556	4 489	736	2,6
WR Cons	**56**	**5,0**	**281**	**272,04**	**54 214**	**31 932**	**(5 377)**	**(5 335)**	**(125,5)**
March	182	2,5	460	101,57	40 185	32 670	(2 578)	(2 563)	(60,3)
Winkelhaak	**479**	**6,4**	**3 043**	**170,54**	**26 846**	**32 171**	**15 789**	**19 263**	**158,2**
March	459	6,3	2 904	171,89	27 169	32 694	16 654	567	4,7

Healthy leap in Gengold profit

BDAY 16/7/92

2-14

MADDEN COLE

GENGOLD's effective management of its gold production stood it in good stead in the June quarter, when the group posted a 78% increase in its mines' overall bottom-line profit after tax and capex

But while the group is controlling costs, it does not expect many retrenchments during the remainder of this year

The quarter's results showed hedging operations generated a profit of R16,5m, and cost controls and further cuts in capital expenditure helped offset the cash flow reductions of the lower gold price

MD Gary Maude said yesterday that while the dollar gold price was moving up, the rand price was moving less quickly

Income after tax and capital expenditure for the group was sharply up at R58m from the previous quarter's R32,6m Overall capex was reduced 63,4% to R12,6m from R34,4m, and total working costs were maintained virtually unchanged at R497,6m Total tonnage milled decreased 7,2% to 3,2-million tons, but average grade showed an 8% increase to 5,6g/t.

Total gold production was little changed at 18 091kg The average gold price received was slightly lower at R32 071/kg

Maude said Gengold as a whole had a good quarter, and singled out Grootvlei, Beatrix, St Helena, Winkelhaak, Bracken and Kinross for general improvement in production and bottom-line profits.

● Picture Page 2
● See Page 6

CT 17/7/92 (214)

Anglo gold mine profits slip 17%

JOHANNESBURG — Available profit for the gold mines in Anglo American's Gold and Uranium Division for the quarter ended June 30, showed a 17,7% decrease compared to the previous quarter

Available profit for the gold mines was at R137,4m (R167m), prompting the division's chairman Clem Sunter to remark "they are not up to our high standards"

Average unit costs during the quarter were contained to a 2,1% increase from R26 367/kg to R26 925/kg but Sunter said it would be a principle target of the division to achieve a R/kg cost escalation as close to zero as possible

The average rand gold price in the quarter was 2,2% lower at R32 749/kg (previously R33 483/kg) while gold production increased marginally from 63 490 kg to 63 799 kg

Division MD Lionel Hewitt said available profit at Western Deep Levels had declined to R10,9m (R16,8m), partly attributable to the disruptions in production caused by seismic events in which 33 workers died,and an increase of 2,3% in total working costs to R245,6m

Gold Revenue at Free State Consolidated Gold Mines dropped by 6,1% to R919m reflecting a lower average rand gold price received of R32 863/kg (R34 473/kg)

Elandsrand was the star performer with profit after tax 23,5% higher to R42,6m (R34,5m) despite a 2,3% lower average gold price

Vaal Reefs managed to achieve lower unit costs for the quarter but gold revenue dropped by 1,2% to R615,2m reflecting a lower average rand gold price received of R32 411/kg (R33 000/kg)

Ergo increased gold production by 1,5% due to a 5,2% increase in production at the mine's Ergo division as Simmergo division reported a 15,7% fall in production

Ergo division recorded 31,9% improvement in profit before tax amounting to R16m while Simmergo almost doubled its loss of the previous quarter to report a R1,2m loss for the June quarter

Ergo's Daggafontein division posted a 26,4% decrease in profit before tax at R9,4m (R12,7m) — Sapa

Gold mines agree with NUM on wage increases

STAR 17/7/92

214

Staff Reporter

The Chamber of Mines' gold mine members and the National Union of Mineworkers (NUM) yesterday reached agreement on this year's wage review, according to a statement by the chamber

Provision was also made for representation of the NUM on the board of directors of the Rand Mutual Assurance Company Limited, the workmen's compensation assurer of the mining industry

The NUM indicated, however, that a dispute is to be declared in respect of coal mine members of the chamber

The chamber's industrial relations general manager, Adriaan du Plessis, said the gold mining agreement was a very positive outcome in a very tough year for the industry, but he regretted that the union had found it necessary to declare a dispute in respect of coal mines.

He hoped the dispute could be resolved soon so the offers could be implemented

Coal mine members' offers currently range from 7,5 percent to 13,9 percent The union's demand currently ranges upward from 15 percent.

In the gold agreement, the parties reached agreement on an offer of 5 percent from houses participating in bonus schemes, together with a minimum which increases the offer in lower job categories

The offer of houses not participating in bonus schemes was for a 6 percent increase.

Agreement was also reached on a profit-sharing scheme with certain mining houses which involves the distribution of a 20 percent share of profits to employees

High costs, low yields hurt Anglo gold mines

B|DAY 17|7|92

(214)

JONO WATERS

ANGLO American's gold mines had a tough quarter to end-June, with bottom-line results not up to Anglo's high standards, gold and uranium division chairman Clem Sunter said yesterday

Of the four gold mines, only Elandsrand performed well, thanks to a 13% jump in the recovery yields Divisional MD Lionel Hewitt said the sharp rise in yields followed the processing of high grade sludge However, the high grades were not expected to continue

The other three mines, Freegold, Vaal Reefs and Western Deeps, all suffered from higher production costs, lower recoveries and received static-to-lower gold prices

At Freegold, the profit after capex fell by 25% As a marginal mine Freegold experienced greater swings in profitability due to its price sensitivity, Hewitt said That was apparent, as the average rand gold price received by Freegold was 5% lower than in the March quarter

Freegold's working costs shot up by R32m to R819m, partly due to a R15m transfer from capital costs to working costs Working costs also included the extraordinary costs incurred at President Steyn's No 4 shaft after seismic activity in the March quarter Overtime pay on public holidays was also added in

This jump in working costs, together with the lower gold price, saw profit after capex fall by nearly R60m, he said

Vaal Reefs' performance, which until recently had been characterised by swings in profit had stabilised and profit after capex was virtually unchanged

Vaal Reefs sent more than 3-million tons of ore through the mill but at the expense of a lower grade at 6,25g/t (6,86g/t) Hewitt said this was largely as a result of the decline in the grade from the south lease area He said a fall in the overall grade was more cyclical than long term, but the grade in the south lease area would continue to fall


HEWITT . Elandsrand's high grades not expected to continue.

Royalties paid to Southvaal by Vaal Reefs totalled R70,7m in the six months ended June 1992 from R44m in the comparable period in 1991

Profit after capex was also down at Western Deep Levels, which Hewitt attributed to an overflow of the problems caused by the seismic activity in the mine in the March quarter He said the effects on production caused by the event were felt in April and May, but by June the mine's activities had returned to normal

Tonnage had also been increased at the mine, but the lower grades resulted from a quicker than expected decline in grades at the mine's southern section

Although gold production increased by 1%, the bottom line was affected by the 2,4% increase in costs Hewitt did not expect a great improvement in the grade in the south, but he did expect to achieve better grades in the eastern part of the mine

The seismic events had forced the reconfiguration of shafts in the south after about 500m of face had been put out of commission

At Ergo profit after capex fell to R5,1m (R7,5m) in spite of a marginal increase in gold production to 2 985kg (2 941kg)

Hewitt said operations were being wound up at the Simmergo division which would in future be used as an intermediate pumping station for Ergo

At Ergo's Daggafontein division, volumes of material treated from the slimes dams had fallen because of problems encountered in pumping grit but the grade was much better The drought had caused the water level in the slimes dams to fall and this had forced up working costs

Operations at Sallies would cease on August 6, as the loss in the March quarter and the current quarter was showing little sign of reversal, said Hewitt The reduced tonnage had seen gold production fall to 209kg (339kg)

ANGLO AMERICAN June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 738**	**4,16**	**28 059**	**122**	**29 200**	**32 863**	**96 376**	**61 807**	**52**
March............. .	6 369	4,45	28 337	124	27 845	34 473	169 678	81 696	69
Vaal Reefs	**3 021**	**6,25**	**18 868**	**153**	**24 537**	**32 411**	**148 590**	**48 567**	**254**
March	2 736	6,86	18 773	169	24 576	32 998	113 755	48 250	252
Western Deeps	**1 654**	**5,50**	**9 096**	**149**	**27 003**	**33 228**	**58 294**	**10 945**	**39**
March	1 527	5,89	8 996	157	26 678	33 048	65 150	16 791	61
Elandsrand	**534**	**8,58**	**4 582**	**198**	**23 075**	**32 163**	**42 571**	**12 063**	**13**
March	539	7,61	4 104	186	24 424	32 925	34 460	13 068	13
Sallies	**344**	**0,61**	209	**27**	**44 383**	**36 603**	**(1 076)**	**(1 076)**	**(12)**
March	535	0,63	339	22	34 761	33 291	(309)	(310)	(3)
Ergo	**9 640**	**0,31**	**2 985**	**—**	**—**	**32 929**	**23 932**	**5 079**	**10**
March	10 159	0,29	2 941	—	—	33 605	25 386	7 532	15

Southgo mines achieve good results

MADDEN COLE

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B/DAY 17/7/97

SOUTH East Rand Gold Holdings (Southgo), the gold mining division of independent mining group Consolidated Mining Corporation, improved on its solid performance of last quarter with its two gold producers returning maintained or increased taxed profit

After-tax profit at Benoni Gold Holdings improved 28,9% to R1,5m (R1,2m) on the back of higher gold production, a little-changed gold price of R32 602/kg and decreased royalties paid

Working costs were marginally down at R16,54/t (R16,96) on increased tonnage treated of 570 833 tons (523 616 tons) Royalty and toll payment decreased to R1,3m (R1,7m)

Southgo's other mine, West Witwatersrand Gold Holdings reported well-maintained results with after-tax profit dropping slightly to R2,8m from R2,9m Higher gold production of 745kg (740kg) was offset by a lower gold price received — R31 421/kg against R32 204/kg Profit was helped by net finance income which improved to R102 000 (R61 000) and a tax credit of R24 000 compared with a tax bill of R40 000 in the previous quarter

Tonnage treated increased to 515 540 tons (505 065 tons). Working costs dropped to R39,98/ton (R41,53/ton)

EXECUTIVE SUITI

Anglo gold mines' profit drops 17%

214

MADDEN COLE

ANGLO American's gold mines suffered a 17% bottom-line profit drop in the June quarter as gold prices slipped and costs rose BDAY 17/7/92.

Hedging operations were less profitable than in the March quarter, but gold division chairman Clem Sunter said hedging would continue as it had made an important contribution to the group's recent profit.

Sunter said Anglo's gold mines increased gold production to 63 799kg in the June quarter from the March quarter's 63 490kg The rand gold price received was 2,2% lower at R32 749/kg and average unit costs were 2,1% higher at an average R26 925/kg. Available profit declined 17,7% to R137,4m. Costs during the current quarter would reflect wage increases being negotiated at present

Sunter remained optimistic about gold He said demand for gold jewellery had outstripped production in the past year He expected annual world mine supply in the mid-'90s to be about 2 500 tons, but said this would not match projected demand for jewellery of about 3 000 tons By the turn of the century, Sunter believed, jewellery demand would be about 4 000 tons

However, there were two variables — the behaviour of central banks and the elasticity of jewellery demand if the price rose sharply

Sunter believed central banks were unlikely to push gold stocks on the market, as there had been remarkable stability in central bank reserves in the past 10 years

Gold jewellery sales had held up well in the recession, and it remained to be seen what would happen should the gold price rise sharply

● See Page 6

Hedging setback at Anglo's gold mines

Star 17/7/92.

By Sven Lunsche (214)

Anglo American's gold division failed to maintain its good track record in the June quarter, reporting a 17,7 percent decline in available profits to R137,4 million (March quarter R167 million)

Describing the results as "not up to our usual high standards", gold division chairman Clem Sunter said yesterday significant hedging operations had failed to prevent a 2,2 percent decline in the gold price received by its mines

The average price fell from R33 483/kg in the March quarter to R32 749/kg, but Mr Sunter added that most of Anglo's hedging targets had been met for the current financial year to end-March 1993

Freegold, the world's largest mine, was the major drag on results, with available profit plunging 24 percent from R81,7 million to R61,8 million

The MD of the gold divison, Lionel Hewitt, said Freegold's operating costs had risen by R30 million in the quarter to R819,3 million, while the gold price recieved fell by five percent to R32 863/kg from R34 473/kg.

Lionel Hewitt (left) and Clem Sunter at yesterday's briefing.

Earnings were further depressed by a fall in sundry income to R12,6 million (R30,9 million) as a result of the lower prevailing interest rates, which left pre-tax profits over R100 million down at R114,5 million (R220,1 million)

However, lower tax provisions of R18,1 million (R50,4 million) and a sharp reduction in Freegold's capital expenditure from R91,4 million to R34,5 million, reduced the profit decline at the attributable level

Western Deep Levels also reported a sharp drop in profits from R16,8 million to R10,9 million as the effect of the March quarter's seismic events continued to impact on operations during the first two months of the reporting quarter

Mr Hewitt said operations had only returned to normal in June, with working costs raised by 2,3 percent to R245,6 million (R240 million)

As a result of the poor financial results the mine has reduced its interim dividend from 180c to 100c a share

Some 48 workers have been killed at the mine since the beginning of the year, with 39 of the fatalities related to seismic events

Mr Hewitt said the mine was taking remedial action to configure a more suitable mining-face for areas with seismic problems

Elandsrand's taxed profits were up 23,5 percent to R42,6 million (R34,5 million) on a sharp improvement in the grade to 8,58 g/t (7,61 g/t) and despite a 5,5 percent rise in working costs to R105,7 million (R100,3 million)

Mr Hewitt warned, however, that the grade was achieved as a result of the reclamation of previously broken high-grade ore and would not be maintained for any length of time

After raising capex to R30,5 million (R21,4 million),Elandsrand's available profits were R1 million lower at R12,1 million. The interim dividend, however, has been lifted from 15c to 25c

Vaal Reefs maintained its available profit at R48,5 million (R48,3 million), with lower unit costs offset by a 1,2 percent decline in gold revenue at R615,2 million (R622,8 million)

Vaal Reefs has declared an interim dividend of 500c, while Southvaal, which derives its income from Vaal Reefs royalties, has lifted its interim from 90c to 145c

Profits at Ergo fell slightly from R7,5 million to R5 million

Although the Ergo division boosted its pre-tax profit by 31,9 percent to R16 million, losses at Simmergo doubled to R1,2 million and Daggafontein's profits fell by 26,4 percent to R9,4 million.

Sallies, which will cease operations next month, recorded a R1,1 million loss (R310 000 loss previously)

KLOOF/LIBANON/VENTERS

FM 17/7/92

Manning the pumps

(214)

An accommodating attitude by the Department of Finance on lifting the tax ringfence has allowed Gold Fields to come up with a scheme to save the Libanon and Venterspost mines that should keep most shareholders happy

Both mines survive to fight another day, while saviour Kloof earns a net after-tax benefit of between R200m and R250m — depending on how gold prices over the next two years affect its tax base — for taking the two cripples on board

There remain some cavils Some investors are unhappy that the acquisition must increase Kloof's average working cost per kg of gold produced, but Gold Fields executive director Alan Munro says the alternative of letting Libanon and Venterspost (Venters) close would be far worse for Kloof

The key issue is pumping All three mines are interconnected and, should Venters and Libanon close, the total burden would fall on Kloof, which lies downdip Munro estimates Kloof's capital cost to install equipment to deal with the greater volumes of water at R100m and the increase in annual working costs at R70m It's cheaper to deal with the problem at the shallower depths updip The house is seeking to ensure the Libanon and Venters operations continue to generate enough revenue to cover their pumping costs

Kloof will manage Libanon/Venters as a separate division and capital expenditure will be on a tight rein The No 4 shaft project at Venters has been shelved and forecast additional capex at Libanon is minimal in terms of Kloof's overall commitments

cont-d

FM

Kloof's capex has dropped from R389m in financial 1990 to R221m this year Munro indicates it will run at R200m-R300m a year over the next few years, mainly to meet working requirements at Leeudoorn division

Through the scheme of arrangement Libanon shareholders will get nine Kloof shares for every 100 Libanon shares held, while Venters shareholders will get six Kloof for every 100 Venters held That equates to a premium of 32% and 37% for Libanon and Venters respectively on prices the day before publication of the cautionary

Kloof will issue 6,6m new shares, worth R203m, at the scheme price of R30,75, while the net after-tax benefit of R200m-R250m will accrue to Kloof through the subsequent sale of assets by Libanon and Venters Kloof's issued shares will rise by 5%, but Munro says higher income from the merged and rationalised operations will more than compensate for any earnings dilution

As with Anglo American Corp's Freegold merger, it is argued that previously inaccessible ore reserves can be tackled from the most appropriately sited shaft system

A 75% majority in favour of the votes present at the Venters and Libanon shareholders' meetings is needed to pass the scheme Securities Regulation Panel (SRP) rules disallow Gold Fields from voting its own shares but the house intends applying to the SRP for permission to vote

Gold Fields executive directors were in Cape Town this week, making presentations to major institutions — apparently intent on not making the same mistake Anglo committed with Freegold, when it alienated some large shareholders in the various mines through lack of communication

It appears a meeting of Kloof shareholders will not be held on the grounds that a 5% increase in issued share capital does not warrant one Some institutions are believed to be unhappy about that and Munro indicates Gold Field's position is flexible

There are also some complaints from investors about the reduction in choice of investment vehicles as Libanon and Venters will be delisted, though, again, their demise seemed imminent in the face of a nonperforming gold price

The benefits of the deal seem to outweigh the negatives for Kloof, while Libanon and Venters shareholders get a stake in this long-life producer on attractive terms *Brendan Ryan*

Gold's looking good on the charts

ST Times [BY55] 19/7/92 (214)

By JOHN CAVILL: London

NUMSA's deal with the mining industry and profit-taking by speculative investors on New York's Commodity Exchange (Comex) may blunt the gold price in the coming week, say analysts

But none expects gold to retreat to the year's low of $335 in spite of the lack of any significant increase in offtake of physical metal during its 5% rally and diminishing worries about a disruption of platinum production

US commodity fund managers stepped up their buying of gold futures on Comex this week as the price rose through its one-year moving average

Profit-taking in platinum — it eased by $10 from its year's high of $393/oz — took the edge off gold but a late rally pushed the price towards $357 in London on Friday

Gold was also affected by unexpected resilience in the dollar exchange rate in the wake of the Bundesbank's 0,75-point rise in the German discount rate to 8,75%, the highest since 1931

But the fall was muted.

Chart analyst Stephen Raphael at Brian Marber & Associates, says platinum, which pierced its long-term moving average two months ago, is technically strong

"It could go up another $40-$50," he says "Gold has come out of a base area and if it can hold above $353 for a few days the next stop on the charts is $358 and then $370. It needs a run, but technically there is more upside potential than we've seen for a long time"

At brokers Williams de Broe, analyst Rhona O'Connell says. "The physical market is not doing much But the American professionals began buying when the US Federal Reserve cut its discount rate and the dollar remains under pressure after the Bundesbank's move

"Gold's steady performance has left the sceptics less sceptical and currency uncertainties will continue"

She predicts a gold price of $385 by the year-end.

Punt

Andrew Smith of the Union Bank of Switzerland says that although the gold price is "technically more robust" it is vulnerable

"The American funds have taken a punt — as they did last year when the fall in Russian gold reserves was disclosed — and the question is when will they take their profits

"The NUMSA settlement suggests to me that the August 3 mass action in South Africa will turn out a damp squib and the momentum for disruption is subsiding"

Rand Mines' woes turn profit to loss

BDAY 20/7/92 (214)

JONO WATERS

RETRENCHMENT packages at Harmony gold mine, a lower gold price and increased working costs saw Rand Mines gold producers turn from profit in the March quarter to loss in the June quarter.

The mines showed a R40,9m loss compared with an after-tax profit of R7,3m in the last quarter. Total group gold production dropped by 4% to 11,2 tons.

The surprise in the group came from the aging Blyvooruitzicht, which turned in a loss of R1,9m after capex from a profit of R1,7m in the last quarter The mine is expected to exhaust its viable ore reserves by 1994, but the prospect of an accelerated demise came as a surprise to observers

Durban Deep and Harmony suffered from increased working costs a kilogram in their underground operations and although East Rand Proprietary Mines managed to decrease its costs, all three mines failed to cover the average price a kilogram of gold received The average gold price received was 2% lower at R32,172/kg

All surface operations remained profitable despite the 25% increase in working costs due to lower grades.

Gold division chairman John Turner said the loss in the group was a result of a fall in production at Harmony and Blyvoor and the overall lack of flexibility in the grade. Overall yield failed to compensate for the fall in the gold price The results further demonstrated the effects of a lower gold price on marginal mines

The reversal of Blyvoor's fortunes did not seem to be over for the immediate future Turner said the full cost of retrenching 1 150 employees would be felt at Blyvoor in the September quarter

Although Blyvoor pulled more payable ore out of the carbon leader and its scattered mining operations on the main reef horizon, the increase in grade did not compensate for the fall in tonnage. As a result gold production decreased

The R35,5m retrenchment packages paid out at Harmony in the June quarter had a devastating effect on profits, said Turner However, he said the rationalisation through laying off of 6 208 men should see the mine return to profitablility in the September quarter

The loss in June quarter wiped out the mine's retained income, which Turner said would leave limited cash resources in

☐ To Page 2

Rand Mines

BDAY 20/7/92. (214)

☐ From Page 1

Rand Mines' effort to restore the mine back to profitability.

If the retrenchment packages were excluded from Harmony's costs, the result looked quite promising as costs would have been more than R6m less than in the previous quarter This showed Harmony's rationalisation plans had the potential to succeed, assisted by the rising gold price

However, Harmony had exhausted its extremely lucrative high grade surface material Although it produced a lower profit a kilogram of R8 102 this quarter (last quarter R19 395/kg), the reduced revenue would help Harmony's return to profitability

Durban Deep struggled on, making a profit after tax but a loss after capex The mine only managed to stay profitable before capex reductions as a result of its surface operations turning in a profit

However, without state assistance of R2,5m for pumping water, the mine would have produced a taxed loss

At ERPM, the mine managed to produce a working profit of R4,3m and sundry income of R2,3m but, this was wiped-out by the R12,7m interest bill that the mine had to pay out on its total debt of R479m

Underground operations remained unprofitable despite the accessing of high grades below a 25m fault underneath the central payshoot in the eastern section

Retrenchment costs add to Rand Mines' woes

STAR 20/7/92

(214)

By Sven Lunsche

The sad tale of woe continues at Rand Mines gold division

The four producers in the Rand Mines' stable — Harmony, Durban Roodepoort Deep (DRD), Blyvooruitzicht and ERPM — reported a combined June quarterly loss of R40,9 million compared with a R7,3 million profit in the previous quarter

While the R35,5 million retrenchment costs at Harmony had a sharp impact on the results, lower production levels, higher costs and lack of flexibility of grade contributed to the poor performance of the division

As a result of the losses Blyvoor and Harmony passed their final dividend while ERPM and DRD decided not to declare an interim dividend for their respective financial years

In a statement Rand Mines gold division chairman John Turner said the bulk of the costs arose from retrenchment benefits of R35,5 million paid to 6 000 mineworkers, who were laid-off during the June quarter

But, he added, that a drop in production at the two biggest producers, Blyvoor and Harmony, and the fact that the group could not increase the grade to compensate for higher costs, contributed to the loss

Further losses could arise in the September quarter when the full cost of the rationalisation at Blyvoor, including the retrenchment of 1 150 workers, takes effect

Mr Turner also announced that discussions had begun with the Government to renew the state's 10 percent interest subsidy on the long-term loan to ERPM, which expires at the end of the year

EPRM's borrowings stood at R324 million at the end of June against R322 million at end-March, while net deferred interest was R120 million (March quarter R117,6 million)

Total group gold production dropped by four percent to 11 234 kg (11 699 kg) during the quarter, while the average gold price received was two percent lower at R32 172/kg

The Harmony retrenchment costs boosted average underground working costs for the four producers sharply from R33 517/kg to R37 721/kg Capital expenditures have been reduced sharply, totalling a mere R9,6 million during the quarter

Harmony's quarterly taxed loss of R35,6 million, compared with a profit of R6 million previously, has depleted the mine's retained income, leaving limited cash resources available for expansion

Mr Turner predicts that the rationalisation measures should return the mine to profitability in the current quarter, but adds that Harmony was selling surplus assets to boost cash resources

A lower grade of 3,25 g/t (3,40 g/t) left underground gold production sharply lower at 5 737 kg(6 012 kg), while costs rose from R206 million to R235 million

Lower gold production at **Blyvoor** was slightly offet by a higher grade at 5,89 g/t (5,73 g/t) but sharply higher working cost of 33 839/kg (31 961/kg) left the mine with a taxed loss of R274 000 Blyvoor reported a profit of R2,73 million in the previous quarter

Losses at **ERPM** virtually doubled from R3,3 million to R6,1 million as interest payments of R12,7 million (R13,15 million) wiped out the working profit of R4,32 million (R7,06 million)

Gold production improved by 44 kg to 1 383 kg on the back of a higher grade at 5,68 g/t (5,57 g/t) but working cost remained high at R35 700/kg (R36 048/kg)

DRD was the only mine to report a profit during the quarter, although at R1 million it was R800 000 below the March quarter

A higher tonnage milled boosted gold production from 1 136 kg to 1 180/kg, while results were also boosted by R2,5 million state pumping aid

JCI gold mines overcome gloom in June quarter

B10A4 22/7/92 (214)

MATTHEW CURTIN

JCI's three gold mines have posted a 19% higher after-tax profit in the June quarter in spite of the gloomy conditions which prevailed in the period. The mines benefited from a lower overall tax bill, some lucrative forward sales contracts, good cost control, production cutbacks and higher grades which helped offset lower gold prices

Aggregate after-tax profit rose to R71m from R60m Randfontein Estates and Western Areas, which made a dramatic return to profitability, paid no tax in the period

Milled throughput fell 4,6% to 2,9-million from 3-million tons, and the average yield increased by nearly 4% to 4,3g/t (4,1g/t)

Masked

Gold production held steady at a little over 12 tons altogether Forward sales masked the drop in nominal gold prices and the group's revenue fell only 0,9% to R32 823 from R33 134 a kg

That compared with ruling gold prices of about R31 000/kg in the quarter

Gold division chairman Kennedy Maxwell said the mines had a "successful quarter", with the turnaround at Western Areas following similar improvements in the past two quarters at Randfontein and H J Joel

Gold division MD Bill Nairn said Western Areas had focused on eliminating the mining of unprofitable areas of reef

Some projects which involved mining low grade areas had been phased out

Nairn said the mine was "going for gold", concentrating on "quality not quantity"

This has been the practice industry-wide in the past three years, first championed by Gengold

At Western Areas, management has struggled to sustain improvements in grade and profits as it has had difficulty successfully introducing trackless mining systems to the mine

Mine manager John Brownrigg said yesterday that mining at Western Areas was now split 85 15 in favour of conventional mining

He said some trackless projects had proven far more profitable than others, and Nairn said it was vital that trackless mining was introduced only in areas where the underground conditions suited the technology

Brownrigg said the mine could sustain the sharp increase in yield, up at 5,99g/t from 5,19g/t.

Production fell nearly 8% to 496 000 from 537 000 tons, knocked by a minor accident and strict grade control Gold output rose nearly 7% to 3 tons, from 2,8 tons

Nairn said the productivity scheme in place at the mine, which has yet to pay mineworkers out, was a key factor in encouraging employees to contain costs, which had risen less than 10% in the past year

Working costs at Western Areas were still higher than ruling gold prices, but the mine was able to turn in working profit because of forward selling The mine realised a 3% higher gold price received of R34 167/kg Working costs stood at R33 933/kg

Randfontein achieved its highest yield since 1987 of 3,7g/t, as tons milled fell to 2,1-million from 2,2-million in the quarter

The mine's profitability has ensured it has an adequate tax shield for the capital spending necessary to prolong its long-term future, concentrated on opening up high-grade areas from the so-far disappointing Doornkop section Randfontein spent R116m on capex in the past year

The mine paid another R5m productivity bonus to workers, amounting to more than R20m in the past year, equivalent to a 12% pay increase in addition to the 4% implemented last year

Shareholders also benefited, with the mine declaring a higher final dividend, taking the year's to 85c from 60c

Steady

H J Joel recorded its second after-tax and after-capex profit, as capital spending fell in the quarter to offset poorer operating results

Nairn said the mine had done well to contain the fall in grade to only 7,3% as production remained steady

Total working costs fell to R42m from R43m, and he said the reorganisation of the mine's haulage system, relying on rail and diesel trucks rather than trucks alone, would cut transport costs and overall costs still further

Nairn added that the most recent development results from the South Deep project exceeded original estimates Exploration so far showed an in situ grade of 14g/t on the Ventersdorp Contact Reef, compared with prospectus forecasts of 11,5g/t

				Costs	Costs			Profit	EPS

JCI's gold mines double profit

B/DAY 22/7/92.

(214)

MATTHEW CURTIN

GOLD was regaining its sensitivity to world events as market sentiment improved steadily in recent months, JCI gold division chairman Kennedy Maxwell said yesterday

Maxwell was commenting on the division's results in the June quarter, in which JCI's three mines more than doubled aggregate after-tax and after-capex profit to R22m from R10m in the March quarter

Maxwell said "The recent increase in the gold price holds considerable promise for the mining industry, which is still in the grip of one of its worst recessions"

He acknowledged that the recent rally gold prices was linked to the weakening dollar, but said fundamental factors affecting the gold market continued to move in the metal's favour

With the prospect of a sharp fall in Russian gold production in 1992 and level output elsewhere, the burgeoning demand for gold in the Middle East, southeast Asia and China promised gradual but uneven increases in gold prices

Maxwell said he was confident that central banks were not poised to offload their considerable gold reserves, equivalent to more than 15 years of current yearly production The need for stability in the run-up to closer European economic integration would ensure that European central banks held on to their gold reserves

Randfontein Estates and H J Joel turned in solid results in the June quarter, the group's results spurred by a sharp turnaround at Western Areas, which turned a R19m bottom-line loss into a R1,2m profit

Average yield at Western Areas rose 15% to nearly 6g/t from 5,2g/t The mine posted an after-tax profit of R9m compared with R2m in the March quarter

● See Page 7

Edenvale's streets could be paved with gold

BDAY 23/7/92

(214)

ADRIAN HADLAND

GOLD may be lying beneath the streets and houses of Edenvale on the East Rand

In a Transvaal provincial gazette published earlier this month, it was announced that the Edenvale town council intended to grant prospecting rights on council land together with "the option to purchase the right to all minerals"

Edenvale acting town clerk Johan Roux said mining company Genmin had approached the council recently with plans to prospect for gold and other minerals in the area

He said once the right to prospect had been granted by the Transvaal Provincial Administration (TPA), Genmin would probably be digging "three or four" holes to determine the geological structure and mining potential of the land

Roux said some of the land lay "underneath people's erven", but the Edenvale council had mineral rights to the land "from long ago" Roux said the council owned land throughout the town

Roux indicated that negotiations between Genmin and the Edenvale town council would begin only once gold or other minerals were found and proved to be a viable mining proposition

"The announcement in the gazette establishes that Edenvale has agreed in principle to the granting of prospecting rights," he said "There would be no point in negotiating with Genmin unless we could be sure there would be no objections "

Genmin spokesman Laing Geldenhuys said the council land in Edenvale was just one of the areas Genmin was interested in He said it was not company policy to disclose further details on its intentions

COMPANIES

Gazgold achieves turnaround

JONO WATERS

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INCREASED yields and lower working costs at small independent gold producer Gazankulu Gold (Gazgold) turned its loss in the last quarter into profit for the June quarter

Gazgold managed to increase its yield to 3,67g/t (2,78g/t) and lower working costs to R24 683/kg from R35 635/kg Working profit was therefore R489 570 compared with a loss of R162 554 for the March quarter

Payments took their toll on net profit, reducing it to R139 169 for the quarter, which, combined with capex payments of R258 086, produced negative earnings a share of 0,5c.

B/DAY 23/7/92

Financial director Richard Eaton said the fall in working costs was a result of achieving economies of scale from an increased gold production of 79kg (62kg) He said they had struck higher grade ore in the Klein Letaba and Franke mines

Capex payments were largely made on the Birthday mine, where the viability of ore blocks at the 110m level was currently being evaluated No ore from Birthday was delivered during the quarter

The shaft at Klein Letaba had been sunk to 160m and equipped to the 152m level, while at Franke, shaft-sinking had progressed to the 150m level Eaton said a drop in grade was not expected

Gazgold borrowings stood at R10m and management had decided to cease capitalising the interest costs, he said

Analysts confident gold could soon nudge $400

BDAY 23/7/92.

(214)

JONO WATERS

CONFIDENCE is growing that gold has completed its price consolidation and that fears over the dollar and US inflation could provide the trigger needed to push the price towards $400

That implies a return to profit for many struggling marginals and far higher earnings for others that are doing little better than break even

Yesterday's London afternoon rise of $3, which analysts described as "promising", could mean the metal is heading back to levels which could return some mines to profit

EW Balderson gold analyst Nick Goodwin says most marginal mines would be making good profits if the gold price passed R1 050 (or $386 at the present rand/dollar rate)

The rand price of gold is what matters to mine managers who must pay bills in rands, not dollars But Goodwin believes that any rand price improvement has to be based on a dollar price improvement for the sector's long-term stability

Relying solely on a depreciation of the rand's external worth to boost the rand price of gold offers only short-term benefits A declining external value of the rand implies rising domestic inflation and, hence, fast rising mine working costs

Ferguson Brothers gold analyst Trevor Pearton is optimistic, though more cautious than Goodwin He believes most marginal mines will remain so until gold adds another $100 and consolidates in the upper $400s

Counteract

Pearton is cautious because higher gold prices will lead to lower grade ore being mined as it becomes payable again Lower grades and reduced margins will counteract the full effects on profits and dividends of higher gold prices

Other analysts believe mining groups such as Gengold have deliberately high-graded their marginal operations and cut production to maintain profits during past years of weak gold prices Now the gold price is recovering, the strategy could reverse Mines, no longer marginal, would become less highly geared to gold prices

He says marginal mines have the potential to swing from loss to profit with small changes in the gold price, grade or working costs With grade hard to manipulate and working costs at their lowest possible — the result of more than three years of production cutbacks and job losses — only the gold price can now make a difference to gold mines' fortunes

Capex at marginal mines is, however, not geared to the gold price except at mines with shelved lease extensions and planned capex projects

Assuming that grades and working costs will not be adjusted to take into account higher gold prices, the possible leverage effects of higher gold prices on a sample of marginals and others is indicated by the table If, for example, the gold price received at Libanon, Gold Fields' marginal, increased by R232 (or $84) from its June quarter level to R1 200 (or $436), earnings a share would increase from nothing to 60c

If the price was to increase to R1 100 the increase in earnings a share would be more than 100% for three of the four marginals listed and only 36% at Driefontein

MINE	Revenue R/oz June Quarter	Costs R/oz June Quarter	Profit After (Capex (R000s) June Quarter	PROJECTED 12— MONTH DIVIDENDS IF GOLD PRICE AVERAGED			
				R1 025	R1 050	R1 100	R1 200
DURBAN DEEP	999	977	(207)	—	—	—	COULD PAY BUT MUST GIVE UP R10m STATE PUMPING ASSISTANCE
FREEGOLD	1 022	908	61 807	200	277	325	380
LESLIE	996	934	949	20	40	55	75
LIBANON	968	922	4 026	—	—	20	60
DRIES	969	540	96 544	165	175	190	225

Gold mining houses weather price decline

STAR 23/7/92.

By Sven Lunsche

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	GOLD PRODUCTION (kg)		TAXED PROFIT (Rm)		PROFIT AFTER TAX & CAPEX (Rm)	
	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE
JCI	12 361	12 236	59,6	70,9	9,6	22,3
ANGLO AMERICAN	63 490	63 799	408,1	369	167	137,4
GENCOR	18 037	18 091	67,1	70,6	32,6	58
ANGLOVAAL	9 592	9 777	42,3	48,6	33,6	22,9
GFSA	29 594	30 576	208	287	107	86
RAND MINES	11 699	11 243	7,3	(40,9)	(0,7)	(50,5)
TOTAL	144 773	145 722	792,4	805,2	349,1	276,1

The six major gold mining houses have generally succeeded in dealing with the lower gold price and high inflation, lifting combined taxed profits slightly in the June quarter.

However, the situation is becoming more critical for marginal mines because the price premium available for forward sales has all but evaporated

Ten of the 34 mines reported a loss after tax and capital expenditure in the June quarter (seven in the March quarter) Eight of these mines were in a loss situation even before deducting capex

The loss of sparkle in forward selling is particularly bad for marginal producers because hedging had previously helped them to higher prices than those available on the spot market

At the end of the first quarter the Chamber of Mines classified 12 mines as marginal and estimated that 12 percent of SA gold production was at a loss.

The mines received an average price of R31 890/kg in the first quarter A preliminary analysis of the June quarter results shows this price fell slightly in the three months, in line with the drop in the gold price.

It is likely that the percentage of gold mined at a loss increased marginally in the June quarter, although this situation could improve if the gold price maintains its current level of just under $360.

Apart from the marginal mines, producers seem to have achieved stricter cost controls and improved productivity

"In their fight against the lower gold price and rising working costs, the mines have had to step up productivity and have by and large succeeded," says Chamber of Mines senior economist Francois Viruly

He attributes the rise in productivity to profit-sharing and productivity agreements and better grades

Mr Viruly adds that while individual mines could possibly reduce costs even further, it is up to the monetary and fiscal authorities to assist the mines by controlling inflation

Working costs in the first quarter of this year were 0,2 percent lower than in the same quarter in 1991 On balance, most mines limited working-cost increases to about one percent in the June quarter.

The quantity of ore milled remained largely the same in June but a slight rise in grade from the March quarterly average of 5,33 g/t ensured that output rose from 144 733 kg to 145 722 kg

The combined taxed profits of the six producers — JCI, Anglo American, Anglovaal, Gencor, Rand Mines and Gold Fields — showed a marginal rise to R805,21 million from R792,43 million in the March quarter.

The star performer in June was GFSA, which lifted its profits by almost R80 million to R287 million.

Total capital expenditure rose sharply in June from R443,3 million to R529,1 million Anglo and GFSA accounted for the bulk of this amount, committing R231,7 million and R201 million

Mine closures fail to knock gold output

BIDAY 24/7/92

(214)

MATTHEW CURTIN

SA's gold output continues to withstand the pressures of weak gold prices and rising costs on the gold mines

Latest figures released by the Chamber of Mines show that production at the end of June this year was 302,4 tons, 2% higher than last year's output of 297 tons.

The stability of yearly SA output, which fell marginally last year to 601 tons (1990 605 tons), has put paid to many analysts' hopes that the closure of marginal mines would see gold production decline overall to boost market sentiment and carry gold prices higher

Gold was fixed in London yesterday afternoon a little stronger at $359,50, its highest level in six months, but at less than average prices for 1991.

Simpson McKie analyst Rodney Yaldwyn said yesterday that "SA production has certainly not fallen to the degree anticipated" There were signs that production had levelled off

He said mines which had closed or were about to do so were marginal producers which, having cut back operations for some time, made up only a small fraction of total output There had not been the spate of shaft closures at mines like Freegold and Vaal Reefs which some analysts two years ago had thought inevitable

Other marginal mines had been able to survive by high-grading, effectively maintaining gold output while mining less ore and keeping costs down

Yaldwyn said the biggest impact had been made by profitable producers such as Gold Fields's Kloof and Driefontein, which had increased grades JCI's Randfontein Estates and Western Areas had during the June quarter achieved their highest yields since 1987.

He noted that Anglo American's Western Deep Levels posted poor performance during the quarter with higher production costs, but still produced more gold than in the March quarter.

Stable SA output was one factor working against the gold price, which might show signs of sustained recovery only once all SA mines which faced closure had in fact stopped producing Those mines included West Rand Consolidated, Stilfontein, Bracken, Loraine, Durban Deep, Blyvooruitzicht, and Venterspost, responsible for only about 5% of SA output

SA's pattern of sustained output seemed to be mirrored in Australia and the US, where small mines were closing but large producers were expanding operations.

COMPANIES

Primrose mine earns record profit

JONO WATERS 2/4

INDEPENDENT producer Primrose gold mine earned a record profit for the year to end-June 1992 BDAY 24/7/92

But taxed profit fell to R310 000 in the June quarter from R748 000 in the March quarter, although overall profit for the year increased to R2,67m In the year to end-June 1991, a loss of R1,76m was made

In the June quarter, the mine milled 40 024 tons from its underground operations, realising a lower average yield of 5,01g/t (5,29g/t)

MD Jomo King said it was normal for reclamation work to produce fluctuating grades, but he hoped the yield would be back to 5,29g/t in the current quarter

Operating costs in the quarter dropped to R156,14 a milled ton from R169,65/t, but the lower operating revenue of R168,97/t (R189,79/t) produced a reduced operating profit of R12,83/t (R30,13/t)

Through its hedging operations, the mine received an average of R35 557/kg

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Primrose shows the way home

STAR 24/7/92

Independent gold producer Primrose has put up a creditable performance for the year to June, despite tough economic conditions in the gold mining industry.

The small mine notched up a working profit of R4,265 million for the year compared with R334 000 in the previous year.

Figures released by the company yesterday show Primrose turned its loss after non-mining expenditure of R1,745 million of the previous year into a profit of R2,657 million for the year to June

Tonnage milled increased by 10 percent to 162 954 tons, while the yield increased by one percent to 4,99g/t on average

Total gold sold for the year amounted to 813,7kg, up from the 728,4kg sold in the previous year

The mine received R35 985/kg compared with R31 643/kg the year before

Mining costs per ton of ore milled declined marginally to R153,50 from the previous year's R153,65, while operating profit jumped from R2,26 per ton milled to R26,17 — Sapa

No pot of gold at the end of miners' rainbow

W\Mail 24\7-30\7\92 (2.14)

By MONDLI MAKHANYA

SOUTH AFRICA'S 400 000 goldminers continue walking the delicate tightrope between a living wage and job preservation

This year's wage increases, among the lowest since the industry was unionised in the early 1980s, were a trade-off aimed at averting further retrenchments in an industry plunged into crisis by a stagnant gold price

But although the National Union of Mineworkers has come to terms with the Chamber of Mines in the gold industry, conflict is looming on the collieries Rejecting pay offers of between seven and 13 percent on the coal mines, the union has declared a dispute and may begin balloting members in the next two weeks.

Raises agreed on the gold mines ranged from six percent to 8,9 percent — a sharp cut in real wages Most miners earn less than R1 000, and their increase will amount to around R40 a month

To boost the increases on better-off mines, a profit-sharing scheme was agreed, in terms of which miners will share in 20 percent of profits. Details are to be negotiated between the NUM and mining houses

Gold Fields of South Africa and Anglovaal have, however, refused to enter the profit-sharing agreement, with Gold Fields offering a six percent increase, or a monthly minimum raise of R31, and Anglovaal offering a six percent increase.

JCI, which granted workers a six percent increase, opted to stick to last year's productivity-based bonus scheme. It reported in its annual report this week that it had paid out more than R20-million in bonuses to workers.

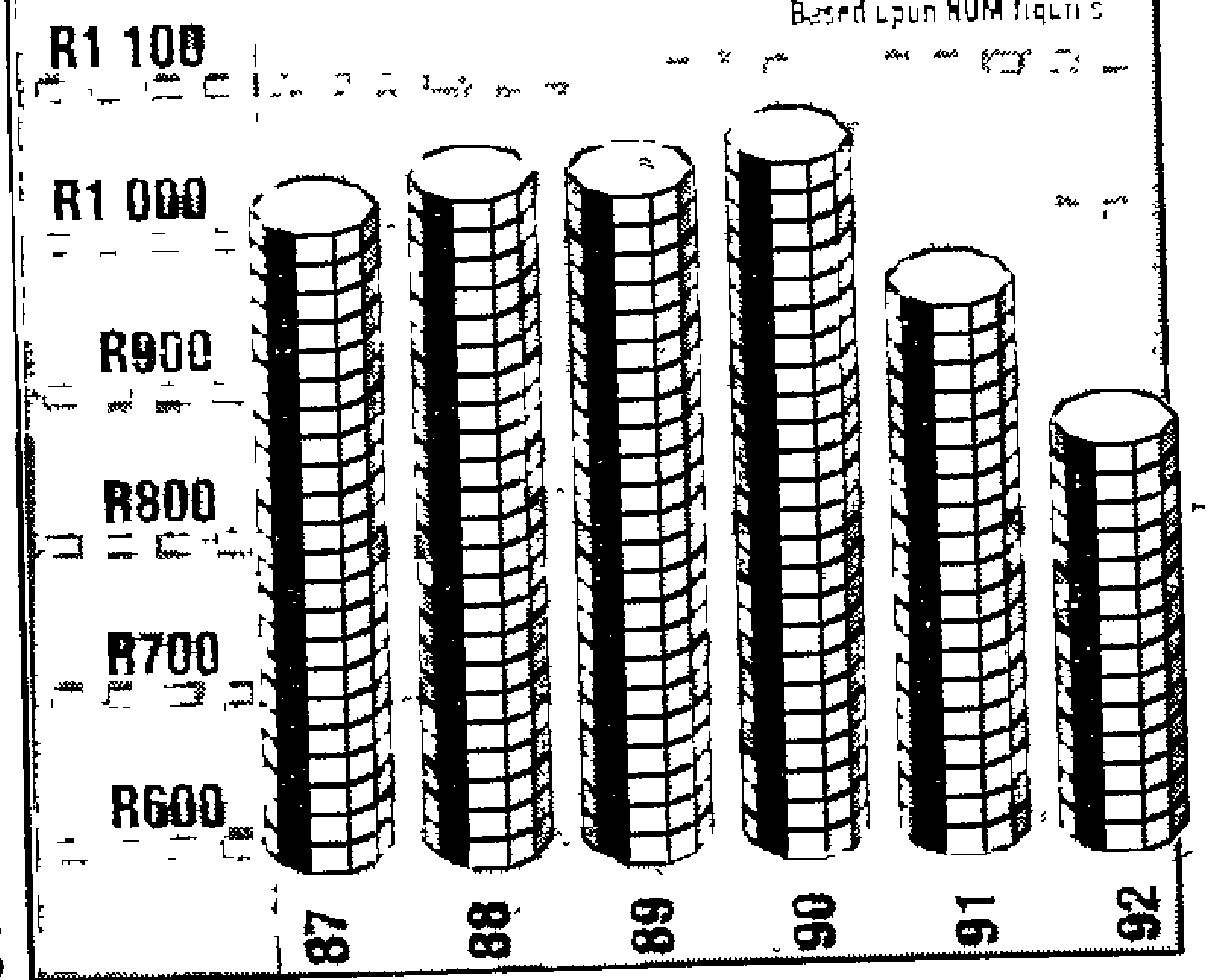
"They have been able to pay these sums because their Randfontein Estates mine is still quite profitable. But it is also highly mechanised and not many people are affected," said an industry source

The different increases for different houses reflects varying economic circumstances — Rand Mines' Harmony mine, for example, is on the verge of collapse

The miners' falling buying power

Basic cash wage in constant 1992 rands

Based upon NUM figures



While both sides commend the new profit-sharing scheme as a breakthrough, details have yet to be finalised and there is some divergence as to what it implies. The NUM initially wanted to compensate for the low wage increases by having companies pay 20 percent of profits before capital expenditure, but employers insisted on distributing 20 percent after allowance for capital expenditure

Mine owners have also agreed to greater disclosures of their financial position "We realise that this is necessary to make the profit-sharing deal work," said an industry source.

On Anglo American gold mines and Rand Mines' Harmony mine, the NUM also extracted concessions on its demand for dealing with "free riders".

Non-union members who have in the past benefited from NUM-negotiated deals will now have to pay money — one percent of salary at Harmony — into a collective bargaining fund which will be used to meet negotiating costs

A one percent increase in employer contributions to the Mineworkers Provident Fund was also agreed to

Fifty thousand jobs have been lost on gold mines in the past 18 months, 15 000 of them this year And since labour constitutes more than half of mines' operating costs, an increased wage bill puts many marginal mines in danger of closure.

According to the NUM, the buying power of wages of underground workers — who comprise 80 percent of the workforce — has declined by almost R100 in the past 10 years.

And despite the fact that the gold price has rallied in the past few weeks, it is unlikely to reach the R400 benchmark needed to stabilise the industry

NUM collective bargaining head Martin Nicol says the union has had trouble selling the low basic increases to its members

"At some mines, workers have told us that they would rather have the mines close than accept these low increases. I suspect there will come a point where they will simply no longer tolerate the situation

"Employers must ensure that the profit-sharing scheme works if they want the co-operation of the workers in containing costs," he said

NUM, mines thrash out profit-sharing scheme

BDAY 28/7/92 ·

(214)

MATTHEW CURTIN

IT'S make or break for the principle of profit-sharing on SA's gold mines It is an issue which has already transformed industrial relations in the sector And tens of thousands of jobs depend on its long-term success unless a soaring gold price arrives to rescue the industry

The profit-sharing formula, the details of which are about to be thrashed out by the NUM and three of SA's six mining houses — Anglo American, Gengold and Rand Mines — is going "to test the generosity and optimism of management to the limit", says NUM collective bargaining head Martin Nicol

The parties are in the process of finalising the principles of the profit-sharing scheme, before putting numbers to the theory on a mine-by-mine basis The scheme is designed to replace last year's productivity scheme about which the union raised a number of objections

The union and the mining houses have agreed in principle that mines will share profit, after tax and royalty payments and capital spending, a sum known as the "profit pool". Mine workers will be entitled to 20% of the pool, determined by a trigger level and a ceiling

The pool will be based on the profit of individual mining companies — rather than mines — which should eliminate arguments about the reliability of financial information, because the companies publish the data quarterly A key proviso is that profit will be calculated after capital spending as committed by the company at the beginning of its financial year — and averaged out over each month — rather than as the money is spent There are normally large fluctuations in capital spending on the mines as management tries to maximise the tax-advantages of capital programmes The NUM feared management might also manipulate capital spending to dent bonuses in profitable quarters

Nicol says the NUM first wanted such a formula to be applied across-the-board However, the union has been forced to accept that the formula will work only if applied according to each mining company's financial position

The scheme is chiefly aimed at keeping marginal mines afloat, but a key attribute of marginal mines is their high gearing to gold prices A small increase in price can transform a marginal producer like Gengold's Bracken from break even to being able to pay healthy dividends

In addition, different marginal mines are more or less sensitive to gold prices, depending on their working costs and capital commitments.

Anglo American industrial relations manager Fanie Ernst says the keenest debate will be over the trigger point for the profit-sharing scheme Should a mine pay out employees as soon as it moves into profit, or retain a proportion of that profit before the profit-pool mechanism is triggered? And what will the upper limit be? Industry sources say a possible yardstick is that the first 5% of profits be excluded from the scheme.

Ernst says the solution becomes easier to find if one regards any payments as a "wage supplement", rather than a bonus, aiming to achieve real wage increases related to a mine's profitability, rather than once-off bonanzas Some mine managers are concerned about ensuring that the idea of an incentive (central to last year's productivity scheme) is retained But Ernst points out that in agreements struck last year, management could have been forced to pay out productivity bonuses based on successful cost containment although a mine came close to break-even because of poor gold prices

Alternatively, some managements may insist on bonuses being paid only if the mine exceeds past profit levels, or set rolling targets from which bonuses will then be paid

The NUM is clearly concerned that its members are rewarded as quickly and as substantially as possible, but Nicol says the union accepts that it is unreasonable to expect a newly profitable mine to pay out large bonuses one quarter when it may have suffered large losses in previous quarters

But, he says, that may conflict with sentiment on the mines themselves Mine workers have had to accept a second year of wage increases significantly below the inflation rate Existing bonuses based on negotiated or management-implemented schemes have been paid at only a handful of mines Workers may feel they are entitled to a hefty share of any newfound profitability

At marginal mines, the likely sudden swings from break-even to handsome earnings as gold prices move up and down will strengthen such sentiment That, Nicol says, may widen the gap between the cordial management-union relationship established at chamber level, and those at the mines themselves Another niggling factor is that workers have also seen retrenchments in the industry — creeping towards 15 000 so far this year — continue apace, despite the low pay awards designed to forestall them

Gengold senior consulting engineer Kobus Olivier says negotiations will lead to a wide range of different formulae at different mines

This week the NUM will start discussing each mining company's position, but at head office level Management and the NUM agree last year's negotiated bonus schemes broke down because negotiating and implementing them at mine level, where mine managers and shop stewards have less cosy relationships, proved impossible

In contrast to the mishmash of bonus schemes which emerged last year with varying degress of success, Olivier says that with the principle of profit-sharing firmly established, Gengold is confident that the new scheme will be easier to negotiate and implement this year

LETTERS

Mass action 'not likely to affect price of gold'

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BDay 29/7/92

MATTHEW CURTIN

NEXT week's mass action campaign is likely to leave gold prices unaffected, with analysts confident SA's gold mines will not be hit by widespread labour unrest

Gold prices teetered on the brink of the $360-mark, but fell short in afternoon trading, fixed nearly a dollar up at $359,60 from yesterday's $358,40 afternoon fix

However, prices remain depressed in other currencies At R31 802 a kilogram, gold is no higher than the average local price for the past year

Gold has been trading near DM532 an ounce, which is well below average prices of more than DM570 in the German currency in the past year

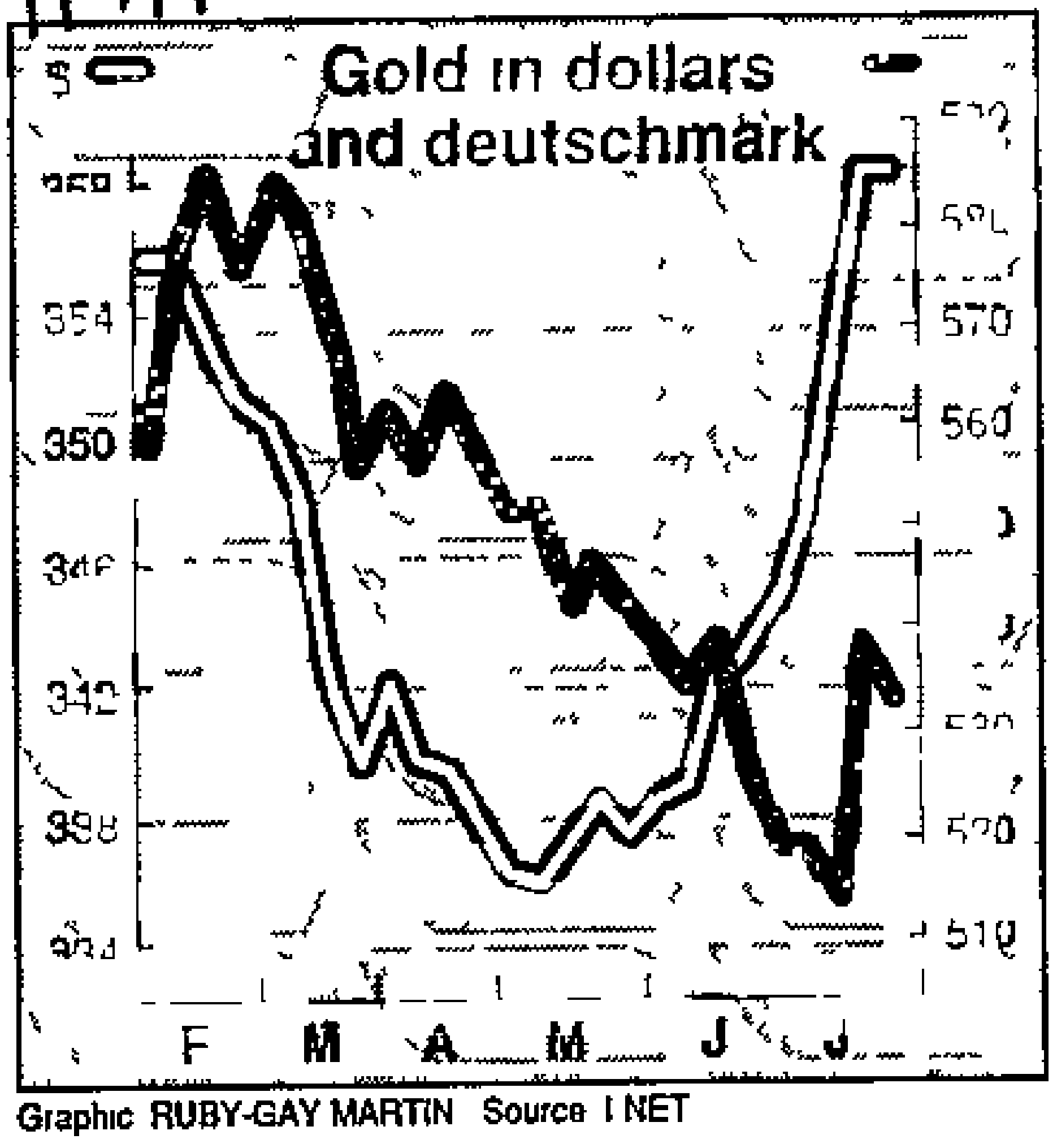
Whereas gold in dollar terms is only 4,5% lower than it was two years ago, when reflected against a basket of non-dollar currencies the metal is trading at levels 20% lower than this time in 1990

Senekal Mouton & Kitshoff analyst Hilton Ashton said yesterday that with much of the protest campaign designed to be held in the guise of pay disputes, and wage negotiations all but settled on the gold mines, the sector was not likely to be affected by work stoppages.

He said foreign observers would soon realise "it was business as usual on the mines". Ashton said the key reason for the recent rally in gold prices was the dollar's weakness against other major currencies

Davis Borkum Hare analyst David Giese said that with the mines isolated from cities, and the cordial tone of this year's wage negotiations, only the possibility of violence would draw particular attention to them during the protest campaign

There were no grounds for the concern



Graphic RUBY-GAY MARTIN Source I NET

which lifted platinum prices last month, after a brief strike at Impala Platinum's mines in Bophuthatswana and the threat of more unrest with the prospect of a general strike Gold mines would recover quickly from minor disruptions if they occurred, flexible enough to make up for lost production easily

The strength of platinum prices, rising tension in the Persian Gulf, and economic malaise in the US had added to the weak dollar to push gold prices higher.

Edey Rogers analyst Dean Cunningham said there was a chance that market watchers overseas might not be aware of the subtleties of the mass action campaign and the news of strikes might push gold prices up anyway

However, he said the pressure on management and unions to preserve jobs, especially at marginal mines, militated against workers going out on strike

FM 31/7/92 (214)

GOLD QUARTERLIES

Rising hopes

After another grinding set of quarterly results the burning issue for the gold industry is whether gold's recent strength, bringing the price up to around $360/oz, is the start of the long-awaited recovery in the market.

If it is, then some of SA's marginal gold mines stand to score handsomely through the gearing of their earnings to the price If it turns out to be yet another false start, several more of the marginals look destined for closure

Trouble is, analysts point out the definition of a marginal gold mine has changed over the past few years and Western Deep Levels, for example, is now considered marginal

General feeling remains one of caution Some analysts are prepared to recommend dabbling in Freegold Randfontein and Kinross but they point out ultra-marginal mines like Blyvooruitzicht, Loraine and West Rand Cons are effectively in closure mode

Such mines could need about a 30% rise in the ruling rand gold price before it is worth their while to expand and re-open closed areas "They could well close down before they get such a price increase," says one analyst

The worrying aspect is that gold's strength has so far been in terms of the US dollar and could be almost wholly the result of the weakness in this currency The price has done nothing in the other hard currencies such as Swiss francs or Deutschemarks and, until it does, analysts are adamant a turn in the market cannot be called conclusively

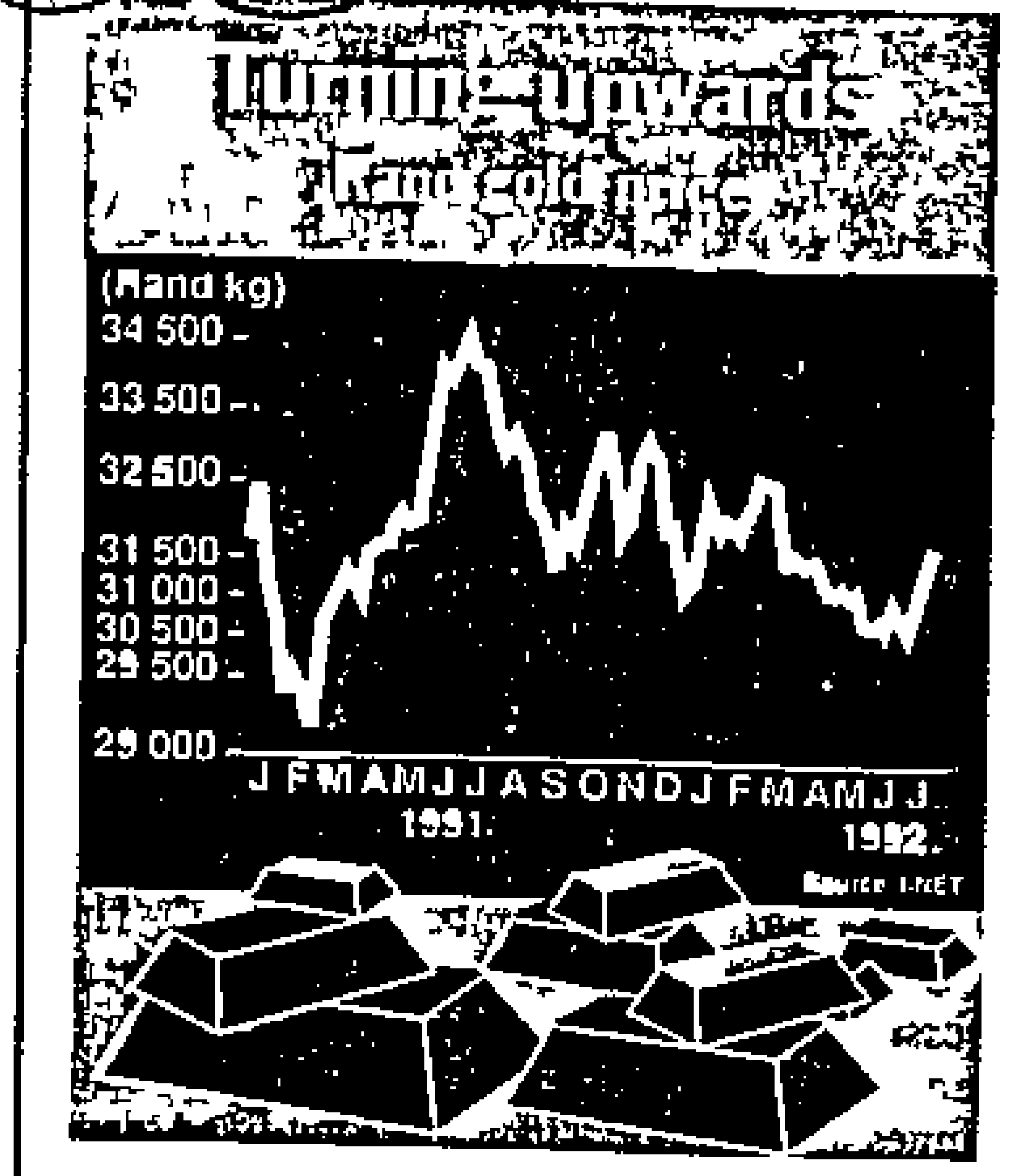
Still there are some hopeful signs Frankel Kruger Vinderine economist Mike Brown points out that, so far, there has been no sign of increased forward selling of gold by producers Instead, some of the gold mining companies that had sold forward continue to buy back gold to close out their contracts

"There seems to be a feeling among producers and central banks that they are happy to let the price run," says Brown

Ken Maxwell, executive director in charge of JCI's gold division, acknowledges the currency factor but feels the rising gold price signals more than just a hiccup in the market caused by the weakness of the dollar

"Overall sentiment towards the future of gold seems to be more positive," he says 'The supply/demand fundamentals for gold are changing, and the annual demand by the jewellery and industrial sectors could well exceed the supply of new gold and recovered scrap gold in the foreseeable future "

Nominal price to the industry has risen 3,4% in 10 days, from about R960/oz to about R992/oz, which has been enough to set some share prices moving, and H J Joel in particular Joel has shot up 75% to current levels around 315c from a 12-month low of 180c on July 7, despite a rather disappointing June quarter which saw yield dip to 5,98 g/t (previous quarter — 6,45 g/t)



Reason is the steady improvement in performance shown by Joel and the fact that, after four terrible years the survivors in the industry stand ready to reap the benefits that higher revenues would bring for their leaner, more cost-efficient operations.

Figures compiled by Ed Hern, Rudolph gold analyst Grahame Graham-Parker show how well the underground mines managed by the major mining houses have coped Their average cost, including capex, to produce one ounce of gold rose just 1,1% to R924 75/oz in 1991, from R914,50/oz in 1990 The 1990 figure was 5,6% up on the 1989 average of R866/oz which in turn was 7,3% up on the 1988 average of R807,50/oz.

Average cost of R127 62/t milled for the June quarter is just 20% up on the average of R106,4/t milled recorded in the September quarter of 1987 Graham-Parker calculates if the mines had not acted and instead let their costs run at prevailing inflation rates, then the average cost for the June quarter would have been around R218/t milled

The June quarter was marked by another series of good cost performances by the heavyweight producers, among them Driefontein Hartebeestfontein and Vaal Reefs Average working cost for Gold Fields' mines rose only 0,5% to R21 346/kg (R21 246) despite the increased losses from marginals Libanon Venterspost and Doornfontein

Gengold's mines dropped their working costs on average by 0 4% to R27 508/kg (R27 626/kg), while Anglo American Corp s gold and uranium division fared badly by comparison with average unit costs rising 2 1% to R26 925/kg (R26 367/kg)

Anglo gold division chairman Clem Sunter views this as a blip in an otherwise good performance since the beginning of 1991 and he sticks to his view that the rise in his division s costs will be close to zero for the two-year period ending December

Such comforting overall statistics cannot hide the fact that a number of marginals are on the point of no return if the gold price does not improve while more mines, in particular Winkelhaak, look vulnerable

Sallies will close its treatment plant in August, while plant clean-up has started at West Rand Consolidated Gengold is considering three offers made to buy the mine

The desperate plight of Venterspost and Libanon was spelled out through the terms of the merger with Kloof, but Doornfontein looks in a similar situation It is battling to get underground production back to the planned rate of 110 000 t/month and return to profitability At end-June, Doornfontein had borrowings of R20m

Harmony's working costs of R235m included a non-recurring R35,1m in respect of benefits paid to the 6 208 employees retrenched in the latest rationalisation, but the mine would still have made a working loss of about R12m without this provision Chairman John Turner says Harmony should return to profitability during the September quarter

Loraine is rationalising desperately to cut costs now the mine is no longer protected by its hedging operations Working costs were R37 750/kg, which meant a loss of R3,4m despite revenue of R34 296/kg — mouthwatering compared with the R31 086/kg earned by Gold Fields' mines, which do not hedge

So much for the obvious lame ducks, but there are a number of other mines whose positions do not look that good in the present circumstances Winkelhaak has decided not to go ahead with the No 6 subshaft project upon which the longer-term life of the mine depends

Gengold MD Gary Maude says at current prices the return on the project is not worth the risk even if Winkels could have been merged with Kinross What is needed is a gold price of R995/oz in real terms, meaning the price must rise in line with inflation over the next few years Gengold has dropped the proposal to merge Winkels with Kinross using the No 6 subvertical shaft as justification

Without the No 6 subvertical, production at Winkels is forecast to drop sharply from about 1998, but Gengold is hoping to buy more time through sinking a number of cheap incline shafts to maintain output in the short term. It's hoped the gold price will recover in time for the project to be reinstated

FM 31/7/92 (214)

Western Deep Levels turned in a poor quarter, as the continued high level of seismic activity at the South shaft knocked grade and raised working costs Freegold's marginal situation was underlined, as a 4,7% dip in gold price knocked R51m off gold revenue with a further R9m lost through slightly lower output

Should the price get moving, the rewards may not flow immediately through to shareholders Mines which have sold heavily forward may not get the full benefits of higher prices, though Maude says Gengold's mines are on average only 20% sold forward Sunter refuses to specify the forward sales positions of his mines, but claims they are able to get much of the benefit from a rising gold price

Then there's the need to re-instate capital spending programmes that have been slashed in the drive for survival through conserving cash flow That must be a priority on some mines and Randfontein took advantage of its good June quarter to boost capex to R36,8m (R23,9m) and bring total capex for the year to June to R115,8m from R70,3m the previous financial year

Brendan Ryan

BDAY 31/7/92

Kloof's merger 'could save it R200m in tax'

(214)

MATTHEW CURTIN

KLOOF, Gold Fields' money-spinning gold mine, stands to save more than R200m in tax in the next few years after its proposed merger with neighbouring Libanon and Venterspost, some analysts believe

They said the merger amounted to a lifting of ring fencing at the mines. And they believed the market might have misjudged a merger which could enhance the value of the new-look Kloof Others preferred to reserve their judgment until the mining house publicly disclosed the formal terms of the merger

Almost R700m was knocked off Kloof's market value in the three weeks after news of the deal broke as shareholders took a dim view of the merger's effect on their high-grade mine The shares fell nearly 20% to R25 on July 9, from R30,75 on June 17 Yesterday, when the shares closed at 75c lower at R28,85, one analyst described the stock as "a roaring buy"

He said Gold Fields' rationale for the merger, based entirely on the threat of flooding at Kloof because Venterspost was threatened with closure, was "something of a smokescreen" concealing the tax benefits, although the threat was genuine

Word from the house yesterday was that the merger had been sanctioned by Inland Revenue The Receiver's approval was automatic once the Mineral and Energy Affairs Department agreed that the three former mining companies would now fall under a single mining authority

One optimist reckoned Kloof faced an immediate tax liability of R160m inherited from the two marginal mines, but believed it stood to gain a tax write-off against its purchase of their assets, valued in their balance sheets at R650m at the end of the 1992 financial year The merger's tax angles would be disclosed with the formal announcement due mid-August

Original market scepticism in SA and abroad was founded on the deal's apparently favourable bias towards Libanon and Venterspost shareholders, while the merger would dent Kloof's appeal as a high-grade low-cost producer.

Pillars

However, another local analyst argued that Kloof now had access to the higher-grade reserves at both mines and was able to exploit richer sections such as former boundary pillars Another pointed out that a merger was not necessary for boundary pillars to be extracted

Mining pillars, it was estimated, might increase grades to 6g/t from the current 4,8g/t at Libanon, and to 4,5g/t from the current 3,8g/t at Venterspost With the planned sharp reductions in tonnage, the scaled-down mines would no longer be marginal producers

FM 31/7/92

GOLD QUARTERLIES

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	Gold														Profit		
	Produced kg*		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Gold R 000	Uranium & other R'000	♣EPS(c) Jun
ANGLO AMERICAN																	
Elandsrand	4 582	(4 104)	23 075	251	(213)	28 424	309	(250)	32 163	352	534	(539)	8,6	(7 6)	42 620	2 127	18,6
Ergo	2 985	(2 941)							32 929	360	9 640	(10 159)	0 3	(0 3)	24 189		11 3
Freegold	▲28 553	▲(28 816)	29 200	318	(243)	30 429	331	(271)	32 863	359	6 738	(6 369)	4 2	(4 5)	99 700	14 800	52,6
Vaal Reefs	18 868	(18 773)	24 537	267	(214)	29 839	325	(244)	32 411	355	3 021	(2 736)	6 3	(6 9)	152 300	2 500	255,3
Western Deep	9 096	(8 996)	27 003	294	(232)	32 531	354	(281)	33 228	363	1 654	(1 527)	5 5	(5 9)	55 600	4 600	28,5
ANGLOVAAL																	
ET Cons	959	(920)	22 916	249	(204)	27 438	299	(219)	30 969	337	94	(92)	10 2	(10 0)	7 723	−1 442	2 6
Hartebeestfontein	7 495	(7 325)	24 651	268	(218)	27 498	299	(226)	30 871	336	1 234	(1 209)	6 1	(6 1)	46 622	9 635	21,2
Loraine	1 765	(1 766)	37 750	411	(293)	37 533	409	(292)	34 296	373	403	(337)	4 4	(5,2)	−6 096	2 655	−18,7
GENGOLD																	
Beatrix	3 072	(3 064)	22 408	244	(196)	§23 041	251	(202)	32 027	347	512	(511)	6,0	(6 0)	29 535	−12 297	n/a
Bracken	500	(449)	◇26 088	284	(221)	◇25 886	282	(224)	31 946	349	40	(55)	12,5	(8 2)	3 061	1 287	14,6
Buffelsfontein	3 198	(3 100)	◇30 174	328	(263)	◇30 672	334	(265)	31 905	348	510	(537)	6,3	(5 8)	5 555	3 431	−21,8
Grootvlei	625	(620)	29 085	317	(249)	31 718	345	(262)	32 159	349	118	(117)	5 3	(5 3)	1 958	1 765	14,5
Kinross	3 090	(3 005)	23 998	261	(211)	26 837	292	(237)	32 287	351	475	(470)	6 5	(6,4)	25 638	3 582	67 1
Leslie	555	(531)	◇30 034	327	(260)	◇31 238	340	(273)	32 012	348	101	(101)	5,5	(5 3)	1 497	734	5,9
St Helena	2 050	(2 102)	◇30 757	335	(266)	◇30 872	336	(274)	32 190	349	319	(350)	6,4	(6 0)	2 937	6 887	69,8
Stilfontein	387	(513)	◇35 783	390	(358)	◇33 863	369	(340)	32 281	346	420	(513)	0,9	(1,0)	−1 342	5 989	41,3
Unisel	1 290	(1 289)	29 652	323	(250)	31 278	341	(275)	32 014	348	209	(195)	6 2	(6,6)	3 031	525	3,7
WR Cons	281	(460)	◇54 214	590	(350)	◇54 064	589	(350)	31 930	344	56	(182)	5 0	(2,5)	−6 261	884	−94,1
Winkelhaak	3 043	(2 904)	◇26 846	292	(237)	§25 704	280	(285)	32 014	348	479	(459)	6 4	(6 3)	16 206	1 914	§158,2
GFSA																	
Deelkraal	2 449,9	(2 443,5)	24 178	263	(204)	39 891	434	(228)	31 297	341	396	(405)	6 2	(6,0)	17 440	4 033	−4,8
Doornfontein	1 534 2	(1 098,2)	34 992	381	(341)	35 115	382	(341)	31 277	340	386	(280)	4 0	(3 9)	−5 699	783	−12,8
Drie Cons	14 964 9	(14 613 6)	17 367	189	(151)	21 710	236	(175)	31 142	339	2 011	(2 005)	7,4	(7 3)	206 151	36 966	47,3
Kloof	8 991,9	(8 823,9)	21 222	231	(177)	30 800	335	(219)	31 063	338	775	(728)	11,6	(12,1)	88 487	−3 394	8,4
Libanon	2 027,1	(1 718,3)	29 668	323	(298)	30 680	334	(306)	31 131	339	350	(375)	5 8	(4,6)	2 965	3 112	10,1
Venterspost	899 2	(1 146 2)	39 356	428	(317)	‡49 881	543	(395)	30 737	335	235	(315)	3 8	(3 6)	−7 750	1 694	‡−76,8
JCI																	
HJ Joel	1 447	(1 560)	29 092	317	(241)	31 594	344	(272)	33 737	367	242	(242)	6,0	(6,5)	6 721	−851	2,3
Randfontein	7 817	(8 014)	25 655	279	(226)	30 365	331	(252)	32 142	350	2 130	(2 227)	3 7	(3,6)	50 707	4 702	30,8
Western Areas	2 972	(2 787)	33 933	369	(306)	36 687	399	(370)	34 167	372	496	(537)	6 0	(5 2)	697	8 663	5,3
RAND MINES																	
Blyvoor	2 022	(2 082)	33 475	364	(276)	34 272	373	(280)	32 523	354	546	(552)	3,7	(3,8)	−1 925	1 651	−7,9
Durban Deep	1 347	(1 283)	31 401	342	(275)	32 301	352	(279)	32 120	350	540	(516)	2,5	(2,5)	968	384	−8,9
ERPM	2 012	(1 984)	29 915	326	(254)	31 862	347	(241)	32 062	349	761	(655)	2,6	(3,0)	4 320	−10 388	−60,0
Harmony	5 862	(6 350)	40 129	437	(283)	40 180	437	(287)	32 100	349	1 864	(1 961)	3,1	(3 2)	−47 068	11 508	−133,4
INDEPENDENT																	
Benoni Gold	377	(362)	25 056	273	(214)	26 223	285	(218)	32 602	355	571	(524)	0,7	(0,7)	2 845	−1 305	0,6
Gazgold	79,25	(62,24)	24 683	269	(310)	27 940	304	(389)	30 860	336	22	(22)	3,7	(2,8)	490	−350	−0,2
Knights	401	(356)	23 879	260	(228)	25 128	274	(249)	31 155	339	858	(845)	0 5	(0 4)	2 917	−354	0,9
Lindum Reefs	116,284	(83,521)	31 973	348	(222)	30 995	337	(222)	30 950	337	143	(75)	0 8	(1 1)	−119	539	2,9
Primrose	202,5	(214,9)	32 864	358	(263)	32 864	358	(265)	35 557	387	43	(41)	4 8	(5 3)	547	−252	2,6
Rand Leases	108,66	(233,67)	39 697	432	(221)	41 773	455	(243)	30 657	334	24	(41)	4,5	(5,7)	−982	275	−0,8
West Wits	745	(740)	27 652	301	(247)	28 834	314	(259)	31 421	342	516	(505)	1,5	(1 5)	2 809	102	2,2

* Figures in parentheses refer to previous quarter † Calculated at R1=$0 35 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure § Includes capital appropriation ‡ Includes expenditure on new mine and interest earned on rights issue funds ◇ Includes retrenchment costs ▲ Including Metallurgical Scheme

Union rejects plan to save Harmony

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MATTHEW CURTIN

(214)

THE whites-only Mine Workers' Union (MWU) had rejected the rescue plan put forward by management to save Rand Mines' cash-strapped Harmony gold mine, MD Karl Eick said yesterday

However, other unions and staff associations, including the NUM, agreed to consult their members before coming to a decision about the proposals, Eick said

Management met workers' representatives on Friday and asked them to support a proposal that Harmony call on government to exempt it from current industry regulations so that it could work a seven-day week. Management said Harmony's survival, and the jobs of its 12 000 strong workforce, depended on a new mining plan, based on blasting on a daily basis. Otherwise workers would have to accept pay cuts in order for the Free State mine to survive

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Eick said he was disappointed by the MWU's decision.

"Having the support of all unions would have meant our proposal would have carried more weight with government, but the social and economic effects of closing down Harmony are such that I'm confident government will look on our proposal favourably," he said

He pointed out that the livelihood of the town of Virginia, and not only the workers on the mine, depended on Harmony. The

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Ghana points the way to Africa's rediscovery of gold mining

STAR 3/8/92

(214)

Interest is growing in the gold mining potential of Africa's sub-Saharan region and analysts estimate the region could double production to 165 tons a year.

A $165 million syndicated loan is being finalised that should enable Ashanti Goldfield Corporation of Ghana to expand production and join the relatively exclusive band of companies that each produce more than one-million ounces of gold a year

Ashanti's production boost is part of a gold mining renaissance in Ghana since a new Minerals Code was enacted in 1986, together with incentives and tax arrangements that the mining industry considers reasonable

Ghana's gold production jumped from an annual eight tons in the early 1980s to 18 tons last year

Mark Keatley, senior investment officer at the International Finance Corporation, an affiliate of the World Bank, says. "Given the outstanding geology and well-organised institutional environment, it is quite conceivable that by 1996 Ghana could be producing 45 to 50 tons of gold a year"

Not only that, he says, sub-Saharan Africa (which excludes the Arab countries of North Africa as well as South Africa) has the potential to produce about 165 tons of gold a year — nearly double last year's 84 tons and almost as large as Canada's present output

Past production figures are bound to be distorted, however, because nearly 40 percent of sub-Saharan African gold production is by small-scale miners, highly entrepreneurial people known variously as artisans, galampsey or pailleurs

Mr Keatley points out that "they are estimated to produce almost as much gold as the entire country of Chile and quite possibly much more that is not reflected in the official statistics"

At least 10 African countries produce gold but about two-thirds of total output, excluding South Africa's, is from three countries Ghana, Zimbabwe and Zaire

Ashanti Goldfields, which is 45 percent-owned by Lonrho, the UK-based conglomerate, with the rest in government hands, is Ghana's gold standard bearer.

It produced 569 475 ounces last year and expects to move up to 670 000 in 1992 and to sustain one-million ounces a year from 1996.

Drawing on the IFC's investment activities in the area and research by the African Mining Unit of the World Bank, Mr Keatley prepared a paper for the recent Financial Times World Gold Conference outlining sub-Saharan Africa's gold potential.

His paper pointed out that much of Africa had the right type of geology for successful gold mining but not every one of its 44 countries had the right "enabling environment," by which he meant infrastructure, legal systems, official policies and institutional development.

Since 1986 Ghana has yielded three new world-class gold mines in the Tarkwa basin: Billiton's Bogosu mine producing three tons a year; the Terebie mine a similar amount, and the Iduapriem mine, majority owned by Golden Shamrock Mines of Australia, three to four tons a year.

Elsewhere in West Africa, Mali recently introduced a Mining Code based to some extent on that of Ghana

In Mali, Broken Hill Proprietary of Australia brought a new gold mine into operation in 1990 which is producing an annual three tons This will be expanded to six tons by 1994 in a project in which the IFC is involved

Southern Africa's biggest gold-producing country excluding South Africa is Zimbabwe, which produced almost 18 tons of gold last year. The country has more than 100 mines

At one end of the scale are mines such as those operated by Lonrho, with output of more than five tons of a year, and Cliff Resources, Falcon Gold and RTZ, each producing two or three tons annually.

In contrast, many small mines are producing just over 100 kg each a year.

Other gold-producing countries in Southern Africa are Namibia, where the first gold mine opened in 1989, and Madagascar But the country estimated to have the highest potential is Mozambique

In the Manica area of Mozambique alone there are more than 40 abandoned gold mines with a resource base estimated at more than 50 tons

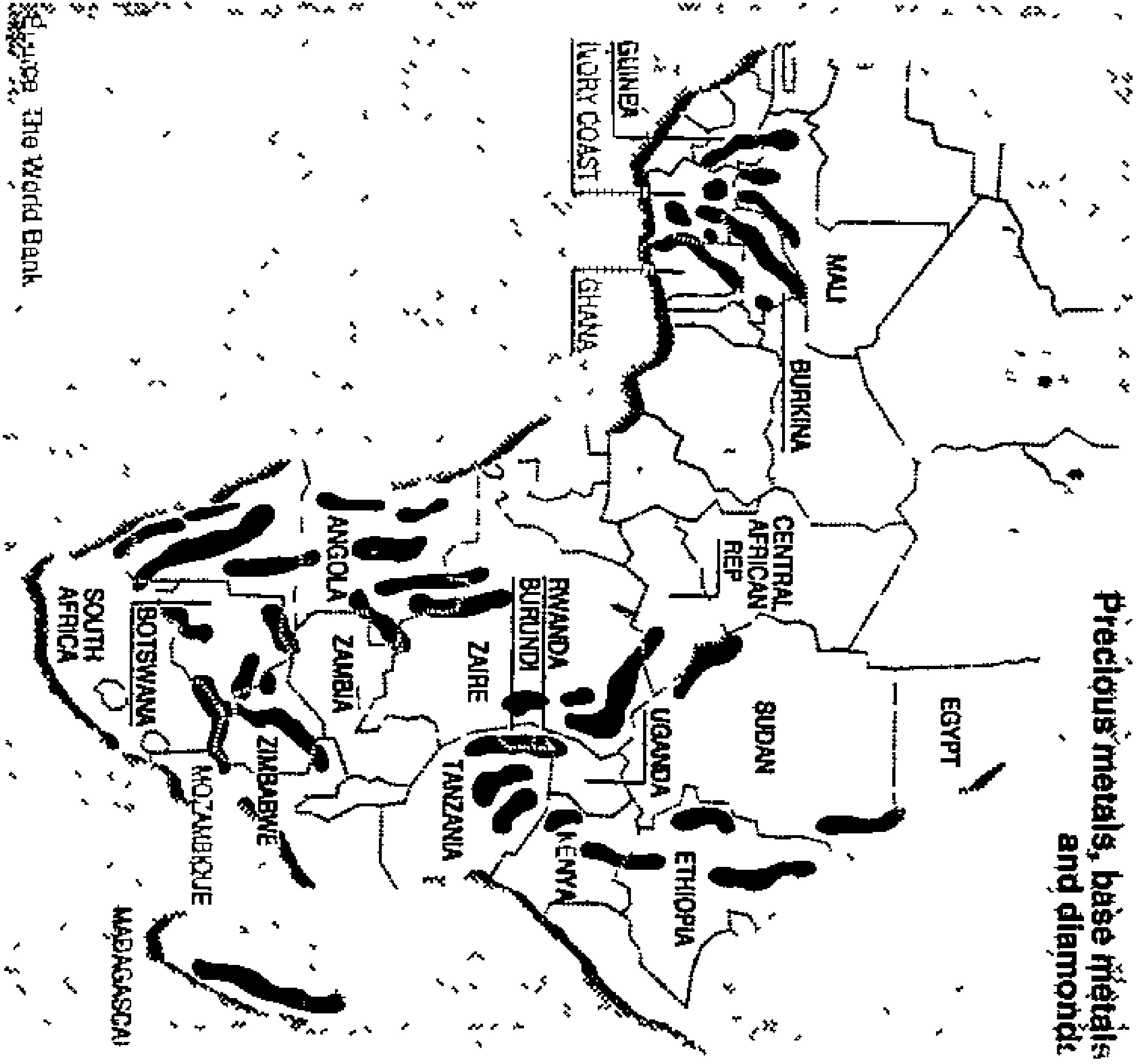
Zaire has two gold-bearing provinces. One in its northeast corner has been worked for its gold for two millennia. It might have been a source of gold for Egypt in ancient times

"It is not implausible that the gold of the Pharoahs was brought down the Nile from this source," Mr Keatley says

In more recent times this gold area has been neglected Most of it is leased by the Zaire state gold miner, Okimo, which has not invested much in exploration or development

However, last year the government agreed to sub-lease part of the concession to a South African-Belgian consortium

This joint venture — in which the IFC is a founding shareholder — will eventually produce 2,5 tons of gold a year. — F Times.



Precious metals, base metals and diamonds

Source: The World Bank

Freegold, Driefontein buck the trend

B DAY 4/8/92

(214)

MATTHEW CURTIN

ANGLO American's Freegold and Gold Fields' Driefontein Consolidated have outperformed most sectors on the JSE so far this year in spite of sluggish gold prices

Shares in Freegold have risen more than 20% since January, closing 75c lower at R31,25 yesterday, against R26,25 on January 1 Shares in Driefontein finished the day 100c lower at R39,50 compared with R36,00 at the start of this year.

In contrast, the all share and all gold and industrial indices are little changed from levels eight months ago Other heavyweight counters on the gold board, such as Randfontein Estates, Hartebeestfontein and Vaal Reefs, are below early year share price levels.

An analyst said yesterday the market had effectively re-rated Freegold, which, after a succession of indifferent quarterly results, had performed well over the past year

The success of restructuring programmes in 1990/1991, aimed at cost containment, had reaped rich rewards, he said

Attributable earnings jumped to R280m from R167m in the year ended March 1992 Freegold increased its total dividend by 68% to 235c from 140c a share in 1991 In 1990 the dividend was 295c

Driefontein, SA's most profitable mine, increased its 1991/1992 dividend by 6,5% to 165c from 155c

The analyst said that at a time when dividend payments have been slashed throughout the industry as it labours under weak gold prices, investors were naturally attracted by Driefontein and Freegold

However, he noted that both companies made up about a third of the market capitalisation of the JSE's gold board, with respective market values of R8bn and R3,7bn When either share performed well, the gold index improved, knocking the relative performance of other stock

Other gold shares would move higher quickly — especially the marginal mining companies, which were most sensitive to small changes in revenue — should gold prices sustain significant increases, he said

New Wits maintains dividend despite woes

BDAY 5/8/92

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MATTHEW CURTIN

NEW WITS, the Gold Fields gold mining exploration and investment company, has turned in a sharply reduced profit in the year ended June 1992 Earnings fell to 58c from 93c a share, but an unchanged 52c total dividend was declared

The depressed gold market has hit New Wits exploration activity and the income it derives from its investments in other SA gold mining companies

The results fulfil chairman Alan Wright's prediction last year that the outlook for 1992 was "very dependent on the gold price received by companies" which formed a large part of New Wits investments He said New Wits was unlikely to maintain its earnings a share

Investment income rose a meagre R552 000 in the year to R18,6m from R18,1m in 1991 Whereas last year's results were buoyed by R14,5m realised from the sale of investments — mostly shares in Anglo American gold producer Vaal Reefs, money which was used to liquidate R20m in debts — New Wits realised only a R1,7m investment surplus in 1992

Expenditure fell to R2,7m from R4,1m Exploration spending fell to zero from R1,4m in 1991, as exploration in the Potchefstroom Gap was wound up The region has large deep-level reserves which are not economic to develop until gold prices improve considerably

New Wits posted pre-tax profit of R17,8m and paid no tax in the year. After-tax profit stood at R28,7m in 1991

Meanwhile, Vogelstruisbult, Gold Fields investment company with stakes in the group's base metals producers, produced a 23% drop in earnings a share in the six months ended June 1992 Earnings fell to 20c from 26c a share

The interim dividend was cut to 15c from 25c last year

Wright said in a statement that Vogels' investment income was dependent on coal and base metal prices, and should those continue at current levels, "it is unlikely that there will be much improvement in the second half-year compared with the first half"

Investment income fell to R3,6m from R4,7m at the interim stage in 1991, with sundry income lifting total revenue to R4,1m (R5,0m). Expenditure rose to R397 000 from R304 000 Vogels posted an after-tax profit of R3,7m, compared with R4,7m in 1991

Western Deep may fall further

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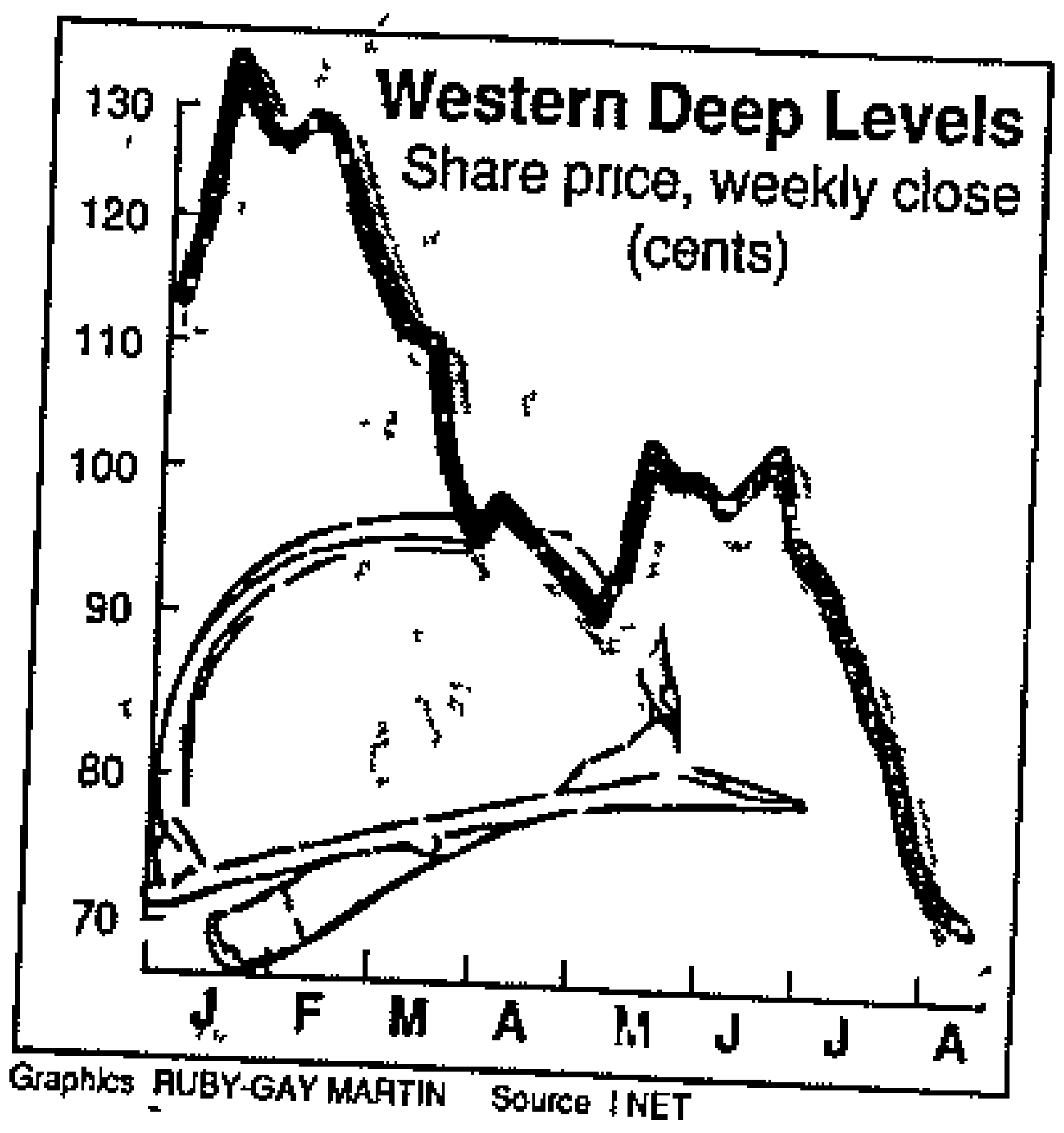
JONO WATERS



Graphics RUBY-GAY MARTIN Source I NET

WESTERN Deep Levels, the deepest mine in the world, has seen its share price plummet from R135 at the beginning of the year to R72 at yesterday's JSE close

Market sources said they expected the share to fall further to between R60 and R65

Falling grades and increased working costs have seen Western Deep's profit after capex decline in the last three quarters Earnings a share have fallen to 31c in the June quarter from 117c in September's

Anglo Gold and Uranium MD Lionel Hewitt said the lower profit in the June quarter resulted from an overflow of problems caused in part by the seismic events at the mine during the March quarter and falling grades in the south mine

The mine has also had problems as a result of about 500m of face in the south mine being put out of commission as a result of geological uncomformities

But profits are not the only thing that suffered From January 1 to the end of June, 46 miners died at the mine — the highest comparable figure in a decade Seven miners have lost their lives since the end of June

Western Deep has tried to stabilise the mine About 30% of the stoping panels were backfilled last year and this proportion was expected to rise to over 60% this year.

Anglo spokesman James Duncan said 50% of the east mine, 40% of the west mine and 25% of the south mine had been already been backfilled They planned to have 100% of the east and west mines backfilled by the end of the year and 80% in the south mine by the end of next year

Western Deep had budgeted R7,5m for backfill in the south mine in 1992, R1,5m for the new "blast-on" hydraulic props and R1,7m on the upgrading of its seismic system.

NUM press officer Jerry Majatladi said the union found the deaths unacceptable Anglo American, he said, had the financial resources and in last 15 years had been "experimenting in seismic pressures", yet no one knew the results

Majatladi said the union's requests for safety stewards had fallen on "deaf ears"

Duncan said the combating of seismicity was a priority of the mine

"Following the serious seismic event at south mine earlier this year management and employees had taken part in an intensive information sharing exercise"

Duncan said the NUM leadership had recently been briefed on managements efforts to get to grips with the seismicity issue

COMPANIES

Land doldrums erode income

PETER GALLI

GOLD Fields Property's income plunged 63% to R5,98m in the six months to end-June from R16,12m in the comparable period last year because of a decline in land sales and a much-reduced surplus on the sale of investments and fixed assets

Chairman Mike Fuller-Good said land sales north of Johannesburg and south of Durban were poor as the present political climate was deterring buyers and the market was very tight

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In addition, the surplus on the realisation of investments and fixed assets had fallen to R1,48m from R8,37m The surplus had been recorded when the group was able to exchange its Zincor holdings for New Wits shares

Income from other sources had also dropped to R456 000 (R2,36m) as profits from the sale of the solid waste rock dump had been reflected in previous figures

Income from investments was more than halved at R518 000 (R1,24m) due to lower dividends from East Daggafontein, which comprised 5% of its portfolio

Increased expenditure at R1,36m (R1,04m) caused pre-tax profit to fall 69,4% to R4,6m Taxed profit dropped to R2,74m (R12,84m)

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Earnings a share were 79% lower at 27c (126c) An unchanged ordinary dividend of 18c a share was declared

"We expect that present earnings will be maintained in the second half of the year However, we have a R21m commitment to our Midrand Hotel which we hope to finance from profits," Fuller-Good said

The company would have to look at alternative financing measures — like the sale of additional shares — if market conditions did not improve radically But it was "doing well" in terms of budgeted contract prices, he said

STAR 5/8/92

GF Props sees earnings plunge

Finance Staff (214)

Gold Fields Property's (GF Props) revenue fell by R10 million in the interim period to June, resulting in an 80 percent plunge in earnings per share to 27c (126c)

In the six months to end-June revenue fell from R16 million to R6 million as income from rent and sale of property decreased to R3,53 million (R4,15 million), while the surplus on realisation of investments and fixed assets plummeted from R8,37 million to R1,48 million

An interim dividend of 18c has been declared, compared with last year's 181c.

GF Property's balance sheet shows that the group's exposure to land and township development has been sharply reduced from R15,7 million in June '91 to R5,7 million this year.

Uninterrupted production hits precious metals

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MATTHEW CURTIN

UNINTERRUPTED gold and platinum production on SA's mines helped knock precious metals prices yesterday, as the mining industry remained largely unaffected by strikes

Gold fell further from the $360 mark and closed at $352,85 in London yesterday, down $1,20 from Monday's close Platinum lost ground too, shedding more than $3 to $376,25 from $379,50

BDA 5/8/92

Market sources are divided about whether precious metals prices can maintain their upward momentum of the past two months Prices could stagnate, waiting for more convincing signs of economic recovery in the US, Japan and Europe first

International Investment bulletin FullerMoney reported in its latest edition that "it would take only a small increase in speculative demand for precious metals to rebound sharply" Although worldwide deflationary pressure had pulled gold and platinum lower, jewellery and industrial demand had exceeded new production for some time Platinum and palladium had led the rebound in precious metals, with gold having established a significant floor three months ago If gold closed above $360, it would "indicate further recovery scope", the report said

Commodity price indices are encouraging. The Economist magazine's industrial commodities index has risen nearly 12% this year, to its highest level since mid-'91 The base metals index collated by German trading company Metallgesellschaft has risen more than 15% since January, to its highest mark since early last year

However, Genmin senior planning and strategy manager Almorie Maule said yesterday the recent increases in base metal prices were not driven by fundamental market conditions. With the exception of copper prices, rising as inventories fall, higher prices reflected the growing activity of commodity funds

The fundamental demand and supply outlook for gold and platinum was better, but the price spurts in June and July had perhaps come too soon, allowing dealers to take profits quickly and knock prices

New Wits maintains dividend despite poor earnings

STAR 5/8/92

Finance Staff (214)

Gold Fields of SA's exploration arm New Wits reports a sharp drop in earnings in the year to June, but has maintained its final and total dividends.

New Wits slightly increased income from investments to R18,65 million (R18,1 million), but its surplus on realisation of investments plunged from R14,46 million in financial 1990/1 to R1,71 million last year

While expenditure was cut to R2,65 million (R4,13 million), taxed profit fell 37,8 percent to R17,78 million (R28,59 million), equivalent to a fall in earnings per share from 93c to 58c

Despite lower earnings, the directors have maintained the final dividend at 35c a share,

Among other GFSA companies to report results yesterday, Vogels' earnings per share fell from 26c to 20c in the six months after income from investments dropped to R3,59 million (R4,71 million) The interim dividend has been cut from 25c to 15c a share

Gold, platinum tend firmer

STAR 10/8/92

LONDON — Gold and platinum markets appeared to take a relaxed view of last week's action in South Africa, the biggest producer of both metals, and prices fell steadily until Friday

Values then steadied, encouraging the view that gold's recent technical uptrend was still intact

The gold price on Friday rose by $2,30 to $350,95, which was still $7 down on the week

The firmer trend was maintained this morning in Hong Kong, where the metal rose $1,25 to an opening of $351,25

Platinum responded to gold's advance to reach $377,25 an ounce at Friday's afternoon fixing, up $3,25 on the day, but down $8 on the week.

Dealers said at the weekend that US investment funds had been pulling out of gold

With their evacuation virtually completed by Thursday, market professionals were left on Friday to trade largely among themselves

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US figures

Their reluctance to carry short positions into the weekend was evident.

Sentiment was supported early on by hopes, later justified, of moderately constructive monthly US employment figures.

Also encouraging buying was renewed tension over Iraqi weapons-inspection and relief that key support at $348 had withstood a severe test on Thursday.

Gold's earlier fall had been influenced, though not as much as might have been expected, by the Uruguayan central bank's announcement last Monday that it sold 50 000 ounces last month.

The bank, in line with many other central banks in developing countries, has adopted a new reserves policy involving a switch out of the yellow metal and into fixed-term deposits denominated in US dollars and Deutsche marks — Financial Times

Beneath the wobbles, gold's fundamentals are in place

B|DAY 11/8/92. (214)

JONO WATERS

GOLD wobbled below the $350 level last week, but analysts were confident fundamental market factors for sustaining higher prices were still in place

Frankel Max Pollak Vinderine analyst Adrian Finsch said a number of factors were affecting the market

Institutions had been buying gold on the expectation of unrest in SA which could disrupt supply.

Gold mines largely kept operating at normal capacity in spite of the mass action campaign last week, and dealers felt support for higher gold price was not there.

Finsch said Australian producers had sold a great deal of gold forward when the price peaked at $359, in an effort to protect some of their marginal mines.

However, the outlook for the medium to long term was still bullish as "the fundamentals" for the metal were still in place

Falling world production, particularly in Russia, an increase in jewellery demand and Taiwan's relaxing of import and export restrictions on gold would all lead to demand continuing to outpace new mine production

Fergusson Brothers analyst Trevor Pearton said the metal had made a break over the last few weeks and traders had taken profits on its gains

Gold was now at a more realistic level and he did not see the metal going below $348

"Gold is going through the same trend as it was two years ago, but it is at the moment generally in a more upward market"

Jewellery

However, some institutions believed strong fundamentals were not in place and had decided to take their profits as gold approached $360.

Another analyst said gold was "at the bottom of the market", and there were indications that jewellery demand would pick up

He said that while the gold price was low, demand from jewellers would remain strong

"Gold production will peak at end of the year and production will decline from then onwards as a result of inflationary pressures making SA the highest-cost producer, and forcing the closure of some marginal mines" This would push up the price, he said

Mine projects worth R5,25bn put on ice

(214)

BDAY 11/8/92.

MATTHEW CURTIN

SA MINING houses have put more than R5,25bn worth of gold and platinum mining projects on hold as they wait for metal prices to recover

Market sources say many new mines and mothballed operations will be revitalised only if gold and platinum prices sustain increases above $400 or $450 levels

In the meantime, the mining exploration sector remains in the doldrums, with share prices at rock bottom

Gold closed in London yesterday at $350,70, compared with $351,10 on Friday Platinum was fixed at $375 yesterday afternoon, against Friday's fix of $377,25

However, Frankel, Max Pollak, Vinderine analyst Mike Brown said yesterday that the mining industry was better protected from potential political instability than other sectors of the economy, in terms of giving the green light to new ventures and reviving old ones

A political settlement and stability were critical for the success of projects which depended on foreign investment or overseas aid from organisations like the World Bank, or on local markets. Mining houses were less vulnerable because they produced strategic minerals for overseas markets, he said.

In the mining industry, management was primarily concerned that projects provided an adequate rate of return, essentially a function of high enough grade ore reserves and metal prices

"If the resources are there and can be developed at the right price, then the projects will go ahead," Brown said

Anglo American gold and uranium division chairman Clem Sunter was more cautious. He said yesterday "All of our projects, including the R1,7bn Moab project, are planned on the basis of there being a negotiated political settlement and a new dispensation which will allow the gold mining industry to continue as a viable economic entity in private hands"

The biggest gold mining project which may be given the go-ahead, if gold prices improve, is Anglovaal's Sun prospect in the northern Free State. Analysts say the new

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Mine projects

BDAY 11/8/92 (214)

☐ From Page 1

gold mine will cost Anglovaal more than R2,5bn and will probably need the involvement of other mining houses to help raise the necessary finance.

An Anglovaal spokesman said the results of the feasibility study would be published next month.

Johannesburg Consolidated Investment (JCI) was proceeding with exploration and preliminary development work at its South Deep prospect, next to the Western Areas gold mine Gold division chairman Kennedy Maxwell said last year that "as and when (a firmer gold price) becomes more apparent, I believe it will be propitious to launch this exciting project as a full-scale mining operation" An analyst said yesterday that the capital cost of the new mine would be between R1,5bn and R2bn, depending on the scale of the operation.

This year, Gengold shelved work at its new Weltevreden mine and on the No 6 subvertical shaft project at Winkelhaak because neither project was economic at current gold prices The group had earmarked R460m and R702m respectively for the ventures.

In the platinum sector, Impala Platinum has said it will go ahead with a R300m rights issue to restart mining at the Barplats' Crocodile River mine if platinum prices and stock market sentiment improve to enable the group to raise the money The same goes for the R340m Messina mine in Lebowa in which Implats has a 54% stake. Barplats' other mine at Kennedy's Vale has been mothballed It would require a multimillion-rand capital injection if platinum production was to go ahead.

Implats and rival producer Rustenburg Platinum (Rusplat) have not abandoned their multimillion-rand expansion programmes, but at Rusplat's sister company, Lebowa Platinum, management has shelved plans to increase production from 70 000 to 100 000 tons a month

Despite the depressed state of much of the mining sector, several large mining projects are proceeding

Development is well under way for the R600m first stage of JCI's new Potgietersrust Platinums mine

Gold Fields' R1,1bn Northam platinum mine will start full-scale production from 1993 Development at Gengold's Oryx is on schedule and the R1,3bn mine will reach full production in 1994.

Golden Dumps' mines in the black

BDAY 12/8/92

JONO WATERS

(214)

GOLDEN Dumps' two gold mines managed to stay in the black despite falling grades in the June quarter. The mines' profit for distribution in the year to end June 1992 stood at R14,8m.

Grade fell to 2,43g/t (3,06g/t) at South Roodepoort as the mine increased its tonnage to 42 947 tons (33 003 tons) in the June quarter.

The mine produced a working loss of R475 000 compared with the previous profit of R325 000, but with the higher gold price received of R39 482/kg (R32 255), it posted a small profit of R492 000 (R379 000) for distribution. Working costs a kilogram of gold shot up to R44 040/kg (R29 041/kg) or R106,83/t milled (R88,96/t).

Consolidated Modderfontein (Cons Modder) increased tonnage in the June quarter to 75 523 tons (58 412 tons), but realised a lower grade of 4,29g/t (5,00g/t).

The mine reported a reduced working profit of R688 000 (R1,2m), but this was reduced to a profit of R156 000 (R1,3m) for distribution after interest payments and capex Working costs rose to R32 652/kg (R29 880), and costs a ton dropped to R140,04 (R149,42).

NUM, mine sign pioneering pact

B/DAY 13/8/92

214

ALAN FINE

THE NUM and Harmony gold mine yesterday signed what the union described as a "pathbreaking" agreement aimed at preserving jobs and laying the basis "for union and management co-operation in securing the survival of the mine".

Among the unusual features of the settlement are wage increases substantially below those applying elsewhere in the industry; the first finalised profit-sharing scheme this year; and an agreement to minimise the effects on the mine of political stayaways.

It also provides that the introduction of new work practices and new technology will require agreement between the union and management; it requires negotiation of enhanced skills training to improve efficiency; and formalises the mine's acceptance of an agency shop system.

In terms of the agreement, employees are to receive a R30 across-the-board wage increase (below 2,5% on average). In addition, 20% of after-capex profits would be paid to workers as bonuses.

On political strikes, while the mine recognises the right of workers to express political aspirations, the union has agreed to negotiate with management how that should occur in practice

The agreement states that new work practices and technology should not be introduced in a manner that compromises health and safety standards and causes job losses

The mine has agreed to negotiate, where possible, broad-based skills training courses, an adult education programme, paid time off for approved training courses and improved pay for improved skills or qualifications

As regards the agency shop, all employees would contribute 1% of basic pay — the level of NUM subscriptions — into a collective bargaining fund administered by mine management. All monies paid by union members would be passed on to the NUM, as would 50% of the contributions by non-members.

The purpose of this is to compensate the union for work which leads to the improvement in non-members' conditions of employment. The balance of the funds would be used to finance industrial relations activities such as shaft steward training, and transport and mediation expenses

Rand Mines human resources executive Richard de Villiers said the agreement reflected "a constructive attempt by both parties to accommodate each other's interests in the context of securing the survival of the mine".

The NUM said the agreement took both parties "into areas in which union/management co-operation has never before been tried".

The NUM represents 85% of the mine's 14 000 wage-paid employees

Funds put metal price in a spin

B\DAY 14\8\92 214

MATTHEW CURTIN

RAMPANT profit taking by commodity funds and nervousness about the world economy drove gold and platinum prices towards lows for the year yesterday

Gold, having crashed on New York markets overnight, slumped in London to a close of $338,40, down from $345,80 on Wednesday

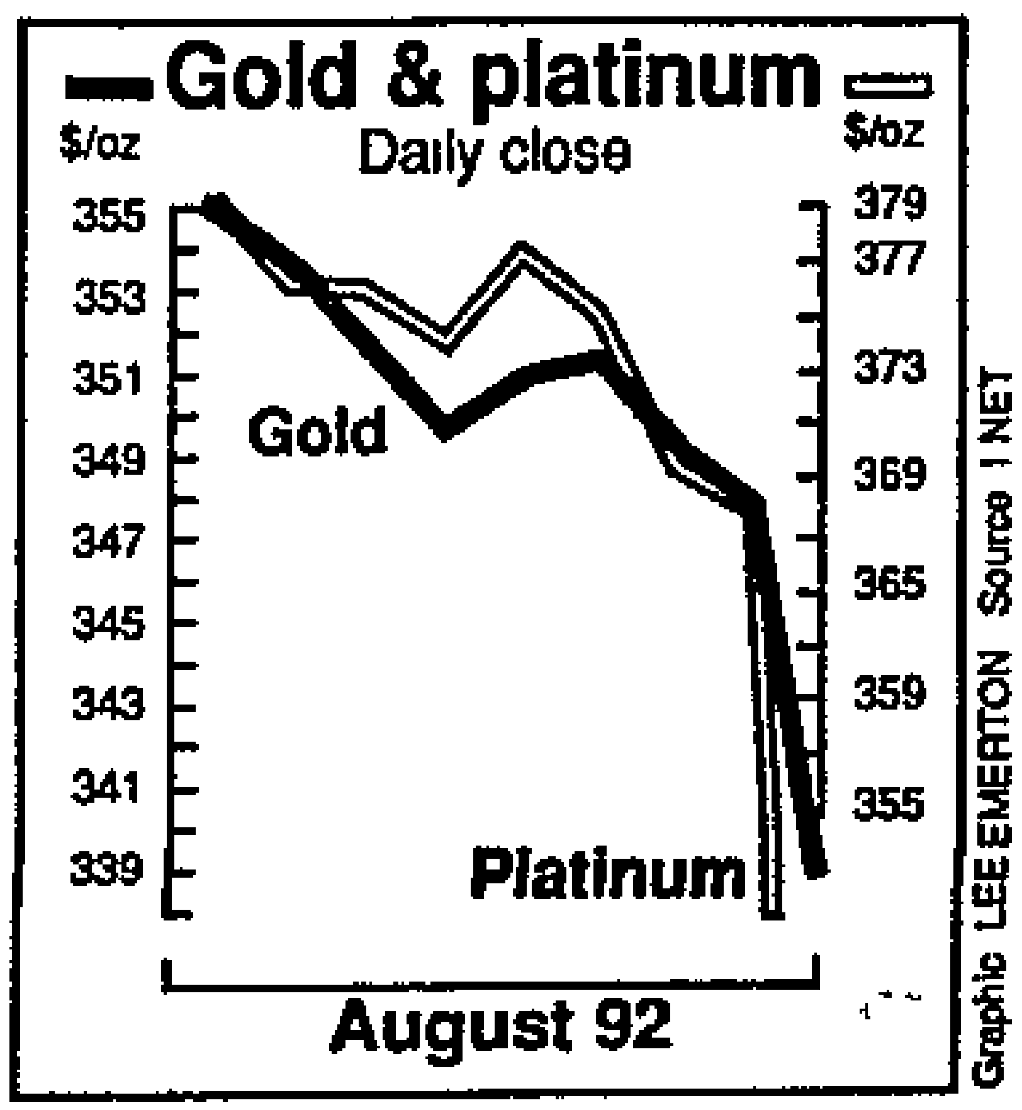
Platinum prices fell nearly 5%, losing $16 in their fall to yesterday's afternoon fix of $351,75, against $368,75 on Wednesday

Analysts said the price free-fall was started by a frenzied selling session in New York on Wednesday afternoon One dealer noted "There was no news, it was fund selling"

The sharply weaker Nikkei index, which fell to a 77-month low yesterday, also undercut confidence in the platinum market, because of the metal's sensitivity to motor-industry and jewellery demand in Japan

Almorie Maule, senior manager, strategy and planning, at Genmin,, said yesterday the falling precious metal prices were primarily the result of fund selling

She said the rallies in gold and platinum prices in mid-year were not based on a significant improvement in fundamental market conditions, but in speculative trading on world metal exchanges Once confidence ebbed and selling started, most dealers joined the bearish bandwagon to send prices tumbling



Graphic LEE EMERTON Source I NET

Commodity funds were now frightened of the precious metal markets, because of fitful economic recovery in OECD countries, a nervousness compounded by De Beers' poor results announced this week.

The risk of "a triple-dip recession in the US" was stronger now than it was six months ago

But Maule said there were no signs of profound economic weakness, with indications Japanese imports of platinum were likely to match first half figures of about 31 tons

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Hanson suffers 28% plunge

LONDON — US-British conglomerate Hanson yesterday reported pre-tax profit fell 28% to $274m in its third quarter ending June 31, leaving profit in the first nine months of the financial year down 21% at £762m from £967m in the year-earlier period.

Hanson maintained its quarterly dividend at 2,75p a share and reaffirmed its quarterly dividend would not be lowered "until further notice".

The conglomerate switched this year to a US system of paying quarterly dividends from the British practice of interim payouts. It has now declared two quarterly dividends of 2,75p a share each, compared with a single interim dividend the year before of 3,15p.

Hanson paid a full year dividend in 1990-1991 of 11p a share and is on track to maintain that dividend in the year that will end on September 30.

Hanson is Britain's eighth-largest company by capitalisation on the London Stock Exchange Its activities, including the Beazer construction company, Peabody Coal and Imperial Tobacco are about evenly split between Britain and the US.

"These are very good results in the economic climates affecting both sides of the Atlantic," chairman Lord Hanson said. — AP-DJ.

Basil Starke cuts operations by 60%

B\DAY 14\8\92

LINDA ENSOR

CAPE TOWN — Building group Basil Starke had cut back construction operations by 60% and retrenched 300 workers this year as a result of the recession, former MD Maurice Phillips said yesterday

He said plant had been sold and would continue to be sold until it reached levels required by present construction activities Last year 150 workers lost their jobs, bringing the total number of workers retrenched so far to 450

Phillips, who retired as MD after suffering serious injuries in a motor accident this year, said the steps were essential for the group's long-term prosperity The remainder of the construction division had enough work and was active at present

In the financial year to end-December 1991, Basil Starke made a slight profit, and is due to release its interim results next month

Phillips said the purpose of the downsizing operation was to maintain stability under prevailing tough economic conditions He pointed out the scaling-down had been structured to enable the group to adapt immediately to an economic upswing

He did not think there would be a massive economic upswing, but only a bottoming out and slight upward trend over the next 18 months

Phillips remains a director of Basil Starke Investments and the group unfettered access to the Registrar of Financial Institutions *David Gleason*

CONSOLIDATED MURCHISON

Going for gold

FM 14/8/92

(214)

The Cons Murch share price has taken off after management's decision to concentrate on increasing gold output at the expense of antimony production Investors are viewing the company as a marginal gold mine and, encouraged by the rally in the gold price, have nearly doubled the price from 85c in May to about 150c

Gold production for 1991, at 722 kg, is 36% up on 1990's 531 kg Chairman Michael Hawarden indicates the intention is to try to maintain this level "We are targeting zones in the ore body which are richer in gold grade than in antimony and have spent a lot of time and effort on improving

continued →

FOX FM 14/8/92

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gold recovery yields in the plant," he says

Gold is recovered at Cons Murch mainly through gravity concentrators, which accounted for 454 kg of last year's output, with the balance coming from pipe reactors which have high operating costs

Parent mining house JCI has been looking at ways of improving gold yields, such as the "Foxsmelt" technology and bio-oxidisation of the ore

Cons Murch made a profit of R3,29m in the year to June (1991 R200 000 loss) It paid an unexpected dividend of 15c a share, the first since 1989, but a big contributor to its improved cash flow was the absence of capital expenditure

The mine has spent little on capex for two years but this cannot continue Money must be spent on developing new ore reserves Without this expenditure the mine's future will be at risk, though, for as long as anyone can remember, the life of Cons Murch has been estimated at seven years

Research into the Foxsmelt process and bio-oxidisation will make large financial demands Hawarden indicated last year the Foxsmelt work had been postponed because of limited resources

Based on current gold and antimony prices, investors cannot expect a particularly generous payout from this year's earnings because there must be a considerable allocation for capex requirements *Brendan Ryan*

No free riders in Harmony, NUM deal

W Mail 14/8 - 20/8/92 (214)

Weekly Mail Reporter

RAND MINES' Harmony gold mine and the National Union of Mineworkers broke new ground this week by signing the first ever agency shop agreement as part of this year's wage settlement.

According to the agreement — aimed at eliminating "free riders" who benefit from union-negotiated deals without paying union dues — non-NUM members will have to contribute one percent of their pay to a "collective bargaining fund". Half of this fund will be paid to the union for services provided by the union in negotiations with Harmony management, while the balance will be administered by management to finance the training of shop stewards and meet mediation expenses.

The demand for an agency shop was also tabled by the union in this year's talks with the Chamber of Mines, but was rejected. Harmony, South Africa's largest marginal mine, negotiated separately from the Chamber this year.

In terms of Harmony's wage award, one of the lowest in the industry, workers will receive a R30 across-the-board monthly increase, but Harmony has agreed to the 20 percent profit-sharing agreement signed by other mining houses with the NUM.

As a means of monitoring the 20 percent profit-sharing scheme, the mine will disclose its financial position to the NUM on a monthly basis. Also part of the agreement is an undertaking by both sides to negotiate the introduction of new technology on the mine. Skills training, adult basic education and the introduction of certifiable training courses are among other issues to be the subject of further negotiations.

Mine agreement to be expanded

Sowetan 14/8/92

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■ Non-union members will pay for the improvements:

By Ike Motsapi

THE National Union of Mineworkers will in future negotiate with mining companies a similar agreement reached with Harmony Gold Mine this week

Harmony Gold Mine in the Free State this week signed an historic agreement that includes a moratorium on retrenchments, profit-sharing and pension fund

Mr Martin Nicol, head of NUM's collective bargaining unit, said the union had also agreed to proposals by the mine management to offer its members lowest salary increases paid in the gold mining industry

Nicol said· "This is the direction the union is taking for the future interests of its members," Nicol said.

Nicol said the Harmony Gold Mine agreement was signed after Num had made proposals to various mine managements to accept the deal in order to alleviate the crisis that has plagued the industry

The new agreement was taken to prevent Harmony Gold Mine from closing with in many people losing their jobs,

The agreement is regarded by both parties as novel because it may herald a new era in industrial relations in the economically troubled gold industry.

More blows for beaten economy

S/Times (Buss) 16/8/92

214

By CIARAN RYAN and JOHN CAVILL

SOUTH Africa's battered economy reeled under a series of body blows this week as precious-metal prices and the stock market tumbled

Gold plummeted to a low of $334 an ounce on Friday, pushing about 10 marginal gold mines employing 80 000 workers deeper into the red

The catalyst for the fall was a warning by De Beers that it might have to cut its final dividend because of the depressed state of world economies

JSE analysts say Anglo American and De Beers chairman Julian Ogilvie Thompson's warning of a possible dividend cut was a factor contributing to gold's fall

"Prices had gone too high and the De Beers issue was the catalyst to bring us back to more realistic prices," says Adrian Finch of stockbroker Frankel, Max Pollak, Vinderine Inc

The share price of De Beers, the largest company on the JSE in terms of market capitalisation, fell 20% this week to 6 050c, leading blue chips following suit

The JSE overall index shed 7% to 3 140, wiping R36-billion off market capitalisation The index has dropped 16% since the Boipatong slayings in June

The finrand depreciated 3,7% during the week, spurred largely by the De Beers warning

Jobs

Drought and lower consumer spending caused a 2,6% decline in gross domestic product for the three months to June in what is acknowledged as the longest recession since the Second World War Economists say the recession has lasted longer than the Great Depression of the early 1930s

The number of workers to lose their jobs in the current recession is officially estimated at 400 000 Other estimates are a million About 200 companies are being liquidated a month, the highest since 1986

Car sales for the year have been revised sharply downwards to 182 500, the worst since 1977 Sales are expected to fall further as a result of labour shortages caused by the Numsa strike of 80 000 members

Another 70 000 Numsa workers may be called on to strike after a ballot this month

Putting a brave face on the uproar caused by the possible De Beers dividend cut, Mr Ogilvie Thompson opened the R1,1-billion Venetia diamond mine in the Far Northern Transvaal on Friday He expressed confidence in the future of the diamond industry

Mr Ogilvie Thompson denies he misled analysts on a world tour this year when he indicated the dividend would not be reduced

Although De Beers indicated in late June that it believed the diamond industry had favourable long-term prospects, conditions changed dramatically in July

Mr Ogilvie Thompson said "Since then we've had the precipitous plunge of the Nikkei"

The drought has also brought large numbers of new diamonds to the market from Angola A river has run dry, exposing alluvial diamonds

"Diggers are now estimated to be around 50 000 and increasing by 500 a day"

Analysts say the correction in the stock market was overdue

"There is scope for a further drop in prices, but we do not expect a meltdown," says Liberty Asset Management director Sidney Place

"However, the recovery in the market will be slower in view of the weakness in the SA and world economies"

Analysts say the fall in gold and JSE share prices reflects growing concern over the potential for recovery in the world economy. But they expect gold and platinum to rally in the short term as American traders who sold short in the futures markets take their profit and cover their positions after the free fall

"There'll be a short covering rally because the American funds have been selling like crazy," says Ted Arnold of US investment house Merrill Lynch

"But after that gold could go anywhere The technical picture on the charts looks dreadful and the US funds can be expected to sell on any rally

"At the same time, the Australian producers, who helped prick the bubble when they sold gold forward while the Australian dollar fell to its low against the US unit, are waiting in the wings Some South African mines, which missed the boat by not selling forward above $355 an ounce are likely to be there too"

Cocktail

London brokers say a cocktail of factors led to gold's weak performance

- Nervousness about gold's failure to break through $360 and platinum's inability to hold above $390
- The fall in the Japanese stock market to six-year lows, prompting fears about platinum (and diamond) jewellery sales there They accounted for nearly 32% of world offtake
- A decline of the influential indicator of inflationary trends, the US Commodity Research Bureau index, which sank to its lowest since 1986
- Easing of political tensions

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Body blows

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in SA which preceded the ANC's mass action, ending worries about gold and platinum supply (214) (232)

- The drop in the Australian dollar which generated producer selling to lock into a gold price of A$480

Rhona O'Connell, of Williams de Broe Chaplin, estimated that Japanese offtake of platinum for jewellery could be 15% down this year, adding nearly 190 000oz to a possible surplus of 150 000oz forecast previously S/Times

But Neil Carson, marketing director at Johnson Matthey, the leading fabricator and sales agents for Rustenburg Platinum, says the group still believes that rising demand for autocatlysts — up 60% to 800 000oz this year — will lift platinum to $400 by the year-end (BUSS)

Most of the blame for the dramatic price change is laid on the US commodity funds which chased both metals up in buying futures contracts and dumped them 16/8/92.

In addition, August is a thin month for industrial buying

Mines under pressure to hedge

BDAY 17/8/92

(214) (79)

JONO WATERS

THE pressure on SA gold mines to hedge will increase as costs catch up with revenue, even though the premium between the forward and spot prices in dollar terms has almost evaporated, analysts say

Low gold prices have forced producers to cut back production to keep working costs down

However, analysts said many mines had been restructured as far as possible, and working costs were now likely to rise in line with inflation, threatening the life of several marginal mines

Question

One industry source said mining houses had concentrated on cost management but they could now concentrate on "revenue management", maximising gold mining income by hedging their output

Chamber of Mines economist Francois Viruly said rationalisation had taken place at mines over the last few years, but the question now was "Can you rationalise indefinitely to stay in business if the gold price does not improve?"

Working costs among gold producers increased last year by only 1,6%, which was significantly below the inflation rate But falling capital spending on the mines was an important sign that the industry was still in trouble Capex fell by 16,9% during 1991

Viruly said hedging had helped marginal mines, but the premium between the forward price and spot price had narrowed a great deal The present premium was about 1% over the spot price in dollar terms

This presented the possibility of marginal mines being faced with a greater fight for survival

Gengold, for example, often managed to keep the increase in working costs below 1% a quarter as a result of rationalisation This had greatly benefited the marginal mines

Gengold managed to decrease its working costs a kilogram by 0,4% in the past quarter and management had cut costs to the bone Gengold's after-tax profit increased by 5% in the June quarter to R70,6m and the importance of hedging was shown by its forward selling operations, which accounted for one-third of the profits in the quarter The group hedged 20% of its production

In the last quarter, the mining group reported that three of its profitable mines had costs higher than R30 000/kg With the current spot gold price at R30 200/kg, these marginal mines do not have much leeway if costs increase

Gengold CE Gary Maude has gone on record saying that if a mine makes a loss for more than three months, it would be closed down

Deputy MD Tom Dale said a great deal had been done to cut costs and it was becoming progressively more difficult to achieve further cost improvements However, he said there were still opportunities to reduce costs

A tremendous amount of management effort had gone into examining every possible way to reduce production costs, but it was not possible to predict how successful these efforts would be while inflation was at 15%

Costs of gold production, he said, were a function of both expenditure and recovery grades, the latter being vitally important to costs

Dale said the mines could not bank on hedging to stay in production and noted that there were several financial tools in the forward markets

"Gengold is fully aware of the opportunites in these forward markets and has the skills to exploit and make full use of them "

This again raises the question on whether marginal mines will in the future have to rely heavily on forward selling Forward selling is a dirty word among some mining houses which argue that it keeps the gold price down

Some analysts agree with this, and point out that the fall in the gold price from $359 two weeks ago came on the back of the Australians selling forward large amounts of gold when the price peaked, to protect some of their marginal mines

But other groups see forward selling differently One industry source described it as the "effective banking of production before it is produced"

Some analysts in the industry see the 11% interest premium in rand terms on forward gold sales making it sense for producers to hedge because, in their view, there is downward pressure on SA interest rates

Some mining houses believe that forward selling caps the market However, others say that it keeps gold trading within price bands — where the forward selling both capped and floored the market

Mathison and Hollidge analyst Rob Gillan said "at best" gold mines would receive similiar gold prices in the September quarter compared to the last quarter, but they could be 5% lower as the rand had strengthened against the dollar.

He said wage increases would push costs up by at least 3% in the next quarter

Gillan said mining houses had the opportunity to hedge when the price was over $350 but the chance had fallen away

Viruly said "Even if these mines, which hedge a significant portion of their production, did go out of business the expected contraction in size of the gold mining industry and resultant increase in price would not necessarily come about "

Increase

This was because the marginal mines in SA contributed about 80 tons a year to the total world production of about 1 800 tons a year and would not drastically affect the gold price

Fundamental to an increase in the gold price was world economic growth which would increase the demand for jewellery, said Viruly However, he pointed out that low gold prices encouraged consumption by the jewellery sector, which in turn explained the range in which the gold price had been trading.

Gillan added that any major slowdown in gold production, expected to peak for the century at the end of this year, would be focused on SA, and that meant closures

He said there could be a demise of the SA gold industry in the next five years as it was hard to see single digit inflation in SA in the foreseeable future "The only saviour of the gold industry will be a declining rand against the dollar," he said

Gold output up on 1991

BDAY 18/8/92

214

MATTHEW CURTIN

SA GOLD output held relatively steady in July, with production so far this year higher than in 1991, but falling dollar prices and the relative strength of the rand have exacerbated the pressures facing the industry

A Chamber of Mines spokesman said yesterday that total SA gold production fell to 51,2 tons from 52,2 tons in June, but it was still higher than the comparative figure of 51 tons in July 1991

According to Chamber figures, total cumulative gold output stood at 353,6 tons, 1,6% higher than the 348,1 tons produced in the first seven months last year

Gold prices made small gains yesterday, with the metal fixed $1,70 higher at $337,40 in London yesterday afternoon But the continued strength of the rand against the dollar has left SA producers facing the lowest rand gold prices since March last year

Having fallen below R30 000/kg for the first time in more than a year, rand gold prices recovered to R30 140/kg yesterday, but well below average for the past five years

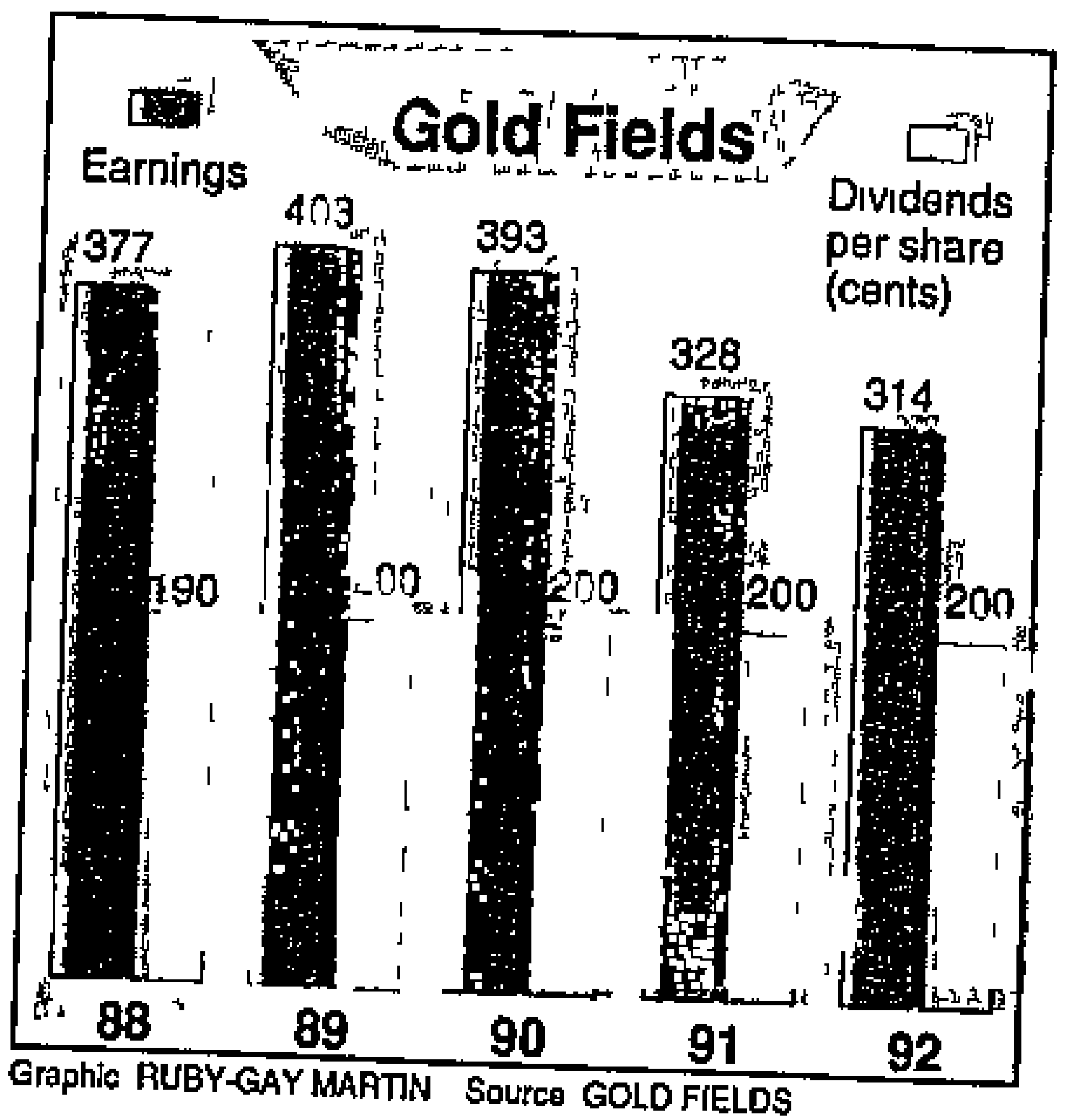
In the June quarter the average nominal gold price received by SA mines was R31 900/kg, a price at which the chamber calculated 12% of gold output was being produced at a loss Altogether, 15 gold producers reported working costs higher than R30 140/kg in the quarter

Another five mines had working costs higher than R29 000/kg, including Anglo American's Freegold and Rand Mines' debt-laden ERPM

Top mines carry Gold Fields

B|DAY 19/8/92.

MATTHEW CURTIN



Graphic RUBY-GAY MARTIN Source GOLD FIELDS

THE profitability of SA's two top gold mining companies, Driefontein Consolidated and Kloof, enabled Gold Fields of SA to weather the depressed state of the industry in the year to June (214)

The mining house reported a 4% fall in earnings to 314c from 328c a share, but declared an unchanged total dividend for the fourth year running of 200c a share

Chairman Robin Plumbridge said yesterday he was "particularly pleased to have been able to maintain the dividend in a difficult year" The strength of the group's performance was entirely due to its quality gold mines Driefontein had

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Gold Fields

B|DAY 19/8/92 (214)

☐ From Page 1

raised its dividends in the year, as had Deelkraal, while Kloof had maintained its payout

Plumbridge said their performance had helped offset the poorer performances of the group's marginal gold mines, and the tough year faced by the base metals division He noted that all the gold mines had contained costs well, so that costs per kilogram of gold produced had risen only 6% on average in the past two years

He said the restructuring of Kloof, to be merged with marginal producers Libanon and Venterspost, would not affect the company's dividend, and would lift Gold Fields' results in the current financial year as there would be more shares in issue

Gold Fields turned in a small increase in income from investments in the year, up at R289m from R285m in 1991 However, net revenue fell nearly 3% to R505m from R518m after the group received only R1m from profit realised on the sale of investments compared with R21m last year

Pre-tax profit fell more than 4% to R342m from R358m as expenditure rose to R163m from R160m After a 13% lower tax bill, and accounting for R13m paid in preference dividends, attributable earnings fell to R302m from R314m

Gold Fields maintained its dividend cover at 1,6 times, and the group's net asset value a share at year-end stood at R90,38, compared with R92,28 at June 30 1991

Gencor close to a decision on unbundling

BDAY 20/8/92.

214 [illegible] [illegible]

JANE ARBOUS

GENCOR is close to a decision on whether to split its mining, industrial and finance interests, a move that could radically change the group's nature and structure, chairman Brian Gilbertson said

"Primary unbundling is a distinct possibility, and we are close to a decision in principle," Gilbertson said in an interview

If approved, he said the move would most likely mean splitting up wholly owned General Mining and hiving off its industrial and finance companies while leaving its gold, platinum and coal mines as the core of business

"The process could take years, but it would change quite radically the nature and structure of the group," said Gilbertson, who took over as chairman in January from Derek Keys, now Finance Minister

Gilbertson said such a move would halve the size of Gencor, currently the world's eighth-largest resource group and SA's second largest mining and industrial group Its market value is about R17bn and it employs 200 000 people

"At the end of the day, it will be a judgment on what the right course is," he said

The benefits of unbundling were threefold, he said

"It gives us a clearer resource focus — the paper and pulp activities of Sappi, for instance, are materially different from digging holes in the ground

"It also releases for Gencor's shareholders the 10% or 20% discount inherent in a pyramid structure, and a smaller group would appear to be politically more welcome in the new South Africa Internationally, not just here, big power blocs appear less acceptable"

The biggest drawback to splitting up the group would be the loss of size needed to undertake large internationally competitive projects in commodities, he said

"But even as big as Gencor is now, I have to have help and partners It's not so much the capacity to mount individual projects, but the combination of them, when peak funding occurs in the same two or three years"

Gilbertson's current priority is putting in place two massive projects, which he said would establish SA as a major player in the stainless steel and aluminium markets

Final approval for the previously announced R3bn Columbus stainless steel venture is now expected in October, and the go-ahead for the Alusaf aluminium smelter project, which will need R5-6bn in capital expenditure, by the end of 1992

Locally, resource companies were expected to move from exporting commodities only into the downstream activities of converting them into exportable end products, he said

However, new investment opportunities within the country seemed limited for Gencor "Commodities is a competitive business and you have to have an international perspective We've looked at everything we can in South Africa," he said

Despite tough times for most of its companies, and gloomy earnings forecasts for the coming year, Gencor was pursuing a policy of growth, and it was considering a number of large off-shore projects, he said

He declined to give details, but said approval for one project was imminent

Gencor was also active in many African countries "We have the skills and can bring the funding to develop deposits"

Gilbertson said a new mining world had arisen to rival the gold-based mining houses on the Witwatersrand, which had been isolated by years of international sanctions

"In a normal world we should have been out there looking out for our business," he said

Instead, the growth of new mining companies in Australia, South America and elsewhere had changed the supply/demand balance in the gold market, among others, and had shifted SA from a dominant position despite its huge reserves — Reuter

GFSA FM 21/8/92

Steady as you go

(214)

In a year characterised by low or falling commodity prices, GFSA's ability to maintain its dividend speaks volumes for tight and effective cost controls Expenditure rose only R3m, or barely 2%, while revenue fell R13m, to R505m So 1992 has been very much a case of steady as you go

GFSA's income from investments, which includes the gold mines it administers and manages as well as unlisted holdings in operations such as Black Mountain, actually rose a little to R289m, income from fees, interest and other sources showed a marginal improvement to R215m

The real surprise comes, however, in the area of administration, technical and general expenditure which GFSA reduced to R105m from R113m, despite all the attenuated effects of an inflationary environment Drilling and prospecting expenditure was increased, albeit marginally, which may be taken as evidence of GFSA's continued commitment

FOX

FM 21/8/92 (214)

to new mine development

The bottom line, after taking account of a small unappropriated profit brought forward, was R307m against 1991's R319m

However, it is worth looking at GFSA's track record this is the fourth successive year the dividend has been pegged at 200c and the year before that, 1988, it was at 190c It isn't a performance to inspire excitement The gloomy view of market analysts is that, in prevailing circumstances, investors should expect the same again next year In the absence of much prospect of some upside, the stock is unlikely to attract interest

STEADILY DULL

Year to June 30	**1991**	**1992**
Operating income (Rm)	518	505
Attributable (Rm)	314	302
Earnings (c)	328	314
Dividends (c)	200	200

David Gleason

Gold Fields' Dries heads the low-risk list

B/DAY 25/8/92. (214)

JONO WATERS

FEW gold shares in the market could be considered low-risk with gold hovering below $340 an ounce, analysts said yesterday

Most analysts place Gold Fields' Driefontein (Dries) on the top of their list of low-risk buys, but are divided over other opportunities

Dries, SA's highest grade low-cost producer, was highly rated by analysts who considered low costs important for survival

Frankel, Max Pollak, Vinderine analyst Adrian Finch said that on a cost basis, including capex but excluding forward sales, only 12 gold mines out of the 35 largest in SA would be making a profit at $335/oz

"The only shares to invest in at the moment are those of low-cost producers, which implies low risk" At an exchange rate of R2,77 to the dollar, Finch said Dries at $244/oz was the lowest-cost producer followed by Beatrix at $259 and ET Cons at $282 Most mines' costs were between $340 and $390/oz, he said

SA, once the lowest-cost producer in the world, had seen inflation and rising wages catch up with revenue Barclays de Zoede Wedd's international gold review in July placed the average cash costs, excluding capex, in 1993 for SA gold mines at $292/oz, while Australia was at $232 and North America at $208

Senekal, Mouton, Kitshoff analyst Hilton Ashton said given the current price, Dries would be an excellent long-term investment with its large ore reserves It would still make a profit if the gold price fell substantially

He was backed by Ferguson Brothers, Hall, Stewart and Co analyst Trevor Pearton, who also recommended Southvaal, Kloof, Western Deep and Deelkraal He said he recommended operations where cash flow could cover capex

Although Western Deep shares had dropped from about R135 at the beginning of the year to R63, Pearton said the quality of reserves along the Carbon Leader Reef looked good

An E W Balderson report recommended Dries, Deelkraal, Freegold, Kinross, Harties and Randfontein as low-risk buys

However, Ashton said he did not agree with Deelkraal as a recommendation because of the low earnings generated

The report said Freegold was flexible with the potential to adjust to changing circumstances and would be insulated by its hedging operations if the gold price was to fall

Ashton also disagreed with the choice of Freegold He said gold production at Freegold would fall by 25% in the next three years and 50% in the next five years if the gold price remained static

Pearton said Freegold and Randfontein were marginals and should be considered risky

Ashton recommended Kinross as a possible buy and Beatrix as a good buy because the existing operation "had good life in it" and was a low-cost producer in terms of rands an ounce

Pearton said the two mines were comfortable in the short term Dividends in five years' time would not be very good, he said

The report targeted JCI's H J Joel mine as a sell, as the mine was a long way from declaring a dividend even though it had a long-life

Extraction process to be marketed

27/8/92

JONO WATERS 214

A PROGRAMME aimed at the worldwide commercialisation of the resin in pulp (RIP) extraction process for gold-bearing ore would be launched soon by research organisations in SA and the Russian Federation, a Mintek spokesman said yesterday

The two countries were the only in the world with RIP technology Mintek and Atomredmetzoloto intended marketing the RIP process jointly and co-operating in other areas

This followed the signing of a declaration of intent between the SA Minister of Mineral and Energy Affairs and the minister of atomic energy of the Russian Federation earlier this month

The spokesman said the RIP process was used extensively in gold extraction in Russia

BDay 27/8/92

The carbon in pulp (CIP) process was the most widely used extraction process in SA, but activated carbon, derived from coconut shell, needed for the process had to be imported from Sri Lanka and Indonesia

Harmony mine on brink of closure

B/DAY 28/8/92

214

MATTHEW CURTIN

HARMONY, Rand Mines' beleaguered gold mine, is a hair's breadth from closure The Free State gold producer may shut down, with the loss of more than 12 000 jobs, unless workers and government agree to a radical survival plan, says MD Karl Eick

Management informed the Council of Mining Unions (CMU) and the NUM yesterday that workers would have to accept pay cuts or support a new mining plan for Harmony to survive

Eick said last night management was meeting the mine's workforce today to discuss the emergency proposals

The key to the new mining plan is a proposal to blast underground for 30 days a month, which would be in breach of existing mining regulations They allow blasting on only six days a week, and not on Sunday

If workers accept the plan, Harmony will ask Mineral and Energy Affairs Minister George Bartlett at the weekend to allow the mine to work what would be a seven-day week

Eick said last night that if unions or government rejected the plans, "Harmony may be at dead-end" He said it was in the regional socio-economic and national interest that the mine survive Harmony was debt-free but had no cash resources to offset further losses

Only two-and-a-half months ago Harmony unveiled a survival plan which led to the retrenchment of 6 042 workers Soon after, management and the NUM signed a historic wage deal, involving pay increases well below industry averages, a comprehensive profit-sharing scheme and provisions minimising the effect of political stayaways on the mine All were designed to keep the mine going

However, Harmony failed to break even in May, June or July At the same time, rand gold prices fell to R929 an ounce this week, their lowest levels for many months, as dollar gold prices languished below the $340 mark and the rand strengthened

☐ To Page 2

Harmony

B/DAY 28/8/92 (214)

☐ From Page 1

against the US currency

Eick said weak gold prices and disruption to mining operations as the restructuring programme started had been a severe blow to the mine Productivity, however, was good, and Harmony had exceeded forecast production targets of 470 000 tons of ore a month by reaching 500 000 tons in July

NUM collective bargaining head Martin Nicol reiterated union calls last night for government to provide financial assistance for Harmony Nicol said management's move had come as no surprise to the union because it had been kept well abreast of developments at the mine

He said it was unlikely government would agree to a change in mining regulations The NUM believed it was up to government to provide financial assistance to Harmony, revising its approach to supporting marginal gold mines However, government had so far flatly rejected NUM proposals for state aid, even though gold prices had continued to fall

"Workers have been prepared to make sacrifices at Harmony Now it's the turn of government," he said NUM would consider the issue of pay cuts carefully, but there was a level below which it could not afford standards to fall, for the good of its members elsewhere in the industry

Harmony reported a R35m after-tax loss in the June quarter, compared with a profit of R6m in the March quarter The mine had been in the black since the June quarter 1991, after a year of quarterly losses However, rising costs, poor gold prices and Harmony's inflexibility as a low-grade high-volume producer have combined to put the mine's future in jeopardy

In the year ended June 1992, Harmony produced 24 tons of gold, equivalent to 4% of yearly SA output

MINING — GOLD

OCT. — DEC.

Interest puts some glitter in Amgold's interims

(214)

BDay 4/10/91.

MATTHEW CURTIN

INTEREST earned on surplus funds left over from its R500m rights issue last year put some sparkle back into interim results at Anglo American's gold investment subsidiary, Amgold, in the six months to end-September.

The company declared a 19% higher interim dividend of 475c, against 400c last year

The extra R33m interest income offset a 16% drop in investment income, which tumbled from R130m to R109m

That was despite the receipt of R13m in dividends from Gold Fields of SA, a contribution absent at the interim stage in 1990

Amgold's earnings rose only 8% from 460c to 497c a share because of the larger number of shares in issue

Amgold, which has investments in gold mines in SA, South America, Australia and the Far East, has been buffeted by the depressed conditions in the gold industry worldwide

Earnings in 1990/1991 crashed 42% to 788c from 1 405c a share the previous year

An Amgold official said in a statement yesterday that despite the introduction of cost cutting programmes, which had contained cost increases in the period, rising working costs outpaced increases in revenue, knocking working profits

Amgold directors said the recent static rand price of gold put pressure on gold mine profit margins

This was reflected in lower dividends from gold mining companies in which Amgold was invested

In the first half of 1991, the dollar gold price averaged $366 an ounce, 5,2% lower than the average price of $386 in the same period last year.

The rand price fell only 2,4%, from R1 008 to R984 an ounce, due to the rand's depreciation against the dollar

The directors said that although gold moved briefly above $400 in mid-January with the start of the Gulf war, producer selling, plus profit taking by speculators and no further buying interest, saw the price fall sharply to below $380

After averaging $384 in January, gold prices had since fluctuated between a high of $368 in June and a low of $349 last month

The directors said "The results for the second half of the financial year will depend on the prevailing rand gold price and the extent to which cost can be contained"

Amgold became an Anglo subsidiary last year.

GOLD FIELDS

214

FM 4|10|91

Recovery not yet in sight

Activities: *Mining and finance house, with interests principally in gold, platinum, other metals and minerals and finance*

Control: *43% held by Gold Fields Holdings, of which Rembrandt Group and Asteroid each hold 40% Asteroid is jointly controlled by Drie Cons and GFSA Liberty Life owns 20% of GFSA Holdings Anglo American Corp controls 25% of GFSA*

Chairman and CEO: *R A Plumbridge, Deputy chairman and MD C T Fenton*

Capital structure: *96,1m ords, 4,4m conv red cum prefs Market capitalisation R6,44bn*

Share market: *Price 6 700c Yields 3,0% on dividend, 4,9% on earnings, p e ratio, 20,4, cover, 1,64 12-month high, 8 800c, low, 5 200c Trading volume last quarter, 900 000 shares*

Year to June 30	**'88**	**'89**	**'90**	**'91**
Investments				
Listed (Rm)	5,13	6,55	7,56	7,08
Unlisted (Rm)	0,72	1,0	1,16	1,12
Invest income (Rm)	328	351	303	285
Other income (Rm)	41	55	187	120
Earnings (Rm)	308	330	361	314
Earnings (c)	377	403	393	328
Dividends (c)	190	200	200	200
Net worth (c)	5 974	7 665	9 362	9 227

Most of Gold Fields of SA's interests are in precious metals or base metals and minerals, so both income and the net asset value dropped sharply during the 1991 financial year

It was a performance that extends a record that has been dull for several years At June 30 the NAV was only 16% higher than at the end of the 1987 financial year The dividend, pegged for the third year at 200c, is only about 8% up on the 185c paid in 1987 And the share price, having weakened again in the past several months, has sharply underperformed the Mining House index since the beginning of 1988 (see graph)

Though the house is continuing to invest heavily in new ventures, and the financial position remains strong, with no borrowings and a cash balance of R564m at June 30, there is no obvious reason to expect a more favourable rating for the share yet The new projects are in the sphere of existing operations and will not produce a significant boost to short-term income.

While chairman Robin Plumbridge says there are clear signs that fundamentals affecting the supply-demand equation for gold are changing, he does not hold out much hope for an imminent upturn in the group's major markets After the rapid increase in the supply of newly mined gold to the world markets, he says, the number of new mine developments is shrinking and increased production of newly mined gold will tail off in the foreseeable future Thereafter total production will start to decline

Gold Fields' Plumbridge *budgeting for maintained earnings*

At the same time, consumption of gold, particularly in the jewellery industry, has grown rapidly. It has been driven by two major components — the declining real price in most currency terms, and the general expansion of wealth in the world

"Once the current recession has run its course and the world economy has started on a normal growth pattern," he says, "it can be expected that the demand for gold will continue to rise Should this happen, the current negative trend in the gold price is likely to be reversed "

Another difficult year

However, Plumbridge adds that the state of the world economy does not encourage a belief that there will be a dramatic upsurge in economic activity over the next year — a slow and painful recovery is more likely No material improvement in commodity prices is expected and the group's mines are facing another difficult year with growing emphasis on constraining the rate of increase in production costs

Gold Fields is budgeting for earnings to be maintained at last year's level, which implies that cost efficiencies will have to be improved still further Plumbridge also notes that there will have to be improvements in technical efficiencies at a number of mines which have had cyclical setbacks

Income from almost all sources fell last year, the few exceptions being mining finance and financial investments, where the main investments are shares in Liberty Life and Standard Bank Investment Corp (see table)

Gold Fields has some quality gold producers, particularly Drie Cons, Kloof and Deelkraal, but their profitability has continued to weaken Venterspost and Doornfontein are shrinking their underground operations, while Vlakfontein is closing Average gold price for the year was R31 600/kg, against R32 600/kg for the previous year The cost of gold per kg produced by the house's mines rose by an average of only 4%, and capital spending was limited to essential items

Drie Cons was the only gold mine to increase its dividend The others cut or passed them, and the total declared during the year was lower by R42m Gold and platinum contributed just over half of total group income, the lowest in years, the contribution from gold has usually been more than 70% Other contributors were other minerals (8%), financial and mining finance (25%), industrial and property (1%) and cash (15%)

Base metal producers also posted steep profit declines Black Mountain's after-tax profit dropped from R48m to R14m and its dividend was halved, Gold Fields Namibia's profit fell from R13m to R2m and its dividend was cut from 70c to 25c a share, O'okiep Copper's profit was down from R49m to R33m, with its dividend cut from 440c to 290c a share, Rooiberg Tin lost R1m, and Zinc Corp's profit fell from R35m to R24m, though its dividend was lifted by 30c, to 270c a share Gold Fields Coal's profit edged up from R20m to R21m but its dividend was cut from 95c to 90c a share

By year-end Gold Fields had spent about R2,2bn on its two largest capital projects, Leeudoorn, an expansion of Kloof gold mine, and Northam Platinum Leeudoorn has been brought to production and should establish itself as a profitable producer soon At Northam full-scale milling is due to start at the end of the calendar year but the mine is only expected to start generating income at the beginning of the next financial year

After deciding last year that investments would no longer be confined to SA and Namibia, Gold Fields has begun to venture into the international arena Plumbridge

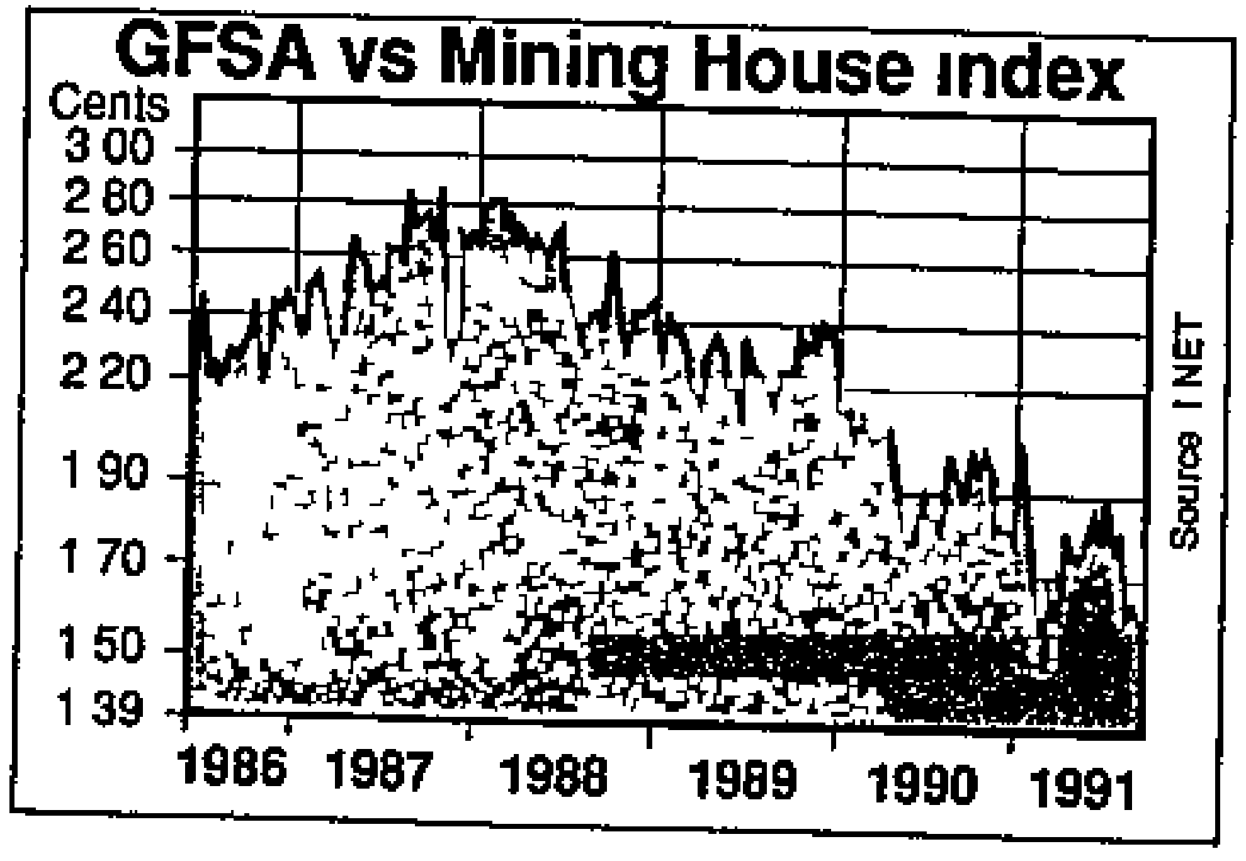
Continue →

DULL MIX

Profit after tax (Rm)

	1990	**1991**
Gold	210	170
Platinum	1	(2)
Energy	29	17
Base minerals	35	11
Mining finance	17	41
Financial	25	40
Industrial	1	—
Property	2	2
Cash	59	48
Total	379	327

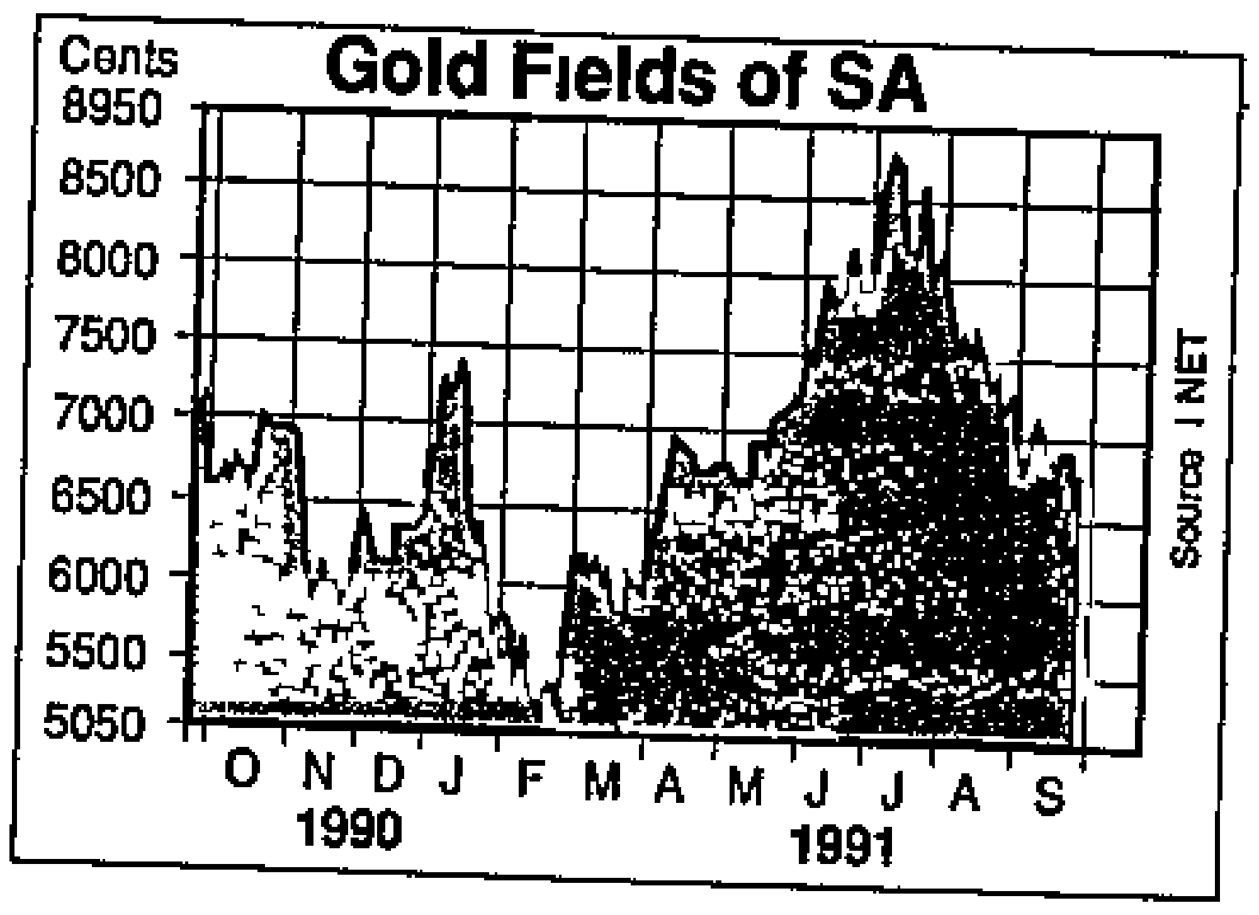
FM 4/10/91 (214)



says many projects have been examined and the group is talking to a number of parties about projects in the developing world

Investigations into a possible gold mining project in Zaire have reached an advanced stage. Subject to completion of financial arrangements, it's planned to invest in a Zairean company which would have a major gold concession in that country and a first option over the rest of the gold district there Plumbridge notes that a conditional agreement provides for the group to become the operator of the mine, which would initially be relatively small but has potential for major expansion

While this could eventually prove useful, it is hardly likely to set the share price alight Gold Fields' earnings remain closely tied to the prices of precious and base metals At 6 700c, the share trades at an unusually large discount to NAV of about 27% The price could rebound sharply, particularly if there is a recovery in the gold price. But the chances of the share or the NAV showing sustained appreciation just yet are poor, and the dividend will almost certainly be pegged again this year There are better investments elsewhere



Andrew McNulty

Bulls chase glint of recovery but risk striking fool's gold

B|Day 4/10/91.

CHERILYN IRETON

214

GOLD bulls are slowly coming out of hiding, egged on by the belief that the gold price has bottomed and may be on the way to a gradual recovery.

But they are cautious. Mixed signals from the Soviets on the extent of their gold holdings continue to oscillate market sentiment and doubts about the US economy still linger.

Leading the subdued optimism is the belief that gold's supply/demand equation has tightened and will be better balanced as world economies recover Any pick-up in investor or jewellery demand will then be reflected in an upward movement of the gold price which has been languishing below $400 since mid-1990.

But the bulls, hedging their reputations, stress that this is not a short-term view In the current year there is expected to be a much smaller deficit of supply over demand than at any time over the past four years — but world gold output will probably peak only in 1992

The fundamentals for gold are still negative," says Frankel, Max Pollak analyst Mike Brown "Real interest rates are still high, and currency is a more attractive hedge than metals There has been no visible pick-up in investment demand for the metal and still more evidence is needed of a recovery in the world economies Market makers are trading on a day-to-day basis, but their mood does suggests a gradual improvement in sentiment. I believe we are looking at the bottom of the market"

On the production side, SA is playing a key role. The extensive rationalisation of the mining industry — brought about by the dismal rand gold price — and the industry's consequent efficiency drive are expected to make a great contribution to bringing the market back into equilibrium But not this year when analysts expect SA output to hold close to 1990's level of around 605,4 tons.

Brown forecasts only a marginal decline in year-on-year production: "Production to date is the same as it was last year and will probably be only marginally lower in the last quarter With mining houses determined to sell into any strength on the gold market, forward sales should ensure that production does not drop"

But for 1992 the picture is slightly different Stilfontein, which was a fairly significant contributor to total output, will close at the end of the year and several uneconomic shafts are expected to shut

Shearson Lehman Brothers gold specialist George Milling-Stanley, working on the assumption that there will be only a slight rise in the gold price in the short term, says that 1992 production could be 35 tons lower, with output falling by between 100 and 150 tons over the next three years

This will coincide with a sharp fall in Australian production where short-life operations have been hit by the low price and the new mining tax

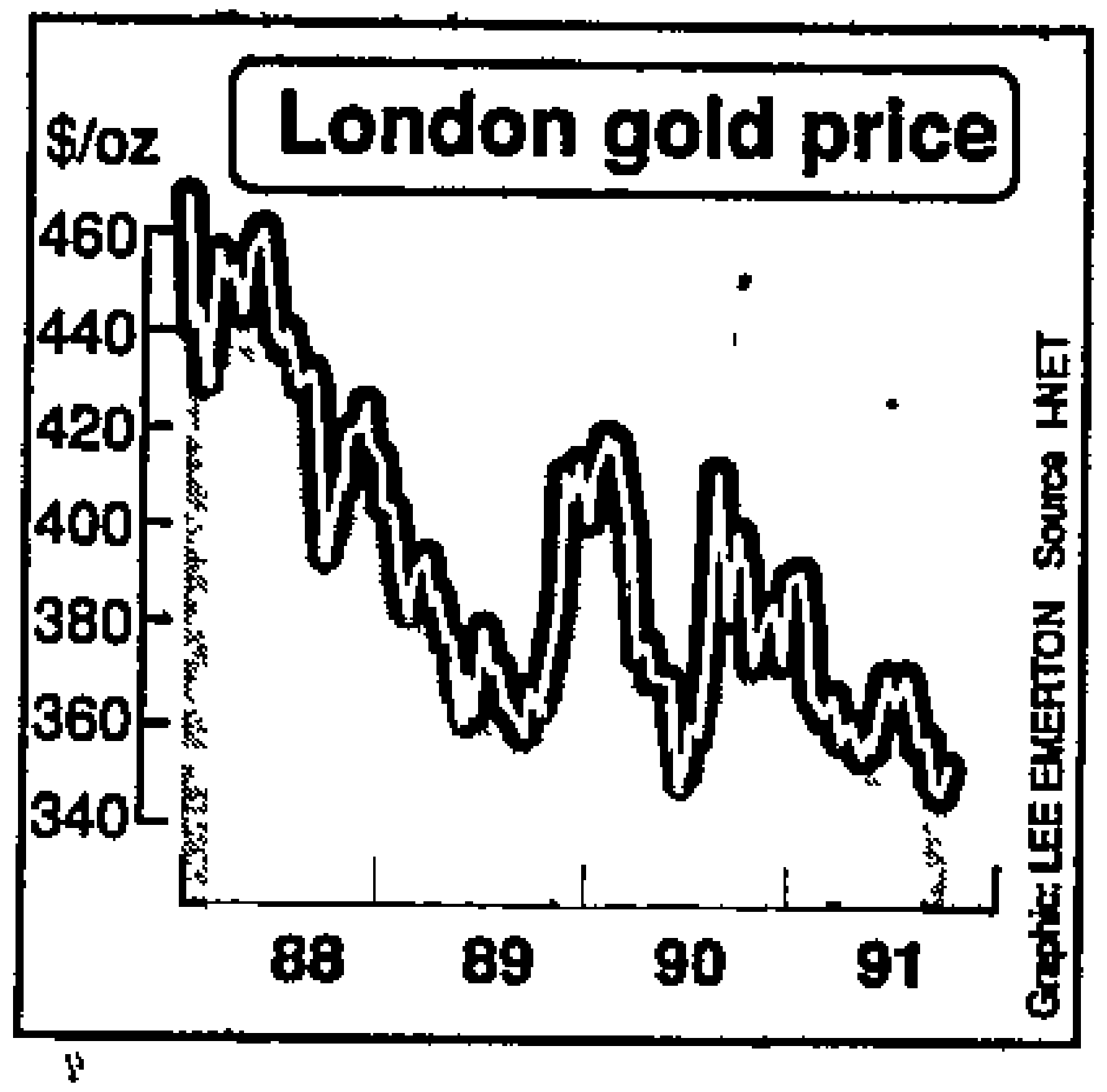
North American mines are also expected to ease back on the mining of low-grade uneconomic areas International investment bank Credit Lyonnais Laing, in a comprehensive report just released, says "In itself, the fall in the level of gold production is not dramatic, but taken with the increases in demand, should be positive for the gold price"

Jewellery demand, which accounts for around 75% of total demand is currently at a weak point, says Gold Fields Mineral Services analyst Philip Klapwijk "The wealth factor is very important in terms of jewellery consumption, and trends in consumption expenditure in the Western world have not been positive Having said that, demand did hold up relatively well this year and there is a prospect of increased jewellery offtake in 1992"

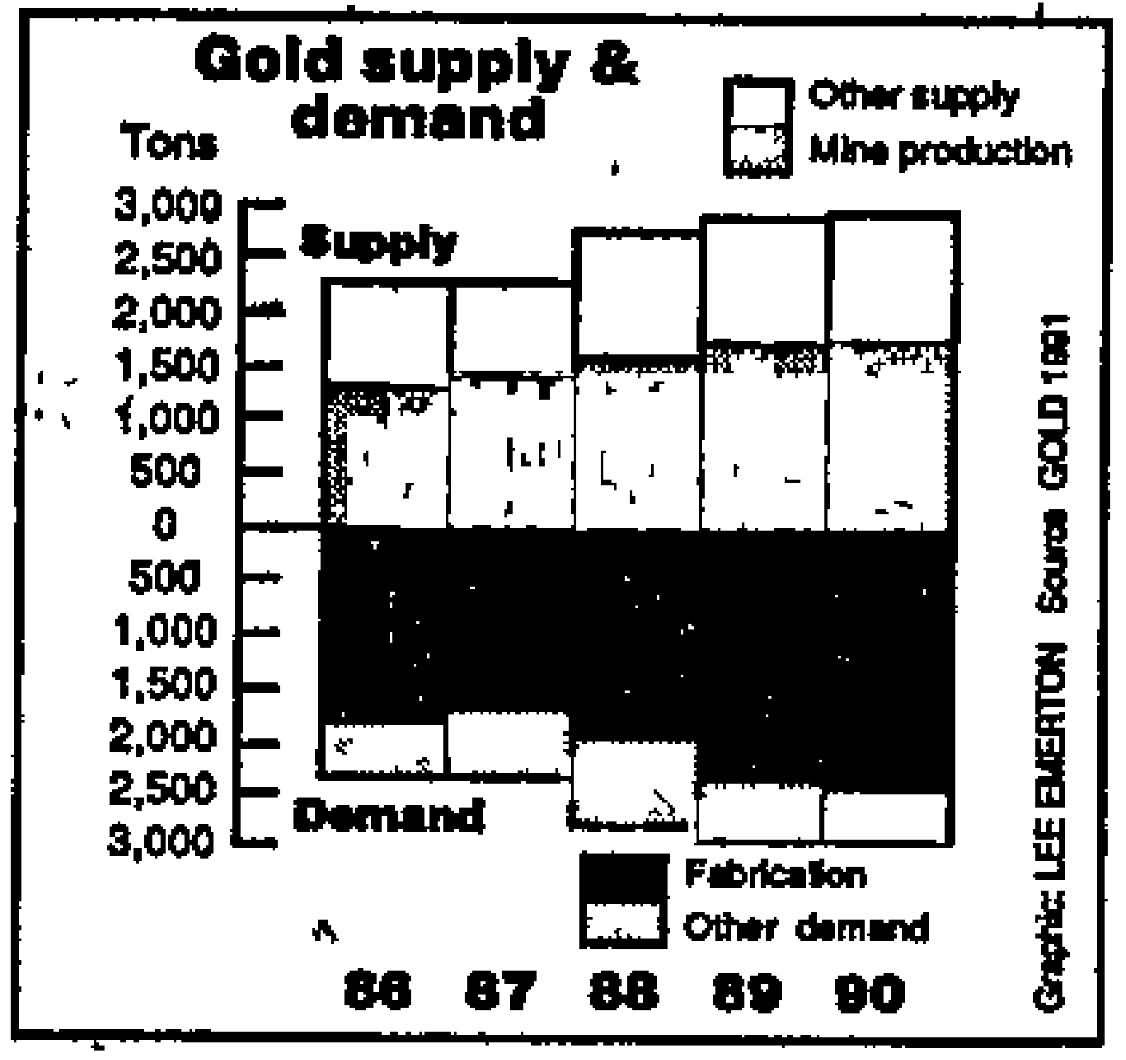
Milling-Stanley identifies an increase in demand from the Far East with more gold going into the People's Republic of China, albeit illicitly The demand is "not enough to get a raging bull market going but it is helping the gold market firm".

Put simply, the gold bulls expect supply to fall in 1992 while demand will be strong, pushing the price above $400

But it is not so simple. The "Soviet factor" has been playing havoc with the market this year and it is still not clear how much bullion the Soviets are holding This is crucial to the market, which is afraid that the gold will be sold to fund the rebuilding of the economy



Graphic LEE EMERTON Source HNET



Graphic LEE EMERTON Source GOLD 1991

While interviewing Milling-Stanley, a report from Austria's Creditanstalt flashed across his screen suggesting that the Soviets would have to sell $5bn of gold to meet foreign debt repayments Before he could finish reading the report the gold price had fallen back $1 — even though the market makers didn't believe the report "The market is extremely sensitive to rumours about the Soviets," says Milling-Stanley, "even though most traders know they could not sell $5bn of gold in a big hurry"

The New York traders now say the Soviets have realised that they will push the price down if they appear on the market as a distress seller They are now leveraging their reserves by trying to normalise the market

"The Soviet factor will be with us for a while and will continue to have a major influence on the market," says Milling-Stanley "But I don't think they will sell any more gold If we remove the Russian threat we may well see the price return to $375 to $400 over a period of time"

However, the debate and nervousness over the level of their holdings continues Most believe that the reserves are close to 1 000 tons, which is a lot lower than anticipated

Despite the need for foreign exchange, Credit Lyonnais Laing does not believe that the Soviet Union or any of the newly independent republics will sabotage the international market by dumping physical gold. "It's more likely that they will utilise their gold as a strategic backing for their new independence — and probably for their new currencies

"When the Soviets join the IMF — probably next year — they will need to provide collateral — without hard currency reserves the only other asset recognised by the IMF is gold"

More clarity is expected when the IMF's annual meeting gets under way in Bangkok next week If the Soviet question is resolved, the market will soon show whether it is poised for an upturn or whether depressed players are merely trying to talk up the gold price.

LETTERS

Star 4/10/91

Interest income rescues Amgold

By Derek Tommey (214)

Amgold, Anglo American's gold mining investment company, has increased its interim dividend by 75c, or 19 percent, to 475c a share

However, the increase is not the result of a surprise rise in earnings from gold, but of greatly increased interest income

In November last year, Amgold raised R504,9 million from a rights issue.

The income from this money boosted Amgold interest earnings from R2 million to R33,9 million

This more than offset the R20,7 million decline to R109,3 million in investment income, mainly from gold, and resulted in net income rising by R19 million (19 percent) to R119,9 million No tax was payable.

Earnings a share rose by only eight percent from 460c to 497c owing to the increase in the number of issued shares

Dividends took R114,7 million (last year R87,8 million)

The slump in gold share prices on the JSE hit the value of Amgold's investments severely

These were worth R4 829 billion at September 30, a drop of 32 percent from their year-ago value of R7 097 billion

Amgold's net current assets at September 30 were R324,9 million and compare with net current liabilities of R126,8 million a year ago — a net improvement of R451,7 million

Amgold's directors say the absence of an improvement in the rand price of gold continues to exert pressure on mine profit margins and this is reflected in lower dividends from gold mining companies in which Amgold is invested

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

GOLD

Gold mining has healthier glow

(214) AEG 5/10/91

TOM HOOD, Business Editor

A MARKED improvement in the health of the gold mining industry is revealed by a study at the close of the second quarter of 1991.

The study showed gold production and far fewer workers were at risk in the June quarter when compared witth a year ago, reports Chamber of Mines economist Ivor Leibowitz

At an average gold price of R32 695/kg for the June 1991 quarter, less than five percent of South African gold output was produced on mines whose working costs exceeded the working revenue

By comparison, some 17 percent of gold output in the second quarter of last year was produced at an average working cost exceeding the quarter's gold price average of R31 139

The greater stability seen in gold production was mirrored in a similar review of the cumulative percentage labour associated with working costs for the two periods

Latest available labour figures (for May 1991) showed that less than seven percent of the gold mine industry labour force was employed on mines that could be considered "at risk".

The calculation was based on an average gold price for the April-to-June quarter of R32 695 Again, the picture contrasted sharply with the situation last year, says Mr Leibowitz

Corresponding labour figures for May 1990 showed that, at an average gold price of R31 139 for the second quarter of that year about 22 percent of labour was at risk

"The cumulative labour and production improvements reflect the general improved operating conditions which the gold mining industry experienced in the June 1991 quarter and which resulted in profits of R984 million being generated," he added

"While the dollar gold price remained trapped in a narrow trading range between $350 and $372 an ounce during the quarter, the depreciation of the rand against the dollar of about 6,6 percent from R2,72 to R2,90 resulted in a somewhat higher rand gold price being realised

"While working revenues improved, working cost increases have been contained to an absolute minimum as the industry comes to grips with the cost crisis

The profitability of the industry, defined as working profits as a percentage of working revenue, declined to 17,76 percent — its lowest level in more than 20 years — in the first quarter of 1991 but, due to the industry's stringent efforts to maximise revenues and contain costs, it rose again in the second quarter of the year to stand at 21,4 percent

Long-term contracts for GFSA

(214)

S Times (Buss)

By IAN ROBINSON

6/10/91

GOLD FIELDS SA (GFSA) is finalising long-term contracts for the sale of over half of its projected production of platinum group metals from its Northam project

General manager of the coal, base metal and platinum operations, John Hopwood said that GFSA's policy was to sell on a principal-to- principal basis However, two agents — Gerald Metals and Mitsubishi — have been appointed to identify potential customers, advise on contract terms and provide market intelligence

Mr Hopwood is confident that despite being the deepest platinum mine in the world, Northam will be competitive with other producers

Static prices put GFSA in the doldrums

(214

MATTHEW CURTIN

GOLD Fields of SA's base metal and coal operations were back in the doldrums in the September quarter as rand commodity prices were static or fell after improving the previous the quarter

Gold Fields director Bruce Forsyth said the rand's depreciation against the dollar saw copper, lead and zinc prices firm slightly, but tin and silver prices weakened

He said Black Mountain, the group's unlisted copper, lead, silver and zinc mine, was "just keeping its head above water at these prices"

The company's bottomline was boosted by a R1,2m tax reversal, but after-tax profits still fell from R4,2m to R3,3m quarter on quarter

BDay 9/10/91

Refinery

At the group's O'okiep copper operation, production was affected by the closure of the Spectacle mine

Zinc Corporation which operates a refinery near Springs had a good quarter, Forsyth said

However, he said Rooiberg tin mine was still battling to survive The company's after-tax loss fell marginally from R457 000 to R388 000

Forsyth said Gold Fields Coal, whose after-tax profits dropped from R7,1m to R6,5m, suffered from a fall-off in exports of steam coal

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Production falls at Gold Fields

BDay 9/10/91

(214)

MATTHEW CURTIN

ERRATIC yields, fires on two mines, and industrial unrest at another dulled the September quarter results at Gold Fields of SA s gold mines, which were still fighting to contain working costs

Gold production fell from 30 000kg to 29 000kg across the group despite a marginal improvement in the amount of tons milled, as average grades slipped from 8,3g/t to 8g/t

The mines enjoyed a better rand/gold price for the second quarter running It rose 3,7% from R32 166 to R33 365/kg, pushing revenue up from R957m to R965m quarter on quarter

However, working costs kept pace with the rise in revenue, although at only 3,7% for the mines as a whole they reflected the effect of the below-inflation annual wage settlements

Only Deelkraal posted better after-tax profits The group's marginal operations continued to struggle, although Gold Fields executive director Alan Munro said several months of restructuring had put these mines in a better position than they were last year Even the bluest of the industry's blue-chip companies, Driefontein Consolidated saw profits fall

Munro said a fire at West Driefontein's reduction works in July affected the mine's capacity to treat its full quota of ore Gold production dropped from 8 500kg to 8 000kg as the yield also fell, from "abnormally high" levels of 11,9g/t in the June quarter to 11,3g/t

At East Driefontein, the mine's performance was steady, but Munro said the mine was making slow progress in improving its flexibility Its No 5 shaft was equipped and development work had started

Doornfontein, hit by more than a week of industrial action, stayed in the black in the quarter The mine made up for losses in underground tonnage milled by pushing more surface material through its mills That knocked the average yield from 5,2g/t to 5g/t

Capital expenditure was slashed at the mine from R5,4m to R580 000 but Mun said the mine was committed to b the large unmined area near its new No shaft to account Development would go as far as the gold price allowed

Venterspost was still battling to mo back into the black a task hindered in the quarter by poor yields Munro said "the trick is for Venterspost to stay alive long enough to reap the benefits' of its development of recently acquired mineral rights

He said Kloof was back on track after an accident affected production in the previous quarter Development at the company s Leeudorn section was going well, althought its profitability was adversely affected by the lack of flexibility — in being able to pick and choose higher grade areas to mine — inherent in a developing mine The section's monthly milling rate was close to the 60 000 tons mark, on the way to a target of 100 000 tons a month

Capex

Munro said, "Leeudorn is equivalent to a major new gold mine which is developing apace despite the low gold price we are unlucky to be bringing the mine to production at the bottom of the market" Leeudorn turned in an R8m loss in the quarter, against Kloof's after-tax profits of R103m

Higher working costs tipped Libanon into the red and the mine's capital expenditure, which analysts have said is vital for life-saving development work, was cut from R3,7m to R600 000 Gold Fields director Mike Tagg said actual capex amounted to R1,5m on the proceeds of the sale o equipment

Deelkraal was the group's top performer and the only operation to cut working costs in the quarter The company nearly doubled profits at R22m, but Munro sa development of the mine's No 3 shaft been suspended pending a recovery in gold price

GOLD FIELDS OF SA September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Drie	705	7,8	5 480	161,71	20 804	33 224	—	—	—
June	705	7,8	5 510	159,38	20 393	32 430	—	—	—
West Drie	712	11,3	8 037,3	182,54	16 171	33 437	121 125*	81 788*	40,1*
June	720	11,9	8 544,2	170,47	14 365	32 208	133 632*	84 441*	41,2*
Kloof	540	12,9	6 988,5	240,58	18 590	33 308	—	—	—
June	510	13,9	7 088,4	242,16	17 423	32 272	—	—	—
Leeudorn	175	5,8	1 021,9	240,98	41 267	33 294	78 486*	29 532*	24,4*
June	150	7,1	1 068,4	281,46	39 517	32 200	90 245*	39 480*	32,6*
Ventersdorp	295	4,0	1 166,1	146,15	36 972	33 430	(1 453)	(11 290)	(55,9)
June	290	4,3	1 255,1	142,65	32 960	31 930	2 278	(12 032)	(59,6)
Libanon	435	4,4	1 924,3	149,64	33 827	33 183	(522)	(1 117)	(2,8)
June	435	4,5	1 969,5	147,35	32 360	32 150	280	(3 382)	(8,4)
Doornfontein	303	5,0	1 827,4	163,38	32 633	33 985	3 808	3 228	(0,8)
June	361	5,2	2 019,2	144,73	27 524	31 861	5 171	(232)	(0,6)
Deelkraal	405	6,1	2 463,4	148,77	24 458	33 664	23 279	16 724	16,8
June	405	5,6	2 277,2	149,71	26 626	31 898	13 379	3 309	(3,3)

* Combined results of both sections

Harmony not yet sound — Turner

B/Day
9/10/91

(214)

MATTHEW CURTIN

RAND Mines' Harmony gold mine would have to improve operations again in the current financial year after shedding 6 500 jobs in 1990 if further cutbacks were to be avoided, chairman John Turner said in his 1991 annual review.

Turner said Harmony's profitability depended on its ability to improve productivity and contain costs

He said surface operations would help the mine maintain its profitability, but they would provide only short-term benefits because the availability of treatable material was limited. Harmony treated 177 000 tons of surface material in the year to end-June, against only 9 000 tons in 1990

He said sound and stable labour relations would play an important part in the company's future success

The mine had a disastrous year in 1990/1991 as Harmony turned an after-tax profit of R21m in the previous year to a loss of R3m, passing its dividends for the year Turner said Harmony had suffered a very poor September quarter a year ago when a sharp rise in unit costs due to industrial action at the mine exacerbated the effects of falling gold prices.

In January Harmony reorganised its operations, splitting the mine into two separate units, each with its own general manager

The restructuring plan focused on mining ore of acceptable grade at each shaft Tons milled fell 26% in year, but a 10% improvement in grade underground reduced the fall in overall gold production to 19% in the year Spare mill capacity was used to treat surface material

The reorganisation of the mine cost R32m, and while capital expenditure was slashed by more than half, Harmony's cash balance fell into the red to the tune of R52m in 1991

Gold Fields' after-tax profits slump 9%

MATTHEW CURTIN

GOLD FIELDS of SA's six gold mining companies were jolted back into the reality of harsh conditions in the industry as aggregate after-tax profits slumped nearly 9% in the September quarter

Aggregate after-capex profits rose 5% due to the mines' drastic reduction in overall capital expenditure which fell 20%

In the previous quarter the weaker rand and unexpectedly high yields helped the group's mines post their best results in more than a year.

However, the average yield fell in the September quarter, while the rise in working costs kept pace with the increase in the price of gold the mines received Star performer West Driefontein saw profits pegged back by a fire which cost the mine about 500 kg in lost production

Driefontein Consolidated nevertheless posted after-tax profits of R121m and contributed nearly 90% of the mines' R121m tax bill in the quarter

Gold Fields executive director Alan Munro said yesterday the "abnormalities in the quarter are not that large"

Deelkraal posted the most impressive results, adding R10m to after-tax profits, which reached R23m

● See Page 10

BDay 7/10/91.

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Deelkraal makes the running at Gold Fields

Star 9/10/91.

By Derek Tommey (214)

Quarterly results from five of the six gold mines in the Gold Fields group — which together produced R965,5 million (R957,4 million) worth of gold — shows they have had another difficult time

Only Deelkraal, which is the star of the quarterlies, produced the sort of results to make shareholders happy

Reflecting a slight increase in grade and tight control on costs, **Deelkraal's** pre-tax profit rose from R14,5 million to R24,9 million, and taxed profits from R13,4 million to R23,3 million.

More good news is that Alan Munro, head of the group's gold division, expects a further improvement in profits next quarter.

For the other mines, lower grades, lower tonnages, industrial action and fires contributed to a series of uninspiring results

Driefontein, one of the West Wits line's giant mines, milled an unchanged 705 000 tons during the quarter to report a pre-tax profit of R227,6 million, down R18 million from the June quarter

Taxed profit was R121,1 million, against R133,6 million in June

An illegal strike at **Doornfontein** cut ore milled from 361 000 tons to 303 000 tons

Although the mine received a slightly higher gold price, pre-tax profit dropped from R9,6 million to R4,2 million and taxed profit from R5,2 million to R3,8 million

Marginal mine **Venterspost** is hanging on, says Mr Munro, until either the gold price increases or until ore starts coming from the No 4 Shaft area in the second quarter next year — or both.

In the September quarter the mine had a working loss of R4,1 million (June loss R1,3 million) and a net loss of R1,4 million (profit R2,3 million).

Kloof, another giant producer with a total mill tonnage of 715 000 tons in the quarter, had a loss of R8,2 million (loss R7,3 million) at its developing Leeudoorn section.

This trimmed profit from its Kloof section and resulted in the mine reporting a pre-tax working profit of R90,8 million (R90,4 million) and a taxed profit of R78,5 million (R90,2 million)

Tonnage milled in the Leeudoorn section rose from 150 000 tons to 175 000 in the quarter. The intention is to build up production to 300 000 tons a quarter before mid-1993

Marginal mine **Libanon** saw its quarterly loss increase from R414 000 to R1,24 million to show a taxed loss of R522 000 (profit of R280 000) for the quarter

Mr Munro says the mine management is determined to get Libanon back in the black.

Altogether, the six mines had a working profit for the quarter of R321,3 million (R336,2 million) and a taxed profit of R224,7 million (R245,7 million)

Capital expenditure was R105,9 million (R133,0 million).

Gold Fields' coal and base metal producers all report lower taxed profits

Gold Fields Coal reports earnings of R6,5 million (R7,1 million), **Black Mountain** earnings of R3,25 million (R4,2 million), **O'Okiep** earnings of R3,55 million (R10,6 million), **Rooiberg** a taxed loss of R388 000 (R457 000) and **Zinc Corporation** earnings of R5,9 million (R6,3 million)

Bruce Forsyth, who is in charge of these companies, says the lower earnings at Gold Fields Coal is the result of delayed exports, while Black Mountain was affected by lower prices for part of its production and O'Okiep by the closure of one copper mine ahead of the opening of a new one

Production at Rooiberg was affected by an illegal strike

Mines caught between weak price, high costs

(214)

BDay, 11/10/91

MATTHEW CURTIN

SEPTEMBER quarter results from SA's gold mines would show that the industry had weathered another tough three months, but the pressure from the weak gold price and rising costs was unrelenting, analysts said this week

Gold Fields of SA was the first mining house to report on its gold mines' results, turning in a 9% drop in after-tax profits in the quarter Other houses and independent producers report in the next two weeks

Analysts said the industry was likely to have contained costs well in the quarter, an achievement particularly vital for marginal operations

Simpson Mckie analyst Rodney Yaldwin said the quarter would prove to be "eventless" with the most important aspect being the effect of the low annual pay awards on limiting cost increases

Forward sales of gold would be lower in the quarter, as the generally lower prices discouraged producers from taking out forward contracts

However, he said most worrying for the industry was the trend towards cutting capital expenditure to a minimum Gold Fields reduced its spending by 20%, and Yaldwin said there was a fine line between cutting costs wherever possible and running machinery into the ground.

E W Balderson analyst Nick Goodwin said with good cost control, margins could well be unchanged given that the average rand gold price had improved slightly from R1 010 to R1 026 an ounce in the period Gold Fields, which alone among SA producers does not sell gold forward to win better prices, achieved an average 3,7% increase in the gold price received by its mines, which matched the rise in costs in the quarter

He said the industry had shown in the June quarter that it was in a more robust condition than a year ago, turning in profits of R371m against R135m in the June quarter 1990.

With so many jobs on the line, the pressure on mines to improve their efficiency was huge. He expected overall gold production to hold steady.

Gold Fields marginal operations Doornfontein, Libanon and Venterspost battled to survive the September quarter — profits fell at Doornfontein, Libanon pitched into the red and Venters cut losses marginally — and Goodwin said Gengold's marginal mines, including Leslie, Unisel, St Helena and Grootvlei, would be hard pressed in the period

Forward sales by Anglo American would see Freegold perform well He said Rand Mines' four mines, all of which were in dire straits at the start of the year, would continue to show improving results, although the debt burden at ERPM and JCI's H J Joel would take the shine off operating profits.

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Minorco adds to IMC ore reserves

Star 11/10/91

Finance Staff

Minorco has announced further significant increases to the ore reserves and geologic resources of its 100 percent-owned US subsidiary, Independence Mining Company (IMC).

It says in the annual report that in the 18 months since acquisition, proven and probable reserves have grown from 2,5 million ounces to 2,9 million ounces, notwithstanding gold production of 0,5 million ounces

Upon its acquisition of IMC (formerly Freeport-McMoran Gold Company), and with the support of FMC Gold, its 30 percent joint venture partner at Jerritt Canyon, Minorco redirected exploration to seek to establish the overall gold potential of its Nevada land holdings at Jerritt Canyon (70 percent owned) and Big Springs

This resulted in a major increase to IMC's share of the geologic resource base by August 1990, while reserves declined slightly

Over the succeeding year to August 1991, IMC maintained this overall objective but, at the same time, mounted a concentrated delineation and definition drilling programme on a portion of the thick high grade, 600 to 1 000 feet deep, New Deep/Gracie deposit at Jerritt Canyon

The result is the preliminary definition of a mineable reserve of 6,9 million tons at 0,20 ounces/ton (100 percent basis)

Step-out drilling, particularly to the west (where the deposit is still open) has encountered comparable widths and grades but, because of the wide drill-hole spacing and the very limited geologic projection allowed in the calculation method, these intercepts have not been included in the reserves

It is expected that with more step-out and infill drilling, further increases to reserves and resources will be made

AMGOLD
FM 11/10/91

Interest boost (214)

Amgold has seen yet another sharp fall in its investment income, though the bottom line for the six months to end-September was bolstered by interest income derived from the funds raised through last year's R500m rights issue The company has a broad — if high-quality — exposure to the gold mining industry, so dividend receipts tend to reflect the profitability of major producers

While many of the mines have been making impressive progress in controlling costs, this has had only limited effects on dividends In the first six months of 1991 the rand gold price fell by 2,4%

Even with the accrual of a dividend from Gold Fields of SA of R13,4m in September 1991, for which there was no comparable dividend in the previous interim period (following the change in Amgold's year-end), the company's investment income dropped by 15,9%, or R20,7m

With interest earned and other income jumping from R2m to R33,9m, EPS for the half year were up 8% at 497c The interim dividend was up from 400c to 475c At September 30 debtors and cash totalled R442,3m, the NAV was R225,65c The share trades at R216 *Andrew McNulty*

Platinum and gold put on some weight

Star 11/10/91

By Derek Tommey 214

The platinum price jumped more than $10 in London yesterday to reach $367 an ounce, its highest price for 11 weeks At this level it is $35,50, or 10,7 percent, above its low of $331,50 reached on August 26.

The gold price also firmed yesterday, being fixed almost $2 higher at $359,50

The improvement in the price of both metals appears to be linked to a statement by a Soviet economist that the Soviet Union has only 240 tons of gold in its reserves.

This is 7,7 million ounces and equal to less than five months' South African gold production

The announcement has given rise to speculation that Russia has sold almost all its available gold and platinum

As a result there is a belief that the heavy Russian selling, which has depressed the price of both commodities in the past few months, is about to end

It is known that much larger quantities of gold than usual have been sold in the markets in recent months

This has given rise to the view that because the market has been able to absorb the gold without the price breaking, any reduction in supply must lead to a significant rise in the metal's price.

Genmin's Guiana gold deal called off

BDay 14/10/91

ANDREW GILL

GENMIN's joint venture with French company Bureau de Recherches Geologiques et Minieres (BRGM) in French Guiana has been called off due to local opposition, Genmin announced at the weekend (2.14)

On September 23, Genmin announced it had entered into a partnership agreement with BRGM to undertake a joint exploration programme at the Montagne Tortue deposit in French Guiana to mine gold

Genmin spokesman Laing Geldenhuys refused to comment further He would not say who had opposed the deal or whether the opposition was politically motivated, as sources believe it was

At the time of the deal Genmin mineral resources CE John Raubenheimer said the project could lead to the establishment of a large opencast, low-cost gold mine

Elandsrand 'undervalued'

MATTHEW CURTIN

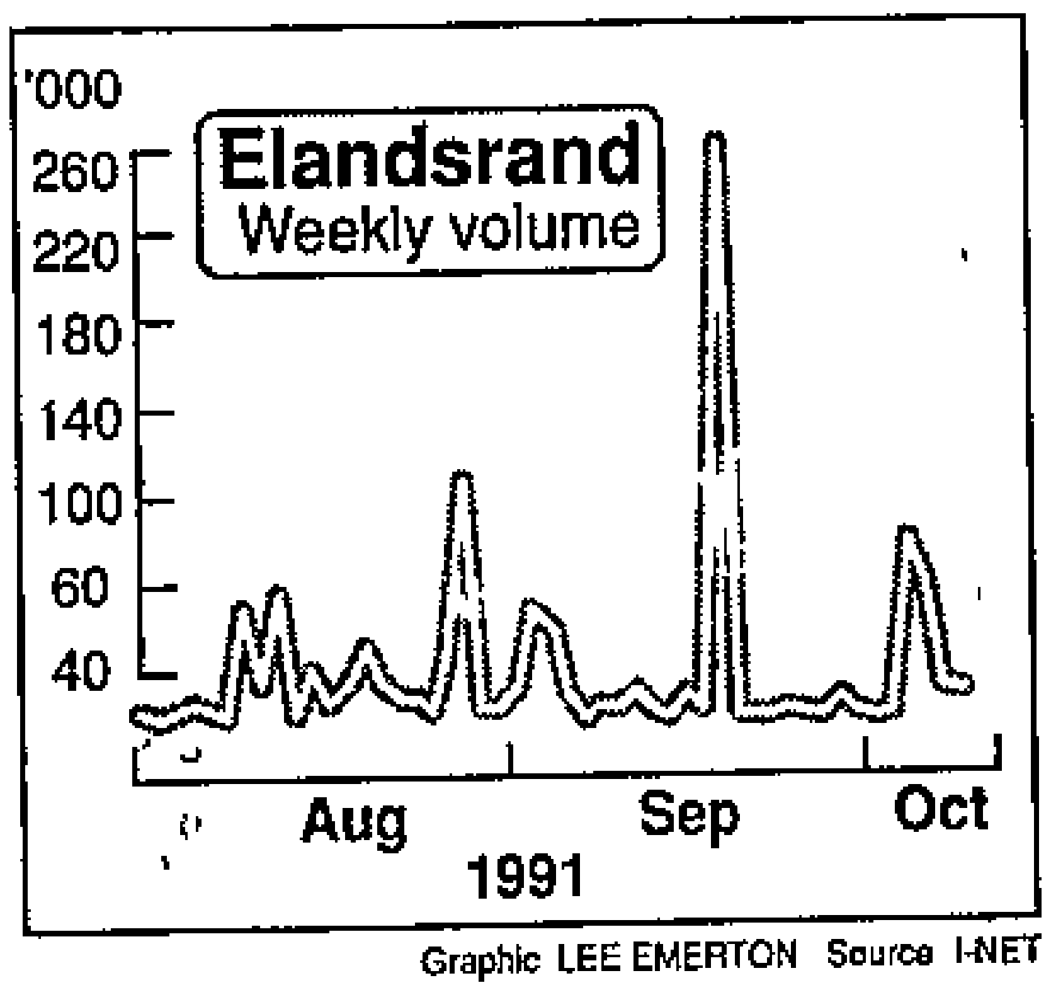
ELANDSRAND, Anglo American's 13-year-old West Wits line gold mine, can expect real earnings growth at least until 1997 if the gold price does not fall below R900 an ounce (about $313 at today's rates), says Frankel Max Pollak Vinderine analyst Rob Gillan

(214)

At the current gold price of about R1 000 an ounce, Elandsrand would be paying out dividends of 110c a share by 1997, compared with only 30c in 1990

B Day 14/10/91.

Gillan said in a recent report that at that gold price Elandsrand shares were undervalued by about 12% The stock closed at R22,15 on Friday, down 35c after a 50c fall on Wednesday This compares with a low for the year of R16,25 in February and a high of R31,60 in July



Graphic LEE EMERTON Source I-NET

Elandsrand has outperformed the all gold index for most of the year, and Gillan said recent high trading volumes in the shares, which had been on an upward price trend since August, showed investors were looking at the mine in an increasingly favourable light

Gillan said the mine's good prospects were based on forecasts that its yield would almost double from an average 6,6g/t this year to nearly 11g/t in the year 2005

Elandsrand was pushing up its milling rate to 200 000 tons a month by next year, a target it fell marginally short of in the June quarter, when it milled 587 000 tons overall

The mine is one of the few which promises increasing production in the coming years Most operations, in their battle to contain costs, have eliminated uneconomic production and cut overall milling rates

Gillan said Elandsrand had identified a lower grade area in the south-east which contained extensive but poor quality reserves

Randfontein stars for JCI as its subsidiaries falter

B/Day 16/10/91. (214)

MATTHEW CURTIN

GOOD, bad and indifferent — that sums up the results for JCI's three gold mines in the September quarter.

A 65% hike in after-tax profits at Randfontein estates compensated for more uneven performances from Western Areas and H J Joel

After-tax profits for the group as a whole climbed 37% to R54m from R40m as earnings a share more than doubled After-tax and after-capex earnings rose from 5,88c to 14,96c a share overall.

Randfontein's after-tax profits jumped from R28m in the June quarter to R46m, due to a dramatic fall in working costs, and slight improvements in grade and the gold price received.

The amount of gold milled held steady Mine manager Basil Fleetwood said a concentration on higher grade areas underground, stringent gold reclamation operations, and improved recovery especially from surface sources contributed to the improved performance.

JCI gold division MD Bill Nairn said improved profits had enabled the mine to press ahead with development work at its Doornkop shaft

He said the mine was "moving full steam ahead" with the sinking of a R130m prospect ventilation shaft as a prelude to development work on the South Reef.

At H J Joel, which turned in its maiden operating profit in the June quarter, R/t costs shot up 17% in the wake of higher than expected maintenance costs on the mine's trackless mining equipment and the annual pay increase to workers

The rise in costs offset a sharp improvement in grade in the quarter, from 5,1g/t to 5,8g/t, coupled with an increase in the amount of ore milled, Joel approached its current monthly target production rate of 90 000 tons in September

Despite forward gold sales, which improved revenue at Randfontein and Western Areas, Joel received a lower gold price — R33 000/kg against R34 000/kg in the previous quarter

After-tax profits slumped from R2,5m to R201 000

Revenue and working costs at Western Areas were almost unchanged in the quarter

Nairn noted the mine's uranium operation was running well Uranium grade improved and with an increase in tons treated from 135 to 140, the mine's stock grew as it sold uranium on a contract basis

Gold production for the three mines as a whole rose nearly 10% in the quarter, from 11 000kg to 12 200kg, as an 8% increase in grade offset a 1% fall in tons milled

JCI September Quarterlies	Tons Milled (000)	Yield g/t	Kilograms produced	R/t	R/kg*	R/t	R/kg	Net Profit (R000) after tax	Net Profit after capex & tax	EPS after capex (cents)
Randfontein	**2 176**	**3,55**	**7 724**	**118,34**	**33 337**	**94,70**	**26 678**	**46 087**	**28 830**	**47,1**
June	2 176	3,20	6 963	105,04	32 781	91,42	28 570	27 963	8 713	14,2
Western Areas...	**576**	**5,10**	**2 938**	**170,60**	**33 402**	**170,13**	**33 354**	**7 853**	**5 602**	**13,9**
June	546	5,22	2 849	171,98	32 997	170,09	32 597	9 068	5 916	14,7
HJ JOEL.....	**265**	**5,8**	**1 524**	**191,36**	**33 133**	**187,56**	**32 614**	**201**	**(4 603)**	**(4,7)**
June	256	5,1	1 303	172,66	34 129	159,91	31 417	2 523	(2 912)	(3,0)

Soaring costs and poor prices slash Anglovaal's gold profits

(214)

B/Day 16/10/91

ANDREW GILL

SHARPLY higher costs and a weaker gold price caused a 15,5% drop in Anglovaal gold mines' profits for the quarter ended December, the group reported yesterday

Net taxed profits at the four mines fell to R36,5m from R43,1m despite a R20m dip in the tax bill to R31,8m The higher costs/kg of gold produced were blamed mainly on annual wage increases

However, the total capex bill was almost halved to R6,7m from R12m

Loraine's uncertain future was further compromised as R/kg costs at the mine jumped almost 5% in one quarter to R38 398/kg largely because of wage increases

A decision on the mine's future is expected to be taken late in November or early December A statement said all retrenchment, rehabilitation and associated costs would be covered by cash reserves and asset sales in the event of a closure

The recently implemented rationalisation programme at the mine saw 340 000 tons of ore milled — 12 000 ton less — at an unchanged yield of 4,9g/ton

The gold price received was slightly higher at R35 348/kg but higher costs saw the working loss widen to R5,1m from R2,7m The overall taxed loss widened to R2,6m from R162 000

The mine has 2 393kg contracted in forward sales over the next 10 months The group did not disclose the other three mines' forward sales

Hartebeesfontein reported a 16,3% fall in working profits from gold to R60,2m and a R3,4m loss (R2,5m profit) from uranium oxide and sulphuric acid sales

A much lighter tax bill limited the fall in bottom-line profits to 6,3% at R34,9m

Lower mill throughput of 725 000 tons was not offset by the higher yield of 9g/ton and gold production slipped to 6 532kg from 6 644kg

E T Cons was hit by a 12,2% working cost increase to R23 871/kg and a 4% fall in the gold price received to R32 216/kg.

Also, a "planned annual roaster shutdown" hit the recovery grade, which fell from 10,5g/ton to 9,6 g/ton. The net result was a 32% fall in after tax profits to R3,6m.

Village Main Reef was knocked by an 8,6% increase in working costs to R29 216/kg but revenue was slightly higher Sands treated increased to 194 300 ton from 180 200 ton but the yield slipped to 0,98g/ton from 1,08g/ton. After tax profits dipped to R540 000 from R755 000

ANGLOVAAL June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeestfontein	**725**	**9**	**6 532**	**230,57**	**25 591**	**33 339**	**34 943**	**28 956**	**25,9**
	748	8,9	6 644	222,77	25 080	34 349	37 275	28 086	25,1
ETC	**89,9**	**9,6**	**866**	**229,94**	**23 871**	**32 216**	**3 556**	**3 194**	**3,7**
	87,3	10,5	915	223,04	21 280	33 573	5 262	3 561	4,1
Loraine	**340**	**4,9**	**1 666**	**188,15**	**38 398**	**35 348**	**(2 591)**	**(3 495)**	**(21,4)**
	352	4,9	1 714	178,27	36 610	35 051	(162)	(1 390)	(8,4)
Village Main	**194,3**	**0,98**	**190**	**28,57**	**29 216**	**33 089**	**540**	**528**	**8,7**
	180,2	1,08	195	29,10	26 892	32 041	755	649	10,7

Bleak outlook for Anglovaal mine

(214)

ANDREW GILL

BDay 16/10/91

ANGLOVAAL's struggling Loraine gold mine has had its prospects for survival dampened further following the release of September quarterly results.

Management said early last month it would consider a phased closure of the mine at end-November if monthly financial losses were not eliminated The September quarter saw losses increase to R2,6m from R162 000 in the June quarter

This followed a R5,2m loss in the first quarter and pushed losses for the year to R12,3m after capex and loan appropriations. The effects of the rationalisation programme announced last month were felt in the mill throughput figures, which fell 3,4%, but costs soared 5% to R38 398/kg in one quarter as a result of annual wage increases

While a firm decision on the mine's future had not yet been taken, management said in the event of the mine closing, all retrenchment, rehabilitation and associated costs would be covered adequately by existing cash resources and the net proceeds from the sale of company assets

Anglovaal's four mines — Hartebeesfontein, Loraine, E T Cons and Village Main — reported an overall 15,5% fall in after-tax profits yesterday as a result of higher costs because of annual wage increases and a weaker rand price received for the metal This followed a 16% profit rise in the second quarter

● See Page 6

Laing sets sights on Modder B's listing

SEAN VAN ZYL

MINING entrepreneur Glenn Laing has set his sights on the JSE listing of liquidated Modder B Gold Holdings in a proposed scheme announced today

The deal will take Laing a step closer to realising a major listed gold mining and re-treatment group under his at present unlisted Revere Resources company (2/4)

In a proposed scheme between South Murchison, Modder B and its creditors, Laing has offered to acquire 13-million ordinary shares in the liquidated mine for R130 000 A statement released by Laing stated Modder B would be turned into a cash shell to accommodate his expansion programme B/Day 16/10/91

Laing recently purchased Rand Leases' ailing gold mine operation for R1m and acquired a 68% controlling stake in South Witwatersrand Exploration's listed gold mining subsidiary South Murchison for R1,2m

Market sources said Laing was negotiating a deal to acquire the slime treatment dumps of independent gold mining companies Simmer and Jack, Knights and Waverley Gold — which were controlled by an overseas consortium

JCI mine pays out R5m in bonuses

(214)

MATTHEW CURTIN

RANDFONTEIN Estates gold mine, the premier gold mine in the Johannesburg Consolidated Investment (JCI) fold, has paid R5,2m in productivity bonuses to its workforce in the September quarter, a sum equivalent to an 11% pay hike

JCI implemented a 4% increase to workers in the lowest eight categories on its gold mines in July, but mineworkers stood to win an extra 19% if bonuses came into play

Gold division MD Bill Nairn said yesterday the group tied its bonuses to improvements in working costs, measured in R/kg

At Randfontein, working costs tumbled nearly 7% in the quarter, from R28 570/kg to R26 679/kg

Nairn said he would like to believe there was a correlation between the incentive scheme and the reduction in costs, but all that was clear was the enthusiasm among staff for the scheme All staff had been able to relate to the need to cut costs, and the potential benefits

Randfontein manager Basil Fleetwood said the bonuses had brought about an "attitudinal change" at the mine as they involved all staff, from the mineface to office workers In the past, incentive schemes had affected only production staff.

The mine's 13 000-strong workforce is the first to benefit from a range of productivity and gold price-related bonuses attached to annual pay awards in the industry this year

While the Chamber of Mines and the NUM are still negotiating the details of a bonus scheme, JCI implemented its own scheme at the beginning of July, independent of the chamber and the NUM, which has only minority representation at JCI's three gold mines

Productivity bonuses were also available at the group's Western Areas and H J Joel mines

At Joel, working costs soared in the quarter, denying its staff any benefits

Western Areas manager T J Holmes said workers narrowly missed productivity targets which would have triggered the bonuses

He said bonuses were calculated on a three-month average In September, workers were in line for a 3% bonus, but that was offset by missing the targets by 4% in July and 2% in August

Nairn said the bonuses would be affected even if mines were hit by unpreventable accidents or stoppages which worsened working costs

● See Page 6

Gengold begins to reap rewards of restructuring

B/Day 17/10/91

(214

MATTHEW CURTIN

GENGOLD, the Gencor group's mining arm, reaped the rewards of a sustained restructuring programme in the September quarter

A sharp drop in retrenchment payouts, lower labour costs, and a better gold price received nudged higher by limited gold hedging, swelled after-tax profits as working costs dropped 1% during the period After-capex profits more than doubled to R51m

Gengold MD Gary Maude said yesterday it was good to have "some sparkle back in our quarterly results" However, West Rand Consolidated took some of the fizz out of the group's performance The mine tumbled into the red, knocked by an unexpected drop in the mine's underground grades Maude said "West Rand Cons is really battling we don't know if the mine can return to profitability "

The grade at the mine plunged from 5,5g a ton to 4,5g a ton during the quarter, knocking back gold production nearly 20%

Maude said the mine had extensive reserves of unpayable ore, but at current gold prices there was a "real prospect of closing the mine down"

Forward gold sales provided only temporary relief for a mine like West Rand Cons, which needed to solve its specific problems if it was to survive Hedging contracts had helped push profits up overall, but Gengold had sold less than 10% of its 18 000kg gold production forward in the quarter

Maude said gold mines were in a Catch-22 situation forced to sell gold forward to combat the low gold price, a tactic which itself capped the market and limited the gold price's upward mobility

In contrast, the group's Buffelsfontein, Unisel and Stilfontein mines swung their performances round

At Buffels, a R3m loss in the June quarter was turned into R7m in after-tax profits as working costs were cut by 4% The mine paid out nothing in retrenchment costs, which amounted to R2,4m in the previous quarter

Maude said the mine's uranium production was still running at a loss, and with future profits unlikely it would stop this quarter That would affect gold recovery marginally

Stilfontein, scheduled to stop underground operations by the end of the year, also turned losses into profits in the quarter as the amount of underground ore mined fell from 31 000 tons to 21 000 tons, slashing working costs

Unisel, which barely broke even in the June quarter, posted a R3,7m after-tax profit attributed to an improvement in grade and negligible retrenchment costs

Winkelhaak's No 6 shaft, damaged by a mudslide in the previous quarter, was back in production, and had improved after-tax profits

Maude said the mine would have spent R79m in essential capital expenditure by the end of the current financial year, spending which would tail off in the next two years

The mine's results in the current quarter would be knocked by unrest at the mine in September It had to recruit and train new workers to replace 2 000 Zulu workers who left after 20 people died in fighting After fighting which left 20 people dead, 2 000 Zulu workers had left the mine despite management attempts to encourage them to stay which would affect its performance

Both Unisel and Winkelhaak passed their final dividends

Maude said neither mine could afford to pay out profits without borrowing money, a strategy which could easily lead to snowballing debt

GENGOLD Quarterlies September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	510	6,1	3 121	136,57	22 316	33 428	12 136	10 052	11,8
June	525	6 1	3 181	130 73	21 577	32 018	12 572	8 830	10 4
Bracken	74	5,6	411	162,04	29 175	33 753	1 583	1 576	11,3
June	95	5 3	503	149 50	28 237	31 964	1 599	1 551	11 1
Buffels	518	5,8	3 010	177,34	30 519	33 057	7 241	6 558	42,9
June	512	5 9	3 023	187 78	31 804	32 181	(2 748)	(2 628)	(17 2)
Grootvlei	118	5,2	610	144 97	28 043	33 489	3 012	2 599	22,7
June	114	5 0	575	146 30	29 005	30 988	1 974	1 963	17 2
Kinross	481	6,2	3 006	146,26	23 404	33 663	21 295	10 409	57,8
June	477	6 3	3 005	143 12	22 718	31 556	17 462	12 340	68 6
Leslie	95	5,4	510	166,26	30 808	33 522	2 672	2 496	15,6
June	100	5 3	528	157 06	29 746	32 433	1 707	1 269	7 9
St Helena	351	5,8	2 020	176,91	30 741	33 286	9 186	7 432	77,2
June	352	6 0	2 118	199 36	33 133	32 253	3 900	1 517	15 8
Stilfontein	493	1,7	848	57,76	33 583	33 223	218	3 637	27,8
June	480	1 9	890	71 91	38 784	32 148	(5 211)	(4 348)	(33 3)
Unisel	163	6,4	1 043	178,70	27 927	33 128	3 749	2 443	8,7
June	181	5 8	1 050	180 83	31 171	32 424	290	(3 915)	(14 0)
West Rand Cons	205	2,2	446	85,34	39 226	33 280	1 635	(1 435)	(33 8)
June	210	2 6	540	86 13	33 494	32 709	(1 445)	1 636	38 5
Winkelhaak	475	5,9	2 804	149,94	25 400	33 524	25 639	5 194	42,6
June	475	5 9	2 800	150 83	25 588	31 718	18 809	6 710	55 1tr

Threat of closure mars Gengold results

B/Day 17/10/91. 214

MATTHEW CURTIN

WEST Rand Consolidated, one of the marginal gold mines in the Gengold stable, is in danger of closing in the next three months as the group's Stilfontein gold mine winds up underground operations

West Rand Cons's gloomy future dulled otherwise sparkling results from the group's 10 other operating mines, given the tough conditions facing the industry

In the September quarter Gengold reaped the rewards of its restructuring programme Relieved of huge retrenchment costs absorbed earlier in the year, and helped by lower labour costs, the group posted a 64% increase in overall after-tax profits, up from R52m to R85m

The mines also managed to reduce working costs by 1,3% overall, limiting the year-on-year increase to just 8,3%

However, profits were down 40% year-on-year and the group's decision to pass final dividends at Winkelhaak and Unisel, both of which improved profits in the quarter, demonstrated the pressure the gold mines are having to withstand

● See Page 10

Drop in expenditure lifts results at Anglo's mines

B/Day 18/10/91

(214

MATTHEW CURTIN

ANGLO American's gold mines pulled through the September quarter comfortably as a drop in capital expenditure during three months of successful cost containment and better gold prices lifted bottom-line profits by 16%.

Gold and uranium division MD Lionel Hewitt said the mines came close to their target of keeping increases in working costs down to zero in the quarter, and costs would be static for the year.

After-tax profits fell 3% but an overall cut in capital spending saw bottom-line profits jump from R140m to R162m

Average grade improved overall and the mines produced 64 tons of gold, a little more than 10% of SA's annual production Forward sales helped the mines notch up a 3% increase in the price of gold they received, which averaged R33 860/kg against R32 924/kg in the previous quarter

Freegold, the world's largest gold operation, posted the best results, more than doubling its interim dividend from 55c to 105c Production held steady at 6,7-million tons of ore milled while a small improvement lifted gold production to more than 28 tons

Hewitt said Freegold's north and south divisions "shared the honours" in the quarter, the latter able to cut working costs, while the company's metallurgical scheme saw profits rise from R3m to R12m

Vaal Reefs cut working costs from R25 000/kg to R24 600/kg as production held steady while higher grade waste material boosted overall grade in the mine's North Lease area

Although capital expenditure dropped in the quarter, Hewitt said Vaal Reefs would spend R310m in the current year, as opposed to the R276 forecast in the annual report

Hewitt said Western Deep Levels did not maintain its good results from the June quarter, but the mine was performing well Better average grade and a higher gold price received offset fewer tons milled to boost gold revenue But nearly 5% higher working costs knocked the mine's after-tax profits

Results from Elandsrand were dulled by problems at its mills which were closed for a few days maintenance After-tax profits dropped by 20% from R42m to R33m

Costs were pushed up with the resultant fall in the amount of ore milled from 587 000 tons to 547 000 tons, while development work continued apace Hewitt said Elansdrand had modified its recent policy of financing development work through profits and had borrowed 25% of the quarter's capital expenditure of R35m

Ergo's gold recovery operations turned around in the quarter Metallurgical recoveries improved to boost operating profits by 33% Capex returned to planned levels of R15m, up nearly R10m in the quarter, knocking available profits

ANGLO AMERICAN Quarterlies September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 655**	**4,24**	**28 185**	**124**	**29 282**	**33 778**	**119 012**	**68 816**	**59**
June	6 677	4,16	27 789	120	28 782	32 967	115 224	55 761	47
Vaal Reefs	**2 860**	**6,44**	**18 411**	**159**	**24 626**	**33 891**	**118 721**	**49 695**	**260**
June	2 861	6,40	18 324	160	24 954	32 820	128 077	41 468	217
Western Deeps	**1 675**	**6,21**	**10 404**	**147**	**23 646**	**33 896**	**93 822**	**32 247**	**117**
June	1 700	6,14	10 430	138	22 519	33 007	96 502	30 113	108
Elandsrand	**547**	**6,63**	**3 627**	**163**	**24 566**	**33 931**	**32 491**	**6 426**	**7**
June	587	6,42	3 769	143	22 286	32 902	40 930	5 710	6
Sallies	**499**	**0,82**	**409**	**23**	**28 452**	**34 057**	**821**	**846**	**9**
June	568	0,67	382	21	31 450	33 433	498	489	5
Ergo	**9 992**	**0,28**	**2 794**	**—**	**—**	**34 202**	**19 203**	**4 182**	**8**
June	9 862	0,27	2 701	—	—	32 706	12 279	6 402	13

Retrenchment pays off at Golden Dumps' mines

B/Day 18/10/91. (214)

MATTHEW CURTIN

THE two marginal gold mines managed by the Golden Dumps group more than doubled operating profits in the September quarter

However, at Consolidated Modderfontein it was done at the cost of a drastic restructuring programme, involving job losses, production cuts and a sharp reduction in capital spending

The mine cut the amount of ore milled from 141 000 tons to 90 000 tons, and retrenched nearly a third of its workforce

Director Loucas Pouroulis said the numbers working at the mine had fallen by 370 to 760, incurring retrenchment costs of R145 000

He said Golden Dumps was concentrating on maximising the efficiency of South Roodepoort and Cons Modder, bringing down R/kg costs

"We're not relying on the gold price to help us and I'm not optimistic that it will rise", he said yesterday, speaking from Golden Dumps headquarters near Lanseria

Pouroulis added that both operations should improve results in the current quarter, because working costs were likely to fall again

Costs

Both mines were in dire straits in the March quarter, turning in substantial losses after a series of mixed quarterly performances, but they capitalised on the June quarter's turnaround

Working costs fell at both mines With better gold prices, South Roodeport increased after-tax profits from R314 000 to R1m

Cons Modder increased after-tax profits from R632 000 to R1,8m

Cons Modder was further helped by the sale of dump permits and material, adding R2m to the bottom line

The mine which was on an accelerated development programme earlier in the year reduced capital expenditure from R3,4m to only R111 000

Both mines reduced their interest-bearing debt in the quarter

South Roodepoort's now stands at R1,6m, Cons Modder's at R6,9m

Pouroulis said the group had started development work at the defunct Modder B gold mine, having bought some of the liquidated company's assets earlier this year

Shares in the mines are trading near record and 1991 lows

Cons Modder closed at 50c on the JSE yesterday; South Roodepoort closed untraded at 25c a share.

Primrose scores off higher gold prices

ANDREW GILL (214)

INDEPENDENT gold mine Primrose yesterday reported a 61% increase in after-tax profits for the quarter ended September in a continuing improvement from the R1,745m loss reported for the year to end-June

B/Day 18/10/91

After tax profits rose to R646 000 from the June quarter's R400 000 as the mine managed to increase its average gold price received to R36 248/kg from R33 263/kg the previous quarter through forward selling

Mill throughput was up 2,3% to 39 478t from underground mining but the grade was lower at 4,8g/t from 5,16g/t, resulting in lower gold production of 189,3kg from 199,2kg

A lower grade of 4,66g/t and lower mill throughput of 41 598t at the reclamation plant helped cut total gold production at the mine down to 193,9kg from 208,4kg

However, the higher price received almost made up for the lower production and a 6% jump in operating costs to R144,23/t.

Operating profit fell to R1,03m from R1,12m but lower sundry expenditure of R108 000 (R507 000) helped the bottom line Royalties of R274 000 were paid compared to the previous quarter's R201 000

No tax was paid in the September quarter and capital expenditure was higher at R100 000 from R61 000

Gold producers digging their way out of trouble

Star 19/10/91

(214)

DEREK TOMMEY

SEPTEMBER quarterly results issued this week show that the R18 billion South African gold mining industry — the country's major economic stimulator — is in a much better shape than it was a year ago

In the September quarter last year a large part of the mining industry was in crisis

Sharply increasing costs and a slipping gold price resulted in 11 of the 32 major gold mines operating at a loss In addition a further two also showed losses after after providing for capital expenditure

This time around only five of the 30 mines which have issued September quarterly reports report losses and of these one is a developing mine which is shortly expected to move into profit, and of the remaining three only Loraine can be considered a basket case

But just as importantly, most of the other 25 mines are showing improved profits or expect to do so shortly

This is partly reflected in the group profit figures The three JCI mines earned R55,1 million in the September quarter against R39,6 million in the June quarter Available profit after providing for capital expenditure were R29,8 million against R11,7 million in June

The Gold Fields group reports taxed earnings of R224,7 million for the September quarter against R245,7 million in June But available earnings after providing for capital expenditure showed an encouraging increase from R112,7 million to R118,9 million

The Gencor group's taxed earnings jumped from R52,0 million to R85,3 million, while attributable earnings rose from R24,9 million to R51,0 million

At Anglo American available profit rose from R139,9 million to R162,2 million At Anglovaal taxed profits dropped from R43,1 million to R36,4 million, but available profits after providing for capital expenditure dropped only from from R31,1 million to R29,7 million

Clearly, the industry is not yet problem-free, but conditions have definitely improved, as Clem Sunter, chairman of the Anglo American gold and uranium division said this week "We are beginning to see light at the end of the tunnel"

This is the result of the industry realising about 18 months ago that it had to drastically rethink its way of operating if it was going to survive

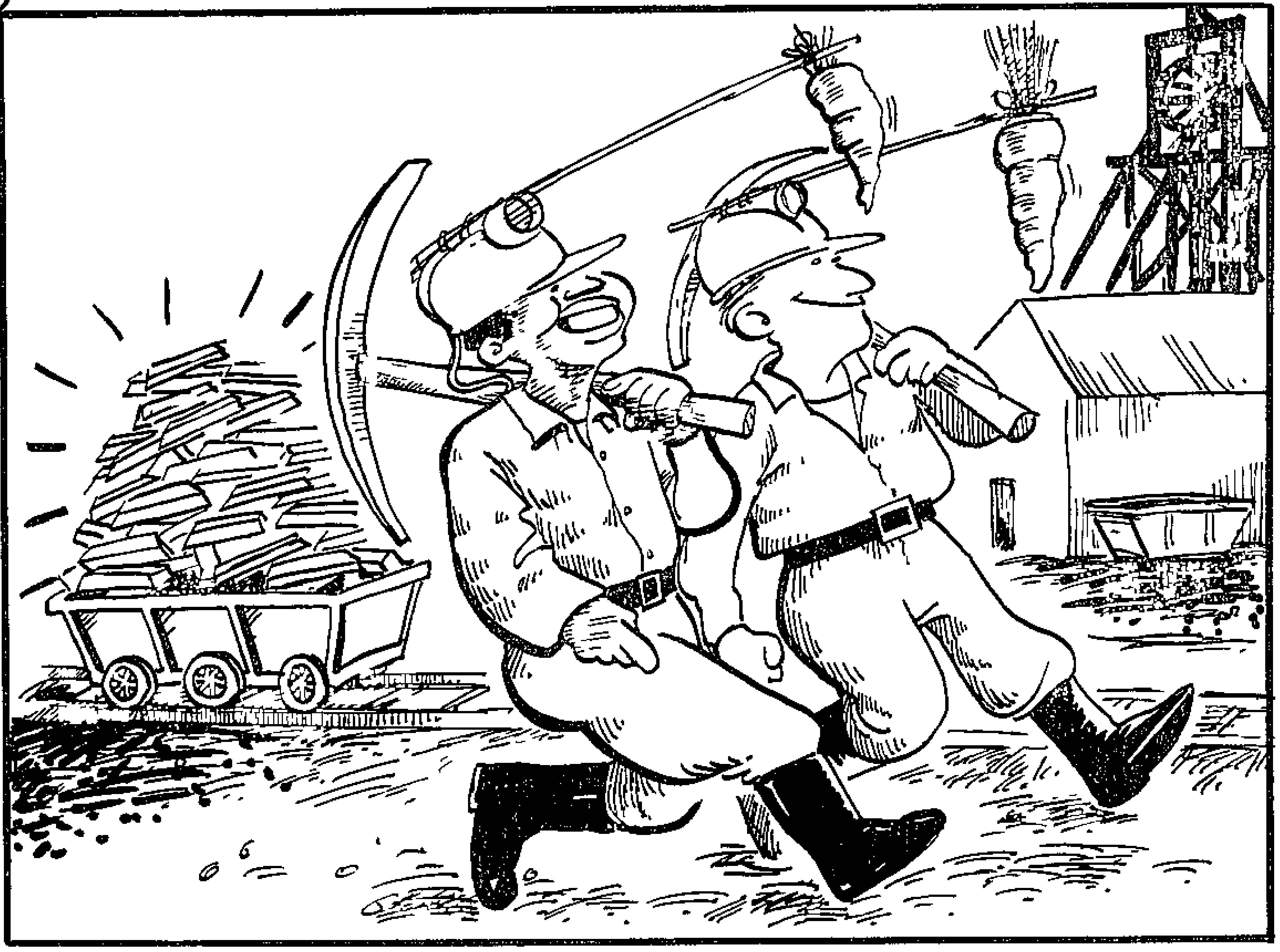
Spreading costs

Until then it had been trying to fight inflation and the low gold price by increasing production in order to spread overhead costs over a larger tonnage Costs a ton was the industry's yardstick But this policy was not successful and the mining houses realised that costs a kilogram was what they had to watch

This meant that they had to mine higher grade ore It meant that costs also had to be reduced It brought home the fact that spending millions of rands milling marginal and sub-marginal ore was not very profitable

The result was a major cost cutting exercise which among other things unfortunately led to the retrenchment of tens of thousands of workers It also resulted in greater emphasis on selective mining and working higher grade ore

One bright idea was the introduction of the bonus scheme, which holds great promise for the industry, as JCI is finding out



The fruits of this policy now can be seen on many mines Profits are strong and rising and the industry looks set to survive and prosper

But it also means that any increase in the gold price could see gold mining profits jump "Give us a small increase in the gold price and you won't recognise the industry," a mining official said this week

With Mr Boris Yeltsin, president of Russia, reporting yesterday that the Soviet Union had "transferred" about 350 tons of a gold abroad in the past six months, an increase in the gold price in the coming months seems a strong possibility

Analysts point out that if all this gold were sold, it means that the market has been absorbing an extra 1 800 000 ounces a month This is some 300 000 ounces more than the monthly output of this country — the world's largest producer

Analysts contend that if the market can absorb this amount of extra gold without the price gold falling below $340 an ounce, the prospects are good for a sharp recovery in the gold price once the Russian selling ceases

But while the gold mines and their shareholders undoubtedly would like to see a rise in the gold price, there is a feeling among some economists that perhaps this time around any abnormal rise in the gold price should be sterilised or contained before it can harm the rest of the economy

When a gold mine finds itself making sharply increased profits it can either spend the extra cash on new works to improve profits or give 50 percent (in some cases it used to be 77 percent) of it to the Governmen and distribute what remains to shareholders

As nobody likes paying taxes the gold mines usually follow the first course The result is that immediately after an increase in the gold price the mines place orders for billions of rands for new equipment The result is that wages and other costs soar in the mining, manufacturing and construction sector, inflation accelerates, export industries collapse and the country is again heavily dependent for its prosperity on the uncertain prospects of the gold mining industry

Next time around economists are hoping that steps will be taken to prevent such a situation developing — such as letting the mines to keep the extra cash in a reserve, so they neither have to spend it nor pay tax

Saviour of no-hope gold mines still hot on the trail

S/Times (BUSS) 20/10/91.

(214)

By CIARAN RYAN

GLENN LAING is determined to be South Africa's next mining magnate

The 40-year-old whiz-kid with the Midas touch, who put Joe Berardo's ailing Johannesburg Mining & Finance Company (JMF) back on its feet in 1989-90 under the name Consolidated Mining Corporation, has great plans

In April this year he split from fellow Cons Mining directors Norman Lowenthal, Gerald Rubenstein and Roy Flowerday to build his own mining group

Mr Laing says "I have never been a corporate man and have always tried to do my own thing At Cons Mining I was again being sucked into the corporate game

"Norman and Gerald are 20 years older than I, so their horizons are much shorter than mine They were looking to consolidate I wanted to go for mergers, acquisitions and developments So we decided to split"

Swop

Mr Laing formed Revere Resources, operating out of Bedfordview His first acquisition was a 68% stake in the small gold venture, South Murchison, for R1,2-million

He swopped 12-million Cons Mining shares at 10c for 30-million South Murchison shares at 4c South Wits' 49% interest in South Murchison, near Gravelotte in the north-eastern Transvaal, was diluted to 14%

Mr Laing says "I needed a listed vehicle to launch the company and this seemed the best opportunity South Murchison was floated by Nick Stavrakis on the basis of a project developed by South Wits He raised R1,5-million from the listing, but underestimated the amount of capital required to bring the project to fruition"

By this time Rand Leases, controlled by the Severins, had run into trouble Mr Laing bought 80% of the mine for R950 000 at 1c a share A consortium of investors rallied around, injecting R5-million for the mine's recapitalisation in exchange for an undeclared stake

Their faith in the Glenn Laing touch was well-founded — within a few months the mine should be making a profit of R1-million a month

Mr Laing says "I closed most of the mining operations and concentrated on developing the block of high-grade ore surrounding the shaft The other mining activities led the mine into trouble"

Rand Leases has 60-million tons of gold dumps available for recycling Mr Laing hopes to combine them with other dumps on the West Rand and develop a dump treatment plant

Profits from Rand Leases will be used to fund new developments South Murchison will change its name to Revere Resouces

"I'm a gold bug and I know how to turn these old mines into profitable ventures But Revere will become a resource company in the true sense of the word with investments in base metals and ferroalloys"

Mr Laing spends most of his time scouring the country for possible acquisitions Unlike other city dwellers who head for the hills at weekends, Mr Laing sets off to examine a remote gold dump or disused shaft His travels take him to Namibia, Zimbabwe and Botswana in search of mining opportunities, of which there is no shortage, he says

"The problem is raising capital for development It is difficult to raise capital for this kind of project in South Africa at the moment"

The investment climate in neighbouring countries allows investors to repatriate their dividends, opening the door for mining ventures

A former Rhodesian, Mr Laing was a star student at Wits where he graduated with a BSc in mining geology in 1973 on a Messina scholarship After a few years at Messina mine, he was awarded a scholarship to the Colorado School of Mines He graduated with a master's in mining engineering in 1977 and was posted to the Messina copper mines in SA and Zimbabwe

Tired

"In 1981 I decided Laing, Zimbabwe and Messina were not on the same course, so I quit I got a job as an underground manager at ERPM, but soon got tired of it I realised I was not a corporate man"

He was involved in obtaining mining claims over part of Modder B on the East Rand and with a few hired hands, started hauling ore out of the ground in knapsacks

"It was a one-man, one-ton-a-day operation," says Mr Laing The ore was loaded on a truck and sent to SA Lands for processing

Mr Laing later became operations director of Egoli, which was formed by Joe Berardo and was part of JMF

A few years later he and partner Roy Flowerday bought Nigel gold mine, which they listed in 1986 as Southgo The listing, which raised R10-million, was 23 times oversubscribed

Southgo was the holding company for Nigel, Wit Nigel and Knights, a small but profitable East Rand mining company

In 1989, Mr Berardo's JMF was on its knees, having poured millions into costly infrastructural development A consortium of stockbroker Norman Lowenthal, Gerald Rubenstein, Roy Flowerday and Mr Laing took over JMF and formed Cons Mining, bringing West Wits, Carrig Diamonds and exploration company Corex (later delisted), into the stable

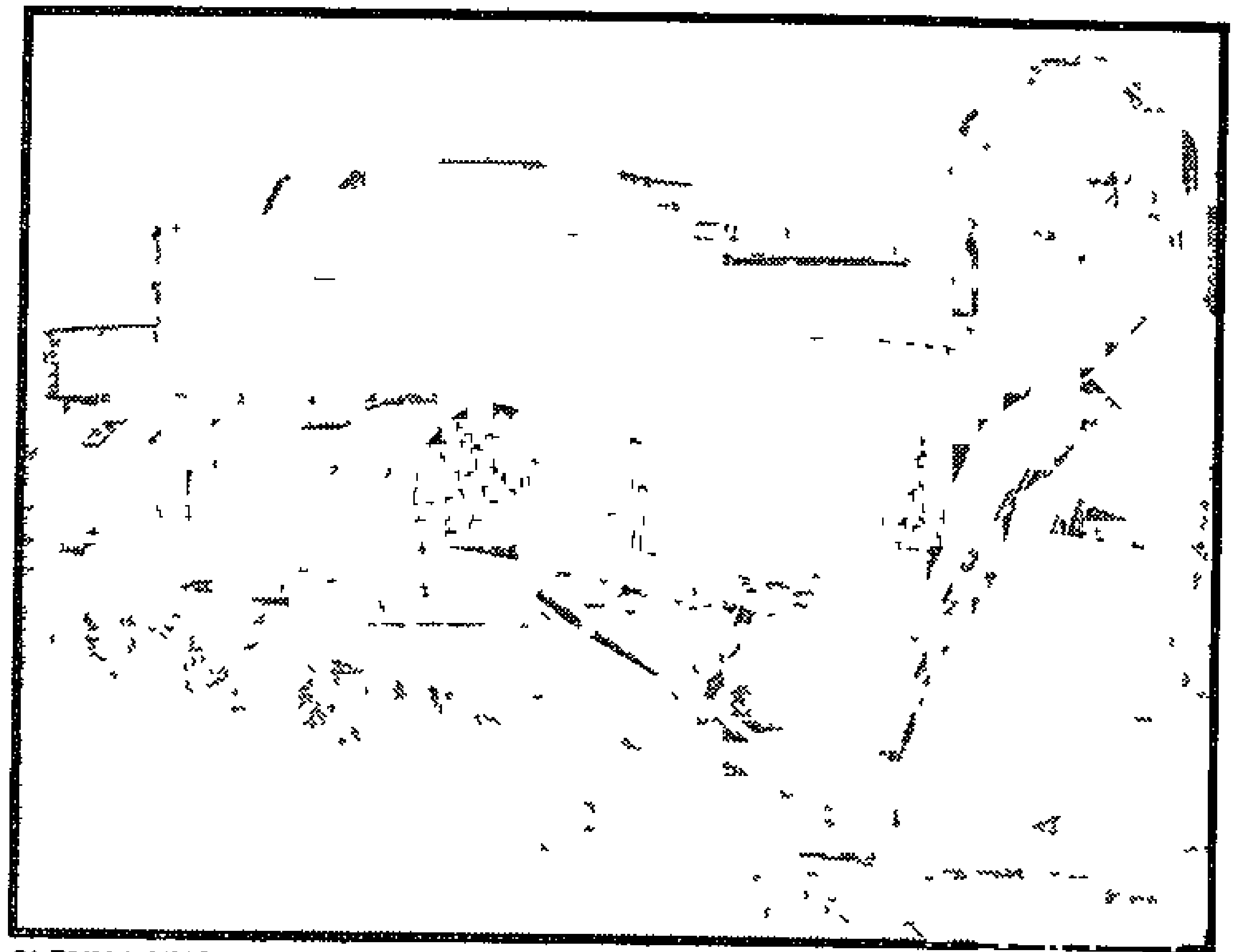
Wrong

Mr Laing had acquired a reputation for brilliance, succeeding where many others failed Brokers and investors alike had written off the small reworked mines and dump operations of the East Rand as hopeless cases

But Mr Laing proved them wrong He slashed costs and closed unprofitable operations He eschewed the high-flying lifestyle that characterised the new breed of mining executive

Mr Laing says "I have a sound understanding of the technical aspects of gold mining as well as the finances This gives me the edge in an industry where so many have failed All small gold mines can do well They have the potential but are usually undercapitalised I go only for mines I know I can turn around"

● Mr Laing returned to Modder B this week South Murchison announced it would subscribe for 13-million shares in the recently liquidated gold mine for R130 000 Modder B's assets were sold for R1,5-million in July Mr Laing plans to turn Modder B into a cash shell for Revere's expansion



GLENN LAING Whiz-kid with the Midas touch is not one for the corporate game

Mining firm to get listing

Star 20/10/91

(214)

NEW gold mining company, Dergra Mining, is to obtain a JSE listing before the year end.

The company, which applies a philosophy of ultra low-cost mining to ensure that its operations remain viable even at the present low gold price, will be listed via reversal into the Crest Holdings cash shell.

Crest, a medical equipment company listed in the pharmaceutical sector, ceased operations after its assets were acquired by the Norimed Group.

Crest, under its new name, Dergra Mining, will be relisted in the JSE's mining exploration sector.

When listed, Dergra will have an authorised share capital of 50 million shares, with an issued share capital of 14,4 million ordinary 1c shares.

In accordance with JSE rules and regulations, Crest minorities who do not wish to retain their holdings are being offered 108c a share in cash for their shares, which is a 13 percent premium over the pre-suspension price of 95c.

To date, Dergra's activities have been modest, with an opencast operation in Gazankulu and a dump reclamation operation in Klerksdorp.

These projects have given the company the opportunity to develop its low-cost gold mining expertise over the past two years.

Dergra is in the final stages of negotiation for two important small to medium mining projects which will form the base of its future operations

The negotiations are with two leading mining houses — one for the takeover of an existing mine which will produce virgin ore at a rate of more than 15 000 tons a month.

Opencast and tailings treatment mining is planned for this operation.

The other is for a toll treatment arrangement on tailings dumps which will further enhance production

Dergra is entering the market at a time when the low gold price is forcing most gold mines to curtail operations.

But the company does not view this as a deterrent

DEREK HARRIS
. . . low-cost philosophy.

Director Derek Harris says: "We are not going to the market because of any immediate capital need but because it will provide the means for our expansion in the future.

"Obviously we are also feeling the pinch from the low gold price but it is not hurting us anywhere to the same extent as many other mining groups.

"In contrast especially to the larger groups, we apply a philosophy of low-cost, low-capitalisation which enables us to mine very low-grade gold deposits at a profit "

He said the diversity of Dergra's mining activities, with both opencast and tailings operations at various sites in the Transvaal, also gives it the flexibility to adapt to such adverse conditions as those being experienced at present.

The recovered grades at Dergra's various operations range between 1 and 2,5 grams a ton — which are seen as too low to be viable by most other mining groups

Mr Harris says Dergra will function as both an exploration and mining company

"On our basis we look for deposits to turn to account

"We therefore intend to concentrate mainly on areas in close proximity to known ore reserves of mines which are half-way through their life but which other mining concerns have not been able to continue operating profitably "

Brighter outlook for gold

214

CT 21/10/91

Own Correspondent

JOHANNESBURG — The outlook for gold mines perked up at the weekend when the metal's price broke through the $360 resistance level for the first time since mid-August

The gold price closed $2 up at $362,15 in New York on Friday In Hong Kong on Saturday, the metal climbed $1,73 to close at $361,85

Analysts generally are a little more optimistic about the short- to medium-term outlook for the gold price than they were a few weeks ago

However, they say there is little likelihood of a firm bull run in the metal's price in a climate of high global interest rates and low inflation

Bonuses 'key' to Rand Mines success

B/Day 21/10/91.

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MATTHEW CURTIN

RAND MINES gold division paid out R3,6m in profit and productivity bonuses to its employees in the September quarter The group's four streamlined gold mines built on the previous quarter's turnaround and posted 33% higher after-tax profits, which rose from R21m to R27m

However, prospects have faded that operations will resume at developing mine Barbrook, now on care and maintenance

Gold division chairman John Turner said yesterday that, on the basis of gold price forecasts, Barbrook would not reopen "in the foreseeable future"

Higher than expected development costs aggravated by labour unrest triggered the closure of the eastern Transvaal mine last November, and management said the mine would remain closed, notwithstanding a sharp rise in the gold price, until a review last month.

Only workers at the group's ageing Blyvooruitzicht mine missed out on the bonuses, negotiated with unions in August, but all four gold mines turned in higher working profits The Rand Mines pay-out follows a R5m bonus paid to workers at JCI's Randfontein Estates gold mine, and R500 000 won by employees at Anglo American's Ergo operation

Turner said in a statement· "The bonus schemes are working well and are certainly playing a key role in the current performance of the mines concerned"

The mines' success in the quarter, the first under the chairmanship of Turner, who succeeded Clive Knobbs at the start of August, bodes well for the year as a whole after a disastrous 1990/1991 Only as recently as the March quarter had Harmony and Blyvoor joined debt-laden ERPM in posting after-tax losses

After the turnaround in the March quarter, Blyvoor remained firmly in the black in the September quarter, although its results were down after a sharp increase in its tax bill. The mine was the only taxpayer in the quarter.

Harmony, drastically restructured earlier in the year, boosted profits by 53%, Durban Deep turned in better profits for the fourth quarter in a row, and ERPM's second quarter of newly-won working profits cut its after-tax loss by 20%.

Despite annual wage increases, which came into effect in the quarter, and a sharp rise in the amount of underground ore milled, the mines cut working costs from R32 000/kg to R31 600/kg on average

Rand Mines' gold profits jump 33%

(214) S 21/10/91

Own Correspondent

JOHANNESBURG [illegible] tion [illegible] sharply higher [illegible] three [illegible] quarter [illegible] division [illegible] ound [illegible] quarter.

The group's [illegible] which posted [illegible] 33% up [illegible] ter than [illegible] the March quarter [illegible]

The [illegible] brook [illegible] gold mine which RM shut last November would not [illegible] future [illegible] ion chairman John [illegible]

The [illegible] tivity [illegible] amount [illegible] to [illegible] creased by 11 [illegible], while [illegible] costs were reduced from R32 000 kg to R31 000 [illegible]

The increase in production [illegible] trasts with several months of restructuring [illegible] bid to curb soaring costs.

The group's Free State gold mine, Harmony [illegible] nt of those [illegible] — but [illegible] the rewards. [illegible]

ERPM's [illegible] results [illegible] in the quarter compared [illegible] of R7,6m altogether.

Durban Deep continued its strong [illegible] mine to be [illegible] ly profitable.

The [illegible] Blyvooruitzicht mine is the only operation at which [illegible] fell. However a dramatic reduction in costs from its surface operations [illegible] ed to improved working profits. [illegible] by a R3m rise in the mine's tax bill.

Barbrook stays shut

Star 21/10/91

In view of current gold price projections Rand Mines' Barbrook gold mine will not reopen in the foreseeable future, the directors say in the quarterly report

Various options are being considered and a final decision will be made next year

Sufficient funds are available to enable the current care-and-maintainance programme to continue until then, the report says

(214)

The mine generated revenue of R118 000 in the September quarter, mainly from closing out gold hedging transactions and the sale of a minimal amount of gold extracted from loaded carbon The net loss for the quarter was R4,8 million (R3,8 million) — Sapa

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Rand Leases back in business

(214)

Star 21/10/91

Rand Leases gold mining company — now controlled by Glenn Laing and his Revere Resources group — is back in operation

The milling of ore derived from the No 11 shaft pillar started in September and gold has been poured regularly since then

Preparations for mining the pillar as well as the refurbishment of the gold plant began in July

The mine's quarterly report published today reflects only mining and milling operations for September when 28,84 kg of gold was produced from 8 400 tons milled, with a yield of 3,43 g/t

With a gold price received of R32 227/kg, Rand Leases total working revenue was R929 000

Net sundry revenue came to R130 000, giving total revenue of R1,06 million

The quarter's working costs of R1,78 million reflect expenditure incurred during the full quarter and the establishment of milling operations, including initial fill and lock up, which are allocated to the limited tonnage milled.

The loss for the quarter came to R900 000, made up of a working loss of R720 000 and interest payments of R180 000 on borrowings of R3,9 million

Capital expenditure in the quarter totalled R2,8 million — Sapa

RM gold mines lift profit by 33%

Star 21/10/91

(214)

Improvements in productivity and stringent cost controls enabled the gold division of Rand Mines to raise taxed profit 33 percent to just under R27 million in the September quarter

Taking into account the R20 million taxed profit earned in the June quarter and the loss of R30 million posted in the March quarter, the group's four gold producers — Harmony, ERPM, Durban Roodepoort Deep and Blyvooruitzicht — have shown a turnaround of close to R80 million over the past six months

Gold division chairman John Turner says Harmony, ERPM and Durban Deep and their employees benefited from profit-sharing and productivity schemes agreed to by the unions

Blyvoor, involved in protracted negotiations between the Chamber of Mines and unions, has not yet been able to implement a scheme.

The four producers pushed operating profit up 43 percent from R21,8 million to R31,1 million, out of which R4,2 million (June quarter R1,5 million) went in taxes Costs were reduced from R32 000/kg to R31 600/kg

Harmony raised underground gold production 19 percent to 5 634 kg, thanks to a 257 000 ton increase in tonnage and unchanged grade of 3,49 g/t.

Total revenue was R32 million up at R205 million Total costs were up 15 percent at R188 million, leaving a working profit of R16,8 million (R9,8 million)

ERPM's production forged ahead, allowing the mine to increase its working profit from R3,7 million to R5,4 million

Underground tonnage was up from 257 000 tons to 285 000 tons, which more than offset a slight drop in grade, so that gold production was up from 1 506 kg to 1 642 kg Sand treatment operations chipped in a further 164 kg

ERPM continues to be weighed down by its heavy interest burden, which was R13,3 million in the quarter.

As a result, the mine posted a loss for the quarter of R5,7 million, against losses of R7,2 million previously.

Durban Roodepoort Deep continued its solid performance, posting taxed profit of just over R5 million (R3,9 million)

The mine produced almost 100 kg more gold than in the June quarter, paving the way for an increase in revenue from R37,9 million to R41,9 million

Underground tonnage was up 18 000 tons at 291 000 tons which, coupled with an increae in grade from 3,63 g/t to 3,71 g/t, pushed gold production from below surface from 990 kg to 1 080 kg

Surface treatment operations chipped in 140 kg (133 kg)

Blyvooruitzicht was the only mine to show a drop in profit, although it still contributed a taxed R7,6 million — R3 million lower than in the previous quarter

A drop in underground tonnage from 397 000 to 386 000 tons wiped out any benefits from a slightly higher grade, with the result that underground gold production was down from 2 247 kg to 2 228 kg

The lower underground production was, however, more than compensated for by an increase of 27 kg in surface gold production

Total revenue was marginally up from R80,2 million to R81,6 million

Total costs came in R1 million more at R70,9 million, leaving working profits about unchanged at R10,7 million — Sapa

Growth potential and leverage now guiding investors in golds

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Star 22/10/91

By Neil Behrmann

LONDON — Gold share price leverage to changes in the bullion price is higher now than any time in the past, says Williams de Broe in a study of the mines

This in-depth report is interesting because it is not based on wishful thinking about the gold price In fact, there is an absence of any view about the price

This appears to be the correct stance since the metal has mainly traded within a $350 to $380 range for several years and has broken out of the band for only brief periods

Bullion market participants believe the trend will continue in the forseeable future but that sometime this decade gold will surprise the market and jump into a significantly higher trading band

Given the extent of international disinflation and economic slowdown, however, it is premature to be over-optimistic about bullion in the short term By the same token, one should not be too bearish

So Williams de Broe s premise is probably the correct one Applying the firm s assumptions, gold shares can be traded profitably

The firm's criteria for recommending a South African gold share is for the mine to be able to raise cash flow and dividends during periods of unexciting gold movements

For this reason the firm is particularly interested in South Africa's second generation mines such as Deelkraal and Elandsrand

Reduce holdings

Growth of those mines will continue well into the 21st century, says the firm

Other mines rated as a buy are Driefontein, Harmony, Kloof, Unisel and Western Deep

The firm is advising its clients to sell Buffelsfontein Southvaal and Winkelhaak and reduce holdings in Vaal Reefs and Kinross

Applying present value calculations that do not factor in inflated annual gold prices to the end of mines' lives, Williams de Broe estimates that SA gold shares are discounting a bullion price of $410 an ounce

Nevertheless, the calculations favour special situations that take into consideration growth potential and leverage

A $10 change in the gold price, for example, has the same impact on earnings that a $180 change would have had in 1980, says the firm

Putting it another way, a 3,5 percent move in bullion has the same effect on the share price as a 30 percent change a decade ago

In the next two years, Williams de Broe foresees marginal increases in SA gold production because companies are adopting more selective mining practices

"Mines such as Deelkraal and Winkelhaak have learnt to their cost, the pitfalls of keeping dividend cover low They have been forced to shelve shaft programmes vital to their long-term existence

"Two years ago a mine might have boasted about its ability to maintain future gold production at current levels

Market ratings

"These days, as managers pursue a higher margin, lower volume strategy premiums are once again being awarded for growth potential

"For confirmation one need only examine the market ratings bestowed on Kloof, Elandsrand and Western Deeps"

They trade on much higher price earnings ratios than other gold shares

BUSINESS

Save the Soviets — by hiking the gold price

B\Day 23\10\91

(214)

Award-winning British financial commentator **CHRISTOPHER FILDES** reports from Bangkok and offers a golden solution to the world's money crunch.

LONG on goodwill but short on solutions, the 14 414 delegates have headed home from Bangkok. Time was when no meeting of the IMF and World Bank was complete without a plan. I now propose mine.

It answers the two questions that hung over the meetings, unresolved What can be done for the Soviet Union? And what can stop one country's needs from scooping the pool?

My plan is twofold The world's central bankers and finance ministers should agree to force up the price of gold and to move the World Bank to Bangkok.

Gold is the Soviet Union's best bet — its most saleable export and its only bankable asset.

Soviet gold production is second only to SA's Grigory Yavlinsky admitted to the IMF that the Union had been selling its reserves to pay its bills, but it still claims to hold 240 tons, and surely has more under the bed The KGB is thought to have a reserve of its own.

For a dozen years the Soviet Union has watched the price of gold fall by almost two-thirds At first the IMF and its member countries, prompted by the US, conspired to drive the price down, dumping gold on the market in a series of auctions Then the gold mining companies learned to sell their production forward as security for loans. Then came the forced Soviet sales.

The world's biggest holders of gold, the central banks, have let if happen. For years now they have sold little gold and bought less or none. They just sit on their reserves like self-satisfied hens sitting on addled eggs.

The IMF's figures show that since 1987 the industrial countries' gold reserves have fallen by just over 1% Their value, however, has fallen by a quarter. On the IMF's calculations, these countries' loss on their holdings of gold is more than $40bn

You might have thought that the central banks, holding investments on this scale, would have condescended to manage them to protect their value. You would misunderstand their attitude to gold. They resent it, as a competitor to their own branded products.

How agreeable for a central bank to have a monopoly over the supply of money

How agreeable, too, for the IMF to issue its own reserve currency — the special drawing right — designed and described as "paper gold" How inconsiderate of providence to have stopped the earth with the genuine article, and what a shame that, for most of history, most people have learned to prefer it.

Providence though, may have known best.

A higher price for gold would be the quickest way, and now almost the only way, to help the Soviet Union. It would, of course, help SA too — and, on the cusp of change, how perfectly timed that would be. Many other deserving causes stand to gain, including sub-Saharan Africa

Ghana, Sierra Leone, Mali, Zaire and Zimbabwe all mine gold. Sierra Leone might even be able to pay off its debt to the IMF and borrow some more

The biggest gainers would be the central banks themselves — and they, too, could use the money. They stand behind banking systems which show ominous signs of strain.

While the bankers were talking in Bangkok, Norway's second bank was declaring insolvency and the US's biggest bank, having lost a billion dollars, was passing its dividends. A world with a shortage of credit must want to see its lenders build up their reserves. Western central bankers used to operate a cartel to hold the gold price down — until, 25 years ago, they were driven off, defeated. Now they should come back together and buy

That, though, will not placate the developing countries without gold in their vaults or the ground In Bangkok, they grumble: why could the Soviet Union, which has not even joined, be allowed to take over the meeting of the IMF and World Bank? It may suit the superpowers, but what is in it for the members?

The World Bank's formal title is the International Bank for Reconstruction and Development. It is, though, based about as far as possible from a developing country — in Washington. The US is its biggest shareholder, with a blocking vote, its chairman is by tradition an American.

Time after time the US installs a new chairman with a brief to sort out the World Bank. Every chairman then falls out with the government, and vice versa Lewis Preston, the newly-installed chairman from Morgan, has already slapped down the US Treasury: "You don't run this bank. I run this bank." His office and the Treasury are four blocks apart. It is as if the World Bank had opted to live next to its mother-in-law.

The arrangement suits neither side, and it leaves the World Bank looking like a company with an old-fashioned grand head office.

It is large, it is compendious, it has a department and a policy for everything, it generates a vast amount of paper and spends a fortune on air-tickets A group within the bank has been trying to move it to Bonn.

The World Bank should go all the way — to Bangkok The shake-up would bring the bank to its markets and its membership

The members would learn in Bangkok something they will never learn in Washington — what a developing country can do for itself. The Thais have sustained a growth rate of between 6% and 10%, and over time have kept their inflation below that of the US. It can be done without gold

For myself, I should need to make periodic visits of inspection, to call on Preston and see how my plan is getting on No doubt the World Bank could run to an air ticket. — Daily Telegraph

Incentive schemes enter the equation of gold mine results

B/Day 23/10/91.

CHERILYN IRETON

(214)

PRODUCTIVITY was the watchword in the gold mining industry in the September quarter and, from a short-term perspective, the drive to cut costs and increase worker output appears to have had a positive response

September is traditionally the quarter when mines' working costs rise significantly because of the industry's annual wage increases This year lower average pay rises, coupled with incentive schemes aimed at lifting productivity, helped curb the rise in production costs

In fact, JCI and Rand Mines, which have already paid out the first of their performance bonuses, managed to reduce average production costs by 3,1% and 0,94% respectively on the previous quarter The only other group among the six major houses to do so was Gencor, which is benefiting from its extensive rationalisation programme

Anglo American's gold mining costs were well held, rising by just under 2%, but Gold Fields of SA suffered numerous accidents in the quarter and its costs rose by the highest margin of 6,76% Anglovaal followed with costs rising by 4,44%

Gold Fields and Anglovaal are the two groups which chose not to go the bonus scheme route in the annual wage negotiations Chamber of Mines president Naas Steenkamp said yesterday that as the industry's collective bargaining process became more complex and refined the chamber had been able to demonstrate significant differences in approach between various affiliates

Mining analysts have mixed views on whether the drop in costs at JCI and Rand Mines can be directly linked to the bonus schemes

Some still have doubts about the long-term success of these schemes and suggest that smart mining of more economic areas rather than workers' efforts could have led to a short-term reduction in costs, particularly at JCI's Randfontein Estates, where working costs fell 7% This argument is given further weight by the fact that JCI's other gold producer, Western Areas, was unable to achieve the same success and workers narrowly missed performance bonus targets

JCI concedes that it is hard to draw a direct line between its scheme and the lower costs However, gold division MD Bill Nairn spoke of enthusiasm among the workforce for the scheme And Randfontein manager Basil Fleetwood said the bonuses brought about an attitudinal change in workers who recognised the need to cut costs

Time will show whether the motivational benefits are great enough to outweigh the risks There is still a danger that the need to meet targets might tempt mine managers to rape rich areas — even though this is strictly illegal — and mines could stop or slow development in order to bring down costs and help workers achieve their bonuses

Although JCI has tied its bonuses to improvements in working costs, measured in terms of the rand cost for each kilogram of gold produced, there are still differing views as to whether this is the best way to measure performance Further guidelines are expected to come from negotiations between the individual mines and the various mining unions The chamber signed agreements with the NUM, the Council of Mining Unions and the three officials' associations yesterday setting out a framework for these negotiations The outcome of these talks will affect mainly Anglo and Gengold mines where there is strong union membership

The labour front was unusually quiet in the three-month period, with very few disruptions This is attributed by market analysts to the extensive retrenchment in the industry and the realisation that jobs are scarce and more mines could face closure if the low rand gold price persists

Of the 44 mines analysed by stockbroking firm Simpson McKie, only 25 are looking comfortable — at production level — at the current rand gold price of about R33 000/kg

Seven are unprofitable, two are set to close, and the rest are viewed as marginal

Mines looking dodgy include Anglovaal's Loraine — which needs to sell its gold for R38 000/kg just to meet its production costs — and Gold Fields of SA's Venterspost which will have to lift its gold recovery rate in order to return to profitability Sister mine Libanon was unable to absorb a 4,5% rise in costs and slipped into the red after the previous quarter's meagre profit of R280 000

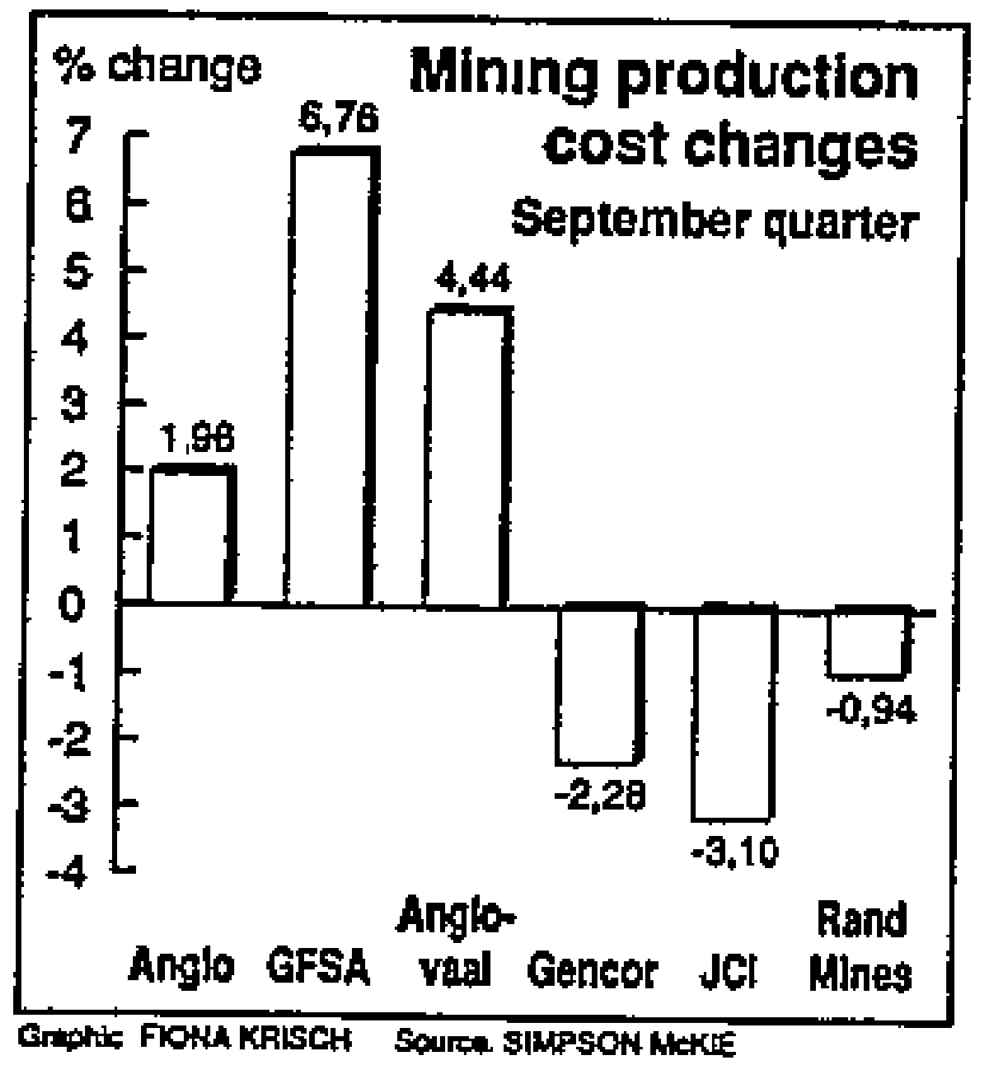
In the Genmin fold West Rand Consolidated suffered an unexpected drop in underground grades and a question mark now hangs over its future

Evander mine Winkelhaak is expecting poor results in the currrent quarter after severe unrest at the mine

Anglo American's Elandsrand, which has heavy capital expenditure commitments, suffered a 20% drop in profits due to mill problems and the prospects for JCI's Western Areas will depend on the price at which its uranium contract is renegotiated at the end of the year Any drop in contract price will cast a shadow over its prospects

The closure of Genmin's Stilfontein and Bracken has already been announced and in the smaller league, it seems unlikely that Barbrook will reopen at current gold prices

Several independent operations have disappeared from public attention Gone are Modder B, Sub Nigel, Eersteling, Cengold and Rogold Osprey and Gazgold have also been keeping a low profile



Mining production cost changes

September quarter

Graphic FIONA KRISCH Source SIMPSON McKIE

Those marginal producers that remain have been actively trying to improve their position through defensive actions and there has been a noticeable increase in sales of machinery and dumps and curtailment of capital expenditure

"They are trying to recoup capital, rather than spending it, by flogging idle equipment," says Simpson McKie research head Rodney Yaldwyn This group includes West Rand Cons, Stilfontein, Sallies, ERPM, Consmodder and South Roodepoort

Troubled mines have also shown a keenness to build up a capital cushion by reducing interim dividend payouts Mine closure costs are still an unknown factor under new rehabilitation legislation and this is promoting a conservative view on profit distribution

As part of the cost-cutting drive there has been a tendency to reduce unproductive mining and to top up the mills with surface material Almost all mines are now disclosing how much material is emanating from dumps This is proving to be a successful additional profit centre

The defensive strategy of the industry is reflected in the cutback in capital expenditure Anglovaal's spending shrank by almost half to just over R8m in the quarter, while of the big spenders, JCI reduced its capex bill by 13%, Anglo by 5% and GFSA by 21% Further cutbacks are expected in the current quarter

The limp gold price has given rise to debate on the income to be made or lost on hedging forward gold production This quarter, it did not seem to matter The top six groups all received an average gold price of between R33 327/kg and R33 859/kg Anglovaal, which in the past had recorded impressive profits on hedging, managed an average price of only R33 576

Those mines that did well despite the gold price included Grootvlei, Deelkraal, Freegold and Harmony East Driefontein's progress was steady but problems at West Driefontein neutralised its performance

For the current quarter the gold price is expected, at best, to remain flat With inflation expected to rise as a result of the introduction of VAT, costs could come under further pressure, squeezing earnings again

Mine bonus scheme pacts signed

ALAN FINE

B/Day 23/10/91

THE Chamber of Mines yesterday signed agreements with the NUM, the Council of Mining Unions and the three officials' associations setting out a framework for the gold mining industry's performance-related bonus scheme

The NUM acting general secretary Marcel Golding and chamber president Naas Steenkamp said schemes linking pay to cost containment and performance could remain a feature of the total remuneration package for many years.

The agreements describe the purpose of the scheme as "to improve efficiency by means of a performance bonus and improved training for workers (and) to contribute to ensuring the future viability of the mines, enhance employees' conditions of employment and improve safety"

The NUM agreement applies at all Anglo gold mines, 10 of Gengold's (excluding Oryx and Beatrix), Rand Mines' Blyvooruitzicht and JCI's Sir Albert Robinson Hospital The CMU and officials' associations agreements apply at all Anglo, Gengold and JCI gold mines and at Blyvooruitzicht The contents of the five agreements are similar Neither Gold Fields nor Anglovaal are party to the scheme

In terms of the agreements, 25% of total monthly benefits available would be distributed equally among the workforce — with a minimum of R25 each. Thereafter, the bonus would distributed as a percentage of earnings It would be limited to the extent of any net mining profit, and would not result in a mine making a loss because of bonus payments.

The formula for calculating bonus payments would be negotiated separately at

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Bonus scheme

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☐ From Page 1

each mine involved in the scheme.

The agreements recognise that "thorough and broadly based training is critical for sustained improvements in production and efficiency" B/Day 23/10/91.

They say there shall be no retrenchments as a direct result of the scheme and that efficiency may not be achieved at the expense of health and safety

Union and worker participation in the scheme and in improving workplace efficiency is recognised as integral, and management commits itself to disclosure of all information required to monitor the scheme

Steenkamp said the negotiations had been a process of participative decision-making Golding said the agreement was just the first step in changing employment relationships and the managerial culture

● See Page 10

Gold fever: the search for cheap labour

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South (South side) 24/10-30/10/91.

The transformation of the Transvaal from an impoverished, rural backwater began on a late summer's day in 1886 — when a prospector named George Harrison struck gold on a farm a few kilometres west of present-day Johannesburg But although historians pinpoint Harrison's strike as the turning point in the history of the Southern African subcontinent, in 1886 his discovery was greeted without much fanfare. Harrison himself did not seem to be overly impressed by his strike. After staying just long enough to sell (for 10 pounds sterling) — his free "discoverer's claim", he moved on to the alluvial goldfields near Barberton in the Eastern Transvaal. How was he to know, anyway, that the claim he had virtually given away formed part of a Reef of gold that stretched more than 500km across the Witwatersrand? Even if he had known, there was little that he would have been able to do about it. The fact that the gold-bearing ore dipped ever deeper underground would have put the precious metal beyond his reach — indeed, beyond the reach of the majority of the thousands of ordinary prospectors who had invaded the Transvaal. Goldmining was about to enter a new era — one dominated by large-scale investment and a never-ending search for cheap labour, says DOUGIE OAKES.

THE DISCOVERY of gold (and diamonds) in the last half of the 19th century did much to shape the policies of Southern Africa's white rulers.

During the administration of Cape Prime Minister Cecil John Rhodes especially, concerted efforts were made to force Africans into wage labour

In this respect, Rhodes' Glen Grey Act (written into the Cape statutes in 1894) was a particularly vicious piece of legislation In arguing that the only way to force Africans into the wage labour market was to deny them access to land, Rhodes proposed to

- Limit the head of a family to just four morgen,
- Make the eldest son in the family the sole heir and
- Tax all the other sons who could not prove they had been in bona fide employment (in other words, had been employed by a white person) for at least three months in a year

The beauty of the scheme, according to Rhodes, was that a smaller landholding would reduce "uncontrolled squatting" and would ensure only one member of a family would be entitled to land. The other "poor children", he said, would be removed "out of their state of sloth and laziness" and would be given "some gentle stimulants to go forth and find something of the dignity of labour "

Whereas indigenous people in both British- and Boer-administered territories had previously been allowed to pay various taxes in cattle or other livestock, the rules were changed towards the end of the 19th century with the authorities insisting only cash would be accepted, thousands of subsistence farmers were forced off their land and into the cities to earn money to pay the taxes

Other taxes, besides Rhodes' Glen Grey Act, included.

- A hut tax, which levied each African family to the equivalent of R1 for every hut it owned, and
- A poll tax, which levied every man (both black and white) to the equivalent of R2 a year

Because black unskilled workers earned between five and 20 cents a day on the mines, it took them much longer to earn enough to pay this tax

By 1890, 14 000 Africans were employed in the mines By 1899, this figure had risen to 100 000 And yet, although the new laws were enormously successful in pushing Africans into wage labour, the mine owners were still not satisfied

Migrant workers

Although the migrant worker system was not invented by the owners of the gold mines, they worked energetically to perfect the process.

Even before the discovery of diamonds, young, single men left their homes every year for a few months to work as labourers for white farmers — to earn enough to pay their taxes or to buy guns

Later, as the tax liabilities of many chiefdoms increased, even married men were forced to leave their homes and families in search of work Although many subsistence farmers hated the idea of being migrant workers, they simply had no choice

Mine owners, on the other hand, became avid supporters of the system — and not surprisingly The fact that the migrant labour policy made it possible for them to feed one worker and not a whole family was a definite plus as far as they were concerned The fact that they did not have to build houses, schools and hospitals for the migrants and their families saved them the equivalent of millions of rands every year

Dangers on the road

At the start of the mines' migrant labour system, many African workers were robbed or murdered while travelling between their homes and the mine hostels

In the Orange Free State and the Transvaal, white policemen often stopped workers along the better known paths and threatened them with jail if they did not pay a fine The money they collected in this way usually went straight into their pockets.

Some white confidence tricksters, pretending to be doctors, charged passing workers a shilling each for smallpox vaccinations

In 1894, the Chamber of Mines reported that "it is in many places the custom of the farmers forcibly to stop any native found resting or sleeping on their farms

"If these natives are coming to the mine fields and have no money in their possession they are compelled to work without payment for a few days before being allowed to proceed "

Compounds

Most of the early compounds on the Reef were filthy and overcrowded wood and-iron shacks Generally, each hut contained between 20 and 50 workers

Their sleeping quarters were primitive — consisting of concrete bunks built on top of each other In many cases, the compounds were built with no windows or lights Cracks in the walls had to be stuffed with rags to keep out the cold and, often, the uncemented floors turned muddy when it rained.

The toilets consisted of a long bench with enough holes to seat 20 men at the same time Washing also had to be done at a communal tap □

Unions, employers welcome new deal

W|Mail 25|10-31|10|91.

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The gold mine performance-related deal signed this week between the more 'liberal' employers and unions gives labour a bigger voice in the industry

By FERIAL HAFFAJEE

THE National Union of Mineworkers has hailed the performance-related deal signed in the gold mining industry this week as a key step towards reshaping collective bargaining and securing a greater role for trade unions.

Employers consider the deal — which sets parameters for the negotiation of bonus schemes linked to performance and cost-containment at mine level — a victory for pragmatism in an industry afflicted by rising costs, falling grades and a sluggish gold price.

The Chamber of Mines described it as "an important development in the relationship between Chamber members and employee organisations", in that it addressed the "issues of cost containment and workplace efficiency".

But in some labour circles, the move is controversial. It represents a departure from the union's official wage policy, which calls for a general rise in wages and a uniform rate for the job.

The agreement, signed by the NUM, the Chamber of Mines, the Council of Mining Unions and the three mine officials' associations, covers 16 gold mines and a hospital.

On the employer side, it was clearly driven by the more "liberal" mining houses, Anglo American and Gencor, which are seeking a more co-operative relationship with the labour movement.

Of the mines covered, five belong to Anglo and 10 to Gengold Also covered are Rand Mines' Blyvooruitzicht and JCI's Sir Albert Robinson Mine Hospital Anglovaal and Gold Fields refused to participate in the negotiations.

The agreed framework builds in key safeguards for workers. To spread the benefits, workers will share equally the first R25 or 25 percent of money available for bonuses, with the rest being disbursed according to basic earnings Bonuses will be based on collective, not individual performance, and will be paid on the achievement of "realistic and achievable targets".

Employers have also agreed that performance bonus schemes will not affect the union's right to negotiate a "fair wage structure" at industry level, will not prejudice job security, that efficiencies will not be achieved at the expense of health and safety, that there will be full disclosure of information so that workers and unions can monitor schemes, that workers will participate in monitoring and setting targets, and that mines will investigate how training can spur efficiency.

The union won a concession making provision for the monthly monitoring and disclosure of reportable and non-reportable injuries In addition, each of the signatories has pledged to institute training programmes soon.

An outstanding bone of contention is whether bonuses will be paid if targets are reached on mines which makes a loss. The Chamber insisted that loss-making operations be exempted from payment

Justifying the deal, an NUM statement expressed "firm preference for an authoritative national wage,structure that sets similar wage levels for the same work".

But it added: "In the present economic circumstances, with many mines facing greatly reduced profit margins, and under the present system of mine ownership and taxation, a single wage structure would mean unacceptably low wages on healthy mines

"The performance bonus scheme provides a separate mechanism for rewarding workers for improvements in operating efficiency."

Lydex bonanza expected

By Derek Tommey (214)

Lydex Exploration (Lydex) shareholders could be in for a bonanza

Lydex announced last night that it may issue 9,8 million Knights shares which it is getting from Knights to its shareholders as a dividend.

If Lydex goes ahead with this plan each Lydex shareholder should receive about 14 Knights shares for every 100 Lydex shares held

Knights shares are currently trading at 72c and Lydex shares at 45c

Star 25/10/91.

Lydex is to receive the shares in exchange for the sale to Knights of its Cason sand dump No 4A23 for R7,5 million

The dump contains around 16 million tons of sand with an estimated average grade of 0,67 grams of gold a ton

It is expected that this transaction will improve the grade of sand being treated by Knights and alsoextend the life of Knights by a further eight years

GOLD QUARTERLIES (214)

Well held, sir!

FM 1/11/91

The slightly higher rand gold price, smooth passage of this year's wage negotiations and overall good cost control contributed towards favourable and, generally, better-than-expected September quarterly results

Coming after the turnaround in June, this underlines the resilience of the industry and its successful adaptation to strained circumstances However, steps such as cutting capital expenditure to the bone have worrying medium-term implications, though the mines have no alternative if they wish to survive beyond the short term

A higher gold price is desperately needed When it comes, shareholders cannot expect to reap immediate benefits, as mines will have a lot of catching up to do on capex and will also face renewed union wage claim pressure

Average gold revenue of R1 046/oz was 2% up on the June quarter's average of R1 028 and about 5% up on the R998 of September 1990

Ed Hern, Rudolph gold analyst Grahame Graham-Parker says average industry production costs rose just 2% to R823/oz (June quarter R808) That compares with an average of R812 for the 1990 September quarter Capital expenditure of R455,2m is 1% down on June's R460,5m and 27% down on

Continue →

FM 1/11/91.

R624m in the 1990 September quarter

Moving to the bottom line, Graham-Parker says industry net profit is 6% up at R348,2m (June R329,1m) and 142% up on the R144,1m earned in September 1990

Those figures reveal the dramatic turnaround achieved by rationalisation of operations, cost-cutting, retrenchments, raising grade and cutting capex They also show the industry's gearing to the gold price, with a 2% increase in revenue resulting in a 6% rise in net profits

So far, so good, but unless the gold price improves markedly a number of mines will start running into the medium-term consequences of their actions Pushing up grade reduces payable ore reserves available, which is compounded by cutting the development work needed to open up new reserves

Eventually, a mine which allows these trends to run too far will not be able to maintain production rates, which will play havoc with cost control and threaten its continued life **Leslie** is finding it increasingly difficult to maintain gold output at current pay limits while **West Rand Cons** is back to the brink of closure because it's fast running out of payable reserves The underground yield slumped 18% to 4,5 g/t (5,5 g/t)

Chopping capex has a number of adverse implications for the longer-term life of a mine because stopping work on, for example, a new shaft means delays in getting at the ore reserves intended to be mined from that shaft If those new ore reserves are earmarked as replacement tonnage for areas being worked out then, once more, long-term viability is at risk

At best, capex delays mean higher costs because of inflation when work is eventually restarted and lower profitability from the project

Deelkraal was a star performer during the September quarter but work remains suspended on the new No 3 shaft, intended to allow further expansion and ensure the mine's long-term future by gaining access to deep-level ore reserves

Vaal Reefs has taken advantage of current gold price levels, which are higher than initially forecast by Anglo American management, to re-instate some suspended capital works Capex is now forecast to reach R310m for the year to December compared with the previous estimate of R276m

Any resurgence in the gold price must trigger heavy catch-up spending, particularly by mines like **Harmony,** which spent a mere R500 000 on capex in the past six months

Other outstanding performances came from **Harmony,** where underground rationalisation seems to have started delivering the goods, **Randfontein, Deelkraal** and **Unisel** which, at last, appears to be matching management's optimistic forecasts

Poor results came from **Loraine, West Rand Cons** and **Venterspost,** while **H J Joel** turned in a frustratingly mixed performance Gold production jumped 17% to 1 524 kg as grade and throughput increased but unit working costs also soared 17%, which was attributed to "the annual wage increase and higher-than-expected machine maintenance costs "

Brendan Ryan

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Brendan Ryan

More like 724 tons than 240

S/Times (BUSS) 3/11/91

SOVIET gold holdings are probably 724,5 tons more than three times the 240 tons declared by Soviet economic strategist Grigory Yavlinsky in July and again at the International Monetary Fund conference last month.

According to the October International Gold Mining Newsletter, the 724,5 tons is the sum of the holdings of the Soviet finance ministry, the central bank and the amount outstanding on gold swops.

Soviet influences have wielded enormous effect on the gold price in recent weeks.

First, the market was concerned about 240 tons of gold swops outstanding in Western central banks.

Then a British newspaper reported that $4-billion worth — or 336 tons — of gold had been moved to Switzerland and used for swops to raise hard currency, or to move Communist Party funds elsewhere.

These triggered a wave of Middle-Eastern selling and gold hit a five-year low of $344,20/oz on Friday, September 13.

(214)

Later that month, Mr Yavlinsky said on television that Soviet reserves were equal only to the annual rate of extraction — about 240 tons of gold. He reiterated this figure at the IMF.

Estimates had been far higher. But Mr Yavlinsky's figure seems to reflect only finance ministry holdings of gold and not those in the Soviet central bank, Gosbank.

Gosbank deputy managing director Alexandre Duomov said in July that his bank's foreign-exchange reserves included 374,5 tons of gold.

Mr Duomov said there was no intention to sell that gold or to move it abroad as loan collateral.

Mr Yavlinsky's figure also seems to exclude outstanding gold swops in the West.

A gold swop is a sale of gold for foreign currency with a forward transaction to buy it back later.

Mr Yavlinsky said 110 tons had been used as security and could not be redeemed by the Soviets, although they should have been already.

Adding these figures gives a more likely potential Soviet gold reserve of 724,5 tons. There might be more with mines and fabricators.

The newsletter says the figures present a serious blow for the credit rating of the Soviet Union, but reduce the threat of large-scale Soviet sales of gold.

The outstanding swops could still come on the market, but it appears able to absorb this gold and has probably been doing so for several years.

In July, Mr Yavlinsky said that gold reserves had been reduced more than threefold in a year and that 470 tons had been sold at one go in the past year.

Among foreign views of the SA gold-share market comes one from investment house Credit Lyonnais Laing, which recommends investors to buy Freegold, Driefontein, Vaal Reefs, Beatrix, Harties and Kinross.

Stockbroker Smith New Court believes it may be too early to buy SA golds. They are highly geared to the gold price, particularly to upswings.

Sub Nigel nears end

S/Times (BUSS)

THE end of the road could be close for Sub Nigel — one of the highest fliers among the gold mines floated in the 1986-1987 boom. 3/11/91

Announcing results for the September quarter, in which revenue was R100 000 and profit R22 000, chairman Les Holmes said six months' notice was given by neighbouring Nigel Gold Mining Holdings to terminate the tribute agreement.

The period would be up on December 1, and feasibility studies showed it was unprofitable for Sub Nigel to resume underground operations on its own behalf unless the gold price rose. (214)

The board is considering other options, such as acquiring other mining projects.

The shares are 18c — off their May low of 8c, but a galaxy away from the R10 they topped in 1987.

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down

Chinese and Russians go for gold

214

S/Times (BUSS) 3/11/91

DIAGONAL STREET
by Julie Walker

CHINESE and Russian demand for gold will certainly help to narrow the gap between supply and offtake in the next few years

This is the finding of JCI gold division chief Kennedy Maxwell, who has returned from a tour of the Far East and South-East Asia

Mr Maxwell and management from the gold division gave a presentation on gold and JCI's prospects to the Investment Analysts Society in Johannesburg this week.

He reports that Chinese demand for 24-carat Chuk Kam jewellery from Hong Kong, particularly out of the more affluent Canton, is expected to reach 150 tons this year

In addition, China will probably produce 100 tons of gold, none of which is expected to be exported.

Mr Maxwell believes that gold demand from the large Muslim population of the southern Soviet Union will grow

He says that after basic necessities of food and clothing, gold is the most popular purchase by Chinese and other Asians and a similar trend is likely to emerge in the southern Soviet states

Also on a positive note, Mr Maxwell notes a reduction in forward sales of gold and gold loans particularly in America, both of which have hitherto depressed its price

Promotional efforts by the World Gold Council have resulted in increased sales in those areas of the East where it has been active. This year it has opened offices in Thailand and Taiwan It is looking at Indonesia, Malaysia and Singapore Vietnam will have to wait

The economic growth rates of almost every country in that region exceed 6% a year Japan is predicted to grow at 3,5% off a huge base

Mr Maxwell says that if the Soviet economy disintegrates, the dollar will climb and he expects gold to do the same

Russian gold production is suffering and recovery of metal is poor

Production by the top five gold nations is expected to level and decline in the next few years

JCI's team presented recent technical developments Most interesting was the enforced conversion of underground cooling from soon-to-be-outlawed CFCs to ammonia

Ammonia was used for 32 years until the introduction of CFCs in 1972 Why ammonia was dispensed with is a mystery — its performance beats CFCs hands down from both capital and operating aspects

The risk involved in its use is supposed to be higher than with CFCs, but not one ammonia-linked fatality was recorded in its 32 years of use in SA

Progress in labour relations was also highlighted Human resources chief Andre Geldenhuys spoke of the improvements achieved through participative management.

KENNEDY MAXWELL

He said that although the hostels of Randfontein Estates miners were in a hotspot, there had been no trouble on the mine for two years — a fact he attributed to the improved industrial relations environment.

Although miners came from a broad political spectrum, employees recognised that company policy was to be adhered to in working relationships

Progress at South Deep confirms the values forecast in the prospectus

Mr Maxwell said the venture would get the green light only when the market could provide the capital required to establish the mine

An outline of longer-term plans at Randfontein's Doornkop South Reef project was also given.

Randfontein shares added 50c to R14,50 on Wednesday even though Doornkop is only on the drawing boards

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rusts are a great way to long-term growth and post-retirement capital.

This will become even more important if certain pension funds do not pay the full benefits that are currently relied on.

Several trusts were launched in the past few months. The Board of Executors introduced a unit trust-linked investment that hedges equity exposure with risk-free holdings in gilt stocks.

Syfrets launched its second general unit trust, the Trustee Trust, to serve the beneficiaries of many of the trusts which form a large part of the company's original business.

Last week, Old Mutual launched a blue-chip-only fund excluding gold and property investments. It gives portfolio managers more scope with liquidity levels.

Dr Lambrechts hears that Sage is to establish an income fund.

● Gad Ariovich, economist from stockbroker Fergusson Bros Hall Stewart & Co, is to replace Chris Mostert as deputy registrar of unit trusts.

Dressin

SOME furniture retailers are br

Rand Mines pulls rabbit out of hat

Star 5/11/91

By Derek Tommey 214

Rand Mines, the problem-plagued mining house which had to write off R735 million in the year to September, has pulled the rabbit out of the hat.

It has reported a 12 percent increase in attributable profit from R223,1 million to R250,3 million for the period Earnings a share are up from 1 569c to 1 679c

The company warned earlier this year that it needed to conserve cash Nontheless, it has declared a final dividend of 200c, slightly more than forecast by chairman Dammy Watt at mid-year This makes a total payment of 300c (560c last year)

Mr Watt says remaining debt of R87 million will be eliminated early next year with the help of cash generated by the sale of chrome interests and further disposals from the investment portfolio

"This means shareholders can look forward to renewed dividend growth in the year ahead"

Mr Watt says Rand Mines has confronted by and generally dealt with its major problems It enters 1992 a leaner, sharper operation

It is now essentially a coal house, but with interests in the mining of other metals — notably gold — and with a strong presence in the property sector and with substantial mineral rights holdings

Mr Watt says the pool of skills in the group — including those on the four managed gold mines — represents a valuable asset which could assist in turning the mineral rights to account

The size of the problems which faced Rand Mines is highlighted by the need to write off R735 million against reserves This was net of the surplus of R79 million realised from the sale of certain assets

Notwithstanding these write-offs and the payment of the 300c dividend, Rand Mines had a retained surplus of R274 million at end-September Total interests of shareholders exceed R1 billion

Turnover rose five percent to R1,8 billion, mainly as a result of increased rand revenue from coal

Operating profit was unchanged at R410,1 million, which includes abnormal taxed income of R68,1 million (R57,2 million)

Investment income was R88,6 million, of which a large slice came from the investment portfolio

BUSINESS

East Dagga cuts interim

East Daggafontein has dramatically cut its interim dividend from 55c to 31c for the six months to end-September

Net pre-tax income was R9,1 million (R16 million), while net income plunged from R7,98 million to R4,69 million

214

East Dagga has a history of distributing, by way of dividends, all its taxed profits to shareholders

Star 6/11/91.

Chairman Peter Bieber says the decrease was a result of Dumpco, East Dagga's wholly owned subsidiary, having to contribute 50 percent of capital expenditure in terms of the contractual arrangements with Ergo.

Dumpco's share of this total expenditure, which was incurred on slime dumps acquired recently from GFSA, was R4,097 million — Sapa.

Tiger lifts earnings 13%

Star 6/11/91

By Ann Crotty

Weak performances from Tiger's core food operations were countered by strong showings from Langeberg, Beacon and pharmaceuticals, enabling Tiger to report a 13 percent improvement in earnings to 207c (184c) a share.

A final dividend of 46c a share has been declared for a total of 71c (63c) a share

In the 12 months to end-September group turnover rose 18 percent to R7,89 billion (R6,78 billion), representing a volume increase of around one percent

Operating profit rose 21 percent to R598 million (R495 million), reflecting an improvement in margins to 7,49 percent from 7,3 percent

Margins were helped by a change in the operating-income mix, with higher margin items, particularly pharmaceuticals, providing a relatively higher contribution to operating income.

A strong performance from exports also helped margins.

Interest payments were up 37 percent to R89 million (R65 million), in line with the group's heavy capex spend

This topped R300 million over the year Although group cash flow funded most of it, there was some recourse to bank borrowing

Despite this, there was a marginal reduction in gearing to 38,8 percent

Pre-tax profit was up 23 percent to R348 million (R284 million).

There was a more than doubling in earnings attributable to minorities — up from R29 million to R59 million

The sharpness of this increase helps to highlight the source of Tiger's profit improvement

The bulk of the minorities are accounted for by Adcock-Ingram, Langeberg and Beacon Sweets

Adcocks' figures are known and although this pharmaceutical group put in a very strong performance, Langeberg's improvement is thought to be a major factor in the extent of the hike in minority interests

In addition, Beacon, which performed well, was in for the full year

Attributable earnings were up 13 percent to R289 million (R255 million).

Reviewing the figures, chairman Robbie Williams says that in the light of tough trading conditions, he is pleased with the results

"The recession and the significant increase in unemployment contributed to reduced consumer spending and placed pressure upon food volumes and margins"

According to one analyst, the bottom-line figure compared to the operating-profit figure indicates that Tiger's basic foods contributed around 10 percent less than expected to operating profit

On the food front, the difficult areas were edible oils, broilers, eggs and bakery.

Fishing also had a tough year, with low anchovy quotas and reduced lobster catches

Dividend slides

B/Day 6/11/91

EAST Daggafontein Mines Ltd has declared an interim dividend of 31c a share for the six months ended September 30 — 48% down on the corresponding period last year (55c) (2/4)

The group's interim report shows net income before tax at R9,1m (R16m)

East Daggafontein chairman Peter Bieber said yesterday the lower revenue was a result of subsidiary Dumpco Ltd's having to contribute 50% of capex in terms of contractual arrangements with Ergo Capital expenditure had also been incurred on slimes dams acquired from Gold Fields — Sapa

E

Lydex earns R6,5m bonus

B/Day 7/11/91

(214)

MATTHEW CURTIN

SHAREHOLDERS in gold exploration company Lydenburg Exploration (Lydex) have won a R6,5m bonus as a result of the company's sale last week of the Cason sand dump to gold recovery operation Knights

Lydex sold the dump for R7,4m, the value of the 11,5-million shares Knights paid at 65c each in terms of the deal. Knights shares closed 1c up at 66c on the JSE yesterday

Shareholders will receive the 9,8-million Knights shares on the basis of eight ordinary shares in Knights for each 100 shares held in Lydex

Lydex chairman Peter Beiber said yesterday that the company had decided to distribute the shares despite poor conditions in the gold exploration sector

He said the decision had been taken in line with Lydex's policy whereby shareholders would participate in the benefits arising from the turning to account of projects in the company

The sale of the 16-millionton Cason dump is the latest developing in the fast-moving dump recycling business on the East and West Rand.

Mining entrepreneur Glenn Laing, who has made his name from recycling the dumps and slimes from old gold mines, is attempting to establish a 1-million ton a month recycling operation for which he needs 120-million tons of reserves

Talks between his company Revere Resources, and Knights, Waverley Gold and Simmer and Jack — which share a majority shareholder in nominees Solid Gold — over a deal are continuing

Laing said yesterday that while a feasibility study for the project was complete, complex negotiations were still under way to secure enough material for the scheme

Knights' acquisition of the Cason dump improved the operation's prospects. Knights was one of the first companies Laing took control of, but owners Consolidated Mining Corporation (CMC) — of which Laing was MD until he resigned this year — have sold their stake in the company

A consortium including Lydex is understood to have outbid both Anglo American's Ergo and CMC in acquiring dumps from Rand Mines' ERPM gold mine in 1990 Lydex subsequently sold the dumps to Ergo.

Keys forecasts lag in Gencor's recovery

Star 8/11/91

By Neil Behrmann

214

LONDON — It would take 12 to 18 months before Gencor's earnings rose to higher levels, chairman Derek Keys told brokers, bankers and heads of institutions at a presentation in London

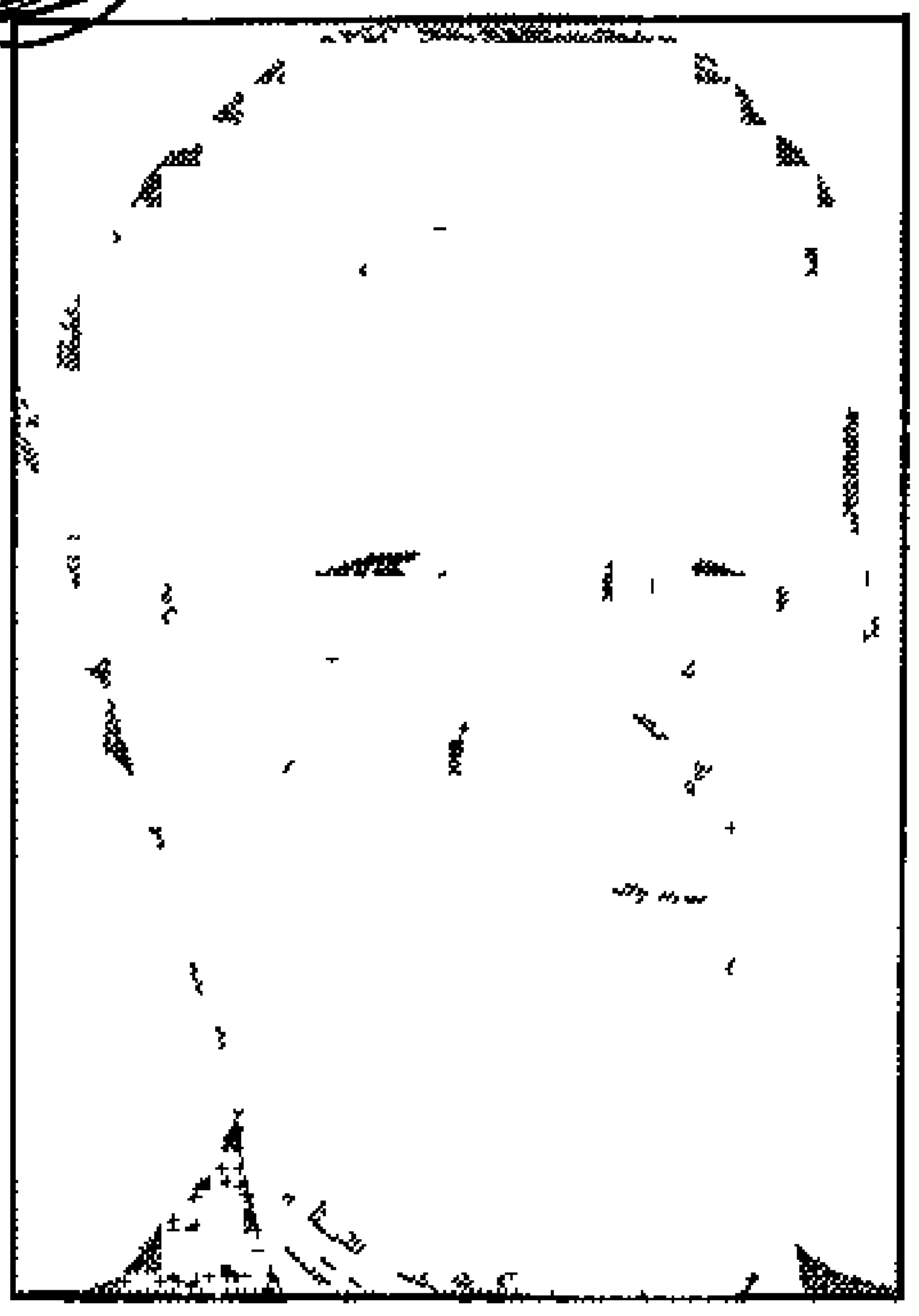
As with other mining groups, Gencor's bugbear is the depression in world commodity prices

Mr Keys said Gencor's earnings tended to follow the commodity cycle after a time lag The drop in profits reflected the downturn in metals, minerals and paper prices during the past two years

Gencor's profits would recover more swiftly only if there was a sharp upturn in commodity prices in coming months

In contrast to Gary Maude, Gengold's managing director, Mr Keys believes the gold mines should hedge production by selling forward

This statement led to a complaint from Julian Baring, who manages a James Capel gold fund



Derek Keys In favour of hedging

Mr Baring believes in the disproven thesis that producers' forward selling is to blame for gold's disappointing performance

Best policy

Mr Keys said mines, particularly marginal ones, were entitled to maximise profits by locking in favourable prices

This certainly would have been the best policy in the past two years

Earnings a share fell only five percent to 119,5c But excluding non-recurring items, the real decline was 20 percent to 100c

The dividend was raised eight percent to 43c because the underlying value of group businesses was increasing

Gencor was growing at such a fast rate that the percentage of international investments was declining

There were definitely no plans to merge with Lonrho, despite overtures from Lonrho chairman Tiny Rowland last year, Mr Keys said

Engen chief executive Rob Angel said the company was examining opportunities in Africa

The high level of attendance at the presenation illustrates the growing interest in South African corporations

CASHING IN ... Waiting in blistering heat for the R100 bonus that left some Vaal Reef workers in the dark. ■ Pic: GIDEON NHLAPO

R100 handout puzzles some

Cp news 19/11/91

By DERRICK LUTHAYI

HUNDREDS of miners braved the blistering heat for at least two hours outside pay points at the Vaal Reef mine this week to receive their R100 tax-free cash bonus Some did not know why they had earned it.

(214)

Fifty thousand workers at the mine this week shared a R5-million productivity bonus – dubbed the Vaal Reef Team Jackpot – which they would not have been paid if workers had observed last week's two-day strike

Vaal Reefs, the premier Anglo American gold operation, reached a R10-million profit target, based on accumulated cost savings and improved gold production, which boosted the one-year-old bonus scheme.

Although workers were happy to earn the extra money, they complained that they did not know exactly how it came about that they received this mid-month windfall of R100 each

Problems faced by management in putting the "team jackpot" into effect showed the communication gap which still bedevils the South African mining industry

General manager Nap Meyer said the team jackpot was designed to focus worker attention on key activities in the company

"A sluggish economy, lacklustre gold price, shortage of skills and rising inflation all add up to an uncertain economic environment for both Vaal Reefs and the country in general.

"Relatively speaking, the gold mining industry's profitability record is a poor one. Previous increases in wages and salaries, coupled with inadequate motivation and resultant poor productivity, have contributed to the rising costs being experienced by the industry

"As a result of a concerted effort since October last year to reduce costs below budget and increase gold production above the target – the objectives of the jackpot – the company was able to reward each of its employees with an after-tax bonus," said Meyer.

The cost-saving drive contributed 68 percent towards the jackpot bonus and the increase in gold production produced the remainder of 32 percent

The most significant cost savings achieved were electricity consumption – R13-million consumable goods – R11-million, and support services – R5-million.

214

Union, mine management both cry foul

Star 12/11/91

By Helen Grange
Pretoria Bureau

Welkom's President Steyn Freegold mine embodies a bitter irony While being the world's biggest gold producer, it has become a cauldron of violence

Political, tribal, worker/management and racial conflict has, over the years, resulted in a spiral of brutal killings and increasingly endangered working conditions at the mine

And as clashes erupted to claim another 70 lives in the week beginning last Sunday, so animosity between the main players involved — Anglo American Corporation and the National Union of Mineworkers — has deepened

Although tribalism has not been mentioned either by the NUM or Anglo, workers interviewed by The Star last week indicated that current differences among miners ran along tribal lines

Basotho migrants could not understand why the predominantly Xhosa-speaking miners supporting the anti-VAT strike insisted they should not work

The NUM has, however, laid the blame squarely in the court of "management puppets" whom they say precipitated an attack on strike supporters A management-biased mine security contingent then stepped in and added to the death toll

Whatever the catalyst for the current rash of violence at President Steyn, it is clear that tensions are manifold

Only in August, a shaft had to be closed because of violent clashes between black and white miners

Right-wing-oriented white miners were frequently accusing black miners of intimidating whites and of provoking conflict through political sloganeering Conflict also grew over what the NUM said were discriminatory hoisting practices

Although rules have been tightened to prevent racial discrimination, President Steyn is still far from enjoying racial harmony

The economic upshot of the frequent disruptions at the mine is an enormous loss of production and, ultimately, as was witnessed yesterday, a drop in Freegold's share price (At midday, the shares fell R1 to R24)

With the Standing Commission on Public Violence and Intimidation taking control of investigations into the conflict, there is hope that the causes of the clashes will be pinpointed and addressed

MINORCO (214) FM (~~210~~) 15/11/91

Changing state

Activities: *European-based natural resources group*
Control: *Anglo American 39%, De Beers Centenary 21%*
Chairman: *J Ogilvie Thompson, Joint MDs A W B Lea, J R B Phillimore*
Capital structure: *169,3m ords Market capitalisation R7,5bn*
Share market: *Price R44,30 Yields 3,2% on dividend, 7,2% on earnings, p e ratio, 13,9, cover, 2,2 12-month high, R59, low, R38,50 Trading volume last quarter, 1,85m shares*

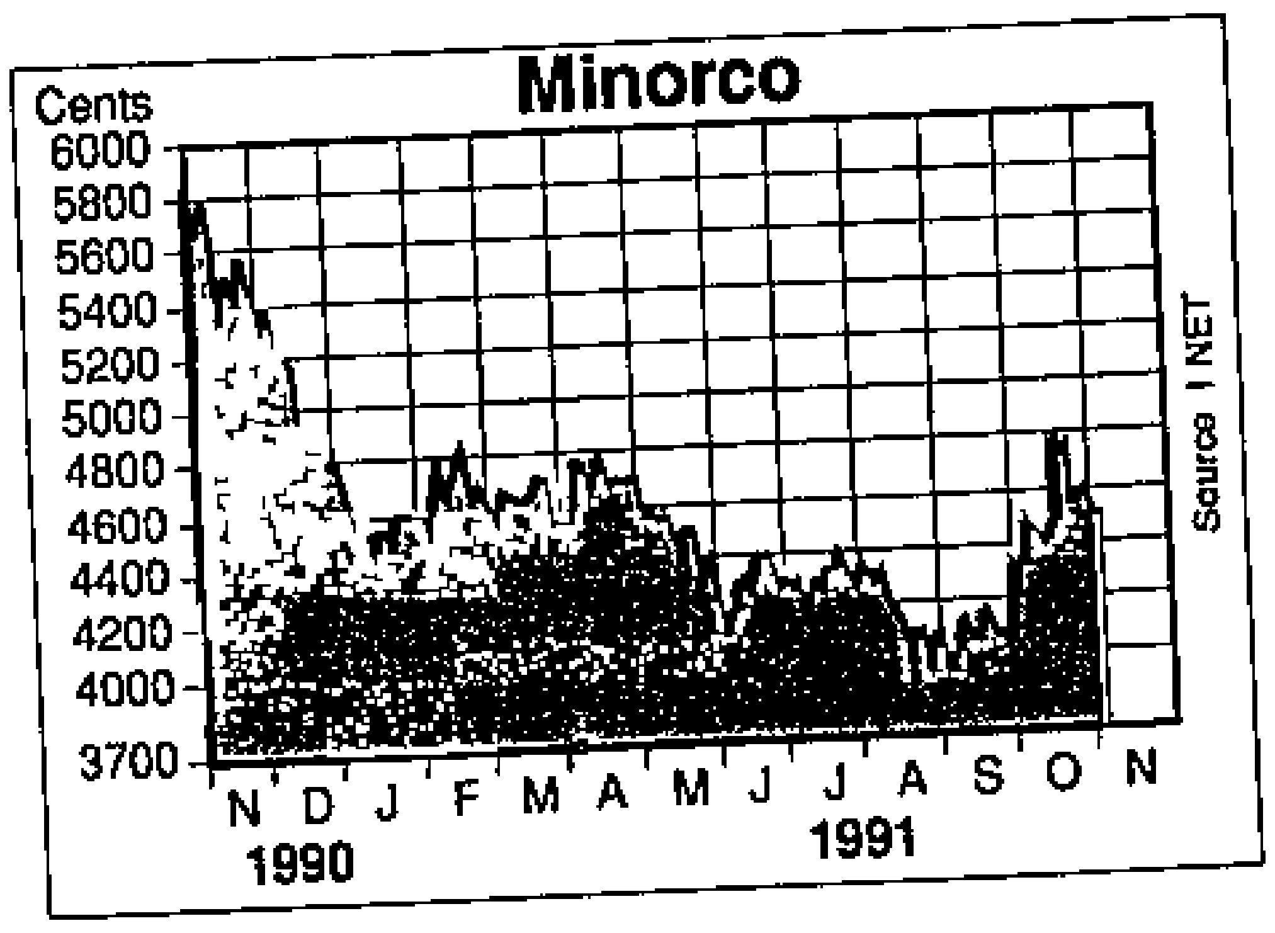
Year to June 30	'88	'89	'90	'91
LT debt (US$m)	—	—	—	287
Turnover (US$m)	—	—	28,9	771,0
Pre-tax profit (US$m)	348	369	260	244
Net profit (US$m)	262	280	229	194
Earnings (USc)	154	164	135	114
Dividends (USc)	30	42	48	51
Net worth (USc)	1 308	2 063	1 806	1 687

The days when Minorco was the JSE's top rand hedge stock are long past Discontinuity of management and apparent changes of philosophy combined to create the image of a floundering whale and a number of its acquisitions turned out ill-timed and overpriced

In retrospect, the subsequent performance of the bullion price may leave the company relieved that its bitter bid for Consolidated Gold Fields was lost to Hanson — though, also in retrospect, Gold Fields' now unemployed and retired executives may regret that the egos of their ex-boss Rudolph Agnew and Minorco's temporary steward Michael Edwardes clashed so irreconcilably

Cont —>

FM 15/11/91 (214) (210)



Chairman Julian Ogilvie Thompson now identifies three main areas on which the company intends to focus· gold and base metals in North America and aggregates in Europe The aggregates are likely to bring it into head-on competition with the old Gold Fields ARC subsidiary

In the past two years, about US$1bn has been invested in these areas, including Canada's Hudson Bay Mining & Smelting (bought from fellow-subsidiary Inspiration since year-end) DM178m was spent on East Germany's Elbekies, which is meant to form the basis of a broader European business

Minorco also bought 80,6% of Beralt Tin & Wolfram from Charter for $30m, and strategic minority stakes in Austrian paper producer Neusiedler and Irish base metals prospector Ivernia West The directors say passive investments will, however, represent only a small part of total assets

Investments in Engelhard (30%) and Charter (36%) continued to do well Ogilvie Thompson says they're a "steady and high quality" source of earnings, important in the context of the long-term strategy to buy and develop natural resource assets which might take time to generate earnings and cash flow It is, however, intended to sell the other major investment, 47% of oil and gas producer Adobe Resources

As Ogilvie Thompson says, the financial statements reflect the process of transition from an essentially cash and investment holding company to one where operating subsidiaries will loom ever larger

One consequence is the apparent decline in NAV, as cash is converted into mining assets which the *FM* classifies as intangible At year-end, net cash of $1,9bn still awaited investment, though some of this will presumably since have gone to pay for Hudson Bay


Minorco's Ogilvie Thompson *process of transition*

World economic conditions, weakening metal prices and falling interest rates induce caution in prognostications for this year Ogilvie Thompson hints that unless these trends are reversed, earnings could fall

Still, in recent years, what the company calls a "progressive" dividend policy was followed, even when earnings fell Given this and the enormously strong liquidity, it may not be too optimistic to hope for at least another US3c in dividends this year, at least compensating for (international) inflation

Whether this makes the share attractive is another question The weakness of the share price to SA investors over the past year largely reflects the steadiness of the rand against a US$ that eased against other currencies in the short to medium term, currency movements might again be a more important determinant than trading fortunes of the rand share price Should the rand weaken against the dollar, the Minorco share price would respond at once *Michael Coulson*

2.14

Cautious Minorco still on acquisition drive

BDay 15/11/91

MATTHEW CURTIN

MINORCO, Anglo American's European-based natural resources group, will reap the rewards of its current restructuring programme and acquisition drive only in two to three years

Despite that and a tough year ahead forecast for the group, Minorco is no less committed to its acquisition programme aimed at buying high quality, low cost natural resource assets, says Chairman Julian Ogilvie Thompson

He said yesterday that US interest rates and metal prices had fallen since the publication of his annual review last month

Then he predicted that unless prevailing world economic conditions including declining interest rates and poor gold and base metal prices changed for the better, the group's results would be adversely affected

Minorco's earnings a share fell from $1,35 to $1,14 before extraordinary items in the 1991 financial year

Addressing shareholders at Minorco's AGM in Luxembourg yesterday, Ogilvie Thompson said the group's results without doubt would be hit by these current economic trends, underlining the caution with which Minorco had to proceed in the 1992 financial year.

He said "The very nature of mining is a long-term affair; the establishment of a world class business does not happen over night and therefore it is difficult to rate Minorco's success in the short term"

The group's ability to manage its operations competently and profitably would be demonstrated only when measures currently being put into effect to cut costs and improve production started showing results "two or three years down the road"

However, Minorco was still bent on expanding its natural resource asset-base "despite market sentiment that the group's acquisition programme is not progressing as quickly or dramatically as the market would like"

Ogilvie Thompson said the group's US gold mining subsidiary Independence Mining had processed exploration results which showed significant increases in proven and probable reserves

The challenge was now to transform these discoveries "into ounces of produced gold".

He said changes in Eastern Europe made the area a prime site for commercial and industrial development opportunities, but foreign investment would have to be sustained by political and economic stability.

Germany's reunification provided those essential ingredients and influenced Minorco's purchase of Elbekies, one of Europe's largest sand and gravel operations.

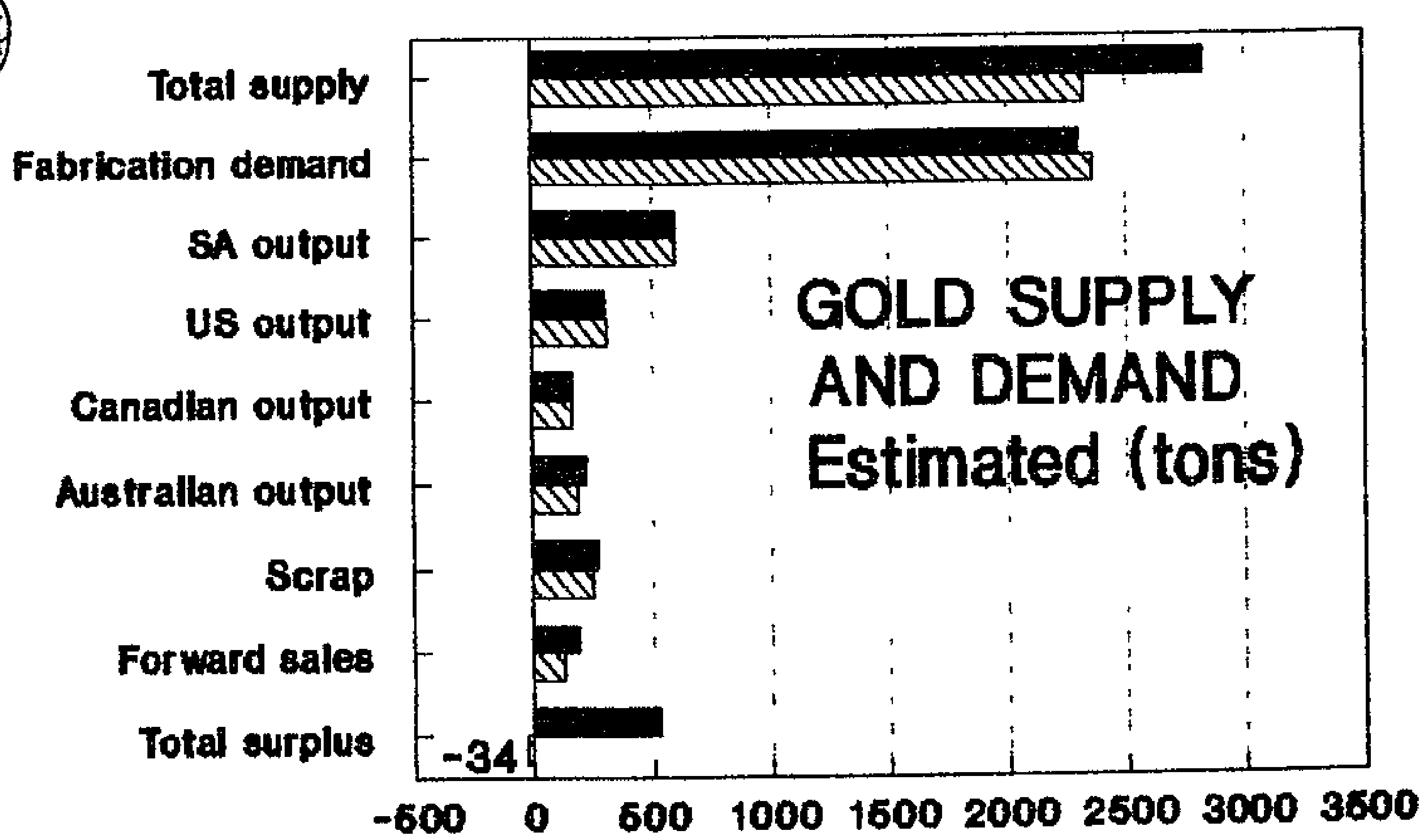
The rebuilding of eastern Germany and the re-establishment of Berlin as the country's capital boded well for Elbekies' future

Analyst sees gold demand exceeding supply next year

Star 15|11|91

By Neil Behrmann

(214)



LONDON — The gold market should be underpinned by tighter conditions in the coming year, says Jeffrey Nichols, managing director of American Precious Metals Advisors

"Gold is approaching a crucial turning point," says Mr Nichols "Fabrication demand will possibly exceed supplies next year — for the first time ever"

Large-scale Soviet exports will almost certainly end in 1992, while Western mine production, scrap sales and forward selling will be lower

In the meantime, jewellery consumption is steadily increasing, despite recession

Mr Nichols, an experienced gold analyst who was originally trained by J Aron, US precious metals dealers, estimates that fabrication demand will rise to 2 364 tons in 1992 from 2 299 tons this year

Soviet sales

Total supplies, however, will shrink to 2 330 tons in 1992, against 2 824 tons in 1991

Excluding central bank transactions, coin and bullion investment, the surplus of supply and demand totalled 526 tons in 1991

Next year, it will rapidly shift into a deficit of 34 tons

Large-scale Soviet selling can be blamed for gold's lethargic performance in the past three years, says Mr Nichols

He estimates that Soviet sales jumped to 501 tons this year, against 401 tons in 1990, 320 tons in 1989 and only 230 tons in 1988

The estimates of recent years are well above those of Gold Fields Mineral Services

But the key point of the analysis, says Mr Nichols, is that Soviet gold sales have been significantly higher in the past few years than anyone had previously imagined

"This helps explain why the price of gold has been under almost constant pressure in recent years, despite the continuing tightening in other sectors of the market"

Since exports are well in excess of production, Soviet gold reserves will soon be completely spent, contends Mr Nichols Thus within a few months, Soviet gold sales are likely to drop sharply

Exploitation

Meanwhile, Western output is likely to fall marginally to 1 745 tons next year

As a result of aggressive exploitation of higher grade ores, South African output will remain around 600 tons this year and the next

US production, mainly as a result of expansion at American Barrick, will climb to 314 tons in 1992 from 299 tons in 1991 Canadian production will remain around 165 tons, but Australia's output is forecast to fall to 187 tons in 1992 from 224 in 1991

Gold scrap from dishoarded jewellery, coins and electronics equipment will fall to 249 tons in 1992 from 264 tons in 1991

Although South African companies have stepped up hedging during the past year — to as much as 10 percent of production — net forward sales and gold loans are expected to decline to 124 tons next year from 187 tons in 1991

Low bullion prices are a powerful disincentive for hedging

Newmont, for example, has recently announced that it is no longer selling forward It previously hedged its gold output at much higher prices

Repayments

Meanwhile, gold loan repayments are rising as production comes on stream

Despite weaker business conditions in several important consuming countries, demand for gold from jewellery manufacturers is still likely to rise this year

This strength in worldwide gold jewellery demand is a reflection of continued buoyant economic growth in many of the developing and newly industrialised nations

Manufacturers in Italy, by far the leading centre for gold jewellery fabrication, have enjoyed a particularly good year

Compared with the same period the previous year, first nine months gold demand from Italian manufacturers rose 7 percent

Jewellery usage in the US and UK is down about 5 percent to 10 percent this year But there has been good demand in the Middle East and several Asian markets

Mr Nichols expects a further 3 percent growth in worldwide gold jewellery demand to 2 115 tons in 1992 from 2 052 tons in 1991 and 1 984 tons in 1989

All in all, the gold market appears to be far more promising in the coming 12 months, provided Mr Nichols' projections turn out to be correct

Modest gold price rise is expected

214

B|Day 21|10|91

MATTHEW CURTIN

THE prospects that the Russian foreign trade bank will default on gold swaps and that Western central banks will dispose of their gold holdings threaten to undermine the upward mobility of the gold price, says Deutsche Bank director Fritz Plass

People had underestimated Soviet and Russian gold holdings, he said

However, through forward gold sales, gold producers had shored up gold prices which would make modest gains in the coming year if all went well

Interviewed in Johannesburg yesterday, Plass said that although the Soviet Union had said it had gold reserves of 240 tons, total reserves held by the Kremlin and the individual republics were closer to 750 tons Large amounts were held by Russia, Kazakhstan and Usbekistan

The Bank for Foreign Economic Affairs (Vneshekonombank) had deposited gold with Western commercial banks in the form of gold swaps

Amid the confusion which had paralysed Soviet marketing operations, these gold holdings put no immediate pressure on the market

However, there was a risk that if Vneshekonombank went bankrupt commercial banks would be forced to liquidate the gold swaps Some banks had panicked in the wake of the Soviet coup and offloaded gold deposited as swaps Only by other banks buying the metal was a price crash avoided

Plass said the practice of hedging gold production was misunderstood

Forward sales, in which producers secured higher gold prices for future production, stabilised prices

Hedging had put a floor to the gold price because producers were delivering metal which had already been sold, as opposed to coming to the market in search of fresh buyers If current production had not already been sold, it might have knocked prices below current floor levels of about $350 to $360 to as low as $320

Reports that US producers were reducing hedging were misleading, as the tendency was to cut gold sold forward and increase options contracts when the price trend was up, and vice-versa when it was down

Gold producers had to sell gold forward voluntarily to maximise profits or involuntarily to enable their marginal operations to survive

As Western economies pulled out of recession, boosting demand for world jewellery, and world supply fell, the gold price would recover from 1991 levels of about $364 on average to 1990 levels of $383, he said.

● See Page 9

Freegold's new shaft goes into production

B l Day
27/11/91

MATTHEW CURTIN

(214)

PRODUCTION started this week from the shaft designed to maintain gold output at the world's biggest gold producer, Anglo American's Freegold. The No 1 shaft project will be officially opened by Anglo's gold and uranium division chairman Clem Sunter on Friday

The shaft at the Freddies mine — which with President Steyn, Free State Geduld, President Brand and Western Holdings were consolidated in 1985 to make up Freegold — is scheduled to reach full production in 1998.

An Anglo spokesman said yesterday the shaft would produce 180 000 tons of ore a month or 10 tons of gold a year It had the capacity to increase production to 280 000 tons a month

In 1990/91 Freegold milled 26-million tons of ore and produced 113 tons of gold, nearly 20% of SA's annual production

The opening of the project follows cutbacks at Freegold's North and South divisions in the past year involving the loss of many hundreds of jobs.

The spokesman said the new shaft would employ 5 500 people at full production, but its current workforce was 1 750

The shaft, near Odendaalsrus in the north-eastern part of Freegold's North division, had 28 years' worth of low-grade gold reserves of 34,5-million tons at an average depth of 1 750m

Gold productivity has plunged 40%

214

B|Day 27/11/91

MATTHEW CURTIN

PRODUCTIVITY in the gold mining industry, measured in terms of the amount of gold produced for every mineworker, has plummeted 40% between 1975 and 1990, says the Chamber of Mines' labour economist Francois Viruly.

However, it is the deteriorating quality of SA's gold reserves rather than the inefficiency of the mines' workforce which is to blame for the slide in productivity

Viruly said yesterday the key factor was the fall in the gold content of ore mined or available for mining

Grades on SA's gold mines had fallen from an average of 9,42 grammes a ton in 1975 to 5,05 g/t in 1990.

In contrast, productivity measured by the amount of ore milled for each employee had improved marginally in the period

Viruly said a drawback in using this calculation was that the output in the equation, the tons milled, was not the product for which the industry earned its revenue.

It was possible to have good productivity based on the high average tonnage of ore milled per employee, but unsatisfactory productivity in terms of gold production itself.

He said although mineworkers had no control over the amount of gold there was in the ore they mined — nor the rand gold price — the figures highlighted the important balance the industry had to keep between employment levels and gold output in order to stay in business

The productivity schemes introduced after this year's annual wage talks were an important first step in addressing the issue, particularly as labour costs made up 45% of total working costs on gold mines

Viruly said often productivity was not included in the evaluation of labour costs in the industry, usually measured simply in increasing wages

If productivity outpaced wage increases, labour costs would clearly fall However, the chamber's analysis showed that since 1975 the rise in unit labour costs had tended to be greater than annual percentage wage increases

Viruly said the fall in productivity had accentuated the wage increases, making labour increasingly expensive on the gold mines

This underlined the need in the future for productivity incentives, wage restraint and the more efficient use of human and material resources on the gold mines

(214)

Gold mining productivity plummets 40%

eT 28/11/91

Own Correspondent

JOHANNESBURG — Productivity in the gold mining industry, measured in terms of the amount of gold produced for every mineworker, has plummeted 40% between 1975 and 1990, says the Chamber of Mines' labour economist Francois Viruly

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Gold gets its own promotional symbol

STAR - 28/11/91

(214)

A new strategy by world gold producers to boost the metal's share of the jewellery market includes adoption of a Goldmark symbol for promotions and advertisng

LONDON — Gold producers are launching an international promotional symbol, similar in concept to the Woolmark, to help boost the precious metal's share of the jewellery market.

The World Gold Council, the producers' organisation, has registered the new Goldmark in 60 countries and the symbol is being introduced in North America and Europe during the important Christmas sales period

The Goldmark will then be launched in Japan and south-east Asia in the first quarter of 1992

The WGC has linked with a broad range of jewellery retailing groups to promote the symbol — it will be used at about 3 700 shops in North America alone — and will spend about $2 million on print advertising in national US magazines

The council will share the cost of television advertising with jewellery retailers in key target areas in the US and Europe

Elliot Hood, chief executive of the Geneva-based council, sees the goldmark as "a really significant strategic move towards more effective gold jewellery promotion

"It has the potential to provide huge added value to gold jewellery promotional activities once it is established and recognised as the mark for gold worldwide"

The WGC is backed by nearly 100 gold-producing companies from 14 countries — including Russia — which pay a levy of $2,50 for every ounce of gold they produce

At present the council puts most of its efforts behind gold jewellery promotion because for many in the industry healthy jewellery demand is a matter of commercial life and death

Last year jewellery absorbed a record 1 986 tons of gold, according to the Gold Fields Minerals Services consultancy group, or more than all 1 734 tons newly mined in the western world

The new Goldmark was designed for the WGC by Landor Associates of New York As seen here, it features a variation of the infinity symbol and incorporates the word gold on an oval background

The council explored the possibility of using it to guarantee the gold content of jewellery but drew back from this idea because of the cost of policing the system and providing management for it

Instead, the new symbol will be used as a communications mark in advertising, promotion and retail point-of-sale

Launch of the Goldmark coincides with a change in the WGC's strategy in the light of low gold prices and the virtual disappearance of investor demand for gold bullion bars and coins in North America and Europe

Total funds for promotional work spent under the WGC's aegis have increased from $66,4 million in 1988, when the council was set up to take over from Intergold — which was backed exclusively by South African gold producers — to $8,7 million last year

During that time the proportion contributed by the gold trade in partnership with the producers rose from 27 to 30 percent

But this year's budget is about $75 million and even the key jewellery promotion budget has been cut by 16 percent from the 1990 level

Previously the council's operating strategies were broadly focused on the US, Japan, France, Germany, Italy and the UK as the six most important national jewellery markets

Now it has switched its attention from broad national markets to concentrate on specific metropolitan areas, a number of which do not fall within any of the six former target markets

The 27 markets have been evaluated in terms of their strategic importance in gold promotion as determined by the WGC

Greater Tokyo heads the list with a rating of 100 New York comes next with 55, while London rates only 10 and most other European cities only five

Brian Parker, planning manager, jewellery, says the 27 "clusters" contain 62,5 million target consumers, or 37 percent of the total

However, his chief executive, Elliot Hood, says "The new plan has two central thoughts — that resources should be very precisely applied to those places and target audiences that offered the best returns and that results should have a much shorter-term orientation" — Financial Times

STAR 28/11/91

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5 500 jobs at gold mine's new shaft

Staff Reporter

Anglo American's gold division is to open a R1,1 billion mine shaft near Odendaalsrus tomorrow, creating jobs for about 5 500 people

The corporation announced that Freddies No 1 Shaft Project was scheduled to be producing 180 000 tons of ore a month by 1998, and this could be extended to 280 000.

The shaft, which had an estimated life-span of 28 years, would contribute about 10 tons of gold to Freegold's annual production

Anglo said a cornerstone of the planned high-productivity levels at No 1 Shaft was employee involvement.

Rationalisation

This would be encouraged by the use of "gold rooms" at stope entrances for employee discussion of issues such as safety, production, daily targets and tasks, absenteeism and general problems.

Freddies currently employs 1 750 people, 400 of whom have been redeployed from Freegold's other shafts as part of the company's rationalisation process

The new shaft will exploit the north-eastern portion of Anglo's lease area. The ground contains about 34,5 million tons of low-grade ore, some of it lying almost 2 km below the surface

Semi-mechanised mining had been identified as the most economical means of extracting the ore at Freddies, Anglo said, and a multishift stoping operation would "improve asset utilisation"

South Murch becomes Revere Resources

By Derek Tommey

214

Shareholders in South Murchison Consolidated Mines have agreed to change the name of the company to Revere Resources

STAR 2/12/91

Its JSE listing has been moved from the "Mining and Exploration" sector to "Mining Financial"

Glen Laing, who holds 68 percent of the company's shares, says this will make it a significantly stronger vehicle for acquiring, widening and developing its portfolio of mining assets

Shareholders have also approved the acquisition of a major stake in Rand Leases, where underground mining has been resumed

Modder B shareholders have approved a proposed scheme of arrangement between Revere and Modder B creditors, which brings Modder B a step closer to being acquired by Revere as a cash shell

Once this is done Revere will inject mining assets into the company

Sound political climate is good for the future of gold

(214) **By IKE MOTSAPI**

A SOUND political and economic environment is important for the future of the gold mining industry, Mr Clem Sunter, of the Anglo American Corporation said at the weekend Sowetan 3/12/91

Sunter, who was speaking in Welkom during the official opening of Freddies No 1 shaft, said this will not necessarily push up the price of gold

He said, "Why do I maintain my optimism? Because the alternative of descending down the 'low road' to a wasteland is awful, and there are too many people of good sense and good will in the forefront of the country 's transitional process who know this and are intent on ensuring that this alternative does not happen"

Sunter said he wanted to stress that a cornerstone of the planned high productivity levels in employee involvement and the motivation of all team members to work towards the common goal of a profitable mining operation

Loraine safe for another year

Finance Staff (214)

The threatened closure of the Anglovaal's Loraine gold mine receded yesterday with the announcement that it expected to continue operations for at least another year.

Mining operations would continue, provided suitable hedging opportunities occurred to secure satisfactory prices for at least 50 percent of its planned gold production over the period, said Anglovaal

In addition, the mine would start a low-grade gold recovery operation which would treat surface dump material.

In September, the group decided to conduct mining operations on a more selective basis and to reduce underground milling rates to 90 000 tons monthly in an attempt to eliminate monthly losses by the end of November

STAR 3/12/91

Positive

"This rationalisation programme has been successful because, based on the mine's October and November positive earnings, the company believes it can continue without being exposed to any significant risk of substantial monthly losses, given the hedging proviso mentioned above," Anglovaal said.

"Underground mining operations will continue on a selective basis to maintain a milling rate of about 90 000 tons monthly for at least the balance of the mine's current financial year to end-September 1992"

In addition, a recently completed viability study to examine the recovery of gold from surface dump material had produced positive results

"The low cost of handling and treating this material should more than compensate for the expected low recovery grade of about 0,75 g/t."

Loraine plans to treat about 45 000 tons of dump material from the end of January.

Minorco bolsters position in Europe

Finance Staff STAR 3/12/91

Minorco has bought a second East German company to strengthen its position in the European aggregates industry

Minorco said yesterday it had bought hardstone producer Lausitzer Grauwacke, near Dresden, for Dm27 million in cash, plus assumption of Dm5 million debt.

Lausitzer Grauwacke was acquired from Treuhand, the company selling former state-controlled enterprises in East Germany.

214

The acquisition follows the purchase of sand and gravel producer Elbekies in June.

To modernise the plant, Minorco will invest about Dm15 million over three years

Lausitzer Grauwacke is set to reap major benefits from the road maintenance and construction programme as well as the development of Berlin as the new German capital

"The combination of the two German companies will give us a leading position in the German aggregates industry and a sound base for further European expansion," Minorco said

Oryx development on target for 1994

MATTHEW CURTIN

(214)

ORYX, the developing gold mine in the Gencor fold, is on course to reach target production levels of 100 000 tons of ore a month in 1994 despite difficult underground conditions at the mine, says chairman Gary Maude

In his annual review, Maude said initial production would start four months behind schedule because of revisions to shaft-sinking plans

To blame were difficult ground conditions, major water intersections and the need for better information on the Kalkoenkrans reef

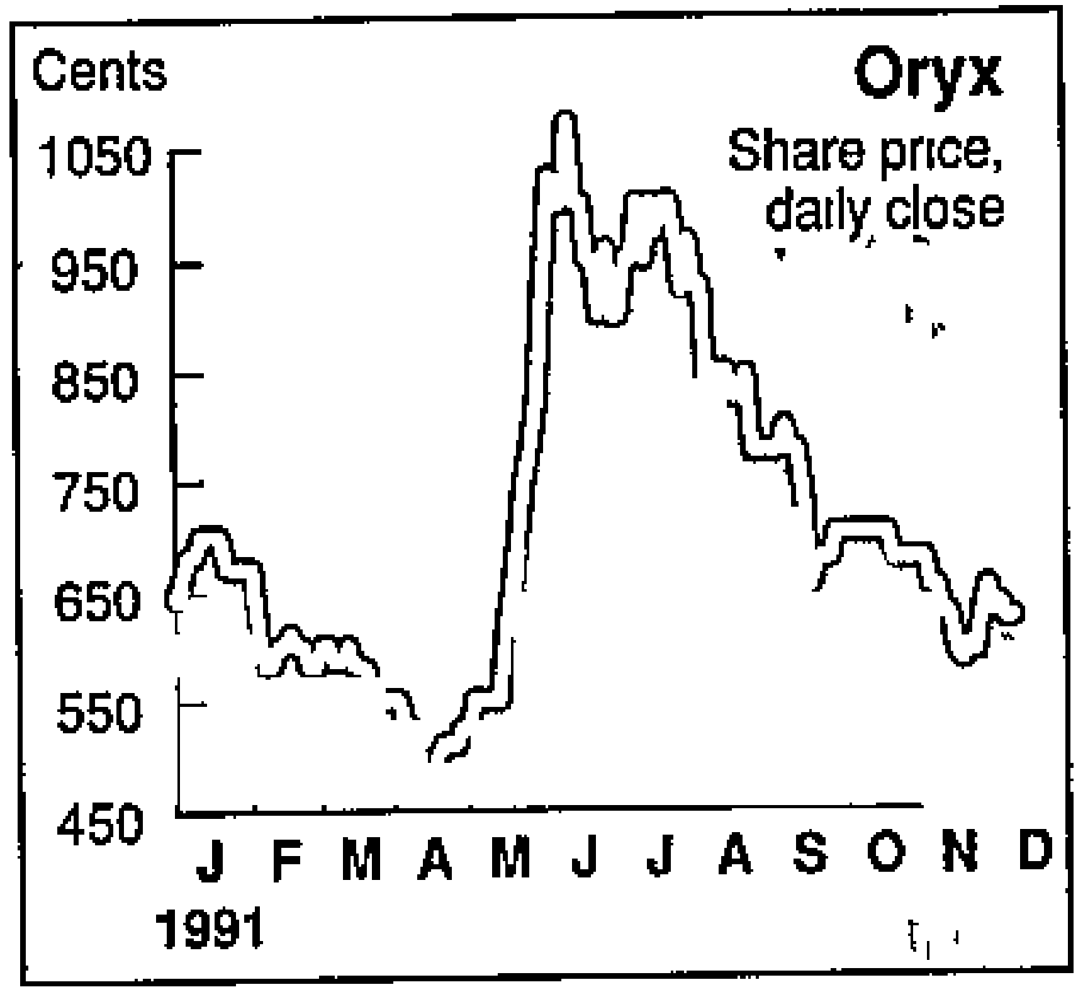
B/Day 5/12/91

He said this delay would not affect plans to reach target output, and the revised plans meant that production capacity for the first phase of the mine's development had been raised to 120 000 tons a month

Changes would add R120m to the escalated capital cost of the mine, which had reached an estimated R980m for the completion of the first phase in 1994

Maude noted that because of the low gold price the costs of developing Oryx could not be set off against the tax base of St Helena Gold Mines to the extent it had been anticipated

Oryx's major shareholders — Gencor, Genbel, Anglo American and Sanlam, which own 97% of the mine's shares — agreed in May to finance the first phase development programme because market conditions were too poor to justify a rights issue.



Graphic FIONA KRISCH Source I NET

Maude said shareholder loans would be redeemed when market conditions improved sufficiently to justify raising money on the stockmarket

Oryx's development programme was otherwise proceeding satisfactorily, with good progress in the construction of the mine's refrigeration plant and metallurgical plant

Maude said the mine had chosen not to be subject to the Chamber of Mines labour agreements with unions and associations, and had pursued its own "people-management system"

The recognition of unions would be part of the introduction of the system which "differs substantially from the traditional approach" in the mining industry

Maude said Oryx's approach "should improve both communication and productivity, and will open up better career prospects for a wide range of employees".

Reviewing the performance of Beatrix, Oryx's sister mine also south of Welkom, Maude said the mine had successfully weathered the tough conditions in the mining industry in 1990/1991

Beatrix needed a new shaft to open up reserves as its No 1 and No 2 shafts reserves dwindled

The ore reserves at these shafts were being re-evaluated, and the capital for sinking the No 3 shaft would be committed only when the financial viability of the project had been assessed

7

2 000 miners attempt demo at Gold Fields

MATTHEW CURTIN
and VERA VON LIERES

MORE than 2 000 mineworkers attempted to stage a demonstration outside Gold Fields of SA's head office in Johannesburg yesterday, to protest against the dismissal of 5 800 workers from the group's Doornfontein gold mine

Several hundred police, many in riot gear, cordoned off Fox Street and would not allow the workers to leave the 24 buses and coaches in which they arrived from Carletonville

The workers stayed inside the vehicles for more than three hours while a delegation of senior NUM and Cosatu representatives had talks with Gold Fields management in the foyer of the group's building

Cosatu called in national peace commission chairman John Hall to help defuse a potentially explosive situation

714

The convoy left late yesterday afternoon after the NUM agreed to hold negotiations with mine management at Doornfontein this morning

NUM spokesman Gwede Mantashe said workers embarked on the strike on Monday to protest against the dismissal of more than 50 miners after the anti-VAT stayaway early last month The NUM demanded their reinstatement

A Gold Fields spokesman said the strike was illegal and workers had been fired when they had rejected an ultimatum to return to work by 11am yesterday All underground production at Doornfontein had stopped yesterday

Gold Fields gold division director Mike Tagg said head office management was willing to hear the NUM's grievances if negotiations took place at mine level

The NUM proposed the ultimatum to return to work be extended until today

The union criticised the police's decision not to allow the workers' demonstration to go ahead Witwatersrand police liaison officer Capt Eugene Opperman said the

☐ To Page 2

Miners

B10W
5/12/'11

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☐ From Page 1

union had not obtained permission for a demonstration, and the police could not allow disruption to city centre traffic

Hall said according to the peace accord, signed by Cosatu, people had to obey the law if they wanted to demonstrate

The Gold Fields spokesman said the strike was NUM's fourth illegal action

NUM branch committee members from Doornfontein, Smith Lekobane and Thiba Thiba, said yesterday that mine management's decision to dismiss workers in November and to place the remaining workforce on a final warning was unacceptable Management had not judged each case on its merits

Industrial action and underground fires have plagued Doornfontein's results in the past year The marginal mine turned an after-tax and capex loss of R232 000 in the June quarter into a profit of R3,2m in the September quarter, compensating for losses in underground production by milling more surface material

● Picture Page 3

COMPANIES

Growing demand for car parts predicted

SEAN VAN ZYL

THE growth potential of the SA car parts market is unequalled compared with other Western countries, Autoquip chairman George Santana said in his 1991 annual review

Santana expected SA's changing political and socio-economic environment to double black vehicle ownership within the next eight years

Most purchases were expected in the second-hand vehicle market which would create new demand for replacement parts

Autoquip is a holding company for two main subsidiaries in the motor component and accessory markets

Santana said the replacement parts market had suffered an 18-month "drought" period The car accessory market suffered similar conditions because of the decline in personal disposable income

However, Santana felt these markets were on the verge of a new growth phase Coupled with increased black vehicle ownership, he noted the average age of the SA car pool had increased to about 10 years from 7,5 years in 1985 which would create additional demand for replacement parts

He said record new vehicle sales in 1985 would stimulate demand for spare parts as vehicles reached six-year maturity

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Rand Mines in joint scheme to explore mineral rights

B/Day 5/12/91

(214)

MATTHEW CURTIN

RAND Mines Properties (RM Props) is set to join Rand Mines in a new long-term exploration drive to evaluate the mineral rights the companies hold south of Rand Mines current east Rand and west Rand gold mines, says RM Props chairman Dammy Watt

In his annual review, Watt said Rand Mines would review its exploration strategy on mineral rights holdings when the results of two boreholes completed in the current programme had been studied

Further exploration would be required before an economic evaluation could be undertaken, and Rand Mines had not budgeted for the exploration work in the current financial year

Watt said RM Props was not directly involved in this exploration, but in turning the group's mineral rights to account, the company, Rand Mines and other parties would have to combine their property interests and mining title

He said the results from RM Props' gold operations — the group manages gold recovery operations at Crown Mines and City Deep and a small mine at Pilgrim's Rest — would depend on the rand gold price received and the containment of costs

Watt predicted the company's earnings and dividend payments would be lower next year despite better prospects from its property division In 1991 RM Props beat gloomy forecasts of a large drop in profits at the interim stage to post after-tax profits of R19m Although the year's dividend was cut from 140c to 120c, RM Props paid out a special 100c dividend because of an unexpectedly high cash balance

RM Props had won an agreement to lease a warehouse on land owned in an Aeroton township which would boost the company's rental income in 1992

But he said revenue from township land sales and interest received were likely to fall and lower profits for the property operations were expected.

Anglo chief has hopes for economic forum

Unrest holds up funding for Gold Fields in Zaire

(368) MATTHEW CURTIN (214)

GOLD FIELDS of SA will have to wait until the political chaos has subsided in Zaire before the International Finance Corporation (IFC) approves the funding on which the group's multimillion-rand gold mining joint venture depends

Gold Fields executive director Bernard van Rooyen said yesterday the IFC — the World Bank's private sector development arm — was delaying its decision until it was clear the interim regime in Zaire had won popular local and international support.

Van Rooyen said two months ago that IFC approval for the project, to develop an existing gold mine in northeastern Zaire with local and Belgian partners, was likely to be given at the end of November.

The IFC is expected to take a 10% stake in the project and raise the required R47m in borrowings.

The unrest in Zaire since October has seriously disrupted the country's copper, cobalt and zinc production

B/Day 5/12/91

Van Rooyen said Gold Fields was still confident that the project would go ahead with IFC financing.

He said Zaire could not survive without Western support and the board of directors at the IFC would probably approve the project if an element of stability returned to Zaire by the new year

Meanwhile, the political aftermath of the Zambian general election slowed the progress that Genmin, the Gencor group's mining arm, was making towards a formal mining involvement in the country

A source close to Genmin said the new government had more important matters to attend to now.

Senior Genmin mining teams visited Zambia in October, and there was speculation Genmin would be asked by the government to take over state mining company Zambian Consolidated Copper Mines

Leaner Rand Mines fold a ‘positive development’

(214) ([illegible])

B/Day 6/12/91

MATTHEW CURTIN

THE FALL of the house of Rand Mines to the status of a coal-mining house bodes well for the group’s future, despite being shorn of its platinum, vanadium, chrome and forestry interests, says chairman Dammy Watt.

Watt said in his annual review that the group’s reorganisation was “a positive development”

“In the process of change the company has shed many problematic operations to concentrate on its significant investment in one of the premier coal mining companies in SA,” he said

Coal mining arm Witcol contributed 89% of attributable earnings in 1991 from Rand Mines’ six operating divisions

In 1990 Witcol contributed 81% of those earnings, against only 50% of the group’s total attributable income in 1986

Watt said Rand Mines had peripheral but important interests in gold mining, property and management surfaces plus a significant reservoir of skills in deep-level mining

“Adjusting to the change in structure will not be without problems for many of our employees but the rewards to be earned in the long-run will be worthwhile and of benefit to all stakeholders,” Watt said

He said the complexity and magnitude of the problems Rand Mines faced in the past year were such that the remedial measure taken “cut deeply and traumatically into the very fabric of the group”

Write-offs related to the sale of the now-mothballed Barplats Mining (Barmine) platinum operation and the mothballing of the developing Barbrook gold mine slashed Rand Mines’ net asset value from R101,64 a share in 1990 to R55,26 a share in 1991

Strength

In taking on R207m in debts from Barplats Investments (Barplats), the group’s debt to equity ratio climbed from 53% to 86%

In the same time, retrenchments in the group, from its head office at the Corner House in Johannesburg to its gold mines, saw the strength of its workforce drop 26% in the year from 70 386 to 52 212 employees

Five years ago Rand Mines employed nearly 100 000 staff

Watt said a feature of 1991 was the “remarkable change witnessed in industrial relations, not only for the mining industry but for other sectors of the economy”

Trade union leaders and most workers had a greater awareness of the problems facing industry

The productivity schemes put in place on the gold mines after union and association negotiations were “a historical breakthrough” as the union movement had consistently rejected the idea of performance related pay increases in the past

However, he said 1992 would be a difficult year for the gold mines Gold prices were unlikely to overtake this year’s levels in rand terms

Rand Mines four gold mines had pulled themselves round in the second half of the year to offset first half, after-tax losses of R42m

Watt said the debt-laden ERPM had realised working profits for two quarters running despite being one of SA’s highest cost producers

The challenge facing the mine now was to cover its deferred interest charges

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Technology to the rescue

S Times (Buss) 8/12/91

By IAN ROBINSON

NEW TECHNOLOGY is coming to the gold mines' rescue

The new No 1 shaft at Anglo American's Freddies mine near Odendaalsrus will incorporate new technology in the semi-mechanised mining method (SM3) It will be used to mine low-grade ore reserve at an average depth of 1 750 metres

SM3 was chosen after economic exercises showed that a conventional mining system would result in an unacceptable rate of return on the capital investment of R1,1-billion

The project began in September 1984

It is scheduled to reach full production of 180 000 tons of ore a month by 1997, but it may be increased to 280 000

Most of the ore will come from the Basal Reef and the average grade is expected to be about 6,5 grams a ton This will result in the annual production of 10 tons of gold The shaft has an estimated life of 28 years

The exploitation of the Basal Reef is complicated by an overlying band of shale The shale can result in falls of ground and call for the use of expensive timber supports

However, a high rate of face advance can minimise the fall of ground

Rubber

A multi-shift stoping operation will be implemented to achieve high face advance and will involve blasting twice in 24 hours This will produce sufficient tonnage to justify the use of rubber-tyred load-haul-dumpers and articulated dump trucks

Concentrated mining and high face advance are expected to reduce rand a square metre working costs by 13%

Innovative technologies which will be used in stoping include high-pressure water-cleaning and diamond-wire cutting

Diamond-wire cutting will be tried with a view to introducing it as an alternative to conventional drilling and blasting to extract reef from the stopes

It could reduce tonnage mined from stopes by as much as 50% by lowering the stope width Less footwall and hangingwall waste would help

There would be a large average grade

Gold mines making R100m CFC switch

SI Times (Buss) (214)

8|12|91

By ZILLA EFRAT

THE GOLD-mining industry is putting the final touches to its strategy to meet the ozone-friendly requirements of the Montreal Protocol

A switch from ozone-depleting chlorofluorocarbons (CFCs) in refrigeration systems will cost more than R100-million at a time when mines are under severe financial pressure

Chamber of Mines Research Organisation (Comro) underground environment specialist engineer Michael Bailey-McEwan says deep-level marginal mines will be most affected

Imported

A working group with representatives from each mining house has been helping to formulate the strategy

The intention is to convert the industry's refrigeration methods from CFCs to new ozone-friendly refrigerants, such as HFC 134a, which have closely matching properties

HFC 134a, an attractive option for the gold mines, has lately become commercially available But it is 10 times more expensive than CFCs because it requires a more complicated manufacturing process and will be imported

AECI, a distributor of the imported product, says the SA market is too small to make HFC 134a here, but it will review the position as the market grows

Mr Bailey-McEwan says conversion will be cheaper than changing the industry's large water-chilling machines, in which it has invested heavily since the 1960s

The major difficulty is that more than 250 machines use CFC 12 They have a collective megawatt of refrigeration capacity MW(R) of about 1 000 out of the estimated 1 300 MW(R) installed in gold mines for underground cooling

To convert the machines using CFC 12 to HFC 134a will cost an estimated R115-million in 1991 money, R87-million being the cost of HFC 134a

However, the mining industry is committed to complying with the Montreal Protocol, which SA signed at the beginning of last year

It will have to achieve two simultaneous objectives preserve the earth's ozone layer and the profitability of deep-level mining, a cornerstone of SA's economy

Machines using CFCs will be converted, except those nearing the end of their economic lives Conversion programmes are being drawn up to spread the costs over the maximum time possible

Mr Bailey-McEwan says that as machines are converted, the CFC refrigerant will be recovered, recycled and stored for use in machines still to be converted Purchase of new CFCs will thus be minimised

Conversion to HFC 134a is not simple The new substitute cannot merely be mixed with CFCs and its behaviour is not identical to that of CFCs In addition, new lubricating oils are required

The Montreal Protocol, as revised in June 1990, requires that production and consumption of CFCs must cease by the year 2000

Mr Bailey-McEwan says evidence linking long-lived chlorine-containing chemicals to stratospheric ozone depletion continues to mount

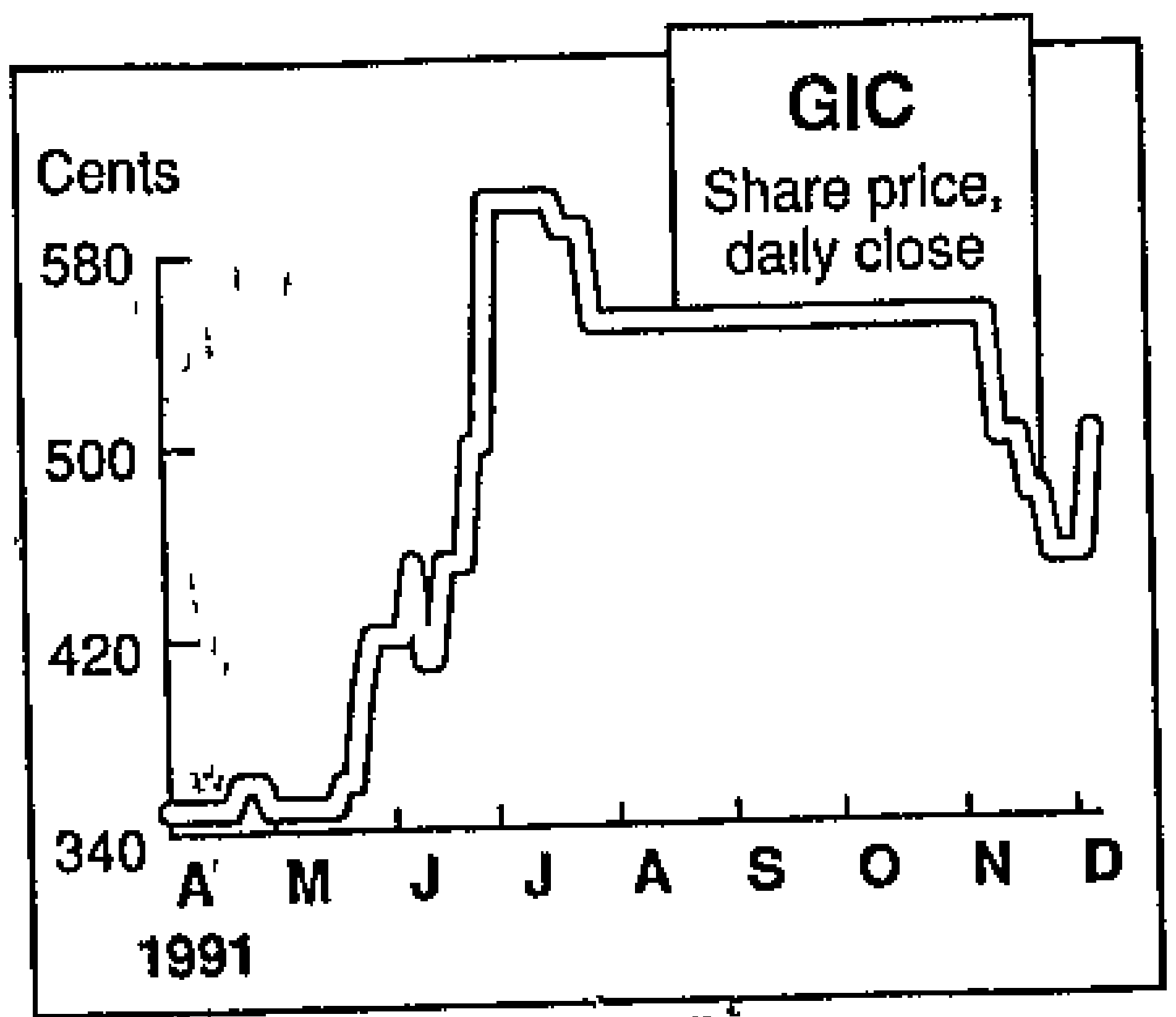
Destroyer

As a result, the protocol is intended to phase out every chemical which might reach the stratosphere in sufficient quantities to delay restoration of the ozone layer

He says that because of this it is virtually certain that when the protocol is revised in October 1992 the phase-out year for CFCs will be brought forward to 1997

In addition, a phasing-out schedule is expected to be imposed on closely related HCFCs with their phase-out year being set at 2010 or earlier

Mr Bailey-McEwan says the use of HCFCs is small in gold mines, but conversion will have to take place later



Graphic FIONA KRISCH Source I NET

Goldfields profits lifted to R1,75m

ROBERT GENTLE (214)

GOLDFIELDS Industrial Corporation (GIC), manufacturer and supplier of flat-rolled strip steel to diverse industries, has lifted attributable profits for the half-year ending September by 24,7% to R1,75m (R1,40m) BDay 9\12\91

This solid performance, achieved against a background of recessionary conditions and industrial unrest in the automotive industry, was aided by concentration on high-value products, strict cost control and decreased interest charges.

On the operational level, this was reflected in GIC's trading profit rising faster than turnover, which effectively marked time because of low product demand Trading profit margins were thus markedly higher at 12,6% (11,2%)

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Goldfields BDay 9\12\91 (214)

☐ From Page 1

The bottom line showed interim earnings a share up 26,5% to 43c (34c) The interim dividend a share was up a more modest 10% to 22c (20c), leaving dividend cover slightly higher at 1,95 (1,7) times.

The balance sheet showed a healthy face with long-term loans down from R2,48m to R1,20m and cash in the bank up from R2,85m to R5,06m There were no short-term loans

"The company remains well placed to benefit from any upturn in business," directors said in the interim report

GIC shares surged 11% from 450c to 500c on Friday

Doornfontein management stands by firings

B Day 9/12/91

VERA VON LIERES

LENGTHY negotiations between Doornfontein gold mine management and the NUM ended inconclusively last week with the company standing by its dismissal of about 5 800 miners earlier in the week

Gold Fields said discussions with the NUM, after Wednesday's firing of most of its unskilled and semi-skilled workforce, "yielded no satisfactory conclusion" and the dismissals of the miners stood

The workers were fired after they embarked on an illegal strike last Monday and rejected an ultimatum to return to work by Wednesday morning. The strike was sparked by the dismissal of 38 miners after last month's anti-VAT stayaway, the NUM said

NUM acting general secretary Marcel Golding said yesterday that despite a number of proposals made by the union at renewed talks on Saturday, the company appeared intent on dismissing the workers

The NUM proposed that concrete procedures be followed in future should there be "any potential threat" of illegal industrial action and that the case of the 38 workers be taken to arbitration ([illegible])

Gold Fields said the precarious financial position of the mine had been made untenable by three unlawful strikes in almost as many months ([illegible])

An illegal work stoppage for nearly two weeks led to a loss in September

Since then another illegal stayaway had further eroded the mine's financial position and the current stoppage would do substantial further damage, Gold Fields said (214)

"This leads us to the conclusion that, if the company is to succeed and continue to operate underground workings, it needs to rely on a workforce which can contribute towards the achievement of this goal."

Minorco buying spree tops $1bn

(214) B Day

Bus Day 9/12/91

JOHN CAVILL

LONDON — Minorco's international shopping bill has topped the $1bn mark with the £115m ($207m) purchase of Imperial Chemical Industries' (ICI's) lime mining and processing operation in England.

Since the Anglo/De Beers-controlled group embarked on the takeover trail with $2,5bn cash — after the sale of its Consolidated Gold Fields stake to Hanson about 18 months ago — it has made major investments in the US, Canada, eastern Germany and Portugal

The ICI lime business is the UK's first and Minorco's second biggest cash outlay since the $705m purchase of Freeport McMoran gold mining in the US last year

In its last annual report (to June 1991) Minorco showed holdings of cash and liquid investments of $1,9bn

The new business, to be named Buxton Lime Industries (BLI), made pre-tax profits of about £13m on sales of £56m last year

"We see BLI as a cornerstone for building up an industrial minerals business in Europe," said a Minorco spokesman

"It was one of ICI's first operations but they decided it was no longer a strategic business for them and they had other priorities for development."

Since Hanson acquired 2,8% of ICI earlier this year, with the threat of a takeover of the £8,4bn chemicals giant, the group has been restructuring itself to ward-off potential predators

BLI, which employs 480 people, produces 4- to 5-million tons of lime annually from three quarries near Buxton, the Derbyshire spa town in northwest England

It has reserves of 400-million tons — enough for 80 years' output — and owns 1 242ha of land

The reserves are one of the purest large-scale deposits in the world with 97% to 98% pure calcium carbonate

BLI's main customer has been the soda ash industry for chemical grade stone and the steel, construction, water and effluent treatment industries for higher value-added grades

In the past 18 months, Minorco has acquired US gold mining company Independence Mining, Portuguese tungsten producer Beralt Tin & Wolfram, east German gravel and sand producer Elbekies and Canada's Hudson Bay Mining and Smelting. It has also acquired minority stakes in Austrian paper producer Neusiedler and Irish base metals prospector Ivernia West

GIC keeps head above water

Finance Staff STAR 9/12/91

Goldfields Industrial Corporation (GIC) has posted fair results for the six months to September, despite demand for its products remaining at a low level

Pre-tax profits were 22 percent higher at R3,294 million, while taxed profits increased to R1,746 million from R1,401 million in the same period last year

Earnings per share were 26 percent higher at 43c

The interim dividend has been increased by 10 percent to 22c a share

Turnover generated externally was marginally higher at R38,645 million, compared with last year's R38,550 million.

The company says lower interest charges, which were reduced to R577 000 from R720 000, were the result of concentrating on high added-value products, strict cost control and control of working capital

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These measures also resulted in better margins

While not giving clear and specific forecasts, the company says it is well placed to benefit from any upturn in the economy.

Gold Fields firm on dismissals

VERA VON LIERES

DOORNFONTEIN gold mine was recruiting a new workforce and had applied to the Supreme Court for an order to evict about 5 800 dismissed workers, Gold Fields said (2-14) yesterday

However, NUM acting general secretary Marcel Golding said the union would contest the lawfulness of the eviction order, if granted (B/Day) 11/12/91

Golding said the application would be heard in the Pretoria Supreme Court on Friday He said the union had also made an application to the Industrial Court to contest the fairness of the dismissals of the 5 800 early last week

Workers were fired after they embarked on an illegal strike last Monday and rejected an ultimatum to return to work on Wednesday The strike was sparked by the dismissal of 38 workers following the anti-VAT stayaway early last month

Gold Fields said yesterday accommodation occupied by the fired workers was needed to accommodate a new workforce

The company said recruitment was in progress and once the dismissed employees had been lawfully evicted it would be possible to accommodate new employees

The illegal strike, which was the third in almost as many months, had led management to conclude that if the mine was to have a future, it needed reliable workers

Golding said management had failed to accept several union proposals aimed at effecting a return to work of the dismissed workers Management had not come up with concrete counter-proposals

The union proposals included procedures to remedy any contemplated irregular industrial action and taking the case of the 38 dismissed workers to arbitration

In another development, management at Iscor's Durnacol mine in the northern Natal on Monday rejected union proposals on the re-employment of about 3 000 miners, the NUM said The workers were dismissed after failing to comply with an ultimatum last week to return to work after a legal wage strike Golding said the company intended to selectively re-employ about 2 000 workers.

He said the company was using a lawful strike to effect a retrenchment.

Workers were willing to return to the mine and the union had proposed mediation in a bid to resolve the deadlock

GFSA heavies lift dividends

(214)

STAR 11/12/91

By Derek Tommey

Two heavyweight gold mines in the GFSA group have increased their interim dividends

Deelkraal is paying 15c, against 10c last year, and Driefontein Cons is paying 65c, against 60c last year

Another heavyweight, Kloof, is paying an unchanged 40c a share.

Doornfontein, Libanon, Venterspost and Vlakfontein have again passed their dividends

Libanon last paid a dividend in the first half of last year, Doornfontein and Venterspost in the first half of 1989, and Vlakfontein in the first half of 1988.

Static gold price and rising working costs hit Gazgold

B/Day 11/12/91

(214)

MATTHEW CURTIN

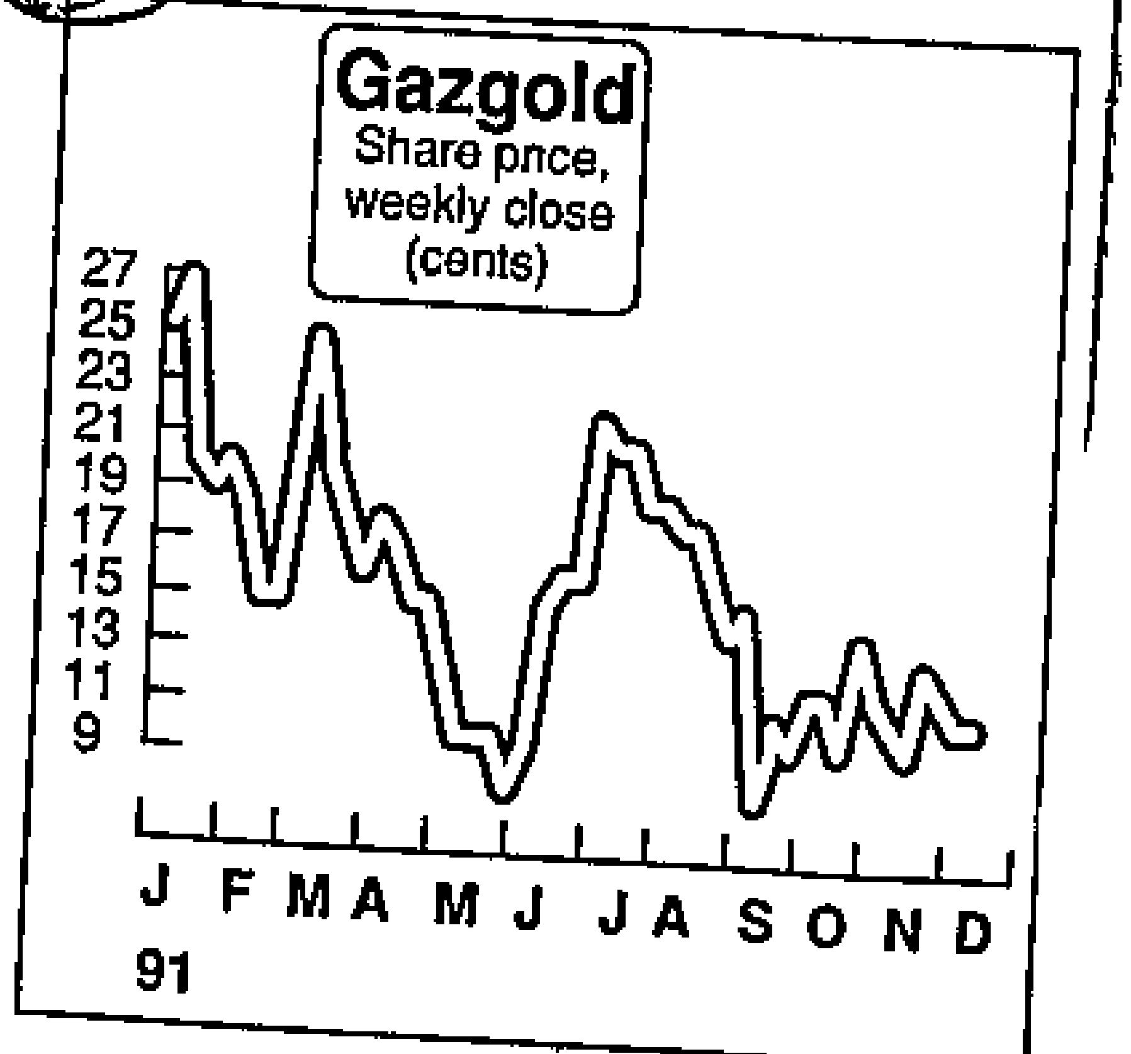
RISING working costs and a static rand gold price clobbered results at small independent gold mining company Gazankulu Gold Holdings (Gazgold) in the September quarter.

Gazgold's performance was also hit by the hiatus concerning the financial restructuring of the company

The mine posted an operating loss of R13 000 against an operating profit of R34 000 in the previous quarter.

MD Hugh Newman said in a statement yesterday that the quarter's results were knocked by "uncertainties prevailing during the negotiation period leading to the finalisation of state assistance". Gazgold had R16m in liabilities as of October 31, of which the government has guaranteed R10m secured by the company's moveable assets and mining rights

He said there had been changes to some minor management positions and "the situation has now stabilised" The mine was on line to reach budgeted production and recovery targets



Graphic LEE EMERTON Source I NET

The amount of ore milled in the quarter fell from 20 155 tons to 19 248 tons. Although development at the Franks mine continued apace in the quarter, poor ground conditions saw work aimed at re-opening the Klein Letaba mine grind to a halt, while a shortage of ore reserves saw production stop at the Birthday mine Development work continued there.

Gold production fell from 65kg to 53kg in the quarter

State secures R10m loan for Gazgold

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MATTHEW CURTIN

GAZANKULU Gold Holdings (Gazgold), a small independent gold producer, has won state assistance in the form of a R10m loan guaranteed by government to help repay its long-term debts

Gazgold will use the loan facility provided by Standard Bank to repay R8,5m in liabilities. The company will use the balance to finance capital programmes and as working capital to improve the company's prospects.

Gazgold's debt burden has prevented it from undertaking vital development work at its mines

B/Day 11/12/91

Gazgold's liabilities stood at more than R15m as of October 31, and outstanding debts will be capitalised through a R7,2m rights offer of 9% cumulative compulsory convertible preference shares of 1c each

Unlike previous state assistance to gold mines, the government has guaranteed the R10m loan by using as security Gazgold's moveable assets and mineral rights.

State assistance has been granted under the broad guidelines of the 1990 Marais Committee of Inquiry into the position of marginal gold mines.

The announcement earlier this year that government assistance for Gazgold was on the cards drew criticism from some analysts, who said such aid undermined the industry's drive to contain costs at a time of inflation and low gold prices.

● See Page 7

ARG 12/12/91 ②①④ (255)

9 000 gold and coal miners axed

The Argus Correspondent

JOHANNESBURG — Nearly 9 000 workers from Durnacol Coal Mine in Newcastle and Doornfontein Gold Mine (Goldfields) in Carletonville have been dismissed, said general secretary of the National Union of Mineworkers, Mr Marcel Golding

At a Press briefing in Johannesburg Mr Golding said 3 034 workers had been dismissed by Iscor-owned Durnacol and 5 800 by Goldfields

He said the companies had rejected "every single proposal" the NUM had made and instead had threatened to evict the workers from the hostels through a court interdict which he said the union would contest tomorrow

"The companies' intention is to dimsiss the entire workforce and re-employ about 2 000 We have called for the reinstatement of the entire workforce and we will contest the validity of each and every dismissal in the industrial court and have made the companies aware of our intentions," Mr Golding said

Minorco gains in share swap

JOHN CAVILL

B/Day 12/12/91

LONDON — Minorco has swapped its 47% stake in loss-making Adobe Resources, which produces oil and gas in the US and Indonesia, for a 10% holding in the Houston-based Santa Fe Energy Resources group

The deal follows a merger agreement between Adobe and Santa Fe, under which Adobe, with a market value of $343,5m on the New York Stock Exchange, will be taken over in a share swap by Santa Fe, capitalised at $614m

It puts a value of $5,96 on each Adobe share — a discount of 2,4% to the market price and against a 12-month high of $10,50 and low of $5,50

This will leave Minorco with 10% of the enlarged Santa Fe This is worth $86,8m at current prices, against the original cost of the Adobe interest of $90,2m Minorco has agreed not to sell its Santa Fe shares for at least 12 months

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The decision to sell Adobe was announced in June Minorco's US subsidiary said it had concluded that "its passive holding in Adobe is not consistent with its declared strategy of increasing its role as an operating natural resources company involved principally in mining, metals and related businesses"

Minorco has been involved with Adobe since 1985 Beset by weak oil and gas prices plus the costs of unsuccessful drilling in Egypt, Argentina and Pakistan, Adobe has made profits in only two (1987 and 1988) of the past five years.

Losses attributable to equity sharehold-

☐ To Page 2

Minorco

B/Day 12/12/91

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☐ From Page 1

ers hit $32,5m in 1989 and $21,1m last year Adobe has never paid a dividend on its ordinary shares but had to pay out $19m a year on its convertible preferred capital — which Minorco did not hold

AP-DJ reports that Adobe Resources said yesterday it would immediately lay off 28% of its workforce.

It said as a result of the continuing decline in seasonal natural gas prices, it was taking steps to preserve its cash resources, including suspending dividend payments on both classes of preferred stock.

Anglo/De Beers-controlled Minorco is not expected to hold the Santa Fe stake as a long-term investment

Minorco's last annual report said while strategic minority investments were part of its planning, "it is intended that passive investments will only represent a small proportion of our total assets".

Last week Minorco spent $204m buying Imperial Chemical Industries' lime operation in England which increased its total spent on new investments since early 1990 to over $1bn

BRIGHTER DIVIDENDS

Interim dividends from some of GFSA's gold producers underline the turnaround being achieved for the better quality gold mines, as belt-tightening programmes pay off at last

FM 13/12/91

Kloof has maintained its dividend at 40c a share, after reducing last year's total when net profit failed to cover capital spending, particularly on the Leeudoorn division

However, there was a recovery in the payout from Driefontein Consolidated, whose dividend was raised by 5c, to 65c, after being cut last year Deelkraal's dividend was also raised by 5c, following last year's cut from 25c to 10c

Less positively — but in line with the trend elsewhere — the dividend drought continues at hard-pressed marginals Venterspost, Libanon and Doornfontein, all of which have again passed their interims.

(214)

Brendan Ryan

Loraine's fortunes take a better turn

BDay 13/12/91. (214)

GOLD mining activities at Anglovaal's Loraine gold mine have taken a turn for the better only months after management said the mine might have to close down from the end of November

The mine turned in earnings of R1,8m in October and November, the first two months of its financial year, equivalent to 11 cents a share, and in contrast with a R7,6m after-tax loss in financial 1991

In his annual review, chairman David Crowe said the mine was set on a survival course for at least the next year if it could maintain target recovery grade of more than 5,6g a ton for underground ore, and sell half of its gold production forward.

Loraine was also on the verge of starting surface retreatment operations despite the low quality of the reserves.

Crowe said the low cost of handling and treating the material would offset the expected low recovery grade of 0,75g/t

MATTHEW CURTIN

Progress made by Target Exploration, in which Loraine has a 25,1% interest, had progressed better than planned, and the drilling programme would be completed two years ahead of schedule

Crowe said the short- to medium-term future of the mine, the most northerly gold producer in the Free State gold fields near Welkom, was "uncertain"

"However, based on results for October and November 1991, it appears the company can continue mining and related operations for the next 12 months or so without being exposed to a significant risk of monthly losses, provided suitable hedging opportunities occur."

Loraine has undergone a large restructuring programme in the past year, in which the monthly milling rate has fallen 135 000 tons to 90 000 tons a month, and hundreds of jobs have been cut.

Clouds lift as Loraine returns to profitability

STAR 13/12/91

By Derek Tommey

214

There is good news from Loraine, Anglovaal's struggling Free State gold mine

It is making profits again and the likelihood of its closure has been averted for a while

A black cloud hung over its future after its report of a loss of R7,6 million before capital expenditure for the year to September and a net loss of R12,3 million after taking capital expenditure into account

Loraine's chairman, David Crowe, says the mine's rationalisation programme is beginning to bear fruit and that in the two months to November it had earnings of R1,8 million, equal to 11c a share

In September, Loraine said it had started to conduct mining operations on a more selective basis and that the milling and related underground mining rates were being reduced to 90 000 tons a month to eliminate monthly losses

Mr Crowe says factors helping the mine to move into the black were net interest of R1,4 million from its R43,7 million cash holdings (equal to 267c a share), hedging operations and an average monthly mill throughput of 100 000 tons for the two months

He says the mine's short-to-medium-term future is uncertain as it depends on its ability to maintain a recovery grade on ore from underground of above 5,6 grams a ton and also on the rand price of gold

Based on the results for October and November, the company should continue working for the next 12 months without suffering a significant risk of substantial monthly losses

But this will also depend on the company's ability to hedge at least 50 percent of its gold production at suitable prices in the 12-month period

Dump material

Other good news is that an investigation shows that it will be profitbable to treat surface dump material in the No 2 Shaft area

Starting in January, it will begin treating 45 000 tons a month at an estimated recovery grade of 0,75 grams a ton This should boost revenue by another R3 million a quarter

A further piece of good news is that the detailed drilling programme of Target Exploration is going better than expected

Target Exploration is an investigation into an area lying to the north of Loraine, in which it has a 25 percent stake

If the current drilling rate is maintained, the programme should be completed ahead of the two years originally scheduled

Minorco mum on battle for Steetly

JOHN CAVILL

LONDON — Minorco refused to comment yesterday on a weekend report that it might intervene in the £575m bid battle for Steetley, the UK brickmaker and one of Europe's biggest suppliers of crushed stone for concrete and roadmaking

A spokesman for the Anglo/De Beers-controlled group said "While we have been getting involved in areas in which Steetley operates, we cannot say anything about market speculation" (214)

The Daily Telegraph said Minorco had "emerged as a potential white knight for building materials group Steetley — the target of a £575m bid from rival Redland — valued in the market at £1,5bn"

It said while Minorco would not be interested in Steetley's brickmaking business, its stone quarries and reserves in the UK, France and Spain were an attraction

One of the main reasons for Minorco's abortive £3bn bid for Consolidated Gold Fields two years ago was the Amey Roadstone subsidiary, the UK's biggest aggregate group, which was valued at £1bn And this year it has bought two stone and sand companies in eastern Germany Recently Minorco bought Imperial Chemical Industries' lime quarries for £115m

Steetley's stone business would fit in with Minorco's strategy of building up a resource-based empire in Europe.

The building materials industry in Britain remains blighted by the worst property recession since 1945 Steetley, which with 12% of the market is the second biggest, saw pre-tax profits slump 23% to £85m in 1990 In the first six months of 1991 pre-tax earnings were 72% down at £13,5m

RAND MINES PROPERTIES

Paying out

(214)

FM 20/12/91

Activities: *Develops and markets property on the Witwatersrand and runs a number of dump retreatment operations to recover gold*
Control: *Rand Mines 76,4%*
Chairman: *D T Watt, MD C G Steyn*
Capital structure: *12,4m ords Market capitalisation R158m*
Share market: *Price 1 275c Yields 9,4% on dividend, 11,8% on earnings, p e ratio, 8,4, cover, 1,3 12-month high, 1 425c, low, 1 075c Trading volume last quarter, 197 000 shares*

Year to Sept 30	**'88**	**'89**	**'90**	**'91**
Gold produced (t)	3,7	3,6	3,5	3,8
Turnover (Rm)	154	166	172	181
Operating profit				
Gold (Rm)	32,7	25,3	4,4	3,3
Property (Rm)	9,1	9,5	17,7	16,6
Taxed profit (Rm)	28,3	25,7	20,9	18,8
Earnings (c)	224	205	169	151
Dividend (c)	120	140	140	240*

*Includes 100c special dividend

"It's an ill wind that blows nobody any good," goes the proverb and Rand Mines Properties (RMP) minorities can thank the troubles at Rand Mines for an unexpected dividend boost The cash-strapped mining house, obviously looking for every cent it could lay its hands on to cope with debts that soared to R312m at one stage (**see *Companies* lead**), milked R9,5m out of RMP through a 100c special dividend

Chairman Damocles "Dammy" Watt, who is also chairman of Rand Mines, says RMP can afford it because cash balances exceeded requirements and RMP still has sufficient funds "to take advantages of opportunities that may arise"

The balance sheet shows R52,9m cash on hand at September 30 (1990 R58m), but current assets fell to R67,4m (R71,6m) while current liabilities rose to R54,9m (R39m) because of the higher dividend and a rise in creditors to R18,5m (R15,5m)

The decision to pass on some cash was probably reinforced by the fact that, in present depressed economic conditions, RMP can see little to do with its money other than leave it in the bank Watt comments that RMP has identified no suitable investment opportunities in either property or gold recovery and has finalised ~~no~~ commitments for additional new investments

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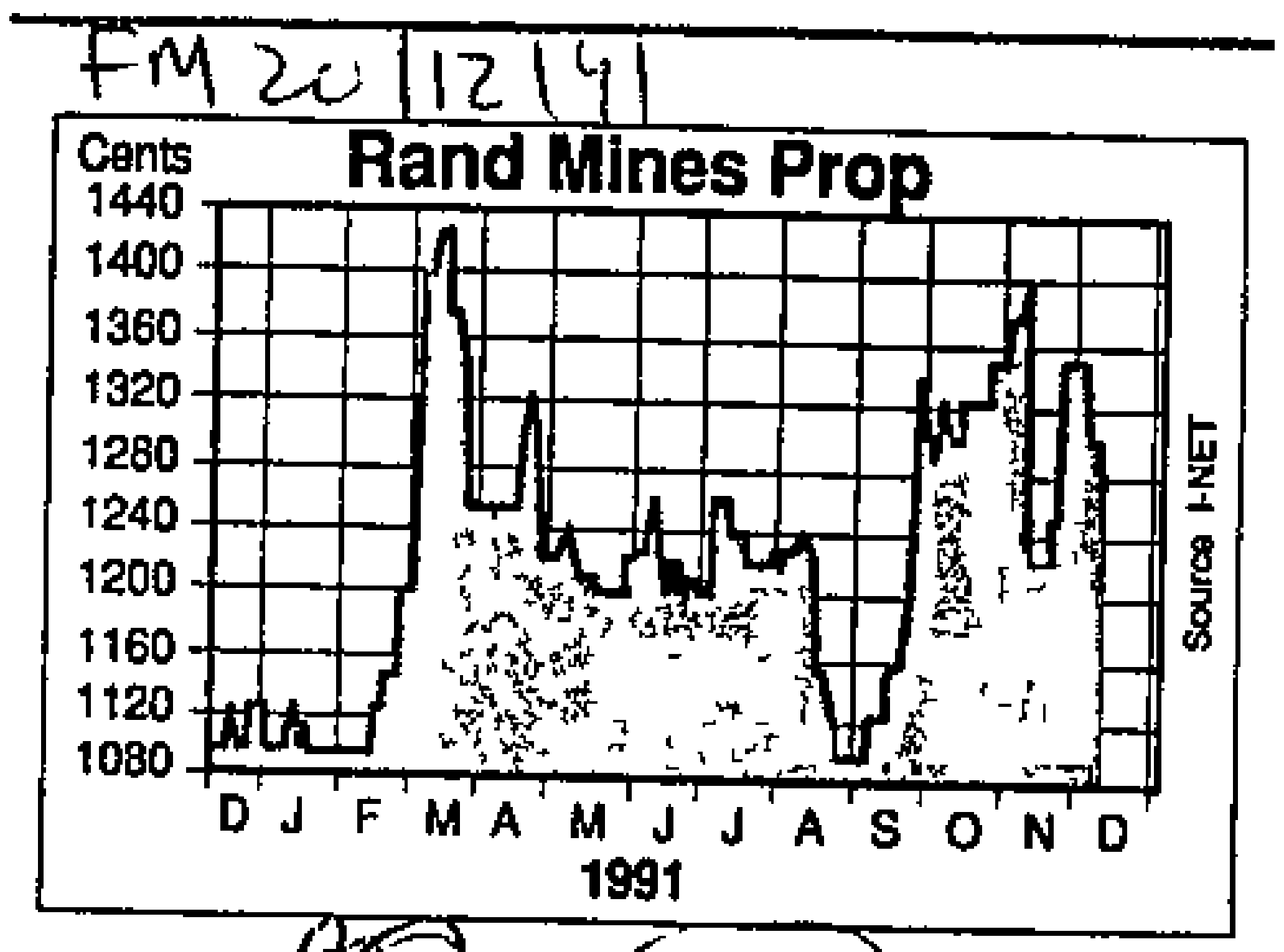
COMPANIES

FM 20/12/91



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That does not say much for growth prospects this year and Watt expects both lower earnings and ordinary dividends There should be no more special payments because, with both the gold and property markets not performing, RMP needs the interest earned on its funds and Rand Mines has sorted out its own debt problems

Watt says there was a noticeable drop in demand for township land in the second half of the financial year as a result of the state of the economy, low business confidence and the socio-political climate That means lower property profits, which accounted for 84% of earnings last year

Gold operations are not looking too rosy either The report reveals worrying increases in working costs at the Crown Mines and City Deep dump retreatment along with a drop in grade at the Pilgrim's Rest plant in the eastern Transvaal

Dump retreatment plants are supposed to be low-cost compared with underground operations, but average gold price received by RMP's operations of R33 502/kg was a scant 1% above average costs of R30 341/kg and the group is selling gold forward

Barring a dramatic gold price recovery, it is difficult to see the share price do anything better than chug along at current levels

Brendan Ryan

Graphic FIONA KRISCH Source I-NET

Back to work

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UNDERGROUND production at Doornfontein gold mine, halted since the dismissal of 4 000 strikers, is likely to resume this week.

But output will be limited while the recruitment of workers continues, says Gold Fields of SA spokesman Marian Brower S/ Times (B155)

"It is difficult to say when production will be back in full swing It depends on the new workers and how soon we get back to the full complement." 22/12/91.

About 4 000 semi-skilled and unskilled workers were dismissed after ignoring an ultimatum to return to work. They had been involved in an unlawful strike.

Surface production, involving the mine-dump operation, was not affected.

Compromise contributes to upbeat year for mining

B|Day 27/12/91

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**VERA VON LIERES
and MATTHEW CURTIN**

IN THE latest Chamber of Mines newsletter, National Union of Mineworkers (NUM) acting general secretary Marcel Golding, chamber president Naas Steenkamp and other mining union representatives are photographed, looking pleased as punch, after signing the gold mining industry productivity agreement

They were right to be pleased The low wage increase boosts the gold mines' ability to contain costs, keeps them in business and saves jobs Retrenchments in 1991 have fallen far short of dire predictions in February that 40 000 to 200 000 jobs were on the line

The agreement and the year's wage negotiations were handled with a minimum of acrimony by both sides, as the NUM temporarily jettisoned its long-held aversion to profit-related and less-than-inflation pay increases

While managers have described the deal as a "benchmark agreement", there remains the problem of making agreements signed in Johannesburg head offices effective 2 000m below the surface of the Free State.

Chamber of Mines GM (industrial relations services) Adrian du Plessis believes a crucial development was the recognition by trade unions that the future of the industry depended on "the ability to contain costs and improve workplace efficiencies"

"By proposing to link the level of wage increase to improvements in these areas, unions have been party to defining a new bargaining vocabulary," Du Plessis says

"The agreements this year have demonstrated the flexibility of the parties to forge these kinds of deals out of the adversity of the industry, which will undoubtedly stand us well in the time to come"

He says the parties began a tripartite process — such as is standard in industry in many European countries — in which government, organised labour and management representatives will discuss through four working groups ways to secure the future viability of the gold mining industry

However, the NUM is more circumspect on the importance of the agreement Golding says the settlement related only to the gold mining industry and was a particular response to the crisis conditions faced by the sector On the union's part, its national wage policy has been suspended only temporarily

He says "The union is concerned that at mine level there is no practical implementation of the agreement reached"

Employers' conduct over November 4 and 5 — particularily those insisting on taking punitive action against workers who heeded the anti-VAT stayaway call — brought into question their commitment to respecting workers' rights to participate in peaceful protest This suggests employers' approach has not changed radically, and mass dismissals remain part of employers' weapons in dealing with legitimate union activities, he says

Sceptical

Golding says the union has secured basic safeguards in the performance-related bonus schemes which include improvements in health and safety, job security, greater participation in the setting of targets and disclosure of information

The dispute at Doornfontein may reflect much of what Golding says Gold Fields has gone ahead with the dismissal of the majority of the workforce, which embarked on an illegal strike at the marginal gold mine Doornfontein is battling to stay in the black, and the latest dispute smacks of a communication breakdown between workers and management at the very least

The white union federation, the Council of Mining Unions, is sceptical that progress was made in 1991 Chairman Ben Nicholson says production workers have borne the brunt of cost cuts, while head offices have barely been affected Tripartite working groups (comprising employers, unions and the state) are yet to get off the ground, and he doubts management will sustain its cost containment drive and related bonuses once the gold price recovers

Anglo American Corporation executive director (public affairs and industrial relations) Bobby Godsell says the year was difficult and encouraging The cost/price squeeze necessitated retrenchments and a contraction of mining activity and campaigns related to the process of political transition — such as the VAT stayaway — hit production and led to violence in some cases

"All in all there has been a change in gear in the relationship between employers and unions which will hopefully be consolidated in 1992"

Genmin human resources senior manager David Grunewald is also more cautious, saying it was a year in which relations with the NUM reached "greater maturity" "The earlier gamesmanship disappeared, and both sides focused on the problems at hand management has a greater realisation that unions are part of the solution, not part of the problem" on the mines

The issue which has done most to breach the gap between lower level management and workers is safety The kernel of the Association of Mine Managers, NUM and Government Mining Engineers' campaign to tackle falls of ground accidents on gold mines this year was its focus on communicating safety issues from office level to team leaders underground

Teams from several mines have examined the management system at Gengold's Beatrix gold mine near Welkom. There a safety drive coupled with an adult education programme has not only cut accident rates, but also eradicated labour unrest and improved the mine's productivity well above industry averages

It will be some time before such progress affects every gold mine

Gold mines still deep in the woods

S| Times(BUSS) 29|12|91 (214)

By IAN ROBINSON

THE gold-mining industry has not yet turned the corner and 1992 could be another difficult year

Johan Liebenberg, senior general manager, external relations, at the Chamber of Mines, says that although there were positive developments in the year, the industry is still at the mercy of factors beyond its control

Two positive developments were the mining summit in June and wage settlements at levels below the inflation rate

The mining summit initiated a tripartite approach — it involves employers, trade unions and the State — to resolving problems It set up a steering committee and four others to deal with specific issues

In the annual wage negotiations with the National Union of Mineworkers (NUM), four mining houses concluded agreements based on an increase of 4% to 6,5% plus productivity and gold-price bonuses

These agreements reflected trade union awareness of the gravity of the situation facing the industry and the probability that higher pay increases would lead to more retrenchments

Static

However, Mr Liebenberg is worried that the bonuses will not be sufficient to prevent renewed pressure for increases in basic wages exceeding inflation next year

High inflation — aggravated by declining grades — and the static rand price of gold are maintaining pressure on the mines

The chamber's senior economist, Ivor Leibowitz, is moderately optimistic about prospects for the mines next year

He believes that the gold price has bottomed because world fabrication demand has exceeded new supplies in the past two years

Jewellery demand is growing strongly The expected decline in new gold supply in 1992 could improve price prospects

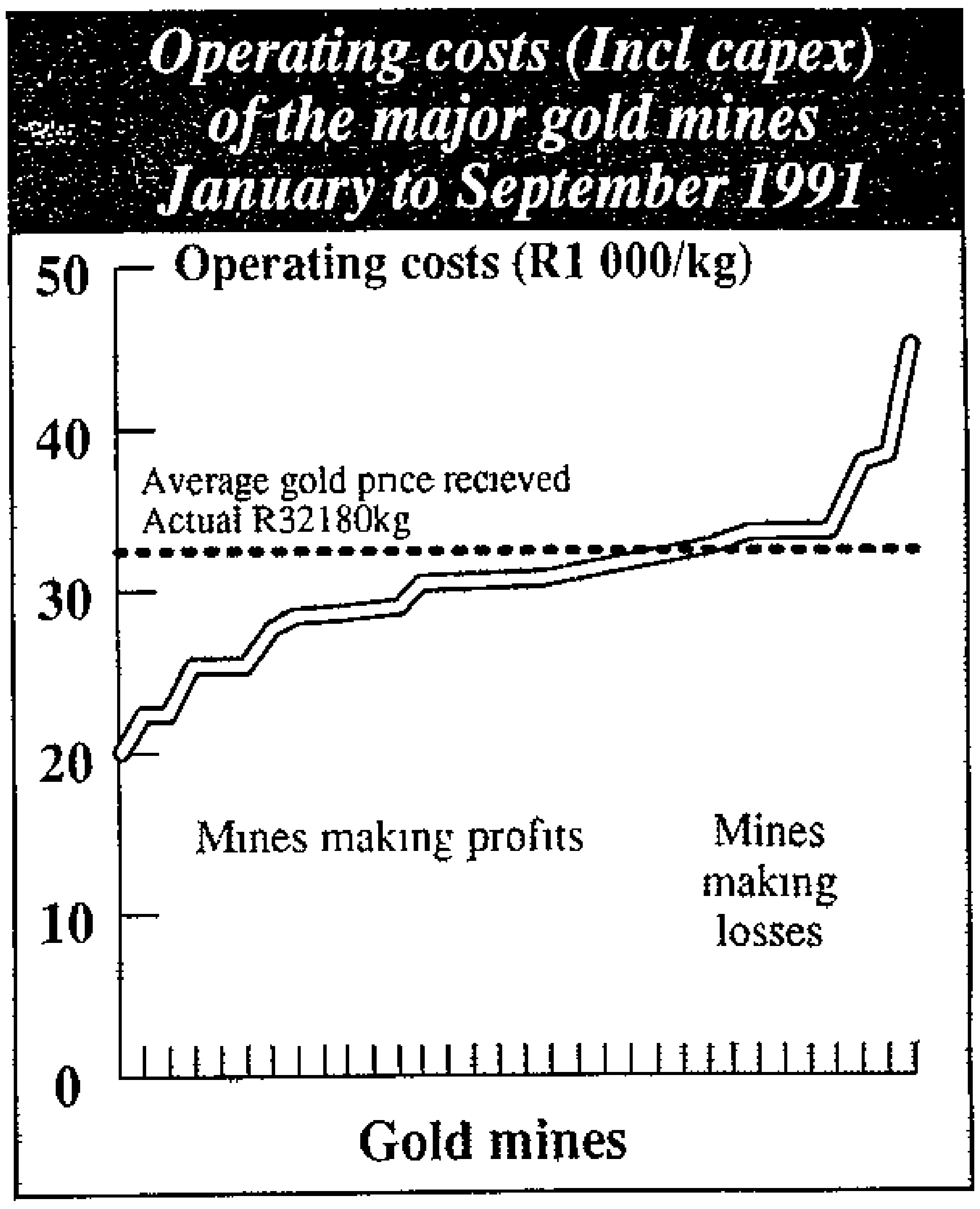
The restructuring of the industry in the past few years also provides grounds for optimism

A much keener focus on profits has resulted in closures, rationalisations and large-scale retrenchments and a leaner, more resilient industry has emerged

However, working costs — particularly for labour, which comprises about half of the total — remain critical

In the first nine months of 1991 the operating costs (including capex) of 10 mines exceeded the average gold price (R32 180/kg) received by the industry

If the gold price were to decline to R30 000/kg — by less than 7% — it would result in 20 mines becoming uneconomic at present operating costs


Operating costs (Incl capex) of the major gold mines January to September 1991

Gold mines in ascending order of costs From the lowest-cost producer, Driefontein Consolidated, to the highest, Venterspost

Randfontein bonus plan pays off

By Derek Tommey STAR 30/12/91

The 5c increase in Randfontein's interim dividend to 25c announced recently is one of the most welcome items of news the gold mining industry has had for a long time

It reverses a four-year trend of falling profits and dividends caused by a static gold price and rapidly increasing wages

It suggests that if a low-grade mine like Randfontein can do better, so can the industry as a whole

Randfontein made gold mining history by introducing an incentive scheme for its workers in July

This resulted in a bonus payout of R5 million at the end of September It has apparently also resulted in a bonus payout for the mine's shareholders as well